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Monetary Policy Report to the Congress

Report submitted to the Congress on February 7, 1984, pursuant to the Full Employment and Balanced Growth Act of 1978.[1]

THE OUTLOOK FOR THE ECONOMY IN 1984

Conditions in the national economy took a decided turn for the better in 1983. Real gross national product rose 6 percent over the four quarters of the year, close to the experience during the first years of past cyclical recoveries but well above earlier projections. Although unemployment remained painfully high, rising production spurred gains in employment large enough to cut the unemployment rate by 2½ percentage points over the course of the year. At the same time, most broad measures of prices and wages recorded further progress toward lower inflation. In short, the performance of the economy in 1983 suggested that the immediate objective of permitting sufficient growth in monetary and credit aggregates to foster a solid economic recovery, while not encouraging developments that would rekindle inflationary pressures, was achieved.

But success cannot be measured by performance during any one year, and in some respects the first year of recovery—beginning in the context of excess capacity and high unemployment—provided the most favorable environment for combining economic growth with progress toward price stability. The more stringent and meaningful test will come as we seek to maintain the momentum of expansion and the progress toward stability while the margin of unemployed resources diminishes. Moreover, developments in 1983 were marred by certain structural imbalances, particularly in the federal budget and in foreign trade, that represent risks to orderly progress.

At present, the prospects for extending the economic gains of the past year into 1984 appear, by and large, to be good. Economic growth slowed in the final quarter of 1983, with real GNP up 4½ percent at an annual rate. A continuation of growth in that general range would be consistent with significant progress toward lower unemployment this year and with sustained expansion in a framework of greater price stability in the years beyond.

As is typical, the composition of output is likely to change as the cyclical expansion moves through its second year. Business investment in plant and equipment can be expected to provide a greater share of the impetus to economic growth, reflecting continuing gains in sales, rising capacity utilization, and improved profitability. Conversely, 1984 probably will see smaller contributions to growth from those sectors that lent early strength to the recovery. Housing activity surged early in 1983, largely in reaction to the sizable decline in mortgage rates that started in mid-1982; absent an appreciable move-

Objectives for money and credit growth for 1984[1]
Percent

Monetary aggregate	New ranges for 1984	Tentative ranges for 1984 set in July 1983	Ranges for 1983 established in July 1983
M2	6 to 9	6½ to 9½	7 to 10[2]
M3	6 to 9	6 to 9	6½ to 9½
M1	4 to 8	4 to 8	5 to 9[3]
Domestic nonfinancial sector debt	8 to 11	8 to 11	8½ to 11½

1. Ranges apply to periods from fourth quarter to fourth quarter, except as specified.
2. Range applies to period from February–March 1983 to fourth quarter of 1983.
3. Range applies to period from second quarter of 1983 to fourth quarter of 1983.

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

ment in mortgage rates from current levels, homebuilding can be expected to be more stable this year. Consumption spending, whose upswing strongly boosted aggregate demand in 1983, is likely to decelerate in the coming year: for the first time in several years, spendable income will not be enhanced by a major federal tax cut, and any considerable further decline in the saving rate appears improbable. Inventory behavior is always uncertain; however, with the liquidation and initial accumulation phases of the cycle complete, inventory investment in 1984 is likely to add less to economic growth than it did in 1983. Stocks will probably remain low relative to sales, since high financing costs and new methods of inventory control are a restraining influence.

The prospects for continued progress against inflation have been improved by better productivity performance, more realistic wage bargaining, and a more competitive environment for price decisions. The supply–demand situation in the oil market suggests that another inflationary shock from that source is unlikely, and indicators of inflation expectations have remained at lower levels thus far in the recovery. These factors all provide favorable portents for the future, but they will be tested as economic expansion continues. The firmer labor and product markets that are normally associated with the second year of an economic recovery could cause some cyclically sensitive prices to rise; a social security tax increase for employers will boost labor costs; food prices are likely to be higher than they otherwise might have been because of the effects of last summer's drought on meat prices.

While these latter forces need not in and of themselves mean the underlying trend toward lower rates of inflation has ended, they could, if associated with other factors, tend to increase inflation expectations and generate broader pressures on prices and wages. One of the possibilities is that the competitive forces associated with the appreciation of the dollar and the ample availability of goods from abroad—which have been exerting downward pressures on the rate of inflation—could recede. More fundamentally, as margins of excess capacity diminish—to the vanishing point in a few industries—and as the availability of experienced labor declines, there may be temptations to revert to the pricing and wage bargaining patterns characteristic of earlier years of rapid inflation.

Furthermore, as time passes, the imbalances associated with the current expansion will pose increasing risks. The second year of an expansion of economic activity is likely to bring with it growing business credit demands. At the same time, unless decisive action is taken, the federal government deficit will continue to drain off an extremely large portion of available net saving in the economy. With no easing of the tensions in credit markets, interest-sensitive sectors, such as housing and long-term business investment, in all probability will continue to operate well below their underlying potential and below the levels consistent with sustained, balanced economic growth and a strong productivity performance.

The large federal government deficit has had repercussions for the international economy as well. By adding to pressures on domestic credit markets, it has helped induce an inflow of capital from abroad, exerting upward pressure on the dollar, even as our trade and current account balances have deteriorated. Further deterioration in the external balance is expected this year, and that trend and level of imbalance cannot be sustained indefinitely. Under these circumstances, it certainly is questionable whether we can count on the continuing eagerness of foreigners to invest in increasing amounts of dollar-denominated assets, and this has significant implications for potential developments in credit and exchange markets. Even if the recent trends

Federal Reserve objectives for money and credit in 1983 and actual growth

Percent

Monetary aggregate	Ranges for 1983 established in July 1983	Actual growth	
		Revised data	Old data
M2	7 to 10[1]	8.3	7.8
M3	6½ to 9½[2]	9.7	9.2
M1	5 to 9[3]	7.2	5.5
Domestic nonfinancial sector debt.	8½ to 11½	10.5	10.5

1. Range applies to period from February–March 1983 to fourth quarter of 1983.

2. Range applies to period from fourth quarter of 1982 to fourth quarter of 1983.

3. Range applies to period from second quarter of 1983 to fourth quarter of 1983.

in the trade balance could be sustained, it is not at all clear that the consequences for American industry would be acceptable.

Moreover, the federal deficit and associated high U.S. interest rates will continue to aggravate the debt servicing problems of major international debtors. To be sure, the approval of funding for the International Monetary Fund, the support of official creditors, and the widespread cooperation of the private banking community have been constructive. But, while key developing countries have put in place economic adjustment policies that have resulted in necessary reductions in their imports, such progress has been achieved at high cost to their domestic economies. Thus countries with heavy debt burdens still confront the task of restoring growth of real income as structural adjustments proceed. An important contribution to this effort, as well as to our own long-run economic health, is the continued access of these nations to the financial and goods markets of industrial countries.

Economic projections for 1984

Percent

Economic indicator	FOMC members and other FRB Presidents		Administration
	Range	Central tendency	
Change, fourth quarter to fourth quarter			
Nominal GNP	8 to 10½	9 to 10	9.8
Real GNP	3½ to 5	4 to 4¾	4.5
GNP deflator	4 to 6	4½ to 5	5.0
Average unemployment rate in the fourth quarter	7¼ to 8	7½ to 7¾	7.7

The Economic Projections of the FOMC

While recognizing the risks implicit in the budgetary and international circumstances outlined above, the members of the Federal Open Market Committee (together with other Reserve Bank presidents) believe the most probable course of developments during 1984 is further growth, significant reduction in unemployment, and only modest—and essentially cyclical—increases in price pressures. The central tendency of forecasts shows real GNP growth in a range of 4 to 4¾ percent this year. This growth rate is similar to the first view expressed by the members last summer, but, of course, would follow significantly faster growth in 1983 than anticipated. The unemployment rate is expected to continue to decline in 1984, and given the progress in reducing joblessness last year, the expected level of unemployment in the fourth quarter of this year—generally between 7½ and 7¾ percent—is substantially lower than had been anticipated.

FOMC members expect the GNP implicit deflator to rise a bit more rapidly this year than in 1983—generally in the range of 4½ to 5 percent. While some members have expressed concern that recent labor force trends and pressures on capacity in a few industries could lead to a more significant pickup in inflation, such a development generally is perceived to be only a risk rather than the most likely outcome.

The Federal Reserve's Objectives for the Growth of Money and Credit

At its meeting of January 30–31, the FOMC modified only slightly the tentative ranges for the monetary and credit aggregates for 1984 established last July. The ranges for M2 and M3 were set at 6 to 9 percent, 1 percent and ½ percent respectively, below the ranges for 1983. The tentative M1 growth range of 4 to 8 percent was confirmed for the same period. A monitoring range of 8 to 11 percent, as anticipated in July, was established for growth in the outstanding debt of domestic nonfinancial sectors.

The ranges for 1984 are intended to be consistent with the basic policy objective of achieving long-lasting economic expansion in a context of continuing control of inflationary pressures. They assume that relationships between monetary and credit growth and economic activity and inflation will be broadly consistent with past trends and cyclical developments. There is reason to expect that the special considerations affecting monetary growth rates last year—including important institutional changes in the financial system—will be less significant in 1984. Specifically, the large-scale shifts of funds associated with the introduction of MMDAs (money market deposit accounts) and Super NOW (negotiable order of withdrawal) accounts appear, for all practical purposes, to be completed. Some of the other influences that had special effects particularly on the demand for M1 last year—uncertainties about the economic and financial outlook early in the year and the lagged effect of the sharp decline of interest rates in late 1982—are behind us. No further regulatory or statutory changes that would significantly affect growth rates of the monetary aggregates appear imminent. Some proposals—such as payment of interest on demand deposits or on required reserve balances—would have important impacts on the aggregates and would require reconsideration of the ranges, especially for M1, if they were enacted to be effective in 1984.

A further reduction of ½ percent in the growth range for M2 for 1984 from that tentatively set in last July was influenced by technical considerations. Last year's range—though it was based on February–March to abstract from the bulk of distortions connected with the introduction of MMDAs—necessarily had allowed for some residual shifting into such accounts as the year progressed, which in fact took place. In any event, M2 in 1983 was maintained well within its target range, and growth in 1984 should not be influenced by that special factor.

The Committee anticipates that both M2 and M3, which will continue to receive substantial weight in policy implementation, may well fluctuate in the upper part of their ranges in the current year. The actual growth of M2 and M3 will depend in part on the strategies and aggressiveness with which depository institutions seek deposits in an environment of deregulated deposit interest rates.

Growth of the broader aggregates will also be influenced by the pattern of net capital inflows from abroad. For example, nonresident holdings of Eurodollars are not included in M2 or M3, and should banks bid aggressively for funds through that channel, as seems possible, growth in those aggregates would tend to be restrained relative to growth in bank credit and nominal GNP. Limited allowance was made for that development in setting the ranges.

As tentatively agreed in July, the range for M1 was reduced by 1 percentage point from the range set for the last half of 1983. Growth around the midpoint of the range would appear appropriate on the assumption of relatively normal velocity growth; if velocity growth remains weak compared with historical experience, M1 growth might appropriately be higher in the range.

In recent quarters, the velocity of M1 has shown a moderately rising tendency, in contrast to sharp declines in 1982 and early 1983. Still, the rise in M1 velocity in the first year of the current economic recovery was decidedly less than in earlier post-World War II cyclical expansions. Velocity behavior over the past 18 months appears to have reflected responses to the declines of interest rates in the latter part of 1982; the subsequent leveling off of rates; changing precautionary attitudes; and to some degree perhaps, more lasting changes in motives for holding M1, as the composition of that aggregate has shifted.

Since their introduction on a nationwide basis, interest-bearing accounts with full checking privileges (NOW accounts) have become an increasingly important element in M1. Most of these accounts are subject to a ceiling rate, though a growing proportion (Super NOWs) pay market rates. All of the accounts contain funds placed for long-term savings purposes as well as funds used primarily for transactions. In light of these structural changes, it is not yet clear how the public's demand for M1 might be affected, for any given level of income, by variations in credit market or other conditions that affected savings preferences, or how it might be affected by variations in the level of income itself; nor is it clear how quickly or in what ways depository institutions might themselves respond to such variations by altering terms on deposit offerings.

While there is evidence of more "normal" and predictable patterns reappearing, the Committee felt that more time would be required for assessing the impact of recent structural changes on public and institutional behavior before full or primary weight could be placed on M1 as a policy guide. Thus the Committee decided in setting a range for M1 that its behavior should be evaluated in the context of movements in the broader monetary aggregates, which for the time being would continue to be given substantial weight in policy implementation.

The FOMC also considered whether the procedures of System open market operations should be altered in light of the shift to the new contemporaneous reserve requirement system (CRR) on February 2, a system that potentially would permit somewhat closer short-run control of M1. It was the Committee's view that adaptation of open market procedures does not depend on the technical characteristics of the reserve requirement system in place but rather on broader policy judgments about the relative weight to be given to M1 as a target and the desirability of seeking close short-run control of that aggregate. Taking account of policy judgments about the role of M1 and other monetary aggregates under current circumstances, as well as uncertainties in the period of transition to CRR, the Committee agreed to make no substantial change in current operating procedures at this time.[2]

The Committee set a monitoring range of 8 to 11 percent for growth in the debt of domestic nonfinancial sectors during 1984. This range is ½ percentage point below the corresponding range for 1983, reflecting the moderating trend that, based on historical relationships, would be expected to accompany progress toward price stability and sustainable growth in production. The range allows for growth of debt in 1984 that might outpace expansion in nominal GNP, as often occurs in the second year of a cyclical recovery.

Implications for Credit Markets

Developments in credit markets and interest rates, as always, will be subject to a variety of influences at home and abroad. The ranges specified for the monetary and credit aggregates, which are felt to be broadly consistent with the expectations of members of the FOMC about the course of economic activity and prices, will not in and of themselves determine the course of interest rates and the degree of credit market pressures. Whether interest rates fall or rise—or remain stable—will depend importantly on the strength and composition of demands on the economy, actual and anticipated price pressures, and credit demands.

Dominating the outlook for credit flows in the year ahead is the prospect that—in the absence of immediate action by the fiscal authorities—the federal deficit will approach the record level of the past year. The federal deficit was nearly 6 percent of GNP in 1983, the high for the post-World War II years, and is likely to be only slightly lower in 1984, the second year of cyclical expansion. In the comparable stage of earlier cyclical recoveries, this percentage generally dropped rapidly or was at much lower levels—providing room for additional borrowing to support expanding business capital outlays and housing.

While debt formation by the private sector may proceed at a somewhat more rapid pace this year than in 1983, the expected pickup is modest by the standards of earlier recoveries. That expectation is partly a reflection of the fact that the massive federal presence in the credit markets, unlike the pattern in previous expansions, will continue to absorb the bulk of the net saving available to the domestic economy. The federal deficit over the past two years absorbed an unusually large proportion of the saving available to the domestic economy, and this will continue into 1984. The availability of domestic saving to finance the growing federal deficit and expanding private investment has remained limited, and expansion of total saving in line with financing needs last year was dependent on large increases in net funds obtained from abroad. Further such increases will again be required this year. And if present trends continue, the government will continue to drain off much more of the nation's domestic saving than at any time in the preceding three decades, apart from the first year of recovery from the 1973–75 recession.

The persistence of large deficits in the face of strengthening private credit demands would tend to exert pressures on domestic credit markets, keeping interest rates higher than they otherwise would be. Put another way, large deficits are an offset to other forces working toward lower interest rates. These pressures stemming from the federal deficit work to restrain expansion in areas of the economy that are more sensitive to interest rates—such as housing, autos, and long-term business capital spending. They also—to the extent higher interest rates lead to a strong dollar on exchange markets—retard our export industries. And, finally, high interest rates contribute to strains on the domestic and international financial system from the lingering heavy

2. A statement issued on January 13, 1984, on the policy implications of CRR appears as appendix A to this report.

indebtedness incurred during inflationary expansion of earlier years.

Actions taken to reverse the upward trend in the structural budgetary deficit clearly would work to reduce potential credit market pressures, to help assure a balanced and sustainable economic expansion, and to promote a more orderly readjustment of our balance of payments position. The timing and magnitude of the favorable impact naturally would depend on the scheduling, force, and prospective "carry through" of any action to reduce the budgetary deficit as well as on the surrounding economic environment.

Ordinarily, the principal effect of a lower budget deficit on credit markets and the economy would be expected to occur as the programs—whether on the spending or tax sides—actually become effective. Gains could occur earlier, however, in anticipation of reduced federal credit demands. For example, actions taken this year that would clearly reduce structural federal deficits beginning in fiscal years 1985 and 1986 could work in some degree in 1984 to lower interest rates, particularly longer-term rates. This would result from favorable effects on inflation expectations as well as the anticipated relief from the weight of governmental pressure on credit markets.

A decline in the structural federal deficit would in the first instance reduce one source of economic stimulus. However, any such effects should be associated with lower interest rates than otherwise, encouraging offsetting increases in spending by businesses and households for capital goods, homes, and consumer durables.

The positive effects from small reductions in the federal deficit would be difficult to isolate in our large, active credit markets. However, as structural deficits are reduced by substantial amounts—say $50 billion to $100 billion—the counterpart rise in private credit may be most noticeable initially in mortgage markets at the lower, long-term interest rates that are likely to evolve. In addition, businesses would be in a position to increase bond and stock offerings as they take advantage of the more favorable capital market atmosphere to improve their liquidity and balance sheet positions. Prospects for business spending for plant and equipment would be improved—an important factor in maintaining growth and productivity over the years ahead. As time went on, the export sector of the economy also should benefit as an aspect of the readjustment in our present unbalanced external position.

THE PERFORMANCE OF THE ECONOMY IN 1983

Output and employment registered sharp gains in 1983, lifting the economy out of one of the most severe recessions since World War II. These gains brought a considerable reduction in the unemployment rate, which fell 2½ percentage points over the year to 8.2 percent by year-end. The first year of recovery was marked by broadly based increases in spending by consumers and businesses; these advances were stronger than generally anticipated, given the low confidence and historically high credit costs that prevailed as the year began.

The impressive progress in reducing inflation in 1982 extended into 1983. The consumer price index rose 3¾ percent in 1983, the smallest increase in more than a decade. The continued slowing in inflation was aided by favorable price developments in energy markets and by the damping effect on food prices of abundant supplies of livestock products. However, 1983 also saw improvements in broader forces affecting prices and wages. With important lags, business and labor involved in key contract settlements seemed to be adapting constructively to the less inflationary environment, and overall wage and compensation increases were considerably smaller than those of the previous year. At the same time, productivity improved, thereby helping to limit increases in unit labor costs, and average real incomes rose.

While the performance of the economy in 1983 marked a strong and encouraging advance toward the goal of sustained, noninflationary growth, several areas of concern remained. Although labor market conditions improved markedly, unemployment continued to be unacceptably high—especially for younger job seekers and minorities. In addition, 1983 saw a sharp—and worrisome—increase in the federal deficit. For the fiscal year ending in September, the deficit (not including off-budget programs) climbed to almost $200 billion. This deficit represented about 6 percent of GNP; the highest deficit so measured in the previous three decades had been 4 percent in 1976. The borrowing necessary to finance the deficit, in combination with continuing huge prospective government credit demands, exerted pressures on market interest rates—offsetting the effects of lower inflation and other factors—thereby tending to temper expansion of credit-sensitive private sectors of the economy.

Firms tied closely to world markets also did not share proportionately in the U.S. economic recovery in 1983. Large federal deficits and associated high domestic interest rates helped induce sizable inflows of foreign capital to the United States throughout the year and contributed to a further rise in the exchange value of the dollar. The strong dollar, in turn, put pressures on industries facing competition from foreign imports and, in an environment of sluggish economic growth in other countries, made it difficult for U.S. industries to sell their products abroad. Consequently, imports increased dramatically relative to exports in 1983; this shift had a significant moderating influence on the growth in domestic output.

The international debt situation remained a major concern in 1983. Some countries with serious debt problems made considerable progress in formulating and implementing internal adjustment policies, and they continued to receive a moderate flow of new financing. Nonetheless, historically high interest rates in the United States continued to place heavy burdens on the many developing countries with outstanding debt concentrated in dollars.

Financial Markets

Partly reflecting the ready availability of funds from abroad, financial markets absorbed the increase in demand for credit associated with both the financing of the record federal deficit and the upturn in the economy in 1983 without undue stress. In fact, interest rates were lower on average, and less variable, in 1983 than during the preceding few years, although most rates were somewhat higher at the end of the year than at the start.

Short-term yields were relatively stable early in 1983, following a marked decline during the second half of 1982. In late spring, economic growth accelerated sharply, and the monetary aggregates, looked at as a whole, were continuing to grow at a relatively rapid pace. In those circumstances, the Federal Reserve began to restrain somewhat its provision of reserves to depository institutions, and short-term interest rates rose moderately during the summer months. For the remainder of the year, most short-term rates fluctuated in a generally narrow range, ending 1983 around 1 percentage point higher than a year earlier.

The decline in long-term interest rates that had commenced in mid-1982 continued through the early months of 1983. These rates also began moving up in the spring, climbing fairly steadily through August. Thereafter, long rates fluctuated in a range somewhat above that of the first half of the year. At the end of 1983, long rates generally were 1 to 1½ percentage points above their levels of a year earlier. Exceptions to this pattern were mortgage rates and yields on municipal bonds, which were down on balance from their levels at the close of 1982. Long-term interest rates remained quite high relative to the current rate of inflation throughout 1983; continuing uncertainties regarding the speed of the economic expansion and its possible implications for future inflation, as well as concerns about the outlook for federal deficits, were factors.

Household Sector

Most households experienced financial and economic gains in 1983. With unemployment down and gains in employment sizable, growth in personal income rebounded smartly during the past year. Further deceleration of inflation, lower interest rates, and the cumulative 25 percent reduction in federal tax rates on personal income during the past three years all helped raise the purchasing power of household income. In addition, household net worth rose substantially in 1983, primarily reflecting the surge in stock market prices that began in 1982 and carried into 1983.

These gains no doubt were instrumental in boosting consumer confidence, which surveys indicated rose sharply in 1983 to its highest level in a decade. This improved mood encouraged households to finance major purchases by borrowing and to devote a larger proportion of current income to consumption rather than saving. As a result, the personal saving rate fell from 5.8 percent of disposable income in 1982 to 4.8 percent in 1983.

The improved economic and financial status of households fostered a substantial upswing in consumer spending. Much of the strength came in the automobile sector, as sales recovered from several years of sluggish performance. Sales of domestic models quickened in the first half of the year, spurred by financing incentives from dealers and lower rates on bank loans. Lower gasoline prices and the introduction of new and better American products also appeared to help. The recovery in domestic automobile sales continued through the second half of the year, despite the withdrawal of financing incentives. Sales of imported models, still constrained by import restrictions on Japanese models, edged up a bit in 1983, regaining their pre-quota (1980) level. Consumer spending for other goods and services also strengthened, paced by large gains in housing-related items such as furniture and appliances as well as brisk advances in general merchandise and apparel sales.

Demand for housing surged in 1983, as early in the year long-term mortgage interest rates fell below 13 percent for the first time since the summer of 1980. The sharpness of the upturn reflected the considerable volume of demand postponed from the preceding few years of high credit costs and uncertain economic conditions. New housing construction rose considerably in response to rising sales during the first three quarters of the year. The rate of housing starts leveled off in the final quarter, influenced by the backup in mortgage interest rates during the second half of the year. However, for the year as a whole, total private housing starts rose 60 percent, the sharpest annual increase in almost 40 years. The construction activity generated by the increase in starts was an important factor in GNP growth, as is typical in the first year of an economic recovery.

The expansion in housing construction in 1983 was supported by increased lending by thrift institutions (where deposit growth was much improved) and by continued growth of secondary mortgage markets. The gains also reflected the popularity of financing techniques that provided homebuyers with initial interest rates lower than those quoted for fixed-rate, conventional loans. The record volume of tax-exempt, revenue bonds issued by states and localities last year to finance single-family mortgages provided many homebuyers with reduced-cost mortgage financing. Further, as market rates rose during the year, homebuyers increasingly switched to adjustable-rate mortgages. Many such instruments offered an initial rate advantage of 2 percentage points or more. By year-end, 55 percent of all conventional mortgage loans closed had a variable-rate feature of some kind. When mortgage rates were at their recent low point in the spring of 1983, only 30 percent of conventional loans closed were adjustable. In addition, such interest-reducing mechanisms as builder buydowns and seller financing remained important features of housing finance during the year.

Business Sector

Economic and financial conditions in the business sector also improved markedly in 1983, as firms started the process of rebuilding their balance sheets from the recession. Sales and production rose sharply, bringing increased capacity utilization and productivity. These gains helped propel before-tax profits, which had been depressed in the early 1980s, to an unusually rapid increase for the first year of an economic expansion. With effective corporate tax rates lower, businesses were able to retain a larger proportion of their profits than in previous recoveries. Much-improved cash flows and lower interest rates put firms in a much better position to service their outstanding debt in 1983. Further, the corporate sector improved its overall capital position in 1983 by issuing new stock in vastly improved equity markets. During the first half of the year firms strengthened their balance sheets by shifting borrowing toward longer maturities. However, historically high interest rates limited this adjustment, and rising credit costs later in the year sharply reduced the volume of long-term debt financing.

A marked shift in inventory investment from liquidation to accumulation took place in 1983, further boosting GNP. Firms had undertaken massive reductions in stocks during 1982 and early 1983. With final demands strengthening, inventory reduction slowed markedly in the second quarter of the year; and after midyear, firms began to rebuild their inventories. With sales and shipments quite strong during the second half of the year, the actual stocks of inventories remained quite lean, and inventory–sales ratios fell to historically low levels.

Business spending on plant and equipment did not reach its cyclical trough until the first quarter of 1983, but such expenditures grew rapidly throughout the rest of the year. Overall, business fixed investment increased almost 11½ percent in real terms between the fourth quarter of 1982 and the fourth quarter of 1983. At year-end, rising new orders and surveys showing that businesses planned higher investment spending suggested that the recovery in investment had developed momentum that would carry it into 1984.

The strength in investment spending was concentrated in the equipment sector early in 1983, especially in motor vehicles, high-technology office equipment, and computing machinery. The recovery in equipment spending became more broadly based as the year progressed, as it spread to traditional heavy equipment. Expenditures for new structures also turned up in the second half of the year, led by investment in stores and warehouses. Construction of new office buildings declined sharply during the first half of 1983 and held at that reduced pace during the second half of the year, as vacancy rates remained quite high.

International Trade

The rising exchange value of the dollar was a major influence on U.S. exports and imports in 1983. On a weighted-average basis, the dollar rose an additional 10 percent during the course of the year, bringing the cumulative appreciation since 1980 to 50 percent. The sustained strength of the dollar has reflected economic policies here and abroad as well as the attractiveness of dollar investments in a time of international political and financial uncertainty.

Despite a comparatively good inflation performance, the competitive position of firms in the United States eroded further in 1983. After declining more than 15 percent in 1982, the volume of U.S. exports remained weak last year. Exports to industrial countries, which account for almost two-thirds of the U.S. total, recovered somewhat in response to a moderate pickup in aggregate demand abroad. However, economic growth in many developing nations was limited by their debt service problems, and demand by those countries for imports from the United States remained depressed. In contrast, the vigorous expansion in the U.S. economy and the strength of the dollar pushed both the volume and the value of imports significantly higher. As a result, the U.S. trade deficit increased from an annual rate of about $45 billion in the fourth quarter of 1982 to a rate of about $75 billion in the fourth quarter of 1983. The U.S. current account registered a corresponding shift, with the deficit for the year reaching about $40 billion. Essentially, rapid increases in demand in the United States were partly satisfied by increasing imports, limiting gains in U.S. output.

The Government Sector

Government purchases of goods and services were lower in real terms in 1983 than in 1982. However, this decline stemmed largely from a reduction in crop inventories held by the Commodity Credit Corporation (CCC) that was associated in part with the Payment-in-Kind (PIK) program. Excluding CCC, real federal purchases in 1983 were up 4½ percent, led by a 5¼ percent increase in defense spending. Purchases by state and local governments picked up a bit, after two years of weakness induced by the recession and cutbacks in federal support.

An especially important development in the government sector in 1983 was the shifting fiscal positions of governments. The federal deficit ballooned to $195 billion in the fiscal year ending in September 1983. This figure was nearly twice as large as the previous year's deficit, which itself was of record proportions. In part, the increase in the deficit in fiscal year 1983 reflected the lagged effects of the recession on receipts and transfer payments, but other factors also were important. Revenue growth was limited by the cumulative effects of three years of sizable tax reductions, and spending was buoyed by increases in outlays for defense, social insurance expenditures, and interest payments on national debt.

At the state and local level, operating budgets (excluding social insurance funds) moved dramatically from deficit into surplus. This shift resulted largely from the combination of tax increases and cost-cutting efforts adopted during the recession as well as an unanticipated increase in the tax base as the economy expanded at a surprisingly rapid pace.

Labor Markets

The recovery of production in 1983 was translated into an impressive improvement in labor markets. Three million workers were added to nonagricultural payrolls in the 12 months ending in December 1983. The most rapid gains were registered in durable goods manufacturing and in construction, the sectors hit hardest during the recession. Service jobs also contributed importantly to overall employment growth during the year.

Despite the rapid expansion in job opportunities, the rise in the labor force was relatively moderate, damped by the long-term slowing in the growth of the young adult population and by stability in labor force participation rates. As a result, the first year of the recovery was marked by an unusual concentration of hiring from the pool of those who reported that they had permanently lost their last job. Because such workers typically are out of work for extended periods, the number of long-term unemployed workers also fell sharply last year.

Nominal wage increases continued to decelerate in 1983. Hourly compensation rose at a rate of 5 percent over the four quarters of 1983—the slowest pace since 1965. The easing of wage increases reflected slack in labor markets in general as well as adjustments in several major collective bargaining agreements. Nearly 40 percent of workers who negotiated major union settlements during 1983 accepted wage freezes or outright pay cuts for the first year of their new contracts. As a result, the size of the "new settlements" component of union wage increases was reduced to less than 1 percent. At the same time, cost-of-living adjustments slowed, reflecting the continued moderation in prices.

On average, however, wage gains in 1983 exceeded price increases, so that most workers experienced improved purchasing power. Rising real wages mirrored improvements in labor productivity. Although a good deal of the gain in output per hour worked was attributable to the pickup normal during the early stages of an economic recovery, there is reason to believe that longer-run improvements also were in train. Revisions in work rules at many establishments during the recession contributed to efficiency, and in 1983 both business and labor appeared to sustain their efforts to trim costs and improve quality. Reflecting wage and productivity developments, unit labor costs rose only 1¼ percent in 1983. This was the best performance since the mid-1960s.

Prices

The continued moderation in labor costs, a principal determinant of price movements, helped to unwind further the wage–price spiral that fueled inflation throughout the 1970s. Household surveys during 1983 revealed that, despite some increase in the second half of the year, expectations about inflation throughout 1983 remained lower than they had been in some time. Ample productive capacity and a strong dollar also contributed to further progress in reducing the rate of inflation.

That progress was reflected in most key price measures. Increases in the consumer price index remained in a much reduced range in 1983. The brighter inflation picture in part reflected transitory factors. Slack demand and large worldwide inventories caused a sharp decline in petroleum prices early in the year, and prices of food at the consumer level were relatively stable throughout 1983. However, the agricultural picture turned less favorable in the wake of the summer drought. The resulting depletion of grain stocks, coming on top of the effects of the federal government's PIK program designed to reduce agricultural production, put upward pressures on the prices of many agricultural commodities in the latter part of the year that can be expected to affect consumer food prices in 1984. In addition, severe December weather promised to adversely affect the supply of fresh fruits and vegetables early in 1984.

The deceleration of prices in 1983 was not limited to the food and energy sectors. The consumer price index excluding those sectors rose less than 5 percent—about half the pace of just three years earlier. Producer prices in general were little changed in 1983, as price increases of capital equipment as well as of consumer goods slowed markedly.

The Growth of Money and Credit in 1983

In its reports to the Congress in February and July 1983, the Federal Reserve indicated that monetary policy during that year would be conducted with the aim of fostering a recovery in economic activity and encouraging further progress toward price stability. Establishing specific objectives for growth in the monetary aggregates was fraught with difficulties, however. Beginning in 1982, the behavior of M1 in relation to economic activity had diverged sharply from historical trends, raising doubts about the usefulness of that aggregate—at least over the near term—as a policy target; the effects of newly introduced Super NOWs and money market deposit accounts (MMDAs) on the behavior of M1 also were subject to considerable uncertainty. In addition, it was evident early in 1983 that M2 was being swelled by massive shifts of funds from outside that aggregate into MMDAs, but it was impossible to predict the precise timing and volume of such shifts.

Reflecting these special factors and uncertainties, in early 1983 the Federal Open Market Committee departed from past practice in establishing monetary objectives for 1983. The Committee agreed that the uncertainties regarding M1 continued to warrant the practice, begun in October 1982, of placing principal weight on the broader monetary aggregates—M2 and M3—in the implementation of monetary policy. Although the demands of the public for those aggregates might be affected by shifts in asset preferences that were rooted in regulatory changes or other causes, it seemed that such effects would be smaller and more predictable for the broader aggregates than for M1.

In the case of M2, an annual target range of 7 to 10 percent was established. The FOMC believed that performance of the aggregate would most appropriately be measured over a period when it would be less influenced by the initial, highly aggressive marketing of MMDAs. Thus the Committee chose the average level of February and March as the base for measuring growth, rather than the fourth quarter, the period that generally had been used in the past. It was anticipated that the range for M2, which was 1 percentage point higher than the range for 1982, would allow for some residual shifting of funds to MMDA accounts over the remainder of the year.

The range for M3, to be measured as usual from the fourth quarter to the fourth quarter, was established at 6½ to 9½ percent. This range was the same as that established in the previous year, but encompassed growth below the actual outcome in 1982. In adopting this range, the Committee assumed that any net shift of funds during the year into the new types of deposit accounts from market instruments would be largely offset by reductions in managed liabilities (such as large CDs) included in M3.

In light of difficulties in gauging the relation between transaction balances and economic activity, the range for M1 was set in February at 4 to 8 percent, a band 1 percentage point wider than usual. As noted above, the Committee agreed that, in implementing monetary policy, less than customary weight would be assigned to M1; instead, the Committee would rely primarily on the broader aggregates, at least until M1 had evidenced more regular and predictable behavior. Moreover, the Committee emphasized that, in implementing policy, the significance it attached to movements in the various monetary measures necessarily would depend on evidence about the strength of economic recovery, the outlook for prices and inflationary expectations, and emerging conditions in domestic and international financial markets.

The Committee also set forth for the first time its expectations for growth of the total debt of domestic nonfinancial sectors, indicating that a range of 8½ to 11½ percent, measured from December 1982 to December 1983, would be appropriate. This range was thought to be about in line with expected growth in nominal GNP, reflecting the historically similar growth trends of each. It was recognized that, in the early stages of other postwar recoveries, growth in GNP had exceeded growth in debt by an appreciable margin; but in the current circumstances—including the financial condition of the private sector as the recession ended and the prospective huge volume of federal borrowing—expansion in the debt aggregate might run in the upper half of the stated range during 1983.

The behavior of M1 in early 1983 continued to diverge from precedents. (The analysis here—as elsewhere in this section—is based on recently revised data for the monetary aggregates, but the same finding holds for the data that were available during 1983.)[3] As apparently was the case during the second half of the previous year, precautionary motives stemming from highly uncertain employment and income prospects evidently continued to swell demands for liquid balances relative to the rate of spending on goods and services; in addition, the lagged effects of earlier declines in interest rates contributed to increased demands for money. M1 expanded rapidly through late spring; growth was dominated by its highly liquid, interest-earning other checkable deposit (OCD) component. Growth in OCDs during the first half of the year accounted for more than half of the expansion in M1, a contribution well out of proportion to the importance of this component. In turn, inflows to Super NOW accounts, which had been authorized in early January, exceeded growth in OCDs during the year as a whole. Even so, the introduction of the new deposit accounts appears in retrospect to have had little effect on the overall growth rate of M1, as inflows from outside M1 into Super NOWs probably were roughly offset by outflows from M1 to MMDAs.

In light of the rapid expansion in M1 through midyear, and referring back to its recognition that appropriate growth rates for the aggregates would depend on judgments about unfolding economic and financial developments, the FOMC in July established a new monitoring range for M1 for the second half of 1983. This range of 5 to 9 percent was based on the average for the second quarter, rather than that for the fourth quarter of 1982. The decision to adopt a new base for monitoring M1 growth reflected a judgment that the recent rapid growth of M1 would appropriately be treated as a one-time phenomenon, which was expected to be neither reversed nor extended. It appeared, in retrospect, that the surge in M1 might largely have reflected an adjustment by the public of its cash balances in response to the pronounced drop in the opportunity cost of holding low-yielding demand deposits and regular NOW accounts. The FOMC emphasized that it still regarded the behavior of M1 as subject to substantial uncertainties, and it reaffirmed its decision to place principal weight on the broader aggregates in the implementation of monetary policy.

After midyear, precautionary demands for liquid balances apparently began to abate, reflecting improved confidence arising from the recovery; a moderate rise in interest rates, which began in late spring, also curbed demands for money. Demand deposits peaked in July and edged down, on balance, during the second half; the growth of OCDs fell to a fraction of the rapid first-half pace. Thus M1 entered its newly established monitoring range in late summer and finished the year in the middle of that range.

During the first quarter of 1983, the velocity of M1 continued to decline at nearly the extraordinary rate of 1982. These declines exceeded those implied by models of past behavior, even taking into account the effects of the large reduction in the opportunity cost of holding money balances brought about by sharp drops in market rates and the introduction of ceiling-free Super NOW accounts. As the year progressed, the velocity of M1 began to increase, slowly at first but more rapidly by the last quarter. Even with this acceleration, growth in M1 velocity in the full year following the business cycle trough in the fourth quarter of 1982 was well below the experience typical in a recovery.

As was evident when the target ranges were first established early in 1983, the dramatic response to the authorization of MMDAs substantially boosted M2. Competition for these funds was intense: promotional activity was heavy and, in some regions, introductory interest rates

3. Appendix B to this report provides detailed information on the recent benchmark and seasonal adjustment revisions of monetary data for 1983, as well as on the impact of a redefinition of M3 to include term Eurodollars.

Growth of money and credit
Percentage changes

Period	M1	M2	M3	Domestic nonfinancial sector debt[3]
Base to fourth quarter, 1983[2]	7.2	8.3	9.7	10.5
Fourth quarter to fourth quarter				
1978	8.2	8.0	11.8	13.0
1979	7.5	8.1	10.3	12.0
1980	7.4	9.0	9.6	9.5
1981	5.1 (2.5)[4]	9.3	12.3	9.6
1982	8.7	9.5	10.5	9.2
1983	10.0	12.1	9.7	10.5
Quarterly growth rates				
1983:1	12.8	20.5	10.8	8.8
2	11.6	10.6	9.3	12.0
3	9.5	6.9	7.4	9.9
4	4.8	8.5	10.0	9.8

1. M1, M2, and M3 incorporate effects of benchmark and seasonal adjustment revisions. M3 incorporates a definitional change as well: the inclusion of term Eurodollars. See appendix B to this report for detailed information.

2. The base for measuring growth in M1 was the second quarter of 1983; for M2, February–March 1983; for M3, the fourth quarter of 1982; and for domestic nonfinancial sector debt, December 1982.

3. Growth rates of domestic nonfinancial sector debt are measured between last months of periods.

4. M1 figure in parentheses is adjusted for shifts to NOW accounts in 1981.

were far above yields on market investments. Inflows to MMDAs in January alone totaled $147 billion, and by March outstandings had reached $321 billion. However, most of the inflow to MMDAs appears to have come from other instruments included in M2. Analysis by the Board's staff suggests that as much as four-fifths of that inflow may have been transferred from savings deposits, small time deposits, and money market mutual funds. (Over the course of the year, assets of money market mutual funds dropped 25 percent.) Still, a sizable volume of funds came from outside M2 and had an evident impact on growth in that aggregate.

In the face of the heavy deposit inflows and relative sluggishness of business loan demand at commercial banks, institutions dropped their aggressive promotion of MMDAs. The aggregate level of MMDAs barely increased after June, reflecting a sharp drop in interest rates offered on these accounts. At the same time, the less liquid small time deposit component of M2 increased quite rapidly over the second half of the year, as a result of the steepening yield curve and more attractive rates on such deposits. However, the removal on October 1 of all remaining restrictions on small time deposits with original maturities or notice periods longer than 31 days had little noticeable impact on deposit flows.

Reflecting MMDA inflows, M2 growth from the fourth quarter of 1982 through the fourth quarter of 1983 was 12 percent. However, from the February–March period used by the FOMC as the base for its target growth range, expansion through the fourth quarter was at an 8¼ percent annual rate, well within its range.

After declining at a record rate in the first quarter, M2 velocity rose during the rest of the year; over the year as a whole, velocity fell slightly. As was the case for M1, the velocity of M2 failed by a wide margin to keep pace with the average increase during the first year of a business recovery. However, correction for the volume of funds thought to have been attracted to MMDAs from outside M2 suggests that velocity movements were in reasonably close correspondence with experience.

M3 growth picked up a bit in the first quarter from its late 1982 pace, owing to the explosion in M2. But until the closing months of the year, expansion in this aggregate was restrained by sharp runoffs in managed liabilities—especially large CDs—in response to the rapid buildup early in the year of MMDA balances and limited loan demand at commercial banks. On the other hand, thrift institutions continued to issue large CDs at a rapid pace in response to robust mortgage demands and a cost incentive to pay down advances from the Federal Home Loan Banks. On balance, M3 moved on a track near the upper end of its target range during 1983; growth from fourth quarter to fourth quarter was 9¾ percent, just outside the target range.[4]

Domestic nonfinancial sector debt increased 10½ percent in 1983, a bit above the pace of the previous year. The outstanding debt of the federal government grew almost 20 percent, about matching the pace of 1982; this expansion accounted for about 40 percent of the increase in all domestic nonfinancial debt last year. State and local government financing activity surged to a new record; some of the borrowing reflected efforts on the part of the issuers to market debt before the imposition of anticipated constraints,

4. M3 has been redefined to include term Eurodollars, previously included only in the aggregate L.

including requirements for bond registration and proposed limits on revenue bond issuance. A stepped-up pace of investment in housing and consumer durables led to a near doubling of borrowing by the household sector. But issuance of nonfinancial business debt slowed to a quite slow pace, as internal cash flows of corporations exceeded capital expenditures for much of the year, and relatively high stock prices encouraged issuance of new equity shares.

The proportion of credit intermediated by depository institutions grew substantially, rising from about one-third in 1982 to about one-half in 1983. This increase reflected both the impact of MMDA inflows and a surge in demands for mortgages. Funds advanced by thrift institutions, in particular, rose sharply from a depressed 1982 pace. Commercial bank credit also expanded more rapidly in 1983; purchases of government securities accounted for more than one-third of net credit extended by banks. Attracted by relatively high U.S. interest rates, funds advanced by the foreign sector also increased substantially during 1983.

Thus each of the monetary and credit aggregates finished the year close to or within the ranges set by the FOMC. (Indeed, for the data before the recent benchmark, seasonal, and definition revisions, all of the money stock measures were well within their ranges at the end of 1983.) Achievement of these objectives and the broader goals of the Federal Reserve was brought about by relatively small changes in the reserve position of the banking system and was accompanied by generally stable conditions in financial markets. Interest rates fluctuated far less than in the previous few years. Moreover, although most interest rates rose moderately during the year as the economic recovery progressed, on average interest rates were substantially lower in 1983 than in 1982. For example, rates on level-payment home mortgages averaged nearly 3 percentage points below their 1982 levels; business borrowing costs likewise declined significantly.

Other indicators attested to a greater degree of stability and confidence in financial markets and the economy. Broad measures of stock prices increased about 20 percent. The balance of bond downgradings and upgradings by the principal rating agencies became much more favorable. Spreads between interest rates on private and federal government debt obligations narrowed dramatically during 1983, as did spreads between yields on lower- and higher-rated private securities. The strong stock market enabled many large firms to strengthen their balance sheets and many young companies to make initial public offerings of their shares.

Commercial banks adapted to important changes in their environment in 1983. The new deposit accounts were successful in attracting funds to both banks and thrift institutions. At the same time, banks experienced relatively soft demand for business loans—especially in the first half of the year—and, hence, invested heavily in government securities, other market instruments, and loans to consumers. However, credit problems intensified in energy-related businesses, and the financial condition of a number of foreign borrowers remained troubling. A widespread increase, relative to historical experience, occurred in loan-loss provisions. A sizable number of banks—mostly small—experienced credit-quality problems so severe that they were closed or merged into other institutions. Nonetheless, earnings of commercial banks in general appear to have been well maintained in 1983.

The condition of the thrift industry began to improve last year as lower average interest rates significantly reduced operating losses. As a result of the MMDA, these institutions have enjoyed a substantial increase in core deposits, and their improved profit position has enabled them to expand large time deposits at reasonable cost. In contrast to commercial banks, thrift institutions saw a heavy demand for loans last year. For the first time, in 1983 a large proportion of mortgages that they made carried adjustable-rate features, thus repairing some of the severe mismatch in asset and liability durations. Nevertheless, profit positions remain marginal and highly sensitive to changes in interest rates. □

Appendix A: Federal Reserve Press Release of January 13, 1984, Regarding Contemporaneous Reserve Requirements

Beginning Thursday, February 2, the new contemporaneous reserve requirement (CRR) system will become effective. In that connection, questions have been raised about the implications of this change for the Federal Reserve's open market operating procedures. This issue has been considered by the Federal Open Market Committee. Taking account of technical transitional uncertainties as well as policy judgments about the role of M1 and other monetary aggregates under current circumstances, the Committee agreed to make no substantial change in current operating procedures at this time.

Background

The new CRR system differs from the present lagged reserve requirement structure in two principal ways. First, required reserves against transaction deposits will have to be held on an essentially contemporaneous basis, instead of being lagged by two weeks. Second, the reserve holding period has been lengthened from one week to two weeks (with the relevant period for deposits also lengthened to roughly the same two weeks—the two-week deposit period running from Tuesday to the second Monday, and the reserve period running from Thursday to the second Wednesday).

This structural change in the reserve accounting system has tightened the linkage between reserves and the current behavior of transaction deposits—demand deposits and interest-bearing accounts with full checking privileges (NOW and similar accounts). These deposits, along with currency held by the public, comprise M1, the measure of money most nearly related to the transaction needs of the economy. But because of NOW and similar accounts, which have grown substantially in volume over the past few years, M1 is also affected by saving propensities and patterns. The Committee has been placing less weight than formerly on M1 because of the institutional changes that have altered its composition, affected its behavior, and increased uncertainties about its relationship to the economy.

Other, broader aggregates—M2 and M3—encompass M1 plus other highly liquid assets and forms of saving, such as money market fund accounts and time and savings deposits held at banks and thrift institutions. Some of these other assets also, in one degree or another, serve transaction purposes, though they are not by law subject to transaction reserve requirements. In general, the bulk of the assets in the broad aggregates are not subject to reserve requirements, although nonpersonal time deposits bear a relatively small lagged requirement.

Open Market Operations and CRR

Adaptations in open market operating procedures to CRR must take account of certain technical and transitional issues as well as the policy issue about the weight to be given M1 and other monetary aggregates in operations. The more technical and transitional issues involve how the depository system as a whole adjusts to the new reserve requirement system—which may influence demands for excess reserves, attitudes toward the discount window, and the speed of asset and liability adjustments generally. It can be expected that some time will elapse before banks and other depository institutions have fully adjusted their reserve management, as well as portfolio and liability management, to the new system. Money managers have to become accustomed to operating without certain knowledge of their required reserves for a full reserve averaging period during most of that period. In addition, usual startup problems with new data systems will probably add to uncertainties at least for a while. Such data problems would also affect the timing and reliability of figures available to the Federal Reserve.

These technical issues aside, the new reserve requirement structure would potentially permit somewhat closer short-term control of M1 in particular. With CRR, if open market operations were geared primarily to M1, an "automatic" tightening or easing of reserve positions that worked to bring M1 under control would tend to occur somewhat more promptly than with lagged reserve accounting.

Whether operating procedures should be adapted for this purpose does not depend on the technical characteristics of the reserve requirement system in place but rather on broader policy judgments about the relative weight to be given to M1 as a target and the desirability of seeking close short-run control of that aggregate. To the extent less weight continues to be placed on M1, and relatively more on broader aggregates less closely related to reserves, "automatic" changes in reserve pressures in response to short-run movements in M1 alone may not be appropriate.

In light of these various considerations, the Committee agreed that no substantial change would be made in open market operating procedures at this time. These operating procedures will be reviewed after a transitional period in the context of the role played by the monetary aggregates, particularly M1, in policy implementation and the potential implicit in CRR for achieving closer short-run control of M1.

Appendix B: Money Stock Revisions

Measures of the money stock have been revised to reflect annual seasonal factor and benchmark revisions, as well as a definitional change affecting M3. This appendix discusses these revisions and presents tables comparing growth rates of the old and new series.

Definitional Change

The definition of M3 has been changed to include term Eurodollars held by U.S. residents in Canada and the United Kingdom and at foreign branches of U.S. banks elsewhere. A recent reporting change provides data on term Eurodollars at a panel of branches of large U.S. banks on a schedule similar to other M3 elements. The inclusion of term Eurodollars raised the level of M3 about $90 billion but had a minimal effect on M3 growth in 1983.

Benchmark Revisions

Deposits have been benchmarked to recent call reports; further revisions to deposits stem from changes to System reporting procedures made in 1983, largely related to reduced reporting under the Garn–St Germain Act of 1982. In addition, the currency component was revised to reflect revisions to figures on the amount of coin in circulation. The net impact of these revisions was to raise the levels and boost the growth rates of each of the aggregates in 1983.

Seasonal Revisions

Seasonal factors have been updated using the X-11 ARIMA procedure adopted in 1982. Nontransaction M2 has been seasonally adjusted as a whole—instead of being built up from seasonally adjusted savings and small time deposits—in order to reduce distortions caused by portfolio shifts arising from financial change in recent years, especially shifts to money market deposit accounts in 1983. A similar procedure has been used to seasonally adjust the non-M2 portion of M3.

B.1. Comparison of revised and old growth rates for M1

Percentage changes at annual rates

Period	Revised M1	Old M1	Difference (1 − 2)	Differences: Benchmark	Differences: Seasonals
	(1)	(2)	(3)	(4)	(5)
Monthly					
1982—October	17.3	14.2	3.1	.5	2.6
November	15.8	13.6	2.2	.8	1.4
December	10.3	10.6	−.3	−.4	.1
1983—January	11.5	9.8	1.7	−2.4	4.1
February	14.8	22.4	−7.6	.2	−7.8
March	13.0	15.9	−2.9	0	−2.9
April	3.6	−2.7	6.3	1.7	4.6
May	21.0	26.3	−5.3	.5	−5.8
June	10.2	10.2	0	1.4	−1.4
July	9.4	8.9	.5	.9	−.4
August	5.8	2.8	3.0	0	3.0
September	3.5	.9	2.6	.6	2.0
October	6.2	1.9	4.3	1.6	2.7
November	3.2	.9	2.3	0	2.3
December	5.3	6.5	−1.2	−1.0	−.2
Quarterly					
1982:4	15.4	13.1	2.3	.2	2.1
1983:1	12.8	14.1	−1.3	−.7	−.6
2	11.6	12.2	−.6	.8	−1.4
3	9.5	8.9	.6	.8	−.2
4	4.8	2.1	2.7	.6	2.1
Annual 1983					
1982:4 to 1983:4	10.0	9.6	.4	.4	0
Semiannual					
1982:4 to 1983:2	12.4	13.3	−.9	0	−.9
1983:2 to 1983:4	7.2	5.5	1.7	.7	1.0

B.2. Comparison of revised and old growth rates for M2

Percentage changes at annual rates

Period	Revised M2	Old M2	Difference (1 − 2)	Differences: Benchmark	Differences: Seasonals
	(1)	(2)	(3)	(4)	(5)
Monthly					
1982—October	9.3	7.9	1.4	−.1	1.5
November	10.5	9.5	1.0	.4	.6
December	12.1	8.9	3.2	.5	2.7
1983—January	31.9	30.9	1.0	−.6	1.6
February	21.7	24.4	−2.7	−.9	−1.8
March	7.8	11.2	−3.4	.0	−3.4
April	8.4	2.8	5.6	1.9	3.7
May	11.8	12.4	−.6	.1	−.7
June	8.4	10.4	−2.0	−.1	−1.9
July	5.4	6.8	−1.4	.0	−1.4
August	4.9	6.0	−1.1	.0	−1.1
September	7.1	4.8	2.3	.6	1.7
October	10.8	9.1	1.7	.9	.8
November	8.2	7.2	1.0	.0	1.0
December	8.2	5.5	2.7	.3	2.4
Quarterly					
1982:4	10.6	9.3	1.3	.3	1.0
1983:1	20.5	20.3	.2	−.2	.4
2	10.6	10.1	.5	.5	.0
3	6.9	7.8	−.9	.1	−1.0
4	8.5	7.0	1.5	.4	1.1
Annual					
1982:4 to 1983:4	12.1	11.7	.4	.3	.1
February–March 1983 to 1983:4	8.3	7.8	.5	.6	−.1

B.3. Comparison of revised and old growth rates for M3

Percentage changes at annual rates

Period	Revised M3	Old M3	Difference (1 − 2)	Differences: Benchmark	Differences: Seasonals
	(1)	(2)	(3)	(4)	(5)
Monthly					
1982—October	11.7	9.3	2.4	0	2.4
November	7.7	9.3	−1.6	−.8	−.8
December	5.7	3.7	2.0	−.3	2.3
1983—January	14.4	13.0	1.4	−1.2	2.6
February	13.1	13.7	−.6	1.4	−2.0
March	7.2	8.1	−.9	1.2	−2.1
April	8.7	3.3	5.4	2.8	2.6
May	9.6	10.9	−1.3	.5	−1.8
June	10.3	11.0	−.7	.2	−.9
July	5.1	5.5	−.4	−.2	−.2
August	6.1	8.8	−2.7	−.3	−2.4
September	8.8	7.6	1.2	−.5	1.7
October	9.4	8.6	.8	−1.0	1.8
November	14.1	11.9	2.2	2.7	−.5
December	8.8	6.6	2.2	.3	1.9
Quarterly					
1982:4	10.0	9.5	.5	−.3	.8
1983:1	10.8	10.2	.6	−.1	.7
2	9.3	8.1	1.2	1.5	−.3
3	7.4	8.4	−1.0	−.1	−.9
4	10.0	9.0	1.0	.1	.9
Annual					
1982:4 to 1983:4	9.7	9.2	.5	.5	0

1. Revised M3 includes term Eurodollars; the inclusion of term Eurodollars boosted M3 growth in 1983 by no more than 0.1 percentage points.

Staff Studies

The staffs of the Board of Governors of the Federal Reserve System and of the Federal Reserve Banks undertake studies that cover a wide range of economic and financial subjects. From time to time the results of studies that are of general interest to the professions and to others are summarized in the FEDERAL RESERVE BULLETIN.

The analyses and conclusions set forth are those of the authors and do not necessarily indicate concurrence by the Board of Governors, by the Federal Reserve Banks, or by the members of their staffs.

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STUDY SUMMARY

THE IMPLICATIONS FOR BANK MERGER POLICY OF FINANCIAL DEREGULATION, INTERSTATE BANKING, AND FINANCIAL SUPERMARKETS

Stephen A. Rhoades—Staff, Board of Governors
Prepared as a staff study in spring 1983.

The increasing similarity of bank and nonbank thrift institutions due to deregulation, along with the emergence of financial supermarkets and the prospect of interstate banking, has led some observers to argue that a massive merger movement in banking is required to avert widespread bank failures. They believe that only large institutions that adopt the financial supermarket approach can survive. This paper has explored a good deal of relevant evidence and found no support for this view.

Evidence shows that small banks generally operate about as efficiently as large banks, that they can take advantage of new technology, and that they perform profitably, with reasonable risk, when they compete in markets with larger banks. The now fashionable view that the financial supermarket approach is the only way to survive is open to serious question, for many reasons. Indeed, research evidence, experience in retailing and banking, and the conglomerate mergers in the industrial sector in the 1960s are all grounds for skepticism about the notion of the financial supermarket as an "operational imperative."

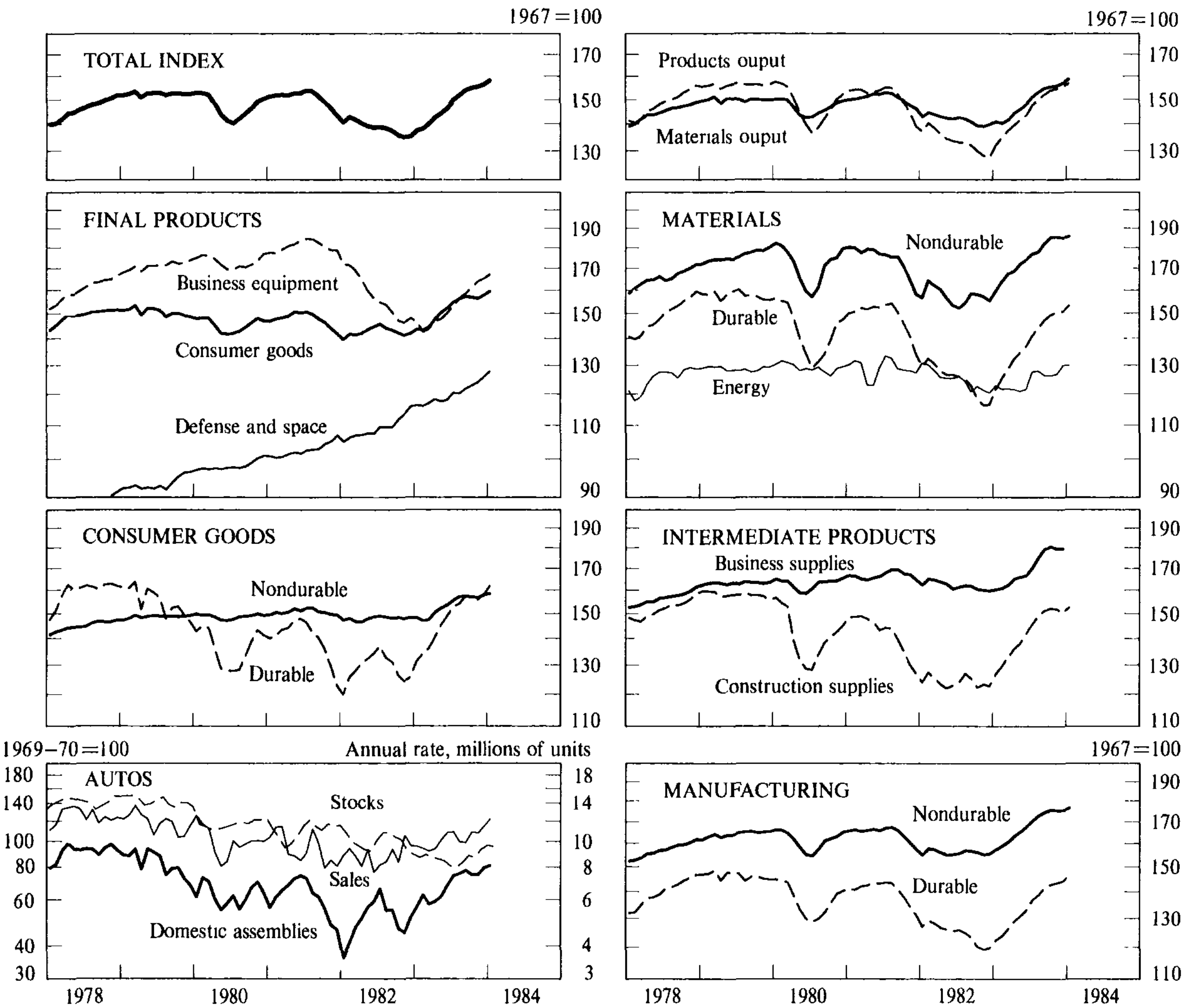
The conclusion that must be drawn from the evidence is that small banks, whether specialized or diversified, seem likely to remain viable institutions. This conclusion suggests that a massive merger movement in banking cannot be justified on grounds of averting the failure of many small institutions. □

Industrial Production

Released for publication February 15

Industrial production increased an estimated 1.1 percent in January following revised increases of 0.6 and 0.3 percent in December and November respectively. The increases for December and November had previously been estimated at 0.5 and 0.7 percent. Output gains in January were sizable and widespread in most market groupings. At 158.1 percent of the 1967 average, industrial output in January 1984 was almost 3 percent above its last peak reached in July 1981.

In market groupings, production of durable consumer goods rose 2.4 percent in January, reflecting increases in the output of home goods, autos, and consumer-use trucks. Autos were assembled at an annual rate of 8.1 million units, and an 8.3 million rate is currently scheduled for



All series are seasonally adjusted and are plotted on a ratio scale. Auto sales and stocks include imports. Latest figures: January.

Grouping	1967 = 100		Percentage change from preceding month					Percentage change, Jan. 1983 to Jan. 1984
	1983	1984	1983				1984	
	Dec.	Jan.	Sept.	Oct.	Nov.	Dec.	Jan.	
	Major industry groupings							
Total industrial production	**156.4**	**158.1**	**1.3**	**.8**	**.3**	**.6**	**1.1**	**15.1**
Products, total	157.1	158.8	1.1	.5	.3	.7	1.1	12.7
Final products	154.9	156.6	.9	.4	.5	1.0	1.1	11.8
Consumer goods	158.0	159.6	.6	-.3	-.3	1.0	1.0	11.1
Durable	158.3	162.1	2.1	-.5	-.5	1.5	2.4	23.2
Nondurable	157.8	158.5	.1	-.1	-.3	.7	.4	6.9
Business equipment	165.4	167.3	1.3	1.6	1.7	.8	1.1	14.1
Defense and space	126.0	127.9	1.3	.9	.9	1.6	1.5	9.9
Intermediate products	165.1	167.0	2.0	.7	-.5	-.4	1.2	16.2
Construction supplies	150.5	152.7	1.6	.6	-.3	-.9	1.5	20.2
Materials	155.5	157.0	1.7	1.2	.5	.5	1.0	18.9
	Major industry groupings							
Manufacturing	157.0	159.0	1.5	.7	.2	.3	1.3	16.3
Durable	144.3	146.9	2.0	.8	.5	.6	1.8	19.9
Nondurable	175.5	176.6	1.0	.6	-.2	.1	.6	12.2
Mining	124.5	126.2	.9	1.0	2.2	3.0	1.4	3.5
Utilities	183.2	178.9	.0	-1.6	-.1	3.9	-2.3	9.7

NOTE. Indexes are seasonally adjusted.

February. Output of nondurable consumer goods increased only 0.4 percent, as the gains observed in most components were partially offset by reduced residential use of electricity, compared with the exceptionally heavy use in December. Production of business equipment increased 1.1 percent; gains occurred in most groups and were especially large in transit equipment. Output of construction supplies advanced 1.5 percent following declines in the final two months of 1983. Output of materials increased 1.0 percent in January. Sharp gains in metals and parts for consumer goods boosted output of durable materials, which overall had increased only slightly in December. Output of nondurable materials was up 0.4 percent in January; production of energy materials was about unchanged, as sharp gains in coal production were largely offset by decreased generation of electricity.

In industry groupings, manufacturing output increased 1.3 percent in January, with durables up 1.8 percent and nondurables up 0.6 percent. Mining output, which early in this recovery had lagged somewhat, rose sharply again in January. Utility output was reduced 2.3 percent.

Statements to Congress

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Salt Lake City, Utah, January 16, 1984.

For a chairman of the Federal Reserve Board, there is a special pleasure in the opportunity to come to Salt Lake City to participate with the Senate Banking Committee in a discussion of the basic rules to guide the development of our banking system. The senior senator from this state has been leading the effort to achieve constructive and timely responses to the need to change our banking laws to meet today's conditions. In that respect, Mr. Chairman, you follow in the tradition of another native son, Marriner Eccles. As chairman of the Federal Reserve Board for more than 13 years during the 1930s and 1940s, he spearheaded the effort to rewrite banking laws to meet the needs of his time—and for many years thereafter. Your sponsorship, Senator Garn, of legislation to rededicate our office in Washington in his name is an appropriate and welcome recognition of a man to whom we owe a great deal.

Drawing on his experience as a businessman and innovative banker in Utah, Marriner Eccles greatly strengthened the Federal Reserve and did much to repair the financial system after the ravages of the banking crisis of the early 1930s and the depression. He instinctively recognized the crucial importance of a sound banking system to the proper functioning of our economy, and the necessary role of the federal government in setting out an appropriate legislative framework, supported by effective supervision and regulation. He was, of course, particularly conscious of the responsibilities of the Federal Reserve, as the nation's central bank, in protecting the stability of the banking system. He built well, and in reviewing the problems we face today, I am struck by many parallels between the basic issues that were before the country then and now.

But, as you well know, under the pressure of technological and market change, there is also a pressing need to adapt the legislative framework to today's conditions lest crucial continuing objectives of public policy be eroded or overturned. In earlier testimony before you, I have reviewed the dangers of permitting the situation to evolve in haphazard and potentially dangerous ways, influenced not just by natural responses to market forces, but often by capricious effects of existing and now outmoded provisions of law. The result would be not just unfair competitive distortions but also an unintended unraveling of basic tenets of public policy that the legislative structure has been designed to promote.

To summarize our basic approach toward these matters, our point of departure is the basic proposition that banks, and depository institutions generally, continue to perform a unique and critical role in the financial system and the economy—as operators of the payments system, as custodians of the bulk of liquid savings, as key and impartial suppliers of short-term credit, and as the link between monetary policy and the economy. This unique role implies continuing governmental concerns about the stability and impartiality of these institutions—concerns that are reflected in the federal "safety net" long provided by the discount window and by deposit insurance, by regulatory protection against undue risk, and by policies to discourage conflicts of interest and undue concentration of banking resources. We also believe that these concerns must, to a degree, encompass business organizations of which banks are a part—bank holding companies—for the basic reason that a bank or depository institution cannot be wholly separated from the fortunes of its affiliates and from the success or failure of their business objectives.

Those fundamental concerns are broadly reflected in the proposed legislation before the committee.

There are now two major proposals, S. 2181, the Financial Services Competitive Equity Act, which was introduced by the chairman, and S. 2134, the Depository Institutions Holding Company Act Amendments of 1983, introduced by the ranking minority member, Senator Proxmire. Both of these bills have as a common base S. 1069, the administration's proposed Financial Institutions Deregulation Act (FIDA), which has been endorsed by the Board. These bills differ in the scope of new powers authorized bank holding companies and in some other important areas, and I also recognize that inclusion of certain provisions of S. 2181 for discussion purposes does not necessarily imply endorsement. But I also believe it important to emphasize that these bills have key provisions that are identical or similar, suggesting and reflecting an emerging broad consensus on the core of constructive legislation. Thus, I believe the raw materials for coherent action are now before you, providing a strong base for legislative action in a matter of months.

POINTS OF GROWING CONSENSUS

Analysis and discussion of these proposals suggest that the framework for legislative action can be built on three essential elements: (1) clarifying, through new statutory definitions, what is a bank, what is a thrift, and the proper scope of powers for state-chartered banks; (2) streamlining the procedures of the Bank Holding Company Act; and (3) expanding the powers of bank holding companies.

Other issues, including new rules for interstate banking and payment of interest on demand deposits and reserves at the Federal Reserve Banks, also need early resolution. As a practical matter, these areas may not have achieved the same degree of consensus. We would like to see progress in those directions, and we welcome the efforts of your chairman to advance the discussion. However, we do not believe inability to achieve full agreement in all those areas should necessarily delay legislation dealing with the core elements of the bills before you.

I do believe that there is a broad agreement that new definitions of the terms "banks" and "thrifts" are urgently necessary to assure an orderly framework for the development of the financial system, to promote competitive equity, and to establish clearly the competitive rules for the various segments of the financial services industry. One significant area of possible disagreement—the appropriate role for so-called consumer banks—I will comment upon at a later point.

Similarly, with respect to the definition of thrifts, there has been increasingly clear recognition of the anomalies that arise as thrifts achieve and implement powers much more comparable to commercial banks, but still operate under more liberal provisions of law—such as the absence of restrictions on ownership, the ability to obtain long-term governmental lending, favorable tax treatment, and the freedom to branch intrastate and interstate—denied commercial banks. The growing similarity of powers, combined with differences in regulatory approaches, results in competitive inequalities and thus in tensions that undermine legislative intentions. All of that is reflected in the strong interest of a variety of financial or nonfinancial businesses in the acquisition of thrifts in order to benefit from bank-like powers and to participate in the payments mechanism, but without the restrictions applicable to banks or bank holding companies.

Looked at from another direction, there is recognition of the fact that the public policy rationale for the favorable regulatory, tax, and credit treatment of thrift institutions is fundamentally rooted in their activity as home lenders. Consequently, the essential idea that a thrift should be defined by a test set forth in terms of residential lending activity seems to be increasingly accepted, as well as the corollary that such institutions should not operate in tandem with nondepository owners. Again, there are differences on the specifics of the test that need to be resolved and that I will discuss later.

Recent developments strongly point to the need for another provision defining the role of depository institutions—provisions that offer a framework for the discretion of states in authorizing new powers for state-chartered banking institutions. To the extent that the Congress, in the national interest, finds it necessary to circumscribe the activities of depository institutions and their holding companies, such limitations could be rendered null and void over time by unrestrained state action.

There are various approaches toward dealing with this anomaly in the dual banking system, reconciling a desirable element of flexibility for the states to experiment with new kinds of banking powers while avoiding developments that undermine the overall policy intent of the Congress with respect to bank and bank holding company powers. What remains is to decide among these approaches. Meanwhile, we at the Board, in view of existing law and expressions of congressional intent, have indicated that we could not approve the acquisition of state-chartered banks by bank holding companies with the apparent intent of undertaking, under relevant state law, widespread insurance activities beyond the state in which the bank is chartered. This is one illustration of the urgent need for congressional direction in setting appropriate guidelines.

The streamlining of the procedures for dealing with bank holding company applications and eliminating the burden on applicants to demonstrate net public benefits is broadly supported by affected institutions and also appears ready for action. In recent amendments to our regulation governing bank holding company activities, the Board has gone as far as it felt it could, consistent with present law, to speed up procedures and lessen regulatory burdens. The approach encompassed in the bills before you would permit further progress in these directions by eliminating the "benefits and burdens" test of present law, limiting bank holding company examinations and reports, providing for expedited notice procedures for approval of new activities, and setting out new and simplified criteria for determining the permissibility of new activities generally.

The third area with which any bill must deal is defining the degree of expanded bank holding company powers. Again, I believe a nascent consensus has developed for a broader test than incorporated in present law. S. 2134 and S. 2181 approach the matter in a somewhat different way; both would have the practical result of permitting and directing the Federal Reserve to permit holding companies to engage in a somewhat broader range of services, and the differences between the bills should be reconcilable. Both bills follow the administration proposal on expansion of securities powers of bank holding companies, including revenue bond underwriting, and mutual investment fund powers. All of this has long been supported by the Federal Reserve Board. In addition, both S. 2181 and S. 2134 would further provide for underwriting of mortgage-backed securities. Finally, the latter bill would promote competitive equity in this area by applying the Glass–Steagall Act to nonmembers as well as Federal Reserve member banks.

Proposals to extend powers of bank holding companies to insurance underwriting and brokerage and to real estate brokerage appear, to varying degrees, more controversial. S. 2181 provides one possible approach toward dealing with the concerns about banks acquiring "healthy" thrifts by limiting such acquisitions across state lines. Various limitations have been suggested for the exercise of real estate development powers. While I will touch upon most of these areas more specifically, we hope and anticipate that further agreement could be reached in the weeks ahead on the basis for proceeding.

I look forward to further opportunities to work with the committee as it reconciles various points of view. But I also want to emphasize as strongly as I can that the basic core elements for constructive legislation do seem to be falling into place, and the opportunity for action is here.

Major Issues That Need Resolution

Title I of S. 2181 draws on the base of the administration FIDA proposals, but with certain significant changes and additions, including some consistent with my earlier testimony. S. 2134 is also built on the administration proposals, but is more limited. The remaining titles of S. 2181 deal with a variety of other banking issues. These include authorization for regional interstate banking compacts; interest on demand deposits and on reserves; preemption of state interest rate ceilings on business, agricultural, and consumer credit; and federal rules on deposit availability. Finally, the bill also adds provisions on consumer leasing, credit card fraud, expanded powers for credit unions, and an authorization for bankers' banks to invest in export trading companies.

So far as holding company powers are concerned, S. 2181 would make five important changes from the administration bill: limitations on tying of banking and insurance products; the scope of real estate development; provisions to avoid excessive concentration of resources; the definition of the term "bank;" and the proposed definition of a thrift institution.

I believe there is agreement that tying of the provision of bank credit or other banking services to the sale of products or services by other affiliates of a holding company could impair impartiality in credit decisions and competitive equity. The existing Bank Holding Company Act, Federal Reserve regulations, and antitrust laws already contain safeguards and prohibitions against conflicts of interest in this area. S. 2181 would add a number of additional limitations and procedural requirements specifically directed toward the linkage of insurance and banking products to reinforce the prohibition on tying. Similar questions could arise in the real estate brokerage area.

We recognize the concerns that motivate the new provisions. At the same time, cumbersome detailed requirements could impose burdens not encountered by other businesses, including retail, securities, and insurance firms, that might provide insurance services in combination with other services and products, including credit, such as personal loans. We note, for instance, that the proposed provision would not be applied to thrift holding companies.

These potential competitive differences would be ameliorated by extending any tougher antitying provisions to thrift holding companies and by curtailing the ability of other businesses to acquire nonbanks or consumer banks to which these provisions would not apply. Within that framework, I believe fair and reasonable procedural safeguards could be maintained.

The provisions of S. 2181 limit the scope of real estate development activities, while S. 2134 would not authorize such activities. We believe there is a reasonable middle course.

The term "real estate development" is itself an ambiguous and poorly defined activity, ranging in some concepts to the inclusion of housing and commercial construction; speculative purchase of land; and owning, managing, and maintaining office buildings and other commercial properties. Taken as a whole, real estate development is an activity that experience has taught has large speculative elements; it is marked by cyclical instability, and the risks and large commitments potentially involved could bias lending decisions. As I understand it, however, the main concern of many banks interested in real estate development is taking more passive equity positions in projects managed by others, usually in connection with lending commitments, or to help facilitate the sale and exchange of property.

The administration proposals provided some basic and desirable limitations on risk by confining investment in real estate development subsidiaries to 5 percent of holding company capital, and S. 2181 would rule out construction activity as well. We support those provisions, but also believe it might be desirable to adopt certain other limitations on the scope of real estate development activities. After further consultations with interested groups, we will be prepared to suggest more precise legislative language. In any event, we believe the Board should have clear authority to maintain minimum capital and maximum leveraging provisions for real estate subsidiaries in the interest of the stability of the institutions and the banking system.

Another provision of S. 2181 is responsive to the concerns expressed by some, including the Federal Reserve Board, about the possible potential for an excessive concentration of resources from a combination of banks and insurance or other nonbanking companies within a holding company. Specifically, the bill provides that a holding company accounting for more than 0.3 percent of domestic deposits could not invest more than 25 percent of its capital in any one class of permissible nonbanking activities. I appreciate the ingenuity of the proposed approach. But I am concerned about the arbitrary elements inherent in a double-barreled statistical test, and whether it would in fact effectively accomplish the stated purpose.

Preliminary analysis suggests, for instance, the largest bank holding companies could acquire controlling interests in the largest insurance companies. We are studying this matter further to see if in fact a simpler and more direct test may adequately achieve your purpose. The complication does not, of course, arise in the context of S. 2134, which would provide for no expansion of insurance powers.

One of the ways in which S. 2181 differs from the administration proposal is in carving out a major exception to the general definition of a bank. The proposal raises technical and drafting problems, but I would like to focus today on the policy issues. S. 2181 would, in effect, legitimize the idea of a so-called consumer bank operating outside the framework of the Bank Holding Company Act. In effect, a class of banks concentrating primarily on consumer business would be established free from the general banking rules against conflicts of interest, concentration of resources, and assumption of undue risk. Moreover, while the proposal formally attempts to limit interstate acquisition of consumer banks, the provisions for exempting industrial banks from the Bank Holding Company Act would open an avenue for substantial undermining of the restrictions on interstate banking.

Thus, under the proposal, a bank holding company would be able to add interstate deposit-taking and other consumer services to the range of interstate business lending and other activities already permitted under the rubric of Edge Act affiliates, loan production offices, and finance companies. While we favor review and liberalization of restrictions on interstate banking, we believe that question should be approached directly on its own merits, and outside the context of the definition of the term "bank" that has such important implications for the policy objectives of the Bank Holding Company Act.

For nonbanking companies—insurance companies, investment houses, retailers, and industrial firms—the practical effect would be to provide direct access to the payments system and to facilities for offering insured deposits to the general public in conjunction with a range of credit services. Moreover, those nonbanking companies would appear to be able to engage in the equivalent of interstate banking, at least through industrial banks and probably through the ability of their nationwide office networks to act on behalf of consumer banks owned by these companies.

The overall result would be to provide commercial and investment firms major benefits of being a bank, while not subjecting them to rules applicable to banking institutions—that is, limitations on the range of activities and ownership, and protections against conflicts of interest, concentration of resources, and excessive risk.

It has been suggested that these nonbank banks do not raise these public policy issues because they could not engage in the range of commercial lending that characterizes the activities of a typical commercial bank. I question whether this is a valid conclusion. Virtually the same issue was faced by the Congress in 1970 when it considered an exemption from bank holding company restrictions for small banks. It concluded then that ties between firms engaged in commercial and industrial activities and banks, even if those banks were to be engaged predominantly in consumer lending, raised serious problems because of potential conflicts and could encourage increasing cartelization of our economy through the exercise of preferential lending.

Even more immediately, the proposed arrangement appears competitively unfair to established banks, undercutting the public policy objectives sought by the Bank Holding Company Act, by giving essential benefits of being a bank to those that are not subject to the rules. Any system based on this inequality of treatment will inevitably come under strain.

I would strongly suggest adoption of the definition of bank contained in S. 1609 and S. 2134. The definition contained in these bills seems to have a wide measure of support as evidenced by its inclusion not only in these two bills, but also in legislation proposed by Chairman St Germain, the Federal Deposit Insurance Corporation, and the Federal Reserve as well.

Earlier in my testimony, I mentioned the importance of an adequate definition of a thrift institution eligible for the special benefits provided by law for these institutions. S. 2181 suggests a dual test for thrift eligibility for treatment as a unitary savings and loan holding company—60 percent of assets in residential mortgages and mortgage-backed securities or no more than 25 percent of assets in certain qualifying commercial loans. The second alternative and independent test leaves open the possibility that institutions not engaged very substantially in home mortgage lending would retain liberal treatment with respect to activities and banking. For example, 75 percent of commercial banks could be treated as thrifts because they have less than 25 percent of their assets in qualifying commercial loans. (Only six commercial banks would qualify under the first test alone.) If, however, the bill were modified to provide a true dual test—that is, both a minimum residential mortgage and a maximum business credit test—I believe the real intent of this provision would be met. The point is that only firms truly committed to residential mortgages should be provided the existing benefits of unitary holding company treatment. A single test of residential mortgage lending, as provided in S. 2134, should be adequate, providing that the percentage is sufficient and current federal limitations on commercial lending powers of thrifts are taken into account.

Plainly, a problem would be posed by this approach for many savings banks that traditionally have had many securities in their portfolios but wish to maintain a basic thrift orientation. Moreover, institutions with mutual ownership that fail the test would have difficulty in taking advantage of the full range of holding company powers available to stock institutions.

A large part of the answer could be found in transitional arrangements extending over years; those arrangements could set out benchmarks for measuring progress toward the objective. In addition, the possibility of nonspecialized mutual institutions exercising holding-company-type powers through subsidiaries could be explored.

I also note that S. 2134 would limit tandem operations of a qualifying savings and loan with its nonbanking owner; that is, the joint offering of products and discounting to common customers would be discouraged. Those provisions seem to me important to maintain the separation of banking and commerce. The general prohibitions on bank holding companies underwriting corporate securities should be applicable to thrifts as well. The further question also arises as to the extent to which thrifts not eligible for unitary treatment should be afforded access to Federal Home Loan Bank Board credit.

Remaining Points

I will not at this time burden you with detailed comments on the remaining nine titles of S. 2181. So far as two of those are concerned, I indicated our broad support for payment of interest on reserves and interest on demand deposits in my testimony last September.

Title X would authorize regional interstate banking compacts for a five-year period. I previously expressed my concern about the balkanization of the banking system implicit in regional compacts along what must inevitably be arbitrary lines. At the same time, some evolutionary easing of present state restrictions appears appropriate. While I believe there are more efficacious approaches than regional arrangements, we would not oppose congressional authorization of regional compacts if viewed as a temporary and transitional matter. That, as I understand it, would be the purpose of the provisions of S. 2181.

We will be happy to submit detailed comments on the provisions about bankers' banks, consumer leasing, delayed availability, usury ceilings, and credit card fraud at an early date.

Conclusion

I am convinced that the efforts to improve the legislative framework governing the financial system, taking account of the vast changes in the regulatory and technological environment for the conduct of banking, are now ready to bear fruit. The discussion and debate on new powers, new definitions, and competitive equity have been reflected in a core area of near consensus, and the remaining issues are ripe for decision. Workable proposals and the necessary information are at hand.

We still have an opportunity to shape the direction of the financial system in a manner that recognizes and accommodates market forces but also recognizes enduring concerns of public policy.

But we do not have unlimited time. Far from it. The present arrangements are in disarray, and events, willy-nilly, are forcing change that may or may not be consistent with considered judgments about the public interest.

We want competition, and the benefits to the consumer inherent in competition. We also want a safe and sound banking system, stable in itself, and contributing to a larger economic stability.

If we act—and act promptly—we can further both those aims. We want to cooperate with you actively in working toward that end. □

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, February 7, 1984.

I am pleased to be meeting with this committee once again to discuss the Federal Reserve's monetary policy objectives for the year ahead. You have before you the official monetary policy report that is required under the Humphrey-Hawkins Act. That report, which was released Monday, describes rather fully the current economic situation and sets out our decisions with respect to monetary policy in detail. (See pages 69–86 of this BULLETIN.) My prepared remarks this morning will focus mainly on some broader considerations that seem to me to bear crucially on our approach to monetary policy, on the interaction of monetary policy with other policies, and on our economic prospects.

MONETARY POLICY "TARGETS" FOR 1984 AND ECONOMIC PROJECTIONS

At its meeting last week, the Federal Open Market Committee (FOMC) essentially reaffirmed the ranges for money and credit growth tentatively established in July of last year. Those new target ranges are set out in table 1, against the background of last year's targets.[1]

The target ranges for M3 and for nonfinancial debt were lowered by ½ percent from the 1983 ranges to 6 to 9 and 8 to 11 percent respectively as tentatively set in July. The M2 range was reduced 1 percent from the 1983 range to 6 to 9 percent. That is ½ percent lower than anticipated in July, reflecting in part technical considerations bearing on the appropriate relationships among the broader aggregates. The M1 range was set at 4 to 8 percent, 1 percent lower than during the second half of 1983, as had been anticipated.

These targeted ranges envisage that the relationships between the monetary aggregates and the nominal gross national product—that is, "velocity"—will return to patterns much closer to historical norms than was characteristic of 1982 and early 1983. Developments as 1983 progressed pointed in that direction. At year-end, all the targeted aggregates appeared to be within the 1983 ranges; a tendency for velocity to rise—in contrast to historically large declines in 1982 and early 1983—was more in line with past cyclical experience.[2] Further experience will be necessary to confirm the validity of that judgment, and the committee recognizes that recent regulatory and institutional changes may be reflected in some changes in the underlying trends of velocity, particularly for M1.

For that reason, substantial weight will continue to be placed on the broader aggregates for the time being, and growth in M1 will be evaluated in the light of the performance of the other aggregates. All the aggregates will be interpreted against the background of developments in the economy, current and prospective price pressures, and conditions in domestic credit and international markets.

More detail about the new targets and 1983 performance is provided in the Humphrey-Hawkins Report itself, and I will be glad to address any questions you have about them.

In setting the new target ranges, the Committee members generally felt that economic activity would continue rising through 1984 and into 1985 at a more moderate—and potentially more sustainable—pace of 4 to 4¾ percent. That growth is expected to be accompanied by some further decline in the unemployment rate to the area of 7½ to 7¾ percent. Cyclical factors and special circumstances—including the effects of bad weather—are expected to be reflected in a little larger price increase on average, following the remarkably good progress of 1982 and 1983.

Taken together, those projections resemble those set out by the administration and many others, and they suggest a generally satisfactory economic performance is probable in 1984. But those summary forecasts should not divert our attention from certain serious problems that have emerged. As I assess the outlook, there are clear hazards and risks before us. Unless dealt with

1. The tables and charts to this statement are available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2. Subsequent benchmark revisions increased growth of all the monetary aggregates fractionally, bringing M3 slightly above the targeted range during the fourth quarter. The revised data are reflected in table 2 and in the charts.

forcefully and effectively, they will jeopardize the good prospects for 1984 and beyond.

The Opportunity and the Risks

A year ago, in appearing before you on this occasion, I emphasized that, after too many years of pain and instability, we had an enormous opportunity to sustain growth for years ahead in an environment of much greater price stability. Today, after a year of strong recovery, that sense of the opportunities before us has only been reinforced.

The simple fact is that the economy moved ahead faster, and unemployment dropped more sharply, than we or most others thought at all probable. At the same time, the inflation rate dropped further, to the point that producer prices were almost unchanged over the year as a whole and consumer prices rose by less than at any time over the past decade. The fact that we were able to combine strong growth with good price performance is what is so encouraging. It is the key to lasting success.

With job opportunities, real incomes, and profits all rising, so has the sense of optimism among both families and businesses. That widely shared impression is confirmed statistically in the results of "attitudinal" indexes that attempt to measure confidence, expectations, and buying plans—they are mostly at the highest, or near the highest, levels in many years.

I realize that improvement must be measured from where we started. There was a lot of room to grow, and the early stages of recovery typically see rapid growth and less price pressures. Any satisfaction with what has been happening has to be tempered by the knowledge that there is still a considerable way to go to reach satisfactory levels of employment and before we can claim to have restored reasonable price stability. In particular, should inflationary trends and fears again take hold, prospects for the lower interest rates and orderly credit markets we need to support investment and productivity growth would be shattered.

I hardly need to remind you that inflation has tended to worsen during periods of cyclical expansion. But that need not be inevitable. Out of hard experience, I believe we can shape disciplined policies—indeed, we have already gone a long way toward shaping policies and attitudes—toward dealing with the threat.

What we have not done in this past year is face up to other hazards to our prosperity and to our stability—hazards that are new to our actual experience but which have been long identified. I am referring, of course, to our twin deficits: the structural deficit in our federal budget and the deficit in our external accounts—both at unprecedented levels and getting worse.

Both of those deficits carry implications for the prospects of reducing our still historically high levels of interest rates.

So far, the strains have been masked by other factors of strength and by the rapidity of growth from the depths of recession. But with the passage of time and full recovery, the predictable effects have become more obvious. They pose a clear and present danger to the sustainability of growth and the stability of markets, domestic and international. We still have time to act—but in my judgment, not much time.

Sources of Strength

I can summarize briefly why I think the developments of the past year are, in key respects, so promising—why, potentially, what has been going on can be not "just another" cyclical recovery, but the start of a long process of growth and renewed stability.

Looking back, it is now apparent that the trend of productivity growth had practically stopped in the late 1970s. But productivity began to increase again during the recession and rose rapidly during most of last year. One or two years do not make a new trend, and relatively good productivity growth is typical of the early stages of recovery. But the evidence—quantitative and qualitative—suggests something more than cyclical forces are at work in important areas of the economy. Under the pressure of adversity—and with the seemingly "easy pickings" of speculative and inflationary gains diminishing—management and labor alike have turned their efforts and their imagination toward ways to increase efficiency and to curtail overhead.

That, together with growing markets, accounted for the speed of the rebound in total profits and improvement in profit margins last year from long-depressed levels, even as prices for many goods and services tended to stabilize. The cash flow of businesses has been further reinforced by the liberal treatment of depreciation and other tax changes enacted in recent years, and after-tax economic profits, only a year after recession, are approaching the highest levels of the 1970s relative to GNP. Strong expansion in some types of investment during 1983—particularly electronic equipment where technological change has been so rapid—carries promise for future productivity.

We should not claim too much. Profits remain well below rates typical of the prosperous 1960s. Recent employment increases, while highly welcome in themselves, have been so large relative to output growth that they raise some questions about whether rapid productivity growth is being maintained. Long-lived investment—new plant for expansion of capacity—still lags. High interest rates, the uncertainty bred by years of disappointment, and strong competition from abroad all have restrained heavy investment. Already, a few industries are close to, or even at, sustainable capacity. But, on balance, the evidence and the omens are more favorable than for several years.

That is certainly true of the longer-term outlook for costs and prices. I am well aware that slack markets and excessive unemployment, the appreciating dollar together with the ready availability of goods from abroad, and the decline in world oil prices all helped account for the rapidity of the drop in the general inflation rate and the degree to which cost pressures have subsided. To that extent, progress toward stability has had a sizable "one time," or cyclical, component. But we also now have a clear opportunity to build in that improvement—the best opportunity in many years.

As the increase in average wages and salaries, which accounts for some two-thirds of all costs, has declined in nominal terms, the real income of the average worker has increased. That reverses the pattern as inflation accelerated during much of the 1970s when escalating wages often lagged behind more rapidly rising prices. The more favorable pattern should be assisted by greater stability in energy prices, where the outlook (barring political turmoil) appears favorable, and by stronger productivity growth. With real wages again rising on average, and with prices more stable, the logic points toward much more moderate new wage contracts than became the norm in the inflationary 1970s. The competitive pressures associated with the process of deregulation in some important industries also have been a factor working to contain costs and prices, and happily we can begin to see some signs of more restrained cost increases in areas, such as medical care and education, that have been slow to reflect the disinflationary process.

To the extent we can build confidence in the outlook for more stable prices, the process could, potentially, feed on itself. Incentives for speculation in commodities, and for speculative excesses, would be greatly reduced and possibilities of another burst in oil prices diminished. It could provide the best possible environment for declines in interest rates over time—nominal and real—and interest rates are themselves an element of costs. Lower interest rates could, in turn, be a powerful factor supporting and encouraging housing and the business investment that we need to maintain economic momentum and to support productivity growth.

The Problems

Nonetheless, as I suggested a few minutes ago, the prospects for sustained growth and stability must remain conditional. There is another, and bleaker, reality. We are faced with two deficits—in our budget and in our international accounts—unprecedented in magnitude. Those twin deficits have multiple causes, but they are not unrelated. Left untended, each, rather than improving, will tend to cumulate on itself until finally they will undercut all that has been achieved with so much effort and so much pain.

Looking back, the rising budget deficit provided a large and growing stimulus to purchasing power as we emerged from recession. It helped account for the vigor of consumption in the face of historically high interest rates. The other side of the coin is that financing the deficit last year amounted to three quarters of our net new domestic savings. That was tolerable—we obviously have tolerated it—for a limited period of time when other demands on those savings were limited. Business inventories actually declined on balance last year, and housing and business investment were recovering from recession lows.

Even then, deficits were a factor keeping interest rates higher than otherwise, and the implications become much more serious as the economy grows closer to its potential. The hard fact is that for many years we have succeeded in saving (net of depreciation) only some 7 to 9 percent of our GNP. Despite the efforts to raise it, the domestic saving rate remains within that range now and foreseeably. If the budgetary deficit absorbs amounts equal to 5 percent or more of the GNP as the economy grows—and that is the present prospect for the "current services" or "base line" budget—not much of our domestic savings will be left over for the investment we need.

Over the past year, our needs have been increasingly met by savings from abroad in the form of a net capital inflow. That money has come easily; amid world economic and political uncertainty, the United States has been a highly attractive place to invest. But part of the attraction for investment in dollars has been relatively high interest rates. In effect, the growing capital inflow has, directly or indirectly, helped to finance the internal budget, by the same token helping to moderate the pressures of the budget deficit on the domestic financial markets. At the same time, the flow of funds into our capital and money markets pushed the dollar higher in the exchange markets even in the face of a growing trade and current account deficit—and the dollar appreciation in turn undercut our worldwide trading position further.

We simply can't have it both ways—on the one hand, look abroad for increasing help in financing the credits related to our budget deficit, our housing, and our investment, and on the other hand, expect to narrow the growing gap in our trade accounts. At the end of the day, the counterpart of a net capital inflow is a net deficit on our current account—trade and services—with other countries.

Most forecasts suggest that we, as a nation, will have to borrow abroad (net) about 2 percent or more of our GNP this year to meet projected domestic needs. That pace does not appear sustainable over a long period. Faced at some point with a reduction in the net flow of capital from abroad, the burden of financing the budget deficit would then be thrown back more fully on domestic sources of savings. If our federal financing needs remain so high, housing and investment will be squeezed harder.

I must also point out that, in the same way that the interest costs of this year's deficit add to next year's requirements—and compound over many years thereafter—the interest and dividend payments related to the net capital inflow build up future charges against the current account of the balance of payments. Skepticism about our ability to account accurately and fully for all the flows of funds into or out of the country is justified; it is nonetheless ominous that the recorded net investment position of the United States overseas, built up gradually over the entire postwar period, will in the space of only three years—1983, 1984, and 1985—be reversed. If the data at all reflect reality, the largest and richest economy in the world is on the verge of becoming a net debtor internationally, and would soon become the largest.

Looking at the same development from another angle, it is the exporter, and those competing directly with imports, that have not shared at all proportionately in the recovery. Developments in the fourth quarter illustrate the point. There has been much comment about the slowing in the rate of GNP growth to a rate of about 4½ percent. But, judging from the preliminary figures, domestic demands were quite well maintained, increasing at a rate of almost 7 percent. Much of that increased demand flowed abroad, adding to income and production elsewhere. It was domestic production, not demand, that grew appreciably more slowly.

For a time, as with the budget deficit, that kind of discrepancy is tolerable. Indeed, from one point of view, it has provided a welcome impetus toward stimulating the growth process in other countries of the industrialized world, and the strength of our markets assisted the external adjustments necessary in the developing world. We can also take pride in the fact that others find the United States an attractive place to invest; good performance and policies can help sustain those flows.

But we simply cannot afford to become addicted to drawing on increasing amounts of foreign savings to help finance our internal economy. Part of our domestic industry—that part dependent on exports or competing with imports—would be sacrificed. The stability of the dollar and our domestic financial markets would become hostage to events abroad. If recovery is to proceed elsewhere, as we want, other countries will increasingly need their own savings. While we do not know when, at some point the process would break down.

The Implications for Monetary Policy

In the abstract, the ultimate objective of monetary policy is simple to state and widely agreed: to provide just enough money to finance sustainable growth—and not so much as to feed inflation. In the concrete, issues abound.

Some of them are more or less technical—how we define and measure money and its relationship to the nominal GNP. These questions are dealt with in our formal report describing our decisions on the targets. I want here to concentrate on some broader implications of the current situation for the conduct of monetary policy.

There is no instrument of monetary policy that, in any direct or immediate sense, can earmark money only for expansion and not for inflation, or vice versa. The distribution of any given nominal growth of the GNP between real growth and inflation is a product of many factors—the flexibility and competitiveness of product and labor markets, the exchange rate, and internal or external shocks (such as the oil crises of the 1970s). Expectations and attitudes developed out of past experience are critically important.

In that respect we have not inherited a sense of stability. Quite to the contrary, the legacy of the 1970s was deeply ingrained patterns of behavior—in pricing, in wage bargaining, in interest rates, and in financial practices generally—built on the assumption of continuing, and accelerating, inflation. Starving an inflation of the money needed to sustain it is a difficult process in the best of circumstances; it was doubly so when the continuing inflationary momentum was so strong.

Now, after a great deal of pain and dislocation, attitudes have changed—there is a sense of greater restraint in pricing and wage behavior, a greater recognition of the need to improve efficiency, less alarm (at least for the short run) over the outlook for prices, and relative confidence by others in the outlook for the United States. In this setting, we can assume that, within limits, more of any given growth in the money supply will finance real activity and less rising prices than would have been the case when the inflationary momentum was high.

But we also recognize that the battle against inflation has not yet been won—that skepticism about our ability, as a nation, to maintain progress toward stability is still evident. That is one of the reasons why longer-term interest rates have lingered so far above current inflation levels. After so many false starts in the past, the skepticism is likely to remain until we can demonstrate that, in fact, the recent improvement is not simply a temporary matter—that the Federal Reserve is not prepared to accommodate a new inflationary surge as the economy grows. The doubts are reinforced by concerns that the pressures of the huge budget deficit on financial markets may, willy-nilly, push us in that direction, as has happened in so many countries.

The desire to see interest rates lower, or to avoid increases, is natural. But attempts to accomplish that desirable end by excessive monetary growth would soon be counterproductive. By feeding concerns about inflation, the implications for interest rates would in the end be perverse—and likely sooner rather than later. As things stand, credit markets are already faced with potential demands far in excess of our capacity to save domestically; to add renewed fears of inflation to the outlook would only be to reduce the willingness to commit funds for long periods of time and for productive investment. Inflationary policies would also discourage the continuing flow of funds from abroad, upon which, for the time being, we are dependent. In the last analysis, willingness to provide those funds freely at current or lower interest rates is dependent on confidence in our stability and in our economic management. Depreciation of the dollar externally as a result of inflationary policies will not, in the end, help our exporters, or those competing with imports, because that depreciation would be accompanied by inflated domestic costs.

In a real sense, the greatest contribution that the Federal Reserve itself can make to our lasting prosperity is to foster the expectation—and the reality—that we can sustain the hard-won gains against inflation and build upon them.

In my judgment, against a background of more stable prices, interest rates are indeed too high for the long-term health of the United States or the world economy. I have repeatedly expressed the view that, as we maintain the progress against inflation, interest rates should decline—and they should stay lower.

Much is at stake. We will need more industrial capacity, and relatively soon. Even after the sharp declines in interest rates from earlier peaks, many thrift institutions and businesses remain in marginal profit positions and with weakened financial structures; lower rates would bring much faster progress in repairing the damage. The cooperative efforts of borrowers, banks, and the governments and central banks of the industrialized world have managed to contain the strains on the international financial system, but the pressures are still strongly evident. Both economic growth and lower interest rates are needed as part of more fundamental solutions.

But wish and desire are not the same thing as reality—we have to deal with the situation as it is. In setting the targets for the various monetary and credit aggregates for 1984 as a whole, the FOMC had to remain alert to the danger of renewed inflation as well as to the need for growth. It also decided that, operationally, it would for the time being be appropriate to maintain essentially the same degree of restraint on the reserve positions of depository institutions that has prevailed since last autumn.[3] That judgment reflects the fact that growth in the various measures of money and credit now appears broadly consistent with objectives, that the momentum of economic expansion remains strong, and that inflationary tendencies have been contained. That operational judgment will, of course, be reviewed constantly in the weeks and months ahead.

Those decisions will reflect continuing appraisals of the rate of growth of money and credit, interpreted in the light of all the evidence about economic activity, prices, domestic and international financial markets, and other relevant considerations. All those factors will, in turn, be affected by other public and private policies. In that context, it is the strength of economic activity, the demand pressures on the credit markets, and the willingness of others to invest in the United States that will influence the course of interest rates.

In approaching our own operational decisions, the actual and prospective size of the budget deficit inevitably complicates the environment within which we work. By feeding consumer purchasing power, by heightening skepticism about our ability to control the money supply and contain inflation, by claiming a disproportionate share of available funds, and by increasing our dependence on foreign capital, monetary policy must carry more of the burden of maintaining stability, and its flexibility, to some degree, is constrained.

Toward a Positive Solution

Monetary policy is only one part of an economic program. It is an essential part, but success is dependent on a coherent whole.

I have tried to demonstrate that we have come a long way—that we have much upon which to build sustained prosperity.

Many of the portents are favorable. Public policy has encouraged greater competition, removed harmful regulatory restraints, and provided greater incentives. There are hopeful signs that productivity is again growing and that a healthy concern has arisen about costs and efficiency. Energy prices have stabilized. We have had a strong recovery, and the progress toward price stability has been gratifying.

Prospects for extending that success rest in part on continuing discipline by business and labor. We cannot afford to return to the syndrome of the 1970s, with prices and wages chasing each other amid fears of inflation and erosion of productivity and real incomes. The experiments in the private sector with profit sharing, with quality circles, and with other forms of labor–management cooperation—efforts born in adversity—can bear fruit in prosperity.

If such efforts are to do so—if a sense of discipline is to be maintained—those of us re-

3. In the very short run, account will be taken of possible increases in the level of excess reserves occasioned by the transition to contemporaneous reserve accounting.

sponsible for public policy must be able to demonstrate that inflation will not again get the upper hand—that productivity and restraint will be rewarded, not penalized in favor of those seeking inflationary or speculative gain.

The contribution that monetary and other policies make to that environment is critical. As the expansion proceeds, and as some of the temporary factors restraining prices recede, we as a nation simply cannot afford to permit inflation to attain a new momentum. Our monetary policies are, and in my judgment must continue to be, geared to avoid that danger.

But for all that progress and promise, something is out of kilter.

Our common sense tells us that enormous and potentially rising budget deficits, and the high and rising deficits in our trade accounts, are wrong—they cannot be indefinitely prolonged.

That common sense is confirmed by simple observation. Some of our proudest industries—potentially capable of competing strongly in world markets—are in trouble, tempted to shift more operations abroad for sheer survival or to demand protectionist walls. Interest rates remain historically high, threatening housing and investment.

And, in this instance, economic analysis bears out, and amplifies, the judgments of common sense and simple observation. Our two deficits are related. The budget deficit, by outrunning our ability to save, damages prospects for housing and for investment, and makes us dependent on foreign capital. That capital from abroad, for the present, alleviates the pressure on our money markets, but it complicates our trade position. And if and as our trade account improves, the brunt of financing excessive budget deficits would fall back more fully on domestic savings, squeezing domestic capital spending harder.

We can, of course, sit back and wait awhile longer, hoping for the best.

I certainly have some understanding of the difficulties of achieving a consensus on difficult budgetary choices when a sense of immediate crisis is lacking—when for the moment things seem to be going so well.

But I also know to wait too long would be to take risks with the American economy.

It is already late. The stakes are large. Markets have a mind of their own; they have never waited on the convenience of kings or Congressmen—or elections.

The time to take the initiative is now, when we can influence markets constructively—when we can demonstrate that we are in control of our own financial destiny. Real progress toward reducing the budget deficit is needed to clear away the dangers.

I sense a fresh opportunity in the proposals of the President for a joint effort to attack the deficit—for a sizable "down payment" on what is ultimately needed.

Certainly, that kind of demonstration that we are beginning to face up to our budgetary problem would make it easier for monetary policy to do its necessary work. And, in the larger scene, it would be tangible evidence to our own people that we can do what is necessary to seize the bright opportunities before us. □

Chairman Volcker presented identical testimony before the Senate Committee on Banking, Housing, and Urban Affairs on February 8, 1984.

Statement by Nancy H. Teeters, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Consumer Affairs, Committee on Banking, Housing, and Urban Affairs, U.S. Senate, February 7, 1984.

I am pleased to appear before you this morning to present the views of the Board of Governors on the issue of whether the Truth in Lending Act should continue to prohibit merchants from charging higher prices to credit card purchasers than to cash purchasers through the use of a "surcharge."

As you know, the purpose of the Truth in Lending law, which was passed in 1968, is to provide for a uniform disclosure of the cost of credit to consumers through the identified "finance charge" and "annual percentage rate." As a result, the act originally required that any differential between the price charged in a cash transaction and that charged in a credit transaction be treated as a cost of credit and included in the finance charge and annual percentage rate.

This requirement, as well as state disclosure and usury laws, however, was viewed in subsequent years as an obstacle to merchants wishing to implement two-tier pricing systems for cash and credit card customers—that is, establishing two prices for property or services, a lower price for customers paying cash and a higher price for customers paying with a credit card. Consumer groups argued that the fee imposed on merchants by credit card companies was being passed on in higher prices to all customers.[1] As a result, it was argued that cash customers were being forced to subsidize credit customers when they were required to pay the same price for an item. Two-tier pricing systems were thus viewed as potentially beneficial to consumers as a means of eliminating the subsidy.

The Congress responded to this concern and sought to eliminate this subsidy by removing the Truth in Lending and state law obstacles to merchants offering lower prices to cash customers. It amended the federal act in 1974 to provide that discounts for cash need not be considered finance charges for purposes of Truth in Lending. There was, however, a great deal of uncertainty following action by the Congress as to whether it intended to permit additions to prices for credit card customers (surcharges) as well as reductions in prices for cash customers (discounts). In response, the Congress in 1976 prohibited the imposition of surcharges—that is, adding an amount to the regular price of an item when it was sold to credit card customers.[2] At the same time, the Congress responded to the concern that state disclosure and usury laws presented an obstacle to discount programs by preempting them to the extent those laws treated discounts as finance charges.

However, because of some uncertainty as to the effect of the surcharge prohibition, it was originally scheduled to expire on February 27, 1979. Subsequently, the expiration date was advanced, and the surcharge prohibition will now expire on February 27, 1984. The chart in attachment A summarizes the provisions of the current law and indicates the provisions that would apply after the expiration date, absent some action by the Congress.[3]

The principal reason for the temporary nature of the surcharge prohibition was to allow the Congress to study the issue more thoroughly. It wanted to determine whether there is, in fact, a higher cost associated with the use of credit cards; whether cash customers do, as a result, subsidize credit customers; and whether it is necessary to allow surcharges as well as discounts in order to eliminate any subsidization. When the prohibition was last extended in 1981, the Board was directed to prepare a report on the effects of credit cards so that the Congress would have a basis for making a permanent decision regarding surcharges. The report was to discuss the impact of credit cards on the costs that merchants incur, on the pricing of goods and services, and on retail sales volume.

The Board submitted its report in July 1983. Appendix B contains a more detailed summary of the results, but these are the main findings:

- The costs to retailers of credit card transactions (including point-of-sale, security-related, and financial costs) are higher than the costs for other types of transactions. The extra cost is about 2 to 3 percent of the transaction amount.
- There is little evidence that credit card usage increases overall retail sales volume. Since credit cards are so widely accepted, retailers as a whole do not recover the added cost of credit card transactions through increased sales.
- The extra cost of credit card transactions (to the extent it is not recovered directly from credit card users) is reflected in retail prices. It appears

1. The charge assessed by a credit card company on a merchant's credit card transactions is often referred to as the "merchant discount." If a merchant accepts a credit card for a $100 purchase, for example, the merchant might be assessed a three percent fee, thus receiving only $97 when the transaction is processed by the credit card company.

2. In amending the act, the Congress defined a "discount" as a reduction in the regular price and a "surcharge" as an addition to the regular price. The "regular price" was not defined, however. In order to allow merchants to determine whether their programs involved discounts or surcharges, the Board by regulation defined regular price. This definition was made part of the act in 1981.

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

that on average the price of a given item is increased by something less than 1 percent.

•About 25 percent of gasoline stations and 6 percent of other retailers offer discounts. Approximately 40 percent of all retailers surveyed believed that discounts for cash are "a good idea."

In finding that credit card transactions cost most retailers more than cash or check transactions, and that the additional cost is generally not offset by higher sales volume but is reflected in the price level, the report supports the conclusion that cash buyers, at least to some extent, subsidize credit card users when all customers pay the same price. The report estimates the typical size of the subsidy to be between ½ percent and 1¼ percent of the total price. Thus, it appears that the theory underlying the attempt by the Congress in 1974 to eliminate the subsidy of credit card users by encouraging two-tier pricing was correct. At the same time, the size of the subsidy may be smaller than many people had assumed, which may help to explain why relatively few retailers have seen fit to adopt two-tier pricing.

In summary, our studies confirm that cash customers subsidize credit customers to some extent. The report also indicates that discount programs have become popular in at least one industry, but probably are not as widespread in the marketplace as a whole as proponents of the legislation hoped. Finally, a sizable percentage of the retailers surveyed look with favor on such programs.

Although many options are now available to the Congress, they fall into three categories. Congress could remove the special Truth in Lending rules for discounts and surcharges, thus requiring them both to be treated as finance charges; as a practical matter, this would probably eliminate the existing programs and ensure that new ones would not develop. Congress could make the surcharge prohibition permanent, thereby permitting continuation of most discount programs now in place, but without any good reason to expect more to be offered in the future. Finally, it could allow the surcharge prohibition to expire, thereby possibly promoting some additional two-tier pricing. The Board favors this third alternative, provided the surcharge or discount does not exceed 5 percent. To make such programs work, the exemption from the Truth in Lending rules, both state and federal, and from state usury ceilings should be available to both programs.

Our recommendation that both surcharges and discounts be permitted is based on the proposition that the two are fundamentally equivalent, as well as on a number of practical considerations. First, while advocates of discounts have claimed that discount programs result only in price reductions for cash buyers, without penalizing credit card users, economic reality is such that prices generally will be restructured so that the "new" credit price is above—and the discounted cash price only somewhat below—the "old" single price. The Board's study indicates that if discount programs are to be economically feasible, most are likely to involve some increase in the price, from which discounts to cash customers are calculated. In fact, two-tier pricing through discounts ordinarily would result in essentially the same level of credit and cash prices as would a surcharge program.

Second, allowing two alternative methods of pricing may provide merchants the flexibility they need to offer more of the two-tier pricing that the Congress is trying to encourage. Although 40 percent of the retailers surveyed by the Board considered cash discounts a "good idea," only 6 percent actually offered them. This low figure may mean that merchants find discount programs to be too much trouble to administer.

Another possible explanation is that the similarity between discounts and surcharges causes merchants to be confused about what is a permissible discount and what is an illegal surcharge—as evidenced by many inquiries the Board has received about the distinction. This uncertainty may discourage merchants from risking a violation of federal law. If the lack of two-tier pricing is related to either or both of these factors, then there is some hope that permitting both pricing schemes might promote the result the Congress originally hoped to achieve.

A third consideration concerns the claim made by some opponents of surcharges that allowing both types of two-tier pricing will lead to consumer confusion in a marketplace where some merchants offer discounts and others impose surcharges. While the possibility of some initial confusion certainly exists (much like that which accompanied the introduction of discount programs at service stations), we do not think the problem would be major since merchants would still be required to disclose their policies. In addition, the Board believes that competition and the merchants' desire for customer goodwill would lead them to make clear to their customers what their pricing practices are. Furthermore, there is at least one type of problem with discount programs that would not exist with surcharges. There have been reports that cash-paying customers have not always received the discounts to which they were entitled; this has occurred, for example, where customers believed that the posted price reflected the discount, when it in fact did not.

In addition to allowing both types of pricing systems, we urge the Congress to make two other changes. First, we suggest that the amount of the price differential in any two-tier pricing system that is excluded from Truth in Lending requirements and state disclosure and usury laws be limited to 5 percent of the cash price of the property or service. Any price differential between cash customers and credit customers is a cost of credit and normally would be viewed as a finance charge. In this case, however, the Congress chose to sacrifice some accuracy in the credit cost disclosures and the protection offered by state usury laws in order to help eliminate subsidization of credit card users. Since this provision involves a trade-off with the goals of the Truth in Lending Act and state laws, we think some limits are appropriate. Furthermore, we think the 5 percent limit would not keep merchants from offering price differentials related to the extra cost of credit card transactions. The Board's study indicates that the fee imposed by credit card companies on merchants averages 3.1 percent (with an average of 4.1 percent for small businesses), well within the 5 percent limit. In addition, most cash discounts now being offered are in the neighborhood of 3 to 5 percent. Therefore, we believe that limiting the differential to 5 percent would avoid any major distortions of credit costs as a result of the finance charge exclusion without adversely affecting the provision's goal.

Second, we believe that the two-tier pricing provision should be limited to credit cards. The purpose of the original exception, in fact the only focus of the discussions over the years, was to provide a means to remove from the price charged to the cash customer the extra cost of credit card transactions. However, in 1981 the Congress changed the language of the act to provide special treatment for discounts not only in credit card transactions, but in *all* open-end credit transactions. The Board believes that since open-end credit transactions not involving a credit card do not generally result in a "merchant discount," this may have been an unwarranted extension of the provision and could further undercut the accuracy of the Truth in Lending disclosures and the effectiveness of state laws. We therefore recommend that the special treatment offered two-tier price differentials be limited to credit card transactions.

I appreciate the opportunity to address the subcommittee and hope that our testimony will be of assistance in your efforts to deal with this difficult question. □

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Joint Economic Committee, February 9, 1984.

I appreciate the opportunity to appear before this committee today. As you know, the Federal Reserve submitted its semiannual monetary policy report to the Congress earlier this week. That report describes in detail our plans for monetary policy, including the Federal Reserve's objectives for the growth of money and credit. I have also testified before the House and Senate Banking Committees in the past two days and have distributed copies of my formal statement to you. My prepared remarks this morning, therefore, will be brief and confined to more general considerations of monetary policy within the context of recent and prospective economic and financial developments.

The basic policy objective of the Federal Reserve continues to be to contribute to sustained economic expansion in a context of greater price stability. In setting the target ranges for the various monetary and credit aggregates, the Federal Open Market Committee (FOMC) at its meeting last week had to be alert both to the need for economic growth and to the danger of renewed inflationary pressures. Consistent with these objectives and the current economic situation, the FOMC essentially reaffirmed the tentative ranges for the monetary and credit aggregates for 1984 established last July. The ranges call for growth rates that are ½ to 1 percentage point below those set for 1983.[1]

The ranges for 1984 envisage that relationships between monetary and credit growth and economic activity and inflation—the "velocity" of money—will broadly follow past trends and cyclical developments after the unusual behavior of 1982 and early 1983. Most of the special influences that depressed velocity in late 1982 and early 1983 appear to be behind us, and the evidence over the past half year has become more (but not entirely) in line with longer-run experience. This judgment about the fundamental relationship between money and economic performance will, of course, be reviewed constantly in the months ahead, and our evaluation will reflect all of the available evidence about production, employment, prices, and domestic and international financial markets.

Consistent with the monetary ranges established for this year, the members of the FOMC generally felt that the economy would grow at a more moderate—and potentially more sustainable—pace of 4 to 4¾ percent during 1984 and into 1985. The gains in output are expected to generate a further expansion of new job opportunities, and the unemployment rate is expected to decline to the area of 7½ to 7¾ percent by year's end. After remarkably good progress in 1982 and 1983, price increases are expected to be a little larger on average, essentially as a result of cyclical factors and special circumstances—including the effects of bad weather and the large hike in payroll taxes earlier this year.

The prospect of further good economic gains in 1984 comes on the heels of a performance in 1983 that was far better than anticipated. Real gross national product rose 6 percent over the four quarters of the year, well above earlier projections, and the unemployment rate was cut 2½ percentage points. At the same time, most broad measures of prices and wages recorded further progress toward lower inflation. With employment expanding, productivity improving, and inflation moderating, the real income of the average worker rose.

As we move into 1984, there are strong reasons for believing the economic gains of the past year can be extended. The latest reports on employment, income, and production, showing further gains around the turn of the year, are consistent with that view, as are indexes of consumer and business confidence at high levels. Much more fundamentally, the progress against inflation, the evidence of increased productivity, the sense of greater discipline and restraint, and a recovery in profits all, in my opinion, go a long way toward setting the stage for a long period of greater prosperity.

We all realize a year of strong recovery—hard on the heels of a severe recession—has left unemployment still far too high, with some 9 million still out of work. To some degree, the rapid progress toward price stabilization has reflected "one time" or cyclical influences. More time must pass before we can claim success or take satisfaction that we have restored prosperity or assured stability. And, we need to recognize and deal effectively with some obvious hazards and risks that jeopardize the good prospects for 1984 and beyond.

Those prospects rest in good part on whether interest rates, and conditions in credit markets more generally, can support the housing and investment we need, whether we can restore better balance in our international accounts, and whether, in the meantime, we can count on the inflows of capital from abroad upon which we have become dependent.

Over time, success in those areas is dependent on the expectation and the reality that we can build on the progress toward price stability. Monetary policy must contribute to that goal—disciplined growth in the money supply is a critical ingredient. But there are also factors outside the control of monetary policy that bear importantly on the question.

1. The new target ranges are set out in table 1 against the background of last year's targets. The table is available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

As you know, we are faced with two deficits: the structural deficit in our federal budget and the deficit in our external accounts—both at unprecedented levels and getting worse. Those twin deficits have multiple causes, but they are not unrelated. Left unattended, each, rather than improving, will tend to cumulate on itself. Sooner or later, the financing of those deficits will expose us to financial risks that could undercut all that has been achieved in recent years with so much effort and so much pain.

Large budget deficits, currently and prospectively, are a burden on credit markets and absorb historically unprecedented fractions of our domestic savings. That is one reason interest rates today are far higher than is healthy from the standpoint of balanced growth domestically. Those interest rates have been moderated as a result of a growing capital flow from abroad, stimulated by a variety of causes; in effect, net capital inflows have been used, directly or indirectly, to help meet the government's financing requirements. But those growing capital inflows, which have tended to make the dollar appreciate relative to other currencies, are also inextricably related to a large and growing deficit in our trade accounts. In both our financial and our trading interests, we cannot afford to become addicted to drawing on increasing amounts of foreign savings to supplement our limited domestic savings simply because the federal government is drawing so heavily on that savings pool. The longer they last, the more difficult it is to cope with these internal and external deficits because interest costs compound on themselves.

I believe we now have a rare opportunity to set in train a long period of growth and stability. A decade that began with accelerating inflation and prolonged recession can end with renewed confidence and strength. But that happy vision will not be achieved by resting on our oars—by sitting back and drifting with the tide. It will require a continuing sense of discipline by business and labor, and emphasis on competition and productivity. It will require the demonstration by those of us responsible for public policy that our twin deficits can be brought under control and that inflation will not again get the upper hand.

We can and should be gratified by the progress that has been made, and by the many positive signs in the outlook. We have time—time to influence markets constructively, time to demonstrate that we are in control of our own financial and economic destiny. But to wait would be to multiply the risks, to increase the hazards to full recovery, to jeopardize what has been achieved.

That is why I hope that you in the Congress, together with the administration, can find the consensus required to begin reducing the budget deficit, and to restore confidence that, over time, the structural deficit can be closed. Right now, no other action appears so promising and so important in terms of seizing, and capitalizing upon, the immense opportunities before us. Certainly, that would make it easier for monetary policy to play its own essential role. □

Announcements

ENFORCEMENT OF COMMUNITY REINVESTMENT ACT

The Federal Reserve Board today announced a series of steps, based on recommendations from its Consumer Advisory Council to strengthen enforcement of the Community Reinvestment Act (CRA).[1]

In sending its report to the Council's chairman, the Board said:

> The Federal Reserve has completed its review of the Consumer Advisory Council's study on the Federal Reserve's implementation of the Community Reinvestment Act and has taken actions to carry out most of the Council's 50 or so recommendations. A good many of the Council's recommendations suggested improvements that could be instituted by the Federal Reserve staff without official Board consideration, and others suggested continuing existing Federal Reserve programs. In both cases the Board's staff has taken appropriate action to ensure the implementation of Council suggestions. The Board of Governors has noted these staff responses.

Several Council suggestions, however, required Board review and were considered at the Board's January 25, 1984, meeting.

Principal actions by the Board (other than those previously announced concerning procedures for processing bank and bank holding company applications) are reported below.[2]

The Council suggested development by the Federal Reserve System of improved means for detecting lender practices that illegally discourage loan applications.

The Board took the following actions:

- In the interest of developing a unified system, invited other financial supervisory agencies to join in a review of systems used in gathering information on the race, national origin, sex, marital status, and age of applicants for credit.
- Left open for future consideration proposed adoption of an automated or computerized system for analyzing data derived from applications.
- Decided against the routine use of "testers" in examining for illegal credit discrimination by state member banks.[3] However, when there is a strong suspicion of possible discrimination at an institution, the Reserve Bank will report the facts and consult with Board staff to determine if using testers is appropriate.

The Board staff responded affirmatively to a number of Council recommendations in the field of bank examination procedures. These include giving special guidance to examiners in how to conduct examinations of both small rural institutions and large wholesale banks, sharing of information among examining agencies, broadening the range of organizations examiners interview (with increased emphasis on contacts with community-based and minority groups), encouraging lenders to maintain written loan policies, and development of materials that examiners can use to discuss, with bank management, bank participation in programs affecting small and minority businesses and local community development.

1. The Consumer Advisory Council, established by the Congress at the request of the Federal Reserve Board, is comprised of 30 members, representing a broad range of consumer and creditor interests. It meets several times yearly with the Board to counsel the Board on its responsibilities under the Consumer Credit Protection Act.

The Board announced on January 31 a number of amendments to its procedures for bringing applications involving banks and bank holding companies to public notice and for handling protests. These amendments incorporated most of the Council's recommendations in these fields that were included in the Council's review of the Board's implementation of CRA. The previously announced Board and staff responses to the Council's recommendations with respect to these application procedures are included in the overall responses by the Board made public today, but are not repeated in this release.

2. The Board also considered, but decided not to pursue, Council recommendations regarding revision of the CRA rating system and the CRA statement.

3. Testers might approach a lending institution by telephone, or in person, for the apparent purpose of applying for credit, but in fact to determine whether the institution discriminates against some applicants, such as women or minorities.

The staff also noted that the System's affirmative action program meets recommendations of the Council regarding a special recruitment effort for hiring Federal Reserve consumer compliance examiners; other System programs meet recommendations concerning recruitment, career training, and development in the System. The Reserve Banks will continue to emphasize consumer compliance examination as an integral part of their regulatory activity. The staff also responded affirmatively to a number of other recommendations by the Council regarding consumer compliance examiners and examination.

Further, staff responses indicated agreement with Council recommendations concerning the activities, responsibilities, training, and relationship of Community Affairs Officer (CAOs) to examiners in the area of community development, and for giving priority to the community affairs functions of the CAOs. It was noted that the responsibilities of CAOs include the development, as recommended by the Council, of community profiles and other credit-related data analysis to assist examiners in evaluating the performance of banks under CRA.

The Council suggested that changes should be made to define clearly the responsibilities of CAOs at the Reserve Banks so as to ensure more consistent CRA implementation nationwide, that the Board should make greater efforts to see to it that CAOs are carrying out their duties, and that the Board should devise a system for measuring the effectiveness of CAO activities.

The Board accepted the first two of these recommendations, but decided that the third is not compatible, at this time, with the nature of the CAO's role. However, future development of such a system was not ruled out.

The Board is developing, in consultation with the Reserve Banks, a Systemwide statement of Community Affairs Officer activities and responsibilities, and beginning in 1985 will require annual operations reviews of this activity.

Income of Federal Reserve Banks

Preliminary figures indicate that gross income of the Federal Reserve Banks amounted to $16.07 billion during 1983. More than $14 billion of this was paid to the U.S. Treasury.

Income of the Federal Reserve System is derived primarily from interest accrued on U.S. government securities that the Federal Reserve has acquired in the conduct of monetary policy through open market operations. Income from Federal Reserve services amounted to $497 million.

Operating expenses of the 12 Reserve Banks and their branches totaled $1.022 billion, including $68 million for earnings credits granted to depository institutions. Assessments by the Board of Governors amounted to $72 million for Board expenditures and $152 million for the cost of Federal Reserve currency. Other deductions from current net income amounted to $400 million. This was primarily the result of $456 million of unrealized loss on assets denominated in foreign currencies related to revaluation of the assets at market exchange rates, and a $21 million gain on sales of U.S. government obligations.

Net income before dividends, additions to surplus, and payments to the Treasury totaled $14.424 billion. Statutory dividends to member banks were $85 million; additions to Reserve Bank surplus were $107 million; and payments to the Treasury as interest on Federal Reserve notes amounted to $14.232 billion.

Under the policy established by the Board of Governors at the end of 1964, all net income after the statutory dividend to member banks and additions to surplus to bring it to the level of paid-in capital is paid to the U.S. Treasury as interest on Federal Reserve notes.

Rules Regarding International Lending Supervision Act

The Federal Reserve Board on February 9, 1984, announced adoption of rules to implement several sections of the International Lending Supervision Act of 1983.

Two of the rules require banking organizations to maintain special reserves and authorize the Board to require submission of quarterly reports on the foreign lending of banking institutions, including publication of material country exposure. These rules will be effective upon publication.

In addition, the Board published for comment proposed rules respecting the accounting for fees associated with international loans. (See "Proposed Actions.")

The three federal banking regulators—Federal Deposit Insurance Corporation, Federal Reserve Board, and Office of the Comptroller of the Currency—are issuing the rules and proposals jointly, as one facet of a joint program to strengthen, under the new law, the supervision and regulation of foreign lending by U.S. banking organizations. The Board's rules apply to state chartered banks that are members of the Federal Reserve System and to bank holding companies and Edge and Agreement corporations engaged in banking. Nonmember banks and national banks are covered by the rules of the other agencies.

At the same time as it published its rules, the Board announced that it is holding open the period for comment on questions of whether the U.S. branches or agencies or commercial lending subsidiaries of foreign banks should be subject to these provisions or other provisions of the act. Therefore, the final rules being published do not at this time apply to these entities.

The Board adopted its final rules under section 905(a) of the act after consideration of comment received on proposals published in December. Section 905(a) requires banking institutions to maintain special reserves, out of current income, against the risks present in certain international loans or other international assets, when the federal banking agencies determine that such reserves are necessary.

The principal elements of the rules under this section adopted by the Board are the following:

- A banking institution shall establish an Allocated Transfer Risk Reserve (ATRR) for specified international assets (principally loans) when required under these rules.
- At least annually, the agencies shall jointly determine the following: (1) which international assets are subject to risks warranting establishment of an ATRR; (2) the size of the ATRR; (3) whether an already established ATRR may be reduced.

The rules also set forth the criteria to be used in determining whether an ATRR is required under two headings: (1) whether the quality of international assets has been impaired by protracted inability of borrowers to make payments on their obligations; and (2) whether there are no definite prospects for restoring orderly debt service.

When required, the initial year's ATRR normally will be 10 percent of the principal amount of the asset on which reserves must be kept, or more, or less, as determined by the federal banking agencies, and, when required for subsequent years, normally will be 15 percent, or more, or less, as the agencies determine. The rules specify the factors according to which of these amounts will be determined.

The Board will notify each banking institution it supervises of the amount of any ATRR and if an ATRR may be reduced. A banking institution may write down an asset in lieu of establishing an ATRR. If an institution does so, it must replenish its allowance for possible loan losses to the extent necessary to provide adequately for estimated losses in its loan portfolio. An institution may at any time reduce an ATRR to the extent of any write-down on its books of the value of the relevant asset.

The Board also adopted a rule setting forth the framework for requiring country exposure reports by banking insitutions (under Section 907 of the act). This rule provides that the Board will prescribe jointly with the other federal banking agencies the format, content, and reporting and filing date of the reports. For this purpose, the agencies have initiated modifications in the current Country Exposure Report form (FFIEC-009).

Revisions to Off-Line Surcharges for Wire Transfers of Funds

Revisions to the off-line surcharges for the Reserve Bank's wire transfer of funds and net settlement services have been made, to become effective March 1.[1]

The new fee schedule is the following:

Wire transfer of funds (dollars)		Net settlement (dollars)	
Off-line origination	5.50	Off-line settlement	8.00
Telephone advice	3.00	Telephone advice	3.00

1. Off-line institutions do not have an electronic connection with the Federal Reserve and, therefore, must originate their transactions and be advised of their settlement by phone.

Pending Board action, the basic transfer fee, currently \$0.65 will remain in effect for all on- and off-line transfers of funds.

Exemptions from Regulation Y

The Federal Reserve Board acted upon a number of requests submitted by companies under the procedures provided in the Board's revised Regulation Y for exemptions from the regulation. The Board approved limited exemptions for certain state chartered savings and loan associations and a six-month extension of time for companies that acquired banks before December 10, 1982, to comply with the regulation.

In today's action, the Board decided, upon the basis of requests received from affected institutions, that it will not consider as bank holding companies those companies that acquired state chartered savings and loan associations before December 10, 1982, the deposits of which are privately insured under state law, provided that these institutions limit their lending and deposit taking activities to those permissible for federally insured thrift institutions under the Home Owners' Loan Act.

The Board also, upon request, will grant a six-month period for compliance with the revised regulation by companies that acquired banks before December 10, 1982, and that will become bank holding companies as a result of the Regulation Y revisions.

Under the Bank Holding Company Act, such a company must register with the Board as a bank holding company within 180 days of February 6, 1984, the effective date of the revised regulation. The Board's decision provides that such a company may request that it not be regarded as a bank holding company during this 180-day period before registration, in order to allow sufficient time for orderly compliance with the act.

At the expiration of the 180-day period, the company will be required to either register as a bank holding company or to terminate the status of its subsidiary as a bank. If the company registers, the company would be regarded as a bank holding company and would be required, within two years from February 6, 1984, to divest its impermissible nonbanking activities and to seek Federal Deposit Insurance Corporation insurance for its bank subsidiaries. Upon request the Board may grant extensions of this two-year period for three additional one-year periods.

Amendments to Procedures for Processing Applications

The Federal Reserve Board has announced adoption of amendments to its procedures for processing applications, including revision of the Board's Statement of Policy on Handling Protested Applications of bank and bank holding companies. These amendments are intended to provide the public with clearer and easier to use procedures for filing protests and for requesting meetings or hearings.

The amendments are based in part on recommendations of a Board staff task force, established to review the Board's procedures for handling protested applications. The Consumer Advisory Council (CAC) was requested to study the Board's implementation of the Community Reinvestment Act (CRA), and the Board's amendments to its procedures and policy statement incorporate most of the CAC recommendations on procedures for bringing applications to public notice and for dealing with protests.[1]

The amendments apply to applications for which notice is published on or after January 31, 1984.

The amendments incorporate the following recommendations by the Consumer Advisory Council task force:

- Adopt a revised newspaper notice of applications, published in plain English and including a statement that one of the factors the Board considers in acting on applications is the performance of banks concerned in the application in helping to meet local credit needs.
- Explore ways in which Reserve Bank weekly bulletins noting applications newly received can be made more informative.
- Publish a comprehensive document consolidating publications relating to CRA and additional informa-

1. At the same time the Board acted on the Council's advice concerning protested applications, it adopted most of the Council's further recommendations deriving from its study of Board implementation of the Community Reinvestment Act in the fields of development of Federal Reserve compliance personnel, examination procedures, and community affairs officers. These actions are being announced separately.

tion on factors the Board considers in evaluating applications under CRA.

- Formalize procedures for notifying protestants of the Board's decision on a protested application and take steps to explain the decision.
- Make special efforts to provide protestants with an explanation of analysis of data relating to a protest.

To implement Board action on these recommendations of the Council's task force, Federal Reserve procedures will be revised as follows.

- A model "plain English" newspaper notice of an application will be used and the Community Affairs Officer of the Reserve Banks will be designated as a source of further information. Newspaper notices will include a statement that in acting on applications one of the factors the Board considers is the performance under CRA of banks involved in the application.
- An expanded uniform format has been developed and will be used for the weekly bulletin published by the Reserve Banks detailing applications received during the preceding week. This notice will include reference to laws or regulations governing the processing of applications, identify Reserve Bank personnel (Community Affairs Officers) who can provide further information, and list available publications concerning CRA.
- The Board will work with the Federal Financial Institutions Examination Council to update the Council's publication, "A Citizen's Guide to CRA" and will publish a summary reflecting current Board positions on CRA factors.
- The Board will amend its Policy Statement to formalize notification of protestants of decisions on protested applications.
- Federal Reserve personnel will be prepared to furnish protestants with an explanation of how data have been analyzed in a variety of protests and provide a sampling of relevant Orders and other material.

Additionally, the Board approved the following staff recommendations:

- Amend the Board's Policy Statement on Handling Protested Applications to specify that Reserve Banks generally will arrange private meetings between an applicant and protestant following the first exchange of correspondence between the parties.
- Amend the policy statement and the Board's rules regarding delegation of authority to delegate to the Board's General Counsel authority to convene a public meeting or other proceeding and to appoint a presiding officer with respect to a protested application.
- Amend the policy statement to designate the Community Affairs Officer of the Reserve Banks as the contact person to answer questions concerning protest procedures and CRA matters in general.
- Amend the Board's Rules of Procedure, in the interests of ensuring due consideration of comment on an application, to clarify that comment must be received by the Board's Secretary on or before the date specified as the end of the comment period. The Secretary can give extensions on showing of good cause.

Statement on Regulation of Financial Services

Paul A. Volcker, Chairman of the Federal Reserve Board, issued the following statement after today's meeting of the Task Group on Regulation of Financial Services:

I am pleased that the Task Group under Vice President Bush was able to reach a consensus on a wide range of issues.

The recommendations represent a careful balancing of various concerns relevant to a system of banking and bank holding company regulation and supervision. I believe that, as agreed, the proposals adequately reflect the concerns of the Federal Reserve in the ongoing process, and the essential linkages with our other related responsibilities. At the same time, with effective cooperation among the Federal and State agencies, simplification and effectiveness can be enhanced.

We also hope that debate on administrative arrangements not divert attention from the need for substantive legislation on banking definitions, regulatory procedures, and bank holding company powers, as reflected in Administration proposals for the Financial Institutions Deregulation Act.

Amendment to Regulation J

The Federal Reserve Board today announced an amendment to its Regulation J (Collection of Checks and Other Items and Wire Transfer of Funds) to permit a Reserve Bank to charge for checks that it delivers or makes available to an institution that is closed regularly on a weekday when its Reserve Bank is open. It is estimated that this action will eliminate approximately $110 million daily average in Federal Reserve check float.

The amendment becomes effective April 2, 1984.

The Board acted after consideration of comment received on proposals published in September.

The amendment affects institutions that choose to close on a weekday. Such closings may result in Federal Reserve float—the value of checks for which the Federal Reserve has given credit to the institution that sent the checks to it for collection (the sending institution) but for which the Federal Reserve has not yet collected from the institution on which the checks are drawn (the paying institution).

The Board gave paying institutions the alternative of being charged for the value of float created in this way rather than being charged for the value of the checks on that day.

The Board decided not to take similar action—as earlier proposed—affecting institutions closed on a nonstandard holiday (a state or local holiday on which its District Reserve Bank is open for business). Instead, Reserve Banks will be permitted to defer for a day giving credit to sending institutions, for checks drawn on paying institutions closed on nonstandard holidays. The value of any remaining float arising from nonstandard holidays will be added to the cost base for the check collection service.

The Board took these actions pursuant to provisions of the Monetary Control Act of 1980 requiring the Federal Reserve to eliminate or charge for Federal Reserve float.

Proposed Actions

The Federal Reserve Board published, for public comment, a proposal to amend Regulation T (Credit by Brokers and Dealers). The Board requested comment by February 15, 1984.

The Federal Reserve Board also published, for public comment, a proposed revision to the fee structure for the Federal Reserve's wire transfer of funds service. The proposal includes a reduction of the basic fee for originating or receiving a wire transfer of funds from $0.65 to $0.60 per transfer. At the same time, the Board proposed a fixed monthly fee for all depository institutions that have an electronic connection with the Federal Reserve. Comment is requested by March 16, 1984.

The Federal Reserve Board also issued for comment draft regulations establishing uniform requirements for accounting for fees on international loans (as required by section 906 of the International Lending Supervision Act of 1983). The comment period on these fee accounting rules closes March 9. Final rules are to be adopted no later than March 29, 1984.

Supplement to List of OTC Stocks

The Federal Reserve Board today published a supplement to its list of over-the-counter (OTC) stocks that are subject to its margin regulations, effective February 21, 1984.

The supplement should be used in conjunction with the June 20, 1983, list of OTC margin stocks and the October 17, 1983, supplement to the list. Changes that have been made in the list, which now includes 1,917 OTC stocks, are as follows: 216 stocks have been included for the first time; 13 stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing; 30 stocks have been removed for reasons such as listing on a national securities exchange or acquisition of the companies by another firm.

The Board monitors the market activity of all OTC stocks to determine which stocks meet the requirements for inclusion and continued inclusion on the list of OTC margin stocks and periodically revises the list.

Currency Guidelines

The Federal Reserve Board has approved revised guidelines for the provision of new or fit coin and currency by Federal Reserve Banks to depository institutions.

The revised guidelines contain uniform packaging standards for coin and currency for depositing and ordering cash. They also clarify the System's policy with regard to access to Federal Reserve cash services. Under the new guidelines, depository institutions, including branches, will have access to cash services so long as administrative procedures and packaging requirements are met.

These standards will ensure that all Federal Reserve offices provide a uniform level of central bank cash services to all depository institutions on an equitable basis. These standards will be phased in over the next three years to minimize their impact on depository institutions and Reserve Banks.

The Board also approved the elimination of cash transportation price supports for shipments of coin and currency to Alaska, Hawaii, and Guam.

PREEMPTION AUTHORITY REGARDING CERTAIN STATE LAWS

The Federal Reserve Board announced final determinations that provisions of New Hampshire and New Jersey State laws governing the offering of cash discounts in the sale of motor fuel are not inconsistent with the Truth in Lending Act and Regulation Z implementing the act and are not preempted. The Board's determination is effective January 31, 1984.

In this regard, the Board made the more general determination that these laws are subject to the Board's preemption authority.

CHANGES IN BOARD STAFF

The Federal Reserve Board announced the promotion of Robert E. Frazier on January 31, 1984, to the position of Director of the Board's Division of Support Services. Mr. Frazier replaces Donald E. Anderson, who retired.

Mr. Frazier came to the Board as Assistant Director in the Division of Support Services in June 1980, following a 25-year career with the U.S. Army, and was promoted to Associate Director in August 1981. He holds a B.S. from the Hampton Institute and an M.A. in Business Management from Central Michigan University.

SYSTEM MEMBERSHIP: ADMISSION OF STATE BANKS

The following banks were admitted to membership in the Federal Reserve System during the period January 10, 1984, through February 10, 1984:

Colorado
Aurora .... Bank of Aurora
Iowa
Everly .... Everly State Bank
Florida
Tampa .... Regency Bank of Florida
South Dakota
Irene .... Farmers State Bank

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON DECEMBER 19–20, 1983

1. Domestic Policy Directive

The information reviewed at this meeting suggested that real GNP was growing at a relatively rapid pace in the current quarter, although the rate of expansion appeared to have moderated from the third-quarter pace. Strength in personal consumption expenditures and in business spending—particularly for inventories and equipment—is apparently contributing to the continued expansion in economic activity. Price and wage increases generally have remained moderate, though advances in some indexes have been somewhat larger than in the spring and summer.

The index of industrial production increased 0.8 percent in November, the same as in October. Output of business equipment continued to rise briskly, registering average increases of nearly 1½ percent in each of the two months. Output of materials also continued to increase rapidly, but production of consumer goods and construction supplies rose only slightly. The rate of capacity utilization in manufacturing increased 0.5 percentage point further in November to 79.4 percent, well above its recession low of 68.8 percent a year earlier.

Nonfarm payroll employment, adjusted for strike activity, advanced about 345,000 further in November; the rise was larger than in October but about the same as the average monthly increase in the second and third quarters. Employment gains were widespread, and were particularly marked in manufacturing and service industries. The civilian unemployment rate fell 0.4 percentage point further to 8.4 percent, nearly 2½ percentage points below its peak in December 1982.

The nominal value of retail sales rose 1.9 percent in November, after increases of 1.4 percent in each of the preceding two months. Sales increased at most major categories of stores in November, including a substantial rise in purchases of discretionary items, as indicated by strong outlays at general merchandise and apparel stores. Sales at automotive outlets also rose markedly. While sales of new domestic automobiles, at an annual rate of about 7 million units in both October and November, were up only slightly from the average selling pace in the third quarter, the annual rate of imported car sales averaged about 350,000 units higher in those months than in the third quarter.

Private housing starts rose about 6½ percent in November, to an annual rate of about 1¾ million units, and newly issued permits for residential construction increased marginally. For both series, the levels in November were close to the averages in the third quarter. In October, sales of existing homes fell about 5½ percent below their average in the third quarter, while sales of new homes rose for the second consecutive month.

Indicators of business capital spending have moved somewhat erratically in recent months, but generally suggest continued relatively strong expansion in that sector. Shipments of nondefense capital goods surged in September but fell somewhat in October. New orders, however, recorded strong gains in September and October, and the backlog of unfilled orders rose sharply in both months.

The producer price index for finished goods had changed little on average over the previous two months, rising 0.3 percent in October and falling 0.2 percent in November. Thus far in 1983 the index had increased at an annual rate of less than ½ percent. The consumer price index rose 0.4 percent in October, about the same as in the preceding three months; over the first ten months of the year, consumer prices had increased at an annual rate of about 4 percent. The index of average hourly earnings was little changed in November, after rising somewhat faster in September and October than in previous months. Thus far in 1983 the index had increased at an annual rate of about 3½ percent, compared with a rise of 6 percent in 1982.

In foreign exchange markets the trade-weighted value of the dollar had risen more than 3 percent since the FOMC meeting in mid-November, surpassing the peak recorded in August. Increasing international tensions apparently contributed to the dollar's strength, as investors viewed dollar assets as a "safe haven" in the face of concerns about the security of financial assets in some other parts of the world. Evidence of continued strong expansion in U.S. economic activity also fueled the dollar's rise. News of a record trade deficit for October, at a rate markedly higher than that in the third quarter, slowed the appreciation of the dollar only temporarily. The rise in the deficit reflected a sharp increase in imports, as exports were about unchanged.

At its meeting on November 14–15, 1983, the Committee had decided that in the short run, open market operations should be directed toward maintaining the existing degree of reserve restraint. The members anticipated that such a policy would continue to be associated with growth of M2 and M3 at an annual rate of around 8½ percent for the period from September to December, consistent with the growth ranges established for those aggregates for the year. Those ranges were 7 to 10 percent at an annual rate for M2 for the period from February–March of 1983 to the fourth quarter of 1983; and 6½ to 9½ percent for M3 for the period from the fourth quarter of 1982 to the fourth quarter of 1983. It was agreed that over the coming intermeeting period the need for greater or lesser restraint on reserve conditions should be evaluated on the basis of evidence about the continuing strength of the economic recovery and other factors bearing on the business and inflation outlook. Depending on such evidence, somewhat greater restraint would be acceptable should the aggregates expand more rapidly, while lesser restraint might be acceptable in the context of a significant shortfall in growth of the aggregates from current expectations.

Growth in M2 and M3, after slowing substantially over the summer months, strengthened in October and November. M2 was growing at a pace close to the annual rate of 8½ percent specified by the Committee for the September-to-December period; M3 grew at an annual rate of 8½ percent in October but increased at a faster pace in November, as banks relied more on managed liabilities, partly to offset a massive runoff of U.S. Treasury balances associated with the temporary delay in raising the federal debt limit. M1 continued to expand at a sluggish pace in November but increased substantially in early December. Through November, M2 was in the lower portion of the Committee's longer-run range for the year 1983, M3 was close to the upper limit of its range, and M1 was near the lower end of the Committee's monitoring range of 5 to 9 percent for the period from the second quarter of 1983 to the fourth quarter of 1983.

The debt of domestic nonfinancial sectors was estimated to have continued expanding at a moderate pace in November, and its level remained well within the Committee's monitoring range of 8½ percent to 11½ percent for the year. Growth in credit at U.S. commercial banks rose to an estimated annual rate of about 14 percent in November, reflecting an acceleration in growth of total loans and continued heavy acquisitions of Treasury securities. Real estate and consumer lending, while moderating somewhat in November, remained strong. Borrowing by businesses picked up, as issuance of commercial paper slowed considerably from the brisk pace of previous months and financing in long-term debt markets remained light.

Total reserves contracted in November, as required reserves declined in association with a drop in demand deposits. Nonborrowed reserves fell by more, as the average level of adjustment borrowing rose in that month. Demands for borrowing eased off in the first half of December, however. Over the intermeeting interval as a whole, adjustment plus seasonal borrowing ranged from about $440 million to $865 million, averaging about $685 million during the four statement weeks ending December 14, only slightly above the average during the previous intermeeting period.

Federal funds continued to trade in a range of about 9¼ to 9½ percent over the period, with recent trading generally near the upper end of that range. Other short-term interest rates rose about ¼ to ¾ percentage point over the intermeeting period, while most long-term rates increased about ¼ percentage point. Rates on municipal bonds rose somewhat more, as issuers marketed large volumes of such securities in advance of deadlines on some types of issuance or in anticipation of legislation in 1984 imposing restrictions on the issuance of certain tax-exempt bonds. Average rates on new commitments for fixed-rate conventional home mortgage loans changed little over the period and have fluctuated in a narrow range near 13.40 percent since late October.

The staff projections presented at this meeting continued to indicate that growth of real GNP would slow from the rapid rate of recent quarters to a more moderate pace in 1984. Consumption expenditures and housing outlays were projected to moderate after growing rapidly in 1983, and the stimulus to economic growth from inventory accumulation was likely to diminish. However, business fixed investment was expected to show continued strength, and the deterioration in net exports of goods and services was expected to slow over the course of 1984. A decline in the unemployment rate was anticipated over the projection period, and upward pressures on prices were expected to remain generally moderate.

In the Committee's discussion of the economic situation and outlook, the members commented that further expansion in economic activity remained a likely prospect for 1984 but that the rate of growth would probably slow considerably from the pace in recent quarters. At the same time, members referred to the many uncertainties that clouded the outlook, and several expressed concern that inflationary pressures might worsen during the year. Reports from around the country indicated widespread improvement in business conditions and the development of considerable optimism in the business community, although it was noted that some industries were still operating well below capacity.

In the view of some Committee members, the expansion in economic activity during 1984 might well exceed the staff projection, given the momentum of the recovery and a stimulative fiscal policy. In particular, it was suggested that the currently high level of confidence among businessmen and large cash flows to business firms favored relatively rapid expansion in business fixed investment. Some members also referred to the possibility of a buildup in inventories by firms that had been experiencing strong sales and increasing delays in obtaining new supplies of many products.

Other members were somewhat less sanguine about the prospective strength of the ongoing expansion. Some emphasized the vulnerability of the economy to a substantial rise in interest rates, should one occur, from levels that were already high in real terms. In this connection, members referred to the desirability of prompt action to reduce the federal deficit, whose size, both current and prospective, was a major factor maintaining upward pressure on interest rates. High interest rates, apart from their adverse impact on interest-sensitive sectors of the domestic economy such as housing, also would tend to exert upward pressure on the value of the dollar in foreign exchange markets, with further unfavorable consequences for U.S. exports, and would add to difficulties inherent in the current international debt situation.

Other comments about the economic outlook included the view of one member that, if very sluggish growth in M1 over the course of recent months were to continue, it could lead to a downturn in economic activity by the second or third quarter of 1984. Another member raised the possibility that sales might prove to be disappointing over the months ahead in relation to the apparently exuberant expectations of many business leaders, and such a development would tend to restrain spending on both fixed investment and inventories. One member also commented that the backlog in demand for housing appeared to have been used up, and further demand was likely to be weak under foreseeable financial conditions.

Partly because of these differences about the outlook for economic activity, the members expressed somewhat divergent views with regard to prospects for inflation over the year ahead. A number of members, while acknowledging the possibility of some rise in the rate of inflation during the second year of a recovery, believed that any such rise was likely to be moderated by sizable margins of unused capacity in many industries, by continuing strong competition from foreign suppliers, and by a still relatively high, if declining, rate of unemployment. Some of these members also observed that recent statistics on commodity and other prices did not suggest that the rate of inflation was accelerating.

Other members were less optimistic about the prospects for inflation. Several commented on indications of a strengthening in inflationary expectations among participants in financial markets and among businessmen, many of whom were reportedly looking for opportunities to raise prices. Underlying wage pressures, which had been held down by depressed conditions in many industries, were also seen by many members as likely to increase as profits continued to improve. Reference was also made to the adverse implications for costs and for inflationary pressures of a projected decline in productivity growth. One member expressed the view that large increases in M1 during the latter part of 1982 and the first part of 1983 would probably be reflected, after an expected lag, in accelerating inflation by the latter part of 1984. It was also noted that a significant decline in the foreign exchange value of the dollar, if it should occur as many observers expected, would contribute to domestic inflation. In this connection concern was expressed that, as the foreign exchange value of the dollar rose to a relatively high level, the dollar would be exposed increasingly to a precipitate drop, and if such a drop came when the economy was operating closer to full capacity, it would tend to have a much more substantial inflationary impact than otherwise.

At its meeting in July, the Committee had agreed on tentative growth ranges of 6½ to 9½ percent for M2 and 6 to 9 percent for M3 during the period from the fourth quarter of 1983 to the fourth quarter of 1984. The Committee believed that growth of M1 in a range of 4 to 8 percent from the fourth quarter of 1983 to the fourth quarter of 1984 would be consistent with the ranges for the broader aggregates. The associated range for total domestic nonfinancial debt was provisionally set at 8 to 11 percent for 1984. At this meeting the Committee began a review of the ranges for 1984 in the expectation that at its next meeting it would complete the review and establish ranges for the year within the framework of the Full Employment and Balanced Growth Act of 1978 (the Humphrey-Hawkins Act).[1]

In the Committee's discussion of policy for the near term, most of the members agreed that the continued strength of the economic expansion and the spreading optimism, with the attendant risk that inflationary sentiment would intensify, argued against any easing of reserve conditions and in favor of maintaining at least the existing degree of reserve restraint. Such a policy would contemplate a slight move toward greater restraint if economic and monetary developments appeared to warrant such a course. According to an analysis presented at this meeting, the existing restraint on reserve conditions was likely to be associated with growth in M2 and M3 during the period from November to March at rates that were well within the ranges that the Committee had tentatively set previously for 1984. Such a policy was also likely to result in a considerable acceleration in the growth of M1 over the four-month period, given the anticipation that demands for transaction balances would be more in line with spending than they had been in recent months.

While nearly all the members could accept a policy of maintaining at least the existing degree of reserve restraint, some expressed a preference for some slight firming immediately in light of their assessment of the economic situation and concerns about the potential for a reemergence of inflationary pressures. Other members preferred to make no change in the existing degree of restraint for now, pending a further evaluation of economic developments and monetary growth. In the view of some of these members, even a slight firming of reserve conditions at this time would incur the risk of a relatively pronounced reaction in financial markets, with damaging consequences for housing and other inter-

1. The Committee also discussed the implications for open market operating procedures of the shift to contemporaneous reserve requirements effective February 2, 1984. The Committee's views were set forth in an announcement dated January 13, 1984.

est-sensitive sectors of the economy. Some members also emphasized that higher domestic interest rates could have a very undesirable impact on the value of the dollar in foreign exchange markets and on the international debt situation. A number of members were also influenced by the relatively sluggish growth of M1 over the course of recent months, although such growth appeared to be accelerating in December. Some urged that greater weight be placed on M1 in the formulation and implementation of policy; and in the view of one member, reserve conditions should be eased promptly if it became clear that growth in M1 was remaining sluggish.

At the conclusion of the discussion, most of the members indicated their acceptance of a short-run policy that called for maintaining at least the existing degree of restraint on reserve positions, subject to the possibility of a slight increase in such restraint depending on developments relating to the outlook for economic activity and price pressures and on evidence that monetary growth appeared to be exceeding the Committee's expectations. The members anticipated that such a policy would be associated with growth of both M2 and M3 at an annual rate of around 8 percent for the period from November 1983 to March 1984. The Committee believed that an acceleration in the growth of M1 to an annual rate of around 6 percent for the four-month period was likely to be consistent with its objectives for the broader aggregates and that expansion in total domestic nonfinancial debt over this period would be within the tentative range of 8 to 11 percent established for the year 1984. It was agreed that the intermeeting range for the federal funds rate, which provides a mechanism for initiating consultation of the Committee, would remain at 6 to 10 percent. It was also understood that the Committee would consult should the aggregates and the economy turn out to be significantly weaker than expected.

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

The information reviewed at this meeting suggests that real GNP has grown at a relatively rapid pace in the current quarter, although the rate of expansion appears to have moderated since the spring and summer. In November, industrial production and nonfarm payroll employment increased appreciably further and the civilian unemployment rate declined 0.4 percentage point to 8.4 percent. Retail sales rose substantially in November following sizable gains in September and October. Housing starts increased in November to a level close to their third-quarter average. Recent data indicate continuing expansion in business capital spending. Producer prices were little changed on average in October and November, and consumer prices continued to increase in October at about the same pace as in other recent months. The index of average hourly earnings changed little in November after rising somewhat faster in September and October than in previous months; over the first eleven months of the year the index has risen more slowly than in 1982.

The foreign exchange value of the dollar has risen considerably further since mid-November against a trade-weighted average of major foreign currencies. In October the U.S. foreign trade deficit was markedly higher than in the third quarter, reflecting a sharp rise in imports.

After slowing substantially over the summer months, growth in M2 and M3 strengthened in October and November. M1 continued to grow at a sluggish pace in November but increased substantially in early December. Through November, M2 was at a level in the lower portion of the Committee's range for 1983, M3 was close to the upper limit of its range, and M1 was near the lower end of the Committee's monitoring range for the second half of the year. Most interest rates have risen somewhat since mid-November.

The Federal Open Market Committee seeks to foster monetary and financial conditions that will help to reduce inflation further, promote growth in output on a sustainable basis, and contribute to a sustainable pattern of international transactions. At its meeting in July the Committee reconsidered the growth ranges for monetary and credit aggregates established earlier for 1983 in furtherance of these objectives and set tentative ranges for 1984. The Committee recognized that the relationships between such ranges and ultimate economic goals have become less predictable; that the impact of new deposit accounts on growth of monetary aggregates cannot be determined with a high degree of confidence; and that the availability of interest on large portions of transaction accounts may be reflected in some changes in the historical trends in velocity.

Against this background, the Committee at its July meeting reaffirmed the following growth ranges for the broader aggregates: for the period from February–March of 1983 to the fourth quarter of 1983, 7 to 10 percent at an annual rate for M2; and for the period from the fourth quarter of 1982 to the fourth quarter of 1983, 6½ to 9½ percent for M3. The Committee also agreed on tentative growth ranges for the period from the fourth quarter of 1983 to the fourth quarter of 1984 of 6½ to 9½ percent for M2 and 6 to 9 percent for M3. The Committee considered that growth of M1 in a range of 5 to 9 percent from the second quarter of 1983 to the fourth quarter of 1983, and in a range of 4 to 8 percent from the fourth quarter of 1983 to the fourth quarter of 1984, would be consistent with the ranges for the broader aggregates. The associated range for total domestic nonfinancial debt was reaffirmed at 8½ to 11½ percent for 1983 and tentatively set at 8 to 11 percent for 1984.

In implementing monetary policy, the Committee agreed that substantial weight would continue to be placed on the behavior of the broader monetary aggregates. The behavior of M1 and total domestic nonfinancial debt will be monitored, with the degree of weight placed on M1 over time dependent on evidence that velocity characteristics are resuming more predictable patterns. The Committee understood that policy implementation would involve continuing appraisal of the relationships between the various measures of money and credit and nominal GNP, including evaluation of conditions in domestic credit and foreign exchange markets.

The Committee seeks in the short run to maintain at least the existing degree of reserve restraint. The action is expected to be associated with growth of M2 and M3 at annual rates of around 8 percent from November to March. The Committee anticipates that M1 growth at an annual rate of around 6 percent from November to March will be consistent with its objectives for the broader aggregates, and that expansion in total domestic nonfinancial debt would continue at around its recent pace. Depending on evidence about the continuing strength of economic recovery and other factors bearing on the business and inflation outlook, somewhat greater restraint would be acceptable should the aggregates expand more rapidly. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that pursuit of the monetary objectives and related reserve paths during the period before the next meeting is likely to be associated with a federal funds rate persistently outside a range of 6 to 10 percent.

Votes for this action: Messrs. Volcker, Solomon, Gramley, Guffey, Keehn, Morris, Partee, Rice, Roberts, Mrs. Teeters, and Mr. Wallich. Vote against this action: Mr. Martin.

Mr. Martin dissented from this action because of his concern that any tightening of reserve conditions and the associated increase in interest rates would present a threat to the sustainability of the economic expansion: needed business investment would be more expensive, international debt servicing more burdensome, and interest-sensitive housing more vulnerable.

2. *Authorization for Domestic Open Market Operations*

At its previous meeting the Committee had voted to increase from $4 billion to $5 billion the limit on changes between Committee meetings in System Account holdings of U.S. government and federal agency securities specified in paragraph 1(a) of the authorization for domestic open market operations, for the intermeeting period ending with the close of business on December 20, 1983. At this meeting the Committee voted to retain the $5 billion limit for the upcoming intermeeting interval beginning on December 21, 1983.

Votes for this action: Messrs. Volcker, Solomon, Gramley, Guffey, Keehn, Martin, Morris, Partee, Rice, Roberts, Mrs. Teeters, and Mr. Wallich. Votes against this action: None.

This action was taken on the recommendation of the Manager for Domestic Operations. The Manager had advised that substantial net sales of securities were likely to be required during the weeks ahead in order to absorb reserves that had been provided recently to meet seasonal needs for currency in circulation.

Legal Developments

Revision of Regulation Y

The Board of Governors has adopted the revision of Regulation Y (12 CFR Part 225). The final regulation reduces regulatory burden by eliminating various application requirements, particularly in the nonbanking area, and by accelerating the processing schedules for all applications. In addition, the final regulation incorporates Board interpretations of significant provisions of the Bank Holding Company Act and Change in Bank Control Act to improve understanding of the Board's policies. The regulation has been comprehensively reorganized and rewritten for clarity in order to enhance the usefulness of the regulation to the reader. Finally, the Board has amended the regulation to add five nonbanking activities to the list of those permissible for bank holding companies. The procedural provisions of sections 225.14 and 225.23 are effective for all applications and notices submitted to the Board on and after January 1, 1984.

Effective February 5, 1984, the Board revises Regulation Y by removing sections 225.1 through 225.7 and section 225.51, except section 225.4(e), which is redesignated section 225.22(d) as set forth below, and sections 225.101 through 225.143, which remain in effect; and by adding the following Subparts A through E and the Appendices to Subparts A through E to Part 225:

Part 225—Bank Holding Companies and Change in Bank Control

Subpart A—General Provisions

Section 225.1 Authority, purpose, and scope
Section 225.2 Definitions
Section 225.3 Administration
Section 225.4 Corporate practices
Section 225.5 Registration, reports, and inspections
Section 225.6 Penalties for violations

Subpart B—Acquisition of Bank Securities or Assets

Section 225.11 Transactions requiring Board approval
Section 225.12 Transactions not requiring Board approval
Section 225.13 Factors considered in acting on bank applications
Section 225.14 Procedures for applications, notices, and hearings

Subpart C—Nonbanking Activities and Acquisitions by Bank Holding Companies

Section 225.21 Prohibited nonbanking activities and acquisitions; exempt bank holding companies
Section 225.22 Exempt nonbanking activities and acquisitions
Section 225.23 Procedures for applications, notices, and hearings
Section 225.24 Factors considered in acting on nonbanking applications
Section 225.25 List of permissible nonbanking activities

Subpart D—Control and Divestiture Proceedings

Section 225.31 Control proceedings
Section 225.32 Divestiture proceedings

Subpart E—Change in Bank Control

Section 225.41 Transactions requiring prior notice
Section 225.42 Transactions not requiring prior notice
Section 225.43 Procedures for filing, processing, and acting on notices

Appendices to Subparts A through E

Appendix A Capital Adequacy Guidelines
Appendix B Policy Statement for Formation of Small One-Bank Holding Companies

Interpretations

* * * * *

Authority: 12 U.S.C. 1844(b), 3106, 3108, 1817(j)(13), 1818(b); and Pub. L. 98–181, Title IX.

Subpart A—General Provisions

Section 225.1—Authority, Purpose, and Scope

(a) *Authority.* This Part (Regulation Y) is issued by the Board of Governors of the Federal Reserve System ("Board") under section 5(b) of the Bank Holding Company Act of 1956, as amended (12 U.S.C. 1844(b)) ("BHC Act"); sections 8 and 13(a) of the International Banking Act of 1978 (12 U.S.C. 3106 and 3108); section 7(j)(13) of the Federal Deposit Insurance Act, as amended by the Change in Bank Control Act of 1978 (12 U.S.C. 1817(j)(13)) ("Bank Control Act"); section 8(b) of the Federal Deposit Insurance Act (12 U.S.C. 1818(b)); and the International Lending Supervision Act of 1983 (Pub. L. 98-181, Title IX). The BHC Act is codified at 12 U.S.C. 1841, *et seq.*

(b) *Purpose.* The principal purposes of this Part are to regulate the acquisition of control of banks by companies and individuals, to define and regulate the nonbanking activities in which bank holding companies and foreign banking organizations with United States operations may engage, and to set forth the procedures for securing approval for such transactions and activities.

(c) *Scope.*
(1) Subpart A contains general provisions and definitions of terms used in this regulation.
(2) Subpart B governs acquisitions of bank or bank holding company securities and assets by bank holding companies or by any company that will become a bank holding company as a result of the acquisition.
(3) Subpart C defines and regulates the nonbanking activities in which bank holding companies and foreign banking organizations may engage directly or through a subsidiary. In addition, certain nonbanking activities conducted by foreign banking organizations and certain foreign activities conducted by bank holding companies are governed by the Board's Regulation K (12 CFR Part 211, International Banking Operations).
(4) Subpart D specifies situations in which a company is presumed to control voting securities or to have the power to exercise a controlling influence over the management or policies of a bank or other company, sets forth the procedures for making a control determination, and provides rules governing the effectiveness of divestitures by bank holding companies.
(5) Subpart E governs changes in bank control resulting from the acquisition by individuals or companies (other than bank holding companies) of voting securities of a bank holding company or state member bank of the Federal Reserve System.
(6) Appendix A to the regulation contains the Board's Capital Adequacy Guidelines for bank holding companies and for state member banks.
(7) Appendix B to the regulation contains the Board's Policy Statement for Formation of Small One-Bank Holding Companies.

Section 225.2—Definitions

Except as modified in this section or unless the context otherwise requires, the terms used in this regulation have the same meanings as set forth in the relevant statutes.

(a)(1) "Bank" means any institution organized under the laws of the United States that:
(i) accepts deposits that the depositor has a legal right to withdraw on demand and
(ii) engages in the business of making commercial loans. For the purposes of this definition:
(A) "deposits that the depositor has a legal right to withdraw on demand" (hereinafter "demand deposits") means any deposit with transactional capability that, as a matter of practice, is payable on demand and that is withdrawable by check, draft, negotiable order of withdrawal, or other similar instrument; and
(B) "commercial loans" means any loan other than a loan to an individual for personal, family, household, or charitable purposes, and includes the purchase of retail installment loans or commercial paper, certificates of deposit, bankers' acceptances, and similar money market instruments, the extension of broker call loans, the sale of federal funds, and the deposit of interest-bearing funds.

(2) "Bank" includes any state-chartered bank or national banking association that
(i) is owned exclusively (except to the extent directors' qualifying shares are required by law) by other depository institutions, or by a bank holding company owned exclusively by other depository institutions; and
(ii) is organized to engage exclusively in providing services for other depository institutions and their officers, directors, and employees.

(3) "Bank" does not include:
(i) any institution that does not do business in the United States except as an incident to its activities outside the United States;
(ii) any institution the accounts of which are insured by the Federal Savings and Loan Insurance Corporation or any institution chartered by the Federal Home Loan Bank Board; or

(iii) "Agreement" or "Edge" corporations operating under sections 25 or 25(a) of the Federal Reserve Act (12 U.S.C. 601–604(a), 611–631).

(b)(1) "Bank holding company" means any company (including a bank) that has direct or indirect control of a bank, other than control that results from the ownership or control of:

(i) voting securities held in good faith in a fiduciary capacity (other than as provided in paragraphs (d)(2)(ii) and (iii) of this section) without sole discretionary voting authority, or as otherwise exempted under section 2(a)(5)(A) of the BHC Act;

(ii) voting securities acquired and held only for a reasonable period of time in connection with the underwriting of securities, as provided in section 2(a)(5)(B) of the BHC Act;

(iii) voting rights to voting securities acquired for the sole purpose and in the course of participating in a proxy solicitation, as provided in section 2(a)(5)(C) of the BHC Act:

(iv) voting securities acquired in satisfaction of debts previously contracted in good faith, as provided in section 2(a)(5)(D) of the BHC Act, if the securities are divested within two years of acquisition (or such later period as the Board may permit by order); or

(v) voting securities of certain institutions owned by a thrift institution or a trust company, as provided in sections 2(a)(5)(E) and (F) of the BHC Act.

(2) Except for the purposes of section 225.4(b) of this subpart and Subpart E of this regulation or as otherwise provided in this regulation, the term "bank holding company" includes a foreign banking organization. For the purposes of Subpart B, the term "bank holding company" includes a foreign banking organization only if it owns or controls a bank in the United States.

(c)(1) "Company" includes any bank, corporation, general or limited partnership, association or similar organization, business trust, or any other trust unless by its terms it must terminate either within 25 years, or within 21 years and 10 months after the death of individuals living on the effective date of the trust.

(2) "Company" does not include any organization, the majority of the voting securities of which are owned by the United States or any state.

(d)(1) "Control" of a bank or other company means (except for the purposes of Subpart E):

(i) ownership, control, or power to vote 25 per cent or more of the outstanding shares of any class of voting securities of the bank or other company, directly or indirectly or acting through one or more other persons;

(ii) control in any manner over the election of a majority of the directors, trustees, or general partners (or individuals exercising similar functions) of the bank or other company;

(iii) the power to exercise, directly or indirectly, a controlling influence over the management or policies of the bank or other company, as determined by the Board after notice and opportunity for hearing in accordance with section 225.31 of Subpart D of this regulation; or

(iv) conditioning in any manner the transfer of 25 per cent or more of the outstanding shares of any class of voting securities of a bank or other company upon the transfer of 25 per cent or more of the outstanding shares of any class of voting securities of another bank or other company.

(2) A bank or other company is deemed to control voting securities or assets owned, controlled, or held, directly or indirectly:

(i) by any subsidiary of the bank or other company;

(ii) in a fiduciary capacity (including by pension and profit-sharing trusts) for the benefit of the shareholders, members, or employees (or individuals serving in similar capacities) of the bank or other company or of any of its subsidiaries; or

(iii) in a fiduciary capacity for the benefit of the bank or other company or any of its subsidiaries.

(e) "Foreign banking organization" and "qualifying foreign banking organization" shall have the same meanings as provided in section 211.23 of the Board's Regulation K (12 CFR 211.23).

(f) "Management official" means any officer, director (including honorary or advisory directors), partner, or trustee of a bank or other company, or any employee of the bank or other company with policy-making functions.

(g) "Outstanding shares" means any voting securities, but does not include securities owned by the United States or by a company wholly-owned by the United States.

(h) "Person" includes an individual, bank, corporation, partnership, trust, association, joint venture, pool, syndicate, sole proprietorship, unincorporated organization, or any other form of entity.

(i) "Principal shareholder" means a person that owns or controls, directly or indirectly, 25 per cent or more of any class of voting securities of a bank or other company.

(j) "Subsidiary" means a bank or other company that is controlled by another company, and refers to a direct or indirect subsidiary of a bank holding company. An indirect subsidiary is a bank or other company that is controlled by a subsidiary of the bank holding company.

(k) "United States" means the United States and includes any state of the United States, the District of Columbia, any territory of the United States, Puerto Rico, Guam, American Samoa, and the Virgin Islands.

(l)(1) "Voting securities" means shares of common or preferred stock, general or limited partnership shares or interests, or similar interests if the shares or interest, by statute, charter, or in any manner, entitle the holder:

(i) to vote for or to select directors, trustees, or partners (or persons exercising similar functions of the issuing company); or

(ii) to vote on or to direct the conduct of the operations or other significant policies of the issuing company.

(2) Preferred shares, limited partnership shares or interests, or similar interests are not "voting securities" if:

(i) any voting rights associated with the shares or interest are limited solely to the type customarily provided by statute with regard to matters that would significantly and adversely affect the rights or preference of the security or other interest, such as the issuance of additional amounts or classes of senior securities, the modification of the terms of the security or interest, the dissolution of the issuing company, or the payment of dividends by the issuing company when preferred dividends are in arrears;

(ii) the shares or interest represent an essentially passive investment or financing device and do not otherwise provide the holder with control over the issuing company; and

(iii) the shares or interest do not entitle the holder, by statute, charter, or in any manner, to select or to vote for the selection of directors, trustees, or partners (or persons exercising similar functions) of the issuing company.

Section 225.3—Administration

(a) *Delegation of authority.* Designated Board members and officers and the Federal Reserve Banks are authorized by the Board to exercise various functions prescribed in this regulation and in the Board's Rules Regarding Delegation of Authority (12 CFR Part 265) and the Board's Rules of Procedure (12 CFR Part 262).

(b) *Appropriate Federal Reserve Bank.* In administering this regulation, the appropriate Federal Reserve Bank is as follows:

(1) For a bank holding company (or a company applying to become a bank holding company): the Reserve Bank of the Federal Reserve district in which the company's banking operations are principally conducted, as measured by total domestic deposits in its subsidiary banks on the date it became (or will become) a bank holding company;

(2) For a foreign banking organization that has no subsidiary bank and is not subject to paragraph (b)(1) of this section: the Reserve Bank of the Federal Reserve district in which the total assets of the organization's United States branches, agencies, and commercial lending companies are the largest as of the later of January 1, 1980, or the date it becomes a foreign banking organization;

(3) For an individual or company submitting a notice under Subpart E of this regulation: the Reserve Bank of the Federal Reserve district in which the banking operations of the bank holding company or state member bank to be acquired are principally conducted, as measured by total domestic deposits on the date the notice is filed.

Section 225.4—Corporate Practices

(a) *Bank holding company policy and operations.*

(1) A bank holding company shall serve as a source of financial and managerial strength to its subsidiary banks and shall not conduct its operations in an unsafe or unsound manner.

(2) Whenever the Board believes an activity of a bank holding company or control of a nonbank subsidiary (other than a nonbank subsidiary of a bank) constitutes a serious risk to the financial safety, soundness, or stability of a subsidiary bank of the bank holding company and is inconsistent with sound banking principles or the purposes of the BHC Act or the Financial Institutions Supervisory Act of 1966, as amended (12 U.S.C. 1818(b) *et seq.*), the Board may require the bank holding company to terminate the activity or to terminate control of the subsidiary, as provided in section 5(e) of the BHC Act.

(b) *Purchase or redemption by a bank holding company of its own securities.*

(1) *Filing notice.* A bank holding company shall give the Board prior written notice before purchasing or redeeming its equity securities, if the gross consideration for the purchase or redemption, when aggregated with the net consideration paid by the company for all such purchases or redemptions during the preceding 12 months, is equal to 10 per cent or more of the company's consolidated net worth. For the purposes of this section, "net consideration" is the gross consideration paid by the company for all of its equity securities purchased or redeemed during the period minus the gross consideration received for all of its equity securities sold during the period other than as part of a new issue.

(2) *Content of notice.* Any notice under this section shall be filed with the appropriate Reserve Bank and shall contain the following information:

(i) the purpose of the transaction, a description of the securities to be purchased or redeemed, the total number of each class outstanding, the gross consideration to be paid, and the terms of any debt incurred in connection with the transaction;
(ii) a description of all equity securities redeemed within the preceding 12 months, the net consideration paid, and the terms of any debt incurred in connection with those transactions; and
(iii) a current and *pro forma* consolidated balance sheet if the bank holding company has total assets of over $150 million, or a current and *pro forma* parent company only balance sheet if the bank holding company has total assets of $150 million or less.

(3) *Acting on notice.* Within 30 calendar days of receipt of a notice under this section, the appropriate Reserve Bank shall either approve the transaction proposed in the notice or refer the notice to the Board for decision. If the notice is referred to the Board for decision, the Board shall act on the notice within 60 calendar days after the Reserve Bank receives the notice.

(4) *Factors considered in acting on notice.* The Board may disapprove a proposed purchase or redemption if it finds that the proposal would constitute an unsafe or unsound practice, or would violate any law, regulation, Board order, directive, or any condition imposed by, or written agreement with, the Board. In determining whether a proposal constitutes an unsafe or unsound practice, the Board will consider whether the bank holding company's financial condition, after giving effect to the proposed purchase or redemption, meets the financial standards applied by the Board under section 3 of the BHC Act, including the Board's Capital Adequacy Guidelines (Appendix A to Subparts A through E) and the Board's Policy Statement for Formation of Small One-Bank Holding Companies (Appendix B to Subparts A through E).

(5) *Disapproval and hearing.* The Board shall notify the bank holding company in writing of the reasons for a decision to disapprove any proposed purchase or redemption. Within 10 calendar days of receipt of a notice of disapproval by the Board, the bank holding company may submit a written request for a hearing. The Board will order a hearing within 10 calendar days of receipt of that request if it finds that material facts are in dispute or if it otherwise appears appropriate. Any hearing conducted under this paragraph shall be held in accordance with the Board's Rules of Practice for Formal Hearings (12 CFR Part 263). At the conclusion of the hearing, the Board shall by order approve or disapprove the proposed purchase or redemption on the basis of the record of the hearing.

(c) *Deposit insurance.* Every bank that is a bank holding company or a subsidiary of a bank holding company shall obtain Federal Deposit Insurance and shall remain an "insured bank" as defined in section 3(h) of the Federal Deposit Insurance Act (12 U.S.C. 1813(h)).

(d) *Tie-in arrangements.* A bank holding company and any nonbanking subsidiary conducting an activity authorized under section 225.23 of this regulation may not in any manner extend credit, lease or sell property of any kind, provide any service, or fix or vary the consideration for any of these transactions subject to any condition or requirement that, if imposed by a bank, would constitute an unlawful tie-in arrangement under section 106 of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. 1971, 1972(1)).

(e) *Acting as transfer agent, municipal securities dealer, or clearing agent.* A bank holding company or any nonbanking subsidiary that is a "bank," as defined in section 3(a)(6) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(6)), and that is a transfer agent of securities, a municipal securities dealer, a clearing agency, or a participant in a clearing agency (as those terms are defined in section 3(a) of the Securities Exchange Act, (12 U.S.C. 78c(a)), shall be subject to sections 208.8(f)-(j) of the Board's Regulation H (12 CFR 208.8(f)-(j)) as if it were a state member bank.

Section 225.5—Registration, Reports, and Inspections

(a) *Registration of bank holding companies.* Each company shall register within 180 days after becoming a bank holding company by furnishing information in the manner and form prescribed by the Board. A company that receives the Board's prior approval under Subpart B of this regulation to become a bank holding company may complete this registration requirement through submission of its first annual report to the Board as required by paragraph (b) of this section.

(b) *Reports of bank holding companies.* Each bank holding company shall furnish, in the manner and form prescribed by the Board, an annual report of the company's operations for the fiscal year in which it becomes a bank holding company, and for each fiscal year during which it remains a bank holding company. Additional information and reports shall be furnished as the Board may require.

(c) *Examinations and inspections.* The Board may examine or inspect any bank holding company and each of its subsidiaries and prepare a report of their operations and activities. With respect to a foreign banking organization, the Board may also examine any branch or agency of a foreign bank in any state of the United States and may examine or inspect each of the organization's subsidiaries in the United States and prepare reports of their operations and activities. The Board will rely as far as possible on the reports of examination made by the primary federal or state supervisor of the subsidiary bank of a bank holding company or of the branch or agency of the foreign bank.

Section 225.6—Penalties for Violations

(a) *Criminal and civil penalties.* Section 8 of the BHC Act provides criminal penalties for willful violation, and civil penalties for violation, by any company or individual of the BHC Act or any regulation or order issued under it, or for making a false entry in any book, report, or statement of a bank holding company. Civil money penalty assessments for violations of the BHC Act shall be made in accordance with Subpart B of the Board's Rules of Practice for Hearings (12 CFR 263, Subpart B). For any willful violation of the Bank Control Act or any regulation or order issued under it, the Board may assess a civil penalty as provided in 12 U.S.C. 1817(j)(15).

(b) *Cease and desist proceedings.* For any violation of the BHC Act, the Bank Control Act, this regulation, or any order or notice issued thereunder, the Board may institute a cease and desist proceeding in accordance with the Financial Institutions Supervisory Act of 1966, as amended (12 U.S.C. 1818(b) *et seq.*).

Subpart B—Acquisition of Bank Securities or Assets

Section 225.11—Transactions Requiring Board Approval

The following transactions require an application for the Board's prior approval under section 3 of the BHC Act unless otherwise exempted under section 225.12 of this subpart:
(a) *Formation of bank holding company.* Any action that causes a bank or other company to become a bank holding company.

(b) *Acquisition of subsidiary bank.* Any action that causes a bank to become a subsidiary of a bank holding company.

(c) *Acquisition of control of bank or bank holding company securities.* The acquisition by a bank holding company of direct or indirect ownership or control of any voting securities of a bank or bank holding company, if the acquisition results in the company's control of more than 5 per cent of the outstanding shares of any class of voting securities of the bank or bank holding company. An acquisition includes the purchase of additional securities through the exercise of preemptive rights, but does not include securities received in a stock dividend or stock split that does not alter the bank holding company's proportional share of any class of voting securities.
(d) *Acquisition of bank assets.* The acquisition by a bank holding company or by a subsidiary thereof (other than a bank) of all or substantially all of the assets of a bank.

(e) *Merger of bank holding companies.* The merger or consolidation of bank holding companies, including a merger through the purchase of assets and assumption of liabilities.

Section 225.12—Transactions not Requiring Board Approval

The following transactions do not require the Board's approval under section 225.11 of this subpart:
(a) *Acquisition of securities in fiduciary capacity.* The acquisition by a bank or other company (other than a trust that is a company) of control of voting securities of a bank or bank holding company in good faith in a fiduciary capacity, unless:

(1) the acquiring bank or other company has sole discretionary authority to vote the securities and retains the authority for more than two years; or
(2) the acquisition is for the benefit of the acquiring bank or other company, or its shareholders, employees, or subsidiaries.

(b) *Acquisition of securities in satisfaction of debts previously contracted.* The acquisition by a bank or other company of control of voting securities of a bank or bank holding company in the regular course of securing or collecting a debt previously contracted in good faith, if the acquiring bank or other company divests the securities within two years of acquisition. The Board or Reserve Bank may grant requests for up to three one-year extensions.

(c) *Acquisition of securities by a bank holding company with majority control.* The acquisition by a bank holding company of additional voting securities of a bank or bank holding company if more than 50 per cent of the outstanding voting securities of the bank or bank holding company is lawfully controlled by the acquiring bank holding company prior to the acquisition.

(d) *Transactions subject to Bank Merger Act.* The merger or consolidation of a subsidiary bank of a bank holding company with another bank, or the purchase of assets by such a subsidiary bank, or a similar transaction involving subsidiary banks of a bank holding company, if the transaction requires the prior approval of a Federal supervisory agency under the Bank Merger Act (12 U.S.C. 1828(c)). This exception does not include:
(1) the merger of a nonsubsidiary bank and a nonoperating subsidiary bank formed by a company for the purpose of acquiring the nonsubsidiary bank; and
(2) any transaction requiring the Board's prior approval under section 225.11(e) of this subpart. The Board may require an application under this subpart if it determines that the merger or consolidation would have a significant adverse impact on the financial condition of the bank holding company or otherwise requires approval under section 3 of the BHC Act.

(e) *Holding securities in escrow.* The holding of any voting securities of a bank or bank holding company in an escrow arrangement for the benefit of an applicant pending the Board's action on an application for approval of the proposed acquisition, if title to the securities and the voting rights remain with the seller and payment for the securities has not been made to the seller.

Section 225.13—Factors Considered in Acting on Bank Applications

(a) *Prohibited anticompetitive transactions.* As specified in sections 3(c)(1) and (2) of the BHC Act, the Board may not approve any application under this subpart if:
(1) the transaction would result in a monopoly or would further any combination or conspiracy to monopolize, or to attempt to monopolize, the business of banking in any part of the United States; or
(2) the effect of the transaction may be substantially to lessen competition in any section of the country, tend to create a monopoly, or in any other manner be in restraint of trade, unless the Board finds that the transaction's anticompetitive effects are clearly outweighed by its probable effect in meeting the convenience and needs of the community.

(b) *Other factors.* In deciding applications under this subpart, the Board also considers the following factors with respect to the applicant, its subsidiaries, any banks related to the applicant through common ownership or management, and the bank or banks to be acquired:
(1) *Financial condition.* Their financial condition and future prospects, including whether current and projected capital positions and levels of indebtedness conform to standards and policies established by the Board.

(2) *Management.* The competence and character of the principals of the applicant and banks or bank holding companies concerned; their record of compliance with laws and regulations; and applicant's record of fulfilling any commitments to, and any conditions imposed by, the Board in connection with prior applications.

(3) *Convenience and needs of the community.* The convenience and needs of the communities to be served, including the record of performance under the Community Reinvestment Act of 1977 (12 U.S.C. 2901 *et seq.*) and regulations issued thereunder, including the Board's Regulation BB (12 CFR Part 228.)

(c)(1) *Interstate transactions.* The Board may not approve any application under this subpart that would permit:
(i) the formation of a bank holding company that controls more than 5 per cent of the outstanding shares of any class of voting securities of two or more banks located in different states; or
(ii) the acquisition by a bank holding company or by any of its subsidiaries of any voting securities

of, any interest in, or substantially all of the assets of, an additional bank located in a state other than the state in which the operations of the banking subsidiaries of the bank holding company were principally conducted (as measured by total deposits) on July 1, 1966, or on the date on which the company became a bank holding company, whichever date is later.

(2) *Exceptions.* The prohibitions of this paragraph do not apply if:

(i) the bank is located in a state that by statute expressly authorizes the acquisition of securities of, an interest in, or substantially all of the assets of, a bank within the state by an out-of-state bank holding company; or

(ii) the acquisition involves a closed or failing bank with assets of at least $500,000,000, and has been authorized under section 13(f) of the Federal Deposit Insurance Act (12 U.S.C. 1823(f)).

Section 225.14—Procedures for Applications, Notices, and Hearings

(a) *Filing application.* An application for the Board's prior approval under this subpart shall be filed with the appropriate Reserve Bank on the designated form and shall comply with section 262.3 of the Rules of Procedure (12 CFR 262.3), which requires the applicant to publish newspaper notice of the application.

(b) *Notice.*

(1) *Notice to primary banking supervisor.* Upon receipt of an application under this subpart, the Reserve Bank shall promptly furnish notice and a copy of the application to the primary banking supervisor of the bank to be acquired. The primary supervisor shall have 30 calendar days from the date of the letter giving notice in which to submit its views and recommendations to the Board.

(2) *Federal Register notice.* Upon receipt by the Reserve Bank of an application under this section, notice of the application shall be promptly sent to the *Federal Register* for publication. The *Federal Register* notice shall invite comment on the application for a period of no more than 30 days.

(c) *Accepting application for processing.* Within 10 business days after the Reserve Bank receives an application under this section, the Reserve Bank shall accept it for processing, request additional information to complete the application, or return the application if it is substantially incomplete. If additional information is requested, the Reserve Bank shall, within 5 business days of receipt of the requested information, either accept the application for processing or return it to the applicant if it is still incomplete. Upon accepting an application, the Reserve Bank shall immediately send copies to the Board.

(d) *Action on applications.*

(1) *Action under delegated authority.* The Reserve Bank shall approve an application under this section within 30 calendar days after it has accepted the application, unless the Reserve Bank, upon notice to the applicant, refers the application to the Board for decision because action under delegated authority is not appropriate. Upon written notice to the applicant, the Reserve Bank may extend the 30-day period for 15 days. If the extension of time is to request necessary additional information, the 15-day period does not commence until after the Reserve Bank receives the requested information.

(2) *Board action.* The Board shall act on an application under this subpart that is referred to it for decision within 60 calendar days after the Reserve Bank has accepted the application, unless the Board notifies the applicant that the 60-day period is being extended for a specified period and states the reasons for the extension. In no event may the extension exceed the 91-day period provided in paragraph (g) of this section. The Board may request additional information that it believes is necessary for its decision.

(e) *Notice to Attorney General.* The Board or Reserve Bank shall immediately notify the Attorney General of approval of any application under this section.

(f) *Hearings.* As provided in section 3(b) of the BHC Act, the Board shall order a hearing if it receives from the primary supervisor of the bank to be acquired, within the 30-day period specified in paragraph (b)(1) of this section, a written recommendation of disapproval of an application. The Board may order a formal or informal hearing or other proceeding on the application, as provided in section 262.3(i)(2) of the Board's Rules of Procedure (12 CFR 262.3(i)(2)). Any request for a hearing (other than from the primary supervisor) shall comply with section 262.3(e) of the Rules of Procedure (12 CFR 262.3(e)).

(g) *Approval through failure to act.*

(1) *Ninety-one day rule.* An application under this subpart shall be deemed approved if the Board fails to act on the application within 91 calendar days

after the date of submission to the Board of the complete record on the application. For this purpose, the Board acts when it issues an order stating that the Board has approved or denied the application, reflecting the votes of the members of the Board, and indicating that a statement of the reasons for the decision will follow promptly.

(2) *Complete record.* For the purpose of computing the commencement of the 91-day period, the record is complete on the latest of:
(i) the date of receipt by the Board of an application that has been accepted by the Reserve Bank;
(ii) the last day provided in any notice for receipt of comments and hearing requests on the application;
(iii) the date of receipt by the Board of the last relevant material regarding the application that is needed for the Board's decision, if the material is received from a source outside of the Federal Reserve System; or
(iv) the date of completion of any hearing or other proceeding.

(h) *Exceptions to notice and hearing requirements.*

(1) *Probable bank failure.* If the Board finds it must act immediately on an application in order to prevent the probable failure of a bank or bank holding company, the Board may modify or dispense with the notice and hearing requirements provided in this section.

(2) *Emergency.* If the Board finds that, although immediate action on an application is not necessary, an emergency exists requiring expeditious action, the Board shall provide the primary supervisor ten days to submit its recommendation. The Board may act on such an application without a hearing and may modify or dispense with the other notice and hearing requirements provided in this section.

(i) *Waiting period.* A transaction approved under this subpart shall not be consummated until thirty days after the date of approval of the application, unless the Board has determined under paragraph (h) of this section that:
(1) the application involves a probable bank failure, in which case the transaction may be consummated immediately upon approval; or
(2) an emergency exists requiring expeditious action, in which case the transaction may be consummated on or after the fifth calendar day following approval.

Subpart C—Nonbanking Activities and Acquisitions by Bank Holding Companies

Section 225.21—Prohibited Nonbanking Activities and Acquisitions; Exempt Bank Holding Companies

(a) *Prohibited nonbanking activities and acquisitions.* Except as provided in section 225.22 of this subpart, a bank holding company or a subsidiary may not engage in, or acquire or control, directly or indirectly, voting securities or assets of a company engaged in, any activity other than:
(1) banking or managing or controlling banks and other subsidiaries authorized under the BHC Act; and

(2) an activity that the Board determines to be so closely related to banking or managing or controlling banks as to be a proper incident thereto, including any incidental activities that are necessary to carry on such an activity, if the bank holding company has obtained the prior approval of the Board for that activity in accordance with and subject to the requirements of this regulation.

(b) *Exempt bank holding companies.* The following bank holding companies are exempt from the provisions of this subpart:
(1) *Family-owned companies.* Any company that is a "company covered in 1970," as defined in section 2(b) of the BHC Act, more than 85 per cent of the voting securities of which was collectively owned on June 30, 1968, and continuously thereafter, by members of the same family (or their spouses) who are lineal descendants of common ancestors.

(2) *Labor, agricultural, and horticultural organizations.* Any company that was on January 4, 1977, both a bank holding company and a labor, agricultural, or horticultural organization exempt from taxation under section 501 of the Internal Revenue Code (26 U.S.C. 501(c)).

(3) *Companies granted hardship exemption.* Any bank holding company that has controlled only one bank since before July 1, 1968, and that has been granted an exemption by the Board under section 4(d) of the BHC Act, subject to any conditions imposed by the Board.

(4) *Companies granted exemption on other grounds.* Any company that acquired control of a bank before December 10, 1982, without the Board's prior approval under section 3 of the BHC Act, on the basis

of a narrow interpretation of the term "demand deposit" or "commercial loan" if the Board has determined that:

(i) coverage of the company as a bank holding company under this subpart would be unfair or represent an unreasonable hardship; and

(ii) exclusion of the company from coverage under this regulation is consistent with the purposes of the BHC Act and section 106 of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. 1971, 1972(1)). The provisions of section 225.4 of Subpart A of this regulation are not applicable to a company exempt under this paragraph.

Section 225.22—Exempt Nonbanking Activities and Acquisitions

(a) *Servicing activities.* A bank holding company may, without the Board's prior approval under this subpart, furnish services to or perform services for, or establish or acquire a company that engages solely in furnishing services to or performing services for:

(1) the bank holding company or its subsidiaries in connection with their activities as authorized by law, including services that are necessary to fulfill commitments entered into by the subsidiaries with third parties, if the bank holding company or servicing company complies with the Board's published interpretations and does not act as principal in dealing with third parties; and

(2) the internal operations of the bank holding company or its subsidiaries. Services for the internal operations of the bank holding company or its subsidiaries include, but are not limited to:

(i) accounting, auditing, and appraising;

(ii) advertising and public relations;

(iii) data processing and data transmission services, data bases or facilities;

(iv) personnel services;

(v) courier services;

(vi) holding or operating property used wholly or substantially by a subsidiary in its operations or its future use;

(vii) liquidating property acquired from a subsidiary;

(viii) liquidating property acquired from any sources either prior to May 9, 1956, or the date on which the company became a bank holding company, whichever is later; and

(ix) selling, purchasing, or underwriting insurance such as blanket bond insurance, group insurance for employees, and property and casualty insurance.

(b) *Safe deposit business.* A bank holding company or nonbank subsidiary may, without the Board's prior approval, conduct a safe deposit business, or acquire voting securities of a company that conducts such a business.

(c) *Nonbanking acquisitions not requiring prior Board approval.* The Board's prior approval is not required under this subpart for the following acquisitions:

(1) *DPC acquisitions.*

(i) Voting securities or assets, acquired by foreclosure or otherwise, in the ordinary course of collecting a debt previously contracted ("DPC property") in good faith, if the DPC property is divested within two years of acquisition.

(ii) The Board may, upon request, extend this two-year period for up to three additional one-year periods. The Board may permit additional extensions for up to 5 years (for a total of 10 years), for real estate or other assets that are demonstrated by the bank holding company to have value and marketability characteristics similar to real estate.

(iii) Transfers of DPC property within the bank holding company system do not extend any period for divestiture of the property.

(2) *Securities or assets required to be divested by subsidiary.* Voting securities or assets required to be divested by a subsidiary at the request of an examining federal or state authority (except by the Board under the BHC Act or this regulation), if the bank holding company divests the securities or assets within two years from the date acquired from the subsidiary.

(3) *Fiduciary investments.* Voting securities or assets acquired by a bank or other company (other than a trust that is a company) in good faith in a fiduciary capacity, if the voting securities or assets are:

(i) held in the ordinary course of business; and

(ii) not acquired for the benefit of the company or its shareholders, employees, or subsidiaries.

(4) *Securities eligible for investment by a national bank.* Voting securities of the kinds and amounts explicitly eligible by federal statute (other than section 4 of the Bank Service Corporation Act, 12 U.S.C. 1864) for investment by a national bank, and voting securities acquired prior to June 30, 1971, in reliance on section 4(c)(5) of the BHC Act and interpretations of the Comptroller of the Currency under section 5136 of the Revised Statutes (12 U.S.C. 24(7)).

(5) *Securities or property representing 5 per cent or less of a company.* Voting securities of a company

or property that, in the aggregate, represent 5 per cent or less of the outstanding shares of any class of voting securities of a company or a 5 per cent interest or less in the property, subject to the provisions of 12 CFR 225.137.
(6) *Securities of investment company.* Voting securities of an investment company that is solely engaged in investing in securities and that does not own or control more than 5 per cent of the outstanding shares of any class of voting securities of any company.

(7) *Assets acquired in the ordinary course of business.* Assets of a company acquired in the ordinary course of business, subject to the provisions of 12 CFR 225.132, if the assets relate to activities in which the acquiring company has previously received Board approval under this regulation to engage in the geographic areas to be served.

(8) *Asset acquisitions by consumer finance or mortgage company or industrial bank.* Assets of an office(s) of a company, all or substantially all of which relate to making, acquiring, or servicing loans for personal, family, or household purposes, if:
(i) the acquiring company has previously received Board approval under this regulation to engage in consumer finance, residential mortgage banking, or industrial banking activities in the geographic areas to be served by the acquired office(s);
(ii) the assets acquired during any twelve-month period do not represent more than 25 per cent of the assets (on a consolidated basis) of the acquiring consumer finance company, mortgage company or industrial bank, or more than $25 million, whichever amount is less;
(iii) the assets acquired do not represent more than 50 per cent of the selling company's consolidated assets that are devoted to the consumer finance, residential mortgage banking, or industrial banking business;
(iv) the acquiring company notifies the Reserve Bank of the acquisition within 30 days after the acquisition; and
(v) the acquiring company, after giving effect to the transaction, meets the Board's Capital Adequacy Guidelines (Appendix A to Subparts A through E) and the Board has not previously notified the acquiring company that it may not acquire assets under the exemption in this paragraph.

(d) *Acquisition of securities by subsidiary banks.*

(1) *National bank.* A national bank or its subsidiary may, without the Board's approval under this subpart, acquire or retain securities on the basis of section 4(c)(5) the BHC Act in accordance with the regulations of the Comptroller of the Currency.

(2) *State bank.* A state-chartered bank or its subsidiary may, insofar as federal law is concerned and without the Board's prior approval under this subpart:
(i) acquire or retain securities, on the basis of section 4(c)(5) of the BHC Act, of the kinds and amounts explicitly eligible by federal statute for investment by a national bank; or
(ii) acquire or retain all (but, except for directors' qualifying shares, not less than all) of the securities of a company that engages solely in activities in which the parent bank may engage, at locations at which the bank may engage in the activity, and subject to the same limitations as if the bank were engaging in the activity directly.

(e) *Activities and securities of new bank holding companies.* A company that becomes a bank holding company may, for a period of two years, engage in nonbanking activities and control voting securities or assets of a nonbank subsidiary, if the bank holding company engaged in such activities or controlled such voting securities or assets on the date it became a bank holding company. The Board may grant requests for up to three one-year extensions of the two-year period.

(f) *Grandfathered activities and securities.* Unless the Board orders divestiture or termination under section 4(a)(2) of the BHC Act, a "company covered in 1970," as defined in section 2(b) of the BHC Act, may:
(1) retain voting securities or assets and engage in activities that it has lawfully held or engaged in continuously since June 30, 1968; and
(2) acquire voting securities of any newly-formed company to engage in such activities.

(g) *Securities or activities exempt under Regulation K.* A bank holding company may acquire voting securities or assets and engage in activities as authorized in Regulation K (12 CFR Part 211).

Section 225.23—Procedures for Applications, Notices, and Hearings

(a) *Application or notice required for nonbanking activities.* An application or notice for the Board's prior approval under section 225.21(a) of this subpart for the following transactions shall be filed by a bank holding company with the appropriate Reserve Bank on the designated form in accordance with the Board's Rules of Procedure (12 CFR 262.2):

(1) *Engaging de novo in listed nonbanking activities.* A notice is required to commence or to engage *de novo*, either directly or through a subsidiary, in a nonbanking activity listed in section 225.25 of this subpart. The applicant may commence the activity 30 days after receipt by the Reserve Bank of the notice unless the Reserve Bank within the 30-day period:

(i) returns the notice because it is incomplete or requires an application under paragraph (a)(2) or (3) of this section;
(ii) notifies the company that it may consummate the transaction at an earlier date;
(iii) extends the 30-day period for an additional 15 days; or
(iv) refers the notice to the Board for decision because substantive adverse comment is received or it otherwise appears appropriate.

If the 30-day period is extended by the Reserve Bank to request necessary additional information, the 15-day period does not commence until after the Reserve Bank receives the requested information. The Reserve Bank shall promptly send a copy of any notice received under this paragraph to the Board.

(2) *Acquiring a company engaged in listed nonbanking activities.* An application is required to acquire or control voting securities or assets of a company engaged in a permissible nonbanking activity listed in section 225.25 of this subpart.

(3) *Engaging in or acquiring a company to engage in unlisted nonbanking activities.* An application is required to commence or to engage *de novo*, or to acquire or control voting securities or assets of a company engaged in, any activity not listed in section 225.25 of this subpart. The application shall contain evidence that the proposed activity is so closely related to banking or managing or controlling banks as to be a proper incident thereto.

(b) *Notice to expand or alter nonbanking activities.*

(1) *De novo expansion.* A notice under paragraph (a)(1) of this section is required to open a new office or to form a subsidiary to engage in, or to relocate an existing office engaged in, a nonbanking activity that the Board has previously approved for the bank holding company under this regulation, only if:

(i) the Board's prior approval was limited geographically;
(ii) the activity is to be conducted in a country outside of the United States and the bank holding company has not previously received prior Board approval under this regulation to engage in the activity in that country; or
(iii) the Board or appropriate Reserve Bank has notified the company that a notice under paragraph (a)(1) of this section is required.

The Board may require an application under paragraph (a)(2) or (a)(3) of this section instead of a notice.

(2) *Activities outside United States.* With respect to activities to be engaged in outside the United States that require approval under this subpart, the procedures of this section apply only to activities to be engaged in directly by a bank holding company that is not a qualifying foreign banking organization or by a nonbank subsidiary of a bank holding company approved under this subpart. Regulation K (12 CFR Part 211) governs other international operations of bank holding companies.

(3) *Alteration of nonbanking activity.* A notice under paragraph (a)(1) of this section is required to alter a nonbanking activity in any material respect from that considered by the Board in acting on the application or notice to engage in the activity. The Board may require an application under paragraph (a)(2) or (3) of this section instead of a notice.

(c) *Accepting application for processing.* Within 10 business days after the Reserve Bank receives an application under this section, the Reserve Bank shall accept it for processing, request additional information to complete the application, or return the application to the applicant if it is substantially incomplete. If additional information is requested, the Reserve Bank shall, within 5 business days of receipt of the requested information, either accept the application for processing or return the application to the applicant if it is still incomplete. Upon accepting an application, the Reserve Bank shall immediately send copies to the Board.

(d) *Federal Register notice.*

(1) *Listed activities.* Upon receipt by the Reserve Bank of an application or notice involving an activity listed in section 225.25 of this subpart, notice of the application or proposal shall be promptly sent to the *Federal Register* for publication. The *Federal Register* notice shall invite comment for a period of not more than 30 days.

(2) *Unlisted activities.* In the case of an application under this section involving an activity not listed in section 225.25 of this subpart, the Board shall,

within 10 business days of acceptance by the Reserve Bank, send notice of the application to the *Federal Register* for publication, unless the Board determines that the applicant has not demonstrated that the activity is so closely related to banking or to managing or controlling banks as to be a proper incident thereto. The Board may extend the 10-day period for an additional 30 calendar days upon notice to the applicant. In the event notice of an application is not published for comment, the Board shall inform the applicant of the reasons for the decision. The *Federal Register* notice shall invite comment on the proposal for a reasonable period of time, generally for 30 days.

(e) *Action on applications.*

(1) *Action under delegated authority.* The Reserve Bank shall approve an application under paragraph (a)(2) of this section within 30 calendar days after it has accepted the application, unless the Reserve Bank, upon notice to the applicant, refers the application to the Board for decision because action under delegated authority is not appropriate. Upon written notice to the applicant, the Reserve Bank may extend the 30-day period for 15 days. If the extension of time is to request necessary additional information, the 15-day period does not commence until the Reserve Bank receives the requested information.

(2) *Board action.* The Board shall act on an application or notice under this section that is referred to it for decision within 60 calendar days after the Reserve Bank has accepted the application or received the notice, unless the Board notifies the applicant that the 60-day period is being extended for a specified period and explains the reasons for the extension. In no event may the extension exceed the 91-day period specified in paragraph (h) of this section. The Board may request additional information that it believes is necessary for its decision.

(f) *Expedited procedure for small acquisitions.*

(1) *Filing notice.* As an alternative to the application procedure of paragraph (a)(2) of this section, a bank holding company may apply to acquire voting securities or assets of a company engaged in an activity listed in section 225.25 of this subpart by:
(i) providing the appropriate Reserve Bank with a description of the transaction; and either
(ii) submitting a copy of a newspaper notice in the form prescribed by the Board; or
(iii) requesting the Board to publish notice of the application in the *Federal Register*. The newspaper notice shall be published in a newspaper of general circulation in the areas to be served as a result of the acquisition and shall provide an opportunity for interested persons to comment on the application for a period of at least 10 calendar days. If the applicant elects *Federal Register* notice, the notice shall provide an opportunity for interested persons to comment for a period of at least 15 calendar days.

(2) *Criteria for use of expedited procedure.* The procedure in this paragraph is available only if:
(i) neither the book value of the assets to be acquired nor the gross consideration to be paid for the securities or assets exceeds $15 million;
(ii) the bank holding company has previously received Board approval to engage in the activity involved in the acquisition; and
(iii) the bank holding company meets the Board's Capital Adequacy Guidelines (Appendix A to Subparts A through E).

(3) *Action on application.* Within 5 business days after the close of the comment period specified in the *Federal Register* notice or within 15 calendar days after receipt by the Reserve Bank of the newspaper notice, the Reserve Bank shall either approve the application or refer it to the Board for decision if action under delegated authority is not appropriate. The Board shall act on an application under this paragraph that is referred to it for decision in accordance with paragraph (e)(2) of this section. The Reserve Bank, upon written notice to the applicant, may extend the time period for approval under this paragraph for a reasonable period of time not to exceed 30 days. The Reserve Bank or the Board may require an application under paragraph (a)(2) of this section.

(g) *Hearing.* Any request for a hearing on an application or notice under this section shall comply with the provisions of section 262.3(e) of the Board's Rules of Procedure (12 CFR 262.3(e)). The Board may order a formal or informal hearing or other proceeding on an application, as provided in section 262.3(i)(2) of the Rules of Procedure (12 CFR 262.3(i)(2)). The Board shall order a hearing only if there are disputed issues of material fact that cannot be resolved in some other manner.

(h) *Approval through failure to act; 91-day rule.* An application or notice under this subpart shall be deemed approved if the Board fails to act on the application or notice within 91 calendar days after the date of submission to the Board of the complete record on the application or notice. The procedures for computation of the 91-day rule as set forth in section 225.14(g) of Subpart B of this regulation apply to applications and notices under this subpart.

(i) *Emergency thrift institution acquisitions.* In the case of an application to acquire a thrift institution, the Board may modify or dispense with the notice and hearing requirements of this section if the Board finds that an emergency exists that requires the Board to act immediately and the primary Federal regulator of the institution concurs.

Section 225.24—Factors Considered in Acting on Nonbanking Applications

In evaluating an application or notice under section 225.23 of this subpart, the Board shall consider whether the performance by the applicant of the activity can reasonably be expected to produce benefits to the public (such as greater convenience, increased competition, and gains in efficiency) that outweigh possible adverse effects (such as undue concentration of resources, decreased or unfair competition, conflicts of interest, and unsound banking practices). This consideration includes an evaluation of the financial and managerial resources of the applicant, including its subsidiaries, and any company to be acquired, and the effect of the proposed transaction on those resources. Unless the record demonstrates otherwise, the commencement or expansion of a nonbanking activity *de novo* is presumed to result in benefits to the public through increased competition.

Section 225.25—List of Permissible Nonbanking Activities

(a) *Closely related nonbanking activities.* The activities listed below are so closely related to banking or managing or controlling banks as to be a proper incident thereto and may be engaged in by a bank holding company or a subsidiary thereof in accordance with and subject to the requirements of this regulation.

(b)(1) *Making and servicing loans.* Making, acquiring, or servicing loans or other extensions of credit (including issuing letters of credit and accepting drafts) for the company's account or for the account of others, such as would be made, for example, by the following types of companies:
(i) consumer finance;
(ii) credit card;
(iii) mortgage;
(iv) commercial finance; and
(v) factoring.

(2) *Industrial banking.* Operating an industrial bank, Morris Plan bank, or industrial loan company, as authorized under state law, so long as the institution is not a bank.

(3) *Trust company functions.* Performing functions or activities that may be performed by a trust company (including activities of a fiduciary, agency, or custodial nature), in the manner authorized by federal or state law, so long as the institution is not a bank and does not make loans or investments or accept deposits other than:
(i) deposits that are generated from trust funds not currently invested and that are properly secured to the extent required by law;
(ii) deposits representing funds received for a special use in the capacity of managing agent or custodian for an owner of, or investor in, real property, securities, or other personal property; or for such owner or investor as agent or custodian of funds held for investment or as escrow agent; or for an issuer of, or broker or dealer in securities, in a capacity such as a paying agent, dividend disbursing agent, or securities clearing agent; provided such deposits are not employed by or for the account of the customer in the manner of a general purpose checking account or interest-bearing account; or
(iii) making call loans to securities dealers or purchasing money market instruments such as certificates of deposit, commercial paper, government or municipal securities, and bankers acceptances. (Such authorized loans and investments, however, may not be used as a method of channeling funds to nonbanking affiliates of the trust company.)

(4) *Investment or financial advice.* Acting as investment or financial advisor to the extent of:
(i) serving as the advisory company for a mortgage or a real estate investment trust;
(ii) serving as investment adviser (as defined in section 2(a)(20) of the Investment Company Act of 1940, 15 U.S.C. 80a-2(a)(20)), to an investment company registered under that act, including sponsoring, organizing, and managing a closed-end investment company;
(iii) providing portfolio investment advice[1] to any other person;

1. The term "portfolio investment" is intended to refer generally to the investment of funds in a "security" as defined in section 2(1) of the Securities Act of 1933 (15 U.S.C. 77b) or in real property interests, except where the real property is to be used in the trade or business of the person being advised. In furnishing portfolio investment advice, bank holding companies and their subsidiaries shall observe the standards of care and conduct applicable to fiduciaries.

(iv) furnishing general economic information and advice, general economic statistical forecasting services and industry studies;[2] and
(v) providing financial advice to state and local governments, such as with respect to the issuance of their securities.

(5) *Leasing personal or real property.* Leasing personal or real property or acting as agent, broker, or adviser in leasing such property if:
(i) the lease is to serve as the functional equivalent of an extension of credit to the lessee of the property;
(ii) the property to be leased is acquired specifically for the leasing transaction under consideration or was acquired specifically for an earlier leasing transaction;
(iii) the lease is on a nonoperating basis;[3]
(iv) at the inception of the initial lease the effect of the transaction (and, with respect to governmental entities only, reasonably anticipated future transactions [4]) will yield a return that will compensate the lessor for not less than the lessor's full investment in the property plus the estimated total cost of financing the property over the term of the lease,[5] from:
(A) rentals;
(B) estimated tax benefits (investment tax credit, net economic gain from tax deferral from accelerated depreciation, and other tax benefits with a substantially similar effect);
(C) the estimated residual value of the property at the expiration of the initial term of the lease, which in no case shall exceed 20 per cent of the acquisition cost of the property to the lessor; and
(D) in the case of a lease of personal property of not more than seven years in duration, such additional amount, which shall not exceed 60 per cent of the acquisition cost of the property, as may be provided by an unconditional guarantee by a lessee, independent third party, or manufacturer, which has been determined by the lessor to have the financial resources to meet such obligation, that will assure the lessor of recovery of its investment and cost of financing;
(v) the maximum lease term during which the lessor must recover the lessor's full investment in the property, plus the estimated total cost of financing the property, shall be 40 years; and
(vi) at the expiration of the lease (including any renewals or extensions with the same lessee), all interest in the property shall be either liquidated or released on a nonoperating basis as soon as practicable but in no event later than two years from the expiration of the lease;[6] however, in no case shall the lessor retain any interest in the property beyond 50 years after its acquisition of the property.

(6) *Community development.* Making equity and debt investments in corporations or projects designed primarily to promote community welfare, such as the economic rehabilitation and development of low-income areas by providing housing, services, or jobs for residents.

2. This is to be contrasted with "management consulting," which the Board views as including, but not limited to, the provision of analysis or advice as to a firm's (A) purchasing operations, such as inventory control, sources of supply, and cost minimization subject to constraints; (B) production operations, such as quality control, work measurement, product methods, scheduling shifts, time and motion studies, and safety standards; (C) marketing operations, such as market testing, advertising programs, market development, packaging, and brand development; (D) planning operations, such as demand and cost projections, plant location, program planning, corporate acquisitions and mergers, and determination of long-term and short-term goals; (E) personnel operations, such as recruitment, training, incentive programs, employee compensation, and management-personnel relations; (F) internal operations, such as taxes, corporate organization, budgeting systems, budget control, data processing systems evaluation, and efficiency evaluation; or (G) research operations, such as product development, basic research, and product design and innovation. The Board has determined that "management consulting" is not an activity that is so closely related to banking or managing or controlling banks as to be a proper incident thereto.

3. For purposes of the leasing of automobiles, the requirement that the lease be on a nonoperating basis means that the bank holding company may not, directly or indirectly: (A) provide for the servicing, repair, or maintenance of the leased vehicle during the lease term; (B) purchase parts and accessories in bulk or for an individual vehicle after the lessee has taken delivery of the vehicle, (C) provide for the loan of an automobile during servicing of the leased vehicle; (D) purchase insurance for the lessee; or (E) provide for the renewal of the vehicle's license merely as a service to the lessee where the lessee could renew the license without authorization from the lessor.

4. The Board understands that some federal, state and local governmental entities may not enter into a lease for a period in excess of one year. Such an impediment does not prohibit a company authorized to conduct leasing activities under this paragraph from entering into a lease with such governmental entities if the company reasonably anticipates that the governmental entities will renew the lease annually until such time as the company is fully compensated for its investment in the leased property plus its costs of financing the property. Further, a company authorized to conduct personal property leasing activities under this paragraph may also engage in so-called "bridge" lease financing of personal property, but not real property, if the lease is short-term pending completion of long-term financing, by the same or another lender.

5. The estimate by the lessor of the total cost of financing the property over the term of the lease should reflect, among other factors: the term of the lease, the modes of financing available to the lessor, the credit rating of the lessor and/or the lessee, if a factor in the financing, and prevailing rates in the money and capital markets.

6. In the event of a default on a lease agreement prior to the expiration of the lease term, the lessor shall either release the property, subject to all the conditions of this paragraph, or liquidate the property as soon as practicable but in no event later than two years from the date of default on a lease agreement or such additional time as the Board may permit under section 225.22(c)(1) of this regulation, as if the property were DPC property

(7) *Data processing.* Providing to others data processing and data transmission services, facilities (including data processing and data transmission hardware, software, documentation or operating personnel), data bases, or access to such services, facilities, or data bases by any technological means, if:

(i) the data to be processed or furnished are financial, banking, or economic, and the services are provided pursuant to a written agreement so describing and limiting the services;

(ii) the facilities are designed, marketed, and operated for the processing and transmission of financial, banking, or economic data; and

(iii) the hardware provided in connection therewith is offered only in conjunction with software designed and marketed for the processing and transmission of financial, banking, or economic data, and where the general purpose hardware does not constitute more than 30 per cent of the cost of any packaged offering.

(8) *Insurance sales.* Except as prohibited in Title VI of the Garn-St Germain Depository Institutions Act of 1982 (12 U.S.C. 1843(c)(8)), acting as insurance agent or broker in offices at which the holding company or its subsidiaries are otherwise engaged in business (or in an office adjacent thereto) with respect to the following types of insurance:

(i) any insurance that

(A) is directly related to an extension of credit by a bank or bank-related firm of the kind described in this regulation, or

(B) is directly related to the provision of other financial services by a bank or such a bank-related firm; and

(ii) any insurance sold by a bank holding company or a nonbanking subsidiary in a community that has a population not exceeding 5,000 (as shown by the last preceding decennial census), if the principal place of banking business of the bank holding company is located in a community having a population not exceeding 5,000.

(9) *Underwriting Credit Life, Accident and Health Insurance.* Acting as underwriter for credit life insurance and credit accident and health insurance that is directly related to an extension of credit by the bank holding company system.[7]

(10) *Courier services.* Providing courier services for:

(i) checks, commercial papers, documents, and written instruments (excluding currency or bearer-type negotiable instruments) that are exchanged among banks and financial institutions; and

(ii) audit and accounting media of a banking or financial nature and other business records and documents used in processing such media.[8]

(11) *Management consulting to depository institutions.* Providing management consulting advice [9] to nonaffiliated bank and nonbank depository institutions, including commercial banks, savings and loan associations, mutual savings banks, credit unions, industrial banks, Morris Plan banks, cooperative banks, and industrial loan companies, if:

(i) neither the bank holding company nor any of its subsidiaries own or control, directly or indirectly, any equity securities in the client institution;

(ii) no management official, as defined in 12 CFR 212.2(h), of the bank holding company or any of its subsidiaries serves as a management official of the client institution, except where such interlocking relationships are permitted pursuant to an exemption granted under 12 CFR 212.4(b);

(iii) the advice is rendered on an explicit fee basis without regard to correspondent balances maintained by the client institution at any depository institution subsidiary of the bank holding company; and

(iv) disclosure is made to each potential client institution of

(A) the names of all depository institutions that are affiliates of the consulting company, and

(B) the names of all existing client institutions located in the same county(ies), Metropolitan Statistical Area, or Primary Metropolitan Statistical Area as the client institution.[10]

(12) *Money orders, savings bonds, and travelers checks.* The issuance and sale at retail of money

7. To assure that engaging in the underwriting of credit life and credit accident and health insurance can reasonably be expected to be in the public interest, the Board will only approve applications in which an applicant demonstrates that approval will benefit the consumer or result in other public benefits. Normally such a showing would be made by a projected reduction in rates or increase in policy benefits due to bank holding company performance of this service.

8. See also the Board's interpretation on courier activities (12 CFR 225.129), which sets forth conditions for bank holding company entry into the activity.

9. A bank holding company that has received the Board's prior approval to engage in offering management consulting advice to nonaffiliated commercial banks as of April 20, 1982, may offer such advice on a *de novo* basis to nonbank depository institutions pursuant to this paragraph without filing an application under section 225.23 of this subpart.

10. In performing this activity, bank holding companies are not authorized to perform tasks or operations or provide services to client institutions either on a daily or continuing basis, except as necessary to instruct the client institution on how to perform such services for itself. See also the Board's interpretation of bank management consulting advice (12 CFR 225.131). This interpretation shall apply to the performance of management consulting services for commercial banks and any other type of depository institution.

orders and similar consumer-type payment instruments having a face value of not more than $1,000; the sale of U.S. savings bonds; and the issuance and sale of travelers checks.

(13) *Real estate appraising*. Performing appraisals of real estate.

(14) *Arranging commercial real estate equity financing*. Acting as intermediary for the financing of commercial or industrial income-producing real estate by arranging for the transfer of the title, control and risk of such a real estate project to one or more investors, if:

(i) the financing arranged exceeds $1 million;

(ii) the bank holding company and its affiliates do not provide financing to the investors to acquire a real estate project for which the bank holding company arranges equity financing;

(iii) the bank holding company and its affiliates do not have an interest in or participate in managing, developing or syndicating a real estate project for which it arranges equity financing, and do not promote or sponsor the development or syndication of such property; and

(iv) the fee received for arranging equity financing for a real estate project is not based on profits to be derived from the project and is not larger than the fee that would be charged by an unaffiliated intermediary.

(15) *Securities Brokerage*. Providing securities brokerage services, related securities credit activities pursuant to the Board's Regulation T (12 CFR Part 220), and incidental activities such as offering custodial services, individual retirement accounts, and cash management services, if the securities brokerage services are restricted to buying and selling securities solely as agent for the account of customers and do not include securities underwriting or dealing or investment advice or research services.

(16) *Underwriting and dealing in government obligations and money market instruments*. Underwriting and dealing in obligations of the United States, general obligations of states and their political subdivisions, and other obligations that state member banks of the Federal Reserve System may be authorized to underwrite and deal in under 12 U.S.C. 24 and 335, including bankers' acceptances and certificates of deposit, under the same limitations as would be applicable if the activity were performed by the bank holding company's subsidiary member banks or its subsidiary nonmember banks as if they were member banks.

(17) *Foreign exchange advisory and transactional services*. Providing, by any means, general information and statistical forecasting with respect to foreign exchange markets; advisory services designed to assist customers in monitoring, evaluating and managing their foreign exchange exposures; and transactional services with respect to foreign exchange by arranging for "swaps" among customers with complementary foreign exchange exposures and for the execution of foreign exchange transactions; provided the activity is conducted through a separately incorporated subsidiary of the bank holding company that:

(i) does not take positions in foreign exchange for its own account;

(ii) observes the standards of care and conduct applicable to fiduciaries with respect to its foreign exchange advisory and transactional services; and

(iii) does not itself execute foreign exchange transactions.

(18) *Futures commission merchant*. Acting as a futures commission merchant for nonaffiliated persons in the execution and clearance on major commodity exchanges of futures contracts and options on futures contracts for bullion, foreign exchange, government securities, certificates of deposit and other money market instruments that a bank may buy or sell in the cash market for its own account, if the activity is conducted through a separately incorporated subsidiary of the bank holding company that:

(i) does not become a clearing member of any exchange or clearing association that requires the parent corporation of the clearing member to also become a member of that exchange or clearing association unless a waiver of the requirement is obtained;

(ii) does not trade for its own account except for the purpose of hedging a cash position in the related government security, bullion, foreign currency, or money market instrument;

(iii) time stamps orders of all customers to the nearest minute, executes all orders strictly in chronological sequence to the extent consistent with the customers' specifications, and executes all orders with reasonable promptness with due regard to market conditions;

(iv) does not extend credit to customers for the purpose of meeting initial or maintenance margins required of customers except for posting margin on behalf of customers in advance of prompt reimbursement; and

(v) has and maintains capitalization fully adequate to meet its own commitments and those of its customers, including affiliates.

Subpart D—Control and Divestiture Proceedings

Section 225.31—Control Proceedings

(a) *Preliminary determination of control.*

(1) The Board may issue a preliminary determination of control under the procedures set forth in this section in any case in which:

(i) any of the presumptions of control set forth in paragraph (d) of this section is present; or

(ii) it otherwise appears that a company has the power to exercise a controlling influence over the management or policies of a bank or other company.

(2) If the Board makes a preliminary determination of control under this section, the Board shall send notice to the controlling company containing a statement of the facts upon which the preliminary determination is based.

(b) *Response to preliminary determination of control.* Within 30 calendar days of issuance by the Board of a preliminary determination of control or such longer period permitted by the Board, the company against whom the determination has been made shall:

(1) submit for the Board's approval a specific plan for the prompt termination of the control relationship;

(2) file an application under Subpart B or C of this regulation to retain the control relationship; or

(3) contest the preliminary determination by filing a response, setting forth the facts and circumstances in support of its position that no control exists, and, if desired, requesting a hearing or other proceeding.

(c) *Hearing and final determination.*

(1) The Board shall order a formal hearing or other appropriate proceeding upon the request of a company that contests a preliminary determination that the company has the power to exercise a controlling influence over the management or policies of a bank or other company, if the Board finds that material facts are in dispute. The Board may also in its discretion order a formal hearing or other proceeding with respect to a preliminary determination that the company controls voting securities of the bank or other company under the presumptions in paragraph (d)(1) of this section.

(2) At a hearing or other proceeding, any applicable presumptions established by paragraph (d) of this section shall be considered in accordance with the Federal Rules of Evidence and the Board's Rules of Practice for Formal Hearings (12 CFR Part 263).

(3) After considering the submissions of the company and other evidence, including the record of any hearing or other proceeding, the Board shall issue a final order determining whether the company controls voting securities, or has the power to exercise a controlling influence over the management or policies, of the bank or other company. If a control relationship is found, the Board may direct the company to terminate the control relationship or to file an application for the Board's approval to retain the control relationship under Subpart B or C of this regulation.

(d) *Rebuttable presumptions of control.* The following rebuttable presumptions shall be used in any proceeding under this section:

(1) *Control of voting securities:*

(i) *Securities convertible into voting securities.* A company that owns, controls, or holds securities that are immediately convertible, at the option of the holder or owner, into voting securities of a bank or other company, controls the voting securities.

(ii) *Option or restriction on voting securities.* A company that enters into an agreement or understanding under which the rights of a holder of voting securities of a bank or other company are restricted in any manner controls the securities. This presumption does not apply where the agreement or understanding:

(A) is a mutual agreement among shareholders granting to each other a right of first refusal with respect to their shares;

(B) is incident to a *bona fide* loan transaction; or

(C) relates to restrictions on transferability and continues only for the time necessary to obtain approval from the appropriate federal supervisory authority with respect to acquisition by the company of the securities.

(2) *Control over company.*

(i) *Management agreement.* A company that enters into any agreement or understanding with a bank or other company (other than an investment advisory agreement), such as a management contract, under which the first company or any of its subsidiaries directs or exercises significant influence over the general management or overall operations of the bank or other company controls the bank or other company.

(ii) *Shares controlled by company and associated individuals.* A company that, together with its management officials or principal shareholders (including members of the immediate families of either as defined in 12 CFR 206.2(k)), owns, controls, or holds with power to vote 25 per cent or more of the outstanding shares of any class of voting securities of a bank or other company controls the bank or other company, if the first company owns, controls, or holds with power to vote more than 5 per cent of the outstanding shares of any class of voting securities of the bank or other company.

(iii) *Common management officials.* A company that has one or more management officials in common with a bank or other company controls the bank or other company, if the first company owns, controls or holds with power to vote more than 5 per cent of the outstanding shares of any class of voting securities of the bank or other company, and no other person controls as much as 5 per cent of the outstanding shares of any class of voting securities of the bank or other company.

(iv) *Shares held as fiduciary.* The presumptions in paragraphs (d)(2)(ii) and (iii) of this section do not apply if the securities are held by the company in a fiduciary capacity without sole discretionary authority to exercise the voting rights.

(e) *Presumptions of non-control.*

(1) In any proceeding under this section, there is a presumption that any company that directly or indirectly owns, controls, or has power to vote less than 5 per cent of the outstanding shares of any class of voting securities of a bank or other company does not have control over that bank or other company.

(2) In any proceeding under this section, or judicial proceeding under the BHC Act, other than a proceeding in which the Board has made a preliminary determination that a company has the power to exercise a controlling influence over the management or policies of the bank or other company, a company may not be held to have had control over the bank or other company at any given time, unless that company, at the time in question, directly or indirectly owned, controlled, or had power to vote 5 per cent or more of the outstanding shares of any class of voting securities of the bank or other company, or had already been found to have control on the basis of the existence of a controlling influence relationship.

Section 225.32—Divestiture Proceedings

(a) *Ineffective divestitures.*

(1) The divestiture of assets or voting securities by a bank holding company (or a company that would be a bank holding company but for the divestiture) is ineffective, and the divesting company shall be presumed to control the acquiring person or the divested assets or securities, if

(i) the acquiring person is indebted in any manner to the divesting company; or

(ii) the divesting company has any management official in common with the acquiring person.

(2) For the purposes of this section:

(i) "indebtedness" does not include routine business or personal credit that is unrelated to the divestiture transaction and that is extended by the divesting company in the ordinary course of its lending business; and

(ii) "divesting company" and "acquiring person" include their parent companies, subsidiaries, and, if the acquiring person is an individual, companies controlled by the individual.

(b) *Request for divestiture determination.* For any divestiture that is deemed ineffective under paragraph (a) of this section, the divesting company may request the Board to determine that the divestiture is in fact effective by submitting a letter that includes:

(1) a description of the divestiture transaction and the existing and prospective relationship between the divesting company and the acquiring person;

(2) evidence and argument demonstrating that the divesting company is not capable of controlling the acquiring person or the divested assets or securities; and

(3) a request for a hearing, if desired.

(c) *Hearing.* The Board shall order a formal hearing or other appropriate proceeding upon the request of a divesting company under paragraph (b) of this section, if the Board finds that material facts are in dispute. The Board may also order a formal hearing or other proceeding if, in the Board's judgment, such a proceeding would be appropriate.

(d) *Standards for making divestiture determination.* In acting on the request of a divesting company under paragraph (b) of this section, the Board shall consider the following factors, among others, in determining whether the divesting company is capable of controlling the acquiring person or the divested assets or securities:

(1) *Indebtedness of acquiring person to divesting company.*

(i) the terms of the indebtedness, including the amount of the indebtedness in relation to the total purchase price;

(ii) the ability of the acquiring person to repay the indebtedness; and

(iii) the manner in which the divesting company would dispose of the divested assets in the event it reacquires the assets as a result of default on the indebtedness.

(2) *Management official interlocks.* The extent of the involvement of the interlocking management

official in the operations of the divesting company and the acquiring person, and the management official's relationship to the assets or securities being divested.

(e) *Final determination.* After considering the submission of the divesting company and other evidence, including the record of any hearing or other proceeding, the Board shall issue an order determining whether the company controls or is capable of controlling the acquiring person or the divested assets or securities.

(f) *Review of other divestitures.* In any divestiture of assets or securities by a company that is not covered under paragraph (a) of this section, the Board may review the divestiture to assure that the divesting company is not capable of controlling the acquiring person or the divested assets or securities.

Subpart E—Change in Bank Control

Section 225.41—Transactions Requiring Prior Notice

(a) *Prior notice requirement.*

(1) Any person acting directly or indirectly, or through or in concert with one or more persons, shall give the Board 60 days' written notice, as specified in section 225.43 of this subpart, before acquiring control of a state member bank or bank holding company, unless the acquisition is exempt under section 225.42 of this subpart.

(2) For the purposes of this subpart, "acquisition" includes a purchase, assignment, transfer, or pledge of voting securities, or an increase in percentage ownership of a bank or other company resulting from a redemption of voting securities.

(b) *Acquisitions requiring prior notice.* The following transactions constitute, or are presumed to constitute, the acquisition of control under the Bank Control Act, requiring prior notice to the Board:

(1) the acquisition of any voting securities of a state member bank or bank holding company if, after the transaction, the acquiring person (or persons acting in concert) owns, controls, or holds with power to vote 25 per cent or more of any class of voting securities of the institution; or

(2) the acquisition of any voting securities of a state member bank or bank holding company if, after the transaction, the acquiring person (or persons acting in concert) owns, controls, or holds with power to vote 10 per cent or more (but less than 25 per cent) of any class of voting securities of the institution, and if:

(A) the institution has registered securities under section 12 of the Securities Exchange Act of 1934 (15 U.S.C. 781); or

(B) no other person will own a greater percentage of that class of voting securities immediately after the transaction.

(c) *Rebuttal of presumption of control.* Prior notice to the Board is not required for any acquisition of voting securities under the presumption set forth in paragraph (b)(2) of this section, if the Board finds that the acquisition will not result in control. The Board will afford the person seeking to rebut the presumption an opportunity to present views in writing or, if appropriate, orally before its designated representatives at an informal conference.

(d) *Other transactions.* Transactions other than those set forth in paragraph (b)(2) resulting in a person's control of less than 25 per cent of a class of voting securities of a state member bank or bank holding company do not result in control for purposes of the Bank Control Act.

Section 225.42—Transactions not Requiring Prior Notice

The following transactions do not require prior notice to the Board under this subpart:

(a) *Increase of previously authorized acquisitions.* The acquisition of additional shares of a class of voting securities of a state member bank or bank holding company by any person who has lawfully acquired and maintained control of 25 per cent or more of that class of voting securities after filing the notice required under section 225.41(b)(1) of this subpart.

(b) *Acquisitions subject to approval under BHC Act or Bank Merger Act.* Any acquisition of voting securities subject to approval under section 3 of the BHC Act (section 225.11 of Subpart B), or section 18(c) of the Federal Deposit Insurance Act (Bank Merger Act, 12 U.S.C. 1828(c)).

(c) *Transactions exempt under BHC Act.* Any acquisition described in sections 2(a)(5) or 3(a)(A) or (B) of the BHC Act (12 U.S.C. 1841(a)(5), 1842(a)(A) and (B)) by a person described in those provisions.

(d) *Grandfathered control relationships.*

(1) The acquisition of additional voting securities of a state member bank or bank holding company by a person who continuously since March 9, 1979 (or

since that institution commenced business, if later) held power to vote 25 per cent or more of any class of voting securities of that institution; or

(2) the acquisition of additional voting securities of a state member bank or bank holding company by a person who is presumed under section 225.41(b)(2) of this subpart to have controlled the institution continuously since March 9, 1979, if the aggregate amount of voting securities held does not exceed 25 per cent of any class of voting securities of the institution.

(e) *Acquisitions in satisfaction of debts previously contracted or through inheritance or gift.* Any acquisition of voting securities, which would otherwise require a notice under this subpart, in satisfaction of a debt previously contracted in good faith, or through inheritance or a *bona fide* gift, if the acquiring person notifies the appropriate Reserve Bank within 30 calendar days after the acquisition and provides any relevant information requested by the Reserve Bank.

(f) *Proxy solicitation.* The acquisition of the power to vote securities of a state member bank or bank holding company through receipt of a revocable proxy in connection with a proxy solicitation for the purpose of conducting business at a regular or special meeting of the institution, if the proxy terminates within a reasonable period after the meeting.

(g) *Stock dividends.* The receipt of voting securities of a state member bank or bank holding company through a stock dividend or stock split if the proportional interest of the recipient in the institution remains substantially the same.

(h) *Acquisition of foreign banking organization.* The acquisition of voting securities of a qualifying foreign banking organization. (This exemption does not extend to the reports and information required under paragraphs 9, 10, and 12 of the Bank Control Act (12 U.S.C. 1817(j)(9), (10), and (12)).

Section 225.43—Procedures for Filing, Processing, and Acting on Notices

(a) *Filing notice.* A notice required under this subpart shall be filed with the appropriate Reserve Bank and shall contain the information required by paragraph 6 of the Bank Control Act (12 U.S.C. 1817(j)(6)), or prescribed in the designated Board form. With respect to personal financial statements required by paragraph 5(B) of the Bank Control Act, an individual may include a statement of assets and liabilities as of a date within 90 days of filing the notice, a brief income summary, and a description of any subsequent material changes, subject to the authority of the Reserve Bank or the Board to require additional information.

(b) *Advice to bank supervisory agencies.*

(1) Upon accepting a notice relating to acquisition of securities of a state member bank, the Reserve Bank shall send a copy of the notice to the appropriate state bank supervisor, which shall have 30 calendar days from the date the notice is sent in which to submit its views and recommendations to the Board. The Reserve Bank shall also send a copy of any notice it accepts to the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

(2) If the Board finds that it must act immediately in order to prevent the probable failure of the bank or bank holding company involved, the Board may dispense with or modify the requirements for notice to the state supervisor.

(c) *Time period for Board action.*

(1) *Consummation of acquistion.*

(i) A proposed acquisition may be consummated 60 days after submission to the Reserve Bank of a complete notice under paragraph (a) of this section, unless within that period the Board disapproves the proposed acquisition or extends the 60-day period as provided under paragraph (c)(2) of this section.

(ii) A proposed acquisition for which notice has been filed under paragraph (a) of this section may be consummated before the expiration of the 60-day period if the Board notifies the acquiring person in writing of the Board's intention not to disapprove the acquisition.

(2) *Extension of time period.*

(i) The Board may extend the 60-day period in paragraph (c)(1) of this section for an additional 30 days by notifying the acquiring person.

(ii) The Board may further extend the period for disapproval or return the notice, if the Board finds that the acquiring person has not furnished all the information required under paragraph (a) of this section or has submitted material information that is substantially inaccurate. If the Board so extends the time period, it shall notify the acquiring person of the information that is incomplete or inaccurate.

(d) *Investigation of notice.* In investigating any notice accepted under this subpart, the Board or Reserve Bank may solicit information or views from any person (including any bank or bank holding company involved in the notice, and any appropriate state, federal or foreign governmental authority). No person (other than the acquiring person), whose views are solicited or who presents information, thereby becomes a party to the proceeding or acquires any standing or right to participate in the Board's consideration of the notice.

(e) *Factors considered in acting on notices.* In reviewing a notice filed under this subpart, the Board shall consider the information in the record, the views and recommendations of the appropriate bank supervisor, and any other relevant information obtained during any investigation of the notice. The Board may disapprove an acquisition if it finds adverse effects with respect to any of the factors set forth in paragraph 7 of the Bank Control Act (12 U.S.C. 1817(j)(7)) (*i.e.*, competitive, financial, managerial, banking or incompleteness of information).

(f) *Disapproval and hearing.* Within three days after its decision to issue a notice of intent to disapprove any proposed acquisition, the Board shall notify the acquiring person in writing of the reasons for the action. Within 10 calendar days of receipt of the notice of the Board's intent to disapprove, the acquiring person may submit a written request for a hearing. Any hearing conducted under this paragraph shall be in accordance with the Rules of Practice for Formal Hearings (12 CFR Part 263). At the conclusion of the hearing, the Board shall, by order, approve or disapprove the proposed acquisition on the basis of the record of the hearing. If the acquiring person does not request a hearing, the notice of intent to disapprove becomes final and unappealable.

APPENDICES TO SUBPARTS A THROUGH E

Appendix A—Capital Adequacy Guidelines

Definition of Capital to be Used in Determining Capital Adequacy of National and State Member Banks and Bank Holding Companies

Primary Components of Capital

The primary components of capital are:
- common stock
- perpetual preferred stock
- surplus
- undivided profits
- contingency and other capital reserves
- mandatory convertible instruments (capital instruments with covenants mandating conversion into common or perpetual preferred stock)
- allowance for possible loan and lease losses
- minority interest in equity accounts of consolidated subsidiaries

Secondary Components of Capital

It is recognized that other financial instruments can, with certain restrictions, be considered as part of capital because they possess some, though not all, of the features of capital. These instruments are:
- limited-life preferred stock
- bank subordinated notes and debentures and unsecured long-term debt of the parent company and its nonbank subsidiaries

Restrictions Relating to Secondary Components

The secondary components will be considered as capital under the conditions listed below:
- The issue must have an original weighted average maturity of at least seven years.
- If the issue has a serial or installment repayment program, all scheduled repayments shall be made at least annually, once contractual repayment of principal begins, and the amount repaid in a given year shall be no less than the amount repaid in the previous year.
- For banks only, the aggregate amount of limited-life preferred stock and subordinated debt qualifying as capital may not exceed 50 per cent of the amount of the bank's primary capital.
- As the secondary components approach maturity, redemption or payment, the outstanding balance of all such instruments—including those with serial note payments, sinking fund provisions, or an amortization schedule—will be amortized in accordance with the following schedule:

Years to Maturity	Percent of Issue Considered Capital
Greater than or equal to 5	100
Less than 5 but greater than or equal to 4	80
Less than 4 but greater than or equal to 3	60
Less than 3 but greater than or equal to 2	40
Less than 2 but greater than or equal to 1	20
Less than 1	0

NOTE: No adjustment in the book amount of the issue is required or expected by this schedule. Adjustment will be made by a memorandum account.

Minimum Capital Guidelines

The Federal Reserve and the Office of the Comptroller of the Currency have developed minimum capital guidelines to provide a framework for assessing the capital of well-managed national banks, state member banks and bank holding companies.[1] The guidelines are used in the examination and supervisory process and will be reviewed from time to time for possible adjustment commensurate with changes in the economy, financial markets and banking practices.

Objectives of the minimum capital guidelines are to:
- Introduce greater uniformity, objectivity and consistency into the supervisory approach for assessing capital adequacy;
- Provide direction for capital and strategic planning to banks and bank holding companies and for the appraisal of this planning by the agencies; and
- Permit some reduction of existing disparities in capital ratios between banking organizations of different size.

Two principal ratio measurements of capital are used: (1) primary capital to total assets; and, (2) total capital to total assets. Primary capital consists of common stock, perpetual preferred stock, capital surplus, undivided profits, reserves for contingencies and other capital reserves, mandatory convertible instruments, the allowance for possible loan and lease losses, and any minority interest in the equity accounts of consolidated subsidiaries. Total capital includes the primary capital components plus limited-life preferred stock and qualifying notes and debentures.

The capital guidelines generally will be applied on a consolidated basis. However, for those bank holding companies with consolidated assets under $150 million, the capital guidelines will apply only to the bank if: (1) the company does not engage directly or indirectly in any nonbanking activity involving significant leverage; and, (2) no significant debt of the parent company is held by the general public.

Some bank holding companies are engaged in significant nonbanking activities that require capital ratios higher than those for the bank alone. In these cases, appropriate adjustments will be made in the application of the consolidated capital guidelines.

Institutions affected by the guidelines are categorized as either multinational organizations (as designated by their respective supervisory agency); regional organizations (all other institutions with assets in excess of $1 billion)[2]; or community organizations (less than $1 billion in total assets).

A minimum level of primary capital to total assets is established at 5 per cent for multinational and regional organizations and 6 per cent for community organizations. Generally banking organizations are expected to operate above the minimum primary capital levels. Also, those banking organizations that have a higher than average percentage of their assets exposed to risk, or have a higher than average amount of off-balance sheet risk, may be expected to hold additional primary capital to compensate for this risk.

The agencies also have established capital guidelines for the total capital to total assets ratio. These guidelines consist of three broad zones:

Capital	Multinational and Regional	Community
Zone 1	Above 6.5%	Above 7.0%
Zone 2	5.5% to 6.5%	6.0% to 7.0%
Zone 3	Below 5.5%	Below 6.0%

Generally, the nature and intensity of supervisory action will be determined by the zone in which an institution falls. While an institution's position in the quantitative capital zones will normally trigger the below specified supervisory responses, qualitative analysis will continue to be used in determining minimum levels of capital for banking institutions.

For banking institutions operating in Zone 1, the agencies will:
- Presume that capital is adequate if the primary capital ratio is acceptable to the regulator and is above the minimum level;
- Intensify analysis and action when unwarranted declines in capital ratios occur.

For banking institutions operating in Zone 2, the agencies will:
- Presume that the institution may be under-capitalized, particularly if the primary and total capital ratios are at or near the minimum guidelines;
- Engage in extensive contact and discussion with the management and require the submission of comprehensive capital plans acceptable to the regulator;
- Closely monitor the capital position over time.

The agencies' approach to institutions operating in Zone 3 will include:
- A very strong presumption that the institution is under-capitalized;
- Frequent contact with management and a requirement that the institution submit a comprehensive capital plan, including a capital augmentation program that is acceptable to the regulator;
- Continuous analysis, monitoring and supervision.

The guidelines will be applied in a flexible manner with exceptions as appropriate. The assessment of

1. Institutions that are under special supervision and those that have been in operation for less than two years are not included in the program.
2. May include some other institutions located in money centers.

capital adequacy will continue to be made on a case-by-case basis considering various qualitative factors that affect an institution's overall financial condition. Thus, the agencies retain the flexibility to make appropriate adjustments in the application of the guidelines to individual institutions.

Appendix B—Policy Statement for Formation of Small One-Bank Holding Companies

Assessment of Financial Factors

In acting on applications filed under the Bank Holding Company Act, the Board has adopted, and continues to follow, the principle that bank holding companies should serve as a source of strength for their subsidiary banks. When bank holding companies incur debt and rely upon the earnings of their subsidiary banks as the means of repaying such debt, a question arises as to the probable effect upon the financial condition of the company and its subsidiary bank or banks.

The Board believes that a high level of debt at the parent holding company level impairs the ability of a bank holding company to provide financial assistance to its subsidiary bank and in some cases the servicing requirements on such debt may be a significant drain on the bank's resources. For these reasons, the Board has not favored the use of acquisition debt in the formation of bank holding companies. Nevertheless, the Board has recognized that the transfer of ownership of small banks often requires the use of acquisition debt. The Board therefore has permitted the formation of small one-bank holding companies with debt levels higher than would be permitted for larger or multibank holding companies. Approval of these applications has been given on the condition that the small one-bank holding companies demonstrate the ability to service the acquisition debt without straining the capital of their subsidiary bank and, further, that such companies restore their ability to serve as a source of strength for their subsidiary bank within a relatively short period of time.

In the interest of furthering its policy of facilitating the transfer of ownership in banks without diluting bank safety and soundness, the Board has reexamined the analytical framework and financial criteria it applies when considering the formation of small one-bank holding companies and has adopted certain revisions in its procedures and standards as described below.

The revised criteria shift the focus from debt repayment to the relationship between debt and equity at the parent holding company. The holding company will have the option of improving the relationship of debt to equity by repaying the principal amount of its debt or through the retention of earnings, or both. Under these procedures, newly organized small one-bank holding companies will be expected to reduce the relationship of their debt to equity over a reasonable period of time to a level comparable to that maintained by many large and multibank holding companies.

In general, this policy is intended to apply only to one-bank holding companies that would not have significant leveraged nonbank activities and whose subsidiary bank would have total assets of approximately $150 million or less at the time the application is filed. Small one-bank holding companies formed before the initial effective date of the Board's policy concerning formation of small one-bank holding companies and assessment of financial factors (March 28, 1980) may switch to a plan that adheres to the intent of this policy provided they comply with criteria 2, 3, and 4 set forth below.

The criteria are as follows:

General

In evaluating applications filed pursuant to Section 3(a)(1) of the Bank Holding Company Act, as amended, when the applicant intends to incur debt to finance the acquisition of a small bank, the Board will take into account a full range of financial and other information, including the recent trend and stability of earnings of the bank, the past and prospective growth of the bank, the quality of the bank's assets, the ability of the applicant to meet debt servicing requirements without placing an undue strain on the bank's resources, and the record and competency of management of the applicant and the bank. In addition, the Board will require applicants to meet the minimum requirements set forth below. As a general rule, failure to meet any of these requirements will result in denial of the application; however, the Board reserves the right to make exceptions if the circumstances warrant.

1. *Minimum Down Payment.* The amount of acquisition debt should not exceed 75 per cent of the purchase price of the bank to be acquired. When the owner(s) of the holding company incur debt to finance the purchase of the bank, such debt will be considered acquisition debt even though it does not represent an obligation of the bank holding company, unless the owner(s) can demonstrate that such debt can be serviced without reliance on the resources of the bank or bank holding company.

2. *Maintenance of Adequate Capital.* An applicant proposing to use acquisition debt must demonstrate

to the satisfaction of the Board that any debt servicing requirements to which the bank holding company may be subject would not cause the subsidiary bank's ratio of gross capital to assets to fall below 8 per cent during the 12-year period following consummation of the acquisition. Gross capital is defined as the sum of total stockholders' equity, the allowance for possible loan losses, and subordinated capital notes and debentures.

3. *Reduction in Parent Company Leverage.* The applicant must demonstrate to the satisfaction of the Board that the parent holding company's ratio of debt to equity will decline to 30 per cent within 12 years after consummation of the acquisition. The holding company must also demonstrate that it will be able to safely meet debt servicing and other requirements imposed by its creditors.

The term "debt," as used in the ratio of debt to equity, means any borrowed funds (exclusive of short-term borrowings that arise out of current transactions, the proceeds of which are used for current transactions), and any securities issued by, or obligations of, the holding company that are the functional equivalent of borrowed funds.

The term "equity," as used in the ratio of debt to equity, means the total stockholders' equity of the bank holding company adjusted to reflect the periodic amortization of "goodwill" (defined as the excess of cost of any acquired company over the sum of the amounts assigned to identifiable assets acquired, less liabilities assumed) in accordance with generally accepted accounting principles. In determining the total amount of stockholders' equity, the bank holding company should account for its investments in the common stock of subsidiaries by the equity method of accounting.

Ordinarily the Board does not view redeemable preferred stock as a substitute for common stock in a one-bank holding company formation. Nevertheless, to a limited degree and under certain circumstances the Board will consider redeemable preferred stock as equity in the capital accounts of the holding company if the following conditions are met: 1) the preferred stock is redeemable only at the option of the issuer and 2) the debt to equity ratio of the holding company would be at or remain below 30 per cent following the redemption or retirement of any preferred stock. Preferred stock that is convertible into common stock of the holding company may be treated as equity.

4. *Dividend Restrictions.* The bank holding company is not expected to pay any corporate dividends on common stock until such time as its debt to equity ratio is below 30 per cent. However, some dividends may be permitted provided all of the following conditions are met: a) the applicant has begun making scheduled repayments of principal on the acquisition debt; b) such scheduled repayments of principal are reasonable in amount, will be made at least annually, and will allow for the retirement of the acquisition debt over a period not to exceed 25 years; and c) the applicant can clearly demonstrate at the time the application is filed that such dividends will not jeopardize the ability of the holding company to reduce its debt to equity ratio to 30 per cent within 12 years of consummation of the proposal or cause the gross capital to assets of the subsidiary bank to fall below 8 per cent over the same period. Also, it is expected that dividends will be eliminated if the holding company is not meeting the projections made at the time the application was filed regarding the ability of the holding company to reduce the debt to equity ratio to 30 per cent within 12 years of consummation of the proposal.

The requirements of this Policy Statement should be read in the context of the Board's Capital Adequacy Guidelines (Appendix A), including the definitions of capital and its components.

* * * * *

Effective date: This revision of Part 225 becomes effective 30 days after publication in the *Federal Register*, except for sections 225.14 and 225.23, which become effective for all applications and notices submitted to the Board on and after January 1, 1984.

AMENDMENT TO RULES REGARDING DELEGATION OF AUTHORITY

The Board of Governors is amending its Rules Regarding Delegation of Authority to delegate to the Director of its Division of Consumer and Community Affairs the authority to make determinations under the Equal Credit Opportunity Act (Regulation B) and the Home Mortgage Disclosure Act (Regulation C) regarding the effect of those acts on similar state laws. The Board is also making editorial revisions and a correction to the delegation rules.

Effective January 30, 1984, the Board amends Rules Regarding Delegation of Authority by revising and redesignating paragraphs (h)(2) and (h)(3) as (h)(3) and (h)(4), respectively; by reinstating paragraph (h)(2) as it existed prior to February 2, 1983; and by adding paragraphs (h)(5) and (h)(6) to read as follows:

Part 265—Rules Regarding Delegation of Authority

Section 265.2—Specific Functions Delegated to Board Employees and to Federal Reserve Banks

* * * * *

(h)***

(2) Pursuant to section 703(b) of the Consumer Protection Act (15 U.S.C. 1691b(b)), to call meetings of and consult with the Consumer Advisory Council established under that section, to approve the agenda for such meetings, and to accept any resignation from Consumer Advisory Council members.

(3) Pursuant to sections 111, 171(a) and 186(a) of the Truth in Lending Act (15 U.S.C. 1610(a), 1666j(a) and 1667e(a)) and the Board's Regulation Z (12 CFR 226.28) and Regulation M (12 CFR 213.7), to determine whether a state law is inconsistent with the federal act and regulations.

(4) Pursuant to section 919 of the Electronic Fund Transfer Act (15 U.S.C.1693q) and the Board's Regulation E (12 CFR 205.12), to determine whether a state law is inconsistent with the federal act and regulation.

(5) Pursuant to section 705(f) of the Equal Credit Opportunity Act (15 U.S.C. 1691d(f)) and the Board's Regulation B (12 CFR 202.11), to determine whether a state law is inconsistent with the federal act and regulation.

(6) Pursuant to section 306(a) of the Home Mortgage Disclosure Act (12 U.S.C. 2805(a)) and the Board's Regulation C (12 CFR Part 203), to determine whether a state law is inconsistent with the federal act and regulation.

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

Orders Issued Under Section 3 of Bank Holding Company Act

Firstar Corporation, Appleton, Wisconsin

Order Approving Acquisition of Bank

Firstar Corporation, Appleton, Wisconsin, ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1841 et seq.) ("Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 100 percent of the voting shares of State Bank of Green Valley, Green Valley, Wisconsin ("Bank").

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

Applicant, the ninth largest banking organization in Wisconsin, controls eight subsidiary banks with aggregate deposits of $403.2 million, representing approximately 1.7 percent of the total deposits in commercial banks in the state.[1] Bank, the 239th largest banking organization in Wisconsin, controls $21.9 million in deposits, representing less than 0.1 percent of the total deposits in commercial banks in the state. Upon consummation of the proposed transaction, Applicant would become the eighth largest banking organization in Wisconsin, and its share of the total deposits in commercial banks in the state would remain at approximately 1.7 percent.

Bank's main office is located in the Shawano banking market,[2] and it operates a branch in the Oconto banking market.[3] Neither of these markets is located in an Metropolitan Statistical Area and none of Applipant's subsidiary banks competes in either of the relevant banking markets. Additionally, none of Applicant's principals is affiliated with any other banking organization that is located in either of the markets. Accordingly, consummation of the proposal would not have an adverse effect upon existing or probable future competition or the concentration of banking resources in any relevant area.

The financial and managerial resources of Applicant, its subsidiaries and Bank are regarded as generally satisfactory and their future prospects are favorable. As a part of this transaction, Applicant proposes to provide Bank with trust and investment advisory services and a trained agricultural loan officer. In addition, as a result of its affiliation with Applicant, Bank will be able to increase its lending limits and provide its customers with more cost-effective and efficient services through the use of Applicant's data processing services. Accordingly, considerations relating to the convenience and needs of the community to be served lend weight toward approval of the proposal.

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1. All banking data are as of December 31, 1982.
2. The Shawano banking market is approximated by all of Shawano County and the southern one-half of Menominee County, all in Wisconsin.
3. The Oconto banking market is approximated by Oconto County, Wisconsin.

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

By order of the Board of Governors, effective January 19, 1984.

Voting for this action: Governors Wallich, Partee, Teeters, Rice, and Gramley. Absent and not voting: Chairman Volcker and Governor Martin.

JAMES MCAFEE,
[SEAL] *Associate Secretary of the Board*

Florida National Banks of Florida, Inc., Jacksonville, Florida

Order Approving Acquisition of Bank Holding Company and its Subsidiary Banks

Florida National Banks of Florida, Inc., Jacksonville, Florida ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1841 et seq.) ("Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 100 percent of the voting shares of Royal Trust Bank Corp., St. Petersburg, Florida ("RTBC"), and thereby indirectly to acquire RTBC's five subsidiary banks: Royal Trust Bank, Gulfport; Royal Trust Bank, N.A., Miami; Royal Trust Bank of Florida, N.A., St. Petersburg; Royal Trust Bank of Jacksonville, Jacksonville; and Royal Trust Bank of Palm Beach, N.A., Palm Beach, all located in Florida ("Banks").

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with section 3(b) of the Act. 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 Act.

Applicant, the fourth largest banking organization in Florida, controls two banking subsidiaries with total deposits of approximately $2.8 billion, representing 5.6 percent of the total deposits in commercial banks in the state.[1] RTBC, with deposits of approximately $737.3 million, is the thirteenth largest commercial banking organization in Florida and controls 1.5 percent of the total deposits in commercial banks in the state. Upon consummation of this transaction, Applicant would remain the fourth largest banking organization in the state and would control 7.1 percent of the total deposits in commercial banks in the state. The Board has carefully considered the effects of the proposal on the structure of banking in Florida and has concluded that consummation of this transaction would not significantly increase the concentration of banking resources in the state.

Applicant's subsidiary banks compete directly with RTBC's subsidiary banks in six banking markets. Applicant is the third largest of 15 commercial banking organizations in the Jacksonville banking market,[2] with $470.3 million in deposits, representing 19.4 percent of the total deposits in commercial banks in the market.[3] RTBC is the thirteenth largest banking organization in the Jacksonville banking market, with deposits of $24.1 million, controlling approximately 1.0 percent of the total deposits in commercial banks therein.[4] Upon consummation of this proposal, Applicant would remain the third largest commercial banking organization in the market, controlling approximately 20.4 percent of the total deposits in commercial banks in the market.

While consummation of the proposal would eliminate some existing competition in the Jacksonville banking market, the Board believes that certain factors substantially mitigate the anticompetitive effects of the proposal. Upon consummation, Applicant's share of the total deposits in commercial banks in the market would increase by only 1.0 percentage point to 20.4 percent, the Herfindahl–Hirschman Index ("HHI") would increase by only 38 points to 1767, and the market would remain moderately concentrated, as measured by this Index.[5] Fourteen commercial banking alternatives would remain in the market after consummation of the transaction.

1. All state banking data are as of December 31, 1982; all market data are as of June 30, 1982; both reflect mergers and acquisitions through January 3, 1984.

2. The Jacksonville banking market is approximated by Duval, Orange, Park, and Clay Counties, in Florida.

3. Applicant recently divested one of its bank subsidiaries which operates in the Jacksonville banking market, Jacksonville National Bank, Jacksonville, Florida, pursuant to a commitment made by Applicant to the Board when the Board approved Applicant's merger with Alliance Corporation, Jacksonville, Florida, on December 10, 1981. (*Florida National Banks of Florida, Inc.*, 68 FEDERAL RESERVE BULLETIN 49 (1982)). Accordingly, the Board has evaluated the competitive effects of this proposal in light of this divestiture.

4. Although Applicant anticipates selling RTBC's subsidiary bank in the Jacksonville banking market, the Board has analyzed the competitive effects of this proposal as if Applicant were not intending to divest this subsidiary bank of RTBC because this divestiture has not yet occurred.

5. Under the United States Justice Department Merger Guidelines (June 14, 1982), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. In such markets, the Department is not likely to challenge a merger that produces an increase in the HHI of less than 100 points, as in this case.

Finally, in its evaluation in previous cases of the competitive effects of a proposal, the Board has indicated that thrift institutions have become, or at least have the potential to become, major competitors of commercial banks.[6] On this basis, the Board has accorded substantial weight to the influence of thrift institutions in its evaluation of the competitive effects of a proposal. In this case, the increase in concentration in the Jacksonville banking market is alleviated by the presence of nine thrift institutions in the market, controlling $1.2 billion in deposits, which represents approximately 33 percent of the total deposits in commercial banks and thrift institutions in the market. The thrift institutions in the market currently offer a full range of consumer services and transaction accounts, and state-chartered thrift institutions in Florida have broad commercial lending and other powers. Further, under provisions of the Garn-St Germain Depository Institutions Act of 1982, the commercial lending powers of federal thrift institutions have been significantly expanded. Consequently, the Board has determined that consummation of this proposal would not have a significantly adverse effect on existing competition in the Jacksonville banking market.[7]

Applicant is the twelfth largest commercial banking organization in the Pinellas County banking market, with $114.5 million in deposits, and controls 3.0 percent of the total deposits in commercial banks in the market.[8] RTBC is the fifth largest banking organization in the Pinellas County banking market with deposits of $290.6 million, representing 7.7 percent of the total deposits in commercial banks therein. Upon consummation of this proposal, Applicant would become the second largest banking organization in the market, holding 10.7 percent of the total deposits in commercial banking organizations in the market.

The Pinellas County banking market is unconcentrated, with a four-firm concentration ratio of 41.4 percent and an HHI of 669. Upon consummation of this transaction, the market would remain unconcentrated, with the four-firm concentration ratio increasing to 44.1 percent and the HHI increasing by 48 points to 717 points. Accordingly, the Board has determined that the effect of the proposal on competition in the Pinellas County banking market would not be significantly adverse.

Applicant is the fifth largest of twenty banking organizations in the Orlando banking market, with $132.1 million in deposits, representing 4.7 percent of the total deposits in commercial banks in the market.[9] RTBC is the thirteenth largest banking organization in the Orlando banking market, with deposits of $18.6 million, controlling 0.8 percent of the total deposits in commercial banks in the market. Upon consummation of this transaction, Applicant would remain the fifth largest commercial banking organization in the relevant market and its share of deposits in the market would increase to 5.5 percent. With an HHI of 2018, the Orlando banking market is considered highly concentrated, according to the Department of Justice Merger Guidelines. Consummation of the transaction would increase the HHI in the relevant market by only 7 points to 2025, making the transaction one that would not be subject to challenge under the Justice Department's Merger Guidelines.[10] In addition, Applicant would not become one of the four largest banking organizations in the market and 18 banking organizations would remain in the market upon consummation. In light of these and other facts of record, the Board has determined that the effect of the proposal on competition in the Orlando banking market would not be significantly adverse.

Applicant and RTBC compete directly in three additional markets in Florida, the Miami-Fort Lauderdale banking market, the Eastern Palm Beach County banking market, and the Tampa banking market.[11] Although consummation of this proposal would eliminate some existing competition between Applicant and RTBC in these markets, the Board does not consider these effects to be serious. Upon consummation of the acquisition, Applicant would control less than 5 percent of the total deposits in commercial banks in each of these markets. Both the Miami-Fort Lauderdale and the Eastern Palm Beach County markets are unconcentrated, and the Miami-Fort Lauderdale banking market would remain so after consummation of the proposal. The Eastern Palm Beach County banking market would become moderately concentrated upon consummation of this transaction, with the HHI increasing by 7 points, bringing the market's HHI to

6. *Comerica Inc.* (Bank of the Commonwealth), 69 FEDERAL RESERVE BULLETIN 797 (1983); *General Bancshares Corporation*, 69 FEDERAL RESERVE BULLETIN 802 (1983); *First Tennessee National Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

7. If the deposits of the thrift institutions were taken into account in computing market shares, Applicant's market share would be 12.7 percent, RTBC's market share would be 0.7 percent, and the HHI would be 1014. Upon consummation of this proposal, Applicant's market share would increase to 13.4 percent, and the HHI would increase by only 16 points to 1030.

8. The Pinellas County banking market is approximated by Pinellas County, Florida.

9. The Orlando banking market is approximated by all of Orange County, Florida, and Seminole County, excluding the towns of Oviedo and Saffron, Florida.

10. Under the Department of Justice's Merger Guidelines, in a market where the post-merger HHI is 1800 or more, the Department is unlikely to challenge a merger that produces an increase in the HHI of less than 50 points.

11. The Miami-Fort Lauderdale banking market is approximated by Broward and Dade Counties, Florida. The eastern Palm Beach County banking market is approximated by all of Palm Beach County, Florida, excluding the towns of Belle Glade and Pahokee. The Tampa banking market is approximated by all of Hillsborough County, Florida, and the towns of Land 0' Lakes and Elfers in Pasco County, Florida.

1000 points. The Tampa banking market is moderately concentrated and would remain so after consummation of this proposal, with the HHI increasing by 3 points to 1368. However, Applicant would not become one of the four largest banking organizations in any of these markets upon consummation of the proposal, and numerous banking organizations would remain in each of these markets.

On the basis of these and other facts of record, the Board concludes that the effects of consummation of the proposal on existing competition in the Miami-Fort Lauderdale, Eastern Palm Beach County, and Tampa banking markets would not be substantially to lessen competition in these markets.

The Board has considered the effects of this proposal on probable future competition in the 22 markets in which Applicant and RTBC do not compete directly. The Board has also examined the proposal in light of its proposed guidelines for assessing the competitive effects of market extension mergers and acquisitions.[12] In evaluating the effects of a proposed merger or consolidation upon probable future competition, the Board considers market concentration, the number of probable future entrants into the market, the size of the bank to be acquired and the attractiveness of the market for entry on a de novo or foothold basis absent approval of the acquisition. In none of these markets would the proposed merger require intensive analysis under the Board's proposed guidelines. After consideration of these factors in the context of the specific facts of this case, the Board concludes that consummation of this proposal would not have any significant adverse effects on probable future competition in any relevant market.

The financial and managerial resources of Applicant, RTBC and their subsidiaries are regarded as generally satisfactory, and their prospects appear favorable. The record of this application indicates that RTBC's existing customers would gain access to Applicant's statewide system of automated teller machines upon consummation of this proposal. In addition, RTBC's customers would benefit from certain services available through Applicant, including centralized securities portfolio management, the fiduciary management and portfolio expertise of Applicant's trust services, retail discount brokerage services and participation in Florida's Interchange Group. Consequently, considerations relating to the convenience and needs of the community to be served lend slight weight toward approval of the application and outweigh any anticompetitive effects that may result from consummation of this proposal. Accordingly, the Board has determined that consummation of the transaction would be consistent with the public interest and that the application should be approved.

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

By order of the Board of Governors, effective January 25, 1984.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Partee, Teeters, Rice, and Gramley.

JAMES MCAFEE,
[SEAL] *Associate Secretary of the Board*

12. "Policy Statement of the Board of Governors of the Federal Reserve System for Assessing Competitive Factors Under the Bank Merger Act and the Bank Holding Company Act," 47 *Federal Register* 9017 (March 3, 1982). While the proposed policy statement has not been approved by the Board, the Board is using the policy guidelines as part of its analysis of the effect of a proposal on probable future competition.

Orders Issued Under Section 4 of Bank Holding Company Act

Citicorp, New York, New York

Order Approving Acquisition of Savings and Loan Association

Citicorp, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act (the "BHC Act"), has applied for the Board's approval under section 4(c)(8) of that Act (12 U.S.C. § 1843(c)(8)), and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to acquire all of the voting shares of First Federal Savings and Loan Association of Chicago, Chicago, Illinois ("First Federal"), and indirectly its wholly-owned service corporations and their subsidiaries.[1] First Federal is a federally chartered savings and loan association resulting from an April 1982 merger of First Federal, First Financial Savings and Loan of Downer's Grove, Downer's Grove, Illinois, and Union Federal Savings and Loan Association of Cook County, Matteson, Illinois, a supervisory merger that was arranged by the Federal Savings and Loan Insurance Corporation ("FSLIC").

1. First Federal is currently operated as a mutual association. In order to effect consummation of the proposal, Applicant will form a federal stock savings and loan association that will merge with First Federal.

As a result of section 333 of the Garn-St Germain Depository Institutions Act of 1982 (Pub. L. No. 97-320, 96 Stat. 1469), First Federal, an institution chartered by the Federal Home Loan Bank Board ("Bank Board") and the accounts of which are insured by the FSLIC, is not a "bank" for purposes of the BHC Act. Accordingly, this application is properly filed under section 4 of the BHC Act to acquire a company engaged in a nonbanking activity.

By letter dated December 15, 1983, the Bank Board requested that the Board act immediately upon the application in view of the emergency nature of the situation at First Federal and its deteriorating financial condition. In light of this request and considering the situation at First Federal, the Board promptly published notice of the application in the *Federal Register*, providing 14 days for interested persons to comment on the application. In addition, in order to provide the fullest opportunity for public comment consistent with the need to act expeditiously on the application, the Board ordered an informal hearing to be held on January 5, 1984, in Washington, D.C., to receive comments and testimony from interested persons on the application and to allow interested persons to question Citicorp concerning its proposal. In response to a number of requests from interested parties for additional time in which to comment and to prepare for the hearing, the Board extended the comment period for five additional days and rescheduled the hearing for January 11, 1984.

In response to its request for comment on the application, the Board received approximately 60 written comments opposing the acquisition ("Protestants") and 33 favoring the acquisition. Two general comments were received that did not take a position on the proposal. Two commenters requested the Board to hold a formal hearing on the application. In addition, the Board received sworn testimony from 13 persons or organizations who appeared at the hearing, in addition to Citicorp, as well as statements and other documents submitted by the participants at the hearing.

The Board has carefully considered the issues raised by the Protestants in light of the factors set forth in section 4(c)(8) of the Act. Based upon the record before the Board in this matter, the Board makes the following findings.

Citicorp, with total consolidated assets of $130.5 billion (as of September 30, 1983) is the largest banking organization in the United States. Citicorp operates four subsidiary banks: Citibank, N.A., New York, New York, the second largest commercial bank in New York with $25.7 billion in domestic deposits (as of December 31, 1982); Citibank (New York State), N.A., Buffalo, New York; Citibank (South Dakota), N.A., Sioux Falls, South Dakota; and Citibank (Delaware), Wilmington, Delaware. Citicorp also controls numerous nonbanking subsidiaries located throughout the United States, including subsidiaries located in Illinois that are engaged in first and second mortgage lending activities and mortgage servicing activities.

First Federal, headquartered in Chicago, Illinois, operates 62 offices and has assets of $4.0 billion (as of October 31, 1983). First Federal is the second largest savings and loan association in Illinois and the 14th largest in the United States. It is primarily engaged in taking savings deposits and making loans to individuals secured by mortgages on real property. First Federal also owns a number of service corporations engaged in real estate development, data processing, insurance underwriting and agency activities, warehousing GNMA securities, and monitoring properties securing First Federal's loan participation interests. First Federal also has a one-third interest in a mortgage loan servicing corporation.

Two distinct product markets are involved in this proposal: deposit taking and mortgage lending. First Federal has no offices outside of Illinois engaged in deposit taking or mortgage lending at any location at which subsidiaries of Citicorp engage in the same activities. First Federal's home office and 44 of its branches operate in the Chicago banking market,[2] controlling less than 4 percent of the total deposits in commercial banks and savings and loan associations in the market. First Federal's remaining branches are located in 15 other markets in Illinois. In 12 of these markets it holds less than 5 percent of the total deposits in commercial banks and savings and loan associations in the market, and in the remaining three the range is from eight to fifteen percent. In contrast, Applicant does not accept federally insured deposits from locations in Illinois.[3] Thus, in the deposit-taking product market there is no significant existing competition between Citicorp and First Federal.

With regard to mortgage lending, First Federal in 1982 originated approximately 4.7 percent of the first mortgage loans on 1–4 family dwellings made by commercial banks and savings and loan associations in the Chicago SMSA,[4] representing 5.4 percent of the total dollar value of such first mortgages.[5] Applicant engages in mortgage lending and servicing activities in Illinois through a single office located near Chicago.

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

3. Applicant's Edge Act subsidiaries take deposits in Illinois that are not federally insured, but these subsidiaries operate in a different product market from First Federal.

4. Mortgage lending data is not readily available for the Chicago market. The Board finds, however, that the Chicago SMSA, for which such data is available, provides a reasonable approximation of the Chicago market for the purposes of this case.

5. These statistics include an estimated market share held by mortgage banking companies in each SMSA.

Applicant began originating residential mortgage loans in 1983, and has only a small share of the first mortgage loans on 1–4 family dwellings made by commercial banks and savings and loan associations in the Chicago SMSA. In addition, there are a large number of competitors engaged in various mortgage lending and servicing activities in the Chicago SMSA, including banks, thrift institutions, credit unions, and mortgage banking companies. Applicant and First Federal also make commercial construction and second mortgage loans. The markets for both of these products are unconcentrated, Applicant's and First Federal's market shares are small, and there are numerous other competitors and potential competitors in the market.

In view of Citicorp's limited presence in the relevant Illinois markets served by First Federal, the number and size of financial organizations that operate or that are potential entrants in these markets, the legal prohibitions against Citicorp's expansion of its subsidiary banks into Illinois, and the fact that First Federal is a failing institution with limited competitive vigor, the Board concludes that this proposal would not have any significant adverse effect on existing or potential competition in any relevant market. Indeed, the proposed acquisition will have a substantial beneficial impact on competition by ensuring the continued operation of First Federal as a viable institution through access to the financial and managerial resources of Citicorp.

Section 4(c)(8) of the Act authorizes a bank holding company to acquire a company engaged in nonbanking activities that are determined by the Board to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto." The Board has determined previously that the operation of a thrift institution satisfies the first, or closely related to banking, standard of section 4(c)(8) of the Act. For the reasons set out in those earlier Board decisions, the Board reaffirms that determination in this case.[6]

Under the second, or "proper incident," standard of section 4(c)(8) of the Act, the Board is required to consider whether the performance of the activity by a bank holding company or a subsidiary of a bank holding company "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."

In 1977, the Board determined that, as a general matter, the activity of operating a savings and loan is not a "proper incident" to banking because the potential adverse effects of generally allowing affiliations of banks and thrift institutions were then sufficiently strong to outweigh the benefits that might result in individual cases. (*D.H. Baldwin & Co.*, 63 FEDERAL RESERVE BULLETIN 280 (1977)). Subsequently, in three cases involving the acquisition of a failing thrift institution, the Board found that the adverse effects of bank/thrift affiliations were overcome by the public benefits of preserving the failing thrift institution.[7]

In the Garn-St Germain Act, Congress has confirmed the Board's authority under the BHC Act to allow the acquisition by a bank holding company of a thrift institution under such circumstances and has established the framework within which the Board is to consider such acquisitions. That statute provides for a division of responsibilities between the Board under the BHC Act and the Bank Board under the National Housing Act. Under that Congressionally mandated division of responsibility, the Bank Board is authorized to arrange for the acquisition or merger of failing thrift institutions under specified conditions, and after a consideration of a series of priorities that favor intra-industry and intrastate transactions over inter-industry and interstate transactions. The statute also provides that the Bank Board's calculations and estimations of offers shall be determinative.

Section 123 of the Garn-St Germain Act specifically provides that, after appropriate consideration of these priorities and compliance with the other requirements of the statute, the Bank Board may authorize the acquisition of a failing thrift by a bank holding company. If the Bank Board selects a bank holding company, the acquired thrift becomes subject to the branching restrictions applicable to national banks in the state in which the thrift is located.

While the Garn-St Germain Act assigns to the Bank Board the responsibility for selection of the appropriate solution to a failing thrift institution situation, that statute also requires the Board's consideration of the effects of a proposal involving a bank holding company acquisition under the prudential standards of section 4(c)(8) of the BHC Act, which involve an evaluation of the possible adverse effects and anticipated public benefits of the proposal.[8] That evaluation does not,

6. E.g., *Old Stone Corporation*, 69 FEDERAL RESERVE BULLETIN 812 (1983); *Citicorp*, 68 FEDERAL RESERVE BULLETIN 656 (1982), *Interstate Financial Corporation*, 68 FEDERAL RESERVE BULLETIN 316 (1982); *D.H. Baldwin & Co.*, 63 FEDERAL RESERVE BULLETIN 280 (1977); *American Fletcher Corporation*, 60 FEDERAL RESERVE BULLETIN 868 (1974). A Board staff study of thrift institutions supports the view that operating a thrift institution is closely related to banking. ("Bank Holding Company Acquisitions of Thrift Institutions," September 1981.)

7. *Old Stone Corporation*, supra; *Citicorp*, supra; *Interstate Financial Corporation*, supra.

8. Section 4(c)(8) of the BHC Act does not require a determination that a given proposal is the most desirable that could be presented. The fact that alternative purchasers may be available is not determinative.

however, include a review of the Bank Board's selection of the appropriate bidder for the failing thrift.

Section 118 of the Garn-St Germain Act also authorizes the Board to dispense with both the notice and hearing requirements of section 4(c)(8) of the BHC Act if it finds that an application to acquire a thrift institution presents an emergency situation requiring immediate action, and the primary federal regulator of that institution concurs in this finding.

In a letter dated December 15, 1983, the Bank Board informed the Board that the Bank Board had selected Citicorp as the winning bidder for First Federal and urged the Board to act immediately on the Citicorp application in view of the severe financial condition of First Federal. The Bank Board stated that such action was necessary to restore public confidence in First Federal, to maintain confidence in the savings and loan industry, and to stabilize the daily increasing potential cost to the FSLIC.

Since its organization in 1982, First Federal's condition has steadily deteriorated. During the first ten months of 1983, for example, First Federal lost an average of $4.4 million per month. (This figure is $8.3 million per month if certain "purchase accounting" adjustments to income are ignored.) As of October 31, 1983, First Federal's net worth had declined to a negative $59.8 million, excluding capital assistance from the FSLIC. Since January, 1983, its net worth has declined by $36.7 million.

Further, deposit outflow at First Federal has been significant. During the first ten months of 1983, First Federal lost $336 million in deposits. In order to stabilize First Federal's condition, the FSLIC has purchased Income Capital Certificates of First Federal in the amount of $87 million, and the Federal Home Loan Bank of Chicago has advanced an additional $527 million to First Federal. Uncertainty regarding First Federal's future has made it difficult to attract and retain management, and current management does not have the resources to restore First Federal to financial health.

In view of these and other facts of record, the Board, under the authority provided in section 118(a) of the Garn-St Germain Act, has concluded that an emergency situation exists at First Federal that requires the Board to act immediately on this application, and the Bank Board has concurred in this finding. Accordingly, and as discussed below, the Board hereby denies the requests for a formal hearing on this application, the requests to defer Board action on the application, and the requests to allow for a further period for public comment on the application.

The Board has considered the assertions of Protestants that the Bank Board failed to give appropriate weight to the intra-industry and intrastate priorities contained in the Garn-St Germain Act, and instead relied almost exclusively on the Bank Board's determination that Citicorp had submitted a bid for First Federal representing the most favorable terms for the FSLIC. Protestants also state that the Bank Board was required to consult the State of Illinois in order to assess the impact of the proposal on Illinois banking structure and failed to do so. Finally, Protestants state that the FSLIC did not make sufficient efforts to find an intra-industry or intrastate purchaser, and that the Board should delay action on this application and encourage the FSLIC to seek such a purchaser.

As indicated above these are not relevant matters for Board consideration under section 4(c)(8) of the BHC Act. The decision as to which bid to accept is committed to the exclusive discretion of the FSLIC under the Garn-St Germain Act. The Board does, however, note the statements by the FSLIC that the procedures it followed in accepting the Citicorp proposal complied with the requirements of the Garn-St Germain Act for acquisition of failing thrift institutions, and that a broad range of bidders, including savings and loan associations, commercial banks, and other financial institutions were invited to bid for First Federal.[9]

The Board has reexamined, in the context of this application, the general adverse factors cited in the Board's 1977 *D.H. Baldwin* decision, including regulatory conflict, erosion of institutional rivalry, and the potential for undermining interstate banking prohibitions. The Board has also considered the adverse factors that might be associated with this particular application,[10] including the potential for unfair competition, conflicts of interests, financial risks, diversion of funds, and participation in impermissible activities.

In view of the determination by the Bank Board and the Board's findings with respect to First Federal's financial condition, and the other considerations detailed below, the Board has determined that the substantial benefits to the public associated with preserving First Federal as a competitor are sufficient to outweigh the generalized adverse effects found by the

9. In response to questions raised by others with the Bank Board regarding the cost to the FSLIC of Citicorp's proposal under alternative interest rate calculations, the Bank Board has advised that, under the interest rate assumptions of the Office of Management and Budget, Citicorp's bid was more favorable to the FSLIC than any other open bid. In its letter of January 19, 1984, the Bank Board stated that "after evaluating all considerations that the Bank Board deems relevant, including cost to the FSLIC, the Citicorp application is by far superior to all other proposals."

10. As stated above, the Board has examined the competitive effects associated with this particular application and has concluded that there are no substantial adverse effects associated therewith.

Board in the *D.H. Baldwin* case.[11] In reaching this decision, the Board has considered that this is not the first acquisition of a savings and loan association by Citicorp. While the Garn-St Germain Act provides for the acquisition by a bank holding company of a savings and loan association located in another state under emergency circumstances, Congress has continued to require that such proposals meet the proper incident to banking standard of section 4(c)(8) of the BHC Act, mandating an evaluation by the Board of the public benefits and possible adverse effects in each case.

Under this standard, the Board has considered as adverse effects the impact of this proposal, in the context of the proposed acquisition of New Biscayne Federal Savings & Loan Association, Miami, Florida ("New Biscayne"), and the acquisition of Fidelity Federal Savings and Loan Association of San Francisco, on the interstate banking prohibition of the BHC Act and the concentration of resources. The Board notes that Applicant is the largest banking organization in the country, and has acquired or proposes to acquire, through a series of transactions, substantial thrift institutions in three states controlling more than $9 billion in assets. On this basis, Applicant would be the fourth largest savings and loan organization in the country.

After considering all facts of record, the Board has concluded that consummation of the First Federal proposal and Applicant's proposal to acquire New Biscayne would not have such a serious adverse effect on the interstate banking prohibition of the Act or result in such an undue concentration of resources as to outweigh the public benefits associated with preserving these major thrift competitors. If, however, any further expansion into the savings and loan industry were contemplated by Citicorp through the acquisition of additional savings and loan associations, the Board would weigh these factors more heavily.

In its evaluation of this application, the Board considered the contentions of the Protestants that, in addition to the general effects cited by the Board in *Baldwin*, the following principal adverse effects may result from consummation of the Citicorp proposal: (1) Citicorp does not intend to maintain First Federal as a specialized institution committed to the provision of housing credit; (2) acquisition of First Federal by Citicorp may result in a decrease in First Federal's lending in low- and moderate-income areas; (3) decreased or unfair competition would result because Citicorp would operate First Federal in tandem with its banking and other subsidiaries in order to engage in effective interstate banking and would use its substantial resources to dominate banking in Illinois; (4) Citicorp may not have the financial resources to operate and revitalize First Federal; (5) the transaction would result in an undue concentration of resources; and (6) the consummation of the proposal would have a significant adverse effect on banking structure in Illinois.

In approving Citicorp's prior application to acquire Fidelity Federal Savings and Loan Association of San Francisco, the Board imposed a number of conditions designed to address the potential adverse effects associated with the affiliation of a thrift institution with a banking organization. In the instant application, Citicorp requests the Board not to impose those conditions on its proposed acquisition of First Federal. The Protestants, however, urge the continuing need for the conditions based on considerations of unfair competition, interstate banking, and the need to maintain specialized depository institutions. The Board continues to believe that there are potential adverse effects resulting from the affiliation of a thrift institution with a banking organization and, accordingly, has decided to impose in this case the conditions on the operation of the acquired thrift found necessary in the *Fidelity* case. The Board believes these conditions address in substantial part the concerns raised by the Protestants.[12]

The Board has also carefully considered Protestant's assertion that consummation of this proposal would severely undermine the banking structure in Illinois. Illinois is basically a unit banking state, since it does not permit branch banking and limits bank holding company acquisitions to specified geographic regions of the state. In contrast, First Federal has 62 offices, located throughout the state. Protestants state that consummation of this proposal would therefore allow Citicorp to establish a branch network in Illinois

11. Consummation of this proposal will make Citicorp a multiple savings and loan holding company subject to various restrictions on its activities under the National Housing Act, which do not apply to unitary savings and loan holding companies. (12 U.S.C. § 1730a(c)(2)). However, the Bank Board has used its authority under the emergency provisions of section 408(m)(1)(A) of the National Housing Act, 12 U.S.C. § 1730a(m)(1)(A), to determine that the multiple holding company restrictions shall not apply to Citicorp.

12. It has been suggested that the Board should prevent Citicorp from changing First Federal's name in any respect and prohibit any subsequent mergers or acquisitions involving thrift institutions. The prohibitions on tandem operations and transactions with affiliates that the Board is imposing provide for the separation of First Federal from Citicorp's other operations. Accordingly, the Board does not believe that Citicorp should be prevented from identifying First Federal as a Citicorp subsidiary. With respect to subsequent mergers or acquisitions, any such transaction would require Board approval under the BHC Act as a condition of this order and would be limited by the provisions of section 408(m)(5)(A) of the National Housing Act (12 U.S.C. § 1730a(m)(5)(A)) restricting further branching by First Federal.

that no Illinois bank could establish. According to the Protestants, such a significant alteration in the structure of Illinois banking should not be accomplished without more participation by the state, and may represent illegal branch banking in view of the expanded powers of savings and loan associations and Citicorp's status as a bank holding company.

The Board does not believe that consummation of the proposal would constitute unlawful branch banking.[13] First Federal is, of course, not a bank and the conditions imposed by the Board on Citicorp's operation of First Federal will prevent it from becoming effectively a branch of any of Citicorp's subsidiary banks.

With regard to the effect of the acquisition on Illinois' banking structure generally, the Board notes that Congress was aware that several unit banking states might be affected by the emergency thrift provisions of the Garn-St Germain Act, but it gave no indication that emergency acquisitions in these states should be prevented or treated differently. Rather, to address the possible disparity between the branching authority of banks and thrifts in such situations, Congress required in section 123 of the Garn-St Germain Act that a savings and loan association acquired by a bank holding company under the emergency provisions may only establish branches to the same extent that a national bank may establish and operate branches in the state in which the savings and loan association is located. Moreover, the Board notes that any adverse effect upon Illinois' banking structure posed by First Federal's branch network exists currently under state and federal branching laws applicable to savings and loan associations in Illinois.

Finally, the conditions the Board has imposed on First Federal's operation, and in particular the condition requiring that First Federal be operated as a saving and loan association as well as the provisions of the Garn-St Germain Act limiting First Federal's future branching capability, should address the concerns expressed regarding any adverse effect on banking structure in Illinois arising out of the ownership of First Federal by a bank holding company.

In evaluating this application, the Board has carefully considered the financial and managerial resources of Citicorp and the effect on these resources of the proposed acquisition of First Federal as well as the proposed acquisition of New Biscayne. The Board has reviewed relevant data from Citicorp's inspection reports and the examination reports of its subsidiaries as well as official reports and filings with the Board, including data on Citicorp's domestic and foreign loan portfolio. The Board also has reviewed the Assistance Agreement among Citicorp, First Federal, and the FSLIC. Based upon this review and taking into account the factors and commitments listed below, the Board concludes that the reasonably expected public benefits of the proposal are sufficient to outweigh any adverse effect relating to the financial resources of Citicorp as well as other possible adverse effects of the proposal.

In reaching this conclusion, the Board placed considerable emphasis on the following factors. First, the Assistance Agreement provides substantial protection to Citicorp in connection with losses that may arise from First Federal's existing assets and liabilities. Second, Citicorp's capital ratios and earnings have improved over the past 18 months. Third, in connection with the two proposed savings and loan acquisitions before the Board, Citicorp has committed to raise $350 million of additional primary capital by March 31, 1984. This additional capital would, after adjusting for the temporary build-up in Citicorp's period-end assets and giving effect to this proposal and the proposed acquisition of New Biscayne, place Citicorp in compliance with the Board's minimum capital adequacy guidelines. Finally, in addition to the specific commitment regarding capital, Citicorp has stated that it will, subject to reasonable economic and market conditions, increase its capital ratios materially above the Board's minimum capital adequacy guidelines by December 31, 1984. In its consideration of the financial aspects of this application, the Board has relied on these capital commitments and Citicorp's continuing efforts to improve its capital position. The Board believes that capital adequacy is especially important in the analysis of bank holding company expansion proposals, particularly where the organization has a significant loan exposure, such as loans in foreign countries experiencing liquidity problems.

The Board concludes that Citicorp's acquisition of First Federal will provide a substantial and compelling public benefit in that Citicorp will provide First Federal with sufficient new capital funds and managerial assistance to restore First Federal as a viable competitor and to restore public confidence in First Federal. Citicorp has committed to invest sufficient funds in First Federal so that its resulting capital would be not less than 6 percent of First Federal's total liabilities, compared to the present regulatory minimum of 3 percent, and to maintain that 6 percent ratio until December 31, 1985. Citicorp also has extensive experience in both the consumer banking and consumer

13. The courts have held that the Bank Board has "complete authority to permit intrastate branching by [federally chartered] S&Ls," notwithstanding state laws that restrict the branching authority of state chartered banks or S&Ls. *Independent Bankers Ass'n* v. *FHLBB*, 557 F. Supp. 23, 26 (D.D.C. 1982). Accord, *North Arlington Nat. Bank* v. *Kearny Federal S&L Ass'n*, 187 F. 2d 564 (3d Cir.), cert. denied, 342 U.S. 816 (1951). The Board also notes that Illinois allows statewide branching by savings and loan associations chartered under the laws of Illinois.

finance areas and appears fully capable of revitalizing a consumer-oriented depository institution.

The record establishes that Citicorp has the financial and managerial resources and the commitment to serving the convenience and needs of the public to achieve this result. The acquisition will restore an active and effective competitor and will increase competition in numerous Illinois communities, will ensure the continuation of services by First Federal to its thousands of customers and the public, and will protect the interests of First Federal's depositors, the public, the savings and loan industry generally, and the FSLIC.

The Board has also considered as a substantial public benefit the savings to the FSLIC that will result from the proposal. By letters dated December 15, 1983, and January 18 and 19, 1984, the Bank Board has advised the Board that it has explored all alternatives for solving First Federal's problem and has determined that Citicorp's bid would serve the public interest and minimize the cost to the FSLIC to a substantially greater extent than the terms offered by any other bidder.

Citicorp's commitment to the introduction of new products and services and the expansion of current services of First Federal also lend weight toward approval. This expansion of First Federal's services and operations also may be expected to provide greater convenience to the public. Citicorp's experience and expertise also should result in gains in efficiency at First Federal. In assessing the public benefits of this proposal, the Board has noted the favorable performance of Fidelity Federal Savings and Loan Association of San Francisco after its acquisition by Citicorp in late 1982.

Finally, Citicorp has a satisfactory record of service to its local communities, and has stated that it intends to use its resources to promote and expand First Federal's service to its communities. In this regard, the Board notes that the provisions of the Community Reinvestment Act are applicable to First Federal as a savings and loan association.[14]

At the hearing, representatives of Citicorp presented sworn testimony regarding the services it provides to local communities in New York and, through Citicorp Savings, in California. Such services include programs for the rehabilitation and construction of low- and moderate-income housing, small business lending, economic development centers, and participation with community groups to further such programs. Citicorp's representatives testified that it would provide similar programs and services to the communities served by First Federal. The Board notes that Citicorp made commitments in the *Fidelity* application regarding consultations with community groups concerning the credit needs of the community, commitments that it is meeting.

In addition, Citicorp has made the following commitments to the Board in connection with its consideration of this application:

1. First Federal will maintain at least the same percentage of its assets invested in Illinois residential mortgages as are invested as of the date of this order.
2. First Federal will use its commercial lending powers under the Home Owners' Loan Act for the benefit of small business in Illinois.
3. First Federal will develop community programs specifically tailored to the needs of Illinois communities served by First Federal.

These commitments, upon which the Board has relied in acting upon this application, should maintain and enhance First Federal's services to its local communities and also address the concerns expressed regarding diversion of funds from Illinois.

To guard against possible adverse effects of the affiliation in this case between a banking organization and a savings and loan association, including the potential for unfair competition and diversion of funds, the Board has imposed the following conditions:

1. Applicant shall operate First Federal as a savings and loan association having as its primary purpose the provision of residential housing credit. First Federal shall limit its activities to those permitted to federal savings and loan associations currently under the Home Owners' Loan Act, and shall not engage in any activity prohibited to bank holding companies and their subsidiaries under section 4(c)(8) of the Bank Holding Company Act. These limitations shall apply to First Federal's service corporation subsidiaries, which shall have a reasonable period consistent with the terms of the assistance agreement among Citicorp, First Federal, and the FSLIC to complete the divestiture of their real estate development projects. Citicorp shall have two years to divest First Federal's insurance underwriting subsidiary or to terminate its impermissible activities.
2. First Federal shall not establish or operate a remote service unit at any location outside Illinois.
3. First Federal shall not establish or otherwise acquire branches at locations not permissible for national or state banks located in Illinois.
4. First Federal shall be operated as a separate, independent, profit-oriented corporate entity and shall not be operated in tandem with any other

14. Although the Board does not believe the Community Reinvestment Act is applicable in the case of section 4 applications, the Board has considered Citicorp's record under that statute in acting upon this application.

subsidiary of Applicant. Applicant and First Federal shall limit their operations to effect this condition, and will observe the following conditions:

a. No banking or other subsidiary of Applicant shall link its deposit-taking activities to accounts at First Federal in a sweeping arrangement or similar arrangement.

b. Neither Applicant nor any of its subsidiaries shall solicit deposits or loans for First Federal, nor shall First Federal solicit deposits or loans for any other subsidiary of Applicant.

5. To the extent necessary to ensure independent operation of First Federal and prevent the improper diversion of funds, there shall be no transactions between First Federal and Applicant or any of its subsidiaries without the prior approval of the Federal Reserve Bank of New York. This limitation encompasses the transfer, purchase, sale or loan of any assets or liabilities, but does not include infusions of capital from Applicant, the payment of dividends by First Federal to Applicant, or the sale of residential real estate loans from First Federal to any subsidiary of Applicant.[15]

6. Applicant shall not change First Federal's name to include the word "bank" or any other term that might confuse the public regarding First Federal's status as a nonbank, thrift institution.

7. First Federal shall not convert its charter to that of a state savings and loan association or other state-chartered thrift institution or to a national or state commercial bank without the Board's prior approval.

The Board concludes that consummation of the proposal, subject to the commitments and conditions set out above, may not reasonably be expected to result in conflicts of interests, unsound banking practices, or other adverse effects.

Several of the Protestants have requested the Board to hold a formal hearing regarding Citicorp's proposal. They raise as bases for a hearing the following: (1) discovery is necessary so that all material facts associated with the applications may be provided to Protestants; (2) the need to cross-examine Citicorp officers regarding Citicorp's proposal to merge First Federal with Citicorp Savings, the first thrift institution acquired by Citicorp, since this merger could affect the amount of funds available in Illinois for residential loans; (3) the need to assess the competitive effects of the proposal in each local market; (4) the need for information regarding management interlocks between First Federal and Citicorp, which could affect the amount of funds available for residential loans in Illinois, or the legality of the proposal under branch banking laws; (5) the appropriate priority assigned by the Bank Board to Citicorp's bid under the Garn-St Germain Act; (6) the use First Federal will make of the additional capital supplied by Citicorp; and (7) the methods by which Citicorp will promote First Federal and the effects such promotion may have on voluntary tie-ins.

As indicated above, the Board, pursuant to section 118(a) of the Garn-St Germain Act, has dispensed with the hearing requirement of section 4(c)(8) of the Act based upon the emergency situation at First Federal. In this regard, the Board believes that the procedures employed by it in this case, including the opportunity for written comment and the informal hearing, provided an adequate opportunity for public participation in the Board's consideration of the proposal consistent with the emergency situation that the Board has found at First Federal. The Board imposed no limitation on the length or nature of the written comments. In addition, numerous parties participated in the informal hearing in Washington, D.C., and all persons that wished to testify at these hearings were given an opportunity to do so and to submit questions to Citicorp regarding the application. A number of such questions were received and responded to by Citicorp.

Finally, the requests for hearings, when viewed in the context of the factors the Board is required to consider under the BHC Act, the conditions that the Board has imposed on the operation of First Federal by Citicorp, and the severe financial condition of First Federal about which there is no dispute, do not raise issues of disputed fact that would warrant a formal hearing. Based on the foregoing considerations, the Board does not believe that a formal hearing is required or appropriate in this case and denies the requests of the Protestants for a formal hearing.

The Illinois Bankers Association ("IBA") has requested the Board, in the event it approves the proposed acquisition, to require Citicorp, pending judicial review of the FSLIC's selection of Citicorp as the winning bidder, to maintain separately identifiable and segregable accounts for each aspect of First Federal's operations and not to dispose of any of First Federal's assets until the completion of the FSLIC litigation. While the Board has determined not to grant this specific request, the conditions that the Board has imposed address the concerns expressed by IBA since they require the continued operation of First Federal as a separate and independent savings and loan association, prevent any tandem operations with Citicorp, and limit transactions between Citicorp and First Federal. Moreover, limited divestitures of assets that could result from consummation of Citicorp's proposal prior to further consideration of the FSLIC decision on First Federal by the Court of Appeals for the

15. The Board does not consider any extension of credit by Citicorp to First Federal that is necessary to maintain First Federal's liquidity or general financial integrity to be covered by this limitation.

Seventh Circuit will not materially alter First Federal's operations or adversely affect the ability to carry out any court orders.[16]

Based upon the foregoing and other facts and circumstances reflected in the record, the Board has determined that the reasonably expected public benefits of the proposed acquisition are sufficient to outweigh any possible adverse effects of the proposal, including any potential adverse effects of the affiliation of a commercial banking organization with a thrift institution. In reaching this conclusion, the Board has relied on the rationale advanced in its *Fidelity* order with regard to the balance of public benefits and adverse effects. Accordingly, the application is approved subject to the conditions and commitments described in this Order and the record of this application.

The Board's decision is further subject to the conditions set forth in section 225.4(c) of Regulation Y and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof. The transaction shall be made not later than three months after the effective date of this Order, unless that period is extended for good cause by the Board or by the Federal Reserve Bank of New York acting pursuant to authority hereby delegated.

By order of the Board of Governors, effective January 20, 1984.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Partee, and Gramley. Voting against this action: Governors Teeters and Rice. Governor Wallich abstained from the insurance portion of this application.

JAMES MCAFEE,
[SEAL] *Associate Secretary of the Board*

Note: For the Dissenting Statements of Governors Rice and Teeters see pages 163–164.

Citicorp,
New York, New York

Order Approving Acquisition of Savings and Loan Association

Citicorp, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act (the "BHC Act"), has applied for the Board's approval under section 4(c)(8) of that Act (12 U.S.C. § 1843(c)(8)), and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to acquire all of the voting shares of New Biscayne Federal Savings and Loan Association, Miami, Florida ("New Biscayne"), and indirectly its wholly-owned service corporation.[1] New Biscayne is a federally-chartered savings and loan association and is the successor by supervisory conversion of Biscayne Federal Savings and Loan Association, Miami, Florida, a stock savings and loan association that was declared insolvent by the Federal Home Loan Bank Board ("Bank Board") on April 6, 1983, and placed under the receivership of the Federal Savings and Loan Insurance Corporation ("FSLIC").

As a result of section 333 of the Garn-St Germain Depository Institutions Act of 1982 (Pub.L. No. 97–320, 96 Stat. 1469), New Biscayne, an institution chartered by the Bank Board and the accounts of which are insured by the FSLIC, is not a "bank" for purposes of the BHC Act. Accordingly, this application is properly filed under section 4 of the BHC Act to acquire a company engaged in a nonbanking activity.

By letter dated December 16, 1983, the Bank Board requested that the Board act immediately upon this application in view of the emergency nature of the situation at New Biscayne and its deteriorating financial condition. In light of this request and considering the situation at New Biscayne, the Board promptly published notice of the application in the *Federal Register*, providing 14 days for interested persons to comment on the application. In addition, in order to provide the fullest opportunity for public comment consistent with the need to act expeditiously on the application, the Board ordered an informal hearing to be held on January 6, 1984, in Washington, D.C., to receive comments and testimony from interested persons on the application and to allow interested persons to question Citicorp concerning its proposal. In response to a number of requests from interested parties for additional time in which to comment and to prepare for the hearing, the Board extended the comment period for five additional days and rescheduled the hearing for January 9, 1984.

In response to its request for comment on the application, the Board received approximately 20 written comments opposing the acquisition ("Protestants") and 30 favoring the acquisition. Four general comments were received that did not take a position on the proposal. In addition, the Board received sworn

16. The Court of Appeals has declined to stay the effectiveness of the FSLIC decision. *Hartigan* v. *FHLBB*, Nos. 84–1023, 84–1042 and 84–1053 (7th Cir. January 17, 1984).

1. New Biscayne is currently operated as a mutual association. In order to effect consummation of the proposal, Applicant will form a federal stock savings and loan association that will merge with New Biscayne.

testimony from four persons or organizations who appeared at the hearing, in addition to Citicorp, as well as statements and other documents submitted by the participants at the hearing. The Board did not receive a request for a formal hearing on the application.

The Board has carefully considered the issues raised by the Protestants in light of the factors set forth in section 4(c)(8) of the Act. Based upon the record before the Board in this matter, the Board makes the following findings.

Citicorp, with total consolidated assets of $130.5 billion (as of September 30, 1983) is the largest banking organization in the United States. Citicorp operates four subsidiary banks: Citibank, N.A., New York, New York, the second largest commercial bank in New York with $25.7 billion in domestic deposits, (as of December 31, 1982); Citibank (New York State), N.A., Buffalo, New York; Citibank (South Dakota), N.A., Sioux Falls, South Dakota; and Citibank (Delaware), Wilmington, Delaware. Citicorp also controls numerous nonbanking subsidiaries located throughout the United States, including subsidiaries located in Florida that are engaged in first and second mortgage lending activities and mortgage servicing activities.

New Biscayne, headquartered in Miami, Florida, operates 35 offices and has assets of $1.9 billion (as of October 31, 1983). New Biscayne is the fifth largest savings and loan association in Florida and the 43rd largest in the United States. It is primarily engaged in taking savings deposits and making loans to individuals secured by mortgages on real property. New Biscayne also owns a service corporation that engages in real estate development.

Two distinct product markets are involved in this proposal: deposit taking and mortgage lending. New Biscayne has no offices outside of Florida engaged in deposit taking or mortgage lending at any location at which subsidiaries of Citicorp engage in the same activities. New Biscayne operates in five Florida banking markets, where it controls from 1.1 percent to 5.3 percent of the total deposits in commercial banks and savings and loan associations in those areas.[2] In contrast, Applicant does not accept federally-insured deposits from locations in Florida.[3] Thus, in the deposit-taking product market, there is no significant existing competition between Citicorp and New Biscayne.

With regard to mortgage lending, Citicorp and New Biscayne together account for approximately 3.5 percent of the total volume of first mortgage originations in Florida. Citicorp operates approximately ten offices of its nonbank subsidiaries in seven Florida SMSAs; New Biscayne operates in four of these SMSAs. In each of these, the share of mortgages originated by Citicorp and New Biscayne is small, and their combined shares in the four common SMSAs are approximately 2 percent, 3 percent, 5.8 percent and 11.7 percent.[4] In addition, there are a large number of competitors engaged in various mortgage lending and servicing activities in Florida, including banks, thrift institutions, credit unions and mortgage banking companies.

In view of Citicorp's limited presence in the relevant Florida markets served by New Biscayne, the number and size of financial organizations operating in these Florida markets, the number of potential entrants into these markets, the legal prohibitions against Citicorp's expansion of its subsidiary banks into Florida, and the fact that New Biscayne is a failing institution with limited competitive vigor, the Board concludes that this proposal would not have any significant adverse effect on existing or potential competition in any relevant market. Indeed, the proposed acquisition will have a substantial beneficial impact on competition by ensuring the continued operation of New Biscayne as a viable institution through access to the financial and managerial resources of Citicorp.

Section 4(c)(8) of the Act authorizes a bank holding company to acquire a company engaged in nonbanking activities that are determined by the Board to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto." The Board has determined previously that the operation of a thrift institution satisfies the first, or closely related to banking, standard of section 4(c)(8) of the BHC Act. For the reasons set out in those earlier Board decisions, the Board reaffirms that determination in this case.[5]

Under the second or "proper incident" standard of section 4(c)(8) of the Act, the Board is required to consider whether the performance of the activity by a bank holding company or a subsidiary of a bank holding company "can reasonably be expected to

2. These are the Miami–Ft. Lauderdale, east Palm Beach County, Martin County, Naples, and Pinellas County banking markets. New Biscayne's largest share of 5.3 percent is in the Martin County banking market.

3. Applicant's Edge Act subsidiaries take deposits that are not federally insured, but these subsidiaries operate in a different product market from New Biscayne.

4. These statistics include the estimated market share held by mortgage banking companies in each SMSA. Mortgage lending data are not readily available for the relevant markets. The Board finds, however, that these SMSAs provide a reasonable approximation of the relevant markets in this instance.

5. E.g., *Old Stone Corporation*, 69 FEDERAL RESERVE BULLETIN 812 (1983); *Citicorp*, 68 FEDERAL RESERVE BULLETIN 656 (1982); *Interstate Financial Corporation*, 68 FEDERAL RESERVE BULLETIN 812 (1982); *D.H. Baldwin & Co.*, 63 FEDERAL RESERVE BULLETIN 280 (1977); *American Fletcher Corporation*, 60 FEDERAL RESERVE BULLETIN 868 (1974). A Board staff study of thrift institutions supports the view that operating a thrift institution is closely related to banking. "Bank Holding Company Acquisitions of Thrift Institutions," September 1981.

produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."

In 1977, the Board determined that, as a general matter, the activity of operating a savings and loan is not a "proper incident" to banking because the potential adverse effects of generally allowing affiliations of banks and thrift institutions were then sufficiently strong to outweigh the benefits that might result in individual cases. (*D.H. Baldwin & Co.*, 63 FEDERAL RESERVE BULLETIN 280 (1977)). Subsequently, in three cases involving the acquisition of a failing thrift institution, the Board found that the adverse effects of bank/thrift affiliations were overcome by the public benefits of preserving the failing thrift institution.[6]

In the Garn-St Germain Act, Congress has confirmed the Board's authority under the BHC Act to allow the acquisition by a bank holding company of a thrift institution under such circumstances and has established the framework within which the Board is to consider such acquisitions. That statute provides for a division of responsibilities between the Board under the BHC Act and the Bank Board under the National Housing Act. Under that Congressionally mandated division of responsibility, the Bank Board is authorized to arrange for the acquisition or merger of failing thrift institutions under specified conditions, and after a consideration of a series of priorities that favor intra-industry and intrastate transactions over inter-industry and interstate transactions. The statute also provides that the Bank Board's calculations and estimations of offers shall be determinative.

Section 123 of the Garn-St Germain Act specifically provides that, after appropriate consideration of these priorities and compliance with the other requirements of the statute, the Bank Board may authorize the acquisition of a failing thrift by a bank holding company. If the Bank Board selects a bank holding company, the acquired thrift becomes subject to the bank branching restrictions applicable to national banks in the state in which the thrift is located.

While the Garn-St Germain Act assigns to the Bank Board the responsibility for selection of the appropriate solution to a failing thrift institution situation, that statute also requires the Board's consideration of the effects of a proposal involving a bank holding company acquisition under the prudential standards of section 4(c)(8) of the BHC Act, which involve an evaluation of the possible adverse effects and anticipated public benefits of the proposal.[7] That evaluation does not, however, include a review of the Bank Board's selection of the appropriate bidder for the failing thrift.

Section 118 of the Garn-St Germain Act allows the Board to dispense with both the notice and hearing requirements of section 4(c)(8) of the BHC Act if it finds that an application to acquire a thrift institution presents an emergency situation requiring immediate action, and the primary federal regulator of that institution concurs in this finding.

In a letter dated December 16, 1983, the Bank Board advised the Board that the Bank Board had selected Citicorp as the winning bidder for New Biscayne under the emergency provisions of section 123 of the Garn-St Germain Act. The Bank Board urged the Board to act immediately on the Citicorp application in view of the deteriorating and serious financial condition of New Biscayne. The Bank Board stated that such action was necessary to restore public confidence in New Biscayne, to maintain confidence in the savings and loan industry generally, and to stabilize the daily increasing potential cost to the FSLIC.

New Biscayne's predecessor was placed in receivership by the Bank Board on April 6, 1983, an action that has been confirmed by the U.S. Court of Appeals for the Eleventh Circuit. In April 1983, New Biscayne was insolvent by more than $29 million, and its condition has steadily deteriorated since that time. As of November 30, 1983, for example, New Biscayne's net worth had declined to a negative $49 million, if FSLIC Income Capital Certificates are excluded from net worth, and it is experiencing losses of about $2.5 million per month. In addition, between April 6 and October 31, New Biscayne lost almost $374 million in deposits, or approximately 20 percent of total deposits.

In order to stabilize New Biscayne's condition, the FSLIC has purchased Income Capital Certificates of New Biscayne in the amount of $38.7 million, and the Federal Home Loan Bank of Atlanta has advanced an additional $449 million to New Biscayne. 146 New Biscayne employees, including 34 members of its management staff, have submitted their resignations, and uncertainty regarding New Biscayne's future has made it difficult to replace these employees. The Bank Board has advised the Board that there is no evidence that New Biscayne's continued deterioration can be averted, or that the rising cost to the FSLIC can be checked, unless New Biscayne is acquired by a purchaser that is capable of restoring public confidence in the institution. In view of these and other facts of

6. *Old Stone Corporation*, supra; *Citicorp*, supra; *Interstate Financial Corporation*, supra.

7. Section 4(c)(8) of the BHC Act does not require a determination that a given proposal is the most desirable that could be presented. The fact that alternative purchasers may be available is not determinative.

record, the Board has concluded that an emergency situation exists at New Biscayne that requires the Board to act immediately on this application, and the Bank Board has concurred in this finding. Accordingly, the Board has, under the authority provided in Section 118(a) of the Garn-St Germain Act, dispensed with the hearing requirement of section 4(c)(8) and any further period for public comment on the application.

The Board has reexamined, in the context of this application, the general adverse factors cited in the Board's 1977 *D.H. Baldwin* decision, including regulatory conflict, erosion of institutional rivalry, and the potential for undermining interstate banking prohibitions. The Board has also considered the adverse factors that might be associated with this particular application,[8] including the potential for unfair competition, conflicts of interests, financial risks, diversion of funds, and participation in impermissible activities.

In view of the determination by the Bank Board and the Board's findings with respect to New Biscayne's financial condition, and the other considerations detailed below, the Board has determined that the substantial benefits to the public associated with preserving New Biscayne as a competitor are sufficient to outweigh the generalized adverse effects found by the Board in the *D.H. Baldwin* case.[9] In reaching this decision, the Board has considered that this is not the first acquisition of a savings and loan association by Citicorp. While the Garn-St Germain Act provides for the acquisition by a bank holding company of a savings and loan association located in another state under emergency circumstances, Congress has continued to require that such proposals meet the proper incident to banking standard of section 4(c)(8) of the BHC Act mandating an evaluation by the Board of the public benefit and possible adverse effects in each case.

Under this standard, the Board has considered as adverse effects the impact of this proposal, in the context of the proposed acquisition of First Federal Savings & Loan Association of Chicago, Chicago, Illinois ("First Federal"), and the acquisition of Fidelity Federal Savings and Loan Association of San Francisco, on the interstate banking prohibition of the BHC Act and the concentration of resources. The Board notes that Applicant is the largest banking organization in the country, and has acquired or proposes to acquire, through a series of transactions, substantial thrift institutions in three states controlling more than $9 billion in assets. On this basis, Applicant would be the fourth largest savings and loan organization in the country.

After considering all the facts of record, the Board has concluded that consummation of the New Biscayne proposal and Applicant's proposal to acquire First Federal, would not have such a serious adverse effect on the interstate banking prohibition of the Act or result in such an undue concentration of resources as to outweigh the public benefits associated with preserving these major thrift competitors. If, however, any further expansion into the savings and loan industry were contemplated by Citicorp through the acquisition of additional savings and loan associations, the Board would weigh these factors more heavily.

In its evaluation of this application, the Board considered the contentions of the Protestants that, in addition to the general effects cited by the Board in *Baldwin*, the following adverse effects may result from consummation of the Citicorp proposal: (1) Citicorp does not intend to maintain New Biscayne as a specialized institution committed to the provision of housing credit; (2) Citicorp would use New Biscayne as a vehicle to engage in activities impermissible for bank holding companies; (3) decreased or unfair competition would result because Citicorp would operate New Biscayne in tandem with its banking and other subsidiaries in order to engage in effective interstate banking and to use its substantial resources to dominate banking in Florida; (4) Citicorp may not have the financial ability and resources to operate and revitalize New Biscayne; and (5) the transaction would result in an undue concentration of resources.

In approving Citicorp's prior application to acquire Fidelity Federal Savings and Loan Association of San Francisco, the Board imposed a number of conditions designed to address the potential adverse effects associated with the affiliation of a thrift institution with a banking organization. In the instant application, Citicorp requests the Board not to impose those conditions on its proposed acquisition of New Biscayne. The Protestants, however, urge the continuing need for the conditions based on considerations of unfair competition, interstate banking, and the need to maintain specialized depository institutions. The Board continues to believe that there are potential adverse effects resulting from the affiliation of a thrift institution with a banking organization and, accordingly, has decided to impose in this case the conditions on the operation of the acquired thrift found necessary in the *Fidelity* case. The Board believes these conditions

8. As stated above, the Board has examined the competitive effects associated with this particular application and has concluded that there are no substantial adverse effects associated therewith.

9. Consummation of this proposal will make Citicorp a multiple savings and loan holding company subject to various restrictions on its activities which do not apply to unitary savings and loan holding companies. 12 U.S.C § 1730a(c)(2). However, the Bank Board has used its authority under the emergency provisions of section 408(m)(1)(A) of the National Housing Act, 12 U.S.C. § 1730a(m)(1)(A), to determine that the multiple holding company restrictions shall not apply to Citicorp.

address in substantial part the concerns raised by the Protestants.[10]

In evaluating this application, the Board has carefully considered the financial and managerial resources of Citicorp and the effect on these resources of the proposed acquisition of New Biscayne as well as the proposed acquisition of First Federal, Chicago, Illinois. The Board has reviewed relevant data from Citicorp's inspection reports and the examination reports of its subsidiaries as well as official reports and filings with the Board, including data on Citicorp's domestic and foreign loan portfolio. Based upon this review and taking into account the factors and commitments listed below, the Board concludes that the reasonably expected public benefits of the proposal are sufficient to outweigh any adverse effect relating to the financial resources of Citicorp as well as other possible adverse effects of the proposal.

In reaching this conclusion, the Board placed considerable emphasis on the following factors. First, Citicorp's capital ratios and earnings have improved over the past 18 months. Second, in connection with the two proposed savings and loan acquisitions before the Board, Citicorp has committed to raise $350 million of additional primary capital by March 31, 1984. This additional capital would, after adjusting for the temporary build-up in Citicorp's period-end assets and giving effect to this proposal and the proposed acquisition of First Federal, place Citicorp in compliance with the Board's minimum capital adequacy guidelines. Finally, in addition to the specific commitment regarding capital, Citicorp has stated that it will, subject to reasonable economic and market conditions, increase its capital ratios materially above the Board's minimum capital adequacy guidelines by December 31, 1984. In its consideration of the financial aspects of this application, the Board has relied on these capital commitments and Citicorp's continuing efforts to improve its capital position. The Board believes that capital adequacy is especially important in the analysis of bank holding company expansion proposals, particularly where the organization has a significant loan exposure, such as loans in foreign countries experiencing liquidity problems.

The Board concludes that Citicorp's acquisition of New Biscayne will provide a substantial and compelling public benefit in that Citicorp will provide New Biscayne with sufficient new capital funds and managerial assistance to restore New Biscayne as a viable competitor and to restore public confidence in New Biscayne. Citicorp has committed to invest sufficient funds in New Biscayne so that its resulting capital would be not less than 6 percent of New Biscayne's total liabilities, compared to the present regulatory minimum of 3 percent, and to maintain that 6 percent ratio until December 31, 1985. Citicorp also has extensive experience in both the consumer banking and consumer finance areas and appears fully capable of revitalizing a consumer-oriented depository institution.

The record establishes that Citicorp has the financial and managerial resources and the commitment to serving the convenience and needs of the public to achieve this result. The acquisition will restore an active and effective competitor and will increase competition in numerous Florida markets, will ensure the continuation of services by New Biscayne to its thousands of customers and the public, and will protect the interests of New Biscayne's depositors, the public, the savings and loan industry generally, and the FSLIC.

The Board has also considered as a substantial public benefit the savings to the FSLIC that will result from the proposal. The Bank Board has advised the Board that it has explored all alternatives for solving New Biscayne's problem and has determined that Citicorp's bid would serve the public interest and minimize the cost to the FSLIC to a substantially greater extent than the terms offered by any other bidder.

Citicorp's commitment to the introduction of new products and services and the expansion of current services of New Biscayne also lends weight toward approval. This expansion of New Biscayne's services and operations also may be expected to provide greater convenience to the public. Citicorp's experience and expertise also should result in gains in efficiency at New Biscayne. In assessing the public benefits of this proposal, the Board has noted the favorable performance of Fidelity Federal Savings and Loan Association of San Francisco after its acquisition by Citicorp in late 1982.

Finally, Citicorp has a good record of service to its local communities, and has stated that it intends to use its resources to promote and expand New Biscayne's service to its communities. In this regard, the Board notes that the provisions of the Community Reinvestment Act are applicable to New Biscayne as a savings

10. It has been suggested that the Board should prevent Citicorp from changing New Biscayne's name in any respect and prohibit any subsequent mergers or acquisitions involving thrift institutions. The prohibitions on tandem operations and transactions with affiliates that the Board is imposing provide for the separation of New Biscayne from Citicorp's other operations. Accordingly, the Board does not believe that Citicorp should be prevented from identifying New Biscayne as a Citicorp subsidiary. With respect to subsequent mergers or acquisitions, any such transaction would require Board approval under the BHC Act as a condition of this order and would be limited by the provisions of section 408(m)(5)(A) of the National Housing Act (12 U.S.C. § 1730(m)(5)(A)) limiting further branching by New Biscayne.

and loan association.[11] At the hearing, representatives of Citicorp presented sworn testimony regarding the services it provides to local communities in New York and, through Citicorp Savings, in California. Such services include programs for the rehabilitation and construction of low- and moderate-income, housing, small business lending, economic development centers and participation with community groups to further such programs. Citicorp's representatives testified that it would provide similar programs and services to the communities served by New Biscayne. The Board notes that Citicorp made commitments in the *Fidelity* application regarding consultations with community groups concerning the credit needs of the community, commitments that it is meeting.

In addition, Citicorp has made the following commitments to the Board in connection with its consideration of this application:

1. New Biscayne will maintain at least the same percentage of its assets invested in Florida residential mortgages as are invested as of the date of this Order.
2. New Biscayne will use its commercial lending powers under the Home Owners' Loan Act for the benefit of small business in Florida.
3. New Biscayne will develop community programs specifically tailored to the needs of Florida communities served by New Biscayne.

These commitments, upon which the Board has relied in acting upon this application, should maintain and enhance New Biscayne's services to its local communities and also address the concerns expressed regarding the diversion of funds from Florida.

To guard against possible adverse effects of the affiliation in this case between a banking organization and a savings and loan association, including the potential for unfair competition and diversion of funds, the Board has imposed the following conditions:

1. Applicant shall operate New Biscayne as a savings and loan association having as its primary purpose the provision of residential housing credit. New Biscayne shall limit its activities to those permitted to federal savings and loan associations currently under the Home Owners' Loan Act, and shall not engage in any activity prohibited to bank holding companies and their subsidiaries under section 4(c)(8) of the Bank Holding Company Act. These limitations shall apply to New Biscayne's wholly-owned service corporation, which shall have two years from the date of this Order to complete the divestiture of its real estate development projects.
2. New Biscayne shall not establish or operate a remote service unit at any location outside Florida.
3. New Biscayne shall not establish or otherwise acquire branches at locations not permissible for national or state banks located in Florida.
4. New Biscayne shall be operated as a separate, independent, profit-oriented corporate entity and shall not be operated in tandem with any other subsidiary of Applicant. Applicant and New Biscayne shall limit their operations to effect this condition, and will observe the following conditions:
   a. No banking or other subsidiary of Applicant shall link its deposit-taking activities to accounts at New Biscayne in a sweeping arrangement or similar arrangement.
   b. Neither Applicant nor any of its subsidiaries shall solicit deposits or loans for New Biscayne, nor shall New Biscayne solicit deposits or loans for any other subsidiary of Applicant.
5. To the extent necessary to ensure independent operation of New Biscayne and prevent the improper diversion of funds, there shall be no transactions between New Biscayne and Applicant or any of its subsidiaries without the prior approval of the Federal Reserve Bank of New York. This limitation encompasses the transfer, purchase, sale or loan of any assets or liabilities, but does not include infusions of capital from Applicant, the payment of dividends by New Biscayne to Applicant, or the sale of residential real estate loans from New Biscayne to any subsidiary of Applicant.[12]
6. Applicant shall not change New Biscayne's name to include the word "bank" or any other term that might confuse the public regarding New Biscayne's status as a nonbank, thrift institution.
7. New Biscayne shall not convert its charter to that of a state savings and loan association or other state chartered thrift institution or to a national or state commercial bank without the Board's prior approval.

The Board concludes that consummation of the proposal, subject to the commitments and conditions set out above, may not reasonably be expected to result in conflicts of interests, unsound banking practices, or other adverse effects.

Based upon the foregoing and other facts and circumstances reflected in the record, the Board has determined that the reasonably expected public benefits of the proposed acquisition are sufficient to out-

11. Although the Board does not believe the Community Reinvestment Act is applicable in the case of section 4 applications, the Board has considered Citicorp's record under that statute in acting upon this application.

12. The Board does not consider any extension of credit by Citicorp to New Biscayne that is necessary to maintain New Biscayne's liquidity or general financial integrity to be covered by this limitation.

weigh any possible adverse effects of the proposal, including any potential adverse effects of the affiliation of a commercial banking organization with a thrift institution. In reaching this conclusion, the Board has relied on the rationale advanced in its *Fidelity* Order with regard to the balance of public benefits and adverse effects. Accordingly, the application is approved subject to the conditions and commitments described in this Order, and the record of this application.

The Board's decision is further subject to the conditions set forth in section 225.4(c) of Regulation Y and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof. The transaction shall be made not later than three months after the effective date of this Order, unless that period is extended for good cause by the Board or by the Federal Reserve Bank of New York acting pursuant to authority hereby delegated.

By order of the Board of Governors, effective January 20, 1984.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Partee, and Gramley. Voting against this action: Governors Teeters and Rice.

JAMES MCAFEE,
[SEAL] *Associate Secretary of the Board*

Dissenting Statement of Governor Rice

I dissent from the Board's approval today of the acquisitions by Citicorp of First Federal Savings and Loan Association of Chicago, Chicago, Illinois, and New Biscayne Federal Savings and Loan Association, Miami, Florida.

While the Garn-St Germain Depository Institutions Act of 1982 authorizes the Board to approve the acquisition of a failing thrift institution by a bank holding company, Congress intended and indeed specified that the Board should evaluate any such proposal under the net public benefits standard of section 4(c)(8) of the Bank Holding Company Act. Under that standard, the Board is required to consider whether the performance of the activity can reasonably be expected to result in benefits to the public that outweigh possible adverse effects.

In 1977, the Board determined that the operation of a savings and loan association by a bank holding company entailed such significant potential adverse effects as to outweigh the public benefits that might result in any individual case. The Board has subsequently held that these adverse effects may be overcome in the case of a failing thrift institution because of the substantial public benefits associated with preserving the institution as a competitor. In each such instance, however, the Board has reaffirmed its findings regarding the adverse effects of such affiliations, which stem principally from the undermining of the interstate banking prohibitions of the Bank Holding Company Act and the erosion of the separation and rivalry between the banking and thrift industries.

In this case, the Board has again affirmed the presence of these adverse effects in the affiliation of a banking organization with a thrift institution. However, the Board has concluded that any possible adverse effects in this case are outweighed by the public benefit of restoring each of the ailing thrift institutions to a viable condition. The Board also considered concerns regarding concentration of resources and the undermining of the interstate banking prohibition of the Bank Holding Company Act and cautioned that it would weigh these factors more heavily in any future expansion by Citicorp into the savings and loan industry through acquisition of additional institutions.

I recognize that the Board imposed a number of conditions on its approval of the proposed acquisitions designed to mitigate any potential adverse effects of the applications, including requirements to assure competitive equality and maintenance of the acquired institutions as independent savings and loan associations devoted primarily to home mortgage lending. While the conditions imposed by the Board are essential in mitigating potential adverse effects of the proposals, in my judgment, the adverse factors present in this case are so significant, even in light of the conditions imposed by the Board, that they are not outweighed by the public benefits associated with revitalizing these institutions. It is with respect to this balancing of adverse effects and public benefits that I disagree with the majority of the Board.

Although I joined the Board in its approval of Citicorp's acquisition of Fidelity Federal Savings and Loan Association of San Francisco in recognition of the substantial public benefits of that case, this proposal would allow Citicorp to acquire two more major savings and loan associations in two additional states, institutions that have a substantial network of branches throughout these states. In my view, the adverse effects on the interstate banking prohibition of the Act and the other factors specified in the Board's *D.H. Baldwin* decision are increasingly pronounced where the same bank holding company engages in a series of transactions involving the acquisition of major thrift institutions across state lines. I share the concerns expressed by many of the commenters that approval of these applications would seriously undermine the Congressionally established structure of banking in this country as embodied in the Douglas Amendment to the Bank Holding Company Act and the McFadden Act.

In 1970, Congress amended the Bank Holding Company Act to authorize the Board to allow bank holding companies to engage in a broader range of nonbanking activities. In authorizing such an expansion, the Congress expressly recognized the potential for the concentration of economic resources that might result through the combination of major banking institutions with nonbanking institutions in "power centers dominating the American economy."[1] The specific inclusion of the "undue concentration of resources" standard in section 4(c)(8) of the Act and the requirement that Board approval of any nonbanking activity take account of this factor reflects Congressional concern over control of economic resources and, as the courts have held, demands "a more searching inquiry than the usual antitrust considerations of ease of entry and relative market shares."[2]

As the Board notes, Citicorp is the largest banking organization in the United States and will, following these acquisitions, control the fourth largest savings and loan organization in the country as well as having a substantial presence in the thrift institution structure of three states. In my judgment, the concentration of banking and economic resources resulting from these acquisitions raises serious potential for an undue concentration of resources. Because of the size and market share of the institutions involved in the present applications and the impact of their acquisition by Citicorp on the policies of the Act and on the structure and federal regulation of banking in this country, I believe that the adverse effects that the Board recognized and cautioned against in its decisions are present to such a significant extent that approval of the applications on the basis of public benefits is not warranted.

While I recognize the importance of the public benefits of preserving the service of these thrift institutions to their local communities, the Act requires the Board to balance this benefit against possible adverse effects. In requiring this balancing, Congress recognized the importance of the public policy considerations and prudential limitations embodied in the Act and that they should not be automatically relaxed to preserve a failing thrift institution, but only upon a compelling showing of countervailing public benefits. Accordingly, any bidder selected by the FHLBB as the best solution to a failing thrift situation must, under the express terms of the Garn-St Germain Act, meet the net public benefits standard of the Bank Holding Company Act. If the proposal by the successful bidder does not meet this standard, another solution to restore the thrift institution to a viable condition would have to be arranged by the FHLBB.

As the Board's order makes clear, Congress has not authorized the Board to review the FHLBB's selection of the appropriate bidder. However, at the same time, Congress did not authorize the FHLBB to evaluate, through the selection of the bidder, the effect of the proposal on the public policies embodied in the Bank Holding Company Act. This responsibility is committed exclusively to the Board.

In view of the magnitude of the adverse effect of these two acquisitions on the fundamental policies of the Bank Holding Company Act, I cannot concur in the majority's finding that these proposals satisfy the net public benefits standard of section 4(c)(8) of the Act.

I would deny these applications.

January 20, 1984

Dissenting Statement of Governor Teeters

For the reasons stated in the dissent of Governor Rice, I dissent from the Board's approval of the applications of Citicorp, New York, New York, to acquire First Federal Savings and Loan Association of Chicago, Chicago, Illinois, and New Biscayne Federal Savings and Loan Association, Miami, Florida.

January 20, 1984

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

Norstar Bancorp, Inc., Albany, New York

Order Approving the Formation and Merger of Bank Holding Companies and the Acquisition of Companies Engaged in Insurance and Mortgage Banking Activities

Norstar Bancorp, Inc., Albany, New York, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 3 of the Act (12 U.S.C. § 1842) to acquire Security New York State Corporation, Rochester, New York ("Security") and thereby indirectly acquire Security Trust Company of Rochester, Rochester, New York; First Trust Union Bank,

1. H Rep. No. 91-1744, 91st Cong., 2d Sess. 11 (1970). See also S. Rep. No. 91-1084, 91st Cong., 2d Sess. 2-4 (1970).

2. *Citicorp* v. *Board of Governors*, 589 F.2d 1182 1190-1191 (2d Cir. 1979), cert. denied, 442 U S. 929 (1979). Accord, *Alabama Assn. of Insurance Agents* v. *Board of Governors*, 553 F.2d 224, 251 (5th Cir. 1976), amended and rehearing denied, 558 F.2d 729 (1977), cert. denied, 435 U.S. 904 (1978).

Wellsville, New York; The Mohawk National Bank, Schenectady, New York; First Bank and Trust Company of Ithaca, Ithaca, New York; The Bank of Auburn, Auburn, New York; Genesee Country Bank, LeRoy, New York; First Bank and Trust Company of Corning, Corning, New York; The State Bank of Seneca Falls, Seneca Falls, New York, and Glen Bank and Trust Company, Watkins Glen, New York. In connection with this application, SNY Holding Corporation, Albany, New York, has applied for the Board's approval to become a bank holding company by merger with Security.

Applicant also has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to acquire Griffin Life Insurance Company, Phoenix, Arizona, a company engaged in the reinsurance of credit-related insurance directly related to extensions of credit by subsidiaries of Security, and Griffley Corporation, Rochester, New York, a company that will engage in mortgage banking activities. These activities have been determined by the Board to be closely related to banking and permissible for bank holding companies (12 C.F.R. §§ 225.4(a)(1), (3) and (10)), and this determination has not been affected by the recent amendments to section 4(c)(8) of the Act limiting the permissible insurance activities of bank holding companies.[1]

Notice of the applications, affording opportunity for interested persons to submit comments, has been given in accordance with sections 3 and 4 of the Act (48 *Federal Register* 52126 and 56850 (November 16, 1983 and December 23, 1983)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)) and the considerations specified in section 4(c)(8) of the Act.

Applicant is the thirteenth largest commercial banking organization in New York with six subsidiary banks that control aggregate deposits of $3.9 billion,[2] representing 1.7 percent of total deposits in commercial banks in the state.[3] Security is the nineteenth largest banking organization in the state, with nine banking subsidiaries that control aggregate deposits of $1.4 billion, representing 0.7 percent of total deposits in commercial banks in the state. Upon consummation of the proposed acquisition and all planned divestitures, Applicant's share of total deposits in commercial banks in the state would increase to approximately 2.4 percent, and Applicant would become the eleventh largest commercial banking organization in the state. In view of Applicant's relatively small share of statewide deposits, it is the Board's view that consummation of this acquisition would not have any significant adverse effects on the concentration of commercial banking resources in New York.

Applicant's subsidiary banks compete directly with Security's subsidiary banks in four banking markets: the Albany, Batavia, Rochester, and Syracuse banking markets.

In the Albany banking market,[4] Applicant is the market's second largest commercial banking organization with IPC deposits of $293.9 million,[5] representing 15.9 percent of IPC deposits in commercial banks in the market. Security is the market's sixth largest commercial banking organization with $108.4 million in deposits, representing 5.9 percent of IPC deposits in commercial banks in the market. After consummation of the proposal, Applicant would control 21.8 percent of IPC deposits in commercial banks in the market.

The Albany banking market is considered to be moderately concentrated.[6] Although consummation of this proposal would eliminate some existing competition between Applicant and Security in the Albany market, the presence of 10 thrift institutions mitigates the competitive effects of the transaction. These institutions hold combined deposits of $3.7 billion, or approximately 68 percent of total deposits in the market. Moreover, the three largest institutions in the market are thrift institutions. The Board has previously indicated that thrift institutions have become, or at least have the potential to become, major competitors of commercial banks.[7] Thrift institutions already exert a considerable competitive influence in the market as providers of NOW accounts and consumer loans. In addition, thrift institutions are engaged in the business of making commercial loans and providing an alternative for such services in the Albany market. Based upon the number, size and market shares of thrift institutions in the Albany market, the Board has

1. See Garn-St Germain Depository Institutions Act of 1982, Pub. L. No. 97-320 § 601, 96 Stat. 1469, 1536-38 (1982).

2. Unless otherwise indicated, deposit data are as of June 30, 1982.

3. Applicant also controls Northeast Bankshares Association, Portland, Maine (deposits of $472.1 million as of September 30, 1983).

4. The Albany banking market is approximated by Albany, Schenectady, and Rensselaer Counties and the towns of Ballston, Charlton, Clifton Park, Galway, Halfmoon, Malta, Mechanicsville, Milton, Stillwater, and Waterford in Saratoga County.

5. Market deposit data refer only to deposits of individuals, partnerships and corporations ("IPC deposits").

6. The Herfindahl-Hirshman Index ("HHI") in the market is 1318 and would increase by 146 points to 1464 upon consummation of the proposal. Under the Department of Justice's Merger Guidelines, a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. In such markets, the Department is likely to challenge a merger that produces an increase in the HHI of more than 100 points.

7. *Comerica, Inc.*, 69 FEDERAL RESERVE BULLETIN 797 (1983); *General Bancshares Corporation*, 69 FEDERAL RESERVE BULLETIN 802 (1983); *First Tennessee National Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

concluded that thrift institutions exert a significant competitive influence that substantially mitigates the anticompetitive effects of this proposal.[8]

In the Batavia banking market, Applicant is the fourth largest of six commercial banking organizations, with total deposits of $48.8 million, representing 16.5 percent of the total deposits in commercial banks in the market.[9] Security is the market's third largest commercial banking organization, with $58.5 million in deposits, representing 19.8 percent of the total deposits in commercial banks in the market. The market is highly concentrated, with an HHI of 2055 and the four largest commercial banking organizations controlling 87.2 percent of deposits in commercial banks in the market. A combination of Applicant and Security in the market would result in a single banking organization controlling 36.7 percent of the total deposits in commercial banks in the market. Consummation of the proposal would increase the market's four-firm concentration ratio from 87.2 percent to 96.6 percent and increase the HHI by 668 points to 2723.

In order to minimize the competitive effects of the proposal in the Batavia market, Applicant proposes to divest four branches to two unaffiliated banks that are already represented in the market. These branches have deposits of $48.2 million, representing 16.3 percent of market deposits. After the proposed divestiture, Applicant would control approximately 20 percent of total deposits in commercial banks in the market.

Although an acquisition of the size proposed normally would cause concern, the Board believes that the proposed divestitures mitigate the anticompetitive effects of the proposal in the Batavia banking market. Applicant effectively would assume Security's market share and market concentration would not increase significantly. Although Applicant would divest the deposits of its branches to two commercial banking organizations already in the market, the resulting market shares of these institutions would be 16.2 percent and 13.1 percent. Thus, the proposal would result in a market of more equally sized competitors. Applicant has committed that the proposed divestitures will take place on or before consummation of the proposed merger.[10]

In addition to the five banks that would remain in the market after consummation of the proposal, three thrift institutions, controlling 22.4 percent of the market's total deposits, operate in the market. The presence of these institutions further mitigates the anticompetitive effects of the proposal in the Batavia market.[11] Accordingly, the Board finds that consummation of this proposal would have no significant adverse competitive effect in the Batavia market.

The Rochester banking market also is highly concentrated, with an HHI of 1983 and the four largest commercial banking organizations controlling 77.1 percent of total deposits in commercial banks in the market.[12] Security controls the fourth largest commercial banking organization in the market with 12.4 percent of market deposits. Applicant controls less than one percent of market deposits. After consummation, Applicant would assume Security's rank as the fourth largest commercial banking organization in the market, with a market share of approximately 13.4 percent. Thirteen commercial banks would continue to operate in the market after consummation of the proposal and the HHI would increase by only 22 points. Accordingly, the Board believes that consummation of the proposal would have no significant adverse effect on existing competition in the Rochester market.

In the Syracuse banking market, the four largest commercial banking organizations control 79.5 percent of deposits in commercial banks in the market and the market HHI is 1709.[13] Applicant is the seventh largest commercial banking organization in the market and controls 2.1 percent of total deposits in commercial banks in the market. Security is the fifteenth largest commercial banking organization in the market and controls 0.3 percent of market deposits. Upon consummation, Applicant's rank would remain unchanged and its market share would increase to 2.4 percent. The HHI would increase by only one point to 1710 as a result of the proposal. Accordingly, the

8. If thrift institutions in the Albany banking market were included in the calculation of market concentration, the share of total deposits held by the four largest organizations in the market (three of which are thrift institutions) would be 53.3 percent and Applicant's share of deposits would decrease to 7.3 percent. The HHI would increase by only 21 points to 1003.

9. The Batavia banking market is defined as Genesee County, excluding the town of Bergen, and the towns of Attica, Bennington, Covington, and Middlebury in Wyoming County.

10. The Board's policy with regard to competitive divestitures requires that divestitures intended to cure the anticompetitive effects resulting from a merger or acquisition occur on or before the date of consummation of the merger to avoid the existence of anticompetitive effects. See *Barnett Banks of Florida, Inc.*, 68 FEDERAL RESERVE BULLETIN 190 (1982); *InterFirst Corporation*, 68 FEDERAL RESERVE BULLETIN 243 (1982).

11. If thrift institutions in the Batavia banking market were included in the calculation of market concentration, the share of total deposits held by the four largest organizations in the market would be 70.6 percent. Applicant's share of total market deposits would be 15.7 and the HHI would increase by 41 points to 1550.

12. The Rochester banking market is defined as Monroe and Wayne Counties; Livingston County excluding the towns of Nunda, Ossian, and Portage; Orleans County excluding the town of Shelby, and the town of Bergen in Genesee County.

13. The Syracuse banking market is defined as Onondaga and Oswego Counties, and the towns of Cazenovia, De Ruyter, Fenner, Georgetown, Lenox, Nelson, and Sullivan in Madison County.

Board concludes that consummation of this proposal would not have an adverse effect on existing competition in the Syracuse banking market.

The Board has considered the effects of this proposal on probable future competition in the 27 markets in which Applicant and Security do not compete directly. The Board has also examined the proposal in light of its proposed guidelines for assessing the competitive effects of market extension mergers and acquisitions.[14] In evaluating the effects of a proposed merger or consolidation upon probable future competition, the Board considers market concentration, the number of probable future entrants into the market, the size of the bank to be acquired, and the attractiveness of the market for entry on a de novo or foothold basis absent approval of the acquisition. All of the markets in question have more than six probable future entrants. In addition, nine of these markets are small markets, as defined by the guidelines, and of the remaining 18 markets, 10 are unconcentrated as measured by the guidelines. In none of these markets would the proposed merger require intensive analysis under the Board's proposed guidelines. After consideration of these factors in the context of the specific facts of this case, the Board concludes that consummation of this proposal would not have any significant adverse effects on probable future competition in any relevant market.

The financial and managerial resources of Applicant, and its subsidiaries are regarded as satisfactory, and their future prospects appear favorable. In addition, Applicant plans to inject additional capital into Security's lead bank. Accordingly, considerations relating to banking factors are consistent with approval. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval of the application.

Applicant also has applied, pursuant to section 4(c)(8) of the Act, to acquire Griffin Life Insurance Company, Phoenix, Arizona ("Griffin"), a wholly-owned subsidiary of Security, which engages in the reinsurance of credit related insurance made by Security's subsidiary banks or its other subsidiaries. Although Applicant currently engages in the reinsurance of credit related insurance, no adverse competitive effect would result from this acquisition because the activities of Griffin would be limited to insurance directly related to extensions of credit made by the subsidiaries of Security and Norstar. Applicant also has applied to acquire Griffley Corporation, Rochester, New York ("Griffley"), a company that will engage in mortgage banking activities, serving the State of New York. Applicant presently engages in mortgage banking activities through its subsidiary, Norstar Mortgage Services, Inc. Griffley has not been active in mortgage banking activities for a number a years and thus its acquisition by Norstar will not eliminate any significant competition in this area.

Accordingly, it does not appear that Applicant's acquisition of Griffin or Griffley would have any significant adverse effect upon existing or potential competition. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the application to acquire Griffin and Griffley.

Based on the foregoing and the facts of record, the Board has determined that the applications under sections 3 and 4 of the Act should be and hereby are approved. This determination is subject to the condition that completion of the planned divestitures take place on or before the date of consummation of the acquisition. The acquisition of Security 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 New York pursuant to delegated authority. The determinations as to Applicant's nonbanking activities are subject to the conditions set forth in section 225.4(c) of Regulation Y (12 CFR § 225.4(c)) and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective January 23, 1984.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Partee, Rice, and Gramley. Voting against this action: Governor Teeters. Governor Wallich abstained from the insurance portions of these applications.

JAMES MCAFEE,
[SEAL] *Associate Secretary of the Board*

14. "Policy Statement of the Board of Governors of the Federal Reserve System for Assessing Competitive Factors Under the Bank Merger Act and the Bank Holding Company Act," 47 *Federal Register* 9017 (March 3, 1982). While the proposed policy statement has not been adopted by the Board, the Board is using the policy guidelines as part of its analysis of the effect of a proposal on probable future competition.

Federal Reserve Act Orders Issued by the Board of Governors

Orders Issued Under Section 25 of Federal Reserve Act

Citibank Overseas Investment Corporation, Wilmington, Delaware

Order Approving Additional Activity Abroad

Citibank Overseas Investment Corporation ("COIC"), Wilmington, Delaware, has applied for the Board's consent under section 25(a) of the Federal Reserve Act (12 U.S.C. § 615(c)) and section 211.5(d) of the Board's Regulation K (12 C.F.R. § 211.5(d)) to retain the shares of its subsidiary, Citibank Assurance Company Limited ("Assurance"), London, England, after Assurance engages in the general activity of underwriting life insurance in the United Kingdom.[1] Assurance currently has authority to underwrite in the United Kingdom any life insurance that is related to an extension of credit made by the Citicorp organization or by unaffiliated lenders.[2]

COIC is a corporation organized under section 25(a) of the Federal Reserve Act (an "Edge Corporation") and is wholly-owned by Citibank, N.A., New York, New York. Citibank is a wholly-owned subsidiary of Citicorp, New York, New York, which is the largest commercial banking organization in the United States with consolidated assets of $130.9 billion as of June 30, 1983.

In reviewing proposals by U. S. banking organizations to engage in activities overseas, the Board has recognized that in other banking and financial systems, local institutions are often permitted to engage in activities that would not be permissible for United States banking organizations under applicable United States laws and regulations. In the Edge Act and the Bank Holding Company Act, the Board has been granted authority to permit activities abroad that are generally not authorized in the United States for bank holding companies. In the exercise of that authority, the Board has adhered to the policy that the foreign activities that it authorizes should be of a banking or financial, as opposed to commercial, nature, or that such activities should be usual in connection with banking or other financial operations abroad. The Board may also consider whether conduct of the activity will enable the U. S. banking organization to compete effectively with foreign organizations. In addition, the Board takes into account whether the performance of the activity by a United States banking organization overseas is consistent with the prudent conduct and management of the company's banking and nonbanking operations, and the effect of the activity on the capital and managerial resources of the U. S. banking organization.

The list of permissible activities in Regulation K includes the underwriting of credit life insurance and credit accident and health insurance that is related to extensions of credit by the investor or its affiliates (12 C.F.R. § 211.5(d)(5)). The general activity of underwriting life insurance is not included in the list.

In support of its request for approval of this application, COIC contends that engaging in underwriting life insurance in the United Kingdom is financial in nature because life insurance policies are an important savings vehicle in the United Kingdom, are often related to lending activities, and are included in packages of consumer financial services offered by banks and other United Kingdom financial institutions. COIC has also provided information demonstrating that there are at least nine instances of affiliations in the United Kingdom between banks, including two major clearing banks, or licensed deposit takers, and life insurance underwriters. In addition, underwriters holding approximately 20 percent of the life insurance funds in the United Kingdom are affiliated with depository institutions. In light of all the facts of record, including the participation of U. K. banking organizations in this activity, the Board concludes that the general activity of underwriting life insurance in the United Kingdom can be considered usual in connection with banking or other financial operations in the United Kingdom.

In assessing the risks to U. S. banking organizations from performance of this activity, the Board is of the view that the application of prudent underwriting practices can serve to reduce many of the risks involved in insurance underwriting. Nevertheless, the experience of U. S. banking organizations with such activities is limited, and the Board believes that, at least in the initial period, the magnitude of such activities should remain within reasonable limits in relation to the overall operations of U. S. banking organizations. In this regard, the Board considered as significant that Assurance is a relatively small company that appears to be adequately capitalized; that Citicorp indicated, and the record reflects, that Assurance would require no additional capital over the next three years; and that the projected growth of Assurance will be moderate. In the future, the Board intends to consider whether to place some limitations on the

1. As discussed below, COIC has indicated that the ownership of Assurance will be transferred from COIC to Citicorp within three months after Assurance engages in this activity.

2. Letter dated April 22, 1982, to Citibank.

size of a U. S. banking organization's aggregate overseas insurance underwriting activities.[3]

With respect to the investments that may be made by Assurance, Regulation K itself restricts to a 20 percent, noncontrolling interest an investor's shareholding in any foreign company that engages in activities that are not otherwise authorized by Regulation K.[4] Therefore, any investments made by Assurance in the shares of companies in the course of investing funds generated by its life underwriting business are subject to this limit, affording through portfolio diversification some measure of protection against risks associated with the investment activities of life insurance underwriters.

In acting on the application, the Board also relied on the fact that COIC has indicated that the ownership of Assurance will be transferred from COIC, a Citibank subsidiary, to Citicorp itself. Holding company ownership would have the effect of automatically applying the quantitative limits and collateral requirements of section 23A of the Federal Reserve Act (12 U.S.C. § 371c) to covered transactions between Citibank and Assurance.[5]

3. In this connection, the Board noted that Congress has under consideration whether and to what extent U. S. banking organizations may be permitted to engage in insurance underwriting in the United States.

4. 12 C.F.R. § 211.5(b)(iii). This section also limits the total amount invested in all nonconforming portfolio investments to 100 percent of the investor's capital and surplus.

5. The Board has determined, pursuant to its authority under section 23A of the Federal Reserve Act (12 U.S.C. § 371c(b)(1)(E) and (e)(1)), that until the transfer of Assurance to Citicorp takes place, all covered transactions between Citibank and Assurance will be subject to the provisions of section 23A.

The size of the proposed investment, as well as of Assurance itself, the restrictions on affiliate transactions, the fact that life insurance underwriting is a regulated and supervised activity in the United Kingdom, and the ongoing supervision of Citicorp pursuant to the Bank Holding Company Act, would appear to be adequate to ensure that the conduct of this activity would not result in undue risk to the Citicorp organization.

Based on the foregoing and other considerations contained in the record, and in reliance on all of the factors specified above, the Board has concluded that the proposed activity in the circumstances of this case may be considered usual in connection with the transaction of banking or other financial operations in the United Kingdom, and that its performance by a subsidiary of Citicorp would not be inconsistent with the supervisory purposes of the Bank Holding Company Act. Accordingly, the application is approved.

By order of the Board of Governors, effective January 10, 1984.

Voting for this action: Chairman Volcker and Governors Wallich, Partee, Rice, and Gramley. Absent and not voting: Governors Martin and Teeters.

WILLIAM W. WILES,
[SEAL] *Secretary of the Board*

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

By the Board of Governors

During January 1983 the Board of Governors approved the applications listed below. Copies are available upon request to Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant	Bank(s)	Board action (effective date)
Baldwin Bancshares, Inc., Baldwin, Wisconsin	First National Bank of Baldwin, Baldwin, Wisconsin	January 6, 1984
First Frederick Corporation, Frederick, Oklahoma	First National Bank in Hobart, Hobart, Oklahoma	January 16, 1984
Mercantile Texas Corporation, Dallas, Texas	Capital Bank-Greens Parkway, N.A. Houston, Texas	January 26, 1984

By Federal Reserve Banks

Recent applications have been approved by the Federal Reserve Banks as listed below, copies of the orders are available upon request to the Reserve Banks.

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
ADM Bancorp, Inc., Kansas City, Kansas	Arrowhead State Bank of Kansas City, Kansas City, Kansas	Kansas City	December 29, 1983
ASB Corporation, Tulsa, Oklahoma	American State Bank, Tulsa, Oklahoma	Kansas City	January 16, 1984
BancHills BanCorp, Inc., Austin, Texas	Bank of the Hills, Austin, Texas	Dallas	December 30, 1983
Benton State Bankshares, Inc., Benton, Arkansas	Benton State Bank, Benton, Arkansas	St. Louis	December 27, 1983
BSP Bancorp, San Pedro, California	Bank of San Pedro, San Pedro, California	San Francisco	December 30, 1983
Centennial Bancshares, Inc., Mission, Kansas	Mission Bancshares, Inc., Mission, Kansas	Kansas City	January 6, 1984
Central Bancorp, Inc., Danville, Indiana	The First National Bank of Danville, Danville, Indiana	Chicago	January 5, 1984
Citizens Financial Group, Inc., New Haven, Missouri	Citizens Bank of New Haven, New Haven, Missouri	St. Louis	January 13, 1984
Citizens Independent Bancorp, Huntsville, Alabama	Citizens Independent Bank, Huntsville, Alabama	Atlanta	January 17, 1984
The Colonial BancGroup, Inc., Montgomery, Alabama	The Bank of Huntsville, Huntsville, Alabama, Citizens National Bank of Opp, Opp, Alabama	Atlanta	December 30, 1983
Commercial Bancshares, Inc., Houston, Texas	Park Tower National Bank, Houston, Texas	Dallas	January 17, 1984
Community Holding Company, Inez, Kentucky	Inez Deposit Bank, Inez, Kentucky	Cleveland	December 30, 1983
Decatur Bancshares, Inc., Greensburg, Indiana	Decatur County Bank, Greensburg, Indiana	Chicago	January 13, 1984
Farmers Bancshares, Inc., Center, Texas	Farmers State Bank, Center, Texas	Dallas	December 23, 1983
Farmers Holding Company, Jacksonville, Illinois	The Farmers State Bank and Trust Company, Jacksonville, Illinois	St. Louis	January 20, 1984
Farmers & Merchants Bancshares, Inc., Adel, Georgia	The Farmers & Merchants Bank, Adel, Georgia	Atlanta	December 30, 1983
Financial Center Bancorp, San Francisco, California	The Financial Center Bank, N.A., San Francisco, California	San Francisco	January 19, 1984
Financial Group Dawson, Inc., Dawson, Nebraska	The Dawson Bank, Dawson, Nebraska	Kansas City	January 9, 1984
Financial Group Elk Creek, Inc., Elk Creek, Nebraska	State Bank of Elk Creek, Elk Creek, Nebraska	Kansas City	January 9, 1984

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
Financial Group Humboldt, Inc., Humboldt, Nebraska	Home State Bank and Trust Company, Humboldt, Nebraska	Kansas City	January 9, 1984
First Charlestown Corporation, Charlestown, Indiana	The First National Bank of Clark County, Charlestown, Indiana	St. Louis	January 18, 1984
First Freeport Corporation, Freeport, Illinois	Mount Carroll National Bank, Mount Carroll, Illinois Stockton Bancorp, Inc., Stockton, Illinois Warren Bancorp, Inc., Warren, Illinois	Chicago	January 16, 1984
First Geary Corporation, Geary, Oklahoma	Geary Bancshares, Inc., Geary, Oklahoma The First National Bank of Geary, Geary, Oklahoma	Kansas City	December 23, 1983
First Groesbeck Holding Company, Groesbeck, Texas	First National Bank, Groesbeck, Texas	Dallas	December 23, 1983
First Harvey Bancorporation, Inc., Harvey, North Dakota	First State Bank of Harvey, Harvey, North Dakota	Minneapolis	January 16, 1984
First Illinois Bancorp, Inc., Galesburg, Illinois	First Galesburg National Bank and Trust Company, Galesburg, Illinois	Chicago	January 4, 1984
First Illinois Bancorp, Inc., Manchester, Missouri	Monroe National Bank of Columbia, Columbia, Illinois	St. Louis	January 11, 1984
First Michigan Bank Corporation, Zeeland, Michigan	FMB-First Michigan Bank-Grand Rapids, Grand Rapids, Michigan	Chicago	January 5, 1984
First Paragould Bankshares, Inc., Paragould, Arkansas	First National Bank, Paragould, Arkansas	St. Louis	January 16, 1984
First Preston Bancshares of West Virginia, Inc., Terra Alta, West Virginia	First National Bank of Terra Alta, Terra Alta, West Virginia	Richmond	January 17, 1984
First Sharp County Bancshares, Inc., Ash Flat, Arkansas	First National Bank of Sharp County, Ash Flat, Arkansas	St. Louis	December 29, 1983
First Winters Holding Company, Winters, Texas	The Security State Bank, Wingate, Texas	Dallas	December 20, 1983
F & M Bancorporation, Inc., Kaukauna, Wisconsin	State Bank of Hilbert, Hilbert, Wisconsin	Chicago	January 10, 1984
F&M Bank Holding Company, Cooperstown, North Dakota	Farmers and Merchants Bank in Cooperstown, Cooperstown, North Dakota	Minneapolis	January 6, 1983

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
General Bancshares Corporation, St. Louis, Missouri	General Bancshares Corporation of Illinois, Belleville, Illinois The Charleston National Bank, Charleston, Illinois Ashmore State Bank, Ashmore, Illinois	St. Louis	January 10, 1984
Gulf National Bancorp, Inc., Lake Charles, Louisiana	Gulf National Bank at Lake Charles, Lake Charles, Louisiana	Atlanta	January 16, 1984
Hazen Bancorporation, Inc., Hazen, North Dakota	Union State Bank of Hazen, Hazen, North Dakota	Minneapolis	January 6, 1984
Henderson Bancorporation, Inc., Henderson, Minnesota	The Sibley County Bank, Henderson, Minnesota	Minneapolis	January 20, 1984
The Heritage Group, Inc., Woodridge, Illinois	Heritage Bank of Woodridge, Woodridge, Illinois	Chicago	December 30, 1983
Hoosier Hills Financial Corporation, Osgood, Indiana	The Ripley County Bank, Osgood, Indiana	Chicago	January 12, 1984
Kerens Financial, Inc., Kerens, Texas	Kerens Bancshares, Inc., Kerens, Texas The First State Bank of Kerens, Kerens, Texas	Dallas	December 30, 1983
Lingle Valley Banc-Shares, Lingle, Wyoming	Lingle State Bank, Lingle, Wyoming	Kansas City	January 4, 1984
Marytown Bancshares, Inc., New Holstein, Wisconsin	Farmers & Merchants Bank, Marytown, Wisconsin	Chicago	January 12, 1984
Merchants Bancorp, Inc., Aurora, Illinois	First American Bank of Aurora, Aurora, Illinois	Chicago	January 3, 1984
Midwest Bancshares, Inc., Park Forest South, Illinois	Heritage Bank of Park Forest South, Park Forest South, Illinois	Chicago	December 28, 1984
Mission-Valley Bancorp, Fremont, California	Bank of Pleasanton, Pleasanton, California Commercial Bank of Fremont, Fremont, California	San Francisco	January 16, 1984
NCB Inc., Englewood, Colorado	The National City Bank of Denver, Denver, Colorado	Kansas City	January 16, 1984
Nodaway Valley Bancshares, Inc., Maryville, Missouri	Nodaway Valley Bank, Maryville, Missouri	Kansas City	December 27, 1983
North Missouri Bancorp, Inc., LaBelle, Missouri	The Citizens Bank of Edina, Edina, Missouri LaBelle Bancshares, Inc., LaBelle, Missouri	St. Louis	January 13, 1984
Northern Highlands Bancorporation, Inc., Mercer, Wisconsin	Northern Highlands State Bank, Mercer, Wisconsin	Minneapolis	January 12, 1984

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
Northshore Bancshares, Inc., Houston, Texas	La Marque Bank, La Marque, Texas	Dallas	December 28, 1983
NW Services Corporation, Ringgold, Georgia	Northwest Georgia Bank, Ringgold, Georgia	Atlanta	December 23, 1983
Old Stone Corporation, Providence, Rhode Island	Old Stone Mortgage Corporation, Seattle, Washington	Boston	January 3, 1984
Peoples Bank Corporation, Mountain Home, Arkansas	Peoples Bank & Trust Company, Mountain Home, Arkansas	St. Louis	December 29, 1983
Peoples First National Bancshares, Inc., North Miami Beach, Florida	Peoples First National Bank, North Miami Beach, Florida	Atlanta	December 29, 1983
Poth Bancorporation, Inc., Poth, Texas	The First National Bank of Poth, Poth, Texas	Dallas	December 30, 1983
Potomac Bancorp, Inc., Springfield, Illinois	Goodwine State Bank, Potomac, Illinois	Chicago	January 20, 1984
Rio Grande Bancshares, Inc., Las Cruces, New Mexico	First State Bank of Silver City, Silver City, New Mexico	Dallas	January 20, 1984
Riverdale Bancorporation, Inc., Riverdale, Illinois	Heritage/Glenwood Bank, Glenwood, Illinois	Chicago	January 18, 1984
Robanco Financial Corp., Rochester, Indiana	The First National Bank of Rochester, Rochester, Indiana	Chicago	December 28, 1983
South Central Illinois Bancorp., Effingham, Illinois	The First National Bank of Effingham, Effingham, Illinois	St. Louis	January 4, 1984
Spurgeon Financial Corporation, Spurgeon, Indiana	The Spurgeon State Bank, Spurgeon, Illinois	St. Louis	December 30, 1983
State National Bancorp of Frankfort, Inc., Frankfort, Kentucky	The State National Bank of Frankfort, Frankfort, Kentucky	St. Louis	January 10, 1984
Tallahatchie Holding Company, Charleston, Mississippi	Tallahatchie County Bank, Charleston, Mississippi	St. Louis	January 13, 1984
TC Bankshares, Inc., North Little Rock, Arkansas	Citizens Bank and Trust Company, Flippin, Arkansas	St. Louis	December 22, 1983
Texana Bancshares, Inc., Hamilton, Texas	Texana National Bank of Belton, Belton, Texas	Dallas	January 5, 1984
Twin City Bancshares, Inc., North Little Rock, Arkansas	Twin City Bank, North Little Rock, Arkansas	St. Louis	December 21, 1983
Urban Bancshares, Inc., Kansas City, Missouri	Missouri Bank and Trust Company of Kansas City, Kansas City, Missouri	Kansas City	December 27, 1983
Vermillion Bancshares, Inc., Vermillion, Minnesota	Vermillion State Bank, Vermillion, Minnesota	Minneapolis	December 30, 1983
Zachary Bancshares, Inc., Zachary, Louisiana	Bank of Zachary, Zachary, Louisiana	Atlanta	January 11, 1984

Section 4

Applicant	Nonbanking company	Reserve Bank	Effective date
Bank of Boston Corporation, Boston, Massachusetts	Quissett Corporation, Cambridge, Massachusetts	Boston	January 13, 1984
Grant Bancshares, Inc., Grant, Nebraska	Service Insurance Agency, Inc., Imperial, Nebraska	Kansas City	December 30, 1984
Manufacturers Hanover Corporation, New York, New York	Wells Fargo Bank, N.A., San Francisco, California to engage in corporate trust and agency operations	New York	January 9, 1984
South Carolina National Corporation, Columbia, South Carolina	Union Finance Corporation-Emporia, Virginia Branch, Emporia, Virginia	Richmond	December 29, 1984
Southern Bancorporation, Inc., Greenville, South Carolina	Master Loan Service of Houston, Inc., Houston, Texas	Richmond	January 23, 1984

Sections 3 and 4

Applicant	Bank(s)/Nonbanking company	Reserve Bank	Effective date
Cornbelt Bancorporation, Correctionville, Iowa	Corn Belt State Bank, Correctionville, Iowa general insurance activities	Chicago	January 11, 1984
Eberly Investment Co., Stanton, Nebraska	The Stanton National Bank, Stanton, Nebraska Stanton National Insurance Agency, Stanton, Nebraska	Kansas City	January 9, 1984
First Hysham Holding Company, Hysham, Montana	The First National Bank In Hysham, Hysham, Montana general insurance activities	Minneapolis	January 6, 1984
Herman First National Agency, Inc., Herman, Minnesota	The First National Bank of Herman, Herman, Minnesota general insurance agency activities	Minneapolis	January 18, 1984
Mid-Nebraska Bancshares, Inc., Ord, Nebraska	Wolbach Insurance Agency, Inc., Wolbach, Nebraska Broken Bow Enterprises, Inc., Broken Bow, Nebraska	Kansas City	December 20, 1983
Titonka Bancshares, Inc., Titonka, Iowa	Titonka Savings Bank, Titonka, Iowa Boyken Insurance Agency, Inc., Titonka, Iowa	Chicago	December 27, 1983
Tipton Bancshares, Inc., Tipton, Oklahoma	Tipton Bancorporation, Inc., Tipton, Oklahoma First Tipton Business Trust, Tipton, Oklahoma	Kansas City	January 6, 1984

ORDERS APPROVED UNDER BANK MERGER ACT

By the Board of Governors

Applicant	Bank	Effective date
Central Trust Company, Rochester, New York	Genesee Country Bank, LeRoy, New York	January 26, 1984

By Federal Reserve Banks

Applicant	Bank	Reserve Bank	Effective date
Citizens Bank of New Haven, New Haven, Missouri	Citizens Interim Bank of New Haven, New Haven, Missouri	St. Louis	January 13, 1984

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.

Independent Insurance Agents of America, Inc. and Independent Insurance Agents of Missouri, Inc. v. *Board of Governors,* filed June 1983, U.S.C.A. for the Eighth Circuit (two cases).

The Committee for Monetary Reform, et al., v. *Board of Governors,* filed June 1983, U.S.D.C. for the District of Columbia.

Dakota Bankshares, Inc. v. *Board of Governors,* filed May 1983, U.S.C.A. for the Eighth Circuit.

Jet Courier Services, Inc., et al. v. *Federal Reserve Bank of Atlanta, et al.* filed February 1983, U.S.C.A. for the Sixth Circuit.

Securities Industry Association v. *Board of Governors, et al.,* filed February 1983, U.S.C.A. for the Second Circuit.

Flagship Banks, Inc. v. *Board of Governors,* filed January 1983, U.S.D.C. for the District of Columbia.

Flagship Banks, Inc. v. *Board of Governors,* filed October 1982, U.S.D.C. for the District of Columbia.

Association of Data Processing Service Organizations, Inc., et al. v. *Board of Governors,* filed August 1982, U.S.C.A. for the District of Columbia.

Richter v. *Board of Governors, et al.* filed May 1982, U.S.D.C. for the Northern District of Illinois.

Wyoming Bancorporation v. *Board of Governors,* filed May 1982, U.S.C.A. for the Tenth Circuit.

First Bancorporation v. *Board of Governors,* filed April 1982, U.S.C.A. for the Tenth Circuit.

Charles G. Vick v. *Paul A. Volcker, et al.,* filed March 1982, U.S.D.C. for the District of Columbia.

Jolene Gustafson v. *Board of Governors,* filed March 1982, U.S.C.A. for the Fifth Circuit.

Edwin F. Gordon v. *Board of Governors, et al.,* filed October 1981, U.S.C.A. for the Eleventh Circuit (two consolidated cases).

Allen Wolfson v. *Board of Governors,* filed September 1981, U.S.D.C. for the Middle District of Florida.

Bank Stationers Association, Inc., et al. v. *Board of Governors,* filed July 1981, U.S.D.C. for the Northern District of Georgia.

Public Interest Bounty Hunters v. *Board of Governors, et al.,* filed June 1981, U.S.D.C. for the Northern District of Georgia.

First Bank & Trust Company v. *Board of Governors,* filed February 1981, U.S.D.C. for the Eastern District of Kentucky.

9 to 5 Organization for Women Office Workers v. *Board of Governors*, filed December 1980, U.S.D.C. for the District of Massachusetts.

Securities Industry Association v. *Board of Governors, et al.*, filed October 1980, U.S.C.A. for the District of Columbia.

A. G. Becker, Inc. v. *Board of Governors, et al.*, filed October 1980, U.S.C.A. for the District of Columbia.

A. G. Becker, Inc. v. *Board of Governors, et al.*, filed August 1980, U.S.C.A. for the District of Columbia.

Berkovitz, et al. v. *Government of Iran, et al.*, filed June 1980, U.S.D.C. for the Northern District of California.

Financial and Business Statistics

CONTENTS

Domestic Financial Statistics

1.10 MONETARY AGGREGATES AND INTEREST RATES

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
	1983				1983				
	Q1	Q2	Q3	Q4	Aug	Sept.	Oct.	Nov.	Dec.
Reserves of depository institutions									
1 Total	4 1	12 4	4.7	−2.1	−3.4	.7	−3.0	−6.9	5.8
2 Required	3.8	12.6	4 6	−2 6	−1 5	−1 5	−3 2	−7 8	4 9
3 Nonborrowed	3.5	6 2	1 8	4.9	−6.6	4.2	16 7	−9 1	10 3
4 Monetary base[2]	9 5	11 1	7 6	7 4	6 4	9 1	7 6	6 1	6 4
Concepts of money and liquid assets[3]									
5 M1	14.1	12.2	8 9	2 1	2 8	9	1.9	9[r]	6 5
6 M2	20 3	10.1	7 8	7 0	6.0	4.8	9.1	7.2[r]	5.5
7 M3	10.2	8.1	8.4[r]	9.0	8.6	7.6[r]	8.6[r]	11.9[r]	6.6
8 L	10.8[r]	9.8[r]	10 8	n.a	11 0[r]	8.4[r]	6 6[r]	n.a	n a
Time and savings deposits									
Commercial banks									
9 Total	14.2	3 0	6 1	7 2	5 7	6.0	3 1	13 8	9 7
10 Savings[4]	−43 4	−14 8	−6.8	−9 5	−11.2	−8 7	−10 5	−7 9	−11 5
11 Small-denomination time[5]	−48.5	24.1	14 9	20.1	22 4	17 3	23 1	21 7	9 3
12 Large-denomination time[6]	−53.9	−24 8	−8 5	−4 2	−2 9	−3 8	−21 6	11 2	14 5
13 Thrift institutions[7]	12 1	16.0	13 7	11 5	13 5	12.5	13 0[r]	9 7[r]	5 9
14 Total loans and securities at commercial banks[8]	10 9[r]	9.9	8.6	12 5	11.2	4.9	9.9	13.7	12.9
	Interest rates (levels, percent per annum)								
	1983				1983				1984
	Q1	Q2	Q3	Q4	Sept.	Oct.	Nov.	Dec.	Jan
Short-term rates									
15 Federal funds[9]	8.65	8.80	9 46	9 43	9 45	9 48	9 34	9.47	9 56
16 Discount window borrowing[10]	8 50	8.50	8.50	8.50	8 50	8.50	8.50	8.50	8.50
17 Treasury bills (3-month, secondary market)[11]	8.11	8 40	9 14	8 80	9 00	8 64	8 76	9 00	8 90
18 Commercial paper (3-month)[11,12]	8.34	8.62	9 34	9.21	9 24	8 99	9 10	9.53	9.20
Long-term rates									
Bonds									
19 U.S. government[13]	10 87	10.81	11 79	11.90	11.83	11 77	11.92	12 02	11 82
20 State and local government[14]	9 43	9 23	9.61	9.77	9 58	9 66	9 75	9 89	9.63
21 A-rated utility (recently-offered)[15]	12 70	12.12	12.96	13.14	12.53	12.43	12.64	12.62	12.99
22 Conventional mortgages[16]	13 26	13.16	13.83	13.47	13.60	13.52	13.48	13.42	13.28

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

2 Includes reserve balances at Federal Reserve Banks in the current week plus vault cash held two weeks earlier used to satisfy reserve requirements at all depository institutions plus currency outside the U.S. Treasury, Federal Reserve Banks, the vaults of depository institutions, and surplus vault cash at depository institutions.

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

M2: M1 plus money market deposit accounts (MMDAs), savings and small-denomination time deposits at all depository institutions, overnight repurchase agreements at commercial banks, overnight Eurodollars held by U.S residents other than banks at Caribbean branches of member banks, and balances of money market mutual funds (general purpose and broker/dealer)

M3: M2 plus large-denomination time deposits at all depository institutions and term RPs at commercial banks and savings and loan associations and balances of institution-only money market mutual funds.

L: M3 plus other liquid assets such as term Eurodollars held by U S. residents other than banks, bankers acceptances, commercial paper, Treasury bills and other liquid Treasury securities, and U.S. savings bonds.

4. Savings deposits exclude NOW and ATS accounts at commercial banks and thrifts and CUSD accounts at credit unions.

5. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than $100,000

6 Large-denomination time deposits are those issued in amounts of $100,000 or more.

7 Savings and loan associations, mutual savings banks, and credit unions.

8. Changes calculated from figures shown in table 1 23. Beginning December 1981, growth rates reflect shifts of foreign loans and securities from U.S banking offices to international banking facilities

9. Averages of daily effective rates (average of the rates on a given date weighted by the volume of transactions at those rates)

10. Rate for the Federal Reserve Bank of New York

11. Quoted on a bank-discount basis

12 Unweighted average of offering rates quoted by at least five dealers.

13 Market yields adjusted to a 20-year maturity by the U S. Treasury.

14. *Bond Buyer* series for 20 issues of mixed quality.

15 Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. This table previously showed the rate on newly-issued Aaa utility bonds, but this series was discontinued in January 1984 owing to the lack of Aaa issues.

16. Average rates on new commitments for conventional first mortgages on new homes in primary markets, from Department of Housing and Urban Development

NOTE. Revisions in reserves of depository institutions reflect the transitional phase-in of reserve requirements as specified in the Monetary Control Act of 1980.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS, RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1983		1984	1983			1984			
	Nov.	Dec.	Jan.p	Dec. 14	Dec. 21	Dec. 28	Jan. 4	Jan. 11	Jan. 18	Jan. 25p
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit outstanding**	**167,773**	**171,695r**	**173,591**	**169,687**	**173,426**	**172,966**	**174,845**	**173,499**	**171,238**	**170,769**
2 U.S. government securities[1]	148,005	151,679	152,481	150,671	153,770	151,498	153,555	153,696	151,822	151,266
3 Bought outright	147,775	151,517	151,482	150,671	153,770	151,498	151,120	153,162	151,822	150,586
4 Held under repurchase agreements	230	162	999	0	0	0	2,435	534	0	680
5 Federal agency securities	8,762	8,673	8,709	8,646	8,645	8,645	8,920	8,662	8,635	8,691
6 Bought outright	8,714	8,646	8,630	8,646	8,645	8,645	8,645	8,642	8,635	8,626
7 Held under repurchase agreements	48	27	79	0	0	0	275	20	0	65
8 Acceptances	54	34	76	0	0	0	413	7	0	10
9 Loans	912	745r	726	629	1,054	753	1,291	563	781	505
10 Float	1,592	2,294r	2,843	1,583	1,655	3,592	2,119	1,946	1,298	1,439
11 Other Federal Reserve assets	8,448	8,270	8,756	8,159	8,301	8,479	8,547	8,624	8,703	8,859
12 Gold stock	11,123	11,123	11,120	11,123	11,123	11,123	11,121	11,121	11,121	11,120
13 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
14 Treasury currency outstanding	13,786	13,786	13,786	13,786	13,786	13,786	12,786	13,786	13,786	13,786
ABSORBING RESERVE FUNDS										
15 Currency in circulation	165,317	168,284	167,006	167,713	168,295	169,685	170,156	168,979	167,168	165,418
16 Treasury cash holdings	481	471	477	473	473	471	462	467	478	481
Deposits, other than reserves, with Federal Reserve Banks										
17 Treasury	2,905	3,591	4,479	3,266	4,108	3,729	3,436	3,458	3,118	5,252
18 Foreign	238	220	216	197	237	224	210	216	225	216
19 Other	596	594	489	581	620	528	755	471	465	427
20 Service-related balances and adjustment	1,237	1,477	1,941	1,484	1,501	1,348	1,531	2,422	2,105	1,973
21 Other Federal Reserve liabilities and capital	5,584	5,598	5,617	5,617	5,682	5,654	5,514	5,566	5,735	5,573
22 Reserve accounts[2]	20,943	20,986r	22,889	19,883	22,036	20,854	22,305	21,443	21,467	20,951
	End-of-month figures			Wednesday figures						
	1983		1984	1983			1984			
	Nov.	Dec	Jan.p	Dec. 14	Dec. 21	Dec 28	Jan. 4	Jan. 11	Jan. 18	Jan. 25p
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit outstanding**	**168,481**	**172,460**	**169,225**	**171,971**	**174,928**	**174,318**	**179,211**	**178,565**	**176,275**	**174,267**
24 U.S. government securities[1]	149,439	151,942	150,254	150,055	152,379	152,570	157,519	153,740	153,538	151,914
25 Bought outright	149,439	150,558	150,254	150,055	152,379	152,570	153,147	153,740	153,538	149,699
26 Held under repurchase agreements	0	1,384	0	0	0	0	4,372	0	0	2,215
27 Federal agency securities	8,647	8,853	8,605	8,645	8,645	8,645	8,974	8,635	8,635	8,825
28 Bought outright	8,647	8,645	8,605	8,645	8,645	8,645	8,645	8,635	8,635	8,605
29 Held under repurchase agreements	0	208	0	0	0	0	329	0	0	220
30 Acceptances	0	418	0	0	0	0	436	0	0	35
31 Loans	1,057r	918	418	2,431	1,132	1,311	1,217	2,215	3,362	646
32 Float	898	1,563	846	2,522	4,232	3,055	2,296	5,252	1,880	3,795
33 Other Federal Reserve assets	8,438	8,766	9,102	8,318	8,540	8,737	8,769	8,723	8,860	9,052
34 Gold stock	11,123	11,121	11,120	11,123	11,123	11,123	11,121	11,121	11,120	11,120
35 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
36 Treasury currency outstanding	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786
ABSORBING RESERVE FUNDS										
37 Currency in circulation	166,682	170,005	164,514	168,146	169,033	170,616	170,229	168,291	166,619	164,786
38 Treasury cash holdings	475	463	484	473	472	462	462	468	480	484
Deposits, other than reserves, with Federal Reserve Banks										
39 Treasury	2,896	3,661	7,153	2,839	4,621	3,636	3,104	3,258	3,921	7,331
40 Foreign	360	191	252	232	287	263	198	226	171	198
41 Other	610	845	410	540	531	597	474	485	431	435
42 Service-related balances and adjustment	983	1,013	1,047	1,018	1,023	1,018	1,014	1,020	1,034	1,049
43 Other Federal Reserve liabilities and capital	5,432	5,394	5,625	5,432	5,499	5,496	5,552	5,554	5,446	5,445
44 Reserve accounts[2]	20,569	20,413	19,263	22,817	22,989	21,756	27,702	28,787	27,696	24,062

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

2. Excludes required clearing balances

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

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	1981 Dec.	1982 Dec	1983 June	1983 July	1983 Aug.	1983 Sept	1983 Oct	1983 Nov	1983 Dec.	1984 Jan.p
	Monthly averages of daily figures									
1 Reserve balances with Reserve Banks[1]	26,163	24,804	21,808	22,139	21,965	20,585	21,059	20,943	20,986	22,889
2 Total vault cash (estimated)	19,538	20,392	20,098	20,413	20,035	20,798	20,471	20,558	20,755	22,548
3 Vault cash at institutions with required reserve balances[2]	13,577	14,292	13,593	13,647	13,656	13,927	13,866	14,014	14,597	14,784
4 Vault cash equal to required reserves at other institutions	2,178	2,757	3,014	3,161	3,039	3,404	3,212	3,187	3,311	4,002
5 Surplus vault cash at other institutions[3]	3,783	3,343	3,491	3,605	3,340	3,467	3,393	3,357	2,847	3,762
6 Reserve balances + total vault cash[4]	45,701	45,196	41,906	42,552	42,000	41,383	41,530	41,501	41,741	45,437
7 Reserve balances + total vault cash used to satisfy reserve requirements[4,5]	41,918	41,853	38,415	38,947	38,660	37,916	38,137	38,144	38,894	41,675
8 Required reserves (estimated)	41,606	41,353	37,935	38,440	38,214	37,418	37,632	37,615	38,333	39,508
9 Excess reserve balances at Reserve Banks[4,6]	312	500	480	507	446	498	505	529	561	2,167
10 Total borrowings at Reserve Banks	642	697	1,714	1,382	1,573	1,441	837	912	745	726
11 Seasonal borrowings at Reserve Banks	53	33	121	172	198	191	142	119	96	86
12 Extended credit at Reserve Banks	149	187	964	572	490	515	255	6	2	4

Reserve classification	1983 Nov 23	1983 Nov 30	1983 Dec 7	1983 Dec 14	1983 Dec 21	1983 Dec 28	1984 Jan 4	1984 Jan 11	1984 Jan 18	1984 Jan. 25p
	Weekly averages of daily figures for week ending									
13 Reserve balances with Reserve Banks[1]	21,935	21,127	20,605	19,883	22,036	20,854	22,305	21,443	21,467	20,951
14 Total vault cash (estimated)	19,190	21,036	20,929	20,348	20,383	21,292	20,912	21,508	24,027	23,137
15 Vault cash at institutions with required reserve balances[2]	13,650	14,409	14,355	14,715	14,422	14,879	14,637	14,841	15,253	15,637
16 Vault cash equal to required reserves at other institutions	2,672	3,298	3,216	3,843	2,963	3,270	3,198	3,378	4,364	3,664
17 Surplus vault cash at other institutions[3]	2,868	3,329	3,358	1,790	2,998	3,143	3,077	3,289	4,410	3,836
18 Reserve balances + total vault cash[4]	41,125	42,163	41,534	40,231	42,419	42,146	43,217	42,951	45,494	44,088
19 Reserve balances + total vault cash used to satisfy reserve requirements[4,5]	38,257	38,834	38,176	38,441	39,421	39,003	40,140	39,662	41,084	40,252
20 Required reserves (estimated)	37,958	38,198	37,671	37,954	38,776	38,567	39,182	38,980	40,609	39,672
21 Excess reserve balances at Reserve Banks[4,6]	299	636	505	487	645	436	958	682	475	580
22 Total borrowings at Reserve Banks	813	877	438	629	1,054	753	1,291	563	781	505
23 Seasonal borrowings at Reserve Banks	123	123	89	89	100	115	73	69	79	96
24 Extended credit at Reserve Banks	4	13	2	1	1	3	5	2	4	6

1 As of Aug. 13, 1981, excludes required clearing balances of all depository institutions.
2 Before Nov 13, 1980, the figures shown reflect only the vault cash held by member banks
3. Total vault cash at institutions without required reserve balances less vault cash equal to their required reserves
4. Adjusted to include waivers of penalties for reserve deficiencies in accordance with Board policy, effective Nov. 19, 1975, of permitting transitional relief on a graduated basis over a 24-month period when a nonmember bank merged into an existing member bank, or when a nonmember bank joins the Federal Reserve System. For weeks for which figures are preliminary, figures by class of bank do not add to total because adjusted data by class are not available.
5. Reserve balances with Federal Reserve Banks, which exclude required clearing balances plus vault cash at institutions with required reserve balances plus vault cash equal to required reserves at other institutions
6 Reserve balances with Federal Reserve Banks, which exclude required clearing balances plus vault cash used to satisfy reserve requirements less required reserves (This measure of excess reserves is comparable to the old excess reserve concept published historically)

1.13 FEDERAL FUNDS AND REPURCHASE AGREEMENTS Large Member Banks[1]

Averages of daily figures, in millions of dollars

By maturity and source	Nov 30	Dec 7	Dec 14	Dec 21	Dec 28r	Jan. 4	Jan 11	Jan. 18	Jan. 25
	1983 and 1984 week ending Wednesday								
One day and continuing contract									
1 Commercial banks in United States	56,862r	63,142r	60,397	57,272	55,442	57,318	61,404	58,059	52,911
2 Other depository institutions, foreign banks and foreign official institutions, and U S government agencies	24,790r	25,260r	24,655	23,800	21,419	19,723	21,574	22,974	24,970
3 Nonbank securities dealers	4,792	5,174	5,479	5,577	5,385	5,720	5,421	5,866	4,790
4 All other	23,464	26,838	26,580	26,514	23,751	25,887	27,179	26,483	28,338
All other maturities									
5 Commercial banks in United States	6,917	6,034	6,310r	6,343r	6,464	6,326	5,836	6,440	6,112
6 Other depository institutions, foreign banks and foreign official institutions, and U S government agencies	10,040	9,889	10,242	9,846r	10,110	9,737	8,927	9,026	8,759
7 Nonbank securities dealers	7,564	6,724	6,740	6,826	6,799	6,400	6,190	6,756	7,398
8 All other	13,546	10,359	10,073r	8,805r	12,862	9,756	8,316	9,786	9,666
MEMO: Federal funds and resale agreement loans in maturities of one day or continuing contract									
9 Commercial banks in United States	23,504	25,143	23,381	22,443	22,858	23,316	25,068	24,528	23,566
10 Nonbank securities dealers	4,286	4,514	4,715r	4,634	4,246	4,367	4,862	4,291	4,068

1. Banks with assets of $1 billion or more as of Dec 31, 1977

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per annum

Current and previous levels

Federal Reserve Bank	Short-term adjustment credit and seasonal credit			Extended credit[1]						
				First 60 days of borrowing		Next 90 days of borrowing		After 150 days		Effective date for current rates
	Rate on 1/31/84	Effective date	Previous rate	Rate on 1/31/84	Previous rate	Rate on 1/31/84	Previous rate	Rate on 1/31/84	Previous rate	
Boston	8½	12/14/82	9	8½	9	9½	10	10½	11	12/14/82
New York		12/15/82								12/15/82
Philadelphia		12/17/82								12/17/82
Cleveland		12/15/82								12/15/82
Richmond		12/15/82								12/15/82
Atlanta		12/14/82								12/14/82
Chicago		12/14/82								12/14/82
St. Louis		12/14/82								12/14/82
Minneapolis		12/14/82								12/14/82
Kansas City		12/15/82								12/15/82
Dallas		12/14/82								12/14/82
San Francisco	8½	12/14/82	9	8½	9	9½	10	10½	11	12/14/82

Range of rates in recent years[2]

Effective date	Range (or level)— All F.R. Banks	F.R Bank of N Y
In effect Dec 31, 1973	7½	7½
1974— Apr. 25	7½–8	8
30	8	8
Dec 9	7¾–8	7¾
16	7¾	7¾
1975— Jan. 6	7¼–7¾	7¾
10	7¼–7¾	7¼
24	7¼	7¼
Feb. 5	6¾–7¼	6¾
7	6¾	6¾
Mar 10	6¼–6¾	6¼
14	6¼	6¼
May 16	6–6¼	6
23	6	6
1976— Jan 19	5½–6	5½
23	5½	5½
Nov. 22	5¼–5½	5¼
26	5¼	5¼
1977— Aug. 30	5¼–5¾	5¼
31	5¼–5¾	5¾
Sept 2	5¾	5¾
Oct. 26	6	6
1978— Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7

Effective date	Range (or level)— All F R Banks	F.R Bank of N Y
1978— July 3	7–7¼	7¼
10	7¼	7¼
Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
1979— July 20	10	10
Aug. 17	10–10½	10½
20	10½	10½
Sept. 19	10½–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980— Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	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	11½–12	11½
23	11½	11½
Aug. 2	11–11½	11
3	11	11
16	10½	10½
27	10–10½	10
30	10	10
Oct. 12	9½–10	9½
13	9½	9½
Nov. 22	9–9½	9
26	9	9
Dec. 14	8½–9	9
15	8½–9	8½
17	8½	8½
In effect Jan. 31, 1984	8½	8½

1. Applicable to advances when exceptional circumstances or practices involve only a particular depository institution and to advances when an institution is under sustained liquidity pressures. See section 201.3(b)(2) of Regulation A.

2. Rates for short-term adjustment credit. For description and earlier data see the following publications of the Board of Governors. *Banking and Monetary Statistics, 1914–1941*, and *1941–1970; Annual Statistical Digest, 1970–1979, 1980, 1981*, and *1982*.

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 4 weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. There was no surcharge until Nov. 17, 1980, when a 2 percent surcharge was adopted, the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12. As of Oct. 1, the formula for applying the surcharge was changed from a calendar quarter to a moving 13-week period The surcharge was eliminated on Nov 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

Type of deposit, and deposit interval	Member bank requirements before implementation of the Monetary Control Act	
	Percent	Effective date
Net demand[2]		
$0 million–$2 million	7	12/30/76
$2 million–$10 million	9½	12/30/76
$10 million–$100 million	11¾	12/30/76
$100 million–$400 million	12¾	12/30/76
Over $400 million	16¼	12/30/76
Time and savings[2,3]		
Savings	3	3/16/67
Time[4]		
$0 million–$5 million, by maturity		
30–179 days	3	3/16/67
180 days to 4 years	2½	1/8/76
4 years or more	1	10/30/75
Over $5 million, by maturity		
30–179 days	6	12/12/74
180 days to 4 years	2½	1/8/76
4 years or more	1	10/30/75

Type of deposit, and deposit interval[5]	Depository institution requirements after implementation of the Monetary Control Act[6]	
	Percent	Effective date
Net transaction accounts[7,8]		
$0–$28.9 million	3	12/29/83
Over $28.9 million	12	12/29/83
Nonpersonal time deposits[9]		
By original maturity		
Less than 1½ years	3	10/6/83
1½ years or more	0	10/6/83
Eurocurrency liabilities		
All types	3	11/13/80

1. For changes in reserve requirements beginning 1963, see Board's *Annual Statistical Digest, 1971–1975*, and for prior changes, see Board's *Annual Report* for 1976, table 13. 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. Requirement schedules are graduated, and each deposit interval applies to that part of the deposits of each bank. Demand deposits subject to reserve requirements were gross demand deposits minus cash items in process of collection and demand balances due from domestic banks.

The Federal Reserve Act as amended through 1978 specified different ranges of requirements for reserve city banks and for other banks. Reserve cities were designated under a criterion adopted effective Nov. 9, 1972, by which a bank having net demand deposits of more than $400 million was considered to have the character of business of a reserve city bank. The presence of the head office of such a bank constituted designation of that place as a reserve city. Cities in which there were Federal Reserve Banks or branches were also reserve cities. Any banks having net demand deposits of $400 million or less were considered to have the character of business of banks outside of reserve cities and were permitted to maintain reserves at ratios set for banks not in reserve cities.

Effective Aug. 24, 1978, the Regulation M reserve requirements on net balances due from domestic banks to their foreign branches and on deposits that foreign branches lend to U.S. residents were reduced to zero from 4 percent and 1 percent respectively. The Regulation D reserve requirement of borrowings from unrelated banks abroad was also reduced to zero from 4 percent.

Effective with the reserve computation period beginning Nov. 16, 1978, domestic deposits of Edge corporations were subject to the same reserve requirements as deposits of member banks.

3. Negotiable order of withdrawal (NOW) accounts and time deposits such as Christmas and vacation club accounts were subject to the same requirements as savings deposits.

The average reserve requirement on savings and other time deposits before implementation of the Monetary Control Act had to be at least 3 percent, the minimum specified by law.

4. Effective Nov. 2, 1978, a supplementary reserve requirement of 2 percent was imposed on large time deposits of $100,000 or more, obligations of affiliates, and ineligible acceptances. This supplementary requirement was eliminated with the maintenance period beginning July 24, 1980.

Effective with the reserve maintenance period beginning Oct. 25, 1979, a marginal reserve requirement of 8 percent was added to managed liabilities in excess of a base amount. This marginal requirement was increased to 10 percent beginning Apr. 3, 1980, was decreased to 5 percent beginning June 12, 1980, and was eliminated beginning July 24, 1980. Managed liabilities are defined as large time deposits, Eurodollar borrowings, repurchase agreements against U.S. government and federal agency securities, federal funds borrowings from nonmember institutions, and certain other obligations. In general, the base for the marginal reserve requirement was originally the greater of (a) $100 million or (b) the average amount of the managed liabilities held by a member bank, Edge corporation, or family of U.S. branches and agencies of a foreign bank for the two reserve computation periods ending Sept. 26, 1979. For the computation period beginning Mar. 20, 1980, the base was lowered by (a) 7 percent or (b) the decrease in an institution's U.S. office gross loans to foreigners and gross balances due from foreign offices of other institutions between the base period (Sept. 13–26, 1979) and the week ending Mar. 12, 1980, whichever was greater. For the computation period beginning May 29, 1980, the base was increased by 7½ percent above the base used to calculate the marginal reserve in the statement week of May 14–21, 1980. In addition, beginning Mar. 19, 1980, the base was reduced to the extent that foreign loans and balances declined.

5. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) provides that $2 million of reservable liabilities (transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities) of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the next 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. Effective Dec. 9, 1982, the amount of the exemption was established at $2.1 million. Effective with the reserve maintenance period beginning Jan. 12, 1984, the amount of the exemption is $2.2 million. In determining the reserve requirements of a depository institution, the exemption shall apply in the following order: (1) nonpersonal money market deposit accounts (MMDAs) authorized under 12 CFR section 1204.122, (2) net NOW accounts (NOW accounts less allowable deductions), (3) net other transaction accounts, and (4) nonpersonal time deposits or Eurocurrency liabilities starting with those with the highest reserve ratio. With respect to NOW accounts and other transaction accounts, the exemption applies only to such accounts that would be subject to a 3 percent reserve requirement.

6. For nonmember banks and thrift institutions that were not members of the Federal Reserve System on or after July 1, 1979, a phase-in period ends Sept. 3, 1987. For banks that were members on or after July 1, 1979, but withdrew on or before Mar. 31, 1980, the phase-in period established by Public Law 97–320 ends on Oct. 24, 1985. For existing member banks the phase-in period is about three years, depending on whether their new reserve requirements are greater or less than the old requirements. All new institutions will have a two-year phase-in beginning with the date that they open for business, except for those institutions that have total reservable liabilities of $50 million or more.

7. Transaction accounts include all deposits on which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers (in excess of three per month) for the purpose of making payments to third persons or others. However, MMDAs and similar accounts offered by institutions not subject to the rules of the Depository Institutions Deregulation Committee (DIDC) that permit no more than six preauthorized, automatic, or other transfers per month of which no more than three can be checks—are not transaction accounts (such accounts are savings deposits subject to time deposit reserve requirements.)

8. 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 increase in transaction accounts held by all depository institutions determined as of June 30 each year. Effective Dec. 31, 1981, the amount was increased accordingly from $25 million to $26 million; and effective Dec. 30, 1982, to $26.3 million, and effective Dec. 29, 1983, to $28.9 million.

9. In general, nonpersonal time deposits are time deposits, including savings deposits, that are not transaction accounts and in which a beneficial interest is held by a depositor that is not a natural person. Also included are certain transferable time deposits held by natural persons, and certain obligations issued to depository institution offices located outside the United States. For details, see section 204.2 of Regulation D.

NOTE. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmembers may maintain reserve balances with a Federal Reserve Bank indirectly on a pass-through basis with certain approved institutions.

1.16 MAXIMUM INTEREST RATES PAYABLE on Time and Savings Deposits at Federally Insured Institutions[1]

Percent per annum

Type of deposit	Commercial banks		Savings and loan associations and mutual savings banks (thrift institutions)[1]	
	In effect Jan. 31, 1984		In effect Jan. 31, 1984	
	Percent	Effective date	Percent	Effective date
1 Savings	5½	1/1/84	5½	7/1/79
2 Negotiable order of withdrawal accounts	5¼	12/31/80	5¼	12/31/80
3 Negotiable order of withdrawal accounts of $2,500 or more[2]	...	1/5/83	...	1/5/83
4 Money market deposit account[2]	...[3]	12/14/82	...[3]	12/14/82
Time accounts by maturity				
5 7–31 days of less than $2,500[4]	5½	1/1/84	5½	9/1/82
6 7–31 days of $2,500 or more[2]	...	1/5/83	...	1/5/83
7 More than 31 days	...	10/1/83	...	10/1/83

1. Effective Oct. 1, 1983, restrictions on the maximum rates of interest payable by commercial banks and thrift institutions on various categories of deposits were removed. For information regarding previous interest rate ceilings on all categories of accounts see earlier issues of the FEDERAL RESERVE BULLETIN, the *Federal Home Loan Bank Board Journal*, and the *Annual Report of the Federal Deposit Insurance Corporation* before November 1983.

2. Effective Dec. 1, 1983, IRA/Keogh (HR10) Plan accounts are not subject to minimum deposit requirements.

3. Effective Dec. 14, 1982, depository institutions are authorized to offer a new account with a required initial balance of $2,500 and an average maintenance balance of $2,500 not subject to interest rate restrictions. No minimum maturity period is required for this account, but depository institutions must reserve the right to require seven days notice before withdrawals. When the average balance is less than $2,500, the account is subject to the maximum ceiling rate of interest for NOW accounts; compliance with the average balance requirement may be determined over a period of one month Depository institutions may not guarantee a rate of interest for this account for a period longer than one month or condition the payment of a rate on a requirement that the funds remain on deposit for longer than one month.

4. Deposits of less than $2,500 issued to governmental units continue to be subject to an interest rate ceiling of 8 percent.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

Type of transaction	1980	1981	1982	1983 June	July	Aug.	Sept.	Oct.	Nov.	Dec.
U S GOVERNMENT SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	7,668	13,899	17,067	1,721	666	1,768	3,184	309	1,435	3,695
2 Gross sales	7,331	6,746	8,369	0	0	289	214	0	0	0
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	3,389	1,816	3,000	0	0	0	500	0	700	0
Others within 1 year										
5 Gross purchases	912	317	312	0	156	0	0	0	155	0
6 Gross sales	0	23	0	0	0	0	0	0	0	0
7 Maturity shift	12,427	13,794	17,295	1,398	1,162	2,212	902	529	2,828	915
8 Exchange	−18,251	−12,869	−14,164	−916	0	−5,344	−753	−636	−2,930	0
9 Redemptions	0	0	0	87	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	2,138	1,702	1,797	0	481	0	0	0	820	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shift	−8,909	−10,299	−14,524	−1,398	−1,121	−2,212	−902	−256	−1,684	−915
13 Exchange	13,412	10,117	11,804	916	0	3,130	753	636	1,796	0
5 to 10 years										
14 Gross purchases	703	393	388	0	215	0	0	0	349	0
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shift	−3,092	−3,495	−2,172	0	−41	516	0	−273	−250	0
17 Exchange	2,970	1,500	2,128	0	0	1,300	0	0	700	0
Over 10 years										
18 Gross purchases	811	379	307	0	124	0	0	0	151	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	−426	0	−601	0	0	−516	0	0	−894	0
21 Exchange	1,869	1,253	234	0	0	914	0	0	434	0
All maturities										
22 Gross purchases	12,232	16,690	19,870	1,721	1,642	1,768	3,184	309	2,909	3,695
23 Gross sales	7,331	6,769	8,369	0	0	289	214	0	0	0
24 Redemptions	3,389	1,816	3,000	87	0	0	500	0	700	0
Matched transactions										
25 Gross sales	674,000	589,312	543,804	50,086	40,934	45,989	48,193	53,751	56,858	58,979
26 Gross purchases	675,496	589,647	543,173	47,783	43,037	44,480	47,667	53,367	57,991	56,404
Repurchase agreements										
27 Gross purchases	113,902	79,920	130,774	7,891	7,816	2,263	37,211	19,247	3,257	3,644
28 Gross sales	113,040	78,733	130,286	6,730	8,978	0	30,223	28,499	3,257	2,260
29 Net change in U.S. government securities	3,869	9,626	8,358	493	2,583	2,234	8,933	−9,326	3,342	2,504
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	668	494	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	145	108	189	17	10	138	5	6	84	2
Repurchase agreements										
33 Gross purchases	28,895	13,320	18,957	678	558	189	2,871	1,960	497	634
34 Gross sales	28,863	13,576	18,638	463	773	0	2,510	2,510	497	426
35 Net change in federal agency obligations	555	130	130	198	−225	51	356	−557	−84	206
BANKERS ACCEPTANCES										
36 Repurchase agreements, net	73	−582	1,285	203	−203	209	913	−1,122	0	418
37 Total net change in System Open Market Account	**4,497**	**9,175**	**9,773**	**893**	**2,155**	**2,493**	**10,203**	**−11,005**	**3,258**	**3,128**

NOTE: Sales, redemptions, and negative figures reduce holdings of the System Open Market Account, all other figures increase such holdings. Details may not add to totals because of rounding.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements

Millions of dollars

Account	Wednesday					End of month		
	1983	1984				1983		1984
	Dec. 28	Jan. 4	Jan 11	Jan 18	Jan 25	Nov	Dec.	Jan.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,123	11,121	11,121	11,120	11,120	11,123	11,121	11,120
2 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
3 Coin	409	401	418	451	478	428	415	498
Loans								
4 To depository institutions	1,311	1,217	2,215	3,362	646	1,059	918	418
5 Other	0	0	0	0	0	0	0	0
Acceptances—Bought outright								
6 Held under repurchase agreements	0	436	0	0	35	0	418	0
Federal agency obligations								
7 Bought outright	8,645	8,645	8,635	8,635	8,605	8,647	8,645	8,605
8 Held under repurchase agreements	0	329	0	0	220	0	208	0
U.S government securities								
Bought outright								
9 Bills	67,822	68,399	68,992	68,790	64,951	64,691	65,810	65,806
10 Notes	63,934	63,934	63,934	63,934	63,934	63,934	63,934	63,634
11 Bonds	20,814	20,814	20,814	20,814	20,814	20,814	20,814	20,814
12 Total bought outright[1]	152,570	153,147	153,740	153,538	149,699	149,439	150,558	150,254
13 Held under repurchase agreements	0	4,372	0	0	2,215	0	1,384	0
14 Total U S. government securities	152,570	157,519	153,740	153,538	151,914	149,439	151,942	150,254
15 **Total loans and securities**	**162,526**	**168,146**	**164,590**	**165,535**	**161,420**	**159,145**	**162,131**	**159,277**
16 Cash items in process of collection	11,877	12,901	12,553	9,840	11,293	8,947	9,708	10,383
17 Bank premises	551	549	548	548	549	551	547	548
Other assets								
18 Denominated in foreign currencies[2]	3,735	3,688	3,764	3,766	3,768	3,867	3,688	3,700
19 All other[3]	4,451	4,532	4,411	4,546	4,735	4,020	4,531	4,854
20 **Total assets**	**199,290**	**205,956**	**202,023**	**200,424**	**197,981**	**192,699**	**196,759**	**194,998**
LIABILITIES								
21 Federal Reserve notes	157,702	157,307	155,392	153,765	151,963	153,800	157,097	151,711
Deposits								
22 To depository institutions	22,813	28,763	29,856	28,763	25,146	21,581	21,446	20,361
23 U.S. Treasury—General account	3,636	3,104	3,258	3,921	7,331	2,896	3,661	7,153
24 Foreign—Official accounts	263	198	226	171	198	360	191	252
25 Other	558	427	436	398	400	581	825	359
26 **Total deposits**	**27,270**	**32,492**	**33,776**	**33,253**	**33,075**	**25,418**	**26,123**	**28,125**
27 Deferred availability cash items	8,822	10,605	7,301	7,960	7,498	8,049	8,145	9,537
28 Other liabilities and accrued dividends[4]	2,266	2,515	2,291	2,231	2,210	2,369	2,464	2,188
29 **Total liabilities**	**196,060**	**202,919**	**198,760**	**197,209**	**194,746**	**189,636**	**193,829**	**191,561**
CAPITAL ACCOUNTS								
30 Capital paid in	1,465	1,465	1,465	1,465	1,467	1,458	1,465	1,468
31 Surplus	1,359	1,465	1,465	1,465	1,465	1,359	1,465	1,465
32 Other capital accounts	406	107	333	285	303	246	0	504
33 **Total liabilities and capital accounts**	**199,290**	**205,956**	**202,023**	**200,424**	**197,981**	**192,699**	**196,759**	**194,998**
34 MEMO. Marketable U.S government securities held in custody for foreign and international account	112,846	114,186	112,389	112,119	111,733	111,906	114,619	112,311
	Federal Reserve note statement							
35 Federal Reserve notes outstanding	179,111	178,583	178,723	179,525	180,561	178,700	178,875	180,570
36 LESS: Held by bank[5]	21,497	21,276	23,331	25,760	28,598	24,900	21,778	28,859
37 Federal Reserve notes, net	157,614	157,307	155,392	153,765	151,963	153,800	157,097	151,711
Collateral held against notes net								
38 Gold certificate account	11,123	11,121	11,121	11,120	11,120	11,123	11,121	11,120
39 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U S government and agency securities	141,873	141,568	139,653	138,027	136,225	138,059	141,358	135,973
42 **Total collateral**	**157,614**	**157,307**	**155,392**	**153,765**	**151,963**	**153,800**	**157,097**	**151,711**

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

2. Assets shown in this line are revalued monthly at market exchange rates

3. Includes special investment account at Chicago of Treasury bills maturing within 90 days.

4 Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments

5. Beginning September 1980, Federal Reserve notes held by the Reserve Bank are exempt from the collateral requirement.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1983	1984				1983		1984
	Dec 28	Jan 4	Jan. 11	Jan 18	Jan 25	Nov 30	Dec. 30	Jan. 31
1 Loans—Total	1,311r	1,217	2,215	3,362	646	1,059	918	418
2 Within 15 days	1,196	1,182	2,161	3,345	622	1,018	881	387
3 16 days to 90 days	114	35	54	17	24	41	37	31
4 91 days to 1 year	1	0	0	0	0	0	0	0
5 Acceptances—Total	0	436	0	0	35	0	418	0
6 Within 15 days	0	436	0	0	35	0	418	0
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. government securities—Total	152,570	157,519	153,740	153,538	151,914	149,439	151,942	150,254
10 Within 15 days[1]	7,216	9,599	6,354	6,289	6,723	7,873	2,700	6,295
11 16 days to 90 days	35,659	37,449	37,230	37,318	37,089	32,493	38,247	35,451
12 91 days to 1 year	44,175	44,896	44,581	44,356	42,527	43,553	45,475	43,246
13 Over 1 year to 5 years	34,021	34,076	34,076	34,162	34,162	34,021	34,021	34,149
14 Over 5 years to 10 years	13,485	13,485	13,485	13,399	13,399	13,485	13,485	13,099
15 Over 10 years	18,014	18,014	18,014	18,014	18,014	18,014	18,014	18,014
16 Federal agency obligations—Total	8,645	8,974	8,635	8,635	8,825	8,647	8,853	8,605
17 Within 15 days[1]	178	379	145	240	315	120	386	212
18 16 days to 90 days	598	749	641	546	683	671	598	685
19 91 days to 1 year	1,937	1,914	1,927	1,927	1,815	1,799	1,937	1,696
20 Over 1 year to 5 years	4,196	4,196	4,186	4,186	4,290	4,331	4,196	4,290
21 Over 5 years to 10 years	1,333	1,333	1,333	1,333	1,319	1,323	1,333	1,319
22 Over 10 years	403	403	403	403	403	403	403	403

1. Holdings under repurchase agreements are classified as maturing within 15 days in accordance with maximum maturity of the agreements.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE

Billions of dollars, averages of daily figures

Item	1980 Dec.	1981 Dec.	1982 Dec.	1983 Dec.	1983 May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[1]												
1 **Total reserves**[2]	**32.46**	**33.75**	**36.23**	**37.59**	**37.13**	**37.61**	**37.80**	**37.69**	**37.72**	**37.62**	**37.41**	**37.59**
2 Nonborrowed reserves	30.77	33.11	35.60	36.82	36.18	35.98	36.35	36.15	36.28	36.78	36.50	36.82
3 Required reserves	31.94	33.43	35.73	37.03	36.68	37.13	37.29	37.25	37.22	37.12	36.88	37.03
4 Monetary base[3]	151.1	158.8	171.1	186.5	178.8	180.3	181.1	182.1	183.4	184.6[r]	185.5	186.5
	Not seasonally adjusted											
5 **Total reserves**[2]	**33.4**	**34.61**	**36.96**	**38.37**	**36.64**	**36.79**	**37.34**	**37.06**	**37.39**	**37.68**	**37.69**[r]	**38.37**
6 Nonborrowed reserves	31.72	33.98	36.33	37.60	35.69	35.15	35.89	35.52	35.95	37.84	36.79	37.50
7 Required reserves	32.89	34.29	36.46	37.81	36.19	36.31	36.83	36.62	36.89	37.18	37.17	37.81
8 Monetary base[3]	154.4	161.9	174.4	190.0	177.8	179.6	181.7	181.8	182.9	184.4	186.7	190.0
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[4]												
9 **Total reserves**[2]	**40.66**	**41.92**	**41.85**	**38.89**	**38.28**	**38.42**	**38.95**	**38.66**	**37.92**	**38.14**	**38.14**	**38.89**
10 Nonborrowed reserves	38.97	41.29	41.22	38.12	37.33	36.78	37.50	37.12	36.48	37.29	37.24	38.12
11 Required reserves	40.15	41.60	41.35	38.33	37.83	37.93	38.44	38.21	37.42	37.63	37.62	38.33
12 Monetary base[3]	162.5	169.7	179.3	190.6	179.8	181.6	183.7	183.8	183.5	184.9	187.2[r]	190.6

1 Reserve aggregates include required reserves of member banks and Edge Act corporations and other depository institutions. Discontinuities associated with the implementation of the Monetary Control Act, the inclusion of Edge Act corporation reserves, and other changes in Regulation D have been removed.

2 Reserve balances with Federal Reserve Banks plus vault cash at institutions with required reserve balances plus vault cash equal to required reserves at other institutions.

3. Consists of reserve balances and service-related balances and adjustments at Federal Reserve Banks in the current week plus vault cash held two weeks earlier used to satisfy reserve requirements at all depository institutions plus currency outside the U.S. Treasury, Federal Reserve Banks, the vaults of depository institutions, and surplus vault cash at depository institutions.

4. Reserves of depository institutions series reflect actual reserve requirement percentages with no adjustments to eliminate the effect of changes in Regulation D including changes associated with the implementation of the Monetary Control Act. Includes required reserves of member banks and Edge Act corporations and beginning Nov. 13, 1980, other depository institutions. Under the transitional phase-in program of the Monetary Control Act of 1980, the net changes in required reserves of depository institutions have been as follows: Effective Nov. 13, 1980, a reduction of $2.9 billion; Feb. 12, 1981, an increase of $245 million; Mar. 12, 1981, an increase of $75 million, May 14, 1981, an increase of $245 million, Sept. 3, 1981, a reduction of $1.1 billion, Nov. 12, 1981, an increase of $210 million, Jan. 14, 1982, a reduction of $60 million, Feb. 11, 1982 an increase of $170 million; Mar. 4, 1982, an estimated reduction of $2.0 billion, May 13, 1982, an estimated increase of $150 million, Aug. 12, 1982 an estimated increase of $140 million, and Sept. 2, 1982, an estimated reduction of $1.2 billion, Oct. 28, 1982 an estimated reduction of $100 million; Dec. 23, 1982 an estimated reduction of $800 million, Mar. 3, 1983 an estimated reduction of $1.9 billion, and Sept. 1, 1983, an estimated reduction of $1.2 billion beginning with the week ended Dec. 23, 1981, reserve aggregates have been reduced by shifts of reservable liabilities to IBFs. On the basis of reports of liabilities transferred to IBFs by U.S. commercial banks and U.S. agencies and branches of foreign banks, it is estimated that required reserves were lowered on average by $60 million to $90 million in December 1981 and $180 million to $230 million in January 1982, mostly reflecting a reduction in reservable Eurocurrency transactions. Also, beginning with the week ending Apr. 20, 1983, required reserves were reduced an estimated $80 million as a result of the elimination of reserve requirements on nonpersonal time deposits with maturities of 2½ years or more to less than 3½ years.

NOTE. Latest monthly and weekly figures are available from the Board's H.3(502) statistical release. Back data and estimates of the impact on required reserves and changes in reserve requirements are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.21 MONEY STOCK MEASURES AND COMPONENTS

Billions of dollars, averages of daily figures

Item	1980 Dec.	1981 Dec.	1982 Dec	1983 Dec.	1983 Sept	1983 Oct.	1983 Nov.	1983 Dec
	Seasonally adjusted							
MEASURES[1]								
1 M1	414.1	440.6	478 2	521.1	517 1	517.9	518 3r	521 1
2 M2	1,630 3	1,794.9	1,959.5	2,184 6	2,145 4	2,161 6r	2,174.6r	2,184 6
3 M3	1,936 7	2,167.9	2,377 6	2,602 9	2,544.9r	2,563 2r	2,588.7r	2,602 9
4 L[2]	2,343 6	2,622.0	2,896.7r	n a	3,137 9r	3,155 2r	n a	n a
SELECTED COMPONENTS								
5 Currency	116.2	123.2	132 8	146 0	143.0	144 2	145.3	146 0
6 Travelers checks[3]	4 1	4 5	4.2	4.8	4 7	4.8	4.8	4 8
7 Demand deposits	266 8	236 4	239 8	243.1	243.4	242 9	241 6	243 1
8 Other checkable deposits[4]	26 9	76.6	101.3	127 1	126.0	126 0	126.5	127 1
9 Savings deposits[5]	400 7	344.4	359 3	312.3	320 6	318.8	316 4	312 3
10 Small-denomination time deposits[6]	731 7	828 6	859.1	792 1	757 7	771 0	784.4r	792 1
11 Large-denomination time deposits[7]	258.9	302 6	333 8	329.0	317 7	319.9	324.8r	329.0
	Not seasonally adjusted							
MEASURES[1]								
12 M1	424 7	452 1	491 0	535.3	514 1	519 5	523 8	535.3
13 M2	1,635.0	1,799 6	1,964 5	2,191.4	2,137 2	2,160.6r	2,174 4r	2,191 4
14 M3	1,944 9	2,175 9	2,385 3	2,611.4	2,535 7r	2,561 7r	2,588 3r	2,611 4
15 L[2]	2,350.8	2,629.7	2,904 7	n a.	3,121 3r	3,150 3r	n.a	n a
SELECTED COMPONENTS								
16 Currency	118.3	125.4	135 2	148 7	142.6	143 9	146.1	148 7
17 Travelers checks[3]	3 9	4 3	4 0	4 6	5 0	4 8	4.6	4 6
18 Demand deposits	275 2	244 0	247 7	251 4	242 1	244 4	244.7	251.4
19 Other checkable deposits[4]	27.2	78.4	104 0	130.7	124 5	126 4	128 4	130.7
20 Overnight RPs and Eurodollars[8]	28 4	36.1	44 3	56 1	53.0	56 5	55.2	56 1
21 Savings deposits[5]	398.3	342.1	356 7	310.1	318.2	318.0	313 8	310 1
22 Money market deposit accounts	n.a.	n a.	43 2	372.4	366 9	367.4	369 1	372.4
23 Small-denomination time deposits[6]	728.3	824.1	853 9	786 7	754.8	769 2r	781 3r	786 7
Money market mutual funds								
24 General purpose and broker/dealer	61.4	150 9	182 2	138.0	137.6	137.8	138 7	138 0
25 Institution only	14 9	36 0	47 6	40.2	39 1	39.9	40 6	40.2
26 Large-denomination time deposits[7]	262 4	305 9	336 5	330.8	316 7	319 4r	324 6r	330 8

1 Composition of the money stock measures is as follows.

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

M2: M1 plus money market deposit accounts, savings and small-denomination time deposits at all depository institutions, overnight repurchase agreements at commercial banks, overnight Eurodollars held by U.S. residents other than banks at Caribbean branches of member banks and balances of money market mutual funds (general purpose and broker/dealer)

M3: M2 plus large-denomination time deposits at all depository institutions, term RPs at commercial banks and savings and loan associations, and balances of institution-only money market mutual funds.

2 L M3 plus other liquid assets such as term Eurodollars held by U.S. residents other than banks, bankers acceptances, commercial paper, Treasury bills and other liquid Treasury securities, and U.S. savings bonds.

3 Outstanding amount of U S dollar-denominated travelers checks of nonbank issuers.

4 Includes ATS and NOW balances at all institutions, credit union share draft balances, and demand deposits at mutual savings banks

5 Excludes NOW and ATS accounts at commercial banks and thrift institutions and CUSDs at credit unions and all money market deposit accounts (MMDAs).

6. Issued in amounts of less than $100,000 and includes retail RPs

7. Issued in amounts of $100,000 or more and are net of the holdings of domestic banks, thrift institutions, the U.S government, money market mutual funds, and foreign banks and official institutions

8. Overnight (and continuing contract) RPs are those issued by commercial banks to other than depository institutions and money market mutual funds (general purpose and broker/dealer), and overnight Eurodollars are those issued by Caribbean branches of member banks to U.S. residents other than depository institutions and money market mutual funds (general purpose and broker/dealer).

NOTE: Latest monthly and weekly figures are available from the Board's H 6 (508) release Back data are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551

1.22 BANK DEBITS AND DEPOSIT TURNOVER

Debits are shown in billions of dollars, turnover as ratio of debits to deposits. Monthly data are at annual rates.

Bank group, or type of customer	1981[1]	1982[1]	1983[1]	1983 July	1983 Aug.	1983 Sept.	1983 Oct	1983 Nov.	1983 Dec.
	Seasonally adjusted								
DEBITS TO									
Demand deposits[2]									
1 All insured banks	80,858.7	90,914.4	109,642.5	107,884.4	111,538 1	110,700 7	118,407.2	114,466.6	127,335.8
2 Major New York City banks	33,891 9	37,932.9	47,769 4	46,978.0	48,373.3	46,903.7	52,639 9	49,715.8	53,446.6
3 Other banks	46,966.9	52,981.6	61,873.1	60,906.4	63,164.9	63,796 9	65,767.3	64,750.8	73,889.2
4 ATS-NOW accounts[3]	743.4	1,036.2	1,405 5	1,390.1	1,679.5	1,495 9	1,392.8	1,447.4	1,626.1
5 Savings deposits[4]	672.7	721.4	741.4	659.4	706.3	712 7	643 7	674.9	730.0
DEPOSIT TURNOVER									
Demand deposits[2]									
6 All insured banks	285.8	324 2	380.5	371.5	385 7	384.7	409.6	398.3	440 4
7 Major New York City banks	1,105 1	1,287.6	1,528.0	1,432.2	1,526.7	1,508 8	1,703 8	1,645.6	1,733.1
8 Other banks	186 2	211 1	240 9	236.5	245.3	248.6	254 7	251 8	286 1
9 ATS-NOW accounts[3]	14 0	14 5	15 6	15 0	17 9	15.9	14.9	15.5	17 3
10 Savings deposits[4]	4.1	4.5	5.4	4.8	5.2	5.3	4 9	5.1	5.5
	Not seasonally adjusted								
DEBITS TO									
Demand deposits[2]									
11 All insured banks	81,197 9	91,031.9	109,517.7	105,057.8	115,776.6	111,741 3	114,191 9	110,963.9	135,256.1
12 Major New York City banks	34,032 0	38,001.0	47,707 4	45,601.0	49,788.2	48,276.1	49,910 9	47 508.1	58,049.3
13 Other banks	47,165 9	53,030 9	61,810 3	59,456 8	65,988 3	63,465.2	64,280.9	63,455 8	77,206 8
14 ATS-NOW accounts[3]	737 6	1,027 1	1,397.8	1,325 3	1,468.9	1,388.3	1,373.2	1,327.2	1,589 0
15 MMDA[5]	0	0	573 5	603.3	655 5	641.4	700.3	639.1	819 0
16 Savings deposits[4]	672.9	720 0	742.0	661 6	694 3	688 9	672 9	635.3	714.4
DEPOSIT TURNOVER									
Demand deposits[2]									
17 All insured banks	286.1	325 0	379.9	357 6	406.7	387 2	391.1	381.7	453.0
18 Major New York City banks	1,114.2	1,295.7	1,526.6	1,383 5	1,621.6	1,574.5	1,595 5	1,553 4	1,813.9
19 Other banks	186.2	211 5	240 5	227.9	259.8	246.1	246.6	244.0	289 6
20 ATS-NOW accounts[3]	14 0	14 3	15 5	14 5	16.0	15 0	14.6	14.0	16 4
21 MMDA[5]	0	0	2.8	2.8	3.0	2.9	3 2	2.8	3.6
22 Savings deposits[4]	4.1	4 5	5.4	4 8	5 1	5 2	5.1	4.8	5.5

1. Annual averages of monthly figures
2. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.
3. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data availability starts with December 1978.
4. Excludes ATS and NOW accounts, MMDA and special club accounts, such as Christmas and vacation clubs.
5. Money market deposit accounts.

NOTE. Historical data for demand deposits are available back to 1970 estimated in part from the debits series for 233 SMSAs that were available through June 1977. Historical data for ATS-NOW and savings deposits are available back to July 1977. Back data are available on request from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1981	1982	1983				1981	1982	1983			
	Dec.[2]	Dec.	Sept.	Oct.	Nov.	Dec.	Dec.[2]	Dec.	Sept.	Oct.	Nov.	Dec.
	Seasonally adjusted						Not seasonally adjusted					
1 **Total loans and securities[3]**	**1,316.3**	**1,412.1**	**1,520.3**	**1,532.9^{r}**	**1,548.9^{r}**	**1,566.8**	**1,326.1**	**1,422.5**	**1,521.6**	**1,538.2**	**1,555.8**	**1,578.1**
2 U.S. Treasury securities	111.0	130.9	176.9	182.3	186.2	188.1	111.4	131.5	176.3	180.8	185.0	188.9
3 Other securities	231.4	239.1	247.1	246.5^{r}	247.1^{r}	247.0	232.8	240.6	247.1	246.9	247.4	248.5
4 Total loans and leases[3]	973.9	1,042.0	1,096.3	1,104.1^{r}	1,115.7^{r}	1,131.7	981.8	1,050.4	1,098.2	1,110.4	1,123.4	1,140.7
5 *Commercial and industrial loans*	358.0	392.4	402.6	404.7	407.8	413.1	360.1	394.7	402.2	405.4	409.6	415.5
6 Real estate loans	285.7	303.2	326.2	329.2	332.1	335.2	286.8	304.1	326.9	330.5	333.4	336.2
7 Loans to individuals	185.1	191.8	207.7	212.0^{r}	215.4	219.5	186.4	193.1	209.1	213.6	216.7	221.0
8 Security loans	21.9	24.7	23.7	25.2	26.2	27.2	22.7	25.5	23.4	25.0	26.7	28.1
9 Loans to nonbank financial institutions	30.2	31.1	30.8	30.4	29.8	28.8	31.2	32.1	30.9	30.6	30.2	29.7
10 Agricultural loans	33.0	36.1	38.9^{r}	39.1^{r}	39.3	39.6	33.0	36.1	38.2	38.3	39.6	39.6
11 Lease financing receivables	12.7	13.1	12.9	13.0	13.0	13.1	12.7	13.1	12.9	13.0	13.0	13.1
12 All other loans	47.2	49.5^{r}	53.5^{r}	50.6^{r}	52.1	55.1	49.2	51.5^{r}	53.4^{r}	52.6^{r}	54.1	57.5
MEMO												
13 **Total loans and securities plus loans sold[1,4]**	**1,319.1**	**1,415.0**	**1,522.8**	**1,535.5^{r}**	**1,551.4^{r}**	**1,569.2**	**1,328.9**	**1,425.4**	**1,524.2**	**1,540.5^{r}**	**1,558.6^{r}**	**1,580.5**
14 Total loans plus loans sold[3,4]	976.7	1,045.0	1,098.9	1,106.7	1,118.2^{r}	1,134.1	984.7	1,053.3	1,100.8	1,112.9^{r}	1,126.0^{r}	1,143.1
15 Total loans sold to affiliates[3,4]	2.8	2.9	2.6	2.6	2.5	2.4	2.8	2.9	2.6	2.6	2.5	2.4
16 Commercial and industrial loans plus loans sold[4]	360.2	394.6	404.6	406.7	409.7	414.9	362.3	396.9	404.2	407.4	411.6	417.3
17 Commercial and industrial loans sold[4]	2.2	2.3	2.0	2.0	1.9	1.8	2.2	2.3	2.0	2.0	1.9	1.8
18 Acceptances held	8.9	8.5	8.3	8.9	8.6	8.2	9.8	9.5	8.3	8.8	8.9	9.0
19 Other commercial and industrial loans	349.1	383.8	394.3	395.8	399.2	404.9	350.3	385.2	393.9	396.6	400.8^{r}	406.5
20 To U.S. addressees[5]	334.9	373.5	381.8	383.2^{r}	386.9	394.7	334.3	372.7	381.6	383.9	388.0	393.9
21 To non-U.S. addressees	14.2	10.3	12.5	12.7	12.3	10.2	16.1	12.4	12.3	12.8	12.7	12.5
22 Loans to foreign banks	19.0	13.5	14.3	14.7	14.5	12.2	20.0	14.5	14.7	15.0	14.8	13.1

1. Includes domestically chartered banks; U.S. branches and agencies of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

2. Beginning December 1981, shifts of foreign loans and securities from U.S. banking offices to international banking facilities (IBFs) reduced the levels of several items. Seasonally adjusted data that include adjustments for the amounts shifted from domestic offices to IBFs are available in the Board's G.7 (407) statistical release (available from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551).

3. Excludes loans to commercial banks in the United States.

4. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

5. United States includes the 50 states and the District of Columbia.

NOTE. Data are prorated averages of Wednesday estimates for domestically chartered banks, based on weekly reports of a sample of domestically chartered banks and quarterly reports of all domestically chartered banks. For foreign-related institutions, data are averages of month-end estimates based on weekly reports from large agencies and branches and quarterly reports from all agencies, branches, investment companies, and Edge Act corporations engaged in banking.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1981	1982	1983										
	Dec.	Dec.	Feb	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov	Dec.
Total nondeposit funds													
1 Seasonally adjusted[2]	96.3	83.0	76.7	76.0	80.3	90.9	88.3	76.3	81.6	83.2	80.2	97.2	99.3
2 Not seasonally adjusted	98.1	84.6	77.7	76.8	79.0	90.5	90.0	78.5	85.9	86.0	82.7	99.5	101.3
Federal funds, RPs, and other borrowings from nonbanks[3]													
3 Seasonally adjusted	111.8	128.0	135.3	135.4	139.9	145.9	140.7	132.7	130.9	132.2	133.5	141.6	139.8
4 Not seasonally adjusted	113.5	129.6	136.3	136.2	138.5	145.5	142.4	134.8	135.2	135.0	136.0	143.9	141.8
5 Net balances due to foreign-related institutions, not seasonally adjusted	−18.1	−47.9	−61.5	−62.3	−62.4	−57.7	−55.1	−58.9	−51.8	−51.4	−55.8	−46.9	−42.9
6 Loans sold to affiliates, not seasonally adjusted[4]	2.8	2.9	3.0	3.0	3.0	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.4
MEMO													
7 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[5]	−22.4	−39.5	−50.4	−52.7	−52.6	−48.6	−49.1	−50.8	−45.2	−46.2	−48.5	−42.9	−39.9
8 Gross due from balances	54.9	72.2	78.9	79.7	80.3	76.3	75.8	77.4	73.6	74.7	76.6	76.4	75.3
9 Gross due to balances	32.4	32.6	28.4	26.8	27.6	27.6	26.6	26.5	28.3	28.3	28.1	33.5	35.4
10 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[6]	4.3	−8.2	−11.0	−9.4	−9.7	−9.0	−5.9	−7.9	−6.5	−5.1	−7.3	−4.0	−3.0
11 Gross due from balances	48.1	54.9	55.5	56.1	55.9	55.8	53.9	55.2	53.5	53.5	55.2	53.1	53.5
12 Gross due to balances	52.4	46.6	44.4	46.6	46.1	46.7	47.9	47.2	47.0	48.3	47.8	49.1	50.5
Security RP borrowings													
13 Seasonally adjusted[7]	59.0	71.0	74.3	74.7	79.3	84.6	81.4	75.6	74.2	76.0	78.1	83.9	83.9
14 Not seasonally adjusted	59.2	71.1	73.7	73.9	76.3	82.6	81.5	76.1	76.9	77.2	79.0	84.6	83.8
U.S Treasury demand balances[8]													
15 Seasonally adjusted	12.2	11.9	8.8	12.5	13.5	11.3	13.0	24.0	20.6	16.5	21.7	11.3	11.6
16 Not seasonally adjusted	11.1	10.8	10.2	13.2	14.2	12.5	13.2	21.8	16.4	18.0	24.7	8.5	10.6
Time deposits, $100,000 or more[9]													
17 Seasonally adjusted	325.4	349.6	307.2	300.0	296.6	287.2	287.0	284.9	284.2	283.2	278.2	280.8	284.1
18 Not seasonally adjusted	330.4	353.9	310.5	300.7	293.0	285.0	283.5	281.3	283.9	283.9	279.5	282.0	287.1

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks
2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars and loans to affiliates. Includes averages of Wednesday data for domestically chartered banks and averages of current and previous month-end data for foreign-related institutions
3 Other borrowings are borrowings on 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, overdrawn due from bank balances, loan RPs, and participations in pooled loans. Includes averages of daily figures for member banks and averages of current and previous month-end data for foreign-related institutions.
4 Loans initially booked by the bank and later sold to affiliates that are still held by affiliates. Averages of Wednesday data
5 Averages of daily figures for member and nonmember banks.
6. Averages of daily data.
7. Based on daily average data reported by 122 large banks.
8 Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data
9 Averages of Wednesday figures

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series

Billions of dollars except for number of banks

	1982	1983									
	Dec.	Mar.	Apr.	May	June	July	Aug	Sept.	Oct	Nov	Dec
DOMESTICALLY CHARTERED COMMERCIAL BANKS[1]											
1 Loans and securities, excluding interbank	1,370.3	1,392.2	1,403.8	1,411.9	1,435.1	1,437.4	1,457.0	1,466.1	1,483.0	1,502.3	1,525.2[r]
2 Loans, excluding interbank	1,000.7	1,001.7	1,005.1	1,007.5	1,025.6	1,029.1	1,043.4	1,049.7	1,060.3	1,075.5	1,095.1[r]
3 Commercial and industrial	356.7	358.0	357.9	356.7	360.1	361.1	363.0	364.0	367.0	372.8	380.8
4 Other	644.0	643.7	647.2	650.8	665.6	668.0	680.4	685.7	693.3	702.7	714.4[r]
5 U.S. Treasury securities	129.0	150.6	155.5	160.9	166.0	165.1	167.5	171.2	176.8	180.4	181.4
6 Other securities	240.5	239.9	243.3	243.5	243.5	243.3	246.1	245.2	245.9	246.4	248.7
7 Cash assets, total	184.4	168.9	170.1	164.5	176.9	168.7	176.9	160.0	164.0	179.0	190.5
8 Currency and coin	23.0	19.9	20.4	20.3	21.3	20.7	21.0	20.8	20.5	22.3	23.3[r]
9 Reserves with Federal Reserve Banks	25.4	20.5	23.9	22.4	18.8	20.6	22.5	15.4	19.7	17.6	18.6
10 Balances with depository institutions	67.6	67.1	66.1	65.6	69.7	67.1	69.0	66.7	67.1	70.9	75.6
11 Cash items in process of collection	68.4	61.5	59.6	56.3	67.1	60.3	64.4	56.9	56.6	69.0	73.0
12 Other assets[2]	265.3	257.9	252.4	248.3	253.2	254.5	257.2	252.3	253.0	261.9	253.8[r]
13 Total assets/total liabilities and capital	**1,820.0**	**1,818.9**	**1,826.3**	**1,824.8**	**1,865.2**	**1,860.6**	**1,891.0**	**1,878.4**	**1,900.0**	**1,943.9**	**1,969.5[r]**
14 Deposits	1,361.8	1,374.2	1,368.0	1,370.8	1,402.7	1,396.5	1,420.1	1,408.1	1,419.5	1,459.2	1,482.6[r]
15 Demand	363.9	333.4	329.2	324.5	344.4	334.2	344.7	328.1	331.3	358.1	371.0
16 Savings	296.4	419.2	426.9	440.2	445.3	447.5	449.0	448.8	451.5	458.3	460.7
17 Time	701.5	621.6	611.9	606.1	613.1	614.8	626.4	631.2	636.8	642.8	650.8
18 Borrowings	215.1	211.3	224.0	214.1	221.2	217.5	217.2	217.8	226.8	219.7	216.3
19 Other liabilities	109.2	103.5	102.3	104.7	104.3	105.5	107.6	107.1	106.5	112.6	117.9
20 Residual (assets less liabilities)	133.8	130.0	132.0	135.1	137.0	141.0	146.1	145.4	147.2	152.4	152.8
MEMO											
21 U.S. Treasury note balances included in borrowing	10.7	9.6	17.8	2.7	19.3	19.3	14.8	20.8	22.5	2.8	8.8
22 Number of banks	14,787	14,819	14,823	14,817	14,826	14,785	14,795	14,804	14,800	14,799	14,796
ALL COMMERCIAL BANKING INSTITUTIONS[3]											
23 Loans and securities, excluding interbank	1,429.7	1,451.3	1,460.8	1,467.6	1,491.5	1,494.1	1,515.4	1,525.4	1,541.8	1,563.2	1,586.8[r]
24 Loans, excluding interbank	1,054.8	1,054.5	1,055.7	1,056.4	1,075.2	1,078.8	1,094.9	1,102.5	1,112.2	1,129.2	1,149.3[r]
25 Commercial and industrial	395.3	395.9	393.5	391.7	395.3	397.7	400.6	402.7	405.3	412.0	420.1
26 Other	659.5	658.6	662.2	664.7	679.9	681.2	694.3	699.8	706.8	717.2	729.2[r]
27 U.S. Treasury securities	132.8	155.3	160.2	166.1	171.3	170.3	172.7	176.1	182.0	185.9	186.9
28 Other securities	242.1	241.5	244.9	245.2	245.1	245.0	247.8	246.9	247.7	248.1	250.6[r]
29 Cash assets, total	200.7	185.5	186.3	180.3	193.5	185.2	193.3	174.7	178.4	195.0	205.0
30 Currency and coin	23.0	19.9	20.4	20.3	21.3	20.7	21.1	20.9	20.5	22.3	23.4
31 Reserves with Federal Reserve Banks	26.8	22.0	25.4	23.8	20.0	21.9	24.0	16.6	20.8	19.1	19.7
32 Balances with depository institutions	81.4	81.0	79.8	78.9	84.0	81.2	82.8	79.3	79.5	83.6	88.0[r]
33 Cash items in process of collection	69.4	62.6	60.7	57.3	68.2	61.4	65.4	58.0	57.6	70.0	74.0[r]
34 Other assets[2]	341.7	325.4	317.8	309.5	318.1	318.7	324.6	320.9	318.8	329.7	321.3[r]
35 Total assets/total liabilities and capital	**1,972.1**	**1,962.2**	**1,964.9**	**1,957.4**	**2,003.2**	**1,998.0**	**2,033.3**	**2,021.0**	**2,039.1**	**2,088.0**	**2,113.1[r]**
36 Deposits	1,409.7	1,419.5	1,411.0	1,413.1	1,443.8	1,438.1	1,461.4	1,448.9	1,459.0	1,499.4	1,524.8[r]
37 Demand	376.2	345.7	341.1	336.4	356.4	346.4	356.6	340.0	343.2	369.9	383.2
38 Savings	296.7	419.7	427.3	440.7	445.7	448.0	449.5	449.3	452.0	458.8	461.3[r]
39 Time	736.7	654.1	642.6	636.0	641.6	643.8	655.3	659.5	663.8	670.6	680.4[r]
40 Borrowings	278.3	269.9	281.3	269.5	278.2	277.9	280.5	282.6	289.6	282.5	275.1
41 Other liabilities	148.4	141.1	138.6	137.9	142.3	139.1	143.4	142.3	141.5	151.9	158.6[r]
42 Residual (assets less liabilities)	135.7	131.9	133.9	137.0	138.9	142.9	148.0	147.3	149.1	154.2	154.7
MEMO											
43 U.S. Treasury note balances included in borrowing	10.7	9.6	17.8	2.7	19.3	19.3	14.8	20.8	22.5	2.8	8.8
44 Number of banks	15,329	15,376	15,390	15,385	15,396	15,359	15,370	15,382	15,383	15,382	15,380

1. Domestically chartered commercial banks include all commercial banks in the United States except branches of foreign banks, included are member and nonmember banks, stock savings banks, and nondeposit trust companies.
2. Other assets include loans to U.S. commercial banks.
3. Commercial banking institutions include domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.

NOTE. Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Data for domestically chartered commercial banks are for the last Wednesday of the month. Data for other banking institutions are estimates made on the last Wednesday of the month based on a weekly reporting sample of foreign-related institutions and quarter-end condition report data.

1.26 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS *with Domestic Assets of $750 Million or More on* December 31, 1977, Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1983								
	Nov 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30	Dec. 7	Dec. 14	Dec. 21	Dec. 28
1 Cash items in process of collection	49,878	49,636	53,639	49,096r	53,442	47,811	52,076	53,484	57,643
2 Demand deposits due from banks in the United States	7,144	7,372	8,013	6,403	8,071	7,914	7,626	8,258	9,170
3 All other cash and due from depository institutions	33,431	29,220	31,786	34,728	32,089	32,122	35,366	34,678	35,642
4 **Total loans and securities**	**689,197r**	**689,244r**	**688,605r**	**685,393r**	**693,383r**	**694,972**	**694,913**	**695,166**	**697,514**
Securities									
5 U.S. Treasury securities	56,304	57,065	58,501	57,373	58,500	60,023	59,209	58,181	56,665
6 Trading account	9,114	9,383	9,701	8,178	9,045	9,855	8,603	8,342	7,686
7 Investment account, by maturity	47,190	47,682	48,800	49,194	49,455	50,168	50,606	49,839	48,979
8 One year or less	14,730	15,139	15,274	15,442	15,469	15,952	15,677	15,398	14,941
9 Over one through five years	29,246	29,318	30,734	30,932	31,244	31,353	31,824	31,248	30,838
10 Over five years	3,213	3,225	2,792	2,820	2,743	2,862	3,105	3,192	3,200
11 Other securities	84,140	83,673	83,614	84,536	83,946	84,723	84,333	85,150	85,735
12 Trading account	6,346	5,799	5,719	6,227	5,675	6,491	5,782	6,164	5,912
13 Investment account	77,794	77,874	77,894	78,309	78,271	78,231	78,551	78,986	79,823
14 U.S government agencies	15,982	15,885	15,881	16,021	15,905	15,893	16,150	16,205	16,152
15 States and political subdivisions, by maturity	58,146	58,356	58,348	58,618	58,676	58,641	58,702	59,105	60,010
16 One year or less	7,833	7,942	7,863	7,992	7,984	8,133	7,996	7,964	7,953
17 Over one year	50,312	50,415	50,485	50,626	50,692	50,507	50,706	51,140	52,057
18 Other bonds, corporate stocks and securities	3,667	3,633	3,665	3,670	3,690	3,697	3,699	3,676	3,661
Loans									
19 Federal funds sold[1]	45,751	44,083	42,523	40,574	44,815	43,761	44,777	39,568	40,220
20 To commercial banks	33,202	32,288	30,276	27,998	33,587	30,628	31,122	26,686	27,565
21 To nonbank brokers and dealers in securities	9,394	8,391	9,181	9,406	8,369	9,612	10,065	9,202	9,210
22 To others	3,156	3,404	3,067	3,170	2,860	3,522	3,590	3,680	3,446
23 Other loans, gross	516,660r	518,144r	517,700r	516,651r	519,866r	520,265	520,386	526,046	528,688
24 Commercial and industrial	216,767r	218,604r	216,684r	216,292r	217,410r	218,307	218,202	219,747	221,684
25 Bankers acceptances and commercial paper	4,858r	5,329r	4,358r	3,904r	4,862r	4,842	4,684	4,343	4,619
26 All other	211,909	213,274	212,326	212,387	212,548	213,465	213,518	215,404	217,064
27 U.S. addressees	204,653	205,928	205,055	205,124	205,251	206,194	206,447	208,201	209,822
28 Non-U.S addressees	7,256	7,346	7,271	7,263	7,298	7,270	7,070	7,203	7,242
29 Real estate	139,441	139,261	139,634	139,686	139,903	139,911	140,288	140,303	140,001
30 To individuals for personal expenditures	81,642	81,756	81,980	82,425	82,898	83,448	84,171	85,083	85,976
To financial institutions									
31 Commercial banks in the United States	7,891r	8,202r	7,997r	8,131r	7,879r	7,814	7,647	9,110	9,095
32 Banks in foreign countries	8,606r	8,604r	8,587r	8,087r	8,411r	8,208	7,335	7,700	7,884
33 Sales finance, personal finance companies, etc.	9,655	9,322	9,297	9,178	9,224	9,299	9,322	9,139	9,358
34 Other financial institutions	15,581	15,888	15,438	15,023	15,246	15,505	15,653	15,365	16,124
35 To nonbank brokers and dealers in securities	9,840	9,213	10,387	10,590	11,232	10,685	10,544	11,550	10,494
36 To others for purchasing and carrying securities[2]	3,332	3,378	3,186	3,195	3,180	3,200	3,204	3,229	3,290
37 To finance agricultural production	7,284	7,221	7,208	7,161	7,153	7,068	7,157	7,207	7,152
38 All other	16,620	16,696	17,300	16,883	17,329	16,817	16,862	17,613	17,629
39 LESS: Unearned income	4,979	5,018	4,997	4,979	4,973	4,973	4,976	4,965	4,970
40 Loan loss reserve	8,680	8,703	8,737	8,763	8,771	8,827	8,816	8,813	8,826
41 Other loans, net	503,001r	504,423r	503,967r	502,909r	506,122r	506,465	506,594	512,268	514,893
42 Lease financing receivables	10,987	10,992	10,989	11,015	11,044	11,063	11,058	11,104	11,136
43 All other assets	143,736r	146,917r	142,369r	140,841r	142,090r	144,500	142,929	144,029	140,567
44 **Total assets**	**934,374**	**933,382**	**935,401**	**927,476r**	**940,119**	**938,383**	**943,969**	**946,720**	**951,672**
Deposits									
45 Demand deposits	178,266	178,264	182,702	172,648r	185,419	177,669	182,850	184,936	193,574
46 Mutual savings banks	707	713	734	563	677	623	674	587	633
47 Individuals, partnerships, and corporations	136,457	136,286	138,397	133,377r	141,338	136,614	141,563	141,620	147,568
48 States and political subdivisions	5,522	4,340	4,844	4,691r	5,120	4,796	4,863	5,266	5,754
49 U.S. government	1,154	1,496	2,314	2,026	1,938	1,820	2,237	1,188	2,059
50 Commercial banks in the United States	19,740	18,601	20,147	18,289	20,124	19,234	18,785	20,005	21,620
51 Banks in foreign countries	6,316	5,978	6,921	6,000	6,498	6,058	5,995	5,929	6,461
52 Foreign governments and official institutions	711	751	899	936	1,276	821	760	954	897
53 Certified and officers' checks	7,659	10,100	8,448	6,766r	8,448	7,702	7,973	9,386	8,582
54 Time and savings deposits	422,723	424,026	423,360	425,988	426,856	427,672	427,187	428,095	429,545
55 Savings	173,711r	174,186r	174,195r	173,928r	174,763r	176,017	175,169	174,814	174,788
56 Individuals and nonprofit organizations	153,120r	153,311r	153,138r	152,788r	153,398r	154,440	153,673	153,483	153,254
57 Partnerships and corporations operated for profit	19,344r	19,671r	19,780r	19,926r	20,109r	20,265	20,222	20,048	20,242
58 Domestic governmental units	1,200	1,164	1,232	1,171	1,216	1,255	1,222	1,202	1,208
59 All other	45	40	45r	43r	40	57	52	80	84
60 Time	249,012r	249,840r	249,166r	252,060r	252,093r	251,655	252,018	253,281	254,757
61 Individuals, partnerships, and corporations	222,530r	223,430r	222,521r	225,013r	225,114r	224,902	224,907	225,765	227,183
62 States and political subdivisions	16,572	16,609	16,648	16,955	16,617	16,368	16,530	16,752	16,624
63 U.S. government	224	211	218	214	214	232	217	215	209
64 Commercial banks in the United States	6,558	6,460	6,598	6,728	7,059	7,119	7,305	7,370	7,661
65 Foreign governments, official institutions, and banks	3,128	3,129	3,180	3,150	3,089	3,034	3,059	3,180	3,080
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	379	3,725	910	605	515	149	1,938	420	706
67 Treasury tax-and-loan notes	15,032	2,743	1,662	1,340	1,482	2,650	2,219	9,382	6,087
68 All other liabilities for borrowed money[3]	168,664	171,901	172,658	170,290	171,267	173,748	169,103	163,414	162,051
69 Other liabilities and subordinated notes and debentures	87,326	90,595	92,032	94,716	92,177	93,798	98,066	98,360	97,320
70 **Total liabilities**	**872,390**	**871,253**	**873,325**	**865,587r**	**877,717**	**875,686**	**881,363**	**884,606**	**889,283**
71 Residual (*total assets minus total liabilities*)[4]	61,984	62,129	62,076	61,888	62,402	62,696	62,606	62,114	62,389

1. Includes securities purchased under agreements to resell.
2. Other than financial institutions and brokers and dealers.
3. Includes federal funds purchased and securities sold under agreement to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec 31, 1977, see table 1.13.
4. This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

NOTE: January data, which normally would appear in this issue of the BULLETIN, will be published on a revised basis in the March issue. Weekly data on the new basis are being published currently in the Board's H 4.2 statistical release.

1.27 LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $1 Billion or More on December 31, 1977, Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1983								
	Nov 2	Nov 9	Nov 16	Nov 23	Nov 30	Dec 7	Dec. 14	Dec 21	Dec 28
1 Cash items in process of collection	46,875	46,935	50,398	45,894r	50,369	45,117	49,034	50,347	54,359
2 Demand deposits due from banks in the United States	6,585	6,755	7,381	5,821	7,393	7,236	6,846	7,447	8,307
3 All other cash and due from depository institutions	30,516	26,405	28,915	31,783	29,203	29,381	32,321	31,567	32,476
4 Total loans and securities	**638,763r**	**638,837r**	**638,598r**	**635,667r**	**643,166r**	**644,015**	**644,065**	**643,972**	**645,913**
Securities									
5 U.S Treasury securities	51,254	51,944	53,424	52,232	53,353	54,785	53,931	52,889	51,330
6 Trading account	9,020	9,288	9,576	8,095	8,953	9,743	8,490	8,240	7,560
7 Investment account, by maturity	42,234	42,656	43,848	44,136	44,400	45,041	45,442	44,649	43,770
8 One year or less	13,025	13,376	13,601	13,674	13,759	14,204	13,940	13,677	13,220
9 Over one through five years	26,266	26,324	27,724	27,911	28,166	28,243	28,634	28,016	27,593
10 Over five years	2,943	2,955	2,522	2,550	2,475	2,594	2,867	2,956	2,957
11 Other securities	76,264	75,820	75,766	76,677	76,110	76,889	76,453	77,284	77,699
12 Trading account.	6,167	5,651	5,537	6,077	5,558	6,334	5,604	6,025	5,752
13 Investment account	70,097	70,169	70,229	70,600	70,552	70,555	70,849	71,259	71,947
14 U.S government agencies	14,291	14,192	14,223	14,350	14,246	14,242	14,493	14,556	14,516
15 States and political subdivisions, by maturity	52,501	52,705	52,702	52,945	52,976	52,969	53,005	53,374	54,126
16 One year or less	7,164	7,306	7,228	7,360	7,345	7,500	7,357	7,325	7,300
17 Over one year	45,336	45,399	45,474	45,585	45,631	45,469	45,648	46,049	46,826
18 Other bonds, corporate stocks and securities	3,305	3,272	3,304	3,305	3,329	3,343	3,351	3,329	3,305
Loans									
19 Federal funds sold[1]	40,363	38,874	37,751	36,315	40,237	38,422	39,944	34,824	35,691
20 To commercial banks	28,536	27,808	26,132	24,271	29,452	25,888	27,011	22,800	23,938
21 To nonbank brokers and dealers in securities	8,727	7,684	8,584	8,917	7,978	9,046	9,380	8,382	8,346
22 To others	3,101	3,381	3,035	3,128	2,807	3,487	3,554	3,642	3,408
23 Other loans, gross	483,520r	484,890r	484,356r	483,150r	486,177r	486,717	486,526	491,745	493,974
24 Commercial and industrial	204,614r	206,381r	204,486r	203,962r	205,076r	206,102	205,913	207,221	208,970
25 Bankers acceptances and commercial paper	4,654r	5,134r	4,166r	3,695r	4,667r	4,652	4,473	4,129	4,386
26 All other	199,959	201,247	200,321	200,268	200,410	201,449	201,440	203,092	204,583
27 U S addressees	192,817	194,024	193,163	193,120	193,256	194,317	194,517	196,041	197,452
28 Non-U S addressees	7,142	7,224	7,157	7,148	7,153	7,132	6,923	7,052	7,131
29 Real estate	130,566r	130,411	130,724	130,737	130,930	130,931	131,269	131,269	130,927
30 To individuals for personal expenditures	72,344	72,416	72,614	72,999	73,402	73,892	74,526	75,362	76,070
To financial institutions									
31 Commercial banks in the United States	7,404r	7,719r	7,540r	7,628r	7,407r	7,354	7,128	8,526	8,515
32 Banks in foreign countries	8,466r	8,480r	8,473r	7,976r	8,291r	8,095	7,217	7,575	7,784
33 Sales finance, personal finance companies, etc	9,438	9,113	9,093	8,962	9,006	9,081	9,102	8,929	9,140
34 Other financial institutions	14,928	15,230	14,798	14,401	14,587	14,861	15,010	14,728	15,482
35 To nonbank brokers and dealers in securities	9,768	9,122	10,287	10,506	11,151	10,592	10,450	11,441	10,385
36 To others for purchasing and carrying securities[2]	3,073	3,115	2,922	2,926	2,909	2,933	2,937	2,962	3,019
37 To finance agricultural production	7,082	7,022	7,012	6,967	6,958	6,872	6,961	7,014	6,955
38 All other	15,836	15,880	16,407	16,085	16,460	16,004	16,012	16,718	16,727
39 LESS. Unearned income	4,394	4,431	4,410	4,389	4,390	4,390	4,391	4,379	4,381
40 Loan loss reserve	8,243	8,259	8,289	8,318	8,320	8,407	8,399	8,390	8,400
41 Other loans, net	470,883r	472,199r	471,657r	470,443	473,466r	473,920	473,736	478,976	481,193
42 Lease financing receivables	10,554	10,558	10,554	10,580	10,606	10,626	10,620	10,663	10,690
43 All other assets	139,606r	142,651r	138,045r	136,490r	137,699r	140,116	138,463	139,520	135,943
44 Total assets	**872,900**	**872,141**	**873,892**	**866,236r**	**878,437**	**876,492**	**881,350**	**883,515**	**887,688**
Deposits									
45 Demand deposits	165,521	165,888	169,740	159,885r	172,163	164,870	169,474	171,322	179,632
46 Mutual savings banks	675	674	702	534	649	595	648	561	602
47 Individuals, partnerships, and corporations	126,481	126,414	128,262	123,235r	130,841	126,370	130,941	130,952	136,702
48 States and political subdivisions	4,935	3,820	4,258	4,137r	4,522	4,293	4,289	4,448	5,024
49 U S. government	1,009	1,380	2,088	1,857	1,757	1,673	1,973	1,044	1,886
50 Commercial banks in the United States	18,078	17,076	18,475	16,722	18,481	17,676	17,196	18,367	19,868
51 Banks in foreign countries	6,269	5,918	6,880	5,952	6,453	6,002	5,949	5,881	6,408
52 Foreign governments and official institutions	710	750	898	935	1,275	809	760	954	845
53 Certified and officers' checks	7,362	9,856	8,178	6,512r	8,184	7,452	7,719	9,114	8,296
54 Time and savings deposits	391,342	392,352	391,644	394,295	395,347	396,187	395,635	396,405	397,529
55 Savings	160,380r	160,740r	160,680r	160,538r	161,334r	162,455	161,667	161,310	161,209
56 Individuals and nonprofit organizations	141,516r	141,620r	141,416r	141,202r	141,793r	142,731	142,006	141,800	141,577
57 Partnerships and corporations operated for profit	17,733r	18,026r	18,099r	18,232r	18,406r	18,554	18,526	18,363	18,504
58 Domestic governmental units	1,071	1,039	1,106	1,046	1,080	1,098	1,069	1,066	1,070
59 All other	60	54	59r	58r	55	71	67	80	57
60 Time	230,962r	231,612r	230,964r	233,758r	234,013r	233,732	233,968	235,095	236,320
61 Individuals, partnerships, and corporations	206,447r	207,214r	206,332r	208,763r	209,042r	208,937	208,836	209,567	210,765
62 States and political subdivisions	14,845	14,839	14,885	15,161	14,866	14,680	14,857	15,110	14,988
63 U S government	202	190	198	194	195	212	198	196	190
64 Commercial banks in the United States	6,341	6,241	6,368	6,490	6,822	6,869	7,017	7,042	7,296
65 Foreign governments, official institutions, and banks	3,128	3,129	3,180	3,150	3,089	3,034	3,059	3,180	3,080
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	379	3,686	813	580	480	149	1,938	302	622
67 Treasury tax-and-loan notes	14,220	2,580	1,494	1,232	1,389r	2,490	2,072	8,849	5,740
68 All other liabilities for borrowed money[3]	158,270	161,055	162,261	159,852	160,742	162,603	158,010	152,641	150,918
69 Other liabilities and subordinated notes and debentures	85,198	88,453	89,830	92,480	89,932	91,547	95,655	95,875	94,832
70 Total liabilities	**814,929**	**814,014**	**815,781**	**808,325r**	**820,053**	**817,846**	**822,784**	**825,393**	**829,273**
71 Residual (total assets minus total liabilities)[4]	57,970	58,127	58,111	57,911	58,384	58,646	58,566	58,122	58,415

1 Includes securities purchased under agreements to resell
2. Other than financial institutions and brokers and dealers
3 Includes federal funds purchased and securities sold under agreement to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec 31, 1977, see table 1 13
4 This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses

1.28 LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1983								
	Nov 2	Nov 9	Nov. 16	Nov. 23	Nov. 30	Dec 7	Dec 14	Dec. 21	Dec 28
1 Cash items in process of collection	14,002	19,123	15,874	13,488	16,566	14,245	16,933	16,935	17,190
2 Demand deposits due from banks in the United States	978	1,302	1,383	814	1,335	1,408	1,290	1,265	1,233
3 All other cash and due from depository institutions	6,069	3,579	5,099	5,434	5,264	5,805	6,822	5,596	5,007
4 **Total loans and securities**[1]	**148,231**	**146,850**	**147,867**	**147,994**	**150,616**	**148,742**	**150,019**	**149,697**	**151,043**
Securities									
5 U.S. Treasury securities[2]									
6 Trading account[2]									
7 Investment account, by maturity	9,440	9,845	10,366	10,530	10,461	10,041	9,904	9,506	9,069
8 One year or less	2,455	2,899	3,083	3,123	2,972	2,667	2,430	2,421	2,416
9 Over one through five years	6,078	6,039	6,847	6,972	7,053	6,854	6,778	6,318	5,894
10 Over five years	907	907	435	435	436	520	695	766	759
11 Other securities[2]									
12 Trading account[2]									
13 Investment account	14,919	15,063	14,998	15,152	15,145	15,254	15,316	15,634	16,211
14 U.S. government agencies	1,476	1,476	1,408	1,401	1,396	1,389	1,389	1,387	1,384
15 States and political subdivisions, by maturity	12,712	12,855	12,864	13,010	13,007	13,131	13,191	13,505	14,086
16 One year or less	1,895	2,004	1,974	2,019	1,940	2,011	2,029	1,985	2,047
17 Over one year	10,817	10,851	10,890	10,990	11,067	11,120	11,162	11,520	12,039
18 Other bonds, corporate stocks and securities	731	732	726	741	742	734	736	741	741
Loans									
19 Federal funds sold[3]	11,907	10,571	10,183	11,390	13,136	11,678	13,195	10,580	11,891
20 To commercial banks	5,361	4,615	3,968	4,912	7,629	5,229	6,458	4,057	5,644
21 To nonbank brokers and dealers in securities	4,821	4,042	4,362	4,603	3,951	4,375	4,618	4,166	4,077
22 To others	1,724	1,914	1,853	1,876	1,557	2,074	2,119	2,357	2,169
23 Other loans, gross	116,052	115,461	116,415	115,038	116,010	115,928	115,787	118,135	118,023
24 Commercial and industrial	57,958	58,687	58,314	57,500	57,644	58,252	58,113	57,968	58,793
25 Bankers' acceptances and commercial paper	1,727	1,815	1,452	1,151	1,563	1,478	1,417	1,171	1,307
26 All other	56,232	56,871	56,862	56,349	56,081	56,774	56,696	56,797	57,486
27 U.S. addressees	54,422	55,081	55,090	54,554	54,288	54,973	54,883	54,939	55,622
28 Non-U S addressees	1,810	1,791	1,772	1,795	1,793	1,801	1,812	1,858	1,864
29 Real estate	20,646	20,580	20,622	20,630	20,580	20,496	20,522	20,613	20,412
30 *To individuals for personal expenditures*	12,693	12,717	12,718	12,791	12,829	12,937	13,040	13,168	13,286
To financial institutions									
31 Commercial banks in the United States	1,605	1,618	1,659	1,607	1,589	1,597	1,573	2,180	2,122
32 Banks in foreign countries	2,984	2,753	2,901	2,564	2,831	2,732	2,438	2,765	2,932
33 Sales finance, personal finance companies, etc	3,992	3,673	3,678	3,529	3,625	3,749	3,718	3,772	3,797
34 Other financial institutions	4,230	4,356	4,091	3,979	4,112	4,086	4,220	4,295	4,454
35 To nonbank brokers and dealers in securities	6,089	5,115	6,405	6,669	7,058	6,387	6,412	7,476	6,113
36 To others for purchasing and carrying securities[4]	668	681	648	624	590	607	628	662	665
37 To finance agricultural production	691	698	701	661	661	615	637	652	611
38 All other	4,495	4,584	4,678	4,481	4,491	4,470	4,486	4,583	4,838
39 LESS. Unearned income	1,459	1,460	1,454	1,456	1,457	1,458	1,460	1,464	1,474
40 Loan loss reserve	2,627	2,629	2,642	2,661	2,679	2,702	2,722	2,693	2,678
41 Other loans, net	111,966	111,372	112,320	110,922	111,874	111,768	111,604	113,978	113,872
42 Lease financing receivables	2,027	2,029	2,046	2,047	2,048	2,035	2,038	2,077	2,067
43 All other assets[5]	64,354	65,971	63,505	62,775	62,678	64,108	62,396	61,279	60,530
44 **Total assets**	**235,661**	**238,855**	**235,775**	**232,553**	**238,507**	**236,343**	**239,498**	**236,850**	**237,071**
Deposits									
45 Demand deposits	45,951	51,064	47,842	44,301	50,404	46,674	49,388	49,528	51,529
46 Mutual savings banks	312	341	358	232	281	263	352	265	278
47 Individuals, partnerships, and corporations	31,986	33,197	31,796	30,532	34,014	31,860	34,109	33,372	35,433
48 States and political subdivisions	734	592	626	606	556	612	598	626	608
49 U.S. government	169	549	573	410	375	372	523	272	571
50 Commercial banks in the United States	4,048	4,978	4,162	4,355	5,103	4,480	4,719	4,567	4,518
51 Banks in foreign countries	5,043	4,678	5,628	4,626	5,135	4,800	4,647	4,579	5,201
52 Foreign governments and official institutions	522	571	686	725	1,055	632	574	770	661
53 Certified and officers' checks	3,137	6,157	4,013	2,814	3,886	3,655	3,866	5,078	4,258
54 Time and savings deposits	73,938	73,844	73,805	74,919	75,133	74,994	74,944	75,071	75,251
55 Savings	27,456r	27,634r	27,780r	27,844r	27,973r	28,115	28,050	28,237	28,234
56 Individuals and nonprofit organizations	24,434r	24,498r	24,622r	24,678r	24,828r	24,909	24,870	24,982	25,048
57 Partnerships and corporations operated for profit	2,797r	2,892r	2,906r	2,938r	2,932r	2,963	2,957	3,019	2,945
58 Domestic governmental units	186	205	210	188	175	188	173	171	172
59 All other	39	38	42r	40r	38	55	50	66	68
60 Time	46,482r	46,210r	46,025r	47,075r	47,160r	46,878	46,893	46,833	47,017
61 Individuals, partnerships, and corporations	40,880r	40,689r	40,261r	41,257r	41,257r	41,120	41,018	40,798	41,018
62 States and political subdivisions	2,030	2,047	2,101	2,101	2,037	1,968	2,009	2,115	2,101
63 U S. government	15	15	19	18	18	18	15	15	14
64 *Commercial banks in the United States*	2,278	2,209	2,362	2,439	2,626	2,596	2,689	2,620	2,724
65 Foreign governments, official institutions, and banks	1,278	1,251	1,281	1,260	1,221	1,175	1,161	1,285	1,159
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	300	2,040	350	400	300		1,790		305
67 Treasury tax-and-loan notes	3,674	603	359	336	447	608	636	2,723	1,705
68 All other liabilities for borrowed money[6]	55,783	54,475	56,099	55,027	56,899	57,466	54,699	51,806	51,443
69 Other liabilities and subordinated notes and debentures	36,087	36,737	37,218	37,579	35,215	36,301	37,786	37,816	36,597
70 **Total liabilities**	**215,732**	**218,764**	**215,674**	**212,562**	**218,398**	**216,043**	**219,243**	**216,944**	**216,830**
71 Residual (total assets minus total liabilities)[7]	19,929	20,092	20,102	19,991	20,109	20,300	20,255	19,906	20,242

1. Excludes trading account securities.
2. Not available due to confidentiality
3 Includes securities purchased under agreements to resell
4. Other than financial institutions and brokers and dealers
5. Includes trading account securities
6. Includes federal funds purchased and securities sold under agreements to repurchase
7. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.29 LARGE WEEKLY REPORTING COMMERCIAL BANKS Balance Sheet Memoranda

Millions of dollars, Wednesday figures

Account	1983								
	Nov. 2	Nov 9	Nov 16	Nov. 23	Nov. 30	Dec. 7	Dec. 14	Dec. 21	Dec. 28
BANKS WITH ASSETS OF $750 MILLION OR MORE									
1 Total loans (gross) and securities adjusted[1]	661,762r	662,475r	664,066r	663,005r	665,662r	670,330	669,936	673,148	674,649
2 Total loans (gross) adjusted[1]	521,318r	521,737r	521,951r	521,096r	523,216r	525,584	526,394	529,818	532,249
3 Demand deposits adjusted[2]	107,494	108,532	106,603	103,238r	109,914	108,804	109,752	110,258	112,252
4 Time deposits in accounts of $100,000 or more	140,573r	140,759r	140,107r	142,777r	142,516r	142,021	142,346	143,376	144,841
5 Negotiable CDs	88,424	88,322	87,427	89,542	89,424	88,931	89,378	89,922	91,712
6 Other time deposits	52,150r	52,437r	52,680r	53,235r	53,092r	53,089	52,969	53,454	53,128
7 Loans sold outright to affiliates[3]	2,594	2,536	2,559	2,490	2,385	2,432	2,401	2,386	2,364
8 Commercial and industrial	2,001	1,945	1,963	1,904	1,839	1,850	1,831	1,837	1,810
9 Other	592	591	596	586	546	583	570	549	555
BANKS WITH ASSETS OF $1 BILLION OR MORE									
10 Total loans (gross) and securities adjusted[1]	615,461r	615,999r	617,625r	616,476r	619,018r	623,570	622,716	625,416	626,241
11 Total loans (gross) adjusted[1]	487,943r	488,235r	488,435r	487,567r	489,554r	491,896	492,332	495,243	497,212
12 Demand deposits adjusted[2]	99,558	100,497	98,778	95,411r	101,555	100,404	101,272	101,564	103,518
13 Time deposits in accounts of $100,000 or more	131,729r	131,815r	131,178r	133,737r	133,724r	133,332	133,538	134,471	135,797
14 Negotiable CDs	83,424	83,279	82,416	84,523	84,634	84,202	84,473	84,896	86,544
15 Other time deposits	48,305r	48,536r	48,762r	49,214r	49,089r	49,130	49,065	49,575	49,252
16 Loans sold outright to affiliates[3]	2,544	2,486	2,510	2,434	2,331	2,369	2,338	2,323	2,302
17 Commercial and industrial	1,966	1,909	1,928	1,869	1,806	1,807	1,788	1,795	1,767
18 Other	578	578	582	565	525	562	549	529	534
BANKS IN NEW YORK CITY									
19 Total loans (gross) and securities adjusted[1,4]	145,350	144,707	146,336	145,592	145,534	146,076	146,170	147,617	147,429
20 Total loans (gross) adjusted[1]	120,992	119,799	120,971	119,910	119,928	120,780	120,951	122,478	122,148
21 Demand deposits adjusted[2]	27,732	26,414	27,233	26,047	28,360	27,577	27,214	27,754	29,249
22 Time deposits in accounts of $100,000 or more	30,978	30,574	30,573	31,608	31,546	31,157	31,297	31,083	31,357
23 Negotiable CDs	18,528	18,143	18,015	19,118	18,990	18,709	18,873	18,522	19,001
24 Other time deposits	12,450	12,431	12,558	12,490	12,556	12,448	12,424	12,561	12,356

1. Exclusive of loans and federal funds transactions with domestic commercial banks
2. All demand deposits except U.S. government and domestic banks less cash items in process of collection.
3. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company
4. Excludes trading account securities.

1.30 LARGE WEEKLY REPORTING BRANCHES AND AGENCIES OF FOREIGN BANKS Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1983								
	Nov 2	Nov 9	Nov 16	Nov 23	Nov. 30	Dec 7	Dec. 14	Dec 21	Dec 28
1 Cash and due from depository institutions	5,998	6,066	6,230	6,552	6,605	6,180	6,370	7,213	6,068
2 Total loans and securities	42,029	43,487	43,173	43,878	43,668	43,048	44,947	45,090	45,609
3 U.S Treasury securities	4,711	4,664	4,755	4,675	4,594	4,648	4,628	4,604	4,614
4 Other securities	972	957	958	951	966	966	1,049	1,066	1,066
5 Federal funds sold[1]	2,496	4,291	3,669	3,874	3,457	2,865	3,841	3,971	4,476
6 To commercial banks in United States	2,383	4,159	3,552	3,626	3,282	2,707	3,519	3,722	4,195
7 To others	113	132	117	248	175	158	322	249	281
8 Other loans, gross	33,849	33,573	33,791	34,377	34,651	34,539	35,428	35,449	35,454
9 Commercial and industrial	18,536	18,742	18,960	18,913	19,313	19,191	19,661	19,611	19,463
10 Bankers acceptances and commercial paper	2,855	2,839	2,899	3,064	3,069	3,121	3,294	3,254	3,256
11 All other	15,681	15,903	16,061	15,848	16,244	16,070	16,367	16,357	16,207
12 U.S. addressees	13,792	14,047	14,216	13,926	14,417	14,243	14,533	14,546	14,377
13 Non-U.S. addressees	1,889	1,857	1,846	1,923	1,827	1,828	1,834	1,811	1,830
14 To financial institutions	11,053	10,672	10,607	11,232	10,596	10,707	11,010	11,412	11,075
15 Commercial banks in United States	8,628	8,474	8,473	8,974	8,255	8,394	8,662	9,199	8,820
16 Banks in foreign countries	1,800	1,620	1,542	1,600	1,660	1,642	1,648	1,572	1,584
17 Nonbank financial institutions	626	578	591	657	681	671	700	642	671
18 For purchasing and carrying securities	683	590	626	480	948	964	1,132	822	1,106
19 All other	3,577	3,569	3,597	3,753	3,793	3,677	3,626	3,603	3,810
20 Other assets (claims on nonrelated parties)	11,905	11,926	12,130	12,359	12,642	12,738	12,673	12,967	12,421
21 Net due from related institutions	12,552	12,558	12,042	12,449	11,769	12,654	11,542	9,769	9,944
22 Total assets	72,484	74,037	73,576	75,238	74,684	74,621	75,532	75,038	74,043
23 Deposits or credit balances[2]	19,380	19,422	19,257	20,387	20,662	20,625	21,537	22,498	22,485
24 Credit balances	202	154	157	151	143	145	125	165	174
25 Demand deposits	1,775	1,799	1,768	1,874	1,792	1,673	1,939	2,142	1,930
26 Individuals, partnerships, and corporations	873	853	786	855	882	820	860	851	914
27 Other	901	946	982	1,019	910	853	1,079	1,292	1,016
28 Total time and savings	17,404	17,468	17,331	18,362	18,728	18,808	19,473	20,191	20,381
29 Individuals, partnerships, and corporations	14,776	14,786	14,584	15,655	15,999	15,935	16,461	17,046	17,217
30 Other	2,627	2,682	2,747	2,707	2,729	2,873	3,012	3,145	3,163
31 Borrowings[3]	34,666	34,638	34,265	34,025	33,365	33,755	33,382	31,115	30,862
32 Federal funds purchased[4]	11,102	10,685	11,190	10,063	10,157	10,880	10,453	7,919	7,887
33 From commercial banks in United States	9,152	8,474	9,065	8,035	8,530	8,974	8,421	5,798	5,826
34 From others	1,951	2,211	2,126	2,028	1,628	1,906	2,032	2,121	2,061
35 Other liabilities for borrowed money	23,564	23,953	23,074	23,962	23,208	22,875	22,929	23,196	22,976
36 To commercial banks in United States	19,647	20,275	19,466	19,913	19,390	19,007	19,165	19,475	19,353
37 To others	3,917	3,678	3,608	4,049	3,817	3,868	3,764	3,721	3,622
38 Other liabilities to nonrelated parties	12,799	12,685	13,016	13,404	13,377	13,626	13,550	14,544	13,351
39 Net due to related institutions	5,639	7,292	7,039	7,422	7,280	6,615	7,063	6,881	7,345
40 Total liabilities	72,484	74,037	73,576	75,238	74,684	74,621	75,532	75,038	74,043
MEMO									
41 Total loans (gross) and securities adjusted[5]	31,018	30,854	31,147	31,277	32,130	31,947	32,766	32,169	32,595
42 Total loans (gross) adjusted[5]	25,334	25,232	25,434	25,651	26,570	26,303	27,088	26,499	26,915

1 Includes securities purchased under agreements to resell
2 Balances due to other than directly related institutions
3 Borrowings from other than directly related institutions
4. Includes securities sold under agreements to repurchase
5 Excludes loans and federal funds transactions with commercial banks in United States

1.31 GROSS DEMAND DEPOSITS of Individuals, Partnerships, and Corporations[1]

Billions of dollars, estimated daily-average balances

Type of holder	1978 Dec.	1979[2] Dec.	1980 Dec.	1981 Dec.	1982 Mar.	1982 June	1982 Sept.	1982 Dec.	1983 Mar.	1983 June
	Commercial banks									
1 **All holders—Individuals, partnerships, and corporations**	**294.6**	**302.2**	**315.5**	**288.9**	**268.9**	**271.5**	**276.7**	**295.4**	**283.5**	**289.5**
2 Financial business	27.8	27.1	29.8	28.0	27.8	28.6	31.9	35.5	34.0	35.1
3 Nonfinancial business	152.7	157.7	162.8[r]	154.8	138.7	141.4	142.9	151.7	144.4	147.7
4 Consumer	97.4	99.2	102.4	86.6	84.6	83.7	83.3	88.1	85.5	86.9
5 Foreign	2.7	3.1	3.3	2.9	3.1	2.9	2.9	3.0	3.2	3.0
6 Other	14.1	15.1	17.2	16.7	14.6	15.0	15.7	17.1	16.4	16.8
	Weekly reporting banks									
	1978 Dec.	1979[4] Dec.	1980 Dec.	1981 Dec.	1982 Mar.	1982 June	1982 Sept.	1982 Dec.	1983 Mar.	1983 June
7 **All holders—Individuals, partnerships, and corporations**	**147.0**	**139.3**	**147.4**	**137.5**	**126.8**	**127.9**	**132.1**	**144.0**	**140.7**	**141.9**
8 Financial business	19.8	20.1	21.8	21.0	20.2	20.2	23.4	26.7	25.2	26.3
9 Nonfinancial business	79.0	74.1	78.3	75.2	67.1	67.7	68.7	74.2	72.7	73.1
10 Consumer	38.2	34.3	35.6	30.4	29.2	29.7	29.6	31.9	31.2	30.4
11 Foreign	2.5	3.0	3.1	2.8	2.9	2.8	2.7	2.9	3.0	2.9
12 Other	7.5	7.8	8.6	8.0	7.3	7.5	7.7	8.4	8.6	9.3

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466.

2. Beginning with the March 1979 survey, the demand deposit ownership survey sample was reduced to 232 banks from 349 banks, and the estimation procedure was modified slightly. To aid in comparing estimates based on the old and new reporting sample, the following estimates in billions of dollars for December 1978 have been constructed using the new smaller sample; financial business, 27.0; nonfinancial business, 146.9, consumer, 98.3, foreign, 2.8, and other, 15.1.

3. Demand deposit ownership survey estimates for June 1981 are not available due to unresolved reporting errors.

4. After the end of 1978 the large weekly reporting bank panel was changed to 170 large commercial banks, each of which had total assets in domestic offices exceeding $750 million as of Dec. 31, 1977. See "Announcements," p. 408 in the May 1978 BULLETIN. Beginning in March 1979, demand deposit ownership estimates for these large banks are constructed quarterly on the basis of 97 sample banks and are not comparable with earlier data. The following estimates in billions of dollars for December 1978 have been constructed for the new large-bank panel; financial business, 18.2; nonfinancial business, 67.2, consumer, 32.8, foreign, 2.5, other, 6.8.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1978 Dec	1979[1] Dec	1980 Dec.	1981 Dec.	1982 Dec.[2]	1983 July	1983 Aug	1983 Sept	1983 Oct	1983 Nov	1983 Dec
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**83,438**	**112,803**	**124,374**	**165,455**	**166,208**	**172,199**	**174,669**	**176,775**	**175,924**	**180,206**	**185,407**
Financial companies[3]											
Dealer-placed paper[4]											
2 Total	12,181	17,359	19,599	29,904	34,067	39,027	40,749	39,963	37,323	40,890	40,994
3 Bank-related (not seasonally adjusted)	3,521	2,784	3,561	6,045	2,516	2,367	2,353	2,303	2,195	2,341	2,441
Directly placed paper[5]											
4 Total	51,647	64,757	67,854	81,715	84,183	89,585	90,628	91,600	92,819	93,820	96,692
5 Bank-related (not seasonally adjusted)	12,314	17,598	22,382	26,914	32,034	33,613	35,085	34,856	34,622	35,001	35,566
6 Nonfinancial companies[6]	19,610	30,687	36,921	53,836	47,958	43,587	43,292	45,212	44,977	45,496	47,721
	Bankers dollar acceptances (not seasonally adjusted)										
7 **Total**	**33,700**	**45,321**	**54,744**	**69,226**	**79,543**	**72,710**	**73,977**	**73,569**	**72,902**	**77,919**	**78,309**
Holder											
8 Accepting banks	8,579	9,865	10,564	10,857	10,910	9,008	8,498	9,205	9,501	10,894	9,355
9 Own bills	7,653	8,327	8,963	9,743	9,471	8,231	7,466	7,986	8,212	9,558	8,125
10 Bills bought	927	1,538	1,601	1,115	1,439	777	1,033	1,219	1,289	1,337	1,230
Federal Reserve Banks											
11 Own account	587	704	776	195	1,480	0	209	0	0	0	0
12 Foreign correspondents	664	1,382	1,791	1,442	949	670	717	622	483	573	729
13 Others	24,456	33,370	41,614	56,731	66,204	63,032	65,961	64,942	62,917	67,026	68,955
Basis											
14 Imports into United States	8,574	10,270	11,776	14,765	17,683	15,122	14,487	14,653	14,829	14,906	15,649
15 Exports from United States	7,586	9,640	12,712	15,400	16,328	16,286	16,476	16,215	16,036	17,209	16,880
16 All other	17,541	25,411	30,257	39,060	45,531	41,301	43,514	43,201	65,015	45,805	45,781

1 A change in reporting instructions results in offsetting shifts in the dealer-placed and directly placed financial company paper in October 1979.

2 Effective Dec 1, 1982, there was a break in the commercial paper series. The key changes in the content of the data involved additions to the reporting panel, the exclusion of broker or dealer placed borrowings under any master note agreements from the reported data, and the reclassification of a large portion of bank-related paper from dealer-placed to directly placed

3 Institutions engaged primarily in activities such as, but not limited to, commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending, insurance underwriting; and other investment activities

4 Includes all financial company paper sold by dealers in the open market.

5 As reported by financial companies that place their paper directly with investors

6 Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services

1.33 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans

Percent per annum

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1981—Nov 24	16.00	1982—Aug 23	13.50	1982—Jan	15.75	1983—Jan.	11.16
Dec 1	15.75	Oct 7	13.00	Feb.	16.56	Feb.	10.98
		14	12.00	Mar.	16.50	Mar.	10.50
		Nov 22	11.50	Apr.	16.50	Apr.	10.50
				May	16.50	May	10.50
1982—Feb. 18	17.00			June	16.50	June	10.50
23	16.50			July	16.26	July	10.50
July 20	16.00			Aug.	14.39	Aug.	10.89
29	15.50			Sept.	13.50	Sept.	11.00
Aug 2	15.00	1983—Jan 11	11.00	Oct.	12.52	Oct.	11.00
16	14.50	Feb 28	10.50	Nov.	11.85	Nov	11.00
18	14.00	Aug 8	11.00	Dec.	11.50	Dec.	11.00

1.34 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, November 7–11, 1983

Item	All sizes	Size of loan (in thousands of dollars)					
		1–24	25–49	50–99	100–499	500–999	1,000 and over
SHORT-TERM COMMERCIAL AND INDUSTRIAL LOANS							
1 Amount of loans (thousands of dollars)	26,906,178	679,407	460,408	554,091	2,042,372	726,993	22,442,908
2 Number of loans	130,514	91,718	13,836	8,922	11,597	1,077	3,364
3 Weighted-average maturity (months)	1.3	3.6	3.7	4.0	4.9	3.1	.8
4 With fixed rates	.7	3.2	3.6	3.9	3.8	1.5	.4
5 With floating rates	2.5	4.5	3.8	4.1	5.6	4.8	1.7
6 Weighted-average interest rate (percent per annum)	10.95	13.91	13.78	13.23	12.34	11.82	10.59
7 Interquartile range[1]	10.27–11.18	12.68–14.85	12.55–14.56	12.36–13.80	11.46–12.96	11.32–12.55	10.24–10.75
8 With fixed rates	10.80	14.26	13.79	13.70	12.63	11.24	10.54
9 With floating rates	11.20	13.28	13.78	12.93	12.21	12.14	10.68
Percentage of amount of loans							
10 With floating rate	36.7	35.7	60.0	61.3	69.2	64.8	31.8
11 Made under commitment	68.4	31.3	30.5	37.2	43.8	65.2	73.4
12 With no stated maturity	12.5	15.7	27.1	26.7	22.7	38.5	10.0
13 With one-day maturity	17.4	2.1	0	.2	.5	3.3	20.7
LONG-TERM COMMERCIAL AND INDUSTRIAL LOANS		1–99					
14 Amount of loans (thousands of dollars)	2,834,473	367,008			426,052	168,157	1,873,256
15 Number of loans	19,150	16,303			1,851	246	750
16 Weighted-average maturity (months)	50.8	39.0			40.7	48.7	55.5
17 With fixed rates	50.7	42.0			45.9	55.0	57.1
18 With floating rates	50.8	36.3			36.6	47.6	55.2
19 Weighted-average interest rate (percent per annum)	12.94	14.03			17.89	12.03	11.68
20 Interquartile range[1]	11.38–12.68	12.68–14.65			12.40–28.42	11.46–12.68	10.92–12.40
21 With fixed rates	15.19	14.95			24.52	11.51	10.68
22 With floating rates	12.13	13.21			12.60	12.12	11.93
Percentage of amount of loans							
23 With floating rate	73.6	52.9			55.6	85.8	80.6
24 Made under commitment	59.1	42.7			45.3	66.6	64.8
CONSTRUCTION AND LAND DEVELOPMENT LOANS		1–24	25–49	50–99		500 and over	
25 Amount of loans (thousands of dollars)	990,925	150,071	110,531	83,576	178,568	468,178	
26 Number of loans	23,236	17,606	3,315	1,303	806	206	
27 Weighted-average maturity (months)	8.5	6.9	7.1	9.6	13.2	7.4	
28 With fixed rates	9.0	8.5	7.7	8.2	13.5	9.3	
29 With floating rates	8.2	5.4	6.3	12.3	13.2	6.6	
30 Weighted-average interest rate (percent per annum)	13.25	14.16	14.58	14.19	13.02	12.57	
31 Interquartile range[1]	12.13–13.88	13.43–14.93	13.42–15.56	13.31–14.89	12.40–13.30	12.12–13.24	
32 With fixed rates	13.56	13.98	14.94	14.73	12.90	12.43	
33 With floating rates	13.09	14.32	14.16	13.32	13.04	12.63	
Percentage of amount of loans							
34 With floating rate	65.1	52.7	46.5	38.0	85.7	70.5	
35 Secured by real estate	92.4	85.3	98.0	95.8	95.9	91.4	
36 Made under commitment	64.4	75.1	59.7	32.6	74.7	63.9	
37 With no stated maturity	4.0	2.7	2.9	6.8	6.4	3.2	
38 With one-day maturity	0	0	0	.0	.0	.0	
Type of construction							
39 1- to 4-family	33.9	47.5	67.3	76.1	28.5	16.1	
40 Multifamily	15.9	3.5	4.5	9.9	22.4	21.1	
41 Nonresidential	50.3	49.0	28.3	14.0	49.1	62.8	
LOANS TO FARMERS	All sizes	1–9	10–24	25–49	50–99	100–249	250 and over
42 Amount of loans (thousands of dollars)	1,467,055	137,726	177,981	171,295	193,955	250,340	535,758
43 Number of loans	58,634	36,687	11,551	5,309	2,774	1,738	845
44 Weighted-average maturity (months)	6.8	6.4	7.6	6.6	7.5	11.9	4.1
45 Weighted-average interest rate (percent per annum)	13.64	14.30	14.25	13.92	13.94	13.82	12.98
46 Interquartile range[1]	12.68–14.50	13.88–14.74	13.42–14.71	13.19–14.49	13.42–14.51	13.80–14.45	11.59–14.23
By purpose of loan							
47 Feeder livestock	14.00	14.22	13.99	14.20	14.12	13.45	13.92
48 Other livestock	13.87	14.30	15.13	14.14	13.83	(*)	13.37
49 Other current operating expenses	13.37	14.26	14.11	14.06	13.78	13.72	11.54
50 Farm machinery and equipment	13.91	14.50	14.09	13.51	(*)	(*)	(*)
51 Other	12.93	14.32	14.08	13.32	13.78	13.13	12.54

1 Interest rate range that covers the middle 50 percent of the total dollar amount of loans made
2. Fewer than 10 sample loans

NOTE. For more detail, see the Board's E.2 (111) statistical release

1.35 INTEREST RATES Money and Capital Markets

Averages, percent per annum; weekly and monthly figures are averages of business day data unless otherwise noted.

Instrument	1981	1982	1983	1983 Oct.	1983 Nov.	1983 Dec.	1984 Jan.	1983, week ending Dec. 30	1984, week ending Jan. 6	1984, week ending Jan. 13	1984, week ending Jan. 20	1984, week ending Jan. 27
MONEY MARKET RATES												
1 Federal funds[1,2]	16.38	12.26	9.09	9.48	9.34	9.47	9.56	8.96	10.06	9.53	9 54	9.53
Commercial paper[3,4]												
2 1-month	15.69	11.83	8.87	9.03	9.10	9.56	9.23	9.66	9.36	9.22	9.18	9.20
3 3-month	15 32	11.89	8.88	8.99	9 10	9.53	9.20	9.55	9.32	9.20	9.15	9.19
4 6-month	14.76	11.89	8.89	8.98	9.09	9.50	9.18	9.47	9.28	9.20	9.12	9.17
Finance paper, directly placed[3,4]												
5 1-month	15.30	11.64	8.80	8.99	9.06	9.51	9.20	9.49	9.33	9.17	9.17	9.20
6 3-month	14 08	11.23	8 70	8.82	8.87	9.16	9.08	9.20	9.19	9.09	9.02	9.03
7 6-month	13.73	11 20	8.69	8.79	8.84	9 11	9.02	9.15	9.15	9.07	8.95	8.96
Bankers acceptances[4,5]												
8 3-month	15.32	11.89	8 90	9.01	9.16	9.52	9.23	9.46	9 31	9.24	9.19	9.23
9 6-month	14.66	11.83	8.91	8.97	9.13	9 45	9.19	9.31	9 25	9.21	9.13	9.19
Certificates of deposit, secondary market[6]												
10 1-month	15.91	12.04	8.96	9.11	9.22	9.67	9 33	9.77	9.51	9.35	9.25	9.29
11 3-month	15.91	12.27	9.07	9.18	9 36	9.69	9.42	9.67	9.57	9.44	9.35	9.40
12 6-month	15.77	12.57	9.27	9.31	9 51	9.85	9.56	9.72	9.70	9.63	9.45	9 53
13 Eurodollar deposits, 3-month[7]	16.79	13.12	9.56	9.54	9.79	10 08	9.78	9.92	9.88	9.85	9.70	9.75
U.S. Treasury bills[4]												
Secondary market[8]												
14 3-month	14.03	10.61	8.61	8.64	8.76	9.00	8.90	8.96	8.95	8.88	8.88	8.93
15 6-month	13.80	11.07	8.73	8.83	8.93	9.17	9 02	9.14	9 12	9.03	8.95	9.00
16 1-year	13.14	11 07	8.80	8 98	9.08	9.24	9.07	9.22	9.19	9.09	9.02	9.04
Auction average[9]												
17 3-month	14.029	10 686	8.63	8.71	8.71	8.96	8.93	8.94	9.04	8.92	8.82	8.92
18 6-month	13 776	11.084	8.75	8.90	8.89	9.14	9.06	9.14	9.19	9.10	8.92	9.01
19 1-year	13.159	11.099	8.86	9 13	9.03	9.16	9.04	9.23	...	...	...	9.04
CAPITAL MARKET RATES												
U.S Treasury notes and bonds[10]												
Constant maturities[11]												
20 1-year	14.78	12.27	9.57	9.81	9.94	10.11	9.90	10.09	10.02	9.91	9.86	9.87
21 2-year	14.56	12 80	10.21	10.57	10.66	10.84	10 64	10.85	10.77	10.66	10.56	10.63
22 2-½-year[12]	...	...	...	...	...	...	...	10.95	...	10.80	...	10.75
23 3-year	14.44	12.92	10.45	10.87	10.96	11.13	10.93	11.10	11.04	10.98	10 86	10.89
24 5-year	14.24	13.01	10.80	11.28	11.41	11.54	11.37	11.54	11.50	11.42	11.29	11.31
25 7-year	14 06	13.06	11 02	11.47	11.61	11.78	11 58	11.74	11.71	11 63	11.50	11.52
26 10-year	13.91	13.00	11.10	11.54	11.69	11.83	11.68	11.79	11.79	11.71	11.59	11.63
27 20-year	13.72	12.92	11.34	11 77	11.92	12.02	11.82	11.97	11.97	11.86	11.74	11.76
28 30-year	13.44	12.76	11.18	11.58	11.75	11.88	11.75	11.84	11.86	11.79	11.67	11.71
Composite[13]												
29 Over 10 years (long-term)	12.87	12.23	10.84	11.21	11.32	11.44	11.29	11.41	11.42	11.32	11.21	11.23
State and local notes and bonds												
Moody's series[14]												
30 Aaa	10.43	10.88	8.80	8.93	9.01	9.34	9.00	9.25	9.20	9.00	8.90	8.90
31 Baa	11.76	12.48	10 17	10 04	10.01	10.29	10.10	10.30	10.20	10.10	10.10	10.00
32 *Bond Buyer* series[15]	11.33	11.66	9 51	9.66	9.75	9.89	9.63	9.76	9.66	9.67	9.60	9.59
Corporate bonds												
Seasoned issues[16]												
33 All industries	15.06	14.94	12.78	12.79	12.93	13.07	12.92	13.09	13 08	13.00	12.85	12.83
34 Aaa	14.17	13.79	12.04	12.25	12.41	12.57	12.20	12.56	12.53	12.43	12.01	11 98
35 Aa	14.75	14 41	12.42	12.49	12.61	12.76	12.71	12.76	12.78	12.71	12.69	12.70
36 A	15.29	15.43	13.10	12.97	13.09	13.21	13.13	13.25	13.24	13 16	13.09	13.07
37 Baa	16.04	16 11	13.55	13.46	13.61	13.75	13 65	13.79	13.75	13.71	13.61	13.57
38 A-rated, recently-offered utility bond[17]	16.63	15.49	12.73	12.89	13.14	13.29	12.99r	...	13.16r	12.95r	12.88r	12.85r
MEMO: Dividend/price ratio[18]												
39 Preferred stocks	12.36	12.53	11 2p	10.97	11.12	11.49	11.35	11.66	11.55	11.47	11.26	11.10
40 Common stocks	5.20	5.81	4.40	4.25	4.31	4.32	4.27	4.29	4.27	4.24	4.25	4.33

1. Weekly and monthly figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
2. Weekly figures are statement week averages—that is, averages for the week ending Wednesday
3. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
4. Yields are quoted on a bank-discount basis, rather than an investment yield basis (which would give a higher figure).
5. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
6. Unweighted average of offered rates quoted by at least five dealers early in the day.
7. Calendar week average. For indication purposes only.
8. Unweighted average of closing bid rates quoted by at least five dealers
9. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.
10. Yields are based on closing bid prices quoted by at least five dealers.
11. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
12. Each biweekly figure is the average of five business days ending on the Monday following the date indicated. Until Mar. 31, 1983, the biweekly rate determined the maximum interest rate payable in the following two-week period on 2-½-year small saver certificates. (See table 1.16)
13. Averages of yields (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including several very low yielding "flower" bonds.
14. General obligations only, based on figures for Thursday, from Moody's Investors Service.
15. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations. The Federal Reserve previously published interest rate series on both newly-issued and recently-offered Aaa utility bonds, but discontinued these series in January 1984 owing to the lack of Aaa issues.
18. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation Common stock ratios on the 500 stocks in the price index.

1.36 STOCK MARKET Selected Statistics

Indicator	1981	1982	1983	1983 May	June	July	Aug.	Sept	Oct	Nov	Dec	1984 Jan
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec 31, 1965 = 50)	74.02	68.93	92.63	94.61	96.43	96.74	93.96	96.70	96.78	95.36	94.92	96.16
2 Industrial	85.44	78.18	107.45	109.43	112.52	113.21	109.50	112.76	112.87	110.77	110.60	112.16
3 Transportation	72.61	60.41	89.36	89.07	92.22	92.91	88.06	94.56	95.41	97.68	98.79	97.98
4 Utility	38.90	39.75	47.00	47.62	46.76	46.61	46.94	48.16	48.73	48.50	47.00	47.43
5 Finance	73.52	71.99	95.34	102.45	101.22	99.60	95.76	97.00	94.79	94.48	94.25	95.79
6 Standard & Poor's Corporation (1941–43 = 10)[1]	128.05	119.71	160.41	164.10	166.39	166.96	162.42	167.16	167.65	165.23	164.36	166.39
7 American Stock Exchange[2] (Aug 31, 1973 = 100)	171.79	141.31	216.48	223.97	237.51	244.03	230.10	234.36	223.76	218.42	221.31	224.83
Volume of trading (thousands of shares)												
8 New York Stock Exchange	46,967	64,617	85,418	93,016	89,729	79,508	74,191	82,866	85,445	86,405	88,041	105,518
9 American Stock Exchange	5,346	5,283	8,215	12,260	10,874	8,199	6,329	6,629	7,751	6,160	6,939	7,167
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Regulated margin credit at brokers–dealers**[3]	**14,411**	**13,325**	**23,000**	**16,713**	**18,292**	**19,218**	**19,437**	**20,124**	**21,030**	**22,075**	**23,000**	n.a.
11 Margin stock[4]	14,150	12,980	22,720	16,370	17,930	18,870	19,090	19,760	20,690	21,790	22,720	n.a.
12 Convertible bonds	259	344	279	342	361	347	346	363	339	285	279	n.a.
13 Subscription issues	2	1	1	1	1	1	1	1	1	1	1	n.a.
Free credit balances at brokers[5]												
14 Margin-account	3,515	5,735	6,620	6,090	6,150	6,275	6,350	6,550	6,630	7,599	6,620	n.a.
15 Cash-account	7,150	8,390	8,430	8,310	8,590	8,145	8,035	7,930	7,695	6,512	8,430	n.a.
	Margin-account debt at brokers (percentage distribution, end of period)											
16 **Total**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	n.a.
By equity class (in percent)[6]												
17 Under 40	37.0	21.0	41.0	14.0	13.0	21.0	23.0	24.0	35.0	48.0	41.0	n.a.
18 40–49	24.0	24.0	22.0	19.0	21.0	28.0	28.0	27.0	24.0	22.0	22.0	n.a.
19 50–59	17.0	24.0	16.0	30.0	29.0	21.0	20.0	21.0	17.0	17.0	16.0	n.a.
20 60–69	10.0	14.0	9.0	16.0	16.0	14.0	13.0	12.0	10.0	10.0	9.0	n.a.
21 70–79	6.0	9.0	6.0	11.0	12.0	9.0	9.0	9.0	7.0	7.0	6.0	n.a.
22 80 or more	6.0	8.0	6.0	9.0	9.0	7.0	7.0	7.0	7.0	6.0	6.0	n.a.
	Special miscellaneous-account balances at brokers (end of period)											
23 **Total balances (millions of dollars)**[7]	**25,870**	**35,598**	**58,329**	**45,465**	**47,100**	**50,580**	**50,267**	**51,211**	**54,029**	**57,490**	**58,329**	n.a.
Distribution by equity status (percent)												
24 Net credit status	58.0	62.0	63.0	62.0	62.0	62.0	62.0	64.0	63.0	63.0	63.0	n.a.
Debt status, equity of												
25 60 percent or more	31.0	29.0	28.0	32.0	33.0	31.0	31.0	29.0	28.0	29.0	28.0	n.a.
26 Less than 60 percent	11.0	9.0	9.0	6.0	5.0	6.0	7.0	7.0	9.0	8.0	9.0	n.a.

Margin requirements (percent of market value and effective date)[8]

Indicator	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec 6, 1971	Nov. 24, 1972	Jan 3, 1974
27 Margin stocks	70	80	65	55	65	50
28 Convertible bonds	50	60	50	50	50	50
29 Short sales	70	80	65	55	65	50

1 Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2. Beginning July 5, 1983, the American Stock Exchange rebased its index effectively cutting previous readings in half.

3. Margin credit includes all credit extended to purchase or carry stocks or related equity instruments and secured at least in part by stock Credit extended is end-of-month data for member firms of the New York Stock Exhange.

Besides assigning a current loan value to margin stock generally, Regulations T and U permit special loan values for convertible bonds and stock acquired through exercise of subscription rights.

4 A distribution of this total by equity class is shown on lines 17–22.

5. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand

6. Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values

7. Balances that may be used by customers as the margin deposit required for additional purchases Balances may arise as transfers based on loan values of other collateral in the customer's margin account or deposits of cash (usually sales proceeds) occur

8 Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 percent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1981	1982	1983 Feb.	Mar	Apr.	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.p
							Savings and loan associations						
1 **Assets**	**664,167**	**706,045**	**722,352**	**723,616**	**728,487**	**728,156**	**731,275**	**739,575**	**745,040**	**746,514**	**754,932**	**761,307**	**769,316**
2 Mortgages	518,547	482,234	481,090	475,688	476,248	472,124	473,134	477,919	481,691	480,813	483,854	488,182	492,857
3 Cash and investment securities[1]	63,123	84,767	94,080	96,649	99,226	103,468	101,284	101,754	98,996	99,419	100,714	100,539	102,326
4 Other	82,497	139,044	147,182	151,279	153,013	152,564	156,857	159,902	164,353	166,282	170,364	172,582	174,133
5 **Liabilities and net worth**	**664,167**	**706,045**	**722,352**	**723,616**	**728,487**	**728,156**	**731,275**	**739,575**	**745,040**	**746,514**	**754,932**	**761,307**	**769,316**
6 Savings capital	525,061	566,189	591,913	597,112	601,171	599,673	603,178	608,683	613,087	615,691	620,233	622,645	632,285
7 Borrowed money	88,782	97,979	86,544	84,884	83,640	82,722	84,328	84,682	84,345	85,926	87,315	89,148	91,100
8 FHLBB	62,794	63,861	58,841	56,859	55,933	54,392	54,234	53,579	52,303	52,179	52,678	51,735	52,448
9 Other	25,988	34,118	27,703	28,025	27,707	28,330	30,094	31,103	32,042	33,747	34,637	37,413	38,652
10 Loans in process[2]	6,385	9,934	11,039	12,245	13,462	14,528	15,972	17,063	17,931	18,773	19,168	19,684	21,152
11 Other	15,544	15,720	17,524	14,767	16,210	18,323	15,548	17,931	19,078	15,978	17,934	19,680	15,173
12 Net worth[3]	28,395	26,157	26,371	26,853	27,466	27,438	28,221	28,279	28,530	28,919	29,450	29,834	30,758
13 MEMO: Mortgage loan commitments outstanding[4]	15,225	18,054	22,051	24,885	27,920	30,089	30,630	31,667	32,342	32,410	32,723	34,697	32,659
							Mutual savings banks[5]						
14 **Assets**	**175,728**	**174,197**	**176,378**	**178,814**	**178,826**	**180,071**	**181,975**	**182,822**	**183,612**	**186,041**	**188,021**	**189,146**	n.a.
Loans													
15 Mortgage	99,997	94,091	93,607	93,823	93,311	93,587	94,000	93,998	93,941	94,831	95,181	95,600	n.a.
16 Other	14,753	16,957	18,211	17,837	18,353	17,893	17,438	18,134	17,929	17,830	18,860	19,674	n.a.
Securities													
17 U S government[6]	9,810	9,743	11,081	12,187	12,364	13,110	13,572	13,931	14,484	14,794	14,774	15,090	n.a.
18 State and local government	2,288	2,470	2,440	2,403	2,311	2,260	2,257	2,248	2,247	2,244	2,189	2,194	n.a.
19 Corporate and other[7]	37,791	36,161	36,905	37,827	38,342	39,142	40,206	40,667	41,045	41,889	41,907	42,625	n.a.
20 Cash	5,442	6,919	6,104	6,548	6,039	5,960	6,224	5,322	5,168	5,560	4,940	4,990	n.a.
21 Other assets	5,649	7,855	8,031	8,189	8,107	8,118	8,276	8,522	8,799	8,893	9,051	8,973	n.a.
22 **Liabilities**	**175,728**	**174,197**	**176,378**	**178,814**	**178,826**	**180,071**	**181,975**	**182,822**	**183,612**	**186,041**	**188,021**	**189,146**	n.a.
23 Deposits	155,110	155,196	159,162	161,489	161,262	162,287	163,990	164,848	165,087	165,887	166,260	169,334	n.a.
24 Regular[8]	153,003	152,777	156,915	159,088	158,760	159,840	161,573	162,271	162,600	162,998	163,782	166,984	n.a.
25 Ordinary savings	49,425	46,862	41,165	41,183	40,379	40,467	40,451	39,983	39,360	39,768	38,129	38,448	n.a.
26 Time	103,578	96,369	87,377	86,272	84,593	83,506	84,705	85,445	86,446	85,603	90,639	93,051	n.a.
27 Other	2,108	2,419	2,247	2,401	2,502	2,447	2,417	2,577	2,487	2,889	2,478	2,350	n.a.
28 Other liabilities	10,632	8,336	7,542	7,395	7,631	3,114	7,754	7,596	7,884	9,475	8,988	9,192	n.a.
29 General reserve accounts	9,986	9,235	9,197	9,342	9,352	9,377	9,575	9,684	9,932	9,879	12,245	10,314	n.a.
30 MEMO: Mortgage loan commitments outstanding[9]	1,293	1,285	1,295	1,639	1,882	1,860	1,884	1,969	2,046	2,023	2,210	2,418	n.a.
							Life insurance companies						
31 **Assets**	**525,803**	**588,163**	**595,959**	**602,770**	**609,298**	**620,572**	**628,224**	**633,569**	**638,826**	**644,295**	**647,149**	**652,904**	n.a.
Securities													
32 Government	25,209	36,499	36,946	38,449	39,210	42,523	43,348	44,751	45,700	46,109	47,767	47,170	n.a.
33 United States[10]	8,167	16,529	17,877	19,213	19,746	20,706	21,141	22,228	22,817	23,134	24,380	24,232	n.a.
34 State and local	7,151	8,664	8,333	8,368	8,524	10,053	10,355	10,504	10,695	10,739	10,791	10,686	n.a.
35 Foreign[11]	9,891	11,306	10,736	10,868	10,940	11,764	11,852	12,019	12,188	12,236	12,596	12,252	n.a.
36 Business	255,769	287,126	293,427	296,233	300,558	309,254	313,510	316,934	318,584	321,568	320,964	325,787	n.a.
37 Bonds	208,099	231,406	235,376	236,430	238,689	245,833	248,248	252,397	253,977	256,131	256,332	260,432	n.a.
38 Stocks	47,670	55,720	58,051	59,803	61,869	63,421	65,262	64,537	64,607	65,437	64,632	65,355	n.a.
39 Mortgages	137,747	141,989	142,683	143,031	143,011	143,758	144,725	145,086	146,400	147,356	148,256	148,947	n.a.
40 Real estate	40,094	20,264	21,014	21,175	21,352	21,344	21,629	21,690	21,749	21,903	22,141	22,278	n.a.
41 Policy loans	48,706	52,961	53,383	53,560	53,715	53,804	53,914	53,972	54,063	54,165	54,255	54,362	n.a.
42 Other assets	35,815	48,571	43,355	50,322	51,452	48,889	51,098	51,136	52,330	53,194	53,765	54,360	n.a.
							Credit unions[12]						
43 **Total assets/liabilities and capital**	**60,611**	**69,572**	**71,412**	**73,876**	**74,896**	**76,851**	**78,467**	**79,084**	**79,595**	**80,678**	**81,033**	**81,845**	**82,854**
44 Federal	39,181	45,483	46,673	48,350	48,986	50,275	51,430	51,844	52,224	53,033	53,222	53,710	54,372
45 State	21,430	24,089	24,739	22,526	25,910	26,576	27,037	27,240	27,371	27,645	27,811	28,135	28,482
46 Loans outstanding	42,333	43,223	42,823	43,067	43,530	44,055	45,001	45,616	46,880	47,744	48,345	49,102	49,923
47 Federal	27,096	27,941	27,644	27,823	28,133	28,512	29,175	29,577	30,384	30,912	31,287	31,789	32,304
48 State	15,237	15,282	15,179	15,244	15,397	15,543	15,826	16,039	16,496	16,832	17,058	17,313	17,619
49 Savings	54,152	62,977	64,780	67,494	68,663	70,221	71,712	72,438	72,550	73,697	74,187	74,685	75,435
50 Federal (shares)	35,250	41,341	42,533	44,336	45,165	46,192	47,145	47,713	47,874	48,709	49,044	49,400	49,839
51 State (shares and deposits)	18,902	21,636	22,247	23,158	23,498	24,029	24,567	24,725	24,676	24,988	25,143	25,285	25,596

1.37 Continued

Account	1981	1982	1983 Feb.	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec p
			FSLIC-insured federal savings banks										
52 **Assets**	.	6,859	9,401	18,635	22,713	33,667	39,660	41,763	46,191	57,496	59,422	61,717	
53 Mortgages	.	3,353	5,115	11,556	14,345	21,248	25,236	26,494	28,086	34,814	35,637	37,166	
54 Cash and investment securities[1]		...	2,453	3,683	4,310	5,901	6,675	6,890	7,514	9,245	9,587	9,653	
55 Other		......	1,833	3,396	4,058	6,518	7,749	8,379	10,591	13,437	14,198	14,898	
56 **Liabilities and net worth**	......	6,859	9,401	18,635	22,713	33,667	39,660	41,763	46,191	57,496	59,422	61,717	
57 Savings and capital	......	5,877	8,050	15,377	18,598	27,419	32,446	34,108	37,284	47,058	48,544	50,384	n.a.
58 Borrowed money			717	2,160	2,719	4,146	4,831	5,008	5,445	6,598	6,775	6,981	
59 FHLBB	......	. .	396	1,550	1,979	2,755	3,094	3,131	3,572	4,192	4,323	4,381	
60 Other	. .		321	610	740	1,391	1,737	1,877	1,873	2,406	2,452	2,600	
61 Other	......		203	305	453	759	755	919	1,142	1,089	1,293	1,428	
62 Net worth[3]		.. .	431	793	943	1,343	1,628	1,728	2,320	2,751	2,810	2,924	
MEMO													
63 Loans in process[2]		98	121	265	335	650	791	828	934	1,120	1,181	1,222	
64 Mortgage loan committments outstanding[4]	.....	.	431	592	722	1,113	1,438	1,743	1,774	2,130	2,064	2,230	

1. Holdings of stock of the Federal Home Loan Banks are in "other assets."
2. Beginning in 1982, loans in process are classified as contra-assets and are not included in total liabilities and net worth. Total assets are net of loans in process
3. Includes net undistributed income accrued by most associations.
4. Excludes figures for loans in process, which are shown as a liability.
5. The National Council reports data on member mutual savings banks and on savings banks that have converted to stock institutions, and to federal savings banks.
6. Beginning April 1979, includes obligations of U S government agencies Before that date, this item was included in "Corporate and other."
7. Includes securities of foreign governments and international organizations and, before April 1979, nonguaranteed issues of U S government agencies
8. Excludes checking, club, and school accounts.
9 Commitments outstanding (including loans in process) of banks in New York State as reported to the Savings Banks Association of the State of New York.
10. Direct and guaranteed obligations Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities
11 Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development
12 As of June 1982, data include only federal or federally insured state credit unions serving natural persons

NOTE *Savings and loan associations* Estimates by the FHLBB for all associations in the United States. Data are based on monthly reports of federally insured associations and annual reports of other associations. Even when revised, data for current and preceding year are subject to further revision.

Mutual savings banks Estimates of National Council of Savings Institutions for all savings banks in the United States.

Life insurance companies. Estimates of the American Council of Life Insurance for all life insurance companies in the United States Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

Credit unions. Estimates by the National Credit Union Administration for a group of federal and federally insured state credit unions serving natural persons Figures are preliminary and revised annually to incorporate recent data.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1981	Fiscal year 1982	Fiscal year 1983	Calendar year 1982 H1	1982 H2	1983 H1	1983 Oct.	Nov	Dec.
U.S. budget									
1 Receipts[1]	599,272	617,766	600,562	322,478	286,338	306,331	45,156	46,200	58,041
2 Outlays[1]	657,204	728,375	795,917	348,678	390,846	396,477	70,225	67,792	74,702
3 Surplus, or deficit (−)	−57,932	−110,609	−195,355	−26,200	−104,508	−90,146	−25,069	−21,592	−16,661
4 Trust funds	6,817	5,456	23,056	−17,690	−6,576	22,680	−1,471	−3,408	3,921
5 Federal funds[2,3]	−64,749	−116,065	−218,410	−43,889	−97,934	−112,822	−23,598	−18,183	−20,579
Off-budget entities (surplus, or deficit (−))									
6 Federal Financing Bank outlays	−20,769	−14,142	−10,404	−7,942	−4,923	−5,418	1,347	−526	−312
7 Other[3,4]	−236	−3,190	−1,953	227	−2,267	−528	100	−152	400
U.S. budget plus off-budget, including Federal Financing Bank									
8 Surplus, or deficit (−)	−78,936	−127,940	−207,711	−33,914	−111,699	−96,094	−23,623	−22,270	−16,572
Source or financing									
9 Borrowing from the public	79,329	134,993	212,425	41,728	119,609	102,538	11,732	8,946	15,501
10 Cash and monetary assets (decrease, or increase (−))[4]	−1,878	−11,911	−9,889	−408	−9,057	−9,664	9,525	21,277	−6,092
11 Other[5]	1,485	4,858	5,176	−7,405	1,146	3,222	2,367	−7,953	7,164
MEMO									
12 Treasury operating balance (level, end of period)	18,670	29,164	37,057	10,999	19,773	100,243	27,100	5,213	11,817
13 Federal Reserve Banks	3,520	10,975	16,557	4,099	5,033	19,442	4,841	2,896	3,661
14 Tax and loan accounts	15,150	18,189	20,500	6,900	14,740	72,037	22,259	2,316	8,157

1. Effective Feb 8, 1982, supplemental medical insurance premiums and voluntary hospital insurance premiums, previously included in other insurance receipts, have been reclassified as offsetting receipts in the health function
2. Half-year figures are calculated as a residual (total surplus/deficit less trust fund surplus/deficit)
3. Other off-budget includes Postal Service Fund; Rural Electrification and Telephone Revolving Fund; Rural Telephone Bank, and petroleum acquisition and transportation and strategic petroleum reserve effective November 1981.
4. Includes U S. Treasury operating cash accounts; SDRs; gold tranche drawing rights, loans to International Monetary Fund; and other cash and monetary assets
5 Includes accrued interest payable to the public, allocations of special drawing rights, deposit funds, miscellaneous liability (including checks outstanding) and asset accounts, seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold

SOURCE "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government " *Treasury Bulletin*, and the *Budget of the United States Government, Fiscal Year 1985.*

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1981	Fiscal year 1982	Fiscal year 1983	Calendar year 1982 H1	Calendar year 1982 H2	Calendar year 1983 H1	Calendar year 1983 Oct	Calendar year 1983 Nov	Calendar year 1983 Dec.
RECEIPTS									
1 **All sources**[1]	**599,272**	**617,766**	**600,563**	**322,478**	**286,338**	**306,331**	**48,102**	**46,200**	**58,041**
2 Individual income taxes, net	285,917	297,744	288,938	150,565	145,676	144,550	23,227	22,700	25,577
3 Withheld	256,332	267,513	266,010	133,575	131,567	135,531	21,720	22,550	24,482
4 Presidential Election Campaign Fund	41	39	36	34	5	30	0	0	0
5 Nonwithheld	76,844	84,691	83,586	66,174	20,040	63,014	2,022	1,011	1,948
6 Refunds	47,299	54,498	60,692	49,217	5,938	54,024	515	861	854
Corporation income taxes									
7 Gross receipts	73,733	65,991	61,780	37,836	25,661	33,522	2,824	1,827	11,558
8 Refunds	12,596	16,784	24,758	8,028	11,467	13,809	2,356	1,360	636
9 Social insurance taxes and contributions, net	182,720	201,498	209,001	108,079	94,278	110,521	15,707	16,780	16,120
10 Payroll employment taxes and contributions[2]	156,932	172,744	179,010	88,795	85,063	90,912	14,266	14,151	15,435
11 Self-employment taxes and contributions[3]	6,041	7,941	6,756	7,357	177	6,427	0	103	0
12 Unemployment insurance	15,763	16,600	18,799	9,809	6,857	11,146	1,100	2,166	289
13 Other net receipts[1,4]	3,984	4,212	4,436	2,119	2,181	2,196	341	360	396
14 Excise taxes	40,839	36,311	35,300	17,525	16,556	16,904	3,142	3,259	3,011
15 Customs deposits	8,083	8,854	8,655	4,310	4,299	4,010	766	904	855
16 Estate and gift taxes	6,787	7,991	6,053	4,208	3,445	2,883	488	453	484
17 Miscellaneous receipts[5]	13,790	16,161	15,594	7,984	7,891	7,751	1,357	1,637	1,072
OUTLAYS									
18 **All types**[1]	**657,204**	**728,424**	**795,917**	**348,683**	**390,847**	**396,477**	**70,225**	**67,792**	**74,702**
19 National defense	159,765	187,418	210,461	93,154	100,419	105,072	17,416	17,947	19,576
20 International affairs	11,130	9,982	8,927	5,183	4,406	4,705	1,083	318	2,647
21 General science, space, and technology	6,359	7,070	7,777	3,370	3,903	3,486	880	777	480
22 Energy	10,277	4,674	4,035	2,946	2,059	2,073	253	342	534
23 Natural resources and environment	13,525	12,934	12,676	5,636	6,940	5,892	1,251	974	1,221
24 Agriculture	5,572	14,875	22,173	7,087	13,260	10,154	1,718	766	1,452
25 Commerce and housing credit	3,946	3,865	4,721	1,408	2,244	2,164	1,848	−288	565
26 Transportation	23,381	20,560	21,231	9,915	10,686	9,918	3,051	2,118	2,030
27 Community and regional development	9,394	7,165	7,302	3,055	4,186	3,124	1,015	686	752
28 Education, training, employment, social services	31,402	26,300	25,726	12,607	12,187	12,801	2,165	2,205	2,214
29 Health[1]	65,982	74,017	81,157	37,219	39,073	41,206	7,928	7,064	7,149
30 Income security	225,101	248,343	280,244	112,782	133,779	143,001	20,922	22,810	24,040
31 Veterans benefits and services	22,988	23,955	24,845	10,865	13,241	11,334	1,940	2,051	3,336
32 Administration of justice	4,696	4,671	5,014	2,334	2,373	2,522	442	396	448
33 General government	4,614	4,726	4,991	2,400	2,322	2,434	143	535	364
34 General-purpose fiscal assistance	6,856	6,393	6,287	3,325	3,152	3,124	1,644	337	64
35 Net interest[6]	68,726	84,697	89,774r	41,883	44,948	42,358r	7,536r	9,464	8,712
36 Undistributed offsetting receipts[7]	−16,509	−13,270	−21,424r	−6,490	−8,333	−8,885r	1,010r	−710	−889

1. Effective Feb. 8, 1982, supplemental medical insurance premiums and voluntary hospital insurance premiums, previously included in other insurance receipts, have been reclassified as offsetting receipts in the health function.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Old-age, disability, and hospital insurance.
4. Federal employee retirement contributions and civil service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Net interest function includes interest received by trust funds.
7. Consists of rents and royalties on the outer continental shelf and U.S. government contributions for employee retirement.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" and the *Budget of the U.S. Government, Fiscal Year 1985*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1981	1982				1983			
	Dec. 31	Mar. 31	June 30	Sept 30	Dec. 31	Mar. 31	June 30	Sept 30	Dec 31
1 **Federal debt outstanding**	**1,034.7**	**1,066.4**	**1,084.7**	**1,147.0**	**1,201.9**	**1,249.3**	**1,324.3**	**1,381.9**	n.a.
2 Public debt securities	1,028.7	1,061.3	1,079.6	1,142.0	1,197.1	1,244.5	1,319.6	1,377.2	1,410.7
3 Held by public	825.5	858.9	867.9	925.6	987.7	1,043.3	1,090.3	1,138.2	
4 Held by agencies	203.2	202.4	211.7	216.4	209.4	201.2	229.3	239.0	
5 Agency securities	6.0	5.1	5.0	5.0	4.8	4.8	4.7	4.7	
6 Held by public	4.6	3.9	3.9	3.7	3.7	3.7	3.6	3.6	n.a.
7 Held by agencies	1.4	1.2	1.2	1.2	1.2	1.1	1.1	1.1	
8 **Debt subject to statutory limit**	**1,029.7**	**1,062.2**	**1,080.5**	**1,142.9**	**1,197.9**	**1,245.3**	**1,320.4**	**1,378.0**	**1,411.4**
9 Public debt securities	1,028.1	1,060.7	1,079.0	1,141.4	1,196.5	1,243.9	1,319.0	1,376.6	1,410.1
10 Other debt[1]	1.6	1.5	1.5	1.5	1.4	1.4	1.4	1.3	1.3
11 MEMO. Statutory debt limit	1,079.8	1,079.8	1,143.1	1,143.1	1,290.2	1,290.2	1,389.0	1,389.0	1,490.0

1 Includes guaranteed debt of government agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

NOTE. Data from *Treasury Bulletin* (U.S. Treasury Department)

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1979	1980	1981	1982	1983				1984
					Sept	Oct.	Nov.	Dec.	Jan.
1 **Total gross public debt**	**845.1**	**930.2**	**1,028.7**	**1,197.1**	**1,377.2**	**1,384.6**	**1,389.2**	**1,410.7**	**1,437.4**
By type									
2 Interest-bearing debt	844.0	928.9	1,027.3	1,195.5	1,375.8	1,383.3	1,387.9	1,400.9	1,435.6
3 Marketable	530.7	623.2	720.3	881.5	1,024.0	1,035.3	1,044.3	1,050.9	1,081.9
4 Bills	172.6	216.1	245.0	311.8	340.7	339.0	335.3	343.8	346.9
5 Notes	283.4	321.6	375.3	465.0	557.5	566.2	575.3	573.4	597.6
6 Bonds	74.7	85.4	99.9	104.6	125.7	129.2	133.8	633.7	137.4
7 Nonmarketable[1]	313.2	305.7	307.0	314.0	351.8	347.9	343.5	350.0	353.7
8 Convertible bonds[2]	2.2	...	...		...	...	...	...	
9 State and local government series	24.6	23.8	23.0	25.7	35.1	35.3	35.7	36.1	36.7
10 Foreign issues[3]	28.8	24.0	19.0	14.7	11.5	11.5	10.5	10.4	10.8
11 Government	23.6	17.6	14.9	13.0	11.5	11.5	10.5	10.4	10.8
12 Public	5.3	6.4	4.1	1.7	.0	.0	.0	0	.0
13 Savings bonds and notes	79.9	72.5	68.1	68.0	70.3	70.6	70.9	70.7	71.0
14 Government account series[4]	177.5	185.1	196.7	205.4	234.7	230.3	226.2	231.9	235.0
15 Non-interest-bearing debt	1.2	1.3	1.4	1.6	1.5	1.3	1.3	9.8	1.8
By holder[5]									
16 U.S government agencies and trust funds	187.1	192.5	203.3	209.4	239.0				
17 Federal Reserve Banks	117.5	121.3	131.0	139.3	155.4				
18 Private investors	540.5	616.4	694.5	848.4	982.7				
19 Commercial banks	96.4	116.0	109.4	131.4	176.3				
20 Mutual savings banks	4.7	5.4	5.2	n.a.					
21 Insurance companies	16.7	20.1	19.1	38.7					
22 Other companies	22.9	25.7	37.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23 State and local governments	69.9	78.8	85.6	113.4					
Individuals									
24 Savings bonds	79.9	72.5	68.0	68.3	70.6				
25 Other securities	36.2	56.7	75.6	48.2	57.9				
26 Foreign and international[6]	124.4	127.7	141.4	149.4	160.8				
27 Other miscellaneous investors[7]	90.1	106.9	152.3	233.2	n.a.				

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds
2 These nonmarketable bonds, also known as Investment Series B Bonds, may be exchanged (or converted) at the owner's option for 1½ percent, 5-year marketable Treasury notes Convertible bonds that have been so exchanged are removed from this category and recorded in the notes category (line 5).
3 Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.
4. Held almost entirely by U S. government agencies and trust funds.
5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
6 Consists of investments of foreign balances and international accounts in the United States.
7. Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, certain government deposit accounts, and government sponsored agencies.

NOTE. Gross public debt excludes guaranteed agency securities
Data by type of security from *Monthly Statement of the Public Debt of the United States* (U.S. Treasury Department); data by holder from *Treasury Bulletin*.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions

Par value; averages of daily figures, in millions of dollars

Item	1980	1981	1982	1983			1983, week ending Wednesday					
				Oct r	Nov.	Dec	Oct 26r	Nov 2	Nov 9	Nov 16	Nov. 23	Nov 30
Immediate delivery[1]												
1 U.S government securities	18,331	24,728	32,271	46,071	48,749	42,471	44,657	42,823	49,391	58,643	44,221	45,481
By maturity												
2 Bills	11,413	14,768	18,398	24,194	24,880	23,658	21,481	24,960	25,397	26,068	22,883	23,500
3 Other within 1 year	421	621	810	757	1,014	930	715	949	888	1,141	821	1,086
4 1–5 years	3,330	4,360	6,272	10,170	10,419	7,909	12,082	7,747	11,458	12,392	11,142	8,388
5 5–10 years	1,464	2,451	3,557	5,832	6,446	5,129	5,842	5,021	5,317	9,766	4,223	8,033
6 Over 10 years	1,704	2,528	3,234	5,119	5,991	4,845	4,537	4,146	6,331	9,276	5,152	4,476
By type of customer												
7 U.S. government securities dealers	1,484	1,640	1,769	2,470	2,532	2,423	2,637	2,607	3,037	2,940	2,145	2,111
8 U.S. government securities brokers	7,610	11,750	15,659	23,394	23,022	19,117	21,409	21,039	24,305	27,245	20,266	21,181
9 All others[2]	9,237	11,337	15,344	20,207	23,195	20,931	20,611	19,178	22,049	28,459	21,809	22,190
10 Federal agency securities	3,258	3,306	4,142	6,853	6,743	5,959	6,585	5,840	7,673	8,379	6,703	4,345
11 Certificates of deposit	2,472	4,477	5,001	4,206	4,334	4,405	4,123	4,115	3,913	4,448	4,763	4,360
12 Bankers acceptances		1,807	2,502	2,659	2,737	2,361	2,084	2,566	2,758	3,037	2,665	2,494
13 Commercial paper		6,128	7,595	8,626	8,307	7,963	8,391	8,337	8,391	8,671	8,565	7,454
Futures transactions[3]												
14 Treasury bills		3,523	5,031	7,976	7,189	6,451	6,165	5,896	8,556	8,220	7,843	4,406
15 Treasury coupons	n.a.	1,330	1,490	3,175	3,443	2,487	3,228	2,481	2,932	3,762	4,497	2,782
16 Federal agency securities		234	259	208	293	194	211	169	389	235	305	217
Forward transactions[4]												
17 U.S government securities		365	835	1,101	1,520	1,171	2,069	724	1,450	2,233	1,814	860
18 Federal agency securities		1,370	982	1,796	1,953	1,906	1,509	1,427	2,380	2,988	1,760	1,044

1. Before 1981, data for immediate transactions include forward transactions.
2. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.
3. Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.
4. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for government securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

NOTE. Averages for transactions are based on number of trading days in the period.

Transactions are market purchases and sales of U.S. government securities dealers reporting to the Federal Reserve Bank of New York. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing

Averages of daily figures, in millions of dollars

Item	1980	1981	1982	1983			1983, week ending Wednesday				
				Oct	Nov.	Dec.	Oct 5	Oct 12	Oct. 19	Oct 26	Nov 2
	Positions										
Net immediate[1]											
1 U.S government securities	4,306	9,033	9,328	4,997r	1,672	−2,369	9,178r	4,306	3,321	5,851	3,654
2 Bills	4,103	6,485	4,837	2,144r	1,598	−1,437	2,847r	671	2,830	2,657	2,493
3 Other within 1 year	−1,062	−1,526	−199	−464r	−142	47	−397	−307	−642	−511	−472
4 1–5 years	434	1,488	2,932	3,021	1,559	678	5,024	3,051	1,003	3,770	2,826
5 5–10 years	166	292	−341	132	−1,205	−745	1,151	650	357	−220	−1,353
6 Over 10 years	665	2,294	2,001	164	−138	−912	552	241	−227	155	160
7 Federal agency securities	797	2,277	3,712	10,152	9,364	11,518	9,216	9,961	11,052	10,201	9,864
8 Certificates of deposit	3,115	3,435	5,531	6,803r	7,528	7,438	6,303	6,586	6,610	6,980	7,494
9 Bankers acceptances		1,746	2,832	4,062	4,554	4,228	3,423r	3,647	4,310	4,415	4,344
10 Commercial paper		2,658	3,317	3,385	3,207	3,822	3,908	3,945	3,149	3,131	3,134
Futures positions											
11 Treasury bills		−8,934	−2,508	−8,339r	−5,626	−2,916	−10,936r	−8,801	−7,567	−8,044	−6,787
12 Treasury coupons	n.a.	−2,733	−2,361	−710r	−153	1,016	−1,612	−808	−524	−542	−23
13 Federal agency securities		522	−224	308	569	386	144	207	309	387	448
Forward positions											
14 U.S government securities		−603	−788	−1,756	−3,246	−2,971	−1,452	−1,613	−1,422	−1,951	−2,592
15 Federal agency securities		−451	−1,190	−6,219	−5,968	−7,703	−5,373	−6,398	−7,057	−6,099	−5,300
	Financing[2]										
Reverse repurchase agreements[3]											
16 Overnight and continuing		14,568	26,754	33,623	34,944	36,710	31,848	35,141	33,832	33,665	33,652
17 Term agreements		32,048	48,247	53,194	62,966	65,578	51,443	52,473	53,250	55,610	59,693
Repurchase agreements[4]	n.a.										
18 Overnight and continuing		35,919	49,695	63,269	60,962	65,095	61,406	64,385	65,385	61,899	63,148
19 Term agreements		29,449	43,410	47,319	55,306	53,560	47,263	45,856	46,396	49,760	51,264

For notes see opposite page

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1980	1981	1982	1983 June	1983 July	1983 Aug	1983 Sept	1983 Oct	1983 Nov
1 **Federal and federally sponsored agencies**	**188,665**	**221,946**	**237,085**	**235,041**	**236,037**	**236,931**	**236,610**	**239,121**	**240,177**
2 Federal agencies	28,606	31,806	33,055	33,353	33,436	33,420	33,744	33,735	33,813
3 Defense Department[1]	610	484	354	298	284	274	264	258	253
4 Export-Import Bank[2,3]	11,250	13,339	14 218	14,563	14,563	14,564	14,740	14,740	14,740
5 *Federal Housing Administration*[4]	477	413	288	228	220	213	206	203	197
6 Government National Mortgage Association participation certificates[5]	2,817	2,715	2,165	2,165	2,165	2,165	2,165	2,165	2,165
7 Postal Service[6]	1,770	1,538	1 471	1,404	1,404	1,404	1,404	1,404	1,404
8 Tennessee Valley Authority	11,190	13,115	14,365	14,570	14,675	14,675	14,840	14,840	14,945
9 United States Railway Association[6]	492	202	194	125	125	125	125	125	109
10 Federally sponsored agencies[7]	160,059	190,140	204,030	201,688	202,601	203,511	202,866	205,386	206,364
11 Federal Home Loan Banks	37,268	54,131	55 967	48,871	49,065	49,081	49,283	49,956	49,285
12 Federal Home Loan Mortgage Corporation	4,686	5,480	4,524	6,500	6,146	5,875	6,134	6,950	7,024
13 Federal National Mortgage Association	55,182	58,749	70,052	71,303	71,612	72,163	71,258	71,965	73,531
14 Farm Credit Banks	62,923	71,359	71,896	72,652	73,306	73,744	73,046	73,465	73,474
15 Student Loan Marketing Association	(8)	421	1,591	2,362	2,472	2,648	3,145	3,050	3,050
MEMO									
16 **Federal Financing Bank debt**[9]	**87,460**	**110,698**	**126,424**	**131,987**	**133,367**	**134,505**	**136,081**	**134,799**	**135,361**
Lending to federal and federally sponsored agencies									
17 Export-Import Bank[3]	10,654	12,741	14,177	14,493	14,493	14,493	14,676	14,676	14,676
18 Postal Service[6]	1,520	1,288	1,221	1,154	1,154	1,154	1,154	1,154	1,154
19 Student Loan Marketing Association	2,720	5,400	5,000	5,000	5,000	5,000	5,000	5,000	5,000
20 Tennessee Valley Authority	9,465	11,390	12,640	12,845	12,950	12,950	13,115	13,175	13,220
21 *United States Railway Association*[6]	492	202	194	125	125	125	125	125	109
Other Lending[10]									
22 Farmers Home Administration	39,431	48,821	53,261	54,946	55,776	56,386	55,691	55,916	55,916
23 Rural Electrification Administration	9,196	13,516	17,157	18,378	18,497	18,638	18,936	19,093	19,216
24 Other	11,262	12,740	22,774	25,046	25,372	25,759	27,384	25,660	26,070

1 Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs

2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976

3 Off-budget Aug 17, 1974, through Sept 30, 1976, on-budget thereafter

4. Consists of debentures issued in payment of Federal Housing Administration insurance claims Once issued, these securities may be sold privately on the securities market.

5. Certificates of participation issued before fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration, and the Veterans Administration.

6. Off-budget

7 Includes outstanding noncontingent liabilities. Notes, bonds, and debentures

8 Before late 1981, the Association obtained financing through the Federal Financing Bank

9 The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting

10 Includes FFB purchases of agency assets and guaranteed loans, the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans

NOTES TO TABLE 1 43

1. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs) The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Securities owned, and hence dealer positions, do not include securities to resell (reverse RPs). Before 1981, data for immediate positions include forward positions.

2 Figures cover financing involving U S government and federal agency securities, negotiable CDs, bankers acceptances, and commercial paper

3 Includes all reverse repurchase agreements, including those that have been arranged to make delivery on short sales and those for which the securities obtained have been used as collateral on borrowings, that is, matched agreements

4 Includes both repurchase agreements undertaken to finance positions and "matched book" repurchase agreements

NOTE Data for positions are averages of daily figures, in terms of par value, based on the number of trading days in the period. Positions are shown net and are on a commitment basis Data for financing are based on Wednesday figures, in terms of actual money borrowed or lent

1.45 NEW SECURITY ISSUES of State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1980	1981	1982	1983							
				Apr.[r]	May[r]	June[r]	July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.
1 **All issues, new and refunding[1]**	**48,367**	**47,732**	**78,950**	**11,024**	**9,583**	**7,546**	**4,359**	**6,174**	**6,094**	**6,502**	**5,645**
Type of issue											
2 General obligation	14,100	12,394	21,088	3,461	3,571	1,550	859	1,606	1,248	1,901	1,662
3 U.S. government loans[2]	38	34	225	2	6	7	7	9	14	15	15
4 Revenue	34,267	35,338	57,862	7,563	6,012	5,996	3,500	4,568	4,846	4,601	3,983
5 U.S. government loans[2]	57	55	461	9	14	16	26	29	35	39	39
Type of issuer											
6 State	5,304	5,288	8,406	1,745	830	277	484	673	452	856	405
7 Special district and statutory authority	26,972	27,499	45,000	5,812	4,478	4,253	3,009	3,351	4,151	4,334	3,228
8 Municipalities, counties, townships, school districts	16,090	14,945	25,544	3,467	4,275	3,016	866	2,150	1,491	1,312	2,012
9 **Issues for new capital, total**	**46,736**	**46,530**	**74,613**	**9,076**	**6,989**	**6,040**	**3,873**	**4,595**	**5,464**	**5,069**	**5,196**
Use of proceeds											
10 Education	4,572	4,547	6,444	681	828	881	535	714	526	442	501
11 Transportation	2,621	3,447	6,256	560	419	233	274	261	194	250	327
12 Utilities and conservation	8,149	10,037	14,254	2,592	1,513	938	268	279	1,236	593	1,085
13 Social welfare	19,958	12,729	26,605	3,158	2,069	2,119	1,920	2,135	2,321	2,551	2,004
14 Industrial aid	3,974	7,651	8,256	485	708	666	383	248	468	288	472
15 Other purposes	7,462	8,119	12,797	1,600	1,452	1,203	493	958	719	945	807

1. Par amounts of long-term issues based on date of sale.
2. Consists of tax-exempt issues guaranteed by the Farmers Home Administration.

SOURCE. Public Securities Association.

1.46 NEW SECURITY ISSUES of Corporations

Millions of dollars

Type of issue or issuer, or use	1980	1981	1982	1983							
				Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.[r]
1 **All issues[1,2]**	**73,694**	**70,441**	**84,198**	**11,728**	**10,468**	**11,489**	**8,165**	**6,474**	**5,941**	**6,568**	**6,592**
2 **Bonds**	**53,206**	**45,092**	**53,636**	**5,317**	**6,015**	**7,017**	**2,244**	**2,550**	**2,547**	**2,865**	**3,055**
Type of offering											
3 Public	41,587	38,103	43,838	5,317	6,015	7,017	2,244	2,550	2,547	2,865	3,055
4 Private placement	11,619	6,989	9,798	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
5 Manufacturing	15,409	12,325	13,123	962	1,449	2,158	706	60	200	282	367
6 Commercial and miscellaneous	6,693	5,229	5,681	511	1,109	1,055	425	228	458	353	114
7 Transportation	3,329	2,052	1,474	0	175	150	115	148	0	0	0
8 Public utility	9,557	8,963	12,155	950	755	1,115	363	322	355	590	510
9 Communication	6,683	4,280	2,265	650	725	505	250	1,100	0	100	50
10 Real estate and financial	11,534	12,243	18,938	2,244	1,802	2,034	385	692	1,534	1,540	2,014
11 **Stocks[3]**	**20,489**	**25,349**	**30,562**	**6,411**	**4,453**	**4,472**	**5,921**	**3,924**	**3,394**	**3,703**	**3,842**
Type											
12 Preferred	3,631	1,797	5,113	893	440	492	665	290	247	644	300
13 Common	16,858	23,552	25,449	5,518	4,013	3,980	5,256	3,634	3,147	3,059	3,542
Industry group											
14 Manufacturing	4,839	5,074	5,649	1,654	1,424	1,545	2,449	1,015	1,309	962	744
15 Commercial and miscellaneous	5,245	7,557	7,770	1,225	1,494	922	1,358	1,415	743	997	868
16 Transportation	549	779	709	91	113	221	109	337	145	165	305
17 Public utility	6,230	5,577	7,517	674	639	264	550	72	263	200	588
18 Communication	567	1,778	2,227	1,133	37	8	138	20	236	0	36
19 Real estate and financial	3,059	4,584	6,690	1,634	746	1,512	1,317	1,065	698	1,379	1,301

1. Figures, which represent gross proceeds of issues maturing in more than one year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.
2. Data for 1983 include only public offerings.
3. Beginning in August 1981, gross stock offerings include new equity volume from swaps of debt for equity.

SOURCE. Securities and Exchange Commission and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1982	1983	1983 May	June	July	Aug.	Sept	Oct	Nov	Dec
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	45,675	84,813	7,577	8,107	6,944	6,032	5,915	6,532	6,341	6,866
2 Redemptions of own shares[3]	30,078	57,119	4,486	5,416	4,500	4,885	4,412	4,264	3,920	5,945
3 Net sales	15,597	27,694	3,091	2,691	2,444	1,147	1,503	2,268	2,421	921
4 Assets[4]	76,841	113,404	101,423	106,449	104,279	104,494	109,455	107,314	113,052	113,404
5 Cash position[5]	6,040	8,353	8,771	9,110	8,815	8,045	8,868	8,256	9,395	8,353
6 Other	70,801	105,051	92,652	97,339	95,464	93,449	100,587	99,058	103,657	105,051

1. Excluding money market funds.
2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short-term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates

Account	1980	1981	1982	1981 Q4	1982 Q1	1982 Q2	1982 Q3	1982 Q4	1983 Q1	1983 Q2	1983 Q3
1 Corporate profits with inventory valuation and capital consumption adjustment	175.4	192.3	164.8	192.0	162.0	166.8	168.5	161.9	181.8	218.2	248.4
2 Profits before tax	234.6	227.0	174.2	217.2	173.2	178.8	177.3	167.5	169.7	203.3	229.1
3 Profits tax liability	84.8	82.8	59.1	75.6	60.3	61.4	60.8	54.0	61.5	76.0	84.9
4 Profits after tax	149.8	144.1	115.1	141.7	112.9	117.4	116.5	113.5	108.2	127.2	144.1
5 Dividends	58.6	64.7	68.7	67.3	67.7	67.8	68.8	70.4	71.4	72.0	73.7
6 Undistributed profits	91.2	79.4	46.4	74.4	45.2	49.5	47.7	43.1	36.7	55.2	70.4
7 Inventory valuation	-42.9	-23.6	8.3	-15.7	5.5	8.5	-9.0	-10.3	-1.7	10.6	-18.3
8 Capital consumption adjustment	-16.3	-11.0	-1.1	-9.5	-5.6	3.5	.1	4.7	13.9	25.6	37.6

SOURCE. *Survey of Current Business* (Department of Commerce)

1.49 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, except for ratio

Account	1977	1978	1979	1980	1981	1982		1983		
						Q3	Q4	Q1	Q2	Q3
1 **Current assets**	**912.7**	**1,043.7**	**1,214.8**	**1,327.0**	**1,419.3**	**1,441.8**	**1,425.4**	**1,436.5**	**1,464.2**	**1,522.4**
2 Cash	97.2	105.5	118.0	126.9	131.8	126.9	144.0	139.7	145.7	148.4
3 U.S. government securities	18.2	17.2	16.7	18.7	17.4	18.9	22.4	25.8	27.5	26.3
4 Notes and accounts receivable	330.3	388.0	459.0	506.8	530.3	534.2	511.0	517.9	534.3	562.7
5 Inventories	376.9	431.8	505.1	542.8	585.1	596.5	575.2	573.2	570.5	591.1
6 Other	90.1	101.1	116.0	131.8	154.6	165.3	172.6	179.9	186.2	193.8
7 **Current liabilities**	**557.1**	**669.5**	**807.3**	**889.3**	**976.3**	**1,007.6**	**977.8**	**986.3**	**997.7**	**1,038.6**
8 Notes and accounts payable	317.6	383.0	460.8	513.6	558.8	562.7	552.8	543.2	551.6	578.8
9 Other	239.6	286.5	346.5	375.7	417.5	444.9	425.0	443.1	446.1	459.9
10 **Net working capital**	**355.5**	**374.3**	**407.5**	**437.8**	**442.9**	**434.2**	**447.6**	**450.2**	**466.5**	**483.7**
11 MEMO: Current ratio[1]	1.638	1.559	1.505	1.492	1.454	1.431	1.458	1.456	1.468	1.466

1. Ratio of total current assets to total current liabilities.

NOTE. For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533–37.

All data in this table reflect the most current benchmarks. Complete data are available upon request from the Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SOURCE. Federal Trade Commission and Bureau of the Census.

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry[1]	1982	1983	1984[1]	1982		1983				1984	
				Q3	Q4	Q1	Q2	Q3	Q4[1]	Q1[1]	Q2[1]
1 **Total nonfarm business**	**316.43**	**303.20**	**333.32**	**315.79**	**303.18**	**293.03**	**293.46**	**304.70**	**321.60**	**323.07**	**325.42**
Manufacturing											
2 Durable goods industries	56.44	51.45	59.87	57.14	50.51	50.74	48.48	53.06	53.52	57.18	58.09
3 Nondurable goods industries	63.23	59.74	66.11	62.32	59.72	59.12	60.31	58.06	61.45	61.81	62.86
Nonmanufacturing											
4 Mining	15.45	12.00	13.48	14.63	13.41	12.03	10.91	11.93	13.14	12.25	13.68
Transportation											
5 Railroad	4.38	3.93	4.50	3.94	4.35	3.35	3.64	4.07	4.68	4.38	4.68
6 Air	3.93	3.78	2.59	4.11	4.76	4.09	4.10	3.57	3.34	2.44	2.70
7 Other	3.64	3.54	3.86	3.24	3.22	3.60	3.14	3.36	4.07	3.96	4.03
Public utilities											
8 Electric	33.40	35.29	35.36	34.98	35.15	33.97	34.86	35.84	36.50	32.80	32.76
9 Gas and other	8.55	7.33	8.81	8.40	7.85	7.64	6.62	6.38	8.67	9.02	9.54
10 Trade and services	86.95	88.02	96.35	87.31	84.36	82.38	85.85	91.06	92.79	96.98	95.03
11 Communication and other[2]	40.46	38.11	42.38	39.73	39.84	36.11	35.54	37.38	43.42	42.25	42.03

1. Anticipated by business.
2. "Other" consists of construction; social services and membership organizations; and forestry, fisheries, and agricultural services.

SOURCE. *Survey of Current Business* (Department of Commerce).

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1977	1978	1979	1980	1981	1982 Q3	1982 Q4	1983 Q1	1983 Q2	1983 Q3
ASSETS										
Accounts receivable, gross										
1 Consumer	44.0	52.6	65.7	73.6	85.5	88.3	89.5	89.9	91.3	92.3
2 Business	55.2	63.3	70.3	72.3	80.6	82.2	81.0	82.2	84.9	86.8
3 Total	99.2	116.0	136.0	145.9	166.1	170.5	170.4	172.1	176.2	179.0
4 LESS: Reserves for unearned income and losses	12.7	15.6	20.0	23.3	28.9	30.4	30.5	29.7	30.4	30.1
5 Accounts receivable, net	86.5	100.4	116.0	122.6	137.2	140.1	139.8	142.4	145.8	148.9
6 Cash and bank deposits	2.6	3.5								
7 Securities	.9	1.3	24.9[1]	27.5	34.2	39.1	39.7	42.8	44.3	45.0
8 All other	14.3	17.3								
9 **Total assets**	**104.3**	**122.4**	**140.9**	**150.1**	**171.4**	**179.2**	**179.5**	**185.2**	**190.2**	**193.9**
LIABILITIES										
10 Bank loans	5.9	6.5	8.5	13.2	15.4	16.8	18.6	16.6	16.3	17.0
11 Commercial paper	29.6	34.5	43.3	43.4	51.2	46.7	45.8	45.2	49.0	49.7
Debt										
12 Short-term, n.e.c.	6.2	8.1	8.2	7.5	9.6	9.9	8.7	9.8	9.6	8.7
13 Long-term, n.e.c.	36.0	43.6	46.7	52.4	54.8	60.9	63.5	64.7	64.5	66.2
14 Other	11.5	12.6	14.2	14.3	17.8	20.5	18.7	22.8	24.0	24.4
15 Capital, surplus, and undivided profits	15.1	17.2	19.9	19.4	22.8	24.5	24.2	26.0	26.7	27.9
16 **Total liabilities and capital**	**104.3**	**122.4**	**140.9**	**150.1**	**171.4**	**179.2**	**179.5**	**185.2**	**190.2**	**193.9**

1. Beginning Q1 1979, asset items on lines 6, 7, and 8 are combined

NOTE. Components may not add to totals due to rounding.

1.52 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding Nov 30, 1983[1]	Changes in accounts receivable 1983 Sept	Oct.	Nov.	Extensions 1983 Sept.	Oct.	Nov.	Repayments 1983 Sept.	Oct.	Nov
1 **Total**	**91,487**	**2,909**	**986**	**1,793**	**27,209**	**25,841**	**29,988**	**24,300**	**24,855**	**28,195**
2 Retail automotive (commercial vehicles)	20,519	1,443	680	1,320	2,620	1,925	2,592	1,177	1,245	1,272
3 Wholesale automotive	13,654	397	310	662	7,461	7,124	8,516	7,064	6,814	7,854
4 Retail paper on business, industrial, and farm equipment	28,282	256	−406	−198	1,149	1,049	1,504	893	1,455	1,702
5 Loans on commercial accounts receivable and factored commercial accounts receivable	9,912	255	149	17	13,782	13,822	15,344	13,527	13,673	15,327
6 All other business credit	19,120	558	253	−8	2,197	1,921	2,032	1,639	1,668	2,040

1. Not seasonally adjusted.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1981	1982	1983	1983 June	July	Aug	Sept.	Oct.	Nov	Dec
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	90.4	94.6	92.6	93.0	97.3	94.4	100.7	95.8	98.0	93.1
2 Amount of loan (thousands of dollars)	65.3	69.8	69.4	69.2	72.3	67.3	76.5	72.5	76.7	71.9
3 Loan/price ratio (percent)	74.8	76.6	77.0	76.9	76.5	73.3	78.5	78.4	80.5	78.8
4 Maturity (years)	27.7	27.6	26.7	27.3	28.1	25.7	27.2	26.9	26.5	27.3
5 Fees and charges (percent of loan amount)[2]	2.67	2.95	2.40	2.43	2.54	1.96	2.45	2.33	2.54	2.62
6 Contract rate (percent per annum)	14.16	14.47	12.20	11.90	12.02	12.01	12.08	11.80	11.82	11.95
Yield (percent per annum)										
7 FHLBB series[3]	14.74	15.12	12.66	12.36	12.50	12.38	12.54	12.25	12.34	12.45
8 HUD series[4]	16.52	15.79	13.43	13.37	14.00	13.90	13.60	13.52	13.48	13.41
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series)[5]	16.31	15.31	13.11	12.96	14.23	13.78	13.55	13.23	13.23	13.25
10 GNMA securities[6]	15.29	14.68	12.26	12.09	12.54	13.01	12.73	12.42	12.51	12.49
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	58,675	66,031	74,847	74,669	74,630	75,057	75,174	75,665	76,714	78,256
12 FHA/VA-insured	39,341	39,718	37,393	37,376	37,092	36,894	36,670	36,455	36,349	36,211
13 Conventional	19,334	26,312	37,454	37,293	37,583	38,163	38,505	39,210	40,365	42,045
Mortgage transactions (during period)										
14 Purchases	6,112	15,116	17,554	1,333	1,358	1,213	1,203	1,244	1,348	2,204
15 Sales	2	2	3,528	83	786	121r	464	257	0	250
Mortgage commitments[7]										
16 Contracted (during period)	9,331	22,105	18,607	2,506	1,198	1,282	2,739	1,882	997	1,471
17 Outstanding (end of period)	3,717	7,606	5,461	5,887	5,099	5,165	6,684	7,182	6,493	5,461
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
18 Total	5,245	5,153		6,235	6,182	6,149	6,857	6,963	7,093	
19 FHA/VA	2,236	1,921		982	971	964	961	947	940	
20 Conventional	3,010	3,224		5,253	5,211	5,185	5,896	6,016	6,153	
Mortgage transactions (during period)										
21 Purchases	3,789	23,671	n.a.	1,494	1,523	1,621	2,263	2,886	1,287	n.a.
22 Sales	3,531	24,164		1,244	1,491	1,588	1,556	2,750	1,143	
Mortgage commitments[9]										
23 Contracted (during period)	6,974	28,187		2,358	4,671	6,367	3,283	2,598	2,093	
24 Outstanding (end of period)	3,518	7,549		7,719	10,794	15,519	16,512	16,198	16,994	

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages, from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are unweighted averages of Monday quotations for the month.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
8. Includes participation as well as whole loans.
9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

Type of holder, and type of property	1981	1982	1983	1982	1983			
				Q4	Q1	Q2	Q3	Q4
1 **All holders**	**1,583,264**	**1,653,633**	**1,820,445**	**1,653,633**	**1,678,899**	**1,721,507**	**1,773,389**	**1,820,445**
2 1- to 4-family	1,065,294	1,104,634	1,211,809	1,104,634	1,120,241	1,145,735	1,181,076	1,211,809
3 Multifamily	136,354	140,431	151,397	140,431	141,376	144,606	146,943	151,397
4 Commercial	279,889	301,862	347,821	301,862	310,379	323,172	336,397	347,821
5 Farm	101,727	106,706	109,418	106,706	106,903	107,994	108,973	109,418
6 Major financial institutions	1,040,827	1,022,161	1,106,119	1,022,161	1,026,071	1,047,143	1,077,877	1,106,119
7 Commercial banks[1]	284,536	300,203	329,745	300,203	301,974	310,048	320,063	329,745
8 1- to 4-family	170,013	173,157	182,679	173,157	171,552	173,937	177,955	182,679
9 Multifamily	15,132	16,421	17,971	16,421	16,216	16,867	17,443	17,971
10 Commercial	91,026	102,219	119,862	102,219	105,721	110,346	115,575	119,862
11 Farm	8,365	8,406	9,233	8,406	8,485	8,898	9,090	9,233
12 Mutual savings banks	99,997	97,805	133,325	97,805	105,378	119,236	129,645	133,325
13 1- to 4-family	68,187	66,777	95,249	66,777	73,240	84,349	92,467	95,249
14 Multifamily	15,960	15,305	17,964	15,305	15,587	16,667	17,588	17,964
15 Commercial	15,810	15,694	20,083	15,694	16,522	18,192	19,562	20,083
16 Farm	40	29	29	29	29	28	28	29
17 Savings and loan associations	518,547	482,234	492,857	482,234	475,688	473,134	480,813	492,857
18 1- to 4-family	433,142	392,201	389,357	392,201	383,642	376,851	380,563	389,357
19 Multifamily	37,699	38,868	42,386	38,868	39,149	39,838	41,206	42,386
20 Commercial	47,706	51,165	61,114	51,165	52,897	56,445	59,044	61,114
21 Life insurance companies	137,747	141,919	150,192	141,919	143,031	144,725	147,356	150,192
22 1- to 4-family	17,201	16,743	15,503	16,743	16,388	15,860	15,534	15,503
23 Multifamily	19,283	18,847	19,201	18,847	18,825	18,778	18,857	19,201
24 Commercial	88,163	93,501	102,738	93,501	95,158	97,416	100,209	102,738
25 Farm	13,100	12,828	12,750	12,828	12,660	12,671	12,756	12,750
26 Federal and related agencies	126,094	138,185	144,980	138,185	140,028	142,094	142,224	144,980
27 Government National Mortgage Association	4,765	4,227	3,825	4,227	3,753	3,643	3,475	3,825
28 1- to 4-family	693	676	703	676	665	651	639	703
29 Multifamily	4,072	3,551	3,122	3,551	3,088	2,992	2,836	3,122
30 Farmers Home Administration	2,235	1,786	600	1,786	2,077	1,605	600	600
31 1- to 4-family	914	783	211	783	707	381	211	211
32 Multifamily	473	218	32	218	380	555	32	32
33 Commercial	506	377	113	377	337	248	113	113
34 Farm	342	408	244	408	653	421	244	244
35 Federal Housing and Veterans Administration	5,999	5,228	4,700	5,228	5,138	5,084	5,050	4,700
36 1- to 4-family	2,289	1,980	1,771	1,980	1,867	1,911	2,061	1,771
37 Multifamily	3,710	3,248	2,929	3,248	3,271	3,173	2,989	2,929
38 Federal National Mortgage Association	61,412	71,814	77,488	71,814	73,666	74,669	75,174	77,488
39 1- to 4-family	55,986	66,500	71,831	66,500	68,370	69,396	69,938	71,831
40 Multifamily	5,426	5,314	5,657	5,314	5,296	5,273	5,236	5,657
41 Federal Land Banks	46,446	50,350	51,154	50,350	50,544	50,858	51,069	51,154
42 1- to 4-family	2,788	3,068	3,007	3,068	3,059	3,030	3,008	3,007
43 Farm	43,658	47,282	48,147	47,282	47,485	47,828	48,061	48,147
44 Federal Home Loan Mortgage Corporation	5,237	4,780	7,213	4,780	4,850	6,235	6,856	7,213
45 1- to 4-family	5,181	4,733	7,162	4,733	4,795	6,119	6,799	7,162
46 Multifamily	56	47	51	47	55	116	57	51
47 Mortgage pools or trusts[2]	163,000	216,654	285,666	216,654	234,596	252,665	272,611	285,666
48 Government National Mortgage Association	105,790	118,940	159,237	118,940	127,939	139,276	151,597	159,237
49 1- to 4-family	103,007	115,831	155,188	115,831	124,482	135,628	147,761	155,188
50 Multifamily	2,783	3,109	4,049	3,109	3,457	3,648	3,836	4,049
51 Federal Home Loan Mortgage Corporation	19,853	42,964	58,586	42,964	48,008	50,934	54,152	58,586
52 1- to 4-family	19,501	42,560	57,945	42,560	47,575	50,446	53,539	57,945
53 Multifamily	352	404	641	404	433	488	613	641
54 Federal National Mortgage Association[3]	717	14,450	24,800	14,450	18,157	20,933	23,819	24,800
55 1- to 4-family	717	14,450	24,800	14,450	18,157	20,933	23,819	24,800
56 Farmers Home Administration	36,640	40,300	43,043	40,300	40,492	41,522	43,043	43,043
57 1- to 4-family	18,378	20,005	21,083	20,005	20,263	20,728	21,083	21,083
58 Multifamily	3,426	4,344	5,042	4,344	4,344	4,343	5,042	5,042
59 Commercial	6,161	7,011	7,542	7,011	7,115	7,303	7,542	7,542
60 Farm	8,675	8,940	9,376	8,940	8,770	9,148	9,376	9,376
61 Individual and others[4]	253,343	276,633	283,680	276,633	278,204	279,605	280,677	283,680
62 1- to 4-family[5]	167,297	185,170	185,320	185,170	185,479	185,515	185,699	185,320
63 Multifamily	27,982	30,755	32,352	30,755	31,275	31,868	31,208	32,352
64 Commercial	30,517	31,895	36,369	31,895	32,629	33,222	34,352	36,369
65 Farm	27,547	28,813	29,639	28,813	28,821	29,000	29,418	29,639

1. Includes loans held by nondeposit trust companies but not bank trust departments.
2. Outstanding principal balances of mortgages backing securities insured or guaranteed by the agency indicated.
3. Outstanding balances on FNMA's issues of securities backed by pools of conventional mortgages held in trust. The program was implemented by FNMA in October 1981.
4. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and U.S. agencies for which amounts are small or for which separate data are not readily available.
5. Includes a new estimate of residential mortgage credit provided by individuals.

NOTE. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Department of Commerce. 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. Multifamily debt refers to loans on structures of five or more units.

1.55 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change▲

Millions of dollars

Holder, and type of credit	1980	1981	1982	1983 May	June	July	Aug	Sept.	Oct.	Nov.	Dec.
	Amounts outstanding (end of period)										
1 **Total**	**313,472**	**331,697**	**344,798**	**347,189**	**353,012**	**358,020**	**363,662**	**367,604**	**371,561**	**376,390**	**387,927**
By major holder											
2 Commercial banks	147,013	147,622	152,069	153,471	156,603	159,666	163,313	165,971	168,352	170,823	177,252
3 Finance companies	76,756	89,818	94,322	95,364	96,349	97,319	97,708	97,274	97,370	97,522	97,688
4 Credit unions	44,041	45,954	47,253	47,838	48,652	49,139	50,121	51,123	51,767	52,578	53,471
5 Retailers[2]	28,448	29,551	30,202	27,541	27,804	27,900	28,067	28,319	28,713	29,668	33,183
6 Savings and loans	9,911	11,598	13,891	15,842	16,207	16,369	16,615	17,130	17,624	18,080	18,568
7 Gasoline companies	4,468	4,403	4,063	3,943	4,159	4,356	4,457	4,338	4,243	4,157	4,131
8 Mutual savings banks	2,835	2,751	2,998	3,190	3,238	3,271	3,381	3,449	3,492	3,562	3,634
By major type of credit											
9 Automobile	116,838	125,331	130,227	133,640	136,183	138,689	141,677	142,477	143,621	144,663	146,078
10 Commercial banks	61,536	58,081	58,851	60,384	61,870	63,425	66,065	67,413	68,828	70,034	71,778
11 Indirect paper	35,233	34,375	35,178	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
12 Direct loans	26,303	23,706	23,673	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
13 Credit unions	21,060	21,975	22,596	22,880	23,269	23,502	23,972	24,451	24,759	25,147	25,574
14 Finance companies	34,242	45,275	48,780	50,376	51,044	51,762	51,640	50,613	50,034	49,482	48,726
15 Revolving	58,352	62,819	67,184	63,459	64,899	65,856	66,913	67,904	68,921	70,742	77,467
16 Commercial banks	29,765	32,880	36,688	35,536	36,515	37,173	37,973	38,848	39,576	40,573	43,965
17 Retailers	24,119	25,536	26,433	23,980	24,225	24,327	24,483	24,718	25,102	26,012	29,371
18 Gasoline companies	4,468	4,403	4,063	3,943	4,159	4,356	4,457	4,338	4,243	4,157	4,131
19 Mobile home	17,322	18,373	18,988	19,448	19,647	19,750	19,882	20,087	20,256	20,366	20,471
20 Commercial banks	10,371	10,187	9,684	9,581	9,651	9,717	9,741	9,766	9,767	9,761	9,732
21 Finance companies	3,745	4,494	4,965	4,976	4,995	4,982	5,012	5,038	5,062	5,043	5,033
22 Savings and loans	2,737	3,203	3,836	4,384	4,485	4,530	4,598	4,741	4,878	5,004	5,139
23 Credit unions	469	489	503	507	516	521	531	542	549	558	567
24 Other	120,960	125,174	128,399	130,642	132,283	133,725	135,190	137,136	138,763	140,619	143,911
25 Commercial banks	45,341	46,474	46,846	47,970	48,567	49,351	49,534	49,944	50,181	50,455	51,777
26 Finance companies	38,769	40,049	40,577	40,012	40,310	40,575	41,056	41,623	42,274	42,997	43,929
27 Credit unions	22,512	23,490	24,154	24,451	24,867	25,116	25,618	26,130	26,459	26,873	27,330
28 Retailers	4,329	4,015	3,769	3,561	3,579	3,573	3,584	3,601	3,611	3,656	3,812
29 Savings and loans	7,174	8,395	10,055	11,458	11,722	11,839	12,017	12,389	12,746	13,076	13,429
30 Mutual savings banks	2,835	2,751	2,998	3,190	3,238	3,271	3,381	3,449	3,492	3,562	3,634
	Net change (during period)[4]										
31 **Total**	**1,448**	**18,217**	**2,418**	**2,696**	**4,406**	**4,840**	**3,388**	**2,375**	**4,885**	**4,671**	**6,614**
By major holder											
32 Commercial banks	−7,163	607	1,111	1,540	2,422	2,766	2,317	1,829	2,629	2,749	4,688
33 Finance companies	8,438	13,062	1,024	362	470	909	239	−721	620	205	−24
34 Credit unions	−2,475	1,913	197	288	573	662	510	646	942	912	731
35 Retailers[2]	329	1,103	−91	169	368	272	5	245	150	251	659
36 Savings and loans	1,485	1,682	201	374	456	188	147	507	376	438	513
37 Gasoline companies	739	−65	−51	−51	77	5	65	−167	131	58	−31
38 Mutual savings banks	95	−85	27	14	40	38	105	36	37	58	78
By major type of credit											
39 Automobile	477	8,495	1,491	1,313	1,973	2,421	2,521	285	1,772	1,238	2,019
40 Commercial banks	−5,830	−3,455	527	1,066	1,284	1,482	2,359	1,243	1,499	1,302	2,131
41 Indirect paper	−3,104	−858	429	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
42 Direct loans	−2,726	−2,597	98	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
43 Credit unions	−1,184	914	89	137	275	328	232	309	451	436	349
44 Finance companies	7,491	11,033	875	110	414	611	−70	−1,267	−178	−500	−461
45 Revolving	1,415	4,467	501	514	1,210	821	313	479	1,145	1,300	1,723
46 Commercial banks	−97	3,115	650	373	806	556	217	404	856	999	1,148
47 Retailers	773	1,417	−98	192	327	260	31	242	158	243	606
48 Gasoline companies	739	−65	−51	−51	77	5	65	−167	131	58	−31
49 Mobile home	483	1,049	−37	17	151	141	70	150	102	107	136
50 Commercial banks	−276	−186	−74	−86	28	68	−14	8	−10	0	18
51 Finance companies	355	749	−15	1	−6	7	15	1	−16	−14	−25
52 Savings and loans	430	466	49	98	123	59	64	134	118	111	135
53 Credit unions	−25	20	3	4	6	7	5	7	10	10	8
54 Other	−927	4,206	463	852	1,072	1,457	484	1,461	1,866	2,026	2,736
55 Commercial banks	−960	1,133	8	187	304	660	−245	174	284	448	1,391
56 Finance companies	592	1,280	164	251	62	291	294	545	814	719	462
57 Credit unions	−1,266	975	105	147	292	327	273	330	481	466	374
58 Retailers	−444	−314	7	−23	41	12	−26	3	−8	8	53
59 Savings and loans	1,056	1,217	152	276	333	129	83	373	258	327	378
60 Mutual savings banks	95	−85	27	14	40	38	105	36	37	58	78

▲ These data have been revised from December 1980 through February 1983.

1. The Board's series cover most short- and intermediate-term credit extended to individuals through regular business channels, usually to finance the purchase of consumer goods and services or to refinance debts incurred for such purposes, and scheduled to be repaid (or with the option of repayment) in two or more installments.

2. Includes auto dealers and excludes 30-day charge credit held by travel and entertainment companies.

3. Not reported after December 1982.

4. For 1982 and earlier, net change equals extensions, seasonally adjusted less liquidations, seasonally adjusted. Beginning 1983, net change equals outstandings, seasonally adjusted less outstandings of the previous period, seasonally adjusted.

NOTE. Total consumer noninstallment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to, not seasonally adjusted, $80.7 billion at the end of 1981, $85.9 billion at the end of 1982, and $96.9 billion at the end of 1983.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

Item	1980	1981	1982	1983 June	1983 July	1983 Aug	1983 Sept	1983 Oct	1983 Nov	1983 Dec
INTEREST RATES										
Commercial banks[1]										
1 48-month new car[2]	14.30	16.54	16.83			13.50			13.46	
2 24-month personal	15.47	18.09	18.65			16.28			16.39	
3 120-month mobile home[2]	14.99	17.45	18.05			15.58			15.47	
4 Credit card	17.31	17.78	18.51			18.75			18.75	
Auto finance companies										
5 New car	14.82	16.17	16.15	11.57	11.84	12.77	13.62	13.54	13.50	13.92
6 Used car	19.10	20.00	20.75	18.58	18.28	18.25	18.21	18.15	18.16	18.06
OTHER TERMS[3]										
Maturity (months)										
7 New car	45.0	45.4	46.0	45.6	45.7	45.9	46.2	46.2	46.3	46.3
8 Used car	34.8	35.8	34.0	38.0	38.0	38.0	38.0	38.0	38.0	37.9
Loan-to-value ratio										
9 New car	87.6	86.1	85.3	87	87	87	87	86	86	87
10 Used car	94.2	91.8	90.3	92	93	93	93	93	93	92
Amount financed (dollars)										
11 New car	6,322	7,339	8,178	8,512	8,642	8,724	8,792	8,982	9,118	9,167
12 Used car	3,810	4,343	4,746	5,039	5,052	5,103	5,144	5,213	5,316	5,401

1. Data for midmonth of quarter only
2. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months
3. At auto finance companies

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-yearly data are at seasonally adjusted annual rates.

Transaction category, sector	1977	1978	1979	1980	1981	1982	1980	1981		1982		1983
							H2	H1	H2	H1	H2	H1
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**319.4**	**369.8**	**386.0**	**343.2**	**377.2**	**395.3**	**371.3**	**392.4**	**362.0**	**356.8**	**434.8**	**495.2**
By sector and instrument												
2 U.S. government	56.8	53 7	37.4	79 2	87 4	161 3	92.5	87.8	86 9	106.9	215.5	230.2
3 Treasury securities	57.6	55 1	38.8	79 8	87.8	162.1	93 1	88 3	87.3	108.3	215.9	230 2
4 Agency issues and mortgages	− 9	−1.4	−1.4	−.6	−.5	−.9	−.6	−.5	− 4	−1.4	−.4	−.1
5 Private domestic nonfinancial sectors	262.6	316 2	348.6	264.0	289.8	234.1	278.7	304.6	275.1	249.9	219.3	265.0
6 Debt capital instruments	171 1	199 7	211.2	192.0	158.4	152.4	189.9	179.3	137.5	139.7	166.1	223.7
7 Tax-exempt obligations	21 9	28 4	30.3	30 3	21.9	50.5	31 9	21.1	22.6	41.7	59.4	60.9
8 Corporate bonds	22 9	21 1	17.3	26.7	22 1	18.8	20.7	26 1	18.0	10.8	26.9	20.9
9 Mortgages	126.3	150 2	163.6	135.1	114.5	83 0	137.3	132 0	96.9	87 3	79.9	142.0
10 Home mortgages	94 0	112.2	120.0	96.7	75.9	56.6	99.2	92.6	59.2	55 8	58.6	106.7
11 Multifamily residential	7 1	9.2	7.8	8.8	4.3	1 3	9.6	4.9	3.7	4.2	−1 7	7.8
12 Commercial	18 1	21.7	23.9	20 2	24.6	20.0	20.9	25.2	23.9	21.4	18.6	27.2
13 Farm	7.1	7 2	11.8	9.3	9 7	5 2	7.6	9.3	10 1	5 9	4.4	.2
14 Other debt instruments	91.6	116 5	137.5	72.0	131 5	81.6	88.8	125.3	137 6	110.1	53.2	41.3
15 Consumer credit	40.2	48.8	45.4	4.9	24.1	18.3	13.0	28.9	19.3	19.3	17.4	38.8
16 Bank loans n.e.c.	27 1	37.4	51 2	36.7	54.7	54.4	59.7	45.5	63.9	70 1	38.8	3.8
17 Open market paper	2.9	5.2	11.1	5.7	19.2	−3.3	−9.2	12.0	26.3	6.5	−13.0	−16.3
18 Other	21.3	25.1	29.7	24 8	33 4	12 2	25.3	38.9	28 0	14.3	10.2	15.0
19 By borrowing sector	262.6	316.2	348.6	264 0	289.8	234.1	278.7	304.6	275.1	249.9	219.3	265.0
20 State and local governments	15 4	19.1	20 5	20.3	9.7	36.3	21 7	9.1	10.2	29.3	43 3	51 3
21 Households	137 3	169.4	176.4	117.5	120.6	86.3	121.3	139.8	101.3	87.6	86.1	139.8
22 Farm	12.3	14.6	21.4	14 4	16.3	9.0	12.8	20.1	12.5	9.0	9.1	−1 1
23 Nonfarm noncorporate	28 0	32 4	34.4	33 7	39.6	29.8	40.6	39 8	39.5	34.6	24.9	40.0
24 Corporate	69 7	80.6	96.0	78 1	103.7	72.7	82 3	95 8	111.5	89.3	56.0	34 9
25 Foreign net borrowing in United States	13.5	33 8	20.2	27.2	27 2	15 7	26.7	31 9	22 5	12.8	18.6	18.7
26 Bonds	5.1	4.2	3.9	.8	5 4	6 6	−.4	3.3	7 6	2 4	10.8	4.4
27 Bank loans n e.c.	3.1	19.1	2.3	11.5	3.7	−6.2	18.5	3.1	4 2	−5.1	−7.2	14.9
28 Open market paper	2 4	6 6	11.2	10.1	13.9	10.7	4.5	20.6	7 1	12.5	9.0	−4.6
29 U S. government loans	3.0	3.9	2.9	4.7	4.2	4.5	4.0	4.9	3.5	3.0	6.0	4.0
30 **Total domestic plus foreign**	**332.9**	**403.6**	**406.2**	**370.4**	**404.4**	**411.0**	**397.9**	**424.4**	**384.5**	**369.6**	**453.4**	**513.9**
	Financial sectors											
31 **Total net borrowing by financial sectors**	**45.8**	**74.6**	**82.5**	**63.3**	**85.4**	**69.3**	**64.0**	**87.4**	**83.4**	**89.8**	**48.7**	**70.8**
By instrument												
32 U.S. government related	22 0	37.1	47 9	44 8	47.4	64.9	40 4	45 2	49.6	61 3	68.4	67 9
33 Sponsored credit agency securities	7 0	23 1	24.3	24.4	30.5	14.9	20.8	28.9	32 1	23 6	6.3	−2.5
34 Mortgage pool securities	16 1	13 6	23.1	19 2	15.0	49.5	18.6	14 9	15 1	37.0	62.1	70.4
35 Loans from U.S. government	−1 1	.4	6	1.2	1.9	.4	1.1	1.4	2.4	.8	....	....
36 Private financial sectors	23 8	37 5	34.6	18.5	38 0	4.4	23.6	42.2	33 8	28.5	−19.7	2.9
37 Corporate bonds	10 1	7.5	7 8	7 1	−.8	2.3	3.1	− 3	−1 4	−1.2	5.8	12.2
38 Mortgages	*	1	*	−.1	− 5	1	−.2	−.8	−.2	1	.1	.1
39 Bank loans n.e.c	− 3	2 8	−.4	− 4	2.2	3.2	−.4	3 2	1 1	5 2	1.2	−5.1
40 Open market paper	9 6	14 6	18.0	4.8	20 9	−2.0	10.8	23 5	18 4	14.0	−18.0	8.6
41 Loans from Federal Home Loan Banks	4 3	12 5	9.2	7.1	16.2	.8	10.3	16.7	15.8	10 4	−8.8	−12.9
By sector												
42 Sponsored credit agencies	5 9	23 5	24.8	25.6	32.4	15.3	21.8	30.3	34.5	24 4	6.3	−2.5
43 Mortgage pools	16 1	13.6	23 1	19.2	15.0	49.5	18.6	14 9	15.1	37.0	62.1	70.4
44 Private financial sectors	23.8	37.5	34.6	18 5	38 0	4.4	23.6	42.2	33.8	28 5	−19 7	2 9
45 Commercial banks	1 1	1 3	1.6	.5	.4	1.2	.3	.2	.5	.7	1.7	8
46 Bank affiliates	2 0	7 2	6 5	6.9	8.3	1.9	8.0	6 9	9.7	9.7	−5.8	6.1
47 Savings and loan associations	6 9	13.5	12 6	7.4	15.5	−3.0	12 3	16.8	14.1	9.1	−15.2	−10.8
48 Finance companies	16 9	18.1	16.6	6.3	14.1	4.9	5 8	18.5	9.7	9.5	.2	7.5
49 REITs	−2 5	−1.4	−1 3	−2.2	.2	.1	−2.5	2	2	.1	.1	.1
	All sectors											
50 **Total net borrowing**	**378.7**	**478.2**	**488.7**	**433.7**	**489.8**	**480.3**	**462.0**	**511.8**	**467.9**	**459.4**	**502.1**	**584.7**
51 U.S government securities	79 9	90 5	84.8	122 9	133.0	225.9	132.0	131 8	134 3	167.6	284.0	298.2
52 State and local obligations	21 9	28 4	30 3	30.3	21.9	50 5	31.9	21 1	22.6	41.7	59.4	60.9
53 Corporate and foreign bonds	38.0	32.8	29.0	34.6	26.7	27 7	23.5	29.1	24.2	12.0	43.5	37.5
54 Mortgages	126 2	150 2	163 5	134.9	113.9	83.0	137.0	131 1	96.6	87.3	79.8	142.0
55 Consumer credit	40 2	48.8	45.4	4.9	24.1	18 3	13.0	28 9	19.3	19.3	17.4	38.8
56 Bank loans n.e.c	29 9	59 3	53.0	47.8	60.6	51.4	77.8	51 8	69.3	70.2	32.8	13.6
57 Open market paper	15 0	26 4	40.3	20.6	54.0	5.4	6 1	56 1	51.9	33.0	−22.1	−12.3
58 Other loans	27 5	41.9	42.4	37.8	55.8	17.9	40 7	61 8	49 7	28.4	7.4	6.1
	External corporate equity funds raised in United States											
59 **Total new share issues**	**6.5**	**1.9**	**−3.8**	**22.2**	**−3.7**	**35.4**	**28.0**	**10.2**	**−17.7**	**23.7**	**47.0**	**87.1**
60 Mutual funds	9	−.1	.1	5.2	6.8	18.6	4.6	8.1	5.6	13.2	24.0	38.8
61 All other	5 6	1.9	−3 9	17.1	−10.6	16.8	23.3	2.1	−23.2	10 6	23.0	48 3
62 Nonfinancial corporations	2 7	−.1	−7 8	12 9	−11.5	11 4	18.8	9	−23.8	7.0	15 8	38.2
63 Financial corporations	2 5	2 5	3.2	2.1	.9	4 1	2 3	5	1 2	3.8	4.4	4.4
64 Foreign shares purchased in United States	4	−.5	.8	2.1	*	1 3	2.2	7	−.7	−.2	2.9	5 7

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; half-yearly data are at seasonally adjusted annual rates.

Transaction category, or sector	1977	1978	1979	1980	1981	1982	1980 H2	1981 H1	1981 H2	1982 H1	1982 H2	1983 H1
1 Total funds advanced in credit markets to domestic nonfinancial sectors	**319.4**	**369.8**	**386.0**	**343.2**	**377.2**	**395.3**	**371.3**	**392.4**	**362.0**	**356.8**	**434.8**	**495.2**
By public agencies and foreign												
2 Total net advances	79.3	102.3	75.2	97.0	97.4	109.3	77.2	113.8	81.0	107.9	110.8	127.5
3 U.S. government securities	34.9	36.1	−6.3	15.7	17.2	17.9	- 8	31.2	3.1	17.7	18.2	52.9
4 Residential mortgages	20.0	25.7	35.8	31.7	23.4	61.1	28.2	21.9	25.0	48.1	74.0	80.7
5 FHLB advances to savings and loans	4.3	12.5	9.2	7.1	16.2	8	10.3	16.7	15.8	10.4	−8.8	12.9
6 Other loans and securities	20.2	28.0	36.5	42.4	40.6	29.5	39.4	44.1	37.1	31.7	27.4	6.8
Total advanced, by sector												
7 U.S. government	10.0	17.1	19.0	23.7	24.1	16.7	22.2	27.9	20.3	14.2	19.1	8.2
8 Sponsored credit agencies	22.5	40.3	53.0	45.6	48.2	65.3	44.0	47.2	49.2	62.5	68.1	69.2
9 Monetary authorities	7.1	7.0	7.7	4.5	9.2	9.8	-10.3	2.4	16.0	1	19.5	12.7
10 Foreign	39.6	38.0	4.6	23.2	16.0	17.6	21.3	36.4	4.4	31.1	4.1	37.5
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	22.0	37.1	47.9	44.8	47.4	64.9	40.4	45.2	49.6	61.3	68.4	67.9
12 Foreign	13.5	33.8	20.2	27.2	27.2	15.7	26.7	31.9	22.5	12.8	18.6	18.7
Private domestic funds advanced												
13 Total net advances	275.6	338.4	379.0	318.2	354.4	366.6	361.2	355.7	353.1	323.0	411.0	454.3
14 U.S. government securities	45.1	54.3	91.1	107.2	115.9	207.9	132.7	100.6	131.1	149.9	265.8	245.3
15 State and local obligations	21.9	28.4	30.3	30.3	21.9	50.5	31.9	21.1	22.6	41.7	59.4	60.9
16 Corporate and foreign bonds	24.1	23.4	18.5	19.3	19.4	15.4	11.8	20.9	17.9	-1.7	32.4	23.4
17 Residential mortgages	81.0	95.6	91.9	73.7	56.7	−3.3	80.5	75.5	37.9	11.7	-17.2	33.7
18 Other mortgages and loans	107.8	149.3	156.3	94.8	156.9	96.8	114.5	154.3	159.5	131.7	62.0	78.1
19 LESS: Federal Home Loan Bank advances	4.3	12.5	9.2	7.1	16.2	8	10.3	16.7	15.8	10.4	8.8	-12.9
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	258.8	302.3	294.7	262.3	305.2	271.2	282.8	317.3	293.1	272.8	268.9	351.1
21 Commercial banking	87.8	129.0	123.1	101.1	103.6	108.5	146.5	99.6	107.6	109.7	107.1	127.4
22 Savings institutions	78.5	72.8	56.7	54.9	27.2	30.6	72.9	41.5	12.8	29.5	31.0	128.5
23 Insurance and pension funds	69.0	75.0	66.4	74.4	79.3	94.2	65.6	75.3	83.4	95.4	93.0	107.4
24 Other finance	23.6	25.5	48.5	32.0	95.2	37.9	−2.2	101.0	89.4	38.1	37.8	12.2
25 Sources of funds	258.8	302.3	294.7	262.3	305.2	271.2	282.8	317.3	293.1	272.8	268.9	351.1
26 Private domestic deposits and RPs	139.0	141.0	142.0	168.6	211.7	173.4	174.2	213.8	209.6	163.4	182.7	210.2
27 Credit market borrowing	23.8	37.5	34.6	18.5	38.0	4.4	23.6	42.2	33.8	28.5	19.7	2.9
28 Other sources	96.1	123.8	118.1	75.2	55.5	93.5	85.0	61.3	49.8	80.8	105.9	138.0
29 Foreign funds	1.4	6.5	27.6	21.7	8.7	27.7	-15.3	−8.7	8.7	30.1	-25.4	17.5
30 Treasury balances	4.3	6.8	4	2.6	1.1	6.1	1.0	6.5	8.7	-2.1	14.1	7.4
31 Insurance and pension reserves	51.4	62.2	49.1	65.4	73.2	85.9	61.3	62.7	83.8	85.4	86.4	89.3
32 Other, net	39.0	48.4	41.0	34.0	7.9	29.2	38.0	8	-16.7	27.6	30.7	58.8
Private domestic nonfinancial investors												
33 Direct lending in credit markets	40.6	73.6	118.9	74.4	87.2	99.7	102.0	80.6	93.8	78.7	122.4	106.1
34 U.S. government securities	24.6	36.3	61.4	38.3	47.4	58.1	58.6	37.2	57.6	43.1	72.7	75.0
35 State and local obligations	8	3.6	9.9	7.0	9.6	30.9	9.2	9.5	9.7	28.4	33.4	47.1
36 Corporate and foreign bonds	-3.2	1.8	5.7	6	8.9	9.4	- 2	5.5	−12.4	-26.3	7.4	12.7
37 Open market paper	9.6	15.6	12.1	-4.3	3.7	2.0	1.4	3.3	10.7	6.7	-10.7	10.2
38 Other	10.4	19.9	29.8	32.9	35.4	22.1	32.9	42.7	28.2	26.8	19.6	6.9
39 Deposits and currency	148.6	152.2	151.4	180.0	221.7	179.4	185.5	222.6	220.7	166.2	192.1	231.9
40 Currency	8.3	9.3	7.9	10.3	9.5	8.4	9.7	8.0	11.0	4.5	12.3	14.2
41 Checkable deposits	17.2	16.2	18.7	5.0	18.1	13.0	9.9	29.8	6.5	6.7	19.1	55.6
42 Small time and savings accounts	93.6	65.9	59.2	83.1	47.2	137.0	90.2	30.7	63.6	95.1	178.6	295.0
43 Money market fund shares	.2	6.9	34.4	29.2	107.5	24.7	-3.4	104.1	110.8	39.4	10.0	84.0
44 Large time deposits	25.7	44.4	23.0	44.7	36.4	−5.2	69.8	41.6	31.2	21.2	-31.6	67.5
45 Security RPs	2.2	7.5	6.6	6.5	2.5	3.8	7.8	7.7	2.6	1.1	6.6	11.0
46 Deposits in foreign countries	1.3	2.0	1.5	1.1	5	2.4	1.7	8	2	1.8	2.9	7.4
47 Total of credit market instruments, deposits and currency	**189.1**	**225.8**	**270.3**	**254.4**	**308.9**	**279.1**	**287.5**	**303.3**	**314.5**	**244.9**	**314.5**	**337.9**
48 Public holdings as percent of total	23.8	25.3	18.5	26.2	24.1	26.6	19.4	26.8	21.1	29.2	24.4	24.8
49 Private financial intermediation (in percent)	93.9	89.3	77.7	82.4	86.1	74.0	78.3	89.2	83.0	84.4	65.4	77.3
50 Total foreign funds	41.0	44.6	23.0	1.5	7.3	10.2	6.0	27.8	13.1	1.0	21.3	20.0
MEMO: Corporate equities not included above												
51 Total net issues	**6.5**	**1.9**	**−3.8**	**22.2**	**−3.7**	**35.4**	**28.0**	**10.2**	**−17.7**	**23.7**	**47.0**	**87.1**
52 Mutual fund shares	9	1	1	5.2	6.8	18.6	4.6	8.1	5.6	13.2	24.0	38.8
53 Other equities	5.6	1.9	-3.9	17.1	10.6	16.8	23.3	2.1	23.2	10.6	23.0	48.3
54 Acquisitions by financial institutions	7.4	4.5	9.7	16.8	22.1	27.9	22.3	25.3	18.9	19.3	36.4	62.4
55 Other net purchases	9	2.7	13.5	5.4	25.9	7.5	5.7	15.1	36.6	4.4	10.6	24.7

NOTES BY LINE NUMBER

1. Line 1 of table 1.58.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
30. Demand deposits at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 12 less line 20 plus line 27.
34–38. Lines 14–18 less amounts acquired by private finance. Line 38 includes mortgages.
40. Mainly an offset to line 9.
47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.
51, 53. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding, may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

1967 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1981	1982	1983	1983 May	June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.	1984 Jan.
1 **Industrial production**[1]	**151.0**	**138.6**	**147.6**	**144.4**	**146.4**	**149.7**	**151.8**	**153.8**	**155.0**	**155.5**	**156.4**	**158.1**
Market groupings												
2 Products, total	150.6	141.8	149.2	146.2	148.1	150.9	153.2	154.9	155.6	156.0	157.1	158.8
3 Final, total	149.5	141.5	147.1	144.5	146.4	149.0	150.7	152.1	152.7	153.4	154.9	156.6
4 Consumer goods	147.9	142.6	151.8	150.4	152.4	154.8	156.3	157.3	156.9	156.5	158.0	159.6
5 Equipment	151.5	139.8	140.7	136.5	138.2	141.0	143.1	144.9	147.0	149.1	150.7	152.6
6 Intermediate	154.4	143.3	156.6	152.2	154.5	158.1	162.2	165.4	166.5	165.7	165.1	167.0
7 Materials	151.6	133.7	145.3	141.7	143.7	147.8	149.7	152.2	154.0	154.7	155.5	157.0
Industry groupings												
8 Manufacturing	150.4	137.6	148.3	145.1	147.4	150.6	152.8	155.1	156.2	156.5	157.0	159.0
Capacity utilization (percent)[1,2]												
9 Manufacturing	79.4	71.1	75.3	73.8	74.9	76.4	77.3	78.4	78.9	78.9	79.0	79.9
10 Industrial materials industries	80.7	70.1	75.2	73.5	74.4	76.5	77.4	78.6	79.5	79.8	80.0	80.8
11 Construction contracts (1977 = 100)[3]	111.0	111.0	138.0	148.0	151.0	137.0	146.0	143.0	139.0	145.0	134.0	n.a.
12 Nonagricultural employment, total[4]	138.5	136.2	136.8	135.9	136.5	137.0	136.4	138.1	138.4	138.8	139.2	139.6
13 Goods-producing, total	109.4	102.6	101.5	100.2	100.9	101.8	102.2	102.7	103.7	104.3	104.7	105.6
14 Manufacturing, total	103.7	96.9	96.0	95.1	95.6	96.3	96.6	97.0	98.0	98.6	99.1	99.6
15 Manufacturing, production-worker	98.0	89.4	88.7	87.6	88.2	89.2	89.5	89.9	91.2	91.9	92.4	93.2
16 Service-producing	154.4	154.7	156.1	155.5	156.1	156.3	155.1	157.5	157.5	157.8	158.1	158.3
17 Personal income, total	386.5	409.3	453.3	431.6	433.7	436.1	437.5	441.5	446.5	449.7	453.5	n.a
18 Wages and salary disbursements	349.7	367.2	389.8	386.9	389.0	391.9	393.6	396.2	400.6	401.6	403.9	n.a.
19 Manufacturing	287.3	286.2	300.4	296.4	299.2	302.6	304.6	308.2	310.2	312.7	313.6	n.a.
20 Disposable personal income[5]	373.7	397.3	426.3	420.5	422.0	429.0	430.1	434.1	438.9	442.2	446.0	n.a.
21 Retail sales[6]	330.6	326.0		376.1	378.9	380.3	373.7	379.1[r]	385.3	389.8	390.3	399.0
Prices[7]												
22 Consumer	272.4	289.1	298.4	297.1	298.1	299.3	300.3	301.8	302.6	303.1	303.5	
23 Producer finished goods	269.8	280.7	285.2	284.2[r]	285.0	285.7	286.1[r]	285.1	287.9	286.8	287.1	

1 The capacity utilization series has been revised back to January 1967.
2. Ratios of indexes of production to indexes of capacity Based on data from Federal Reserve, McGraw-Hill Economics Department, Department of Commerce, and other sources
3 Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F. W Dodge Division.
4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
5. Based on data in *Survey of Current Business* (U.S. Department of Commerce)
6. Based on Bureau of Census data published in *Survey of Current Business*
7. Data without seasonal adjustment, as published in *Monthly Labor Review* Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.
Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1983 Q1	Q2	Q3	Q4	1983 Q1	Q2	Q3	Q4	1983 Q1	Q2	Q3	Q4
	Output (1967 = 100)				Capacity (percent of 1967 output)				Utilization rate (percent)			
1 **Total industry**	**138.5**	**144.5**	**151.8**	**155.6**	**194.6**	**195.5**	**196.4**	**197.3**	**71.2**	**73.9**	**77.3**	**78.9**
2 Mining	116.7	112.3	116.1	121.2	165.2	165.3	165.4	165.5	70.6	67.9	70.2	73.3
3 Utilities	163.6	169.6	178.2	178.7	208.5	209.8	211.1	212.4	78.5	80.8	84.4	84.1
4 **Manufacturing**	**138.4**	**145.2**	**152.8**	**156.6**	**195.7**	**196.6**	**197.5**	**198.4**	**70.7**	**73.8**	**77.4**	**78.9**
5 Primary processing	137.0	145.2	152.8	156.9	194.3	194.8	195.3	195.8	70.5	74.6	78.3	80.1
6 Advanced processing	139.7	145.1	152.8	156.0	196.5	197.6	198.6	199.7	71.1	73.5	76.9	78.1
7 **Materials**	**134.8**	**141.7**	**149.9**		**192.3**	**192.9**	**193.4**	**194.0**	**70.1**	**73.5**	**77.5**	79.8
8 Durable goods	125.2	134.7	144.2	150.2	195.2	195.6	196.0	196.5	64.2	68.9	73.6	76.5
9 Metal materials	78.6	84.9	89.3	93.9	140.2	139.9	139.8	139.6	56.1	60.7	63.9	67.3
10 Nondurable goods	163.7	171.7	179.1	185.3	217.8	218.8	219.6	220.6	75.2	78.5	81.5[r]	84.0
11 Textile, paper, and chemical	169.3	179.6	188.0	195.5	229.4	230.7	231.6	232.7	73.8	77.9	81.2	84.0
12 Paper	149.9	153.4	162.8	168.5	165.3	166.1	166.9	167.7	90.7	92.3	97.5	100.5
13 Chemical	204.7	219.4	227.8	238.9	294.8	296.6	298.3	300.1	69.4	74.0	76.4	79.6
14 Energy materials	122.2	121.5	127.4	127.7	153.9	154.3	154.7	155.3	79.5	78.7	82.3	82.2

2.11 Continued

Series	Previous cycle[1]		Latest cycle[2]		1983	1983								1984
	High	Low	High	Low	Jan	May	June	July	Aug	Sept	Oct r	Nov r	Dec r	Jan
	Capacity utilization rate (percent)													
15 **Total industry**	**88.4**	**71.1**	**87.3**	**76.5**	**70.7**	**73.9**	**74.8**	**76.3**	**77.3**	**78.2**	**78.7**	**78.8**	**79.2**	**79.9**
16 Mining	91.8	86.0	88.5	84.0	73.8	68.2	68.1	69.5	70.2	70.8	71.5	73.1	75.2	76.2
17 Utilities	94.9	82.0	86.7	83.8	78.4	80.9	80.8	83.5	85.0	84.8	83.3	83.0	86.0	83.9
18 **Manufacturing**	**87.9**	**69.0**	**87.5**	**75.5**	**70.0**	**73.8**	**74.9**	**76.4**	**77.3**	**78.4**	**78.9**	**78.9**	**79.0**	**79.9**
19 Primary processing	93.7	68.2	91.4	72.6	68.6	74.6	75.7	77.1	78.1	79.7	80.4	80.1	79.8	80.8
20 Advanced processing	85.5	69.4	85.9	77.0	70.9	73.4	74.4	76.0	76.9	77.8	77.9	78.1	78.5	79.4
21 **Materials**	**92.6**	**69.3**	**88.9**	**74.2**	**68.7**	**73.5**	**74.4**	**76.5**	**77.4**	**78.6**	**79.5**	**79.8**	**80.0**	**80.8**
22 Durable goods	91.4	63.5	88.4	68.4	62.3	68.9	70.0	72.1	73.6	75.2	76.1	76.6	76.8	78.0
23 Metal materials	97.8	68.0	95.4	59.4	53.3	61.0	61.2	62.3	64.0	65.5	68.0	67.0	66.8	68.5
24 Nondurable goods	94.4	67.4	91.7	77.5	73.4	78.7	79.6	80.7	81.1	82.9	84.1	84.1	83.7	83.9
25 Textile, paper, and chemical	95.1	65.4	92.3	75.5	71.4	78.1	79.2	80.4	80.5	82.6	84.1	84.1	83.7	83.8
26 Paper	99.4	72.4	97.9	89.8	90.9	92.9	93.1	96.7	96.9	99.0	99.4	101.6	100.6	100.4
27 Chemical	95.5	64.2	91.3	70.7	66.4	74.0	75.3	75.9	75.5	77.8	79.7	79.5	79.5	79.5
28 Energy materials	94.5	84.4	88.7	84.4	80.1	78.5	78.8	82.6	82.8	81.6	81.4	81.7	83.6	83.5

1. Monthly high 1973, monthly low 1975

2. Preliminary, monthly highs December 1978 through January 1980, monthly lows July through October 1980

2.12 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1980	1981	1982	1983							1984
				June	July	Aug	Sept	Oct	Nov r	Dec r	Jan
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**169,847**	**172,272**	**174,451**	**176,320**	**176,498**	**176,648**	**176,811**	**176,990**	**177,151**	**177,325**	**177,733**
2 Labor force (including Armed Forces)[1]	109,042	110,812	112,384	114,127	114,017	114,325	114,438	114,077	114,235	114,340	114,415
3 Civilian labor force	106,940	108,670	110,204	111,905	111,825	112,117	112,229	111,866	112,035	112,136	112,215
Employment											
4 Nonagricultural industries[2]	95,938	97,030	96,125	97,264	97,726	98,035	98,568	98,730	99,349	99,585	99,918
5 Agriculture	3,364	3,368	3,401	3,479	3,499	3,449	3,308	3,240	3,257	3,356	3,271
Unemployment											
6 Number	7,637	8,273	10,678	11,162	10,600	10,633	10,353	9,896	9,429	9,195	9,026
7 Rate (percent of civilian labor force)	7.1	7.6	9.7	10.0	9.5	9.5	9.3	8.8	8.4	8.2	8.0
8 Not in labor force	60,805	61,460	62,067	62,220	62,481	62,323	62,373	62,913	62,916	62,985	63,318
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**90,406**	**91,156**	**89,596**	**89,844**	**90,152**	**89,748**	**90,851**	**91,084r**	**91,355**	**91,583**	**91,870**
10 Manufacturing	20,285	20,170	18,853	18,582	18,733	18,793	18,871	19,064	19,172	19,275	19,375
11 Mining	1,027	1,132	1,122	1,003	1,017	1,023	1,026	1,044	1,045	1,046	1,043
12 Contract construction	4,346	4,176	3,912	3,933	3,974	4,014	4,038	4,060	4,094	4,091	4,194
13 Transportation and public utilities	5,146	5,157	5,057	4,992	4,984	4,341	5,031	5,019	5,019	5,005	5,031
14 Trade	20,310	20,551	20,547	20,494	20,529	20,580	20,612	20,666	20,718	20,773	20,837
15 Finance	5,160	5,301	5,350	5,451	5,465	5,488	5,499	5,503	5,515	5,524	5,540
16 Service	17,890	20,547	20,401	19,668	19,770	19,835	19,913	19,956	20,016	20,101	20,143
17 Government	16,241	16,024	15,784	15,721	15,680	15,674	15,861	15,775	15,776	15,768	15,707

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2. Includes self-employed, unpaid family, and domestic service workers.

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1983 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value

Monthly data are seasonally adjusted

Grouping	1967 proportion	1983 avg.	1983 Jan	Feb	Mar	Apr.	May	June	July	Aug.	Sept	Oct	Nov	Dec[p]	1984 Jan[e]
			Index (1967 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**147.6**	**137.4**	**138.1**	**140.0**	**142.6**	**144.4**	**146.4**	**149.7**	**151.8**	**153.8**	**155.0**	**155.5**	**156.4**	**158.1**
2 Products	60.71	149 2	140 9	140.3	141.6	144.5	146.2	148 1	150.9	153 2	154.9	155 6	156.0	157.1	158 8
3 Final products	47 82	147 1	140.1	138.9	139.9	142 8	144.5	146 4	149 0	150 7	152 1	152 7	153 4	154 9	156 6
4 Consumer goods	27 68	151 8	143.6	143.4	144.3	147 7	150 4	152.4	154 8	156 3	157 4	156 9	156 5	158.0	159.6
5 Equipment	20.14	140.7	135 3	132 7	133.8	136.2	136.5	138.2	141.0	143.1	144.9	147.0	149.1	150.7	152.6
6 Intermediate products	12.89	156.6	143 7	145 3	147.8	150.8	152.2	154.5	158.1	162.2	165.3	166.5	165 7	165.1	167.0
7 Materials	39.29	145 3	132 0	134.9	137.6	139 7	141 7	143 7	147.8	149.7	152 3	154.0	154 7	155 5	157 0
Consumer goods															
8 Durable consumer goods	7.89	147 5	131 6	134.4	136.3	140.5	145.5	149.2	152.9	154.2	157.4	156.7	155.9	158.3	162.1
9 Automotive products	2 83	158 2	136 2	144.3	142.6	144 9	152.2	160 0	167.0	168 1	172 9	171 3	171.4	177 7	182 2
10 Autos and utility vehicles	2.03	134.0	107 0	120.8	116.4	117.8	124.9	135.4	145.4	147.0	153.1	149.2	149.2	157.8	162.7
11 Autos	1 90	117 4	97 1	107.3	99.9	102 7	107 4	118 3	129 8	132 0	135 0	129.6	129 4	137.4	140.7
12 Auto parts and allied goods	80	219 4	210.2	203.9	209.3	213 6	221 5	222 6	221.9	221 8	223.1	227.4	222.7	228.5	231 7
13 Home goods	5.06	141.5	129 1	128.8	132 8	138 1	141.8	143.2	144.9	146.4	148.7	148.4	147.2	147.4	150.9
14 Appliances, A/C, and TV	1.40	116 3	109 5	105.8	105.0	106 1	112.8	114.4	116 2	121.2	125 2	129.2	126 3	125.4	133.6
15 Appliances and TV	1 33	120 1	112 9	108.8	108.5	109 7	116.1	118 4	119 7	125 0	129 7	133 3	130.5	129 3	. .
16 Carpeting and furniture	1 07	178 0	149.0	156.7	168.3	180 5	181.9	185.6	187.3	187 5	186 3	185 5	182.7	183.2	.....
17 Miscellaneous home goods	2 59	140 0	131 4	129 7	133.3	137.9	140.9	141.3	143 0	143.2	145 9	143.6	143 9	144 6	146 0
18 Nondurable consumer goods	19 79	153 5	148 3	147 0	147 5	150.5	152.3	153.6	155.6	157.1	157.5	157.1	156.7	157.8	158 5
19 Clothing	4 29	....	..	.	.....	.....	.....	....	.....	.....	.....	.....	.....	.....	.....
20 Consumer staples	15.50	163.8	158.6	157.4	158 1	161.1	162 8	164.3	166.1	168.0	168.0	167.2	166.2	167.2	167.6
21 Consumer foods and tobacco	8.33	.....	150.9	149 5	148 4	150 9	153 2	155.9	156.6	156.3	154.9	156.0	155.1	.....	.....
22 Nonfood staples	7 17	175.7	167.6	166.5	169 4	172 9	174 0	174.1	177 2	181 6	183.2	180 3	179.0	181.0	181.0
23 Consumer chemical products	2 63	231 4	222 6	220.9	225 6	225 5	227 8	229 0	233 8	239 7	241 5	238 7	233 9	234 1	
24 Consumer paper products	1.92	133.2	127.1	127 9	128 1	129.2	128.6	130.1	132.6	137.4	138.2	137.6	137.8	141.8	.....
25 Consumer energy products	2.62	150.9	142 2	140 2	143 3	152.2	153.4	151.2	153.2	155.7	157.7	153.0	154.1	156.6	.....
26 Residential utilities	1 45		164.1	162 9	166 1	175 5	174 3	170 5	173.2	179 9	182.8	174 5	175.8	.. ..	.. ..
Equipment															
27 Business	12.63	153 1	146 6	142 7	143.7	146.9	147.7	150.2	153.3	156.6	158.8	161.3	164.1	165.4	167 3
28 Industrial	6.77	120.4	118 4	113 7	113 1	113.5	114.5	116.3	119 9	124.3	125.6	126.6	128.5	130.8	131.7
29 Building and mining	1.44	159 3	173 8	153 6	145.3	141.8	146.2	148.7	154.4	159.2	160.8	166.9	175.8	185 1	184.1
30 Manufacturing	3 85	107 0	97.6	97.9	99 7	101 7	102 5	105 0	108 9	113 3	115.0	114 6	114 3	115 1	116 6
31 Power	1.47	117 1	118 3	116 0	116.2	116.6	115 0	114.1	114.6	119.0	118.8	118.5	119.4	118.7	119.6
32 Commercial transit, farm	5 86	191 0	179 2	176 1	179.2	185.4	186.1	189.5	191.9	194 0	196.7	201.3	205.1	205.4	208.5
33 Commercial	3.26	272 7	254 9	251 2	255 7	264.3	265.0	270.9	276.0	277.4	281.2	288.1	292.5	292.1	295.3
34 Transit	1 93	95 0	90.8	88.2	90 1	92 0	92 6	93 2	92 0	95 9	97 6	100 0	103 2	104 3	108 0
35 Farm	.67	69 6	66.0	63 4	63 4	70.2	71.3	70.4	70.8	70.8	71.0	70.9	73.5	74.8	. ...
36 Defense and space	7.51	119.9	116 4	116 1	117 0	118.2	117.6	118.0	120.4	120.2	121.8	122.9	124.0	126.0	127.9
Intermediate products															
37 Construction supplies	6.42	142.4	127.0	129 7	133 1	136.4	138 4	142 1	145.8	149.0	151.1	152 3	151.9	150.5	152.7
38 Business supplies	6.47	170.7	160.3	160 9	162 3	165.2	166.0	166.8	170.4	175.3	179.3	180.6	179.4	179.6	.....
39 Commercial energy products	1 14	184.8	180.6	178.6	180.3	183.3	183.1	181.4	185.2	186.9	190.2	187.0	187.6	192.0	..
Materials															
40 Durable goods materials	20.35	138 6	121 5	125 3	128.7	132.4	134.7	137.0	141.1	144.2	147 2	149.4	150.5	150.8	153.4
41 Durable consumer parts	4.58	113 5	96 2	101.6	104.0	106.5	108.5	109.5	115.6	119.9	123.1	124.9	125.1	126.4	129.6
42 Equipment parts	5.44	176 4	157.5	158 8	162 5	167 2	170 6	175 8	180 8	183 6	186 0	188 3	192 8	193 5	196.8
43 Durable materials n.e.c	10.34	129.9	113.8	118.2	121 9	125 4	127.5	128.7	131.5	134.2	137.4	139.8	139.5	139.2	141.2
44 Basic metal materials	5 57	90.3	78 1	82.4	86.0	87 8	89 3	89.6	90.8	93 1	94 5	98 0	97 4	96.5	
45 Nondurable goods materials	10.47	175.0	159 7	164 0	167 5	168.7	172.1	174.3	177.0	178.0	183.4	185 3	185.5	185.0	185.7
46 Textile, paper, and chemical materials	7 62	183 2	163 7	170 0	174.3	175 9	180.2	182 8	186 1	186.4	192 0	195.4	195.7	195.3	195.8
47 Textile materials	1.85	116.1	104.7	106 4	110 6	110.6	114 6	116.0	119.0	121.5	123.1	124.0	121.9	119.9	.....
48 Paper materials	1.62	158 6	150 1	150 1	149 5	150.8	154 4	155.0	161.1	161.8	165.4	166 3	170.3	169.0	.....
49 Chemical materials	4.15	222 7	195 4	206 2	212.5	214.9	219.6	223.6	225.9	225.1	233.1	238.7	238.7	239.2	.. ..
50 Containers, nondurable	1 70	168.1	162.1	159.6	163.8	163.2	164 3	166.1	166 5	170.6	179.1	175.9	176.5	176.0	.
51 Nondurable materials n.e c	1.14	130.5	129.6	130 5	127 7	129 1	129 7	129 9	131 3	133.0	132 6	131 9	130 8	130 0	
52 Energy materials	8.48	124.8	123.0	121 8	121 9	121.6	121 1	121.8	127.7	128.0	126.4	126 3	126.9	130.0	130.1
53 Primary energy	4.65	114.6	116.5	115 4	114.4	113 9	113 8	112 6	115 4	113.9	112 8	114 1	115 1	115 8	.
54 Converted fuel materials	3 82	137 1	130.8	129.6	131.1	131.0	129.9	132 9	142.7	145.2	142 8	141.2	141.2	147.4	...
Supplementary groups															
55 Home goods and clothing	9.35	129 9	120 8	119 9	122 0	126 3	129 2	130 2	132.3	133 3	135 2	135 5	135 9	136.7	139 4
56 Energy, total	12.23	135.9	132.4	131.0	131.9	133.9	133.8	133.6	138.5	139.4	139.0	137.7	138.3	141.5	140.7
57 Products	3.76	161.2	153.8	151.9	154.5	161 7	162.4	160 4	162 9	165.2	167.5	163.3	164.2	167.3	..
58 Materials	8.48	124.8	123.0	121.8	121.9	121.6	121.1	121.8	127.7	128.0	126.4	126.3	126.9	130.0	130.1

2.13 Continued

Grouping	SIC code	1967 pro-portion	1983 avg.	1983 Jan	Feb[r]	Mar	Apr.	May	June	July	Aug	Sept	Oct.	Nov	Dec.[p]	1984 Jan[e]
				Index (1967 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	.... ..	12.05	143 0	141 3	137.5	137 7	138.9	139 7	139 6	143.8	146 0	146 5	145.8	147 1	152 2	151 1
2 Mining	...	6 36	116.6	121 9	115.6	112.6	111.6	112 8	112.6	115.0	116 1	117.1	118.3	120 9	124 5	126 2
3 Utilities		5 69	172.4	163.1	162.0	165.8	169 3	169.7	169.8	176.0	179.3	179.3	176 5	176 3	183 2	178 9
4 Electric		3 88	196.2	184.4	183.0	188.2	192 7	192.9	192.0	200.9	205 4	204.5	200 7	200 2	209.9	203 6
5 Manufacturing	. .	87.95	148.3	136 7	138.2	140.4	143 1	145.1	147.4	150 6	152 8	155.1	156 2	156 5	157.0	159 0
6 Nondurable	.	35.97	168.3	157.4	159.0	160.7	163 3	165.4	167.8	170.6	172.9	174.6	175 6	173.3	175.5	176.6
7 Durable	.	51 98	134 5	122.5	123.9	126.3	129 1	131 0	133.2	136 8	138 8	141.6	142 8	143 5	144.3	146 9
Mining																
8 Metal	10	.51	81 4	81.7	75 1	75 2	79.8	84.4	82 9	82 5	80.9	78 7	81 0	85.9	87.3	.
9 Coal	11.12	.69	136.3	144.8	136 5	127 3	125.3	125.6	124 6	139 9	141.2	140 5	142 7	144.8	145 2	151 8
10 Oil and gas extraction	13	4.40	116.6	124.6	117 0	114 4	112 2	112.5	112.6	113 9	114.7	116 3	117 3	119.4	124 0	124.6
11 Stone and earth minerals	14	75	122 8	112 8	115 7	114.0	117.7	122 5	121.7	121.2	125.0	126.5	127.4	132 2	134.2	
Nondurable manufactures																
12 Foods	20	8.75	. .	154.4	153.0	152.0	153 7	155 6	157.7	159 9	159 3	158.2	157 6	157 5	.	
13 Tobacco products	21	67	..	104.7	108 5	113 4	114.8	112.9	120.0	112.9	117.1	112.7	109.1	109.5	. .	
14 Textile mill products	22	2 68	140 8	125 8	130.7	131 9	136 6	139 6	141.8	146.7	147 4	148.7	148 7	145 9	144 4	
15 Apparel products	23	3 31			....	.....	.		..	....		.	....			
16 Paper and products	26	3 21	164 3	158 8	155.6	156.3	157 0	161 5	163.0	165 1	168.6	170.4	171 5	172.4	171 9	172 7
17 Printing and publishing	27	4.72	152.7	141.3	144.0	145 9	145 7	145 2	147.4	152 0	157 8	161.7	162 7	162 0	163.7	165 4
18 Chemicals and products	28	7 74	215.8	197 6	202.3	205.7	208 5	211 0	214.7	218.3	220 3	224.1	228.4	227.3	228.0	
19 Petroleum products	29	1.79	120.8	113.5	111.7	114 8	120.6	123.8	123 0	124 3	123.2	125.1	123 6	125.4	120 2	121.0
20 Rubber and plastic products	30	2 24	291 5	256 2	264.0	272 0	283 0	288 0	293.8	296.1	306 9	310 9	310.8	309 1	308 2	.
21 Leather and products	31	86	61 6	59 5	61 7	59.4	58.7	59 6	60 1	62 3	64 4	64 2	64.0	63 2	63.0	.
Durable manufactures																
22 Ordnance, private and government	19 91	3 64	95.4	93 5	93.3	91 9	93 2	92 6	93.3	95 2	96 8	98.0	98.8	99.3	100.0	100 5
23 Lumber and products	24	1 64	137.1	130 0	130.2	128.7	132.1	135.8	137.4	141 3	141.6	142.3	141 7	140.6	142.5	
24 Furniture and fixtures	25	1.37	170.4	150 0	154 0	161 0	167.7	169.6	173 1	175 2	179.0	180.7	181 0	177.0	177.0	.
25 Clay, glass, stone products	32	2 74	143.2	128 0	131.8	135.6	138 3	139 2	141.7	145.8	147 9	151.7	151.9	152 7	152.1	
26 Primary metals	33	6.57	85 5	73 1	77 9	81 2	83.1	84.9	84 8	85.5	87.5	90 6	95.3	92 3	91 0	93 9
27 Iron and steel	331 2	4.21	71.6	59.0	64 3	66 9	68.5	69.5	69 7	71 8	75.1	78 2	84.3	79.2	75 5	.
28 Fabricated metal products	34	5.93	120.1	107.6	110 3	113 9	115.3	115.5	118 5	122.7	126.0	127 4	126 9	128 5	128 0	129 8
29 Nonelectrical machinery	35	9.15	150 4	138 0	136 2	138.6	143.1	146 1	149 5	154.2	157 3	158 3	159 2	161 6	162 0	164 4
30 Electrical machinery	36	8.05	185.6	169 5	168 9	173.8	177 2	180 1	182.4	188.3	189 2	195.8	198.4	199 9	201 7	206 4
31 Transportation equipment	37	9.27	117.7	106.3	109 6	110 1	111 4	113 8	116 6	119 7	121 1	124.7	125 5	127 3	130.3	133.4
32 Motor vehicles and parts	371	4.50	137.0	113.9	123.0	123 2	125.5	130.4	136.2	142 3	144 3	150.9	150.9	152 9	158.3	162 6
33 Aerospace and miscellaneous transportation equipment	372–9	4 77	99.6	99.1	97.0	97 7	98 1	98.1	98.1	98 5	99 2	100 0	101 6	103.1	104 0	106 0
34 Instruments	38	2 11	158 5	154 5	153 4	154.0	155.1	156.0	156.1	159.3	161 6	163 6	163.0	162 8	162 4	164 6
35 Miscellaneous manufactures	39	1 51	146 3	131.3	133 9	136 9	145.0	149 0	151 0	153.7	153 1	151 7	149.1	148.9	150 3	151.0
		Gross value (billions of 1972 dollars, annual rates)														
MAJOR MARKET																
36 Products, total	. . .	**507.4**	**612.7**	**578.1**	**578.4**	**584.1**	**592.6**	**601.8**	**610.5**	**620.5**	**626.6**	**637.0**	**637.8**	**640.3**	**645.0**	**653.7**
37 Final	. .	390 9	472 8	448 3	447 3	451.3	457 7	465 6	471.8	478.2	481 8	489 9	490.7	492 6	498 0	504 6
38 Consumer goods	.	277 5	328 8	310 9	312.0	313.8	318.8	325 6	330.4	333.7	336 7	341.6	340.2	339.4	342.5	345.8
39 Equipment	...	113.4	144 0	137.4	135.3	137.5	138.9	140 0	141.4	144.5	145 1	148.4	150.5	153 2	155.5	158.7
40 Intermediate	.	116 6	140 0	129.8	131.1	132.8	134 9	136.2	138.7	142.3	144 8	147.1	147 1	147 7	147.0	149 1

1 1972 dollar value.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1981	1982	1983	1983 Mar.	Apr	May	June	July	Aug	Sept	Oct.r	Nov.r	Dec.
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	986	1,001	1,594	1,467	1,536	1,635	1,761	1,782	1,652	1,506	1,630	1,642	1,605
2 1-family	564	546	882	859	841	940	1,013	920	874	837	880	911	914
3 2-or-more-family	421	454	712	608	695	695	748	862	778	669	750	731	619
4 Started	1,084	1,062	1,703	1,605	1,506	1,807	1,736	1,804	1,904	1,664	1,654	1,755	1,667
5 1-family	705	663	1,067	1,008	1,001	1,183	1,127	1,032	1,135	1,031	1,002	1,097	972
6 2-or-more-family	379	400	636	597	505	624	609	772	769	633	652	658	695
7 Under construction, end of period[1]	682	720	n.a.	828	859	900	933	963	977	988r	991	1,011	
8 1-family	382	400	n.a.	472	489	518	532	537	542	542r	537	543	
9 2-or-more-family	301	320	n.a.	356	370	382	400	425	435	446r	453	469	
10 Completed	1,266	1,006	n.a.	1,147	1,164	1,353	1,386	1,432	1,729	1,476r	1,588	1,430	n.a.
11 1-family	818	631	n.a.	788	803	851	959	1,000	1,050	966r	1,041	991	
12 2-or-more-family	447	374	n.a.	359	361	502	427	432	679	510r	547	439	
13 Mobile homes shipped	241	239	n.a.	276	291	298	308	299	305	302	291	309	
Merchant builder activity in 1-family units													
14 Number sold	436	413	624	611	635	665	658	594r	544	589r	624	629	808
15 Number for sale, end of period[1]	278	255	308	262	266	273	284	289r	296	298r	301	310	302
Price (thousands of dollars)[2]													
Median													
16 Units sold	68.8	69.3	75.4	72.5	74.7	74.5	75.8	75.2	76.8	81.0r	75.2	75.8	75.9
Average													
17 Units sold	83.1	83.8	89.7	86.2	87.6	88.8	90.9	89.2	91.3	97.8r	88.6	91.1	91.1
EXISTING UNITS (1-family)													
18 Number sold	2,418	1,991	2,717	2,710	2,730	2,900	2,940	2,790	2,710	2,720	2,610	2,600	2,820
Price of units sold (thousands of dollars)[2]													
19 Median	66.1	67.7	69.9	68.9	68.8	69.2	71.4	71.8	71.5	69.9	69.8	70.4	70.3
20 Average	78.0	80.4	82.5	81.1	81.3	81.7	84.7	84.2	84.7	82.8	83.0	83.4	83.2
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**239,418**	**232,048**	**264,854**	**241,908**	**247,360**	**254,763**	**264,321**	**274,205**	**281,997**	**285,384**	**271,650**	**275,487**	**274,956**
22 Private	186,069	180,979	214,527	194,865	199,462	206,029	214,729	222,759	228,529	232,561	222,968	225,389	224,890
23 Residential	86,567	74,809	112,786	96,127	101,961	107,494	113,524	122,297	127,136	129,142	121,688	119,246	118,181
24 Nonresidential, total	99,502	106,170	101,741	98,738	97,501	98,535	101,205	100,462	101,393	103,419	101,280	106,143	106,709
Buildings													
25 Industrial	17,031	17,346	13,136	14,263	13,223	13,047	13,136	12,227	14,227	13,166	10,532	12,280	12,842
26 Commercial	34,243	37,281	36,204	35,469	33,619	33,291	35,898	35,871	36,277	36,901	36,118	38,081	38,175
27 Other	9,543	10,507	11,734	11,598	10,770	11,237	10,974	11,250	12,038	12,564	12,279	12,001	12,476
28 Public utilities and other	38,685	41,036	40,667	37,408	39,889	40,960	41,197	41,114	38,851	40,788	42,351	43,781	43,216
29 Public	53,346	51,068	50,326	47,043	47,897	48,734	49,592	51,446	53,469	52,823	48,682	50,098	50,006
30 Military	1,966	2,205	2,470	2,541	2,784	2,255	1,894	2,655	2,258	2,705	2,515	2,619	2,687
31 Highway	13,599	13,521	14,208	11,866	12,900	13,044	12,925	14,091	15,906	15,896	14,644	14,360	15,336
32 Conservation and development	5,300	5,029	4,826	4,894	5,023	4,548	4,853	5,608	5,210	5,048	4,258	3,905	4,911
33 Other	32,481	30,313	28,822	27,742	27,190	28,887	29,920	29,092	30,095	29,174	27,265	29,214	27,132

1. Not at annual rates
2. Not seasonally adjusted
3. Value of new construction data in recent periods may not be strictly comparable with data in prior periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.

NOTE. Census Bureau estimates for all series except (a) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (b) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from originating agency. Permit authorizations are those reported to the Census Bureau from 16,000 jurisdictions beginning with 1978.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (at annual rate)				Change from 1 month earlier					Index level Dec 1983 (1967 = 100)[1]
	1982 Dec.	1983 Dec	1983				1983					
			Mar.	June	Sept.	Dec	Aug	Sept	Oct	Nov	Dec.	
CONSUMER PRICES[2]												
1 **All items**	**3.9**	**3.8**	**.4**	**5.4**	**5.3**	**4.0**	**.4**	**.5**	**.4**	**.3**	**.3**	**303.5**
2 Food	3.1	2 6	2 8	1 7	1.7	4 2	2	.3	5	1	4	293.9
3 Energy items	1 3	- 5	−25 1	21 0	7.1	−1 0	7	.7	4	.0	1	418 0
4 All items less food and energy	4 5	4.9	4 4	3 9	6.2	4 9	5	.5	.5	4	.3	293.6
5 Commodities	5 8	5.0	5.7	2 9	7 1	4 5	5	6	.6	3	2	249.0
6 Services	3 4	4.8	3 7	4 6	5 3	5 3	4	.4	.5	5	3	345.5
PRODUCER PRICES												
7 Finished goods	3 7	6	−4 7	3 0	2 5	1 5	4	2	3	− 2	2	287 1
8 Consumer foods	2 1	2.2	4 1	0	1.5	3 4	4^r	.7	1.1	−1 0	.7	264.0
9 Consumer energy	− 1	−9 0	−35 5	11 4	3 7	−8.2	.3^r	4^r	−.1	- 1 0	-1 0	769 4
10 Other consumer goods	5 3	1.8	−2.0	3 1	2.9	3 2	3^r	.0^r	0	5	.3	242 4
11 Capital equipment	3 9	2 0	2 0	1.7	2 5	1.8	6^r	-- 2^r	3	.0	2	290 5
12 Intermediate materials[3]	3	1 5	−4.7	3 2	5 3	2 3	.3^r	6^r	4	.2	0	320 3
13 Excluding energy	6	2 8	8	2.9	4 0	3.3	.2^r	3	.2	3	3	298.0
Crude materials												
14 Foods	1.5	8 1	18.1	8	5.9	7 9	3 9^r	.2	2	0	1 7	256 2
15 Energy	2 6	−4 6	−9 2	−5.1	1 5	−2 3	− 1	3	−1 0	.2	2	783 6
16 Other	−7 6	15.8	−16.2	61 9	20.2	8 5	1 1^r	1 0^r	− 3	1 7	.7	263.3

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers and reflect a rental equivalence measure of homeownership after 1982
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE Bureau of Labor Statistics

2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

Account	1981	1982	1983	1982	1983			
				Q4	Q1	Q2	Q3	Q4
GROSS NATIONAL PRODUCT								
1 **Total**	**2,954.1**	**3,073.0**	**3,309.5**	**3,109.6**	**3,171.5**	**3,272.0**	**3,362.2**	**3,432.0**
By source								
2 Personal consumption expenditures	1,857.2	1,991.9	2,158.6	2,046.9	2,073.0	2,147.0	2,181.1	2,233.1
3 Durable goods	236.1	244.5	278.6	252.1	258.5	277.7	282.8	295.2
4 Nondurable goods	733.9	761.0	804.3	773.0	777.1	799.6	814.8	825.9
5 Services	887.1	986.4	1,075.7	1,021.8	1,037.4	1,069.7	1,083.5	1,112.0
6 Gross private domestic investment	474.9	414.5	471.3	377.4	404.1	450.1	501.1	529.8
7 Fixed investment	456.5	439.1	478.2	433.8	443.5	464.6	492.5	512.1
8 Nonresidential	352.2	348.3	347.7	337.0	332.1	336.3	351.0	371.2
9 Structures	133.4	141.9	131.4	138.6	132.9	127.4	130.9	134.5
10 Producers' durable equipment	218.8	206.4	216.3	198.4	199.3	208.8	220.2	236.8
11 Residential structures	104.3	90.8	130.5	96.8	111.3	128.4	141.5	140.8
12 Nonfarm	99.8	86.0	125.5	91.2	106.7	123.3	136.3	135.6
13 Change in business inventories	18.4	−24.5	−6.9	−56.4	−39.4	−14.5	8.5	17.7
14 Nonfarm	10.9	−23.1	−1.2	−53.7	−39.0	−10.3	18.4	26.0
15 Net exports of goods and services	26.3	17.4	−10.6	5.6	17.0	−8.5	−18.3	−32.6
16 Exports	368.8	347.6	335.8	321.6	326.9	327.1	341.1	348.1
17 Imports	342.5	330.2	346.4	316.1	309.9	335.6	359.4	380.7
18 Government purchases of goods and services	595.7	649.2	690.2	679.7	677.4	683.4	698.3	701.7
19 Federal	229.2	258.7	275.2	279.2	273.5	273.7	278.1	275.6
20 State and local	366.5	390.5	415.0	400.5	404.0	409.7	420.2	426.1
By major type of product								
21 Final sales, total	2,935.6	3,097.5	3,316.4	3,165.9	3,210.9	3,286.6	3,353.7	3,414.3
22 Goods	1,291.8	1,280.8	1,361.9	1,264.8	1,292.2	1,346.8	1,388.9	1,419.8
23 Durable	528.0	500.8	544.8	474.0	482.7	536.8	568.9	590.8
24 Nondurable	763.9	780.1	817.1	790.8	809.5	810.0	820.0	829.0
25 Services	1,374.2	1,511.2	1,637.8	1,560.5	1,588.4	1,623.4	1,651.0	1,688.5
26 Structures	288.0	281.0	309.7	284.3	290.9	301.9	322.3	323.6
27 Change in business inventories	18.4	−24.5	−6.9	−56.4	−39.4	−14.5	8.5	17.7
28 Durable goods	3.6	−15.5	−4.2	−45.0	−38.2	−8.9	13.1	17.4
29 Nondurable goods	14.8	−9.1	−2.8	−11.4	−1.2	−5.7	−4.5	3
30 MEMO. **Total GNP in 1972 dollars**	**1,513.8**	**1,485.4**	**1,534.8**	**1,480.7**	**1,490.1**	**1,525.1**	**1,553.4**	**1,570.5**
NATIONAL INCOME								
31 **Total**	**2,373.0**	**2,450.4**	**2,646.9**	**2,474.0**	**2,528.5**	**2,612.8**	**2,686.9**	**n.a.**
32 Compensation of employees	1,769.2	1,865.7	1,990.1	1,889.0	1,923.7	1,968.7	2,011.8	2,056.0
33 Wages and salaries	1,493.2	1,568.1	1,664.0	1,586.0	1,610.6	1,647.1	1,681.5	1,716.6
34 Government and government enterprises	284.4	306.0	326.1	314.5	319.2	323.3	328.4	3,311.8
35 Other	1,208.8	1,262.1	1,338.3	1,271.5	1,291.5	1,323.8	1,353.1	1,384.9
36 Supplement to wages and salaries	276.0	297.6	326.1	302.9	313.1	321.6	330.3	339.3
37 Employer contributions for social insurance	132.5	140.9	152.7	142.5	148.8	151.5	153.9	156.6
38 Other labor income	143.5	156.6	173.4	160.4	164.3	170.1	176.4	182.7
39 Proprietors' income[1]	120.2	109.0	128.6	116.2	120.6	127.2	126.7	139.7
40 Business and professional[1]	89.7	87.4	107.6	90.2	98.4	106.2	111.2	114.4
41 Farm[1]	30.5	21.5	21.0	26.0	22.2	21.0	15.5	25.3
42 Rental income of persons[2]	41.4	49.9	54.8	52.3	54.1	54.8	53.9	56.2
43 Corporate profits[1]	192.3	164.8	226.3	161.9	181.8	218.2	248.4	n.a.
44 Profits before tax[3]	227.0	174.2	205.3	167.5	169.7	203.3	229.1	n.a.
45 Inventory valuation adjustment	−23.6	−8.4	−9.8	−10.3	−1.7	−10.6	−18.3	−8.5
46 Capital consumption adjustment	−11.0	−1.1	30.8	4.7	13.9	25.6	37.6	46.3
47 Net interest	249.9	261.1	247.2	254.7	248.3	243.8	246.1	250.4

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE *Survey of Current Business* (Department of Commerce)

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1981	1982	1983	1982 Q4	1983 Q1	1983 Q2	1983 Q3	1983 Q4
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**2,435.0**	**2,578.6**	**2,741.9**	**2,632.0**	**2,657.7**	**2,713.6**	**2,761.9**	**2,834.2**
2 Wage and salary disbursements	1,493.2	1,568.1	1,664.4	1,586.0	1,610.7	1,648.4	1,681.9	1,716.7
3 Commodity-producing industries	509.5	509.2	529.6	499.5	508.6	522.2	537.8	549.8
4 Manufacturing	385.3	383.8	402.7	377.4	385.4	397.4	409.2	418.6
5 Distributive industries	361.6	378.8	397.2	383.5	386.4	394.3	398.9	409.2
6 Service industries	337.7	374.1	411.5	388.5	396.4	407.3	416.4	425.9
7 Government and government enterprises	284.4	306.0	326.1	314.5	319.2	324.6	328.8	331.8
8 Other labor income	143.5	156.6	173.4	160.4	164.3	170.1	176.4	182.7
9 Proprietors' income[1]	120.2	109.0	128.6	116.2	120.6	127.2	126.7	139.7
10 Business and professional[1]	89.7	87.4	107.6	90.2	98.4	106.2	111.2	114.4
11 Farm[1]	30.5	21.5	21.0	26.0	22.2	21.0	15.5	25.3
12 Rental income of persons[2]	41.4	49.9	54.8	52.3	54.1	54.8	53.9	56.2
13 Dividends	62.8	66.4	70.5	67.9	68.8	69.3	70.9	72.9
14 Personal interest income	341.3	366.2	366.3	363.1	357.2	357.1	369.9	381.0
15 Transfer payments	337.2	374.6	403.5	399.0	398.5	405.3	402.6	407.5
16 Old-age survivors, disability, and health insurance benefits	182.0	204.5	222.8	216.5	217.4	221.1	223.8	229.0
17 LESS: Personal contributions for social insurance	104.6	112.0	119.5	112.9	116.5	118.6	120.5	122.5
18 EQUALS: Personal income	2,435.0	2,578.6	2,741.9	2,632.0	2,657.7	2,713.6	2,761.9	2,834.2
19 LESS: Personal tax and nontax payments	387.4	402.1	406.3	404.1	401.8	412.6	400.1	410.6
20 EQUALS: Disposable personal income	2,047.6	2,176.5	2,335.6	2,227.8	2,255.9	2,301.0	2,361.7	2,423.6
21 LESS: Personal outlays	1,912.4	2,051.1	2,222.5	2,107.0	2,134.2	2,209.5	2,245.9	2,300.1
22 EQUALS: Personal saving	135.3	125.4	113.1	120.8	121.7	91.5	115.8	123.5
MEMO								
Per capita (1972 dollars)								
23 Gross national product	6,584.1	6,399.3	6,550.6	6,355.2	6,381.5	6,518.5	6,621.5	6,680.0
24 Personal consumption expenditures	4,161.5	4,179.8	4,316.7	4,204.5	4,225.7	4,318.8	4,330.8	4,389.8
25 Disposable personal income	4,587.0	4,567.0	4,671.0	4,576.0	4,599.0	4,629.0	4,690.0	4,764.0
26 Saving rate (percent)	6.6	5.8	4.8	5.4	5.4	4.0	4.9	5.1
GROSS SAVING								
27 **Gross saving**	**483.8**	**405.8**	**436.0**	**351.3**	**398.5**	**420.6**	**455.4**	**n.a.**
28 Gross private saving	509.6	521.6	567.8	526.6	541.5	535.0	587.2	n.a.
29 Personal saving	135.3	125.4	113.1	120.8	121.7	91.5	115.8	123.5
30 Undistributed corporate profits[1]	44.8	37.0	77.4	37.5	48.9	70.1	89.7	n.a.
31 Corporate inventory valuation adjustment	23.6	−8.4	9.8	−10.3	−1.7	−10.6	−18.3	−8.5
Capital consumption allowances								
32 Corporate	202.9	222.0	231.6	227.7	228.3	229.8	233.1	235.1
33 Noncorporate	126.6	137.2	145.8	140.5	142.6	143.5	148.6	148.5
34 Wage accruals less disbursements	0	0	0	0	0	0	.0	.0
35 Government surplus, or deficit (−), national income and product accounts	−26.9	−115.8	131.8	−175.3	−142.9	−114.4	−131.8	n.a.
36 Federal	−62.2	147.1	−182.9	−208.2	−183.3	−166.1	−187.3	n.a.
37 State and local	35.3	31.3	51.0	32.9	40.4	51.7	55.5	n.a.
38 Capital grants received by the United States, net	1.1	0	0	0	.0	.0	0	0
39 **Gross investment**	**478.9**	**406.2**	**436.1**	**355.5**	**397.4**	**417.1**	**457.9**	**472.0**
40 Gross private domestic	474.9	414.5	471.3	377.4	404.1	450.1	501.1	529.8
41 Net foreign	4.0	−8.3	−35.2	−21.9	6.7	−33.0	−43.2	−57.8
42 **Statistical discrepancy**	**−4.9**	**.5**	**.1**	**4.2**	**−1.2**	**−3.5**	**2.5**	**2.5**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE: *Survey of Current Business* (Department of Commerce).

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.[1]

Item credits or debits	1980	1981	1982	1982 Q3	1982 Q4	1983 Q1	1983 Q2	1983 Q3p
1 Balance on current account	421	4,592	−11,211	−6,596	−6,621	−3,587	−9,655	−11,976
2 Not seasonally adjusted	...	...	...	−8,143	−5,546	−3,395	−8,898	−13,996
3 Merchandise trade balance[2]	−25,544	−28,067	−36,389	−13,078	−11,354	−8,810	−14,661	−18,169
4 Merchandise exports	224,237	237,019	211,217	52,241	48,344	49,506	48,913	50,585
5 Merchandise imports	−249,781	−265,086	−247,606	−65,319	−59,698	−58,316	−63,574	−68,754
6 Military transactions, net	−2,286	−1,355	179	54	−26	516	117	−21
7 Investment income, net[3]	29,570	33,484	27,304	6,821	6,008	5,089	5,700	6,928
8 Other service transactions, net	5,738	7,462	5,729	1,349	1,182	1,179	1,012	1,347
9 Remittances, pensions, and other transfers	−2,347	−2,382	−2,621	−656	−661	−608	−636	−656
10 U.S. government grants (excluding military)	−4,709	−4,549	−5,413	−1,086	−1,770	−953	−1,187	−1,405
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−5,140	−5,078	−5,732	−2,502	−934	−1,053	−1,162	−1,188
12 Change in U.S. official reserve assets (increase, −)	−8,155	−5,175	−4,965	−794	−1,949	−787	16	529
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−16	−1,823	−1,371	−434	−297	−98	−303	−209
15 Reserve position in International Monetary Fund	−1,667	−2,491	−2,552	−459	−732	−2,139	−212	−88
16 Foreign currencies	−6,472	−861	−1,041	99	−920	1,450	531	826
17 Change in U.S. private assets abroad (increase, −)[3]	−72,757	−100,348	−107,348	−22,803	−16,670	−19,859	488	−5,770
18 Bank-reported claims	−46,838	−83,851	−109,346	−20,631	−17,511	−15,935	5,166	−498
19 Nonbank-reported claims	−3,174	−1,181	6,976	998	2,337	−2,374	−440	n.a.
20 U.S. purchase of foreign securities, net	−3,524	−5,636	−7,986	−3,331	−3,527	−1,808	−3,222	−1,122
21 U.S. direct investments abroad, net[3]	−19,221	−9,680	3,008	161	2,031	258	−1,016	−4,150
22 Change in foreign official assets in the United States (increase, +)	15,566	5,430	3,172	2,642	1,661	49	1,973	−3,235
23 U.S. Treasury securities	9,708	4,983	5,759	4,834	4,346	3,008	1,955	−692
24 Other U.S. government obligations	2,187	1,289	−670	−71	−556	−371	−170	−363
25 Other U.S. government liabilities[4]	685	−28	504	−160	130	−270	403	148
26 Other U.S. liabilities reported by U.S. banks	−159	−3,479	−2,054	−1,911	−1,717	−1,939	611	−1,870
27 Other foreign official assets[5]	3,145	2,665	−367	−50	−542	−379	−826	−458
28 Change in foreign private assets in the United States (increase, +)[3]	39,356	75,248	84,693	14,971	9,856	16,404	8,984	21,722
29 U.S. bank-reported liabilities	10,743	42,154	64,263	10,977	2,823	10,588	919	16,344
30 U.S. nonbank-reported liabilities	6,845	942	−3,104	−425	20	−2,136	134	n.a.
31 Foreign private purchases of U.S. Treasury securities, net	2,645	2,982	7,004	1,364	2,257	2,912	3,072	1,103
32 Foreign purchases of other U.S. securities, net	5,457	7,171	6,141	420	1,975	2,986	2,628	1,867
33 Foreign direct investments in the United States, net[3]	13,666	21,998	10,390	2,635	2,781	2,054	2,231	2,408
34 Allocation of SDRs	1,152	1,093	0	0	0	0	0	0
35 Discrepancy	29,556	24,238	41,390	15,082	14,657	8,833	−644	−82
36 Owing to seasonal adjustments	...	...	...	−1,190	1,042	−212	792	−1,355
37 Statistical discrepancy in recorded data before seasonal adjustment	29,556	24,238	41,390	16,272	13,615	9,045	−1,436	1,273
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−8,155	−5,175	−4,965	−794	−1,950	−787	16	529
39 Foreign official assets in the United States (increase, +)	14,881	5,458	2,668	2,802	1,531	319	1,570	−3,383
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	12,769	13,581	7,420	368	−1,162	−1,397	−3,433	−2,151
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	756	680	644	267	158	42	30	49

1. Seasonal factors are no longer calculated for lines 12 through 41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing; military exports are excluded from merchandise data and are included in line 6.
3. Includes reinvested earnings of incorporated affiliates.
4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

Item	1980	1981	1982	1983 June	July	Aug.	Sept.	Oct	Nov	Dec
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	220,626	233,677	212,193	17,008	16,629	16,630	17,387	16,951	16,848	17,180
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	244,871	261,305	243,952	21,024	21,950	22,782	22,175	24,763	23,179	22,448
3 **Trade balance**	**−24,245**	**−27,628**	**−31,759**	**−4,016**	**−5,321**	**−6,152**	**−4,788**	**−7,812**	**−6,331**	**−5,268**

NOTE The data through 1981 in this table are reported by the Bureau of Census data of a free-alongside-ship (f.a.s.) value basis—that is, value at the port of export. Beginning in 1981, foreign trade of the U.S. Virgin Islands is included in the Census basis trade data; this adjustment has been made for all data shown in the table. Beginning with 1982 data, the value of imports are on a customs valuation basis.

The Census basis data differ from merchandise trade data shown in table 3.10, U S International Transactions Summary, for reasons of coverage and timing On the *export side*, the largest adjustments are (1) the addition of exports to Canada not covered in Census statistics, and (2) the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3 10, line 6) On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transactions, military payments are excluded and shown separately as indicated above

SOURCE FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1980	1981	1982	1983 July	Aug	Sept	Oct.	Nov.	Dec.	1984 Jan.
1 **Total**	**26,756**	**30,075**	**33,958**	**33,373**	**32,624**	**33,066**	**33,273**	**33,655**	**33,747**	**33,887**
2 Gold stock, including Exchange Stabilization Fund[1]	11,160	11,151	11,148	11,131	11,128	11,128	11,126	11,123	11,121	11,120
3 Special drawing rights[2,3]	2,610	4,095	5,250	5,496	5,543	5,628	5,641	5,735	5,025	5,050
4 Reserve position in International Monetary Fund[2]	2,852	5,055	7,348	9,475	9,296	9,399	9,554	9,883	11,312	11,422
5 Foreign currencies[4,5]	10,134	9,774	10,212	7,271	6,657	6,911	6,952	6,914	6,289	5,050

1 Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States, see table 3 13 Gold stock is valued at $42 22 per fine troy ounce

2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used, from January 1981, 5 currencies have been used The U S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974

3 Includes allocations by the International Monetary Fund of SDRs as follows. $867 million on Jan 1, 1970, $717 million on Jan 1, 1971, $710 million on Jan 1, 1972, $1,139 million on Jan 1, 1979, $1,152 million on Jan 1, 1980, and $1,093 million on Jan 1, 1981; plus transactions in SDRs

4. Valued at current market exchange rates

5. Includes U S government securities held under repurchase agreement against receipt of foreign currencies in 1979 and 1980

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1980	1981	1982	1983 July	Aug	Sept	Oct	Nov	Dec.	1984 Jan.
1 Deposits	411	505	328	369	248	297	339	360	190	251
Assets held in custody										
2 U S Treasury securities[1]	102,417	104,680	112,544	118,105	113,476	113,498	116,327	116,398	117,670	117,076
3 Earmarked gold[2]	14,965	14,804	14,716	14,727	14,693	14,621	14,550	14,475	14,414	14,347

1 Marketable U.S. Treasury bills, notes, and bonds, and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies

2. Earmarked gold is valued at $42.22 per fine troy ounce.

NOTE Excludes deposits and U.S. Treasury securities held for international and regional organizations Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data

Millions of dollars, end of period

Asset account	1980	1981	1982	1983 May	June	July	Aug	Sept r	Oct.	Nov. p
				All foreign countries						
1 **Total, all currencies**	**401,135**	**462,847**	**469,432**	**452,379r**	**465,866r**	**455,850r**	**452,596r**	**460,261**	**458,894**	**463,468**
2 Claims on United States	28,460	63,743	91,768	92,034r	97,904r	96,963r	99,484r	101,356	102,497	109,512
3 Parent bank	20,202	43,267	61,629	62,722r	65,920r	67,731r	67,137r	65,561	66,942	72,609
4 Other	8,258	20,476	30,139	29,312	31,984	29,232	32,347	35,795	35,555	36,903
5 Claims on foreigners	354,960	378,954	358,258	342,298	349,819	340,994	335,036r	340,413	337,849	335,710
6 Other branches of parent bank	77,019	87,821	91,143	86,436	88,352	84,869	84,562r	89,279	87,533	89,469
7 Banks	146,448	150,763	133,640	124,055	130,285	123,539	119,298r	120,202	117,641	114,494
8 Public borrowers	28,033	28,197	24,090	25,547	25,370	25,876	25,147r	24,982	24,979	24,324
9 Nonbank foreigners	103,460	112,173	109,385	106,260	105,812	106,710	106,029r	105,950	107,696	107,423
10 Other assets	17,715	20,150	19,406	18,047	18,143	17,893	18,076r	18,492	18,548	18,246
11 **Total payable in U.S. dollars**	**291,798**	**350,735**	**361,712**	**343,977r**	**357,499r**	**350,507r**	**348,330r**	**354,595**	**351,510**	**358,205**
12 Claims on United States	27,191	62,142	90,048	89,678r	95,627r	94,549r	96,995r	98,510	99,938	107,015
13 Parent bank	19,896	42,721	60,973	61,923r	64,591r	66,303r	65,711r	63,716	65,413	71,086
14 Other	7,295	19,421	29,075	27,755	31,036	28,246	31,284	34,794	34,525	35,929
15 Claims on foreigners	255,391	276,937	259,646	243,896	251,259	245,188	241,063r	245,541	241,248	240,768
16 Other branches of parent bank	58,541	69,398	73,512	67,787	69,496	67,160	66,599r	71,248	69,314	71,452
17 Banks	117,342	122,110	106,338	96,071	102,862	97,197	93,816r	95,138	92,059	90,142
18 Public borrowers	23,491	22,877	18,374	19,001	18,681	19,108	18,804r	18,455	18,531	17,752
19 Nonbank foreigners	56,017	62,552	61,422	61,037	60,220	61,723	61,844r	60,700	61,344	61,422
20 Other assets	9,216	11,656	12,018	10,403	10,613	10,770	10,272r	10,544	10,324	10,422
				United Kingdom						
21 **Total, all currencies**	**144,717**	**157,229**	**161,067**	**151,821**	**155,631**	**153,209**	**154,865**	**156,048**	**156,803**	**155,964**
22 Claims on United States	7,509	11,823	27,354	24,847	26,279	26,012	29,722	28,947	30,853	32,352
23 Parent bank	5,275	7,885	23,017	20,456	21,384	20,849	22,169	20,816	22,794	23,959
24 Other	2,234	3,938	4,337	4,391	4,895	5,163	7,553	8,131	8,059	8,393
25 Claims on foreigners	131,142	138,888	127,734	121,187	123,835	121,757	119,672	121,518	120,660	118,468
26 Other branches of parent bank	34,760	41,367	37,000	33,361	35,787	35,632	35,555	36,382	36,556	35,642
27 Banks	58,741	56,315	50,767	47,623	48,328	46,643	44,303	45,451	43,888	42,683
28 Public borrowers	6,688	7,490	6,240	6,599	6,570	6,440	6,342	6,274	6,280	6,397
29 Nonbank foreigners	30,953	33,716	33,727	33,604	33,150	33,042	33,472	33,411	33,936	33,746
30 Other assets	6,066	6,518	5,979	5,787	5,517	5,440	5,471	5,583	5,290	5,144
31 **Total payable in U.S. dollars**	**99,699**	**115,188**	**123,740**	**112,585**	**118,023**	**116,526**	**119,377**	**121,238**	**121,817**	**121,744**
32 Claims on United States	7,116	11,246	26,761	24,044	25,536	25,180	28,905	27,837	30,095	31,671
33 Parent bank	5,229	7,721	22,756	20,092	21,017	20,434	21,720	20,036	22,371	23,624
34 Other	1,887	3,525	4,005	3,952	4,519	4,746	7,185	7,801	7,724	8,047
35 Claims on foreigners	89,723	99,850	92,228	84,779	88,587	87,450	86,868	89,530	88,253	86,614
36 Other branches of parent bank	28,268	35,439	31,648	27,579	30,025	30,122	30,053	31,409	31,414	30,371
37 Banks	42,073	40,703	36,717	32,801	34,417	33,159	31,718	33,237	31,796	31,158
38 Public borrowers	4,911	5,595	4,329	4,497	4,547	4,420	4,410	4,329	4,346	4,377
39 Nonbank foreigners	14,471	18,113	19,534	19,902	19,598	19,749	20,687	20,555	20,697	20,708
40 Other assets	2,860	4,092	4,751	3,762	3,900	3,896	3,604	3,871	3,469	3,459
				Bahamas and Caymans						
41 **Total, all currencies**	**123,837**	**149,108**	**145,156**	**141,147r**	**146,886r**	**142,432r**	**139,699r**	**143,148**	**141,311**	**147,258**
42 Claims on United States	17,751	46,546	59,403	62,672r	66,565r	66,032r	63,923r	66,547	66,253	71,363
43 Parent bank	12,631	31,643	34,653	39,157r	40,591r	42,946r	40,308r	40,152	40,105	44,414
44 Other	5,120	14,903	24,750	23,515	25,974	23,086	23,615	26,395	26,148	26,949
45 Claims on foreigners	101,926	98,057	81,450	74,817	76,719	72,683	72,021	72,826	71,268	71,995
46 Other branches of parent bank	13,342	12,951	18,720	18,537	16,658	15,565	15,344	16,764	15,807	17,994
47 Banks	54,861	55,151	42,699	37,589	41,707	37,384	37,360	36,634	35,974	35,352
48 Public borrowers	12,577	10,010	6,413	6,170	5,935	6,538	6,404	6,461	6,527	5,890
49 Nonbank foreigners	21,146	19,945	13,618	12,521	12,419	13,196	12,913	12,967	12,960	12,759
50 Other assets	4,160	4,505	4,303	3,658	3,602	3,717	3,755	3,775	3,790	3,900
51 **Total payable in U.S. dollars**	**117,654**	**143,743**	**139,605**	**135,318r**	**140,796r**	**136,301r**	**133,233r**	**136,851**	**134,690**	**140,842**

3.14 Continued

Liability account	1980	1981	1982	1983 May	1983 June	1983 July	1983 Aug	1983 Sept	1983 Oct	1983 Nov.[p]
	All foreign countries									
52 **Total, all currencies**	**401,135**	**462,847**	**469,432**	**452,379[r]**	**465,866[r]**	**455,850[r]**	**452,596[r]**	**460,261[r]**	**458,894**	**463,468**
53 To United States	91,079	137,767	178,918	183,977[r]	191,579[r]	187,713[r]	183,864[r]	182,675[r]	185,599	184,237
54 Parent bank	39,286	56,344	75,561	80,970[r]	84,576[r]	81,752[r]	77,556[r]	78,038[r]	85,057	79,591
55 Other banks in United States	14,473	19,197	33,368	31,815	33,672	31,490	29,880	30,982[r]	27,075	26,237
56 Nonbanks	37,275	62,226	69,989	71,192	73,331	74,471	76,428	73,655	73,467	78,409
57 To foreigners	295,411	305,630	270,678	250,813	256,102	249,823	250,563[r]	259,438[r]	254,634	260,301
58 Other branches of parent bank	75,773	86,396	90,148	84,903	86,546	83,911	82,871[r]	88,029[r]	85,566	88,311
59 Banks	132,116	124,906	96,739	84,637	87,153	84,649	85,433[r]	86,565[r]	84,533	88,258
60 Official institutions	32,473	25,997	19,614	17,199	18,621	18,287	17,830[r]	20,513	19,403	18,177
61 Nonbank foreigners	55,049	68,331	64,177	64,074	63,782	62,976	64,429	64,331[r]	65,132	65,555
62 Other liabilities	14,690	19,450	19,836	17,589	18,185	18,314	18,169[r]	18,148[r]	18,661	18,930
63 **Total payable in U.S. dollars**	**303,281**	**364,447**	**379,003**	**363,480[r]**	**376,149[r]**	**368,650[r]**	**365,583**	**373,060[r]**	**369,935**	**374,426**
64 To United States	88,157	134,700	175,431	180,201[r]	188,081[r]	184,215[r]	180,173[r]	178,900[r]	181,692	180,261
65 Parent bank	37,528	54,492	73,235	78,704[r]	82,379[r]	79,496[r]	75,244[r]	75,753[r]	82,660	77,126
66 Other banks in United States	14,203	18,883	33,003	31,222	33,242	31,116	29,334	30,415[r]	26,548	25,763
67 Nonbanks	36,426	61,325	69,193	70,275	72,460	73,603	75,595	72,732	72,484	77,372
68 To foreigners	206,883	217,602	192,348	174,176	178,877	174,836[r]	175,616[r]	184,343[r]	178,895	184,223
69 Other branches of parent bank	58,172	69,299	72,878	66,664	68,356	67,228	65,679[r]	70,623[r]	68,064	70,976
70 Banks	87,497	79,594	57,355	47,424	49,916	48,062	49,522[r]	50,877[r]	48,264	52,107
71 Official institutions	24,697	20,288	15,055	12,641	13,912	13,517	13,029[r]	15,400	14,630	13,453
72 Nonbank foreigners	36,517	48,421	47,060	47,447	46,693	46,029[r]	47,386[r]	47,443[r]	47,937	47,687
73 Other liabilities	8,241	12,145	11,224	9,103	9,191	9,599	9,794[r]	9,817	9,348	9,942
	United Kingdom									
74 **Total, all currencies**	**144,717**	**157,229**	**161,067**	**151,821**	**155,631**	**153,209**	**154,865**	**156,048**	**156,803**	**155,964**
75 To United States	21,785	38,022	53,954	53,603	56,952	56,959	58,347	56,924	60,903	57,095
76 Parent bank	4,225	5,444	13,091	13,907	14,461	15,011	16,145	16,852	21,385	17,312
77 Other banks in United States	5,716	7,502	12,205	12,773	13,503	12,993	12,462	12,174	10,751	10,176
78 Nonbanks	11,844	25,076	28,658	26,923	28,988	28,955	29,740	27,898	28,767	29,607
79 To foreigners	117,438	112,255	99,567	91,071	91,545	89,198	89,458	92,122	88,727	91,714
80 Other branches of parent bank	15,384	16,545	18,361	20,235	18,376	17,544	17,595	19,365	18,288	18,841
81 Banks	56,262	51,336	44,020	37,594	38,238	37,192	37,571	37,122	35,847	39,088
82 Official institutions	21,412	16,517	11,504	9,413	10,848	10,146	9,588	11,448	10,611	9,871
83 Nonbank foreigners	24,380	27,857	25,682	23,829	24,083	24,316	24,704	24,187	23,981	23,914
84 Other liabilities	5,494	6,952	7,546	7,147	7,134	7,052	7,060	7,002	7,173	7,155
85 **Total payable in U.S. dollars**	**103,440**	**120,277**	**130,261**	**120,324**	**124,760**	**123,265**	**125,656**	**127,868**	**128,600**	**127,234**
86 To United States	21,080	37,332	53,029	52,473	56,092	56,081	57,359	55,931	59,824	55,907
87 Parent bank	4,078	5,350	12,814	13,696	14,308	14,812	15,829	16,673	21,145	17,094
88 Other banks in United States	5,626	7,249	12,026	12,439	13,313	12,833	12,223	11,886	10,523	9,880
89 Nonbanks	11,376	24,733	28,189	26,338	28,471	28,436	29,307	27,372	28,156	28,933
90 To foreigners	79,636	79,034	73,477	64,621	65,428	63,818	64,801	68,252	65,347	68,011
91 Other branches of parent bank	10,474	12,048	14,300	15,636	14,117	13,386	13,421	15,166	14,542	15,044
92 Banks	35,388	32,298	28,810	22,960	23,895	23,453	24,447	24,478	23,136	26,343
93 Official institutions	17,024	13,612	9,668	7,306	8,786	8,065	7,630	9,381	8,742	8,029
94 Nonbank foreigners	16,750	21,076	20,699	18,719	18,630	18,914	19,303	19,227	18,927	18,595
95 Other liabilities	2,724	3,911	3,755	3,230	3,240	3,366	3,496	3,685	3,429	3,316
	Bahamas and Caymans									
96 ***Total, all currencies***	***123,837***	***149,108***	***145,156***	***141,147[r]***	***146,886[r]***	***142,432[r]***	***139,699[r]***	***143,148[r]***	***141,311***	***147,258***
97 To United States	59,666	85,759	104,425	108,973[r]	111,725[r]	108,623[r]	104,470[r]	104,666[r]	104,198	106,668
98 Parent bank	28,181	39,451	47,081	51,271[r]	53,720[r]	50,777[r]	46,491[r]	45,493[r]	48,264	46,693
99 Other banks in United States	7,379	10,474	18,466	16,143	16,921	15,495	14,560	16,191	14,303	14,090
100 Nonbanks	24,106	35,834	38,878	41,559	41,084	42,351	43,419	42,982	41,631	45,885
101 To foreigners	61,218	60,012	38,274	29,998	33,088	31,560	32,875	36,163	34,734	38,130
102 Other branches of parent bank	17,040	20,641	15,796	10,073	11,822	12,262	12,778[r]	14,683	14,196	17,040
103 Banks	29,895	23,202	10,166	7,618	9,024	8,012	8,737	9,521	9,059	9,653
104 Official institutions	4,361	3,498	1,967	1,734	1,796	2,101	2,170[r]	2,237	1,976	1,624
105 Nonbank foreigners	9,922	12,671	10,345	10,573	10,446	9,185	9,190	9,722	9,503	9,813
106 Other liabilities	2,953	3,337	2,457	2,176	2,073	2,249	2,354	2,319	2,379	2,460
107 **Total payable in U.S. dollars**	**119,657**	**145,284**	**141,908**	**138,051[r]**	**143,596[r]**	**139,246[r]**	**136,227[r]**	**139,854[r]**	**137,513**	**143,604**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1981	1982r	1983						
			June r	July r	Aug. r	Sept. r	Oct. r	Nov.	Dec. p
1 **Total**[1]	**169,735**	**172,718**	**174,338**	**175,576**	**172,799**	**171,550**	**173,272**	**173,921**	**178,533**
By type									
2 Liabilities reported by banks in the United States[2]	26,737	24,989	23,339	21,372	22,239	21,914	22,057	22,816	25,642
3 U.S. Treasury bills and certificates[3]	52,389	46,658	49,118	53,484	50,965	50,374	51,618	52,558	54,341
U.S. Treasury bonds and notes									
4 Marketable	53,186	67,733	71,093	70,180	69,295	69,300	69,769	69,001	68,997
5 Nonmarketable[4]	11,791	8,750	7,950	7,950	7,950	7,950	7,950	7,250	7,250
6 U.S. securities other than U.S. Treasury securities[5]	25,632	24,588	22,838	22,590	22,350	22,012	21,878	22,296	22,303
By area									
7 Western Europe[1]	65,699	61,298	63,699	66,365	64,427	63,845	64,835	65,594	67,569
8 Canada	2,403	2,070	2,826	2,879	2,755	2,712	2,816	2,670	2,443
9 Latin America and Caribbean	6,953	6,057	6,513	5,421	5,676	5,501	5,629	6,468	6,485
10 Asia	91,607	96,034	94,729	94,384	93,183	92,876	92,415	91,567	92,961
11 Africa	1,829	1,350	1,075	1,138	1,173	1,196	1,023	798	987
12 Other countries[6]	1,244	5,909	5,496	5,389	5,585	5,420	6,554	6,824	8,088

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies

Millions of dollars, end of period

Item	1979	1980	1981	1982	1983		
				Dec.	Mar.	June r	Sept
1 Banks' own liabilities	1,918	3,748	3,523	4,844	5,075	5,867	5,943
2 Banks' own claims	2,419	4,206	4,980	7,707	8,097	7,851	7,919
3 Deposits	994	2,507	3,398	4,251	3,725	3,911	3,063
4 Other claims	1,425	1,699	1,582	3,456	4,372	3,940	4,856
5 Claims of banks' domestic customers[1]	580	962	971	676	637	684	717

1. 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 their domestic customers.

NOTE. Data on claims exclude foreign currencies held by U.S. monetary authorities.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States
Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1980	1981▲	1982	1983						
				June r	July r	Aug r	Sept	Oct r	Nov	Dec p
1 **All foreigners**	**205,297**	**243,889**	**307,056r**	**321,592**	**327,300**	**334,931**	**337,910**	**337,766**	**351,488**	**371,406**
2 Banks' own liabilities	124,791	163,817	227,089r	237,478	239,444	248,250	251,421	248,888	262,332	280,996
3 Demand deposits	23,462	19,631	15,889r	17,177	15,595	15,672	16,375	17,094	17,198	17,494
4 Time deposits[1]	15,076	29,039	68,035r	75,437	74,721	77,888	81,091	80,468	84,335	90,010
5 Other[2]	17,583	17,647	23,946r	24,110	21,932	23,905	24,956	22,565	23,117	26,108
6 Own foreign offices[3]	68,670	97,500	119,219r	120,755	127,195	130,785	129,000	128,760	137,682	147,384
7 Banks' custody liabilities[4]	80,506	80,072	79,967	84,114	87,856	86,682	86,488	88,878	89,156	90,410
8 U.S. Treasury bills and certificates[5]	57,595	55,315	55,628	61,338	65,237	63,939	64,062	65,735	66,746	68,669
9 Other negotiable and readily transferable instruments[6]	20,079	18,788	20,636	18,613	17,986	17,977	17,292	17,182	17,721	17,490
10 Other	2,832	5,970	3,702	4,163	4,634	4,765	5,135	5,961	4,690	4,251
11 **Nonmonetary international and regional organizations[7]**	**2,344**	**2,721**	**4,922**	**5,456**	**5,678**	**5,555**	**5,308**	**4,619**	**6,321**	**6,147**
12 Banks' own liabilities	444	638	1,909	3,048	4,030	3,433	3,024	3,294	4,897	4,822
13 Demand deposits	146	262	106	165	307	325	252	452	437	297
14 Time deposits[1]	85	58	1,664	2,483	3,010	2,507	2,168	2,487	4,079	4,075
15 Other[2]	212	318	139	400	713	601	605	355	381	449
16 Banks' custody liabilities[4]	1,900	2,083	3,013	2,408	1,648	2,121	2,284	1,325	1,424	1,325
17 U.S. Treasury bills and certificates	254	541	1,621	1,538	678	1,294	1,442	441	484	463
18 Other negotiable and readily transferable instruments[6]	1,646	1,542	1,392	870	970	828	842	884	939	862
19 Other	0	0	0	0	0	0	0	0	0	0
20 **Official institutions[8]**	**86,624**	**79,126**	**71,647**	**72,458**	**74,856**	**73,205**	**72,289**	**73,675**	**75,374**	**79,983**
21 Banks' own liabilities	17,826	17,109	16,640	16,441	15,204	16,014	16,147	16,532	16,673	19,535
22 Demand deposits	3,771	2,564	1,899r	2,060	1,774	1,685	1,930	1,818	2,023	1,837
23 Time deposits[1]	3,612	4,230	5,528	6,061	6,196	5,990	6,185	6,657	6,709	7,519
24 Other[2]	10,443	10,315	9,212r	8,320	7,234	8,340	8,033	8,057	7,940	10,179
25 Banks' custody liabilities[4]	68,798	62,018	55,008	56,017	59,652	57,191	56,142	57,144	58,701	60,448
26 U.S. Treasury bills and certificates[5]	56,243	52,389	46,658	49,118	53,484	50,965	50,374	51,618	52,558	54,341
27 Other negotiable and readily transferable instruments[6]	12,501	9,581	8,321	6,881	6,139	6,186	5,735	5,489	6,115	6,082
28 Other	54	47	28	17	29	39	32	36	28	25
29 **Banks[9]**	**96,415**	**136,008**	**185,881r**	**192,487**	**195,302**	**203,153**	**205,879**	**203,637**	**214,164**	**228,500**
30 Banks' own liabilities	90,456	124,312	169,449r	173,026	175,174	182,700	184,811	181,696	192,725	206,973
31 Unaffiliated foreign banks	21,786	26,812	50,230r	52,270	47,978	51,914	55,811	52,936	55,043	59,590
32 Demand deposits	14,188	11,614	8,675	9,134	8,074	8,302	8,618	9,102	8,770	8,740
33 Time deposits[1]	1,703	8,720	28,386r	28,279	26,558	29,300	31,468	30,329	32,265	36,232
34 Other[2]	5,895	6,477	13,169r	14,857	13,346	14,312	15,725	13,505	14,008	14,617
35 Own foreign offices[3]	68,670	97,500	119,219r	120,755	127,195	130,785	129,000	128,760	137,682	147,384
36 Banks' custody liabilities[4]	5,959	11,696	16,432	19,461	20,128	20,454	21,069	21,941	21,438	21,527
37 U.S. Treasury bills and certificates	623	1,685	5,809	8,402	8,608	9,028	9,440	10,036	9,967	10,178
38 Other negotiable and readily transferable instruments[6]	2,748	4,400	7,857	7,771	7,821	7,581	7,553	7,542	7,251	7,473
39 Other	2,588	5,611	2,766	3,289	3,699	3,845	4,075	4,363	4,221	3,876
40 **Other foreigners**	**19,914**	**26,035**	**44,606**	**51,191**	**51,464**	**53,018**	**54,433**	**55,834**	**55,630**	**56,776**
41 Banks' own liabilities	16,065	21,759	39,092	44,963	45,037	46,103	47,439	47,366	48,037	49,667
42 Demand deposits	5,356	5,191	5,209	5,817	5,439	5,360	5,575	5,723	5,968	6,619
43 Time deposits	9,676	16,030	32,457	38,614	38,958	40,091	41,270	40,995	41,282	42,184
44 Other[2]	1,033	537	1,426	533	640	652	594	648	787	863
45 Banks' custody liabilities[4]	3,849	4,276	5,514	6,228	6,428	6,916	6,995	8,468	7,593	7,109
46 U.S. Treasury bills and certificates	474	699	1,540	2,279	2,466	2,652	2,805	3,640	3,737	3,686
47 Other negotiable and readily transferable instruments[6]	3,185	3,265	3,065	3,091	3,055	3,383	3,162	3,267	3,415	3,073
48 Other	190	312	908	857	906	881	1,028	1,562	441	350
49 MEMO. Negotiable time certificates of deposit in custody for foreigners	10,745	10,747	14,307	11,470	10,941	10,720	10,336	9,995	10,385	10,369

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments, and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

3.17 Continued

Area and country	1980	1981▲	1982	1983						
				June	July	Aug.	Sept	Oct	Nov	Dec. [p]
1 **Total**	**205,297**	**243,889**	**307,056r**	**321,592r**	**327,300r**	**334,931r**	**337,910**	**337,766r**	**351,488**	**371,406**
2 **Foreign countries**	**202,953**	**241,168**	**302,134r**	**316,136r**	**321,622r**	**329,377r**	**332,601**	**333,147r**	**345,168**	**365,259**
3 Europe	90,897	91,275	117,756r	118,681r	118,881r	123,607r	125,850	126,694r	130,099	137,060
4 Austria	523	596	519	640	610	556	659	570	641	585
5 Belgium-Luxembourg	4,019	4,117	2,517	2,852r	2,960r	3,116	2,795	2,853	2,465	2,709
6 Denmark	497	333	509	616	612	573	593	544	538	478
7 Finland	455	296	748	447	292	459	373	372	375	526
8 France	12,125	8,486	8,171	6,774r	8,850r	8,488	8,827	8,638r	8,083	9,436
9 Germany	9,973	7,645	5,351	3,433r	3,710r	3,537	3,438	4,307	4,337	3,587
10 Greece	670	463	537	567	588	636	604	595	544	519
11 Italy	7,572	7,267	5,626	6,634	7,790	7,277	6,931	7,703	7,819	8,492
12 Netherlands	2,441	2,823	3,362	3,247r	3,415r	3,633	3,892	3,735r	3,701	4,290
13 Norway	1,344	1,457	1,567	1,719	900	1,044	1,457	1,072	1,531	1,599
14 Portugal	374	354	388	350	338	315	302	297	306	384
15 Spain	1,500	916	1,405	1,615	1,694	1,585	1,678	1,592	1,534	1,601
16 Sweden	1,737	1,545	1,390	1,493	1,407	1,204	1,337	1,489r	1,652	1,799
17 Switzerland	16,689	18,716	29,066	29,950r	29,972r	29,877r	29,938	30,725	30,482	31,782
18 Turkey	242	518	296	198	224	315	333	277	319	466
19 United Kingdom	22,680	28,286	48,172	50,461r	48,080r	53,768r	55,602	54,746	58,016	60,288
20 Yugoslavia	681	375	499	504	427	462	506	464	552	427
21 Other Western Europe[1]	6,939	6,541	7,006	6,656r	6,514	6,347r	6,038	6,102r	6,660	7,433
22 U.S.S.R.	68	49	50	71	45	31	23	37	27	65
23 Other Eastern Europe[2]	370	493	576r	451r	453	384	525	576	518	594
24 Canada	10,031	10,250	12,232	16,369r	16,838r	17,918r	16,470	16,325	16,349	16,016
25 Latin America and Caribbean	53,170	85,223	114,163r	120,842r	124,449r	126,631r	127,077	127,237r	135,038	142,906
26 Argentina	2,132	2,445	3,578	4,751r	5,017	4,249	4,148	4,018	4,377	4,016
27 Bahamas	16,381	34,856	44,744r	49,558r	54,506	51,992r	49,859	51,180r	53,551	56,076
28 Bermuda	670	765	1,572	2,040r	2,363r	2,849r	2,833	2,632	2,582	2,357
29 Brazil	1,216	1,568	2,014	2,675	2,704r	3,046r	3,406	3,818	4,179	3,395
30 British West Indies	12,766	17,794	26,381r	24,795r	24,337r	26,967r	28,442	27,410	31,666	36,510
31 Chile	460	664	1,626	1,355	1,385	1,472	1,613	1,697	1,783	1,896
32 Colombia	3,077	2,993	2,594	1,719	1,618	1,674	1,611	1,617	1,645	1,697
33 Cuba	6	9	9	13	11	12	10	10	10	8
34 Ecuador	371	434	455	581	532	601	670	825	1,003	1,047
35 Guatemala	367	479	670	705	697	718	758	750	766	788
36 Jamaica	97	87	126	130	108	106	109	105	234	139
37 Mexico	4,547	7,235	8,377	9,034r	9,142	9,445	9,697	9,449r	9,459	10,162
38 Netherlands Antilles	413	3,182	3,597	3,514	3,434	3,486	3,581	3,858r	3,941	3,861
39 Panama	4,718	4,857	4,805	5,702r	5,608	5,934	6,079	5,902	5,914	6,098
40 Peru	403	694	1,147	1,148	1,055	1,129	1,203	1,049	1,120	1,163
41 Uruguay	254	367	759	957r	960r	1,033	1,116	1,202	1,159	1,221
42 Venezuela	3,170	4,245	8,417	8,631	7,715	8,587	8,382	8,202	8,023	8,589
43 Other Latin America and Caribbean	2,123	2,548	3,291	3,533r	3,257	3,331	3,561	3,513	3,626	3,883
44 Asia	42,420	49,822	48,716	51,994r	53,068r	52,649r	54,583	53,370	54,120	58,403
China										
45 Mainland	49	158	203	208	192	176	190	216	184	249
46 Taiwan	1,662	2,082	2,761	3,744	3,913	4,086	3,852	3,992	4,063	3,993
47 Hong Kong	2,548	3,950	4,465	5,609r	5,581r	5,614r	6,582	6,507	6,970	6,613
48 India	416	385	433	669	606	528	712	830	725	464
49 Indonesia	730	640	857	554	1,245	839	622	871	661	997
50 Israel	883	592	606	839r	676r	823r	848	812	808	1,886
51 Japan	16,281	20,750	16,078	17,006	17,655	16,922	17,418	17,103	17,137	17,936
52 Korea	1,528	2,013	1,692	1,326	1,552	1,553	1,478	1,353	1,591	1,670
53 Philippines	919	874	770	818	770	933	1,181	747	1,012	1,239
54 Thailand	464	534	629	702r	537	531	581	522	569	715
55 Middle-East oil-exporting countries[3]	14,453	12,992	13,433	11,833r	11,875r	11,764	12,661	12,410	12,492	12,965
56 Other Asia	2,487	4,853	6,789	8,685	8,467	8,877	8,458	8,007	7,907	9,676
57 Africa	5,187	3,180	3,124	2,693	2,916	2,853	3,132	2,845	2,694	2,826
58 Egypt	485	360	432	467	554	465	488	576	589	642
59 Morocco	33	32	81	54	57	48	84	73	96	84
60 South Africa	288	420	292	355	403	452	520	394	389	449
61 Zaire	57	26	23	59	55	29	34	43	32	87
62 Oil-exporting countries[4]	3,540	1,395	1,280	743	928	934	963	736	679	620
63 Other Africa	783	946	1,016	1,014	919	926	1,042	1,023	909	944
64 Other countries	1,247	1,419	6,143	5,557r	5,469	5,719	5,490	6,675	6,868	8,047
65 Australia	950	1,223	5,904	5,404	5,250	5,512	5,284	6,461	6,666	7,850
66 All other	297	196	239	154r	219	208	206	214	202	197
67 Nonmonetary international and regional organizations	2,344	2,721	4,922	5,456	5,678	5,555	5,308	4,619	6,321	6,147
68 International	1,157	1,661	4,049	4,750r	4,987	4,861	4,674	3,944	5,556	5,463
69 Latin American regional	890	710	517	443	454	441	445	437	415	419
70 Other regional[5]	296	350	357	263r	237	252	189	238	350	265

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1980	1981▲	1982	1983 June r	1983 July	1983 Aug	1983 Sept	1983 Oct	1983 Nov	1983 Dec p
1 **Total**	**172,592**	**251,589r**	**355,705r**	**373,887**	**367,281r**	**372,387r**	**375,536**	**372,790r**	**376,937**	**384,394**
2 **Foreign countries**	**172,514**	**251,533r**	**355,636r**	**373,444**	**366,945r**	**372,068r**	**374,939**	**372,730r**	**376,867**	**384,230**
3 Europe	32,108	49,262	85,584r	86,827	84,882r	87,996r	90,522	88,718r	89,570	89,525
4 Austria	236	121	229	342	383	338	351	334	395	397
5 Belgium-Luxembourg	1,621	2,849	5,138	5,803	5,471r	5,898r	5,650	5,503	5,548	5,460
6 Denmark	127	187	554	1,098	1,096r	1,124	1,131	1,103	1,272	1,213
7 Finland	460	546	990	870	724r	637	697	789	822	989
8 France	2,958	4,127	7,251	7,942	7,953r	8,589	7,869	7,390	7,885	8,564
9 Germany	948	940	1,876	1,404	1,112	1,168r	1,428	1,095	1,256	1,234
10 Greece	256	333	452	574	458	375	408	369	412	476
11 Italy	3,364	5,240	7,560	7,335	7,406r	7,412r	7,038	7,686	8,432	9,175
12 Netherlands	575	682	1,425	1,165	967	1,048	1,189	1,071r	1,390	1,231
13 Norway	227	384	572	652	598	634	550	575	590	684
14 Portugal	331	529	950	849	844	848	861	893	891	932
15 Spain	993	2,095	3,744	3,207	3,345r	3,373	3,389	3,128	3,634	3,527
16 Sweden	783	1,205	3,038	2,859	2,910	2,836	3,081	3,059	3,252	3,232
17 Switzerland	1,446	2,213	1,639	1,603	1,727	1,630	1,765	1,579	2,112	1,834
18 Turkey	145	424	560	570	629	594	616	660	693	798
19 United Kingdom	14,917	23,849	45,781r	46,689	45,664r	47,863r	50,780	49,841r	47,198	45,774
20 Yugoslavia	853	1,225	1,430	1,464	1,381	1,351	1,369	1,468	1,582	1,692
21 Other Western Europe[1]	179	211	368	334	358r	406	529	394	428	462
22 U.S.S.R.	281	377	263	373	288	232	215	206	176	245
23 Other Eastern Europe[2]	1,410	1,725	1,762	1,692	1,566	1,640r	1,606	1,575	1,601	1,604
24 Canada	4,810	9,193	13,678	16,694	16,517r	17,501	16,525	15,885	16,390	16,223
25 Latin America and Caribbean	92,992	138,347r	187,969r	199,102	195,289r	195,281r	194,391	195,109r	200,423	204,687
26 Argentina	5,689	7,527	10,974	11,243	11,112	11,334	11,444	11,618	11,899	11,823
27 Bahamas	29,419	43,542r	56,649r	61,820	58,836r	54,687r	55,009	56,220r	58,919	59,885
28 Bermuda	218	346	603	447	342r	390	578	489r	559	568
29 Brazil	10,496	16,926	23,271	23,359	23,742r	24,231r	24,282	24,202r	24,573	24,442
30 British West Indies	15,663	21,981r	29,101	32,738	30,432r	32,266r	30,877	30,796	32,139	35,180
31 Chile	1,951	3,690	5,513	5,161	5,188	5,404r	5,792	5,740	5,860	6,060
32 Colombia	1,752	2,018	3,211	3,601	3,656	3,592	3,665	3,648	3,734	3,826
33 Cuba	3	3	3	0	0	0	0	3	0	0
34 Ecuador	1,190	1,531	2,062	2,038	2,018	2,014	2,020	2,154	2,262	2,336
35 Guatemala[3]	137	124	124	90	96	100	112	115	122	133
36 Jamaica[3]	36	62	181	207	209	204	214	203	210	209
37 Mexico	12,595	22,439	29,552	32,426	32,962r	33,689	33,740	33,521r	33,728	34,514
38 Netherlands Antilles	821	1,076	839	522	943	838	897	988r	1,164	1,064
39 Panama	4,974	6,794	10,210	8,840	9,177r	10,093r	9,189	8,835	8,336	7,570
40 Peru	890	1,218	2,357	2,627	2,506	2,421	2,470	2,434	2,469	2,537
41 Uruguay	137	157	686	820	833	820	857	883	903	964
42 Venezuela	5,438	7,069	10,643	11,036	11,121	11,045	11,037	10,881	11,088	11,193
43 Other Latin America and Caribbean	1,583	1,844	1,991	2,129	2,115r	2,152r	2,209	2,379r	2,457	2,383
44 Asia	39,078	49,851	60,952r	62,812	62,069r	62,585r	64,751	63,772r	61,154	64,485
China										
45 Mainland	195	107	214	166	124	179	227	295	249	292
46 Taiwan	2,469	2,461	2,288	1,760	1,715	1,644	1,829	1,618	1,572	1,720
47 Hong Kong	2,247	4,132	6,787r	7,917	8,096r	8,022	8,704	8,287r	8,782	7,925
48 India	142	123	222	230	245	275	259	324	305	302
49 Indonesia	245	352	348	544	595	635	688	697	711	501
50 Israel	1,172	1,567	2,029	2,181	1,657	1,648r	1,726	1,780	1,817	1,780
51 Japan	21,361	26,797	28,379r	27,611	27,876r	27,438r	28,563	28,239r	25,773	29,062
52 Korea	5,697	7,340	9,387	9,129	9,639	9,696	9,634	9,314	9,624	9,516
53 Philippines	989	1,819	2,625	2,820	2,630r	2,540r	2,777	2,369	2,427	2,056
54 Thailand	876	565	643	788	689	735	806	831	867	974
55 Middle East oil-exporting countries[4]	1,432	1,581	3,087	4,461	4,003	4,654	4,142	4,630r	4,236	4,979
56 Other Asia	2,252	3,009	4,943	5,207	4,800r	5,119r	5,395	5,388r	4,791	5,379
57 Africa	2,377	3,503	5,346	5,665	5,940r	6,527	6,482	6,889	6,808	6,676
58 Egypt	151	238	322	450	486	529	596	623	670	683
59 Morocco	223	284	353	463	484	444	444	462	461	446
60 South Africa	370	1,011	2,012	2,231	2,407	2,630	2,719	2,582	2,892	2,650
61 Zaire	94	112	57	46	45	40	38	38	37	33
62 Oil-exporting countries[5]	805	657	801	830	850	1,052	964	1,481	1,039	1,101
63 Other	734	1,201	1,802	1,645	1,668r	1,832	1,722	1,703	1,709	1,764
64 Other countries	1,150	1,376	2,107	2,343	2,248	2,178r	2,267	2,357	2,522	2,633
65 Australia	859	1,203	1,713	1,724	1,635	1,637r	1,675	1,692	1,899	2,078
66 All other	290	172	394	620	613	542	593	664	624	555
67 Nonmonetary international and regional organizations[6]	78	56	68	443	336r	319r	598	60	70	164

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
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."

NOTE. Data for period before April 1978 include claims of banks' domestic customers on foreigners.

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1980	1981▲ r	1982 r	1983						
				June r	July r	Aug. r	Sept.	Oct. r	Nov	Dec. p
1 **Total**	**198,698**	**287,557**	**396,015**	**409,592**	....	....	**411,639**	....	....	....
2 Banks' own claims on foreigners	172,592	251,589	355,705	373,887	367,281	372,387	375,536	372,790	376,937	384,394
3 Foreign public borrowers	20,882	31,260	45,422	49,964	50,337	52,009	53,699	54,770	56,007	57,617
4 Own foreign offices[1]	65,084	96,653	127,293	140,233	135,840	137,166	137,382	141,971	139,759	143,880
5 Unaffiliated foreign banks	50,168	74,704	121,377	121,091	117,955	120,732	121,900	114,390	118,180	120,895
6 Deposits	8,254	23,381	44,223	47,167	46,368	47,345	48,179	44,613	44,533	46,465
7 Other	41,914	51,322	77,153	73,924	71,588	73,386	73,721	69,777	73,647	74,431
8 All other foreigners	36,459	48,972	61,614	62,599	63,148	62,480	62,556	61,658	62,991	62,001
9 Claims of banks' domestic customers[2]	26,106	35,968	40,310	35,705	....	....	36,102	.....	......	.....
10 Deposits	885	1,378	2,491	2,631	...	....	2,654	...	...	...
11 Negotiable and readily transferable instruments[3]	15,574	26,352	30,763	26,937	....	...	27,550	....	...	...
12 Outstanding collections and other claims	9,648	8,238	7,056	6,137	......	.....	5,898	....	..	....
13 MEMO. Customer liability on acceptances	22,714	29,952	38,153	34,901	....	...	34,585	...	...	..
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[4]	24,468	40,306 r	41,702	41,162	41,443	41,899	41,652	44,189	46,520 r	n.a.

1. *U.S. banks*: includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks*: principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
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 account of their domestic customers.
3. Principally negotiable time certificates of deposit and bankers acceptances.
4. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area	1980	1981▲	1982		1983		
			Sept. r	Dec. r	Mar. r	June r	Sept
1 **Total**	**106,748**	**154,590 r**	**215,389**	**228,150**	**230,112**	**232,126**	**233,676**
By borrower							
2 Maturity of 1 year or less[1]	82,555	116,394 r	163,653	173,917	174,152	174,570	174,629
3 Foreign public borrowers	9,974	15,142	20,118	21,256	21,768	23,030	25,519
4 All other foreigners	72,581	101,252 r	143,534	152,661	151,384	151,541	149,111
5 Maturity of over 1 year[1]	24,193	38,197	51,737	54,233	55,960	57,556	59,046
6 Foreign public borrowers	10,152	15,589	22,026	23,137	24,859	26,206	27,077
7 All other foreigners	14,041	22,608	29,710	31,095	31,100	31,349	31,970
By area							
Maturity of 1 year or less[1]							
8 Europe	18,715	28,130	45,936	50,500	54,109	52,039	52,665
9 Canada	2,723	4,662	7,067	7,642	6,861	7,055	6,443
10 Latin America and Caribbean	32,034	48,717 r	72,431	73,291	75,122	74,768	76,031
11 Asia	26,686	31,485	33,434	37,578	32,753	35,327	33,442
12 Africa	1,757	2,457	3,621	3,680	3,872	3,854	4,657
13 All other[2]	640	943	1,163	1,226	1,435	1,527	1,391
Maturity of over 1 year[1]							
14 Europe	5,118	8,100	10,564	11,636	11,986	12,238	11,613
15 Canada	1,448	1,808	2,003	1,931	1,924	1,861	1,756
16 Latin America and Caribbean	15,075	25,209	34,114	35,247	35,842	36,671	38,254
17 Asia	1,865	1,907	3,092	3,185	3,573	4,053	4,581
18 Africa	507	900	1,328	1,494	1,485	1,667	1,734
19 All other[2]	179	272	635	740	1,150	1,066	1,108

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations.

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

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	1979	1980	1981 Sept	1981 Dec	1982 Mar.	1982 June	1982 Sept.	1982 Dec	1983 Mar	1983 June	1983 Sept.
1 **Total**	**303.9**	**352.0**	**400.0**	**415.2**	**419.6**	**435.1**	**437.9**	**438.5**	**440.1**	**435.2**	**421.0**
2 G-10 countries and Switzerland	138.4	162.1	172.3	175.5	174.5	176.2	175.3	179.5	181.8	175.8	164.9
3 Belgium-Luxembourg	11.1	13.0	14.1	13.3	13.2	14.1	13.6	13.1	13.7	13.3	12.4
4 France	11.7	14.1	16.0	15.3	16.0	16.5	15.8	17.1	17.1	17.1	16.0
5 Germany	12.2	12.1	12.7	12.9	12.5	12.7	12.2	12.7	13.4	12.5	11.5
6 Italy	6.4	8.2	8.6	9.6	9.0	9.0	9.7	10.3	10.2	10.5	9.7
7 Netherlands	4.8	4.4	3.7	4.0	4.0	4.1	3.8	3.6	4.3	4.1	3.6
8 Sweden	2.4	2.9	3.5	3.7	4.1	4.0	4.7	5.0	4.3	4.7	4.8
9 Switzerland	4.7	5.0	5.1	5.5	5.3	5.1	5.1	5.0	4.6	4.7	4.2
10 United Kingdom	56.4	67.4	68.8	70.1	70.3	69.3	70.2	72.0	72.7	69.7	65.1
11 Canada	6.3	8.4	11.8	10.9	11.6	11.4	11.0	10.4	12.4	10.7	8.8
12 Japan	22.4	26.5	28.1	30.2	28.5	29.9	29.3	30.1	29.1	28.5	28.8
13 Other developed countries	19.9	21.6	26.4	28.4	30.7	32.1	32.7	33.7	33.9	34.3	33.9
14 Austria	2.0	1.9	2.2	1.9	2.1	2.1	2.0	1.9	2.1	2.1	1.9
15 Denmark	2.2	2.3	2.5	2.3	2.5	2.6	2.5	2.4	3.3	3.3	3.3
16 Finland	1.2	1.4	1.4	1.7	1.6	1.6	1.8	2.2	2.1	2.1	1.8
17 *Greece*	2.4	2.8	2.9	2.8	2.9	2.7	2.6	3.0	2.9	2.8	2.9
18 Norway	2.3	2.6	3.0	3.1	3.2	3.2	3.4	3.3	3.3	3.4	3.2
19 Portugal	7	6	1.0	1.1	1.2	1.5	1.6	1.5	1.4	1.4	1.3
20 Spain	3.5	4.4	5.8	6.6	7.2	7.3	7.7	7.5	7.0	7.2	7.1
21 Turkey	1.4	1.5	1.5	1.4	1.6	1.5	1.5	1.4	1.5	1.4	1.5
22 Other Western Europe	1.4	1.7	1.9	2.1	2.1	2.2	2.1	2.3	2.2	2.1	2.1
23 South Africa	1.3	1.1	2.5	2.8	3.3	3.5	3.6	3.7	3.6	3.9	4.6
24 Australia	1.3	1.3	1.9	2.5	3.0	4.0	4.0	4.4	4.6	4.5	4.3
25 OPEC countries[2]	22.9	22.7	23.5	24.8	25.4	26.4	27.3	27.4	28.5	28.0	27.0
26 Ecuador	1.7	2.1	2.1	2.2	2.3	2.4	2.3	2.2	2.2	2.2	2.1
27 Venezuela	8.7	9.1	9.2	9.9	10.0	10.1	10.4	10.5	10.4	10.2	9.6
28 Indonesia	1.9	1.8	2.5	2.6	2.7	2.8	2.9	3.2	3.5	3.2	3.4
29 Middle East countries	8.0	6.9	7.1	7.5	8.2	8.7	9.0	8.7	9.3	9.5	9.0
30 African countries	2.6	2.8	2.6	2.5	2.2	2.5	2.7	2.8	3.0	3.0	2.8
31 Non-OPEC developing countries	63.0	77.4	90.3	96.3	97.5	103.6	104.0	107.0	107.5	108.1	107.6
Latin America											
32 Argentina	5.0	7.9	9.3	9.4	10.0	9.6	9.2	8.9	9.0	9.4	9.4
33 Brazil	15.2	16.2	17.7	19.1	19.7	21.4	22.4	22.9	23.1	22.5	22.6
34 Chile	2.5	3.7	5.5	5.8	6.0	6.4	6.2	6.3	6.0	5.8	6.1
35 Colombia	2.2	2.6	2.5	2.6	2.3	2.6	2.8	3.1	2.9	3.2	3.2
36 Mexico	12.0	15.9	20.0	21.6	22.9	25.2	25.0	24.5	25.0	25.0	25.5
37 Peru	1.5	1.8	1.8	2.0	1.9	2.5	2.6	2.6	2.4	2.6	2.3
38 Other Latin America	3.7	3.9	4.2	4.1	4.1	4.0	4.3	4.0	4.2	4.3	4.2
Asia											
China											
39 Mainland	.1	.2	2	.2	.2	.3	2	2	2	2	2
40 Taiwan	3.4	4.2	5.1	5.1	5.1	5.0	4.9	5.2	5.1	5.1	5.1
41 India	.2	.3	.3	.3	.5	5	5	6	4	5	5
42 Israel	1.3	1.5	1.5	2.1	1.7	2.2	1.9	2.3	2.0	2.3	1.7
43 Korea (South)	5.4	7.1	8.6	9.4	8.6	8.9	9.3	10.8	10.8	10.8	10.5
44 Malaysia	1.0	1.1	1.4	1.7	1.7	1.9	1.8	2.1	2.5	2.6	2.8
45 Philippines	4.2	5.1	5.7	6.0	5.9	6.3	6.0	6.3	6.6	6.4	6.1
46 Thailand	1.5	1.6	1.4	1.5	1.4	1.3	1.3	1.6	1.6	1.8	1.7
47 Other Asia	5	.6	8	1.0	1.2	1.1	1.3	1.1	1.4	1.2	1.0
Africa											
48 Egypt	6	.8	1.0	1.1	1.3	1.3	1.3	1.2	1.1	1.2	1.4
49 Morocco	6	7	7	7	7	7	8	.7	.8	.8	.8
50 Zaire	.2	.2	.2	.2	.2	.2	1	1	1	1	1
51 Other Africa[3]	1.7	2.1	2.2	2.3	2.3	2.3	2.2	2.4	2.3	2.2	2.4
52 Eastern Europe	7.3	7.4	7.7	7.8	7.2	6.7	6.3	6.2	5.8	5.8	5.3
53 U.S.S.R.	7	4	4	6	4	4	3	3	3	4	2
54 Yugoslavia	1.8	2.3	2.5	2.5	2.5	2.4	2.2	2.2	2.2	2.3	2.2
55 Other	4.8	4.6	4.7	4.7	4.3	3.9	3.8	3.7	3.3	3.1	2.9
56 Offshore banking centers	40.4	47.0	61.8	63.7	65.7	72.0	72.0	66.9	66.2	67.4	65.6
57 Bahamas	13.7	13.7	21.4	19.0	20.2	24.1	21.4	19.2	17.7	19.9	19.2
58 *Bermuda*	.8	.6	.8	7	.7	.7	.8	.9	1.0	.8	.9
59 Cayman Islands and other British West Indies	9.4	10.6	12.1	12.4	12.1	12.3	13.6	12.9	11.9	11.9	10.1
60 Netherlands Antilles	1.2	2.1	2.2	3.2	3.2	3.0	3.3	3.3	3.1	2.6	4.2
61 Panama[4]	4.3	5.4	6.8	7.7	7.2	7.4	8.1	7.6	7.1	6.5	5.6
62 Lebanon	2	.2	2	2	2	2	1	1	1	1	1
63 Hong Kong	6.0	8.1	10.3	11.8	12.9	14.3	14.9	13.8	15.0	14.5	15.0
64 Singapore	4.5	5.9	8.0	8.7	9.3	9.9	9.8	9.1	10.3	11.0	10.4
65 Others[5]	4	3	1	1	1	1	0	0	0	0	.1
66 Miscellaneous and unallocated[6]	11.7	14.0	18.2	18.8	18.5	18.4	20.3	17.9	16.4	15.7	16.9

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Besides the Organization of Petroleum Exporting Countries shown individually, this group includes other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates) as well as *Bahrain and Oman (not formally members of OPEC).*

3. Excludes Liberia.

4. Includes Canal Zone beginning December 1979.

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, and area or country	1979	1980	1981	1982		1983		
				Sept	Dec.	Mar	June	Sept p
1 **Total**	**17,433**	**29,434**	**28,618**	**25,149**	**25,142**	**22,925**	**22,381**	**24,177**
2 Payable in dollars	14,323	25,689	24,909	22,051	22,042	20,032	19,489	21,355
3 Payable in foreign currencies	3,110	3,745	3,709	3,099	3,099	2,893	2,892	2,822
By type								
4 Financial liabilities	7,523	11,330	12,157	10,855	10,499	10,478	10,760	10,361
5 Payable in dollars	5,223	8,528	9,499	8,565	8,424	8,533	8,730	8,435
6 Payable in foreign currencies	2,300	2,802	2,658	2,291	2,075	1,945	2,031	1,926
7 Commercial liabilities	9,910	18,104	16,461	14,294	14,642	12,447	11,621	13,815
8 Trade payables	4,591	12,201	10,818	8,084	7,687	5,620	5,981	7,056
9 Advance receipts and other liabilities	5,320	5,903	5,643	6,209	6,955	6,827	5,640	6,760
10 Payable in dollars	9,100	17,161	15,409	13,486	13,618	11,499	10,759	12,919
11 Payable in foreign currencies	811	943	1,052	808	1,024	948	862	896
By area or country								
Financial liabilities								
12 Europe	4,665	6,481	6,825	6,389	6,172	6,090	6,126	5,676
13 Belgium-Luxembourg	338	479	471	494	502	407	436	379
14 France	175	327	709	672	635	685	697	688
15 Germany	497	582	491	446	470	487	460	447
16 Netherlands	829	681	748	759	702	687	728	730
17 Switzerland	170	354	715	670	673	623	595	470
18 United Kingdom	2,477	3,923	3,565	3,212	3,061	3,071	3,060	2,829
19 Canada	532	964	963	753	735	723	854	783
20 Latin America and Caribbean	1,514	3,136	3,356	2,969	2,707	2,690	2,435	2,546
21 Bahamas	404	964	1,279	938	890	817	695	738
22 Bermuda	81	1	7	9	14	18	10	13
23 Brazil	18	23	22	28	28	39	34	32
24 British West Indies	516	1,452	1,241	981	1,002	1,001	932	899
25 Mexico	121	99	102	85	121	149	151	184
26 Venezuela	72	81	98	104	114	121	124	117
27 Asia	804	723	976	714	857	943	1,319	1,322
28 Japan	726	644	792	479	633	699	943	957
29 Middle East oil-exporting countries[2]	31	38	75	67	69	68	205	201
30 Africa	4	11	14	17	17	20	17	19
31 Oil-exporting countries[3]	1	1	0	0	0	0	0	0
32 All other[4]	4	15	24	13	12	13	9	15
Commercial liabilities								
33 Europe	3,709	4,402	3,770	3,957	3,639	3,430	3,349	3,384
34 Belgium-Luxembourg	137	90	71	50	52	45	41	47
35 France	467	582	573	762	595	576	615	506
36 Germany	545	679	545	436	459	440	431	461
37 Netherlands	227	219	220	277	346	351	342	243
38 Switzerland	316	499	424	358	363	354	357	448
39 United Kingdom	1,080	1,209	880	1,001	851	679	623	786
40 Canada	924	888	897	1,197	1,496	1,454	1,465	1,407
41 Latin America and Caribbean	1,325	1,300	1,044	1,235	991	1,050	999	1,067
42 Bahamas	69	8	2	6	16	4	1	1
43 Bermuda	32	75	67	48	89	117	76	76
44 Brazil	203	111	67	128	60	51	49	48
45 British West Indies	21	35	2	3	32	4	22	14
46 Mexico	257	367	340	499	379	355	391	429
47 Venezuela	301	319	276	269	148	183	219	217
48 Asia	2,991	10,242	9,384	6,641	7,160	5,437	4,799	6,852
49 Japan	583	802	1,094	1,192	1,226	1,235	1,236	1,294
50 Middle East oil-exporting countries[2,5]	1,014	8,098	7,008	4,178	4,531	2,803	2,294	4,072
51 Africa	728	817	703	669	704	497	492	506
52 Oil-exporting countries[3]	384	517	344	248	277	158	167	204
53 All other[4]	233	456	664	595	651	578	518	600

1 For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3 Comprises Algeria, Gabon, Libya, and Nigeria.

4 Includes nonmonetary international and regional organizations

5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1979	1980	1981	1982 Sept	1982 Dec	1983 Mar	1983 June	1983 Sept p
1	**Total**	**31,299**	**34,482**	**36,185**	**30,232**	**27,988**	**30,726**	**31,757r**	**32,090**
2	Payable in dollars	28,096	31,528	32,582	27,571	25,360	27,984	29,114r	29,242
3	Payable in foreign currencies	3,203	2,955	3,603	2,661	2,628	2,741	2,643r	2,848
	By type								
4	Financial claims	18,398	19,763	21,142	18,356	17,033	19,743	21,148	21,272
5	Deposits	12,858	14,166	15,081	13,241	12,497	15,092	16,324	16,411
6	Payable in dollars	11,936	13,381	14,456	12,828	12,071	14,614	15,897	15,995
7	Payable in foreign currencies	923	785	625	413	426	478	426	416
8	Other financial claims	5,540	5,597	6,061	5,115	4,536	4,651	4,824	4,862
9	Payable in dollars	3,714	3,914	3,599	3,419	2,895	3,006	3,226	3,036
10	Payable in foreign currencies	1,826	1,683	2,462	1,696	1,641	1,645	1,598	1,826
11	Commercial claims	12,901	14,720	15,043	11,877	10,954	10,983	10,609r	10,818
12	Trade receivables	12,185	13,960	14,007	10,770	9,945	9,780	9,241r	9,519
13	Advance payments and other claims	716	759	1,036	1,106	1,010	1,203	1,367r	1,299
14	Payable in dollars	12,447	14,233	14,527	11,324	10,394	10,364	9,991r	10,212
15	Payable in foreign currencies	454	487	516	552	561	619	618r	606
	By area or country								
	Financial claims								
16	Europe	6,179	6,069	4,596	4,967	4,772	6,066	7,207	6,960
17	Belgium-Luxembourg	32	145	43	16	10	58	12	25
18	France	177	298	285	326	134	90	137	125
19	Germany	409	230	224	215	178	127	216	151
20	Netherlands	53	51	50	119	97	140	136	88
21	Switzerland	73	54	117	60	107	99	34	31
22	United Kingdom	5,099	4,987	3,546	3,859	3,981	5,301	6,437	6,335
23	Canada	5,003	5,036	6,755	4,386	4,287	4,612	4,870	4,897
24	Latin America and Caribbean	6,312	7,811	8,812	7,948	7,087	8,173	7,997	8,354
25	Bahamas	2,773	3,477	3,650	3,435	3,160	3,756	3,244	3,250
26	Bermuda	30	135	18	16	8	10	72	62
27	Brazil	163	96	30	76	62	50	48	51
28	British West Indies	2,011	2,755	3,971	3,411	2,929	3,080	3,317	3,774
29	Mexico	157	208	313	268	274	352	348	315
30	Venezuela	143	137	148	133	139	156	152	138
31	Asia	601	607	758	846	698	712	771	763
32	Japan	199	189	366	268	153	233	288	256
33	Middle East oil-exporting countries[2]	16	20	37	30	15	18	14	8
34	Africa	258	208	173	165	158	153	154	151
35	Oil-exporting countries[3]	49	26	46	50	48	45	48	43
36	All other[4]	44	32	48	44	31	25	149	148
	Commercial claims								
37	Europe	4,922	5,544	5,405	4,231	3,758	3,592	3,410r	3,349
38	Belgium-Luxembourg	202	233	234	178	150	140	144	131
39	France	727	1,129	776	646	473	489	499r	486
40	Germany	593	599	561	427	356	419	364r	378
41	Netherlands	298	318	299	268	347	309	242	282
42	Switzerland	272	354	431	291	339	227	303	270
43	United Kingdom	901	929	985	1,035	793	754	739r	734
44	Canada	859	914	967	666	635	674	716r	788
45	Latin America and Caribbean	2,879	3,766	3,479	2,772	2,514	2,690	2,722r	2,864
46	Bahamas	21	21	12	19	21	30	30	15
47	Bermuda	197	108	223	154	259	172	108	242
48	Brazil	645	861	668	481	258	401	512r	611
49	British West Indies	16	34	12	7	12	21	21	12
50	Mexico	708	1,102	1,022	869	767	886	956r	897
51	Venezuela	343	410	424	373	351	288	273	282
52	Asia	3,451	3,522	3,959	3,098	3,045	3,126	2,871r	2,929
53	Japan	1,177	1,052	1,245	973	1,047	1,115	949r	1,037
54	Middle East oil-exporting countries[2]	765	825	905	777	748	701	700r	719
55	Africa	551	653	772	661	588	559	528r	562
56	Oil-exporting countries[3]	130	153	152	148	140	131	130	131
57	All other[4]	240	321	461	448	415	342	361r	326

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1981	1982[r]	1983 Jan.–Dec.	1983 June	July	Aug.	Sept	Oct.	Nov	Dec.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	40,686	41,881	69,883	6,864	5,758	5,181	5,516	5,530[r]	4,847	6,014
2 Foreign sales	34,856	37,981	64,460	6,467[r]	5,203[r]	5,168[r]	5,116	5,392	4,783	5,736
3 **Net purchases, or sales (−)**	**5,830**	**3,901**	**5,423**	**397[r]**	**555[r]**	**13[r]**	**400**	**138[r]**	**65**	**279**
4 **Foreign countries**	**5,803**	**3,816**	**5,324**	**422[r]**	**546[r]**	**14[r]**	**392**	**134[r]**	**64**	**286**
5 Europe	3,662	2,530	3,983	188[r]	437[r]	71[r]	261	−99	−58	−274
6 France	900	−143	−100	14	33	−77	−10	−36	−66	−64
7 Germany	−22	333	1,054	−31	135	54	48	55	53	−52
8 Netherlands	42	−63	−110	−57	7	−13	−49	−15	24	13
9 Switzerland	288	−579	1,315	186	187	56	123	−18	−97	−206
10 United Kingdom	2,235	3,117	1,810	95	49	79	171	−136	21	53
11 Canada	783	222	1,150	98	1	75	154	124	0	185
12 Latin America and Caribbean	−30	317	530	28	35	−98	106	−41[r]	17	238
13 Middle East[1]	1,140	366	−808	36	−59	−88	−178	49	44	13
14 Other Asia	287	247	403	68	146	75	51	103	63	123
15 Africa	7	2	42	1	0	7	4	−1	1	2
16 Other countries	−46	131	24	2	−12	−28	−6	−1	−3	1
17 **Nonmonetary international and regional organizations**	**27**	**85**	**98**	**−25**	**9**	**−1**	**8**	**4**	**0**	**−7**
BONDS[2]										
18 Foreign purchases	17,304	21,639	23,961	1,546	1,438	2,141	1,888	2,537	2,039	1,657
19 Foreign sales	12,272	20,188	23,075	1,741	1,463	1,995	1,960	2,492[r]	1,304	1,493
20 **Net purchases, or sales (−)**	**5,033**	**1,451**	**886**	**−195**	**−25**	**146**	**−72**	**45[r]**	**735**	**164**
21 **Foreign countries**	**4,972**	**1,479**	**871**	**−197**	**−49**	**44**	**−77**	**142[r]**	**715**	**156**
22 Europe	1,351	2,082	887	−122	−74	115	14	303	458	−93
23 France	11	305	−90	−7	−5	−6	0	2	−31	−5
24 Germany	848	2,110	286	−12	−8	25	41	66	53	−10
25 Netherlands	70	33	51	−4	5	−3	1	11	5	3
26 Switzerland	108	157	632	28	−8	−1	−19	7	15	78
27 United Kingdom	196	−589	429	120	−33	112	32	136	390	−126
28 Canada	−12	24	123	−10	53	−3	−10	22	46	−22
29 Latin America and Caribbean	132	159	100	19	13	−21	4	24	−6	20
30 Middle East[1]	3,465	−752	−1,133	−168	−119	−121	−105	−249[r]	116	43
31 Other Asia	44	−22	842	47	78	74	19	45	101	208
32 Africa	−1	−19	0	2	0	0	2	0	0	0
33 Other countries	−7	7	52	35	0	0	−2	−4	0	0
34 **Nonmonetary international and regional organizations**	**61**	**−28**	**15**	**2**	**24**	**102**	**6**	**−97**	**20**	**7**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−247	−1,341	−3,835	−647	−487	−214	−106	−14	−16	−177
36 Foreign purchases	9,339	7,163	13,121	1,346	972	1,032	1,297	1,140	907	1,123
37 Foreign sales	9,586	8,504	16,956	1,993	1,458	1,246	1,403	1,154	923	1,300
38 Bonds, net purchases, or sales (−)	−5,460	−6,631	−3,336	127	−219	−463	−54	−172	170	−345
39 Foreign purchases	17,553	27,167	35,622	3,220	2,534	2,708	3,714	3,902	3,110	3,071
40 Foreign sales	23,013	33,798	38,957	3,092	2,754	3,171	3,768	4,075	2,940	3,416
41 **Net purchases, or sales (−), of stocks and bonds**	**−5,707**	**−7,972**	**−7,170**	**−520**	**−706**	**−677**	**−160**	**−186**	**154**	**−522**
42 **Foreign countries**	**−4,694**	**−6,806**	**−6,872**	**−546**	**−715**	**−684**	**−146**	**−235**	49	**−561**
43 Europe	−728	−2,584	−5,623	−583	−682	−301	124	−338	−417	−440
44 Canada	−3,697	−2,363	−1,584	5	55	−97	−355	6	36	−64
45 Latin America and Caribbean	69	336	1,120	−80	47	62	23	5	135	17
46 Asia	−367	−1,822	−898	−182	−145	23	105	90	160	−67
47 Africa	−55	−9	141	13	11	14	16	11	1	0
48 Other countries	84	−364	−28	280	0	−385	−59	−10	135	−7
49 **Nonmonetary international and regional organizations**	**−1,012**	**−1,165**	**−298**	**26**	**9**	**7**	**−14**	**49**	**105**	**39**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Holdings and Transactions

Millions of dollars

Country or area	1981	1982	1983 Jan – Dec	1983 June	July	Aug	Sept	Oct	Nov	Dec p
	Holdings (end of period)[1]									
1 **Estimated total[2]**	**70,249**	**85,220r**		**91,114r**	**88,833r**	**87,483r**	**88,661r**	**90,988r**	**89,642**	**89,322**
2 Foreign countries[2]	64,565	80,637r		84,931r	83,615r	82,790r	82,763r	84,358r	83,826	84,227
3 Europe[2]	24,012	29,284		33,638	33,082r	32,996	33,370	34,415	35,058	35,489
4 Belgium-Luxembourg	543	447		−68	99	95	58	18	2	16
5 Germany[2]	11,861	14,841		16,877	16,315r	16,119	16,156r	16,570	17,092	17,290
6 Netherlands	1,991	2,754		3,251	3,262	3,234	3,034	2,987	3,048	3,129
7 Sweden	643	677		665	684	644	666	714	758	842
8 Switzerland[2]	846	1,540		877	855	965	1,087	1,177	1,064	1,118
9 United Kingdom	6,709	6,549		8,233	8,235	8,270	8,289	8,629	8,626	8,524
10 Other Western Europe	1,419	2,476		3,803	3,631	3,669	4,081	4,321	4,467	4,569
11 Eastern Europe	0	0		0	0	0	0	0	0	0
12 Canada	514	602		983r	1,058r	1,088r	1,063r	1,265r	1,225	1,301
13 Latin America and Caribbean	736	1,076		1,041	886	800	774	695	914	864
14 Venezuela	286	188		72	62	62	65	66	64	64
15 Other Latin America and Caribbean	319	656		773	636	622	631	540	674	716
16 Netherlands Antilles	131	232		196	188	116	78	89	176	83
17 Asia	38,671	49,543r		49,137r	48,437r	47,733r	47,430r	47,849r	46,507	46,455
18 Japan	10,780	11,578		12,592	12,763	13,007	13,210	13,446	13,600	13,910
19 Africa	631	77		79	79	79	79	79	79	79
20 All other	2	55		53	74	94	48	56	43	40
21 Nonmonetary international and regional organizations	5,684	4,583		6,183	5,218r	4,693	5,898	6,630	5,816	5,095
22 International	5,638	4,186		5,372	4,500	4,086	5,421	6,094	5,030	4,404
23 Latin American regional	1	6		6	6	6	6	6	0	6
	Transactions (net purchases, or sales (−) during period)									
24 **Total[2]**	**12,699**	**14,972r**	**4,101**	**1,558r**	**−2,281**	**−1,350**	**1,178**	**2,327r**	**−1,339**	**−326**
25 Foreign countries[2]	11,604	16,072r	3,590	537r	1,315r	−826	26	1,595r	532	401
26 Official institutions	11,730	14,550r	1,252	408r	−914	885	5	468r	−768	3
27 Other foreign[2]	−126	1,518	2,343	129r	−400	59	−31	1,126	236	406
28 Nonmonetary international and regional organizations	1,095	−1,097r	506	1,020r	966	−523	1,205	731r	808	−729
MEMO Oil-exporting countries										
29 Middle East[3]	11,156	7,575r	−5,397	−277	172	−1,764	−305	373r	−968	60
30 Africa[4]	−289	−552	−1	0	0	0	0	0	0	0

1 Estimated official and private holdings of marketable U S Treasury securities with an original maturity of more than 1 year Data are based on a benchmark survey of holdings as of Jan 31, 1971, and monthly transactions reports Excludes nonmarketable U S Treasury bonds and notes held by official institutions of foreign countries

2 Beginning December 1978, includes U S Treasury notes publicly issued to private foreign residents denominated in foreign currencies

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States)

4. Comprises Algeria, Gabon, Libya, and Nigeria

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on Jan 31, 1984 Percent	Month effective	Country	Rate on Jan 31, 1984 Percent	Month effective	Country	Rate on Jan 31, 1984 Percent	Month effective
Austria	3.75	Mar 1983	France[1]	12.0	Dec. 1983	Norway	8.0	June 1979
Belgium	10.0	Nov 1983	Germany, Fed Rep of	4.0	Mar 1983	Switzerland	4.0	Mar 1983
Brazil	49.0	Mar 1981	Italy	17.0	Apr 1983	United Kingdom[2]	..	....
Canada	9.98	Jan 1984	Japan	5.0	Oct 1983	Venezuela	11.0	May 1983
Denmark	7.0	Oct 1983	Netherlands	5.0	Sept. 1983			

1 As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days

2 Minimum lending rate suspended as of Aug 20, 1981

NOTE Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1981	1982	1983	1983						1984
				July	Aug	Sept	Oct	Nov	Dec.	Jan
1 Eurodollars	16.79	12.24	9.57	10.00	10.27	9.82	9.54	9.79	10.08	9.78
2 United Kingdom	13.86	12.21	10.06	9.84	9.83	9.63	9.34	9.26	9.34	9.40
3 Canada	18.84	14.38	9.48	9.42	9.49	9.35	9.31	9.40	9.83	9.84
4 Germany	12.05	8.81	5.73	5.54	5.66	5.83	6.13	6.26	6.43	6.07
5 Switzerland	9.15	5.04	4.11	4.77	4.61	4.40	4.07	4.11	4.29	3.65
6 Netherlands	11.52	8.26	5.58	5.58	6.03	6.15	6.07	6.17	6.20	6.01
7 France	15.28	14.61	12.44	12.33	12.33	12.42	12.42	12.31	12.16	12.22
8 Italy	19.98	19.99	18.95	17.50	17.50	17.42	17.51	17.71	17.75	17.75
9 Belgium	15.28	14.10	10.51	9.08	9.25	9.25	9.44	9.89	10.50	10.68
10 Japan	7.58	6.84	6.49	6.47	6.52	6.68	6.52	6.35	6.45	6.35

NOTE Rates are for 3-month interbank loans except for Canada, finance company paper, Belgium, 3-month Treasury bills, and Japan, Gensaki rate

3.28 FOREIGN EXCHANGE RATES

Currency units per dollar

Country/currency	1981	1982	1983	1983					1984
				Aug.	Sept.	Oct	Nov	Dec.	Jan
1 Argentina/peso	n.a.	20985.00	8.59	8.94	11.22	11.65	11.65	16.73	24.38
2 Australia/dollar[1]	114.95	101.65	90.14	87.93	88.77	91.37	91.59	90.04	90.60
3 Austria/schilling	15.948	17.060	17.968	18.799	18.754	18.305	18.900	19.383	19.815
4 Belgium/franc	37.194	45.780	51.121	53.609	53.841	53.034	54.538	55.939	57.354
5 Brazil/cruzeiro	92.374	179.22	573.27	643.34	701.38	784.35	870.21	943.43	1022.81
6 Canada/dollar	1.1990	1.2344	1.2325	1.2338	1.2326	1.2320	1.2367	1.2469	1.2484
7 Chile/peso	n.a.	51.118	79.350	80.011	81.767	83.710	85.600	86.557	88.355
8 China, P.R./yuan	1.7031	1.8978	1.9809	1.9843	1.9867	1.9664	1.9940	1.9920	2.0490
9 Colombia/peso	n.a.	64.071	78.563	80.707	82.494	84.196	85.938	87.173	89.703
10 Denmark/krone	7.1350	8.3443	9.1483	9.6308	9.5926	9.4172	9.6791	9.9530	10.1793
11 Finland/markka	4.3128	4.8086	5.5636	5.7063	5.7057	5.6390	5.7468	5.8515	5.9385
12 France/franc	5.4396	6.5793	7.6203	8.0442	8.0598	7.9526	8.1646	8.3839	8.5948
13 Germany/deutsche mark	2.2631	2.428	2.5539	2.6736	2.6679	2.6032	2.6846	2.7500	2.8110
14 Greece/drachma	n.a.	66.872	87.895	89.217	92.837	92.968	96.229	98.815	102.601
15 Hong Kong/dollar	5.5678	6.0697	7.2569	7.4416	8.0079	8.0947	7.8120	7.8044	7.7968
16 India/rupee	8.6807	9.4846	10.1040	10.187	10.200	10.229	10.378	10.4895	10.7152
17 Indonesia/rupiah	n.a.	660.43	911.31	984.09	986.24	984.12	988.84	994.62	996.43
18 Ireland/pound[1]	161.32	142.05	124.81	117.99	117.41	119.15	115.85	112.91	110.20
19 Israel/shekel	n.a.	24.407	55.865	55.949	60.059	77.808	89.344	100.599	116.728
20 Italy/lira	1138.60	1354.00	1519.30	1589.74	1602.62	1582.81	1625.79	1666.88	1706.63
21 Japan/yen	220.63	249.06	237.55	244.46	242.35	232.89	235.03	234.46	233.80
22 Malaysia/ringgit	2.3048	2.3395	2.3204	2.3523	2.3506	2.3451	2.3450	2.3407	2.3411
23 Mexico/peso	24.547	72.990	155.01	151.59	152.20	157.18	162.36	164.84	166.33
24 Netherlands/guilder	2.4998	2.6719	2.8543	2.9912	2.9844	2.9206	3.0078	3.0856	3.1602
25 New Zealand/dollar[1]	86.848	75.101	66.790	65.100	65.316	66.162	65.854	65.120	64.860
26 Norway/krone	5.7430	6.4567	7.3012	7.4641	7.4271	7.3244	7.4696	7.7237	7.8763
27 Peru/sol	n.a.	694.59	1610.20	1853.18	1995.33	2074.82	2131.13	2213.73	2320.20
28 Philippines/peso	7.8113	8.5324	11.0940	11.050	11.050	13.750	14.050	14.050	14.050
29 Portugal/escudo	61.739	80.101	111.610	123.03	124.41	124.41	127.82	131.91	136.29
30 Singapore/dollar	2.1053	2.1406	2.1136	2.1416	2.1417	2.1350	2.1334	2.1317	2.1309
31 South Africa/rand[1]	114.77	92.297	89.85	89.55	89.86	88.82	84.23	82.15	79.54
32 South Korea/won	n.a.	731.93	776.04	787.19	790.83	791.37	796.32	799.23	800.33
33 Spain/peseta	92.396	110.09	143.500	151.302	152.022	151.30	154.66	158.01	159.832
34 Sri Lanka/rupee	18.967	20.756	23.510	24.257	24.397	24.410	24.572	24.767	25.181
35 Sweden/krona	5.0659	6.2838	7.6717	7.8585	7.8773	7.7844	7.9201	8.0608	8.1782
36 Switzerland/franc	1.9674	2.0327	2.1006	2.1632	2.1623	2.1122	2.1701	2.1983	2.2380
37 Taiwan/Dollar	n.a.	n.a.	n.a.	n.a.	n.a.	39.420	38.780	39.613	40.202
38 Thailand/baht	21.731	23.014	22.991	22.990	22.990	22.990	22.990	22.992	23.006
39 United Kingdom/pound[1]	202.43	174.80	151.59	150.26	149.86	149.69	147.66	143.38	140.76
40 Venezuela/bolivar	4.2781	4.2981	10.6840	15.600	13.833	13.088	12.782	12.834	13.021
MEMO									
United States/dollar[2]	102.94	116.57	125.34	129.77	129.74	127.50	130.26	132.84	135.07

1. Value in U.S. cents

2. Index of weighted-average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. March 1973 = 100. Weights are 1972–76 global trade of each of the 10 countries. Series revised as of August 1978. For description and back data, see "Index of the Weighted-Average Exchange Value of the U.S. Dollar: Revision" on p. 700 of the August 1978 BULLETIN.

NOTE. Averages of certified noon buying rates in New York for cable tranfers.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected	0	Calculated to be zero
e	Estimated	n.a.	Not available
p	Preliminary	n.e.c.	Not elsewhere classified
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)	REITs	Real estate investment trusts
		RPs	Repurchase agreements
		SMSAs	Standard metropolitan statistical areas
		. . . . .	Cell not applicable

General Information

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

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

In some of the tables details do not add to totals because of rounding.

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List Published Semiannually, with Latest Bulletin Reference

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Index to Statistical Tables

References are to pages A3 through A66 although the prefix "A" is omitted in this index

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		Nevius M. Curtis	Richard L. Smoot	
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		E. Mandell de Windt	William H. Hendricks	
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		Leroy T. Canoles, Jr.	Jimmie R. Monhollon	
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Culpeper Communications and Records Center	*22701*			John G. Stoides
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Nashville	37203	C. Warren Neel		Jeffrey J. Wells
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		Edward F. Brabec	Daniel M. Doyle	
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		Mary P. Holt	Joseph P. Garbarini	
Little Rock	72203	Sheffield Nelson		John F. Breen
Louisville	40232	Sister Eileen M. Egan		James E. Conrad
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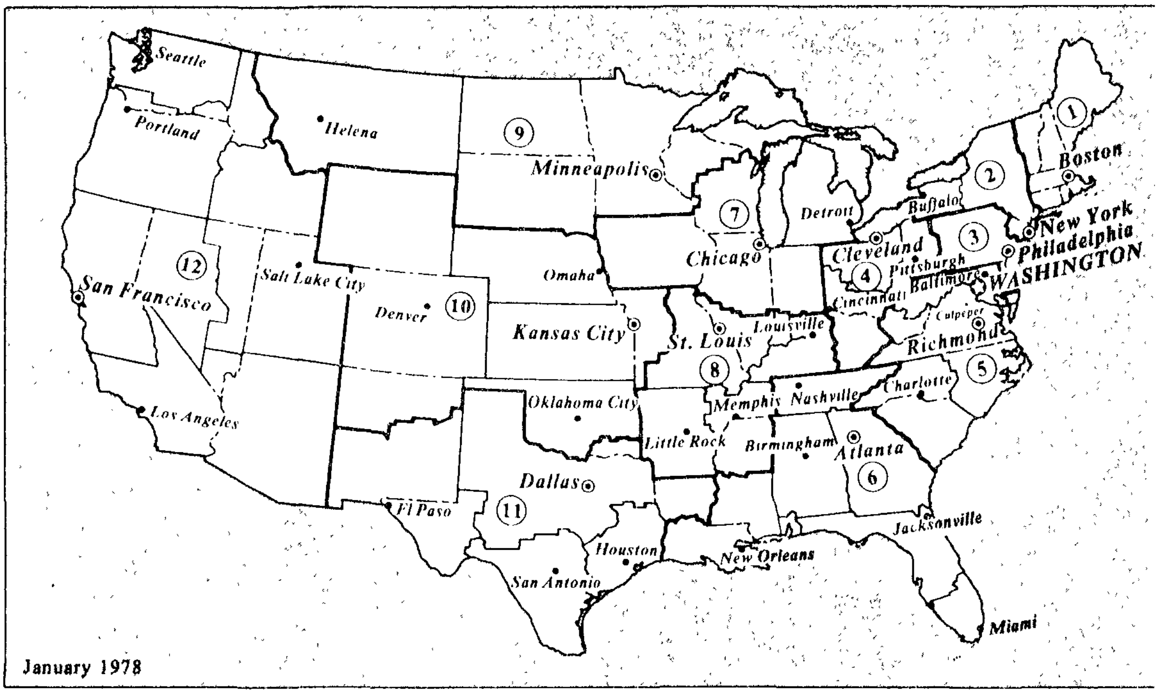
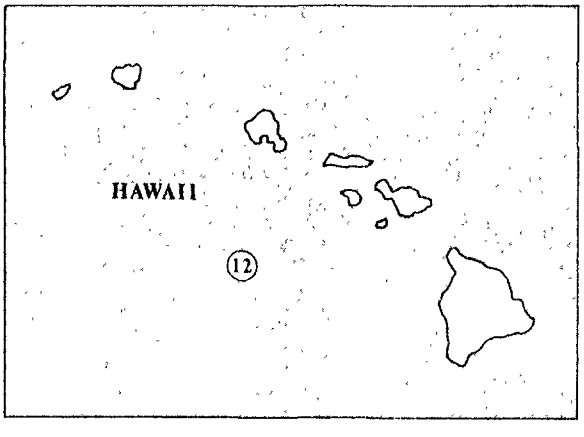
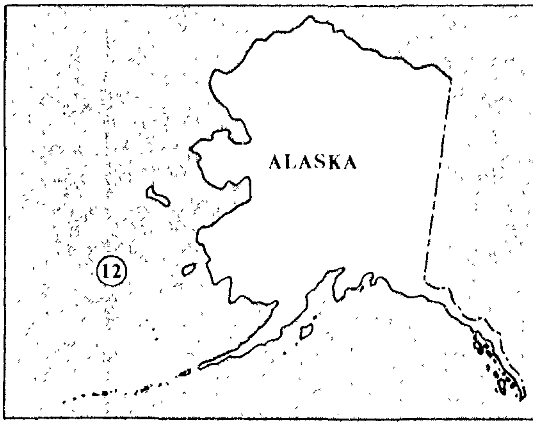
The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territories







LEGEND

- Boundaries of Federal Reserve Districts
- Boundaries of Federal Reserve Branch Territories
- Federal Reserve Bank Cities
- Federal Reserve Branch Cities
- Federal Reserve Bank Facility