VOLUME 80 □ NUMBER 4 □ APRIL 1994

FEDERAL RESERVE BULLETIN

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

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At its meeting on December 21, 1993, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions and that did not include a presumption about the likely direction of any adjustment to policy during the intermeeting period. The directive stated that, in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater or slightly lesser reserve restraint might be acceptable during the intermeeting period. The reserve conditions associated with this directive were expected to be consistent with moderate growth in M2 and M3 over the months ahead.

Business-to-Business Payments and the Role of Financial Electronic Data Interchange

Scott E. Knudson, Jack K. Walton II, and Florence M. Young, of the Board's Division of Reserve Bank Operations and Payment Systems, prepared this article.

Over the past three decades, businesses have implemented a vast array of automated systems to improve their productivity. Nevertheless, most continue to bill their customers with paper invoices and to mail their suppliers paper checks with remittance information. Generating and processing these paper documents consumes significant amounts of real resources, such as labor and transportation. The purchasing company must manually enter data from invoices into its automated accounts payable system, track the receipt of supplies, print remittance documents, and issue and mail checks. After receiving payment, the supplier must manually enter payment data into its automated accounts receivable system and deposit the check with its bank for collection.

To collect payment for its customer, the suppliers' bank (the collecting bank) must typically transport the check to the bank on which the purchaser drew it (the payor bank).[1] Collecting banks frequently route checks through intermediaries, such as correspondent banks or Federal Reserve Banks, which ultimately deliver the checks to the payor banks. Thus, the transportation of checks through the collection chain and the repetitive handling of them at each bank in the chain contribute significantly to the cost of processing checks.

Today, electronic data interchange (EDI) permits businesses to replace paper documents with the electronic transmission of a wide variety of business data. Specifically, EDI consists of the electronic transmission of data in standard formats developed by businesses for documents typically exchanged between trading partners, including purchase orders, invoices, shipping notices, payment orders, and remittance advices.

To permit businesses to automate payment processing fully, the banking industry has combined electronic payment formats with EDI formats for remittance data. When electronic transfers of funds and electronic remittance data are combined to make payments, the transactions are called financial electronic data interchange (financial EDI). Using financial EDI to make payments allows businesses to replace the labor-intensive activities associated with issuing, mailing, and collecting checks through the banking system with automated initiation, transmission, and processing of payment instructions. Thus, it eliminates the delays inherent in processing checks. Financial EDI also improves the certainty of the payment flows between corporations' bank accounts because the payee's bank can credit its account on the scheduled payment date and the payor's bank can debit its account on the same day.

Despite the potentially significant benefits of financial EDI to businesses and the banking industry, businesses continue to use traditional methods to make most of their business-to-business payments.

This article examines the ways business-to-business payments are made today and describes the methods for making financial EDI payments. It also explores the reasons that businesses have chosen to use various payment instruments, the benefits of financial EDI, and the impediments to its use.

How Business-to-Business Payments Are Made

The three principal types of noncash payment instruments currently used for business-to-business

1. The term "bank" in this article refers to all depository institutions, such as savings and loan associations, mutual savings banks, credit unions, and so forth.

payments are checks, large-dollar funds transfers, and automated clearing house (ACH) transfers.

Checks

Checks are debit transfers, that is, payees must collect funds from payors. Funds made available by banks to depositors of checks are provisional and may be reversed if the payor does not have sufficient funds in its account to pay the check when it is received by the payor's bank. In 1993, more than 96 percent of all noncash payments made in the United States were made by paper checks (table 1). Consumers issued about 55 percent of these checks, businesses issued about 40 percent, and the federal government issued about 5 percent.[2]

Because businesses issue checks to individuals as well as to other businesses, the number of business-to-business checks is difficult to estimate with any degree of accuracy, but the number is certainly large. Moreover, because the value of payments made between businesses is likely to be much larger than the value of those made by businesses to individuals, the value of business-to-business checks probably accounts for a large share of the value of all checks written.

Businesses use checks to make payments for basically two reasons. First, they are a familiar instrument, and they are a readily accepted form of payment despite some uncertainty about receiving final payment. Second, some businesses benefit from the float created by the delays in the check-collection process. Float is created when a delay occurs between the initiation of a payment and the availability of the funds to the recipient. As previously noted, delays occur because checks are typically delivered through the mail, require physical handling, and must be transported among banks in the collection chain. Businesses find float valuable because they can use or invest funds for several days after they have issued a check.

Although discouraged by the Federal Reserve, some companies attempt to increase the float benefit of checks by drawing checks on banks located in remote locations or by otherwise imposing barriers to the timely collection of checks. These practices add to the transportation expenses incurred in collecting checks as well as delay recipients' access to funds. The value of this float benefit, however, varies significantly depending on the level of interest rates and the costs businesses incur to manage float.

Large-Dollar Funds Transfers

Large-dollar funds transfers are credit transfers, that is, funds flow directly from the payor's bank to the payee's bank. They are typically same-day payments and can be made almost instantaneously. The two large-dollar funds transfer services in the United States are the Federal Reserve's system, Fedwire, and the Clearing House Interbank Payments System (CHIPS) of the New York Clearing House. The Federal Reserve guarantees Fedwire funds transfers. Thus, they cannot be revoked after the receiving bank is advised that a Reserve Bank has credited its account. The members of CHIPS pledge collateral to ensure settlement of CHIPS transfers, and payments become final at the close of business when all members of CHIPS settle their net positions using Fedwire transfers.

Large-dollar funds transfers account for an extremely small portion of the number of noncash payments. In 1993, for example, they accounted for about 0.2 percent of all noncash payments in the United States. At the same time, however, they accounted for nearly 86 percent of the value of all noncash payments (table 1).

Businesses use large-dollar funds transfers when timeliness and certainty of payment are the most important considerations. For example, they generally settle domestic financial transactions, such as repurchase agreements and commercial paper, and fund zero balance accounts with Fedwire funds transfers.[3] They use CHIPS transfers to settle the dollar side of foreign exchange as well as Eurodollar transactions. Businesses rarely use large-dollar

2. "Special Issue: Displacing the Check," Federal Reserve Bank of Atlanta, *Economic Review*, vol. 68 (August 1983), p. 36.

3. When a business uses a zero balance account for disbursement purposes, the bank maintaining the account advises the business each morning of the value of checks that have been presented for payment. The business then transfers funds to the account to cover the value of those checks. The use of zero balance accounts permits businesses to earn a return on funds through short-term investments, rather than maintaining non-interest-earning balances in demand deposit accounts at banks.

1. Noncash payments, 1993

Volume in millions of items; value in trillions of dollars

Type of noncash payment	1993			
	Volume	Percent of total volume [1]	Value	Percent of total value
Checks [2] ...	59,400.0	96.3	68.3	12.5
Fedwire [3] ..	69.7	.1	207.6	37.9
CHIPS [3] ...	42.4	.1	262.3	47.9
ACH [4]	2,200.0	3.6	9.3	1.7
Total	**61,712.1**	**100.0**	**547.5**	**100.0**

1. Components may not sum to totals because of rounding.
2. Estimates of total checks issued, developed by staff at the Federal Reserve Board.
3. Actual interbank payments processed, based on data from the Federal Reserve Banks and the Clearing House Interbank Payments System (CHIPS).
4. Actual interbank payments processed, based on data from the Federal Reserve Banks and, for transfers processed by private ACH operators, from the National Automated Clearing House Association (NACHA).

2. ACH transactions, 1991 and 1993 [1]

Millions of items except as indicated

Item	Volume		Average annual growth rate, 1991–93 (percent)
	1991	1993	
ACH	1,640.0	2,099.0	14.0
Intercompany ACH ..	8.2	11.8	22.0

1. Based on an examination of total commercial and government ACH payments processed by the Federal Reserve Banks.

funds transfers to pay suppliers for goods and services.[4]

Automated Clearing House Transfers

The ACH system is a value-dated electronic funds transfer system that is typically used to process high volumes of relatively small-dollar payments for settlement one or two business days after they are processed. Two types of ACH transfers may be used—credit transfers or debit transfers. ACH credit transfers are similar to large-dollar funds transfers in that funds flow from the payor's bank to the payee's bank. The funds received by the payee's bank are generally provisional until the morning of the business day following the settlement day. The Reserve Banks may revoke the payments if the sending bank does not have sufficient funds in its account to fund them on the settlement day. When ACH debit transfers are used, the bank initiating the transfer (the payee's bank) receives funds from the payor's bank. As with checks, funds made available by banks to collecting businesses are provisional and may be revoked if there are not sufficient funds in the payor's account to cover the transfer on the scheduled settlement day.

ACH transactions account for a small fraction of the total volume and value of all interbank payments. Businesses initiate the majority of ACH transfers, but in 1993 less than 1 percent of those transfers were business-to-business payments. Use of the ACH for business-to-business payments, however, is growing rapidly. Based on an examination of the types of ACH payments processed by the Federal Reserve System, ACH business-to-business payments grew at an average annual rate of 22 percent from 1991 through 1993. (The Federal Reserve processes about 95 percent of all interbank ACH transfers.) This rate of growth was considerably higher than the growth in overall ACH use (table 2).

Businesses typically use ACH credit transfers to pay for goods or services and to make tax payments to state and local governments. They use ACH debit transfers to concentrate funds from the bank accounts of widely dispersed affiliates and subsidiaries to the company's primary bank account. Some businesses also use ACH debit transfers to collect funds from businesses that distribute their products. Many businesses, however, are concerned about permitting other companies to initiate debits on their accounts. Thus, ACH debit transfers are used less often than ACH credit transfers for business-to-business payments.

How Financial EDI Payments Are Made

Corporations use various approaches to implement financial EDI. The most fundamental decision a business must make when implementing financial EDI is whether payment instructions and remittance data should flow together through the banking system or whether payment instructions should flow through the banking system and remittance data should be transmitted over a direct data communications link with a trading partner or a value-

4. Federal Reserve Bank of New York, "A Study of Large Dollar Payment Flows through CHIPS and Fedwire" (FRBNY, December 1987).

added network (VAN). A VAN is a third-party service provider that manages data communications networks for businesses that exchange electronic data with other businesses. VANs facilitate the exchange of electronic data by accepting data in various formats and by converting the incoming data to a format usable by the receiver of the information. VANs also manage transmission schedules and hold data until receivers are ready to accept them.

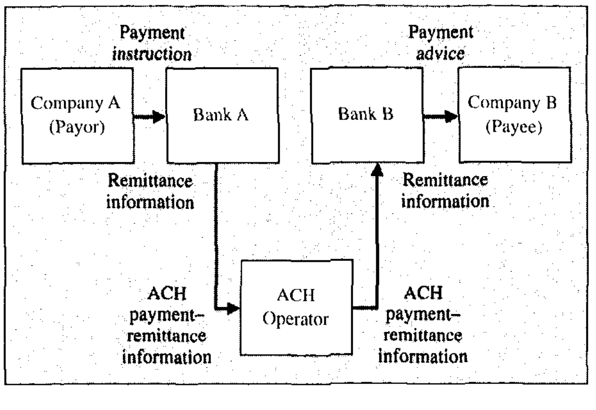
The choices businesses make are based on differences in electronic transmission costs, the extent to which the two trading partners exchange business documents electronically, and the types of electronic payment services offered by the two businesses' banks. The following discussion provides illustrations of payment instructions and remittance information flowing together and flowing separately.

In chart 1, the purchasing company (company A), which is the payor, transmits remittance data to instruct its bank (bank A) to pay its supplier. Bank A creates an ACH credit transfer instruction, indicating the specified payment date, and attaches the appropriate electronic remittance data to that payment instruction. (See appendix A for a discussion of ACH payment formats.) Bank A transmits the payment instruction with the remittance data to an ACH operator. At present, there are two national ACH operators—the Federal Reserve and Visa, U.S.A.—and two regional ACH operators—the New York Automated Clearing House Association and the Arizona Automated Clearing House Association. After receiving the payment instructions and remittance information, the ACH operator edits the payment instructions, extracts accounting data from them, and transmits the payment instructions and remittance data to the seller's bank (bank B). Bank B then transmits a payment advice and the remittance data to the selling company (company B), which is the payee.

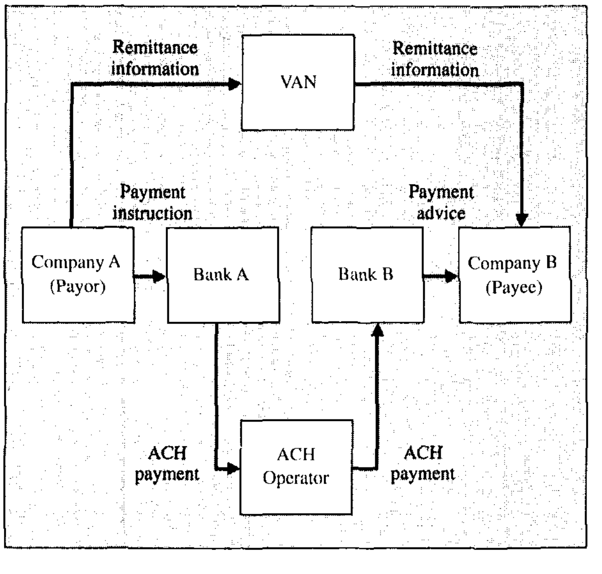
When ACH credit transfers are processed by the Federal Reserve, on the scheduled payment date the Reserve Banks maintaining the accounts of banks A and B debit and credit the reserve or clearing accounts of banks A and B respectively, for the total value of transfers sent or received. If a private sector ACH operator processed the ACH transfers, the value of all ACH transfers processed for the banks using that operator would be netted, and each participant would settle its net position through its account maintained on the books of a Federal Reserve Bank. (Banks that do not have a reserve or clearing account settle ACH transfers through correspondent banks' reserve or clearing accounts.) Bank A and bank B then debit and credit their respective customers' accounts.

In chart 2, the payor transmits payment instructions to its bank (bank A) and remittance information to the payee through a VAN. The payment instructions are processed through the banking system and settled as described above, with the exception that remittance data are not attached.

1. Payment instructions and remittance information flow together



2. Payment instructions and remittance information flow separately



To facilitate the use of financial EDI, some banks provide VAN-like services with payment services to their corporate customers. Some of these banks have developed their own networks for communicating data to their corporate customers, and some of them also contract with VANs to transmit remittance information to their corporate customers' trading partners.

The following examples illustrate how financial EDI payments are made using ACH credit and debit transfers. Sears Roebuck and Company's Merchandise Group began using ACH credit transfers to pay its suppliers in 1983. Sears uses EDI format standards to transmit payment instructions and remittance information to its banks. The banks convert the data to ACH payment formats, which are then processed as shown in chart 1. If Sears's supplier requests that remittance data be sent separately, rather than with the payment, Sears transmits the remittance data to the trading partner through the same network used for exchanging other business data with that trading partner. The ACH transfer is then processed by Sears's bank as shown in chart 2.

General Motors Corporation began using ACH debit transfers to collect payments from its dealers through their bank accounts in 1982. General Motors sends ACH formatted payment instructions, with information identifying the vehicles for which payment is being requested, to one of its banks.[5] The ACH debit transfers are processed in the same way that ACH credit transfers are, except that, on the settlement day General Motors's banks credit General Motors's accounts and the dealers' banks debit the dealers' accounts. In 1993, using this method, General Motors collected 600,000 payments from its dealers, with a value of $12 billion.

General Motors also uses ACH credit transfers to make payments to suppliers. Besides transmitting remittance information to suppliers through the banking system or a VAN, General Motors will mail it directly to a supplier if the supplier's bank cannot receive EDI data. In 1993, General Motors made 700,000 ACH credit payments valued at $38 billion to suppliers.[6]

The federal government began using ACH transfers to make payments to businesses, state and local governments, and educational institutions in 1987. The program, called Vendor Express, is managed by the Treasury Department's Financial Management Service (FMS). Although vendors continue to submit paper invoices to federal agencies, the agencies make payments using ACH credit transfers. To permit vendors to identify payments, one ACH transfer, accompanied by an addendum record that contains information referencing the vendor's invoice, is sent for each invoice received. Depending on the capabilities of the vendors' banks, the remittance information may be delivered in electronic or paper form. In 1993, more than 100 federal agencies participated in the program and made approximately 5.3 million payments, valued at $326.8 billion.[7] The program has improved the timeliness of government payments and has significantly reduced the government's transaction costs.[8]

BENEFITS AND COSTS OF FINANCIAL EDI FOR BUSINESSES

At present, neither EDI nor financial EDI are widely used. Approximately 44,000 companies, out of millions of businesses in the United States, exchange business data electronically.[9] Only about 10 percent of these companies also use financial EDI.[10] Moreover, no more than fifty banks have the capability of providing complete financial EDI services to their corporate customers.[11]

5. The Bankers EDI Council, a part of the NACHA, developed an electronic dealer drafting convention to replace the paper drafts with which vehicle manufacturers had obtained payments from dealers.

6. Data in this discussion were provided by General Motors Corporation.

7. Data provided by the Financial Management Service, U.S. Department of the Treasury.

8. George W. Henderson and Anthony R. Torrice, "Vendor Express: A New Era in Government," *EDI Forum*, vol. 4 (1991), p. 40.

9. *EDI Yellow Pages*, Phillips Business Information. Similar data were also provided by EDI, spread the word!.

10. The estimate of the number of financial EDI users was provided by the NACHA.

11. *Treasury Manager's Report*, vol. 2 (February 18, 1994), p. 3.

Incentives for Using Financial EDI

Several factors influence a company's decision to use financial EDI. For companies that have implemented EDI, the principal benefits of extending EDI capabilities to the initiation of payments are lower transaction costs and increased control over the timing of payments.

According to a survey conducted by the EDI Group, Ltd., a research and consulting firm, 23 percent of the 370 respondents saw potential cost savings as the most important reason for using financial EDI.[12] For example, businesses can reduce personnel expenses by eliminating manual processing, eliminate postage costs, and, in some cases, benefit from lower bank service charges.

The use of financial EDI and electronic payments in general also permits corporate cash managers to control the timing of payments. When a corporation uses ACH credit transfers to make payments, the settlement date for the payment is scheduled when the corporation sends payment instructions to its bank. Thus, the timing of payment obligations is known with certainty, and corporate cash managers can plan their funding needs in advance. Similarly, corporations receiving ACH credit transfers know the scheduled payment date and can plan on receiving payments with a high degree of certainty. Businesses using ACH debit transfers can also schedule payment dates with each other so that the company whose bank account is being debited can fund the payment on a specific date.

Conversely, when payments are made with checks, the day on which a check will be delivered to a corporation's bank for payment cannot be predicted. As a result, many companies purchase cash management services from their banks to obtain information about the value of checks that have been delivered for payment each day. Obtaining this information is labor intensive and costly for the company and its banks. In addition, the uncertainty associated with check payments may prevent a corporation from investing its cash balances in the most optimal way.

Thus, financial EDI has the potential of eliminating the costs banks incur to capture daily information about check payments and of reducing the charges companies pay for these services. It may also improve a company's earnings on its cash balances.

According to the EDI Group's survey, companies using financial EDI found several benefits besides reducing costs and improving control over the payment process. First, the electronic payment information exchanged between trading partners is more accurate than that on paper documents because the information is not manually entered into accounting systems by each trading partner. Second, businesses can respond more quickly to customer requests, such as verifying discrepancies in purchase orders and invoices or identifying erroneous payment amounts or terms, because data are readily accessible through automated systems. Third, large companies indicated that financial EDI allows them to form technologically based alliances with their suppliers, which may lead to long-term trading relationships.

Societal cost savings could also result from greater use of electronic payments. David Humphrey and Allen Berger calculated that the social costs of making payments using ACH transfers in 1987 was substantially less than issuing, collecting, and settling checks.[13] Since 1987, however, changes have occurred in the processes used to issue and collect checks, and technological advances have been introduced in ACH processing. As a result, the cost savings that might be realized by converting business-to-business payments to financial EDI cannot reliably be based on earlier calculations.

Impediments to the Use of Electronic Payments

While the potential cost savings associated with using electronic payments may be substantial, the

12. The EDI Group Ltd., "The State of Financial EDI, 1992," presented at the 1993 Financial EDI Conference, in *Financial EDI Resources and Speaker Materials*, sect. 2, p. 14.

13. David B. Humphrey and Allen N. Berger, "Market Failure and Resource Use: Economic Incentives to Use Different Payment Instruments," in David B. Humphrey, ed., *The U.S. Payment System: Efficiency, Risk and the Role of the Federal Reserve* (Norwell, Mass.: Kluwer Academic Publishers, 1990), p. 49.

Humphrey and Berger's calculations indicated that approximately \$0.50 per payment could be saved by replacing paper checks with ACH transfers.

impediments to their use are substantial as well. First, the float benefit associated with check payments affects businesses' choice of payment instruments. About 15 percent of the respondents to the EDI Group's survey cited concerns about the loss of float as the reason that their companies had chosen not to participate in financial EDI.[14] Although the costs of managing float and current low interest rates are reducing float benefits, the value of check float to businesses, on average, is still substantial.[15]

To compensate for the loss of check float, some corporations adjust payment terms when converting to electronic payments. For example, General Motors found that, on average, the checks it wrote were paid 3.6 days after they were issued. When it began making electronic payments, General Motors reached agreements with its suppliers to make electronic payments three days later than when it had been issuing check payments. This agreement improved funds availability for its suppliers by six-tenths of a day on average.[16]

Second, most companies that implement EDI systems focus initially on achieving internal operating efficiencies rather than on improving their payment operations. Thus, the small percentage of businesses using EDI that also use financial EDI probably reflects the initial emphasis of businesses on re-engineering primary business functions. After businesses take these steps, they may pursue improvements in payment operations.

Third, for corporations planning to install EDI systems, start-up costs can be significant. The EDI Group's survey data indicated that the median cost for a corporation to install an EDI system is about $7,500. The costs range from about $5,000 for smaller companies to more than $10 million for large corporations. For companies to add a new trading partner, the survey results indicated that the median cost, including all out-of-pocket and personnel expenses, is about $750, ranging from a few hundred dollars to more than $20,000.[17] Corporations that have installed EDI systems estimate that they are able to recover their investment in about two years, on average. Many firms, however, find the initial costs prohibitively high.

Fourth, even for businesses that have implemented EDI to communicate with their trading partners, the additional costs of implementing financial EDI can be high. A business must establish a relationship with a bank that can support its financial EDI requirements. It must also establish data communications links with the bank and may need to modify the formats used in internal automated accounting systems to send payment instructions to the bank.

Finally, because relatively few businesses participate in financial EDI, most businesses must be able to issue and receive checks as well as make electronic payments. Maintaining both paper-based and electronic payment systems reduces the potential benefits of financial EDI. To simplify the payment process for their business customers, some banks are beginning to accept instructions for all their business customers' payments. Based on information about the form of payment requested by the company's suppliers and service providers, these banks initiate either electronic payments or checks on behalf of their customers. While these services simplify payment processing for businesses, the banks must maintain dual processing systems.

CONCLUSIONS

Despite the potential of financial EDI to reduce the costs of the resources consumed in making payments in the United States, a significant conversion of business-to-business payments to electronic form may not occur for some time. First, before a company can consider using financial EDI, it must install EDI systems to communicate with its trading partners. Because installing such systems may require a company to make significant modifications to its internal automated systems as well as to develop the capability to transmit business data to

14. See "The State of Financial EDI, 1992," p. 14.

15. Using 1987 data, Humphrey and Berger calculated the value of check float to businesses to be about $1.88 per check. Using the same methods, we calculate that the value of check float to businesses in 1993 ranges from about $0.86 to $1.12 per check. The decline is due mostly to lower interest rates. See appendix B for a discussion of the methods used to calculate the value of float.

16. Charles E. Golden, "Making General Motors and America More Competitive through Financial EDI and EFT," *EDI Forum*, vol. 3 (1990), p. 26.

17. Data provided by The EDI Group, Ltd.

its trading partners, implementation costs are high. As a result, many companies may not yet be able to justify the investment in EDI systems.

Second, even for companies that have implemented EDI systems to communicate with their trading partners, using financial EDI to make payments to those trading partners is complex. The company must find a bank capable of processing financial EDI transfers, determine whether each trading partner's bank can receive the payments and provide the remittance data, and consider renegotiating payment terms with each trading partner. To many business managers, these undertakings are daunting.

Third, many businesses continue to benefit from the float created by the check collection system. Even though current low interest rates have reduced this benefit, check float continues to act as a disincentive to increased use of financial EDI.

Finally, for both businesses and banks, the need to maintain systems to process checks as well as electronic payments is complicated and costly.

While issuing and collecting checks currently consumes significant resources, the total costs and potential benefits of converting the nation's payment system to an electronic one are difficult to quantify. Similarly, the costs and benefits associated with financial EDI are difficult to quantify. Several factors, however, indicate that the use of financial EDI will grow. The cost of technology continues to decline, and even small businesses are using automated systems to track inventories and to maintain their accounting systems. Gaining access to value-added networks, which simplify electronic communications between trading partners, is becoming easier.

In addition, several large companies that have installed EDI systems are interested in expanding those systems to their payment processing. The interest of these companies is providing the impetus for some banks to offer financial EDI services or expand the services they currently offer. Moreover, the federal government's plans to improve its efficiency through automation, including expansion of its Vendor Express program, will require banks to develop the capability of processing financial EDI payments for the businesses providing goods and services to the government.

At the same time, a considerably greater understanding of the costs and benefits of financial EDI is needed before determinations can be made about its potential for increasing the efficiency of the payments system in the United States. Thus, the types of payment services used by businesses in the future will ultimately be based on the collective results of individual businesses' cost–benefit analyses and their demands for specific payment services.

APPENDIX A: EDI FORMATS

The American National Standards Institute (ANSI) is the coordinating organization in the United States for the development of national standards for EDI. ANSI members establish standards used to meet this country's business needs. In 1979, ANSI formed the Accredited Standards Committee (ASC) X12 to set inter-industry standards for electronic data interchange for business transactions. It is currently supported by more than 300 organizations representing corporations, financial institutions, government agencies, trade associations, vendors, and consultants.

Transaction Data Sets

ANSI ASC X12 standards are cross-industry, public standards that may be used by any company, in any industry, for the exchange of information. The format standards, called transaction data sets, have been developed for many business documents. Each ANSI transaction data set is identified by a three-digit number. For example, a payment order–remittance advice is an ANSI 820 transaction, and a purchase order is an ANSI 850 transaction.

The payment order–remittance advice (ANSI 820) is the most common transaction data set used for financial EDI. A payment order instructs a bank to take funds out of the payor's account and send the funds to the bank maintaining the account of a trading partner. A remittance advice provides specific information about the payment. For example, a \$500 payment might be made to pay \$100 for invoice number 1, \$200 for invoice number 2, and \$200 for invoice number 3. The ANSI 820 format permits a company to transmit a variable amount of remittance information, depending on the requirements of each transaction.

ACH Format Standards

The National Automated Clearing House Association (NACHA) is a national trade association whose members are local ACH associations. Since its formation in 1974, the NACHA has promulgated the formats used for ACH transfers. To support business-to-business payments, the NACHA has developed the following four ACH formats: (1) cash concentration and disbursement (CCD), (2) cash concentration and disbursement plus (CCD+), (3) corporate trade exchange (CTX), and (4) corporate trade payment (CTP).

The cash concentration and disbursement (CCD) format is the simplest of the four. It consists of a payment record in which a reference number may be included to assist in identifying the payment. No other explanatory data may accompany the payment record, however. If a company wishes to transmit more extensive remittance data to its trading partner, the company must use a different ACH format or transmit the information separately.

The cash concentration and disbursement plus (CCD+) format uses the CCD payment record and is accompanied by one additional record, called an addendum record, which provides information explaining the purpose of the payment. Data included in the addendum record may be sent in ANSI ASC X12 payment order–remittance advice and the health care claim payment-advice formats or NACHA-endorsed banking conventions, including formats for electronic dealer drafting, child support payments, and tax payments.

The corporate trade exchange (CTX) format consists of a payment record, which may be accompanied by as many as 9,999 addenda records. Data included in the addenda records may be sent in the ANSI ASC X12 formats or NACHA-endorsed banking conventions.

The corporate trade payment (CTP) was the first corporate format developed by the NACHA and may be accompanied by as many as 9,999 addenda records. The data formats of the addenda records were designed to be compatible with most corporate accounting and receivable systems. Because ANSI ASC X12 standards are replacing the formats used in the CTP addenda records, use of the format will be discontinued in April 1996.

APPENDIX B: FLOAT BENEFITS OF CHECKS

In their 1987 study, Humphrey and Berger calculated that the average value of float to businesses issuing checks amounted to about $1.88 per check.[18] This appendix explains Humphrey and Berger's calculations and updates them for 1993.

1987 Calculations. Humphrey and Berger used the following formula to calculate the value of float per business check:

Average value of float = (average value of business check)
× (average number of float days)
× (average ninety-day Treasury-bill rate/365), or

$$\$1.88 = (\$2{,}636) \times (4.5) \times (0.05775/365).$$

The values used in the formula were calculated as follows:

1. To calculate the average value of a business check, the following assumptions were made:

a. Consumers write 55 percent of checks; businesses, 40 percent; and the federal government, 5 percent.[19]

b. The average value of all checks written was $1,188, based on staff estimates that 47 billion checks were written in 1987, with a value of $55.8 trillion.

c. The average value of a consumer check was $145.[20]

d. The average value of a federal government check was $1,074. (In 1987, the Federal Reserve Banks processed 568 million government checks, with a value of $610.7 billion.)

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18. See "Market Failure and Resource Use," pp. 45–86.

19. See "Displacing the Check," pp. 36–7.

20. Robert Avery, Gregory Elliehausen, Arthur Kennickell, and Paul Spindt, "Changes in the Use of Transaction Accounts and Cash from 1984 to 1986," *Federal Reserve Bulletin*, vol. 73 (March 1987), table 3, p. 182.

That study estimated that the average value of a consumer check in 1986 was $130. Humphrey and Berger applied a 4 percent inflation factor to the 1986 figure, resulting in a 1987 average value of $145.

e. The average value of a business check was estimated to equal \$2,636, or

$$\{\$1.188 - [(0.55 \times \$145) + (0.05 \times \$1{,}074)]\} / 0.40.$$

2. The average number of float days, 4.5, was the researchers' best estimate, based on conversations with industry and Federal Reserve experts.

3. In 1987, the average ninety-day Treasury bill rate was 5.775 percent.

1993 Calculation. To update the value of float to businesses, Humphrey and Berger's formula was used, and the values used in the formula were calculated as follows:

1. To calculate the average value of a business check, the following assumptions were made:

a. The distribution of checks written by consumers, businesses, and the federal government was assumed to be the same as in 1987.

b. The average value of all checks was \$1,150, based on staff estimates that 59.4 billion checks were written in 1993, with a value of \$68.3 trillion.

c. The average value of a consumer check was estimated to be \$183 by applying a 4 percent annual inflation factor to Humphrey and Berger's estimate of \$145.

d. The average value of a federal government check was \$1,113. (In 1993, the Federal Reserve Banks processed 480 million government checks, with a value of \$534.2 billion.)

e. The average value of a business check was estimated to equal \$2,484, or

$$\{\$1{,}150 - [(0.55 \times \$183) + (0.05 \times \$1{,}113)]\} / 0.40.$$

2. The average number of float days was assumed to be the same as that used by Humphrey and Berger. (Although the Federal Reserve System and others have improved the check collection process since 1987, mail float is the largest single factor in business check float, and it was assumed that mail time has not decreased significantly.)

3. In 1993, the average ninety-day Treasury bill rate was 3.6 percent.

4. The equation then becomes

$$\$1.10 = (\$2{,}484 \times 4.5) \times (0.036/365).$$

Finally, two assumptions were changed to test their effect on the calculated float value. First, the value of a consumer check was assumed not to have increased between 1987 and 1993. (The average value of a consumer check may not have risen because electronic payments, such as automated bill payments and automated teller machine transactions, have replaced some checks.) Given this assumption, the average value of a business check would equal \$2,536, or

$$\{\$1{,}150 - [(0.55 \times \$145) + (0.05 \times \$1{,}113)]\} / 0.40,$$

and the value of float per business check would equal \$1.12, that is,

$$[(\$2{,}536 \times 4.5) \times (0.036/365)].$$

Second, it was assumed that the average number of float days has declined from 4.5 to 3.5. With this assumption, the average value of float equals \$0.86 per business check, or

$$[(\$2{,}536 \times 3.5) \times (0.036/365)].$$

Treasury and Federal Reserve Foreign Exchange Operations

This quarterly report describes Treasury and System foreign exchange operations for the period from November through January 1994. It was presented by Peter R. Fisher, Senior Vice President and Manager for Operations for the Federal Reserve Bank of New York. Nicholas Pifer was primarily responsible for preparation of the report.[1]

The dollar appreciated modestly against most major currencies during the November–January period. It rose 2.9 percent against the German mark, 0.1 percent against the Japanese yen, and 0.5 percent on a trade-weighted basis.[2] The U.S. monetary authorities did not undertake any intervention operations during the period.

THE DOLLAR ENDS THE PERIOD VIRTUALLY UNCHANGED AGAINST THE YEN

After opening at ¥108.64 on November 1, the dollar rose against the yen in thin year-end markets, reaching a high of ¥113.55 before coming down to end the period unchanged. Initially, the dollar rose as market participants turned their attention to Japan's lingering recession and to the prospect of interest rate differentials moving in favor of the dollar. This shift in focus was prompted by continued weakness in Japanese money supply growth, employment, industrial production, and retail sales. Moreover, Japanese equity prices dropped sharply in November—with the Nikkei stock index falling nearly 17 percent over the course of the month—and remained volatile throughout December. Growing pessimism over the economic outlook for Japan, as well as the uncertain prospects for the Hosokawa government's long-awaited fiscal stimulus package, helped fuel expectations of an additional cut in the Bank of Japan's Official Discount Rate (ODR).

Over the course of December, trading activity in the dollar–yen exchange market started to ebb as first corporate and then interbank participants pulled back from the market ahead of the year-end holidays. Japanese exporters, who regularly sell dollars to the market to hedge their foreign currency receivables, were notably absent toward the end of the month. In this environment, market conditions were increasingly characterized by the dominance of technically oriented traders who bought up the U.S. currency in anticipation of further dollar gains, and the dollar rose gradually through December from a low of ¥107.37 to a high of ¥112.05.

In late December, Treasury Secretary Bentsen was asked whether he saw a need to intervene in the foreign exchange market to stem the yen's decline. He responded that he did not think intervention would be necessary but rather thought that the foreign exchange market would focus on Japan's substantial trade surplus when determining the relative value of the dollar and the yen. Secretary Bentsen expressed concern that Japan was not meeting its commitment to achieve domestic demand-led growth and a significant reduction in its external surplus. He expanded on this view in early January when he said that the proper way for Japan to address its economic imbalances was through a combination of effective fiscal stimulus and market-opening measures, not through a depreciation of the yen.

The dollar reached its period high of ¥113.55 on January 5 but soon drifted lower when expected

1. The charts for the report are available from Publications Services, Board of Governors of the Federal Reserve System, Mail Stop 127, Washington, DC 20551.

2. The dollar's movements on a trade-weighted basis are measured using an index developed by the staff at the Board of Governors of the Federal Reserve System.

1. Federal Reserve reciprocal currency arrangements
Millions of dollars

Institution	Amount of facility, January 31, 1994
Austrian National Bank	250
National Bank of Belgium	1,000
Bank of Canada	2,000
National Bank of Denmark	250
Bank of England	3,000
Bank of France	2,000
Deutsche Bundesbank	6,000
Bank of Italy	3,000
Bank of Japan	5,000
Bank of Mexico	700
Netherlands Bank	500
Bank of Norway	250
Bank of Sweden	300
Swiss National Bank	4,000
Bank for International Settlements	
Dollars against Swiss francs	600
Dollars against other authorized European currencies	1,250
Total	**30,100**

movements in interest rates failed to materialize. Market participants turned their attention to the shifting fortunes of Japanese political reform and to bilateral trade talks with the United States, but they were unable to develop a lasting view on how the success or failure of these two initiatives would affect exchange rates. Reflecting the market's uncertainty about the near-term direction of the dollar against the yen, the implied one-month option volatility for the dollar–yen exchange rate spiked higher in the second half of January. At the same time, foreign investors purchased the equivalent of $10.5 billion in Japanese equities during January; these flows contributed to a sharp rebound in Japanese stock prices and helped support the yen.

The upper house of the Japanese Diet passed Prime Minister Hosokawa's political reform bill on January 29, permitting the government to turn its attention to other policy issues. As the period came to a close, U.S.–Japanese trade talks were continuing and the Japanese government was reportedly at work on a record stimulus package for the economy. Reflecting the positive implications of such a package for Japanese domestic demand growth, the Nikkei surged nearly 8 percent on the last day of the period, and expectations of additional interest rate cuts in Japan receded even further. These factors helped strengthen the yen, and the dollar closed at ¥108.65 on January 31.

DOLLAR APPRECIATES MODESTLY AGAINST THE MARK

During November and most of December, the dollar was relatively stable against the German mark, trading in a narrow range around the DM1.70 level. Market sentiment toward the dollar was generally positive, however, with dealers taking note of the increasingly divergent paths of the U.S. and German economies. In this environment, market participants began to anticipate a fairly rapid convergence of short-term German and U.S. interest rates. The Bundesbank, which had surprised the foreign exchange market in late October, when it cut its discount and Lombard rates 50 basis points, trimmed its key money market repurchase rate from 6.40 percent at the start of the period to 6.25 percent on December 1. At its December 2 council meeting, the Bundesbank announced a prefixed rate of 6.0 percent for the next five weekly auctions of fourteen-day repurchase agreements. Market participants generally interpreted this move as an effort to nudge short-term interest rates lower while also dampening speculation of further monetary easing.

The dollar broke out of its trading range in late December, jumping four pfennigs higher in the last three days of the month. Dealers expressed initial skepticism over the rise, which occurred in thin year-end markets. Nonetheless, the dollar subsequently extended its gains to reach a twenty-eight-month high of DM1.7562 on January 14. As the dollar moved higher, it gained broad support from a series of U.S. and German statistical releases—notably retail sales, factory orders, and the purchasing managers index for the United States, and industrial production, unemployment, and real gross domestic product for Germany—that further contrasted economic conditions in the two countries. Well-publicized financial setbacks at two large German companies, along with a modest selloff in German bonds and equities, added to the market's perception of a still fragile German recovery.

During the latter part of January, the dollar settled into a new trading range against the mark. Expectations of near-term volatility in the dollar–mark exchange rate dropped off sharply, as the implied one-month option volatility fell from nearly 12 percent in early January to less than

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

Period and item	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
Valuation profits and losses on outstanding assets and liabilities as of October 31, 1993	3,368.5	2,839.0
Realized profits and losses, November 1, 1993–January 31, 1994	0.0	0.0
Valuation profits and losses on outstanding assets and liabilities as of January 31, 1994	2,868.4	2,513.0

1. Data are on a value-date basis.

9 percent at month-end. While market rumors of central bank sales helped cap the dollar's rise, movements in actual and expected interest rate differentials also weighed on the U.S. currency. At its two January meetings, the Bundesbank Council kept its repurchase rate fixed at 6.0 percent, as it disappointed the market and further deflated expectations about the pace of German interest rate cuts. Similarly, a perceived lack of inflationary pressures in the United States led dealers to rethink their expectations of a near-term hike in short-term U.S. interest rates. During most of January, therefore, differentials in three-month Eurodeposit rates, as well as those in the expected three-month deposit rates implied by futures prices, moved in the mark's favor. The dollar closed the period on January 31 at DM1.7338.

OTHER OPERATIONS

As of the end of January, cumulative valuation gains on outstanding foreign currency balances were $2,868.4 million for the Federal Reserve and $2,513.0 million for the Treasury's Exchange Stabilization Fund (ESF). There were no realized profits or losses for the quarter.

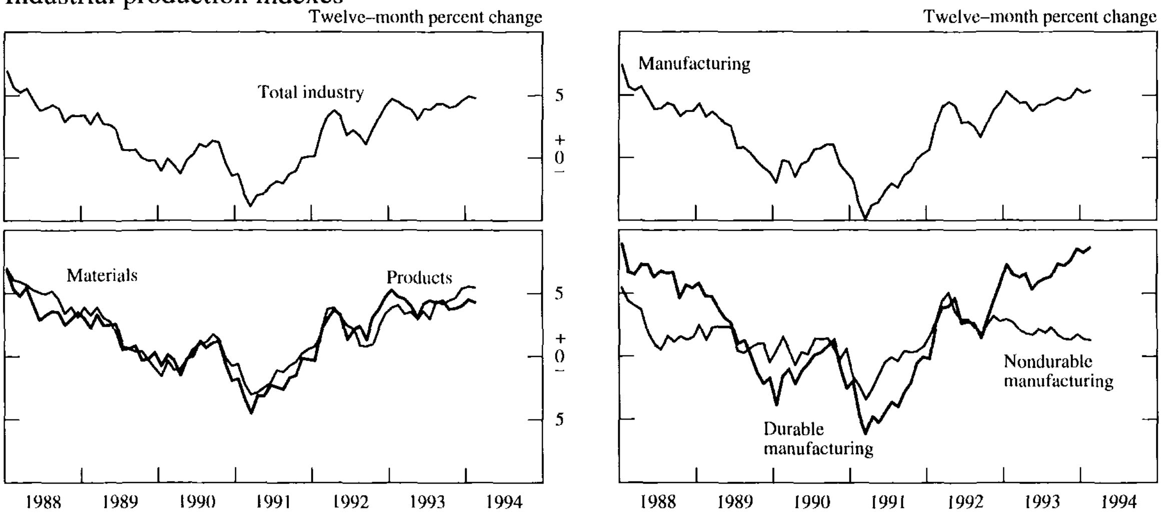
The Federal Reserve and the ESF regularly invest their foreign currency balances in a variety of instruments that yield market-related rates of return and have a high degree of liquidity and credit quality. A portion of the balances is invested in securities issued by foreign governments. As of the end of January, the Federal Reserve and the ESF held either directly or under repurchase agreements $10,740.5 million and $10,436.2 million respectively in foreign government securities valued at end-of-period exchange rates. □

Industrial Production and Capacity Utilization for February 1994

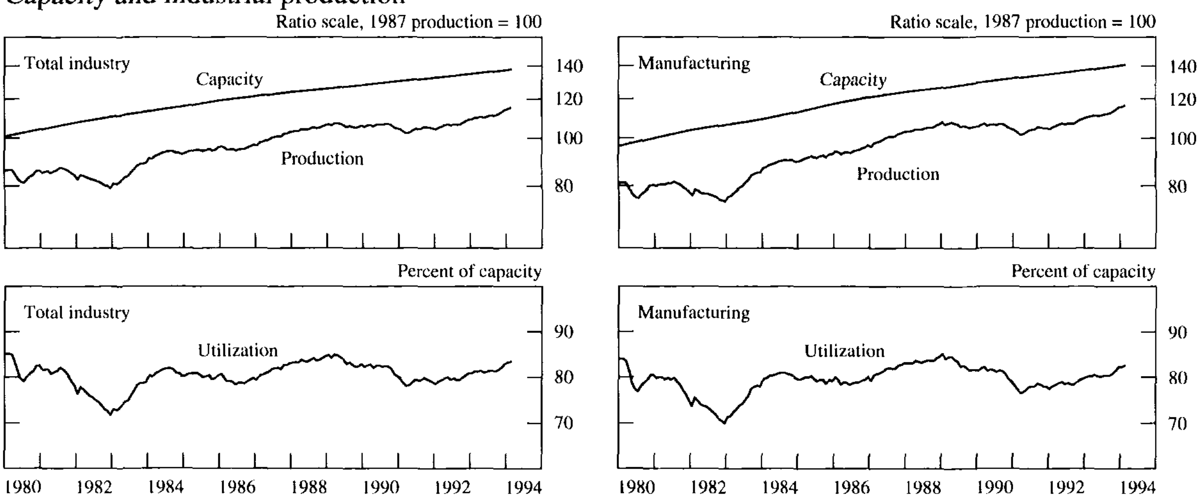
Released for publication March 15

Industrial production rose 0.4 percent in February after a gain of 0.5 percent in January. The California earthquake and bad weather slowed growth in both months in many manufacturing industries, while cold snaps boosted production at electric and gas utilities. The temperature, however, was not as abnormally cold in February as in January; as a result, the output at utilities fell back somewhat from its elevated January level. At 115.1 percent of its 1987 average, industrial production was 4.8 per-

Industrial production indexes



Capacity and industrial production



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

Industrial production and capacity utilization, February 1994[1]

Category	Industrial production, index, 1987 = 100								
	1993		1994		Percentage change				
					1993[2]		1994[2]		Feb. 1993 to Feb. 1994
	Nov.r	Dec.r	Jan.r	Feb.p	Nov.r	Dec.r	Jan.r	Feb.p	
Total	**112.8**	**114.0**	**114.6**	**115.1**	**.8**	**1.0**	**.5**	**.4**	**4.8**
Previous estimate	112.8	113.9	114.4	...	.8	.9	.5	...	...
Major market groups									
Products, total[3]	112.1	113.0	113.6	114.0	.8	.8	.5	.4	4.3
Consumer goods	109.7	110.1	110.5	110.0	.4	.4	.4	.4	1.9
Business equipment	139.7	141.9	143.4	144.7	1.4	1.6	1.0	1.0	11.3
Construction supplies	99.5	101.3	101.0	100.3	.9	1.8	−.3	−.8	4.4
Materials	113.9	115.5	116.1	116.7	1.0	1.4	.6	.5	5.5
Major industry groups									
Manufacturing	114.0	115.4	115.6	116.3	1.0	1.2	.2	.6	5.4
Durable	118.0	120.1	120.7	121.8	1.5	1.8	.5	.9	8.6
Nondurable	109.1	109.5	109.4	109.6	.3	.3	−.1	.2	1.3
Mining	96.9	97.2	98.1	98.9	−1.1	.3	.9	.8	1.8
Utilities	116.1	116.5	120.7	119.1	1.0	.3	3.6	−1.3	1.4

Category	Capacity utilization, percent								Memo Capacity, percentage change, Feb. 1993 to Feb. 1994
	Average, 1967–92	Low, 1982	High, 1988–89	1993			1994		
				Feb.	Nov.r	Dec.r	Jan.r	Feb.p	
Total	**81.9**	**71.8**	**84.8**	**81.2**	**82.2**	**83.0**	**83.3**	**83.4**	**2.0**
Manufacturing	81.2	70.0	85.1	80.2	81.5	82.3	82.3	82.6	2.3
Advanced processing	80.6	71.4	83.3	78.8	79.8	80.5	80.7	81.1	2.8
Primary processing	82.2	66.8	89.1	83.4	85.5	86.4	86.0	86.1	1.1
Mining	87.4	80.6	87.0	86.9	87.5	87.8	88.6	89.4	−1.0
Utilities	86.7	76.2	92.6	88.1	86.4	86.7	89.7	88.4	1.1

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

cent higher in February than it was a year earlier. The utilization of total industrial capacity edged up 0.1 percentage point, to 83.4 percent, which is 2.2 percentage points above the year-ago level but 1.4 percentage points below the 1988–89 peak.

When analyzed by market group, the data show that the output of consumer goods advanced another 0.4 percent in February. Once again the gain was concentrated in the output of automotive products, which rose 5.3 percent. The production of other durable consumer goods declined 0.6 percent, and the output of nondurable consumer goods edged down 0.2 percent as residential use of electricity declined.

The output of business equipment increased 1.0 percent for the second month in a row and was 11.3 percent higher than a year earlier. The growth in the production of information processing equipment and motor vehicles continued to be quite rapid. In contrast, the growth in the output of industrial and other equipment has flattened so far this year; the production of commercial aircraft has continued to decline, as has the output of defense and space equipment.

The output of construction supplies fell for a second month; construction activity continued to be affected by weather conditions. The production of industrial materials rose 0.5 percent, with strength most evident in durable materials, particularly semiconductors and other parts used to make motor vehicles and computers. The output of energy materials edged down after a 1.9 percent surge in January.

When analyzed by industry group, the data show that manufacturing output expanded 0.6 percent in February after a 0.2 percent increase in January. Production by manufacturers of durable goods grew 0.9 percent, boosted by the continued strong growth in motor vehicles, computers, and related parts. Production by manufacturers of nondurable goods increased only 0.2 percent as rebounds in the paper and food processing industries were mostly offset by declines in textiles, apparel, leather goods, and chemicals and related products. The output at utilities, which had surged 3.6 percent in January, eased 1.3 percent because the weather in the latter half of February was more temperate than it was in January. The output at mines increased 0.8 percent, in part because of a strong gain in coal production.

The utilization rate in manufacturing rose to 82.6 percent; the rate in advanced-processing industries increased 0.4 percentage point, and that in primary-processing industries inched up 0.1 percentage point. At 86.1 percent, the utilization rate for primary-processing industries is nearly 4 percentage points above its 1967–93 average but 3 percentage points below its 1988–89 high; the rate for the advanced-processing group is closer to its longer-run average. Among the products that have contributed to the above-average rates are motor vehicles and parts, lumber, steel sheet, and computer parts. Rates remain noticeably below average for aluminum, aerospace and miscellaneous transportation equipment, foods, apparel, and printing and publishing. □

Statements to the Congress

Statement by John P. LaWare, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions, Supervision, Regulation, and Deposit Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, February 1, 1994

I appreciate the opportunity to present the views of the Federal Reserve Board on the proposed legislation on Fair Trade in Financial Services (H.R.3248). Given its role, as the central bank, in ensuring a healthy and efficient environment for the provision of financial services, the Federal Reserve has a special interest in this legislation.

On several previous occasions, before other committees, I have presented the views of the Federal Reserve on various proposals for legislation on Fair Trade in Financial Services. I will, therefore, keep my testimony brief and confine myself to those key points we consider to be of critical importance.

As I have emphasized before, the Federal Reserve shares the objectives of the proposed legislation. These objectives are important and their achievement desirable. U.S. financial firms deserve to have the same opportunities to conduct operations in foreign financial markets as domestic firms have in those markets. They do not now have those opportunities in all markets. According U.S. firms such treatment would benefit not only them but also the host foreign countries themselves and the world financial system in general.

However, while sharing these important objectives, the Federal Reserve continues to oppose this kind of legislation. We oppose it for essentially two reasons. *First,* the existing U.S. policy of national treatment has served our country well. The U.S. banking market, and U.S. financial markets more generally, are the most efficient, most innovative, and most sophisticated in the world. Consumers of financial services in the United States are provided with access to a deep, varied, competitive, and efficient banking market in which they can satisfy their financial needs on the best possible terms. Foreign banks, by their presence in the United States and with the resources they bring from their parents, make a significant contribution to our market and to our economic growth; they enhance the availability and reduce the cost of financial services to U.S. firms and individuals as well as to U.S. public sector entities.

For these reasons, we simply do not consider legislation like H.R.3248 to be in our own self-interest. If we adopt such legislation, we must be prepared to forgo the considerable benefits of foreign banks' participation in our market if U.S. banks are not allowed to compete fully and equitably abroad.

Second, I note that the multilateral negotiations on trade in financial services will continue over the next two years, as agreed in the just-concluded Uruguay Round. We believe that these negotiations offer the best hope for achieving further progress in opening foreign financial markets for U.S. financial firms, and we strongly support the Treasury in its efforts in those negotiations.

We believe that the upcoming negotiations are at a critical juncture. It is incumbent upon the United States to continue to provide leadership by example in this area for the rest of the world in order to preserve the principle of free, rather than reciprocal, trade. Free trade must continue to be our ultimate goal. Therefore, we do not agree with those who assert that the proposed Fair Trade in Financial Services legislation is desirable or necessary in the context of those negotiations. Indeed, it is our view, based upon experience, that market forces and the desire of foreign officials to enhance the functioning of domestic financial markets are often the most potent forces for financial market liberalization;

the negotiations provide a valuable framework for guiding that liberalization.

That said, however, if other views prevail on the need for Fair Trade in Financial Services legislation, we would prefer the current proposal (H.R.3248) over other proposals because it clarifies the possible sanctions authority and procedures in several important respects.

First, we believe that, as between financial and trade policy officials, it is more appropriate that the Secretary of the Treasury have authority to make determinations regarding whether denial of national treatment to U.S. banking organizations by a foreign country has a significant adverse effect on such organizations, as well as recommendations regarding sanctions in appropriate cases. The Department of the Treasury is better positioned to make such determinations, in view of the information available to the Treasury regarding the needs of both providers and consumers of financial services.

Second, the requirement that the secretary consult with other relevant officials, including appropriate banking officials, before making such determinations helps to ensure that broader perspectives are incorporated in the decisionmaking process.

Third, the proposed legislation recognizes, in the residual discretion granted to the banking agencies, that imposition of sanctions in some circumstances, even if otherwise warranted, might be inconsistent with other objectives, such as the safe and sound operation of the financial system or the least-cost resolution of a failed bank.

Fourth, the proposed legislation excepts from its procedures countries that have provided to the United States a binding commitment to substantially full market access and national treatment in financial services. This language seems to make clear that the legislation is intended to be an adjunct to the ongoing negotiations with countries that have not yet made such commitments and is not a rejection of the principles of free trade and national treatment.

Finally, we believe that it is appropriate and important that no provision is included in H.R.3248 for retaliation across financial services sectors. As a consequence, even if, for example, U.S. securities or mutual funds might be having problems in other countries, U.S. banks and banking markets should not be jeopardized.

In conclusion, the desirability of market liberalization as an objective in the financial sector, as in other sectors, is virtually universally accepted. The United States has the opportunity to continue to exercise leadership in this area. I sincerely hope we take that opportunity. If not, any Fair Trade in Financial Services legislation should include the important improvements noted above in the current proposal. I would also like to echo the hope, recently expressed in a joint statement by the Bankers' Association for Foreign Trade, the Bankers Roundtable, and the American Bankers Association, that the retaliatory mechanism of any Fair Trade in Financial Services Act will never have to be used. □

Statement by Lawrence B. Lindsey, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on General Oversight, Investigations, and the Resolution of Failed Financial Institutions of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, February 1, 1994

I appreciate the opportunity to appear before this subcommittee to discuss Community Reinvestment Act (CRA) reform. The Community Reinvestment Act is vitally important to ensuring that all segments of communities have access to adequate credit to help meet their needs. We at the Federal Reserve Board believe that the law has produced substantial benefits, even though it has not—nor should it be expected to have—cured all the problems that still plague many of our cities.

As you know, however, the federal financial institution regulatory agencies are actively engaged in an effort to reform the CRA by amending our regulations. We hope to make them more objective and the ratings under them more uniform while, at the same time, imposing less of a paperwork burden. This effort is a challenging one; it involves a substantial commitment by the agencies and encompasses many difficult issues. We are also very conscious of the fact that what we do could significantly affect financial institutions and the public alike and that care must be exercised for such an important project. Because we are midway in the process and are still receiving comments from the public, our report to you will necessarily be somewhat preliminary.

HISTORY OF THE CRA AND THE CURRENT REFORM EFFORT

Before discussing the proposal to reform the CRA, I would like to briefly review the law and a little of its history because that history is very relevant to the reform project. The Community Reinvestment Act calls for the financial regulatory agencies to use their examination authority to encourage institutions to help meet the credit needs of their communities, including low- and moderate-income areas, consistent with safe and sound business practices. The agencies are required to assess the community lending records of the institutions they supervise as part of their examinations and to take into account those records in considering applications. The law, however, gives no other indication how the agencies are to accomplish these tasks and does not define key concepts, such as how an institution's community is defined or what constitutes satisfactory performance. A considerable responsibility, therefore, was placed by the Congress on the agencies.

The regulations adopted in 1978 by the financial regulatory agencies focused, at least in part, on factors related to the process used by institutions to determine the credit needs of their community and how they responded to those needs. To avoid credit allocation, and to allow for the maximum amount of creativity by institutions in meeting the varying credit needs of their localities, these regulations did not attempt to prescribe any particular level of lending. Instead, the evaluation of a financial institution's performance has been based on the application of twelve assessment factors, including how community credit needs are ascertained, the geographic distribution of loans, the record of opening and closing branches and providing services, participation in local community development projects, and the financial and legal capability of the institution. In determining how well an institution ascertains the credit needs of its community, examiners have taken into account such matters as the institution's community outreach and credit marketing.

In the course of our review of the CRA, we have heard from many consumer and community groups about how valuable the law has been in getting credit extended in low- and moderate-income areas. Some groups put the success of the CRA at $30 billion, which they estimate to be the level of CRA commitments for new credit. I suspect that the total impact of the CRA considerably exceeds the $30 billion estimate. And, to date, this impact has occurred with a comparatively light hand from Washington. Indeed, one of the strengths of the present system is that it allows great flexibility in fashioning programs to meet the different and changing credit needs of this country's diverse communities.

Despite the significant benefits that communities have seen from the CRA, the approach taken in the regulations, together with the agencies' implementation of that approach, has generated a good deal of criticism. Financial institutions have frequently complained that they are burdened by imprecise rules and inconsistent evaluations on the one hand and overly prescriptive documentation requirements on the other hand. Small institutions, in particular, complain about the costs of compliance and contend that the law is unnecessary because they must serve their entire community to succeed. Further, it appears to some that there is little incentive for institutions to try to achieve an outstanding rating, especially when applications filed by institutions with outstanding CRA ratings may still be protested by the public.

Community representatives have complained that the regulators emphasize documentation of CRA activities in their examinations of financial institutions instead of actually measuring the degree to which they are meeting community credit needs. They point to the fact that almost 90 percent of institutions receive "passing" ratings and to the fact that the agencies rarely deny applications for CRA reasons alone as evidence that regulatory enforcement of the law has been weak. They also wish to have a more formal role in the evaluation process.

Although we have tried to respond to these various concerns through modifying our process and providing official guidance, it has become clear that CRA enforcement needs a broad-based review to see whether improvements are in order and if so what they should be. Consequently, the President requested that the Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision reexamine the regulations. The President asked the agencies to improve them by addressing several areas of concern. The objectives outlined by the President, which we also believe are important to the ultimate reform of the CRA, include the following:

- Replacing paperwork and process-related requirements with clear, objective criteria that measure actual performance
- Working together to improve uniformity in evaluations and instituting more effective sanctions for consistently poor CRA performance.

The ultimate goal, according to the President's request, is to "replace paperwork and uncertainty with greater performance, clarity and objectivity." We are in full accord with this objective.

The agencies held a series of seven public hearings throughout the United States to gather information on the best way to amend our CRA regulations and enhance our enforcement. More than 250 witnesses testified, and many raised common concerns. We were strongly encouraged to revise our regulations so that CRA performance would be evaluated as objectively as possible and to give better guidance on how different types and levels of performance will be rated.

While witnesses stressed that the CRA should continue to focus on lending, many also recommended that greater weight be given to investments (such as in community development projects) and the provision of banking services (such as through locating branches and providing low-cost accounts or noncustomer check cashing). Many witnesses requested that institutions be required to collect more data on the geographic distribution of loans so that they would be better able to evaluate an institution's CRA performance.

Representatives of smaller institutions, on the other hand, generally criticized the burden and expense they bear from existing documentation requirements. Other witnesses recommended that institutions be allowed to develop their own CRA plans against which their performance would be rated, with these plans reviewed by the agencies. Finally, most witnesses, other than those from financial institutions, opposed providing a safe harbor from CRA protests to institutions rated satisfactory or outstanding.

After these meetings, we developed the proposed changes to our CRA regulations in conjunction with the other agencies and published them on December 21, 1993. Comment on the proposal has been requested by March 24. We have extended our comment period to that date to accommodate the numerous requests for time to do a complete analysis of a very complex proposal. We do not know how many comments will ultimately be received and whether fundamental changes in our proposed approach will be called for. Although I cannot state when a final rule will be adopted, we do intend to move the process along as quickly as is appropriate. And I want to emphasize that I would not expect any final rule to become mandatory until after an adequate lead time—particularly if the proposed data collection requirements, or something similar, are retained.

Most important, I am committed to making sure that our final rule will *work*. We will do no one any favors by promulgating a rule that is operationally untenable. During this comment period, I am paying particular attention to questions and or complaints about the details of implementation and of unintended consequences from how the proposal will work in practice.

BALANCING COMPETING OBJECTIVES

With this proposal, we have attempted to achieve the difficult and important goal of balancing the competing concerns of providing greater specificity on what is expected on the one hand without dictating credit decisions on the other.

The proposal attempts to clarify our expectations for CRA performance by (1) creating a new, more numerically driven system for assessing CRA performance in three critical elements: first and foremost, lending and secondarily, services and investments; (2) requiring the collection of data on the number, amount, and geographic location of small business, small farm, and some consumer loans to use in the assessments; (3) providing for streamlined review of small institutions; (4) permitting institutions to submit their CRA plan in advance to their regulator for approval as an alternative to being evaluated under the general assessment scheme; and (5) specifying the regulatory sanctions that are possible from noncompliance with the regulations.

You asked how we balanced the competing interests of financial institutions and community developers in developing the CRA reform proposal. I would like to think that in most respects the interests of banks and community representatives are consistent rather than at odds. Both want local lending institutions to be strong and viable so that they will have the capacity to effectively serve their communities over the long term. Both want to ensure that funded projects make economic sense for lender and borrower alike. Both also have a common interest in a fair and consistent CRA evaluation system that avoids unnecessary paperwork. To be sure, community groups may favor more data collection, greater public participation, and more stringent accountability than some lenders, but, on balance, I believe there is greater commonality of interest among the groups in the goals of reform than is often assumed.

Having said that, however, there are some specific points in the proposal where views may differ somewhat—for example, on the appropriate cut-off level for the more streamlined review procedures for "small banks." Such points of difference seem unavoidable in a proposal as comprehensive and complicated as ours, and I am sure the public comment will help us resolve some of the disagreements about the right approach. I can assure you that we have struggled throughout this process to achieve an appropriate balance to the competing interests when it does exist; how well we have done this will be judged in the public comment process.

Issues Raised by the Proposal

Given Comptroller Ludwig's description of the proposal for the subcommittee, I will not also review the details. As is well known, however, although the Board joined with the other agencies in seeking public comment on the proposal, Board members have a variety of concerns about the proposal. For example:

- The proposal is intended to provide greater certainty to institutions in the type of evaluation they might expect to receive, primarily based on their performance relative to others. Yet, measuring an institution's performance against other lenders in the service area at year-end means that the standard necessarily will be fluid from year to year.

Moreover, the terms used to describe different levels of performance include "roughly comparable," "significant amount," and similar words that are anything but precise. These general standards have been proposed, in part, to avoid giving specific numbers that could result in the government's seeming to specify allocation of the amount, type, or terms of credit an institution must provide for a specific purpose.

Institutions will have to speculate about the activities of their competitors, and examiners will be forced to interpret these terms on a case-by-case basis, when evaluating individual institutions. Thus, an institution may have some of the same uncertainty about how its performance will be evaluated that it has now. To some extent therefore, we remain plagued by the dilemma of how to provide better guidance and certainty in the CRA area without reducing needed flexibility. Our proposal, ambitious as it is, may have deferred, rather than answered, some of the hard questions. Resolving these issues undoubtedly will take place over an extended period of time, and this will certainly prove frustrating to both financial institutions and community groups.

- Other problems may be associated with the "market share" test. The market share for other than mortgage loans will be computed only in comparison with other depository institutions that must report data. Leaving out small depositories (generally less than $250 million in assets) and nondepositories, the percentage of those who are subject to the CRA and included in the market share comparison will be low. In some localities, a very few institutions or even a single one may be included in the "market." This inclusion could cause practical problems and anomalous results.

• The new requirement for summary reporting of the number, amount, and geographic distribution of small business, mortgage, and some consumer loans is a significant one. It is important to the goal of making the CRA process more quantifiable; yet it could be very costly. For covered commercial banks, the annual cost for the small business portion of the data collection alone could approach $21 million. In all, about 3,400 institutions will be required to gather new data.

It is therefore a fair question whether it is desirable to impose the burden of the new data collection system because so much subjectivity necessarily is also a key part of the new system. Because of these concerns, we have also asked for a discussion of burdens and benefits of this requirement in the public comments.

• The appropriateness of the streamlined review procedure for small institutions with less than $250 million in assets will surely be questioned in the comments—as well as the impact of the presumption that such small institutions have a "reasonable" loan-to-deposit ratio if it is 60 percent. We have heard from the small banks that have commented on the proposal thus far that this ratio is an unrealistically high loan-to-deposit one for them, especially for good quality loans, and we have some concerns that small institutions who want to benefit from the streamlined CRA review might be forced to imprudently change their lending standards to meet this presumption.

• There are other controversial and possibly problematic aspects to our proposal, such as whether the alternative evaluation for banks with preapproved plans is workable, and whether we, in fact, should be treating institutions receiving low ratings as being in violation of the regulation and subject to our enforcement authority. These important issues will also receive considerable attention by us and, I hope, by the public.

Legislative Amendments

Last fall, when asked about legislative reform, I testified that because we were in the middle of a comprehensive agency review of the CRA, we did not favor proceeding with the legislation that was being considered by this subcommittee. Some other issues not directly tied to CRA legislation, such as community development activities, and investments and services pursuant to the Bank Enterprise Act, will be affected by what we do in the regulatory area, of course, given the proposed service and investment rating components. But I would counsel against pursuing legislative amendments to the CRA until we see how well our regulatory solution responds to the public concerns that I outlined earlier. Ultimately, there may be need for changes to the law, but it seems too early to make that judgment at this time.

Conclusion

Through our internal review of the CRA and the public hearings on CRA reform, we have been afforded a unique opportunity to step back and take a fresh look at the enforcement of one of the most important and promising, yet controversial, laws affecting financial institutions. In proposing comprehensive regulatory reform of the CRA, we have been highly aggressive in our approach. Our efforts are bound to generate a good deal of concern—for example, that we are demanding too much or not enough, that we have been too specific or too vague, and that we have been too sensitive to small banks' concerns about paperwork burden or not sensitive enough.

As I said during the Board's public deliberations on the proposed amendments to our CRA regulation, although I take a natural pride of authorship given the time I have invested with my colleagues, I am not unalterably wedded to this specific proposal. If the public comment points out serious flaws, particularly in the areas of operations or implementation, or if better ideas emerge, I am perfectly willing to recommend to my fellow regulators and members of the Board of Governors that we return to the drawing board. We should not hesitate to do so if that is the only way to assure the public that we have done the best job possible. □

Statement by Lawrence B. Lindsey, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Consumer Credit and Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, February 8, 1994

I appreciate the opportunity to appear before this subcommittee to discuss Community Reinvestment Act (CRA) reform. The Community Reinvestment Act is intended to ensure that every community has access to adequate credit to help meet its needs. We at the Federal Reserve Board believe that the law has produced substantial benefits. However, the CRA has not—nor should it be expected to have—cured all the problems that plague our cities.

As you know, the federal financial institution regulatory agencies are actively engaged in an effort to reform the CRA by amending our regulations. This effort results from the President's request to make the CRA more objective, the ratings more uniform, and the paperwork less burdensome. This effort is a challenging one, which involves a substantial commitment by the agencies and encompasses many difficult issues. We are very conscious of the fact that what we do could significantly affect financial institutions and the public alike and that we must exercise care when we undertake such an important project. Because we are midway in the process and are still receiving comments from the public, our report to you will necessarily be somewhat preliminary.

History of the CRA and the Current Reform Effort

Before I discuss the proposal to reform the CRA, I would like to briefly review the law and a little of its history because that history is very relevant to the reform project. The Community Reinvestment Act calls for the financial regulatory agencies to use their examination authority to encourage institutions to help meet the credit needs of their communities, including low- and moderate-income areas, consistent with safe and sound business practices. The agencies are required to assess the community lending records of the institutions they supervise as part of their examinations and to take into account those records in considering applications. The law, however, gives no other indication how the agencies are to accomplish these tasks and does not define key concepts, such as how an institution's community is defined or what constitutes satisfactory performance. A considerable responsibility, therefore, was placed on the agencies by the Congress.

The regulations that were adopted in 1978 by the financial regulatory agencies focused, at least in part, on factors related to the process used by institutions to determine the credit needs of their community and how they responded to those needs. To avoid credit allocation, and to allow for the maximum amount of creativity by institutions in meeting the varying credit needs of their localities, these regulations did not attempt to prescribe any particular level of lending. Instead, the evaluation of a financial institution's performance has been based on the application of twelve assessment factors, including how community credit needs are ascertained, the geographic distribution of loans, the record of opening and closing branches and providing services, participation in local community development projects, and the financial and legal capability of the institution. In determining how well an institution ascertains the credit needs of its community, examiners have taken into account such matters as the institution's community outreach and credit marketing.

In the course of our review of the CRA, we have heard from many consumer and community groups about how valuable the law has been in getting credit extended in low- and moderate-income areas. Some groups put the success of the CRA at $30 billion, which they estimate to be the level of the CRA commitments for new credit. I suspect the total impact of CRA considerably exceeds the $30 billion estimate. And, to date, this has occurred with a comparatively light hand from Washington. Indeed, one strength of the present system is that it allows great flexibility in fashioning programs to meet the different and changing credit needs of this country's diverse communities.

Despite the significant benefits that communities have seen from the CRA, the approach taken in the regulations and the agencies' implementation of that approach have generated a good deal of criticism. Financial institutions have frequently complained that they are burdened by imprecise rules and inconsistent evaluations on the one hand and overly prescriptive documentation requirements on the other hand. Small institutions, in particular, complain about the costs of compliance and contend that the law is unnecessary because they must serve their entire community to succeed. Further, it appears to some that there is little incentive for institutions to try to achieve an outstanding rating, especially when applications filed by institutions with outstanding CRA ratings may still be protested by the public.

Community representatives have complained that the regulators emphasize documentation of CRA activities in their examinations of financial institutions, instead of actually measuring the degree to which they are meeting community credit needs. They point to the fact that almost 90 percent of institutions receive "passing" ratings and the agencies rarely deny applications for CRA reasons alone as evidence that regulatory enforcement of the law has been weak. They also wish to have a more formal role in the evaluation process.

Although we have tried to respond to these various concerns through modifying our process and providing official guidance, it has become clear that CRA enforcement needs a broad-based review to see whether improvements are in order and, if so, what they should be. Consequently, the President requested that the Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision reexamine the regulations. The President asked the agencies to improve them by addressing several areas of concern. The objectives that the President outlined, which we also believe are important to the ultimate reform of the CRA, include the following:

- Replacing paperwork and process-related requirements with clear objective criteria that measure actual performance
- Working together to improve uniformity in evaluations and instituting more effective sanctions for consistently poor CRA performance.

The ultimate goal, according to the President's request, is to "replace paperwork and uncertainty with greater performance, clarity and objectivity." We are in full accord with this objective.

The agencies held a series of seven public hearings throughout the United States to gather information on the best way to amend our CRA regulations and enhance our enforcement. More than 250 witnesses testified, and many raised common concerns. We were strongly encouraged to revise our regulations so that CRA performance would be evaluated in as objective a manner as possible and to give better guidance on how different types and levels of performance will be rated.

Although witnesses stressed that the CRA should continue to focus on lending, many also recommended that greater weight be given to investments (such as in community development projects) and the provision of banking services (such as through locating branches and providing low-cost accounts or noncustomer check cashing). Many witnesses requested that institutions be required to collect more data on the geographic distribution of loans so that they may be better able to evaluate an institution's CRA performance.

Representatives of smaller institutions, on the other hand, generally criticized the burden and expense they bear from existing documentation requirements. Other witnesses recommended that institutions be allowed to develop their own CRA plans against which their performance would be rated, with these plans reviewed by the agencies. Finally, most witnesses, other than those from financial institutions, opposed providing a safe harbor from CRA protests to institutions rated satisfactory or outstanding.

After these meetings, we developed the proposed changes to our CRA regulations in conjunction with the other agencies and published them on December 21, 1993. Comment on the proposal has been requested by March 24. We have extended our comment period to that date to accommodate the numerous requests for time to do a complete analysis of a very complex proposal. We do not know how many comments will ultimately be received and whether fundamental changes in our proposed approach will be called for. Although I cannot state when a final rule will be adopted, we do intend to move the process along as quickly as is appropriate. And I want to emphasize that I would not expect that any final rule would become mandatory until after an adequate lead time—particularly if the proposed data collection requirements, or something similar, are retained.

Most important, I am committed to making sure that our final rule will *work*. We will do no one any favors by promulgating a rule that is operationally untenable. During this comment period, I am paying particular attention to questions or complaints about the details of implementation and of unintended consequences from how the proposal will work in practice.

Balancing Competing Objectives

With this proposal, we have attempted to achieve the difficult and important goal of balancing the competing concerns of providing greater specificity on what is expected on the one hand without dictating credit decisions on the other. The proposal attempts to clarify our expectations for CRA performance by (1) creating a new, more numerically driven system for assessing CRA performance in three critical elements: first and foremost, lending, and secondarily, services and investments; (2) requiring the collection of data on the number, amount, and geographic location of small business, small farm, and some consumer loans to use in the assessments; (3) providing for streamlined review of small institutions; (4) permitting institutions to submit their CRA plan in advance to their regulator for approval and public comment as an alternative to being evaluated under the general assessment scheme; and (5) specifying the regulatory sanctions that are possible from noncompliance with the regulations.

In part, the balance we seek to achieve in the proposal is intended to respond to those most concerned by the CRA—banks and representatives of communities. Despite the different perspectives on CRA reform by bank and community representatives, I think that in many respects their interests are consistent rather than at odds. Both banks and community representatives want local lending institutions to be strong and viable so that they will have the capacity to effectively serve their communities over the long term. Both want to ensure that funded projects make economic sense for lender and borrower alike. Both also have a common interest in a CRA evaluation system that is fair and consistent and that avoids unnecessary paperwork. To be sure, community groups may favor more data collection, greater public participation, and more stringent accountability than lenders, but, on balance, I believe there is greater commonality of interest among the groups in the goals of reform than is often assumed.

Having said that, however, I am sure there are some specific points in the proposal on which views may differ—for example, on the appropriate cut-off level for the more streamlined review procedures for "small banks." Such points of difference seem unavoidable in a proposal as comprehensive and complicated as ours, and the public comment should help us resolve some of the disagreements about the right approach. I can assure you that we have struggled throughout this process to achieve an appropriate balance to the competing interests when it does exist; how well we have achieved this balance will be judged in the public comment process.

Issues Raised by the Proposal

Given Comptroller Ludwig's description of the proposal for the subcommittee, I will not also review the details. As is well known, however, although the Board joined with the other agencies in seeking public comment on the proposal, Board members have a variety of concerns about the proposal. For example:

• The proposal is intended to provide greater certainty to institutions in the type of evaluation they might expect to receive, primarily based on their performance relative to that of others. Yet, measuring an institution's performance against other lenders in the service area at year-end means that the standard will necessarily be fluid from year to year.

Moreover, the terms used to describe different levels of performance include "roughly comparable," "significant amount," and similar words that are anything but precise. These general standards have been proposed, in part, to avoid giving specific numbers that would risk resulting in the specific allocation of the amount, type, or terms of credit that institutions must provide.

Institutions will have to speculate about the activities of their competitors, and examiners will be forced to interpret these terms on a case-by-case basis when evaluating individual institutions. Thus, an institution may have some of the same uncertainty about how its performance will be evaluated that it has now. To some extent we will always be plagued by the dilemma of how to provide better guidance and certainty in the CRA area without reducing needed flexibility. But we expect that these issues will be resolved over time, although ultimately the experience may prove frustrating to both financial institutions and community groups.

• There may be problems associated with the "market share" test. One such problem may result from the fact that the market share for other than mortgage loans will be computed only in comparison with that of other depository institutions that must report data. Leaving out small depositories (generally less than $250 million in assets) and nondepositories, the percentage of those that are subject to the CRA and are included in the market share comparison will be low. In some localities, a very few institutions or even a single one may be included in the "market." This approach could cause practical problems and anomalous results.

• The new requirement for summary reporting of the number, amount, and geographic distribution of small business, mortgage, and some consumer loans is significant. It is important to the goal of making the CRA process more quantifiable; yet it could be costly. For covered commercial banks, the annual cost for the small business portion of the data collection alone has been estimated by our staff members to approach $21 million. In all, about 3,400 institutions will be required to gather new data.

Because of these concerns, we have also asked for a discussion of burdens and benefits of this requirement in the public comments.

• The appropriateness of the streamlined review procedure for small institutions having less than $250 million in assets will surely be questioned in the comments—as well as the impact of the presumption that such small institutions have a "reasonable" loan-to-deposit ratio if it is 60 percent. We have heard from the small banks that have commented on the proposal thus far that this loan-to-deposit ratio is unrealistically high for them, especially for good-quality loans, and we have some concerns that small institutions that want to benefit from the streamlined CRA review might be forced to imprudently change their lending standards to meet this presumption.

• There are other potentially controversial aspects to our proposal, such as whether the alternative evaluation for banks with preapproved plans is workable, whether the role of the public and community groups in development of the plans is adequate, and whether we, in fact, should be treating institutions receiving low ratings as being in violation of the regulation and subject to our enforcement authority. These important issues will also receive considerable attention by us and, I hope, by the public.

Discussion of Specific Issues Raised in Letter of Invitation

Besides many of the issues I have already addressed in my statement, I would like to respond to some of the questions raised in your letter of invitation:

• *The appeals process.* Financial institutions have always been able to request supervisory personnel at Reserve Banks to review the ratings issued by examiners—whether involving the CRA or other supervisory issues—but we do not consider this review a formal appeals process. We anticipate that our informal system for appeals would complement the opportunities for input in CRA evaluations. The proposal would permit institutions to rebut presumptive ratings under the lending, service, and investment tests. But the proposal also provides that the agencies would announce upcoming examinations to get public comment on an institution's performance. These comments, and those in the institution's public file, would be taken into account in our assessment of their performance.

- *Frequency of examinations for institutions rated "outstanding."* The proposal does not address examination frequency. Our current policy, however, does allow evaluations to be conducted less frequently for institutions rated outstanding. Currently, state member banks rated outstanding, with at least satisfactory ratings in consumer compliance in general, are examined once every eighteen to twenty-four months, compared with once every six to twelve months for poor performers. At this point, I would assume that we would maintain our current policy even with regulatory changes.
- *Effect of investment credits and indirect lending on ratings.* Under the proposal, investment activity by retail banks could help to increase their base rating in the lending test, up to two levels if the investment performance is outstanding. Investments will be the sole criteria for measuring the performance of wholesale and limited-purpose banks, however. Indirect lending activity may be taken into account under either the lending or investment tests. These aspects of the proposal are controversial and of particular concern to community groups. We will be evaluating their comments very carefully as we consider what the appropriate treatment of investments and indirect lending should be.
- *Effect of ratings and public involvement on applications.* CRA ratings, as well as public comments on applications, can and do influence significantly the Board's consideration of an institution's application. This has been made clear in earlier CRA policy statements. The proposal is more explicit than our current regulation about the effect that different ratings will have on the Board's consideration of an application. For example, under the proposal, an "outstanding" rating would be looked on very favorably, and a "substantial noncompliance" rating generally would result in the denial of the application. We are aware of the concern of community groups that there may be an implicit "safe harbor" in the proposal. A "safe harbor" was not intended, and to the extent that there is any misuderstanding, it will be clarified in the final version.

CONCLUSION

Through our internal review of the CRA and the public hearings on CRA reform, we have been afforded a unique opportunity to step back and take a fresh look at the enforcement of one of the most important, yet controversial, laws affecting financial institutions. In proposing our comprehensive regulatory reform of the CRA, we have been highly aggressive in approach. Our efforts are bound to generate a good deal of debate and concern—for example, that we are demanding too much or not enough, that we have been too specific or too vague, and that we have been too sensitive or not sensitive enough to small banks' concerns about paperwork burden.

As I said during the Board's public deliberations on the proposed amendments to our CRA regulation, although I take a natural pride of authorship given the time I have invested with my colleagues, I am not unalterably wedded to this specific proposal. If the public comment points out serious flaws, particularly in the areas of operations or implementation, or if better ideas emerge, I am perfectly willing to recommend to my fellow regulators and members of the Board of Governors that we return to the drawing board. We should not hesitate to do so if that is the way to ensure that we have done the best job possible. To give the public anything less than the best is a goal that no one involved in this process would condone. □

Statement submitted by the Board of Governors of the Federal Reserve System to the Subcommittee on Consumer Credit and Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, February 9, 1994

The Board of Governors of the Federal Reserve System appreciates the opportunity to comment on the credit and charge card legislation being considered in H.R.1842 and H.R.2175. Because this legislation is driven, in part, by concerns about the level of credit card rates, we thought it would be useful to the subcommittee to have some current background on this issue.

RECENT DEVELOPMENTS IN CREDIT CARD PRICING

Credit card lending is a competitive market that consists of many thousands of card issuers, all free to establish their own prices and other lending terms. The credit card market has changed significantly over the past few years. Competition, which was keen during the 1980s, has grown more intense as new firms have entered the market and challenged established card issuers by aggressively pricing their credit card products. While competition in the 1980s focused on efforts to broaden customer bases by increasing the availability of cards to higher risk groups and by offering additional product enhancements, this focus has shifted to efforts to retain and broaden customer bases by offering more favorable interest rates, waivers of annual fees, and, in some larger programs, rebates of various types.

To better understand credit card pricing behavior, it is useful to compare credit card lending with other types of bank loans. Generally, credit card lending is riskier than other types of bank lending because it is unsecured and card holders may choose to use their cards when they are under the most financial distress. Consequently, a relatively large "risk premium" is built into the pricing structure of credit card plans. A second prominent feature of credit card lending is that the cost of funds, while an important component of total costs, makes up a relatively small percentage of total lending costs compared with other types of bank lending. Because funding costs are a smaller component of total costs for credit card lending, changes in the cost of funds are more likely to be offset by movements in other cost components. A third major factor that differentiates credit card lending from other types of bank lending is that the interest earned on credit card balances is substantially less than the stated rate might suggest because convenience users (those who pay their balances in full each month) generate little or no revenue from finance charges.

After many years of relative stability, credit card interest rates recently have fallen sharply. An unusually steep and sustained decline in the cost of funds to issuers and the lingering effects of the last recession, which saw outstanding balances on credit cards grow at a much reduced pace, have exerted downward pressure on credit card interest rates. In addition, the elevated default rates and substantial credit losses stemming from the past recession appear to have fundamentally influenced the pricing behavior of many card issuers, including a number of the largest issuers in the country. Although credit card issuers in the past tended to offer a basic plan with one rate for all customers regardless of risk and account activity level, some of the largest issuers have now lowered rates for card holders who have good payment records and charge large amounts. Higher interest rates are still applied, however, to higher-risk customers: those who have a record of not paying their bills on time.

Contributing to the growing interest rate competition may be an increasing sensitivity by consumers to credit card rates, perhaps because of the difficult times that many encountered during the last recession and the heightened publicity about the high rates of interest on credit cards. Another factor that may be causing a decrease in credit card rates is the increased difficulty card issuers have encountered in acquiring new customers in a relatively mature market. The high cost of attracting new customers in a competitive, mature market places a premium on retaining existing customers, particularly on those who charge large volumes and revolve substantial balances. Reducing rates and waiving annual fees is one way to curtail attrition. A further indication of growing interest rate competition is the aggressive marketing of rollover balance programs that offer attractive rates to card holders who roll their outstanding debt into a new card issuer's plan.

Evidence of the changing nature of competition in the credit card market can be found in the Federal Reserve's series on credit card interest rates published in its G.19 statistical release. This data series shows the average rate charged by a sample of credit card issuers for their largest credit card plans. From the end of 1981 through the beginning of 1991 this average credit card interest rate varied only a little and averaged more than 18 percent. Beginning in early 1991, however, it began a steady decline that has continued to date. In February 1991, the average interest rate on credit cards as measured by our survey was 18.28 percent. Our latest survey, for November 1993, indicates the average rate had fallen to 16.30 percent.

A second survey of credit card interest rates conducted by the Federal Reserve also reveals the decline in interest rates. Twice a year, the Board produces a report entitled *Report on the Terms of Credit Card Plans*, which shows the terms offered by about 150 of the largest credit card issuers for their largest credit card plan. This report is made available to the public without charge as a tool to assist them in comparing the various features and costs of alternative credit card programs.

This report on credit card terms was first made available in March 1990. At that time, 10 percent of the issuers offered plans with interest rates of less than 16 percent, and only two issuers had plans with rates of less than 14 percent. Our most recent survey, released in September 1993, reveals a dramatic change; 41 percent of the issuers offered a rate of less than 16 percent on their largest plan, and 14 percent had rates of less than 14 percent. Eight of the 153 issuers charged a rate of 12 percent or less on their largest plan. A copy of the report is attached to this statement.[1]

1. The attachment to this statement is available from Publications Services, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Credit Card Profitability

The Fair Credit and Charge Card Disclosure Act directs the Federal Reserve to report to the Congress annually about the profitability of credit card operations of depository institutions. The most recent report was submitted in September 1993. Information for this report is drawn from two surveys: the Functional Cost Analysis conducted by the Federal Reserve Banks and the Report of Condition and Income. The report indicates that in recent years credit card profitability has generally been higher than returns on other major bank product lines, although net earnings as a percentage of outstanding balances for credit card banks in 1992 were not as high as they were in the mid-1980s. The most recent data from the Report of Condition and Income continue to indicate that credit card earnings are strong.

With this as background, we have the following comments on the specific legislation.

H.R.1842

H.R.1842 would amend the Truth in Lending Act to provide for additional disclosures relating to credit and charge card accounts. For example, the bill would expand disclosure requirements for applications and solicitations mailed to consumers and for card account advertisements. The bill would also provide consumers with substantive rights, along with additional disclosures, when card issuers initiate certain changes in terms of card accounts. H.R.1842 would also impose limitations on card issuers' ability to use information about customers for direct marketing purposes and restrict their ability to assess finance charges before credit extensions are posted to the account. Finally, the bill would require that the Comptroller General of the United States, in consultation with the Board, conduct a study of competitiveness of the credit card market.

Disclosures

The Board believes consumers benefit substantially from Truth in Lending disclosures that permit them to compare and evaluate credit card plans. For example, early disclosures already required by the Fair Credit and Charge Card Disclosure Act enable consumers to consider rate and other cost information before they apply for a credit card account. Taken individually, each of the bill's required disclosures, set forth in a standardized tabular format, may additionally assist consumers in their comparison shopping before they become obligated or in their evaluation of an existing account. Consumers, however, already receive many of the disclosures required by the bill—such as basic cost information in the table and notices of changed terms—under the current Truth in Lending scheme. The Board believes that existing law supplies consumers with adequate information about the key costs associated with credit and charge card accounts. We are concerned that by "layering" essentially identical disclosures the effectiveness of the current scheme may be diluted if consumers find the duplicate disclosures to be confusing.

Disclosures on Envelopes

For example, H.R.1842 would require that the disclosure table appear on envelopes containing card applications or preapproved solicitations mailed to consumers in addition to the disclosures already required with the application or solicitation inside. We are also aware that consumers receive in the mail offers for card accounts enclosed in envelopes that may boldly display a term such as an introductory low annual fee or annual percentage rate. Nonetheless, the Board believes that the proposed requirement would not offer enough benefit to consumers to further complicate the rules. The consumer who is intrigued by a card issuer's offer to open an account will of necessity have to open the envelope to act on the offer and at that time will encounter the current disclosure table. The consumer who chooses not to open the envelope is not interested enough to consider the offer (and see the disclosure table) and has not been misled by the card issuer's marketing. The table currently required plays an effective role in connection with applications or preapproved solicitations by providing basic information in a user-friendly format to consumers as they complete the application form. The Board believes a second table on the envelope is unnecessary.

Additional Disclosures in the Table

The Board believes that caution should be exercised in mandating additional disclosures in the table. For example, information about the terms and conditions for forfeiting a grace period may be lengthy and detailed and could complicate the box and detract from its current "clean" appearance. On the other hand, adding the annual percentage rate for cash advances could be very useful for consumers.[2]

Changes in Terms

The Board is also concerned about the potential for consumer "information overload" when card issuers change certain account terms and about excessive cost and regulation. Currently, card issuers initiating changes adverse to consumers are generally required to send notices that highlight the changes at least fifteen days in advance of the change. The bill would require that the new terms to be set forth in a tabular format on at least one periodic billing statement before the effective date of the change. The bill would also require that a description of certain changed terms be provided in a tabular format on a separate piece of paper that is enclosed with a periodic statement sent at least thirty days before the change. Finally, the envelope containing the separate description and periodic statement must display a statement alerting the consumer to the fact that contract terms have been changed and that details are available inside.

The Board recognizes that a brief notice on an envelope stating that changes in contract terms are contained inside may be meaningful to consumers in the same way an envelope bearing the notice "Tax information enclosed" distinguishes

2. Indeed, when originally promulgating rules for the Fair Credit and Charge Card Disclosure Act, the Board proposed to add such a disclosure. Upon further analysis, after a review of comments that objected overwhelmingly to any additional required disclosures in the table, particularly to one that did not relate to purchases, the Board withdrew the proposal because it was not required by the statute.

for taxpayers the significance of the contents of that correspondence from others.

The Board is concerned, however, about the potential for consumer confusion if the bill's proposed disclosure scheme were added to the existing law regarding changed terms for card accounts. Read as a whole, the bill provides that consumers whose credit card plan is about to change would receive a periodic statement that reflects the terms in effect for the billing period covered by the statement. The same statement would also contain the prospective terms set forth in a table along with the other disclosures that remain unchanged, although the bill does not require that the new terms be distinguished from others not affected by the change. The consumer would also receive a separate document that describes in tabular format the changed term.

The Board believes the current disclosure scheme—requiring changed terms to be highlighted in some way—is adequate and straightforward. Requiring a periodic statement reflecting the terms in effect for the previous billing period as well as a disclosure table applicable to future periods seems potentially confusing, and the inclusion of a tabular description of the new term—while highlighting the change—seems repetitive in combination with the disclosure table contained on the accompanying periodic statement.

Advertising

H.R.1482 would expand the Truth in Lending disclosures required for credit and charge card advertising. Currently, mentioning specific costs in advertisements for credit card plans triggers a card issuer's duty to disclose other cost information. For example, a card issuer that advertises its annual percentage rate must also disclose any minimum finance charge, transaction fee, or other charge. The Board by regulation also requires that annual fees be disclosed. Advertising "low" annual percentage rates or "no transaction fees" does not trigger the requirement to state additional cost information about the card account.

The bill would mandate that the table disclosures now required for applications and solicitations be disclosed on *any* advertisement that promotes card accounts. The disclosure requirements would differ, depending on the medium in which the card advertisement is promoted (radio, television, or print).

The Board appreciates the concern that general advertisements may not provide full disclosure of important credit terms. However, the Board believes that mandating cost information for all advertisements may, in fact, create a disincentive for advertising rather than an incentive for more disclosure. The Board believes that the current disclosure scheme for advertising accounts provides adequate information to consumers who are shopping for credit cards. If specific cost information is advertised, a uniform disclosure of credit terms is required. Card issuers that aggressively market through direct mail or telephone campaigns must already comply with the more detailed disclosure requirements of the Fair Credit and Charge Card Disclosure Act. In addition, consumers are provided with complete Truth in Lending disclosures before they become obligated on the plan, and the Board by regulation has provided that if consumers are not given full disclosures beforehand, a consumer may reject the plan once disclosures are received (and any membership fee paid must be refunded).

Finally, although the clear and straightforward approach of the proposed table may be more easily comprehensible on a television screen than lengthy narrative disclosures, the Board notes the difficulties in assuring meaningful disclosures in electronic media such as television.

If the Congress determines to go forward with legislation to amend the advertising rules for credit card plans, the Board notes that the proposed bill contains an exception for advertisements that are "solely promotional and do not solicit business." The distinction seems vague, and we urge the Congress to clarify the intended scope of the exception to the disclosure requirements for credit card advertisements.

Other Disclosures

H.R.1482 would also require that card issuers disclose information not currently mandated by law. For example, card issuers would be required to provide on each periodic statement cumulative year-to-date data on the total amount of payments made and finance charges paid. The bill would also require that card issuers include on the first three statements provided in a year the information—set forth in a tabular format—that identifies various fees and charges paid during the *previous* year. While the disclosures would provide figures that some consumers may not otherwise calculate, the Board remains concerned about the need for repetitive disclosures. Also, the Board questions the need to mandate year-end figures because it is aware, for example, that card issuers frequently provide consumers with information about the total finance charges paid during the previous year.

The bill would also require that periodic statements disclose a date that reflects when the current outstanding balance would be paid off if the consumer choses to pay only the minimum periodic payment required under the plan. A "snapshot" view of the potential length of the consumer's obligation is information that undoubtedly could be interesting to some consumers and would provide useful information that consumers might use in evaluating their credit practices. However, the Board would note that to reduce the potential length of the obligation, card issuers might raise minimum payment amounts or reduce credit limits, which may be detrimental to consumers.

Substantive Rights

H.R.1842 would provide three substantive rights to consumers by amending the Truth in Lending law. The bill would permit consumers to cancel a card account and pay off any outstanding balance under existing terms when certain changes in terms occur (for example, an annual percentage rate increase). The bill would also permit a consumer to limit a card issuer's ability to use information about the consumer for direct marketing purposes. Finally, the bill would provide that finance charges for extensions of credit can begin only from the date the extension is posted to the account. Although the Truth in Lending Act includes some substantive provisions, it remains primarily a disclosure statute. The Board continues to believe that substantive laws should generally be left to the realm of state law.

Regarding the provision that gives consumers the right to pay off existing balances on the terms in effect at the time of a change in terms, the Board notes that some states have in fact legislated in this area.

The Truth in Lending Act requires that card issuers identify on periodic statements credit transactions occurring during the statement period, and the Board by regulation authorizes card issuers to identify credit extensions by the date of the transaction or the date the transaction is posted to the consumer's account. The policy reason for *mandating* a delay in the imposition of finance charges from the date of the credit extension to the date of posting is unclear because the consumer received the benefit of the credit extension on the earlier date.

Other Provisions

H.R.1842 would require that the Board maintain a toll-free number for consumers to call for information on the availability of low-rate credit cards. Although the Board endorses the desire to enhance consumer awareness about credit card interest rates, it does not believe that it is appropriate for the Board to endorse any particular card program for consumers. Currently, the Board produces a credit card shoppers guide that is made readily available to consumers free of charge. In addition to rate and fee information, the guide includes the telephone number of card issuers for consumers to call to apply for a card; many of those numbers are toll-free. The Board maintains a mailing list and distributes the guide to libraries nationwide. In addition, lists of rates and other fees offered by card issuers are now readily available to consumers from groups such as Bankcard Holders of America and from commercial sources.

H.R.1842 calls for a study of the credit card market by the Comptroller General of the United States (GAO), in consultation with the Federal Reserve Board. Such a study has already been conducted by the GAO and has recently been submitted to the Board for comment.

H.R.2175

The major credit card issuers generally impose a fee on merchants that honor credit cards and at the same time prohibit merchants from directly passing that charge on to cardholders. This prohibition currently applies as well to government agencies that honor credit cards for payment of such items as auto registration fees and state property taxes. H.R.2175 would bar card issuers from applying this prohibition to government agencies and thus would enable the agencies to directly pass on the fee to consumers.

Merchants may absorb the costs of the fee by adjusting the pricing of goods or services. To recover costs, government agencies would have to increase fees or raise taxes. And some state and local laws may prohibit or restrict public agencies from absorbing this cost. By allowing government agencies to pass the costs of credit transactions directly on to consumers, H.R.2175 could increase public use of a more convenient payment option. On the other hand, it would also create different rules for the private and public sectors.□

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Economic Growth and Credit Formation of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, February 22, 1994

I am pleased to appear today to present the Federal Reserve's semiannual monetary policy report to the Congress.

In the seven months since I gave the previous Humphrey–Hawkins testimony, the performance of the U.S. economy has improved appreciably. Private sector spending has surged, boosted in large part by very favorable financial conditions. With mortgage rates at the lowest level in a quarter century, housing construction soared in the latter part of 1993. Consumer spending, especially on autos and other durables, has exhibited considerable strength. Business fixed investment has maintained its previous rapid growth. Important components of growth in gross domestic product during the second half of last year represented one-time upward adjustments to the level of activity in certain key sectors, and with output in these areas unlikely to continue to climb as steeply, significant slowing in the rate of growth this year is widely expected. In addition, the southern California earthquake and severe winter weather may have dulled the force of the favorable trends in spending in January and February. Nonetheless, as best we can judge, the economy's forward momentum remains intact.

The strengthening of demand has been accompanied by favorable developments in labor markets. In the second half of the year, employment continued to post moderate gains, and the unemployment rate fell further, bringing its decrease over the full year to nearly 1 percentage point. The unemployment rate in January apparently declined again on both the old and new survey bases.

On the inflation front, the deterioration evident in some indicators in the first half of 1993 proved transitory. For the year as a whole, the consumer price index (CPI) rose 2¾ percent, the smallest increase since the big drop in oil prices in 1986. Broader inflation measures covering purchases by businesses as well as consumers rose even less. While declining oil prices contributed to last year's good readings, inflation measured by the CPI excluding food and energy also diminished slightly further, to just more than a 3 percent rate for the whole year. In January the CPI remained quite well behaved on the whole. Not all signs have been equally favorable, however. For example, several commodity prices have firmed noticeably in recent months. And indications that such increases may be broadening engendered a backup in long-term interest rates in recent days. In particular, the Federal Reserve Bank of Philadelphia's survey showing a marked increase in prices paid by manufacturers early this year was taken as evidence of a more general emergence of inflation pressures.

It is important to note, however, that in the past such price data have often been an indication more of strength in new orders and activity than a precursor of rising inflation throughout the economy. In the current period, overall cost and price pressures still appear to remain damped. Wages do not seem to be accelerating despite scattered reports of some skilled-worker shortages, and advances in productivity early this year are holding down unit labor costs. Moreover, although private borrowing has picked up, broad money—to be sure a highly imperfect indicator of inflation in recent years—has continued to grow slowly.

Nonetheless, markets appear to be concerned that a strengthening economy is sowing the seeds of an acceleration of prices later this year by rapidly eliminating the remaining slack in resource utilization. Such concerns were reinforced by forecasts that recent data suggest that revised estimates of fourth-quarter gross domestic product to be released next week will show upward revisions from the preliminary annual rate of growth of 5.9 percent. Rapid expansion late last year, it is apparently feared, may carry over into a much smaller deceleration of activity in 1994 than many had previously expected.

But it is too early to judge the degree of underlying economic strength in the early months of 1994. Anecdotal evidence does indicate continued underlying strength in manufacturers' new orders and production, but we will have a better reading on new orders on Thursday when preliminary data for January are released. The labor markets are signaling a somewhat less buoyant degree of activity as initial claims for unemployment insurance in recent weeks have moved up a notch. Clearly, the Federal Reserve will have to carefully monitor ongoing developments for indications of potential inflation or a strengthening in inflation expectations. As I have often noted, if the Federal Reserve is to promote long-term growth, we must contribute, as best we can, to keeping inflation pressures contained.

In this regard, a clear lesson we have learned over the decades since World War II is the key role of inflation expectations in the inflation process and in the overall performance of the macroeconomy. As I indicated in my testimony before the Joint Economic Committee last month, until the late 1960s economists often paid inadequate attention to expectations as a key determinant of inflation. Unemployment and inflation were considered simple tradeoffs. A lower rate of unemployment was thought to be associated with a higher, though constant, rate of inflation; conversely, a higher rate of unemployment was thought to be associated with a lower rate of inflation.

But the experience of the past three decades has demonstrated that what appears to be a tradeoff between unemployment and inflation is quite ephemeral and misleading. Attempts to force-feed the economy beyond its potential have led in the past to rising inflation, as expectations ratcheted higher, and, ultimately, not to lower unemployment but to higher unemployment, as destabilizing forces and uncertainties associated with accelerating inflation induced economic contraction. Over the longer run, no tradeoff is evident between inflation and unemployment. Experience both here and abroad suggests that lower levels of inflation are conducive to the achievement of greater productivity and efficiency and, therefore, higher standards of living.

In fact, lower inflation historically has been associated not just with higher *levels* of productivity but with faster *growth* of productivity as well. Why inflation and productivity growth are linked this way empirically is not clear. To some extent higher productivity growth may help to damp inflation for a time by lessening increases in unit labor costs. But the process of cause and effect in all likelihood runs the other way as well. Lower inflation and inflation expectations reduce uncertainty in economic planning and diminish risk premiums for capital investment. They also clarify the signals from movements in relative prices, and they encourage effort and resources to be devoted to wealth creation rather than to wealth preservation. Many people do not have the knowledge of, or access to, ways of preserving wealth against inflation; for them, low inflation avoids an inequitable erosion of living standards.

The reduced inflation expectations of recent years have been accompanied by lower bond and mortgage interest rates, slower actual inflation, falling unemployment, and faster trend productivity growth. The implication is clear: When it comes to inflation expectations, the nearer zero, the better.

It follows that price stability, with inflation expectations essentially negligible, should be a long-run goal of macroeconomic policy. We will be at price stability when households and businesses need not factor expectations of changes in the average level of prices into their decisions. How those expectations form is not always easy to discern, and they can for periods of time appear to be at variance with underlying economic forces. But history tells us that it is economic and financial forces and their consequences for realized inflation that ultimately shape inflation expectations.

Fiscal and monetary policy are important among those forces and, along with decreases in long-term interest rates, have contributed to the decline in inflation expectations in recent years. The actions taken last year to reduce the federal budget deficit have been instrumental in this regard. Although we may not all agree on the specifics of the deficit reduction measures, the financial markets are apparently inferring that, on balance, the federal government will be competing less vigorously for private saving in the years ahead. Concerns that the deficit is out of control have diminished. In the extreme, explosive growth in the federal debt makes an eventual resort to the printing press and inflationary finance difficult to resist. By shrinking any perceived risk of this outcome, the deficit reduction package apparently had a salutary effect on longer-term inflation expectations.

The Federal Reserve's policies in recent years also have helped to damp inflation and inflation expectations. We were able to do so, even while adopting an increasingly accommodative policy stance. By placing our actions in the context of a thorough analysis of the prevailing situation and of a longer-term underlying strategy, our move to greater accommodation could be seen as what it was—a deliberate effort to counter the various "headwinds" that were retarding the advance of the economy rather than a series of short-term actions taken without consideration for potential inflation consequences over time.

As I discussed with this subcommittee last July, this longer-run strategy implies that the Federal Reserve must take care not to overstay an accommodative stance as the headwinds abate. But determining when a policy stance is becoming too accommodative is not an easy matter. Unfortunately, although subdued inflation is the hallmark of a successful monetary policy, current broad inflation readings are actually of limited use as a guide to the appropriateness of current instrument settings. Patently, price measurements over short time spans are subject to transitory special factors. More important, monetary policy affects inflation only with a significant lag. That a policy stance is overly stimulative will not become clear in the price indexes for perhaps a year or more. Accordingly, if the Federal Reserve waits until actual inflation worsens before taking countermeasures, it would have waited far too long. At that point, modest corrective steps would no longer be enough to contain emerging economic imbalances and to avoid a buildup of inflation expectations and a significant backup of long-term interest rates. Instead, more wrenching measures would be needed, with unavoidable adverse side effects on near-term economic activity.

Inflation expectations likely have more of a forward-looking character than do measures of inflation itself and, in principle, could be used as a direct guide to policy. But available surveys have limited coverage and are subject to sampling error. As I have testified previously, price-indexed bonds of various maturities, which would indicate underlying market inflation expectations, would be a useful adjunct to our information base for making monetary policy, providing there were a sufficiently broad and active market for them. In addition, the price of gold, which has been especially sensitive to inflation concerns, the exchange rate, and the term structure of interest rates can give important clues about changing expectations.

Of course, several factors besides inflation expectations affect all of these indicators to a degree. Short- and long-term rates, for example, tend to be highly correlated through time, in part because they are responding to the same business cycle pressures. Thus, when the Federal Reserve tightens reserve market conditions, it is not surprising to see some upward movement in long-term rates, as an aspect of the process that counters the imbalances tending to surface in the expansionary phase of the business cycle. The test of successful monetary policy in such a business cycle phase is our ability to limit the upward movement of long-term rates from what it would otherwise have been with less effective policy. Moderate to low long-term rates, with rare exceptions, are an essential ingredient of sustainable long-term economic growth. When we take credible steps to head off inflation before it can begin to intensify, the effects on long-term rates are muted. By contrast, when Federal Reserve action is seen as lagging behind the need to counter a buildup of inflation pressures, long rates have tended to move sharply higher, as eventually happened in the late 1970s. This suggests an important conclusion: Failure to tighten in a timely manner will lead to higher than necessary nominal long-term rates as inflation expectations intensify. Ultimately, short-term rates will be higher as well if policy initiatives lag behind inflation pressures. The higher short-term rates are required not only to take account of rising inflation expectations but also to provide the additional restraint on real rates necessary to reverse the destabilizing inflation process.

For decades, the monetary aggregates, especially M2, provided generally reliable early warning signals of emerging inflationary imbalances. But, as I have discussed in detail in previous testimonies and will touch on later in this statement, the signals they have sent in recent years have been effectively jammed by structural changes in financial markets and the unusual nature of the current business cycle.

Our monetary policy strategy must continue to rest, then, on ongoing assessments of the totality of incoming information and appraisals of the probable outcomes and risks associated with alternative policies. Our purpose over the longer run is to help the economy grow at its greatest potential over time. To do so, we must move toward a posture of policy neutrality—that is, a level of real short-term rates consistent with sustained economic growth at the economy's potential. That level, of course, is difficult to discern and, obviously, is not a fixed number but moves with developments within the economy and financial markets.

Over a period of several years starting in 1989, the Federal Reserve progressively eased its policy stance, in the process reducing real short-term interest rates to about zero by autumn 1992. We undertook those easing actions in response to evidence of a variety of unusual restraints on spending. Households and nonfinancial businesses on the borrowing side and many lenders, including depository institutions, were suffering from balance sheet strains. These difficulties stemmed from previous overleveraging combined with reductions in net worth from impairments to asset quality, through, for example, falling values of commercial real estate. Corporate restructuring and defense cutbacks compounded the problems of the economy by reducing job opportunities and fostering a more general sense of insecurity about employment prospects.

The deliberate maintenance of low short-term rates for a considerable period was intended to decrease the drag on the economy created by these headwinds. Households and businesses could refinance outstanding debt at much reduced interest cost. In addition, lower rates and improved performance by borrowers would take the pressure off depository institutions, helping them recapitalize. Low interest rates, along with reduced financial strains, would encourage private spending to pick up the slack left by defense cutbacks. Once financial positions were well on the road to recovery, and employment and confidence began to recover, it was believed that the economic expansion would gain self-sustaining momentum. At that point abnormally low real short-term rates should no longer be needed.

As the Federal Open Market Committee (FOMC) surveyed the evidence at its February 4 meeting, a consensus developed that the balance of risks had, in fact, shifted. Debt repayment burdens had been lowered enough to unleash strong aggregate demand in the economy. Real short rates close to zero appeared to pose an unacceptable risk of engendering future problems. We concluded that our policy stance could be made slightly less accommodative without threatening either the continued improvement in balance sheet structures or, ultimately, the achievement of solid economic growth. Indeed, the firming in reserve market pressures was undertaken to preserve and protect the ongoing economic expansion by forestalling a future destabilizing buildup of inflationary pressures, which in our judgment would eventually surface if the level of policy accommodation that prevailed throughout 1993 were continued indefinitely. We viewed our move as low-cost insurance.

The projections of the FOMC members suggest a continuation of good economic performance in 1994, with reasonable growth and subdued inflation. The central tendencies of the economic forecasts made by governors and Reserve Bank presidents imply expectations that economic growth this year likely will be 3 percent or slightly higher. With this kind of growth, a further edging down of the unemployment rate from its January reading is viewed as a distinct possibility. Inflation, as measured by the overall CPI, is seen as rising only a little compared with 1993, even though last year's benefit from falling oil and tobacco prices may not be repeated and last year's crop losses could buoy food prices in 1994.

There are, of course, considerable risks to this generally favorable outlook. Some observers have pointed to downside risks to economic activity associated with fiscal restraint and weak foreign economies; I believe that these factors will have some effects, but they are likely to be less than feared. As for fiscal restraint, a good portion of the negative impact of last year's budget bill may already be behind us, as some households and businesses have adjusted their behavior to the new structure of taxes and to curtailments in defense and other budget programs.

The concern about weak foreign economies relates to the strength of foreign demand for U.S. exports going forward. Many of our major trading partners have been experiencing economic difficulties. But some already appear to be pulling out of recession, and several others seem to have improved prospects. Moreover, containing inflation will keep increases in production costs of traded goods made in the United States subdued so that our products will remain competitive in world markets. With competitive goods and an improving world economy, the growth of U.S. exports should strengthen this year and lessen the drag from the external sector on our output growth.

There are upside risks as well. Inventories have reached a low level relative to sales and suggest the possibility of a boost to production from inventory rebuilding beyond that currently anticipated. In addition, with both borrowers and lenders in stronger financial condition, low interest rates have proven a powerful stimulant to spending. While we were reasonably convinced at the last FOMC meeting that a zero real federal funds rate put real short rates below a "neutral" level, we cannot tell this subcommittee, with assurance, precisely where the level of neutrality currently resides. To promote sustainable growth, history suggests that real short-term rates are more likely to have to rise than fall from here. I cannot, however, tell you at this time when any such rise would occur; I would hope that part of any increase in real short-term rates ultimately would be accomplished through further declines in inflation expectations rather than through higher nominal short-term rates.

In assessing our policy stance, we will continue to monitor developments in money and credit, but in 1994, as in 1993, the FOMC is unlikely to be able to put a great deal of weight on the behavior of these aggregates relative to their ranges. We have set the ranges as best we can in an evolving financial situation to be consistent with our objectives for sustained growth and low inflation.

Based on our experience in 1993 and expectations about financial relationships for 1994, the FOMC judges that the growth of money and credit this year will stay within the annual ranges set provisionally last July, which were reaffirmed at its meeting early this month. Specifically, these ranges call for growth of 1 percent to 5 percent for M2, 0 percent to 4 percent for M3, and 4 percent to 8 percent for domestic nonfinancial sector debt. The ranges are the same as the final specifications established last July for 1993.

The final specifications for last year had gone through two rounds of technical downward adjustment after they were first set provisionally in July 1992. These downward revisions reflected the FOMC's recognition that the relationship between spending and money holdings was departing markedly from historical norms. Financial intermediation was moving away from past patterns, as flows of funds were increasingly being rechanneled away from banks toward securities markets, notably via bond and stock mutual funds. Also, banks were relying more heavily on nondeposit funding sources, such as equity and subordinated debt, as they strengthened their capital position.

In the event, growth of M2 and M3 last year came in above the lower bounds of their reduced ranges with only ½ percentage point to spare. M2 grew at 1½ percent and M3 at ½ percent over the year as a whole. Even so, nominal GDP advanced more than 5 percent over the year, extending rapid increases in the velocities of broad money through another year. The discrepancy between the growth rates of nominal GDP and broad money diminished some from that of 1992 but was still unusual in the face of steady short-term interest rates.

Somewhat faster growth of M2 and M3 this year than last year may be in prospect. The governors' and presidents' outlook calls for a small step-up in nominal spending, and the factors depressing growth of the broader aggregates relative to the expansion of spending could well abate to some degree. In particular, the diversion of savings from retail deposits and money funds toward bond and stock mutual funds may lessen, as household portfolios more fully complete the adjustment to the latter's heightened availability. Now that banks have achieved healthier capitalization, they may more readily issue large time deposits instead of equity and subordinated debt to support stepped-up loan growth. Just how far these developments will go, however, is difficult to predict so the prospective relationship between spending and broad money remains highly uncertain. The FOMC will continue to monitor the behavior of money supply measures for evidence about underlying economic and financial developments more generally, but it will still have to base its assessments regarding appropriate policy actions on a wide variety of economic indicators.

Among those indicators, the Federal Reserve will again pay attention to credit market developments, especially for any light it can shed on the strength of household and corporate balance sheets and spending propensities. The overall debt aggregate put in a repeat performance last year and again grew about 5 percent, even as the advance of nominal GDP moderated to a similar pace. But this steady debt growth incorporated an upturn in private borrowing, as the borrowing of the federal government slackened. Households, in particular, showed a heightened willingness to take on debt to help finance strong purchases of homes and consumer durables. At the same time, massive mortgage refinancings at much reduced interest rates contributed to further reductions in household debt-service burdens relative to income to a level last seen in the mid-1980s. For businesses as well, the bite taken out of cash flow by interest payments was shrunk to a size last observed in the mid-1980s, partly through the refinancing of higher-cost debt and continued equity issuance. Although business borrowing firmed a little, it remained subdued, as enough internal funds were available to finance the bulk of hefty capital expenditures.

Looking ahead, federal borrowing is scheduled to diminish further this year, partly reflecting deficit reduction measures. Borrowing by nonfederal sectors should continue to strengthen, prodded by the anticipated pickup in nominal GDP and the healthier financial condition already attained by households and businesses.

In conclusion, the Federal Reserve has welcomed both the strengthening in activity and the generally subdued price trends because the intent of our monetary policy in recent years has been to foster precisely this kind of healthy economic performance. Looking forward, our policy approach will be to endeavor to select on a continuing basis the monetary instrument settings that will minimize economic instabilities and maximize living standards over time. The outlook, as a result of subdued inflation and still low long-term interest rates, is the best we have seen in decades. It is important that we do everything we can to turn that favorable outlook into reality. □

Announcements

INCREASE IN PRESSURE ON RESERVE POSITIONS ANNOUNCED BY CHAIRMAN GREENSPAN

Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, announced on February 4, 1994, that the Federal Open Market Committee had decided to increase slightly the degree of pressure on reserve positions. The action was expected to be associated with a small increase in short-term money market interest rates.

The decision was taken to move toward a less accommodative stance in monetary policy to sustain and enhance the economic expansion.

Chairman Greenspan decided to announce this action immediately so as to avoid any misunderstanding of the Committee's purposes, given the fact that this is the first firming of reserve market conditions by the Committee since early 1989.

STATEMENT BY CHAIRMAN GREENSPAN ON THE RESIGNATION OF PRESIDENT SYRON

Chairman Alan Greenspan of the Federal Reserve Board said that the decision of President Syron to accept the chairmanship of the American Stock Exchange and leave the Federal Reserve Bank of Boston is a major loss for the central bank.

"President Syron has made significant contributions to the entire Federal Reserve System during his many years of service," Dr. Greenspan said. "He will be sorely missed. We will miss especially his thoughtful insights to monetary policy during meetings of the Federal Open Market Committee. We wish him well in his new endeavor."

MEETING OF CONSUMER ADVISORY COUNCIL

The Federal Reserve Board announced that the Consumer Advisory Council met on Thursday, March 24. The council's function is to advise the Board on the exercise of the Board's responsibilities under the Consumer Credit Protection Act and on other matters on which the Board seeks its advice.

APPROVAL OF FINAL RULE REGARDING A CHANGE IN THE FEDERAL DEPOSIT INSURANCE CORPORATION IMPROVEMENT ACT

The Federal Reserve Board on February 1, 1994, announced approval of a final rule to expand the definition of "financial institution" in section 402 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA). The FDICIA validates netting contracts among financial institutions. The rule was effective March 7, 1994.

The FDICIA defines "financial institution" to include a securities broker or dealer, a depository institution, a futures commission merchant, or any other institution as determined by the Board.

The rule establishes a category of entities considered financial institutions under the act, while reserving the ability to expand that category further through individual determinations.

Parties to a netting contract agree that they will pay or receive the net, rather than the gross, payment due under the netting contract. The act provides certainty that netting contracts will be enforced, even in the event of the insolvency of one of the parties.

REGULATION E: AMENDMENTS

The Federal Reserve Board on February 24, 1994, issued final amendments to Regulation E (Electronic Fund Transfers) to cover the electronic benefit transfer (EBT) programs. Adoption of the Board's rule means that benefit recipients will be accorded much the same protections that are available to other users of electronic payment mechanisms.

EBT programs involve the issuance of plastic access cards and personal identification numbers to recipients of government benefits, such as food stamps, Aid to Families with Dependent Children, and Supplemental Security Income. Access to benefits can be obtained through automated teller machines (ATMs) and point-of-sale terminals. The EBT amendments to Regulation E call for general application of the rules on liability for unauthorized transfers, error resolution, and most other provisions, except for periodic statement requirements. This rulemaking directly affects government agencies that administer EBT programs and indirectly affects depository institutions and other private sector entities.

Mandatory compliance was set for March 1, 1997, as requested by a federal EBT task force representing all the major federal agencies with benefit programs. The task force is working to establish a nationwide system for electronic delivery of government benefits and asked for the three-year delay so that the agencies could implement these EBT programs in compliance with Regulation E.

REGULATION O: AMENDMENTS

The Federal Reserve Board announced on February 18, 1994, approval of a final rule amending several provisions of Regulation O (Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks). The rule is effective February 18, 1994.

The first amendment makes permanent an interim rule increasing Regulation O's aggregate lending limit for small, adequately capitalized banks from 100 percent of a bank's unimpaired capital and surplus to 200 percent.

The second set of amendments is designed to reduce the burden and complexity of the regulation. These amendments clarify the "tangible economic benefit" rule, provide certain exceptions to the lending limit for insiders, permit banks to follow alternative recordkeeping procedures, and narrow the definition of "extension of credit."

The final rule also implements technical amendments to Regulation O to make it more readily understandable and somewhat shorter.

EXPANSION OF ON-LINE OPERATING HOURS FOR FEDWIRE FUNDS TRANSFER SERVICES

The Federal Reserve Board announced on February 16, 1994, approval of the expansion of on-line operating hours for Fedwire funds transfer services to eighteen hours a day, from 12:30 a.m. to 6:30 p.m. Eastern Time (ET), five days a week, beginning in early 1997. A specific implementation date will be announced about one year in advance of the effective date.

Intraday credit from the Federal Reserve will be available during expanded hours on the same terms that it would be provided from 8:30 a.m. ET to 6:30 p.m. ET. Further expansion of the funds transfer operating day could be considered after several years of experience with the new schedule.

Also, the Board announced that current operating hours for Fedwire securities transfer services will not be expanded until after the implementation of new service capabilities that permit receivers of securities to control the use of securities-related intraday Federal Reserve credit.

Public comment will be sought later this year on new service capabilities that permit users the option to participate in expanded operating hours for securities transfer services and to control the receipt of securities that are delivered to them during expanded hours.

DELAY IN DISTRIBUTION OF A NEW CRIMINAL REFERRAL FORM

Distribution of a new criminal referral form for use by financial insitutions will be delayed for at least three months pending development of computer software.

In the interim, financial institutions should continue to use existing forms to report suspected criminal offenses. The use of existing forms will satisfy compliance with the banking agencies' regulations until distribution of the new forms and computer software are completed.

The delay was announced on February 8, 1994, by the Federal Reserve Board, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Resolution Trust Corporation, which jointly developed the new form in 1993.

Distribution of the new form without the computer software would create a potential burden for many institutions. Thus, distribution has been delayed until development of the computer software is completed.

PROPOSED ACTIONS

The Federal Reserve Board on February 17, 1994, requested public comment on a notice revising risk-based capital standards to implement section 305 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) regarding concentration of credit risk and the risks of nontraditional activities. Section 305 of the FDICIA directs each federal banking agency to revise its risk-based capital standards to ensure that the standards take adequate account of these risks. Comments should be received by March 24, 1994.

The Federal Reserve published for public comment on February 24, 1994, a proposal to simplify and update its Regulation E (Electronic Funds Transfer). Comments are requested by May 31, 1994.

PUBLICATION OF CONSUMER AFFAIRS BROCHURE: MAKING SENSE OF SAVINGS

The Federal Reserve Board announced on February 14, 1994, the publication of a brochure to help consumers understand their options and to make better decisions about how and where to save their money.

The brochure, entitled *Making Sense of Savings*, describes the various savings instruments that are available and their features, as well as fees and interest rates. The brochure also describes the major features of the Truth in Savings Act.

Free copies of the brochure may be obtained through the Board's Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551, or phone (202) 452-3244. Multiple copies for classroom use are also available free of charge. Interested parties may also contact the Federal Reserve Bank in their area for this brochure.

REVISIONS TO THE MONEY STOCK DATA

Measures of the money stock were revised in February of this year as a result of the annual benchmark and seasonal factor review. Data in tables 1.10 and 1.21 in the statistical appendix to the *Bulletin* reflect these changes beginning with this issue.

Data for the monetary aggregates were benchmarked using data from Call Reports through September 1993 and from other sources. The benchmark and seasonal review did not affect the annual growth rates of M1, M2, or M3 over 1993, and for earlier years annual growth rates of these aggregates were revised by no more than 0.2 percentage point.

The benchmark folded in historical data for several money market mutual funds that began reporting for the first time during 1993 and, based on new information from the Investment Company Institute, also reclassified some institutional money funds as retail money funds, moving them from non-M2 components of M3 into M2. These revisions were distributed over several years: By the fourth quarter of 1993, they raised the level of M2 $14 billion and the level of M3 $11 billion. The benchmark also incorporated new estimates of money funds' holdings of overnight repurchase agreements, which are netted out of the aggregates at both the M2 and M3 levels. These revisions, which extend back to 1975, shifted up the level of M2 as much as $5 billion and the level of M3 as much as $8 billion over the past decade. Numerous other smaller revisions were also made to the aggregates.

The scope of the annual benchmark was somewhat smaller this year than in past years. Beginning in 1993, certain data series from Call Reports have begun to be incorporated into the aggregates as soon as these reports become available. In previous years, these data were folded in only at the time of the annual benchmark.

Seasonal factors for the monetary aggregates have been revised using the X-11-ARIMA procedure that was applied to the benchmarked data through December 1993. The seasonal adjustment procedure used this year is identical to that employed for the past few years.

Complete historical data are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Mail Stop 72, Board of Governors of the Federal Reserve System, Washington, DC 20551, or phone (202) 452-3062. The historical data are also available on floppy diskette for a fee of $25 per diskette from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551, or phone (202) 452-3245. Revised monthly historical data for M1, M2, M3, and total nonfinancial data are also available from the Economic Bulletin Board of the U.S. Department of Commerce. Call (202) 482-1986 for information on how to obtain a subscription to the Economic Bulletin Board.

1. Monthly seasonal factors used to construct M1, M2, and M3, January 1993–March 1995

Year and month	Currency	Nonbank travelers checks	Demand deposits	Other checkable deposits[1]		Nontransaction components	
				Total	Held at banks	In M2	In M3 only
1993—January	.9965	.9657	1.0119	1.0135	1.0207	.9990	.9925
February	.9943	.9673	.9754	.9948	1.0013	1.0010	1.0050
March	.9950	.9657	.9772	1.0027	1.0056	1.0039	1.0026
April	.9985	.9581	1.0042	1.0282	1.0273	1.0023	.9971
May	1.0000	.9727	.9811	.9934	.9904	.9980	1.0082
June	1.0004	1.0203	.9929	.9971	.9938	.9997	1.0009
July	1.0041	1.0666	.9987	.9915	.9866	.9993	.9951
August	1.0012	1.0742	.9918	.9890	.9871	.9998	1.0058
September	.9981	1.0494	.9939	.9913	.9908	.9982	.9994
October	.9992	1.0173	1.0072	.9897	.9881	.9998	.9946
November	1.0008	.9780	1.0207	.9980	.9959	1.0006	1.0044
December	1.0110	.9639	1.0463	1.0105	1.0123	.9989	.9951
1994—January	.9963	.9676	1.0124	1.0143	1.0211	.9989	.9912
February	.9943	.9675	.9752	.9950	1.0014	1.0007	1.0045
March	.9948	.9658	.9760	1.0023	1.0054	1.0036	1.0025
April	.9989	.9585	1.0035	1.0277	1.0268	1.0022	.9974
May	.9991	.9732	.9819	.9939	.9910	.9981	1.0090
June	1.0009	1.0201	.9921	.9970	.9938	.9999	1.0011
July	1.0048	1.0656	.9982	.9913	.9865	.9993	.9949
August	1.0009	1.0721	.9913	.9888	.9870	.9997	1.0058
September	.9993	1.0481	.9939	.9910	.9905	.9981	.9997
October	.9990	1.0178	1.0080	.9901	.9884	.9998	.9943
November	1.0012	.9791	1.0216	.9980	.9958	1.0008	1.0050
December	1.0117	.9650	1.0465	1.0106	1.0122	.9990	.9957
1995—January	.9957	.9682	1.0128	1.0149	1.0214	.9990	.9904
February	.9943	.9675	.9749	.9949	1.0013	1.0006	1.0038
March	.9960	.9658	.9750	1.0018	1.0051	1.0034	1.0024

1. Seasonally adjusted other checkable deposits at thrift institutions are derived as the difference between total other checkable deposits, seasonally adjusted, and seasonally adjusted other checkable deposits at commercial banks.

Additional tables on seasonal factors follow.

2. Monthly seasonal factors for selected components of the monetary aggregates, January 1993–March 1995

Year and month	Deposits[1]			Money market mutual funds	
	Savings and MMDAs	Small-denomination time	Large-denomination time	In M2	In M3 only
1993—January	.9948	1.0005	.9897	1.0007	1.0201
February	.9958	.9998	.9945	1.0169	1.0526
March	1.0017	.9991	.9999	1.0257	1.0172
April	1.0032	.9990	.9970	1.0160	.9965
May	1.0006	.9977	1.0079	.9975	1.0089
June	1.0034	.9990	1.0066	.9933	.9811
July	1.0024	1.0020	.9991	.9899	.9795
August	1.0008	1.0021	1.0064	.9927	.9997
September	.9983	1.0027	1.0035	.9878	.9825
October	.9991	1.0018	.9991	.9893	.9739
November	1.0021	.9986	1.0011	.9942	.9957
December	.9981	.9979	.9958	.9953	.9937
1994—January	.9949	1.0002	.9892	1.0010	1.0181
February	.9957	.9996	.9938	1.0166	1.0522
March	1.0014	.9991	.9993	1.0257	1.0171
April	1.0030	.9990	.9974	1.0157	.9957
May	1.0008	.9978	1.0085	.9985	1.0097
June	1.0035	.9992	1.0068	.9941	.9812
July	1.0023	1.0021	.9989	.9904	.9797
August	1.0007	1.0022	1.0065	.9926	1.0009
September	.9983	1.0029	1.0037	.9869	.9835
October	.9991	1.0019	.9991	.9887	.9730
November	1.0022	.9984	1.0014	.9942	.9965
December	.9984	.9977	.9959	.9956	.9935
1995—January	.9951	1.0000	.9891	1.0013	1.0171
February	.9956	.9995	.9933	1.0163	1.0512
March	1.0011	.9991	.9989	1.0257	1.0176

1. These seasonal factors are applied to deposits data at both commercial banks and thrift institutions.

3. Weekly seasonal factors used to construct M1, M2, and M3, December 6, 1993–April 3, 1995

Week ending	Currency	Nonbank travelers checks	Demand deposits	Other checkable deposits[1]		Nontransaction components	
				Total	Held at banks	In M2	In M3 only
1993—December 6	1.0027	.9578	1.0389	1.0205	1.0152	1.0038	.9940
13	1.0069	.9610	1.0387	1.0114	1.0104	1.0032	1.0070
20	1.0124	.9643	1.0434	1.0074	1.0121	.9981	.9960
27	1.0212	.9675	1.0456	.9996	1.0054	.9929	.9991
1994—January 3	1.0089	.9707	1.0823	1.0232	1.0279	.9955	.9676
10	1.0038	.9693	1.0501	1.0471	1.0480	1.0007	.9820
17	.9976	.9680	1.0218	1.0243	1.0326	1.0000	.9971
24	.9915	.9666	.9781	.9967	1.0093	.9985	.9943
31	.9858	.9653	.9677	.9804	.9918	.9977	1.0014
February 7	.9970	.9655	.9869	1.0107	1.0157	.9998	.9983
14	.9967	.9668	.9785	.9963	1.0033	1.0007	1.0081
21	.9959	.9682	.9700	.9876	.9946	1.0014	1.0021
28	.9878	.9695	.9654	.9853	.9920	1.0010	1.0095
Marrch 7	.9979	.9690	.9873	1.0180	1.0205	1.0029	1.0006
14	.9967	.9672	.9838	1.0064	1.0102	1.0050	1.0079
21	.9954	.9653	.9677	.9983	1.0023	1.0033	1.0038
28	.9904	.9634	.9554	.9837	.9900	1.0027	1.0029
April 4	1.0003	.9616	1.0053	1.0215	1.0145	1.0047	.9901
11	1.0041	.9601	1.0122	1.0411	1.0392	1.0073	1.0000
18	.9994	.9586	1.0220	1.0456	1.0457	1.0031	.9960
25	.9942	.9570	.9820	1.0155	1.0190	.9984	.9984
May 2	.9924	.9555	.9931	1.0000	.9985	.9969	1.0004
9	1.0041	.9620	.9914	1.0134	1.0080	.9979	1.0058
16	.9997	.9698	.9952	.9967	.9936	.9985	1.0081
23	.9969	.9776	.9581	.9835	.9824	.9980	1.0123
30	.9973	.9854	.9733	.9763	.9746	.9979	1.0133

3. Continued

Week ending	Currency	Nonbank travelers checks	Demand deposits	Other checkable deposits[1]		Nontransaction components	
				Total	Held at banks	In M2	In M3 only
1994—June 6	1.0041	.9957	1.0091	1.0189	1.0118	1.0010	1.0040
13	1.0038	1.0093	.9996	1.0122	1.0077	1.0028	1.0078
20	1.0009	1.0229	.9845	.9963	.9923	.9999	.9997
27	.9950	1.0364	.9680	.9667	.9696	.9970	.9990
July 4	1.0070	1.0491	1.0199	1.0000	.9948	.9975	.9875
11	1.0108	1.0569	1.0220	1.0120	1.0031	1.0015	.9896
18	1.0051	1.0646	1.0031	.9917	.9855	1.0004	.9965
25	1.0003	1.0723	.9663	.9708	.9705	.9981	.9964
August 1	.9971	1.0800	.9855	.9791	.9756	.9982	1.0023
8	1.0089	1.0791	1.0067	1.0083	1.0017	1.0006	1.0038
15	1.0049	1.0748	1.0091	.9958	.9929	1.0008	1.0078
22	1.0002	1.0705	.9782	.9822	.9832	.9999	1.0046
29	.9923	1.0662	.9712	.9698	.9712	.9980	1.0091
September 5	1.0035	1.0611	1.0016	1.0041	1.0018	.9990	1.0000
12	1.0039	1.0544	1.0071	1.0114	1.0077	1.0009	1.0041
19	.9990	1.0477	.9982	.9953	.9925	.9975	1.0019
26	.9933	1.0409	.9656	.9641	.9691	.9956	.9992
October 3	.9958	1.0341	1.0051	.9784	.9807	.9976	.9884
10	1.0074	1.0269	1.0132	1.0069	1.0009	1.0018	.9936
17	1.0011	1.0196	1.0247	.9983	.9963	1.0008	.9931
24	.9966	1.0124	.9875	.9771	.9815	.9988	.9995
31	.9906	1.0051	1.0043	.9794	.9749	.9987	.9937
November 7	1.0030	.9960	1.0240	1.0139	1.0068	1.0012	.9973
14	1.0030	.9857	1.0344	1.0057	1.0024	1.0019	1.0056
21	1.0004	.9753	1.0100	.9931	.9909	1.0013	1.0038
28	1.0010	.9650	1.0146	.9784	.9829	.9982	1.0145
December 5	1.0015	.9585	1.0403	1.0143	1.0098	1.0023	1.0003
12	1.0084	.9618	1.0380	1.0131	1.0071	1.0032	1.0053
19	1.0114	.9650	1.0439	1.0070	1.0091	.9998	.9969
26	1.0228	.9683	1.0385	.9999	1.0068	.9940	.9962
1995—January 2	1.0081	.9715	1.0791	1.0199	1.0302	.9955	.9751
9	1.0037	.9705	1.0643	1.0517	1.0542	1.0009	.9829
16	.9982	.9689	1.0269	1.0269	1.0344	1.0005	.9920
23	.9927	.9672	.9802	1.0021	1.0102	.9981	.9925
30	.9855	.9656	.9628	.9778	.9853	.9972	.9976
February 6	.9952	.9652	.9873	1.0096	1.0130	.9998	.9977
13	.9972	.9666	.9810	.9995	1.0049	1.0007	1.0068
20	.9968	.9680	.9692	.9884	.9966	1.0010	1.0024
27	.9878	.9694	.9618	.9816	.9903	1.0005	1.0073
March 6	.9965	.9694	.9883	1.0133	1.0175	1.0024	1.0055
13	.9989	.9675	.9810	1.0087	1.0115	1.0045	1.0038
20	.9969	.9655	.9723	.9985	1.0020	1.0034	1.0042
27	.9919	.9636	.9529	.9857	.9911	1.0027	1.0050
April 3	.9967	.9617	.9939	1.0114	1.0099	1.0045	.9875

1. Seasonally adjusted other checkable deposits at thrift institutions are derived as the difference between total other checkable deposits, seasonally adjusted, and seasonally adjusted other checkable deposits at commercial banks.

4. Weekly seasonal factors for selected components of the monetary aggregates, December 6, 1993–April 3, 1995

Week ending	Deposits[1]			Money market mutual funds	
	Savings and MMDAs	Small-denomination time	Large-denomination time	In M2	In M3 only
1993—December 6	1.0030	.9982	.9981	.9970	.9916
13	1.0048	.9978	.9989	1.0028	1.0065
20	.9964	.9972	.9943	.9989	1.0003
27	.9915	.9975	.9948	.9914	.9996
1994—January 3	.9938	.9995	.9914	.9803	.9528
10	1.0007	1.0007	.9923	.9917	.9829
17	.9971	1.0003	.9908	1.0039	1.0260
24	.9920	1.0000	.9875	1.0090	1.0323
31	.9895	.9998	.9848	1.0082	1.0588
February 7	.9962	1.0001	.9888	1.0095	1.0428
14	.9975	.9999	.9943	1.0152	1.0649
21	.9956	.9995	.9956	1.0199	1.0391
28	.9935	.9989	.9966	1.0215	1.0619
March 7	.9996	.9992	.9988	1.0232	1.0127
14	1.0023	.9990	1.0011	1.0246	1.0378
21	1.0010	.9985	.9975	1.0276	1.0177
28	1.0004	.9991	.9996	1.0297	1.0217
April 4	1.0066	1.0004	.9996	1.0207	.9678
11	1.0117	.9995	.9984	1.0240	1.0086
18	1.0030	.9988	.9955	1.0172	.9868
25	.9973	.9986	.9963	1.0112	1.0056
May 2	.9958	.9982	.9985	1.0042	.9986
9	1.0025	.9980	1.0043	.9974	1.0182
16	1.0037	.9977	1.0063	.9952	1.0091
23	.9998	.9975	1.0108	.9997	1.0270
30	.9979	.9977	1.0152	1.0000	.9910
June 6	1.0063	.9981	1.0094	.9983	.9883
13	1.0091	.9986	1.0117	1.0004	.9909
20	1.0016	.9988	1.0067	.9952	.9884
27	.9979	.9996	1.0029	.9895	.9778
July 4	1.0020	1.0024	.9994	.9787	.9359
11	1.0068	1.0026	1.0005	.9917	.9645
18	1.0039	1.0023	.9956	.9919	.9920
25	.9996	1.0017	.9978	.9926	.9879
August 1	.9988	1.0017	1.0020	.9924	1.0026
8	1.0045	1.0022	1.0011	.9892	.9863
15	1.0042	1.0021	1.0051	.9903	1.0043
22	.9990	1.0021	1.0083	.9950	.9993
29	.9952	1.0020	1.0112	.9968	1.0176
September 5	1.0008	1.0031	1.0094	.9889	.9870
12	1.0031	1.0029	1.0099	.9895	1.0083
19	.9982	1.0025	1.0040	.9858	.9864
26	.9933	1.0024	.9967	.9864	.9750
October 3	.9958	1.0039	.9976	.9825	.9460
10	1.0023	1.0042	1.0028	.9878	.9633
17	1.0012	1.0021	.9981	.9894	.9632
24	.9966	1.0007	.9975	.9904	.9934
31	.9975	.9996	.9987	.9898	.9832
November 7	1.0055	.9994	.9998	.9891	.9871
14	1.0057	.9988	1.0016	.9928	.9871
21	.9998	.9980	1.0018	.9929	1.0057
28	.9975	.9978	1.0028	1.0005	1.0079
December 5	1.0032	.9979	1.0006	.9990	.9894
12	1.0048	.9977	.9998	1.0031	1.0070
19	.9972	.9970	.9944	1.0001	1.0012
26	.9925	.9973	.9933	.9904	.9965
1995—January 2	.9945	.9992	.9912	.9828	.9638
9	1.0016	1.0002	.9888	.9921	.9806
16	.9978	1.0006	.9903	1.0025	1.0182
23	.9917	.9999	.9883	1.0071	1.0317
30	.9893	.9996	.9883	1.0075	1.0492

4. Continued

Week ending	Deposits[1]			Money market mutual funds	
	Savings and MMDAs	Small-denomination time	Large-denomination time	In M2	In M3 only
1995—February 6	.9959	.9999	.9892	1.0089	1.0411
13	.9972	.9998	.9935	1.0140	1.0612
20	.9955	.9995	.9942	1.0179	1.0469
27	.9933	.9989	.9951	1.0222	1.0587
March 6	.9995	.9995	.9972	1.0248	1.0195
13	1.0020	.9993	1.0004	1.0262	1.0335
20	1.0001	.9988	.9974	1.0271	1.0203
27	.9997	.9986	1.0003	1.0275	1.0207
April 3	1.0061	.9997	.9992	1.0205	.9774

1. These seasonal factors are applied to deposits data at both commercial banks and thrift institutions.

Minutes of the Federal Open Market Committee Meeting of December 21, 1993

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., on Tuesday, December 21, 1993, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Angell
Mr. Boehne
Mr. Keehn
Mr. Kelley
Mr. LaWare
Mr. Lindsey
Mr. McTeer
Mr. Mullins
Ms. Phillips
Mr. Stern

Messrs. Broaddus, Jordan, Forrestal, and Parry, Alternate Members of the Federal Open Market Committee

Messrs. Hoenig, Melzer, and Syron, Presidents of the Federal Reserve Banks of Kansas City, St. Louis, and Boston respectively

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

Messrs. R. Davis, Lang, Lindsey, Promisel, Rolnick, Rosenblum, Scheld, Siegman, Simpson, and Slifman, Associate Economists

Ms. Lovett, Manager for Domestic Operations, System Open Market Account
Mr. Fisher, Manager for Foreign Operations, System Open Market Account

Mr. Winn, Assistant to the Board, Office of Board Members, Board of Governors[1]
Mr. Ettin, Deputy Director, Division of Research and Statistics, Board of Governors
Mr. Madigan, Associate Director, Division of Monetary Affairs, Board of Governors
Mr. Stockton, Associate Director, Division of Research and Statistics, Board of Governors
Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs, Board of Governors

Ms. Pianalto, First Vice President, Federal Reserve Bank of Cleveland

Messrs. Beebe, T. Davis, Goodfriend, and Ms. Tschinkel, Senior Vice Presidents, Federal Reserve Banks of San Francisco, Kansas City, Richmond, and Atlanta respectively

Mr. McNees, Vice President, Federal Reserve Bank of Boston

Ms. Meulendyke and Mr. Thornton, Assistant Vice Presidents, Federal Reserve Banks of New York and St. Louis respectively

By unanimous vote, the minutes for the meeting of the Federal Open Market Committee held on November 16, 1993, were approved.

By unanimous vote, responsibility for making decisions on appeals of denials by the Secretary of the Committee for access to Committee records was delegated under the provisions of 271.4(d) of the Committee's Rules Regarding Availability of Information to Mr. Mullins and, in his absence, to Ms. Phillips.

The Manager for Foreign Operations reported on developments in foreign exchange markets during the period since the November meeting. There were

1. Attended part of the meeting.

no System open market transactions in foreign currencies during this period, and thus no vote was required of the Committee.

The Manager for Domestic Operations reported on developments in domestic financial markets and on System open market transactions in government securities and federal agency obligations during the period November 16, 1993, through December 20, 1993. By unanimous vote, the Committee ratified these transactions.

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

The information reviewed at this meeting suggested that economic activity had recorded a strong advance in recent months. Consumer spending had picked up, and business purchases of durable equipment had remained on a marked upward trend. Residential construction was rising rapidly, and nonresidential construction had turned up from depressed levels. Industrial production had been boosted by developments in the motor vehicle industry, and employment had continued to post solid gains. Most indexes of prices pointed to little change in inflation trends despite the recent acceleration of economic activity.

Total nonfarm payroll employment rose appreciably further in November. Another substantial increase in jobs was recorded in the services industries, notably in health and business services. Construction employment was up significantly further after registering modest gains on balance over the first three quarters of 1993. In manufacturing, there were back-to-back increases in jobs in October and November following seven consecutive monthly declines, and both overtime hours and the average workweek remained at a high level. Most of the November expansion in factory jobs occurred in the motor vehicle and capital goods industries. The civilian unemployment rate fell considerably in November, to 6.4 percent.

Industrial production increased sharply in October and November. Manufacturing accounted for all the gain over the two months, with the rise partly reflecting a continuing rebound in the production of motor vehicles and parts. Elsewhere in manufacturing, strong advances were recorded in the output of computers and non-auto durable consumer goods. The sharp expansion in production was associated with substantial increases in the rate of utilization of industrial capacity in October and November.

Retail sales were up moderately in November after a large advance in October. Motor vehicle sales surged in October and remained at the higher level in November, apparently reflecting in part favorable financing terms, small price increases—adjusted for quality improvements—on 1994 models, and generous incentives on pickup trucks from some manufacturers. Sales of apparel, furniture and appliances, and other durable goods also were strong on balance over October and November. Housing starts rose substantially in November; starts of single-family units reached their highest level since early 1987, but starts of multifamily units edged lower. Sales of both new and existing homes remained robust in October.

Business spending for durable equipment apparently continued to rise rapidly. Among nondefense capital goods other than aircraft, shipments of computers and other durable equipment were significantly higher in October than in the third quarter. In addition, the demand for heavy trucks remained strong, and the brisk sales of light vehicles in October and November likely were the result in part of a step-up in spending by businesses. Nonresidential construction activity increased again in October: Office building declined further and industrial construction retraced part of a sizable September gain, but outlays for institutional, public utilities, and non-office commercial structures continued to move higher.

Business inventories were little changed in October, with reductions in manufacturing and wholesale stocks nearly offsetting increases at the retail level. A moderate further decline in manufacturers' inventories in October was concentrated among producers of aircraft and parts, where stocks have been contracting for more than two years; the stocks-to-shipments ratio for manufacturing as a whole fell to its lowest level in recent years. In the wholesale sector, inventories declined in October after changing little in September, and the ratio of inventories to sales remained in the middle of its range over the past several years. At the retail level, stocks increased considerably further; with sales expanding vigorously, however, the ratio of stocks to sales edged lower, and this ratio also was in the middle of its range over the past several years.

The nominal U.S. merchandise trade deficit for October was about unchanged from its September level and its average rate for the third quarter. The value of both exports and imports increased in October. Exports of automotive products rose strongly, and exports of aircraft rebounded from a September downturn. The advance in imports was spread across all major categories. Economic activity in the major foreign industrial countries expanded moderately in the third quarter; however, available data suggested that output in Japan and Germany might decline in the current quarter, with a depressing effect on growth for these industrial countries as a group.

Broad indexes of consumer and producer prices pointed to little change in inflation trends, although prices of some commodities and industrial materials had firmed recently. Producer prices of finished goods were unchanged in November after declining in October and over the third quarter. In November, a large drop in the prices of finished energy goods offset a rebound in the prices of other finished goods. Producer prices for nonfood, nonenergy finished goods were about unchanged over the twelve months ended in November. At the consumer level, prices of items other than food and energy advanced moderately in November; the twelve-month increase in this price measure was a little smaller than the rise over the comparable period ended in November 1992. Average hourly earnings edged up in November; for the twelve months ended in November, these earnings were up a smaller amount than over the preceding year.

At its meeting on November 16, 1993, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions and that did not include a presumption about the likely direction of any adjustment to policy during the intermeeting period. Accordingly, the directive indicated that in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater or slightly lesser reserve restraint might be acceptable during the intermeeting period. The reserve conditions associated with this directive were expected to be consistent with modest growth of M2 and M3 over coming months.

Open market operations during the intermeeting period were directed toward maintaining the existing degree of pressure on reserve positions. Adjustment plus seasonal borrowing averaged somewhat less than anticipated levels, reflecting very light amounts of adjustment borrowing over most of the period, and the federal funds rate remained close to 3 percent.

While most short-term interest rates changed little over the intermeeting period, signs of stronger economic growth and the firming of some commodity prices tended to push up longer-term interest rates, although that pressure was offset to some extent by declines in oil prices. Taken as a whole, incoming economic data were seen by market participants as increasing the odds of a tightening of monetary policy at some point but not necessarily in the very near term. Most indexes of stock prices fell slightly over the intermeeting period, but the strong performance of a few firms boosted the Dow Jones Industrial Average to a new high near the end of the period.

In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies was about unchanged on balance over the intermeeting period. The dollar appreciated against the yen in response to incoming data suggesting weakness in the Japanese economy and heightened prospects for further monetary easing by the Bank of Japan. Even though interest rates eased in Europe as central banks lowered their money-market intervention rates, the dollar was little changed against the German mark and declined somewhat against other European currencies.

Growth of M2 and M3 strengthened appreciably in November; both aggregates had risen at somewhat faster rates since late summer than earlier in the year. M1 growth remained brisk in November, and money funds included in M2 apparently benefited from a slowdown in inflows to bond funds in the wake of the earlier decline in bond prices. The pickup in M3 growth reflected a surge in term Eurodollar deposits as well as faster growth of M2. For the year through November, M2 and M3 were estimated to have grown at rates somewhat above the lower end of the Committee's ranges for the year. Total domestic nonfinancial debt had expanded moderately in recent months, and for the year through November it was estimated to have increased at a rate in the lower half of the Committee's monitoring range.

The staff forecast prepared for this meeting suggested that, after a strong fourth-quarter advance, the economy would expand at a more moderate rate in 1994. Consumer spending was projected to decelerate to a rate more in line with the growth of disposable income. Business fixed investment was expected to advance briskly, although not quite as rapidly as in 1993, and further gains in homebuilding activity likely would be concentrated in the first half of the year. Exports were projected to strengthen somewhat, bolstered by a modest pickup in foreign economic growth. Fiscal restraint was expected to exert a substantial drag on spending, through both falling government defense purchases and higher taxes. In light of the limited margins of slack in labor and product markets, the ongoing expansion was projected to be associated with only a slight further reduction in inflation.

In the Committee's discussion of current and prospective economic developments, members referred to widespread indications, both statistical and anecdotal, of a marked strengthening in economic activity and much improved business and consumer confidence in recent months. The rate of economic growth could be expected to moderate during the early months of 1994 from what currently appeared to be an unsustainable pace, but the members viewed the extent of such moderation as a key uncertainty in the outlook. A number of members observed that a sharp slowing of the expansion early next year, similar to the slowdown after the surge in activity during the closing months of 1992, could not be ruled out. However, most saw the gains in the economy as more solidly based than earlier in the expansion, and they generally expected the economy to settle into a pattern of moderate growth over coming quarters at a trend rate close to or somewhat above the economy's long-run potential. With regard to the outlook for inflation, the members saw little evidence in available measures of prices and wages or in other indicators that any significant change might already have occurred in underlying inflation trends. Nonetheless, views varied somewhat with regard to the outlook and ranged from expectations of some modest further decline in the core rate of inflation to concerns about the possibility of some acceleration in the context of diminishing margins of unemployed production resources and an accommodative monetary policy as reflected in low real short-term interest rates and continued rapid growth in narrow measures of money and reserves.

In their comments about developments across the nation, members observed that economic conditions clearly had strengthened in many regions and that the better conditions had fostered appreciable improvement in business and consumer sentiment in most parts of the country. The members recognized that the economic expansion was still quite subdued in many local areas and that economic activity remained depressed in some parts of the country such as southern California. The overall strength of the economy was fueled to an important extent by interest-sensitive spending on producer and consumer durables and housing and tended to confirm the durability of the expansion. Gains in such spending were not likely to be sustained at their recent rates, but the cash flow and income that such expenditures had generated were likely to foster further economic growth, especially in the context of generally supportive conditions in financial and credit markets. The members acknowledged that a number of factors continued to constrain the expansion, including ongoing though less pervasive balance-sheet rebuilding, business restructuring and downsizing activities, and the downtrend in defense spending. On balance, however, current developments did not point to a marked deviation from the moderate growth trend in economic activity that had been experienced over the past two years, though in the view of a number of members, the odds on somewhat stronger growth were greater than they had been earlier in the expansion.

With regard to the outlook for key sectors of the economy, consumer expenditures were seen as likely to continue to provide vital support to the expansion even though increases in consumer spending were not likely to be maintained at recent rates. Members noted that the improved consumer confidence and increased spending were reflected in a somewhat greater willingness to incur debt, at least in the context of reduced interest rates. Some members cautioned, however, that growth in consumer expenditures had exceeded gains in incomes for an extended period, insofar as could be judged from available data, and an already low saving rate seemed likely to limit the potential growth in such spending. Moreover, the negative impact of increased tax rates on high incomes seemed likely to be felt especially during the first half of 1994, though the extent of that impact on consumer spending remained uncertain. On the positive side, members cited a number of developments that would tend to bolster overall consumer expenditures, including lower energy costs, reduced income taxes for many individuals stemming from indexing, and lower interest charges on various kinds of debt. More generally, the rise in consumer confidence seemed to be related to perceptions of improving employment opportunities despite continuing announcements of sizable workforce reductions by some large firms.

The members expected growth in real business investment to remain robust in 1994 but to decelerate somewhat from the rapid rate of expansion over the past year. Continuing increases in business sales and low financing costs along with ongoing efforts to improve productivity were likely to remain conducive to substantial further growth in overall spending for business equipment despite persisting weakness in aerospace and defense-related industries. Nonresidential construction activity, including commercial and industrial building and infrastructure construction, displayed signs of considerable strength in some parts of the country; and declining vacancy rates pointed to a leveling out or even a pickup in nonresidential building construction in a number of other areas. Some expansion in inventories seemed likely over the forecast horizon to accommodate the continuing growth in overall demands. In this connection, members noted that a rise in inventories probably contributed to the expansion in production in recent months since the latter could not be explained entirely by the strength of final demand, and a buildup of motor vehicle stocks in late 1993 was likely to continue into the early part of 1994.

The housing sector was expected to remain a source of considerable economic stimulus during the early months of 1994, both directly and indirectly in terms of the favorable effects on purchases of home furnishings. Some members commented that the increases in housing starts experienced over the closing months of this year might not be sustainable; even so, housing construction, especially in the single-family sector, should be relatively well maintained given the likelihood that homeownership would remain comparatively affordable in the context of growing incomes, favorable mortgage rates, and limited pressures on the prices of new homes.

With respect to fiscal policy, members referred to the prospects for further cutbacks in defense spending that probably would continue to be offset only in part by growth in federal government purchases of other goods and services. However, net reductions in government purchases were expected to diminish over the projection horizon. Likewise, adverse effects on spending of the rise in tax rates on higher incomes would tend to be concentrated in the first half of 1994, and the impact on spending over the months ahead might well be relatively limited because many taxpayers probably had anticipated the higher taxes and had taken measures to mitigate or spread out their effects or would meet new tax obligations partly out of savings. Proposed health care reform legislation would exert a restraining effect on the economy, should it be enacted, owing to mandated cost increases on employers. If this form of financing were adopted, however, the legislation might have little, or perhaps even a favorable, effect on the federal deficit.

The external sector of the economy also appeared likely to have a moderating effect on domestic economic activity over the year ahead. The economies of key foreign industrial nations and thus U.S. exports to those nations were projected to grow only gradually, while the expansion of U.S. imports was likely to remain relatively robust on the basis of current expectations for domestic economic activity. In the view of at least some members, however, stimulative economic policies in a number of foreign countries might well lead to stronger economic performances and to greater demand for U.S. goods and services than many observers currently anticipated. In any event, the members generally agreed that the outlook for developments abroad remained a source of particular uncertainty for the domestic economy.

Members commented that there were few indications of any change in inflationary trends in broad measures of prices and wages despite the surge in economic activity in recent months and associated increases in capacity utilization rates. One important sign of growing inflationary pressures, rising lead times for deliveries of materials, had not emerged. Some members noted that although capacity usage rates were approaching or had reached levels that in the past had tended to signal the onset of rising inflation, the growth of competition stemming from the internationalization of numerous markets suggested that old capacity benchmarks might no longer apply and, especially in the context of excess capacity in many foreign economies, the potential inflationary effects of strong domestic demand pressures might remain subdued for some period of time. In keeping with these assessments, members again reported on the absence of inflationary cost pressures in local areas across the country and on persisting comments by business contacts regarding their inability to raise prices to achieve more satisfactory or customary profit margins. Business executives continued to look to improvements in productivity to maintain or increase their margins, and there were numerous reports of considerable success in implementing productivity gains. Price developments in commodity markets presented a mixed picture; higher food prices stemming from weather conditions earlier in the year had had an adverse effect on broad measures of prices, but the drop in energy prices had favorable implications for the near-term inflation outlook.

It also was noted that rising inflationary pressures often were accompanied by a pickup in credit demands, and there was no evidence of any surge in such demands. However, the expansion of overall nonfinancial debt had strengthened to a degree. Moreover, in the view of some members, the rise in long-term interest rates and in gold prices might well have been caused in part by heightened inflation concerns. Members also cited scattered examples of greater price pressures, notably the prices of lumber and some other building materials and of related efforts to pass on the added costs through higher prices on new homes in some areas. Despite the absence of any general indication of rising inflation, a number of members expressed concern about the potential for increasing inflationary pressures in the economy and saw a need to monitor possible future sources of inflation with special care over the period ahead, especially in light of the considerable lags between monetary policy actions and their effects on prices.

In the Committee's discussion of monetary policy for the period until the next scheduled meeting in early February, a majority of the members endorsed a proposal to maintain unchanged conditions in reserve markets and to retain the currently unbiased instruction in the directive concerning possible intermeeting adjustments to policy. Looking forward, many of the members commented that the Committee probably would have to firm reserve conditions at some point to adjust monetary policy from its currently quite accommodative stance to a more neutral position, and that such a policy move might have to be made sooner rather than later to contain inflation and continue to provide a sound basis for sustained economic expansion. Monetary conditions had been eased to their current degree of accommodation in the 1990–92 period in the context of balance sheet restructuring and other unusual forces that were holding down spending. Since the latter part of 1992, however, downside risks to the expansion had diminished considerably as financial conditions became more supportive of economic activity. Borrowers and lenders had strengthened their financial positions substantially and were less reluctant to use and extend credit. Moreover, the low level of real short-term interest rates and in the view of some members the continued rapid growth of reserves or increases in a variety of commodity prices provided evidence of a quite accommodative monetary policy. Overstaying such a policy would incur an increasing risk of fostering greater inflationary pressures that in turn would undermine the sustainability of the expansion. For now, however, a majority believed that the risks remained at an acceptable level, given the remaining slack in the economy and the lack of near-term inflation pressures. Waiting for further developments before making any policy move was warranted in light of the uncertainties surrounding the outlook, notably with regard to the extent of the moderation in economic growth expected early next year. If the economy settled into a pattern of growth about in line with its potential, the chances of greater inflation pressures down the road would be reduced and the need for a near-term policy adjustment would be less pressing, though it would still be required at some point.

Two members expressed a strong preference for a prompt move toward a firmer policy stance to forestall inflation pressures. A number of others commented that the decision was a close call, including two who had a marginal preference for tightening policy at this time but who could accept a delay in light of the uncertainties that were involved.

Members who could support an unchanged policy stance also indicated their acceptance of a directive that was not biased in either direction with regard to possible adjustments in the degree of reserve pressure during the intermeeting period. Some observed that while the flow of economic reports during this period was likely to underscore the marked strengthening of the economy, those reports mainly would cover developments in the fourth quarter, and from a monetary policy perspective the members were more interested in knowing something about the extent of the follow-through strength early in the new year. Moreover, the members recognized that any tightening move would represent a turn in policy that might well have a greater-than-usual effect on financial markets. This prospect argued for taking such an action at a meeting, with the benefit of a full Committee review of the implications for future growth and inflation pressures of a wide variety of emerging developments—including those in money, credit, and financial markets—rather than an intermeeting action based on an asymmetric directive. In the view of one member, a tightening action over the coming intermeeting period would incur an undue risk of an exaggerated response in financial markets, given the likelihood of thin trading markets around year-end; and since a policy move should be postponed, a symmetrical directive seemed appropriate.

At the conclusion of the Committee's discussion, all but two members indicated that they could support a directive that called for maintaining the existing degree of pressure on reserve positions and that did not include a presumption about the likely direction of any adjustment to policy during the intermeeting period. Accordingly, in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, the Committee decided that slightly greater or slightly lesser reserve restraint might be acceptable during the intermeeting period. According to a staff analysis, the reserve conditions contemplated at this meeting would be consistent with moderate growth in M2 and M3 over the months ahead.

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

The information reviewed at this meeting suggests a strong advance in economic activity in recent months. Total nonfarm payroll employment rose appreciably further in November, and the civilian unemployment rate fell considerably to 6.4 percent. Industrial production increased sharply in October and November, partly reflecting a continuing rebound in the output of motor vehicles. Retail sales were up moderately in November after a large increase in October. Housing starts advanced substantially in November. Business equipment expenditures have been rising rapidly, and nonresidential construction has turned up from depressed levels. The nominal U.S. merchandise trade deficit in October was about unchanged from its average rate in the third quarter. Broad indexes of consumer and producer prices suggest little change in inflation trends, although prices of some raw materials have increased recently.

Short-term interest rates have changed little, while intermediate- and long-term rates have risen slightly since the Committee meeting on November 16. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies is about unchanged on balance over the intermeeting period.

Growth of M2 and M3 strengthened in November, and both aggregates have risen at somewhat faster rates since late summer than earlier in the year. For the year through November, M2 and M3 are estimated to have grown at rates somewhat above the lower end of the Committee's ranges for the year. Total domestic nonfinancial debt has expanded at a moderate rate in recent months, and for the year through November it is estimated to have increased at a rate in the lower half of the Committee's monitoring range.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at its meeting in July lowered the ranges it had established in February for growth of M2 and M3 to ranges of 1 to 5 percent and 0 to 4 percent respectively, measured from the fourth quarter of 1992 to the fourth quarter of 1993. The Committee anticipated that developments contributing to unusual velocity increases would persist over the balance of the year and that money growth within these lower ranges would be consistent with its broad policy objectives. The monitoring range for growth of total domestic nonfinancial debt also was lowered to 4 to 8 percent for the year. For 1994, the Committee agreed on tentative ranges for monetary growth, measured from the fourth quarter of 1993 to the fourth quarter of 1994, of 1 to 5 percent for M2 and 0 to 4 percent for M3. The Committee provisionally set the monitoring range for growth of total domestic nonfinancial debt at 4 to 8 percent for 1994. 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. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater reserve restraint or slightly lesser reserve restraint might be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with moderate growth in M2 and M3 over coming months.

Votes for this action: Messrs. Greenspan, McDonough, Boehne, Keehn, Kelley, LaWare, McTeer, Mullins, Ms. Phillips, and Mr. Stern. Votes against this action: Messrs. Angell and Lindsey.

Messrs. Angell and Lindsey dissented because they believed that monetary policy was overly accommodative and needed to be adjusted promptly toward a more neutral stance to counter potential inflationary pressures in the economy. They referred to the long lags with which monetary policy exerts its effects on inflation and the consequent need to adjust monetary policy on a timely basis to foster the Committee's long-run objective of stable prices. They understood the difficulty of finding the appropriate circumstances for tightening actions so as to avoid unintended interpretations and repercussions in financial markets. In their judgment, economic and financial conditions were unlikely to be more favorable later and waiting risked undesirable inflationary consequences.

Mr. Angell also stressed that the Committee should focus more directly on forward-looking indicators such as the price of gold and the estimate of the natural rate of interest provided by the yield on five-year Treasury notes. He favored an immediate increase of 50 basis points in the federal funds rate, which would enable the Committee to observe how the market adjusted the price of gold to the changed opportunity cost of holding gold. He believed that if bond market participants concluded that the Committee was using the price of gold to target the price level, five-year and ten-year interest rates would then be significantly lower than if the Committee's tightening was a belated response to a worsening outlook for inflation. He emphasized that the objective of monetary policy clearly should be stable money, which produces stable prices and an ongoing optimal and stable economic growth path.

Mr. Lindsey commented further that a modest policy move now would appropriately signal the Committee's concern about the potential for inflation. Such an action would begin the process of moving policy away from what he perceived as an unsustainable stance. He also noted that foreign competition had been restraining pressures on domestic prices, and the policy course he had in mind would continue to help in that regard by supporting the foreign exchange value of the dollar.

REQUEST FOR ACCESS TO CONFERENCE CALL RECORD

At this meeting the Committee considered a request from Mr. Henry B. Gonzalez, Chairman of the House Committee on Banking, Finance, and Urban Affairs, for access by his staff to the tape recording and transcript of the Committee's telephone conference on October 15, 1993. The main purpose of the conference call was to discuss what position the Committee should take on the release of material about its deliberations that are contained in historical files of meeting transcripts; the issue undoubtedly would be raised in the near future, probably during upcoming testimony before Chairman Gonzalez' Committee scheduled for October 19, 1993.

Chairman Gonzalez had indicated that he was investigating the possibility that Committee members had conspired during the conference call to hide information from the House Banking Committee. The accusation was wholly without merit, but at this stage the Committee could fully vindicate itself only by making the tape and transcript available to congressional staff for their review.

Such a step would be taken with considerable reluctance. The recording in question did not contain a discussion of monetary policy, but it did involve Committee deliberations, which are protected from public disclosure by the Freedom of Information Act. Some members expressed concern that granting access to this material could be viewed as setting a precedent for the premature release of other tapes and transcripts, with adverse effects on the Committee's deliberations. However, the Committee's General Counsel expressed the opinion that the Committee could make an exception for this transcript without prejudicing its ability to withhold deliberative or other privileged materials in other transcripts under the Freedom of Information Act. The members agreed with a proposal from the Chairman that the staff of Chairman Gonzalez and of certain other Banking Committee members be allowed to listen to the tape recording of the October 15 conference call. The review would be conducted at the offices of the Board of Governors, and the congressional staff members would be asked to keep confidential the information to be made available to them. The members indicated that it should be made clear that access to the tape in question was being undertaken solely to dispel the unfounded allegations regarding the Committee's actions. The Committee already had decided to make public, with a five-year lag, lightly edited versions of all the transcripts currently in the possession of the FOMC Secretariat. These transcripts as edited will include all the deliberative materials except for highly sensitive information that can continue to be withheld under the provisions of the Freedom of Information Act.

It was agreed that the next meeting of the Committee would be held on Thursday–Friday, February 3–4, 1994.

The meeting adjourned at 1:30 p.m.

Donald L. Kohn
Secretary

Legal Developments

FINAL RULE—AMENDMENT TO REGULATION E

The Board of Governors is amending 12 C.F.R. Part 205, its Regulation E (Electronic Fund Transfers), to cover electronic benefit transfer (EBT) programs established by federal, state, or local government agencies. EBT programs involve the issuance of access cards and personal identification numbers to recipients of government benefits so that they can obtain their benefits through automated teller machines and point-of-sale terminals. The final rule applies Regulation E to EBT programs but sets forth certain limited modifications under authority granted to the Board by section 904(c) of the act. In particular, periodic account statements are not required if account balance information and written account histories are made available to benefit recipients by other specified means. This rulemaking directly affects government agencies that administer EBT programs and indirectly affects depository institutions and other private-sector entities.

Effective February 28, 1994, 12 C.F.R. Part 205 is amended as follows:

Part 205—Electronic Fund Transfers (Regulation E)

1. The authority citation for Part 205 is revised to read as follows:

Authority: 15 U.S.C. 1693.

2. Section 205.15 is added to read as follows:

Section 205.15—Electronic fund transfer of government benefits.

(a) *Government agency subject to regulation.* (1) A government agency is deemed to be a financial institution for purposes of the act and regulation if directly or indirectly it issues an access device to a consumer for use in initiating an electronic fund transfer of government benefits from an account. The agency shall comply with all applicable requirements of the act and regulation, except as provided in this section.

(2) For purposes of this section, the term *account* means an account established by a government agency for distributing government benefits to a consumer electronically, such as through automated teller machines or point-of-sale terminals.

(b) *Issuance of access devices.* For purposes of this section, a consumer is deemed to request an access device when the consumer applies for government benefits that the agency disburses or will disburse by means of an electronic fund transfer. The agency shall verify the identity of the consumer receiving the device by reasonable means before the device is activated.

(c) *Alternative to periodic statement.* A government agency need not furnish the periodic statement required by section 205.9(b) if the agency makes available to the consumer:

(1) The consumer's account balance, through a readily available telephone line and at a terminal (which may include providing balance information at a balance-inquiry terminal or providing it, routinely or upon request, on a terminal receipt at the time of an electronic fund transfer); and

(2) A written history of the consumer's account transactions for at least 60 days preceding the date of a request by the consumer. The account history shall be provided promptly in response to an oral or written request.

(d) *Modified requirements.* A government agency that does not furnish periodic statements, pursuant to paragraph (c) of this section, shall comply with the following requirements:

(1) *Initial disclosures.* The agency shall modify the disclosures under section 205.7(a) by providing:

(i) *Account balance information.* The means by which the consumer may obtain information concerning the account balance, including a telephone number. This disclosure may be made by providing a notice substantially similar to the notice contained in section A(12) of appendix A of this part.

(ii) *Written account history.* A summary of the consumer's right to receive a written account history upon request, in substitution for the periodic statement disclosure required by section 205.7(a)(6), and a telephone number that can be used to request an account history. This disclosure may be made by providing a notice substan-

tially similar to the notice contained in section A(12) of appendix A of this part.
(iii) *Error resolution notice.* A notice concerning error resolution that is substantially similar to the notice contained in section A(13) of appendix A of this part, in substitution for the notice required by section 205.7(a)(10).
(2) *Annual error resolution notice.* The agency shall provide an annual notice concerning error resolution that is substantially similar to the notice contained in section A(13) of appendix A of this part, in substitution for the notice required by section 205.8(b).
(3) *Limitations on liability.* For purposes of section 205.6(b)(2) and (3), in regard to a consumer's reporting within 60 days any unauthorized transfer that appears on a periodic statement, the 60-day period shall begin with the transmittal of a written account history or other account information provided to the consumer under paragraph (c) of this section.
(4) *Error resolution.* The agency shall comply with the requirements of section 205.11 in response to an oral or written notice of an error from the consumer that is received no later than 60 days after the consumer obtains the written account history or other account information, under paragraph (c) of this section, in which the error is first reflected.

3. Appendix A to part 205 is revised by adding sections A(12) and A(13) to read as follows:

Appendix A to Part 205—Model Disclosure Clauses

* * * * *

Section A(12)—Disclosure by Government Agencies of Information About Obtaining Account Balances and Account Histories

(Section 205.15(d)(1)(i) and (ii))

You may obtain information about the amount of benefits you have remaining by calling [telephone number]. That information is also available [on the receipt you get when you make a transfer with your card at (an ATM) (a POS terminal)] [when you make a balance inquiry at an ATM] [when you make a balance inquiry at specified locations].

You also have the right to receive a written summary of transactions for the 60 days preceding your request by calling [telephone number]. [Optional: Or you may request the summary by contacting your caseworker.]

Section A(13)—Disclosure of Error Resolution Procedures for Government Agencies That Do Not Provide Periodic Statements

(Section 205.15(d)(1)(iii) and (d)(2))

In Case of Errors or Questions About Your Electronic Transfers

Telephone us at [telephone number]
or
Write us at [address]

as soon as you can, if you think an error has occurred in your [EBT] [agency's name for program] account. We must hear from you no later than 60 days after you learn of the error. You will need to tell us:

- Your name and [case] [file] number.
- Why you believe there is an error, and the dollar amount involved.
- Approximately when the error took place.

If you tell us orally, we may require that you send us your complaint or question in writing within 10 business days. We will generally complete our investigation within 10 business days and correct any error promptly. In some cases, an investigation may take longer, but you will have the use of the funds in question after the 10 business days. If we ask you to put your complaint or question in writing and we do not receive it within 10 business days, we may not credit your account during the investigation.

For errors involving transactions at point-of-sale terminals in food stores, the periods referred to above are 20 business days instead of 10 business days.

If we decide that there was no error, we will send you a written explanation within three business days after we finish our investigation. You may ask for copies of the documents that we used in our investigation.

If you need more information about our error resolution procedures, call us at [telephone number] [the telephone number shown above].

Final Rule—Amendment to Regulation O

The Board of Governors is amending 12 C.F.R. Part 215, its Regulation O (Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks; Loans to Holding Companies and Affiliates) to permit the aggregate limit on lending to insiders by eligible, adequately capitalized small banks to be increased from 100 percent of unimpaired capital and surplus to 200. The Board also is revising Regulation O to permit banks to follow alternative recordkeeping procedures on loans to insiders of affiliates, to narrow the definition of "extension of credit," and to adopt certain exceptions to the general restrictions on lending to insiders and the special restrictions on lending to executive officers. Other minor revisions clarifying certain exemptions and conforming certain provisions to the enabling statutes are included as well.

Effective February 18, 1994, 12 C.F.R. Part 215 is amended as follows:

Part 215—Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks (Regulation O)

1. The authority citation for part 215 is revised to read as follows:

Authority: 12 U.S.C. 248(i), 375a(10), 375b(9) and (10), 1817(k) and 1972(2)(G)(ii); Pub. L. 102–242, 105 Stat. 2236.

Subpart A—Loans by Member Banks to Their Executive Officers, Directors, and Principal Shareholders

2. 12 C.F.R. Part 215, Subpart A, is amended by revising sections 215.1 through 215.13, to read as follows:

Section 215.1—Authority, purpose, and scope.

(a) *Authority.* This subpart is issued pursuant to sections 11(i), 22(g), and 22(h) of the Federal Reserve Act (12 U.S.C. 248(i), 375a, and 375b), 12 U.S.C. 1817(k), and section 306 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (Pub. L. 102–242, 105 Stat. 2236 (1991)).
(b) *Purpose and scope.* This subpart A governs any extension of credit by a member bank to an executive officer, director, or principal shareholder of: The member bank; a bank holding company of which the member bank is a subsidiary; and any other subsidiary of that bank holding company. It also applies to any extension of credit by a member bank to: a company controlled by such a person; and a political or campaign committee that benefits or is controlled by such a person. This subpart A also implements the reporting requirements of 12 U.S.C. 375a concerning extensions of credit by a member bank to its executive officers and of 12 U.S.C. 1817(k) concerning extensions of credit by a member bank to its executive officers or principal shareholders, or the related interests of such persons.

Section 215.2—Definitions.

For the purposes of this Subpart A, the following definitions apply unless otherwise specified:
(a) *Affiliate* means any company of which a member bank is a subsidiary or any other subsidiary of that company.
(b) *Company* means any corporation, partnership, trust (business or otherwise), association, joint venture, pool syndicate, sole proprietorship, unincorporated organization, or any other form of business entity not specifically listed herein. However, the term does not include:
(1) An insured depository institution (as defined in 12 U.S.C. 1813); or
(2) A corporation the majority of the shares of which are owned by the United States or by any State.
(c) (1) *Control of a company or bank* means that a person directly or indirectly, or acting through or in concert with one or more persons:
(i) Owns, controls, or has the power to vote 25 percent or more of any class of voting securities of the company or bank;
(ii) Controls in any manner the election of a majority of the directors of the company or bank; or
(iii) Has the power to exercise a controlling influence over the management or policies of the company or bank.
(2) A person is presumed to have control, including the power to exercise a controlling influence over the management or policies, of a company or bank if:
(i) The person is:
(A) An executive officer or director of the company or bank; and
(B) Directly or indirectly owns, controls, or has the power to vote more than 10 percent of any class of voting securities of the company or bank; or
(ii) (A) The person directly or indirectly owns, controls, or has the power to vote more than 10 percent of any class of voting securities of the company or bank; and
(B) No other person owns, controls, or has the power to vote a greater percentage of that class of voting securities.
(3) An individual is not considered to have control, including the power to exercise a controlling influence over the management or policies, of a company or bank solely by virtue of the individual's position as an officer or director of the company or bank.
(4) A person may rebut a presumption established by paragraph (b)(2) of this section by submitting to the appropriate Federal banking agency (as defined

in 12 U.S.C. 1813(q)) written materials that, in the agency's judgment, demonstrate an absence of control.

(d) *Director of a member bank* means any director of a member bank, whether or not receiving compensation. An advisory director is not considered a director if the advisory director:

(1) Is not elected by the shareholders of the company or bank;

(2) Is not authorized to vote on matters before the board of directors; and

(3) Provides solely general policy advice to the board of directors.

(e) (1) *Executive officer* of a company or bank means a person who participates or has authority to participate (other than in the capacity of a director) in major policymaking functions of the company or bank, whether or not: the officer has an official title; the title designates the officer an assistant; or the officer is serving without salary or other compensation.[1] The chairman of the board, the president, every vice president, the cashier, the secretary, and the treasurer of a company or bank are considered executive officers, unless the officer is excluded, by resolution of the board of directors or by the bylaws of the bank or company, from participation (other than in the capacity of a director) in major policymaking functions of the bank or company, and the officer does not actually participate therein.

(2) Extensions of credit to an executive officer of an affiliate of a member bank (other than a company that controls the bank) shall not be subject to sections 215.4, 215.6, and 215.8 of this part, provided that:

(i) The executive officer of the affiliate is excluded (by name or by title) from participation in major policymaking functions of the member bank by resolutions of the boards of directors of both the affiliate and the member bank, and does not actually participate in such major policymaking functions; and

(ii) The executive officer is not otherwise subject to such requirements as a director or principal shareholder.

(f) *Foreign bank* has the meaning given in 12 U.S.C. 3101(7).

(g) *Immediate family* means the spouse of an individual, the individual's minor children, and any of the individual's children (including adults) residing in the individual's home.

(h) *Insider* means an executive officer, director, or principal shareholder, and includes any related interest of such a person.

(i) *Lending limit.* The lending limit for a member bank is an amount equal to the limit of loans to a single borrower established by section 5200 of the Revised Statutes,[2] 12 U.S.C. 84. This amount is 15 percent of the bank's unimpaired capital and unimpaired surplus in the case of loans that are not fully secured, and an additional 10 percent of the bank's unimpaired capital and unimpaired surplus in the case of loans that are fully secured by readily marketable collateral having a market value, as determined by reliable and continuously available price quotations, at least equal to the amount of the loan. The lending limit also includes any higher amounts that are permitted by section 5200 of the Revised Statutes for the types of obligations listed therein as exceptions to the limit. A member bank's unimpaired capital and unimpaired surplus equals the sum of:

(1) The "total equity capital" of the member bank reported on its most recent consolidated report of condition filed under 12 U.S.C. 1817(a)(3);

(2) Any subordinated notes and debentures that comply with requirements of the appropriate Federal banking agency for addition to the member bank's capital structure and are reported on its most recent consolidated report of condition filed under 12 U.S.C. 1817(a)(3); and

(3) Any valuation reserves created by charges to the member bank's income reported on its most recent consolidated report of condition filed under 12 U.S.C. 1817(a)(3).

(j) *Member bank* means any banking institution that is a member of the Federal Reserve System, including any subsidiary of a member bank. The term does not include any foreign bank that maintains a branch in the United States, whether or not the branch is insured (within the meaning of 12 U.S.C. 1813(s)) and regardless of the operation of 12 U.S.C. 1813(h) and 12 U.S.C. 1828(j)(3)(B).

(k) *Pay an overdraft on an account* means to pay an amount upon the order of an account holder in excess of funds on deposit in the account.

(l) *Person* means an individual or a company.

1. The term is not intended to include persons who may have official titles and may exercise a certain measure of discretion in the performance of their duties, including discretion in the making of loans, but who do not participate in the determination of major policies of the bank or company and whose decisions are limited by policy standards fixed by the senior management of the bank or company. For example, the term does not include a manager or assistant manager of a branch of a bank unless that individual participates, or is authorized to participate, in major policymaking functions of the bank or company.

2. Where State law establishes a lending limit for a State member bank that is lower than the amount permitted in section 5200 of the Revised Statutes, the lending limit established by applicable State laws shall be the lending limit for the State member bank.

(m) (1) *Principal shareholder* means a person (other than an insured bank) that directly or indirectly, or acting through or in concert with one or more persons, owns, controls, or has the power to vote more than 10 percent of any class of voting securities of a member bank or company. Shares owned or controlled by a member of an individual's immediate family are considered to be held by the individual.
(2) A principal shareholder of a member bank does not include a company of which a member bank is a subsidiary.
(n) *Related interest* of a person means:
(1) A company that is controlled by that person; or
(2) A political or campaign committee that is controlled by that person or the funds or services of which will benefit that person.
(o) *Subsidiary* has the meaning given in 12 U.S.C. 1841(d), but does not include a subsidiary of a member bank.

Section 215.3—Extension of credit.

(a) An extension of credit is a making or renewal of any loan, a granting of a line of credit, or an extending of credit in any manner whatsoever, and includes:
(1) A purchase under repurchase agreement of securities, other assets, or obligations;
(2) An advance by means of an overdraft, cash item, or otherwise;
(3) Issuance of a standby letter of credit (or other similar arrangement regardless of name or description) or an ineligible acceptance, as those terms are defined in section 208.8(d) of this chapter;
(4) An acquisition by discount, purchase, exchange, or otherwise of any note, draft, bill of exchange, or other evidence of indebtedness upon which an insider may be liable as maker, drawer, endorser, guarantor, or surety;
(5) An increase of an existing indebtedness, but not if the additional funds are advanced by the bank for its own protection for:
(i) Accrued interest; or
(ii) Taxes, insurance, or other expenses incidental to the existing indebtedness;
(6) An advance of unearned salary or other unearned compensation for a period in excess of 30 days; and
(7) Any other similar transaction as a result of which a person becomes obligated to pay money (or its equivalent) to a bank, whether the obligation arises directly or indirectly, or because of an endorsement on an obligation or otherwise, or by any means whatsoever.
(b) An extension of credit does not include:
(1) An advance against accrued salary or other accrued compensation, or an advance for the payment of authorized travel or other expenses incurred or to be incurred on behalf of the bank;
(2) A receipt by a bank of a check deposited in or delivered to the bank in the usual course of business unless it results in the carrying of a cash item for or the granting of an overdraft (other than an inadvertent overdraft in a limited amount that is promptly repaid, as described in section 215(4)(e) of this part);
(3) An acquisition of a note, draft, bill of exchange, or other evidence of indebtedness through:
(i) A merger or consolidation of banks or a similar transaction by which a bank acquires assets and assumes liabilities of another bank or similar organization; or
(ii) Foreclosure on collateral or similar proceeding for the protection of the bank, provided that such indebtedness is not held for a period of more than three years from the date of the acquisition, subject to extension by the appropriate Federal banking agency for good cause;
(4) (i) An endorsement or guarantee for the protection of a bank of any loan or other asset previously acquired by the bank in good faith; or
(ii) Any indebtedness to a bank for the purpose of protecting the bank against loss or of giving financial assistance to it;
(5) Indebtedness of $15,000 or less arising by reason of any general arrangement by which a bank:
(i) Acquires charge or time credit accounts; or
(ii) Makes payments to or on behalf of participants in a bank credit card plan, check credit plan, or similar open-end credit plan, provided:
(A) The indebtedness does not involve prior individual clearance or approval by the bank other than for the purposes of determining authority to participate in the arrangement and compliance with any dollar limit under the arrangement; and
(B) The indebtedness is incurred under terms that are not more favorable than those offered to the general public;
(6) Indebtedness of $5,000 or less arising by reason of an interest-bearing overdraft credit plan of the type specified in section 215.4(e) of this part; or
(7) A discount of promissory notes, bills of exchange, conditional sales contracts, or similar paper, without recourse.
(c) Non-interest-bearing deposits to the credit of a bank are not considered loans, advances, or extensions of credit to the bank of deposit; nor is the giving of immediate credit to a bank upon uncollected items received in the ordinary course of business considered to be a loan, advance or extension of credit to the depositing bank.
(d) For purposes of section 215.4 of this part, an

extension of credit by a member bank is considered to have been made at the time the bank enters into a binding commitment to make the extension of credit.
(e) A participation without recourse is considered to be an extension of credit by the participating bank, not by the originating bank.
(f) *Tangible economic benefit rule*—(1) *In general.* An extension of credit is considered made to an insider to the extent that the proceeds are transferred to the insider or are used for the tangible economic benefit of the insider.
(2) *Exception.* An extension of credit is not considered made to an insider under paragraph (f)(1) of this section if:
(i) The credit is extended on terms that would satisfy the standard set forth in section 215.4(a) of this part for extensions of credit to insiders; and
(ii) The proceeds of the extension of credit are used in a bona fide transaction to acquire property, goods, or services from the insider.

Section 215.4—General prohibitions.

(a) *Terms and Creditworthiness.* No member bank may extend credit to any insider of the bank or insider of its affiliates unless the extension of credit:
(1) Is made on substantially the same terms (including interest rates and collateral) as, and following credit underwriting procedures that are not less stringent than, those prevailing at the time for comparable transactions by the bank with other persons that are not covered by this part and who are not employed by the bank; and
(2) Does not involve more than the normal risk of repayment or present other unfavorable features.
(b) *Prior approval.* (1) No member bank may extend credit (which term includes granting a line of credit) to any insider of the bank or insider of its affiliates in an amount that, when aggregated with the amount of all other extensions of credit to that person and to all related interests of that person, exceeds the higher of $25,000 or 5 percent of the member bank's unimpaired capital and unimpaired surplus, unless:
(i) The extension of credit has been approved in advance by a majority of the entire board of directors of that bank; and
(ii) The interested party has abstained from participating directly or indirectly in the voting.
(2) In no event may a member bank extend credit to any insider of the bank or insider of its affiliates in an amount that, when aggregated with all other extensions of credit to that person, and all related interests of that person, exceeds $500,000, except by complying with the requirements of this paragraph (b).
(3) Approval by the board of directors under paragraphs (b)(1) and (b)(2) of this section is not required for an extension of credit that is made pursuant to a line of credit that was approved under paragraph (b)(1) of this section within 14 months of the date of the extension of credit. The extension of credit must also be in compliance with the requirements of section 215.4(a) of this part.
(4) Participation in the discussion, or any attempt to influence the voting, by the board of directors regarding an extension of credit constitutes indirect participation in the voting by the board of directors on an extension of credit.
(c) *Individual lending limit.* No member bank may extend credit to any insider of the bank or insider of its affiliates in an amount that, when aggregated with the amount of all other extensions of credit by the member bank to that person and to all related interests of that person, exceeds the lending limit of the member bank specified in section 215.2(i) of this part. This prohibition does not apply to an extension of credit by a member bank to a company of which the member bank is a subsidiary or to any other subsidiary of that company.
(d) *Aggregate lending limit*—(1) *General limit.* A member bank may not extend credit to any insider of the bank or insider of its affiliates unless the extension of credit is in an amount that, when aggregated with the amount of all outstanding extensions of credit by that bank to all such insiders, does not exceed the bank's unimpaired capital and unimpaired surplus (as defined in section 215.2(i) of this part).
(2) *Member banks with deposits of less than $100,000,000.*
(i) A member bank with deposits of less than $100,000,000 may by an annual resolution of its board of directors increase the general limit specified in paragraph (d)(1) of this section to a level not to exceed two times the bank's unimpaired capital and unimpaired surplus, if:
(A) The board of directors determines that such higher limit is consistent with prudent, safe, and sound banking practices in light of the bank's experience in lending to its insiders and is necessary to attract or retain directors or to prevent restricting the availability of credit in small communities;
(B) The resolution sets forth the facts and reasoning on which the board of directors bases the finding, including the amount of the bank's lending to its insiders as a percentage of the bank's unimpaired capital and unimpaired surplus as of the date of the resolution;
(C) The bank meets or exceeds, on a fully-

phased in basis, all applicable capital requirements established by the appropriate Federal banking agency; and

(D) The bank received a satisfactory composite rating in its most recent report of examination.

(ii) If a member bank has adopted a resolution authorizing a higher limit pursuant to paragraph (d)(2)(i) of this section and subsequently fails to meet the requirements of paragraphs (d)(2)(i)(C) or (d)(2)(i)(D) of this section, the member bank shall not extend any additional credit (including a renewal of any existing extension of credit) to any insider of the bank or its affiliates unless such extension or renewal is consistent with the general limit in paragraph (d)(1) of this section.

(3) *Exceptions*. (i) The general limit specified in paragraph (d)(1) of this section does not apply to the following:

(A) Extensions of credit secured by a perfected security interest in bonds, notes, certificates of indebtedness, or Treasury bills of the United States or in other such obligations fully guaranteed as to principal and interest by the United States;

(B) Extensions of credit to or secured by unconditional takeout commitments or guarantees of any department, agency, bureau, board, commission or establishment of the United States or any corporation wholly owned directly or indirectly by the United States;

(C) Extensions of credit secured by a perfected security interest in a segregated deposit account in the lending bank; or

(D) Extensions of credit arising from the discount of negotiable or nonnegotiable installment consumer paper that is acquired from an insider and carries a full or partial recourse endorsement or guarantee by the insider, provided that:

(*1*) The financial condition of each maker of such consumer paper is reasonably documented in the bank's files or known to its officers;

(*2*) An officer of the bank designated for that purpose by the board of directors of the bank certifies in writing that the bank is relying primarily upon the responsibility of each maker for payment of the obligation and not upon any endorsement or guarantee by the insider; and

(*3*) The maker of the instrument is not an insider.

(ii) The exceptions in paragraphs (d)(3)(i)(A) through (d)(3)(i)(C) of this section apply only to the amounts of such extensions of credit that are secured in the manner described therein.

(e) *Overdrafts*. (1) No member bank may pay an overdraft of an executive officer or director of the bank[3] on an account at the bank, unless the payment of funds is made in accordance with:

(i) A written, preauthorized, interest-bearing extension of credit plan that specifies a method of repayment; or

(ii) A written, preauthorized transfer of funds from another account of the account holder at the bank.

(2) The prohibition in paragraph (e)(1) of this section does not apply to payment of inadvertent overdrafts on an account in an aggregate amount of $1,000 or less, provided:

(i) The account is not overdrawn for more than 5 business days; and

(ii) The member bank charges the executive officer or director the same fee charged any other customer of the bank in similar circumstances.

Section 215.5—Additional restrictions on loans to executive officers of member banks.

The following restrictions on extensions of credit by a member bank to any of its executive officers apply in addition to any restrictions on extensions of credit by a member bank to insiders of itself or its affiliates set forth elsewhere in this part. The restrictions of this section apply only to executive officers of the member bank and not to executive officers of its affiliates.

(a) No member bank may extend credit to any of its executive officers, and no executive officer of a member bank shall borrow from or otherwise become indebted to the bank, except in the amounts, for the purposes, and upon the conditions specified in paragraphs (c) and (d) of this section.

(b) No member bank may extend credit in an aggregate amount greater than the amount permitted in paragraph (c)(3) of this section to a partnership in which one or more of the bank's executive officers are partners and, either individually or together, hold a majority interest. For the purposes of paragraph (c)(3) of this section, the total amount of credit extended by a member bank to such partnership is considered to be extended to each executive officer of the member bank who is a member of the partnership.

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3. This prohibition does not apply to the payment by a member bank of an overdraft of a principal shareholder of the member bank, unless the principal shareholder is also an executive officer or director. This prohibition also does not apply to the payment by a member bank of an overdraft of a related interest of an executive officer, director, or principal shareholder of the member bank.

(c) A member bank is authorized to extend credit to any executive officer of the bank:

(1) In any amount to finance the education of the executive officer's children;

(2) With the specific prior approval of the board of directors, in any amount to finance or refinance the purchase, construction, maintenance, or improvement of a residence of the executive officer, provided:

(i) The extension of credit is secured by a first lien on the residence and the residence is owned (or expected to be owned after the extension of credit) by the executive officer; and

(ii) In the case of a refinancing, that only the amount thereof used to repay the original extension of credit, together with the closing costs of the refinancing, and any additional amount thereof used for any of the purposes enumerated in this paragraph (c)(2), are included within this category of credit;

(3) In any amount, if the extension of credit is secured in a manner described in section 215.4(d)(3)(i)(A) through (d)(3)(i)(C) of this part; and

(4) For any other purpose not specified in paragraphs (c)(1) through (c)(3) of this section, if the aggregate amount of extensions of credit to that executive officer under this paragraph does not exceed at any one time the higher of 2.5 percent of the bank's capital and unimpaired surplus or $25,000, but in no event more than $100,000.

(d) Any extension of credit by a member bank to any of its executive officers shall be:

(1) Promptly reported to the member bank's board of directors;

(2) In compliance with the requirements of section 215.4(a) of this part;

(3) Preceded by the submission of a detailed current financial statement of the executive officer; and

(4) Made subject to the condition in writing that the extension of credit will, at the option of the member bank, become due and payable at any time that the officer is indebted to any other bank or banks in an aggregate amount greater than the amount specified for a category of credit in paragraph (c) of this section.

Section 215.6—Prohibition on knowingly receiving unauthorized extension of credit.

No executive officer, director, or principal shareholder of a member bank or any of its affiliates shall knowingly receive (or knowingly permit any of that person's related interests to receive) from a member bank, directly or indirectly, any extension of credit not authorized under this part.

Section 215.7—Extensions of credit outstanding on March 10, 1979.

(a) Any extension of credit that was outstanding on March 10, 1979, and that would, if made on or after March 10, 1979, violate section 215.4(c) of this part, shall be reduced in amount by March 10, 1980, to be in compliance with the lending limit in section 215.4(c) of this part. Any renewal or extension of such an extension of credit on or after March 10, 1979, shall be made only on terms that will bring the extension of credit into compliance with the lending limit of section 215.4(c) of this part by March 10, 1980. However, any extension of credit made before March 10, 1979, that bears a specific maturity date of March 10, 1980, or later, shall be repaid in accordance with its repayment schedule in existence on or before March 10, 1979.

(b) If a member bank is unable to bring all extensions of credit outstanding on March 10, 1979, into compliance as required by paragraph (a) of this section, the member bank shall promptly report that fact to the Comptroller of the Currency, in the case of a national bank, or to the appropriate Federal Reserve Bank, in the case of a State member bank, and explain the reasons why all the extensions of credit cannot be brought into compliance. The Comptroller or the Reserve Bank, as the case may be, is authorized, on the basis of good cause shown, to extend the March 10, 1980, date for compliance for any extension of credit for not more than two additional one-year periods.

Section 215.8—Records of member banks.

(a) *In general.* Each member bank shall maintain records necessary for compliance with the requirements of this part.

(b) *Recordkeeping for insiders of the member bank.* Any recordkeeping method adopted by a member bank shall:

(1) Identify, through an annual survey, all insiders of the bank itself; and

(2) Maintain records of all extensions of credit to insiders of the bank itself, including the amount and terms of each such extension of credit.

(c) *Recordkeeping for insiders of the member bank's affiliates.* Any recordkeeping method adopted by a member bank shall maintain records of extensions of credit to insiders of the member bank's affiliates by:

(1) *Survey method.* (i) Identifying, through an annual survey, each insider of the member bank's affiliates; and

(ii) Maintaining records of the amount and terms of each extension of credit by the member bank to such insiders; or

(2) *Borrower inquiry method.* (i) Requiring as part of

each extension of credit that the borrower indicate whether the borrower is an insider of an affiliate of the member bank; and

(ii) Maintaining records that identify the amount and terms of each extension of credit by the member bank to borrowers so identifying themselves.

(3) *Alternative recordkeeping methods for insiders of affiliates.* A member bank may employ a recordkeeping method other than those identified in paragraphs (c)(1) and (c)(2) of this section if the appropriate Federal banking agency determines that the bank's method is at least as effective as the identified methods.

(d) *Special rule for non-commercial lenders.* A member bank that is prohibited by law or by an express resolution of the board of directors of the bank from making an extension of credit to any company or other entity that is covered by this part as a company is not required to maintain any records of the related interests of the insiders of the bank or its affiliates or to inquire of borrowers whether they are related interests of the insiders of the bank or its affiliates.

Section 215.9—Reports by executive officers.

Each executive officer of a member bank who becomes indebted to any other bank or banks in an aggregate amount greater than the amount specified for a category of credit in section 215.5(c) of this part, shall, within 10 days of the date the indebtedness reaches such a level, make a written report to the board of directors of the officer's bank. The report shall state the lender's name, the date and amount of each extension of credit, any security for it, and the purposes for which the proceeds have been or are to be used.

Section 215.10—Reports on credit to executive officers.

Each member bank shall include with (but not as part of) each report of condition (and copy thereof) filed pursuant to 12 U.S.C. 1817(a)(3) a report of all extensions of credit made by the member bank to its executive officers since the date of the bank's previous report of condition.

Section 215.11—Disclosure of credit from member banks to executive officers and principal shareholders.

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

(1) *Principal shareholder of a member bank* means any person[4] other than an insured bank, or a foreign bank as defined in 12 U.S.C. 3101(7), that, directly or indirectly, owns, controls, or has power to vote more than 10 percent of any class of voting securities of the member bank. The term includes a person that controls a principal shareholder (*e.g.*, a person that controls a bank holding company). Shares of a bank (including a foreign bank), bank holding company, or other company owned or controlled by a member of an individual's immediate family are presumed to be owned or controlled by the individual for the purposes of determining principal shareholder status.

(2) *Related interest* means:

(i) Any company controlled by a person; or

(ii) Any political or campaign committee the funds or services of which will benefit a person or that is controlled by a person. For the purpose of this section and Subpart B of this part, a related interest does not include a bank or a foreign bank (as defined in 12 U.S.C. 3101(7)).

(b) *Public disclosure.* (1) Upon receipt of a written request from the public, a member bank shall make available the names of each of its executive officers and each of its principal shareholders to whom, or to whose related interests, the member bank had outstanding as of the end of the latest previous quarter of the year, an extension of credit that, when aggregated with all other outstanding extensions of credit at such time from the member bank to such person and to all related interests of such person, equaled or exceeded 5 percent of the member bank's capital and unimpaired surplus of $500,000, whichever amount is less. No disclosure under this paragraph is required if the aggregate amount of all extensions of credit outstanding at such time from the member bank to the executive officer or principal shareholder of the member bank and to all related interests of such a person does not exceed $25,000.

(2) A member bank is not required to disclose the specific amounts of individual extensions of credit.

(c) *Maintaining records.* Each member bank shall maintain records of all requests for the information described in paragraph (b) of this section and the disposition of such requests. These records may be disposed of after two years from the date of the request.

4. The term "stockholder of record" appearing in 12 U.S.C. 1972(2)(G) is synonymous with the term "person."

Section 215.12—Reporting requirement for credit secured by certain bank stock.

Each executive officer or director of a member bank the shares of which are not publicly traded shall report annually to the board of directors of the member bank the outstanding amount of any credit that was extended to the executive officer or director and that is secured by shares of the member bank.

Section 215.13—Civil penalties.

Any member bank, or any officer, director, employee, agent, or other person participating in the conduct of the affairs of the bank, that violates any provision of this part (other than section 215.11 of this part) is subject to civil penalties as specified in section 29 of the Federal Reserve Act (12 U.S.C. 504).

Subpart B—[Amended]

3. Section 215.21 is amended by removing "1841(c)" where it appears in paragraph (a) and adding in its place "1971 and 1972" and by removing footnote 9 and redesignating footnotes 10 and 11 as footnotes 9 and 10.

4. Section 215.22 is amended by removing "12 C.F.R. 226.2(p)" where it appears in paragraph (c)(1)(ii) and adding in its place "12 C.F.R. 226.2(a)(12)".

Orders Issued Under Bank Holding Company Act

Orders Issued Under Section 3 of the Bank Holding Company Act

Community First Bankshares, Inc. Fargo, North Dakota

Order Approving Acquisition of a Bank Holding Company

Community First Bankshares, Inc., Fargo, North Dakota ("Community First"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3(a)(5) of the BHC Act (12 U.S.C. § 1842(a)(5)) to acquire all of the voting shares of Ada BancShares, Inc. ("Ada BHC"), and thereby indirectly acquire The Ada National Bank ("Ada Bank"), both of Ada, Minnesota.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 68,911 (1993)). 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.

Community First, with total consolidated assets of approximately $1.2 billion, operates 21 banks in South Dakota, North Dakota, Minnesota, and Colorado.[1] Community First is the seventh largest commercial banking organization in Minnesota, controlling approximately $449.9 million in deposits, representing approximately 1 percent of total deposits in commercial banks in the state. Ada BHC is the 343d largest commercial banking organization in Minnesota, controlling deposits of approximately $14.9 million, representing less than 1 percent of total deposits in commercial banks in the state. Upon consummation of the proposed transactions, Community First would remain the seventh largest commercial banking organization in Minnesota, controlling approximately $464.8 million in deposits, representing approximately 1 percent of total deposits in commercial banks in the state.

Section 3(d) of the BHC Act ("Douglas Amendment"), prohibits the Board from approving an application by a bank holding company to acquire control of a bank located outside of the home state of the bank holding company[2] "unless the acquisition of . . . a State bank by an out-of-State bank holding company is specifically authorized by the statute laws of the State in which such bank is located, by language to that effect and not merely by implication."[3] For purposes of the Douglas Amendment, the home state of Community First is South Dakota.

In considering this proposal, the Board has analyzed the interstate banking statutes of Minnesota, and has concluded that Community First is authorized under the laws of Minnesota to acquire Ada BHC and Ada Bank.[4] Accordingly, the Board's approval of this

1. All asset, deposit, and market data are as of September 30, 1993.

2. The home state of a bank holding company is the state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. The operations of a bank holding company are considered principally conducted in the state in which the total deposits of its banking subsidiaries were largest on the date in question. The operations of Community First were principally conducted in South Dakota on September 30, 1987, the date on which it became a bank holding company.

3. 12 U.S.C. § 1842(d).

4. *See* Minn. Stat. Ann. § 48.93; S.D. Codified Laws Ann. § 51A-2-38. Minnesota's interstate banking statute permits an out-of-state bank holding company located in one of a few states, including South Dakota, to acquire a bank in Minnesota, provided that the applicant's home state authorizes the acquisition of banks in that state by a Minnesota bank holding company under conditions substantially similar to the conditions imposed by the law of Minnesota, as determined by the Minnesota Commissioner of Commerce. The

proposal is not prohibited by the Douglas Amendment. The Minnesota Commissioner of Commerce has preliminarily indicated that this proposal is permissible under Minnesota law. Approval of the proposed transaction is conditioned upon Community First receiving the necessary approval from the Minnesota Commissioner of Commerce.

Community First competes directly with Ada Bank in the Fargo-Moorhead banking market.[5] Upon consummation of this proposal, the market would remain moderately concentrated as measured by the Herfindahl–Hirschman Index ("HHI"),[6] and 29 commercial banks and thrift institutions ("depository institutions") would remain as competitors in the market.[7] Based on these and all other facts of record, the Board concludes that consummation of First Community's proposal would not result in any significantly adverse effect on competition in the Fargo-Moorhead banking market or any other relevant banking markets.

Considerations relating to the financial and managerial resources and future prospects of Community First, Ada BHC, and Ada Bank, the convenience and needs of the communities to be served, and other supervisory factors the Board is required to consider under section 3 of the BHC Act, also are consistent with approval of this application.

Minnesota Commissioner of Commerce has previously concluded that the interstate banking statutes of Minnesota and South Dakota are reciprocal. *See* Cooperation Agreement between the State of South Dakota and the State of Minnesota, dated June 2, 1989.

5. The Fargo-Moorhead banking market is composed of Cass and Ransom Counties and portions of Richland, Steele, and Traill Counties in North Dakota and Norman and Clay Counties in Minnesota.

6. 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 between 1000 and 1800 is considered moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other non-depository financial institutions. Upon consummation of this proposal, the HHI would increase by 11 points to 1154.

7. Market data are as of June 30, 1992. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991). Upon consummation of this proposal, Community First would remain the fifth largest depository institution in the Fargo-Moorhead banking market, controlling deposits of approximately \$137.7 million, representing 7.3 percent of market deposits.

Based on the foregoing and other facts of record, the Board has determined that this application should be, and hereby is, approved. The Board's approval of this application is specifically conditioned upon compliance with all of the commitments made in connection with this application. For purposes of this action, these commitments will be considered conditions imposed in writing by the Board in connection with the Board's findings and decision and, as such, may be enforced in proceedings under applicable laws. The transaction approved in this order 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 Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 22, 1994.

This action was taken pursuant to the Board's Rules Regarding Delegation of Authority (12 C.F.R. 265.4(b)(1)) by a committee of Board members. Voting for this action: Governors LaWare, Lindsey, and Phillips.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Community First Bankshares, Inc.
Fargo, North Dakota

Order Approving Acquisition of a Bank

Community First Bankshares, Inc., Fargo, North Dakota ("Community First"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire approximately 99 percent of the voting shares of Bank of Spooner, Spooner, Wisconsin ("Spooner Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 63,165 (1993)). 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.

Community First, with total consolidated assets of approximately \$1.2 billion, operates 21 banks in South Dakota, North Dakota, Minnesota, and Colorado.[1] Spooner Bank is the 75th largest commercial bank in Wisconsin, controlling deposits of approximately \$73.5 million, representing less than 1 percent of total

1. All asset, deposit, and market data are as of September 30, 1993.

deposits in commercial banks in the state. Upon consummation of the acquisition of Spooner Bank, Community First would become the 75th largest commercial banking organization in Wisconsin, controlling approximately $73.5 million in deposits, representing less than 1 percent of total deposits in commercial banks in the state.

Section 3(d) of the BHC Act ("Douglas Amendment"), prohibits the Board from approving an application by a bank holding company to acquire control of a bank "located outside of the state in which the operations of such bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which such company became a bank holding company, whichever, is later, unless the acquisition of . . . a State bank by an out-of-State bank holding company is specifically authorized by the statute laws of the State in which such bank is located, by language to that effect and not merely by implication."[2] For purposes of the Douglas Amendment, the banking operations of Community First were principally conducted, on the relevant date, in South Dakota. Thus, in reviewing whether Community First may acquire a bank located in a state other than South Dakota, the Board must consider whether the laws of the state in which the bank is located specifically authorize the acquisition.

In this case, Spooner Bank is located in Wisconsin. Wisconsin's interstate banking statute expressly authorizes the acquisition of a Wisconsin banking organization by an out-of-state bank holding company, if the state in which the largest amount of the deposits controlled by the out-of-state bank holding company is part of a region defined by the Wisconsin law and that state permits bank acquisitions by Wisconsin bank holding companies on a reciprocal basis.[3] For purposes of Wisconsin law, Community First is deemed to be located in Minnesota because, as of the date of the last quarterly report of condition of its subsidiary banks, the largest amount of the deposits controlled by Community First were at its Minnesota banks. Minnesota is within Wisconsin's defined interstate banking region, and the interstate banking laws of Minnesota authorize bank acquisitions by Wisconsin bank holding companies on a reciprocal basis.[4] The Wisconsin Commissioner of Banking has preliminarily indicated that this proposal is authorized under Wisconsin law.

In light of the foregoing, the Board has determined that its approval of this proposal is not prohibited by the Douglas Amendment. Approval of this proposal is specifically conditioned upon Community First receiving all required state regulatory approvals.

Considerations relating to the financial and managerial resources and future prospects of Community First and Spooner Bank; the convenience and needs of the communities to be served; and other supervisory factors the Board is required to consider under section 3 of the BHC Act also are consistent with approval of these applications.[5]

Based on the foregoing and other facts of record, the Board has determined that these applications should be, and hereby are, approved. The Board's approval of this application is specifically conditioned upon compliance with all of the commitments made in connection with these applications. For purposes of this action, these commitments will be considered conditions imposed in writing by the Board in connection with the Board's findings and decision and, as such, may be enforced in proceedings under applicable laws. The transaction approved in this order 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,

2. 12 U.S.C. § 1842(d). Under the Douglas Amendment, the operations of a bank holding company are considered principally conducted in the state in which the total deposits of its banking subsidiaries were largest on the date in question. The operations of Community First were principally conducted in South Dakota on September 30, 1987, the date on which it became a bank holding company.

3. *See* Wis. Stat. Ann. § 221.58.

4. *See* Wis. Stat. Ann. 221.58(1)(h). *See also* Minn. Stat. Ann. § 48.93. Minnesota's interstate banking statute permits an out-of-state bank holding company located in one of a few states, including South Dakota, to acquire a bank in Minnesota, provided that the applicant's home state authorizes the acquisition of banks in that state by a Minnesota bank holding company under conditions substantially similar to the conditions imposed by the law of Minnesota, as determined by the Minnesota Commissioner of Commerce. The Wisconsin Commissioner of Banking and the Minnesota Commissioner of Commerce have concluded that the statute laws of Minnesota and Wisconsin permit bank holding companies located in these states to acquire financial institutions on a reciprocal basis. *See* Cooperation Agreement between the State of Wisconsin and the State of Minnesota, dated February 6, 1987. *See also Norwest Corporation*, 76 *Federal Reserve Bulletin* 386 (1990); *Houston Bancorporation, Inc.*, 73 *Federal Reserve Bulletin* 723 (1987).

5. The Board has carefully reviewed comments from a venture capital firm in South Dakota ("Protestant") alleging that Community First's dividend policy has diminished the amount of credit available at its banks in South Dakota to meet the credit needs of communities in the state, including a need for loans to start-up business ventures. Community First disputes this contention by noting that since it acquired its South Dakota banks in 1987, their average loan-to-deposit ratio has increased from 32 percent to 61 percent, which is comparable to the statewide aggregate loan-to-deposit ratio. The Board also notes that four of Community First's six banks in South Dakota were rated "outstanding" for community development activities, and the remaining two banks were rated "satisfactory." The South Dakota banks' record of CRA performance also includes a variety of lending activities designed to assist in meeting the credit needs of their entire communities, including low- and moderate-income areas in South Dakota. Community First's banks offer several government-sponsored loan programs, including programs under the Small Business Act and the Farmers Home Administration. In light of all the facts of record, including Protestant's comments, Community First's responses, and relevant reports of examination, the Board does not believe that Protestant's comments warrant denial of this application.

unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 22, 1994.

This action was taken pursuant to the Board's Rules Regarding Delegation of Authority (12 C.F.R. 265.4(b)(1)) by a committee of Board members. Voting for this action: Governors LaWare, Lindsey, and Phillips.

JENNIFER J. JOHNSON
Associate Secretary of the Board

First Colonial Bankshares Corporation Chicago, Illinois

Order Approving the Acquisition of Bank Holding Companies

First Colonial Bankshares Corporation, Chicago, Illinois ("First Colonial"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all of the voting shares of:

(1) Hi-Bancorp, Inc. ("Hi-Bancorp"), and thereby indirectly acquire Hi-Bancorp's subsidiary bank, the Bank of Highwood, both of Highwood, Illinois; and

(2) GNP Bancorp, Inc., ("GNP"), and thereby indirectly acquire GNP's subsidiary bank, New Century Bank, both of Mundelein, Illinois.

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 52,109 (1993)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3 of the BHC Act.

First Colonial is the 15th largest commercial banking organization in Illinois, controlling deposits of $1.2 billion, representing 1 percent of the total deposits in commercial banking organizations in the state.[1] Hi-Bancorp is the 236th largest commercial banking organization in Illinois, controlling deposits of $79.4 million, representing less than 1 percent of the total deposits in commercial banking organizations in the state. GNP is the 281st largest commercial banking organization in Illinois, controlling deposits of $66.5 million, representing less than 1 percent of the total deposits in commercial banking organizations in the state.

First Colonial, GNP, and Hi-Bancorp compete directly in the Chicago banking market.[2] Upon consummation of this proposal, First Colonial would become the 11th largest commercial or thrift organization ("depository institution") in the market, controlling deposits of $1.4 billion representing 1.2 percent of total deposits in the market ("market deposits"),[3] and this market would remain unconcentrated as measured by the Herfindahl–Hirschman Index ("HHI").[4] After considering First Colonial's resulting market share, the number of competitors remaining in the market, the relatively small increase in concentration as measured by the HHI, and all other facts of record, the Board concludes that consummation of the proposal would not result in a significantly adverse effect on competition in the Chicago banking market or any other relevant banking market.

Convenience and Needs Considerations

Section 3 of the BHC Act requires the Board, in every case involving the acquisition by a bank holding company of a bank or bank holding company, to consider the effects of the proposal on the convenience and needs of the communities to be served. The Board has long held that this analysis includes a review of the performance under the Community Reinvestment Act (12 U.S.C. § 2109 *et seq.*) ("CRA"). The CRA requires 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 supervisory authority to "assess the institution's record of meeting the credit needs of its

1. Deposit data are as of June 30, 1992.

2. The Chicago banking market is approximated by Cook, DuPage, and Lake Counties, Illinois.

3. Market share deposit data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Bank market deposit data are as of June 30, 1991. Thrift market deposit data are as of March 31, 1991.

4. 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 below 1000 is considered unconcentrated. 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 anti-competitive 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 anti-competitive effects implicitly recognize the competitive effect of limited purpose lenders and other non-depository financial entities. The HHI in the Chicago banking market would not increase and would remain at 551 points.

entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take this record into account in its evaluation of bank holding company applications.[5]

In connection with these applications, the Board has received comments in favor of and opposing First Colonial's proposal. Several community groups, including groups representing residents in the Austin community of Chicago who were initially opposed to the proposal, have submitted comments in support of the acquisition after discussing First Colonial's plans to increase its lending in this community. The Illinois Banking Commissioner also has commented in favor of the proposal.

Other community groups ("Protestants") have criticized First Colonial's CRA record of performance in the Austin community. Specifically, these commenters maintain that First Colonial's subsidiary bank that serves this community, The Avenue Bank of Oak Park, Oak Park, Illinois ("Avenue Bank"), does not meet the housing-related credit needs of low- to moderate-income residents and has been unresponsive to their complaints. Protestants also allege that numerous members of the Austin community have complained about Avenue Bank's lack of loan applications and misinformation regarding application procedures.

The Board has carefully reviewed the CRA performance of First Colonial, Hi-Bancorp, GNP, and their subsidiary banks, in light of the CRA, the Board's regulations and the jointly issued Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").

In May 1993, the Board denied similar applications by First Colonial to acquire these banking organizations on the basis of the record of performance under the CRA of Avenue Bank.[6] In denying the applications, the Board found deficiencies in Avenue Bank's record of meeting the credit needs of its community, particularly in minority and low- to moderate areas, had continued through two consecutive CRA performance examinations by the Federal Deposit Insurance Corporation ("FDIC").[7] The Board also found that First Colonial had not taken sufficient steps to address these deficiencies. The First Colonial Order noted that the denial of First Colonial's application was without prejudice to future applications by First Colonial when Avenue Bank's CRA record of performance was in place and that its policies and programs were working well.[8]

The First Colonial Order outlined specific aspects of Avenue Bank's CRA performance that the Board believed should be addressed, including Avenue Bank's low levels of lending in minority and low- to moderate-income areas, and its ascertainment and marketing efforts with respect to the minority and low- to moderate-income areas of its community. In this regard, the Board noted that, in 1992, of all the Home Mortgage Disclosure Act ("HMDA") related loans that were made in Avenue Bank's delineated community, none of these loans were made in minority or low- to moderate-income areas. The First Colonial Order also stated that Avenue Bank had not fully implemented a program to ascertain the credit needs of and market its banking products to its entire delineated community as of the January 1993 examination, despite criticisms noted in the 1991 examination. While recognizing the steps that First Colonial had undertaken to improve its CRA record, the First Colonial Order concluded that Avenue Bank did not have a satisfactory record of performance in place and had failed to address deficiencies in its CRA performance for some time. On this basis, the Board concluded that considerations relating to the convenience and needs factor were not consistent with approval.

Record of Performance Under the CRA

The Board believes that the ability of First Colonial and Avenue Bank to demonstrate that its CRA record of performance is in place and that its programs and policies are working well is an important consideration in light of the Board's findings in the First Colonial Order. The record of this application reflects a number of affirmative steps taken by First Colonial and Avenue Bank to address the deficiencies noted in the First Colonial Order.

A. CRA Performance Examinations

The Agency Policy Statement provides that a CRA examination is an important and often controlling factor in determining whether convenience and needs factors are consistent with approval of an expansionary proposal. The Board notes that Avenue Bank has improved its CRA performance rating since the January 1993 examination and its overall record of performance under the CRA is now rated "satisfactory" by

5. 12 U.S.C. § 2903.

6. *First Colonial Bankshares Corporation*, 79 *Federal Reserve Bulletin* 706 (1993) ("First Colonial Order").

7. Avenue Bank's CRA performance was rated "needs to improve" as of December 31, 1991 ("the 1991 examination"), and again as of January 15, 1993 ("the January 1993 examination").

8. First Colonial Order at p. 708.

its primary federal supervisor, the FDIC.[9] Moreover, First Colonial's remaining 14 subsidiary banks all received at least a "satisfactory" rating from their primary federal supervisors in their most recent CRA performance examinations. Both subsidiary banks of Hi-Bancorp and GNP also received "satisfactory" ratings from their primary federal supervisors in their most recent examinations.

B. CRA Performance Record of Avenue Bank

Lending Activities. Avenue Bank has made progress in improving its lending to low- to moderate-income and minority portions of its delineated service area. For example, 1992 data showed that Avenue Bank originated no HMDA-related loans in low- to moderate-income or minority neighborhoods within its service area. HMDA data for 1993, however, indicate that Avenue Bank originated 15 loans totalling $1.3 million in low- and moderate-income neighborhoods in this area,[10] including 10 loans totalling approximately $1 million to housing organizations serving primarily minority and low- to moderate-income areas. The August 1993 examination notes that Avenue Bank now makes more than half of its loans within its delineated service community.

Two new lending programs have been developed by Avenue Bank to address the housing-related credit needs of low- and moderate-income borrowers. The "Money Sale" program, introduced this year, features low-cost mortgages (with a 15 percent down payment) and home improvement loans. In addition, First Colonial's mortgage subsidiary, First Colonial Mortgage Corporation ("First Colonial Mortgage"), provides loans under the Illinois Community Home Buyers Program.[11] Government-sponsored loan programs, such as the Federal Housing Administration ("FHA") loans, are also offered by First Colonial Mortgage through an agency relationship with an unaffiliated state member bank.[12] In addition, the August 1993 examination noted that Avenue Bank supports local community development projects. It has, for example, extended a line of credit to the Neighborhood Housing Services of Chicago, Inc. and has become a member of other nonprofit neighborhood improvement groups.

Avenue Bank also has initiated a number of steps designed to continue its progress in meeting the credit needs of low- and moderate-income borrowers. For example, Avenue Bank has implemented a tracking system to assist in assessing the effectiveness of the geographic distribution of its loans. In addition, Avenue Bank has initiated a second review process for denied loans, and amended the compensation structure for lending officers based on numbers of loans generated instead of the dollar amounts of loans. The August 1993 examination also noted a number of innovative products offered by Avenue Bank to primarily low- and moderate-income residents. These loan products include the Illinois Smart Money Program, which provides low cost checking accounts for public aid recipients, and secured installment loans to assist customers in establishing and reestablishing credit.

In addition, First Colonial has committed to lend $40 million over the next five years in the Austin, Garfield and Oak Park areas.[13] First Colonial has also established a full-service branch at a temporary location in the Austin community and has committed to maintain this branch when a permanent location can be found in this community.

The Board notes that First Colonial has put in place policies and programs to increase Avenue Bank's housing-related lending to low- and moderate-income areas within its service area. While these programs have improved the bank's lending record, they have so far resulted in a small number of housing-related loans to low- and moderate-income individuals. The Board believes that First Colonial's ability to continue to demonstrate increased lending to these residents of its service community is an important aspect of the bank's CRA performance, and the Board expects First Colonial to implement fully all of its programs in order to sustain and improve the progress demonstrated to date in its lending record.

Ascertainment and Marketing. The August 1993 examination concluded that Avenue Bank's ascertainment efforts now appear to be reaching all segments of its delineated community. For example, Avenue Bank

9. In this regard, at its most recent examination for CRA performance as of August 16, 1993 (the "August 1993 examination"), the FDIC upgraded Avenue Bank's rating from "needs to improve" to "satisfactory". *See also* 54 *Federal Register* 13,743 (1989).

10. This amount also includes five loans totaling $282,000 to minority borrowers. Avenue Bank also originated eight additional HMDA-related loans totalling $200,000 in the Austin area, but not located in its delineated community.

11. This program provides mortgages with down payments as low as 5 percent at terms often more favorable than those offered by FHA loans. During 1993, Avenue Bank originated at least 19 Community Home Buyer loans.

12. In this regard, the Board has carefully reviewed comments from a denied mortgage applicant maintaining that First Colonial Mortgage's practice of referring FHA loan applications to an unaffiliated bank is misleading. First Colonial formalized its agency relationship with the unaffiliated FHA-lender bank and has modified its advertisements to reflect this relationship. The Board has also considered the results of on-site inspections conducted by the Federal Reserve Bank of Chicago of both First Colonial Mortgage and the state member bank. Based on these and all facts of record, the Board concludes that these comments do not warrant denial of these applications.

13. Other commitments made by First Colonial for assisting these communities are detailed in an agreement between First Colonial and a community group representing residents in this area.

has begun to host focus groups and use information gathered at these meetings to plan strategies to meet perceived community credit needs. Avenue Bank also uses its officer call program to communicate with community leaders and businesspersons in all areas of the bank's delineated community and to determine unmet credit needs. Ongoing contacts with government officials, realtors, and neighborhood housing organizations are maintained to discuss the financial needs of individuals and businesses within the bank's delineated community.[14]

The August 1993 examination found the advertising media used by Avenue Bank encompasses all areas within the bank's delineated community, the advertisements are racially neutral, and all areas of the bank's delineated community have been made aware of Avenue Bank's current loan products. The various media used to promote the Avenue Bank's lending products include statement stuffers, window signs, newspaper advertisements, and customer newsletters, such as "Banknotes," which is mailed to all current customers, and "Financial Forum," which is distributed to residents within Avenue Bank's delineated area.

Conclusions Regarding the Convenience and Needs Factor

On the basis on these and other facts of record, including the demonstrated improvement in the CRA areas in which deficiencies were originally noted by the FDIC and the Board last year, as well as information provided by all the commenters and First Colonial, and relevant examination reports, the Board concludes that the CRA performance record of First Colonial is, on balance, now consistent with approval. In reaching this conclusion, the Board has relied to a significant extent on the recent "satisfactory" CRA performance rating for Avenue Bank by the FDIC and the "satisfactory" or better CRA performance ratings of First Colonial's remaining subsidiary banks as well as the programs that have been initiated by First Colonial to improve the lending record of Avenue Bank.

The Board expects First Colonial to continue to improve Avenue Bank's lending performance in its communities, particularly with respect to low- to moderate-income and minority areas, and to comply with all commitments regarding its CRA activities given in connection with these applications. In this regard, First Colonial is required to report quarterly to the Federal Reserve Bank of Chicago on the progress made in improving its CRA performance. The Board will also closely review Avenue Bank's record in future applications by First Colonial that require consideration of its CRA performance record.

14. In this regard, Avenue Bank has established a "community review committee" which includes four officers of the bank and four members of the Garfield Austin Interfaith Network ("GAIN") in an effort to better ascertain and serve the credit needs of the Austin, West Garfield, and Oak Park neighborhoods.

Other Considerations

The Board has concluded that the financial and managerial resources and future prospects of First Colonial, Hi-Bancorp, and GNP Bancorp, and their respective subsidiaries, and all other supervisory factors the Board must consider under section 3 of the BHC Act, are consistent with approval of this proposal.

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. This approval is specifically conditioned upon compliance by First Colonial with the commitments made in connection with these applications. For purposes of this action, all of the commitments and conditions are deemed to be conditions imposed in writing and, as such, may be enforced in proceedings under applicable law.

These 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 Federal Reserve Bank of Chicago acting pursuant to delegated authority.

By order of the Board of Governors, effective February 17, 1994.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Vermont Financial Services Corp. Brattleboro, Vermont

Order Approving the Merger of Bank Holding Companies

Vermont Financial Services Corp., Brattleboro, Vermont ("Vermont Financial"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with West Mass Bankshares, Inc., Greenfield, Massachusetts ("West Mass"), and thereby indirectly acquire United Savings Bank, Conway, Massachusetts.[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 60,858 (1993)). 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.

Vermont Financial is the third largest commercial banking organization in Vermont, controlling one banking subsidiary with $749.6 million in deposits, representing 14.8 percent of the total deposits in commercial bank organizations in the state.[2] West Mass is the 84th largest bank or thrift organization ("depository institution") in Massachusetts, controlling $192.3 million in deposits, representing less than 1 percent of the total deposits in depository institutions in the state. Upon consummation of this transaction, Vermont Financial would become the 84th largest depository institution in Massachusetts, controlling $192.3 million in deposits, representing less than 1 percent of the total deposits in depository institutions in the state.

Vermont Financial and West Mass do not compete directly in any relevant banking market. Based on all the facts of record, the Board concludes that Vermont Financial's acquisition of West Mass and its subsidiary bank would not result in any significantly adverse effects on competition in any relevant banking market.

Douglas Amendment Analysis

Section 3(d) of the BHC Act, the Douglas Amendment, prohibits a bank holding company from acquiring a bank outside of its home state "unless the acquisition of . . . a State bank by an out-of-State bank holding company is specifically authorized by the statute laws of the State in which such bank is located, by language to that effect and not merely by implication."[3] For purposes of the Douglas Amendment, the home state of Vermont Financial is Vermont.

Massachusetts and Vermont have enacted banking statutes that permit out-of-state bank holding companies to acquire banks in these states provided that the home state of the acquiring bank holding company permits the acquisition of banks in that state on a reciprocal basis.[4] The Massachusetts and Vermont state banking supervisors have preliminarily indicated that the reciprocity requirements under their respective statutes are satisfied in this case. In light of the foregoing, and based on an analysis of the interstate banking statutes involved, the Board has determined that its approval of this proposal is not prohibited by the Douglas Amendment. Approval of this proposal is conditioned upon Vermont Financial receiving all required state regulatory approvals.

Other Considerations

The financial and managerial resources, and future prospects of Vermont Financial, West Mass, and their subsidiaries, are consistent with approval of this proposal.[5] Considerations relating to the convenience and needs of the communities to be served and other supervisory factors the Board must consider under

1. In connection with Vermont Financial's proposed acquisition of West Mass, Vermont Financial has requested Board approval under section 3 of the BHC Act to acquire an option to purchase up to 19.9 percent of the voting shares of West Mass. This option would become moot upon consummation of the proposal.

2. Deposit data are as of December 31, 1992.

3. 12 U.S.C. § 1842(d). 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 such banking subsidiaries are largest.

4. *See* Mass. Gen. L. ch. 167A § 2 (1990); Vt. Stat. Ann. tit. 8 § 1052 (1987). Massachusetts's interstate banking statute permits an out-of-state bank holding company to acquire a bank in Massachusetts if the applicant's home state authorizes the acquisition of banks in that state by a Massachusetts bank or bank holding company under conditions that are no more restrictive than those imposed by the laws of Massachusetts as determined by the Massachusetts Commissioner of Banks. Vermont's interstate banking statute authorizes an out-of-state bank holding company to acquire a bank in Vermont if the applicant's home state authorizes the acquisition of banks in that state by a Vermont bank or bank holding company under conditions not substantially more restrictive than those imposed by the laws of Vermont. Massachusetts law also prohibits an out-of-state bank holding company from controlling more than 15 percent of deposits held by all state and federally chartered banks in Massachusetts. Mass. Gen. L. ch. 167A § 2 (1990). In this case, Vermont Financial would acquire less than one percent of the deposits held by Massachusetts banks.

5. The Board has carefully considered comments filed by an individual ("Protestant") alleging that Vermont Financial and its subsidiary bank, Vermont National Bank, Brattleboro, Vermont ("Bank"), engaged in a variety of improper banking practices in connection with the extension of, and subsequent foreclosure on, several commercial loans made by Bank to business associates of the Protestant. In addition, Protestant believes that Bank's financial condition will be adversely affected by the bank's potential civil liability for these actions, and by the bank's potential exposure in another commercial loan to a business that Protestant alleges is in violation of environmental laws. Protestant also alleges that Vermont Financial has failed to adequately disclose these matters in this application. Vermont Financial generally has denied Protestant's allegations and notes that Protestant has dismissed his civil action against Bank.

The Board has carefully reviewed these allegations in light of examination information relating to the bank's financial and managerial resources provided by Bank's primary federal regulator, the Office of the Comptroller of the Currency ("OCC"), and information from state environmental agencies. Based on this review and all facts of record, the Board believes that these matters do not warrant denial of these applications.

section 3 of the BHC Act also are consistent with approval of this proposal.

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved.[6] The Board's approval of this proposal is expressly conditioned on compliance with the commitments made by Vermont Financial in connection with this application and the conditions discussed in this order. The commitments and conditions relied on by the Board in reaching this decision both are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

This transaction shall not be consummated before the 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 Boston, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 22, 1994.

This action was taken pursuant to the Board's Rules Regarding Delegation of Authority (12 C.F.R. 265.4(b)(1)) by a committee of Board members. Voting for this action: Governors LaWare, Lindsey, and Phillips.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

Iowa National Bankshares Corporation Waterloo, Iowa

Order Approving Application to Acquire a Savings Association and Other Nonbanking Companies

Iowa National Bankshares Corporation, Waterloo, Iowa ("Iowa National"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire all the voting shares of MidAmerica Financial Corporation ("MidAmerica") and thereby indirectly acquire MidAmerica's savings association subsidiary, MidAmerica Savings Bank, F.S.B. ("MidAmerica Savings"), both of Waterloo, Iowa.[1] Iowa National also has applied under section 4(c)(8) of the BHC Act and section 225.23 of the Board's Regulation Y to indirectly acquire the following other nonbanking subsidiaries of MidAmerica:

(1) MidAmerica Student Loan Company, West Des Moines, Iowa ("MidAmerica Loan"), and thereby engage in the origination, servicing, and sale of student loans pursuant to § 225.25(b)(1) of the Board's Regulation Y; and

(2) MidAmerica Trust Company, West Des Moines, Iowa, and thereby engage in trust company activities pursuant to § 225.25(b)(3) of the Board's Regulation Y.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 66,000 (1993)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

The Board has determined that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act.[2] In making this determination, the Board requires that savings associations acquired by bank holding companies conform their direct and indirect activities to those permissible for bank holding companies under section 4(c)(8) of the BHC Act and Regulation Y. Iowa National has committed to conform all activities of MidAmerica Savings to these requirements.[3]

Iowa National, with consolidated assets of approximately $853 million, controls four subsidiary banks in

6. Protestant has requested a suspension of the processing period for applications under section 3 of the Bank Holding Company Act and the Board's Regulation Y (12 C.F.R. 225.14) to give him time to present additional information. The Board notes that Protestant has had ample opportunity to present written submissions, and has, in fact, submitted substantial written comments that have been considered by the Board. Protestant also has indicated that he may in the future obtain additional information regarding Vermont Financial. In this regard, Protestant would have the opportunity to present this information in future applications filed by Vermont Financial, and these comments would be made a part of the record considered by the Board at that time. In light of these facts, the Board does not believe that a suspension of the processing period is warranted in this case and Protestant's request is denied.

1. Iowa National will acquire MidAmerica by merger with Iowa National's wholly owned subsidiary, MFC Corporation, and will operate MidAmerica Savings as a separate subsidiary.

2. *See* 12 C.F.R. 225.25(b)(9).

3. MidAmerica Savings engages in insurance agency activities that are not permissible for bank holding companies under the BHC Act. Iowa National has committed to divest or terminate all impermissible insurance activities within two years of consummation of the proposal. Iowa National also has committed that, during this two-year period, it will limit MidAmerica Savings's insurance activities to renewals of existing policies and to insurance activities permissible for a bank holding company under the BHC Act.

Iowa.[4] It is the sixth largest commercial banking organization in the state, controlling deposits of approximately $718 million, representing approximately 2.3 percent of total deposits in commercial banking organizations in the state. MidAmerica Savings is the fourth largest thrift organization in Iowa, controlling deposits of approximately $304 million, representing approximately 7.5 percent of total deposits in thrift organizations in the state. Upon consummation of this transaction, Iowa National would become the fifth largest commercial banking organization in Iowa, controlling deposits of approximately $1 billion, representing approximately 3.3 percent of total deposits in commercial banking organizations in the state.

Competitive Considerations

Under section 4(c)(8) of the BHC Act, the Board must consider the competitive aspects of each proposal.[5] In this regard, Iowa National and MidAmerica Savings compete directly in the Waterloo banking market.[6] Iowa National is the largest depository institution[7] in the market, controlling approximately $358.5 million in deposits, representing approximately 31 percent of total deposits in depository institutions in the market ("market deposits"). MidAmerica Savings is the fifth largest depository institution in the market, controlling approximately $143.8 million in deposits, representing approximately 6 percent of market deposits. Upon consummation of this proposal, Iowa National would remain the largest depository institution in the market, controlling deposits of approximately $502.3 million. This market would remain highly concentrated as measured by the Herfindahl–Hirschman Index ("HHI"),[8] and Iowa National would control approximately 41 percent of market deposits.

In order to mitigate the adverse competitive effects that otherwise would result from consummation of this proposal, Iowa National has committed to divest one or more offices of MidAmerica Savings in the Waterloo banking market with deposits of not less than $30.2 million as of June 30, 1993, to an out-of-market depository institution.[9] Upon consummation of the proposal and the divestiture of these deposits to an out-of-market thrift institution, the HHI in the Waterloo banking market would increase by 388 points to 2744.

A number of considerations indicate that the increase in concentration level in the Waterloo banking market as measured by the HHI after the planned divestiture tends to overstate the competitive effects of this proposal. For example, upon consummation of this proposal, the number of competitors would not be reduced, and ten depository institutions would remain in the market. The three largest depository institutions in the market, after Iowa National, are all multi-state bank holding companies that each have total assets exceeding $5 billion. Several factors also indicate that the market is attractive for entry. The Waterloo banking market's ratio of population per bank office exceeds the average for all MSA's in Iowa, and the growth rate of deposits in the market since 1988 has been the highest of any Iowa MSA. Four commercial banking organizations have entered the Waterloo banking market by acquisition since 1991, including the acquisition in 1993 of the second largest depository institution in the market. Out-of-state bank holding

4. State and market data are as of June 30, 1993.

5. Section 4(c)(8) of the BHC Act requires the Board to determine that the acquisition of MidAmerica Savings "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 interest, or unsound banking practices." *See First Hawaiian, Inc.*, 79 *Federal Reserve Bulletin* 966 (1993).

6. The Waterloo banking market consists of Black Hawk County, Jefferson and Jackson townships in Bremer County, and Beaver township in Butler County, all in Iowa.

7. In this context, depository institutions include commercial banks, savings banks, and savings associations. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Because the deposits of MidAmerica Savings would be controlled by a commercial banking organization upon consummation of this proposal, these deposits are included at 100 percent in the calculation of Iowa National's post-consummation share of market deposits. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669, 670 n.9 (1990).

8. 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 over 1800 is considered to be highly concentrated. In such highly concentrated markets, the Justice Department is likely to challenge a merger that increases the HHI by more than 50 points. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities. Upon consummation of the proposal, the HHI in the Waterloo banking market would increase by 512 points to 2868.

9. Iowa National has committed to submit to the Board, prior to consummation of its acquisition of MidAmerica, a binding contract acceptable to the Board for the sale of an office or offices within six months of consummation of this proposal. Iowa National also has committed, should any divestiture not be consummated within this time, to assign the assets and liabilities of the office or offices to an independent trustee, who will be instructed and authorized to promptly find a suitable buyer. Furthermore, Iowa National has committed to submit to the Board, prior to consummation of the acquisition, an executed trust agreement acceptable to the Board stating the terms of this divestiture. The Board's action on the application is expressly conditioned upon compliance with these commitments.

companies within a defined region are authorized to acquire Iowa commercial banking organizations.

The Board also has considered the competitive effects of credit unions, which account for approximately 22 percent of combined bank, thrift, and credit union deposits in the Waterloo banking market.[10] With credit union deposits accorded 50 percent weight, one credit union in particular, with membership open to nearly all individuals or companies in the market, controls approximately 10 percent of the deposits held by depository institutions and credit unions competing in the market. This credit union also aggressively competes with depository institutions in the provision of banking services and products.[11]

Based on all the facts of record, including the proposed divestiture, the number of competitors that would remain in the market after consummation, the recent entry of new competitors into the market, and the role of credit unions in the market, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in the Waterloo banking market or any other relevant banking markets.

Convenience and Needs Considerations

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

In this regard, the Board has received comments from an individual ("Protestant") contending that Iowa National's subsidiary bank, National Bank of Waterloo ("Waterloo Bank") and MidAmerica Savings have generally failed to ascertain and meet the credit needs of minority and low- and moderate-income individuals and small businesses.[13] In particular, Protestant alleges that Waterloo Bank has discriminated against minorities and low- and moderate-income borrowers in violation of federal civil rights statutes on the basis of data filed under the Home Mortgage Disclosure Act ("HMDA").

In its consideration of the convenience and needs factor, the Board has carefully reviewed the entire record of CRA performance of Iowa National, MidAmerica, and their subsidiaries; all comments received on these applications, including Iowa National's responses; and all other relevant facts of record, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[14]

Record of Performance Under the CRA

A. CRA Performance Examinations

The Agency CRA Statement provides that a CRA examination is an important, and often controlling, factor in the consideration of an institution's CRA record and that these reports will be given great weight in the applications process.[15] In this regard, the Board notes that all of Iowa National's subsidiary banks, including Waterloo Bank, received "satisfactory" ratings from their primary regulators in their most recent examinations for CRA performance, and that MidAmerica Savings received an "outstanding" rating from its primary regulator in each of its two most recent examinations. The Board also notes that Iowa National plans to retain all personnel (with the possible exception of personnel employed at the divested

10. Eighteen credit unions, with liberal membership requirements, compete in the market. The national average of deposits controlled by credit unions is 5.6 percent.

11. Sixty-eight percent of households in Black Hawk County, Iowa, which includes a substantial portion of the Waterloo banking market, are members of this credit union. This credit union operates 6 stand-alone offices, 3 extended-hours offices in supermarkets, and 3 drive-through facilities.

12. 12 U.S.C. § 2903.

13. Protestant also maintains that the substantial lessening of competition resulting from this proposal will further reduce the services available to meet these credit needs. For the reasons previously discussed, the Board has concluded that consummation of this proposal would not have a significantly adverse effect on competition in the Waterloo banking market. In addition, Protestant believes that certain individuals who may be involved in this proposal have a conflict of interest due to their former employment by the Federal Home Loan Bank of Atlanta. These allegations have been brought to the attention of the Office of Thrift Supervision, the successor to the Federal Home Loan Bank Board, which is also required to approve this acquisition. The Board has carefully considered these comments in light of all facts of record, and does not believe that they warrant denial of this application.

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

15. 54 *Federal Register* 13,745 (1989).

branch), and all CRA-related policies and procedures at MidAmerica Savings in light of its CRA performance record.

B. Waterloo Bank's Record of Performance

Lending Activities. The Board has carefully reviewed the 1991 and 1992 data filed under the HMDA in light of Protestant's allegations of disparities in lending to minorities and low- and moderate-income residents in its service area. These data show that Waterloo Bank made a higher percentage of its home mortgage loans to blacks and to borrowers in low- and moderate-income census tracts than did lenders reporting HMDA data in the market in the aggregate. In addition, between 1991 and 1992 the denial rate was reduced and the origination rate for home mortgage loans to blacks and to borrowers in low- and moderate-income census tracts increased at Waterloo Bank, while these rates deteriorated or improved more slowly among reporting lenders in the aggregate. However, these data also indicate disparities in approvals and denials of loan applications according to racial and ethnic group and income status. Because all banks are obligated to adopt and implement lending practices that ensure not only safe and sound lending, but also equal access to credit by creditworthy applicants regardless of race, the Board is concerned when the record of an institution indicates disparities in lending to applicants in low- and moderate-income and minority communities. The Board also recognizes that HMDA data have limitations that make the data an inadequate basis, absent other information, for conclusively determining whether an institution has engaged in illegal discrimination in making lending decisions.

Waterloo Bank's 1993 CRA performance examination found no evidence of any pattern or practice of discriminatory credit practices, or other practices designed to discourage credit applications.[16] The Board has also reviewed additional relevant examination materials from the bank's primary regulator, the Office of the Comptroller of the Currency.

Regarding Waterloo Bank's lending activities, examiners found that lending levels reflected a general responsiveness to the most pressing community credit needs and that the geographic distribution of the bank's credit extensions and denials demonstrated a reasonable penetration of all segments of its local community. Waterloo Bank also offers several products specifically designed to assist in meeting the credit needs of low- and moderate-income borrowers. For example, the bank offers the Community Improvement Program ("CIP"), an adjustable rate home mortgage targeted to low-income borrowers.[17] In addition, Waterloo Bank participates in government-sponsored lending programs,[18] and has invested approximately $8 million in local industrial development revenue bonds. The bank also has provided financing for the purchase and improvement of distressed properties in downtown Waterloo under a city-sponsored program.

Ascertainment and Marketing. Waterloo Bank ascertains credit needs is a variety of ways. The bank maintains regular contact with community and government organizations, including local community development organizations, government officials, minority organizations, and realtors. Surveys are also conducted and reviewed by the bank's CRA committee and the CRA compliance officer. The compliance officer reports to the Board of Directors on a regular basis, and CRA-related issues are routinely considered as part of the board's planning process.

Marketing and advertising are approved and monitored by the bank's board of directors, and these programs serve to inform all segments of the community of the bank's products and services. Waterloo Bank uses a variety of media to advertise its products and services, including radio, television, newspapers, direct mail, and outdoor advertising. Direct mail marketing is also used to promote products specially developed for low- and moderate-income borrowers such as the CIP loan program. The bank also advertises in a newspaper targeted to minority members of the community.

C. Conclusion Regarding Convenience and Needs Factors

In considering the overall CRA performance records of Iowa National and MidAmerica, the Board has carefully evaluated the entire record, including the public comments in this case. Based on a review of the entire record, including Protestant's comments and Iowa National's responses thereto, and relevant reports of examinations, the Board concludes that convenience and needs considerations, including CRA performance records of Iowa National, MidAmerica,

16. The examination noted technical and procedural violations of the HMDA and the Fair Housing Home Loan Data System regulation. Management has agreed to initiate steps, including training and systems review, to prevent recurrence of these problems.

17. In order to increase acceptance of this program, the bank's CRA committee has revised CIP to offer fixed rate mortgages that are below market rates, without application fees or discount points, and with fixed closing costs.

18. Waterloo Bank had outstanding Small Business Administration loans aggregating $725,000 and Federal Housing Administration loans aggregating $675,000 at year-end 1993.

and their subsidiary depository institutions, are consistent with approval of this application.[19]

Other Considerations

The financial and managerial resources of Iowa National, MidAmerica, and their respective subsidiaries are consistent with approval. Iowa National also has applied, pursuant to section 4 of the BHC Act, for approval to engage indirectly through the acquisition of nonbanking subsidiaries of MidAmerica in loan origination, servicing, and sales and in trust company activities. The Board previously has determined that these activities are permissible under section 4(c)(8) of the BHC Act and the Board's Regulation Y,[20] and Iowa National proposes to conduct these activities in accordance with the Board's regulations. The record in this case indicates that there are numerous providers of these nonbanking services, and there is no evidence in the record to indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices that would outweigh the public benefits of this proposal. 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 acquisition of the additional nonbanking subsidiaries of MidAmerica.

Conclusion

Based on all the facts of record, the Board has determined that the application should be, and hereby is, approved.[21] The Board's approval is specifically conditioned upon compliance with all the commitments made by Iowa National in connection with this application and the conditions referred to in this Order. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.4(d) and 225.23(b) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective February 28, 1994.

Voting for this action: Chairman Greenspan and Governors Kelley, LaWare, Lindsey, and Phillips.

JENNIFER J. JOHNSON
Associate Secretary of the Board

19. Protestant has requested that the Board hold a public hearing or meeting on this application. The Board's rules provide that a hearing is required under section 4 of the BHC Act only if there are disputed issues of material fact that cannot be resolved in some other manner. In addition, 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 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered this request. In the Board's view, interested parties have had a sufficient opportunity to present written submissions, and have submitted substantial written comments that have been considered by the Board. Moreover, Protestant's allegations state conclusions about the institutions's CRA records without disputing any of the material facts in this case. On the basis of all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in this application, or otherwise warranted in this case. Accordingly, the request for a public meeting or hearing on this application is hereby denied.

20. *See* 12 C.F.R. 225.25(b)(1) and 225.25(b)(3).

21. Protestant also has commented on the absence of minority members of the community in upper level positions at Waterloo Bank. In this regard, the Board notes that because Waterloo Bank employs more than 50 people and acts as an agent to sell or redeem U.S. savings bonds and notes, it is required by Treasury Department regulations to:

(1) File annual reports with the Equal Employment Opportunity Commission; and

(2) Have in place a written affirmative action compliance program which states its efforts and plans to achieve equal opportunity in the employment, hiring, promotion, and separation of personnel.

National City Corporation
Cleveland, Ohio

Order Approving an Application to Engage De Novo in Underwriting and Dealing in Certain Bank-Ineligible Securities on a Limited Basis, and Other Securities-Related Activities

National City Corporation, Cleveland, Ohio ("Applicant"), has applied, pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8)) ("BHC Act") and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), to acquire National City Investments Corporation, Cleveland, Ohio ("Company"), through a corporate reorganization,[1] and engage *de novo* in the following activities:

1. Company is currently a wholly owned subsidiary of National City Bank, Cleveland, Ohio ("NCB"). In order to effect this reorganization, NCB will transfer 100 percent of the outstanding stock of

(1) Underwriting and dealing in municipal revenue bonds, residential mortgage-related securities, consumer- receivable-related securities, and commercial paper (hereinafter "bank-ineligible securities");
(2) Acting as agent in the private placement of all types of securities, including providing related advisory services, and buying and selling securities on the order of investors as a "riskless principal";
(3) Acting as agent in the purchase and sale of gold and silver bullion, bars, rounds, and coins, and platinum coins that function as legal tender, for the accounts of customers;
(4) 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));
(5) Engaging in investment advisory activities pursuant to section 225.25(b)(4) of the Board's Regulation Y (12 C.F.R. 225.25(b)(4));
(6) Providing management consulting services to depository institutions pursuant to section 225.25(b)(11) of the Board's Regulation Y (12 C.F.R. 225.25(b)(11));
(7) Providing discount and full service brokerage services pursuant to section 225.25(b)(15)(i) and (ii) of the Board's Regulation Y (12 C.F.R. 225.25(b)(15)(i) and (ii));
(8) Underwriting United States government, agency, state, and municipal securities pursuant to section 225.25(b)(16) of the Board's Regulation Y (12 C.F.R. 225.25(b)(16));
(9) Providing foreign exchange advisory and transactional services pursuant to section 225.25(b)(17) of the Board's Regulation Y (12 C.F.R. 225.25(b)(17));
(10) Engaging in futures commission merchant activities pursuant to section 225.25(b)(18) of the Board's Regulation Y (12 C.F.R. 225.25(b)(18));
(11) Providing investment advice on financial futures and options on futures pursuant to section 225.25(b)(19) of the Board's Regulation Y (12 C.F.R. 225.25(b)(19)).

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 1947 (1994)). 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.

Applicant, with total consolidated assets of $31.1 billion, is the second largest commercial banking organization in Ohio.[2] Applicant operates banking subsidiaries in Ohio, Indiana, and Kentucky and engages in nonbanking activities through 25 nonbanking subsidiaries.

As noted, all the proposed activities except underwriting and dealing in bank-ineligible securities, conducting private placement and "riskless principal" activities, and dealing in precious metal have been determined by regulation to be activities that are closely related to banking for purposes of section 4(c)(8) of the BHC Act.[3] Applicant proposes to conduct these activities through Company in accordance with the Board's regulations.

Underwriting and Dealing in Bank-Ineligible Securities

Applicant proposes to underwrite and deal in municipal revenue bonds, residential mortgage-related securities, consumer receivable-related-securities, and commercial paper. The Board previously has determined that, subject to the prudential framework of limitations established in previous decisions to address potential conflicts of interests, unsound banking practices, or other adverse effects, the proposed underwriting and dealing activities are so closely related to banking as to be proper incidents thereto within the meaning of section 4(c)(8) of the BHC Act. The Board also has determined that the conduct of these securities underwriting and dealing activities is consistent with section 20 of the Glass–Steagall Act, provided that the underwriting and dealing subsidiary derives no more than 10 percent of its total gross revenue over any two-year period from underwriting and dealing in securities that a bank may not underwrite or deal in directly.[4] Applicant has committed that Company will conduct its underwriting and dealing activities with respect to bank-ineligible securities subject to the 10 percent revenue test established by the Board in previous Orders.[5]

Company to Applicant, which will take the form of a dividend to Applicant as the sole shareholder of NCB.

2. Data are as of December 31, 1993.

3. *See* 12 C.F.R. 225.25(b)(1), (b)(4), (b)(11), (b)(15), (b)(16), (b)(17), (b)(18), and (b)(19).

4. *See Citicorp, J.P. Morgan & Company Incorporated, and Bankers Trust New York Corporation*, 73 *Federal Reserve Bulletin* 473 (1987) ("*Citicorp/Morgan/Bankers Trust* Order"), *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*, 486 U.S. 1059 (1988), as modified by Order Approving Modifications to Section 20 Orders, 75 *Federal Reserve Bulletin* 751 (1989) ("*Modification* Order").

5. Company will calculate compliance with the 10 percent revenue limitation in accordance with the original method set forth 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, 196 (1989), as opposed to the alternative indexed method set forth in *Order Approv-*

Private Placement and "Riskless Principal" Activities

Private placement involves the placement of new securities with a limited number of sophisticated purchasers in a nonpublic offering. A financial intermediary in a private placement transaction acts solely as an agent for the issuer in soliciting purchasers, and does not purchase the securities and attempt to resell them. Securities that are privately placed are not subject to the registration requirements of the Securities Act of 1933, and are offered only to financially sophisticated institutions and individuals and not the public. Applicant will not privately place registered securities and will only place securities with customers who qualify as accredited investors.

"Riskless principal" is the term used in the securities business to refer to a transaction in which a broker-dealer, after receiving an order to buy (or sell) a security from a customer, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the customer.[6] "Riskless principal" transactions are understood in the industry to include only transactions in the secondary market. Thus, Applicant proposes that Company would not act as a "riskless principal" in selling securities at the order of a customer that is the issuer of the securities to be sold or in any transaction where Company has a contractual agreement to place the securities as agent of the issuer. Company also would not act as a "riskless principal" in any transaction involving a security for which it makes a market.

The Board previously has determined by Order that, subject to prudential limitations that address the potential for conflicts of interests, unsound banking practices, or other adverse effects, the proposed private placement and riskless principal activities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[7] The Board also previously has determined that acting as agent in the private placement of securities, and purchasing and selling securities on the order of investors as a "riskless principal", do not constitute underwriting and dealing in securities for purposes of section 20 of the Glass–Steagall Act, and that revenue derived from these activities is not subject to the 10 percent revenue limitation on bank-ineligible securities underwriting and dealing.[8] Applicant has committed that Company will conduct its private placement and "riskless principal" activities using the same methods and procedures, and subject to the same prudential limitations established by the Board in the *Bankers Trust* Order and the *J.P. Morgan* Order, including the comprehensive framework of restrictions designed to avoid potential conflicts of interests, unsound banking practices, and other adverse effects imposed by the Board in connection with underwriting and dealing in securities.[9]

Dealing in Precious Metals

Applicant proposes that Company purchase and sell gold and silver bullion, bars, rounds, and coins, and platinum coins that function as legal tender, for the accounts of customers. The Board previously has approved these activities for bank holding companies.[10] Applicant proposes to conduct these activities in accordance with the commitments listed in the Board's previous orders.

Interlocks

Applicant has requested that the Board permit limited director interlocks between Company and its affiliated banks. Applicant proposes to have two director interlocks between Company and affiliated banks.[11] These directors would not be officers of the affiliated banks,

ing Modifications to Section 20 Orders, 79 *Federal Reserve Bulletin* 226 (1993).

6. *See* Securities and Exchange Commission Rule 10b-10. 17 C.F.R. 249.10b-10(a)(8)(i).

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

8. *See Bankers Trust* Order.

9. *See J.P. Morgan* Order; *Bankers Trust* Order, 75 *Federal Reserve Bulletin* at 829. Among the prudential limitations detailed more fully in those Orders are that Company will maintain specific records that will clearly identify all "riskless principal" transactions, and Company will not engage in any "riskless principal" transactions for any securities carried in its inventory. When acting as a "riskless principal," Company will engage only in transactions in the secondary market, and not at the order of a customer that is the issuer of the securities to be sold, will not act as "riskless principal" in any transaction involving a security for which it makes a market, nor hold itself out as making a market in the securities that it buys and sells as a "riskless principal." Moreover, Company will not engage in "riskless principal" transactions on behalf of any foreign affiliates that engage in securities dealing activities outside the United States, and will not act as "riskless principal" for registered investment company securities. In addition, Company will not act as a "riskless principal" with respect to any securities of investment companies that are advised by Applicant or any of its affiliates. With respect to private placement activities, Applicant has committed that Company will not privately place registered investment company securities or securities of investment companies that are advised by Applicant or any of its affiliates.

10. *See Midland Bank, PLC*, 76 *Federal Reserve Bulletin* 860 (1990); *Standard Chartered*, 76 *Federal Reserve Bulletin* 681 (1990); *Westpac Banking Corporation*, 73 *Federal Reserve Bulletin* 61 (1987); *First Interstate Bancorp*, 71 *Federal Reserve Bulletin* 467 (1985).

11. These interlocks would represent less than a majority of the boards of Company and the affiliated banks.

nor would they have the authority to conduct the day-to-day business of the banks or handle individual bank transactions.

Applicant also has requested that the Board permit one officer interlock between Company and an affiliated bank—an attorney of an affiliated bank who would serve as assistant secretary of Company. The primary purpose of the proposed interlock is to permit the attorney to perform corporate recordkeeping functions.[12] The employee would not be involved in the day-to-day management of or have any policy making position with Company, would not have any contact with the public, and would not participate in any sales activities of Company.

The Board previously has permitted limited interlocks between a banking organization and an affiliated section 20 company.[13] The addition of the interlocks proposed by Applicant would not, in view of the limited duties and responsibilities of the interlocking officer with Company, appear to give the affiliated banks managerial control over Company or otherwise raise any conflicts of interest. 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 Applicant will ensure that the framework established pursuant to *Citicorp/Morgan/Bankers Trust* will be maintained in all other respects.[14]

Financial Factors, Managerial Resources, and Other Considerations

In every application under section 4 of the BHC Act, the Board considers the financial condition and resources of Applicant and its subsidiaries and the effect of the transaction on these resources.[15] Based on the facts of this case, the Board concludes that financial considerations are consistent with approval of this application. The managerial resources of Applicant also are consistent with approval.

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

Based on all the facts of record, and subject to the commitments made by Applicant, as well as all the terms and conditions set forth in this order and in the above-noted Board Orders, the Board has determined that the application should be, and hereby is, approved. Approval of this proposal is specifically conditioned on compliance by Applicant and Company with the commitments made in connection with its application and with the conditions referenced in this order and the other referenced orders. The Board's determination also is subject to all of the conditions set forth in 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. In approving this transaction, the Board has relied upon all the facts of record, and all the representations and commitments made by Applicant. For the purpose of this action, these commitments and conditions shall be deemed conditions imposed in writing and, as such, may be enforced in proceedings under applicable law.

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

12. In that capacity, the attorney would perform functions such as keeping minutes of meetings of Company's board of directors and stockholders. The attorney also would perform legal services for Company. The attorney's duties at the bank are limited to working in the corporate law department.

13. *Synovus Financial Corp.*, 77 *Federal Reserve Bulletin* 954, 955 (1991); *Banc One Corporation*, 76 *Federal Reserve Bulletin* 756, 758 (1990); *Canadian Imperial Bank of Commerce, The Royal Bank of Canada, Barclays PLC and Barclays Bank PLC*, 76 *Federal Reserve Bulletin* 158 (1990). 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 of directors is not comprised of bank officers or directors.

14. The Board's approval of the proposed underwriting and dealing activities extends only to Company. These activities may not be conducted by Applicant 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.

15. *See* 12 C.F.R. 225.24.

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

By order of the Board of Governors, effective February 10, 1994.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

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

BanPonce Corporation Hato Rey, Puerto Rico

Order Approving Acquisition of a Bank Holding Company

BanPonce Corporation, Hato Rey, Puerto Rico ("BanPonce"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Pioneer Bancorp, Inc., ("Pioneer") and its wholly owned subsidiary, River Associates Bancorp, Inc., both of Chicago, Illinois, and thereby indirectly acquire Pioneer's subsidiary bank, Pioneer Bank & Trust Company, River Grove, Illinois.[1]

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 60,024 and 62,128 (1993)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

BanPonce, with total consolidated assets of $11.5 billion,[2] operates branches in Puerto Rico, New York, California, Illinois, and the United States and British Virgin Islands through its subsidiary, Banco Popular de Puerto Rico ("Banco Popular"). BanPonce is the 461st largest commercial banking organization in Illinois, with deposits of approximately $29.4 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.[3] Pioneer, which operates only in Illinois, is the 62d largest commercial banking organization in the state, controlling approximately $293.7 million in deposits, representing less than 1 percent of the total deposits in commercial banking organizations in the state. Upon consummation of this proposal, BanPonce would become the 54th largest commercial banking organization in Illinois, controlling less than 1 percent of total deposits in commercial banking organizations in the state.

Douglas Amendment Analysis

BanPonce, through its ownership of Banco Popular, is subject to the provisions of the International Banking Act of 1978 ("IBA"). Under section 5(a) of the IBA (12 U.S.C. § 3103(a)), BanPonce may not acquire a bank outside of its home state if the acquisition would be prohibited by the Douglas Amendment (section 3(d) of the BHC Act) for a bank holding company located in the foreign bank's home state. BanPonce has selected New York as its home state for purposes of section 5 of the IBA.[4]

The Douglas Amendment prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside its home state, unless such acquisition is "specifically authorized by the statute laws of the State in which such bank is located, by language to that effect and not merely by implication."

The statute laws of Illinois expressly authorize the acquisition of a bank located in Illinois by an out-of-state bank holding company, if that state authorizes the acquisition of a bank on a reciprocal basis by an Illinois bank holding company.[5] New York has also enacted a banking statute that permits out-of-state bank holding companies to acquire banks in New York provided that the home state of the acquiring bank holding company permits the acquisition of banks in that state by New York bank holding companies on a

1. BanPonce will acquire Pioneer through the merger of Popular Financial Incorporated ("Merger Subsidiary") into Pioneer Bancorp. Merger Subsidiary is a wholly owned subsidiary of BanPonce Financial Corp., Mount Laurel, New Jersey ("BanPonce Financial"), which is a wholly owned subsidiary of Popular International Bank, Inc., Hato Rey, Puerto Rico ("PIB"), a wholly owned subsidiary of BanPonce. In connection with this proposal, PIB and BanPonce Financial have applied under section 3(a)(1) of the BHC Act to become bank holding companies and to retain Spring Financial Services, which engages in permissible nonbanking activities pursuant to paragraphs (b)(1) and (b)(8) of section 225.25 of the Board's Regulation Y (12 C.F.R. 225.25(b)(1) and (b)(8)).

2. Asset data are as of December 31, 1993.

3. Deposit data are as of June 30, 1993.

4. BanPonce retained that selection when it acquired Banco Popular in 1990. *BanPonce Corporation*, 77 *Federal Reserve Bulletin* 43 (1991).

5. Ill. Rev. Stat. ch. 17 para. 2510.01. The Illinois statute considers another state's law as reciprocal if it permits an Illinois bank holding company to acquire a bank in the other state under conditions that are not unduly restrictive when compared to those imposed by Illinois on out-of-state acquirors. Illinois law also requires a bank chartered after January 1, 1982, to have been engaged in the banking business for at least 10 years before being acquired by an out-of-state bank holding company. In this case, Bank was chartered before January 1, 1982.

reciprocal basis.[6] Both the Illinois Commissioner of Banks and Trust Companies and the New York Superintendent of Banking have concluded that the banking statutes of Illinois and New York are reciprocal.[7]

Based on the foregoing and a review of the relevant statutes, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of Illinois. This determination is conditioned on BanPonce obtaining the required state regulatory approvals for this transaction.

BanPonce and Pioneer compete directly in the Chicago, Illinois, banking market.[8] Each organization controls deposits representing less than 1 percent of total deposits in commercial banking organizations in the market. Upon consummation of this proposal, the Chicago banking market would remain unconcentrated as measured by the Herfindahl–Hirschman Index ("HHI").[9]

The Board also concludes that the financial and managerial and future prospects of BanPonce and Pioneer and their respective subsidiaries and the other supervisory factors that the Board must consider under section 3 of the BHC Act are consistent with approval.

PIB and BanPonce Financial have applied to engage in certain nonbanking activities that the Board has determined are closely related to banking and a proper incident thereto within the meaning of section 4 of the BHC Act.[10] Furthermore, there is no evidence in the record to indicate that this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Accordingly, 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 PIB's and BanPonce Financial's applications.

Based on the foregoing, including the commitments made to the Board by BanPonce in these applications and in related correspondence, and in light of all the facts of record, the Board has determined that these applications should be, and hereby are, approved. The Board's approval is specifically conditioned upon compliance by BanPonce with all commitments made in connection with these applications and the conditions discussed in this order. The Board's determinations as to the nonbanking activities to be conducted by BanPonce are also subject to all the conditions 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 to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and as such may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective February 14, 1994.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

First Interstate Bancorp
Los Angeles, California

Order Approving the Merger of Bank Holding Companies and the Merger of Banks

First Interstate Bancorp, Los Angeles, California ("First Interstate"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC

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6. *See* N.Y. Banking Law § 142-b (McKinney 1990), permitting acquisitions in a state with reciprocal laws that do not impose conditions or restrictions materially limiting the ability of a New York banking organization to acquire a banking organization in a state that are not applicable to an in-state bank holding company.

7. *See* Interpretive Letter No. 93–022 dated November 5, 1993, from Patrick Andre, Senior Attorney, Commissioner of Banks and Trust Companies of Illinois, to Ray Greenblatt; and letter dated December 2, 1993, from State of New York Banking Department to Donald Toumey.

8. The Chicago banking market consists of Cook, DuPage, and Lake Counties, all in Illinois.

9. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is below 1000 is considered unconcentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities. The HHI for this market would remain at 550 points upon consummation of this proposal.

10. *See* 12 C.F.R. 225.25(b)(1) and (b)(8).

Act (12 U.S.C. § 1842) to merge with San Diego Financial Corporation ("San Diego Financial"), and thereby indirectly acquire San Diego Financial's banking subsidiary, San Diego Trust & Savings Bank ("San Diego Trust"), both of San Diego, California. First Interstate also has applied pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to acquire San Diego Life Insurance Company, San Diego, California, and thereby engage in the underwriting and sale of credit-related insurance pursuant to section 225.25(b)(8)(i) of the Board's Regulation Y; and San Diego Trust Securities, San Diego, California, and thereby engage in discount brokerage activities pursuant to section 225.25(b)(15) of the Board's Regulation Y.[1]

First Interstate Bank of California, Los Angeles, California ("First Interstate-California"), a state member bank, also has applied pursuant to section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) ("Bank Merger Act") to acquire San Diego Trust by merger and thereby establish branches under section 9 of the Federal Reserve Act (12 U.S.C. § 321) at locations set forth in the Appendix.

Notice of these applications, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 51,082 (1993)). As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in sections 3(c) and 4(c)(8) of the BHC Act, the Bank Merger Act, and the Federal Reserve Act.

First Interstate, with consolidated assets of $50.1 billion,[2] controls banking subsidiaries in California, Alaska, Arizona, Colorado, Idaho, Texas, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming. First Interstate is the third largest commercial banking organization in California, controlling deposits of $18 billion, representing approximately 7.6 percent of total deposits in commercial banking organizations in the state.[3] San Diego Financial is the eleventh largest commercial banking organization in California, controlling deposits of $1.8 billion, representing less than 1 percent of total deposits in commercial banking organizations in the state. Upon consummation of the proposed transaction, First Interstate would remain the third largest commercial banking organization in California, controlling deposits of $19.8 billion, representing approximately 8.4 percent of total deposits in commercial banking organizations in the state.

First Interstate and San Diego Financial compete directly in the San Diego, Oceanside, and Perris banking markets.[4] Upon consummation of this proposal, all three banking markets would remain moderately concentrated as measured by the Herfindahl–Hirschman Index ("HHI").[5] After considering the competition offered by other depository institutions in the market,[6] the number of competitors remaining in the market, the relatively small increase in concentration as measured by the HHI,[7] and all other facts of record, the Board concludes that consummation of the proposal would not result in a significantly adverse effect on competition in any relevant banking market.

Convenience and Needs Considerations

In acting on an application to acquire a depository institution as proposed in these applications, the Board must consider the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local

1. First Interstate has committed to divest San Diego Financial's current investments in third party mutual funds upon consummation of this proposal.

2. Asset and deposit data are as of September 30, 1993, and have been adjusted to reflect the recently approved acquisitions of Cal Rep Bancorp, Inc., Bakersfield, and First State Bank of the Oaks, Thousand Oaks, both in California.

3. State asset and deposit data are as of September 30, 1993.

4. The San Diego banking market is approximated by the San Diego Metropolitan Statistical Area ("MSA"). The Oceanside banking market is approximated by the Oceanside MSA and the towns of Bonsall and Fallbrook, California. The Perris banking market is approximated by cities and towns of Canyon Lake, Lake Elsinore, Murietta, Nuevo, Perris, Rancho California, Sun City, and Temecula, California.

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 between 1000 and 1800 is moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anti-competitive 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 anti-competitive effects implicitly recognize the competitive effect of limited purpose lenders and other non-depository financial entities.

6. In this context, depository institutions include commercial banks, savings banks, and savings associations. Market deposit data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

7. The HHI would increase in these banking markets as follows: San Diego (38 points to 1126); Oceanside (17 points to 1290); and Perris (7 points to 1499).

communities in which they operate, consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operations of such institution," and to take that record into account in its evaluation of bank holding company applications.[8]

In this regard, the Board has received comments from an organization in California ("Protestant") critical of First Interstate's mortgage lending activities in California.[9] Protestant also generally alleges that First Interstate-California and San Diego Trust have not met the credit needs of minorities and low- and moderate-income individuals, particularly in the San Diego area, and believes that this proposal will reduce the credit products available for the San Diego community.[10]

In its consideration of the convenience and needs factor, the Board has carefully reviewed the entire record of CRA performance of First Interstate, San Diego Financial, and their subsidiary banks; all comments received on these applications, including First Interstate's response to those comments; and all other relevant facts of record, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[11]

Record of Performance Under the CRA

A. CRA Performance Examinations

The Agency CRA Statement provides that a CRA examination is an important, and often controlling, factor in the consideration of an institution's CRA record and that these reports will be given great weight in the applications process.[12] In this regard, the Board notes that all of First Interstate's subsidiary banks evaluated for CRA performance have received "outstanding" or "satisfactory" ratings from their primary regulators during their most recent examinations.[13] First Interstate-California received a "satisfactory" rating from its primary federal regulator, the Federal Reserve Bank of San Francisco, at its most recent examination for CRA performance as of August 10, 1992.[14] San Diego Trust received a "satisfactory" rating for CRA performance at its most recent examination from the Federal Deposit Insurance Corporation ("FDIC") as of July 12, 1993.

B. Previous Review of First Interstate-California's CRA Record

The Board recently reviewed the CRA performance record of First Interstate-California in connection with applications to acquire Cal Rep Bancorp, Inc., and First State Bank of The Oaks (collectively, the "First Interstate Orders").[15] These reviews included consideration of First Interstate-California's record of lending in low- and moderate-income and minority areas

8. 12 U.S.C. § 2903.

9. The Board has also carefully considered a protest from an individual representing 11 complainants alleging violations of The Expedited Funds Availability Act (12 U.S.C. §§ 4001 *et seq.*) and the Board's implementing regulation, Regulation CC (12 C.F.R. Part 229), by First Interstate's subsidiary bank in Arizona, First Interstate Bank of Arizona, N.A., Phoenix, Arizona ("First Interstate-Arizona"). This protestant also alleges that the bank violated the Board's Regulation B (12 C.F.R. Part 202) by failing to give proper notice of adverse action in a loan application. First Interstate has generally denied any wrongdoing in making funds available to the complainants under Regulation CC and has maintained that bank provided appropriate adverse action notice in the identified loan transaction. First Interstate has provided copies of its Regulation CC policies and programs as part of the record, including its efforts to ensure that funds are made available in accordance with Regulation CC. The Board has carefully reviewed these comments in light of all facts of record, including relevant examination information. The Board has also forwarded the Protestant's allegations to the bank's primary federal regulator, the Office of the Comptroller of the Currency ("OCC"). This protestant has sought review of this issue directly in court, and this litigation is in its early stages of discovery. The court is empowered to provide this Protestant with a remedy, if his allegations are proved and a remedy is appropriate. Based on these and all facts of record, the Board believes that these matters do not warrant denial of these applications.

10. The Board also received comments from another organization in San Diego. These comments were subsequently withdrawn in light of certain commitments made by First Interstate to increase its CRA activities in the San Diego area. In addition, the Board received comments from a Texas organization objecting to First Interstate's acquisition of Cal Rep Bancorp, Inc., and this proposal. These comments were extensively reviewed by the Board in the Cal Rep Bancorp Order (*See First Interstate Bancorp*, 80 *Federal Reserve Bulletin* 40 (1994)). Based on all the facts of record, including the reasons more fully stated in that order, the Board concludes that the comments from the Texas protestant do not warrant denial of these applications.

11. 54 *Federal Register* 13,742 (1989).

12. 54 *Federal Register* 13,745 (1989).

13. First Interstate Bancard Company, N.A. ("Bancard"), a specialty bank chartered solely for the purpose of issuing credit cards, received a "needs to improve" rating for CRA performance from its primary regulator, the OCC, in November 1991. Bancard ceased operations in mid-1992, and was dissolved on September 20, 1993.

14. In considering the comments from the Arizona Protestant as they relate to the bank's CRA performance the Board notes that First Interstate-Arizona received a "satisfactory" rating from its primary regulator, the OCC, at its most recent examination for CRA performance dated June 5, 1992. In this regard, the examination report states that the bank is in compliance with substantive provisions of antidiscrimination laws and regulations. The exam noted isolated technical violations of Regulation B regarding required loan documentation, and the bank has taken specific steps to address these matters.

15. *See First Interstate Bancorp* (Cal Rep Bancorp, Inc.), *supra;* and *First Interstate Bancorp*, 80 *Federal Reserve Bulletin* 168 (1994) (First State Bank of the Oaks).

(especially housing-related loans), community development activities, and other CRA programs and policies in light of comments received from several commenters, including Protestant. For reasons more fully set forth in First Interstate Orders, the Board concluded that the overall CRA performance record of First Interstate-California was generally consistent with approval of acquisitions by First Interstate.

C. First Interstate-California's Record of Performance

Lending Activities. The Board has carefully reviewed the 1992 data filed under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") in light of Protestant's allegations of disparities in lending to low- to moderate-income and minority residents in the San Diego MSA. These data show that First Interstate-California denied applications from minority and non-minority applicants at approximately the same rate in 1992, and that this rate was generally lower than the aggregate denial disparity ratio for all lenders in the area. However, these data also indicate that the percentage of applications received from minority and low-income census tracts is low in light of the number of these tracts in the San Diego MSA.

As noted in First Interstate Orders, First Interstate-California's 1992 CRA performance examination found no evidence of any pattern or practice of illegal discriminatory credit practices, or other practices designed to discourage credit applications. In this regard, examiners noted that the bank continually assesses its lending activity for HMDA-reportable loans. The 1993 examination of San Diego Trust conducted by the FDIC also found no evidence of any pattern or practice of illegal discriminatory credit practices, or other practices designed to discourage credit applications.

First Interstate-California offers a variety of loan products to assist in meeting the ascertained credit needs of the bank's community, including low- and moderate-income neighborhoods. For example, the bank introduced a new line of mortgage products in 1992 to make home ownership more affordable for low- and moderate-income borrowers. These programs include the Down Payment Assistance Program, which reduces the homebuyer's out-of-pocket down payment cost to 3 percent of the purchase price. First Interstate-California lends the remaining 2 percent in the form of a second mortgage with below market rates and interest-only payments for the life of the loan. In addition, the Home Buyers Assistance Program has a down payment requirement of 5 percent, with an option permitting the down payment to come from a gift or grant to the borrower. Both of these programs are targeted to low- and moderate-income borrowers who may not otherwise meet the bank's credit standards. First Interstate-California has also established a Community Advancement Program targeted at low-income or minority census tracts. By offering a down payment requirement of 5 percent for any qualified borrower, this program is designed to encourage individuals who do not fit the low- or moderate-income profile, but who still cannot meet the usual 10 to 20 percent down payment requirement, to invest in homes in low-income census tracts. Each of these three programs offers favorable financing terms and flexible underwriting criteria.[16] The bank also participates in government-insured and publicly sponsored programs, including Federal Housing Administration mortgage loans, California guaranteed business loans, Small Business Administration ("SBA") loans, and federally insured and state guaranteed student loans.

In responding to Protestant's allegations regarding mortgage lending in the San Diego MSA, First Interstate-California notes that historically it has not emphasized home mortgage lending in this area, but that it has assisted in meeting the housing needs of low- and moderate-income residents in this area. For example, First Interstate-California committed $7.8 million in construction and permanent financing for a 53 unit single-family residential housing project located in a predominately minority, low- and moderate-income area of San Diego. In addition, the bank has supported the California Community Reinvestment Corporation in financing the construction of a rent-controlled single room occupancy housing project in San Diego, and provided construction financing for two other low- to moderate-income housing projects in the area.[17]

First Interstate has committed to take a variety of steps to increase the number of housing-related loans made to minority and low- and moderate-income areas in San Diego. For example, First Interstate has committed to establish a loan production office ("LPO") in an area identified as underserved by financial institutions by the City-County Reinvestment Task Force of San Diego. This LPO will primarily service housing-related loans. First Interstate has also committed to hire a full-time CRA officer for the San Diego area, who will coordinate housing-related lending efforts with residential real estate lending officers and a residential sales support manager. First Interstate-California will financially support the establishment of a proposed Neighborhood Bank to be located in south-

16. These programs offer reduced closing costs and higher debt/income ratio requirements.

17. First Interstate-California also provided a $1.5 million letter of credit for bonds used to construct low- to moderate-income housing in San Diego County.

east San Diego, and if these efforts are unsuccessful, First Interstate-California will initiate the process of establishing a branch in this area by the end of 1995. First Interstate-California is also enhancing its mortgage processing systems in order to introduce new mortgage programs such as the Mortgage Credit Certificate program and the related Shared Equity Program offered though the San Diego Housing Commission. Finally, First Interstate will allocate a portion of its $2 billion/10 year statewide loan commitment to low- and moderate-income communities to the San Diego Trust branches acquired in this proposal.[18]

In 1992, First Interstate-California established a centralized Small Business Loan Center to provide small businesses with access to a variety of credit products and loan programs. First Interstate-California also participates in loan programs sponsored by the SBA, and made loans totalling approximately $8.8 million under the SBA section 504 program in 1991. In 1991, the bank also extended loans totalling approximately $1 million in a special SBA program designed to finance the export of products by California businesses.

First Interstate-California expects to significantly increase its small business lending through government-sponsored lending programs such as those offered by the Small Business Administration ("SBA"), including the SBA 7(a) and SBA 504 programs. In this regard, the bank will hire a Small Business Government Guaranteed Loan Officer for the San Diego area and is developing expedited approval procedures for small business loans.[19] The bank recently introduced a small business line of credit for amounts under $50,000 and is instituting a "second review" process for small business loan applicants in low- and moderate-income areas. First Interstate also maintains that it assists in meeting the consumer credit needs of low- and moderate-income and minority residents in San Diego.[20]

18. First Interstate has committed to report its progress in the San Diego area to the City-County Reinvestment Task Force semiannually.

19. The San Diego small business loan department will have lending authority for up to $20 million. First Interstate-California will also support the Bankers Small Business Community Development Corporation, an organization designed to meet the credit needs of small businesses, particularly businesses owned by women and minorities.

20. First Interstate-California made approximately $80 million in consumer loans (personal, home equity and credit card loans) in 1992 in the San Diego area. In census tracts where the majority of residents are minorities, First Interstate represents that it extended $1 in consumer credit for every $1.25 received in deposits compared to $1 in consumer credit for every $1.64 received in deposits in non-minority census tracts. First Interstate also maintains that this ratio of loans made to deposits received in low- and moderate-income census tracts was comparable to that ratio for upper income census tracts.

Ascertainment and Outreach. First Interstate-California ascertains credit needs in a variety of ways, including calling programs and meetings with civic and community groups. In addition, a CRA Task Force regularly reviews data compiled from semiannual Community Reinvestment Act Questionnaires completed by branch managers.

First Interstate-California's marketing programs are designed to ensure that all segments of the community, including low- and moderate-income areas, are informed of the bank's products and services. In San Diego, branch managers conduct extensive calling programs that are reviewed by the district manager.[21] In addition, the bank conducts meetings with a variety of civic and community groups. First Interstate-California's marketing plans for the San Diego area will also include the use of both English and Spanish language media. Ascertainment and outreach efforts are also coordinated through a full-time CRA officer in San Diego after the acquisition with the assistance of the residential sales support manager and the small business loan officer.

HMDA Data Reporting. The 1992 examination found a significant number of errors in the HMDA data filed by First Interstate-California for 1991. The Board believes that all banks have an important legal responsibility to ensure that data filed under the HMDA is accurate at the time it is reported. The Board notes that First Interstate-California has initiated a number of corrective measures to improve the accuracy of these data and the Board expects First Interstate fully implement these steps as soon as possible. In this regard, the Federal Reserve Bank of San Francisco will actively monitor the bank's implementation of its corrective measures and test for improved accuracy in the data. The Board will also review the bank's progress in addressing these weaknesses in future applications by First Interstate, and will consider insufficient progress to be an adverse factor in these applications.

D. Conclusions Regarding Convenience and Needs Factor

On the basis of all the facts of record, including the information provided by the commenters and First Interstate, relevant reports of examination, and the information and commitments referenced in the First Interstate Orders, the Board concludes that the convenience and needs considerations, including the records of performance of the CRA of First Interstate-

21. First Interstate estimates that the San Diego branch managers made 1348 CRA-related calls during the six-month reporting period in 1993.

California and San Diego Trust, are consistent with approval of these applications. The Board expects First Interstate to implement all commitments made in connection with this proposal, including its proposed CRA initiatives for the San Diego area, and to comply with all the conditions and commitments discussed in the First Interstate Orders. First Interstate must also comply with all requests made by the Reserve Bank in connection with its monitoring of First Interstate's corrective program for HMDA data reporting.

Other Considerations

The financial and managerial resources and future prospects of First Interstate, San Diego Financial, and their respective subsidiaries and the other supervisory factors the Board must consider under section 3 of the Bank Holding Company Act and under the Bank Merger Act, are consistent with approval of this proposal. In addition, the Board finds that the factors it is required to consider under the Federal Reserve Act also are consistent with approval.

First Interstate also has applied, pursuant to section 4 of the BHC Act, to acquire the nonbanking subsidiaries of San Diego that engage in the sale of credit-related insurance in connection with extensions of credit by affiliated banks, and discount brokerage activities. The Board previously has determined that these activities are permissible for bank holding companies under section 4(c)(8) of the BHC Act and the Board's Regulation Y,[22] and First Interstate proposes to conduct these activities in accordance with the Board's regulations. The record in this case indicates that there are numerous providers of these nonbanking services, and there is no evidence in the record to indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that would outweigh the public benefits of this proposal. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act are favorable and consistent with approval of First Interstate's application to acquire San Diego Trust's nonbanking subsidiaries.

Based on the foregoing and all the facts of record, the Board has determined that the applications should be, and hereby are, approved.[23] The Board's approval of this proposal is specifically conditioned on First Interstate's compliance with all the commitments made in connection with these applications and the conditions discussed in this order and in the First Interstate Orders, including First Interstate's compliance with the Reserve Bank's monitoring program for its HMDA reporting. This approval is further subject to First Interstate obtaining the approval of the California Superintendent of Bank for the proposed transaction under applicable state law. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.4(d) and 225.23(b)(3), 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 and purposes of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this transaction, the commitments and conditions relied on by the Board in reaching this decision are both deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and as such, may be enforced in proceedings under applicable law.

The acquisition and merger of the subsidiary bank shall not be consummated before the thirtieth calendar day following the effective date of this order, and the acquisition of the banks and nonbanking companies shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 16, 1994.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

22. *See* 12 C.F.R. 225.25(b)(8)(i) and (15).

23. A protestant has requested a public hearing or meeting on the issues it raised. Section 3(b) of the BHC Act does not require the Board to hold a hearing or meeting on an application unless the appropriate supervisory authority of the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the Board has not received such a recommendation.

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 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered this request. In the Board's view, the protestant has had ample opportunity to present written submissions, and the protestant has submitted substantial written comments that have been considered by the Board. In light of these facts, and the Board's decision on this application, the Board has determined that a public hearing or meeting is not necessary to clarify the factual record in this application, or otherwise warranted in this case. Accordingly, the protestant's request for a public hearing or meeting on this application is denied.

Actions Taken Under the Federal Deposit Insurance Corporation Improvement Act of 1991

By the Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board

Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Bank Holding Company	Acquired Thrift	Acquiring Bank(s)	Approval Date
Carolina First Corporation, Greenville, South Carolina	Bay Savings Bank, F.S.B., Newport News, Virginia	Carolina First Bank, Greenville, South Carolina	February 18, 1994

Applications Approved Under Bank Holding Company Act

By the Secretary of the Board

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

Section 3

Applicant(s)	Bank(s)	Effective Date
First Commercial Corporation, Little Rock, Arkansas	State First Financial Corporation, Texarkana, Arkansas First National Bank of Ashdown, Ashdown, Arkansas Atlanta National Bank, Atlanta, Texas	February 8, 1994
Union Planters Corporation, Memphis, Tennessee	Tennessee Bancorp, Inc., Columbia, Tennessee Tennessee National Bank, Columbia, Tennessee	February 18, 1994

Section 4

Applicant(s)	Bank(s)	Effective Date
First Bank System, Inc., Minneapolis, Minnesota	FBS Information Services Corporation, St. Paul, Minnesota	February 24, 1994

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT

By Federal Reserve Banks

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

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Bradford Bankshares, Inc., Starke, Florida	CNB, Inc., Lake City, Florida	Atlanta	February 15, 1994
Central National Bank Corporation, Winter Park, Florida	First Mercantile National Bank, Longwood, Florida	Atlanta	February 18, 1994
Comerica Incorporated, Detroit, Michigan Comerica California Incorporated, San Jose, California	Pacific Western Bancshares, Inc., San Jose, California	Chicago	February 14, 1994
Community First Financial Group, Inc., English, Indiana	Peoples Trust Bank Company, Corydon, Indiana	St. Louis	February 18, 1994
Community Banks of Kansas, Inc., Prairie Village, Kansas	First Kansas Holding Company, Junction City, Kansas Chapman Bancshares, Inc., Chapman, Kansas	Kansas City	February 17, 1994
D/W Bankshares, Inc., Dalton, Georgia	Dalton/Whitfield Bank & Trust, Dalton, Georgia	Atlanta	February 16, 1994
Employees' Stock Ownership Plan of Hoosier Hills Financial Corporation, Osgood, Indiana	Hoosier Hills Financial Corporation, Osgood, Indiana	Chicago	February 17, 1994
First Brownstown Bancorp, Inc., Brownstown, Illinois	First National Bank of Brownstown, Brownstown, Illinois	St. Louis	February 18, 1994
First Missouri Bancshares, Inc., Brookfield, Missouri	First Missouri Federal Savings and Loan Association, Brookfield, Missouri First Missouri National Bank, Brookfield, Missouri	Kansas City	February 23, 1994
First Virginia Banks, Inc., Falls Church, Virginia	FNB Financial Corporation, Knoxville, Tennessee	Richmond	February 18, 1994
Fourth Financial Corporation, Wichita, Kansas	Bank IV Missouri, N.A., Springfield, Missouri	Kansas City	February 9, 1994

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Independent Bank Corporation, Ionia, Michigan	KSB Financial, Inc., Kingston, Michigan	Chicago	February 1, 1994
Leader First Bancorp, Inc., Marlow, Oklahoma	First National Bank in Marlow, Marlow, Oklahoma	Kansas City	February 18, 1994
Lincolnland Bancshares, Inc., Casey, Illinois	Westfield State Bank, Westfield, Illinois	Chicago	February 9, 1994
Mission-Heights Management Company, Ltd., Houston, Texas	Independent Bancorp, Inc., Channelview, Texas	Dallas	February 24, 1994
Murphy-Wall Bancorp, Pinckneyville, Illinois	Murphy-Wall State Bank & Trust Co., Pinckneyville, Illinois	St. Louis	February 18, 1994
Synovus Financial Corp., Columbus, Georgia TB&C Bancshares, Inc., Columbus, Georgia	PNB Bankshares, Inc., Peachtree City, Georgia	Atlanta	February 22, 1994

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Mahaska Investment Company, Oskaloosa, Iowa	Mahaska State Bank, Oskaloosa, Iowa	Chicago	February 4, 1994
National Commerce Bancorporation, Memphis, Tennessee	Brooks, Montague & Associates, Inc., Chattanooga, Tennessee	St. Louis	February 1, 1994
Norwest Corporation, Minneapolis, Minnesota Norwest Financial Services, Inc., Des Moines, Iowa Norwest Financial, Inc., Des Moines, Iowa	Allied Business Systems, Inc., Macon, Georgia	Minneapolis	February 23, 1994
Wachovia Corporation, Winston-Salem, North Carolina	Southeast Switch, Inc., Maitland, Florida	Richmond	February 1, 1994
Woodforest Bancshares, Inc., Houston, Texas	to engage *de novo* in tax planning and preparation services for individuals and small businesses	Dallas	February 11, 1994

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.

DLG Financial Corp. v. Board of Governors, No. 94–10078 (5th Cir., filed January 20, 1994). Appeal of district court dismissal of appellants' action to enjoin the Board and the Federal Reserve Bank of Dallas from taking certain enforcement actions, and for money damages on a variety of tort and contract theories.

Board of Governors v. DLG Financial Corp., Nos. 93–2944 and 94–20013 (5th Cir., filed December 14, 1993 and December 31, 1993). Appeal of a temporary restraining order and a preliminary injunction obtained by the Board freezing assets of a corporation and an individual pending administrative adjudication of civil money penalty assessments by the Board.

Board of Governors v. Oppegard, No. 93–3706 (8th Cir., filed November 1, 1993). Appeal of district court order ordering appellant Oppegard to comply with prior order requiring compliance with Board removal, prohibition, and civil money penalty order. The Board's brief was filed on January 20, 1994.

Scott v. Board of Governors, No. 930905843CV (Dist. Ct., Salt Lake County, Utah, filed October 8, 1993). Action against Board and others for damages and injunctive relief for alleged constitutional and statutory violations caused by issuance of Federal Reserve notes.

Richardson v. Board of Governors, et al., No. 93-C 836A (D. Utah, filed August 30, 1993). Action against Board and others for damages and injunctive relief for alleged constitutional and statutory violations caused by issuance of Federal Reserve notes. On December 16, 1993, the District Court granted the Board's motion to dismiss. On January 14, 1994, plaintiff filed a notice of appeal.

First National Bank of Bellaire v. Board of Governors, No. H-93–1708 (S.D. Texas, filed June 8, 1993). Action to enjoin possible enforcement actions by Board of Governors and other bank regulatory agencies. On September 23, 1993, the agencies filed a motion to dismiss.

Kubany v. Board of Governors, et al., No. 93–1428 (D. D.C., filed July 9, 1993). Action challenging Board determination under the Freedom of Information Act. The Board's motion to dismiss was filed on October 15, 1993.

Bennett v. Greenspan, No. 93–1813 (D. D.C., filed April 20, 1993). Employment discrimination action.

Amann v. Prudential Home Mortgage Co., et al., No. 93–10320 WD (D. Massachusetts, filed February 12, 1993). Action for fraud and breach of contract arising out of a home mortgage. On April 17, 1993, the Board filed a motion to dismiss.

Adams v. Greenspan, No. 93–0167 (D. D.C., filed January 27, 1993). Action by former employee under the Civil Rights Act of 1964 and the Rehabilitation Act of 1973 concerning termination of employment. The Board's motion for partial summary judgment was filed on January 4, 1994.

CBC, Inc. v. Board of Governors, No. 92–9572 (10th Cir., filed December 2, 1992). Petition for review of civil money penalty assessment against a bank holding company and three of its officers and directors for failure to comply with reporting requirements. Petition for review denied November 30, 1993.

Zemel v. Board of Governors, No. 92–1056 (D. D.C., filed May 4, 1992). Age Discrimination in Employment Act case. The parties' cross-motions for summary judgment are pending.

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

Final Enforcement Decision Issued by the Board of Governors

In the Matter of

Bruno Zbinden
An Institution-Affiliated Party of

Swiss Bank Corporation
New York, New York
and
Swiss Volksbank
New York, New York

Docket No. 93–023-E-I

Determination on Request for Private Hearing

Background

This is an enforcement proceeding brought by the Board of Governors of the Federal Reserve System (the "Board") against Bruno Zbinden (the "Respondent"), pursuant to the Federal Deposit Insurance Act ("FDI Act"). Respondent is a former Manager of the New York branch of Swiss Bank Corporation, Basle, Switzerland ("SBC"). Respondent later became Assistant Treasurer of the New York branch of Swiss Volksbank, Berne, Switzerland ("Volksbank").

In April, 1993, the Board initiated this action by serving upon Respondent a "Notice of Intention to Remove from Office and of Prohibition Issued Pursuant to Section 8(e) of the Federal Deposit Insurance Act, as Amended, and Notice of Charges and of Hearing Pursuant to Section 8(b) of the Federal Deposit Insurance Act, as Amended" (the "Notice"). The Notice alleges that in connection with his position as an officer and employee of SBC, Respondent engaged in unsafe and unsound banking practices and also engaged in conduct that breached his fiduciary duty to SBC. The Notice further alleges that by reason of these practices and breaches, Respondent received financial gain at the expense of SBC, which suffered financial loss.

The purpose of this proceeding is to determine whether an appropriate order should be issued pursuant to Sections 8(b) and 8(e) of the FDI Act that would:

(1) Remove Respondent from his position at Volksbank and permanently prohibit him from participating in the affairs of any insured depository institution or other entity specified in Section 8(e)(7)(A) of the FDI Act; and

(2) Require Respondent to cease and desist from the unsafe and unsound banking practices and breaches of fiduciary duty and take affirmative actions to correct the conditions resulting from those practices and breaches, including making restitution or providing reimbursement to SBC.

In 1990, the FDI Act was amended to provide that all hearings held on the record in such cases "shall be open to the public, unless the agency, in its discretion, determines that holding an open hearing would be contrary to the public interest."[1] The FDI Act also directs the Board to prepare a transcript of each hearing, including all testimony and documentary evidence, which must be made available to the public pursuant to the Freedom of Information Act (the "FOIA").[2] Accordingly, the Notice issued by the Board advised Respondent that any hearing held in this matter would be public, unless the Board determines that an open hearing would be contrary to the public interest. The Notice also informed Respondent that he could submit a statement detailing any reasons why the hearing should not be public.

Subsequently, Respondent did request that the hearing in this matter be private, that the Notice, as well as all other documents and proceedings in this matter, not be published and that they be maintained in confidence. The primary reason cited by Respondent is the purported effect that public disclosure would have on Respondent's privacy and employment prospects. Respondent contends that disclosure of this matter will cause irreparable harm to his reputation and career, making it impossible for him to obtain future employment even if the matters alleged in the Notice are ultimately resolved in his favor. Respondent also expressed the view that granting his request for confidentiality will facilitate a quicker resolution of the matter without the need for a protracted hearing.

Board Enforcement Counsel opposes Respondent's request, and asserts that even though Respondent has asserted a potential harm to his personal interests, Respondent has failed to cite any public interest reasons to justify a private hearing. Board Enforcement Counsel also disputes Respondent's claim that a private hearing will facilitate the settlement process, and notes that a settlement will, in any event, result in a final order that must be published pursuant to 12 U.S.C. § 1818(u)(1)(B).

Discussion

In this case, the Board is unable to find that an open hearing is contrary to the public interest. Enforcement proceedings, by their nature, involve allegations that, if made public, could adversely affect a respondent's reputation or career. Nevertheless, in establishing a statutory presumption in favor of open hearings, Congress implicitly determined that the public benefit from conducting proceedings in the open outweighs the privacy interests of the individuals involved. Congress underscored this presumption in favor of public hearings by requiring that a written report be filed with Congress in each instance where a decision is made to conduct a private hearing.[3]

Respondent essentially focuses on the impact that a public hearing will have on him as an individual. The Board does not believe that the disruptions cited by Respondent, which are a normal consequence of such proceedings, are sufficient to overcome the statutory

1. 12 U.S.C. § 1818(u)(2). The Board's rule implementing this provision is located at 12 C.F.R. 263.33.
2. *See* 12 U.S.C. § 1818(u)(4).
3. *See* 12 U.S.C. § 1818(u)(3).

presumption favoring public hearings. There has been no showing by Respondent concerning any potential harm to others or to the public generally, nor does the record reflect any such dangers.

Respondent contends that by keeping this matter confidential, the Board will facilitate a resolution of the case without the need for protracted proceedings. Respondent's assertion is not sufficient in this case to overcome the statutory presumption favoring open hearings. Because this case has remained confidential since the Notice was issued in April, 1993, there has already been ample opportunity for the parties to resolve this matter. Nevertheless, it appears that the parties have not reached any agreement that would eliminate the need for a hearing. The Board finds that continued confidentiality is unlikely to facilitate a resolution of the case prior to the hearing, which is scheduled to commence within a few weeks.[4]

Respondent also suggests that, even if there is no settlement and a hearing is necessary, a private proceeding is likely to be resolved more efficiently than a public hearing. That argument could be used to justify a private hearing in most enforcement cases, a result that would not be consistent with the intent of the statute.

In sum, because Respondent has not shown that an open hearing is contrary to the public interest, as distinguished from Respondent's own personal interests, and the record does not reflect any substantial public interests to support Respondent's request, the request for a private hearing in this matter must be denied.

Respondent also requests that the Notice and all other documents related to this proceeding be kept confidential. Respondent states that disclosure of the documents would constitute an invasion of his personal privacy and he contends that the entire record of this proceeding is, therefore, exempt from the FDI Act's public disclosure requirement. For the reasons stated below, Respondent's request to keep the entire record confidential must be denied.

Respondent's claim, that his general interest in privacy warrants confidentiality for the complete record of this proceeding, is inconsistent with the language and intent of the FDI Act, which creates a presumption in favor of public hearings and expressly provides that all testimony and documentary evidence shall be made available to the public pursuant to the Freedom of Information Act. Consequently, the FDI Act substantially limits any expectations of privacy that Respondent might have concerning this proceeding. As a practical matter, however, in order to keep all documents concerning this matter confidential it would also be necessary to close the hearing and for the reasons explained above, the Board has determined that a private hearing is not warranted in this case.

The FDI Act does provide that the Board may file a particular document or part of a document under seal in any enforcement hearing, "if disclosure of the document would be contrary to the *public* interest."[5] Pursuant to the Board's Rules of Practice for Hearings, this authority has been delegated to Board Enforcement Counsel, who has the discretion to determine which documents, if any, should be filed under seal.[6] Under the Board's Rules, the presiding administrative law judge is also directed to close portions of the hearing, if necessary, in order to preserve the confidentiality of any documents that are filed under seal.[7]

Where a document contains information that would not normally be disclosed to the public, such as in the case of bank examination reports or other privileged information, filing the document under seal may indeed be appropriate to protect the public interest.[8] As the language of the FDI Act suggests, however, that decision should be made with respect to specific documents rather than an entire enforcement proceeding, as Respondent seeks in this case.[9]

Respondent further claims that the Freedom of Information Act exempts the entire record of this proceeding from public disclosure. The fact that a document is exempt from disclosure under the Freedom of Information Act does not mandate that it be withheld from the public or filed under seal in an enforcement proceeding. Under that Act, an agency may use its discretion to disclose exempt materials, provided that disclosure is not otherwise prohibited by law.[10] Thus, in order to implement the FDI Act's policy favoring public disclosure, Enforcement Counsel or the Board may decide to include as part of the public record of an enforcement case, documents that are exempt from disclosure under the Freedom of Information Act.

4. The record presently before the Board does not reflect whether keeping this matter confidential during the past few months has been beneficial to the parties' attempts to settle the case. Because the Board now decides that the hearing scheduled to commence on February 28, 1994, will be open to the public and there is no further need for confidentiality, this Order will be published.

5. 12 U.S.C. § 1818(u)(6) (emphasis added).

6. *See* 12 C.F.R. 263.33(b).

7. *Id.* Accordingly, a document that is filed under seal would not be available as part of a hearing transcript that is made available to the public under the Freedom of Information Act. *See* 12 U.S.C. § 1818(u)(4). Enforcement Counsel's decision to file a document under seal in connection with the hearing does not, however, foreclose the Board from making a subsequent determination to publicly disclose the document.

8. *See* 5 U.S.C. § 552(b).

9. Although Respondent asserts a general privacy interest in keeping the entire record under seal, he has not provided a rationale for maintaining the confidentiality of any particular document.

10. *See e.g., Chrysler Corp.* v. *Brown*, 441 U.S. 281, 292–94 (1979).

Respondent's request to keep the entire record in this proceeding confidential is, therefore, denied. As provided in the Board's Rules, Board Enforcement Counsel has been delegated the authority to determine which documents, if any, should be filed under seal in this case. Accordingly, Respondent may address any concerns he has regarding specific documents to the Board's Enforcement Counsel.

By Order of the Board of Governors, this ninth day of February, 1994.

Board of Governors of the
Federal Reserve System

WILLIAM W. WILES
Secretary of the Board

WRITTEN AGREEMENTS APPROVED BY FEDERAL RESERVE BANKS

The Citizens Savings Bank Company
Pemberville, Ohio

The Federal Reserve Board announced on February 8, 1994, the execution of a Written Agreement among the Federal Reserve Bank of Cleveland, the Superintendent of Banks for the State of Ohio, and The Citizens Savings Bank Company, Pemberville, Ohio.

Merchants Bancshares, Inc.
Burlington, Vermont

The Federal Reserve Board announced on February 28, 1994, the execution of a Written Agreement between the Federal Reserve Bank of Boston and Merchants Bancshares, Inc., Burlington, Vermont.

PT Bank Niaga
Jakarta, Indonesia

The Federal Reserve Board announced on February 10, 1994, the execution of an Amendment to the Written Agreement, dated January 8, 1993, involving the Federal Reserve Bank of San Francisco, the PT Bank Niaga, Jakarta, Indonesia and its Los Angeles Agency.

Financial and Business Statistics

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Guide to Tabular Presentation

SYMBOLS AND ABBREVIATIONS

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

GENERAL INFORMATION

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

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

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

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

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1993[r]				1993[r]				1994
	Q1	Q2	Q3	Q4	Sept.	Oct.	Nov.	Dec.	Jan.
Reserves of depository institutions[2]									
1 Total	9.3	10.8	12.4	14.6	16.6	20.0	12.8	1.5	.4
2 Required	8.7	12.4	12.3	14.6	14.0	20.4	12.9	2.3	−7.4
3 Nonborrowed	9.5	10.6	10.9	16.0	15.2	23.1	16.9	1.7	.5
4 Monetary base[3]	9.5	10.2	10.6	9.9	11.9	10.6	8.5	5.5	11.4
Concepts of money, liquid assets, and debt[4]									
5 M1	8.3	10.7	12.0	9.4	10.7	9.0	9.7	6.5	5.4
6 M2	−1.3	2.2	2.6	2.1	2.8	.6	3.9	2.4	2.2
7 M3	−3.2	2.1	1.1	2.4	2.7	1.7	3.7	3.4	1.1
8 L	−1.7	3.1	.9	1.7	−1.7	1.8	2.7	5.4	n.a.
9 Debt	4.0	4.5	5.7	5.2	5.3	3.5	6.1	7.6	n.a.
Nontransaction components									
10 In M2[5]	−5.3	−1.4	−1.5	−1.2	−.7	−3.1	1.2	.4	.7
11 In M3 only[6]	−12.9	1.6	−6.6	3.9	1.5	7.5	2.6	9.1	−5.4
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	3.0	5.1	4.9	3.6	4.0	.6	6.2	4.4	7.3
13 Small time[7]	−8.3	−9.2	−10.6	−7.4	−8.0	−7.6	−7.4	−2.3	−7.7
14 Large time[8,9]	−18.1	−.6	−7.5	−.2	−5.2	6.1	−8.2	5.2	9.1
Thrift institutions									
15 Savings, including MMDAs	−.2	.7	2.3	−.4	−.3	.0	−2.5	2.0	.0
16 Small time[7]	−20.0	−11.9	−13.0	−11.1	−11.3	−11.0	−9.3	−15.7	−8.0
17 Large time[8,9]	−14.2	−8.5	−4.5	−6.9	−1.9	−1.9	−3.8	−34.0	3.9
Money market mutual funds									
18 General purpose and broker–dealer	−7.8	.2	−1.8	2.1	−1.7	−.7	10.4	7.2	−3.4
19 Institution-only	−17.6	−2.2	−10.5	8.8	4.4	22.0	3.1	13.6	−26.2
Debt components[4]									
20 Federal	7.6	10.4	9.1	5.6	7.1	−1.5	9.1	13.3	n.a.
21 Nonfederal	2.7	2.4	4.4	5.0	4.6	5.4	5.0	5.5	n.a.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Millions of dollars

	Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
		1993		1994	1993			1994			
		Nov.	Dec.	Jan.	Dec. 15	Dec. 22	Dec. 29	Jan. 5	Jan. 12	Jan. 19	Jan. 26
	SUPPLYING RESERVE FUNDS										
1	Reserve Bank credit outstanding	367,056	374,694	374,433	370,574	377,295	380,109r	381,190	372,716	373,899	371,042
	U.S. government securities[2]										
2	Bought outright—System account	326,769	332,413	332,463	333,227	332,605	331,751	332,602	333,022	332,673	332,094
3	Held under repurchase agreements	2,535	4,060	2,429	0	6,231	8,725	8,415	1,487	1,577	0
	Federal agency obligations										
4	Bought outright	4,732	4,706	4,510	4,719	4,719	4,685	4,588	4,522	4,522	4,497
5	Held under repurchase agreements	206	265	267	0	100	803	851	186	186	0
6	Acceptances	0	0	0	0	0	0	0	0	0	0
	Loans to depository institutions										
7	Adjustment credit	19	22	86	21	30	24	226	9	115	19
8	Seasonal credit	72	30	14	37	30	21	11	9	13	20
9	Extended credit	0	0	0	0	0	0	0	0	0	0
10	Float	722	829	1,963	671	866	1,027r	1,532	1,106	2,223	1,683
11	Other Federal Reserve assets	32,001	32,369	32,702	31,897	32,714	33,073	32,964	32,376	32,591	32,729
12	Gold stock	11,054	11,054	11,053	11,054	11,054	11,054	11,053	11,053	11,053	11,053
13	Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
14	Treasury currency outstanding	21,980r	22,060r	22,130	22,051r	22,067r	22,084r	22,101	22,116	22,130	22,145
	ABSORBING RESERVE FUNDS										
15	Currency in circulation	356,710r	362,551r	362,849	360,544r	363,547r	366,042r	365,610	363,762	362,758	361,780
16	Treasury cash holdings	371	375	401	373	373	376	378	470	383	383
	Deposits, other than reserve balances, with Federal Reserve Banks										
17	Treasury	5,607	6,469	7,523	5,165	8,264	7,116	9,813	4,035	5,647	8,778
18	Foreign	434	238	252	221	252	258	303	191	368	204
19	Service-related balances and adjustments	6,340	6,630r	6,859	6,862	6,628	6,598r	6,571	6,957	7,095	6,844
20	Other	296	293	288	306	303	258	343	239	297	290
21	Other Federal Reserve liabilities and capital	9,340	9,628	9,629	9,628	9,771	9,786	9,386	9,552	9,737	9,742
22	Reserve balances with Federal Reserve Banks[3]	29,010	29,644r	27,834	28,598	29,296	30,830r	29,957	28,697	28,815	24,237

	Factor	End-of-month figures			Wednesday figures						
		Nov.	Dec.	Jan.	Dec. 15	Dec. 22	Dec. 29	Jan. 5	Jan. 12	Jan. 19	Jan. 26
	SUPPLYING RESERVE FUNDS										
1	Reserve Bank credit outstanding	372,593	384,226r	382,176	372,203	382,976	383,662r	377,743	370,834	385,967	375,519
	U.S. government securities[2]										
2	Bought outright—System account	326,804	332,015	331,995	334,522	331,236	332,903	334,304	332,913	332,301	334,706
3	Held under repurchase agreements	8,013	12,187	8,657	0	11,675	11,418	3,310	0	7,790	0
	Federal agency obligations										
4	Bought outright	4,719	4,638	4,437	4,719	4,719	4,638	4,522	4,522	4,522	4,437
5	Held under repurchase agreements	429	1,025	519	0	359	885	639	0	859	0
6	Acceptances	0	0	0	0	0	0	0	0	0	0
	Loans to depository institutions										
7	Adjustment credit	16	84	109	127	51	29	1,225	3	19	9
8	Seasonal credit	40	10	12	37	23	18	8	11	17	19
9	Extended credit	0	0	0	0	0	0	0	0	0	0
10	Float	1,290	909r	2,453	823	1,775	170r	1,440	942	7,450	3,504
11	Other Federal Reserve assets	31,282	33,358	33,993	31,975	33,136	33,602	32,296	32,444	33,010	32,843
12	Gold stock	11,054	11,053	11,053	11,054	11,054	11,053	11,054	11,053	11,053	11,053
13	Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
14	Treasury currency outstanding	22,017r	22,101r	22,160	22,051r	22,067r	22,084r	22,101	22,116	22,130	22,145
	ABSORBING RESERVE FUNDS										
15	Currency in circulation	359,732r	365,277r	360,919	361,406r	366,042r	367,226r	365,574	363,703	363,219	361,558
16	Treasury cash holdings	370	377	378	373	376	377	381	384	377	378
	Deposits, other than reserve balances, with Federal Reserve Banks										
17	Treasury	6,334	14,809	21,541	5,832	8,823	5,407	6,736	4,093	7,450	9,184
18	Foreign	596	386	257	278	288	286	263	171	235	327
19	Service-related balances and adjustments	6,460	6,571r	6,697	6,862	6,628	6,598r	6,571	6,957	7,095	6,844
20	Other	297	397	255	314	269	245	224	299	297	287
21	Other Federal Reserve liabilities and capital	9,561	9,292	9,759	9,482	9,670	9,617	9,406	9,459	9,752	9,597
22	Reserve balances with Federal Reserve Banks[3]	30,334	28,289r	23,602	28,778	32,017	35,060r	29,760	26,955	38,744	28,560

1. For amounts of cash held as reserves, see table 1.12.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1991	1992	1993	1993						1994
	Dec.	Dec.	Dec.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 Reserve balances with Reserve Banks[2]	26,659	25,368	29,374[r]	26,562	26,564	27,274	28,297	29,018	29,374[r]	27,818
2 Total vault cash[3]	32,509[r]	34,542[r]	36,812	34,536[r]	34,516	35,220[r]	35,184	35,655	36,812	37,906
3 Applied vault cash[4]	28,872	31,172	33,484	31,189	31,203	31,863	31,739	32,278	33,484	34,254
4 Surplus vault cash[5]	3,637[r]	3,370[r]	3,328	3,347	3,313	3,357[r]	3,445	3,377[r]	3,328	3,653
5 Total reserves[6]	55,532	56,540	62,858[r]	57,750	57,767	59,136	60,036	61,296	62,858[r]	62,072
6 Required reserves	54,553	55,385	61,795[r]	56,661	56,815	58,046	58,947	60,195	61,795[r]	60,624
7 Excess reserve balances at Reserve Banks[7]	979	1,155	1,063[r]	1,089	952	1,090	1,089	1,101	1,063[r]	1,448
8 Total borrowings at Reserve Banks[8]	192	124	82	244	352	428	285	89	82	73
9 Seasonal borrowings	38	18	31	210	234	236	192	75	31	15
10 Extended credit[9]	1	1	0	0	0	0	0	0	0	0
	Biweekly averages of daily figures for weeks ending on date indicated									
	1993							1994		
	Sept. 29	Oct. 13	Oct. 27	Nov. 10	Nov. 24	Dec. 8	Dec. 22	Jan. 5	Jan. 19	Feb. 2
1 Reserve balances with Reserve Banks[2]	26,837	27,843	28,798	28,017	29,742	28,999	28,950	30,367[r]	28,745	25,675
2 Total vault cash[3]	35,159[r]	35,806[r]	34,313	36,217[r]	34,894	36,494	37,202	36,489	38,241	38,107
3 Applied vault cash[4]	31,781	32,278	30,946	32,767	31,566	33,125	33,821	33,279	34,691	34,151
4 Surplus vault cash[5]	3,379[r]	3,528[r]	3,368	3,450[r]	3,328	3,369	3,381	3,210	3,550	3,957
5 Total reserves[6]	58,618	60,121	59,744	60,784	61,308	62,124	62,771	63,646[r]	63,435	59,826
6 Required reserves	57,318	58,985	58,692	59,722	60,205	60,962	61,880	62,405[r]	61,759	58,557
7 Excess reserve balances at Reserve Banks[7]	1,300	1,137	1,052	1,062	1,102	1,162	891	1,241[r]	1,676	1,269
8 Total borrowings at Reserve Banks[8]	321	420	205	132	74	56	59	142	74	45
9 Seasonal borrowings	247	222	189	105	68	43	34	16	11	18
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

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

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

Millions of dollars, averages of daily figures

Source and maturity	1993, week ending Monday				1994, week ending Monday				
	Dec. 6	Dec. 13	Dec. 20	Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31
Federal funds purchased, repurchase agreements, and other selected borrowings									
From commercial banks in the United States									
1 For one day or under continuing contract	75,691	76,163	72,673	68,417	71,013	72,206	69,412	69,901	68,093
2 For all other maturities	14,280	15,005	14,583	16,880	14,689	13,159	13,339	14,008	13,283
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	16,875	17,942	17,699	16,918	15,197	14,680	15,997	22,299	18,438
4 For all other maturities	24,839	25,404	26,238	26,977	22,670	21,054	20,203	19,423	17,826
Repurchase agreements on U.S. government and federal agency securities									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	18,896	17,411	15,779	13,248	18,065	18,506	17,572	18,277	16,634
6 For all other maturities	39,409	41,429	39,933r	37,217r	33,334	34,745	33,997	32,358	32,764
All other customers									
7 For one day or under continuing contract	32,719	31,242	29,603r	26,422r	30,785	30,371	30,158	31,539	33,268
8 For all other maturities	13,246	14,431	14,644	22,013	17,948	15,758	16,372	16,307	16,856
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	44,822	42,230	43,399	39,727	47,233	44,243	42,538	46,578	46,844
10 To all other specified customers[2]	28,140	26,980	26,438	22,123	26,497	24,657	26,425	28,110	28,735

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

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

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 3/4/94	Effective date	Previous rate	On 3/4/94	Effective date	Previous rate	On 3/4/94	Effective date	Previous rate
Boston	3	7/2/92	3.5	3.45	3/3/94	3.30	3.95	3/3/94	3.80
New York		7/2/92			3/3/94			3/3/94	
Philadelphia		7/2/92			3/3/94			3/3/94	
Cleveland		7/6/92			3/3/94			3/3/94	
Richmond		7/2/92			3/3/94			3/3/94	
Atlanta		7/2/92			3/3/94			3/3/94	
Chicago		7/2/92			3/3/94			3/3/94	
St. Louis		7/7/92			3/3/94			3/3/94	
Minneapolis		7/2/92			3/3/94			3/3/94	
Kansas City		7/2/92			3/3/94			3/3/94	
Dallas		7/2/92			3/3/94			3/3/94	
San Francisco	3	7/2/92	3.5	3.45	3/3/94	3.30	3.95	3/3/94	3.80

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

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

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1981—May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11.5–12	11.5
23	11.5	11.5
Aug. 2	11–11.5	11
3	11	11
16	10.5	10.5
27	10–10.5	10
30	10	10
Oct. 12	9.5–10	9.5
13	9.5	9.5
Nov. 22	9–9.5	9
26	9	9
Dec. 14	8.5–9	9
15	8.5–9	8.5
17	8.5	8.5
1984—Apr. 9	8.5–9	9
13	9	9
Nov. 21	8.5–9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5–8	7.5
24	7.5	7.5
1986—Mar. 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	6.5
July 11	6	6

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1986—Aug. 21	5.5–6	5.5
22	5.5	5.5
1987—Sept. 4	5.5–6	6
11	6	6
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6–6.5	6
4	6	6
Apr. 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
17	5	5
Nov. 6	4.5–5	4.5
7	4.5	4.5
Dec. 20	3.5–4.5	3.5
24	3.5	3.5
1992—July 2	3–3.5	3
7	3	3
In effect Mar. 3, 1994	3	3

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

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

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

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

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

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit[2]	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[3]		
1 $0 million–$51.9 million	3	12/21/93
2 More than $51.9 million[4]	10	12/21/93
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

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

2. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) requires that $2 million of reservable liabilities of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 21, 1993, the exemption was raised from $3.8 million to $4.0 million. The exemption applies in the following order: (1) net negotiable order of withdrawal (NOW) accounts (NOW accounts less allowable deductions); and (2) net other transaction accounts. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement.

3. Include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers in excess of three per month for the purpose of making payments to third persons or others. However, money market deposit accounts (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 may be checks, are not transaction accounts (such accounts are savings deposits).

The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 each year. Effective Dec. 21, 1993, for institutions reporting quarterly and weekly, the amount was increased from $46.8 million to $51.9 million.

4. The reserve requirement was reduced from 12 percent to 10 percent on Apr. 2, 1992, for institutions that report weekly, and on Apr. 16, 1992, for institutions that report quarterly.

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec. 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as was the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 4).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1991	1992	1993	1993						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.
U.S. TREASURY SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	20,158	14,714	17,737	7,280	0	902	366	1,396	5,931	1,394
2 Gross sales	120	1,628	0	0	0	0	0	0	0	0
3 Exchanges	277,314	308,699	328,829	24,821	35,943	27,775	31,128	25,783	27,641	30,836
4 Redemptions	1,000	1,600	468	0	0	0	0	468	0	0
Others within one year										
5 Gross purchases	3,043	1,096	1,223	0	0	100	411	0	0	189
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	24,454	36,662	0	4,002	0	1,497	3,074	913	5,158	2,910
8 Exchanges	−28,090	−30,543	0	−2,152	0	−5,491	−1,861	−1,566	−7,641	−2,910
9 Redemptions	1,000	0	0	0	0	0	0	0	0	0
One to five years										
10 Gross purchases	6,583	13,118	10,350	0	200	1,100	2,400	0	100	2,619
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shifts	−21,211	−34,478	−27,140	−4,002	666	−834	−3,074	−31	−4,689	−2,910
13 Exchanges	24,594	25,811	0	2,152	0	3,866	1,861	1,566	5,341	2,910
Five to ten years										
14 Gross purchases	1,280	2,818	4,168	0	0	500	797	0	0	1,008
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shifts	−2,037	−1,915	0	0	−666	−432	0	−882	−272	0
17 Exchanges	2,894	3,532	0	0	0	1,100	0	0	2,300	0
More than ten years										
18 Gross purchases	375	2,333	3,457	0	0	100	717	0	0	826
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	−1,209	−269	0	0	0	−231	0	0	−197	0
21 Exchanges	600	1,200	0	0	0	525	0	0	0	0
All maturities										
22 Gross purchases	31,439	34,079	36,935	7,280	200	2,702	4,691	1,396	6,031	6,035
23 Gross sales	120	1,628	0	0	0	0	0	0	0	0
24 Redemptions	1,000	1,600	468	0	0	0	0	468	0	0
Matched transactions										
25 Gross sales	1,570,456	1,482,467	1,475,085	111,726	115,504	136,037	124,898	115,160	109,941	137,645
26 Gross purchases	1,571,534	1,480,140	1,475,941	113,095	117,074	135,705	122,578	112,837	112,772	136,821
Repurchase agreements										
27 Gross purchases	310,084	378,374	475,447	53,051	41,190	53,053	62,905	27,693	38,493	33,751
28 Gross sales	311,752	386,257	470,723	43,342	56,246	48,263	61,399	30,397	34,072	29,577
29 Net change in U.S. Treasury securities	29,729	20,642	42,047	18,357	−13,286	7,160	3,878	−4,099	13,283	9,386
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	5	0	0	0	0	0	0	0	0	0
32 Redemptions	292	632	1,072	22	366	125	35	70	15	81
Repurchase agreements										
33 Gross purchases	22,807	14,565	35,063	2,968	3,479	2,485	9,810	3,812	2,841	2,211
34 Gross sales	23,595	14,486	34,669	2,019	4,428	2,415	7,734	5,509	2,861	1,615
35 Net change in federal agency obligations	−1,085	−554	−678	927	−1,315	−55	2,041	−1,767	−35	515
36 Total net change in System Open Market Account	**28,644**	**20,089**	**41,368**	**19,284**	**−14,601**	**7,105**	**5,919**	**−5,866**	**13,248**	**9,901**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements[1]

Millions of dollars

Account	Wednesday					End of month		
	1993	1994				1993		1994
	Dec. 29	Jan. 5	Jan. 12	Jan. 19	Jan. 26	Nov. 30	Dec. 31	Jan. 31
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,053	11,054	11,053	11,053	11,053	11,054	11,053	11,053
2 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
3 Coin	358	358	380	400	418	372	372	439
Loans								
4 To depository institutions	47	1,233	14	36	28	55	94	122
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	4,638	4,522	4,522	4,522	4,437	4,719	4,638	4,437
8 Held under repurchase agreements	885	639	0	859	0	429	1,025	519
9 **Total U.S. Treasury securities**	**344,321**	**337,614**	**332,913**	**340,091**	**334,706**	**334,817**	**344,202**	**340,652**
10 Bought outright[2]	332,903	334,304	332,913	332,301	334,706	326,804	332,015	331,995
11 Bills	161,255	162,657	161,265	161,269	163,674	159,798	160,368	160,963
12 Notes	132,076	132,076	132,076	131,460	131,460	128,453	132,076	131,460
13 Bonds	39,572	39,572	39,572	39,572	39,572	38,553	39,572	39,572
14 Held under repurchase agreements	11,418	3,310	0	7,790	0	8,013	12,187	8,657
15 **Total loans and securities**	**349,891**	**344,008**	**337,449**	**345,508**	**339,171**	**340,020**	**349,960**	**345,729**
16 Items in process of collection	5,607	7,594	6,356	16,115	8,593	7,808	6,454	4,326
17 Bank premises	1,054	1,055	1,056	1,055	1,054	1,050	1,055	1,054
Other assets								
18 Denominated in foreign currencies[3]	22,550	22,345	22,362	22,372	22,391	22,443	22,340	22,336
19 All other[4]	10,048	8,963	9,057	9,642	9,360	7,692	9,999	10,550
20 **Total assets**	**408,578**	**403,395**	**395,730**	**414,163**	**400,059**	**398,458**	**409,251**	**403,505**
LIABILITIES								
21 Federal Reserve notes	345,878	344,213	342,351	341,865	340,209	338,456	343,925	339,575
22 **Total deposits**	**48,036**	**43,857**	**38,561**	**54,337**	**45,010**	**43,277**	**50,543**	**52,284**
23 Depository institutions	42,097	36,633	33,997	46,354	35,210	36,050	34,951	30,232
24 U.S. Treasury—General account	5,407	6,736	4,093	7,450	9,184	6,334	14,809	21,541
25 Foreign—Official accounts	286	263	171	235	327	596	386	257
26 Other	245	224	299	297	287	297	397	255
27 Deferred credit items	5,048	5,919	5,359	8,209	5,243	7,165	5,491	1,887
28 Other liabilities and accrued dividends[5]	2,533	2,389	2,353	2,621	2,450	2,514	2,489	2,462
29 **Total liabilities**	**401,495**	**396,377**	**388,625**	**407,031**	**392,912**	**391,411**	**402,449**	**396,208**
CAPITAL ACCOUNTS								
30 Capital paid in	3,377	3,402	3,402	3,402	3,403	3,367	3,401	3,404
31 Surplus	3,054	3,388	3,401	3,401	3,401	3,054	3,401	3,401
32 Other capital accounts	652	228	302	329	342	626	0	492
33 **Total liabilities and capital accounts**	**408,578**	**403,395**	**395,730**	**414,163**	**400,059**	**398,458**	**409,251**	**403,505**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	348,827	351,034	350,916	356,291	356,660	346,718	350,906	358,003
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	409,832	408,921	409,691	410,424	410,524	405,827	409,265	410,368
36 LESS: Held by Federal Reserve Banks	63,954	64,708	67,339	68,559	70,316	67,371	65,339	70,793
37 Federal Reserve notes, net	345,878	344,213	342,351	341,865	340,209	338,456	343,925	339,575
Collateral held against notes, net:								
38 Gold certificate account	11,053	11,054	11,053	11,053	11,053	11,054	11,053	11,053
39 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	326,806	325,141	323,280	322,793	321,138	319,384	324,854	320,504
42 **Total collateral**	**345,878**	**344,213**	**342,351**	**341,865**	**340,209**	**338,456**	**343,925**	**339,575**

1. Some of the data in this table also appear in the Board's H.4.1 (503) weekly statistical release. For ordering address, see inside front cover.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1993	1994				1993		1994
	Dec. 29	Jan. 5	Jan. 12	Jan. 19	Jan. 26	Nov. 30	Dec. 31	Jan. 31
1 **Total loans**	**47**	**1,232**	**14**	**36**	**28**	**56**	**94**	**122**
2 Within fifteen days[1]	47	1,228	8	36	28	31	93	121
3 Sixteen days to ninety days	0	4	6	0	0	25	1	1
4 Ninety-one days to one year	0	0	0	0	0	0	0	0
5 **Total acceptances**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
6 Within fifteen days[1]	0	0	0	0	0	0	0	0
7 Sixteen days to ninety days	0	0	0	0	0	0	0	0
8 Ninety-one days to one year	0	0	0	0	0	0	0	0
9 **Total U.S. Treasury securities**	**344,321**	**337,614**	**332,913**	**340,091**	**334,706**	**326,804**	**332,015**	**331,995**
10 Within fifteen days[1]	30,068	21,329	16,802	20,949	19,139	6,211	9,262	12,028
11 Sixteen days to ninety days	72,356	74,877	78,140	77,784	74,237	84,677	81,344	79,687
12 Ninety-one days to one year	106,153	105,184	101,746	105,644	105,617	104,601	105,184	104,666
13 One year to five years	79,346	79,826	79,826	80,091	80,091	76,750	79,826	79,992
14 Five years to ten years	24,659	24,659	24,659	23,884	23,884	23,651	24,659	23,884
15 More than ten years	31,739	31,739	31,739	31,739	31,739	30,913	31,739	31,739
16 **Total federal agency obligations**	**5,523**	**5,161**	**4,522**	**5,381**	**4,437**	**4,719**	**4,638**	**4,437**
17 Within fifteen days[1]	1,065	639	85	1,049	105	290	180	105
18 Sixteen days to ninety days	565	775	805	700	754	498	565	754
19 Ninety-one days to one year	1,078	1,048	960	960	969	1,127	1,078	969
20 One year to five years	2,105	2,105	2,078	2,078	2,016	2,074	2,105	2,016
21 Five years to ten years	569	569	569	569	567	589	569	567
22 More than ten years	142	25	25	25	25	142	142	25

1. Holdings under repurchase agreements are classified as maturing within fifteen days in accordance with maximum maturity of the agreements.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1990 Dec.	1991 Dec.	1992 Dec.	1993 Dec.[r]	1993 June	July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	1994 Jan.
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]	Seasonally adjusted											
1 Total reserves[3]	41.77	45.53	54.35	60.54	57.12	57.57	58.03	58.84	59.82	60.46	60.54	60.56
2 *Nonborrowed reserves*[4]	41.44	45.34	54.23	60.45	56.94	57.32	57.68	58.41	59.53	60.37	60.45	60.48
3 Nonborrowed reserves plus extended credit[5]	41.46	45.34	54.23	60.45	56.94	57.32	57.68	58.41	59.53	60.37	60.45	60.48
4 Required reserves	40.10	44.56	53.20	59.47	56.21	56.48	57.08	57.75	58.73	59.36	59.47	59.11
5 Monetary base[6]	293.16[r]	317.12[r]	350.63[r]	385.90	368.27[r]	371.32[r]	374.37[r]	378.08[r]	381.44[r]	384.16[r]	385.90	389.57
	Not seasonally adjusted											
6 Total reserves[7]	43.07	46.98	56.06	62.41	56.96	57.42	57.38	58.69	59.53	60.73	62.41	62.03
7 Nonborrowed reserves	42.74	46.78	55.93	62.33	56.78	57.17	57.03	58.26	59.24	60.64	62.33	61.96
8 Nonborrowed reserves plus extended credit[5]	42.77	46.78	55.93	62.33	56.78	57.17	57.03	58.26	59.24	60.64	62.33	61.96
9 Required reserves[8]	41.40	46.00	54.90	61.35	56.05	56.33	56.43	57.60	58.44	59.62	61.35	60.59
10 Monetary base[9]	296.68	321.07	354.55	390.62	368.73	372.02	374.10	377.75	380.83[r]	384.32[r]	390.62	391.00
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	59.12	55.53	56.54	62.86	57.24	57.75	57.77	59.14	60.04	61.30	62.86	62.07
12 Nonborrowed reserves	58.80	55.34	56.42	62.78	57.06	57.51	57.42	58.71	59.75	61.21	62.78	62.00
13 Nonborrowed reserves plus extended credit[5]	58.82	55.34	56.42	62.78	57.06	57.51	57.42	58.71	59.75	61.21	62.78	62.00
14 Required reserves	57.46	54.55	55.39	61.80	56.33	56.66	56.82	58.05	58.95	60.20	61.80	60.62
15 Monetary base[12]	313.70	333.61	360.90	397.62	375.19	378.48	380.53	384.25	387.51	391.14[r]	397.62	397.89
16 Excess reserves[13]	1.66	.98	1.16	1.06	.91	1.09	.95	1.09	1.09	1.10	1.06	1.45
17 Borrowings from the Federal Reserve	.33	.19	.12	.08	.18	.24	.35	.43	.29	.09	.08	.07

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly 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, DC 20551.

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10)

3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

5. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

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

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities that are due to regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of changes in reserve requirements (CRR), currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item	1990 Dec.[r]	1991 Dec.[r]	1992 Dec.[r]	1993 Dec.[r]	1993[r] Oct.	1993[r] Nov.	1993[r] Dec.	1994 Jan.
	Seasonally adjusted							
Measures[2]								
1 M1	826.4	897.7	1,024.8	1,128.5	1,113.4	1,122.4	1,128.5	1,133.6
2 M2	3,353.0	3,455.3	3,509.0	3,565.8	3,547.3	3,558.8	3,565.8	3,572.4
3 M3	4,125.7	4,180.4	4,183.0	4,228.1	4,203.2	4,216.1	4,228.1	4,231.8
4 L	4,974.8	4,992.9	5,057.1	5,130.6	5,095.9	5,107.5	5,130.6	n.a.
5 Debt	10,670.1	11,145.5	11,721.1	12,316.8	12,177.4	12,239.5	12,316.8	n.a.
M1 components								
6 Currency[3]	246.7	267.1	292.2	321.4	317.6	319.5	321.4	325.3
7 Travelers checks[4]	7.8	7.7	8.1	7.9	7.8	7.9	7.9	7.9
8 Demand deposits[5]	277.9	290.0	339.6	384.9	378.4	383.2	384.9	388.5
9 Other checkable deposits[6]	294.0	332.8	384.9	414.3	409.5	411.8	414.3	412.0
Nontransaction components								
10 In M2[7]	2,526.6	2,557.6	2,484.3	2,437.3	2,433.9	2,436.4	2,437.3	2,438.8
11 In M3[8]	772.7	725.2	674.0	662.3	655.9	657.3	662.3	659.3
Commercial banks								
12 Savings deposits, including MMDAs	582.1	665.5	754.6	785.3	778.4	782.4	785.3	790.1
13 Small time deposits[9]	611.3	602.9	508.7	468.6	472.4	469.5	468.6	465.6
14 Large time deposits[10, 11]	368.6	342.4	292.8	277.5	278.2	276.3	277.5	279.6
Thrift institutions								
15 Savings deposits, including MMDAs	338.3	375.6	429.0	430.2	430.4	429.5	430.2	430.2
16 Small time deposits[9]	563.2	464.5	361.8	316.1	322.8	320.3	316.1	314.0
17 Large time deposits[10]	120.9	83.4	67.5	61.7	63.7	63.5	61.7	61.9
Money market mutual funds								
18 General purpose and broker–dealer	355.5	370.4	352.0	349.9	344.8	347.8	349.9	348.9
19 Institution-only	135.0	181.0	201.5	197.0	194.3	194.8	197.0	192.7
Debt components								
20 Federal debt	2,490.7	2,763.8	3,068.4	3,327.6	3,266.3	3,291.2	3,327.6	n.a.
21 Nonfederal debt	8,179.4	8,381.7	8,652.7	8,989.2	8,911.1	8,948.3	8,989.2	n.a.
	Not seasonally adjusted							
Measures[2]								
22 M1	843.8	916.7	1,046.7	1,153.9	1,111.8	1,129.6	1,153.9	1,142.9
23 M2	3,366.0	3,470.4	3,527.6	3,588.4	3,545.3	3,567.5	3,588.4	3,579.1
24 M3	4,135.5	4,191.9	4,198.2	4,247.5	4,197.7	4,227.7	4,247.5	4,232.6
25 L	4,997.2	5,018.0	5,087.6	5,165.6	5,088.4	5,128.7	5,165.6	n.a.
26 Debt	10,667.7	11,144.6	11,722.0	12,317.3	12,150.4	12,229.8	12,317.3	n.a.
M1 components								
27 Currency[3]	249.5	269.9	295.0	324.9	317.3	319.8	324.9	324.0
28 Travelers checks[4]	7.4	7.4	7.8	7.6	8.0	7.7	7.6	7.7
29 Demand deposits[5]	289.9	303.1	355.1	402.7	381.2	391.2	402.7	393.3
30 Other checkable deposits[6]	297.0	336.3	388.9	418.6	405.3	410.9	418.6	417.9
Nontransaction components								
31 In M2[7]	2,522.3	2,553.7	2,480.9	2,434.5	2,433.5	2,437.8	2,434.5	2,436.2
32 In M3[8]	769.5	721.6	670.5	659.1	652.3	660.2	659.1	653.5
Commercial banks								
33 Savings deposits, including MMDAs	580.8	664.0	752.9	783.8	777.7	784.0	783.8	786.1
34 Small time deposits[9]	610.5	601.9	507.8	467.6	473.3	468.8	467.6	465.7
35 Large time deposits[10, 11]	367.7	341.3	291.7	276.4	277.9	276.6	276.4	276.6
Thrift institutions								
36 Savings deposits, including MMDAs	337.6	374.8	428.1	429.3	430.0	430.4	429.3	428.0
37 Small time deposits[9]	562.4	463.8	361.2	315.4	323.4	319.8	315.4	314.0
38 Large time deposits[10]	120.6	83.1	67.2	61.4	63.7	63.5	61.4	61.2
Money market mutual funds								
39 General purpose and broker–dealer	353.8	368.5	350.2	348.3	341.1	345.8	348.3	349.3
40 Institution-only	134.7	180.4	200.4	195.8	189.2	194.0	195.8	196.2
Repurchase agreements and Eurodollars								
41 Overnight	77.3	80.6	80.7	90.1	88.1	89.1	90.1	93.1
42 Term	158.3	130.1	126.7	141.2	139.2	142.8	141.2	134.8
Debt components								
43 Federal debt	2,491.3	2,765.0	3,069.8	3,329.5	3,249.4	3,287.0	3,329.5	n.a.
44 Nonfederal debt	8,176.3	8,379.7	8,652.2	8,987.8	8,901.0	8,942.8	8,987.8	n.a.

Footnotes appear on following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data are available from the Money and Reserves Projection Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

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

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

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

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

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

Debt: 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. This sum is seasonally adjusted as a whole.

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

4. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

5. Demand deposits at commercial banks and foreign-related institutions other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float.

6. Consists of NOW and ATS account balances at all depository institutions, credit union share draft account balances, and demand deposits at thrift institutions.

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

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

9. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRAs and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.

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

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

1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks[1]

Item	1991 Dec.	1992 Dec.	1993 May	1993 June	1993 July	1993 Aug.	1993 Sept.	1993 Oct.	1993 Nov.	1993 Dec.[r]	1994 Jan.
	Interest rates (annual effective yields)										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts	3.76	2.33	2.12	2.09	2.06	2.01	1.96	1.92	1.89	1.86	1.85
2 Savings deposits[2]	4.30	2.88	2.65	2.61	2.59	2.55	2.51	2.49	2.48	2.46	2.46
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	4.18	2.90	2.70	2.68	2.67	2.66	2.63	2.63	2.64	2.65	2.65
4 92 to 182 days	4.41	3.16	2.97	2.97	2.97	2.96	2.92	2.91	2.92	2.91	2.91
5 183 days to 1 year	4.59	3.37	3.18	3.19	3.18	3.17	3.13	3.11	3.13	3.13	3.15
6 More than 1 year to 2½ years	4.95	3.88	3.64	3.65	3.64	3.63	3.55	3.54	3.54	3.55	3.57
7 More than 2½ years	5.52	4.77	4.47	4.44	4.43	4.40	4.28	4.27	4.28	4.29	4.31
BIF-INSURED SAVINGS BANKS[3]											
8 Negotiable order of withdrawal accounts	4.44	2.45	2.20	2.13	2.09	2.07	2.01	1.98	1.95	1.87	1.89
9 Savings deposits[2]	4.97	3.20	2.93	2.88	2.83	2.80	2.73	2.68	2.65	2.63	2.62
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	4.68	3.13	2.87	2.86	2.80	2.79	2.76	2.75	2.73	2.70	2.69
11 92 to 182 days	4.92	3.44	3.19	3.17	3.15	3.12	3.05	3.05	3.03	3.02	3.03
12 183 days to 1 year	4.99	3.61	3.45	3.44	3.40	3.37	3.33	3.34	3.32	3.31	3.33
13 More than 1 year to 2½ years	5.23	4.02	3.76	3.79	3.72	3.73	3.69	3.68	3.69	3.66	3.73
14 More than 2½ years	5.98	5.00	4.79	4.75	4.73	4.73	4.62	4.57	4.60	4.62	4.61
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts	244,637	286,541	283,860	287,555	284,496	287,675	286,056	289,813	297,329	305,223	293,816
16 Savings deposits[2]	652,058	738,253	753,452	754,790	757,716	761,919	758,835	765,372	770,609	766,413	771,592
17 Personal	508,191	578,757	591,231	592,545	593,448	593,318	592,028	595,715	598,200	597,838	605,718
18 Nonpersonal	143,867	159,496	162,221	162,245	164,268	168,601	166,807	169,657	172,408	168,575	165,873
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	47,094	38,474	33,213	31,743	30,803	30,017	30,384	30,022	29,730	29,455	29,441
20 92 to 182 days	158,605	127,831	119,096	114,846	112,497	109,603	108,574	108,504	109,228	110,069	108,200
21 183 days to 1 year	209,672	163,098	157,559	156,549	156,431	155,074	152,501	149,758	147,334	146,565	143,567
22 More than 1 year to 2½ years	171,721	152,977	144,330	144,804	143,605	141,377	139,406	139,042	139,315	141,223	142,422
23 More than 2½ years	158,078	169,708	179,761	179,297	180,983	181,762	184,414	183,790	180,972	181,528	182,183
24 IRA/Keogh Plan deposits	147,266	147,350	146,450	146,523	146,196	145,955	145,636	144,776	145,002	143,985	143,791
BIF-INSURED SAVINGS BANKS[3]											
25 Negotiable order of withdrawal accounts	9,624	10,871	10,000	10,313	10,457	10,468	10,471	10,548	10,852	11,151	10,803
26 Savings deposits[2]	71,215	81,786	77,352	77,495	78,390	78,387	78,182	77,995	77,948	80,115	78,657
27 Personal	68,638	78,695	74,376	74,569	75,049	75,153	74,978	74,737	74,664	77,035	75,442
28 Nonpersonal	2,577	3,091	2,976	2,926	3,341	3,234	3,204	3,258	3,284	3,079	3,215
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	4,146	3,867	3,103	3,022	2,871	2,928	2,886	2,839	2,778	2,793	2,736
30 92 to 182 days	21,686	17,345	14,129	13,808	13,773	13,525	13,261	13,131	12,926	12,946	13,090
31 183 days to 1 year	29,715	21,780	18,520	18,427	18,454	18,143	17,798	17,441	17,178	17,426	17,413
32 More than 1 year to 2½ years	25,379	18,442	16,155	15,972	16,250	16,200	16,161	16,124	15,995	16,546	16,279
33 More than 2½ years	18,665	18,845	18,725	18,989	19,229	19,331	19,610	19,657	19,645	20,464	20,625
34 IRA/Keogh Plan accounts	23,007	21,713	19,861	19,855	19,920	19,802	19,766	19,601	19,382	19,356	19,244

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 460 commercial banks and 80 savings banks on the last Wednesday of each period. Data are not seasonally adjusted and include IRA/Keogh deposits and foriegn currency denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks.
2. Includes personal and nonpersonal money market deposits.
3. BIF-insured savings banks include both mutual and federal savings banks.

1.23 BANK DEBITS AND DEPOSIT TURNOVER[1]

Debits are in billions of dollars; turnover is ratio of debits to deposits; monthly data are at annual rates

Bank group, or type of customer	1990[2]	1991[2]	1992[2]	1993 June	1993 July[r]	1993 Aug.[r]	1993 Sept.[r]	1993 Oct.[r]	1993 Nov.
DEBITS	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	277,151.7[r]	277,763.7[r]	315,812.2[r]	335,338.0[r]	330,668.5	333,750.6	360,304.3	327,497.9	360,492.1
2 Major New York City banks	131,695.5[r]	137,352.9[r]	165,573.5[r]	170,268.7[r]	166,663.8	169,093.8	185,675.0	166,671.1	187,185.5
3 Other banks	145,456.2[r]	140,410.8[r]	150,238.7[r]	165,069.3[r]	164,004.7	164,656.8	174,629.3	160,826.8	173,306.7
4 Other checkable deposits[4]	3,348.8[r]	3,645.5	3,788.1	3,616.4[r]	3,365.4	3,441.4	3,490.8	3,302.4	3,590.9
5 Savings deposits (including MMDAs)[5]	3,483.4[r]	3,266.1	3,331.5[r]	3,633.9[r]	3,634.3	3,500.3	3,734.0	3,398.3	3,782.3
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	797.9[r]	803.5	832.4	791.8[r]	777.7	769.0	824.3	729.8	796.3
7 Major New York City banks	3,819.6[r]	4,270.7[r]	4,797.6[r]	4,195.6[r]	4,293.9	4,040.3	4,254.4	3,907.6	4,249.4
8 Other banks	464.9	447.9	435.9	431.1	424.5	419.9	443.8	396.0	424.1
9 Other checkable deposits[4]	16.5	16.2	14.4	12.3	11.4	11.6	11.7	11.0	11.9
10 Savings deposits (including MMDAs)[5]	6.2	5.3	4.7	4.7	4.7	4.5	4.8	4.4	4.9
DEBITS	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	277,290.5	277,715.4	315,808.2	345,368.7	332,888.4	342,539.4	347,849.8	335,861.9	344,003.5
12 Major New York City banks	131,784.7	137,307.2	165,595.0	176,874.8	168,018.4	174,674.7	179,869.7	172,675.6	180,990.2
13 Other banks	145,505.8	140,408.3	150,213.3	168,493.9	164,870.1	167,864.7	167,980.2	163,186.3	163,013.3
14 Other checkable deposits[4]	3,346.7	3,645.6	3,788.1	3,645.9	3,290.8	3,369.1	3,493.3	3,293.5	3,335.8
15 Savings deposits (including MMDAs)[5]	3,483.0	3,267.7	3,329.0	3,758.1	3,643.7	3,529.6	3,536.4	3,328.6	3,497.3
DEPOSIT TURNOVER									
Demand deposits[3]									
16 All insured banks	798.2	803.4	832.5	818.3	778.0	802.5	798.5	748.5	753.2
17 Major New York City banks	3,825.9	4,274.3	4,803.5	4,412.6	4,280.6	4,307.8	4,196.6	4,059.2	4,129.6
18 Other banks	465.0	447.9	436.0	441.1	424.3	434.6	427.7	401.8	394.8
19 Other checkable deposits[4]	16.4	16.2	14.4	12.5	11.3	11.5	11.8	11.1	11.1
20 Savings deposits (including MMDAs)[5]	6.2	5.3	4.7	4.9	4.8	4.6	4.6	4.3	4.5

1. Historical tables containing revised data for earlier periods can be obtained from the Banking and Money Market Statistics Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Data in this table also appear in the Board's G.6 (406) monthly statistical release. For ordering address, see inside front cover.

2. Annual averages of monthly figures.
3. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.
4. Accounts authorized for negotiable orders of withdrawal (NOWs) and accounts authorized for automatic transfer to demand deposits (ATSs).
5. Money market deposit accounts.

1.24 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars, averages of Wednesday figures

Item	1993 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1994 Jan.
	Seasonally adjusted											
1 **Total loans, leases, and securities[2]**	**2,943.9**	**2,960.2**	**2,970.9**	**2,991.2**	**3,014.1**	**3,037.4**	**3,046.6**	**3,057.3[r]**	**3,056.9[r]**	**3,072.9[r]**	**3,087.7[r]**	**3,095.5**
2 U.S. government securities	666.2	680.2	691.0	693.5	704.3	708.2	714.8	720.7[r]	718.9[r]	720.5[r]	727.9[r]	726.1
3 Other securities	176.4	179.0	181.0	181.2	179.6	181.5	182.4	182.6	180.3[r]	180.5[r]	181.4[r]	187.0
4 Total loans and leases[2]	2,101.3	2,101.0	2,098.9	2,116.5	2,130.3	2,147.8	2,149.5[r]	2,153.9	2,157.7[r]	2,171.9[r]	2,178.5[r]	2,182.4
5 Commercial and industrial	596.7	593.1	587.5	589.9	590.9	590.2	589.6	586.2	585.7	585.5[r]	584.2	590.6
6 Bankers acceptances held[3]	8.4	8.5	8.5	9.0	8.8	9.2	9.6	8.8	9.5	9.0	8.8	9.2
7 Other commercial and industrial	588.3	584.6	579.0	580.9	582.1	581.0	580.0	577.3[r]	576.2	576.5	575.3[r]	581.4
8 U.S. addressees[4]	578.8	574.9	569.7	571.2	572.8	571.5	570.4	567.4	566.5	566.4[r]	565.6[r]	571.4
9 Non-U.S. addressees[4]	9.5	9.7	9.3	9.7	9.4	9.6	9.6	9.9	9.7	10.2	9.7	10.0
10 Real estate	890.1	891.9	892.2	898.0	903.9[r]	907.7	910.8	914.7[r]	918.2[r]	921.8	927.4[r]	926.5
11 Individual	361.9	362.3	364.4	367.5	368.8	372.5	374.7	376.0	380.3	383.2	385.6	388.8
12 Security	62.8	64.2	62.3	68.6	71.4	81.6	79.9	82.7	79.5	87.0	86.0	78.1
13 Nonbank financial institutions	44.6	44.2	45.0	45.9	46.0	46.5	46.8	46.1	44.9	44.2	43.2	42.2
14 Agricultural	34.3	34.0	34.1	34.3	34.3	34.7	34.8	34.8	35.0	35.5	35.4	35.8
15 State and political subdivisions	23.8	23.6	23.1	23.0	22.8	22.8	22.7	22.4	22.2	21.8	21.6	21.3
16 Foreign banks	8.8	8.5	8.4	8.4	8.6	9.0	9.5	8.7	8.9	8.1	7.7	7.5
17 Foreign official institutions	3.2	3.2	3.2	3.1	3.2	3.2	3.1	3.4	3.5	3.3	3.3	3.8
18 Lease-financing receivables	30.6	30.6	30.7	30.9	31.3	31.6	31.7	31.8	32.1	32.5	32.8	33.0
19 All other loans	44.5	45.3	48.0	46.8	49.0	47.9	46.0	47.3	47.3	49.1	51.2[r]	54.8
	Not seasonally adjusted											
20 **Total loans, leases, and securities[2]**	**2,946.7**	**2,963.9**	**2,972.5**	**2,986.2**	**3,013.9**	**3,025.6**	**3,038.3**	**3,054.1[r]**	**3,056.2[r]**	**3,080.2[r]**	**3,097.3[r]**	**3,098.1**
21 U.S. government securities	669.8	685.9	692.8	692.5	702.0	703.5	713.1	718.3	716.6[r]	723.8[r]	726.5[r]	727.0
22 Other securities	176.6	178.7	180.4	180.7	179.1	180.4	182.2	182.2	180.6[r]	181.5[r]	181.5[r]	187.6
23 Total loans and leases[2]	2,100.3	2,099.3	2,099.3	2,113.0	2,132.8	2,141.8	2,142.9	2,153.6[r]	2,158.9[r]	2,174.9[r]	2,189.3[r]	2,183.5
24 Commercial and industrial	595.9	596.3	590.4	591.6	592.7	589.2	585.9	582.6[r]	583.5[r]	585.8	586.9	589.0
25 Bankers acceptances held[3]	8.8	8.6	8.3	8.9	8.6	8.9	9.3	8.6	9.3	9.3	9.2	9.4
26 Other commercial and industrial	587.1	587.7	582.1	582.7	584.1	580.3	576.6	574.0	574.2[r]	576.6[r]	577.7[r]	579.6
27 U.S. addressees[4]	577.5	578.2	572.7	573.0	573.9	570.4	566.8	564.2	564.7	567.0[r]	568.2	569.7
28 Non-U.S. addressees[4]	9.5	9.5	9.4	9.7	10.2	9.9	9.8	9.8	9.4	9.6	9.5	9.9
29 Real estate	888.3	889.3	891.1	898.0	904.3	908.0	911.6[r]	915.5	919.2[r]	923.3	928.7[r]	926.1
30 Individual	361.9	359.8	361.7	365.7	367.0	370.2	374.1	377.7[r]	380.7	384.1	390.4	393.2
31 Security	65.8	66.4	65.7	65.5	70.8	77.5	76.9	80.7	79.2	86.1	87.1	80.0
32 Nonbank financial institutions	44.5	43.9	44.4	45.3	46.6	46.2	46.6	45.4	44.5	44.5	45.1	42.4
33 Agricultural	32.9	32.7	33.3	34.0	34.8	35.6	35.9	36.2	36.0	35.6	35.2	34.9
34 State and political subdivisions	23.7	23.7	23.2	23.0	22.8	22.7	22.7	22.5	22.4	21.8	21.6	21.1
35 Foreign banks	8.6	8.2	8.1	8.2	8.4	9.1	9.2	8.8	9.2	8.5	8.2	7.5
36 Foreign official institutions	3.2	3.2	3.2	3.1	3.2	3.2	3.1	3.4	3.5	3.3	3.3	3.8
37 Lease-financing receivables	30.8	30.8	30.8	30.9	31.3	31.3	31.5	31.6	32.1	32.4[r]	32.7[r]	33.3
38 All other loans	44.6	45.0	47.5	47.6	51.0	48.8	45.4	49.0[r]	48.8	49.6	50.0[r]	52.1

1. All commercial banks include domestically chartered insured banks, U.S. branches and agencies of foreign banks, New York state investment companies majority owned by foreign banks, and Edge Act and agreement corporations owned by domestically chartered foreign banks. Data are prorated averages of Wednesday estimates for domestically chartered and foreign related institutions, based on weekly reports of a sample of domestically chartered insured banks and large branches and agencies and quarterly reports of all domestically chartered insured banks and all agencies, branches, investment companies, and Edge Act and agreement corporation engaged in banking.
2. Adjusted to exclude loans to commercial banks in the United States.
3. Includes nonfinancial commercial paper held.
4. United States includes the fifty states and the District of Columbia.

1.25 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Billions of dollars, monthly averages

Source of funds	1993 Feb.	Mar.	Apr.	May	June	July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.[r]	1994 Jan.
	Seasonally adjusted											
1 Total nondeposit funds[2]	309.8	320.2	329.7	325.1	335.9	357.4	366.3	375.8	379.4	372.5	372.6	372.6
2 Net balances owed to related foreign offices[3]	72.5	77.8	87.5	81.9	85.0	99.9	114.0	117.7	121.7	120.6	119.6	123.6
3 Borrowings from other than commercial banks in United States[4]	237.3	242.4	242.2	243.3	250.8	257.5	252.2	258.2	257.7	251.9	253.1	249.0
4 Domestically chartered banks	157.1	161.9	167.2	166.2	173.9	181.1	176.9	180.8	182.7	178.5	178.0	176.7
5 Foreign-related banks	80.2	80.5	75.0	77.1	77.0	76.4	75.4	77.4	75.0	73.4	75.0	72.3
	Not seasonally adjusted											
6 Total nondeposit funds[2]	314.1	325.1	325.8	329.8	334.9	351.1	361.1	370.5	382.0	378.7	372.8	371.2
7 Net balances owed to related foreign offices[3]	74.4	78.5	84.6	84.0	83.1	96.6	110.3	115.3	122.9	122.3	123.7	126.2
8 Domestically chartered banks	-10.6	-7.0	-9.4	-9.7	-15.3	-15.2	-13.7	-12.2	-7.0	-4.9	-2.8	3.2
9 Foreign-related banks	84.9	85.5	94.0	93.7	98.4	111.9	123.9	127.6	129.8	127.3	126.5	123.0
10 Borrowings from other than commercial banks in United States[4]	239.7	246.5	241.3	245.8	251.8	254.4	250.9	255.2	259.1	256.4	249.1	245.0
11 Domestically chartered banks	158.8	164.8	165.1	167.8	173.6	177.3	175.6	179.4	184.1	183.6	176.9	173.3
12 Federal funds and security RP borrowings[5]	155.6	161.4	161.6	164.0	169.8	173.1	171.5	175.1	179.6	178.9	172.3	168.3
13 Other[6]	3.2	3.3	3.5	3.8	3.8	4.3	4.0	4.4	4.5	4.7	4.6	5.0
14 Foreign-related banks[6]	80.9	81.8	76.2	78.0	78.2	77.1	75.3	75.7	75.0	72.8	72.2	71.7
MEMO												
Gross large time deposits[7]												
15 Seasonally adjusted	362.8[r]	359.7[r]	357.6[r]	358.3[r]	355.0[r]	347.8	341.9	337.4	337.8	339.2	343.6	345.1
16 Not seasonally adjusted	361.3[r]	359.7[r]	356.7[r]	360.6[r]	356.9[r]	347.5	343.7	338.3	337.5	339.5	342.4	342.1
U.S. Treasury demand balances at commercial banks[8]												
17 Seasonally adjusted	23.7[r]	19.8[r]	24.0[r]	21.4[r]	24.8[r]	27.6	26.1	23.3	17.9	17.8	22.5	23.5
18 Not seasonally adjusted	29.5	17.4	20.3	20.3	26.5	25.6	23.8	28.6	17.1	12.9	21.4	31.0

1. Commercial banks are nationally and state-chartered banks in the fifty states and the District of Columbia, agencies and branches of foreign banks, New York State investment companies majority owned by foreign banks, and Edge Act and agreement corporations owned by domestically chartered and foreign banks.
Data in this table also appear in the Board's G.10 (411) monthly statistical release. For ordering address, see inside front cover.
2. Includes federal funds, repurchase agreements (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 international banking facilities (IBFs).
4. 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. Figures are based on averages of daily data reported weekly by approximately 120 large banks and on quarterly or annual data reported by other banks.
6. Figures are partly averages of daily data 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.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1] Wednesday figures

Millions of dollars

Account	1993[r]					1994			
	Dec. 1	Dec. 8	Dec. 15	Dec. 22	Dec. 29	Jan. 5	Jan. 12	Jan. 19	Jan. 26
ALL COMMERCIAL BANKING INSTITUTIONS[2]									
Assets									
1 Loans and securities	3,253,057	3,262,639	3,270,333	3,247,697	3,262,193	3,272,024	3,259,817	3,266,294	3,228,637
2 Investment securities	861,933	868,966	866,917	867,007	865,658	873,769	872,858	866,599	860,549
3 U.S. government securities	695,353	702,557	700,454	700,880	700,236	704,500	704,212	698,497	692,917
4 Other	166,580	166,409	166,463	166,127	165,423	169,269	168,646	168,101	167,633
5 Trading account assets	45,066	40,529	41,287	39,662	39,044	45,157	44,119	47,372	45,114
6 U.S. government securities	30,070	25,168	26,459	25,123	23,860	26,391	26,787	30,578	27,102
7 Other securities	2,145	2,120	1,991	2,036	2,114	2,289	2,200	2,055	1,970
8 Other trading account assets	12,851	13,241	12,837	12,503	13,071	16,477	15,132	14,738	16,043
9 Total loans	2,346,058	2,353,144	2,362,129	2,341,027	2,357,490	2,353,098	2,342,840	2,352,324	2,322,973
10 Interbank loans	161,337	170,123	168,087	155,471	161,992	164,855	156,550	167,027	151,880
11 *Loans excluding interbank*	2,184,721	2,183,021	2,194,042	2,185,556	2,195,499	2,188,244	2,186,290	2,185,297	2,171,093
12 Commercial and industrial	585,867	582,664	586,598	588,712	588,868	589,973	588,386	589,266	587,896
13 Real estate	927,797	929,826	931,091	924,973	929,079	928,071	929,516	925,086	922,451
14 Revolving home equity	73,641	73,508	73,477	73,350	73,210	73,114	72,975	72,947	72,895
15 Other	854,156	856,319	857,615	851,624	855,869	854,957	856,541	852,139	849,556
16 Individual	387,490	385,194	389,602	392,098	394,149	394,513	393,201	392,884	392,460
17 All other	283,567	285,337	286,751	279,773	283,403	275,687	275,187	278,061	268,286
18 Total cash assets	253,838	210,792	245,975	233,338	233,204	226,770	214,747	247,309	210,433
19 Balances with Federal Reserve Banks	29,103	26,473	31,841	33,917	37,646	32,118	29,905	41,336	31,652
20 Cash in vault	35,818	34,282	34,826	34,420	37,743	35,605	35,965	35,641	34,895
21 Demand balances at U.S. depository institutions	35,177	30,675	36,176	33,239	32,158	32,836	30,061	36,641	30,348
22 Cash items	114,058	79,513	102,838	92,277	85,610	86,068	78,808	94,858	74,940
23 Other cash assets	39,682	39,849	40,293	39,485	40,046	40,142	40,009	38,834	38,214
24 Other assets	281,319	278,150	279,768	277,220	278,015	285,182	284,688	272,332	267,849
25 **Total assets**	**3,788,214**	**3,751,581**	**3,796,075**	**3,758,254**	**3,773,411**	**3,783,976**	**3,759,251**	**3,785,935**	**3,706,918**
Liabilities									
26 Total deposits	2,582,055	2,547,266	2,599,399	2,547,641	2,550,952	2,569,502	2,543,867	2,550,223	2,494,508
27 Transaction accounts	871,163	826,004	886,254	846,322	852,260	860,451	823,146	842,232	790,068
28 Demand, U.S. government	5,764	3,025	28,434	4,161	4,706	4,573	3,732	6,129	3,712
29 Demand, depository institutions	47,496	39,080	47,577	43,015	40,097	40,525	37,516	46,369	39,284
30 Other demand and all checkable deposits	817,903	783,899	810,243	799,147	807,457	815,353	781,898	789,734	747,072
31 Savings deposits (excluding checkable)	780,622	786,880	780,493	772,630	772,758	782,047	791,370	781,015	777,138
32 Small time deposits	599,170	598,394	597,592	595,972	595,013	595,959	594,347	593,804	592,358
33 Time deposits over $100,000	331,100	335,988	335,060	332,716	330,921	331,046	335,004	333,173	334,943
34 Borrowings	523,868	516,995	513,094	530,346	539,193	529,263	528,407	546,807	528,493
35 Treasury tax and loan notes	15,856	1,350	2,442	21,322	34,660	18,855	23,105	27,422	32,898
36 Other	508,012	515,645	510,652	509,024	504,533	510,408	505,302	519,385	495,595
37 Other liabilities	383,473	384,485	382,843	381,658	383,182	382,349	382,799	385,544	377,448
38 **Total liabilities**	**3,489,396**	**3,448,746**	**3,495,336**	**3,459,645**	**3,473,326**	**3,481,114**	**3,455,074**	**3,482,575**	**3,400,449**
39 Residual (assets less liabilities)[3]	298,818	302,835	300,739	298,609	300,085	302,862	304,177	303,361	306,470

Footnotes appear on following page.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1] Wednesday figures—Continued

Millions of dollars

Account	1993[r]					1994			
	Dec. 1	Dec. 8	Dec. 15	Dec. 22	Dec. 29	Jan. 5	Jan. 12	Jan. 19	Jan. 26
DOMESTICALLY CHARTERED COMMERCIAL BANKS[4]									
Assets									
40 Loans and securities	2,892,692	2,892,183	2,903,461	2,878,838	2,885,962	2,908,076	2,898,225	2,896,982	2,867,466
41 Investment securities	783,166	787,266	785,258	785,978	784,238	790,534	789,659	783,794	777,495
42 U.S. government securities	639,467	643,919	641,929	642,557	640,893	645,637	645,047	638,875	633,530
43 Other	143,699	143,347	143,329	143,420	143,345	144,897	144,612	144,920	143,966
44 Trading account assets	45,066	40,529	41,287	39,662	39,044	45,157	44,119	47,372	45,114
45 U.S. government securities	30,070	25,168	26,459	25,123	23,860	26,391	26,787	30,578	27,102
46 Other securities	2,145	2,120	1,991	2,036	2,114	2,289	2,200	2,055	1,970
47 Other trading account assets	12,851	13,241	12,837	12,503	13,071	16,477	15,132	14,738	16,043
48 Total loans	2,064,460	2,064,388	2,076,916	2,053,198	2,062,680	2,072,385	2,064,447	2,065,816	2,044,856
49 Interbank loans	139,413	144,298	147,147	131,762	133,949	141,584	140,715	142,698	131,440
50 Loans excluding interbank	1,925,047	1,920,090	1,929,769	1,921,437	1,928,731	1,930,802	1,923,732	1,923,118	1,913,416
51 Commercial and industrial	433,741	431,450	434,469	436,091	435,670	436,797	434,313	436,056	435,851
52 Real estate	880,648	882,684	884,468	879,496	883,867	883,570	884,759	880,585	877,763
53 Revolving home equity	73,641	73,508	73,477	73,350	73,210	73,114	72,975	72,947	72,895
54 Other	807,008	809,177	810,991	806,147	810,656	810,456	811,785	807,638	804,867
55 Individual	387,490	385,194	389,602	392,098	394,149	394,513	393,201	392,884	392,460
56 All other	223,168	220,761	221,230	213,752	215,045	215,922	211,458	213,592	207,342
57 Total cash assets	228,482	185,485	220,364	208,130	207,026	201,373	189,660	221,947	186,392
58 Balances with Federal Reserve Banks	28,605	25,760	31,339	33,119	37,041	31,339	29,466	40,325	31,131
59 Cash in vault	35,782	34,246	34,787	34,382	37,707	35,569	35,925	35,599	34,857
60 Demand balances at U.S. depository institutions	33,684	29,269	34,821	31,798	30,663	31,483	28,655	35,141	28,839
61 Cash items	111,548	77,299	100,600	89,916	83,143	83,798	76,384	92,353	72,395
62 Other cash assets	18,863	18,911	18,817	18,915	18,473	19,184	19,230	18,529	18,785
63 Other assets	184,074	183,655	181,972	180,941	182,982	193,686	188,410	183,413	181,061
64 **Total assets**	**3,305,248**	**3,261,323**	**3,305,796**	**3,267,908**	**3,275,969**	**3,303,135**	**3,276,294**	**3,302,342**	**3,234,918**
Liabilities									
65 Total deposits	2,434,803	2,397,548	2,447,895	2,395,861	2,398,130	2,419,339	2,393,703	2,401,878	2,342,406
66 Transaction accounts	858,922	815,245	874,423	834,944	839,834	849,212	811,892	830,921	778,081
67 Demand, U.S. government	5,762	3,024	28,432	4,160	4,705	4,571	3,731	6,128	3,712
68 Demand, depository institutions	44,715	36,607	44,935	40,271	37,336	38,050	35,101	43,840	36,559
69 Other demand and all checkable deposits	808,445	775,614	801,057	790,513	797,793	806,591	773,060	780,952	737,810
70 Savings deposits (excluding checkable)	776,267	782,440	776,123	768,276	768,333	777,679	786,978	776,678	772,734
71 Small time deposits	596,937	596,166	595,346	593,727	592,758	593,679	592,105	591,563	590,099
72 Time deposits over $100,000	202,677	203,697	202,003	198,914	197,205	198,769	202,728	202,717	201,493
73 Borrowings	422,534	413,122	410,262	430,266	434,202	430,007	426,412	442,037	432,960
74 Treasury tax and loan notes	15,856	1,350	2,442	21,322	34,660	18,855	23,105	27,422	32,898
75 Other	406,678	411,772	407,820	408,944	399,542	411,152	403,307	414,615	400,062
76 Other liabilities	152,094	150,819	149,902	146,173	146,553	153,928	155,003	158,067	156,083
77 **Total liabilities**	**3,009,431**	**2,961,490**	**3,008,059**	**2,972,300**	**2,978,886**	**3,003,274**	**2,975,118**	**3,001,982**	**2,931,449**
78 Residual (assets less liabilities)[3]	295,817	299,834	297,738	295,608	297,084	299,861	301,176	300,359	303,468

1. Excludes assets and liabilities of international banking facilities.
2. Includes insured domestically chartered commercial banks, agencies and branches of foreign banks, Edge Act and agreement corporations, and New York State investment corporations majority owned by foreign banks. Data are estimates for the last Wednesday of the month based on a sample of weekly reporting foreign-related and domestic institutions and quarter-end condition reports.
3. This balancing item is not intended as a measure of equity capital for use in capital-adequacy analysis.
4. Includes all member banks and insured nonmember banks. Loans and securities data are estimates for the last Wednesday of the month based on a sample of weekly reporting banks and quarter-end condition reports.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS

Millions of dollars, Wednesday figures

Account	1993					1994			
	Dec. 1	Dec. 8	Dec. 15	Dec. 22	Dec. 29	Jan. 5	Jan. 12	Jan. 19	Jan. 26
ASSETS									
1 Cash and balances due from depository institutions	142,070	107,158	136,856	124,500	124,063	119,432	114,048	139,460	114,163
2 U.S. Treasury and government securities	303,131r	302,530r	300,450r	299,794r	296,557r	307,716	307,025	305,208	299,105
3 Trading account	26,759r	22,611r	23,866r	22,761r	20,943r	24,041	23,425	27,403	24,527
4 Investment account	276,372	279,919	276,584	277,032	275,614	283,675	283,600	277,805	274,578
5 Mortgage-backed securities[1]	88,537	88,625	87,022	87,170	87,863	89,172	89,132	87,858	86,965
All others, by maturity									
6 One year or less	48,834	51,085	51,994	51,996	52,000	52,870	51,248	50,733	49,949
7 One year through five years	71,932	72,856	71,928	71,971	70,925	73,679	74,568	72,449	72,167
8 More than five years	67,069	67,353	65,640	65,895	64,826	67,953	68,653	66,766	65,497
9 Other securities	56,490	56,303	55,951	56,017	55,570	58,796	58,700	58,950	58,556
10 Trading account	1,935	1,911	1,782	1,828	1,883	1,949	1,860	1,767	1,707
11 Investment account	54,555	54,392	54,169	54,189	53,687	56,847	56,840	57,183	56,849
12 State and political subdivisions, by maturity	20,172	20,132	20,183	20,369	20,517	21,048	21,129	21,091	21,115
13 One year or less	4,062	3,945	4,003	4,034	4,054	3,926	3,868	3,902	3,946
14 More than one year	16,110	16,188	16,180	16,335	16,463	17,122	17,260	17,189	17,169
15 Other bonds, corporate stocks, and securities	34,384	34,260	33,986	33,821	33,170	35,799	35,711	36,092	35,734
16 Other trading account assets	12,740r	13,130r	12,724r	12,392r	12,960r	16,368	15,024	14,630	15,938
17 Federal funds sold[2]	93,857	97,197	102,728	80,864	86,051	93,389	92,714	100,295	90,455
18 To commercial banks in the United States	56,011	57,352	63,290	49,169	53,240	59,710	59,149	64,772	57,632
19 To nonbank brokers and dealers	33,432	34,965	34,720	28,657	29,504	28,340	28,887	29,062	26,787
20 To others[3]	4,414	4,881	4,717	3,039	3,306	5,339	4,677	6,461	6,036
21 Other loans and leases, gross	1,015,053	1,008,577	1,016,635	1,017,572r	1,019,713r	1,046,109	1,041,161	1,039,531	1,033,398
22 Commercial and industrial	272,904	270,666	272,724	273,969r	273,256r	278,869	277,074	278,783	278,811
23 Bankers acceptances and commercial paper	3,492	3,122	2,984	2,969	3,102	2,883	2,922	2,903	3,220
24 *All other*	269,411	267,544	269,741	271,000r	270,154r	275,986	274,153	275,880	275,592
25 U.S. addressees	267,975	266,092	268,295	269,485r	268,658r	274,434	272,465	274,225	273,942
26 Non-U.S. addressees	1,437	1,451	1,446	1,515	1,496	1,552	1,688	1,655	1,650
27 Real estate loans	410,662	412,737	412,583	407,976	409,656r	421,793	423,576	419,387	417,415
28 Revolving, home equity	42,950	42,809	42,796	42,685	42,650r	43,880	43,786	43,777	43,791
29 All other	367,713	369,928	369,787	365,291	367,006	377,912	379,789	375,610	373,624
30 To individuals for personal expenditures	198,793	197,529	200,218	202,293	203,948r	211,174	210,404	210,157	209,683
31 To financial institutions	41,338	40,774	41,950	43,081	42,800r	44,209	42,106	41,127	39,096
32 Commercial banks in the United States	15,518	14,996	16,737	18,208	18,016r	18,615	18,214	18,456	17,168
33 Banks in foreign countries	2,964	2,922	2,524	3,246	2,373	3,397	2,649	2,660	2,652
34 Nonbank financial institutions	22,856	22,856	22,689	21,627	22,411r	22,197	21,244	20,012	19,276
35 For purchasing and carrying securities	18,204	18,060	18,519	19,537	19,109	18,288	18,315	18,172	17,631
36 To finance agricultural production	5,624	5,664	5,628	5,661	5,705	6,117	5,970	5,916	5,922
37 To states and political subdivisions	12,513	12,336	12,353	12,497	12,308	12,329	12,222	12,232	12,218
38 To foreign governments and official institutions	1,156	1,113	1,158	1,141	1,381	1,179	1,149	1,231	1,080
39 All other loans[4]	28,070	23,900	25,626	25,477r	25,595r	25,682	23,767	25,948	24,988
40 Lease-financing receivables	25,789	25,797	25,876	25,940	25,954	26,470	26,578	26,580	26,554
41 LESS: Unearned income	1,947	1,930	1,916	1,912	1,906	1,918	1,919	1,916	1,898
42 Loan and lease reserve[5]	35,420	35,570	35,563	35,363	34,881	35,010	34,874	34,849	34,887
43 Other loans and leases, net	977,686	971,077	979,155	980,297r	982,926r	1,009,182	1,004,368	1,002,766	996,612
44 Other assets	170,929	170,669r	169,416r	168,651r	168,124r	178,822	176,436	171,521	168,290
45 **Total assets**	**1,756,902**	**1,718,064r**	**1,757,280r**	**1,722,515r**	**1,726,249r**	**1,783,703**	**1,768,315**	**1,792,831**	**1,743,118**

Footnotes appear on the following page.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS—Continued

Millions of dollars, Wednesday figures

Account	1993					1994			
	Dec. 1	Dec. 8	Dec. 15	Dec. 22	Dec. 29	Jan. 5	Jan. 12	Jan. 19	Jan. 26
LIABILITIES									
46 Deposits	1,156,471	1,125,695	1,169,542r	1,125,468r	1,127,040	1,170,528	1,157,263	1,165,260	1,125,425
47 Demand deposits	332,852	297,628	346,148	312,373r	315,836	316,913	303,087	320,102	289,472
48 Individuals, partnerships, and corporations	270,947	246,398	268,224	254,843r	260,103r	263,331	254,420	260,335	238,009
49 Other holders	61,905	51,230	77,925	57,529r	55,733r	53,581	48,667	59,767	51,463
50 States and political subdivisions	10,970r	8,524	10,152	9,843	10,234	10,006	8,656	9,796	9,651
51 U.S. government	3,705r	1,847	21,878	2,456	2,955	2,782	2,531	4,671	2,522
52 Depository institutions in the United States	29,458	22,568	29,366	23,438r	22,860r	22,531	21,194	27,874	22,741
53 Banks in foreign countries	5,745	5,144	6,258	7,815	5,589	5,991	5,705	5,748	5,191
54 Foreign governments and official institutions	716	663	720	617	853	881	605	796	637
55 Certified and officers' checks	11,312	12,484	9,550	13,360	13,242	11,390	9,975	10,882	10,721
56 Transaction balances other than demand deposits[4]	125,035	124,737	126,518	126,749	126,438	136,834	126,607	126,182	120,916
57 Nontransaction balances	698,584	703,330	696,876r	686,346	684,766	716,781	727,569	718,976	715,037
58 Individuals, partnerships, and corporations	677,632	682,298	676,043r	665,775	664,819	697,089	705,387	696,618	692,511
59 Other holders	20,952	21,033	20,833	20,572	19,947	19,692	22,182	22,358	22,526
60 States and political subdivisions	16,911	16,895	16,789	16,540	16,198	17,279	18,196	18,292	18,470
61 U.S. government	2,230	2,223	2,134	2,157	1,845	464	2,024	2,063	2,056
62 Depository institutions in the United States	1,515	1,618	1,608	1,573	1,603	1,623	1,653	1,695	1,691
63 Foreign governments, official institutions, and banks	296	297	302	302	301	326	309	309	308
64 Liabilities for borrowed money[5]	323,076r	315,423r	311,881r	326,957r	329,071r	327,231	323,079	336,960	328,573
65 Borrowings from Federal Reserve Banks	0	0	125	0	0	1,220	0	0	0
66 Treasury tax and loan notes	14,076	73r	1,645	18,536r	29,559r	15,993	19,530	23,302	28,843
67 Other liabilities for borrowed money[6]	308,999r	315,350r	310,111r	308,421r	299,512r	310,017	303,548	313,658	299,730
68 Other liabilities (including subordinated notes and debentures)	120,822r	119,299r	118,712r	114,839r	115,008r	123,664	124,843	128,026	125,791
69 **Total liabilities**	**1,600,369**	**1,560,417**	**1,600,136**	**1,567,264r**	**1,571,119**	**1,621,423**	**1,605,184**	**1,630,246**	**1,579,789**
70 Residual (total assets less total liabilities)[7]	156,533	157,647r	157,145r	155,251r	155,130r	162,280	163,131	162,585	163,329
MEMO									
71 Total loans and leases, gross, adjusted, plus securities[8]	1,409,742	1,405,390	1,408,460	1,399,262r	1,399,594r	1,444,052	1,437,260	1,435,386	1,422,652
72 Time deposits in amounts of $100,000 or more	95,828r	96,780	95,341	92,430	90,968	95,074	98,907	98,830	97,517
73 Loans sold outright to affiliates[9]	850	849	846	819	795	793	785	774	770
74 Commercial and industrial	391	391	388	395	391	389	389	384	383
75 Other	459	458	458	424	404	404	396	390	387
76 Foreign branch credit extended to U.S. residents[10]	21,344r	21,827r	21,653r	21,485r	21,785r	21,905	21,999	22,042	21,784
77 Net owed to related institutions abroad	−5,733r	−6,768r	−2,629r	−6,329r	−5,062r	−11,566	−3,988	4,810	4,758

1. Includes certificates of participation, issued or guaranteed by agencies of the U.S. government, in pools of residential mortgages.
2. Includes securities purchased under agreements to resell.
3. Includes allocated transfer risk reserve.
4. Includes negotiable order of withdrawal accounts (NOWs), automatic transfer service (ATS), and telephone and preauthorized transfers of savings deposits.
5. Includes borrowings only from other than directly related institutions.
6. Includes federal funds purchased and securities sold under agreements to repurchase.
7. This balancing item is not intended as a measure of equity capital for use in capital-adequacy analysis.
8. Excludes loans to and federal funds transactions with commercial banks in the United States.
9. Affiliates include a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.
10. Credit extended by foreign branches of domestically chartered weekly reporting banks to nonbank U.S. residents. Consists mainly of commercial and industrial loans, but includes an unknown amount of credit extended to other than nonfinancial businesses.

NOTE. Data that formerly appeared in table 1.28, Assets and Liabilities of Large Weekly Reporting Commercial Banks in New York City, can be obtained from the Board's H.4.2 (504) weekly statistical release. For ordering address, see inside front cover.

1.28 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS Assets and Liabilities[1]

Millions of dollars, Wednesday figures

Account	1993					1993			
	Dec. 1	Dec. 8	Dec. 15	Dec. 22	Dec. 29	Jan. 5	Jan. 12	Jan. 19	Jan. 26
ASSETS									
1 Cash and balances due from depository institutions	16,983	16,919	17,066	16,850	17,544	17,203	16,728	16,920	16,038
2 U.S. Treasury and government agency securities	36,009	37,924	37,182	37,181	38,062	36,390	36,338	36,749	36,629
3 Other securities	8,229	8,293	8,306	8,147	7,916	8,805	8,629	8,346	8,535
4 Federal funds sold[1]	25,456	32,268	28,968	29,323	31,712	23,862	23,467	29,344	25,529
5 To commercial banks in the United States	6,334	7,967	5,678	6,728	8,717	6,296	2,513	6,753	5,184
6 To others[2]	19,123	24,301	23,291	22,595	22,994	17,566	20,954	22,591	20,345
7 Other loans and leases, gross	158,046r	156,028r	157,457r	158,104r	160,008	157,761	157,339	155,978	154,374
8 Commercial and industrial	95,450r	94,785r	95,262r	95,466r	95,936r	96,260	96,254	96,058	95,346
9 Bankers acceptances and commercial paper	2,940	2,870	2,975	3,222	3,134	3,353	3,282	3,304	3,154
10 All other	92,509r	91,916r	92,287r	92,244r	92,802r	92,907	92,972	92,754	92,192
11 U.S. addressees	89,299r	88,746r	89,109r	89,029r	89,620r	89,688	89,745	89,504	88,858
12 Non-U.S. addressees	3,211	3,170	3,178	3,215	3,182	3,219	3,227	3,250	3,334
13 Loans secured by real estate	30,952r	30,929r	30,561r	29,825r	29,686	29,356	29,359	29,317	29,466
14 To financial institutions	22,286	22,263	22,465	22,581	23,113	22,807	22,354	22,039	21,109
15 Commercial banks in the United States	4,975	4,975	5,007	5,249	5,363	5,436	5,575	5,483	5,099
16 Banks in foreign countries	1,865	1,845	1,793	1,694	1,644	1,539	1,538	1,510	1,451
17 Nonbank financial institutions	15,446	15,442	15,665	15,637	16,106	15,832	15,241	15,046	14,558
18 For purchasing and carrying securities	5,432	4,148	5,163	6,066	6,863r	5,163	5,105	4,157	4,030
19 To foreign governments and official institutions	437	443	489	462	468	529	525	585	634
20 All other	3,489	3,460	3,517	3,705	3,943	3,646	3,742	3,820	3,790
21 Other assets (claims on nonrelated parties)	31,918r	32,935r	30,979r	30,969r	30,093	33,337	33,400	31,827	32,539
22 **Total assets**[3]	**305,591**	**310,778**	**309,949**	**309,655**	**314,422**	**304,398**	**305,527**	**305,496**	**297,933**
LIABILITIES									
23 Deposits or credit balances owed to other than directly-related institutions	95,646	97,459	98,784	98,969	99,470	97,946	97,429	96,047	98,113
24 Demand deposits[4]	4,924	4,239	4,713	4,442	5,125	4,567	4,498	4,644	4,889
25 Individuals, partnerships, and corporations	3,485	3,324	3,448	3,204	3,963	3,722	3,515	3,770	3,636
26 Other	1,439	915	1,265	1,239	1,162	846	983	874	1,253
27 Nontransaction accounts	90,722	93,220	94,071	94,526	94,345	93,379	92,931	91,403	93,224
28 Individuals, partnerships, and corporations	62,968	64,633	65,401	65,595	65,181	63,928	64,235	63,339	65,748
29 Other	27,754	28,587	28,670	28,932	29,164	29,450	28,696	28,064	27,476
30 Borrowings from other than directly-related institutions	76,895	79,281	77,100	75,139	78,684	72,808	75,186	78,008	70,659
31 Federal funds purchased[5]	38,772	40,238	41,228	39,255	43,179	37,537	40,556	42,848	38,339
32 From commercial banks in the United States	11,628	12,238	14,415	10,177	14,121	10,152	10,889	10,415	10,002
33 From others	27,144	28,000	26,812	29,078	29,058	27,385	29,667	32,433	28,337
34 Other liabilities for borrowed money	38,123	39,043	35,873	35,884	35,505	35,271	34,631	35,160	32,320
35 To commercial banks in the United States	5,535	5,715	6,171	6,012	6,003	6,437	6,172	6,346	5,816
36 To others	32,589	33,327	29,702	29,873	29,502	28,834	28,458	28,814	26,504
37 Other liabilities to nonrelated parties	28,710	28,662	27,084	27,293	27,470	29,864	30,191	28,671	30,239
38 **Total liabilities**[6]	**305,591**	**310,778**	**309,949**	**309,655**	**314,422**	**304,398**	**305,527**	**305,496**	**297,933**
MEMO									
39 Total loans (gross) and securities, adjusted[7]	216,431r	221,570r	221,229r	220,777r	223,618	215,087	217,684	218,180	214,784
40 Net owed to related institutions abroad	75,390	78,965	76,990	79,172	79,711	76,740	73,093	76,439	74,632

1. Includes securities purchased under agreements to resell.
2. Includes transactions with nonbank brokers and dealers in securities.
3. Includes net due from related institutions abroad for U.S. branches and agencies of foreign banks having a net "due from" position.
4. Includes other transaction deposits.
5. Includes securities sold under agreements to repurchase.
6. Includes net owed to related institutions abroad for U.S. branches and agencies of foreign banks having a net "due to" position.
7. Excludes loans to and federal funds transactions with commercial banks in the United States.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1993					
	1989	1990	1991	1992	1993	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**525,831**	**562,656**	**531,724**	**549,433**		**539,149**	**545,527**	**541,285**	**550,463**	**550,108**	
Financial companies[1]											
Dealer-placed paper[2]											
2 Total	183,622	214,706	213,823	228,260		210,224	216,245	215,077	222,981	218,077	
3 Bank-related (not seasonally adjusted)[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Directly placed paper[4]											
4 Total	210,930	200,036	183,379	172,813		170,192	172,093	169,431	170,965	177,123	
5 Bank-related (not seasonally adjusted)[3]	n.a.	n.a.	n.a.	n.a.		n.a.	n.a.	n.a.	n.a.	n.a.	
6 Nonfinancial companies[5]	131,279	147,914	134,522	148,360		158,733	157,189	156,777	156,517	154,908	
	Bankers dollar acceptances (not seasonally adjusted)[6]										
7 **Total**	**62,972**	**54,771**	**43,770**	**38,194**	**32,348**	**33,120**	**32,572**	**33,041**	**33,069**	**31,997**	**32,348**
By holder											
8 Accepting banks	9,433	9,017	11,017	10,555	12,325	11,422	12,416	12,522	12,332	12,475[r]	12,325
9 Own bills	8,510	7,930	9,347	9,097	10,611	10,140	10,709	10,679	10,886	10,853[r]	10,611
10 Bills bought from other banks	924	1,087	1,670	1,458	1,714	1,282	1,707	1,843	1,446	1,622	1,714
Federal Reserve Banks[7]											
11 Foreign correspondents	1,066	918	1,739	1,276	725	582	635	637	582	650	725
12 Others	52,473	44,836	31,014	26,364	19,298	21,116	19,521	19,882	20,155	18,872[r]	19,298
By basis											
13 Imports into United States	15,651	13,095	12,843	12,209	10,217	10,149	10,422	10,773	10,810	10,368	10,217
14 Exports from United States	13,683	12,703	10,351	8,096	7,293	7,673	7,534	7,460	7,101	7,054	7,293
15 All other	33,638	28,973	20,577	17,890	14,838	15,299	14,616	14,808	15,158	14,575	14,838

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial-company paper sold by dealers in the open market.
3. Series were discontinued in January 1989.
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. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January.
7. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1991— Jan. 1	10.00	1991	8.46	1992— Jan.	6.50	1993— Jan.	6.00
2	9.50	1992	6.25	Feb.	6.50	Feb.	6.00
Feb. 4	9.00	1993	6.00	Mar.	6.50	Mar.	6.00
May 1	8.50			Apr.	6.50	Apr.	6.00
Sept. 13	8.00	1991— Jan.	9.52	May	6.50	May	6.00
Nov. 6	7.50	Feb.	9.05	June	6.50	June	6.00
Dec. 23	6.50	Mar.	9.00	July	6.02	July	6.00
		Apr.	9.00	Aug.	6.00	Aug.	6.00
1992— July 2	6.00	May	8.50	Sept.	6.00	Sept.	6.00
		June	8.50	Oct.	6.00	Oct.	6.00
		July	8.50	Nov.	6.00	Nov.	6.00
		Aug.	8.50	Dec.	6.00	Dec.	6.00
		Sept.	8.20				
		Oct.	8.00			1994— Jan.	6.00
		Nov.	7.58			Feb.	6.00
		Dec.	7.21				

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Averages, percent per year; figures are averages of business day data unless otherwise noted

Item	1991	1992	1993	1993			1994	1993, week ending	1994, week ending			
				Oct.	Nov.	Dec.	Jan.	Dec. 31	Jan. 7	Jan. 14	Jan. 21	Jan. 28
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	5.69	3.52	3.02	2.99	3.02	2.96	3.05	2.99	3.00	2.98	3.13	2.97
2 Discount window borrowing[2,4]	5.45	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Commercial paper[3,5,6]												
3 1-month	5.89	3.71	3.17	3.14	3.15	3.35	3.14	3.35	3.21	3.12	3.13	3.11
4 3-month	5.87	3.75	3.22	3.26	3.40	3.36	3.19	3.32	3.26	3.18	3.18	3.15
5 6-month	5.85	3.80	3.30	3.27	3.43	3.40	3.30	3.38	3.37	3.29	3.28	3.26
Finance paper, directly placed[3,5,7]												
6 1-month	5.73	3.62	3.12	3.08	3.08	3.21	3.07	3.20	3.13	3.05	3.06	3.03
7 3-month	5.71	3.65	3.16	3.16	3.25	3.19	3.11	3.18	3.18	3.09	3.11	3.07
8 6-month	5.60	3.63	3.15	3.13	3.19	3.18	3.15	3.18	3.20	3.15	3.13	3.13
Bankers acceptances[3,5,8]												
9 3-month	5.70	3.62	3.13	3.19	3.29	3.23	3.10	3.21	3.16	3.09	3.07	3.07
10 6-month	5.67	3.67	3.21	3.19	3.32	3.30	3.21	3.29	3.28	3.20	3.19	3.17
Certificates of deposit, secondary market[3,9]												
11 1-month	5.82	3.64	3.11	3.09	3.11	3.26	3.08	3.22	3.15	3.07	3.06	3.06
12 3-month	5.83	3.68	3.17	3.24	3.35	3.26	3.15	3.24	3.22	3.13	3.12	3.12
13 6-month	5.91	3.76	3.28	3.25	3.39	3.35	3.29	3.33	3.37	3.27	3.27	3.26
14 Eurodollar deposits, 3-month[3,10]	5.86	3.70	3.18	3.26	3.36	3.26	3.15	3.23	3.23	3.13	3.13	3.13
U.S. Treasury bills[5]												
Secondary market[3,5]												
15 3-month	5.38	3.43	3.00	3.02	3.10	3.06	2.98	3.02	3.05	2.97	2.96	2.93
16 6-month	5.44	3.54	3.12	3.12	3.26	3.23	3.15	3.21	3.23	3.14	3.12	3.13
17 1-year	5.52	3.71	3.29	3.25	3.42	3.45	3.39	3.45	3.46	3.38	3.36	3.35
Auction average[3,5,11]												
18 3-month	5.42	3.45	3.02	3.04	3.12	3.08	3.02	3.06	3.10	3.02	2.99	2.96
19 6-month	5.49	3.57	3.14	3.13	3.27	3.25	3.19	3.21	3.29	3.18	3.15	3.14
20 1-year	5.54	3.75	3.33	3.25	3.43	3.47	3.52	n.a.	n.a.	3.52	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	5.86	3.89	3.43	3.39	3.58	3.61	3.54	3.61	3.63	3.52	3.51	3.51
22 2-year	6.49	4.77	4.05	3.87	4.16	4.21	4.14	4.22	4.25	4.10	4.11	4.10
23 3-year	6.82	5.30	4.44	4.18	4.50	4.54	4.48	4.53	4.59	4.43	4.45	4.44
24 5-year	7.37	6.19	5.14	4.71	5.06	5.15	5.09	5.14	5.21	5.03	5.06	5.05
25 7-year	7.68	6.63	5.54	5.05	5.45	5.48	5.43	5.47	5.58	5.37	5.41	5.38
26 10-year	7.86	7.01	5.87	5.33	5.72	5.77	5.75	5.77	5.85	5.69	5.74	5.74
27 20-year	n.a.	n.a.	6.29	6.07	6.38	6.40	6.39	6.41	6.48	6.34	6.38	6.35
28 30-year	8.14	7.67	6.59	5.94	6.21	6.25	6.29	6.28	6.36	6.24	6.29	6.29
Composite												
29 More than 10 years (long-term)	8.16	7.52	6.45	5.90	6.25	6.27	6.24	6.27	6.35	6.20	6.22	6.21
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
30 Aaa	6.56	6.09	5.38	5.13	5.10	5.18	5.14	5.18	5.15	5.15	5.15	5.10
31 Baa	6.99	6.48	5.82	5.63	5.61	5.69	5.60	5.68	5.64	5.62	5.60	5.53
32 *Bond Buyer* series[14]	6.92	6.44	5.60	5.25	5.47	5.35	5.31	5.28	5.34	5.31	5.29	5.28
CORPORATE BONDS												
33 Seasoned issues, all industries[15]	9.23	8.55	7.54	6.97	7.25	7.26	7.25	7.28	7.34	7.20	7.24	7.23
Rating group												
34 Aaa	8.77	8.14	7.22	6.67	6.93	6.93	6.92	6.94	7.01	6.87	6.92	6.91
35 Aa	9.05	8.46	7.40	6.87	7.12	7.12	7.12	7.15	7.21	7.08	7.12	7.11
36 A	9.30	8.62	7.58	7.04	7.29	7.31	7.30	7.33	7.38	7.25	7.30	7.29
37 Baa	9.80	8.98	7.93	7.31	7.66	7.69	7.65	7.71	7.75	7.61	7.64	7.62
38 A-rated, recently offered utility bonds[16]	9.32	8.52	7.46	6.91	7.25	7.28	7.24	7.34	7.21	7.28	7.25	7.16
MEMO												
Dividend–price ratio[17]												
39 Preferred stocks	8.17	7.46	n.a.	6.71	6.87	7.01	6.97	6.91	7.00	6.95	6.94	6.97
40 Common stocks	3.24	2.99	n.a.	2.72	2.72	2.72	2.69	2.71	2.72	2.68	2.68	2.69

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year or bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.
7. An average of offering rates on paper directly placed by finance companies.
8. Representative closing yields for acceptances of the highest-rated money center banks.
9. An average of dealer offering rates on nationally traded certificates of deposit.
10. Bid rates for Eurodollar deposits at 11:00 a.m. London time. Data are for indication purposes only.
11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Treasury.
13. General obligations based on Thursday figures; Moody's Investors Service.
14. General obligations only, with twenty years to maturity, issued by twenty state and local governmental units of mixed quality. Based on figures for Thursday.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
17. Standard & Poor's corporate series. Preferred stock ratio is based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratio is based on the 500 stocks in the price index.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1991	1992	1993	1993 May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1994 Jan.
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	206.35	229.00	249.71	246.02	247.16	247.85	251.93	254.86	257.53	255.93	257.73	262.11
2 Industrial	258.16	284.26	300.10	297.83	298.78	295.34	298.83	300.92	306.61	310.84	313.22	320.92
3 Transportation	173.97	201.02	242.68	237.80	234.30	238.30	250.82	247.74	254.04	262.96	268.11	278.29
4 Utility	92.64	99.48	114.55	111.21	113.27	116.27	118.72	122.32	120.49	115.08	114.97	112.67
5 Finance	150.84	179.29	216.55	209.40	209.75	218.89	224.96	229.35	228.18	214.08	216.00	218.71
6 Standard & Poor's Corporation (1941–43 = 10)[1]	376.20	415.75	451.63	445.25	448.06	447.29	454.13	459.24	463.90	462.89	465.95	472.99
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	360.32	391.28	438.77	429.72	436.13	434.99	444.75	454.91	472.73	472.41	465.95	481.14
Volume of trading (thousands of shares)												
8 New York Stock Exchange	179,411	202,558	263,374	255,843	250,230	247,574	247,324	261,770	280,503	277,886	259,457	313,223
9 American Stock Exchange	12,486	14,171	n.a.	20,433	17,753	17,744	19,352	18,889	21,279	18,436	17,461	19,211
	Customer financing (millions of dollars, end-of-period balances)											
10 Margin credit at broker–dealers[3]	**36,660**	**43,990**	**60,310**	**48,630**	**49,550**	**49,080**	**52,760**	**53,700**	**56,690**	**59,760**	**60,310**	**61,250**
Free credit balances at brokers[4]												
11 Margin accounts[5]	8,290	8,970	12,360	9,560	9,820	9,585	9,480	10,030	10,270	10,940	12,360	12,125
12 Cash accounts	19,255	22,510	27,715	21,610	22,625	21,475	21,915	23,170	22,450	23,560	27,715	26,020

	Margin requirements (percent of market value and effective date)[5]					
	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. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.
3. Since July 1983, under the revised Regulation T, margin credit at broker–dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
4. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.
5. New series since June 1984.
6. These requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission. Effective Jan. 31, 1986, the SEC approved new maintenance margin rules, permitting margins to be the price of the option plus 15 percent of the market value of the stock underlying the option.

Effective June 8, 1988, margins were set to be the price of the option plus 20 percent of the market value of the stock underlying the option (or 15 percent in the case of stock-index options).

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1991	Fiscal year 1992	Fiscal year 1993	Calendar year 1993 Aug.	1993 Sept.	1993 Oct.	1993 Nov.	1993 Dec.	1994 Jan.
U.S. budget[1]									
1 Receipts, total	1,054,264	1,090,453	1,153,147	86,734	127,469	78,668	83,107	125,416	122,968
2 On-budget	760,380	788,027	841,213	62,053	98,609	55,864	58,700	99,722	94,398
3 Off-budget	293,885	302,426	311,934	24,681	28,860	22,804	24,407	25,694	28,570
4 Outlays, total	1,323,785	1,380,794	1,407,831	109,812	118,904	124,090	121,488	133,667	107,355
5 On-budget	1,082,098	1,128,455	1,141,819	84,946	90,774	100,568	96,724	121,985	83,164
6 Off-budget	241,687	252,339	266,012	24,867	28,130	23,523	24,764	11,682	24,191
7 Surplus or deficit (−), total	−269,521	−290,340	−254,684	−23,078	8,565	−45,422	−38,381	−8,252	15,613
8 On-budget	−321,719	−340,428	−300,605	−22,893	7,835	−44,704	−38,024	−22,263	11,234
9 Off-budget	52,198	50,087	45,922	−186	730	−719	−357	14,012	4,379
Source of financing (total)									
10 Borrowing from the public	276,802	310,918	248,619	54,301	−9,346	4,255	71,028	13,995	−6,933
11 Operating cash (decrease, or increase (−))	−1,329	−17,305	6,283	−12,652	−11,713	33,646	−13,450	−17,413	−8,089
12 Other[2]	−5,952	−3,273	−218	−18,571	12,494	7,521	−19,197	11,670	−591
MEMO									
13 Treasury operating balance (level, end of period)	41,484	58,789	52,506	40,793	52,506	18,860	32,310	49,723	57,812
14 Federal Reserve Banks	7,928	24,586	17,289	7,975	17,289	6,032	6,334	14,809	21,541
15 Tax and loan accounts	33,556	34,203	35,217	32,818	35,217	12,828	25,977	34,914	36,271

1. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. 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) off-budget. The Postal Service is included as an off-budget item in the *Monthly Treasury Statement* beginning in 1990.

2. Includes special drawing rights (SDRs); reserve position on the U.S. quota in the International Monetary Fund (IMF); loans to the IMF; other cash and monetary assets; accrued interest payable to the public; allocations of SDRs; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain or loss for U.S. currency valuation adjustment; net gain or loss for IMF loan-valuation adjustment; and profit on sale of gold.

SOURCES. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government* and Office of Management and Budget, *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year 1992	Fiscal year 1993	Calendar year 1992 H1	Calendar year 1992 H2	Calendar year 1993 H1	Calendar year 1993 H2	Calendar year 1993 Nov.	Calendar year 1993 Dec.	Calendar year 1994 Jan.
RECEIPTS									
1 **All sources**	**1,090,453**	**1,153,147**	**560,318**	**540,472**	**593,187**	**582,020**	**83,107**	**125,416**	**122,968**
2 Individual income taxes, net	475,964	509,680	236,576	246,938	255,556	262,073	37,634	54,183	74,167
3 Withheld	408,352	430,427	198,868	215,584	210,066	228,429	37,823	51,184	36,838
4 Presidential Election Campaign Fund	30	28	20	10	25	2	−27	0	1
5 Nonwithheld	149,342	154,772	110,995	39,288	113,482	41,765	1,945	3,501	37,798
6 Refunds	81,760	75,546	73,308	7,942	67,468	8,114	2,107	502	470
Corporation income taxes									
7 Gross receipts	117,951	131,548	61,682	58,022	69,044	68,266	2,855	28,963	4,761
8 Refunds	17,680	14,027	9,403	7,219	7,198	6,514	647	725	844
9 Social insurance taxes and contributions, net	413,689	428,300	224,569	192,599	227,177	206,174	34,683	33,954	36,983
10 Employment taxes and contributions[2]	385,491	396,939	208,110	180,758	208,776	192,749	31,525	33,273	35,831
11 Self-employment taxes and contributions[3]	24,421	20,604	20,434	3,988	16,270	4,335	0	0	−1,589
12 Unemployment insurance	23,410	26,556	14,070	9,397	16,074	11,010	2,773	259	794
13 Other net receipts[4]	4,788	4,805	2,389	2,445	2,326	2,417	385	423	358
14 Excise taxes	45,569	48,057	22,389	23,456	23,398	25,994	4,808	4,695	4,011
15 Customs deposits	17,359	18,802	8,146	9,497	8,860	10,215	1,688	1,584	1,526
16 Estate and gift taxes	11,143	12,577	5,701	5,733	6,494	6,617	1,305	1,179	1,105
17 Miscellaneous receipts[5]	26,459	18,211	10,658	11,446	9,854	9,192	781	1,582	1,260
OUTLAYS									
18 **All types**	**1,380,856**	**1,407,831**	**704,266**	**723,515**	**673,315**	**728,165**	**121,488**	**133,667**	**107,355**
19 National defense	298,350	290,590	147,065	155,231	140,535	146,177	22,990	26,809	18,861
20 International affairs	16,107	17,175	8,540	9,916	6,565	10,534	1,964	548	1,103
21 General science, space, and technology	16,409	17,055	7,951	8,521	7,996	8,904	1,522	1,496	1,299
22 Energy	4,499	4,445	1,442	3,109	2,462	1,641	510	385	465
23 Natural resources and environment	20,025	20,088	8,594	11,467	8,588	11,077	2,784	1,567	1,447
24 Agriculture	15,205	20,257	7,526	8,852	11,824	7,335	2,237	3,074	1,122
25 Commerce and housing credit	10,118	−23,532	15,615	−7,697	−15,112	−1,724	−1,361	1,126	−1,124
26 Transportation	33,333	35,238	15,651	18,425	16,077	20,375	3,248	3,714	2,503
27 Community and regional development	6,838	10,395	3,903	4,464	4,935	5,606	930	772	906
28 Education, training, employment, and social services	45,250	48,872	23,767	21,241	24,057r	25,515	5,098	4,455	2,693
29 Health	89,497	99,249	44,164	47,232	49,882	52,631	8,675	8,906	7,665
30 Social security and Medicare	406,569	435,137	205,500	232,109	195,933	223,735	37,047	39,720	36,009
31 Income security	196,891	207,933	104,537	98,382	108,484r	103,163	16,764	19,771	16,196
32 Veterans benefits and services	34,133	35,715	15,597	18,561	16,385	19,848	3,198	4,469	2,151
33 Administration of justice	14,426	14,983	7,435	7,238	7,463	7,448	1,306	1,244	1,210
34 General government	12,945	13,039	5,050	8,223	5,205	6,565	1,317	1,708	669
35 Net interest[6]	199,439	198,870	100,161	98,692	99,635	99,963	16,171	16,638	17,095
36 Undistributed offsetting receipts[7]	−39,280	−37,386	−18,229	−20,628	−17,035	−20,407	−2,910	−2,737	−2,914

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for outlays does not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Old-age, disability, and hospital insurance.
4. Federal employee retirement contributions and civil service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Includes interest received by trust funds.
7. Consists of rents and royalties for 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 1994*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1991	1992				1993			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	**3,820**	**3,897**	**4,001**	**4,083**	**4,196**	**4,250**	**4,373**	**4,436**	n.a.
2 Public debt securities	3,802	3,881	3,985	4,065	4,177	4,231	4,352	4,412	4,536
3 Held by public	2,833	2,918	2,977	3,048	3,129	3,188	3,252	3,295	n.a.
4 Held by agencies	969	964	1,008	1,016	1,048	1,043	1,100	1,117	n.a.
5 Agency securities	19	16	16	18	19	20	21	25	n.a.
6 Held by public	19	16	16	18	19	20	21	25	n.a.
7 Held by agencies	0	0	0	0	0	0	0	0	n.a.
8 **Debt subject to statutory limit**	**3,707**	**3,784**	**3,891**	**3,973**	**4,086**	**4,140**	**4,256**	**4,316**	**4,446**
9 Public debt securities	3,706	3,783	3,890	3,972	4,085	4,139	4,256	4,315	4,445
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,145	4,145	4,145	4,145	4,145	4,145	4,370	4,900	4,900

1. Consists of guaranteed debt of U.S. Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCES. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin*.

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1990	1991	1992	1993	1993			
					Q1	Q2	Q3	Q4
1 **Total gross public debt**	**3,364.8**	**3,801.7**	**4,177.0**	**4,535.7**	**4,230.6**	**4,352.0**	**4,411.5**	**4,535.7**
By type								
2 Interest-bearing	3,362.0	3,798.9	4,173.9	4,532.3	4,227.6	4,349.0	4,408.6	4,532.3
3 Marketable	2,195.8	2,471.6	2,754.1	2,989.5	2,807.1	2,860.6	2,904.9	2,989.5
4 Bills	527.4	590.4	657.7	714.6	659.9	659.3	658.4	714.6
5 Notes	1,265.2	1,430.8	1,608.9	1,764.0	1,652.1	1,698.7	1,734.2	1,764.0
6 Bonds	388.2	435.5	472.5	495.9	480.2	487.6	497.4	495.9
7 Nonmarketable[1]	1,166.2	1,327.2	1,419.8	1,542.9	1,420.5	1,488.4	1,503.7	1,542.9
8 State and local government series	160.8	159.7	153.5	149.5	151.6	152.8	149.5	149.5
9 Foreign issues[2]	43.5	41.9	37.4	43.5	37.0	43.0	42.5	43.5
10 Government	43.5	41.9	37.4	43.5	37.0	43.0	42.5	43.5
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	124.1	135.9	155.0	169.4	161.4	164.4	167.0	169.4
13 *Government account series*[3]	813.8	959.2	1,043.5	1,150.0	1,040.0	1,097.8	1,114.3	1,150.0
14 Non-interest-bearing	2.8	2.8	3.1	3.4	3.0	2.9	2.9	3.4
By holder[4]								
15 U.S. Treasury and other federal agencies and trust funds	828.3	968.7	1,047.8		1,043.2	1,099.8	1,116.7	
16 Federal Reserve Banks	259.8	281.8	302.5		305.2	328.2	325.7	
17 Private investors	2,288.3	2,563.2	2,839.9		2,895.0	2,938.4	2,983.0	
18 Commercial banks	171.5	233.4	294.0		310.0	305.9	306.0	
19 Money market funds	45.4	80.0	79.4		77.7	76.2	75.2	
20 Insurance companies	142.0	168.7	197.5		205.0	208.1	210.0	
21 Other companies	108.9	150.8	192.5	n.a.	199.3	206.1	215.6	n.a.
22 State and local treasuries	490.4	520.3	534.8		541.0	553.9	558.0	
Individuals								
23 Savings bonds	126.2	138.1	157.3		163.6	166.5	169.1	
24 Other securities	107.6	125.8	131.9		134.1	136.4	136.7	
25 Foreign and international[5]	458.4	491.8	549.7		565.5	568.2	592.3	
26 Other miscellaneous investors[6]	637.7	651.3	702.4		698.8	717.0	720.0	

1. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
3. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign balances and international accounts in the United States.
6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

SOURCES. U.S. Treasury Department, data by type of security, *Monthly Statement of the Public Debt of the United States;* data by holder, *Treasury Bulletin*.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Millions of dollars, daily averages

Item	1993 Oct.	1993 Nov.	1993 Dec.	1993, week ending Dec. 1	Dec. 8	Dec. 15	Dec. 22	Dec. 29	1994, week ending Jan. 5	Jan. 12	Jan. 19	Jan. 26
IMMEDIATE TRANSACTIONS[2]												
By type of security												
U.S. Treasury securities												
1 Bills	39,670	47,256	42,139[r]	40,470	45,673	45,239	44,246	31,220	43,782	56,342	51,408	49,569
Coupon securities, by maturity												
2 Less than 3.5 years	44,600	52,959	37,291	42,476	42,231	40,198	40,743	22,716	33,911	56,702	50,456	59,234
3 3.5 to 7.5 years	43,354	45,242	29,891[r]	33,781	34,110	33,731	32,879	16,731	23,403	47,976	42,734	43,117
4 7.5 to 15 years	25,444	26,974[r]	16,803[r]	21,366[r]	22,327	19,007	14,369	9,275	15,890	28,728	27,412	25,100
5 15 years or more	19,347	17,995	13,255	14,026	16,112	16,105	11,926	7,553	13,410	23,445	15,884	18,133
Federal agency securities												
Debt, by maturity												
6 Less than 3.5 years	9,959	9,971	9,999	9,505	9,858	9,438	10,390	10,248	11,056	11,091	10,539	12,554
7 3.5 to 7.5 years	734	718	531[r]	398	785	583	474	303	326	1,359	552	635
8 7.5 years or more	567	396	466	273	572	706	365	212	447	530	650	635
Mortgage-backed												
9 Pass-throughs	20,766	22,489	19,388	18,113	21,419	24,269	17,601	12,630	22,071	33,767	26,807	22,607
10 All others[3]	2,853	3,064	2,771[r]	3,006	3,133	3,218	2,890	1,523	2,878	4,423	2,735	4,508
By type of counterparty												
Primary dealers and brokers												
11 U.S. Treasury securities	106,341	120,636	84,926	93,917	99,035	95,238	87,382	50,896	77,673	130,373	115,818	122,419
Federal agency securities												
12 Debt	1,487	1,623	1,308	1,585	1,518	1,508	1,032	915	1,939	1,675	1,497	2,096
13 Mortgage-backed	10,194	10,965	9,067	9,436	8,942	11,425	8,413	6,509	11,032	16,333	12,308	13,552
Customers												
14 U.S. Treasury securities	66,073	69,791[r]	54,454[r]	58,202[r]	61,417	59,043	56,782	36,599	52,724	82,819	72,075	72,734
Federal agency securities												
15 Debt	9,773	9,461	9,688[r]	8,592	9,698	9,219	10,197	9,848	9,890	11,304	10,244	11,728
16 Mortgage-backed	13,427	14,589	13,091	11,683	15,610	16,061	12,078	7,644	13,917	21,857	17,234	13,562
FUTURES AND FORWARD TRANSACTIONS[4]												
By type of deliverable security												
U.S. Treasury securities												
17 Bills	2,445	2,746	1,740	2,543	2,616	1,592	1,474	792	2,414	2,611	1,348	1,327
Coupon securities, by maturity												
18 Less than 3.5 years	1,603	2,276	1,756	1,976	1,785	1,648	2,262	1,200	1,626	2,800	1,959	2,197
19 3.5 to 7.5 years	1,530	2,158	1,809	2,259	1,763	1,751	2,673	858	1,373	2,184	1,466	2,562
20 7.5 to 15 years	3,153	4,192	2,930	3,879	4,020	2,725	3,034	1,540	2,590	3,509	3,395	2,990
21 15 years or more	11,266	12,704	8,686[r]	10,260	11,751	9,968	7,336	4,355	9,460	13,298	10,953	11,822
Federal agency securities												
Debt, by maturity												
22 Less than 3.5 years	47	77	29	31	14	22	13	49	139	84	105	148
23 3.5 to 7.5 years	107	93	49	52	57	64	13	66	33	98	93	77
24 7.5 years or more	33	29	83	37	73	136	71	9	269	9	30	73
Mortgage-backed												
25 Pass-throughs	26,416	26,164	17,858	16,068	19,839	28,154	14,250	7,268	18,660	35,613	26,246	21,805
26 Others[3]	2,283	1,916	1,745	819	1,079	1,116	3,142	1,893	1,573	1,454	1,457	2,365
OPTIONS TRANSACTIONS[5]												
By type of underlying security												
U.S. Treasury, coupon securities, by maturity												
27 Less than 3.5 years	1,956	2,121	1,633	1,452	2,154	1,821	1,208	1,258	1,900	3,004	1,991	1,751
28 3.5 to 7.5 years	699	618	327	208	277	315	266	487	417	1,338	767	460
29 7.5 to 15 years	610	770	636	560	737	561	587	663	710	1,257	2,097	821
30 15 years or more	1,782	2,121[r]	1,212[r]	1,371[r]	1,100[r]	1,388	1,306	616	2,642	2,265	1,799	2,158
Federal agency, mortgage-backed securities												
31 Pass-throughs	888	941[r]	548	936[r]	774	748	247	199	923	1,510	735	761

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 are based on the number of trading days in the period. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Transactions for immediate delivery include purchases or sales of securities (other than mortgage-backed agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

3. Includes such securities as collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), interest-only securities (IOs), and principal-only securities (POs).

4. Futures transactions are standardized agreements arranged on an exchange. Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. *All futures transactions are included regardless of time to delivery.* Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

5. Options transactions are purchases or sales of put-and-call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. In tables 1.42 and 1.43, "n.a." indicates that data are not published because of insufficient activity.

Data for several types of options transactions—U.S. Treasury securities, bills; Federal agency securities, debt; and federal agency securities, mortgage-backed, other than pass-throughs—are no longer available because activity is insufficient.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Millions of dollars

Item	1993			1993, week ending					1994, week ending		
	Oct.[r]	Nov.	Dec.	Dec. 1	Dec. 8	Dec. 15	Dec. 22	Dec. 29	Jan. 5	Jan. 12	Jan. 19
	Positions[2]										
NET IMMEDIATE POSITIONS[3]											
By type of security											
U.S. Treasury securities											
1 Bills	2,563	16,062	15,015	13,370	13,655	21,762	16,961	9,657	8,922	8,475	10,200
Coupon securities, by maturity											
2 Less than 3.5 years	−2,892	−3,830	−7,939	−7,960	−11,761	−10,823	−4,585	−4,592	−7,904	−3,562	−7,940
3 3.5 to 7.5 years	−22,475	−24,582	−18,634	−22,120	−22,873	−20,969	−15,272	−16,051	−14,691	−16,990	−17,198
4 7.5 to 15 years	−6,600	−890	−1,907	−2,009	−331	−1,680	−3,332	−1,895	−3,227	−2,241	−2,803
5 15 years or more	6,353	3,050	777	1,019	2,053	−1,987	−31	3,421	−560	1,090	−817
Federal agency securities											
Debt, by maturity											
6 Less than 3.5 years	11,012	9,381	8,277	8,028	6,542	9,113	10,756	6,996	7,348	7,648	9,206
7 3.5 to 7.5 years	3,374	3,189	3,368	3,295	3,546	3,398	3,516	3,197	2,763	3,247	2,684
8 7.5 years or more	4,497	4,089	4,550	4,206	4,354	4,371	4,754	4,738	4,657	5,365	5,683
Mortgage-backed											
9 Pass-throughs	52,587	44,808[r]	39,223	27,645	37,094	39,944	42,441	39,905	36,295	51,597	51,938
10 All others[4]	37,476	34,467[r]	29,892	33,054	31,333	30,959	27,805	28,108	33,083	32,235	31,241
Other money market instruments											
11 Certificates of deposit	3,363	3,428	3,490	3,879	2,939	3,210	4,003	3,557	4,167	3,028	4,216
12 Commercial paper	6,456	7,595	7,584	9,522	5,806	10,059	7,984	6,758	5,667	4,591	6,612
13 Bankers acceptances	1,287	1,432	1,186	1,490	1,383	1,200	1,054	1,132	944	918	1,241
FUTURES AND FORWARD POSITIONS[5]											
By type of deliverable security											
U.S. Treasury securities											
14 Bills	4,571	4,475	205	1,855	−1,999	−1,708	1,514	2,149	2,409	−3,743	−3,429
Coupon securities, by maturity											
15 Less than 3.5 years	−618	−952	−1,448	−901	−2,150	−1,965	−1,461	−802	328	−1,709	−2,041
16 3.5 to 7.5 years	2,548	1,646	556	307	1,380	982	−156	−446	2,298	1,248	1,933
17 7.5 to 15 years	10,412	10,952	8,422	9,931	8,750	9,083	7,424	7,855	9,690	5,906	6,081
18 15 years or more	−3,029	−1,670	−3,984	−2,496	−3,941	−2,877	−4,551	−5,745	−607	−5,716	−4,584
Federal agency securities											
Debt, by maturity											
19 Less than 3.5 years	26	15	34	23	13	−25	18	41	358	291	419
20 3.5 to 7.5 years	−111	68	90	18	−32	−7	−6	354	309	245	541
21 7.5 years or more	26	−8	48	−47	−17	158	−5	80	6	29	−549
Mortgage-backed											
22 Pass-throughs	−37,665	−21,894[r]	−10,903	−2,456	−13,310	−10,046	−12,517	−8,965	−10,830	−29,710	−29,595
23 All others[4]	6,104	2,508[r]	1,636	−240	248	321	3,241	3,526	−198	770	354
24 Certificates of deposit	−226,017	−226,180	−227,414	−225,477	−232,840	−229,415	−223,011	−228,009	−215,709	−216,323	−205,719
	Financing[6]										
Reverse repurchase agreements											
25 Overnight and continuing	237,187	228,941[r]	226,529	231,715[r]	226,668	239,877	222,401	214,327	233,887	253,989	255,207
26 Term	412,711	409,166[r]	392,778	366,248	392,063	399,619	401,470	389,969	364,009	406,009	407,166
Repurchase agreements											
27 Overnight and continuing	439,475	435,256[r]	441,518	458,032	429,671	478,417	439,708	416,722	438,703	449,875	478,024
28 Term	372,947	380,453[r]	368,885	313,364	355,118	362,142	399,841	382,285	313,183	372,708	378,689
Securities borrowed											
29 Overnight and continuing	136,213	135,679[r]	139,232[r]	140,054[r]	138,784	142,946	141,172	133,929	139,167	140,740	143,646
30 Term	43,336	47,110[r]	47,034	46,266	48,687	47,007	46,527	46,039	46,990	49,881	49,870
Securities loaned											
31 Overnight and continuing	6,001	6,075	5,564[r]	6,341	5,225	5,384	4,877	6,623	5,694	5,904	6,608
32 Term	1,988	2,556	2,386	2,488	2,717	2,993	2,390	1,701	1,428	1,349	1,392
Collateralized loans											
33 Overnight and continuing	16,408	13,409[r]	16,326[r]	11,818[r]	15,896	15,134	15,436	18,403	20,109	19,519	14,661
MEMO: Matched book[7]											
Reverse repurchase agreements											
34 Overnight and continuing	158,878	158,777	153,280	159,402	157,012	158,680	152,487	141,053	163,828	175,255	176,176
35 Term	359,496	361,099[r]	345,268	325,273	345,235	352,688	352,448	339,550	324,300	365,598	368,183
Repurchase agreements											
36 Overnight and continuing	233,495	223,461[r]	210,901	230,579[r]	221,064	218,183	200,899	195,575	228,655	236,862	243,076
37 Term	281,344	285,451	275,439	238,359	265,942	270,309	299,486	282,924	234,808	285,927	284,351

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data; monthly figures are averages of weekly data.
2. Securities positions are reported at market value.
3. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions of mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.
4. Includes such securities as collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), interest-only securities (IOs), and principal-only securities (POs).
5. Futures positions reflect standardized agreements arranged on an exchange. Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. All futures positions are included regardless of time to delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.
6. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day.
7. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE. Data for futures and forward commercial paper and bankers acceptances and for term financing of collateralized loans are no longer available because of insufficient activity.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1989	1990	1991	1992	1993				
					July	Aug.	Sept.	Oct.	Nov.
1 **Federal and federally sponsored agencies**	**411,805**	**434,668**	**442,772**	**483,970**	**522,494**	**544,642**	**0**	**0**	**0**
2 Federal agencies	35,664	42,159	41,035	41,829	44,656	44,816	43,753	43,796	44,055
3 Defense Department[1]	7	7	7	7	7	7	7	7	7
4 Export-Import Bank[2,3]	10,985	11,376	9,809	7,208	6,258	6,258	5,801	5,801	5,801
5 Federal Housing Administration[4]	328	393	397	374	97	154	213	243[r]	255
6 Government National Mortgage Association certificates of participation[5]	0	0	0	0	0	0	0	0	0
7 Postal Service[6]	6,445	6,948	8,421	10,660	10,182	10,182	9,732	9,732	9,732
8 Tennessee Valley Authority	17,899	23,435	22,401	23,580	28,112	28,215	28,000	28,016	28,260
9 United States Railway Association[6]	0	0	0	0	0	0	0	0	0
10 Federally sponsored agencies[7]	375,428	392,509	401,737	442,141	477,838	499,826	0	0	0
11 Federal Home Loan Banks	136,108	117,895	107,543	114,733	125,448	129,808	132,651	133,365	0
12 Federal Home Loan Mortgage Corporation	26,148	30,941	30,262	29,631	42,291	55,421	52,702	63,427	56,809
13 Federal National Mortgage Association	116,064	123,403	133,937	166,300	180,730	184,924	195,786	193,925	195,165
14 Farm Credit Banks[8]	54,864	53,590	52,199	51,910	51,698	51,406	51,636	51,759	51,861
15 Student Loan Marketing Association[9]	28,705	34,194	38,319	39,650	37,801	38,397	38,795	0	0
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	847	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	4,522	23,055	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**134,873**	**179,083**	**185,576**	**154,994**	**132,307**	**128,616**	**129,329**	**127,348**	**126,490**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	10,979	11,370	9,803	7,202	6,252	6,252	5,795	5,795	5,795
21 Postal Service[6]	6,195	6,698	8,201	10,440	10,182	10,182	9,732	9,732	9,732
22 Student Loan Marketing Association	4,880	4,850	4,820	4,790	4,790	4,790	4,790	4,760	4,760
23 Tennessee Valley Authority	16,519	14,055	10,725	6,975	6,575	6,325	6,325	6,325	6,325
24 United States Railway Association[6]	0	0	0	0	0	0	0	0	0
Other lending[14]									
25 Farmers Home Administration	53,311	52,324	48,534	42,979	39,129	38,619	38,619	38,619	38,619
26 Rural Electrification Administration	19,265	18,890	18,562	18,172	17,883	17,897	17,653	17,561	17,561
27 Other	23,724	70,896	84,931	64,436	47,496	44,551	46,415	44,556	43,698

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. On-budget since Sept. 30, 1976.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans' Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, shown on line 17.
9. Before late 1982, the Association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.
14. Includes FFB purchases of agency assets and guaranteed loans; the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1991	1992	1993	1993 June	1993 July	1993 Aug.	1993 Sept.	1993 Oct.	1993 Nov.	1993 Dec.	1994 Jan.
1 **All issues, new and refunding[1]**	**154,402**	**215,191**	**279,945**	**29,276**	**24,087**	**24,438**	**23,504**	**21,900**	**18,094**	**24,520**	**15,622**
By type of issue											
2 General obligation	55,100	78,611	90,599	9,614	8,537	6,414	5,884	7,495	6,422	6,542	4,622
3 Revenue	99,302	136,580	189,346	19,662	15,550	18,024	17,620	14,405	11,672	17,978	11,000
By type of issuer											
4 State	24,939	25,295	n.a.	3,562	2,944	2,319	2,758	3,216	885	n.a.	1,235
5 Special district or statutory authority[2]	80,614	129,686	n.a.	18,821	12,398	13,769	13,113	9,875	10,992	n.a.	10,025
6 Municipality, county, or township	48,849	60,210	n.a.	6,835	8,616	8,307	7,476	8,418	4,528	n.a.	4,362
7 **Issues for new capital**	**116,953**	**120,272**	**91,434**	**9,502**	**8,751**	**8,001**	**8,759**	**7,261**	**6,734**	**9,543**	**5,442**
By use of proceeds											
8 Education	21,121	22,071	17,098	2,208	1,723	1,883	1,886	547	1,416	1,227	1,634
9 Transportation	13,395	17,334	9,571	772	653	1,062	789	304	979	429	305
10 Utilities and conservation	21,039	20,058	11,802	1,629	922	1,646	1,255	593	687	1,454	325
11 Social welfare	25,648	21,796	n.a.	2,073	1,555	681	2,199	1,764	n.a.	2,171	n.a.
12 Industrial aid	8,376	5,424	6,381	1,042	429	212	329	518	673	1,272	488
13 Other purposes	30,275	33,589	29,519	1,634	3,453	2,544	2,362	3,737	1,820	2,990	1,637

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts.

SOURCES. Securities Data Company beginning January 1993; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1991	1992	1993	1993 May	1993 June	1993 July	1993 Aug.	1993 Sept.	1993 Oct.[r]	1993 Nov.[r]	1993 Dec.
1 **All issues[1]**	**465,246[r]**	**559,729[r]**	**n.a.**	**43,181[r]**	**66,164[r]**	**47,828[r]**	**52,745[r]**	**64,545[r]**	**56,143**	**54,813**	**44,115**
2 **Bonds[2]**	**389,822**	**471,404[r]**	**n.a.**	**34,483[r]**	**56,370[r]**	**38,032[r]**	**43,478[r]**	**53,887[r]**	**45,608**	**43,214**	**33,584**
By type of offering											
3 Public, domestic	286,930	377,960[r]	486,463	31,154[r]	51,693[r]	37,392[r]	40,237	49,182[r]	42,645	39,525	32,002
4 Private placement, domestic[3]	74,930	65,853	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	27,962	27,591	39,401	3,329	4,677[r]	640[r]	3,241[r]	4,705[r]	2,963	3,689	1,582
By industry group											
6 Manufacturing	86,628	82,058[r]	67,152	3,750[r]	8,607[r]	2,498[r]	6,132	4,036[r]	3,203	3,334	3,068
7 Commercial and miscellaneous	36,666	43,043[r]	37,257	3,015	2,630[r]	4,735[r]	2,331	2,378[r]	6,376	3,078	2,348
8 Transportation	13,598	9,979	8,046	685	948	611	723	288	1,416	648	895
9 Public utility	23,944[r]	48,055	52,532	3,017	5,874	5,797[r]	3,264	5,163	2,585	1,763	2,336
10 Communication	9,431	15,394	29,040	1,820	2,473	2,331	2,979	2,237	2,991	1,015	2,001
11 Real estate and financial	219,555[r]	272,875[r]	331,838	22,196	35,838[r]	22,060[r]	28,049[r]	39,785[r]	29,039	33,376	22,936
12 **Stocks[2]**	**75,424**	**88,325**	**111,262**	**8,698**	**9,794**	**9,596**	**9,267**	**10,658[r]**	**10,535**	**11,599**	**10,531**
By type of offering											
13 Public preferred	17,085	21,339	20,533	3,124	876	1,913	3,319	1,358	2,549	1,385	650
14 Common	48,230	57,118	90,559	5,574	8,918	7,683	5,948	9,336[r]	7,987	10,209	9,881
15 Private placement[3]	10,109	9,867	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	24,111	22,723	22,471	1,413	1,982	1,618	1,961	2,274	2,121	2,169	2,267
17 Commercial and miscellaneous	19,418	20,231	26,041	2,836	2,025	2,525	1,457	2,242	1,842	3,061	1,975
18 Transportation	2,439	2,595	2,237	111	168	114	466	153	128	221	162
19 Public utility	3,474	6,532	7,015	753	893	495	582	873	1,103	371	129
20 Communication	475	2,366	3,439	279	65	n.a.	115	248	18	1,074	1,603
21 Real estate and financial	25,507	33,879	49,889	3,307	4,660	4,844	4,675	4,666[r]	5,323	4,486	4,380

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCES. IDD Information Services, Inc., Securities Data Company, and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1992	1993	1993 May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.
1 **Sales of own shares[2]**	**647,055**		**60,504**	**68,373**	**72,503**	**73,032**	**69,938**	**74,490**	**72,865**	**89,535**
2 Redemptions of own shares	447,140		38,752	46,923	44,922	46,382	49,270	47,168	51,306	62,722
3 Net sales[3]	199,915	n.a.	21,759	21,650	27,581	26,650	20,667	27,322	21,559	26,813
4 **Assets[4]**	**1,056,310**		**1,219,863**	**1,255,377**	**1,284,842**	**1,343,920**	**1,370,654**	**1,411,628**	**1,416,841**	**1,452,101**
5 Cash[5]	73,999		85,677	84,177	93,345	92,771	96,848	104,301	103,352	99,371
6 Other	982,311		1,134,186	1,171,200	1,191,497	1,251,149	1,273,807	1,307,327	1,303,489	1,352,730

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited-maturity municipal bond funds.
2. Includes reinvestment of net income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.
4. Market value at end of period, less current liabilities.
5. Includes all U.S. Treasury securities and other short-term debt securities.

SOURCE. Investment Company Institute. Data based on reports of membership, which comprises substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect underwritings of new companies.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1991	1992	1993	1992 Q1	1992 Q2	1992 Q3	1992 Q4	1993 Q1	1993 Q2	1993 Q3	1993 Q4
1 Profits with inventory valuation and capital consumption adjustment	369.5	407.2	n.a.	409.9	411.7	367.5	439.5	432.1	458.1	468.5	n.a.
2 Profits before taxes	362.3	395.4	n.a.	404.3	409.5	357.9	409.9	419.8	445.6	443.8	n.a.
3 Profits tax liability	129.8	146.3	n.a.	147.0	153.0	130.1	155.0	160.9	173.3	169.5	n.a.
4 Profits after taxes	232.5	249.1	n.a.	257.3	256.5	227.8	254.9	258.9	272.3	274.3	n.a.
5 Dividends	137.4	150.5	169.0	138.0	146.1	155.2	162.9	167.5	168.5	169.7	170.4
6 Undistributed profits	95.2	98.6	n.a.	119.3	110.4	72.7	92.0	91.4	103.9	104.6	n.a.
7 Inventory valuation	4.9	−5.3	−7.8	−4.6	−13.7	−7.8	4.9	−12.7	−12.2	1.0	−7.2
8 Capital consumption adjustment	2.2	17.1	24.3	10.2	16.0	17.4	24.7	25.1	24.7	23.8	23.6

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.50 NONFARM BUSINESS EXPENDITURES New Plant and Equipment

Billions of dollars; quarterly data at seasonally adjusted annual rates

Industry	1992	1993	1994[1]	1992 Q2	1992 Q3	1992 Q4	1993 Q1	1993 Q2	1993 Q3	1993 Q4[1]	1994 Q1[1]
1 **Total nonfarm business**	**546.60**	**584.64**	**616.50**	**541.41**	**547.40**	**559.24**	**564.13**	**579.79**	**594.11**	**600.53**	**616.38**
Manufacturing											
2 Durable goods industries	73.32	81.49	84.93	74.07	72.09	73.30	79.11	80.88	81.99	83.99	87.50
3 Nondurable goods industries	100.69	97.97	101.34	97.91	100.77	103.56	95.94	96.21	100.18	99.53	98.72
Nonmanufacturing											
4 Mining	8.88	10.13	10.84	9.20	8.98	8.47	8.89	9.10	11.14	11.37	10.83
Transportation											
5 Railroad	6.67	6.20	6.21	6.32	6.70	7.04	6.00	6.00	5.91	6.90	6.32
6 Air	8.93	6.83	4.45	9.65	9.69	7.60	7.30	6.54	6.92	6.57	4.64
7 Other	7.04	9.34	10.25	7.19	7.52	6.97	9.17	9.04	8.88	10.26	10.53
Public utilities											
8 Electric	48.22	51.82	57.00	48.35	48.17	49.57	49.92	50.51	52.74	54.11	54.16
9 Gas and other	23.99	23.17	24.42	24.29	24.01	24.50	23.59	24.04	22.88	22.19	23.62
10 Commercial and other[2]	268.84	297.69	317.05	264.46	269.46	278.24	284.21	297.46	303.47	305.61	320.06

1. Figures are amounts anticipated by business.
2. "Other" consists of construction, wholesale and retail trade, finance and insurance, personal and business services, and communication.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1990	1991	1992	1992				1993		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3[r]
ASSETS										
1 Accounts receivable, gross[2]	492.3	480.6	482.1	475.6	476.7	473.9	482.1	469.6	469.3	467.6
2 Consumer	133.3	121.9	117.1	118.4	116.7	116.7	117.1	111.9	111.3	112.6
3 Business	293.6	292.9	296.5	290.8	293.2	288.5	296.5	289.6	290.7	287.8
4 Real estate	65.5	65.8	68.4	66.4	66.8	68.8	68.4	68.1	67.2	67.2
5 LESS: Reserves for unearned income	57.6	55.1	50.8	53.6	51.2	50.8	50.8	47.4	47.5	47.9
6 Reserves for losses	9.6	12.9	15.8	13.0	12.3	12.0	15.8	15.5	13.8	11.1
7 Accounts receivable, net	425.1	412.6	415.5	409.0	413.2	411.1	415.5	406.6	408.0	408.6
8 All other	113.9	149.0	150.6	145.5	139.4	146.5	150.6	155.0	156.6	169.7
9 **Total assets**	**539.0**	**561.6**	**566.1**	**554.5**	**552.6**	**557.6**	**566.1**	**561.6**	**564.6**	**578.3**
LIABILITIES AND CAPITAL										
10 Bank loans	31.0	42.3	37.6	38.0	37.8	38.1	37.6	34.1	29.5	25.8
11 Commercial paper	165.3	159.5	156.4	154.4	147.7	153.2	156.4	149.8	144.5	149.9
Debt										
12 Other short-term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Long-term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 Owed to parent	37.5	34.5	37.8	34.5	34.8	34.9	37.8	41.9	46.4	47.9
15 Not elsewhere classified	178.2	191.3	195.3	189.8	191.9	191.4	195.3	195.1	195.8	198.1
16 All other liabilities	63.9	69.0	71.2	72.0	73.4	73.7	71.2	74.2	81.3	87.6
17 Capital, surplus, and undivided profits	63.7	64.8	67.8	66.0	67.1	68.1	67.8	66.6	67.1	68.9
18 **Total liabilities and capital**	**539.6**	**561.2**	**566.1**	**554.6**	**552.7**	**559.4**	**566.1**	**561.7**	**564.6**	**578.3**

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.

2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES Consumer, Real Estate, and Business Credit[1]

Millions of dollars, amounts outstanding, end of period

Type of credit	1991	1992	1993	1993					
				July	Aug.	Sept.	Oct.	Nov.	Dec.
	Seasonally adjusted								
1 **Total**	**519,910**	**534,845**	**532,616**	**523,539**	**525,744**	**527,819**	**529,310**	**532,687[r]**	**532,616**
2 Consumer	154,822	157,707	159,359	153,228	153,420	154,707	155,700	157,438[r]	159,359
3 Real estate[2]	65,383	68,011	68,781	67,426	67,216	66,871	67,983	68,540	68,781
4 Business	299,705	309,127	304,475	302,885	305,108	306,241	305,627	306,709[r]	304,475
	Not seasonally adjusted								
5 **Total**	**523,192**	**538,158**	**535,910**	**523,389**	**521,094**	**524,937**	**528,869**	**532,354[r]**	**535,910**
6 Consumer	155,713	158,631	160,300	153,733	154,218	155,496	156,712	157,848[r]	160,300
7 Motor vehicles	63,415	57,605	55,280	56,817	55,247	55,057	54,324	55,337	55,280
8 Other consumer[3]	58,522	59,522	61,749	56,259	56,616	57,588	58,278	59,463	61,749
9 Securitized motor vehicles[4]	23,166	29,775	34,659	30,787	32,856	33,549	35,212	34,301[r]	34,659
10 Securitized other consumer[4]	10,610	11,729	8,611	9,870	9,498	9,302	8,898	8,747	8,611
11 Real estate[2]	65,760	68,410	69,187	67,649	67,565	67,212	68,425	68,718	69,187
12 Business	301,719	311,118	306,424	302,007	299,311	302,229	303,732	305,788[r]	306,424
13 Motor vehicles	90,613	87,456	90,147	87,745	84,920	86,019	86,129	88,510	90,147
14 Retail[5]	22,957	19,303	16,024	17,561	17,264	18,365	16,599	16,723	16,024
15 Wholesale[6]	31,216	29,962	31,067	27,442	25,136	25,458	27,144	29,260	31,067
16 Leasing	36,440	38,191	43,056	42,743	42,520	42,196	42,386	42,526	43,056
17 Equipment	141,399	151,607	149,083	146,408	146,404	147,905	148,357	146,703[r]	149,083
18 Retail	30,962	32,212	33,246	33,209	33,676	33,789	33,357	32,360[r]	33,246
19 Wholesale[6]	9,671	8,669	8,003	8,224	8,059	8,113	8,091	7,802	8,003
20 Leasing	100,766	110,726	107,835	104,975	104,669	106,004	106,909	106,541	107,835
21 Other business[7]	60,900	57,464	50,464	53,243	53,536	53,861	53,969	53,886	50,464
22 Securitized business assets[4]	8,807	14,590	16,730	14,611	14,451	14,444	15,277	16,690[r]	16,730
23 Retail	576	1,118	1,830	1,268	1,220	1,168	1,690	1,953[r]	1,830
24 Wholesale	5,285	8,756	9,697	8,318	8,329	8,529	8,785	9,407	9,697
25 Leasing	2,946	4,716	5,203	5,025	4,902	4,747	4,802	5,330	5,203

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are before deductions for unearned income and losses. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

2. Includes all loans secured by liens on any type of real estate, for example, first and junior mortgages and home equity loans.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, general merchandise, and recreation vehicles.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Passenger car fleets and commercial land vehicles for which licenses are required.

6. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

7. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1991	1992	1993	1993 July	1993 Aug.	1993 Sept.	1993 Oct.	1993 Nov.	1993 Dec.	1994 Jan.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	155.0	158.1	163.1	168.7	158.1	155.3	169.2	174.4	167.9	168.1
2 Amount of loan (thousands of dollars)	114.0	118.1	123.0	127.4	122.2	120.8	128.4	134.0	128.7	127.9
3 Loan-to-price ratio (percent)	75.0	76.6	78.0	77.8	78.4	78.5	78.0	79.1	79.2	78.0
4 Maturity (years)	26.8	25.6	26.1	26.2	26.4	26.5	26.7	26.9	26.8	27.2
5 Fees and charges (percent of loan amount)[2]	1.71	1.60	1.30	1.28	1.21	1.13	1.23	1.23	1.10	1.18
Yield (percent per year)										
6 Contract rate[1]	9.02	7.98	7.02	6.99	6.86	6.76	6.61	6.61	6.74	6.77
7 Effective rate[1,3]	9.30	8.25	7.24	7.20	7.05	6.95	6.80	6.80	6.92	6.95
8 Contract rate (HUD series)[4]	9.20	8.43	7.37	7.31	6.89	6.94	7.05	7.38	7.26	7.13
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	9.25	8.46	7.46	7.51	7.02	7.03	7.08	7.51	7.52	7.05
10 GNMA securities[6]	8.59	7.71	6.59	6.53	6.42	6.15	6.11	6.38	6.07	5.95
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	122,837	142,833	172,791	174,674	177,992	180,057	182,524	185,463	190,861	194,441
12 FHA/VA insured	21,702	22,168	22,876	22,761	22,834	22,810	22,978	23,334	23,857	23,796
13 Conventional	101,135	120,664	149,914	151,913	155,158	157,247	159,546	162,129	167,004	170,645
Mortgage transactions (during period)										
14 Purchases	37,202	75,905	92,037	7,854	8,176	8,866	8,780	8,979	12,123	7,919
Mortgage commitments (during period)										
15 Issued[7]	40,010	74,970	92,537	7,760	8,581	9,814	7,515	11,144	8,461	6,159
16 To sell[8]	7,608	10,493	5,097	458	2,585	0	0	0	209	664
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	24,131	29,959	42,789	43,119	44,396	46,858	50,108	52,933	55,012	56,067
18 FHA/VA insured	484	408	327	314	324	323	321	324	321	n.a.
19 Conventional	23,283	29,552	42,462	42,805	44,072	46,536	49,787	52,610	54,691	n.a.
Mortgage transactions (during period)										
20 Purchases	99,965	191,125	229,242	19,700	19,636	18,372	18,658	27,062	29,396	22,160
21 Sales	92,478	179,208	208,723	18,631	18,008	16,230	15,985	24,028	26,607	21,253
Mortgage commitments (during period)[9]										
22 Contracted	114,031	261,637	274,599	21,722	17,085	16,495	24,614	39,977	24,176	31,383

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.
4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.
5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.
6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.
7. Does not include standby commitments issued, but includes standby commitments converted.
8. Includes participation loans as well as whole loans.
9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1989	1990	1991	1992 Q3	1992 Q4	1993 Q1	1993 Q2	1993 Q3[p]
1 **All holders**	**3,549,564**	**3,761,525**	**3,923,371**	**4,020,556**	**4,042,926**	**4,059,200**	**4,099,621**	**4,160,167**
By type of property								
2 One- to four-family residences	2,408,402	2,615,435	2,778,803	2,911,442	2,953,527	2,976,784	3,026,924	3,088,521
3 Multifamily residences	306,517	309,369	306,410	301,975	294,976	293,578	290,609	290,857
4 Commercial	754,169	758,313	759,023	726,562	713,701	708,086	701,280	699,926
5 Farm	80,476	78,408	79,136	80,577	80,722	80,752	80,808	80,863
By type of holder								
6 Major financial institutions	1,931,537	1,914,315	1,846,726	1,793,492	1,769,187	1,753,045	1,765,052	1,770,274
7 Commercial banks[2]	767,069	844,826	876,100	891,445	894,513	891,755	910,944	922,366
8 One- to four-family	389,632	455,931	483,623	502,075	507,780	507,497	526,800	536,321
9 Multifamily	38,876	37,015	36,935	38,757	38,024	37,425	38,064	38,370
10 Commercial	321,906	334,648	337,095	330,705	328,826	326,853	325,485	326,859
11 Farm	16,656	17,231	18,447	19,908	19,882	19,980	20,595	20,815
12 Savings institutions[3]	910,254	801,628	705,367	648,178	627,972	617,163	612,379	610,081
13 One- to four-family	669,220	600,154	538,358	501,604	489,622	480,415	480,636	478,832
14 Multifamily	106,014	91,806	79,881	73,723	69,791	70,608	68,325	68,068
15 Commercial	134,370	109,168	86,741	72,517	68,235	65,808	63,096	62,860
16 Farm	650	500	388	334	324	332	322	321
17 Life insurance companies	254,214	267,861	265,258	253,869	246,702	244,128	241,729	237,826
18 One- to four-family	12,231	13,005	11,547	11,779	11,441	11,316	11,195	11,008
19 Multifamily	26,907	28,979	29,562	28,591	27,770	27,466	27,174	26,718
20 Commercial	205,472	215,121	214,105	204,132	198,269	196,100	194,012	190,758
21 Farm	9,604	10,756	10,044	9,366	9,222	9,246	9,348	9,343
22 Federal and related agencies	197,778	239,003	266,146	277,485	286,263	287,182	299,214	310,825
23 Government National Mortgage Association	23	20	19	27	30	45	45	44
24 One- to four-family	23	20	19	27	30	37	38	37
25 Multifamily	0	0	0	0	0	8	7	7
26 Farmers Home Administration[4]	41,176	41,439	41,713	41,671	41,695	41,630	41,669	41,669
27 One- to four-family	18,422	18,527	18,496	17,292	16,912	18,149	18,313	18,313
28 Multifamily	9,054	9,640	10,141	10,468	10,575	10,235	10,197	10,197
29 Commercial	4,443	4,690	4,905	5,072	5,158	4,934	4,915	4,915
30 Farm	9,257	8,582	8,171	8,839	9,050	8,313	8,245	8,245
31 Federal Housing and Veterans' Administrations	6,087	8,801	10,733	11,768	12,581	13,027	12,945	12,797
32 One- to four-family	2,875	3,593	4,036	4,531	5,153	5,631	5,635	5,460
33 Multifamily	3,212	5,208	6,697	7,236	7,428	7,396	7,311	7,336
34 Resolution Trust Corporation	0	32,600	45,822	37,099	32,045	27,331	21,973	19,925
35 One- to four-family	0	15,800	14,535	12,614	12,960	11,375	8,955	8,381
36 Multifamily	0	8,064	15,018	11,130	9,621	8,070	6,743	6,002
37 Commercial	0	8,736	16,269	13,356	9,464	7,886	6,275	5,543
38 Farm	0	0	0	0	0	0	0	0
39 Federal National Mortgage Association	99,001	104,870	112,283	126,476	137,584	141,192	151,513	160,721
40 One- to four-family	90,575	94,323	100,387	113,407	124,016	127,252	137,340	146,009
41 Multifamily	8,426	10,547	11,896	13,069	13,568	13,940	14,173	14,712
42 Federal Land Banks	29,640	29,416	28,767	28,815	28,664	28,536	28,592	28,810
43 One- to four-family	1,210	1,838	1,693	1,695	1,687	1,679	1,682	1,695
44 Farm	28,430	27,577	27,074	27,119	26,977	26,857	26,909	27,115
45 Federal Home Loan Mortgage Corporation	21,851	21,857	26,809	31,629	33,665	35,421	42,477	46,859
46 One- to four-family	18,248	19,185	24,125	29,039	31,032	32,831	39,905	44,315
47 Multifamily	3,603	2,672	2,684	2,591	2,633	2,589	2,572	2,544
48 Mortgage pools or trusts[5]	917,848	1,079,103	1,250,666	1,385,460	1,425,546	1,461,612	1,472,844	1,513,024
49 Government National Mortgage Association	368,367	403,613	425,295	422,255	419,516	421,514	413,166	415,076
50 One- to four-family	358,142	391,505	415,767	413,063	410,675	412,798	404,425	405,963
51 Multifamily	10,225	12,108	9,528	9,192	8,841	8,716	8,741	9,113
52 Federal Home Loan Mortgage Corporation	272,870	316,359	359,163	391,762	407,514	420,932	422,882	430,089
53 One- to four-family	266,060	308,369	351,906	385,400	401,525	415,279	417,646	425,154
54 Multifamily	6,810	7,990	7,257	6,362	5,989	5,654	5,236	4,935
55 Federal National Mortgage Association	228,232	299,833	371,984	429,935	444,979	457,316	465,220	481,880
56 One- to four-family	219,577	291,194	362,667	420,835	435,979	448,483	456,645	473,599
57 Multifamily	8,655	8,639	9,317	9,100	9,000	8,833	8,575	8,281
58 Farmers Home Administration[4]	80	66	47	41	38	44	45	45
59 One- to four-family	21	17	11	9	8	10	10	10
60 Multifamily	0	0	0	0	0	0	0	0
61 Commercial	26	24	19	18	17	18	19	19
62 Farm	33	26	17	14	13	16	16	16
63 Private mortgage conduits	48,299	59,232	94,177	141,468	153,499	161,805	171,532	185,933
64 One- to four-family	43,325	53,335	84,000	123,000	132,000	137,000	145,000	158,000
65 Multifamily	462	731	3,698	5,796	6,305	6,662	7,410	8,074
66 Commercial	4,512	5,166	6,479	12,673	15,194	18,143	19,121	19,859
67 Farm	0	0	0	0	0	0	0	0
68 Individuals and others[6]	502,401	529,104	559,833	564,118	561,930	557,360	562,511	566,045
69 One- to four-family	318,842	348,638	367,633	375,072	372,708	367,031	372,699	375,423
70 Multifamily	84,272	85,969	83,796	85,960	85,430	85,977	86,083	86,500
71 Commercial	83,440	80,761	93,410	88,090	88,538	88,344	88,357	89,113
72 Farm	15,846	13,737	14,994	14,996	15,254	16,008	15,372	15,008

1. Based on data from various institutional and governmental sources; figures for 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 loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCES. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required, are estimated mainly by the Federal Reserve. Line 64, from Inside Mortgage Securities.

1.55 CONSUMER INSTALLMENT CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1991	1992	1993	1993 July	Aug.	Sept.	Oct.	Nov.	Dec.
	Seasonally adjusted								
1 **Total**	**733,510**	**741,093**	**789,836**	**757,465**	**762,503**	**768,573**	**775,620[r]**	**782,561[r]**	**789,836**
2 Automobile	260,898	259,627	278,323	267,468	268,784	270,650	273,822[r]	276,853[r]	278,323
3 Revolving	243,564	254,299	281,695	266,938	270,753	273,703	277,125	279,273	281,695
4 Other	229,048	227,167	229,818	223,058	222,967	224,220	224,673[r]	226,435[r]	229,818
	Not seasonally adjusted								
5 **Total**	**749,052**	**756,944**	**807,060**	**753,645**	**763,268**	**770,384**	**776,101[r]**	**784,148[r]**	**807,060**
By major holder									
6 Commercial banks	340,713	331,869	367,085	339,948	345,449	349,699	352,559	358,429	367,085
7 Finance companies	121,937	117,127	117,030	113,076	111,864	112,645	112,602[r]	114,800[r]	117,030
8 Credit unions	92,681	97,641	114,452	106,027	108,095	109,687	110,830	112,342	114,452
9 Retailers	39,832	42,079	47,382	39,043	39,688	39,842	40,310	42,047	47,382
10 Savings institutions	45,965	43,461	33,000	36,485	35,919	34,985	34,251	33,500	33,000
11 Gasoline companies	4,362	4,365	4,462	4,668	4,728	4,574	4,599	4,507	4,462
12 Pools of securitized assets[2]	103,562	120,402	123,649	114,398	117,525	118,952	120,950	118,523[r]	123,649
By major type of credit[3]									
13 Automobile	261,219	259,964	278,693	267,646	270,495	273,291	275,882[r]	277,060[r]	278,693
14 Commercial banks	112,666	109,743	123,731	116,729	118,535	120,574	122,162	122,989	123,731
15 Finance companies	63,415	57,605	55,280	56,817	55,247	55,057	54,324[r]	55,337[r]	55,280
16 Pools of securitized assets[2]	28,915	33,878	36,781	33,673	35,569	36,123	37,630	36,569[r]	36,781
17 Revolving	256,876	267,949	296,678	264,100	269,663	272,579	275,109	280,080	296,678
18 Commercial banks	138,005	132,582	148,680	132,984	135,466	136,738	137,844	142,382	148,680
19 Retailers	34,712	36,629	41,378	33,505	34,099	34,214	34,668	36,319	41,378
20 Gasoline companies	4,362	4,365	4,462	4,668	4,728	4,574	4,599	4,507	4,462
21 Pools of securitized assets[2]	63,595	74,243	77,416	69,935	71,562	72,646	73,556	72,357	77,416
22 Other	230,957	229,031	231,688	221,899	223,109	224,514	225,110[r]	227,008[r]	231,688
23 Commercial banks	90,042	89,544	94,674	90,235	91,448	92,387	92,553	93,058	94,674
24 Finance companies	58,522	59,522	61,749	56,259	56,616	57,588	58,278[r]	59,463[r]	61,749
25 Retailers	5,120	5,450	6,004	5,538	5,589	5,628	5,642	5,728	6,004
26 Pools of securitized assets[2]	11,052	12,281	9,452	10,790	10,394	10,183	9,764	9,597	9,452

1. The Board's series on amounts of credit covers most short- and *intermediate-term credit* extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.

Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. 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 per year except as noted

Item	1991	1992	1993	1993 June	July	Aug.	Sept.	Oct.	Nov.	Dec.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	11.14	9.29	8.09	n.a.	n.a.	7.98	n.a.	n.a.	7.63	n.a.
2 24-month personal	15.18	14.04	13.47	n.a.	n.a.	13.45	n.a.	n.a.	13.22	n.a.
3 120-month mobile home	13.70	12.67	11.87	n.a.	n.a.	11.53	n.a.	n.a.	11.55	n.a.
4 Credit card	18.23	17.78	16.83	n.a.	n.a.	16.59	n.a.	n.a.	16.30	n.a.
Auto finance companies										
5 New car	12.41	9.93	9.48	9.45	9.37	9.21	9.21	9.25	8.96	8.80
6 Used car	15.60	13.80	12.79	12.55	12.46	12.48	12.52	12.58	12.41	12.33
OTHER TERMS[3]										
Maturity (months)										
7 New car	55.1	54.0	54.5	54.6	54.7	54.9	54.7	55.0	54.5	54.0
8 Used car	47.2	47.9	48.8	49.0	49.0	49.0	48.8	48.2	48.4	48.3
Loan-to-value ratio										
9 New car	88	89	91	91	91	91	91	90	91	90
10 Used car	96	97	98	98	98	99	98	98	98	98
Amount financed (dollars)										
11 New car	12,494	13,584	14,332	14,296	14,430	14,324	14,348	14,650	14,839	15,097
12 Used car	8,884	9,119	9,875	9,912	9,996	10,104	9,808	9,969	10,230	10,349

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Data are available for only the second month of each quarter.

3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1988	1989	1990	1991	1992	1992 Q1	1992 Q2	1992 Q3	1992 Q4	1993 Q1	1993 Q2	1993 Q3
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**752.6**	**723.0**	**631.0**	**475.5**	**582.4**	**603.3**	**586.2**	**610.8**	**529.1**	**399.3**	**667.5**	**579.7**
By sector and instrument												
2 U.S. government	155.1	146.4	246.9	278.2	304.0	323.8	352.9	299.1	240.1	229.6	348.2	177.2
3 Treasury securities	137.7	144.7	238.7	292.0	303.8	335.0	352.5	290.1	237.4	226.4	344.1	160.9
4 Budget agency issues and mortgages	17.4	1.6	8.2	−13.8	.2	−11.2	.4	9.0	2.7	3.2	4.1	16.2
5 Private	597.5	576.6	384.1	197.3	278.4	279.5	233.4	311.7	289.0	169.7	319.2	402.5
By instrument												
6 Tax-exempt obligations	53.7	65.3	57.3	69.6	65.7	68.0	76.6	75.8	42.4	62.4	67.2	38.9
7 Corporate bonds	103.1	73.8	47.1	78.8	67.3	76.3	77.8	61.3	53.7	75.0	64.9	55.2
8 Mortgages	279.6	269.1	188.7	165.1	121.1	185.4	69.8	135.1	93.9	100.2	134.5	223.2
9 Home mortgages	219.6	212.5	177.2	166.0	176.0	216.5	111.6	203.3	172.8	128.4	176.2	229.7
10 Multifamily residential	16.1	12.0	3.4	−2.5	−11.1	11.6	−16.9	−11.2	−27.9	−6.6	−12.8	.2
11 Commercial	48.5	47.3	8.9	.9	−45.5	−46.9	−25.7	−57.7	−51.6	−21.7	−29.1	−6.9
12 Farm	−4.6	−2.7	−.8	.7	1.6	4.2	.8	.8	.6	.1	.2	.2
13 Consumer credit	50.1	49.5	13.4	−13.1	9.3	−9.8	−14.7	13.5	48.2	19.2	22.9	60.8
14 Bank loans n.e.c.	44.7	36.4	4.2	−46.8	−5.6	−47.3	27.7	−24.1	21.4	−39.7	31.8	8.1
15 Commercial paper	11.9	21.4	9.7	−18.4	8.6	2.5	−2.6	9.3	25.4	−24.2	34.8	24.2
16 Other loans	54.3	61.0	63.6	−37.8	12.0	4.5	−1.1	40.8	3.9	−23.0	−37.0	−8.0
By borrowing sector												
17 Household	300.1	276.7	207.7	168.4	215.0	199.2	176.5	217.7	266.6	137.4	215.8	322.4
18 Nonfinancial business	248.4	236.3	121.9	−33.4	4.0	18.2	−10.1	20.5	−12.7	−38.9	34.5	36.4
19 Farm	−10.0	.5	1.8	2.4	1.5	4.3	3.6	−.1	−1.6	−2.5	3.4	4.6
20 Nonfarm noncorporate	57.2	49.4	19.4	−24.5	−39.4	−21.8	−47.4	−37.3	−51.0	−36.7	−31.4	−14.1
21 Corporate	201.3	186.5	100.7	−11.3	41.8	35.7	33.7	57.9	39.9	.3	62.5	46.0
22 State and local government	48.9	63.5	54.5	62.3	59.4	62.1	66.9	73.5	35.1	71.2	68.9	43.7
23 Foreign net borrowing in United States	6.4	10.2	23.9	13.9	24.2	1.9	57.7	37.8	−.6	50.3	26.8	78.5
24 Bonds	6.9	4.9	21.4	14.1	17.3	4.9	21.9	20.3	22.2	75.6	30.4	85.5
25 Bank loans n.e.c.	−1.8	−.1	−2.9	3.1	2.3	1.5	14.1	3.9	−10.3	1.6	6.5	1.0
26 Commercial paper	8.7	13.1	12.3	6.4	5.2	−8.0	27.8	13.1	−12.1	−21.7	−.6	−1.6
27 U.S. government and other loans	−7.5	−7.6	−7.0	−9.8	−.6	3.6	−6.1	.5	−.4	−5.3	−9.5	−6.4
28 **Total domestic plus foreign**	**759.0**	**733.1**	**654.9**	**489.4**	**606.6**	**605.3**	**644.0**	**648.7**	**528.5**	**449.5**	**694.2**	**658.2**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**239.9**	**213.7**	**193.5**	**150.4**	**209.5**	**167.6**	**206.3**	**294.4**	**169.6**	**148.5**	**130.3**	**366.8**
By instrument												
30 U.S. government-related	119.8	149.5	167.4	145.7	155.8	126.8	195.2	169.3	131.8	165.8	62.7	270.9
31 Government-sponsored enterprises securities	44.9	25.2	17.1	9.2	40.3	11.5	48.3	67.7	33.6	32.2	68.8	167.8
32 Mortgage pool securities	74.9	124.3	150.3	136.6	115.6	115.3	146.9	101.6	98.4	133.6	−6.1	103.1
33 Loans from U.S. government	.0	.0	−.1	.0	.0	.0	.0	.0	−.1	.0	.0	.0
34 Private	120.1	64.2	26.1	4.6	53.7	40.8	11.0	125.1	37.8	−17.3	67.6	95.8
35 Corporate bonds	49.0	37.3	40.8	56.8	58.4	28.6	59.1	71.5	74.2	59.9	55.5	86.2
36 Mortgages	.3	.5	.4	.8	.0	−.4	.1	.3	.1	.9	2.7	2.2
37 Bank loans n.e.c.	−3.8	6.0	1.1	17.1	−4.8	22.0	−39.1	17.7	−19.9	−21.2	−5.9	−12.5
38 Open market paper	54.8	31.3	8.6	−32.0	−.7	1.1	−14.8	17.5	−6.5	−75.5	−18.4	−12.4
39 Loans from Federal Home Loan Banks	19.7	−11.0	−24.7	−38.0	.8	−10.4	5.8	18.1	−10.1	18.6	33.5	32.3
By borrowing sector												
40 Government sponsored enterprises	44.9	25.2	17.0	9.1	40.2	11.5	48.3	67.7	33.5	32.2	68.8	167.8
41 Federally related mortgage pools	74.9	124.3	150.3	136.6	115.6	115.3	146.9	101.6	98.4	133.6	−6.1	103.1
42 Private	120.1	64.2	26.1	4.6	53.7	40.8	11.0	125.1	37.8	−17.3	67.6	95.8
43 Commercial banks	−3.0	−1.4	−.7	−11.7	8.8	3.2	5.5	12.1	14.5	5.4	10.1	6.2
44 Bank holding companies	5.2	6.2	−27.7	−2.5	2.3	10.9	−9.2	6.6	.8	21.1	1.3	−1.2
45 Funding corporations	39.1	13.8	12.5	−13.6	1.6	16.1	29.2	−7.7	−31.1	−54.2	7.2	−15.6
46 Savings institutions	21.7	−15.1	−30.2	−44.5	−6.7	−18.3	−5.4	11.2	−14.4	7.9	17.7	18.3
47 Credit unions	.0	.0	.0	.0	.0	.0	.0	.0	.1	.0	.3	.3
48 Life insurance companies	.0	.0	.0	.0	.0	.0	.0	.2	−.2	.1	.6	−.1
49 Finance companies	23.9	27.4	24.0	18.6	−3.6	−35.6	−20.1	21.2	19.9	−33.1	−38.6	9.4
50 Mortgage companies	−6.2	3.0	−4.0	5.7	.1	27.5	−35.3	14.4	−6.4	−10.4	15.9	2.4
51 Real estate investment trusts (REITs)	1.8	1.3	1.0	1.6	.1	1.7	1.3	2.0	−4.7	−1.4	2.5	3.8
52 Issuers of asset-backed securities (ABSs)	37.6	28.9	51.1	51.0	51.1	35.3	45.0	65.0	59.2	47.2	50.5	72.5

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1988	1989	1990	1991	1992	1992 Q1	1992 Q2	1992 Q3	1992 Q4	1993 Q1	1993 Q2	1993 Q3
	All sectors											
53 **Total net borrowing, all sectors**	**998.8**	**946.8**	**848.4**	**639.8**	**816.0**	**772.8**	**850.2**	**943.0**	**698.1**	**598.1**	**824.5**	**1,024.9**
54 U.S. government securities	274.9	295.8	414.4	424.0	459.8	450.6	548.1	468.5	372.0	395.3	410.9	448.1
55 Tax-exempt securities	53.7	65.3	57.3	69.6	65.7	68.0	76.6	75.8	42.4	62.4	67.2	38.9
56 Corporate and foreign bonds	159.0	116.0	109.2	149.6	143.0	109.7	158.8	153.2	150.1	210.5	150.9	226.9
57 Mortgages	280.0	269.6	189.1	165.8	121.1	185.0	69.8	135.4	94.0	101.0	137.3	225.5
58 Consumer credit	50.1	49.5	13.4	−13.1	9.3	−9.8	−14.7	13.5	48.2	19.2	22.9	60.8
59 Bank loans n.e.c.	39.2	42.3	2.4	−26.6	−8.1	−23.9	2.8	−2.5	−8.8	−59.3	32.4	−3.4
60 Open market paper	75.4	65.9	30.7	−44.0	13.1	−4.5	10.3	39.9	6.8	−121.4	15.8	10.3
61 Other loans	66.6	42.4	31.8	−85.6	12.2	−2.4	−1.4	59.3	−6.7	−9.7	−13.0	17.9
	Funds raised through mutual funds and corporate equities											
62 **Total net share issues**	**−98.6**	**−59.6**	**22.2**	**210.6**	**282.5**	**274.2**	**264.1**	**293.3**	**298.4**	**292.2**	**461.9**	**497.9**
63 Mutual funds	6.1	38.5	67.9	150.5	206.7	174.4	199.5	235.2	217.7	240.9	357.5	340.3
64 Corporate equities	−104.7	−98.1	−45.7	60.1	75.8	99.9	64.6	58.1	80.7	51.2	104.4	157.6
65 Nonfinancial corporations	−129.5	−124.2	−63.0	18.3	26.8	46.0	36.0	11.0	14.0	9.0	26.0	30.0
66 Financial corporations	23.9	8.8	9.9	11.2	18.4	24.8	17.4	12.3	19.2	10.3	28.1	27.2
67 Foreign shares purchased in United States	.9	17.2	7.4	30.7	30.6	29.1	11.2	34.8	47.5	31.9	50.3	100.4

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.5. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

Billions of dollars except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1988	1989	1990	1991	1992	1992 Q1	1992 Q2	1992 Q3	1992 Q4	1993 Q1	1993 Q2	1993 Q3
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**998.8**	**946.8**	**848.4**	**639.8**	**816.0**	**772.8**	**850.2**	**943.0**	**698.1**	**598.1**	**824.5**	**1,024.9**
2 Private domestic nonfinancial sectors	196.1	122.6	162.8	−16.1	79.0	135.5	150.9	−62.3	92.1	−140.8	−118.1	−155.2
3 Households	170.3	78.6	140.1	−49.7	50.2	118.2	109.6	−99.7	72.5	−124.7	−134.6	−167.5
4 Nonfarm noncorporate business	3.1	−.7	−1.7	−4.2	−2.4	−3.9	−2.7	−2.0	−1.0	−3.7	−3.0	−2.2
5 Nonfinancial corporate business	5.7	13.6	−5.3	4.3	36.3	25.1	36.8	46.5	36.9	−1.8	14.3	25.9
6 State and local governments	17.1	31.1	29.6	33.5	−5.0	−3.9	7.2	−7.1	−16.3	−10.5	5.1	−11.5
7 U.S. government	−10.6	−3.1	33.7	10.5	−11.9	15.2	−23.0	−26.7	−13.1	−24.1	−27.8	−15.4
8 Foreign	108.6	84.4	82.1	25.6	100.7	96.5	140.7	78.1	87.5	73.2	89.5	144.0
9 Financial sectors	704.8	742.9	569.9	619.8	648.2	525.6	581.7	953.9	531.5	689.8	880.9	1,051.6
10 Government sponsored enterprises	33.2	−4.1	16.4	14.2	69.0	92.7	38.6	73.0	71.7	14.6	144.1	162.7
11 Federally related mortgage pools	74.9	124.3	150.3	136.6	115.6	115.3	146.9	101.6	98.4	133.6	−6.1	103.1
12 Monetary authority	10.5	−7.3	8.1	31.1	27.9	28.5	19.0	15.7	48.3	44.5	32.6	28.2
13 Commercial banking	156.5	177.2	125.1	84.3	94.8	85.1	72.7	148.0	73.3	86.4	153.4	132.6
14 U.S. commercial banks	126.4	146.1	94.9	39.2	69.8	76.3	13.3	123.5	66.0	100.4	142.0	147.0
15 Foreign banking offices	29.4	26.7	28.4	48.5	16.5	−.5	56.7	5.2	4.8	−12.5	−.7	−17.2
16 Bank holding companies	−.1	2.8	−2.8	−1.5	5.6	7.1	−.4	16.4	−.6	−4.3	9.5	.3
17 Banks in U.S. affiliated areas	.8	1.6	4.5	−1.9	2.9	2.2	3.2	3.0	3.0	2.9	2.6	2.5
18 Private nonbank finance	429.7	452.9	270.0	353.7	341.0	204.1	304.5	615.5	239.9	410.7	556.8	625.0
19 Thrift institutions	114.8	−86.6	−153.3	−123.0	−59.9	−105.0	−75.8	−42.6	−16.1	−28.2	−17.1	7.4
20 Insurance	199.0	257.4	181.6	234.3	164.5	97.2	185.4	217.8	157.8	291.4	175.5	248.2
21 Life insurance companies	104.0	101.8	94.4	83.2	82.4	73.7	66.9	85.1	103.7	122.1	108.0	103.0
22 Other insurance companies	29.2	29.7	26.5	32.3	12.7	28.8	16.4	−2.8	8.3	8.9	10.6	9.0
23 Private pension funds	29.2	81.1	17.2	85.3	37.3	−33.2	74.1	99.9	8.4	118.0	11.1	86.3
24 State and local government retirement funds	36.6	44.7	43.5	33.5	32.2	27.8	28.0	35.6	37.4	42.4	45.9	49.9
25 Finance n.e.c.	115.9	282.2	241.7	242.3	236.3	211.9	194.9	440.4	98.2	147.5	398.3	369.5
26 Finance companies	38.1	32.0	28.4	−12.1	1.7	−5.3	−16.0	4.0	24.0	−34.0	−22.8	5.7
27 Mortgage companies	−7.4	6.1	−8.0	11.4	.1	23.0	−38.5	28.9	−12.8	−20.8	31.7	5.4
28 Mutual funds	11.9	23.8	41.4	90.3	123.7	95.1	123.7	156.9	119.2	130.2	193.4	171.2
29 Closed-end funds	19.8	6.3	.0	15.2	12.3	17.9	9.4	8.7	13.1	8.9	13.0	11.0
30 Money market funds	10.7	67.1	80.9	30.1	1.3	19.1	3.8	8.5	−26.1	−65.0	51.8	44.6
31 Real estate investment trusts (REITs)	.9	.5	−.7	−1.0	.4	−.7	2.6	−.3	−.1	2.9	.8	1.3
32 Brokers and dealers	−8.2	96.3	34.9	49.0	40.2	−2.4	73.0	180.3	−90.2	79.5	66.7	55.5
33 Asset-backed securities issuers (ABSs)	35.9	27.7	49.9	49.0	48.6	33.0	45.2	62.6	53.6	46.7	49.4	75.3
34 Bank personal trusts	14.3	22.4	14.8	10.4	8.0	32.2	−8.4	−9.3	17.3	−.9	14.4	−.5
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
35 **Net flows through credit markets**	**998.8**	**946.8**	**848.4**	**639.8**	**816.0**	**772.8**	**850.2**	**943.0**	**698.1**	**598.1**	**824.5**	**1,024.9**
Other financial sources												
36 Official foreign exchange	4.0	24.8	2.0	−5.9	−1.6	3.5	−6.5	−8.5	5.1	3.4	−3.5	4.2
37 Treasury currency and special drawing rights certificates	.5	4.1	2.5	.0	−1.8	.1	.3	.2	−7.7	.3	.4	.4
38 Life insurance reserves	25.3	28.8	25.7	25.7	28.4	33.8	22.7	27.3	29.8	51.4	41.0	39.4
39 Pension fund reserves	140.1	309.7	158.1	358.8	214.8	129.0	194.4	278.5	257.4	340.7	199.8	273.0
40 Interbank claims	2.9	−16.5	34.2	−3.7	49.0	25.7	36.9	82.3	51.1	17.7	54.9	−19.8
41 Deposits at financial institutions	278.6	284.8	98.1	48.2	9.3	−.7	6.3	174.1	−142.7	−8.2	247.2	70.3
42 Checkable deposits and currency	43.2	6.1	44.2	75.8	122.8	86.4	110.8	200.4	93.5	25.0	232.2	96.4
43 Small time and savings deposits	121.6	100.4	59.0	16.7	−60.8	−40.1	−81.8	−83.6	−37.8	−158.9	−54.2	−87.1
44 Large time deposits	53.1	13.9	−65.7	−60.8	−80.0	−72.9	−109.9	−52.9	−84.2	1.9	−17.5	−57.3
45 Money market fund shares	21.9	90.1	70.3	41.2	3.9	44.4	26.7	−22.4	−32.9	−37.7	66.8	57.2
46 Security repurchase agreements	23.7	77.8	−24.2	−16.5	33.6	8.1	103.7	89.6	−67.1	180.3	17.6	86.4
47 Foreign deposits	15.2	−3.6	14.6	−8.2	−10.2	−26.6	−43.2	43.0	−14.2	−18.8	2.4	−25.2
48 Mutual fund shares	6.1	38.5	67.9	150.5	206.7	174.4	199.5	235.2	217.7	240.9	357.5	340.3
49 Corporate equities	−104.7	−98.1	−45.7	60.1	75.8	99.9	64.6	58.1	80.7	51.2	104.4	157.6
50 Security credit	3.0	15.6	3.5	51.4	4.2	−66.7	−4.9	82.8	5.5	39.7	38.3	34.8
51 Trade debt	89.6	59.4	32.1	−2.2	57.9	79.8	56.5	57.8	37.5	27.3	42.5	42.4
52 Taxes payable	5.3	2.0	−4.5	−8.5	7.7	8.5	6.1	6.5	9.9	9.6	11.3	4.1
53 Noncorporate proprietors' equity	−24.0	−31.1	−35.5	−12.5	−10.7	−25.8	12.3	−33.2	4.0	3.6	−7.2	−28.7
54 Investment in bank personal trusts	7.2	23.1	21.5	29.8	−7.5	40.2	20.2	−55.4	−35.2	−10.1	35.8	−23.0
55 Miscellaneous	199.2	292.1	98.2	169.9	196.4	93.1	272.6	209.0	210.9	233.2	355.1	228.7
56 **Total financial sources**	**1,632.0**	**1,883.8**	**1,306.5**	**1,501.3**	**1,644.7**	**1,367.6**	**1,731.2**	**2,057.7**	**1,422.3**	**1,598.7**	**2,302.0**	**2,148.7**
Floats not included in assets (−)												
57 U.S. government checkable deposits	1.6	8.4	3.3	−13.1	.7	11.3	−9.5	4.4	−3.6	.1	6.2	−5.1
58 Other checkable deposits	.8	−3.2	2.5	2.0	1.6	13.8	2.0	−11.7	2.3	−1.8	−1.4	−5.6
59 Trade credit	−6.2	−1.9	2.5	8.1	21.5	25.0	11.3	44.0	5.7	−21.8	8.7	3.9
Liabilities not identified as assets (−)												
60 Treasury currency	−.1	−.2	.2	−.6	−.2	−.3	−.2	−.2	−.1	−.2	−.2	−.2
61 Interbank claims	−3.0	−4.4	1.6	26.2	−4.0	8.2	−18.2	−5.3	−.6	9.3	−.3	−14.8
62 Security repurchase agreements	−29.6	32.4	−31.5	5.2	31.1	−26.7	84.1	43.5	23.4	155.2	25.4	78.6
63 Taxes payable	6.3	2.3	.5	.4	6.7	−7.6	7.0	23.8	3.7	−11.2	23.2	5.3
64 Miscellaneous	47.3	−77.8	−23.6	−32.1	−15.4	−60.5	−62.9	11.9	49.9	29.5	−31.0	−21.9
65 **Total identified to sectors as assets**	**1,614.8**	**1,928.2**	**1,351.0**	**1,505.2**	**1,602.7**	**1,404.4**	**1,717.6**	**1,947.4**	**1,341.6**	**1,439.5**	**2,271.5**	**2,108.5**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.6 and F.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

	Transaction category or sector	1989	1990	1991	1992	1992 Q1	1992 Q2	1992 Q3	1992 Q4	1993 Q1	1993 Q2	1993 Q3
						Nonfinancial sectors						
1	**Total credit market debt owed by domestic nonfinancial sectors**	**10,054.3**	**10,692.0**	**11,160.6**	**11,746.9**	**11,289.2**	**11,427.0**	**11,580.3**	**11,746.9**	**11,823.0**	**11,979.2**	**12,125.4**
	By lending sector and instrument											
2	U.S. government	2,251.2	2,498.1	2,776.4	3,080.3	2,859.7	2,923.3	2,998.9	3,080.3	3,140.2	3,201.2	3,247.3
3	Treasury securities	2,227.0	2,465.8	2,757.8	3,061.6	2,844.0	2,907.4	2,980.7	3,061.6	3,120.6	3,180.6	3,222.6
4	Budget agency issues and mortgages	24.2	32.4	18.6	18.8	15.8	15.9	18.1	18.8	19.6	20.6	24.7
5	Private	7,803.1	8,193.9	8,384.3	8,666.5	8,429.4	8,503.7	8,581.5	8,666.5	8,682.9	8,777.9	8,878.2
	By instrument											
6	Tax-exempt obligations	1,004.7	1,062.1	1,131.6	1,197.3	1,145.5	1,163.7	1,186.4	1,197.3	1,210.0	1,225.7	1,239.5
7	Corporate bonds	961.1	1,008.2	1,086.9	1,154.2	1,106.0	1,125.4	1,140.8	1,154.2	1,172.9	1,189.2	1,203.0
8	Mortgages	3,512.8	3,715.4	3,880.4	4,001.9	3,918.1	3,941.5	3,979.7	4,001.9	4,017.9	4,057.6	4,117.6
9	Home mortgages	2,380.5	2,580.6	2,746.6	2,922.7	2,791.8	2,825.6	2,880.8	2,922.7	2,945.8	2,996.0	3,057.6
10	Multifamily residential	304.3	305.5	303.0	291.9	305.9	301.7	298.9	291.9	290.3	287.1	287.1
11	Commercial	747.6	750.8	751.7	706.5	740.3	733.8	719.4	706.5	701.1	693.8	692.1
12	Farm	80.5	78.4	79.1	80.7	80.2	80.4	80.6	80.7	80.8	80.8	80.9
13	Consumer credit	799.5	813.0	799.9	809.2	777.6	776.9	784.5	809.2	793.7	802.3	821.7
14	Bank loans n.e.c.	750.8	747.8	701.0	695.6	685.5	694.0	686.2	695.6	683.0	691.9	691.9
15	Commercial paper	107.1	116.9	98.5	107.1	110.4	112.0	108.2	107.1	114.6	125.0	124.3
16	Other loans	667.0	730.6	685.9	701.2	686.2	690.1	695.8	701.2	690.8	686.2	680.2
	By borrowing sector											
17	Household	3,371.4	3,594.8	3,762.7	3,978.0	3,782.6	3,837.3	3,900.0	3,978.0	3,982.2	4,046.8	4,135.1
18	Nonfinancial business	3,615.7	3,728.5	3,688.7	3,696.3	3,701.5	3,705.4	3,698.3	3,696.3	3,693.6	3,708.0	3,704.9
19	Farm	134.4	134.9	134.8	136.3	133.6	137.0	137.9	136.3	133.5	136.8	138.8
20	Nonfarm noncorporate	1,199.6	1,219.0	1,192.3	1,154.5	1,187.6	1,177.3	1,165.1	1,154.5	1,144.2	1,138.3	1,132.0
21	Corporate	2,281.7	2,374.6	2,361.6	2,405.5	2,380.3	2,391.1	2,395.3	2,405.5	2,415.9	2,432.9	2,434.0
22	State and local government	816.1	870.5	932.8	992.2	945.3	961.0	983.1	992.2	1,007.1	1,023.2	1,038.2
23	**Foreign credit market debt held in United States**	**261.2**	**285.1**	**298.9**	**313.8**	**288.7**	**304.7**	**312.9**	**313.8**	**324.8**	**333.1**	**351.5**
24	Bonds	94.1	115.4	129.5	146.9	130.8	136.2	141.3	146.9	165.8	173.4	194.8
25	Bank loans n.e.c.	21.4	18.5	21.6	23.9	22.0	25.5	26.5	23.9	24.3	25.9	26.2
26	Commercial paper	63.0	75.3	81.8	77.7	70.5	77.4	80.7	77.7	72.3	72.1	71.7
27	U.S. government and other loans	82.7	75.8	66.0	65.4	65.5	65.6	64.4	65.4	62.5	61.7	58.8
28	**Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**10,315.5**	**10,977.1**	**11,459.5**	**12,060.7**	**11,577.9**	**11,731.8**	**11,893.2**	**12,060.7**	**12,147.9**	**12,312.3**	**12,476.9**
						Financial sectors						
29	**Total credit market debt owed by financial sectors**	**2,362.7**	**2,559.4**	**2,709.7**	**2,928.5**	**2,751.2**	**2,805.7**	**2,877.4**	**2,928.5**	**2,961.7**	**2,997.3**	**3,087.6**
	By instrument											
30	U.S. government-related	1,247.8	1,418.4	1,564.2	1,720.0	1,590.3	1,641.6	1,683.5	1,720.0	1,755.8	1,774.5	1,842.2
31	Government-sponsored enterprises securities	373.3	393.7	402.9	443.1	405.7	417.8	434.7	443.1	451.2	468.4	510.3
32	Mortgage pool securities	869.5	1,019.9	1,156.5	1,272.0	1,179.8	1,219.0	1,244.0	1,272.0	1,299.8	1,301.3	1,327.1
33	Loans from U.S. government	5.0	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8
34	Private	1,114.8	1,140.9	1,145.6	1,208.5	1,160.9	1,164.1	1,193.9	1,208.5	1,205.9	1,222.9	1,245.4
35	Corporate bonds	509.1	549.9	606.6	665.0	613.8	628.6	646.4	665.0	680.0	693.9	715.4
36	Mortgages	4.0	4.3	5.1	5.1	5.0	5.0	5.1	5.1	5.4	6.0	6.6
37	Bank loans n.e.c.	50.9	52.0	69.1	64.2	72.7	63.1	67.5	64.2	56.9	55.8	52.8
38	Open market paper	409.1	417.7	385.7	394.3	393.2	390.5	394.6	394.3	378.7	375.1	371.7
39	Loans from Federal Home Loan Banks	141.8	117.1	79.1	79.9	76.3	76.9	80.2	79.9	85.0	92.1	98.9
	By borrowing sector											
40	Government-sponsored enterprises	378.3	398.5	407.7	447.9	410.5	422.6	439.5	447.9	456.0	473.2	515.1
41	Federally related mortgage pools	869.5	1,019.9	1,156.5	1,272.0	1,179.8	1,219.0	1,244.0	1,272.0	1,299.8	1,301.3	1,327.1
42	Private financial sectors	1,114.8	1,140.9	1,145.6	1,208.5	1,160.9	1,164.1	1,193.9	1,208.5	1,205.9	1,222.9	1,245.4
43	Commercial banks	77.4	76.7	65.0	73.8	63.8	66.2	69.0	73.8	73.1	76.6	77.9
44	Bank holding companies	142.5	114.8	112.3	114.6	115.0	112.7	114.4	114.6	119.9	120.2	119.9
45	Funding corporations	125.4	137.9	124.3	135.2	137.6	144.9	143.0	135.2	127.1	128.9	125.0
46	Savings institutions	169.2	139.1	94.6	87.8	89.8	87.6	89.2	87.8	90.3	93.4	96.8
47	Credit unions	.0	.0	.0	.0	.0	.0	.0	.0	.0	.1	.2
48	Life insurance companies	.0	.0	.0	.0	.0	.0	.0	.0	.0	.2	.1
49	Finance companies	350.4	374.4	393.0	389.4	382.2	377.4	382.7	389.4	379.1	369.8	372.2
50	Mortgage companies	11.3	7.3	13.0	13.0	19.8	11.0	14.6	13.0	10.4	14.4	15.0
51	Real estate investment trusts (REITs)	11.4	12.4	14.0	14.1	14.4	14.8	15.3	14.1	13.7	14.4	15.3
52	Issuers of asset-backed securities (ABSs)	227.3	278.3	329.4	380.5	338.2	349.5	365.7	380.5	392.3	404.9	423.1
						All sectors						
53	**Total credit market debt, domestic and foreign**	**12,678.2**	**13,536.5**	**14,169.3**	**14,989.2**	**14,329.1**	**14,537.5**	**14,770.6**	**14,989.2**	**15,109.5**	**15,309.6**	**15,564.5**
54	U.S. government securities	3,494.1	3,911.7	4,335.7	4,795.5	4,445.2	4,560.1	4,677.6	4,795.5	4,891.2	4,970.9	5,084.7
55	Tax-exempt securities	1,004.7	1,062.1	1,131.6	1,197.3	1,145.5	1,163.7	1,186.4	1,197.3	1,210.0	1,225.7	1,239.5
56	Corporate and foreign bonds	1,564.3	1,673.5	1,823.1	1,966.1	1,850.5	1,890.2	1,928.5	1,966.1	2,018.7	2,056.4	2,113.1
57	Mortgages	3,516.8	3,719.7	3,885.5	4,007.0	3,923.2	3,946.6	3,984.8	4,007.0	4,023.3	4,063.7	4,124.2
58	Consumer credit	799.5	813.0	799.9	809.2	777.6	776.9	784.5	809.2	793.7	802.3	821.7
59	Bank loans n.e.c.	823.0	818.3	791.7	783.7	780.2	782.7	780.2	783.7	764.3	773.6	770.9
60	Open market paper	579.2	609.9	565.9	579.0	574.1	579.9	583.6	579.0	565.5	572.2	567.8
61	Other loans	896.5	928.4	835.8	851.3	832.8	837.4	845.1	851.3	843.0	844.8	842.7

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1989	1990	1991	1992	1992				1993		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**12,678.2**	**13,536.5**	**14,169.3**	**14,989.2**	**14,329.1**	**14,537.5**	**14,770.6**	**14,989.2**	**15,109.5**	**15,309.6**	**15,564.5**
2 Private domestic nonfinancial sectors	2,096.4	2,246.8	2,205.8	2,290.7	2,211.4	2,233.1	2,221.6	2,290.7	2,247.6	2,200.2	2,165.4
3 Households	1,326.8	1,454.6	1,380.0	1,436.0	1,388.9	1,395.2	1,381.1	1,436.0	1,405.4	1,348.0	1,316.8
4 Nonfarm noncorporate business	56.5	54.9	50.7	48.3	49.3	48.7	48.1	48.3	47.0	46.3	45.6
5 Nonfinancial corporate business	181.2	175.8	180.1	216.4	180.0	192.6	199.5	216.4	208.6	216.3	218.1
6 State and local governments	531.9	561.5	595.1	590.0	593.3	596.6	592.9	590.0	586.5	589.6	584.9
7 U.S. government	205.4	239.1	247.0	235.1	251.2	246.3	239.2	235.1	229.5	223.4	219.0
8 Foreign	778.7	897.5	936.2	1,031.1	960.4	995.6	1,015.1	1,031.1	1,040.9	1,063.3	1,099.3
9 Financial sectors	9,597.7	10,153.1	10,780.3	11,432.2	10,906.0	11,062.5	11,294.7	11,432.2	11,591.6	11,822.8	12,080.9
10 Government-sponsored enterprises	355.4	371.8	397.7	466.7	419.9	429.0	446.3	466.7	464.1	499.2	538.9
11 Federally related mortgage pools	869.5	1,019.9	1,156.5	1,272.0	1,179.8	1,219.0	1,244.0	1,272.0	1,299.8	1,301.3	1,327.1
12 Monetary authority	233.3	241.4	272.5	300.4	271.8	282.6	285.2	300.4	303.6	318.2	324.2
13 Commercial banking	2,647.4	2,772.5	2,856.8	2,951.6	2,864.5	2,887.6	2,928.2	2,951.6	2,960.9	3,003.2	3,040.4
14 U.S. commercial banks	2,371.9	2,466.7	2,506.0	2,575.7	2,517.3	2,525.2	2,560.0	2,575.7	2,594.6	2,633.8	2,674.8
15 Foreign banking offices	242.3	270.8	319.2	335.8	313.3	328.2	328.9	335.8	326.7	327.1	322.3
16 Bank holding companies	16.2	13.4	11.9	17.5	13.6	13.1	17.5	17.5	16.4	18.4	18.8
17 Banks in U.S. affiliated areas	17.1	21.6	19.7	22.5	20.2	21.0	21.8	22.5	23.3	23.9	24.5
18 Private nonbank finance	5,491.9	5,747.4	6,096.7	6,441.5	6,170.1	6,244.3	6,391.0	6,441.5	6,563.2	6,700.9	6,850.4
19 Thrift institutions	1,475.4	1,324.6	1,197.3	1,140.9	1,172.0	1,154.1	1,145.1	1,140.9	1,131.2	1,128.0	1,131.5
20 Insurance	2,320.7	2,473.7	2,708.0	2,872.5	2,736.6	2,787.4	2,841.7	2,872.5	2,950.2	2,999.2	3,061.1
21 Life insurance companies	1,022.0	1,116.5	1,199.6	1,282.0	1,222.3	1,243.6	1,264.7	1,282.0	1,317.3	1,349.5	1,375.1
22 Other insurance companies	317.5	344.0	376.3	389.0	383.5	387.6	386.9	389.0	391.2	393.8	396.1
23 Private pension funds	590.2	607.4	692.7	730.0	684.4	702.9	727.9	730.0	759.5	762.2	783.8
24 State and local government retirement funds	390.9	405.9	439.4	471.6	446.3	453.3	462.2	471.6	482.2	493.7	506.1
25 Finance n.e.c.	1,695.9	1,949.1	2,191.5	2,428.0	2,261.5	2,302.8	2,404.1	2,428.0	2,481.8	2,573.6	2,657.8
26 Finance companies	468.6	497.0	484.9	486.6	479.5	480.5	477.8	486.6	473.7	473.5	471.4
27 Mortgage companies	22.6	14.6	25.9	26.1	31.7	22.1	29.3	26.1	20.9	28.8	30.1
28 Mutual funds	307.2	360.2	450.5	574.2	478.8	510.2	550.2	574.2	611.4	659.9	704.3
29 Closed-end funds	37.1	37.1	52.4	64.6	56.8	59.2	61.3	64.6	66.9	70.1	72.8
30 Money market funds	291.8	372.7	402.7	404.1	424.0	412.0	408.2	404.1	404.5	404.0	409.0
31 Real estate investment trusts (REITs)	8.4	7.7	6.8	7.4	6.8	7.5	7.4	7.4	8.1	8.3	8.6
32 Brokers and dealers	142.9	177.9	226.9	267.1	226.3	244.6	289.6	267.1	287.0	303.6	317.5
33 Asset-backed securities issuers (ABSs)	219.3	269.1	318.1	366.7	326.3	337.6	353.3	366.7	378.4	390.7	409.5
34 Bank personal trusts	198.0	212.9	223.3	231.2	231.3	229.2	226.9	231.2	231.0	234.6	234.5
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
35 **Total credit market debt**	**12,678.2**	**13,536.5**	**14,169.3**	**14,989.2**	**14,329.1**	**14,537.5**	**14,770.6**	**14,989.2**	**15,109.5**	**15,309.6**	**15,564.5**
Other liabilities											
36 Official foreign exchange	53.6	61.3	55.4	51.8	52.7	54.4	55.4	51.8	54.5	53.9	55.6
37 Treasury currency and special drawing rights certificates	23.8	26.3	26.3	24.5	26.3	26.4	26.5	24.5	24.6	24.7	24.8
38 Life insurance reserves	354.3	380.0	405.7	434.1	414.2	419.8	426.7	434.1	447.0	457.2	467.1
39 Pension fund reserves	3,356.1	3,400.3	4,056.5	4,369.8	4,048.2	4,105.0	4,228.5	4,369.8	4,509.1	4,570.4	4,710.7
40 Interbank claims	32.4	64.0	65.2	114.0	63.0	68.5	101.3	114.0	109.9	118.5	129.4
41 Deposits at financial institutions	4,736.7	4,836.8	4,885.2	4,892.1	4,878.6	4,870.6	4,909.3	4,892.1	4,885.9	4,934.2	4,949.2
42 Checkable deposits and currency	888.6	932.8	1,008.5	1,131.0	984.3	1,032.9	1,072.0	1,131.0	1,092.2	1,169.1	1,182.6
43 Small time and savings deposits	2,277.4	2,336.3	2,353.0	2,292.2	2,351.3	2,325.8	2,303.7	2,292.2	2,261.2	2,242.3	2,219.4
44 Large time deposits	603.4	537.7	476.9	397.2	459.2	427.5	418.4	397.2	398.3	389.9	379.7
45 Money market fund shares	428.1	498.4	539.6	543.6	572.0	556.9	552.9	543.6	556.6	549.9	566.2
46 Security repurchase agreements	396.5	372.3	355.8	389.4	367.0	393.5	417.6	389.4	443.5	448.3	472.8
47 Foreign deposits	142.8	159.4	151.3	138.8	144.7	133.9	144.6	138.8	134.1	134.7	128.4
48 Mutual fund shares	566.2	602.1	813.9	1,042.1	860.4	924.4	965.6	1,042.1	1,134.6	1,225.8	1,342.1
49 Security credit	133.9	137.4	188.9	217.3	194.6	193.3	214.5	217.3	225.1	234.7	243.9
50 Trade debt	904.2	936.4	926.7	984.7	938.0	950.0	970.5	984.7	982.3	991.2	1,008.1
51 Taxes payable	81.8	77.4	68.9	76.6	73.1	70.7	74.5	76.6	81.3	79.8	83.3
52 Investment in bank personal trusts	503.2	509.9	596.7	619.1	612.9	612.7	610.9	619.1	625.0	635.6	643.6
53 Miscellaneous	2,591.1	2,732.4	2,884.3	3,056.2	2,899.7	2,957.3	3,027.6	3,056.2	3,082.3	3,149.3	3,203.6
54 **Total liabilities**	**26,015.5**	**27,300.7**	**29,143.0**	**30,871.4**	**29,390.8**	**29,790.7**	**30,381.7**	**30,871.4**	**31,271.1**	**31,784.9**	**32,425.8**
Financial assets not included in liabilities (+)											
55 Gold and special drawing rights	21.0	22.0	22.3	19.6	22.0	22.7	23.2	19.6	19.8	20.0	20.3
56 Corporate equities	3,812.9	3,543.7	4,869.4	5,540.6	4,925.6	4,837.0	4,995.4	5,540.6	5,721.3	5,741.9	6,006.6
57 Household equity in noncorporate business	2,508.1	2,440.6	2,344.6	2,266.6	2,351.4	2,335.3	2,313.9	2,266.6	2,237.6	2,237.4	2,225.1
Floats not included in assets (−)											
58 U.S. government checkable deposits	6.1	15.0	3.8	6.8	.9	1.4	4.0	6.8	3.4	3.5	2.2
59 Other checkable deposits	26.5	28.9	30.9	32.5	29.5	32.6	23.3	32.5	27.2	29.6	21.7
60 Trade credit	−148.6	−146.0	−144.1	−121.9	−142.7	−151.1	−144.2	−121.9	−132.1	−141.8	−144.6
Liabilities not identified as assets (−)											
61 Treasury currency	−4.3	−4.1	−4.8	−4.9	−4.8	−4.9	−4.9	−4.9	−5.0	−5.0	−5.1
62 Interbank claims	−31.0	−32.0	−4.2	−8.4	−1.8	−4.0	−4.3	−8.4	−5.2	−3.9	−5.6
63 Security repurchase agreements	13.7	−17.7	−12.5	18.6	−4.8	19.6	33.1	18.6	71.8	82.4	106.8
64 Taxes payable	20.6	17.8	15.5	22.2	7.3	13.1	18.1	22.2	12.4	21.9	22.9
65 Miscellaneous	−210.7	−213.4	−254.6	−251.3	−280.6	−282.1	−267.7	−251.3	−279.4	−274.6	−319.5
66 **Total identified to sectors as assets**	**32,685.1**	**33,658.6**	**36,749.2**	**39,004.7**	**37,086.8**	**37,361.0**	**38,056.8**	**39,004.7**	**39,556.7**	**40,072.2**	**40,999.0**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.6 and L.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1987=100, except as noted

Measure	1991	1992	1993	1993 May	1993 June	1993 July	1993 Aug.	1993 Sept.	1993 Oct.	1993 Nov.r	1993 Dec.r	1994 Jan.
1 **Industrial production**[1]	**104.1**	**106.5**	**110.9r**	**110.0r**	**110.4r**	**110.9r**	**111.1r**	**111.3r**	**111.9r**	**112.8**	**113.9**	**114.4**
Market groupings												
2 Products, total	103.2r	105.7r	110.2	109.3	109.6r	110.4r	110.4r	110.6r	111.2r	112.2	113.0	113.5
3 Final, total	105.3	108.0r	112.8r	111.8r	112.1r	112.8r	112.7r	113.1r	113.8r	114.8	115.5	116.2
4 Consumer goods	102.8	105.7r	108.8r	107.8r	108.1r	108.9r	108.6r	108.5r	109.2r	109.9	110.1	110.4
5 Equipment	108.9	111.2r	118.6r	117.7r	118.0r	118.5r	118.6r	119.8r	120.4r	121.9	123.4	124.5
6 Intermediate	96.8r	99.0r	102.6r	101.7r	101.8r	102.9r	103.3r	103.0r	103.5r	104.1	105.2	105.4
7 Materials	105.4r	107.7r	111.9r	111.1r	111.7r	111.7r	112.1r	112.2r	112.8r	113.7	115.2	115.7
Industry groupings												
8 Manufacturing	103.7	106.8r	111.7r	111.1r	111.2r	111.6	111.8r	112.1r	112.9r	114.1	115.2	115.4
9 Capacity utilization, manufacturing (percent)[2]	77.8	78.6r	80.6r	80.2r	80.1r	80.3r	80.3r	80.4r	80.8r	81.5	82.2	82.1
10 Construction contracts[3]	89.7	97.7	99.2r	91.0	104.0	98.0	99.0	101.0	103.0	105.0	102.0	103.0
11 Nonagricultural employment, total[4]	106.2	106.4	108.1	107.9	108.0	108.2	108.2	108.4	108.5	108.8	108.9	109.0
12 Goods-producing, total	96.6	94.9	93.1	93.2	93.0	93.0	92.8	92.8	93.0	93.2	93.2	93.3
13 Manufacturing, total	97.1	95.8	93.7	93.8	93.5	93.5	93.3	93.2	93.2	93.4	93.4	93.5
14 Manufacturing, production workers	96.0r	94.5r	93.7	93.8	93.5	93.5	93.2	93.2	93.3	93.6	93.7	94.0
15 Service-producing	109.4r	110.5r	112.8	112.6	112.8	113.1	113.1	113.4	113.5	113.7	114.0	114.0
16 Personal income, total	127.6	135.3	141.7	141.5	141.3	141.1	142.9	143.1	144.1	144.9	145.8	n.a.
17 Wages and salary disbursements	124.5	131.5	136.2	136.8	136.5	137.2	138.2	138.0	138.8r	139.2	139.9	n.a.
18 Manufacturing	113.7	117.8	117.8	118.4	118.0	118.2	118.6	119.1	119.1	119.8	120.6	n.a.
19 Disposable personal income[5]	128.6	136.8	143.1	142.8	142.6	142.3	144.1	144.4	145.4	146.2	147.1	n.a.
20 Retail sales[6]	121.3	127.1	135.4r	133.9	134.6	135.2	136.2	136.5	139.3	140.2	141.9	141.1
Prices[7]												
21 Consumer (1982–84=100)	136.2	140.3	144.5	144.2	144.4	144.4	144.8	145.1	145.7	145.8	145.8	146.2
22 Producer finished goods (1982=100)	121.7	123.2	124.7	125.8	125.5	125.3	124.2	123.8r	124.7	124.4	124.1	124.4

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," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.
2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.
3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.
4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.
5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.
6. Based on data from U.S. Department of Commerce, *Survey of Current Business*.
7. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

NOTE. Basic data (not indexes) for series mentioned in notes 4, 5,and 6, and indexes for series mentioned in notes 3 and 7 can also be found in the *Survey of Current Business*.

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79, (June 1993), pp. 590–605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted except as noted

Category	1991r	1992r	1993r	1993r June	1993r July	1993r Aug.	1993r Sept.	1993r Oct.	1993r Nov.	1993r Dec.	1994 Jan.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[1]	125,303	126,982	128,040	128,056	128,102	128,334	128,108	128,580	128,662	128,898	130,667
Employment											
2 Nonagricultural industries[3]	114,644	114,391	116,232	116,156	116,327	116,687	116,475	116,920	117,218	117,565	118,639
3 Agriculture	3,233	3,207	3,074	3,031	3,043	3,005	3,093	3,021	3,114	3,096	3,331
Unemployment											
4 Number	8,426	9,384	8,734	8,869	8,732	8,642	8,540	8,639	8,330	8,237	8,696
5 Rate (percent of civilian labor force)	6.7	7.4	6.8	6.9	6.8	6.7	6.7	6.7	6.5	6.4	6.7
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**108,256**	**108,519**	**110,171**	**110,101**	**110,338**	**110,305**	**110,502**	**110,664**	**110,880**	**111,070**	**111,132**
7 Manufacturing	18,455	18,192	17,804	17,771	17,760	17,718	17,698	17,709	17,735	17,737	17,763
8 Mining	689	631	599	596	595	592	596	596	595	606	604
9 *Contract construction*	4,650	4,471	4,571	4,574	4,593	4,593	4,592	4,629	4,664	4,663	4,660
10 Transportation and public utilities	5,762	5,709	5,710	5,711	5,709	5,690	5,692	5,693	5,700	5,701	5,716
11 Trade	25,365	25,391	25,849	25,861	25,916	25,902	25,953	25,968	25,982	26,038	26,068
12 Finance	6,646	6,571	6,605	6,590	6,604	6,602	6,616	6,632	6,651	6,661	6,667
13 Service	28,336	29,053	30,193	30,175	30,320	30,381	30,433	30,534	30,649	30,706	30,706
14 Government	18,402	18,653	18,841	18,823	18,841	18,827	18,922	18,903	18,904	18,958	18,948

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.
2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.
2. Includes self-employed, unpaid family, and domestic service workers.
3. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1993[r]				1993[r]				1993[r]			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Output (1987=100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**109.7**	**110.3**	**111.1**	**112.8**	**135.3**	**135.9**	**136.5**	**137.2**	**81.1**	**81.2**	**81.4**	**82.3**
2 Manufacturing	110.3	111.2	111.8	114.1	137.7	138.4	139.2	140.0	80.1	80.3	80.3	81.5
3 Primary processing[3]	106.1	107.0	107.7	109.7	127.6	127.9	128.3	128.6	83.1	83.6	83.9	85.3
4 Advanced processing[4]	112.3	113.2	113.8	116.2	142.5	143.4	144.4	145.4	78.8	78.9	78.8	79.9
5 Durable goods	112.0	113.2	114.2	118.1	143.5	144.5	145.4	146.3	78.1	78.4	78.5	80.7
6 Lumber and products	99.8	98.0	100.8	105.0	114.6	114.8	115.0	115.2	87.1	85.4	87.6	91.1
7 Primary metals	105.1	105.2	106.7	109.5	123.7	123.3	123.0	122.6	85.0	85.3	86.8	89.3
8 Iron and steel	109.3	109.7	112.3	115.4	128.0	127.4	126.9	126.3	85.4	86.1	88.6	91.4
9 Nonferrous	99.4	99.0	98.9	101.3	117.7	117.6	117.6	117.6	84.4	84.1	84.1	86.2
10 Nonelectrical machinery	134.8	141.7	147.2	153.1	170.6	173.1	175.7	178.2	79.0	81.8	83.8	85.9
11 Electrical machinery	122.8	125.9	129.7	132.5	151.8	153.8	155.7	157.7	80.9	81.9	83.2	84.0
12 Motor vehicles and parts	121.7	118.1	112.0	131.6	152.1	153.4	154.8	156.1	80.0	76.9	72.3	84.3
13 Aerospace and miscellaneous transportation equipment	92.7	90.3	87.4	85.3	134.1	133.7	133.2	132.8	69.1	67.6	65.6	64.2
14 Nondurable goods	108.1	108.7	108.9	109.1	130.5	131.0	131.6	132.1	82.8	83.0	82.8	82.6
15 Textile mill products	107.2	108.4	108.0	106.9	118.3	118.8	119.4	119.9	90.6	91.3	90.5	89.1
16 Paper and products	110.5	113.2	111.7	114.1	123.8	124.3	124.8	125.3	89.2	91.1	89.6	91.1
17 Chemicals and products	116.2	117.7	118.6	118.2	144.3	145.1	145.9	146.8	80.5	81.2	81.2	80.5
18 Plastics materials	111.5	112.8	111.5	...	129.2	130.1	131.1	...	86.3	86.7	85.1	...
19 Petroleum products	103.9	104.0	104.0	107.9	115.9	115.8	115.7	115.6	89.6	89.8	89.9	93.3
20 Mining	97.4	97.5	96.8	97.0	111.7	111.4	111.1	110.8	87.2	87.5	87.1	87.6
21 Utilities	116.0	114.1	117.5	116.0	133.3	133.6	134.0	134.3	87.0	85.4	87.8	86.4
22 Electric	115.2	114.8	118.0	115.1	130.4	130.8	131.2	131.7	88.4	87.7	89.9	87.4

Series	1973	1975	Previous cycle[2]		Latest cycle[3]		1993	1993					1994
	High	Low	High	Low	High	Low	Jan.	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.[r]	Jan.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**99.0**	**82.7**	**87.3**	**71.8**	**84.8**	**78.3**	**80.9**	**81.4[r]**	**81.4[r]**	**81.7**	**82.2**	**82.9**	**83.1**
2 Manufacturing	99.0	82.7	87.3	70.0	85.1	76.6	80.0	80.3[r]	80.4[r]	80.8	81.5	82.2	82.1
3 Primary processing[3]	99.0	82.7	89.7	66.8	89.1	77.9	82.9	84.1[r]	83.9[r]	84.4	85.3	86.1	85.5
4 Advanced processing[4]	99.0	82.7	86.3	71.4	83.3	76.1	78.8	78.7[r]	78.9[r]	79.3	79.9	80.5	80.7
5 Durable goods	99.0	82.7	86.9	65.0	83.9	73.8	77.9	78.3[r]	79.0[r]	79.6	80.7	81.8	82.1
6 Lumber and products	99.0	82.7	87.6	60.9	93.3	76.8	87.0	87.7[r]	88.4[r]	90.9	90.6	91.8	91.9
7 Primary metals	99.0	82.7	102.4	46.8	92.9	74.3	84.0	87.1[r]	87.3[r]	86.5	89.5	91.9	88.8
8 Iron and steel	99.0	82.7	110.4	38.3	95.7	72.3	84.6	88.9[r]	88.7[r]	89.6	90.5	94.0	88.7
9 Nonferrous	99.0	82.7	90.5	62.2	88.9	75.9	83.2	84.5[r]	85.3[r]	81.8	88.0	88.7	89.0
10 Nonelectrical machinery	99.0	82.7	92.1	64.9	83.7	73.0	78.5	83.7[r]	84.1[r]	84.7	85.6	87.3	88.5
11 Electrical machinery	99.0	82.7	89.4	71.1	84.9	76.8	80.3	83.1[r]	83.7[r]	83.6	83.8	84.5	85.3
12 Motor vehicles and parts	99.0	82.7	93.0	44.5	84.5	57.9	80.9	71.5[r]	74.2[r]	79.7	84.8	88.4	89.6
13 Aerospace and miscellaneous transportation equipment	99.0	82.7	81.1	66.9	88.3	78.1	69.4	65.4[r]	65.1[r]	64.3	64.3	63.9	63.2
14 Nondurable goods	99.0	82.7	87.0	76.9	86.8	80.4	82.8	83.0[r]	82.4[r]	82.5	82.6	82.6	82.1
15 Textile mill products	99.0	82.7	91.7	73.8	92.1	78.7	90.7	91.1[r]	89.2[r]	90.0	88.8	88.6	86.9
16 Paper and products	99.0	82.7	94.2	82.0	94.9	86.0	88.6	89.9[r]	89.2[r]	90.1	91.1	92.0	91.1
17 Chemicals and products	99.0	82.7	85.1	70.1	85.9	78.5	80.6	81.4	80.9[r]	80.4	80.7	80.4	80.6
18 Plastics materials	99.0	82.7	90.9	63.4	97.0	75.5	86.2	85.7[r]	84.6[r]	84.4	85.2	...	...
19 Petroleum products	99.0	82.7	89.5	68.2	88.5	84.2	89.2	89.5[r]	91.0[r]	93.6	93.3	93.1	91.8
20 Mining	99.0	82.7	96.6	80.6	87.0	86.8	87.8	87.0[r]	87.7[r]	88.4	86.9	87.4	88.2
21 Utilities	99.0	82.7	88.3	76.2	92.6	83.4	85.1	88.4[r]	86.7	85.6	86.4	87.1	90.1
22 Electric	99.0	82.7	88.3	78.7	94.8	87.4	86.9	91.0[r]	88.1[r]	86.5	87.5	88.3	90.8

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For ordering address, see inside front cover. For a detailed description of the series, see "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization Since 1987," *Federal Reserve Bulletin*, vol. 79, (June 1993), pp. 590–605.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; petroleum refining; rubber and plastics; stone, clay, and glass; and primary and fabricated metals.

4. Advanced processing includes food, tobacco, apparel, furniture, printing, chemical products such as drugs and toiletries, leather and products, machinery, transportation equipment, instruments, miscellaneous manufacturing, and ordnance.

5. Monthly highs, 1978 through 1980; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

	Group	1987 proportion	1993 avg.	1992 Dec.	1993 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.[p]
				Index (1987 = 100)												
	MAJOR MARKETS															
1	**Total index**	**100.0**	**111.0**	**108.9**	**109.3**	**109.9**	**110.1**	**110.4**	**110.2**	**110.5**	**110.8**	**111.0**	**111.4**	**112.1**	**113.2**	**114.0**
2	Products	60.8	110.2	108.2	108.5	109.2	109.5	109.6	109.3	109.4	110.0	110.3	110.5	111.4	112.4	113.0
3	Final products	46.0	113.5	111.5	111.9	112.4	112.7	112.8	112.5	112.7	113.2	113.5	113.8	114.8	115.9	116.6
4	Consumer goods, total	26.0	108.1	107.5	107.6	108.5	108.6	108.1	107.3	107.3	107.7	107.8	107.4	108.6	109.6	109.8
5	Durable consumer goods	5.6	111.3	107.9	110.9	111.3	111.5	112.2	110.8	107.9	108.6	107.9	109.3	113.4	117.0	118.6
6	Automotive products	2.5	110.6	108.7	112.7	111.9	111.2	112.1	109.7	105.3	103.3	103.0	105.6	112.9	119.5	123.4
7	Autos and trucks	1.5	112.2	111.7	116.8	114.6	113.4	114.3	110.1	105.0	100.3	99.2	104.1	114.9	124.9	131.5
8	Autos, consumer	.9	86.1	86.9	86.6	90.2	90.5	90.2	86.5	83.5	78.2	71.8	75.4	85.2	95.4	98.8
9	Trucks, consumer	.6	157.3	154.6	169.1	156.9	153.1	155.9	150.9	142.3	138.6	146.7	153.9	166.4	176.0	188.0
10	Auto parts and allied goods	1.0	108.0	103.8	105.8	107.4	107.5	108.5	109.1	105.8	108.4	109.3	108.1	109.5	110.4	109.9
11	Other	3.1	111.9	107.2	109.3	110.7	111.7	112.3	111.8	110.2	113.2	112.2	112.5	113.8	114.9	114.4
12	Appliances, A/C, and TV	.8	122.9	110.5	116.0	117.6	125.0	124.3	121.1	116.1	127.3	123.8	125.9	129.6	131.9	128.5
13	Carpeting and furniture	.9	107.8	105.4	105.5	106.7	104.5	106.2	108.9	109.1	109.9	108.3	107.3	109.0	108.6	109.4
14	Miscellaneous home goods	1.4	108.3	106.6	108.0	109.5	108.9	109.6	108.4	107.6	107.4	108.1	108.2	108.0	109.3	109.6
15	Nondurable consumer goods	20.4	107.2	107.4	106.7	107.7	107.7	106.9	106.3	107.2	107.4	107.8	106.9	107.3	107.4	107.2
16	Foods and tobacco	9.1	104.5	104.8	104.6	105.5	104.3	103.9	104.3	104.7	104.9	105.5	104.2	104.8	104.5	104.4
17	Clothing	2.6	93.7	96.0	95.7	95.0	94.6	94.9	94.2	94.6	93.6	93.3	92.6	92.6	92.9	92.5
18	Chemical products	3.5	123.3	121.7	122.4	121.1	123.7	123.1	122.6	123.0	124.0	123.8	124.0	123.0	124.2	124.3
19	Paper products	2.5	100.9	100.9	100.2	101.8	102.1	101.7	101.8	102.6	101.3	100.8	100.8	101.3	100.6	99.4
20	Energy	2.7	114.0	114.4	109.5	115.5	116.0	111.5	107.4	110.4	112.9	114.7	112.9	114.6	115.4	115.7
21	Fuels	.7	108.3	106.1	106.5	108.9	107.1	106.6	106.5	105.8	105.0	104.0	108.2	113.1	114.6	112.0
22	Residential utilities	2.0	116.2	117.5	110.7	118.0	119.5	113.4	107.7	112.2	116.0	118.9	114.7	115.1	115.7	117.1
23	Equipment	20.0	121.2	117.2	118.1	118.0	118.7	119.7	119.9	120.4	121.2	121.6	122.9	123.8	125.2	126.6
24	Business equipment	13.9	137.0	129.6	131.2	131.7	133.4	134.8	135.4	136.1	137.1	137.6	139.4	140.8	142.9	144.9
25	Information processing and related	5.6	156.2	143.2	144.4	146.1	149.1	150.6	153.5	155.7	158.2	158.8	161.5	162.3	164.9	168.2
26	Office and computing	1.9	223.6	186.4	192.0	198.0	203.3	209.5	216.5	221.0	226.5	232.0	237.1	241.8	247.9	255.0
27	Industrial	4.0	115.8	112.3	113.1	112.2	113.7	115.0	115.0	115.6	117.2	117.3	117.8	117.6	118.5	119.5
28	Transit	2.5	141.2	144.1	146.7	146.5	145.0	145.0	142.5	138.0	133.2	132.5	135.3	141.3	145.7	147.7
29	Autos and trucks	1.2	134.5	131.4	136.7	136.8	135.8	136.2	133.1	127.2	118.9	119.6	126.5	139.6	150.5	154.9
30	Other	1.9	119.1	109.2	112.6	113.4	114.9	117.5	116.2	117.6	119.6	121.9	123.1	124.5	125.0	125.5
31	Defense and space equipment	5.4	78.7	82.5	82.0	81.5	80.7	80.5	79.5	78.6	78.6	78.0	77.5	76.9	76.6	76.1
32	Oil and gas well drilling	.6	82.5	91.2	89.0	77.9	71.1	72.4	75.1	82.4	81.0	87.8	90.5	88.9	85.7	85.0
33	Manufactured homes	.2	...	128.6	129.4	127.1	116.2	114.9	112.1	113.6	118.5	116.2	120.6	127.7	138.4	...
34	Intermediate products, total	14.7	100.1	98.3	98.2	99.3	99.6	100.0	99.7	99.4	100.4	100.6	100.4	101.0	101.8	101.9
35	Construction supplies	6.0	98.1	94.5	94.8	97.5	96.4	96.4	97.7	96.8	98.4	98.7	99.3	99.9	100.7	101.3
36	Business supplies	8.7	101.5	100.8	100.5	100.5	101.8	102.5	101.0	101.1	101.7	101.8	101.2	101.6	102.5	102.2
37	Materials	39.2	112.2	110.0	110.4	110.9	110.9	111.5	111.6	112.1	112.0	112.2	112.7	113.2	114.3	115.5
38	Durable goods materials	19.4	116.0	111.9	113.3	114.2	114.1	114.9	114.8	114.9	115.4	115.8	117.2	118.2	119.7	121.7
39	Durable consumer parts	4.2	112.7	107.5	110.8	111.8	112.2	112.6	111.6	110.2	109.8	110.3	112.0	114.2	118.6	123.6
40	Equipment parts	7.3	125.1	119.7	120.4	121.0	121.3	122.7	123.5	124.1	124.9	126.2	128.0	129.2	129.6	131.5
41	Other	7.9	109.9	107.5	108.6	109.7	108.9	109.5	109.2	109.4	110.2	109.7	110.6	110.8	111.9	112.8
42	Basic metal materials	2.8	111.4	108.8	110.4	113.2	109.9	110.3	111.1	111.3	111.3	109.7	110.8	112.2	112.8	114.3
43	Nondurable goods materials	9.0	114.0	111.5	112.4	112.1	112.8	113.8	114.1	114.8	114.2	115.2	113.8	114.4	115.5	115.3
44	Textile materials	1.2	104.0	102.9	104.2	103.2	104.2	102.7	104.3	104.9	105.9	105.6	102.9	103.9	104.1	104.2
45	Pulp and paper materials	1.9	113.3	110.7	110.7	111.9	112.8	115.3	114.1	115.9	113.4	113.5	112.6	112.1	114.2	113.1
46	Chemical materials	3.8	117.5	114.6	114.9	114.6	115.6	116.1	117.2	118.6	117.3	119.5	117.9	118.0	119.1	119.8
47	Other	2.1	113.8	111.3	114.1	112.5	112.6	114.2	113.6	112.3	114.0	114.2	113.3	115.8	116.7	115.6
48	Energy materials	10.9	103.5	105.1	103.4	103.8	103.5	103.4	103.4	104.6	103.7	102.8	103.3	102.9	103.0	103.9
49	Primary energy	7.2	98.8	101.3	100.4	98.3	97.4	99.9	101.6	100.9	98.2	96.7	98.7	97.9	97.6	98.5
50	Converted fuel materials	3.7	112.6	112.4	109.1	114.6	115.4	110.3	106.8	111.7	114.5	114.9	112.4	112.7	113.8	114.4
	SPECIAL AGGREGATES															
51	Total excluding autos and trucks	97.3	110.7	108.6	108.9	109.5	109.7	110.1	110.0	110.4	110.9	111.1	111.3	111.8	112.6	113.2
52	Total excluding motor vehicles and parts	95.3	110.5	108.6	108.7	109.3	109.6	109.9	109.8	110.3	110.9	111.1	111.2	111.5	112.2	112.7
53	Total excluding office and computing machines	97.5	108.3	107.1	107.3	107.8	107.8	108.0	107.7	107.8	108.1	108.1	108.4	109.0	110.0	110.6
54	Consumer goods excluding autos and trucks	24.5	107.8	107.3	107.0	108.1	108.2	107.6	107.1	107.5	108.2	108.4	107.7	108.2	108.5	108.2
55	Consumer goods excluding energy	23.3	107.5	106.8	107.4	107.7	107.7	107.6	107.3	107.0	107.1	107.0	106.8	108.0	108.9	109.1
56	Business equipment excluding autos and trucks	12.7	137.2	129.5	130.7	131.3	133.2	134.6	135.6	136.8	138.7	139.1	140.6	140.9	142.2	144.1
57	Business equipment excluding office and computing equipment	12.0	122.4	120.1	121.0	120.6	121.6	122.2	121.8	121.8	122.1	121.7	123.0	123.8	125.2	126.4
58	Materials excluding energy	28.4	115.4	111.8	113.0	113.6	113.7	114.6	114.6	114.9	115.1	115.6	116.1	117.0	118.4	119.8

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Group	SIC code[2]	1987 proportion	1993 avg.	1992 Dec.	1993 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.[p]
				Index (1987 = 100)												
Major Industries																
59 **Total index**	...	**100.0**	**111.0**	**108.9**	**109.3**	**109.9**	**110.1**	**110.4**	**110.2**	**110.5**	**110.8**	**111.0**	**111.4**	**112.1**	**113.2**	**114.0**
60 Manufacturing	...	84.3	111.9	109.2	109.9	110.5	110.8	111.4	111.3	111.3	111.6	111.9	112.3	113.2	114.5	115.3
61 Primary processing	...	27.1	107.5	105.0	105.8	106.9	106.4	107.1	107.1	107.5	107.6	108.0	107.6	108.2	109.5	109.9
62 Advanced processing	...	57.1	113.9	111.3	111.9	112.2	112.9	113.4	113.3	113.0	113.5	113.7	114.5	115.6	116.8	117.8
63 Durable goods	...	46.5	115.9	111.8	112.9	113.8	114.1	115.0	114.9	114.6	115.4	115.7	117.0	118.3	120.1	121.7
64 Lumber and products	24	2.1	100.0	98.0	99.3	101.8	98.0	98.1	97.4	96.5	99.1	99.9	100.7	104.0	104.2	104.6
65 Furniture and fixtures	25	1.5	109.4	103.9	105.2	106.0	107.3	108.8	108.4	109.5	111.1	111.1	111.3	111.4	111.5	110.9
66 Clay, glass, and stone products	32	2.4	100.5	98.0	97.0	98.9	98.6	99.8	99.6	100.5	100.8	100.9	102.4	101.4	102.9	103.0
67 Primary metals	33	3.3	105.5	102.4	102.8	108.0	104.2	104.4	104.2	105.7	105.3	106.2	106.0	105.0	107.1	109.1
68 Iron and steel	331,2	1.9	110.5	107.4	107.0	112.9	107.6	108.4	108.1	110.9	111.9	112.1	111.1	112.4	111.1	114.6
69 Raw steel	...	.1	...	104.6	103.4	105.9	102.0	102.6	105.1	106.8	108.2	106.2	105.3	106.7	106.8	...
70 Nonferrous	333–6,9	1.4	98.6	95.7	97.1	101.4	99.4	98.9	98.9	98.5	96.3	98.0	98.9	94.9	101.6	101.6
71 Fabricated metal products	34	5.4	100.9	97.8	99.8	99.7	100.3	101.4	100.6	100.1	101.2	101.0	100.9	101.6	102.7	103.3
72 Industrial and commercial machinery and computer equipment	35	8.5	146.8	133.8	135.0	136.7	139.6	142.8	144.2	145.4	148.5	149.9	152.1	153.7	156.2	158.8
73 Office and computing machines	357	2.3	223.6	186.4	192.0	198.0	203.3	209.5	216.5	221.0	226.5	232.0	237.1	241.8	247.9	255.0
74 Electrical machinery	36	6.9	131.7	124.8	125.8	127.1	128.5	129.0	129.7	130.1	132.3	133.5	135.2	136.0	137.2	138.7
75 Transportation equipment	37	9.9	105.6	106.3	108.4	107.8	106.9	106.9	105.5	102.6	100.8	100.4	102.4	106.3	110.0	112.7
76 Motor vehicles and parts	371	4.8	120.1	116.2	120.9	120.7	120.1	120.4	118.1	114.3	110.1	110.0	115.0	124.1	132.3	138.8
77 Autos and light trucks	...	2.2	114.9	114.4	118.2	117.8	116.9	117.5	113.1	108.2	102.8	104.0	104.8	116.3	127.3	133.5
78 Aerospace and miscellaneous transportation equipment	372–6,9	5.1	92.0	97.1	96.7	95.8	94.6	94.2	93.7	91.8	92.0	91.3	90.5	89.5	89.0	88.2
79 Instruments	38	5.1	102.2	103.3	103.0	102.2	103.3	102.6	102.5	102.5	102.8	101.3	102.0	101.7	101.5	102.1
80 Miscellaneous	39	1.3	113.1	111.8	110.9	111.9	112.6	114.3	113.1	112.1	112.3	112.5	114.3	113.7	114.3	115.1
81 Nondurable goods	...	37.8	106.8	106.0	106.4	106.4	106.6	106.9	106.9	107.2	107.0	107.3	106.5	107.0	107.6	107.4
82 Foods	20	8.8	106.9	106.2	105.9	106.9	106.7	106.7	106.7	107.1	107.2	107.8	107.3	107.8	107.2	107.0
83 Tobacco products	21	1.0	91.1	96.1	100.5	99.3	92.4	90.2	92.1	89.1	91.5	92.7	85.8	88.2	89.1	88.7
84 Textile mill products	22	1.8	106.3	106.0	106.9	106.2	105.4	104.2	106.9	107.1	107.7	107.4	105.4	106.6	106.3	106.8
85 Apparel products	23	2.3	90.8	92.7	93.1	92.5	92.1	92.0	91.2	91.1	90.7	90.6	89.6	89.4	90.0	89.7
86 Paper and products	26	3.6	112.0	108.3	108.6	110.4	111.1	113.1	112.1	114.2	112.0	113.1	111.2	111.8	113.8	112.8
87 Printing and publishing	27	6.5	94.1	94.7	94.7	94.0	94.7	95.6	94.7	94.5	93.8	93.4	93.8	94.3	94.4	93.3
88 Chemicals and products	28	8.8	118.3	116.7	116.8	116.2	117.6	117.8	118.1	119.1	118.7	119.1	118.5	118.1	119.6	120.0
89 Petroleum products	29	1.3	104.8	103.4	103.2	104.7	104.7	104.3	103.6	103.9	102.5	102.4	104.3	107.9	108.2	107.1
90 Rubber and plastic products	30	3.2	113.7	111.3	113.6	112.7	112.9	113.6	113.8	112.8	114.7	114.8	113.9	113.9	115.4	116.4
91 Leather and products	31	.3	98.1	96.7	97.1	99.0	99.1	100.1	98.2	97.0	96.8	97.0	98.2	99.1	99.3	99.4
92 Mining	...	8.0	97.0	98.2	98.3	95.9	95.3	96.4	97.3	98.0	96.4	95.5	97.7	98.2	97.4	97.9
93 Metal	10	.3	165.5	158.1	167.7	163.0	158.2	162.5	169.3	164.4	167.7	148.2	161.5	178.5	172.0	172.8
94 Coal	11,12	1.2	103.6	107.9	108.2	101.7	102.3	108.2	106.4	106.7	101.0	95.9	103.9	104.7	100.7	104.0
95 Oil and gas extraction	13	5.8	92.0	93.4	92.7	90.9	90.4	90.5	91.6	93.1	91.6	92.4	93.0	92.7	92.6	92.6
96 Stone and earth minerals	14	.7	93.9	92.6	93.8	95.2	93.4	92.3	94.0	91.7	93.2	94.7	95.0	94.3	95.9	94.5
97 Utilities	...	7.7	116.0	116.8	112.8	117.5	117.8	114.4	112.1	114.9	116.9	117.7	115.3	114.6	115.4	116.6
98 Electric	491,3PT	6.1	115.7	116.4	112.9	116.5	116.3	114.5	114.0	115.6	118.1	118.9	115.1	113.6	114.8	116.1
99 Gas	492,3PT	1.6	116.9	118.2	112.4	121.4	123.3	113.9	104.9	112.2	112.4	113.3	116.0	118.2	117.8	118.6
Special Aggregates																
100 Manufacturing excluding motor vehicles and parts	...	79.5	111.4	108.8	109.3	109.8	110.2	110.8	110.9	111.1	111.7	112.0	112.1	112.6	113.4	113.8
101 Manufacturing excluding office and computing machines	...	81.9	108.7	107.0	107.6	108.0	108.1	108.6	108.3	108.1	108.3	108.5	108.7	109.5	110.7	111.3
		Gross value (billions of 1987 dollars, annual rates)														
Major Markets																
102 **Products, total**	...	**1,707.0**	**1,890.0**	**1,857.5**	**1,864.9**	**1,880.2**	**1,880.3**	**1,882.8**	**1,872.6**	**1,873.2**	**1,877.4**	**1,879.3**	**1,887.2**	**1,914.3**	**1,938.2**	**1,947.2**
103 Final	...	1,314.6	1,492.5	1,466.8	1,476.4	1,485.7	1,484.3	1,485.6	1,477.9	1,477.5	1,479.0	1,480.5	1,489.1	1,513.4	1,534.3	1,542.1
104 Consumer goods	...	866.6	944.8	936.3	940.0	949.4	946.1	943.6	936.1	935.5	935.5	935.6	936.7	953.8	965.7	966.6
105 Equipment	...	448.0	547.6	530.5	536.5	536.3	538.2	541.9	541.8	541.9	543.4	544.9	552.4	559.6	568.7	575.5
106 Intermediate	...	392.5	397.6	390.7	388.4	394.5	396.0	397.3	394.7	395.7	398.4	398.8	398.1	401.0	403.9	405.1

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For ordering address, see inside front cover.

A revision of the industrial production index and the capacity utilization rates was released in May 1993. See "Industrial Production, Capacity, and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590–605.

2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1991	1992	1993	1993 Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	949	1,095	1,201	1,034	1,101	1,121	1,115	1,162	1,242	1,271	1,304	1,374	1,476
2 One-family	754	911	1,009	871	925	919	925	977	1,015	1,047	1,097	1,145	1,198
3 Two-or-more-family	195	184	192	163	176	202	190	185	227	224	207	229	278
4 Started	1,014	1,200	1,285	1,092[r]	1,232[r]	1,241[r]	1,238[r]	1,245[r]	1,319[r]	1,359[r]	1,409	1,406	1,571
5 One-family	840	1,030	1,124	957[r]	1,082[r]	1,100[r]	1,067[r]	1,076[r]	1,178[r]	1,160[r]	1,231	1,248	1,349
6 Two-or-more-family	174	169	162	135[r]	150[r]	141	171[r]	169[r]	141[r]	199[r]	178	158	222
7 Under construction at end of period[1]	606	612	681	635	637	645	649	658	662	678	688	700	715
8 One-family	434	473	545	502	506	515	517	527	534	543	551	563	577
9 Two-or-more-family	173	140	137	133	131	130	132	131	128	135	137	137	138
10 Completed	1,091	1,158	1,193	1,108	1,222	1,129	1,158	1,088	1,256	1,166	1,254	1,255	1,301
11 One-family	838	964	1,038	995	1,075	987	987	947	1,078	1,034	1,084	1,109	1,129
12 Two-or-more-family	253	194	156	113	147	142	171	141	178	132	170	146	172
13 Mobile homes shipped	171	210	234	245[r]	240[r]	235[r]	238[r]	246[r]	247[r]	254[r]	260	283	n.a.
Merchant builder activity in one-family units													
14 Number sold	507	610	669	602	689	629	641	647	642	742[r]	729	774	862
15 Number for sale at end of period[1]	284	265	303	270	271	274	274	276	286	288[r]	292	298	303
Price of units sold (thousands of dollars)[2]													
16 Median	120.0	121.3	125.8	125.0	127.0	129.9	124.5	123.9	126.6	129.4	125.0	130.0	121.0
17 Average	147.0	144.9	147.6	146.6	148.4	152.3	145.7	143.4	150.6	150.1[r]	147.2	153.8	145.3
EXISTING UNITS (one-family)													
18 Number sold	3,219	3,520	3,800	3,430[r]	3,460[r]	3,610[r]	3,700[r]	3,850[r]	3,860[r]	3,990[r]	4,030	4,120	4,350
Price of units sold (thousands of dollars)[2]													
19 Median	99.7	103.6	106.5	105.1	105.5[r]	106.5	109.2[r]	108.4[r]	108.8[r]	107.2	106.6	107.1	107.4
20 Average	127.4	130.8	133.1	131.6[r]	132.7[r]	132.6[r]	137.3[r]	135.8[r]	135.4[r]	133.6[r]	133.0	133.1	133.7
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 Total put in place	**403,439**	**436,043**	**470,294**	**454,465**	**449,054**	**453,256**	**460,680**	**466,593**	**468,547**	**477,125**	**489,660**	**500,041**	**513,100**
22 Private	293,536	317,256	342,715	336,972	328,150	332,231	335,028	337,909	341,351	345,572	354,102	364,482	371,917
23 Residential	157,837	187,820	207,901	205,519	197,317	198,380	200,496	204,631	206,594	209,520	215,198	222,299	228,584
24 Nonresidential	135,699	129,436	134,814	131,453	130,833	133,851	134,532	133,278	134,757	136,052	138,904	142,183	143,333
25 Industrial buildings	22,281	20,720	20,725	22,152	19,458	20,091	19,316	19,799	20,126	21,346	21,311	22,325	22,805
26 Commercial buildings	48,482	41,523	42,992	41,323	42,426	42,428	42,723	41,524	42,342	42,225	44,405	46,162	47,163
27 Other buildings	20,797	21,494	23,467	21,484	22,568	23,293	23,849	23,817	25,047	24,487	24,737	24,211	25,158
28 Public utilities and other	44,139	45,699	47,630	46,494	46,381	48,039	48,644	48,138	47,242	47,994	48,451	49,485	48,207
29 Public	109,900	118,784	127,581	117,493	120,904	121,025	125,652	128,684	127,196	131,553	135,558	135,559	141,183
30 Military	1,837	2,502	2,500	2,586	2,533	2,393	2,234	2,493	2,583	2,492	2,550	2,341	2,501
31 Highway	32,026	34,929	37,331	33,413	34,534	34,320	37,649	37,376	35,148	39,147	40,551	41,539	41,689
32 Conservation and development	4,861	5,918	6,138	7,112	5,875	6,019	6,103	5,661	5,620	6,307	5,940	6,363	6,471
33 Other	71,176	75,435	81,612	74,382	77,962	78,293	79,666	83,154	83,845	83,607	86,517	85,316	90,522

1. Not at annual rates.
2. Not seasonally adjusted.
3. Recent data on value of new construction may not be strictly comparable with data for previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes, see *Construction Reports* (C-30-76-5), issued by the Census Bureau in July 1976.

SOURCE. Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 17,000 jurisdictions beginning in 1984.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, Jan. 1994[1]
	1993 Jan.	1994 Jan.	1993[r]				1993				1994[1]	
			Mar.	June	Sept.	Dec.	Sept.	Oct.	Nov.	Dec.	Jan.	
CONSUMER PRICES[2] (1982–84=100)												
1 All items	**3.3**	**2.5**	**3.1**	**2.5**	**2.0**	**3.3**	**.1[r]**	**.3[r]**	**.3[r]**	**.2**	**.0**	**146.2**
2 Food	1.9	2.8	2.0	2.3	2.6	4.9	.3[r]	.5[r]	.2[r]	.5	−.1	143.7
3 Energy items	3.3	−2.0	1.2	−3.8	−4.2	1.2	−.4	1.9	−.9[r]	−.7[r]	−.8	101.3
4 All items less food and energy	3.5	2.9	3.8	3.2	2.1	3.4	.1	.3	.4[r]	.2[r]	.1	154.3
5 Commodities	2.7	1.3	3.0	.9	.0	2.4	−.3[r]	.2[r]	.3[r]	.1[r]	.0	135.4
6 Services	3.8	3.6	4.1	4.1	3.5	3.7	.2	.2[r]	.4[r]	.3[r]	.2	165.1
PRODUCER PRICES (1982=100)												
7 Finished goods	2.0	.2	3.9	.0	−2.5	−.3	.2	−.1[r]	.1[r]	−.1	.2	124.4
8 Consumer foods	1.5	2.3	.0	1.3	3.2	5.2	.6[r]	−.2[r]	.9[r]	.6[r]	−.3	127.1
9 Consumer energy	3.1	−4.0	14.1	−5.4	−7.4	−14.6	−.1[r]	.9[r]	−2.2[r]	−2.6[r]	.8	73.5
10 Other consumer goods	1.9	−.5	2.9	.6	−6.4	1.2	.0[r]	−.3[r]	.4[r]	.1[r]	.3	138.3
11 Capital equipment	1.7	1.9	4.1	.6	2.2	.9	.1[r]	−.3[r]	.2	.3	.6	133.3
Intermediate materials												
12 Excluding foods and feeds	1.9	.6	4.2	.3	−1.0	−.7	.0[r]	.2[r]	−.1[r]	−.3	.2	116.1
13 Excluding energy	1.5	1.5	4.0	.0	1.0	1.6	.0	.1[r]	.1	.2	.2	124.7
Crude materials												
14 Foods	1.8	5.6	1.9	−3.0	13.1	15.5	.5[r]	−1.5	4.2[r]	1.0[r]	−.9	111.5
15 Energy	5.6	−9.0	−10.1	17.5	−28.1	−26.8	1.2[r]	5.5[r]	−3.8	−8.9	3.8	71.5
16 Other	9.2	10.0	22.1	11.2	−4.5	19.6	.1[r]	.4[r]	1.8[r]	2.3[r]	1.6	147.7

1. Not seasonally adjusted.
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. U.S. Department of Labor, Bureau of Labor Statistics.

2.16 GROSS DOMESTIC PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1991	1992	1993	1992	1993			
				Q4	Q1	Q2	Q3	Q4
GROSS DOMESTIC PRODUCT								
1 **Total**	**5,722.9**	**6,038.5**	**6,374.0**	**6,194.4**	**6,261.6**	**6,327.6**	**6,395.9**	**6,510.8**
By source								
2 Personal consumption expenditures	3,906.4	4,139.9	4,390.6	4,256.2	4,296.2	4,359.9	4,419.1	4,487.4
3 Durable goods	457.8	497.3	537.7	516.6	515.3	531.6	541.9	561.9
4 Nondurable goods	1,257.9	1,300.9	1,350.2	1,331.7	1,335.3	1,344.8	1,352.4	1,368.4
5 Services	2,190.7	2,341.6	2,502.7	2,407.9	2,445.5	2,483.4	2,524.8	2,557.2
6 Gross private domestic investment	736.9	796.5	892.0	833.3	874.1	874.1	884.0	935.8
7 Fixed investment	745.5	789.1	875.2	821.3	839.5	861.0	876.3	924.1
8 Nonresidential	555.9	565.5	622.9	579.5	594.7	619.1	624.9	653.0
9 Structures	182.6	172.6	178.6	171.1	172.4	177.6	179.1	185.2
10 Producers' durable equipment	373.3	392.9	444.4	408.3	422.2	441.6	445.8	467.8
11 Residential structures	189.6	223.6	252.3	241.8	244.9	241.9	251.3	271.1
12 Change in business inventories	−8.6	7.3	16.8	12.0	34.6	13.1	7.7	11.7
13 Nonfarm	−8.6	2.3	23.1	9.5	33.0	16.8	22.6	19.9
14 Net exports of goods and services	−19.6	−29.6	−65.7	−38.8	−48.3	−65.1	−71.9	−77.7
15 Exports	601.5	640.5	660.1	654.7	651.3	660.0	653.2	675.8
16 Imports	621.1	670.1	725.8	693.5	699.6	725.0	725.1	753.5
17 Government purchases of goods and services	1,099.3	1,131.8	1,157.1	1,143.8	1,139.7	1,158.6	1,164.8	1,165.3
18 Federal	445.9	448.8	443.4	452.4	442.7	447.5	443.6	439.7
19 State and local	653.4	683.0	713.7	691.4	697.0	711.1	721.2	725.6
By major type of product								
20 Final sales, total	5,731.6	6,031.2	6,357.2	6,182.5	6,227.1	6,314.5	6,388.2	6,499.0
21 Goods	2,227.0	2,305.5	2,403.1	2,365.6	2,362.9	2,395.0	2,401.7	2,452.9
22 Durable	934.3	975.8	1,034.6	1,008.3	1,003.5	1,037.8	1,032.9	1,064.3
23 Nondurable	1,292.8	1,329.6	1,368.5	1,357.3	1,359.3	1,357.1	1,368.8	1,388.6
24 Services	3,032.7	3,221.1	3,409.5	3,296.1	3,341.8	3,388.1	3,437.8	3,470.3
25 Structures	471.9	504.7	544.6	520.8	522.4	531.5	548.7	575.8
26 Change in business inventories	−8.6	7.3	16.8	12.0	34.6	13.1	7.7	11.7
27 Durable goods	−12.9	2.1	13.0	−1.2	15.0	2.7	14.8	19.5
28 Nondurable goods	4.3	5.3	3.8	13.2	19.5	10.4	−7.2	−7.7
MEMO								
29 **Total GDP in 1987 dollars**	**4,861.4**	**4,986.3**	**5,132.7**	**5,068.3**	**5,078.2**	**5,102.1**	**5,138.3**	**5,212.1**
NATIONAL INCOME								
30 **Total**	**4,598.3**	**4,836.6**	n.a.	**4,975.8**	**5,038.9**	**5,104.0**	**5,143.2**	n.a.
31 Compensation of employees	3,402.4	3,582.0	3,772.1	3,658.6	3,705.1	3,750.6	3,793.9	3,839.0
32 Wages and salaries	2,814.9	2,953.1	3,100.4	3,015.8	3,054.3	3,082.7	3,115.4	3,149.2
33 Government and government enterprises	545.3	567.5	589.7	574.2	584.1	586.3	592.8	595.5
34 Other	2,269.6	2,385.6	2,510.7	2,441.6	2,470.2	2,496.3	2,522.6	2,553.7
35 Supplement to wages and salaries	587.5	629.0	671.7	642.8	650.7	668.0	678.5	689.8
36 Employer contributions for social insurance	290.6	306.3	321.0	311.3	312.2	321.4	323.8	326.8
37 Other labor income	296.9	322.7	350.7	331.5	338.5	346.6	354.7	362.9
38 Proprietors' income[1]	376.4	414.3	442.1	431.2	444.1	439.4	422.5	462.4
39 Business and professional[1]	339.5	370.6	397.1	383.6	388.4	392.4	397.6	410.1
40 Farm[1]	36.8	43.7	45.0	47.6	55.7	47.0	24.8	52.4
41 Rental income of persons[2]	−12.8	−8.9	13.0	−1.2	7.5	12.7	13.7	17.9
42 Corporate profits[1]	369.5	407.2	n.a.	439.5	432.1	458.1	468.5	n.a.
43 Profits before tax[3]	362.3	395.4	n.a.	409.9	419.8	445.6	443.8	n.a.
44 Inventory valuation adjustment	4.9	−5.3	−7.8	4.9	−12.7	−12.2	1.0	−7.2
45 Capital consumption adjustment	2.2	17.1	24.3	24.7	25.1	24.7	23.8	23.6
46 Net interest	462.8	442.0	n.a.	447.7	450.1	443.2	444.6	n.a.

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1991	1992	1993	1992	1993			
				Q4	Q1	Q2	Q3	Q4
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**4,850.9**	**5,144.9**	**5,387.6**	**5,328.3**	**5,254.7**	**5,373.2**	**5,412.7**	**5,509.8**
2 Wage and salary disbursements	2,815.0	2,973.1	3,080.4	3,095.8	2,974.3	3,082.7	3,115.4	3,149.2
3 Commodity-producing industries	738.1	756.5	763.6	783.3	740.7	765.1	769.4	779.0
4 Manufacturing	557.2	577.6	577.2	602.0	559.7	580.3	581.5	587.5
5 Distributive industries	648.0	682.0	706.4	709.9	682.9	709.1	714.4	719.2
6 Service industries	883.5	967.0	1,020.8	1,028.4	966.6	1,022.2	1,038.8	1,055.5
7 Government and government enterprises	545.4	567.5	589.7	574.2	584.1	586.3	592.8	595.5
8 Other labor income	296.9	322.7	350.7	331.5	338.5	346.6	354.7	362.9
9 Proprietors' income[1]	376.4	414.3	442.1	431.2	444.1	439.4	422.5	462.4
10 Business and professional[1]	339.5	370.6	397.1	383.6	388.4	392.4	397.6	410.1
11 Farm[1]	36.8	43.7	45.0	47.6	55.7	47.0	24.8	52.4
12 Rental income of persons[2]	−12.8	−8.9	13.0	−1.2	7.5	12.7	13.7	17.9
13 Dividends	127.9	140.4	158.3	152.3	157.0	157.8	159.0	159.4
14 Personal interest income	715.6	694.3	695.8	694.5	695.4	693.1	695.7	699.2
15 Transfer payments	769.9	858.4	911.6	877.4	894.4	905.5	918.5	927.9
16 Old-age survivors, disability, and health insurance benefits	382.3	413.9	438.2	420.8	433.1	435.0	439.4	445.4
17 LESS: Personal contributions for social insurance	237.8	249.3	264.3	253.3	256.6	264.5	266.8	269.2
18 EQUALS: Personal income	4,850.9	5,144.9	5,387.6	5,328.3	5,254.7	5,373.2	5,412.7	5,509.8
19 LESS: Personal tax and nontax payments	620.4	644.8	681.6	670.7	657.1	681.0	689.0	699.1
20 EQUALS: Disposable personal income	4,230.5	4,500.2	4,706.0	4,657.6	4,597.5	4,692.2	4,723.7	4,810.7
21 LESS: Personal outlays	4,029.0	4,261.5	4,515.7	4,377.9	4,419.7	4,483.6	4,544.0	4,615.5
22 EQUALS: Personal saving	201.5	238.7	190.3	279.7	177.9	208.7	179.7	195.2
MEMO								
Per capita (1987 dollars)								
23 Gross domestic product	19,237.9	19,518.0	19,874.5	19,754.1	19,744.4	19;785.4	19,868.8	20,097.3
24 Personal consumption expenditures	12,895.2	13,080.9	13,368.5	13,240.9	13,234.2	13,311.6	13,416.2	13,510.7
25 Disposable personal income	13,965.0	14,219.0	14,329.0	14,490.0	14,163.0	14,326.0	14,341.0	14,484.0
26 Saving rate (percent)	4.8	5.3	4.0	6.0	3.9	4.4	3.8	4.1
GROSS SAVING								
27 **Gross saving**	**733.7**	**717.8**	n.a.	**718.8**	**762.0**	**766.7**	**774.3**	n.a.
28 Gross private saving	929.9	986.9	n.a.	969.4	1,024.8	988.3	988.7	n.a.
29 Personal saving	201.5	238.7	190.3	279.7	177.9	208.7	179.7	195.2
30 Undistributed corporate profits[1]	102.3	110.4	n.a.	121.7	103.7	116.3	129.3	n.a.
31 Corporate inventory valuation adjustment	4.9	−5.3	−7.8	4.9	−12.7	−12.2	1.0	−7.2
Capital consumption allowances								
32 Corporate	383.2	396.6	408.9	396.5	402.2	405.2	414.0	414.1
33 Noncorporate	242.8	261.3	262.3	251.5	261.0	258.1	265.7	264.5
34 Government surplus, or deficit (−), national income and product accounts	−196.2	−269.1	−223.7	−250.6	−262.8	−221.5	−214.4	n.a.
35 Federal	−203.4	−276.3	−225.8	−264.2	−263.5	−222.6	−212.7	n.a.
36 State and local	7.3	7.2	2.1	13.5	.8	1.1	−1.7	n.a.
37 **Gross investment**	**743.3**	**741.4**	n.a.	**750.9**	**796.5**	**778.7**	**787.6**	n.a.
38 Gross private domestic	736.9	796.5	892.0	833.3	874.1	874.1	884.0	935.8
39 Net foreign	6.4	−55.1	n.a.	−82.4	−77.6	−95.4	−96.4	n.a.
40 **Statistical discrepancy**	**9.6**	**23.6**	n.a.	**32.1**	**34.4**	**12.0**	**13.3**	n.a.

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted[1]

Item credits or debits	1990	1991	1992	1992		1993		
				Q3	Q4	Q1	Q2	Q3[p]
1 Balance on current account	−91,861	−8,324	−66,400	−17,775	−23,687	−22,308	−27,172	−27,986
2 Merchandise trade balance[2]	−109,033	−73,802	−96,138	−27,612	−25,962	−29,309	−34,384	−36,279
3 Merchandise exports	389,303	416,937	440,138	109,493	113,992	111,530	113,118	111,912
4 Merchandise imports	−498,336	−490,739	−536,276	−137,105	−139,954	−140,839	−147,502	−148,191
5 Military transactions, net	−7,834	−5,851	−2,751	−617	−836	−145	−226	−341
6 Other service transactions, net	38,485	51,733	59,163	15,898	14,265	14,769	14,685	14,448
7 Investment income, net	20,348	13,021	6,222	1,703	−806	−37	47	1,748
8 U.S. government grants	−17,434	24,073	−14,688	−2,783	−5,883	−3,242	−2,730	−2,970
9 U.S. government pensions and other transfers	−2,934	−3,461	−3,735	−940	−846	−978	−979	−976
10 Private remittances and other transfers	−13,459	−14,037	−14,473	−3,424	−3,619	−3,366	−3,585	−3,616
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	2,307	2,905	−1,609	−305	−737	535	−275	−86
12 Change in U.S. official reserve assets (increase, −)	−2,158	5,763	3,901	1,952	1,542	−983	822	−545
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−192	−177	2,316	−173	2,829	−140	−166	−118
15 Reserve position in International Monetary Fund	731	−367	−2,692	−118	−2,685	−228	313	−48
16 Foreign currencies	−2,697	6,307	4,277	2,243	1,398	−615	675	−378
17 Change in U.S. private assets abroad (increase, −)	−44,280	−68,643	−53,253	−12,445	−31,243	−11,910	−29,888	−43,331
18 Bank-reported claims[3]	16,027	3,278	24,948	6,584	−3,481	28,055	5,317	7,547
19 Nonbank-reported claims	−4,433	1,932	4,551	−3,214	1,132	−4,774	443	...
20 U.S. purchases of foreign securities, net	−28,765	−44,740	−47,961	−13,787	−17,405	−26,889	−24,098	−45,290
21 U.S. direct investments abroad, net	−27,109	−29,113	−34,791	−2,028	−11,489	−8,302	−11,550	−5,588
22 Change in foreign official assets in United States (increase, +)	34,198	17,564	40,684	−7,378	5,931	10,929	17,699	19,646
23 U.S. Treasury securities	29,576	14,846	18,454	−323	−7,379	1,039	5,668	18,808
24 Other U.S. government obligations	667	1,301	3,949	912	874	710	1,082	1,545
25 Other U.S. government liabilities[4]	2,156	1,542	2,542	864	943	−395	396	1,322
26 Other U.S. liabilities reported by U.S. banks[3]	3,385	−1,484	16,427	−7,831	11,219	8,171	9,454	−2,213
27 Other foreign official assets[5]	−1,586	1,359	−688	−1,000	274	1,404	1,099	184
28 Change in foreign private assets in United States (increase, +)	70,976	65,875	88,895	33,828	32,914	14,789	24,681	46,806
29 U.S. bank-reported liabilities[3]	16,370	−11,371	18,609	23,647	−1,171	−18,862	−1,381	23,525
30 U.S. nonbank-reported liabilities	7,533	−699	741	1,553	−2,717	2,057	1,361	...
31 Foreign private purchases of U.S. Treasury securities, net	−2,534	18,826	36,893	4,870	21,232	13,599	−623	3,995
32 Foreign purchases of other U.S. securities, net	1,592	35,144	30,274	2,730	12,478	9,394	15,025	17,411
33 Foreign direct investments in United States, net	48,015	23,975	2,378	1,028	3,092	8,601	10,299	1,875
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	30,820	−15,140	−12,218	2,123	15,280	8,948	14,133	5,495
36 Due to seasonal adjustment	...	...	...	−6,754	1,222	5,814	681	−7,605
37 Before seasonal adjustment	30,820	−15,140	−12,218	8,877	14,058	3,134	13,452	13,100
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−2,158	5,763	3,901	1,952	1,542	−983	822	−544
39 Foreign official assets in United States, excluding line 25 (increase, +)	32,042	16,022	38,142	−8,242	4,988	11,324	17,303	18,324
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	1,707	−4,882	5,857	3,051	2,336	463	−916	−3,043

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.
2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.
3. Reporting banks include all types of depository institution as well as some brokers and dealers.
4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1991	1992	1993	1993						
				June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[p]
1 Exports of domestic and foreign merchandise, excluding grant-aid shipments	421,730	448,164	464,767	37,639	37,109	38,050	38,885	40,092	40,236	42,225
2 General imports including merchandise for immediate consumption plus entries into bonded warehouses	488,453	532,665	580,544	49,698	47,534	48,097	49,506	50,990	49,915	49,633
3 **Trade balance**	**−66,723**	**−84,501**	**−115,777**	**−12,058**	**−10,425**	**−10,047**	**−10,621**	**−10,897**	**−9,679**	**−7,408**

1. Government and nongovernment shipments of merchandise between foreign countries and the fifty states, including the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and U.S. Foreign Trade Zones. Data exclude (1) shipments among the United States, Puerto Rico, the U.S. Virgin Islands, and other U.S. affiliated insular areas, (2) shipments to U.S. Armed Forces and diplomatic missions abroad for their own use, (3) U.S. goods returned to the United States by its Armed Forces, (4) personal and household effects of travelers, and (5) in-transit shipments. Data reflect the total arrival of merchandise from foreign countries that immediately entered consumption channels, warehouses, or U.S. Foreign Trade Zones (general imports). Import data are Customs value; export data are F.A.S. value. Since 1990, data for U.S. exports to Canada have been derived from import data compiled by Canada; similarly, in Canadian statistics, Canadian exports to the United States are derived from import data compiled by the United States. Since Jan. 1, 1987, merchandise trade data have been released forty-five days after the end of the month; the previous month is revised to reflect late documents.

Data in this table differ from figures for merchandise trade shown in the U.S. balance of payments accounts (table 3.10, lines 2 through 4) primarily for reasons of coverage. For both exports and imports, a large part of the difference is the treatment of military sales and purchases. The military sales to foreigners (exports) and purchases from foreigners (imports) that are included in this table as merchandise trade are shifted, in the balance of payments accounts, from "merchandise trade" into the broader category "military transactions."

SOURCE. (U.S. Department of Commerce, Bureau of the Census), FT900, *U.S. Merchandise Trade*.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1990	1991	1992	1993						1994
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
1 **Total**	**83,316**	**77,719**	**71,323**	**74,139**	**75,231**	**75,835**	**74,550**	**74,042**	**73,442**	**74,243**
2 Gold stock, including Exchange Stabilization Fund[1]	11,058	11,057	11,056	11,057	11,057	11,057	11,056	11,054	11,053	11,053
3 Special drawing rights[2,3]	10,989	11,240	8,503	8,905	9,133	9,203	9,038	9,091	9,039	9,070
4 Reserve position in International Monetary Fund[2]	9,076	9,488	11,759	12,083	12,118	12,101	11,908	11,827	11,818	11,906
5 Foreign currencies[4]	52,193	45,934	40,005	42,094	42,923	43,474	42,548	42,070	41,532	42,214

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.
2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.
3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Asset	1990	1991	1992	1993						1994
				July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.[p]
1 Deposits	369	968	205	284	357	501	390	596	386	257
Held in custody										
2 U.S. Treasury securities[2]	278,499	281,107	314,481	343,378	356,671	358,860	358,975	373,864	379,394	388,065
3 Earmarked gold[3]	13,387	13,303	13,686	12,756	12,686	12,562	12,464	12,381	12,327	12,302

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 at face value in dollars or foreign currencies.
3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

Account	1990	1991	1992	1993 June	July	Aug.	Sept.	Oct.	Nov.	Dec.
ASSETS	All foreign countries									
1 **Total payable in any currency**	**556,925**	**548,999**	**542,761**	**562,021[r]**	**550,936[r]**	**560,051[r]**	**555,646[r]**	**562,192**	**561,963[r]**	**554,853**
2 Claims on United States	188,496	176,487	166,799	176,026	163,793	166,817	168,086[r]	164,023	164,889[r]	169,815
3 Parent bank	148,837	137,695	132,276	141,025	127,474	130,865	136,938[r]	127,347	127,021[r]	136,703
4 Other banks in United States	13,296	12,884	9,703	9,498	8,993	9,457	6,862	7,739	7,647	6,577
5 Nonbanks	26,363	25,908	24,820	25,503	27,326	26,495	24,286	28,937	30,221	26,535
6 Claims on foreigners	312,449	303,934	318,284	316,681	317,198	326,098	318,895[r]	327,336	324,274[r]	313,359
7 Other branches of parent bank	135,003	111,729	123,469	111,851	105,299	108,216	108,805[r]	107,155	104,639[r]	99,495
8 Banks	72,602	81,970	82,190	85,977	88,653	90,013	84,942[r]	92,262	89,750[r]	86,350
9 Public borrowers	17,555	18,652	20,756	18,183	17,687	18,364	17,797	17,881	19,855	19,233
10 Nonbank foreigners	87,289	91,583	91,869	100,670	105,559	109,505	107,351[r]	110,038	110,030[r]	108,281
11 Other assets	55,980	68,578	57,678	69,314[r]	69,945[r]	67,136[r]	68,665[r]	70,833	72,800[r]	71,679
12 **Total payable in U.S. dollars**	**379,479**	**364,078**	**365,941**	**355,357[r]**	**341,060**	**338,953[r]**	**348,210[r]**	**342,145**	**339,177[r]**	**345,573**
13 Claims on United States	180,174	169,848	162,126	169,503	155,387	157,538	160,820[r]	154,083	153,892	160,251
14 Parent bank	142,962	133,662	129,330	137,712	124,072	127,028	133,223[r]	124,064	123,370	133,014
15 Other banks in United States	12,513	12,025	9,266	8,638	8,270	8,475	6,322	7,046	6,977	5,999
16 Nonbanks	24,699	24,161	23,530	23,153	23,045	22,035	21,275	22,973	23,545	21,238
17 Claims on foreigners	174,451	167,010	183,641	168,886	167,295	164,379	168,744[r]	166,803	163,631[r]	164,366
18 Other branches of parent bank	95,298	78,114	83,231	73,071	70,400	68,623	70,699[r]	67,602	65,432	65,969
19 Banks	36,440	41,635	47,250	43,679	44,267	42,383	43,925[r]	44,722	43,549[r]	44,406
20 Public borrowers	12,298	13,685	14,313	12,049	11,951	11,999	11,580	11,512	12,504	11,935
21 Nonbank foreigners	30,415	33,576	38,847	40,087	40,677	41,374	42,540	42,967	42,146[r]	42,056
22 Other assets	24,854	27,220	20,174	16,968[r]	18,378	17,036[r]	18,646[r]	21,259	21,654[r]	20,956
	United Kingdom									
23 **Total payable in any currency**	**184,818**	**175,599**	**165,850**	**172,439[r]**	**166,431[r]**	**172,072[r]**	**172,368[r]**	**173,948**	**175,316**	**178,073**
24 Claims on United States	45,560	35,257	36,403	37,038	34,032	35,491	34,053	32,641	35,377	41,200
25 Parent bank	42,413	31,931	33,460	33,059	29,184	30,612	30,776	26,562	27,944	36,620
26 Other banks in United States	792	1,267	1,298	1,006	808	877	631	1,010	804	933
27 Nonbanks	2,355	2,059	1,645	2,973	4,040	4,002	2,646	5,069	6,629	3,647
28 Claims on foreigners	115,536	109,692	111,623	109,528	107,799	114,150	115,203	118,207	112,705	110,126
29 Other branches of parent bank	46,367	35,735	46,165	40,130	37,164	39,778	40,613	40,545	36,971	32,598
30 Banks	31,604	36,394	33,399	36,848	38,543	40,332	40,277	44,704	42,454	42,239
31 Public borrowers	3,860	3,306	3,329	2,342	2,341	2,606	2,171	2,147	2,984	2,900
32 Nonbank foreigners	33,705	34,257	28,730	30,208	29,751	31,434	32,142	30,811	30,296	32,389
33 Other assets	23,722	30,650	17,824	25,873[r]	24,600[r]	22,431[r]	23,112[r]	23,100	27,234	26,747
34 **Total payable in U.S. dollars**	**116,762**	**105,974**	**109,493**	**100,418[r]**	**96,200**	**93,735[r]**	**97,832[r]**	**94,820**	**94,227**	**99,479**
35 Claims on United States	41,259	32,418	34,508	34,110	30,573	31,753	31,160	27,731	30,092	36,143
36 Parent bank	39,609	30,370	32,186	31,265	27,580	28,938	29,130	24,756	26,046	34,628
37 Other banks in United States	334	822	1,022	533	300	308	328	430	365	479
38 Nonbanks	1,316	1,226	1,300	2,312	2,693	2,507	1,702	2,545	3,681	1,036
39 Claims on foreigners	63,701	58,791	66,335	60,479	58,944	56,603	59,725	59,396	55,167	53,466
40 Other branches of parent bank	37,142	28,667	34,124	30,287	27,814	27,713	28,306	27,478	24,779	20,965
41 Banks	13,135	15,219	17,089	16,658	17,590	15,466	17,967	18,910	17,103	18,135
42 Public borrowers	3,143	2,853	2,349	1,804	1,744	1,832	1,614	1,613	2,446	2,319
43 Nonbank foreigners	10,281	12,052	12,773	11,730	11,796	11,592	11,838	11,395	10,839	12,047
44 Other assets	11,802	14,765	8,650	5,829[r]	6,683	5,379[r]	6,947[r]	7,693	8,968	9,870
	Bahamas and Cayman Islands									
45 **Total payable in any currency**	**162,316**	**168,512**	**147,422**	**148,982**	**140,580**	**140,172**	**147,385**	**146,834**	**144,327**	**148,814**
46 Claims on United States	112,989	115,430	96,280	102,109	93,736	93,661	98,873	98,100	96,389	96,023
47 Parent bank	77,873	81,706	66,608	74,023	66,363	67,055	74,040	72,185	70,682	71,606
48 Other banks in United States	11,869	10,907	7,828	7,651	7,477	7,360	5,489	5,710	5,993	4,957
49 Nonbanks	23,247	22,817	21,844	20,435	19,896	19,246	19,344	20,205	19,714	19,460
50 Claims on foreigners	41,356	45,229	44,509	40,437	39,609	39,588	41,814	40,028	40,257	46,286
51 Other branches of parent bank	13,416	11,098	7,293	7,009	6,772	7,226	8,958	8,024	8,713	15,692
52 Banks	16,310	20,174	21,212	18,117	17,688	16,863	17,090	16,228	15,999	15,718
53 Public borrowers	5,807	7,161	7,786	6,334	6,185	6,102	5,955	5,767	5,735	5,539
54 Nonbank foreigners	5,823	6,796	8,218	8,977	8,964	9,397	9,811	10,009	9,810	9,337
55 Other assets	7,971	7,853	6,633	6,436	7,235	6,923	6,698	8,706	7,681	6,931
56 **Total payable in U.S. dollars**	**158,390**	**163,957**	**142,861**	**143,900**	**136,025**	**135,698**	**142,831**	**142,273**	**140,010**	**144,707**

1. Since June 1984, 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.

This table has been discontinued with the December 1993 data because these data are no longer collected.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]—Continued

Account	1990	1991	1992	1993						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.
LIABILITIES	All foreign countries									
57 **Total payable in any currency**	**556,925**	**548,999**	**542,761**	**562,021[r]**	**550,936[r]**	**560,051[r]**	**555,646[r]**	**562,192**	**561,963[r]**	**554,853**
58 Negotiable certificates of deposit (CDs)	18,060	16,284	10,032	14,154	14,568	14,604	12,666	12,166	11,939[r]	12,930
59 To United States	189,412	198,307	189,445	186,374	174,089	172,074	180,247[r]	173,532	173,488[r]	180,246
60 Parent bank	138,748	136,431	134,340	129,486	120,953	118,724	121,821[r]	114,945	114,807[r]	116,741
61 *Other banks in United States*	*7,463*	*13,260*	*12,182*	*13,514*	*10,440*	*9,561*	*11,662*	*10,699*	*11,568*	*14,592*
62 Nonbanks	43,201	48,616	42,923	43,374	42,696	43,789	46,764	47,888	47,113	48,913
63 To foreigners	311,668	288,254	309,917	319,105	319,673	333,165	322,305[r]	335,078	332,331[r]	321,981
64 Other branches of parent bank	139,113	112,033	125,189	115,743	108,954	113,582	111,759[r]	109,288	107,796[r]	103,047
65 Banks	58,986	63,097	62,268	67,258	71,509	73,682	68,117[r]	78,882	75,164[r]	73,439
66 Official institutions	14,791	15,596	19,731	22,466	23,147	23,049	22,698	24,712	26,020	26,508
67 Nonbank foreigners	98,778	97,528	102,729	113,638	116,063	122,852	119,731[r]	122,196	123,351	118,987
68 Other liabilities	37,785	46,154	33,367	42,388[r]	42,606[r]	40,208[r]	40,428[r]	41,416	44,205[r]	39,696
69 **Total payable in U.S. dollars**	**383,522**	**370,710**	**368,869**	**356,464[r]**	**341,778[r]**	**338,776[r]**	**346,776[r]**	**340,549**	**339,440[r]**	**345,779**
70 Negotiable CDs	14,094	11,909	6,238	8,138	7,958	7,370	6,131	5,886	5,712[r]	6,732
71 To United States	175,654	185,472	178,675	172,708	160,499	157,841	167,272[r]	160,049	160,499[r]	166,493
72 Parent bank	130,510	129,669	127,949	121,922	113,313	110,881	114,170[r]	107,631	107,878[r]	109,063
73 Other banks in United States	6,052	11,707	11,512	12,862	9,789	8,842	11,092	9,927	10,923	13,838
74 Nonbanks	39,092	44,096	39,214	37,924	37,397	38,118	42,010	42,491	41,698	43,592
75 To foreigners	179,002	158,993	172,284	166,193	163,673	165,121	163,770[r]	162,435	159,341	163,602
76 Other branches of parent bank	98,128	76,601	83,714	75,798	72,924	72,504	72,395[r]	68,934	66,909	68,815
77 Banks	20,251	24,156	26,159	23,440	23,631	24,522	23,804[r]	24,252	24,034	25,764
78 Official institutions	7,921	10,304	12,430	12,951	12,868	12,031	10,720	11,416	11,210	13,868
79 Nonbank foreigners	52,702	47,932	49,981	54,004	54,250	56,064	56,851[r]	57,833	57,188	55,155
80 Other liabilities	14,772	14,336	11,672	9,425[r]	9,648[r]	8,444[r]	9,603[r]	12,179	13,888[r]	8,952
	United Kingdom									
81 **Total payable in any currency**	**184,818**	**175,599**	**165,850**	**172,439[r]**	**166,431[r]**	**172,072[r]**	**172,368[r]**	**173,948**	**175,316**	**178,073**
82 Negotiable CDs	14,256	11,333	4,517	6,566	6,364	6,674	5,318	4,489	4,188	5,429
83 To United States	39,928	37,720	39,174	39,514	35,521	36,600	37,180	33,498	31,953	29,716
84 Parent bank	31,806	29,834	31,100	30,410	27,183	28,076	29,217	25,147	24,755	21,466
85 Other banks in United States	1,505	1,438	1,065	1,097	850	741	682	782	556	887
86 Nonbanks	6,617	6,448	7,009	8,007	7,488	7,783	7,281	7,569	6,642	7,363
87 To foreigners	108,531	98,167	107,176	106,725	105,949	112,121	112,534	118,837	117,926	125,231
88 Other branches of parent bank	36,709	30,054	35,983	32,275	28,408	30,534	31,578	31,921	34,236	39,114
89 Banks	25,126	25,541	25,231	25,848	28,504	29,039	28,064	32,055	30,120	30,583
90 Official institutions	8,361	9,670	12,090	12,139	11,885	11,575	12,425	13,269	13,104	15,892
91 Nonbank foreigners	38,335	32,902	33,872	36,463	37,152	40,973	40,467	41,592	40,466	39,642
92 Other liabilities	22,103	28,379	14,983	19,634[r]	18,597[r]	16,677[r]	17,336[r]	17,124	21,249	17,697
93 **Total payable in U.S. dollars**	**116,094**	**108,755**	**108,214**	**97,750[r]**	**92,745[r]**	**91,432[r]**	**94,017[r]**	**91,614**	**91,266**	**97,956**
94 Negotiable CDs	12,710	10,076	3,894	5,462	5,197	4,890	3,728	3,388	3,234	4,642
95 To United States	34,697	33,003	35,417	34,523	30,669	31,579	32,838	28,725	27,055	25,142
96 Parent bank	29,955	28,260	29,957	28,747	25,753	26,600	28,039	24,093	23,524	20,454
97 Other banks in United States	1,156	1,177	709	847	637	476	397	350	337	506
98 Nonbanks	3,586	3,566	4,751	4,929	4,279	4,503	4,402	4,282	3,194	4,182
99 To foreigners	60,014	56,626	62,048	53,282	52,336	51,256	52,608	54,211	53,230	63,782
100 Other branches of parent bank	25,957	20,800	22,026	17,691	16,198	16,063	16,859	16,108	18,487	25,262
101 Banks	9,488	11,069	12,540	8,305	8,347	7,666	8,877	9,967	7,831	9,702
102 Official institutions	4,692	7,156	8,847	8,812	8,720	8,042	7,195	7,399	7,238	10,090
103 Nonbank foreigners	19,877	17,601	18,635	18,474	19,071	19,485	19,677	20,737	19,674	18,728
104 Other liabilities	8,673	9,050	6,855	4,483[r]	4,543[r]	3,707[r]	4,843[r]	5,290	7,747	4,390
	Bahamas and Cayman Islands									
105 **Total payable in any currency**	**162,316**	**168,512**	**147,422**	**148,982**	**140,580**	**140,172**	**147,385**	**146,834**	**144,327**	**148,814**
106 Negotiable CDs	646	1,173	1,350	1,535	1,562	1,307	1,315	1,260	1,370	1,099
107 To United States	114,738	130,058	111,861	109,238	101,036	99,418	108,107	106,453	107,554	116,507
108 Parent bank	74,941	79,394	67,347	64,608	59,352	58,031	60,407	59,323	59,368	64,818
109 Other banks in United States	4,526	10,231	10,445	11,567	8,603	7,791	10,146	9,117	10,056	12,812
110 Nonbanks	35,271	40,433	34,069	33,063	33,081	33,596	37,554	38,013	38,130	38,877
111 To foreigners	44,444	35,200	32,556	36,621	35,973	37,808	36,449	35,291	32,347	29,909
112 Other branches of parent bank	24,715	17,388	15,169	18,944	18,164	19,103	18,609	17,451	14,131	11,665
113 Banks	5,588	5,662	6,422	6,417	6,996	7,766	6,347	6,272	6,356	7,257
114 Official institutions	622	572	805	1,031	902	836	881	770	953	822
115 Nonbank foreigners	13,519	11,578	10,160	10,229	9,911	10,103	10,612	10,798	10,907	10,165
116 Other liabilities	2,488	2,081	1,655	1,588	2,009	1,639	1,514	3,830	3,056	1,299
117 **Total payable in U.S. dollars**	**157,132**	**163,789**	**143,150**	**144,014**	**135,893**	**135,483**	**142,449**	**142,246**	**140,068**	**144,367**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1991	1992	1993						
			June	July	Aug.	Sept.	Oct.	Nov.	Dec.[p]
1 **Total**[1]	**360,530**	**398,816**	**427,561**	**427,039**	**436,972**	**445,692**	**444,107**[r]	**456,734**[r]	**468,268**
By type									
2 Liabilities reported by banks in the United States[2]	38,396	54,967	72,714	67,464	68,827	70,219	65,668	67,544	69,048
3 U.S. Treasury bills and certificates[3]	92,692	104,596	119,860	128,837	136,488	139,638	140,525	144,865	150,900
U.S. Treasury bonds and notes									
4 Marketable	203,677	210,553	201,118	196,441	197,165	200,346	201,965[r]	208,213[r]	211,869
5 Nonmarketable[4]	4,858	4,532	5,451	5,488	5,508	5,542	5,579	5,615	5,652
6 U.S. securities other than U.S. Treasury securities[5]	20,907	24,168	28,418	28,809	28,984	29,947	30,370	30,497	30,799
By area									
7 Europe[1]	171,317	191,708	193,401	188,981	191,890	198,254	193,676	208,370	208,643
8 Canada	7,460	7,920	8,297	8,808	8,075	8,260	9,441	8,657	9,505
9 Latin America and Caribbean	33,554	40,025	48,548	53,805	55,343	54,703	54,275	50,410[r]	57,960
10 Asia	139,465	152,276	169,504	169,080	174,901	177,164	178,889[r]	182,462[r]	185,304
11 Africa	2,092	3,565	3,621	2,844	3,109	3,888	3,665	3,650	3,893
12 Other countries[6]	6,640	3,320	4,188	3,519	3,652	3,421	4,159[r]	3,183[r]	2,961

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies; zero coupon bonds are included at current value.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

SOURCE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States and on the 1984 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1989	1990	1991	1992	1993		
				Dec.	Mar.	June	Sept.[r]
1 Banks' liabilities	67,835	70,477	75,129	72,796	80,999	74,697	81,045
2 Banks' claims	65,127	66,796	73,195	62,799[r]	64,057	55,161	59,116
3 Deposits	20,491	29,672	26,192	24,240	24,928	23,449	22,724
4 Other claims	44,636	37,124	47,003	38,559[r]	39,129	31,712	36,392
5 Claims of banks' domestic customers[2]	3,507	6,309	3,398	4,432	2,625	3,234	2,640

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Item	1991	1992	1993	1993						
				June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[p]
HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**756,066**	**810,259**	**892,925**	**824,957**	**821,788**	**846,626**	**862,147**	**867,083[r]**	**884,471**	**892,925**
2 Banks' own liabilities	575,374	606,444	619,159	597,695	589,281	606,529	614,608	608,979[r]	615,361	619,159
3 Demand deposits	20,321	21,828	21,569	21,466	21,818	21,503	25,445	22,035	25,462	21,569
4 Time deposits[2]	159,649	160,385	174,816	152,072	151,293	152,967	153,607	158,845[r]	155,928	174,816
5 Other[3]	66,305	93,237	109,608	107,462	106,962	116,406	113,063	129,438[r]	128,563	109,608
6 Own foreign offices[4]	329,099	330,994	313,166	316,695	309,208	315,653	322,493	298,661[r]	305,408	313,166
7 Banks' custodial liabilities[5]	180,692	203,815	273,766	227,262	232,507	240,097	247,539	258,104[r]	269,110	273,766
8 U.S. Treasury bills and certificates[6]	110,734	127,644	176,430	144,059	153,359	161,827	165,151	164,365	169,729	176,430
9 Other negotiable and readily transferable instruments[7]	18,664	21,974	36,078	30,056	26,477	27,643	30,879	37,562[r]	38,555	36,078
10 Other	51,294	54,197	61,258	53,147	52,671	50,627	51,509	56,177[r]	60,826	61,258
11 *Nonmonetary international and regional organizations*[8]	8,981	9,350	10,836	9,330	9,587	12,365	11,409	10,984	12,955	10,836
12 Banks' own liabilities	6,827	6,951	5,540	6,270	6,397	8,671	7,995	6,780	9,081	5,540
13 *Demand deposits*	43	46	15	19	29	37	72	71	34	15
14 Time deposits[2]	2,714	3,214	2,770	3,607	2,920	2,882	4,062	2,968	2,853	2,770
15 Other[3]	4,070	3,691	2,755	2,644	3,448	5,752	3,861	3,741	6,194	2,755
16 Banks' custodial liabilities[5]	2,154	2,399	5,296	3,060	3,190	3,694	3,414	4,204	3,874	5,296
17 U.S. Treasury bills and certificates[6]	1,730	1,908	4,275	2,320	2,635	3,418	3,199	3,566	3,201	4,275
18 Other negotiable and readily transferable instruments[7]	424	486	1,021	740	549	276	215	638	672	1,021
19 Other	0	5	0	0	6	0	0	0	1	0
20 Official institutions[9]	131,088	159,563	219,948	192,574	196,301	205,315	209,857	206,193	212,409	219,948
21 Banks' own liabilities	34,411	51,202	63,471	62,972	62,062	62,255	63,618	60,995	61,748	63,471
22 Demand deposits	2,626	1,302	1,599	2,231	1,583	1,321	1,951	2,121	2,089	1,599
23 Time deposits[2]	16,504	17,939	21,494	19,603	18,935	18,110	20,552	14,885	16,938	21,494
24 Other[3]	15,281	31,961	40,378	41,138	41,544	42,824	41,115	43,989	42,721	40,378
25 Banks' custodial liabilities[5]	96,677	108,361	156,477	129,602	134,239	143,060	146,239	145,198	150,661	156,477
26 U.S. Treasury bills and certificates[6]	92,692	104,596	150,900	119,860	128,837	136,488	139,638	140,525	144,865	150,900
27 Other negotiable and readily transferable instruments[7]	3,879	3,726	5,482	9,602	5,297	6,514	6,149	4,491	5,614	5,482
28 Other	106	39	95	140	105	58	452	182	182	95
29 Banks[10]	522,265	547,320	561,485	529,179	521,266	531,961	544,176	543,385[r]	553,327	561,485
30 Banks' own liabilities	459,335	476,117	473,751	459,341	450,361	462,736	470,133	460,075[r]	467,446	473,751
31 Unaffiliated foreign banks	130,236	145,123	160,585	142,646	141,153	147,083	147,640	161,414[r]	162,038	160,585
32 Demand deposits	8,648	10,170	9,713	9,919	10,677	10,478	12,808	9,948	13,369	9,713
33 Time deposits[2]	82,857	90,296	105,203	83,064	84,567	85,965	83,070	95,208[r]	91,462	105,203
34 Other[3]	38,731	44,657	45,669	49,663	45,909	50,640	51,762	56,258	57,207	45,669
35 Own foreign offices[4]	329,099	330,994	313,166	316,695	309,208	315,653	322,493	298,661[r]	305,408	313,166
36 Banks' custodial liabilities[5]	62,930	71,203	87,734	69,838	70,905	69,225	74,043	83,310[r]	85,881	87,734
37 U.S. Treasury bills and certificates[6]	7,471	11,087	10,707	10,546	10,627	11,327	11,794	10,046	10,539	10,707
38 Other negotiable and readily transferable instruments[7]	5,694	7,555	16,810	7,741	9,049	8,760	12,688	19,106[r]	17,124	16,810
39 Other	49,765	52,561	60,217	51,551	51,229	49,138	49,561	54,158[r]	58,218	60,217
40 Other foreigners	93,732	94,026	100,656	93,874	94,634	96,985	96,705	106,521[r]	105,780	100,656
41 Banks' own liabilities	74,801	72,174	76,397	69,112	70,461	72,867	72,862	81,129[r]	77,086	76,397
42 Demand deposits	9,004	10,310	10,242	9,297	9,529	9,667	10,614	9,895	9,970	10,242
43 Time deposits[2]	57,574	48,936	45,349	45,798	44,871	46,010	45,923	45,784	44,675	45,349
44 Other[3]	8,223	12,928	20,806	14,017	16,061	17,190	16,325	25,450[r]	22,441	20,806
45 Banks' custodial liabilities[5]	18,931	21,852	24,259	24,762	24,173	24,118	23,843	25,392	28,694	24,259
46 U.S. Treasury bills and certificates[6]	8,841	10,053	10,548	11,333	11,260	10,594	10,520	10,228	11,124	10,548
47 Other negotiable and readily transferable instruments[7]	8,667	10,207	12,765	11,973	11,582	12,093	11,827	13,327	15,145	12,765
48 Other	1,423	1,592	946	1,456	1,331	1,431	1,496	1,837	2,425	946
MEMO										
49 *Negotiable time certificates of deposit in custody for foreigners*	7,456	9,111	17,567	10,388	9,389	9,481	11,264	17,533	17,089	17,567

1. Reporting banks include all types of depository institution, as well as some brokers and dealers.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in Consolidated Report of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed 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, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

Item	1991[r]	1992[r]	1993	1993 June[r]	July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.[p]
AREA										
1 **Total, all foreigners**	**756,066**	**810,259**	**892,925**	**824,957**	**821,788**	**846,626**	**862,147**	**867,083**	**884,471**	**892,925**
2 **Foreign countries**	**747,085**	**800,909**	**882,089**	**815,627**	**812,201**	**834,261**	**850,738**	**856,099**	**871,516**	**882,089**
3 Europe	249,097	307,670	376,205	324,252	321,005	335,460	340,374	357,847	369,518	376,205
4 Austria	1,193	1,611	1,857	1,496	1,415	1,614	1,672	1,808	1,797	1,857
5 Belgium and Luxembourg	13,337	20,567	28,650	21,817	20,805	23,345	23,635	24,641	27,541	28,650
6 Denmark	937	3,060	4,517	3,088	3,983	3,023	3,135	5,084	4,151	4,517
7 Finland	1,341	1,299	1,872	2,580	2,873	2,667	2,347	2,712	2,250	1,872
8 France	31,808	41,411	39,704	33,744	33,963	36,517	40,622	43,034	36,623	39,704
9 Germany	8,619	18,630	26,617	22,752	24,498	22,199	22,530	22,820	27,025	26,617
10 Greece	765	913	1,530	819	1,078	1,122	1,378	1,366	1,704	1,530
11 Italy	13,541	10,041	11,561	10,402	10,721	11,426	11,285	10,466	10,734	11,561
12 Netherlands	7,161	7,365	15,999	11,271	10,465	10,854	11,429	13,368	14,737	15,999
13 Norway	1,866	3,314	2,975	2,840	2,757	2,833	2,901	2,796	3,199	2,975
14 Portugal	2,184	2,465	3,366	2,764	2,894	3,015	3,180	3,215	3,229	3,366
15 Russia	241	577	2,511	1,129	1,406	2,254	2,229	2,623	2,530	2,511
16 Spain	11,391	9,793	20,483	15,507	16,644	17,207	20,495	20,181	19,704	20,483
17 Sweden	2,222	2,953	2,573	2,336	2,210	1,460	3,474	2,355	2,672	2,573
18 Switzerland	37,238	39,440	41,865	41,270	40,494	40,987	41,909	43,195	42,886	41,865
19 Turkey	1,598	2,666	3,228	2,497	2,882	2,618	2,553	2,897	2,947	3,228
20 United Kingdom	100,292	111,805	133,698	115,251	113,171	118,793	116,205	130,941	135,697	133,698
21 Yugoslavia[11]	622	504	569	512	501	511	524	541	546	569
22 Other Europe and former U.S.S.R.[12]	12,741	29,256	32,630	32,177	28,245	33,015	28,871	23,804	29,546	32,630
23 Canada	21,605	22,420	20,227	20,051	22,264	23,917	25,147	27,452	24,152	20,227
24 Latin America and Caribbean	345,529	317,228	330,166	316,654	315,885	316,747	326,346	317,698	322,408	330,166
25 Argentina	7,753	9,477	14,492	11,289	14,120	14,579	14,051	14,319	13,694	14,492
26 Bahamas	100,622	82,284	73,067	80,713	73,414	73,790	77,896	76,557	78,354	73,067
27 Bermuda	3,178	7,079	7,873	6,074	6,969	6,931	7,239	8,021	7,287	7,873
28 Brazil	5,704	5,584	5,309	4,936	5,425	5,299	5,268	5,057	5,069	5,309
29 British West Indies	163,620	153,033	163,078	151,695	151,519	149,897	156,953	149,468	157,172	163,078
30 Chile	3,283	3,035	3,203	3,552	3,934	3,596	3,867	3,952	3,455	3,203
31 Colombia	4,661	4,580	3,173	4,405	4,464	4,383	3,988	3,025	3,101	3,173
32 Cuba	2	3	33	3	5	5	6	7	7	33
33 Ecuador	1,232	993	881	924	889	860	819	868	851	881
34 Guatemala	1,594	1,377	1,207	1,397	1,304	1,315	1,278	1,275	1,243	1,207
35 Jamaica	231	371	410	341	341	364	375	376	401	410
36 Mexico	19,957	19,454	28,063	22,318	24,138	24,833	24,414	24,248	21,946	28,063
37 Netherlands Antilles	5,592	5,205	4,188	4,059	4,159	5,413	4,695	5,283	4,726	4,188
38 Panama	4,695	4,177	3,625	3,749	3,747	3,657	3,743	3,567	3,468	3,625
39 Peru	1,249	1,080	931	979	891	898	903	873	889	931
40 Uruguay	2,096	1,955	1,622	1,775	1,775	1,822	1,734	1,716	1,643	1,622
41 Venezuela	13,181	11,387	12,807	12,242	12,373	12,782	12,868	12,903	13,076	12,807
42 Other	6,879	6,154	6,204	6,203	6,418	6,323	6,249	6,183	6,026	6,204
43 Asia	120,462	143,540	144,596	143,166	143,132	147,517	147,648	141,363	144,476	144,596
China										
44 People's Republic of China	2,626	3,202	4,011	2,885	2,728	3,292	3,261	3,280	3,187	4,011
45 Republic of China (Taiwan)	11,491	8,408	10,634	9,548	9,999	9,483	9,969	9,804	10,960	10,634
46 Hong Kong	14,269	18,499	17,233	15,890	16,193	15,621	16,388	16,389	18,573	17,233
47 India	2,418	1,399	1,113	1,315	1,053	1,211	1,288	1,251	1,525	1,113
48 Indonesia	1,463	1,480	1,986	2,132	1,688	1,582	1,715	1,504	1,674	1,986
49 Israel	2,015	3,773	4,436	2,764	2,790	2,729	3,241	5,450	4,582	4,436
50 Japan	47,069	58,435	61,476	62,791	62,233	67,999	65,626	60,171	58,866	61,476
51 Korea (South)	2,587	3,337	4,866	3,842	4,298	3,873	4,356	3,889	4,409	4,866
52 Philippines	2,449	2,275	2,035	2,933	3,196	2,648	2,735	2,192	1,902	2,035
53 Thailand	2,252	5,582	6,137	5,233	5,830	6,058	5,846	6,446	6,231	6,137
54 Middle Eastern oil-exporting countries[13]	15,752	21,437	15,825	20,327	18,409	19,141	17,255	14,681	15,489	15,825
55 Other	16,071	15,713	14,844	13,506	14,715	13,880	15,968	16,306	17,078	14,844
56 Africa	4,825	5,884	6,623	6,475	5,680	5,649	6,127	6,179	5,762	6,623
57 Egypt	1,621	2,472	2,209	2,784	1,880	2,018	2,457	2,220	2,089	2,209
58 Morocco	79	76	99	119	138	78	86	87	110	99
59 South Africa	228	190	451	265	172	233	275	367	272	451
60 Zaire	31	19	12	15	25	20	16	15	10	12
61 Oil-exporting countries[14]	1,082	1,346	1,303	1,332	1,417	1,279	1,281	1,271	1,446	1,303
62 Other	1,784	1,781	2,549	1,960	2,048	2,021	2,012	2,219	1,835	2,549
63 Other	5,567	4,167	4,272	5,029	4,235	4,971	5,096	5,560	5,200	4,272
64 Australia	4,464	3,043	3,308	4,078	3,253	3,890	4,045	4,434	3,853	3,308
65 Other	1,103	1,124	964	951	982	1,081	1,051	1,126	1,347	964
66 Nonmonetary international and regional organizations	8,981	9,350	10,836	9,330	9,587	12,365	11,409	10,984	12,955	10,836
67 International[15]	6,485	7,434	6,751	5,812	6,028	8,367	7,679	7,340	9,084	6,751
68 Latin American regional[16]	1,181	1,415	3,218	2,318	2,077	2,737	2,448	2,539	3,050	3,218
69 Other regional[17]	1,315	501	867	1,200	1,482	1,261	1,282	1,105	821	867

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
12. Includes the Bank for International Settlements. Since December 1992, includes all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
14. Comprises Algeria, Gabon, Libya, and Nigeria.
15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.
16. Principally the Inter-American Development Bank.
17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other 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	1991[r]	1992[r]	1993	1993 June[r]	1993 July[r]	1993 Aug.[r]	1993 Sept.[r]	1993 Oct.[r]	1993 Nov.[r]	1993 Dec.[p]
1 **Total, all foreigners**	**514,339**	**499,437**	**482,804**	**482,549**	**472,877**	**461,191**	**477,233**	**465,986**	**469,045**	**482,804**
2 **Foreign countries**	**508,056**	**494,355**	**480,349**	**480,469**	**471,570**	**459,239**	**474,854**	**464,743**	**466,844**	**480,349**
3 Europe	114,310	123,377	121,456	122,297	125,094	116,836	124,253	124,616	120,707	121,456
4 Austria	327	331	413	1,080	1,094	691	457	568	501	413
5 Belgium and Luxembourg	6,158	6,404	6,421	5,955	6,127	6,515	6,589	5,500	5,903	6,421
6 Denmark	686	707	389	721	835	693	631	1,056	1,261	389
7 Finland	1,907	1,418	598	1,225	1,007	705	594	730	606	598
8 France	15,112	14,723	12,097	11,833	11,847	11,500	10,963	11,516	11,622	12,097
9 Germany	3,371	4,222	7,683	6,236	7,746	6,766	7,994	7,570	6,961	7,683
10 Greece	553	717	681	564	509	508	629	592	684	681
11 Italy	8,242	9,047	8,945	9,250	8,153	8,839	8,985	8,050	8,417	8,945
12 Netherlands	2,546	2,468	3,004	2,764	3,260	3,081	3,383	3,163	3,607	3,004
13 Norway	669	355	422	789	876	941	841	779	598	422
14 Portugal	344	325	720	670	710	803	787	826	787	720
15 Russia	1,970	3,147	2,294	3,045	2,799	2,591	2,547	2,581	2,295	2,294
16 Spain	1,881	2,755	2,756	3,607	5,117	4,184	3,652	4,747	4,388	2,756
17 Sweden	2,335	4,923	4,124	4,062	5,131	4,278	4,619	4,111	3,531	4,124
18 Switzerland	4,540	4,717	6,567	4,123	5,193	5,634	5,216	4,647	5,946	6,567
19 Turkey	1,063	962	1,311	1,584	1,492	1,549	1,418	1,638	1,790	1,311
20 United Kingdom	60,395	63,430	60,878	62,565	60,772	55,118	62,510	64,052	59,445	60,878
21 Yugoslavia[2]	825	569	536	548	547	547	542	535	549	536
22 Other Europe and former U.S.S.R.[3]	1,386	2,157	1,617	1,676	1,879	1,893	1,896	1,955	1,816	1,617
23 Canada	15,113	13,845	18,410	16,246	17,776	17,373	19,009	15,756	15,575	18,410
24 Latin America and Caribbean	246,137	218,078	223,474	212,672	208,294	207,554	215,634	212,031	216,720	223,474
25 Argentina	5,869	4,958	4,425	4,066	4,841	4,740	4,715	4,390	4,518	4,425
26 Bahamas	87,138	60,835	65,047	59,989	56,843	56,276	60,906	60,350	63,242	65,047
27 Bermuda	2,270	5,935	8,032	4,319	8,578	7,122	5,550	8,915	7,565	8,032
28 Brazil	11,894	10,773	11,831	12,319	10,842	10,927	11,294	11,675	11,677	11,831
29 British West Indies	107,846	101,507	97,452	96,986	91,246	93,116	97,409	90,041	92,621	97,452
30 Chile	2,805	3,397	3,609	3,675	3,898	3,796	3,832	3,857	3,728	3,609
31 Colombia	2,425	2,750	3,199	2,847	2,886	2,916	2,921	2,957	3,040	3,199
32 Cuba	0	0	0	1	0	0	0	0	0	0
33 Ecuador	1,053	884	595	771	732	739	701	707	704	595
34 Guatemala	228	262	286	266	240	256	244	269	286	286
35 Jamaica	158	162	194	184	182	181	183	175	186	194
36 Mexico	16,567	14,991	15,834	15,321	15,738	15,652	15,724	16,155	16,073	15,834
37 Netherlands Antilles	1,207	1,379	2,271	3,011	3,172	3,153	3,155	3,339	3,100	2,271
38 Panama	1,560	4,654	2,892	2,549	2,532	2,361	2,370	2,491	2,625	2,892
39 Peru	739	730	651	657	651	667	617	636	620	651
40 Uruguay	599	936	951	904	807	816	926	926	918	951
41 Venezuela	2,516	2,525	3,068	2,803	3,001	2,876	2,835	2,815	3,054	3,068
42 Other	1,263	1,400	3,137	2,004	2,105	1,960	2,252	2,333	2,763	3,137
43 Asia	125,262	131,789	110,383	122,134	113,182	111,196	109,095	105,511	107,538	110,383
China										
44 People's Republic of China	747	906	2,300	1,898	871	638	699	773	706	2,300
45 Republic of China (Taiwan)	2,087	2,046	2,622	1,840	1,549	1,585	1,594	1,674	2,003	2,622
46 Hong Kong	9,617	9,642	10,858	9,804	10,654	9,390	11,153	9,640	10,449	10,858
47 India	441	529	590	438	473	442	572	623	645	590
48 Indonesia	952	1,189	1,463	1,503	1,282	1,289	1,330	1,268	1,474	1,463
49 Israel	860	820	826	777	733	775	747	752	787	826
50 Japan	84,807	79,172	59,358	71,327	62,726	64,890	60,263	60,308	59,953	59,358
51 Korea (South)	6,048	6,179	7,548	7,428	7,587	7,245	7,098	7,133	7,138	7,548
52 Philippines	1,910	2,145	1,408	1,402	1,357	1,250	1,143	1,168	1,265	1,408
53 Thailand	1,713	1,867	2,080	1,865	2,006	2,018	2,143	2,146	2,110	2,080
54 Middle Eastern oil-exporting countries[4]	8,284	18,540	14,398	17,437	16,976	15,912	14,251	13,580	13,853	14,398
55 Other	7,796	8,754	6,932	6,415	6,968	5,762	8,102	6,446	7,155	6,932
56 Africa	4,928	4,279	3,817	3,812	3,856	3,902	4,023	3,919	3,799	3,817
57 Egypt	294	186	196	177	148	168	176	160	218	196
58 Morocco	575	441	444	416	437	443	454	433	437	444
59 South Africa	1,235	1,041	633	748	742	705	713	663	664	633
60 Zaire	4	4	4	3	4	4	3	3	4	4
61 Oil-exporting countries[5]	1,298	1,002	1,128	1,156	1,232	1,224	1,206	1,187	1,119	1,128
62 Other	1,522	1,605	1,412	1,312	1,293	1,358	1,471	1,473	1,357	1,412
63 Other	2,306	2,987	2,809	3,308	3,368	2,378	2,840	2,910	2,505	2,809
64 Australia	1,665	2,243	2,072	2,574	2,443	1,847	2,414	2,401	1,964	2,072
65 Other	641	744	737	734	925	531	426	509	541	737
66 Nonmonetary international and regional organizations[6]	6,283	5,082	2,455	2,080	1,307	1,952	2,379	1,243	2,201	2,455

1. Reporting banks include all types of depository institutions, as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, includes all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other 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

Claim	1991	1992[r]	1993	1993 June[r]	1993 July[r]	1993 Aug.[r]	1993 Sept.[r]	1993 Oct.[r]	1993 Nov.[r]	1993 Dec.[p]
1 **Total**	**579,683[r]**	**559,495**	...	**532,442**	...	...	**518,514**	...	...	...
2 Banks' claims	514,339	499,437	482,804	482,549	472,877	461,191	477,233	465,986	469,045	482,804
3 Foreign public borrowers	37,126	31,367	28,937	29,431	32,788	30,310	31,940	31,335	29,776	28,937
4 Own foreign offices[2]	318,800	303,991	286,233	298,483	280,100	275,295	286,604	269,956	279,834	286,233
5 Unaffiliated foreign banks	116,602	109,342	98,377	94,018	93,101	94,009	96,146	91,921	92,064	98,377
6 Deposits	69,018	61,550	47,113	46,262	44,812	45,473	44,664	43,785	44,007	47,113
7 Other	47,584	47,792	51,264	47,756	48,289	48,536	51,482	48,136	48,057	51,264
8 All other foreigners	41,811	54,737	69,257	60,617	66,888	61,577	62,543	72,774	67,371	69,257
9 Claims of banks' domestic customers[3]	65,344	60,058	...	49,893	...	...	41,281	...	...	...
10 Deposits	15,280	15,452	...	12,960	...	...	9,343	...	...	...
11 Negotiable and readily transferable instruments[4]	37,125	31,474	...	23,498	...	...	18,475	...	...	...
12 Outstanding collections and other claims	12,939	13,132	...	13,435	...	...	13,463	...	...	...
Memo										
13 Customer liability on acceptances	8,974	8,655	...	8,160	...	...	8,190	...	...	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	43,024[r]	36,163	n.a.	28,225	29,316	28,395	24,516	26,921	21,666	n.a.

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are quarterly.

Reporting banks include all types of depository institution, as well as some brokers and dealers.

2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in Consolidated Report of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of 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 held by reporting banks in the accounts of their domestic customers.

4. Principally negotiable time certificates of deposit and bankers acceptances.

5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see *Federal Reserve Bulletin*, vol. 65 (July 1979), p. 550.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1989	1990	1991	1992 Dec.[r]	1993 Mar.[r]	1993 June[r]	1993 Sept.
1 **Total**	**238,123**	**206,903**	**195,302**	**195,119**	**182,445**	**183,312**	**189,900**
By borrower							
2 Maturity of one year or less	178,346	165,985	162,573	163,325	152,226	154,648	162,195
3 Foreign public borrowers	23,916	19,305	21,050	17,813	21,239	17,962	21,226
4 All other foreigners	154,430	146,680	141,523	145,512	130,987	136,686	140,969
5 Maturity of more than one year	59,776	40,918	32,729	31,794	30,219	28,664	27,705
6 Foreign public borrowers	36,014	22,269	15,859	13,266	12,214	11,255	10,507
7 All other foreigners	23,762	18,649	16,870	18,528	18,005	17,409	17,198
By area							
Maturity of one year or less							
8 Europe	53,913	49,184	51,835	53,300	54,871	54,405	57,252
9 Canada	5,910	5,450	6,444	6,091	7,884	7,979	9,835
10 Latin America and Caribbean	53,003	49,782	43,597	50,376	45,148	48,619	51,683
11 Asia	57,755	53,258	51,059	45,709	37,871	38,803	37,725
12 Africa	3,225	3,040	2,549	1,784	1,677	1,712	1,916
13 All other[3]	4,541	5,272	7,089	6,065	4,775	3,130	3,784
Maturity of more than one year							
14 Europe	4,121	3,859	3,878	5,367	4,896	4,579	4,423
15 Canada	2,353	3,290	3,595	3,287	3,120	2,909	2,549
16 Latin America and Caribbean	45,816	25,774	18,277	15,312	14,574	13,828	13,519
17 Asia	4,172	5,165	4,459	5,038	5,063	4,809	4,736
18 Africa	2,630	2,374	2,335	2,380	2,130	2,050	2,049
19 All other[3]	684	456	185	410	436	489	429

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.

2. Maturity is time remaining to maturity.

3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

Area or country	1989	1990	1991		1992				1993		
			Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.
1 **Total**	**340.9**	**320.1**	**338.4**	**343.6**	**351.7**	**358.7**	**344.5**	**346.5**	**361.0**[r]	**377.1**[r]	**388.1**[r]
2 G-10 countries and Switzerland	152.9	132.2	135.0	137.6	130.9	135.6	136.0	132.9	142.4	150.1[r]	153.4[r]
3 Belgium and Luxembourg	6.3	5.9	5.8	6.0	5.3	6.2	6.2	5.6	6.1	7.0	7.1
4 France	11.7	10.4	11.1	11.0	10.0	11.9	15.3	15.3	13.5	14.0	12.3[r]
5 Germany	10.5	10.6	9.7	8.3	8.4	8.8	10.9	9.3	9.9	10.8	12.4
6 Italy	7.4	5.0	4.5	5.6	5.4	8.0	6.4	6.5	6.7	7.9[r]	8.7[r]
7 Netherlands	3.1	3.0	3.0	4.7	4.3	3.3	3.7	2.8	3.6	3.7	3.7
8 Sweden	2.0	2.2	2.1	1.9	2.0	1.9	2.2	2.3	3.0	2.5	2.5
9 Switzerland	7.1	4.4	3.9	3.4	3.2	4.6	5.2	4.8	5.3	4.7	5.6
10 United Kingdom	67.2	60.9	65.6	68.5	64.7	65.6	61.0	60.8	65.7	73.5	74.7[r]
11 Canada	5.4	5.9	5.8	5.8	6.5	6.5	6.3	6.3	8.2	8.1	9.7
12 Japan	32.3	24.0	23.5	22.6	21.1	18.7	18.9	19.3	20.4	17.9	16.9
13 Other industrialized countries	21.0	22.9	22.1	22.8	21.4	25.5	25.0	24.0	25.4	27.2	26.0
14 Austria	1.5	1.4	1.0	.6	.8	.8	.7	1.2	1.2	1.3	.6
15 Denmark	1.1	1.1	.9	.9	.8	1.3	1.5	.9	.8	1.0	1.1
16 Finland	1.0	.7	.6	.7	.8	.8	1.0	.7	.7	.9	.6
17 Greece	2.5	2.7	2.3	2.6	2.3	2.8	3.0	3.0	2.7	3.1	3.2
18 Norway	1.4	1.6	1.4	1.4	1.5	1.7	1.6	1.2	1.8	1.8	2.1
19 Portugal	.4	.6	.5	.6	.5	.5	.5	.4	.7	.9	1.0
20 Spain	7.1	8.3	8.3	8.3	7.7	10.1	9.7	8.9	9.5	10.5	9.3
21 Turkey	1.2	1.7	1.6	1.4	1.2	1.5	1.5	1.3	1.4	2.1	2.1
22 Other Western Europe	1.0	1.2	1.3	1.8	1.5	2.0	1.5	1.7	2.0	1.7	2.2
23 South Africa	2.0	1.8	1.6	1.9	1.8	1.7	1.7	1.7	1.6	1.3	1.2
24 Australia	1.6	1.8	2.4	2.7	2.3	2.2	2.3	2.9	2.9	2.5	2.8
25 OPEC[2]	17.1	12.8	15.6	14.5	15.8	16.2	15.9	16.1	16.8	15.9	14.9
26 Ecuador	1.3	1.0	.8	.7	.7	.7	.7	.6	.6	.6	.5
27 Venezuela	7.0	5.0	5.6	5.4	5.4	5.3	5.4	5.2	5.3	5.6	5.6
28 Indonesia	2.0	2.7	2.8	2.7	3.0	3.0	3.0	3.0	3.1	3.1	2.8
29 Middle East countries	5.0	2.5	5.0	4.2	5.3	5.9	5.4	6.2	6.6	5.4	4.9
30 African countries	1.7	1.7	1.5	1.5	1.4	1.4	1.4	1.1	1.1	1.1	1.1
31 Non-OPEC developing countries	77.5	65.4	64.7	63.9	69.7	68.1	72.8	72.1	74.4	76.6	76.9
Latin America											
32 Argentina	6.3	5.0	4.5	4.8	5.0	5.1	6.2	6.6	7.0	6.6	7.2
33 Brazil	19.0	14.4	10.5	9.6	10.8	10.6	10.8	10.8	11.6	12.3	11.6
34 Chile	4.6	3.5	3.7	3.6	3.9	4.0	4.2	4.4	4.6	4.6	4.7
35 Colombia	1.8	1.8	1.6	1.7	1.6	1.6	1.7	1.8	1.9	1.9	2.0
36 Mexico	17.7	13.0	16.2	15.5	17.7	16.3	17.1	16.0	16.8	16.8	17.5
37 Peru	.6	.5	.4	.4	.4	.4	.5	.5	.4	.4	.3
38 Other	2.8	2.3	1.9	2.1	2.2	2.2	2.5	2.6	2.6	2.7	2.6
Asia											
China											
39 Peoples Republic of China	.3	.2	.4	.3	.3	.3	.3	.7	.6	1.6	.5
40 Republic of China (Taiwan)	4.5	3.5	4.1	4.1	4.8	4.6	5.0	5.2	5.3	5.9	6.4
41 India	3.1	3.3	2.8	3.0	3.6	3.8	3.6	3.2	3.1	3.1	2.9
42 Israel	.7	.5	.5	.5	.4	.4	.4	.4	.5	.4	.4
43 Korea (South)	5.9	6.2	6.5	6.8	6.9	6.9	7.4	6.6	6.5	6.9	6.5
44 Malaysia	1.7	1.9	2.3	2.3	2.5	2.7	3.0	3.1	3.4[r]	3.7	4.1
45 Philippines	4.1	3.8	3.6	3.7	3.6	3.1	3.6	3.6	3.4	2.9	2.6
46 Thailand	1.3	1.5	1.9	1.7	1.7	1.9	2.2	2.2	2.2	2.4	2.8
47 Other Asia[3]	1.0	1.7	2.0	2.0	2.3	2.5	2.7	2.7	2.7	2.6	3.0
Africa											
48 Egypt	.4	.4	.4	.4	.3	.5	.3	.2	.2	.2	.2
49 Morocco	.9	.8	.7	.7	.7	.7	.6	.6	.5	.6	.6
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	1.0	1.0	.8	.7	.7	.6	.9	1.0	.8	.9	.8
52 Eastern Europe	3.5	2.3	1.8	2.4	2.9	3.0	3.1	3.1	2.9	3.2	3.0
53 Russia	.7	.2	.4	.9	1.4	1.7	1.8	1.9	1.7	1.9	1.7
54 Yugoslavia	1.6	1.2	.8	.9	.8	.7	.7	.6	.6	.6	.6
55 Other	1.3	.9	.7	.7	.6	.6	.7	.6	.7	.7	.7
56 Offshore banking centers	38.4	44.7	54.6	54.2	63.0	61.4	54.5	58.3	60.1[r]	57.8[r]	67.5[r]
57 Bahamas	5.5	2.9	6.7	11.9	15.3	12.9	8.9	6.9	9.6	6.9	12.4
58 Bermuda	1.7	4.4	7.1	2.3	3.9	5.1	3.8	6.2	4.1	4.5	5.5
59 Cayman Islands and other British West Indies	9.0	11.7	13.8	15.8	18.6	19.3	16.9	21.8	17.6[r]	15.6	15.1
60 Netherlands Antilles	2.3	7.9	3.9	1.2	1.0	.8	.7	1.1	1.6	2.5	2.8
61 Panama[4]	1.4	1.4	1.3	1.4	1.6	1.9	2.0	1.9	2.0	2.1	2.1
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	11.3	9.7	14.0	14.4	14.0	14.9	15.2	13.8	16.7[r]	16.9[r]	19.1[r]
64 Singapore	7.0	6.6	7.7	7.1	8.5	6.4	6.8	6.5	8.4	9.3	10.4
65 Other[5]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[6]	30.5	39.9	44.4	48.0	47.8	48.6	36.8	39.7	38.8[r]	46.2[r]	46.3[r]

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. U.S. office data include other types of U.S.-owned depository institutions as well as some types of brokers and dealers. 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).

Since June 1984, 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.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).

3. Excludes Liberia.

4. Includes Canal Zone.

5. Foreign branch claims only.

6. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type of liability and area or country	1989	1990	1991	1992			1993		
					June	Sept.	Dec.	Mar.	June	Sept.[p]
1	**Total**	**38,764**	**46,043**	**44,549**	**46,122**	**46,981**	**45,218**	**45,776**	**45,881**	**48,147**
2	Payable in dollars	33,973	40,786	38,893	39,270	38,286	37,159	37,501	36,558	38,447
3	Payable in foreign currencies	4,791	5,257	5,656	6,852	8,695	8,059	8,275	9,323	9,700
	By type									
4	Financial liabilities	17,879	21,066	22,344	23,178	24,417	23,244	23,610	24,175	25,928
5	Payable in dollars	14,035	16,979	17,968	17,777	17,417	16,587	16,785	16,434	18,178
6	Payable in foreign currencies	3,844	4,087	4,376	5,401	7,000	6,657	6,825	7,741	7,750
7	Commercial liabilities	20,885	24,977	22,205	22,944	22,564	21,974	22,166	21,706	22,219
8	Trade payables	8,070	10,683	9,267	10,285	10,227	9,893	10,005	9,683	9,080
9	Advance receipts and other liabilities	12,815	14,294	12,938	12,659	12,337	12,081	12,161	12,023	13,139
10	Payable in dollars	19,938	23,807	20,925	21,493	20,869	20,572	20,716	20,124	20,269
11	Payable in foreign currencies	947	1,170	1,280	1,451	1,695	1,402	1,450	1,582	1,950
	By area or country									
	Financial liabilities									
12	Europe	11,660	10,978	11,858	13,470	14,262	13,034	13,397	13,997	16,255
13	Belgium and Luxembourg	340	394	216	193	256	414	306	268	278
14	France	258	975	2,106	2,324	2,785	1,608	1,610	2,216	2,074
15	Germany	464	621	682	634	738	810	820	787	779
16	Netherlands	941	1,081	1,056	979	980	606	639	585	573
17	Switzerland	541	545	408	490	627	569	503	491	378
18	United Kingdom	8,818	6,357	6,383	7,963	8,074	8,357	8,965	8,995	11,583
19	Canada	610	229	292	362	345	516	576	492	663
20	Latin America and Caribbean	1,357	4,153	4,784	3,908	3,997	4,053	4,099	3,799	3,319
21	Bahamas	157	371	537	353	230	369	521	426	1,301
22	Bermuda	17	0	114	114	115	114	114	124	114
23	Brazil	0	0	6	10	18	19	18	18	18
24	British West Indies	724	3,160	3,524	2,757	2,933	2,860	2,770	2,551	1,200
25	Mexico	6	5	7	8	12	12	13	11	15
26	Venezuela	0	4	4	4	5	6	5	5	5
27	Asia	4,151	5,295	5,352	5,349	5,723	5,607	5,477	5,717	5,541
28	Japan	3,299	4,065	4,116	4,245	4,678	4,568	4,495	4,564	4,552
29	Middle East oil-exporting countries[2]	2	5	13	10	17	19	24	19	23
30	Africa	2	2	6	0	5	6	6	130	132
31	Oil-exporting countries[3]	0	0	4	0	0	0	0	123	124
32	All other[4]	100	409	52	89	85	28	55	40	18
	Commercial liabilities									
33	Europe	9,071	10,310	8,715	7,848	7,492	7,555	6,930	6,810	6,913
34	Belgium and Luxembourg	175	275	248	240	173	296	262	267	255
35	France	877	1,218	1,039	724	756	750	705	773	610
36	Germany	1,392	1,270	1,052	799	851	717	643	603	565
37	Netherlands	710	844	710	605	601	567	537	577	601
38	Switzerland	693	775	575	461	482	349	469	440	535
39	United Kingdom	2,620	2,792	2,311	2,405	2,282	2,526	2,118	2,198	2,294
40	Canada	1,124	1,261	1,014	1,109	1,114	1,001	991	933	831
41	Latin America and Caribbean	1,224	1,672	1,355	1,814	1,493	1,495	1,776	1,820	1,762
42	Bahamas	41	12	3	8	3	3	11	6	4
43	Bermuda	308	538	310	409	325	307	429	356	340
44	Brazil	100	145	219	218	121	209	236	226	214
45	British West Indies	27	30	107	73	85	24	34	16	36
46	Mexico	323	475	307	480	326	447	553	659	570
47	Venezuela	164	130	94	279	125	124	171	172	183
48	Asia	7,550	9,483	9,335	10,445	11,026	10,791	11,067	10,823	11,575
49	Japan	2,914	3,651	3,722	3,538	3,918	3,953	4,035	3,715	4,534
50	Middle Eastern oil-exporting countries[2,5]	1,632	2,016	1,498	1,778	1,813	1,791	1,796	1,815	1,816
51	Africa	886	844	715	777	675	556	675	665	558
52	Oil-exporting countries[3]	339	422	327	389	335	295	322	378	279
53	Other[4]	1,030	1,406	1,071	951	764	576	727	655	580

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65, (July 1979), p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
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	1989	1990	1991	1992[r] June	1992[r] Sept.	1992[r] Dec.	1993 Mar.[r]	1993 June[r]	1993 Sept.
1	**Total**	**33,173**	**35,348**	**45,121**	**46,517**	**46,192**	**41,637**	**45,569**	**41,174**	**41,715[r]**
2	Payable in dollars	30,773	32,760	42,548	43,492	43,218	39,047	42,704	38,093	38,485[r]
3	Payable in foreign currencies	2,400	2,589	2,573	3,025	2,974	2,590	2,865	3,081	3,230[r]
	By type									
4	Financial claims	19,297	19,874	27,744	28,977	28,573	23,532	26,073	21,791	23,331[r]
5	Deposits	12,353	13,577	19,946	19,813	19,524	15,100	16,527	11,646	13,296[r]
6	Payable in dollars	11,364	12,552	19,071	18,456	18,387	14,302	15,469	10,728	12,317[r]
7	Payable in foreign currencies	989	1,025	875	1,357	1,137	798	1,058	918	979[r]
8	Other financial claims	6,944	6,297	7,798	9,164	9,049	8,432	9,546	10,145	10,035[r]
9	Payable in dollars	6,190	5,280	6,906	8,433	8,028	7,667	8,793	9,221	9,276[r]
10	Payable in foreign currencies	754	1,017	892	731	1,021	765	753	924	759[r]
11	Commercial claims	13,876	15,475	17,377	17,540	17,619	18,105	19,496	19,383	18,384[r]
12	Trade receivables	12,253	13,657	14,465	14,846	14,676	15,547	17,140	16,953	15,458[r]
13	Advance payments and other claims	1,624	1,817	2,912	2,694	2,943	2,558	2,356	2,430	2,926[r]
14	Payable in dollars	13,219	14,927	16,571	16,603	16,803	17,078	18,442	18,144	16,892[r]
15	Payable in foreign currencies	657	548	806	937	816	1,027	1,054	1,239	1,492[r]
	By area or country									
	Financial claims									
16	Europe	8,463	9,645	13,316	12,906	11,301	9,310	10,330	9,623	8,261[r]
17	Belgium and Luxembourg	28	76	13	25	16	8	6	13	9[r]
18	France	153	371	269	777	768	762	905	774	688[r]
19	Germany	152	367	283	354	292	326	378	373	361[r]
20	Netherlands	238	265	334	715	750	515	544	499	485[r]
21	Switzerland	153	357	581	765	587	490	478	460	454[r]
22	United Kingdom	7,496	7,971	11,409	8,731	8,078	6,234	6,987	6,570	5,257[r]
23	Canada	1,904	2,934	2,642	2,545	2,281	1,709	2,007	1,761	1,573[r]
24	Latin America and Caribbean	8,020	6,201	10,704	12,160	13,837	11,122	9,718	6,704	10,067[r]
25	Bahamas	1,890	1,090	814	568	1,248	658	320	697	494[r]
26	Bermuda	7	3	8	12	65	40	79	258	197[r]
27	Brazil	224	68	351	331	589	686	592	590	590[r]
28	British West Indies	5,486	4,635	9,056	10,828	11,492	9,266	8,266	4,650	8,109[r]
29	Mexico	94	177	212	244	239	286	235	270	385[r]
30	Venezuela	20	25	40	32	26	29	23	24	25[r]
31	Asia	590	860	640	952	717	807	3,263	2,961	2,726[r]
32	Japan	213	523	350	705	471	643	3,066	2,444	2,199[r]
33	Middle East oil-exporting countries[2]	8	8	5	4	4	3	3	10	5
34	Africa	140	37	57	57	71	79	128	125	88
35	Oil-exporting countries[3]	12	0	1	0	1	9	1	1	1
36	All other[4]	180	195	385	357	366	505	627	617	616
	Commercial claims									
37	Europe	6,209	7,044	8,192	8,480	8,146	8,287	8,650	8,777	7,879
38	Belgium and Luxembourg	242	212	194	255	173	188	169	170	162
39	France	964	1,240	1,585	1,685	1,824	1,519	1,468	1,453	1,389
40	Germany	696	807	954	922	895	916	961	968	862
41	Netherlands	479	555	645	666	588	546	724	556	391
42	Switzerland	313	301	295	394	305	352	425	441	374
43	United Kingdom	1,575	1,775	2,086	2,172	2,004	2,068	2,312	2,502	2,206
44	Canada	1,091	1,074	1,114	1,066	1,143	1,226	1,270	1,290	1,295
45	Latin America and Caribbean	2,184	2,375	2,655	2,737	3,222	2,997	3,401	3,379	2,973
46	Bahamas	58	14	13	12	12	27	18	16	19
47	Bermuda	323	246	264	291	256	255	195	239	225
48	Brazil	297	326	427	450	409	352	829	782	400
49	British West Indies	36	40	41	32	43	40	17	43	39
50	Mexico	508	661	840	861	975	907	974	880	830
51	Venezuela	147	192	203	253	307	340	336	310	268
52	Asia	3,570	4,127	4,594	4,500	4,322	4,695	5,310	5,028	5,325
53	Japan	1,199	1,460	1,900	1,798	1,776	1,842	2,127	1,824	2,443
54	Middle Eastern oil-exporting countries[2]	518	460	621	609	513	682	760	659	446
55	Africa	429	488	429	428	439	549	456	507	492
56	Oil-exporting countries[3]	108	67	95	73	60	78	75	97	107
57	Other[4]	393	367	393	329	347	351	409	402	420

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65, (July 1979), p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction and area or country	1992	1993	1993	1993						
			Jan.–Dec.	June	July	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	221,367	319,416	319,416	24,310[r]	24,441[r]	26,133	23,892	32,350	31,898	32,836
2 Foreign sales	226,503	297,913	297,913	23,467[r]	25,046[r]	23,693	23,023	27,840	28,755	28,362
3 Net purchases or sales (−)	**−5,136**	**21,503**	**21,503**	**843[r]**	**−605[r]**	**2,440**	**869**	**4,510**	**3,143**	**4,474**
4 Foreign countries	**−5,169**	**21,231**	**21,231**	**815[r]**	**−652[r]**	**2,413**	**951**	**4,598**	**3,073**	**4,450**
5 Europe	−4,927	10,582	10,582	415[r]	−185[r]	670	434	3,095	1,381	2,408
6 France	−1,350	−103	−103	−66[r]	45[r]	−9	−152	198	45	61
7 Germany	−80	1,647	1,647	99[r]	76[r]	202	112	328	130	266
8 Netherlands	−262	−603	−603	−91[r]	−452[r]	133	69	134	−767	183
9 Switzerland	168	2,986	2,986	178[r]	369[r]	354	−259	409	205	338
10 United Kingdom	−3,301	4,477	4,477	195[r]	−73[r]	−204	570	1,709	1,444	1,071
11 Canada	1,407	−3,213	−3,213	−532[r]	−1,400[r]	−128	−596	−300	11	−110
12 Latin America and Caribbean	2,203	5,709	5,709	72[r]	413[r]	613	139	1,245	941	1,058
13 Middle East[1]	−88	−311	−311	−22	−135	−44	10	−77	53	11
14 Other Asia	−3,943	8,199	8,199	1,073	632	1,204	977	602	601	965
15 Japan	−3,598	3,826	3,826	230	626	860	1,016	349	488	681
16 Africa	10	63	63	20	−49	63	3	5	6	20
17 Other countries	169	202	202	−211	72	35	−16	28	80	98
18 Nonmonetary international and regional organizations	**33**	**272**	**272**	**28**	**47**	**27**	**−82**	**−88**	**70**	**24**
BONDS[2]										
19 Foreign purchases	214,922	284,346	284,346	24,091	22,738	22,288	24,845	27,565	28,913	29,124
20 Foreign sales	175,842	218,425	218,425	16,825	20,730	16,481	16,294	19,000	21,545	18,215
21 Net purchases or sales (−)	**39,080**	**65,921**	**65,921**	**7,266**	**2,008**	**5,807**	**8,551**	**8,565**	**7,368**	**10,909**
22 Foreign countries	**37,964**	**65,384**	**65,384**	**7,229**	**2,018**	**5,801**	**7,865**	**8,426**	**7,341**	**10,843**
23 Europe	17,435	21,732	21,732	2,710	−1,001	2,102	3,913	3,911	1,500	3,079
24 France	1,203	2,346	2,346	−12	−76	64	13	512	110	145
25 Germany	2,480	883	883	−241	2	−207	−419	913	−231	−62
26 Netherlands	540	−229	−229	−134	11	317	219	−518	49	156
27 Switzerland	−579	−627	−627	−56	172	−327	−204	203	−80	28
28 United Kingdom	12,421	18,936	18,936	3,033	−1,214	1,847	4,059	2,666	2,266	2,853
29 Canada	237	1,653	1,653	397	218	164	249	95	54	319
30 Latin America and Caribbean	9,300	16,490	16,490	1,770	901	1,678	846	1,727	2,650	3,678
31 Middle East[1]	3,166	3,257	3,257	202	147	158	171	375	432	383
32 Other Asia	7,545	20,830	20,830	2,089	1,382	1,432	2,373	2,256	2,765	3,121
33 Japan	−450	11,569	11,569	863	890	919	993	1,574	1,478	2,477
34 Africa	354	1,149	1,149	2	224	317	236	47	−2	119
35 Other countries	−73	273	273	59	147	−50	77	15	−58	144
36 Nonmonetary international and regional organizations	**1,116**	**537**	**537**	**37**	**−10**	**6**	**686**	**139**	**27**	**66**
	Foreign securities									
37 Stocks, net purchases or sales (−)[3]	−32,259	−67,821	−67,821	−6,353	−7,992	−12,229	−5,176	−7,474	−6,928	−5,263
38 Foreign purchases	150,051	246,055	246,055	18,507	19,607	20,737	21,475	24,740	28,421	31,599
39 Foreign sales[3]	182,310	313,876	313,876	24,860	27,599	32,966	26,651	32,214	35,349	36,862
40 Bonds, net purchases or sales (−)	−15,605	−60,754	−60,754	−7,535	−10,661	−1,046	−9,903	−2,446	−54	−7,576
41 Foreign purchases	513,589	834,487	834,487	70,373	68,741	75,850	80,145	76,034	87,459	79,319
42 Foreign sales	529,194	895,241	895,241	77,908	79,402	76,896	90,048	78,480	87,513	86,895
43 Net purchases or sales (−), of stocks and bonds	**−47,864**	**−128,575**	**−128,575**	**−13,888**	**−18,653**	**−13,275**	**−15,079**	**−9,920**	**−6,982**	**−12,839**
44 Foreign countries	**−51,274**	**−128,736**	**−128,736**	**−13,950**	**−18,763**	**−13,329**	**−15,155**	**−10,269**	**−6,991**	**−12,869**
45 Europe	−31,350	−86,353	−86,353	−11,721	−15,516	−10,544	−13,207	−5,004	−4,527	−3,147
46 Canada	−6,893	−14,591	−14,591	−1,277	−2,557	1,635	−1,394	−916	709	−1,729
47 Latin America and Caribbean	−4,340	−8,790	−8,790	421	−633	−1,127	1,945	−1,280	−2,248	−3,984
48 Asia	−7,923	−14,941	−14,941	−787	121	−2,644	−2,221	−2,002	−502	−3,553
49 Africa	−13	−185	−185	9	4	7	14	14	0	13
50 Other countries	−755	−3,876	−3,876	−595	−182	−656	−292	−1,081	−423	−469
51 Nonmonetary international and regional organizations	**3,410**	**161**	**161**	**62**	**110**	**54**	**76**	**349**	**9**	**30**

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. *In a July 1989 merger, the former stockholders of a U.S. company received* $5,453 million in shares of the new combined U.K. company. This transaction is not reflected in the data.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1992	1993	1993 Jan.– Dec.	1993 June[r]	July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.[p]
	Transactions, net purchases or sales (–) during period[1]									
1 **Estimated total**	**39,288**	**24,215**	**24,215**	**–5,709**	**–1,531**	**13,980**	**–10,890**	**3,925**	**15,214**	**417**
2 Foreign countries	37,935	24,108	24,108	–5,955	–1,144	14,368	–10,748	5,055	14,627	670
3 Europe	19,625	–2,292	–2,292	1,473	–1,539	3,547	–5,917	3,500	–821	498
4 Belgium and Luxembourg	1,985	1,218	1,218	86	505	–218	207	–205	22	–65
5 Germany	2,076	–9,977	–9,977	–1,100	–2,918	305	1,209	1,176	–750	571
6 Netherlands	–2,959	–515	–515	–393	524	–167	137	–506	206	–189
7 Sweden	–804	1,421	1,421	673	32	293	53	47	141	–31
8 Switzerland	488	–1,491	–1,491	888	–223	–74	–209	448	583	–70
9 United Kingdom	24,184	6,275	6,275	2,147	1,455	3,787	–8,201	833	–1,890	–413
10 Other Europe and former U.S.S.R.	–5,345	777	777	–828	–914	–379	887	1,707	867	695
11 Canada	562	11,252	11,252	133	2,270	324	–1,119	–342	1,358	846
12 Latin America and Caribbean	–3,222	–4,699	–4,699	–1,419	–333	6,917	–3,311	3,701	2,068	–4,835
13 Venezuela	539	389	389	5	2	–7	32	–102	19	56
14 Other Latin America and Caribbean	–1,956	–5,932	–5,932	711	510	1,178	–1,700	676	–38	–1,066
15 Netherlands Antilles	–1,805	844	844	–2,135	–845	5,746	–1,643	3,127	2,087	–3,825
16 Asia	23,517	20,533	20,533	–5,687	–2,587	3,755	–574	–2,034	11,796	4,005
17 Japan	9,817	17,070	17,070	–301	–980	3,561	–1,809	156	5,661	649
18 Africa	1,103	1,155	1,155	81	116	292	616	74	35	114
19 Other	–3,650	–1,841	–1,841	–536	929	–467	–443	156	191	42
20 Nonmonetary international and regional organizations	1,353	107	107	246	–387	–388	–142	–1,130	587	–253
21 International	1,018	–398	–398	403	–321	–698	–99	–874	823	60
22 Latin American regional	533	654	654	106	–21	30	18	–23	40	–1
MEMO										
23 Foreign countries	37,935	24,108	24,108	–5,955	–1,144	14,368	–10,748	5,055	14,627	670
24 Official institutions	6,876	1,316	1,316	–760	–4,677	724	3,181	1,619	6,248	3,656
25 Other foreign[2]	31,059	22,792	22,792	–5,195	3,533	13,644	–13,929	3,436	8,379	–2,986
Oil-exporting countries										
26 Middle East[2]	4,317	–8,836	–8,836	–2,443	–1,261	–1,172	–980	–820	–6	84
27 Africa[3]	11	–5	–5	0	0	0	0	0	0	–9

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year

Country	Rate on Feb. 28, 1994		Country	Rate on Feb. 28, 1994		Country	Rate on Feb. 28, 1994	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	5.0	Feb. 1994	Germany	5.25	Feb. 1994	Norway	4.75	Feb. 1994
Belgium	5.0	Feb. 1994	Italy	7.5	Feb. 1994	Switzerland	4.0	Dec. 1993
Canada	4.10	Feb. 1994	Japan	1.75	Sept. 1993	United Kingdom	12.0	Sept. 1992
Denmark	5.50	Feb. 1994	Netherlands	5.0	Dec. 1993			
France[2]	6.10	Feb. 1994						

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1991	1992	1993	1993					1994	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 Eurodollars	5.86	3.70	3.18	3.14	3.08	3.26	3.36	3.26	3.15	3.43
2 United Kingdom	11.47	9.56	5.88	5.79	5.88	5.74	5.52	5.29	5.34	5.15
3 Canada	9.07	6.76	5.14	4.58	4.90	4.76	4.34	4.09	3.89	3.89
4 Germany	9.15	9.42	7.17	6.49	6.52	6.53	6.20	5.99	5.76	5.78
5 Switzerland	8.01	7.67	4.79	4.56	4.61	4.44	4.44	4.10	3.90	4.04
6 Netherlands	9.19	9.25	6.73	6.27	6.26	6.20	5.85	5.50	5.12	5.19
7 France	9.49	10.14	8.30	7.45	7.07	6.85	6.56	6.39	6.19	6.18
8 Italy	12.04	13.91	10.09	9.20	9.05	8.69	8.94	8.56	8.38	8.42
9 Belgium	9.30	9.31	8.10	9.02	9.82	9.05	7.93	7.03	6.88	6.39
10 Japan	7.33	4.39	2.96	3.02	2.59	2.44	2.31	2.06	2.13	2.21

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar except as noted

Country/currency unit	1991	1992	1993	1993 Sept.	1993 Oct.	1993 Nov.	1993 Dec.	1994 Jan.	1994 Feb.
1 Australia/dollar[2]	77.872	73.521	67.993	65.167	66.100	66.465	67.364	69.608	71.611
2 Austria/schilling	11.686	10.992	11.639	11.402	11.540	11.958	12.025	12.252	12.200
3 Belgium/franc	34.195	32.148	34.581	34.847	35.674	36.227	35.694	36.206	35.768
4 Canada/dollar	1.1460	1.2085	1.2902	1.3215	1.3263	1.3174	1.3308	1.3173	1.3424
5 China, P.R./yuan	5.3337	5.5206	5.7795	5.8015	5.8013	5.8086	5.8210	8.7219	8.7249
6 Denmark/krone	6.4038	6.0372	6.4863	6.6336	6.6379	6.7667	6.7042	6.7697	6.7674
7 Finland/markka	4.0521	4.4865	5.7251	5.7868	5.7554	5.8143	5.7602	5.7004	5.5930
8 France/franc	5.6468	5.2935	5.6669	5.6724	5.7541	5.9069	5.8477	5.9207	5.8955
9 Germany/deutsche mark	1.6610	1.5618	1.6545	1.6219	1.6405	1.7005	1.7105	1.7426	1.7355
10 Greece/drachma	182.63	190.81	229.64	232.56	237.93	243.43	245.51	250.29	250.48
11 Hong Kong/dollar	7.7712	7.7402	7.7357	7.7384	7.7307	7.7272	7.7245	7.7251	7.7353
12 India/rupee	22.712	28.156	31.291	31.578	31.505	31.434	31.440	31.440	31.449
13 Ireland/pound[2]	161.39	170.42	146.47	143.40	143.19	140.31	141.82	143.03	134.46
14 Italy/lira	1,241.28	1,232.17	1,573.41	1,569.10	1,600.93	1,666.31	1,687.17	1,699.45	1,685.96
15 Japan/yen	134.59	126.78	111.08	105.57	107.02	107.88	109.91	111.44	106.30
16 Malaysia/ringgit	2.7503	2.5463	2.5738	2.5475	2.5478	2.5548	2.5737	2.7160	2.7624
17 Netherlands/guilder	1.8720	1.7587	1.8585	1.8214	1.8438	1.9084	1.9162	1.9516	1.9464
18 New Zealand/dollar[2]	57.832	53.792	54.127	55.157	55.260	54.787	55.631	56.263	57.436
19 Norway/krone	6.4912	6.2142	7.0979	7.0829	7.1755	7.3882	7.4211	7.5064	7.4885
20 Portugal/escudo	144.77	135.07	161.08	166.28	169.60	173.93	174.58	176.04	175.15
21 Singapore/dollar	1.7283	1.6294	1.6158	1.5972	1.5735	1.5950	1.5975	1.6037	1.5873
22 South Africa/rand	2.7633	2.8524	3.2729	3.4135	3.3924	3.3680	3.3788	3.4107	3.4520
23 South Korea/won	736.73	784.58	805.75	811.84	813.45	809.79	812.57	813.55	812.24
24 Spain/peseta	104.01	102.38	127.48	130.54	132.18	137.27	140.42	143.04	141.08
25 Sri Lanka/rupee	41.200	44.013	48.205	48.854	48.954	49.187	49.322	49.460	49.113
26 Sweden/krona	6.0521	5.8258	7.7956	8.0170	8.0195	8.2660	8.3501	8.1184	7.9869
27 Switzerland/franc	1.4356	1.4064	1.4781	1.4182	1.4432	1.4969	1.4634	1.4716	1.4565
28 Taiwan/dollar	26.759	25.160	26.416	26.931	26.865	26.884	26.768	26.495	26.440
29 Thailand/baht	25.528	25.411	25.333	25.196	25.269	25.382	25.460	25.543	25.382
30 United Kingdom/pound[2]	176.74	176.63	150.16	152.48	150.23	148.08	149.13	149.23	147.92
MEMO									
31 United States/dollar[3]	89.84	86.61	93.18	92.07	93.29	95.47	95.73	96.54	95.79

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.
2. Value in U.S. cents.
3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

Guide to Statistical Releases and Special Tables

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin *Reference*

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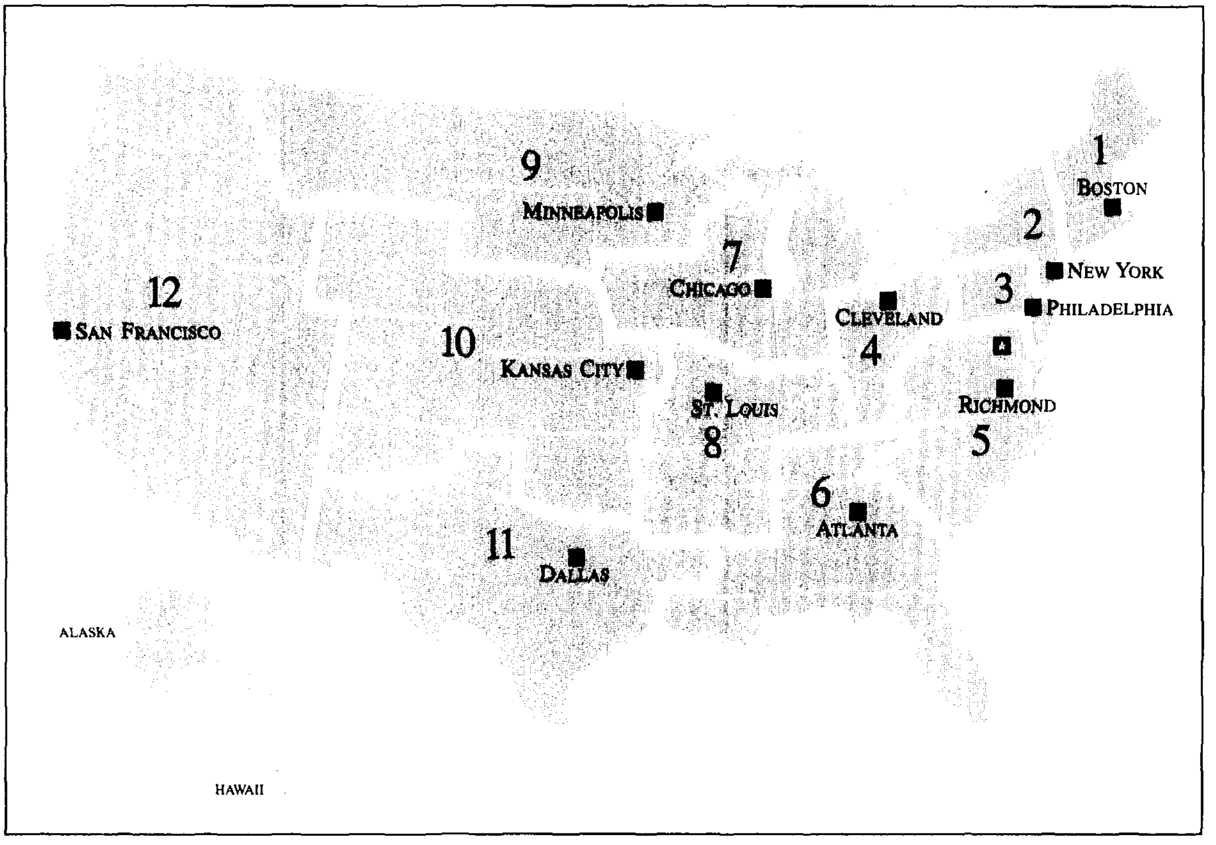

LEGEND

Both pages

- ■ Federal Reserve Bank city
- ◘ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

- • Federal Reserve Branch city
- — Branch boundary

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The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

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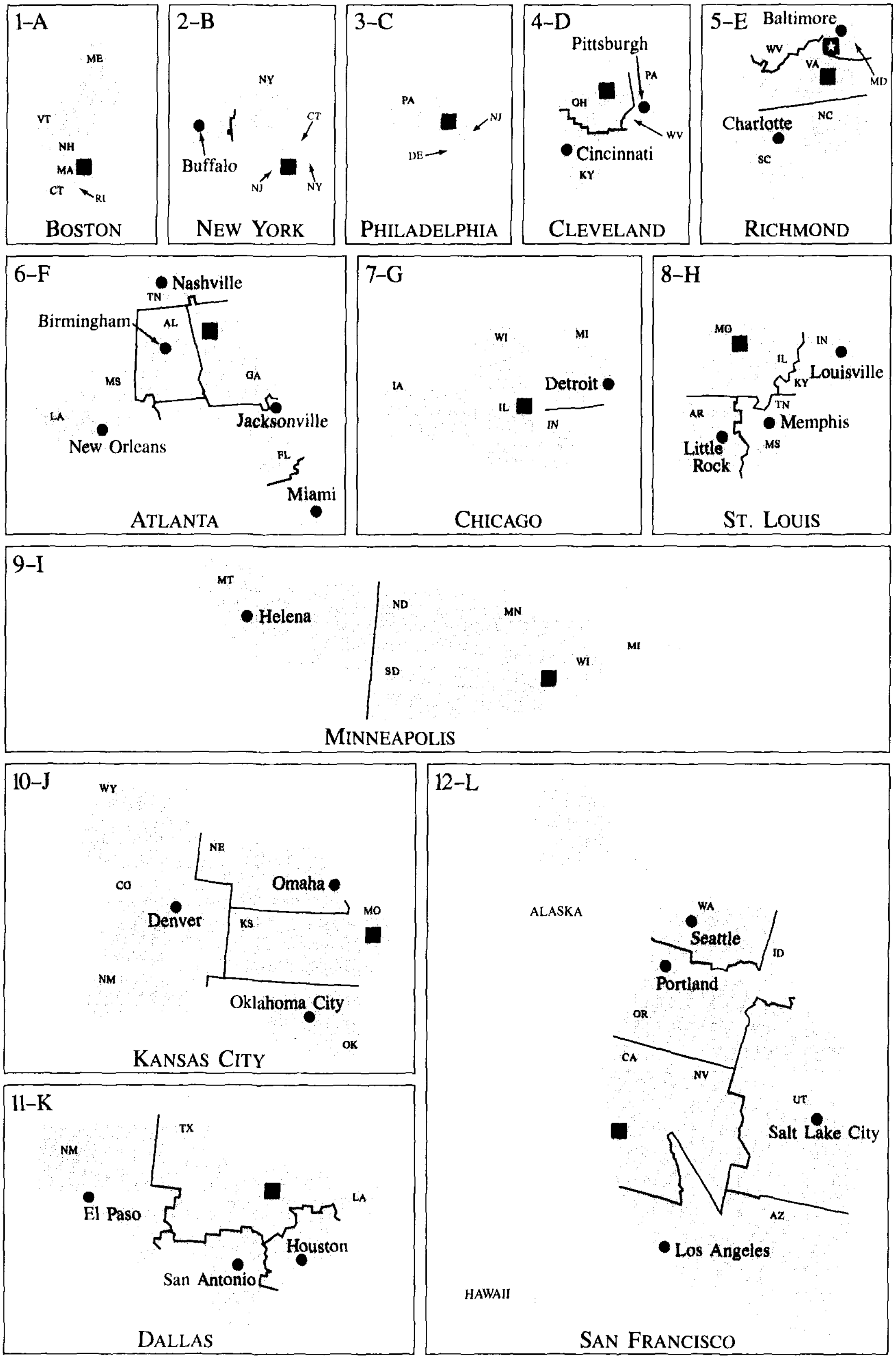
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