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Table of Contents

Home Purchase Lending in Low-Income Neighborhoods and to Low-Income Borrowers

Glenn B. Canner and Wayne Passmore, of the Board's Division of Research and Statistics, prepared this article. Wayne C. Cook and Lisa Kirch, of the Division of Research and Statistics, and Kathy L. McLeod and Gary G. Myers, of the Division of Information Resources Management, provided research assistance.

The long-standing debate about whether enough housing credit is being provided in lower-income areas has received renewed attention in recent discussions about how to implement the Community Reinvestment Act. In this article, we review the economic arguments underlying the debate and use 1993 data supplied under the Home Mortgage Disclosure Act (HMDA) to measure the extent of home purchase lending in lower-income and other neighborhoods as well as the extent of such lending to lower-income and other borrowers. We also summarize the 1993 HMDA data in the appendix to this article (see box "Highlights of the 1993 HMDA Data").

By most measures, the number of home purchase loans made by commercial banks and savings associations in lower-income neighborhoods is small compared with the number of such loans in higher-income neighborhoods. To some observers, this pattern of lending is readily understood within the context of the business of banking, where profit-seeking institutions strive to meet the demands of creditworthy borrowers. In this view (which we will call the "efficient markets" view), the low number of home purchase loans in lower-income neighborhoods reflects the relatively small number of creditworthy borrowers and the relatively small supply of owner-occupied housing. To others, the disparity in such lending results from discrimination, neighborhood conditions, or both—circumstances that lead bankers, who may have little knowledge of lower-income neighborhoods, to erroneously conclude that these areas do not offer profitable lending opportunities. In these views—the first of which we will call the "discrimination" view and the second (regarding neighborhood conditions), the "externalities"

Highlights of the 1993 HMDA Data

Data reported by lenders under the Home Mortgage Disclosure Act cover applications and extensions of credit for home purchase loans, home improvement loans, and home refinancings. Here are some qualitative findings from the 1993 data.

- The number of reported loans and applications increased sharply from 1992 both because of a boom in refinancings and because of a rule change that raised the number of independent mortgage companies reporting.
- The use of government-backed mortgage programs for refinancings rose.
- Mortgage companies (including those affiliated with depository institutions) originated the majority of home purchase loans (and most government-backed home purchase loans) and the majority of home refinancings, whereas depository institutions originated most loans for home improvement and for multifamily dwellings (dwellings housing five or more families).
- Among would-be homebuyers grouped by racial or ethnic identity, black applicants were the most likely to seek government-backed mortgages.
- Among all home loan applicants grouped by racial or ethnic identity, black applicants were the least likely to file joint applications.
- Although most applications for home loans are approved, rates of denial for black and Hispanic applicants exceeded those for white and Asian applicants.
- The number of conventional home purchase loans extended to lower-income, black, and Hispanic households rose sharply from 1992.
- Among the home loans bought or securitized by government-sponsored enterprises, those securitized by Ginnie Mae were the most likely to involve lower-income households.

view—the amount of home purchase lending in lower-income areas is too small.

The Community Reinvestment Act (CRA) requires the supervisory agencies of commercial banks and savings associations to encourage such lenders "to help meet the credit needs of the local communities in which they are chartered consistent with the safe and sound operation of such institutions."[1] For proponents of the efficient markets view, lenders already have ample incentives to seek all profitable lending opportunities and face few barriers to providing such credit everywhere; therefore such legislation should have little effect on lending because lenders are already doing what the law is encouraging them to do.[2] However, if the CRA forces lenders to make unprofitable loans, then the proponents of the efficient markets view would see the CRA as a burden on the banking system. For proponents of either the discrimination or the externalities view, lenders overlook safe and sound lending opportunities in lower-income or predominately minority neighborhoods; therefore, the CRA may have the power to change lending patterns to the benefit of both lenders and neighborhoods.

The debate over the appropriate amount of lending in low-income neighborhoods is perhaps best illustrated by the diverse views over whether to establish, as part of CRA monitoring and enforcement, a performance test for lenders that evaluates the quantity of their lending in the various neighborhoods of their local communities. Banks and savings associations frequently argue that such a test would result in nonmarket credit allocation, which is lending based on noneconomic criteria; such lending would more likely be unprofitable and would violate the original intent of the CRA. Community groups and others believe, however, that a loan performance test would simply encourage banks to extend a more economically appropriate amount of credit. These contrasting views of lending performance standards have persisted since the passage of the CRA. In an attempt to balance these concerns, CRA evaluations incorporate both subjective and objective measures of CRA compliance, and they take into account the characteristics and needs of an institution's community as well as the capacity of the institution and the constraints it faces.

A consideration of these issues in light of the 1993 HMDA data yields the following results, which will be discussed in detail in the balance of this article. The HMDA data for 1993, as for earlier years, show a relatively low number of home purchase loans in low-income areas. The data also suggest that although mortgage credit is extended in almost all neighborhoods, individual lenders vary greatly in the extent to which they are involved in low- and moderate-income neighborhoods. Many lenders make only a very small percentage of their home purchase loans in low-income neighborhoods or to low-income borrowers. Thus, a performance test based on the proportion of loans made either in low-income neighborhoods or to low-income borrowers could lead some lenders to change their lending behavior to satisfy the test, depending on the definition of their service area and on the particular characteristics of their market. A performance test that compares a lender's market share of home purchase loans in low- and moderate-income neighborhoods with the lender's share in higher-income neighborhoods would, however, yield a favorable outcome for many lenders who make loans in low-income neighborhoods. Such lenders generally have a larger market share in these neighborhoods because they face fewer competitors than is typical in their higher-income neighborhoods.

In addition, residents of low-income neighborhoods who obtain loans generally have incomes well above the median family income of their neighborhood, and low-income borrowers who purchased homes in 1993 frequently did not buy them in low-income neighborhoods. These findings illustrate the complications involved in targeting specific groups or neighborhoods for special efforts, and they suggest that (1) a lending test focusing exclusively on low-income neighborhoods may not necessarily encourage lending to low-income individuals and (2) a test focusing exclusively on low-income borrowers may not necessarily encourage lending in low-income neighborhoods. Furthermore, lending to people with low incomes may not be the same as lending to people with limited financial resources (for

1. Community Reinvestment Act of 1977, P.L. 95-128, 91 Stat. 1147 (1977).

2. The CRA may impose substantial compliance costs unrelated to lending, such as the costs of familiarizing staff with the requirements of the law and maintaining records to document for regulators actions taken to comply with the regulation.

example, retirees may have low incomes but significant holdings of financial assets, and newly graduated professionals may have small current incomes but substantial future incomes).

However, lending in lower-income neighborhoods does more frequently result in loans to moderate-income borrowers than lending in other neighborhoods, and lending to lower-income borrowers does more frequently result in loans in lower-income neighborhoods than lending to borrowers with higher incomes. The current CRA proposal attempts to balance concerns about lending to lower-income neighborhoods with concerns about lending to lower-income borrowers, but it does not address the issue that some low-income borrowers may have substantial current or future financial resources.

A BRIEF HISTORY OF THE COMMUNITY REINVESTMENT ACT

The Community Reinvestment Act of 1977 is intended to encourage commercial banks and savings associations to help meet the credit needs of the local communities in which they are chartered.[3] In adopting the CRA, the Congress reaffirmed the principle that depository institutions have an obligation under their charters to serve "the convenience and needs" of their communities by extending credit to all parts of those communities.

The CRA is directed primarily at four federal supervisory agencies—the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision. The act calls upon the agencies to (1) use their supervisory authority to encourage each financial institution to help meet local credit needs in a manner consistent with safe and sound operation, (2) assess an institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, and (3) consider the institution's CRA performance when assessing an application for a charter, deposit insurance, branch or other deposit facility, office relocation, merger, or acquisition.

The debate on the bill that led to the CRA indicates that the Congress was concerned primarily with inner-city neighborhoods in general and with blighted and economically depressed areas in particular. The proponents of the CRA asserted that depository institutions were accepting deposits from households and businesses in these areas while lending mostly elsewhere and overlooking qualified loan applicants from the local community. They believed that the failure of depository institutions to take advantage of sound lending opportunities in these neighborhoods accelerated the process of economic decay and inhibited private revitalization efforts. Congressional supporters of the legislation viewed residential mortgage lending, including the provision of home improvement and rehabilitation credit, as particularly important for neighborhood stability and revitalization.

The legislative debate indicates that the Congress did not support nonmarket methods of credit allocation, such as quotas, to meet the credit needs of the local community. However, the Congress did not provide the regulatory agencies with any guidance in defining a low- or moderate-income neighborhood or a bank's "community," in assessing a community's credit needs, or in determining how well a particular institution is meeting those needs. To implement the CRA, the supervisory agencies adopted joint regulations that reflected two principles: The regulation should not require lenders to allocate credit; and financial institutions should be free to meet their CRA obligations in different ways to reflect the needs of their communities and their own capabilities.

To enforce the CRA, the regulatory agencies conduct CRA examinations of institutions and, as required by the statute, evaluate CRA performance during the application process for bank acquisitions, mergers, and other actions. The vagueness of the affirmative responsibility placed on lenders by the Congress has made determining compliance with the CRA difficult for the regulatory agencies. The agencies currently measure CRA compliance using twelve assessment factors, including activities undertaken by institutions to ascertain the credit needs of the community, to communicate the availability of credit services, and to provide credit

3. The act does not cover credit unions and other types of financial institutions. For a more expansive overview of the history of the CRA and of the issues associated with it, see Griffith L. Garwood and Dolores S. Smith, "The Community Reinvestment Act: Evolution and Current Issues," *Federal Reserve Bulletin*, vol. 79 (April 1993), pp. 251–67.

to all geographic areas of their community (see box "Twelve CRA Performance Factors"). Most depositories receive a rating of satisfactory or better on their performance, and few institutions have had their applications for mergers or acquisitions denied. The CRA has, however, prompted institutions to undertake specific actions to enhance their CRA performance before or during the application process.

After more than fifteen years of experience under the CRA, community organizations and depository institutions have expressed frustration with the process of enforcement. Community groups believe that the examination process fails to make meaningful distinctions between depository institutions that perform well and those that perform poorly. Depository institutions complain that CRA enforcement is too focused on process and paperwork and that the examination standards are unclear and inconsistently applied.

Twelve CRA Performance Factors

The federal supervisory agencies have traditionally considered the following factors in assessing an institution's record of performance under the Community Reinvestment Act:

- Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding its credit services
- The extent of the institution's marketing and special credit-related programs in the community
- The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the CRA
- Any practices intended to discourage applications for types of credit set forth in the institution's CRA statement
- The geographic distribution of the institution's credit extensions, credit applications, and credit denials
- Evidence of prohibited discriminatory credit practices or of other illegal credit practices
- The institution's record of opening and closing offices and providing services at offices
- The institution's participation, including investment, in local community development and redevelopment projects or programs
- The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small-business or small-farm loans within its community, or the purchase of such loans originated in the community
- The institution's participation in government-insured, -guaranteed, or -subsidized loan programs for housing, small businesses, or small farms
- The institution's ability to meet various community credit needs given its financial condition and size, legal impediments, local economic conditions, and other factors
- Other factors that, in the supervisory agency's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

The Proposed CRA Regulation

Believing that the implementation of the CRA could be improved, President Clinton in July 1993 requested that the federal financial supervisory agencies reform the CRA examination and enforcement system. The President asked the agencies to refocus the CRA examination system on more objective, performance-based assessment standards with the goals of minimizing the burden of compliance, promoting consistency and even-handedness, and providing more effective sanctions against institutions with consistently poor performance.

In December 1993 the agencies published for public comment a proposal to revise the CRA regulation that would have substituted three performance-based measures—a lending test, an investment test, and a service test—for the twelve assessment factors currently used to measure CRA compliance.[4] In particular, the agencies proposed as the main part of the lending test a "market share" measure that would quantify an institution's CRA performance by comparing its market share of loans in lower-income neighborhoods to its market share in other neighborhoods.

The controversy generated by the December proposal was reminiscent of the arguments made during the consideration of the CRA in 1977. Many banks and savings associations believed that the market share test would result in forced

4. "Community Reinvestment Act Regulations," 58 Fed. Reg. 67466 (1993) and 59 Fed. Reg. 5138 (1993).

credit allocation, while many community groups expressed concern that the formula did not take into account the complexity and effort involved in making different types of loans. In particular, community development loans, which can benefit groups with special credit needs but are time consuming and costly to originate, would have been treated in the same way as more standardized types of loans.

In response to the more than six thousand comments received on the December proposal, the regulatory agencies issued a revised CRA proposal in September 1994.[5] It, too, includes three performance-based measures of CRA performance, but the importance of the market share test and other quantitative standards is diminished (see box "The Proposed New Performance Tests"). The agencies stated that the examination process is inherently subjective and requires that performance be measured within the context of (1) a community's credit needs and (2) the capability of the lender. These two standards are referred to as the "assessment context." The benefit of the proposed new CRA regulation, according to the agencies, is that it would lower the costs of compliance and make CRA performance ratings more meaningful by spelling out, in greater detail, the process regulators would use to make a CRA evaluation.

The CRA legislation places a heavy emphasis on the analysis of the geographic distribution of an institution's lending across its entire community. The CRA proposal would implement this legislative intent by classifying neighborhoods in a lender's service area as low-, moderate-, middle-, or upper-income.[6] A low-income area is defined as an area in which the median family income is less than 50 percent of the median family income for the broader area (such as a metropolitan statistical area, or MSA).[7] In a moderate-income area, the median family income is at least 50 percent and less than 80 percent of that for the broader area. In a middle-income area, the percentage ranges from at least 80 percent to less than 120 percent. And in

5. "Community Reinvestment Act Regulations," 59 Fed. Reg. 51232 (1994).

6. Financial institutions may delineate their service areas using any method they choose provided that the definition does not reflect illegal discrimination, does not arbitrarily exclude low- and moderate-income areas (taking into account the institution's size and financial condition and the extent of its branching network), and consists of whole census tracts or block numbering areas.

In addition, for a retail bank, the service area is to include areas around its branches and deposit-taking ATMs in which it had originated or had outstanding during the previous calendar year a significant number and dollar amount of home mortgages and loans to small businesses, small farms, and consumers (if consumer loans are included by the bank in the CRA evaluation) plus any other areas equidistant from its branches and deposit-taking ATMs.

7. According to the Bureau of the Census, a family consists of a householder plus at least one other person living in the same household related to the householder by birth, marriage, or adoption. A householder is, in most cases, the person or one of the persons in whose name the home is owned or rented.

An MSA typically consists of a central city with population of at least 50,000 plus the geographically larger jurisdiction, if any, in which the city is located and any other jurisdictions tied economically and socially to the city.

The Proposed New Performance Tests

The September 1993 CRA regulatory proposal puts forth three tests by which to assess the CRA performance of depository institutions covered by the act: a lending test, an investment test, and a service test.

The lending test would employ assorted measures of lending activity for a variety of loan types, including home purchase loans. Among the assessment criteria are the geographic distribution of lending, the distribution of lending across different types of borrowers, the extent of community development lending, and the use of innovative or flexible lending practices to address the credit needs of low- or moderate-income individuals or areas.

The investment test would evaluate the extent of an institution's involvement with qualified investments. A qualified investment is an investment, deposit, or grant that benefits primarily low- or moderate-income individuals, small businesses, or small farms or addresses affordable-housing needs.

The service test would evaluate the availability and responsiveness of an institution's system for delivering retail banking services and judge the extent of its community development services and their degree of innovation. Among the assessment criteria are the geographic distribution of an institution's branches and ATMs, the availability of alternative systems for delivering retail banking services in low- and moderate-income areas and to low- and moderate-income individuals, and the provision of community development services. A community development service is one that benefits primarily low- and moderate-income individuals or addresses the affordable-housing or other economic development needs of the community.

an upper-income area, the percentage is at least 120 percent. As this article will show, these income divisions divide the population and the number of census tracts into groups of unequal size.

The September proposal also extends the evaluation of a bank's lending to encompass the distribution of loans across low-, moderate-, middle-, and upper-income borrowers, for which the income categories follow the same groupings as that for neighborhoods but rely on the borrower's income relative to that of his or her MSA. Thus, while continuing to place a heavy emphasis on the geographic distribution of an institution's lending, the agencies will favorably consider loans made to low- and moderate-income individuals.

CRA examiners consider a broad range of loan products, including all types of residential, consumer, and small business loans. This article focuses on home purchase lending, an important component of the proposed lending test. The HMDA data allow the empirical investigation of the nature and extent of this type of lending by the mortgage industry to different neighborhoods and different borrowers in all MSAs.[8]

As discussed below, the proposed regulation does not establish specific lending thresholds for obtaining a particular CRA rating; such lending is to be reviewed within an "assessment context." Moreover, a particular CRA rating would include the proposed investment and service tests—tests that are not considered in this article. Thus, the distribution of lenders measured by some aspect of their home purchase lending may not parallel the distribution of lenders by their CRA ratings.

A Review of the Business of Banking

Depository institutions, like other businesses, rely on the savings of households and businesses to develop and expand their activities. Because savers are seeking the highest risk-adjusted returns, depository institutions can attract additional funds and thus grow only when they offer a risk-adjusted return to savers that is higher than that from available alternatives. In turn, for lending activity to grow and prosper, expected revenues from lending must more than offset the expected costs of making loans.

One type of savings—capital (funds invested in a depository institution and not merely deposited)—is of special importance because the owners of capital—the shareholders in the institution—bear most of the risk of lending. If a borrower fails to pay back what was promised in the credit agreement, the shareholders usually must absorb the loss. The position of depositors differs from that of shareholders because depositors' savings are typically guaranteed by the government. If an institution fails, most depositors eventually get back their savings, whereas the shareholders lose some or all of their savings. Because their form of savings carries greater risk than that associated with deposits, shareholders expect their returns to exceed those of depositors.

The revenues from lending accrue primarily from the interest rates charged on the loans and any points or other fees assessed when the loans are originated. Although the lender knows at the time of loan origination how much revenue from points and fees it will receive on a particular loan, the timing and amount of revenue that will be generated by the stream of interest payments on the loan is much less certain: The borrower may repay the loan ahead of schedule (for example, a homeowner may refinance the mortgage or sell the home before the loan expires) or the borrower may fail to make the required payments and default on the loan. A lender, in determining the expected return from a loan, must assess the likelihood of each of these contingencies.

The cost of lending has at least four components. The first component is expenses required to pay staff and provide the physical facilities for operations. The second is expenses associated with processing loans, including origination activities (such as evaluating an applicant's credit history and ability to repay the debt as scheduled), the appraisal and survey of properties offered as collateral, and servicing activities (such as processing loan payments and monitoring borrowers who have fallen behind on their payments or are likely to fall behind). Although the amount of time and effort expended on origination, processing, and servicing activities vary considerably among loans depend-

8. HMDA applies only to lenders of a certain size or that receive a certain number of loan applications during the year and have a home office or branch in an MSA. Therefore the analysis presented here is limited to a subset of the mortgage industry. Nevertheless, the lenders covered by HMDA in 1993 accounted for about 73 percent of all home purchase loans made that year.

ing on their type and complexity, all loans require a minimum level of such activities.

The third component is the expenses associated with possible loan default, often referred to as credit risk.[9] When a lender extends a loan, it knows that there is some probability that the borrower will not repay the loan or will significantly delay payment. In some cases of default, the lender is able to take action against the borrower—for example, by foreclosing on assets serving as collateral on the loan. If the collateral has sufficient market value, the lender may not suffer a loss on the loan. If thecollateral is impaired or has declined in value, or if foreclosure expenses are too high, then the lender will incur a loss.

A lender that makes a large number of loans knows that a small percentage will not be repaid as scheduled. In estimating this risk, lenders often can rely on their past experience with similar types of credit. If they have had considerable experience with a particular type of lending, they can use statistical techniques to evaluate the credit risk posed by individuals with different characteristics and to establish reserves against possible losses. For unusual or large loans, they must rely on their judgment and experience.

The fourth component of lending costs is the expense associated with funding loans. The bulk of the funds used for loans and related activities comes from depositors; the remainder comes from shareholders who contribute capital. The interest rates paid on deposits and the returns on shareholders' capital must be high enough to attract and retain funds from both sources so that lending can take place.

How the CRA Might Affect the Business of Banking

Economic theory offers at least three perspectives from which to consider how the CRA might affect the business of banking: (1) the lending market is efficient, (2) the lending market embodies illegal discrimination, and (3) the lending market is rendered socially inefficient by "externalities." The efficient markets view concludes that the CRA is a "tax" on the banking system, whereas the latter two views may, though not always, support the position that the CRA is a useful public policy tool that ultimately benefits lenders as well as borrowers and their neighborhoods.

The Efficient Markets View

The HMDA data indicate that home purchase loans are extended in almost all neighborhoods but that the loan volume in low- and moderate-income neighborhoods is smaller than in middle- and upper-income areas. Because financial institutions are present and able to lend in nearly all neighborhoods, an adherent of the efficient-markets view would conclude that the low volume of lending in low- and moderate-income neighborhoods simply reflects the lower returns of, and the lower demand for, such lending.

In this view, any regulation that encourages additional lending, including the CRA, is equivalent to a tax because it requires a depository to make a loan that is expected to yield, at best, an amount less than that required to cover all expenses, including the return expected by shareholders. As with all taxes imposed on a particular sector of the economy, the effect of higher taxes is to encourage economic activity to move to other, lower-taxed sectors of the economy. Thus, if the CRA is indeed such a tax and if all other things are held equal, then overall lending by CRA-covered depository institutions will decline (even though lending in lower-income neighborhoods may increase) relative to lending by institutions not covered by the CRA.

The Discrimination View

Economic theory suggests that systematic differences in treatment based on race or other inherent attributes of prospective borrowers (that is, illegal discrimination) may arise from two distinct sources: (1) prejudice or (2) information-based efforts to enhance profitability. The economic theory discussing prejudicial discrimination suggests that some individuals or firms are willing to forgo profitable exchanges to satisfy a "taste for

9. Various factors affect the risks of and returns on lending by depository institutions across geographic areas. For additional details, see Board of Governors of the Federal Reserve System, *Report to the Congress on Community Development Lending by Depository Institutions* (Board of Governors, 1993).

discrimination" against a specific group.[10] The theory also suggests that illegal discrimination of this type will disappear over time as long as entry into markets is possible. According to this theory, firms that act on the basis of prejudice will eventually be driven out of business because other firms that do not discriminate will expand and take advantage of profitable opportunities left open by the firms that are discriminating. However, the length of time required for market participants to identify and take advantage of profitable opportunities is not specified by this theory.

If many lenders engage in prejudicial discrimination against minorities, perhaps reflecting a historical, societywide bias, then they may not extend credit in low-income neighborhoods because of the high proportions of minority residents in these neighborhoods.[11] In this case, the CRA is likely to increase lender profitability if it works with fair lending laws and forces lenders to lend to minorities who are good credit risks but who would have been denied loans because of illegal discrimination.

However, discrimination against minorities, against neighborhoods with high proportions of minority residents, or against low-income neighborhoods may be "information-based" discrimination.[12] Under this theory, group membership is perceived by the creditor as providing valuable information. That is, lenders may use an applicant's ethnic or racial status or neighborhood as a measure of the expected returns on a loan and thus require applicants with certain racial or ethnic identities or from certain neighborhoods to meet higher underwriting standards to qualify for credit. In this theory, market competition does not ensure the eventual elimination of information-based discrimination because such activities may be profitable, albeit illegal. Over time, however, the demand for loans from the groups subject to discrimination may decline, and such groups may develop and use alternative methods of financing home purchases (for example, the use of seller-financing or of government-backed lending programs). The loan demand may not return even if, at some point, lenders decide to seek the business of these groups.

As with prejudicial discrimination, the CRA combined with fair lending laws might be an effective, although indirect, mechanism for addressing information-based discrimination. But unlike the case of prejudicial discrimination, the CRA may lower profitability in the short-run if information-based discrimination can yield higher returns.

The Externalities View

An externality exists when the decisions and actions of one market participant affect the well-being of another without the decisionmaker's either bearing the full costs of, or reaping the full benefits from, those actions. For example, within a neighborhood, the failure of some homeowners to maintain their properties can have spillover effects on the prices of surrounding, well-maintained properties. The homeowners who allow their properties to decline suffer only some of the costs of their actions—their neighbors suffer some as well. And those who do maintain their properties likewise do not receive all the benefits of that choice—their neighbors receive some benefit as well.

A lender's assessment of the risks of, or returns to, mortgage lending in a neighborhood will be influenced by the condition of the properties there. If others are lending in the neighborhood at the same time, a lender may have greater confidence that the externalities will be positive because it knows that other lenders and borrowers are committed to maintaining or improving property values. Thus, a regulation that encourages more concentrated or coordinated lending in a particular neighborhood may raise the profitability of all lending in that neighborhood.

Many factors may account for the relatively lower volume of loans in lower-income neighborhoods, but a consequence of the lower volume is that lenders tend to have less experience, and thus higher costs, when evaluating the risks of lending in lower-income areas. If the information needed to assess the risks of some borrowers is costly to acquire, and the benefits of obtaining the informa-

10. The first theoretical model of this type was developed in Gary S. Becker, *The Economics of Discrimination* (University of Chicago Press, 1971).

11. Prejudicial discrimination in lending may occur at different stages in the lending process: before the filing of an application (application screening), in the decision to approve or deny credit, in the setting of the loan terms, and in the level of service provided after a loan is extended.

12. See, for example, Edmund S. Phelps, "The Statistical Theory of Racism and Sexism," *American Economic Review*, vol. 62 (September 1972), pp. 659–61.

tion accrue only partly to the lender acquiring the information (and partly to competitors who do not seek costly information and therefore have, other things being equal, a lower cost structure), then lenders are less likely to invest sufficiently in acquiring the information; in other words, an information externality exists.[13]

One information externality that may affect lending primarily in low-income areas arises from the paucity of real estate transactions in those areas.[14] If, in the case of single-family real estate, low- and moderate-income census tracts have fewer homes, fewer sales, and a more heterogenous housing stock than do upper-income areas, then establishing the value of homes for use as the collateral for mortgages will be more difficult. Lenders may hesitate to invest in learning fully about the market value of homes because keeping such information proprietary may be difficult.

Another information externality may be limited knowledge about governmental and other nonprofit programs for promoting lending in low-income neighborhoods. If subsidy programs can be used effectively to mitigate risk but acquiring information about such programs requires highly trained and highly paid personnel (who may be in short supply), then using these programs may be too costly for many lenders.

A lack of information about borrowers can also result in nonprice credit rationing and, as a consequence, some borrowers who are potentially able to repay loans may be unable to obtain credit. If a lender raises the interest rate to cover the cost of potential credit losses, it may attract a disproportionately large number of high-risk borrowers because low-risk borrowers, knowing that they have a relatively low probability of defaulting, are unwilling to pay higher interest rates. Consequently, the higher interest rates may fail to provide the overall returns expected by the lender, who may therefore find it more profitable only to make loans with lower interest rates to borrowers judged to pose a low risk. If a lender's knowledge about borrowers and perceptions of risk differ across neighborhoods, then neighborhood characteristics can be correlated with credit rationing.

If the CRA encourages the pooling of information about borrowers or neighborhoods, or the sharing of personnel, or joint lending activities, then, according to the externalities view, it may have a positive effect on profitability. Lending in low-income areas frequently involves the use of nontraditional lending criteria and subsidies and thereby makes risk assessment less standard and more complex. By sharing information as well as skilled and knowledgeable personnel, each lender may be able to lower the costs of using nonstandard lending criteria and to make profitable loans. Such cooperation might occur without the CRA because it is in the best interests of lenders as well as borrowers, but the CRA could make cooperation easier to the extent that the CRA sanctions and encourages such activities.[15]

If the CRA simply forces lenders to compete for less profitable loans, however, it may heighten the problems created by externalities. This result may arise if lenders believe they will not receive sufficient recognition for shared projects in their CRA evaluations and hence refuse to coordinate lending or share information. If the CRA encourages lenders to compete for "CRA loans" and undermines the sharing of information, then the profitability of lending may fall, and the CRA may again be thought of as a tax.

Characteristics of Census Tracts Grouped by Neighborhood Income

As reviewed earlier in this article, CRA evaluations place emphasis on the distribution of a bank's

13. A detailed model of this phenomenon is presented in William C. Gruben, Jonathan A. Neuberger, and Ronald H. Schmidt, "Imperfect Information and the Community Reinvestment Act," Federal Reserve Bank of San Francisco, *Economic Review*, vol. 3 (Summer 1990), pp. 27–46.

14. This argument is developed in detail in William W. Lang and Leonard I. Nakamura, "A Model of Redlining," *Journal of Urban Economics*, vol. 33 (1993), pp. 223–34.

15. For examples of such cooperation, see Paul S. Calem, "The Delaware Valley Mortgage Plan: Extending the Research of Mortgage Lenders," *Journal of Housing Research*, vol. 4 (1993), pp. 337–58; and Richard G. Fritz and Rawi E. Abdelal, "Consortium Residential Lending and Community Reinvestment: An Analysis of the Atlanta Mortgage Consortium" (paper presented at the American Real Estate and Urban Economics Association, January 3, 1994).

A different method of overcoming these externalities would be to allow only a few lenders (or even one) to specialize in lending in targeted lower-income communities and have other lenders invest in these specialized lenders. However, to date the CRA has been interpreted as requiring all lenders to help meet credit needs by lending directly in all parts of their local communities.

services within its service area, with particular attention paid to low- and moderate-income neighborhoods.[16] The proposed CRA regulation would also have examiners evaluate a bank's performance within an "assessment context," which would include an analysis of information about the population, the housing units, and other characteristics of a bank's service area.

The basic unit of analysis for CRA evaluations is the neighborhood. One common way to define a neighborhood is as a census tract.[17] A few census tracts are primarily commercial or industrial in nature and have few or no residents. In our analysis of home purchase lending, we excluded census tracts if the 1990 census showed they had (1) no residents, (2) no owner-occupied housing, or (3) no reported median family income.[18]

As of 1990, low-income census tracts constituted only 7.5 percent of the roughly 42,700 census tracts in the United States (table 1).[19] Most census tracts fall into the middle- or upper-income categories.

Low-income census tracts are distinct from upper-income census tracts. First, median family income in the median low-income tract is only about 30 percent of the median income of the median upper-income census tract. Second, the population of the median low-income census tract is about two-thirds that of the typical upper-income tract; hence, the 7.5 percent of tracts that are low-income have only about 5.4 percent of the population of all tracts. Third, the median low-income tract has a proportion of minority residents that is more than eleven times greater than that found in the median upper-income census tract. Thus, an emphasis on lending in low- and moderate-income neighborhoods would likely result in a focus on credit to minority residents.

The demand for mortgage credit for owner-occupied homes in a census tract is influenced by the composition of the housing stock, the prevalence of families, and the level of population in the tract. Low-income tracts have few owner-occupied homes and only a small proportion of all the owner-occupied housing units in metropolitan areas because most residents in these tracts are renters. Only 2.2 percent of all owner-occupied housing units are in low-income census tracts, and the number of owner-occupied units in the median low-income tract is only one-fifth the number in the median upper-income tract. Moreover, the rate of family formation appears to be lower in low-income census tracts, judging by the ratio of families to households. (A household includes all people who occupy a housing unit whereas a family is a component of households and, as defined earlier, consists only of households with related persons.)

Other typical characteristics of low-income neighborhoods are high rates of poverty, housing vacancy, and unemployment.[20] In addition, the housing stock in such neighborhoods tends to be quite old, which may indicate that many properties in these neighborhoods are in poor physical condition. Before extending a loan, creditors often

16. A detailed description of characteristics of neighborhoods grouped by neighborhood income can be found in Glenn B. Canner, Wayne Passmore, and Dolores S. Smith, "Residential Lending to Low-Income and Minority Families: Evidence from the 1992 HMDA Data," *Federal Reserve Bulletin,* vol. 80 (February 1994), pp. 79–108. In some cases, statistics in the 1994 article are not identical to those presented here because additional census tracts and MSAs were added in 1993, because the calculation techniques sometimes vary, and because loan product and census tract selection choices can differ.

17. Census tracts are geographic areas drawn by the Bureau of the Census to be homogenous with respect to population characteristics, economic status, and living conditions. For geographic areas without census tracts, the proposed CRA regulation relies on block numbering areas, which the Bureau of the Census defines as a cluster of small geographic subdivisions signified by visible features such as streets, roads, railroad tracks and streams, and invisible features such as political boundaries.

18. For 1993, 1,470 owner-occupied home purchase loans were reported in 282 census tracts that had a reported family median income but no owner-occupied housing units. The presence of owner-occupied home lending in these neighborhoods may reflect the conversion, since 1990, of commercial or industrial structures or public facilities such as schools to residential uses. In addition, some rental properties may have been converted to cooperatives or condominiums.

Also in 1993, 6,323 home purchase loans were reported in 914 census tracts that had no reported median family income. These tracts were recorded in the 1990 census with either no population or with a small number of people and, to protect the confidentiality of the respondents, the Bureau of the Census did not report a median family income.

19. This count of census tracts includes only those in MSAs where a commercial bank, savings association, credit union, or mortgage company made at least one home purchase loan for an owner-occupied home in 1993 as reported under HMDA. The count excludes all census tracts in Puerto Rico.

20. The poverty level for 1989 varied according to the number of persons in a household; the poverty level was $6,310 for a one-person household, $12,575 for a four-person household, and $23,973 for a nine-person household.

require that a property be in sound physical condition. Given these characteristics of low-income areas, potential borrowers there would seem less likely to seek home purchase loans and more likely to seek loans for home improvement and for rental properties.

In 1993, fewer than 2 percent of all census tracts had no reported home purchase loans. Census tracts without loans were excluded from further analysis because they have characteristics, such as fewer people and fewer owner-occupied housing units, that indicate they may be primarily commercial or industrial areas and because we cannot determine whether these census tracts are actually part of any particular bank's service area.[21]

1993 HOME PURCHASE LENDING

We now examinine the 1993 HMDA data on home purchase lending in terms of neighborhood, borrower, and lender characteristics.

21. Under the proposed regulation, lenders would have to identify the census tracts and block numbering areas in their service areas regardless of whether they made loans in these tracts.

1. Selected characteristics of metropolitan-area census tracts in which home purchase loans were made and of metropolitan-area tracts without such loans, by census-tract income group, 1993

Characteristic	Low	Moderate	Middle	Upper	All
	Census tracts in which home purchase loans were made in 1993				
ALL TRACTS					
Distribution of tracts					
Number	3,202	8,959	20,234	10,336	42,731
Percent	7.5	21.0	47.4	24.2	100
Percentage of population	5.4	19.5	49.7	25.4	100
Percentage of owner-occupied housing units	2.2	14.3	53.2	30.2	100
MEDIAN TRACT[1]					
Income and employment					
Median family income relative to MSA median (percent)	40.3	68.0	98.8	140.8	97.2
Poverty rate (percent)[2]	41.8	20.2	7.5	3.5	8.4
Unemployment rate (percent)[3]	16.6	9.1	5.0	3.3	5.3
Population					
Number	2,849	3,729	4,244	4,258	4,024
Percentage belonging to a racial/ethnic minority	88.5	39.2	9.4	7.8	13.3
Percentage of households made up of families	66.7	67.9	73.8	78.6	73.1
All housing units					
Number owner-occupied[4]	244	616	1,057	1,187	92.6
Percentage rented	59.6	44.0	25.6	16.5	29.0
Percentage vacant	12.1	8.1	5.0	4.2	5.6
Median age (years)	41	36	27	22	28
	Census tracts in which no home purchase loans were made in 1993				
ALL TRACTS					
Distribution of tracts					
Number	455	142	59	32	688
Percent	66.1	20.6	8.6	4.7	100
MEDIAN TRACT[1]					
Population (number)	2,065	1,439	509	111	1,779
Number of owner-occupied housing units[4]	67	78	34	8	60
Median family income relative to MSA median (percent)	34.2	62.8	94.8	146.8	42.1

NOTE. The data exclude Puerto Rico. Home purchase loans are those extended on owner-occupied one- to four-family dwellings in 1993 and reported under the Home Mortgage Disclosure Act (HMDA). The median family incomes of census tracts and other characteristics reported here are 1990 values from the Bureau of the Census. For definitions of family, metropolitan statistical area (MSA), and census tract, see text notes 7 and 17. For definitions of lenders covered by HMDA, see the appendix.

Low-income census tracts are those in which the median family income is less than 50 percent of the median family income of the MSA in which the tract is located.

Moderate-income tracts are those in which the ratio of the medians is at least 50 percent and less than 80 percent.

Middle-income tracts are those in which the ratio is at least 80 percent and less than 120 percent.

Upper-income tracts are those in which the ratio is at least 120 percent.

1. Ranked according to the median family income of each tract in the group.

2. See text note 20.

3. Percentage of population 16 years of age and older that is unemployed and seeking employment.

4. Excludes non-year-round housing units.

SOURCE. Federal Financial Institutions Examination Council (FFIEC).

Aggregate Lending by Neighborhood Income

The distribution of loans for the purchase of owner-occupied homes in 1993, as reported in the HMDA data, indicates that nearly 90 percent of the number of home purchase loans and about 92 percent of the dollar value of such loans are made in middle- and upper-income neighborhoods (table 2). For census tracts with at least one reported home purchase loan in 1993, the median low-income census tract had only five loans made within its boundaries compared with sixty-six in the median upper-income census tract. The number of loans extended, relative to the number of owner-occupied housing units, was 2.7 percent in the low-income tracts, compared with 7.2 percent in the upper-income tracts.

That the ratio of home-purchase loans to the number of owner-occupied housing units is much smaller in low-income neighborhoods than in upper-income areas may be viewed by some as evidence of discrimination in mortgage lending. However, this statistic by itself does not take into account important factors that may influence the volume of lending in these areas—property turnover rates, changes in home values, and the number of loan applicants who can qualify for credit.

Characteristics of Home Purchase Loan Borrowers Grouped by Neighborhood Income

When evaluating a mortgage application, lenders often calculate two ratios of debt payment to income for the applicant: the "front-end" ratio, which includes only the debt payments associated with the home purchase (including property taxes and mortgage and home insurance), and the "back-end" ratio, which combines the proposed housing debt payments with the applicant's existing debt payments. Income, per se, is thus not necessarily a determinant of creditworthiness because a low-income borrower may be seeking a small loan for an inexpensive house whereas a high-income borrower may be seeking a large loan for an expensive house. Thus, a low-income borrower may have a lower payment burden than a higher-income borrower.

Income may, however, be a proxy for the ability of a household to save sufficient funds for a down payment on a home. Thus, there may be an income threshold below which relatively few borrowers can qualify for a mortgage regardless of debt payment ratios.[22]

In low-income areas, where the median family income of the census tract is, by definition, less than 50 percent of the MSA median family income, the median income of borrowers relative to the MSA median family income (referred to here as the borrower's relative income) was 76 percent in 1993 (table 3).[23] In moderate income tracts, where the relative income of families ranges between 50 and 80 percent of the MSA median, the relative income of borrowers was about 80 percent. Thus, for lower-income neighborhoods, a large drop in

22. A similar point is made in Howard A. Savage and Peter J. Fronczek, "Who Can Afford to Buy a House in 1991?" *Current Housing Reports* (Bureau of the Census, July 1993), in which the authors estimate what percentage of current owners and renters could afford to buy a house.

23. The borrower income is not the same as family income. A borrower may be a single individual or two or more unrelated individuals as well as a family. Moreover, income reported under HMDA may understate an applicant's actual income both because applicants sometimes do not reveal all sources of income to lenders and because lenders report under HMDA only that portion of the applicant's income relied on for the credit decision.

2. Selected indicators of home purchase loan activity reported under HMDA, by census-tract income group, 1993

Indicator	Low	Moderate	Middle	Upper	All
Distribution of loans (percent)					
Number	1.1	9.7	50.0	39.3	100
Dollar amount	.7	6.9	44.1	48.3	100
Number of loans in median tract[1]	5	19	46	66	39
Ratio of number of loans to number of owner-occupied housing units (percent)	2.7	3.7	5.2	7.2	5.5

NOTE. Excludes census tracts in which no home purchase loans were extended in 1993. Lenders covered by HMDA reported that they originated 2,424,570 home purchase loans in 1993, on which they extended $269.2 billion; the data in this table cover those loans. Lenders reported the borrowers' incomes for 2,383,205 of the loans and did not report the borrowers' incomes for the remaining 41,365 loans. See also general note to table 1.

1. For definition of median tract, see note 1, table 1.

SOURCE. FFIEC.

the median income of residents of a neighborhood seems to yield only a small drop in the relative income of borrowers, suggesting that financial institutions lend to borrowers who meet an income threshold regardless of neighborhood income.

The average borrower income is generally much higher than the median, even for low-income census tracts, because some borrowers have very high incomes. For borrowers in low-income census tracts, the average relative income was 113 percent (not shown in table), almost 50 percent higher than the median relative income of these borrowers. Overall, the median relative income of all home purchase loan borrowers was 109 percent compared with the average of 148 percent (not shown in table).

The loan-to-income ratio for the median borrower in each neighborhood income group is fairly uniform, ranging from about 189 percent to 200 percent; the narrow range perhaps reflects underwriting standards that do not vary significantly with neighborhood characteristics. Although the loan-to-income ratio is not generally calculated by lenders when underwriting a mortgage, it is directly related to the debt-to-income ratios described above.

A commonly used underwriting ratio is the loan-to-value ratio. HMDA data do not include the value of the home purchased by the mortgage borrower. However, the census data provide, for each census tract, the median value of owner-occupied homes in a census tract. Dividing the median-income borrower's loan amount by the median home value for the census tract of the property related to the loan provides a rough calculation of the loan-to-value ratio and indicates that loan-to-value ratios for the typical borrower are significantly higher in lower-income neighborhoods.[24] This rough approximation also indicates that the typical borrower in a low-income neighborhood made little or no down payment on the home purchase, while the typical borrower in an upper-income neighborhood made a down payment roughly equal to 20 percent of the home value.

The high loan-to-value ratio in lower-income neighborhoods may partly reflect the widespread use of government-backed mortgage programs in these neighborhoods (see appendix table A.4). New borrowers using these programs often have loan-to-value ratios close to 100 percent. A high loan-to-value ratio may also indicate a high proportion of first-time homebuyers. These buyers may have few financial assets available for a downpayment but relatively high incomes, and thus they tend to locate in neighborhoods with lower house prices.

Neighborhood Income and Borrower Income

Most borrowers in low-income neighborhoods do not have low incomes (table 4). In 1993, only 23 percent of the borrowers in low-income neighborhoods had low incomes, whereas more than

24. The loan amounts are from the 1993 HMDA data, but the home values come from the 1990 census. As house prices increase, the loan size will also increase. To adjust for this mismatch in timing, we have inflated the 1990 home values by 9 percent.

There are three commonly used home price indexes. The Department of Commerce's new single-family, constant-quality unit index indicates that new home prices for the United States as a whole rose 5.8 percent from year-end 1990 to year-end 1993. The National Association of Realtors's existing single-family home price index shows an 11.8 percent increase over that period, while the Freddie Mac/Fannie Mae conventional mortgage home price index shows about a 9 percent increase.

3. Median values of selected characteristics of home purchase loans reported under HMDA, by census-tract income group, 1993

Characteristic	Low	Moderate	Middle	Upper	All
Income relative to MSA (percent)[1]	75.9	79.8	98.7	136.6	109.2
Loan-to-income ratio (percent)	188.5	191.4	196.8	200.0	197.6
Loan-to-value ratio (percent)[2]	98.2	89.5	86.1	78.1	83.2
Income (thousands of dollars)	33	35	43	58	47
Loan amount (thousands of dollars)	59	63	81	113	90

NOTE. The values reported here are the medians for each census-tract income group. Excludes borrowers for whom income was not reported (see general note to table 2). For definition of census-tract income groups, see general note to table 1.

1. Ratio of borrower income to HUD's 1993 measure of the median family income in the MSA of the property purchased by that borrower.

2. Home values were calculated by inflating those reported by the Bureau of the Census for 1990 by 9 percent to approximate 1993 home values (see text note 24).

SOURCE. FFIEC.

46 percent had middle or upper incomes. Perhaps surprisingly, the proportion of upper-income borrowers in the low-income census tracts was about equal to the proportion in the moderate-income census tracts (about 21 percent).

Similarly, most low-income borrowers (like borrowers in other income groups) purchased homes in middle- and upper-income neighborhoods (table 5). In 1993, 72 percent of low-income borrowers purchased homes in middle- or upper-income census tracts. Even middle- and upper-income neighborhoods have homes with modest prices, and many low-income borrowers may prefer to purchase homes in these neighborhoods because of the neighborhood amenities. In addition, some of these borrowers may be older, retired individuals with lower incomes but with substantial wealth, which allows them to purchase more expensive homes in middle- and upper-income neighborhoods.

The high proportion of middle- and high-income homebuyers in low- and moderate-income neighborhoods suggests that the additional emphasis on lower-income borrowers in the proposed CRA regulation may lead some CRA-covered lenders to change their lending strategies (for example, by participating in government-backed lending programs or by working more with nonprofit organizations). However, whether a loan to a high-income individual in a low-income neighborhood or a loan to a low-income individual in a upper-income neighborhood better fulfills the intent of the Congress when the CRA was enacted is unclear because, as mentioned above, the legislation is vague.

Distribution of Lenders by Neighborhood Income and Borrower Income

Lending tests for evaluating CRA performance can be structured in many ways, but proposals for such tests often include the proportion of a bank's loans in low-income census tracts, the proportion of a bank's loans to low-income borrowers, or the bank's market share in lower-income neighborhoods relative to its share in higher-income neighborhoods. The current CRA proposal suggests that the examiner consider these ratios during a CRA performance examination but does not specify thresholds that would be associated with particular levels of performance.

The 1993 HMDA data provide an opportunity to examine the distribution of lending institutions across these ratios. The lending tests used in any regulation would be based on bank service areas. In using the HMDA data, our analysis assumes that a bank's service area corresponds to the census tracts where the bank originated home purchase loans in 1993. Furthermore, the HMDA data presented here represent a national distribution of lenders and thus may not reflect the distribution in any given market.

Distribution of Lending Activity in Neighborhoods Grouped by Income

In 1993, only a small percentage of all home purchase loans (1.1 percent) were made in low-income neighborhoods (table 2). Not all lenders were equally active in low-income neighborhoods; in

4. Home purchase loans reported under HMDA, grouped by census-tract income and distributed by borrower income group, 1993

Percent

Census-tract income group	Borrower income group					MEMO Distribution of loans by census-tract income group	
	Low	Moderate	Middle	Upper	All	Number	Percent
Low	23.0	30.7	25.0	21.3	100	25,999	1.1
Moderate	16.8	33.3	28.7	21.2	100	230,377	9.7
Middle	7.2	25.0	34.4	33.5	100	1,190,430	50.0
Upper	2.8	11.2	25.6	60.4	100	936,399	39.3
All	6.6	20.4	30.3	42.8	100	2,383,205	100

NOTE. Excludes loans for which borrower income was not reported; see general notes to tables 1 and 2. Borrower income groups are constructed from the ratio of the income of each borrower to the 1993 median family income of the MSA of the property purchased by the borrower; median incomes of each MSA are calculated annually by the Department of Housing and Urban Development. The ranges of ratios that distinguish the borrower income groups are the same as those that distinguish the census-tract income groups.

SOURCE. FFIEC.

fact, most depository institutions covered by the CRA made few or no loans in low-income census tracts (table 6).[25] Given the relatively small number of low-income census tracts, many of these lenders may not have had such tracts within their bank service areas.

Most CRA-covered lenders were focused on middle- or upper-income neighborhoods, with about 88 percent of these lenders originating more than 20 percent of their home purchase loans in middle-income neighborhoods and about 62 percent originating more than 20 percent in upper-income neighborhoods. Few lenders originated a substantial portion of their loans in low-income neighborhoods. But the majority of CRA-covered lenders reported some involvement in moderate-income neighborhoods, with more than 55 percent of these lenders making at least 5 percent of their home purchase loans in these neighborhoods.

A large share of independent mortgage companies reported making less than 5 percent of their loans in low-income neighborhoods; like CRA-covered lenders, most mortgage companies were focused on middle- and upper-income neighborhoods. However, mortgage companies were more likely than CRA-covered lenders to originate more than 5 percent of their loans in moderate-income neighborhoods. As is discussed below, the wider use of the FHA loan programs by mortgage companies may allow them to make more loans to moderate-income borrowers in both low- and moderate-income neighborhoods.

Most credit unions, like other lenders, make few or no loans in low-income neighborhoods. Credit unions are more likely than other lenders to make no loans in other neighborhoods, particularly moderate-income neighborhoods. The relatively high proportion of credit unions with no loans within a neighborhood income group may reflect the fact that credit unions, unlike other lenders, can lend only to their members. Some credit unions may not have many members who seek to buy homes in certain neighborhoods.

CRA evaluations consider a lender's record in the context of its banking market because the needs of the market and the capability of a lender to meet those needs can sometimes be determined only by comparing an institution with its peers. One measure of the capability of a lender is its overall volume of loans for a particular product. Many lenders covered by HMDA do not specialize in home purchase lending and consequently report making few such loans.

In 1993, about half of the lenders who reported home purchase loans under HMDA made at least twenty-five such loans (they are referred to here as high-volume lenders). Using this benchmark as a crude definition of lenders that specialize in home purchase lending, we recalculated the distributions for the high-volume lenders. In this group, the proportion of lenders with no lending in low-income neighborhoods drops for all types of lenders (bottom half of table 6). The proportion for CRA-covered lenders, for example, drops from 74 percent to 57 percent. For moderate- and higher-income neighborhoods, the proportions of lenders reporting no loans generally decrease even more.

25. The CRA covers commercial banks and savings associations. Under the September CRA proposal, lenders have the option of including their affiliated mortgage companies in their CRA evaluation. Thus, for purposes of this analysis, we include mortgage companies affiliated with CRA institutions in the definition of CRA-covered lenders.

5. Home purchase loans reported under HMDA, grouped by borrower income and distributed by census-tract income group, 1993

Percent

Borrower income group	Census-tract income group					MEMO Distribution of loans by borrower income group	
	Low	Moderate	Middle	Upper	All	Number	Percent
Low	3.8	24.7	55.0	16.5	100	156,299	6.6
Moderate	1.6	15.8	61.0	21.6	100	487,045	20.4
Middle	.9	9.2	56.7	33.2	100	720,958	30.3
Upper	.5	4.8	39.1	55.5	100	1,018,903	42.8
All	1.1	9.7	50.0	39.3	100	2,383,205	100

NOTE. See notes to table 4.

Nonetheless, the typical high-volume lender's percentage of loans in low-income neighborhoods remained under 5 percent and in moderate-income neighborhoods remained within 5 percent to 20 percent.

A particular institution's position in the distribution of lenders, as measured by the proportion of loans in lower-income neighborhoods (or to lower-income borrowers) is sometimes suggested as one measure of CRA performance. But, as shown above, important in any such measure are the criteria that determine which lenders are included in a particular market. In addition, this type of measure could encourage unsafe and unsound lending unless appropriate consideration is given to the market definition, the credit needs of the neighborhood, and the lender's capacity to provide a particular type of lending.

Distribution of Lending Activity among Borrowers Grouped by Income

The degree of lending among borrower income groups generally rises with the income of the group analyzed (table 7). Among CRA-covered lenders, the proportion of home purchase loans extended to low-income borrowers varies significantly. More than 12 percent of such lenders made more than 20 percent of their loans to low-income borrowers, while roughly 29 percent of these lenders reported granting no loans to such borrowers.

Mortgage companies, who generally sell the loans they make into the secondary mortgage market, may have more difficulty making loans to lower-income borrowers partly because they must meet secondary market underwriting guidelines. Such guidelines limit a lender's flexibility to extend credit to low-income borrowers, who more often have complex credit circumstances. Depository institutions often fund their loans directly and thus can vary underwriting standards to a greater extent.[26] The mortgage companies' lack of underwriting flexibility, relative to CRA-covered lenders, may partly account for the smaller share of mortgage companies extending more than 20 percent of their loans to low-income borrowers.

However, a larger share of mortgage companies reported extending more than 20 percent of their loans to moderate- and middle-income borrowers. Mortgage companies may be better able to reach moderate- and middle-income buyers because of their more frequent participation in government-backed lending programs. The programs impose uniform underwriting standards but provide greater latitude on the acceptable debt-to-income ratios

26. For more detailed information about the influence of underwriting standards and the secondary market on community development lending, see *Report to the Congress on Community Development Lending.*

6. All home purchase lenders reporting under HMDA and those that are "high-volume" lenders, grouped by type and distributed by the percentage of their loans extended in each census-tract income group, 1993

Percent except as noted

Type of lender	Number of lenders	Low						Moderate					
		0	0–5	5–20	20–50	More than 50	Total	0	0–5	5–20	20–50	More than 50	Total
	All home purchase lenders in 1993												
CRA lenders	6,330	73.5	20.5	4.9	1.0	.1	100	32.0	12.8	38.8	12.4	4.0	100
Independent mortgage companies	875	31.1	62.6	5.9	.3	0	100	7.4	15.3	64.6	12.0	.7	100
Credit unions	1,354	87.7	5.4	5.2	1.3	.3	100	50.0	3.8	26.4	16.0	3.8	100
	Lenders that made at least twenty-five home purchase loans in 1993												
CRA lenders	3,241	56.9	39.1	3.8	.3	0	100	9.3	23.3	55.9	9.6	2.0	100
Independent mortgage companies	788	24.5	69.3	6.0	.3	0	100	1.8	16.5	69.0	12.2	.5	100
Credit unions	210	63.8	33.3	2.4	.5	0	100	11.0	18.6	60.5	9.5	.5	100

NOTE. For definition of CRA lender, see text note 25. See also general note to table 1.

SOURCE. FFIEC.

and the amount of the borrower's funds needed to close a loan.[27]

Credit unions are less likely than CRA-covered lenders to make home purchase loans to low-income borrowers. More than three-fifths of the credit unions reported extending no loans to low-income borrowers. Unlike commercial banks or savings associations, credit unions can lend only to their members, and some credit unions may have few low-income members or few such members who seek home purchase loans.

A significant number of institutions make few or no home purchase loans to low-income borrowers. Proponents of the discrimination view and, perhaps, of the externalities view would likely argue that such lenders cannot be meeting the convenience and the needs of their communities because, as noted above, low-income borrowers can be found in almost all census tracts (table 5). Proponents of the efficient-markets view might respond that whether a particular lender provides a particular type of credit is less important than whether all qualified borrowers receive credit. In fact, in this view, if such lending requires specialized knowledge, not all lenders could profitably undertake such lending. Furthermore, although low-income borrowers are present in all census tracts, the number of such borrowers might be few for some banks, particularly for those located in predominately upper-income areas and for those with many competitors.

As in the analysis of lender activity by neighborhood, we recalculated the distribution of lenders' share of lending by borrower income group after excluding low-volume lenders (bottom half of table 7). Here, dropping low-volume lenders produces sharp changes in the distributions. The proportion of lenders with no loans to low- or moderate-income borrowers falls significantly; and the proportion of lenders with more than 5 percent of their loans to low- or moderate-income borrowers rises.

Distribution of Lenders by Market Share

Although not given prominence in the current CRA proposal, one proposed standard of lending performance would compare a lender's share of reported loans (in various product lines) in low- and moderate-income areas of its delineated community to its share of reported loans in other parts of its service area. Precise evaluations of how individual lenders perform under such a standard are not possible because information is not available on the census tracts that constitute a lender's service area. As before, we can estimate market shares

27. A review of the FHA loan program can be found in Glenn B. Canner, Wayne Passmore, and Monisha Mittal, "Private Mortgage Insurance," *Federal Reserve Bulletin*, vol. 80 (October 1994), pp. 883–99.

6.—Continued

Type of lender	Middle						Upper					
	0	0–5	5–20	20–50	More than 50	Total	0	0–5	5–20	20–50	More than 50	Total
	All home purchase lenders in 1993											
CRA lenders	6.7	.2	4.9	33.7	54.5	100	17.6	3.4	17.3	39.3	22.5	100
Independent mortgage companies	1.6	.1	2.1	41.9	54.3	100	2.7	1.8	17.1	57.4	20.9	100
Credit unions	11.0	0	3.0	32.9	53.1	100	28.4	.4	14.9	37.4	18.8	100
	Lenders that made at least twenty-five home purchase loans in 1993											
CRA lenders	.2	.3	3.2	37.0	59.3	100	4.6	5.8	19.4	49.7	20.6	100
Independent mortgage companies	0	.1	1.8	43.2	55.0	100	.6	1.9	17.8	60.0	19.7	100
Credit unions	0	0	3.3	39.5	57.1	100	1.4	1.4	20.5	55.2	21.4	100

7. All home purchase lenders reporting under HMDA and those that are "high-volume" lenders, grouped by type and distributed by the percentage of their loans extended in each borrower income group, 1993

Percent except as noted

Type of lender	Number of lenders	Low						Moderate					
		0	0–5	5–20	20–50	More than 50	Total	0	0–5	5–20	20–50	More than 50	Total
	All home purchase lenders in 1993												
CRA lenders	6,330	28.6	18.5	40.1	11.6	1.1	100	15.0	1.8	39.2	41.4	2.6	100
Independent mortgage companies	875	12.8	45.8	37.7	3.1	.6	100	4.6	2.4	35.7	56.0	1.4	100
Credit unions	1,354	61.4	6.2	21.6	8.6	2.2	100	34.9	1.3	24.4	33.9	5.6	100
	Lenders that made at least twenty-five home purchase loans in 1993												
CRA lenders	3,241	8.1	33.7	51.3	6.7	.3	100	.6	2.6	50.8	45.7	.3	100
Independent mortgage companies	788	6.3	52.1	38.5	2.9	.2	100	.5	3.0	39.4	56.7	.5	100
Credit unions	210	18.6	35.2	42.4	3.8	0	100	1.0	5.2	49.5	43.3	1.0	100

NOTE. See general note to table 1 and notes to table 6. For definition of borrower income groups, see general note to table 4.

for each institution if we assume that the census tracts in which a lender reported home purchase loans under HMDA are the same as the census tracts the institution would identify as constituting its service area. This assumption is probably reasonably accurate for larger lenders but may be less so for smaller lenders, who may be more likely to extend home purchase loans in areas outside their service area (say, for instance, to long-standing customers who move to a new residential development in a suburb of a metropolitan area).

The 1993 HMDA data indicate that for a significant proportion of lenders, the market share of home purchase lending in low- and moderate-income census tracts exceeded their market share in middle- and upper-income neighborhoods (table 8). For example, 59 percent of the CRA-covered lenders had lower-income market shares that exceeded their higher-income shares (table 8, memo item). For many institutions, the lower-income neighborhood share exceeded the higher-income neighborhood share by a wide margin. The

8. All home purchase lenders reporting under HMDA and those that are "high-volume" lenders, grouped by type and distributed by their percentage share of lending in each census-tract income group, 1993

Percent except as noted

Type of lender	Number of lenders	Low and moderate				
		0	0–3	3–6	More than 6	Total
	All home purchase lenders in 1993					
CRA lenders	6,330	30.1	15.7	24.3	29.8	100
Independent mortgage companies	875	7.1	22.4	42.2	28.3	100
Credit unions	1,354	47.4	17.5	18.7	16.4	100
	Lenders that made at least twenty-five home purchase loans in 1993					
CRA lenders	3,241	8.6	16.4	32.2	42.8	100
Independent mortgage companies	788	1.4	22.7	45.2	30.7	100
Credit unions	210	9.0	31.0	32.4	27.6	100

NOTE. See general note to table 1 and notes to table 6. Market shares are calculated by summing the number of home purchase loans made by a lender in a given census-tract income group and dividing by the number of home purchase loans made by all lenders in that census-tract income group.

7.—Continued

Type of lender	Middle						Upper					
	0	0–5	5–20	20–50	More than 50	Total	0	0–5	5–20	20–50	More than 50	Total
	All home purchase lenders in 1993											
CRA lenders	12.8	.4	18.4	64.7	3.7	100	5.7	.3	7.9	52.0	34.1	100
Independent mortgage companies	2.5	0	4.6	90.1	2.9	100	1.1	.7	13.8	61.5	22.9	100
Credit unions	24.2	.2	12.3	51.3	12.0	100	17.4	.2	8.2	42.3	32.0	100
	Lenders that made at least twenty-five home purchase loans in 1993											
CRA lenders	.3	.6	16.1	82.6	.4	100	.1	.5	5.7	60.6	33.1	100
Independent mortgage companies	.3	.1	5.3	92.9	1.4	100	.4	.9	15.5	64.5	18.8	100
Credit unions	0	1.0	11.4	86.2	1.4	100	0	0	9.1	59.5	31.4	100

bulk of the institutions with low market share in low- and moderate income neighborhoods are low-volume lenders who made no loans in low- and moderate-income neighborhoods. When these institutions are excluded (bottom half of table 8), most lenders had higher market shares in lower-income neighborhoods than in higher-income neighborhoods.

The relatively high market shares in lower-income census tracts result from the smaller number of competitors in these neighborhoods (table 9). The number of competitors in upper-income neighborhoods is typically four to five times higher than the number in low-income neighborhoods.

SUMMARY

The volume of home purchase lending in low-income neighborhoods and to low-income borrowers in the United States is small and is generated by

8.—Continued

Type of lender	Middle and upper					MEMO Ratio of market share in low- and moderate-income tracts to share in middle- and upper-income tracts					
	0	0–3	3–6	More than 6	Total	0	0–.5	.5–1	1–1.5	More than 1.5	Total
	All home purchase lenders in 1993										
CRA lenders	1.5	46.1	32.7	19.7	100	30.1	2.2	8.8	11.9	47.0	100
Independent mortgage companies	.0	46.6	41.3	12.1	100	7.1	.7	5.6	16.3	70.3	100
Credit unions	2.7	70.8	23.2	3.3	100	47.4	.4	3.7	6.1	42.3	100
	Lenders that made at least twenty-five home purchase loans in 1993										
CRA lenders	.0	30.4	40.0	29.5	100	8.6	2.7	13.6	18.1	57.1	100
Independent mortgage companies	.0	42.5	44.2	13.3	100	1.4	.8	6.1	17.8	74.0	100
Credit unions	.0	59.6	31.0	9.5	100	9.0	1.0	7.6	15.7	66.7	100

only a small proportion of lenders. The questions arise, is the small volume of such activity appropriate, and if not, how can it be raised?

Safe and sound lending practices require all lenders to evaluate the condition of properties offered as collateral for a prospective loan and to evaluate the creditworthiness of the prospective borrowers. A proponent of the efficient markets view of lending would see the characteristics of low-income neighborhoods as recorded in the census as partly explaining the low volume of home purchase lending and the relatively small number of lenders active in these neighborhoods. From this perspective, the small population, the high proportion of renters, and the often distressed nature of these neighborhoods, together with the requirements of safe and sound lending, translate into few opportunities to make profitable home purchase loans.

The efficient markets view suggests that the small amount of lending to minority households and the concentration of such households in lower-income neighborhoods are a result of their generally lower incomes and lower holdings of financial assets. A nondiscriminatory use of underwriting criteria that reflect the credit risk or the cost of extending credit to individual applicants will result in a volume of home purchase lending in low-income areas that is generally smaller than anywhere else.

Given the characteristics of lower-income neighborhoods, a proponent of the efficient markets view might also argue that lending in these neighborhoods is likely to be a highly specialized activity and thus most efficiently pursued by only a few lenders. As long as mortgage credit is made available in a nondiscriminatory and competitive manner, an efficient markets proponent would not be concerned about the number of lenders providing such credit. Furthermore, evidence that low-income borrowers are found in all neighborhoods and that borrowers from all income groups purchase properties in low-income neighborhoods suggests that a diversity of borrowers fall under the regulatory rubric of "low-income." An efficient markets proponent would argue that the market is best suited to determine which lenders and how many are needed to serve this diverse group of borrowers.

Finally, efficient markets imply that the CRA, if it alters bank lending, is a tax. Further, it may be a particularly onerous tax because it does not apply to all mortgage lenders and because it makes lending in low-income neighborhoods a responsibility of all commercial banks and savings associations that have such neighborhoods in their service area, regardless of their ability to extend such credit.

A different interpretation of the status of home purchase lending in low-income neighborhoods and to low-income borrowers comes from those who believe discrimination is the explanation for lenders' behavior. As noted, lending in low-income neighborhoods is frequently equivalent to lending in neighborhoods with a high proportion of minority residents, and lending to low-income borrowers often involves lending to minorities. In this view, the underwriting process used by lenders unfairly discriminates against minorities, and consequently a small proportion of loans are made in lower-income neighborhoods. Moreover, in this view, both the neighborhood characteristics found in the census data and the performance of lenders are, in part, outcomes of an unfair process.

From the discrimination view, the CRA may work with fair lending laws to push banks and savings associations to make loans that are profitable but overlooked because of the racial or ethnic composition of the neighborhoods. If discrimination is information-based—that is, the racial or ethnic characteristics of the neighborhood or of the borrower provide a low-cost method of screening loan applicants for potential returns—then the CRA may work with fair lending laws to overcome such illegal behavior, but it also may lower the profitability of commercial banks or saving associations.

A third interpretation of the data presented here is based on the view that certain market impedi-

9. Median and mean number of home purchase lenders in each lender's "lending area," calculated over all such lenders reporting under HMDA, by census-tract income group, 1993

Measure	Low	Moderate	Middle	Upper	All
Median	7	15	25	32	25
Mean	8	16	26	34	27

NOTE. For each home purchase lender, the census tracts in which the lender made home purchase loans in 1993 were identified (the "lending area") and grouped by income level. The total number of lenders that made home purchase loans in those tracts in 1993 was then counted, and a median and mean number of lenders in each lender's lending area, grouped by income, was calculated. Finally, the median value of all lenders' medians and the mean value of all lenders' mean values were calculated and are reported here. Excludes loans for which borrower income was not reported. See general notes to tables 1 and 2.

SOURCE. FFIEC.

ments, or externalities, are responsible for the small amount of lending in lower-income neighborhoods and to lower-income individuals. Proponents of this view may agree with the efficient markets view that the current level of home purchase lending in lower-income neighborhoods is consistent with characteristics of these neighborhoods, but they argue that the weakening or elimination of eternalities would allow the volume of profitable loans to rise.

From the externalities perspective, a smaller number of lenders in lower-income neighborhoods and a smaller number of loans to lower-income borrowers would be signs that information about the riskiness of this lending may be difficult to obtain and that such lending would be greater and more profitable if lenders shared information and coordinated lending activities. Moreover, lending to low-income borrowers—which often requires knowledge of government mortgage programs and other vehicles for qualifying lower-income households for mortgages—may also be a highly skilled endeavor and thus difficult for all CRA-covered lenders to pursue simultaneously. Thus, if the CRA encourages such coordination, then it may encourage additional profitable lending. If, however, the CRA merely encourages competition among lenders because of the need to make additional loans in low-income neighborhoods or to low-income individuals (that is, if loans resulting from coordinated activities are discounted in CRA evaluations), then a proponent of this view might also agree that the CRA is best considered a tax.

APPENDIX: SUMMARY OF THE 1993 HMDA DATA

The Home Mortgage Disclosure Act of 1975 (HMDA) requires most depository institutions with offices in metropolitan areas to report the geographic location of the properties related to the home purchase, home refinancing, and home improvement loans that they originate or buy.[28] The data reported under HMDA are the only information on annual home lending activity at the neighborhood (census tract) level that is readily available to the public (see the box "Public Access to HMDA Data").

28. HMDA, which became effective in 1976, is implemented by Federal Reserve Board Regulation C (12 C.F.R. 203). For a more detailed description of the requirements of HMDA and a discussion of data from previous years, see Glenn B. Canner and Dolores S. Smith, "Home Mortgage Disclosure Act: Expanded Data on Residential Lending," *Federal Reserve Bulletin,* vol. 77 (November 1991), pp. 859–81; and Canner, Passmore, and Smith, "Residential Lending to Low-Income and Minority Families."

Public Access to HMDA Data

The HMDA data are made available to the public by the financial institutions covered by the act, by central data depositories (usually a public library, regional planning agency, or other public entity), and by the Federal Financial Institutions Examination Council (FFIEC). Under HMDA, each financial institution submits its lending data to its supervisory agency on a Loan/Application Register (HMDA-LAR) in a transaction-by-transaction format and makes an edited version of its LAR available to the public. The FFIEC processes the LAR data and prepares public disclosure statements for individual lenders; each lender in turn makes the disclosure statements available in at least one office in each MSA in which it is located. The FFIEC also sends these disclosure statements and an aggregate report for each MSA to the central data depository in each MSA.

The FFIEC makes the HMDA data available for purchase in several media. Facsimiles of disclosure reports for the individual institutions and the aggregate reports for each MSA are available in paper form, in microfiche, and on CD-ROM. HMDA-LAR records and selected census data for each census tract in each MSA are available on PC diskettes, and such data for the entire nation are available on computer tape and CD-ROM. The sociodemographic data used to prepare the HMDA disclosure reports include data from the 1980 and the 1990 decennial Census of Population and Housing and annual estimates of the median four-person family income for each MSA from the Department of Housing and Urban Development; these data can also be obtained from the FFIEC.

The FFIEC also makes available a series of reports, drawn from the HMDA data, that were developed by the regulatory agencies to enhance their enforcement of fair-lending laws and assessment of lender efforts under the Community Reinvestment Act.

For information about the availability of data or to request data from the FFIEC, contact the HMDA Operations Unit, Mail Stop 502, Board of Governors of the Federal Reserve System, Washington, DC 20551. A copy of the HMDA data order form is available through the HMDA Assistance Line, (202) 452-2016.

Amendments to HMDA in 1989 and 1991 substantially increased the information that lenders must collect and the number of lenders required to report.[29] Under HMDA, covered lenders now report the disposition of home loan applications (for example, whether an application was approved, denied, or withdrawn) and on the race or national origin, sex, and annual income of applicants. They also report characteristics of borrowers whose loans are purchased. The type of purchaser of a loan must also be reported if the loan was sold the same year in which it was originated or acquired. As of 1993, a large number of additional independent mortgage companies became covered by the act; many of these firms are active lenders, often extending credit in dozens of metropolitan areas.[30]

This appendix summarizes the 1993 HMDA data. Beginning with the release of the 1994 HMDA data, these types of summary tables will appear each year in the Financial and Business Statistics section of the September issue of the *Federal Reserve Bulletin.*

The 1993 HMDA Data

For 1993, the 9,650 home lenders submitting HMDA data (table A.1) consisted of 5,300 commercial banks, 1,209 savings associations, 1,907credit unions, and 1,235 mortgage companies, of which 962 were independent entities. The inclusion of additional independent mortgage companies in 1993 increased the number of such firms reporting data more than three-fold and accounted for most of the increase from 1992 in the overall number of reporters.

Using the 1993 HMDA data, the Federal Financial Institutions Examination Council (FFIEC) prepared 35,976 disclosure statements, each relating to a specific metropolitan statistical area (MSA), on behalf of the 9,650 covered institutions.[31] The FFIEC mailed these reports to lending institutions in July 1994 and to central data depositories in October. Both types of institution make the reports available to the public.

In 1993, lenders covered by HMDA acted on 13.6 million home loan applications and purchased 1.8 million loans. In comparison, in 1992 lenders reported information on 10.0 million home loan applications and 2.0 million purchased loans.

Of the 4.5 million applications for home purchase loans in 1993, 3.4 million, or 75 percent, were for conventional loans (table A.2). The remainder were for government-backed mortgages—loans insured or guaranteed by the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), or the Farmers Home Administration (FmHA).

29. The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 contains the 1989 amendments to HMDA; the Federal Deposit Insurance Corporation Improvement Act of 1991 contains the 1991 amendments. The 1989 amendments to HMDA extended coverage for the first time to independent mortgage companies (mortgage companies not affiliated with a depository institution.)

30. Before 1993, independent mortgage companies had to report only if they (or their parent) had at least $10 million in assets. Now, an independent mortgage company must also report if it receives 100 or more home loan applications during the year.

31. The member agencies of the FFIEC are the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Office of Thrift Supervision. For HMDA-related matters, HUD also participates in FFIEC deliberations.

A.1. Residential lending activity of financial institutions covered by HMDA, 1981–93

Number

Year	Loans or applications (millions)[1]	Reporting institutions	Disclosure reports
1981	1.28	8,094	10,945
1982	1.13	8,258	11,357
1983	1.71	8,050	10,970
1984	1.86	8,491	11,799
1985	1.98	8,072	12,567
1986	2.83	8,898	12,329
1987	3.42	9,431	13,033
1988	3.39	9,319	13,919
1989	3.13	9,203	14,154
1990[2]	6.59	9,332	24,041
1991	7.89	9,358	25,934
1992	12.01	9,073	28,782
1993	15.38	9,650	35,976

1. Before 1990, includes only home purchase, home refinancing, and home improvement loans originated by covered institutions; beginning in 1990 (first year under revised reporting system), includes such loans originated and purchased, applications approved but not accepted by the applicant, applications denied or withdrawn, and applications closed because information was incomplete. Lending activity regarding home equity lines of credit is reported by institutions under HMDA if the applicant states that the credit is for home improvement.

2. Revised from preliminary data published in Glenn B. Canner and Dolores S. Smith, "Home Mortgage Disclosure Act: Expanded Data on Residential Lending," *Federal Reserve Bulletin*, vol. 77 (November 1991), p. 861, to reflect corrections and the reporting of additional data.

SOURCE. FFIEC.

A.2. Applications for home loans reported under HMDA, grouped by type of dwelling and purpose of loan and distributed by loan program, 1993

Thousands

Loan program	One- to four-family dwellings				Multifamily dwellings	All
	Home purchase	Home refinancing	Home improvement	All		
FHA	777.7	717.8	116.9	1,612.4	.6	1,613.0
VA	312.8	285.4	5.0	603.2	*	603.3
FmHA	7.4	2.0	*	9.5	*	9.6
Conventional	3,410.6	6,678.1	1,270.3	11,395.0	33.6	11,392.6
Total	**4,508.5**	**7,683.3**	**1,392.3**	**13,584.1**	**34.4**	**13,618.5**

NOTE. Multifamily dwellings are those for five or more families.
FHA Federal Housing Administration
VA Department of Veterans Affairs
FmHA Farmers Home Administration

* Fewer than 500.
SOURCE. FFIEC.

Historically, relatively few homeowners have used either FHA-insured or VA-guaranteed loans when refinancing their existing mortgage. For instance, in 1992 less than 6 percent of the borrowers seeking to refinance applied for government-backed loans (data not shown in tables). The small share of refinancings using government-backed loans has reflected the relatively high cost and inconvenience of that type of transaction. Until recently, homeowners who refinanced their government-backed mortgages were usually those with equity sufficient to qualify for a conventional mortgage. In 1993, however, the use of government-backed loans for refinancing increased markedly, to 13 percent. This increase probably reflects the streamlined refinancing programs introduced by the government agencies, which allowed some homeowners with little equity to refinance at a low cost and with minimal paperwork.

In 1993, depository institutions originated about 48 percent of all home loans; independent mortgage companies or the mortgage company affiliates of depository institutions originated the rest (table A.3). Lending institutions tend to specialize in different types of home loans. In 1993, mortgage companies originated about 80 percent of the government-backed home purchase loans. Depository institutions, on the other hand, were the dominant source of home improvement loans and loans for multifamily dwellings.

Refinancing has been the most common type of home loan transaction in the past two reporting years, accounting for 55 percent of all reported home loans in 1992 and 60 percent in 1993. The

A.3. Home loans originated by lenders reporting under HMDA, grouped by type of dwelling and purpose of loan distributed by type of lender, 1993

Percent

Type of lender	One- to four-family dwellings								Multi-family dwellings	All
	Home purchase					Home refinancing	Home improve-ment	All		
	FHA-insured	VA-guaranteed	FmHA-insured	Con-ventional	All					
Commercial bank	7.7	8.9	27.8	26.0	21.4	24.3	68.7	...	37.9	27.3
Savings association	11.1	10.4	21.3	20.3	17.9	19.0	9.4	...	47.2	17.9
Credit union	.2	1.2	.3	1.3	1.1	2.8	10.6	...	.5	3.0
Mortgage company[1]	81.1	79.5	50.6	52.4	59.6	53.8	11.2	...	14.4	51.8
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
MEMO										
Distribution of loans										
Number	577,413	234,492	4,600	2,371,188	3,187,693	6,098,429	883,946	10,170,068	24,098	10,194,166
Percent	5.7	2.3	*	23.3	31.3	59.8	8.7	98.8	.2	100

NOTE. Multifamily dwellings are those for five or more families.
* Less than 0.05 percent.

1. Includes mortgage companies affiliated with a commercial bank or savings association.
SOURCE. FFIEC.

extraordinarily high number of applications and credit extensions for refinancing in both years is attributable to low mortgage rates, the availability of no-fee loans, and more efficient processing of applications.[32]

32. With a no-fee loan, the borrower incurs no out-of-pocket expenses for either closing costs or discount points on the loan. Such loans are often written with a higher interest rate, and closing costs are typically added to the amount being financed.

Distribution of Applications by Applicant and Census Tract Characteristics

In general, households with lower incomes are the most likely to use government-sponsored home loan programs, particularly those of the FHA and the FmHA. In 1993, 36 percent of home purchase loan applicants with incomes below the median family income for their MSA applied for

A.4. Applications for one- to four-family home loans reported under HMDA, grouped by purpose of loan and distributed by characteristic of applicant and census tract, 1993

Characterisitc	Home purchase						Home refinancing		Home improvement	
	Government-backed[1]			Conventional						
	Number	Percent	MEMO Percentage of character-istic's home purchase loans	Number	Percent	MEMO Percentage of character-istic's home purchase loans	Number	Percent	Number	Percent
APPLICANT										
Racial/ethnic identity										
American Indian/ Alaskan native	4,850	.5	23.8	15,537	.5	76.2	27,676	.4	7,028	.6
Asian/Pacific Islander	16,849	1.6	13.3	109,636	3.4	86.7	315,472	4.4	18,625	1.6
Black	124,589	11.7	44.1	157,860	4.9	55.9	235,384	3.3	116,432	10.0
Hispanic	94,702	8.9	38.2	153,371	4.7	61.8	306,061	4.3	92,047	7.9
White	781,615	73.7	22.3	2,729,280	84.0	77.7	6,017,544	84.8	892,993	77.0
Other	4,528	.4	19.2	19,025	.6	80.8	43,926	.6	14,967	1.3
Joint (white and minority)	33,417	3.2	34.5	63,417	2.0	65.5	153,155	2.2	17,955	1.5
Total	**1,060,550**	**100**	**24.6**	**3,248,126**	**100**	**75.4**	**7,099,218**	**100**	**1,160,047**	**100**
Income (percentage of MSA median)[2]										
Less than 80	344,277	39.4	36.2	607,305	24.9	63.8	974,967	16.8	383,544	36.5
80–99	185,031	21.2	36.3	325,173	13.3	63.7	733,603	12.7	154,051	14.7
100–119	136,607	15.6	30.4	312,966	12.8	69.6	776,904	13.4	135,416	12.9
120 or more	207,445	23.8	14.8	1,190,595	48.9	85.2	3,308,289	57.1	376,752	35.9
Total	**873,360**	**100**	**26.4**	**2,436,039**	**100**	**73.6**	**5,793,763**	**100**	**1,049,763**	**100**
CENSUS TRACT										
Racial/ethnic composition (minorities as percentage of population)										
Less than 10	353,019	40.1	20.6	1,357,135	55.0	79.4	3,238,724	50.6	529,096	50.9
10–19	206,553	23.5	28.5	518,845	21.0	71.5	1,421,100	22.2	176,228	16.9
20–49	215,352	24.5	35.4	392,833	15.9	64.6	1,170,252	18.3	165,316	15.9
50–79	65,073	7.4	33.9	126,690	5.1	66.1	362,150	5.7	73,983	7.1
80–100	40,323	4.6	35.6	72,949	3.0	64.4	206,159	3.2	95,123	9.1
Total	**880,320**	**100**	**26.3**	**2,468,452**	**100**	**73.7**	**6,398,385**	**100**	**1,039,746**	**100**
Income[3]										
Low or moderate	149,336	16.8	34.4	284,682	11.5	65.6	618,903	9.6	221,021	20.7
Middle	515,792	58.0	30.0	1,203,867	48.6	70.0	3,130,103	48.6	558,385	52.4
Upper	224,137	25.2	18.5	986,634	39.9	81.5	2,690,015	41.8	286,723	26.9
Total	**889,265**	**100**	**26.4**	**2,475,183**	**100**	**73.6**	**6,439,021**	**100**	**1,066,129**	**100**
Location[4]										
Central city	419,081	46.8	30.5	954,862	38.3	69.5	2,370,565	36.6	480,762	44.6
Non-central city	475,639	53.2	23.6	1,540,258	61.7	76.4	4,103,529	63.4	596,643	55.4
Total	**894,720**	**100**	**26.4**	**2,495,120**	**100**	**73.6**	**6,474,094**	**100**	**1,077,405**	**100**

NOTE. Lenders reported 13,618,477 applications for home loans in 1993. Not all characteristics were reported for all applications; thus the number of applications being distributed by characteristic varies by characteristic.

1. Loans backed by the Federal Housing Adminstration, the Department of Veterans Affairs, or the Farmers Home Adminstration.

2. MSA median is median family income of the metropolitan statistical area (MSA) in which the property related to the loan is located.

3. See general note to table 1.

4. For census tracts located in MSAs.

SOURCE. FFIEC.

government-backed loans; in contrast, only 15 percent of applicants with incomes of at least 120 percent of the median applied for such loans (table A.4, government-backed memo item).

The greater reliance of lower-income households on government-backed loans reflects several factors. Limits on the amount of FHA loan insurance make these loans unavailable to households seeking to buy more expensive properties; and the low down payment requirements and the ability to finance closing costs make them particularly attractive to lower-income households and to first-time homebuyers, who are likely to have fewer financial resources than others.

When examined according to the racial or ethnic identity of applicants, the data show that those who are black are more likely than others to seek government-backed home purchase loans. In 1993, about 44 percent of the black applicants for home purchase loans sought a government-backed mort-

A.5. Applications for one- to four-family home loans reported under HMDA, grouped by purpose of loan and distributed, with denial rate, by characteristic of applicant, 1993

Percent

Applicant characteristic	Home purchase				Home refinancing		Home improvement	
	Government-backed[1]		Conventional					
	Distribution	Denial rate	Distribution	Denial rate	Distribution	Denial rate	Distribution	Denial rate
American Indian/ Alaskan native								
One male	30.70	15.70	25.60	29.72	22.41	16.93	25.97	31.59
Two males	1.54	10.81	1.81	24.73	1.84	14.09	1.47	28.71
One female	22.10	18.89	23.09	30.69	16.53	14.42	24.05	32.73
Two females	3.26	26.11	3.43	25.71	4.53	11.60	1.01	27.54
One male and one female	42.40	17.30	46.07	25.72	54.70	12.68	47.51	21.56
Total	**100**	**17.46**	**100**	**27.80**	**100**	**13.86**	**100**	**26.85**
Asian/Pacific Islander								
One male	20.13	12.25	16.53	17.80	11.24	16.79	17.27	34.37
Two males	3.70	10.27	3.30	17.89	1.99	17.30	1.47	31.37
One female	11.60	12.03	11.39	16.56	9.00	15.89	12.27	31.05
Two females	2.18	13.62	2.00	15.89	1.30	16.50	1.13	26.44
One male and one female	62.39	11.49	66.78	13.26	76.48	12.85	67.85	24.06
Total	**100**	**11.73**	**100**	**14.59**	**100**	**13.70**	**100**	**26.90**
Black								
One male	26.19	21.69	23.56	35.93	17.68	20.17	25.23	39.00
Two males	1.28	20.96	1.09	32.92	1.33	17.23	0.56	42.94
One female	27.76	20.69	32.02	35.19	23.82	19.71	34.92	40.47
Two females	2.43	22.73	2.50	37.71	1.63	21.65	1.85	44.80
One male and one female	42.34	23.63	40.83	31.71	55.54	17.21	37.44	35.07
Total	**100**	**22.25**	**100**	**34.02**	**100**	**18.39**	**100**	**38.15**
Hispanic								
One male	18.22	15.17	18.89	28.11	13.64	19.24	26.63	37.14
Two males	5.04	11.16	3.88	27.79	2.18	22.06	1.25	43.92
One female	10.32	14.88	13.29	25.74	12.02	16.94	20.53	37.60
Two females	1.92	13.71	1.92	26.48	1.23	21.51	1.19	39.34
One male and one female	64.50	14.63	62.01	23.88	70.92	17.66	50.42	32.48
Total	**100**	**14.56**	**100**	**25.14**	**100**	**17.94**	**100**	**35.00**
White								
One male	20.99	12.27	17.96	19.72	12.63	11.94	19.44	22.46
Two males	1.29	12.90	1.32	17.23	1.00	11.88	.62	24.76
One female	14.64	10.59	14.27	17.77	10.63	9.79	15.80	22.33
Two females	1.04	12.67	1.02	18.94	.70	10.62	0.78	22.29
One male and one female	62.05	11.91	65.42	13.49	75.05	7.74	63.37	16.09
Total	**100**	**11.78**	**100**	**15.33**	**100**	**8.54**	**100**	**18.42**
All								
One male	21.40	13.92	18.28	21.19	12.82	12.89	20.62	26.33
Two males	1.67	13.06	1.50	19.21	1.11	13.44	0.68	29.43
One female	15.82	13.07	15.05	20.02	11.09	11.11	18.15	27.52
Two females	1.32	15.25	1.18	21.42	.80	12.59	.93	28.82
One male and one female	59.79	13.20	63.99	14.59	74.19	8.66	59.62	18.62
Total	**100**	**13.70**	**100**	**17.20**	**100**	**10.40**	**100**	**25.80**

NOTE. Applicants are categorized by race of first applicant listed on Loan Application Register, except for joint white and minority applications, which are not shown in this table. See also general note to table A.4.

1. See table A.4, note 1.

SOURCE. FFIEC.

A.6. Applications for home loans reported under HMDA, grouped by loan program and distributed by disposition according to size of dwelling, 1993

Percent

Loan program	One- to four-family dwellings											
	Home purchase						Home refinancing					
	Approved and accepted	Approved but not accepted	Denied	Withdrawn	File closed	Total	Approved and accepted	Approved but not accepted	Denied	Withdrawn	File closed	Total
FHA	74.2	1.6	13.7	9.4	1.1	100	81.0	1.8	5.6	9.1	2.5	100
VA	75.0	.7	13.5	9.8	1.0	100	85.6	1.3	4.8	7.2	1.1	100
FmHA	62.2	.7	21.9	12.9	2.3	100	33.2	.2	51.9	14.5	.2	100
Conventional	69.5	4.8	17.2	7.5	1.0	100	78.9	2.3	11.1	6.4	1.2	100
All	70.7	4.0	16.3	8.0	1.0	100	79.4	2.2	10.4	6.7	1.3	100

NOTE. Loans *approved and accepted* were approved by the lender and accepted by the applicant. Loans *approved but not accepted* were approved by the lender but not accepted by the applicant. Applications *withdrawn* were withdrawn by the applicant. When an application was left incomplete by the applicant, the lender reported *file closed* and took no further action. See also notes to table A.2.

* Less than 0.05 percent.

gage; the comparable figure for Hispanics was 38 percent; for whites, 22 percent; and for Asians, 13 percent.

Finally, applicants for loans on homes in low- or moderate-income neighborhoods requested government-backed mortgage loans more often than those seeking homes in upper-income neighborhoods. Requests for government-backed loans also accounted for a higher share of all home purchase loan applications in neighborhoods with higher proportions of minority residents.

Most applications for home loans are filed by more than one person (table A.5). However, substantial differences in the frequency of loan requests by multiple applicants are found across racial groups. About 68 percent of requests by white or Hispanic applicants for conventional home purchase loans involved more than one applicant, whereas the corresponding proportion was about 44 percent for black applicants and 72 percent for Asian applicants.

Disposition of Home Loan Applications

In 1993, as in earlier years, most applications for home loans (regardless of purpose) were approved (table A.6). In 1993, lenders approved nearly

A.7. Applications for one- to four-family home loans reported under HMDA, grouped by racial or ethnic identity and income group of applicant and distributed by disposition according to purpose of loan, 1993

Applicant characteristic	Home purchase									
	Government-backed[1]					Conventional				
	Approved	Denied	Withdrawn	File closed	Total	Approved	Denied	Withdrawn	File closed	Total
Racial/ethnic identity										
American Indian/ Alaskan native	69.8	17.5	11.1	1.6	100	62.5	27.8	8.4	1.2	100
Asian/Pacific Islander	76.2	11.7	11.3	.8	100	74.8	14.6	9.2	1.4	100
Black	66.2	22.2	10.2	1.3	100	57.8	34.0	7.0	1.2	100
Hispanic	71.9	14.6	11.2	2.3	100	64.3	25.1	8.8	1.8	100
White	78.9	11.8	8.5	.9	100	77.0	15.3	6.8	.8	100
Other	68.9	17.8	12.4	.8	100	66.0	23.1	9.4	1.5	100
Joint (white and minority)	75.0	14.7	9.4	.8	100	73.7	17.3	8.1	.9	100
Income (percentage of MSA median)[2]										
Less than 80	76.6	14.4	8.1	.9	100	71.3	21.5	6.4	.8	100
80–99	81.3	10.5	7.5	.7	100	79.3	13.1	6.8	.9	100
100–119	81.8	9.9	7.6	.7	100	81.3	11.1	6.8	.9	100
120 or more	80.7	9.4	8.6	1.2	100	82.4	9.2	7.4	1.0	100

NOTE. See general notes to tables A.4 and A.6.

1. See table A.4, note 1.

2. See table A.4, note 2.

A.6.—Continued

Type of loan program	One- to four-family dwellings: Home improvement						Multifamily dwellings					
	Approved and accepted	Approved but not accepted	Denied	Withdrawn	File closed	Total	Approved and accepted	Approved but not accepted	Denied	Withdrawn	File closed	Total
FHA	38.9	12.4	38.9	8.9	.9	100	75.6	1.8	10.3	9.8	2.5	100
VA	78.8	5.8	10.7	3.8	.9	100	77.8	*	7.4	11.1	3.7	100
FmHA	31.1	3.1	54.0	11.2	.6	100	94.3	*	1.1	4.6	*	100
Conventional	65.7	4.3	24.7	4.4	.9	100	69.9	2.9	16.5	8.9	1.8	100
All	63.5	5.0	25.8	4.8	.9	100	70.1	2.8	16.3	8.9	1.8	100

75 percent of the applications received for home purchase loans and about 82 percent of the applications for refinancings (and applicants either accepted or did not accept the loans). Applications that were neither denied nor approved were withdrawn or left incomplete by the applicant ("file closed").

High rates of approval for home loans generally, and for home purchase loans and refinancings in particular, are to be expected. Real estate agents and lenders often inform prospective loan applicants about the size of the loan for which they are likely to qualify. In addition, many home loan applicants have applied for mortgages in the past and are familiar with the basic underwriting guidelines used by lenders in making credit decisions.

Although most applications are approved, rates of denial vary among applicants grouped by their income and racial or ethnic characteristics and by the characteristics of the neighborhoods in which the properties involved are located. However, denial rates generally differ little among applicants grouped by sex, although applications filed by one woman are somewhat more likely to be approved than those filed by one man, and applications by men and women jointly generally are the least likely to be turned down (table A.5).

A.7.—Continued

Applicant characteristic	Home refinancing					Home improvement				
	Approved	Denied	Withdrawn	File closed	Total	Approved	Denied	Withdrawn	File closed	Total
Racial/ethnic identity										
American Indian/ Alaskan native	74.4	13.9	9.9	1.8	100	68.4	26.8	4.0	.7	100
Asian/Pacific Islander	77.1	13.7	7.6	1.6	100	65.8	26.9	5.8	1.5	100
Black	71.2	18.4	8.4	2.0	100	57.2	38.1	3.9	.7	100
Hispanic	69.3	17.9	9.5	3.2	100	60.1	35.0	3.6	1.3	100
White	84.9	8.5	5.5	1.0	100	77.3	18.4	3.8	.5	100
Other	71.1	17.8	9.2	1.9	100	49.8	45.1	4.3	.7	100
Joint (white and minority)	80.8	11.6	6.4	1.1	100	72.5	23.2	3.6	.7	100
Income (percentage of MSA median)[1]										
Less than 80	76.8	15.1	7.1	1.0	100	60.0	34.8	4.5	.7	100
80–99	82.2	10.8	6.1	.9	100	69.4	25.4	4.3	.9	100
100–119	83.5	9.8	5.8	.9	100	72.3	22.4	4.3	.9	100
120 or more	84.0	9.1	5.8	1.1	100	76.6	17.9	4.4	1.2	100

A.8. Applications for one- to four-family home loans reported under HMDA, grouped by racial or ethnic identity of applicant within each applicant income group and distributed by disposition according to purpose of loan, 1993

Applicant income ratio and racial or ethnic identity	Home purchase									
	Government-backed[1]					Conventional				
	Approved	Denied	Withdrawn	File closed	Total	Approved	Denied	Withdrawn	File closed	Total
Less than 80 percent										
American Indian/ Alaskan native	72.8	16.6	9.2	1.4	100	64.7	27.0	7.1	1.2	100
Asian/Pacific Islander	76.7	12.5	10.0	.8	100	74.7	16.0	8.2	1.2	100
Black	66.9	22.5	9.4	1.2	100	59.5	32.3	7.1	1.1	100
Hispanic	73.2	16.3	9.3	1.2	100	62.8	28.6	7.4	1.2	100
White	79.8	12.1	7.4	.7	100	74.1	19.3	5.9	.7	100
Other	74.7	14.0	10.5	.8	100	65.7	26.2	7.2	.9	100
Joint (white and minority)	74.1	16.9	8.4	.7	100	66.2	26.2	6.8	.8	100
80–99 percent										
American Indian/ Alaskan native	77.7	13.4	8.3	.6	100	71.9	18.1	9.3	.7	100
Asian/Pacific Islander	81.1	8.5	9.8	.6	100	76.9	13.6	8.2	1.2	100
Black	71.9	18.6	8.5	1.0	100	67.8	23.1	7.8	1.3	100
Hispanic	77.2	12.6	9.2	1.0	100	67.5	22.3	8.5	1.7	100
White	83.8	8.8	6.8	.6	100	81.7	11.3	6.3	.7	100
Other	76.3	13.5	9.3	.8	100	72.9	17.2	8.1	1.7	100
Joint (white and minority)	78.9	12.3	8.1	.7	100	74.8	17.5	6.9	.8	100
100–119 percent										
American Indian/ Alaskan native	75.2	14.8	9.2	.8	100	76.7	14.7	7.4	1.2	100
Asian/Pacific Islander	81.0	9.8	8.7	.5	100	77.5	13.1	8.2	1.2	100
Black	72.3	18.0	8.6	1.1	100	68.3	22.0	8.3	1.4	100
Hispanic	76.0	12.4	10.6	1.0	100	68.5	21.1	8.7	1.7	100
White	84.4	8.1	6.9	.6	100	83.7	9.3	6.3	.7	100
Other	77.9	12.9	8.3	.9	100	71.7	17.4	9.3	1.6	100
Joint (white and minority)	80.0	11.3	8.0	.6	100	78.0	13.6	7.8	.6	100
120 percent or more										
American Indian/ Alaskan native	74.4	13.6	10.2	1.8	100	76.1	13.6	8.9	1.5	100
Asian/Pacific Islander	77.1	11.5	10.8	.6	100	75.6	13.7	9.3	1.4	100
Black	72.6	17.2	9.0	1.2	100	71.8	18.2	8.5	1.4	100
Hispanic	73.1	10.3	11.5	5.1	100	70.7	17.1	9.8	2.3	100
White	83.6	8.0	7.7	.7	100	84.4	7.9	6.9	.8	100
Other	75.5	13.0	10.7	.7	100	72.6	15.6	10.1	1.7	100
Joint (white and minority)	79.8	10.7	8.9	.6	100	80.5	10.4	8.2	.8	100

NOTE. Applicant income ratio is applicant income as a percentage of MSA median (see table A.4, note 2). See also general notes to tables A.4 and A.6.

1. See table A.4, note 1.

A.9. Applications for one- to four-family home loans reported under HMDA, grouped by census tract characteristic and distributed by disposition according to purpose of loan, 1993

Census tract characteristic	Home purchase									
	Government-backed					Conventional				
	Approved	Denied	Withdrawn	File closed	Total	Approved	Denied	Withdrawn	File closed	Total
Racial/ethnic composition (minorities as percentage of population)										
Less than 10	81.6	10.3	7.5	.7	100	82.1	10.5	6.6	.8	100
10–19	80.1	11.0	8.1	.8	100	77.8	13.1	8.0	1.2	100
20–49	76.5	13.1	9.4	.9	100	73.0	17.0	8.6	1.3	100
50–79	72.1	16.6	10.1	1.2	100	67.9	21.4	9.2	1.5	100
80–100	68.4	19.0	11.3	1.3	100	62.8	25.8	9.4	1.9	100
Income										
Low or moderate	73.0	15.8	10.0	1.2	100	68.7	21.8	8.2	1.3	100
Middle	79.5	11.5	8.1	.9	100	77.8	14.2	7.0	.9	100
Upper	80.2	10.3	8.6	.9	100	82.0	9.3	7.6	1.1	100
Location										
Central city	77.0	13.2	8.8	1.0	100	77.0	14.1	7.7	1.1	100
Non–central city	79.9	10.8	8.4	.9	100	79.3	12.5	7.2	1.0	100

NOTE. See notes to tables A.4 and A.6.

A.8.—Continued

Applicant income ratio and racial or ethnic identity	Home refinancing					Home improvement				
	Approved	Denied	Withdrawn	File closed	Total	Approved	Denied	Withdrawn	File closed	Total
Less than 80 percent										
American Indian/ Alaskan native	70.8	19.5	8.3	1.5	100	61.5	33.8	4.4	.4	100
Asian/Pacific Islander	73.7	16.9	8.0	1.3	100	55.5	37.9	5.2	1.4	100
Black	64.7	24.6	9.1	1.5	100	52.7	42.8	3.8	.6	100
Hispanic	64.6	24.4	9.2	1.8	100	52.8	42.3	4.0	.9	100
White	81.1	12.2	5.9	.8	100	70.8	25.1	3.7	.4	100
Other	64.9	24.7	9.2	1.3	100	41.6	53.5	4.5	.4	100
Joint (white and minority)	75.3	16.9	6.9	.9	100	61.5	33.3	4.3	.9	100
80–99 percent										
American Indian/ Alaskan native	76.5	14.7	7.7	1.1	100	71.9	24.0	3.6	.4	100
Asian/Pacific Islander	78.0	13.6	7.0	1.4	100	64.0	28.6	5.7	1.7	100
Black	70.3	19.9	8.3	1.5	100	59.0	36.5	3.7	.7	100
Hispanic	68.2	20.8	9.1	1.9	100	58.7	36.6	3.6	1.1	100
White	85.5	8.7	5.1	.7	100	78.1	18.0	3.4	.5	100
Other	70.6	18.0	9.8	1.6	100	51.3	44.5	3.5	.8	100
Joint (white and minority)	79.7	13.1	6.2	1.0	100	71.3	24.6	3.4	.6	100
100–119 percent										
American Indian/ Alaskan native	76.7	13.9	8.4	1.0	100	73.6	18.8	6.2	1.3	100
Asian/Pacific Islander	78.8	12.9	6.9	1.4	100	67.6	25.0	6.0	1.5	100
Black	71.5	18.7	8.3	1.5	100	61.4	34.0	3.9	.7	100
Hispanic	68.3	20.0	9.4	2.3	100	58.7	36.1	4.1	1.1	100
White	86.5	7.9	4.9	.7	100	80.4	15.7	3.4	.5	100
Other	74.2	15.9	8.3	1.6	100	53.9	41.5	3.8	.7	100
Joint (white and minority)	81.2	12.1	5.9	.7	100	72.2	23.2	3.8	.8	100
120 percent or more										
American Indian/ Alaskan native	76.0	14.3	8.3	1.4	100	75.5	18.4	4.7	1.4	100
Asian/Pacific Islander	77.3	13.7	7.5	1.5	100	69.3	22.9	6.1	1.8	100
Black	73.3	17.6	7.7	1.5	100	66.3	28.6	4.1	.9	100
Hispanic	69.1	16.2	9.7	4.9	100	64.7	29.2	3.9	2.2	100
White	86.5	7.6	5.1	.8	100	83.3	12.5	3.5	.7	100
Other	74.4	15.6	8.4	1.6	100	62.4	32.1	4.9	.6	100
Joint (white and minority)	81.6	11.3	6.2	.9	100	77.5	18.2	3.4	.9	100

A.9.—Continued

Census tract characteristic	Home refinancing					Home improvement				
	Approved	Denied	Withdrawn	File closed	Total	Approved	Denied	Withdrawn	File closed	Total
Racial/ethnic composition (minorities as percentage of population)										
Less than 10	86.5	7.3	5.3	.9	100	76.3	18.9	4.2	.6	100
10–19	81.1	10.5	6.9	1.5	100	69.0	25.2	4.6	1.1	100
20–49	77.3	13.1	7.9	1.7	100	63.3	30.6	4.8	1.3	100
50–79	72.0	17.2	9.0	1.9	100	56.5	37.2	5.0	1.3	100
80–100	64.5	23.1	10.2	2.1	100	50.6	43.2	5.0	1.2	100
Income										
Low or moderate	73.1	16.5	8.7	1.8	100	57.5	36.8	4.7	1.0	100
Middle	82.2	10.1	6.5	1.3	100	70.7	24.1	4.3	.8	100
Upper	83.8	8.8	6.2	1.3	100	74.6	19.8	4.5	1.2	100
Location										
Central city	80.2	11.0	7.2	1.5	100	65.8	28.7	4.5	1.0	100
Non–central city	83.1	9.5	6.2	1.2	100	71.8	23.0	4.3	.9	100

In 1993, 34.0 percent of black applicants, 25.1 percent of Hispanic applicants, 14.6 percent of Asian applicants, and 15.3 percent of white applicants were denied credit for conventional home purchase loans (table A.7). The comparable denial rates in 1992 were 35.9 percent for blacks, 27.3 percent for Hispanics, 15.3 percent for Asians, and 15.9 percent for whites. The lower denial rates in 1993 may stem from two sources: the lower mortgage interest rates prevailing in 1993, which, everything else equal, improved housing affordability; and the greater availability of special affordable housing programs (which often use more flexible underwriting standards) sponsored by both primary market lenders and secondary market institutions.

Differences in the distribution of applicants by income account for some of the differences in denial rates among racial or ethnic groups. Other factors are more important, however, because white applicants in each income category had a substantially lower rate of denial than the black or Hispanic applicants in that category (table A.8).

The pattern of denial rates found when applicants are grouped by income and by race or ethnic status is consistent with the increase in denial rates found for applicants from neighborhoods with greater proportions of lower-income or minority residents (table A.9).

Under HMDA, lenders also provide information on the reasons for denial. The most frequently cited reason for the denial of applications for conventional home purchase loans (regardless of the applicants' race or ethnic status) was a weak or nonexistent credit history; this factor was cited particularly often for blacks and relatively rarely for Asians (data not shown in tables). The most frequently cited reason for denial for Asians was an excessive debt-to-income ratio.

The extent to which racial discrimination may account for differences in denial rates among applicants from different racial groups is not known. The HMDA data provide little information about the creditworthiness of applicants and the characteristics of the properties that applicants seek to purchase or improve, and the data give no information about the specific underwriting standards used to evaluate each application. Thus, the information required by HMDA does not provide a solid basis on which to assess the fairness of the loan process.

Changes in Lending Volume by Race and Income

In recent years, mortgage originators, as well as entities in the secondary mortgage market have initiated a wide variety of affordable home loan programs intended to benefit low- and moderate-income and minority households and neighborhoods. A comparison of the 1992 and 1991 HMDA data showed that these programs may have made a difference: Between those two years, the number of conventional home purchase loans extended to loan applicants with incomes below the median family

A.10. Increase in number of conventional home purchase loans from 1992 to 1993 for lenders reporting under HMDA, by characteristic of borrower and census tract

Percent

Characteristic	All lenders	Excluding newly reporting independent mortgage companies
All	**24.6**	**16.5**
BORROWER		
Racial/ethnic identity		
American Indian/Alaskan native	18.7	7.3
Asian/Pacific Islander	15.0	6.5
Black	43.9	35.8
Hispanic	36.3	25.4
White	24.6	17.5
Other	74.4	64.1
Joint (white and minority)	25.8	17.8
Income (percentage of MSA median)		
Less than 80	46.2	38.4
80–99	30.5	21.4
100–119	25.5	16.2
120 or more	16.0	8.2
MEMO		
Income less than 80 percent of MSA median		
American Indian/Alaskan native	30.8	22.1
Asian/Pacific Islander	38.7	28.6
Black	75.2	67.7
Hispanic	58.7	49.5
White	44.0	36.4
Total	46.2	38.4
CENSUS TRACT		
Racial/ethnic composition (minorities as percentage of population)		
Less than 10	26.0	18.2
10–19	24.4	16.2
20–49	21.0	12.6
50–79	19.8	10.4
80–100	17.1	7.9
Income		
Low or moderate	21.6	14.9
Middle	23.8	16.1
Upper	26.6	17.6

NOTE. See text note 30 regarding 1993 expansion of HMDA coverage of independent mortgage companies; see also notes to table A.4.

information on their loan activity and to require most lenders to submit their data to the supervisory agencies in a machine-readable form (for example, on a computer diskette or magnetic tape). Under the new rules, which take effect January 1, 1996, lenders must record HMDA information about loan applications within thirty calendar days after the end of each calendar quarter in which a final action on an application is taken. This requirement will allow consumer compliance examiners to better monitor the quality of a lender's data.

Historically, the quality of HMDA data submitted in paper form has been far worse than that submitted in machine-readable form. Paper records are also more costly for the agencies to process. Before the November amendments, lenders that had 100 or more loan application records were expected (but not required) to submit data in machine-readable form rather than on paper; such lenders accounted for about three-fourths of all institutions. The new rule requires lenders that have more than 25 records to submit their data in machine-readable form and to edit their data before submission using free computer programs supplied by their supervisory agencies or comparable programs supplied by others.

A.11.—Continued

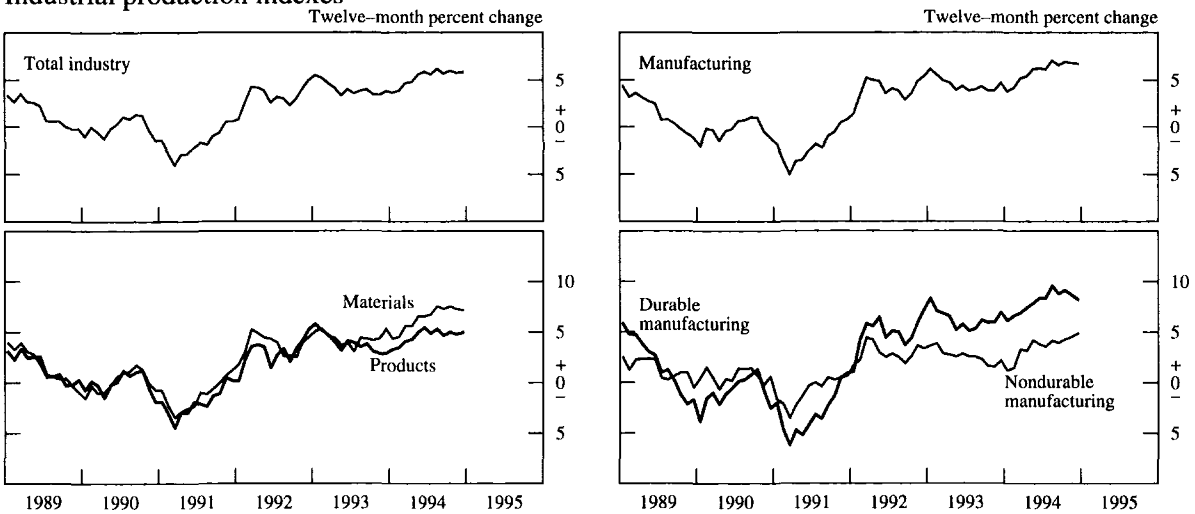
Characteristic	Savings bank or savings and loan association		Life insurance company		Affiliate		Other	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
All	**78,528**	**100**	**40,153**	**100**	**620,676**	**100**	**1,183,289**	**100**
BORROWER								
Racial/ethnic identity								
American Indian/ Alaskan native	274	.4	113	.3	2,166	.4	5,768	.5
Asian/Pacific Islander	1,438	2.2	1,173	3.2	18,405	3.7	41,242	3.9
Black	2,361	3.5	1,757	4.7	18,837	3.7	56,501	5.3
Hispanic	2,213	3.3	1,024	2.8	14,916	3.0	51,361	4.8
White	58,923	88.3	32,135	86.6	435,735	86.7	872,561	82.4
Other	258	.4	171	.5	2,054	.4	5,465	.5
Joint (white and minority)	1,235	1.9	753	2.0	10,609	2.1	26,423	2.5
Total	**66,702**	**100**	**37,126**	**100**	**502,722**	**100**	**1,059,321**	**100**
Income (percentage of MSA median)								
Less than 80	11,156	20.2	6,406	20.6	65,331	15.9	173,165	20.9
80–99	7,549	13.7	4,526	14.5	45,057	10.9	110,509	13.3
100–119	7,782	14.1	4,102	13.2	45,008	10.9	103,978	12.5
120 or more	28,642	52.0	16,104	51.7	256,600	62.3	441,452	53.2
Total	**55,129**	**100**	**31,138**	**100**	**411,996**	**100**	**829,104**	**100**
CENSUS TRACT								
Racial/ethnic composition (minorities as percentage of population)								
Less than 10	39,332	58.9	18,705	52.4	247,283	54.3	438,554	45.4
10–19	14,067	21.1	8,520	23.9	111,665	24.5	242,015	25.1
20–49	9,550	14.3	6,493	18.2	71,023	15.6	198,318	20.5
50–79	2,550	3.8	1,362	3.8	16,447	3.6	55,712	5.8
80–100	1,261	1.9	610	1.7	8,889	2.0	31,462	3.3
Total	**66,760**	**100**	**35,690**	**100**	**455,307**	**100**	**966,061**	**100**
Income								
Low or moderate	6,362	9.5	3,370	9.4	35,353	7.7	100,799	10.4
Middle	32,366	48.2	17,096	47.9	191,801	42.0	446,302	46.1
Upper	28,362	42.3	15,226	42.7	229,411	50.2	420,151	43.4
Total	**67,090**	**100**	**35,692**	**100**	**456,565**	**100**	**967,252**	**100**
Location								
Central city	24,769	36.9	13,736	38.5	159,024	34.8	381,433	39.4
Non-central city	42,321	63.1	21,956	61.5	297,541	65.2	585,819	60.6
Total	**67,090**	**100**	**35,692**	**100**	**456,565**	**100**	**967,252**	**100**

Industrial Production and Capacity Utilization for December 1994

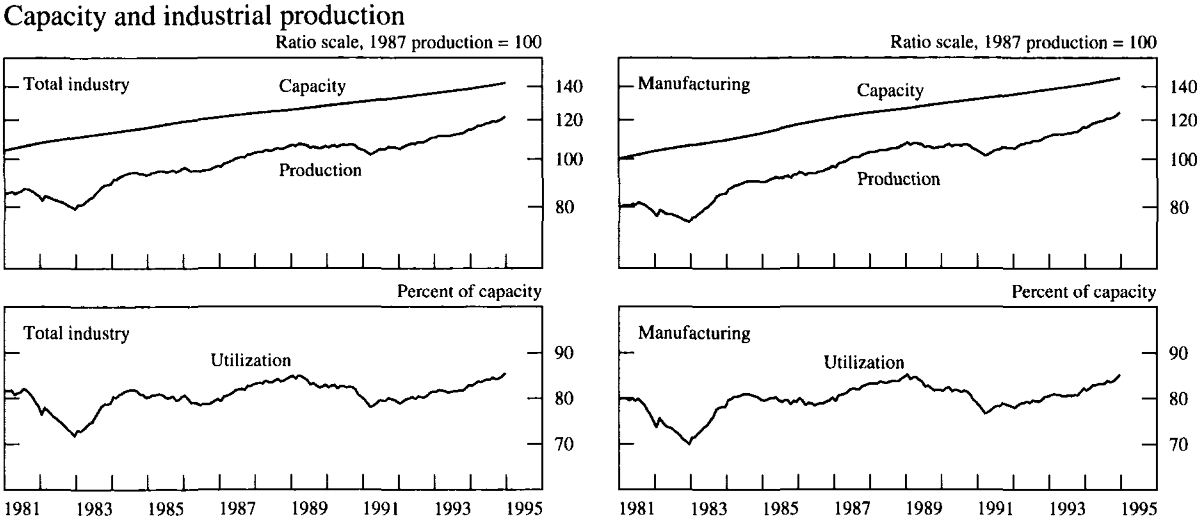
Released for publication January 17

Industrial production rose 1.0 percent in December after a revised gain of 0.7 percent in November. The December increase was broadly based, with significant gains in mining and in durable and nondurable manufacturing. Unseasonably mild weather further depressed production at electric and gas utilities, however. Industrial production in December was at 121.4 percent of its 1987 average and 5.8 percent higher than it was in December 1993. Output grew at an annual rate of 5.4 percent

Industrial production indexes



Capacity and industrial production



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

tized by Ginnie Mae were made to households whose incomes were less than the median family income of the MSAs in which they lived. The comparable figures were 30 percent for Fannie Mae and 29 percent for Freddie Mac. A similar pattern among the GSEs is found with respect to loans grouped by the income characteristics of the census tracts where the properties related to these loans are located.

higher incomes, they tend to carry relatively higher debt loads and have fewer assets available to make a down payment and pay closing costs.

Data Quality

The FFIEC member agencies have a program for the identification and resolution of errors in the HMDA information submitted by lenders. Over the past four years the quality of the HMDA data has improved. For the 1993 data, the proportion of loan records containing detected errors was less than 0.5 percent, down from about 4.4 percent in 1991.

To further improve the accuracy and completeness of the HMDA data, the Federal Reserve amended Regulation C in November 1994 to require lenders to update quarterly the HMDA

A.11. Home loans sold, grouped by purchaser and distributed by characteristic of borrower and census tract, 1993

Characteristic	Fannie Mae		Ginnie Mae		Freddie Mac		FmHA		Commercial bank	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
All	**2,319,638**	**100**	**1,333,231**	**100**	**1,640,221**	**100**	**2,045**	**100**	**168,565**	**100**
BORROWER										
Racial/ethnic identity										
American Indian/ Alaskan native	6,354	.3	3,858	.4	4,924	.3	6	.3	793	.5
Asian/Pacific Islander	86,191	4.2	16,610	1.8	73,251	5.0	34	1.8	3,143	2.1
Black	46,139	2.2	72,815	7.9	26,957	1.8	125	6.5	8,501	5.7
Hispanic	63,583	3.1	70,821	7.7	46,871	3.2	91	4.7	6,583	4.4
White	1,796,003	87.6	725,357	78.6	1,271,706	87.2	1,621	84.5	126,771	84.5
Other	12,168	.6	3,414	.4	7,082	.5	6	.3	748	.5
Joint (white and minority)	40,872	2.0	30,369	3.3	27,166	1.9	35	1.8	3,532	2.4
Total	**2,051,310**	**100**	**923,244**	**100**	**1,457,957**	**100**	**1,918**	**100**	**150,071**	**100**
Income (percentage of MSA median)										
Less than 80	283,738	15.9	197,577	35.7	194,803	15.5	594	43.3	22,082	20.2
80–99	246,618	13.8	106,822	19.3	169,325	13.5	241	17.6	15,937	14.6
100–119	264,499	14.8	86,238	15.6	187,238	14.9	133	9.7	15,222	13.9
120 or more	990,282	55.5	162,781	29.4	705,094	56.1	403	29.4	56,283	51.4
Total	**1,785,137**	**100**	**553,418**	**100**	**1,256,460**	**100**	**1,371**	**100**	**109,524**	**100**
CENSUS TRACT										
Racial/ethnic composition (minorities as percentage of population)										
Less than 10	1,110,117	56.6	459,024	40.5	753,762	56.1	725	49.0	72,856	51.5
10–19	413,476	21.1	282,540	25.0	280,123	20.8	321	21.7	32,805	23.2
20–49	307,592	15.7	277,549	24.5	219,565	16.3	335	22.7	25,847	18.3
50–79	90,276	4.6	74,123	6.5	63,810	4.7	71	4.8	6,031	4.3
80–100	40,530	2.1	38,791	3.4	27,481	2.0	27	1.8	3,942	2.8
Total	**1,961,991**	**100**	**1,132,027**	**100**	**1,344,741**	**100**	**1,479**	**100**	**141,481**	**100**
Income										
Low or moderate	140,463	7.2	160,289	14.0	98,666	7.3	275	18.6	13,863	9.8
Middle	951,192	48.4	674,492	58.7	650,476	48.2	770	52.0	70,773	49.9
Upper	872,308	44.4	313,733	27.3	600,511	44.5	436	29.4	57,079	40.3
Total	**1,963,963**	**100**	**1,148,514**	**100**	**1,349,653**	**100**	**1,481**	**100**	**141,715**	**100**
Location										
Central city	688,181	35.0	511,168	44.5	471,163	34.9	323	21.8	55,085	38.9
Non-central city	1,275,796	65.0	637,376	55.5	878,490	65.1	1,158	78.2	86,630	61.1
Total	**1,963,977**	**100**	**1,148,544**	**100**	**1,349,653**	**100**	**1,481**	**100**	**141,715**	**100**

NOTE. Includes securitized loans. See also notes to table A.4.

Fannie Mae Federal National Mortgage Association
Ginnie Mae Government National Mortgage Association
Freddie Mac Federal Home Loan Mortgage Corporation
FmHA Farmers Home Administration
Affiliate Affiliate of institution reporting the loan

income for their MSA went up 27 percent compared with only 10 percent for higher-income families.

A similar comparison of the 1992 and 1993 HMDA data indicates an even larger increase in the number of conventional home purchase loans granted to lower-income and minority applicants. The number of conventional home purchase loans extended to low-income households went up 38 percent from 1992 to 1993, while those extended to the highest-income households went up only 8 percent (table A.10, second column).[33] As for loans by racial or ethnic group, the number to black applicants went up 36 percent; to Hispanic applicants, 25 percent; and to white applicants, 18 percent. The changes in lending volumes were particularly large for lower-income black and Hispanic households. From 1992 to 1993, among low-income borrowers, the number of conventional home purchase loans went up 68 percent for black borrowers, and 50 percent for Hispanic borrowers, but only 36 percent for white borrowers (table A.10, memo item).

HMDA Data on Secondary Market Activity

The large secondary market for mortgages—in which institutions buy and sell billions of dollars of mortgage loans or securities backed by mortgage loans each year—plays an important role in the U.S. housing market. The secondary market enables originators of mortgage loans to sell these otherwise relatively illiquid assets and obtain funds to extend new loans or to use in other ways.

Secondary market institutions generally do not originate loans but rather specify the underwriting guidelines that loans must meet to be eligible for purchase or securitization. Underwriting guidelines and related limitations on the size of loans that may be purchased vary among the secondary market purchasers.[34] As a consequence, for the loans that these institutions purchase or securitize, the characteristics of the borrowers and neighborhoods in which their properties are located can be expected to differ.

The 1989 amendments to HMDA require lenders to report the type of secondary market purchaser of home loans sold during that year (and the name, if it is a government-related entity). The HMDA data are currently the only publicly available source of information on the characteristics of borrowers whose loans are purchased by secondary market institutions and on the neighborhoods in which these borrowers reside.

Three government-sponsored enterprises (GSEs) dominate secondary market activity—the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Government National Mortgage Association (Ginnie Mae). Fannie Mae and Freddie Mac purchase or securitize mainly conventional mortgage loans, whereas Ginnie Mae only securitizes loans and only those that are government-backed. In 1993, the GSEs accounted for 72 percent of the roughly 7.4 million loans sold in the secondary market by lenders covered by HMDA (table A.11, top row).

Other institutions, including commercial banks, savings associations, insurance companies, and pension funds, are also active in the secondary mortgage market. Although the non-GSE institutions buy the same types of loans purchased by the GSEs, they provide an opportunity for lenders who originate nonconforming loans, such as jumbo loans, loans on mobile homes, and certain types of adjustable-rate mortgages, to sell their products as well.[35]

Because Ginnie Mae focuses on government-backed loans, it is more involved with home purchase loans extended to low- or moderate-income households than are other secondary market institutions.[36] For 1993, 55 percent of the loans securi-

33. To provide the most appropriate year-over-year comparisons, the lending activity of the newly covered mortgage companies has been excluded from these calculations.

34. Basic underwriting guidelines include the allowable debt-to-income and maximum loan-to-value ratios. Fannie Mae and Freddie Mac, as well as most other secondary market participants, establish their own guidelines for the conventional mortgage loans they purchase. In the case of Ginnie Mae, underwriting standards are established by HUD and by the VA.

35. In this context, jumbo loans are conventional single-family mortgage loans that exceed the size limit on mortgages that may be purchased by Fannie Mae or Freddie Mac. In 1993, the limit was $203,150 for a single-family property; the limit was higher in certain locations, including Alaska, Guam, and Hawaii.

36. Borrowers who use FHA-insured and VA-guaranteed mortgages differ from those who use conventional mortgages because HUD and the VA generally allow borrowers to qualify with more debt relative to income and to make smaller down payments than do conventional lenders. The more relaxed underwriting guidelines applicable to FHA and VA loans are often needed by families with more moderate incomes because, compared with families with

Industrial production and capacity utilization, December 1994

Category	Industrial production, index, 1987 = 100								
	1994				Percentage change				
					1994[1]				Dec. 1993 to Dec. 1994
	Sept.[r]	Oct.[r]	Nov.[r]	Dec.[p]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.[p]	
Total	**119.0**	**119.4**	**120.3**	**121.4**	**–.1**	**.4**	**.7**	**1.0**	**5.8**
Previous estimate	119.0	119.6	120.2	...	–.1	.5	.5	...	...
Major market groups									
Products, total[2]	116.4	116.8	117.6	118.5	–.3	.4	.7	.7	5.0
Consumer goods	113.0	112.6	113.6	114.6	–.6	–.4	.9	.9	3.4
Business equipment	149.5	151.4	152.0	153.7	.4	1.3	.4	1.1	9.8
Construction supplies	108.6	109.6	110.2	110.4	.3	1.0	.5	.2	6.5
Materials	122.9	123.4	124.3	125.9	.1	.3	.8	1.3	7.2
Major industry groups									
Manufacturing	120.9	121.4	122.6	123.9	.0	.4	1.0	1.0	6.7
Durable	127.2	128.2	129.5	131.2	.2	.8	1.0	1.3	8.2
Nondurable	113.7	113.8	115.0	115.8	–.3	.1	1.0	.7	4.9
Mining	100.1	99.2	98.7	99.9	.1	–.9	–.5	1.2	1.5
Utilities	116.5	117.2	115.8	114.9	–1.9	.6	–1.3	–.8	–.6

Category	Capacity utilization, percent								MEMO Capacity, percentage change, Dec. 1993 to Dec. 1994
	Average, 1967–94	Low, 1982	High, 1988–89	1993	1994				
				Dec.	Sept.[r]	Oct.[r]	Nov.[r]	Dec.[p]	
Total	**82.0**	**71.8**	**84.9**	**82.9**	**84.2**	**84.3**	**84.7**	**85.4**	**2.8**
Previous estimate	...	...	...	...	84.3	84.5	84.7	...	...
Manufacturing	81.3	70.0	85.2	82.2	83.6	83.8	84.4	85.1	3.1
Advanced processing	80.7	71.4	83.5	80.3	81.8	82.0	82.5	83.1	3.5
Primary processing	82.5	66.8	89.0	86.9	88.2	88.3	89.3	90.0	2.0
Mining	87.4	80.6	86.5	88.2	89.8	89.0	88.5	89.6	–.1
Utilities	86.7	76.2	92.6	86.1	86.0	86.4	85.3	84.5	1.2

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

in the fourth quarter, compared with 4.9 percent in the third quarter. The substantial growth in output in December boosted capacity utilization to 85.4 percent, its highest level since October 1979.

When analyzed by market group, the data show that the output of consumer goods rose 0.9 percent in December, after a similar increase in November. The production of durable consumer goods, propelled by another strong gain in automotive products, increased 1.9 percent; the production of other consumer durables, such as appliances, air conditioners, and carpets, also rose. The output of nondurable consumer goods, which had declined from June to October, advanced 0.8 percent in November and 0.7 percent in December, with gains in foods and tobacco, paper products, and drugs, soaps, and toiletries.

The production of business equipment, which advanced 1.1 percent in December, rose about 10 percent over the past twelve months. Industrial, information processing, and transit equipment all increased solidly in the past few months. The output of defense and space equipment, which had fallen substantially during the past few years, gained a bit in November and December.

The output of construction and business supplies changed little in December after strong gains in the preceding two months. The production of materials increased 1.3 percent. Once again, noticeable gains were spread widely among durable materials such as semiconductors, auto parts, plastics, and metals. Among nondurables, the output of chemicals and textiles advanced. The output of energy materials rebounded in December, despite continued weakness in the generation of electricity and the extraction of natural gas; the production of coal and crude oil rose.

When analyzed by industry group, the data show that manufacturing output rose 1.0 percent in December to a level 6.7 percent higher than that of a year earlier. Increases in production were pronounced among durables such as metals and machinery and equipment. Factories operated at 85.1 percent of capacity, just below the recent cyclical peak of capacity utilization in January 1989. The utilization rate in the primary-processing industries rose 0.7 percentage point, to 90.0 percent, which was above the cyclical highs reached in January 1989 and November 1978 but still below the 1973 average of 91.5 percent. Rates for primary metals, lumber, wood pulp, paperboard, plastics resins, petroleum refining, and rubber and plastics products remained relatively high. Utilization for advanced-processing industries rose 0.6 percentage point, to 83.1 percent, but remained 0.4 percentage point below its high in January 1989. Among advanced-processing industries, the operating rates for trucks, electrical machinery, and industrial machinery and computer equipment stayed high, but the rates for aircraft and space equipment, ships, instruments, and printing and publishing remained relatively low.

Because of continued mild weather, operating rates at utilities decreased further, to 84.5 percent in December compared with an average of 87.0 percent for 1994. Last June, when temperatures were unusually high, the utilization rate for utilities reached a high of 89.6 percent. Operating rates at mines rose 1.1 percentage points with a significant gain in output of coal.

NOTICE

An annual revision to industrial production, capacity, and capacity utilization was published on November 30, 1994. The revision to the production indexes affects data beginning in January 1991 and incorporates 1992 value-added proportions and revisions to monthly source data and seasonal factors. The revision to capacity and utilization incorporates the 1992 value-added weights along with available new data on physical capacity measures and investment. The capacity revision chiefly affects the individual series from 1991 forward; aggregate utilization may be changed slightly for earlier years to accommodate the introduction of 1992 weights.

Diskettes containing either historical data (through 1985) or more recent data (1986 to those most recently published in the G.17 release) are available from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202-452-3245). Files containing the revised data and the text and tables from this release are also available through the Economic Bulletin Board of the Department of Commerce; for information, call (202) 482-1986.

A document with printed tables of the revised estimates of the series shown in the G.17 release is available upon written request to the Industrial Output Section, Mail Stop 82, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, DC 20551. □

Statement to the Congress

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Joint Economic Committee, U.S. Congress, December 7, 1994

I appreciate the opportunity to appear before you today to discuss current economic conditions and monetary policy developments.

The impressive performance of the U.S. economy continues. Real gross domestic product has grown more than 4 percent over the past year, and although price increases have picked up at earlier stages of processing, inflation at the consumer level remained below 3 percent over the twelve months through October.

In the early stages of the economic recovery, employment growth lagged behind the upturn in activity, raising concerns about the job-creating potential of our economy. But these concerns have been assuaged by the performance of our labor markets over the past two years. During this period, several million jobs have been added to nonfarm payrolls, and the unemployment rate has dropped sharply, to its lowest level since the summer of 1990.

A driving force in the greater-than-expected economic strength in recent quarters has been inventory investment. The growth in inventory levels has appreciably lagged the growth in sales in recent years, as just-in-time inventory programs have progressively lowered the levels of stocks required to ensure coordinated production schedules. Moreover, improvements in transportation scheduling and telecommunications have allowed both foreign and domestic suppliers to fill orders from U.S. firms more quickly.

But there is obviously a limit to how tight goods–flow schedules can be pressed and how slim inventory–sales ratios can become, without jeopardizing required production levels to meet customer orders. Judging from evidence of lagging product deliveries, that limit appears to have been reached last spring, at least for this business cycle.

So long as sales growth was holding up, which it has done, this meant that with inventory–sales ratios no longer falling the growth in inventory *levels* had to accelerate from its path of recent years. Implied, of course, has been a sharp pickup in inventory *investment*, and a corresponding boost to overall output and incomes. This process, in turn, has added to the strong growth in consumer expenditures and the consequent pickup in business cash flow, which has been a potent force in the expansion of plant and equipment outlays.

If the inventory accumulations of recent quarters had been the result of unexpected weakness in sales, and hence unintentional, we would have expected a widespread falloff in new industrial orders. As yet there is no evidence to suggest that. Moreover, although inventory investment has been substantial since the spring, a greater-than-usual proportion reflects the value added of goods that have moved further down the distribution chain. Thus, although large increases in the constant dollar value of inventory investment have added to gross domestic product, the buildup in physical units, or the factory value of inventories, is still modest relative to sales. It is excessive *units* of physical inventories that depress production irrespective of where in the distribution pipeline they reside. Of course, a sudden weakening in final demand could make existing levels of inventories, wherever they are, look excessive fairly quickly, so we cannot be complacent that the current economic expansion is without risk.

But we should also keep in mind that to the extent that retail and wholesale trade inventories are dominant elements in the overall inventory expansion, changes in inventory investment will not fall solely on domestic production and employment. This is because, as the U.S. appetite for foreign products rises, a commensurately larger proportion of inventories is imported. Rough estimates suggest that, currently, perhaps a quarter of all wholesale and retail stocks are imported, whereas as recently as the late 1970s the share was substantially less. As a result, swings in final demands and accompanying changes in desired inventories now fall to a larger extent than in the past on foreign producers.

When all is said and done, stocks appear lean relative to final demand right now, despite several quarters of significant accumulation. Nonetheless, intended inventory investment cannot be expected to rise appreciably from current levels and eventually will have to fall to a level more consistent with sustainable growth in final demand. Thus, the degree of strength in final sales will be central to the support of future gains in output.

Over the past two years, business fixed investment, particularly in producers' durable equipment, has made an important contribution to the growth in final sales. The growth rate of spending on computers has fallen off this year from last year's phenomenal pace, but outlays have, nonetheless, continued to advance at a double-digit rate in real terms as the computerization of the U.S. economy proceeds apace. Business spending on motor vehicles, particularly heavy trucks, has been strong this year, while spending on other equipment, especially in the communications area, has accelerated from last year's already quite rapid growth rate. Recent data on orders for capital goods suggest that the above-average growth in equipment spending will likely continue.

In the nonresidential structures area, construction has begun to increase again after several years of decline. Even in the office building sector, where construction fell about one-half between 1989 and 1993, activity has begun to recover. Construction would have been even weaker in the early 1990s if it had not been for the completion of a large backlog of unfinished projects that had built up during the 1980s. The backlog of projects in the office sector fell steadily from 1989 to 1993 but recently has stabilized so that the pickup in construction this year has been fueled by a recovery in starts of new projects. Recent nonresidential construction contracts and permits suggest further gains in outlays.

Support for capital outlays during the past year has come from the extraordinary rise in corporate profits. During the first three quarters of 1994, profits were 14 percent higher than in the first three quarters of 1993. Moreover, profits continue to come in ahead of expectations, a factor that has been spurring business confidence and capital commitments.

Turning to the residential sector, housing starts remained robust in the third quarter but edged off a bit in October. Construction of single-family homes has held at a fairly high level, and multifamily activity, although still at a low level, has begun to recover. Solid income growth, the improved labor market, and buoyant consumer confidence have been important factors boosting demand for houses this year. In addition, residential construction has also likely been supported by some easing in the standards that mortgage lenders use in qualifying prospective homebuyers. In particular, lenders have been increasingly willing to accept mortgages with low down payments. In fact, according to a survey by the Federal Housing Finance Board, one-third of loans recently have had down payments of less than 10 percent. Also, some of the damping effect of higher rates on fixed-rate mortgages has been attenuated by a sharp rise in the market share of adjustable rate mortgages. Lenders have been making these adjustable rate loans more attractive by keeping first-year loan rates low relative to market interest rates and by extending the period before annual adjustments occur, often for as long as five or ten years.

As I noted earlier, healthy growth of real incomes has also been an important factor behind the strength in consumer spending. Outlays for consumer durable goods have been quite robust this year, and growth in spending on nondurables and services has picked up from last year. Much of the growth in consumer durables this year has been spending on computers and other electronic goods, which has been especially strong. Purchases of motor vehicles have remained buoyant after having climbed in 1993 to the highest level in four years.

Exports of goods and services have also been an important source of economic growth this year, with real gains over the past four quarters averaging more than 10 percent at an annual rate. U.S. exporters have benefited from an increase in demand associated with the pickup in economic activity abroad. The economic recoveries that began in 1992 in Canada and the United Kingdom gained momentum in the past year, and the more tentative recoveries in the continental European countries and Japan appear to be gaining a firmer footing. Much the same can be said for Mexico. Meanwhile, rapid growth in other developing countries that are major U.S. trading partners has continued. These developments should help undergird growth in exports from the United States in the near term. Nevertheless, imports recently have been growing even faster than exports. Consequently, the external sector has made a negative contribution to GDP growth, though less than in 1993.

One sector in which spending has been on a downtrend in recent years is the federal government, especially in the defense area. The decline in defense spending was interrupted in the third quarter, however, by the first increase in real defense purchases in two years. This uptick was partially attributable to outlays for the invasion of Haiti and the detention of Cuban refugees. Defense purchases of durables were strong as well, stemming in part from the delivery of two B2 "stealth" bombers in August. These short-term developments will not alter the longer-term declines in defense spending embodied in current budgetary plans, however.

Adding all sectors together, growth in gross domestic product this year is running somewhat stronger than we had anticipated earlier in the year. Spending in 1994 has been encouraged by the greater willingness of banks and other lenders to extend credit after a protracted period of bank lending restraint that was characterized as the "credit crunch." I have already noted the possibility that more generous and flexible loan terms have supported the housing market. But easier loan terms and conditions are more widespread. In effect, not all of the rise in short- and intermediate-term market interest rates is being passed through to bank borrowers. Spreads of bank loan rates over market rates have narrowed for many business and household borrowers, other fees have been cut, and standards for approving loans have been eased. This trend is one that we are monitoring carefully, not only in our role as monetary policymakers but also as bank supervisors with responsibility for the safety and soundness of the banking system.

As the repressive pall of the balance sheet strain of the early 1990s dissipated, and employment and production picked up, households and businesses have gained greater confidence. This increased optimism has manifested itself in several reinforcing ways. It has motivated households to increase their borrowing and spending, which has inspired businesses to invest more and to hire workers in anticipation of future sales growth. Of course, increased hiring, in turn, helps assuage the concerns of households about employment prospects, contributing to gains in household confidence. Indeed, as measured by one survey, consumer confidence moved up in November to a new high for this expansion.

Despite strong output and employment growth this year, consumer price inflation—at a 2.6 percent annual rate so far this year through October—has been running at about the same pace as through all of 1993. Excluding the food and energy components, which are volatile, consumer prices have increased 2.8 percent through October, somewhat less than in 1993 as a whole.

Although inflation at the consumer level has been flat or down somewhat compared with last year, prices of intermediate supplies have accelerated. This pickup, in turn, reflects pressures from prices of raw commodities, which have been rising rapidly for nearly two years, as well as high and rising levels of capacity utilization. So far, increases in manufacturers' prices at the finished goods level have remained contained. To date, modest increases in labor compensation coupled with rapid growth in labor productivity have suppressed increases in unit labor costs and helped alleviate the pressures of higher input costs on final prices. With demand for their output strong, however, finished goods producers may soon attempt to pass on their higher costs.

Some have argued that businesses will not be successful in raising prices—that the competitive environment has changed in such a way that the economy can grow on a sustained basis much faster and operate at substantially higher levels of resource utilization than in the past. These analysts often cite the improving productivity of U.S. businesses and the more intense pressure from actual or potential foreign sources of goods and services. They also note that the pressures of changing technology and corporate downsizing may be increasing labor insecurity and damping wage demands.

There is a significant element of truth in these arguments. But these developments are evolutionary, working slowly and incrementally over time. The pickup in trend productivity growth is probably no more than a few tenths of a percentage point annually. Unemployment rates have fallen, and the slowing of product delivery schedules underscores that capacity utilization rates have risen substantially; if the productivity trend had moved sharply higher, we could have achieved higher output growth without these developments. Moreover, the increase in international trade is a gradual process that has been going on for several decades. And the weakness of the dollar on foreign exchange markets, on average, this year has tended to undercut any cost-containment pressures from this source in the near term.

We recognize that estimates of the economy's potential are just that—estimates, subject to the considerable uncertainties attached to all economic estimates. In setting monetary policy, the Federal Reserve is looking to encourage the highest level of activity that the economy can sustain, not to hold it back. We would welcome the possibility that our economic performance can be in excess of historical relationships.

But if we ignore experience, we would be taking unacceptable risks of higher inflation, economic and financial instability, and, ultimately, subpar economic performance over time. We must remain alert to signs of inflationary pressures on resources. If we allow these pressures to develop, resources will begin to be used less efficiently, productivity improvements will be harder to find, and firms will be more disposed to raise prices.

If price increases are accommodated, they can become readily embedded in higher inflation expectations. It is these expectations that make an inflationary process, once begun, difficult and expensive to reverse. As people begin to expect higher inflation, their actions to protect the purchasing power of their wages and profits add to the impetus toward accelerating prices. Experience suggests that these expectations can be turned around only slowly and with some cost to the economy's performance.

We have been especially concerned about the possibility that in the current circumstances inflation expectations could be particularly prone to adjust upward if actual inflation were to pick up. As best we can infer from surveys and financial markets, inflation is expected to be higher in the future than it has been in the recent past. This suggests some nervousness about the resolve of anti-inflation policies. Indeed, with inflation at the lower end of its range over the past thirty years, it would be natural for many, if not most, workers, businesses, and financial people to be quick to see reasons for inflation to return to the higher levels that dominate their experience. An inclination toward higher expected inflation would be reinforced by the tendency in the past for actual inflation to pick up at some point in a business expansion.

The potential for higher inflation has had an important influence on the behavior of financial markets this year. Prices in those markets seem to incorporate significant further increases in real short-term interest rates but, nonetheless, also appear to suggest that inflation will move higher.

Although a good deal of uninformed opinion is doubtless driving market prices up and down in the short run, we cannot ignore broad movements in these markets, for they may be telling us something about deep-seated changes in expectations. The prices set in financial markets represent the views of a large and diverse group of participants worldwide. The trading professionals in bond, equity, and foreign exchange markets can move prices around for a brief time. But because their securities holdings are a small share of overall markets, after a period of a few days or weeks, the actions of other major participants become dominant. These actions include corporate and state and local government treasurers deciding on the best time to raise funds, and, on the other side of the market, experienced managers both here and abroad of the large sums of dollar-denominated securities in pension funds, insurance companies, and university endowments. Moreover, millions of Americans have taken a more direct role in financial markets through their purchases of mutual funds. Indeed, more than half of the net capital market securities issued in the United States since the end of 1992 were absorbed by mutual funds. Transactions in these funds are driven by sales to "Main Street America."

To forestall a new round of higher inflation and inflation expectations, the Federal Reserve began to adjust policy earlier this year in advance of an actual acceleration in broad measures of prices. Monetary policy works with considerable lags, and waiting until inflation picks up risks a boom-and-bust economic cycle inimical to business and household planning, to saving and investment, and to the longer-term growth of the U.S. economy. As I indicated to the Congress in testimony earlier this year, the hallmark of a successful monetary policy will be an inflation rate that does not rise. □

Announcements

APPOINTMENT OF NEW MEMBERS TO THE THRIFT INSTITUTIONS ADVISORY COUNCIL

The Federal Reserve Board announced on December 9, 1994, the names of eight new members of its Thrift Institutions Advisory Council (TIAC) and designated a new president and vice president of the council for 1995.

The council is an advisory group made up of twelve representatives from thrift institutions. The panel was established by the Board in 1980 and includes representatives of savings and loan associations, savings banks, and credit unions. The council meets at least four times each year with the Board of Governors to discuss developments relating to thrift institutions, the housing industry, mortgage finance, and certain regulatory issues.

The new council president for 1995 is Charles John Koch, President and CEO of the Charter One Bank, F.S.B., Cleveland. The new vice president of the Council is Stephen D. Taylor, President and CEO, American Savings of Florida, F.S.B., Miami.

The eight new members, named for two-year terms that began January 1, are the following:

Ms. E. Lee Beard, President and CEO, First Federal Savings & Loan Association, Hazleton, Pennsylvania

John E. Brubaker, President and CEO, Bay View Federal Bank, A FSB, San Mateo, California

George L. Engelke, Jr., President and CEO, Astoria Federal Savings & Loan Association, Lake Success, New York

Ms. Beverly D.S. Harris, President, Empire Federal Savings & Loan Association, Livingston, Montana

David F. Holland, Chairman, President, and CEO, Boston Federal Savings Bank, Burlington, Massachusetts

Joseph C. Scully, Chairman and CEO, St. Paul Federal Bank for Savings, Chicago

Larry T. Wilson, President and CEO, Coastal Federal Credit Union, Raleigh, North Carolina

William W. Zuppe, President and COO, Sterling Savings Association, Spokane.

Other members of the council are the following:

Malcolm E. Collier, Chairman and CEO, First Federal Savings Bank, Lakewood, Colorado

John M. Tippets, President and CEO, American Airlines Employees Federal Credit Union, DFW Airport, Texas.

APPROVAL OF POLICY STATEMENT ON PRIVATELY OPERATED NETTING SYSTEMS

The Federal Reserve Board approved on December 21, 1994, a policy statement on "Privately Operated Large-Dollar Multilateral Netting Systems" as part of its overall program of reduction of payment system risk. The policy statement was effective immediately.

The statement incorporates the minimum standards for the design and operation of privately operated large-dollar multilateral netting systems set forth in the *Report of the Committee on Interbank Netting Schemes of the Central Banks of the Group of Ten Countries* (Lamfalussy Report), which was published in November 1990 by the Bank for International Settlements.

Multilateral netting systems, including clearinghouse arrangements, have the potential to improve the efficiency of interbank settlements by reducing the costs of credit, liquidity, and operations. However, these systems concentrate settlement and operational risks at a single point in the financial system. The standards set out in the Lamfalussy Report are designed to provide a set of minimum standards that permit the advantages of multilateral netting to be gained, while controlling systemic risks.

The Board's policy statement generally applies to domestic, privately operated, large-dollar multilateral netting systems; offshore large-dollar multilateral payment netting systems; multilateral foreign exchange clearinghouses involving settlements in U.S. dollars; and multicurrency payment netting systems involving settlements in U.S. dollars.

At this time, the Board is not applying this policy statement to privately operated large-dollar multilateral netting systems for batch-processed, paper-based or electronic payments. However, the Board intends to study further the implications of the standards contained in this policy statement as well as other risk-management standards for such systems.

Issuance of Final Amendments to Risk-Based Capital Guidelines to Account for a Component of Stockholders' Equity

The Federal Reserve Board issued on December 5, 1994, final amendments to its risk-based capital guidelines for state member banks and bank holding companies. The amendments were effective December 31, 1994.

Under this final rule, institutions are generally directed not to include in tier 1 capital the component of common stockholders' equity that is composed of net unrealized holding gains and losses on securities available for sale.

This component was created by the Financial Accounting Standards Board (FASB) Statement No. 115, "Accounting for Certain Investments in Debt Equity Securities" (FAS 115).

Net unrealized losses on marketable equity securities (equity securities with readily determinable fair values), however, will continue to be deducted from tier 1 capital. This rule has the general effect of valuing available-for-sale securities at amortized cost (based on historical cost), rather than at fair value (generally at market value), for purposes of calculating the risk-based and leverage capital ratios.

Issuance of Final Amendments to Risk-Based Capital Guidelines to Account for Netting Contracts

The Federal Reserve Board issued amendments on December 2, 1994, to its risk-based capital guidelines for state member banks and bank holding companies to recognize the risk-reducing benefits of netting arrangements. The amendments were effective December 31, 1994.

Under the amendments, institutions will be permitted to net, for risk-based capital purposes, the mark-to-market values of interest and exchange rate contracts subject to qualifying bilateral netting contracts.

The amendments will allow state member banks and bank holding companies to net positive and negative mark-to-market values of rate contracts in determining the current exposure portion of the credit equivalent amount of such contracts to be included in risk-weighted assets.

The amendments implement a recent revision to the Basle Accord that allows the recognition of such netting arrangements.

Amendments to the Risk-Based Capital Guidelines for State Member Banks Regarding Credit Risk and Risks of Nontraditional Activities

The Federal Reserve Board on December 13, 1994, issued amendments to its risk-based capital guidelines for state member banks regarding concentration of credit risk and risks of nontraditional activities. The amendments were effective January 17, 1995.

The amendments implement section 305 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), which directs each federal banking agency to revise its risk-based capital standards to ensure that the standards take adequate account of these risks.

As amended, the risk-based capital guidelines explicitly identify concentrations of credit risk and an institutions's ability to manage them as important factors in assessing an institution's overall capital adequacy.

The amendments also identify an institution's ability to adequately manage the risks posed by nontraditional activities as an important factor to consider in assessing an institution's overall capital adequacy.

The Board initially approved the amendments on August 3, 1994. Publication of the joint final rule was delayed until interagency agreement was reached.

Issuance of Amendments to Capital Adequacy Guidelines Regarding Deferred Tax Assets

The Federal Reserve Board issued on December 19, 1994, amendments to its capital adequacy guidelines for state member banks and bank holding companies to establish a limitation on the amount of certain deferred tax assets that may be included in (that is, not deducted from) tier 1 capital for risk-based and leverage capital purposes. The amendments will be effective April 1, 1995.

The capital rule was developed in response to the Financial Accounting Standards Board's (FASB) issuance of Statement No. 109, "Accounting for Income Taxes" (FAS 109).

Under the final rule, deferred tax assets that can be realized only if an institution earns taxable income in the future are limited for regulatory capital purposes to the amount that the institution expects to realize within one year of the quarter-end report date—based on its projection of taxable income—or 10 percent of tier 1 capital, whichever is less. Deferred tax assets that can be realized from taxes paid in prior carryback years would generally not be limited.

Issuance of Final Rule on Enhanced Recordkeeping Related to Certain Wire Transfers by Financial Institutions

The Federal Reserve Board and the Department of the Treasury on December 22, 1994, jointly announced a final rule that requires enhanced recordkeeping related to certain wire transfers by financial institutions in accordance with the Bank Secrecy Act. The final rule will be effective January 1, 1996.

Each domestic financial institution involved in a wire transfer must collect and retain certain information, depending on the type of financial institution, its role in the particular wire transfer, the amount of the wire transfer, and the relationship of the parties to the transaction with the financial institution.

In issuing this final rule, the Board and the Treasury have considered its usefulness in criminal, tax, or regulatory investigations or proceedings and its effect on the cost and efficiency of the payments system.

This rule will be codified with other Bank Secrecy Act regulations as part of the Treasury's regulations in 31 CFR Part 103. A new subpart to Regulation S will cross-reference the jointly prescribed requirements.

Adoption of Measures to Help Ease Financial Stress in Areas Affected by Flooding in Texas

The Federal Reserve Board announced on December 5, 1994, a series of steps designed to help ease financial stress in areas affected by recent flooding in Texas.

A supervisory statement adopted by the Board encourages financial institutions to work constructively with borrowers who are experiencing difficulty due to the flooding.

The statement says that banks may find it appropriate to ease credit terms to help new borrowers restore their financial strength, consistent with prudent banking practices, and to restructure debt or extend repayment terms for existing borrowers.

The Board also waived appraisal regulations for real estate-related transactions affected by the flooding and temporarily amended its Regulation Z (Truth in Lending) to provide relief under waiver rules so that borrowers may gain ready access to loan funds when they use their primary dwelling as collateral for a loan.

Under the right of rescission, a borrower normally has three business days to cancel a loan contract when it is secured by the borrower's principal dwelling.

Amendments to Regulation C

The Federal Reserve Board adopted on December 6, 1994, amendments to its Regulation C (Home Mortgage Disclosure Act (HMDA)). HMDA requires most lenders in metropolitan areas annually to report to regulators and to disclose to the public data on their mortgage lending activity.

Under the new rule, institutions will be required to report in machine-readable form (such as magnetic tape or computer diskette), except for institutions with twenty-five or fewer line entries to report. In addition, institutions must update their loan/application registers (the forms used for reporting data to regulatory agencies) quarterly. These changes are intended to improve the quality of the data and to help in bringing about earlier public disclosure. Other revisions to the regulation clarify reporting requirements in response to questions raised by institutions.

Institutions may comply with the amendments at their option beginning January 1, 1995. Compliance is mandatory for the collection of data that begins January 1, 1996, for submission by March 1, 1997.

Amendments to Regulation H and Interpretation of Regulation Y

The Federal Reserve Board on December 7, 1994, issued final amendments to Regulation H (Membership of State Banking Institutions in the Federal Reserve System) regarding public welfare investments by state member banks and a corresponding Regulation Y (Bank Holding Companies and Change in Bank Control) interpretation for bank holding companies. The amendments were effective January 9, 1995.

The final amendments permit state member banks to make certain public welfare investments without specific Board approval and other public welfare investments with specific approval. The amendments also address the procedural aspects of these investments.

Amendments to Regulation Y

The Federal Reserve Board announced on December 15, 1994, adoption of final amendments to the antitying provisions of Regulation Y (Bank Holding Companies and Change in Bank Control). The amendments were effective January 23, 1995.

The amendments permit a bank holding company or its nonbank subsidiary to offer a discount on its product or service on condition that a customer obtain any other product or service from that company or from any of its nonbank affiliates. Thus, the final rule generally removes Board-imposed restrictions on tying when no bank is involved in the arrangement and the products are separately available for purchase by the customer.

Expansion of the Format for Fedwire Funds Transfers

The Board announced plans on December 22, 1994, to expand the format for Fedwire funds transfers and to adopt a more comprehensive set of data elements. The new format will be fully implemented by year-end 1997.

An expanded format for Fedwire funds transfers will improve efficiency in the payments mechanism by reducing the need for manual intervention when processing and posting transfers. Further, the new format will eliminate the need to truncate payment-related information when forwarding payment orders through Fedwire that were received via other large-value transfer systems, such as the Clearing House Interbank Payments System (CHIPS) and the Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T.) system.

The increased size and more comprehensive set of data elements will permit the inclusion of the name and address of the originator and beneficiary of a transfer, which is required under regulations that have been adopted by the Department of the Treasury.

Delay in the Expansion of Operating Hours for Fedwire On-Line Transfers

The Board announced on December 22, 1994, a delay in the implementation of the expanded operating hours for Fedwire on-line funds transfers until the fourth quarter of 1997. A specific implementation date will be announced one year in advance of the effective date.

In February 1994, the Board approved the expansion of the operating hours of the Fedwire on-line funds transfer service to eighteen hours a day, from 12:30 a.m. to 6:30 p.m. eastern time (ET), beginning in early 1997. Currently, the Fedwire funds transfer service operates ten hours a day, from 8:30 a.m. ET to 6:30 p.m. ET.

Expansion of the operating hours for Fedwire on-line funds transfer services to eighteen hours a day could be a useful component of private-sector initiatives to reduce settlement risk in the foreign exchange markets and will eliminate an operational barrier to potentially important innovation in privately provided payment and settlement services.

The Board has delayed the implementation of the expanded operating hours for Fedwire funds transfers to provide banks that intend to participate during the expanded hours an opportunity to first complete their conversion to the new Fedwire format, which the Board also announced on December 22.

The Board believes that a modest delay in the implementation of the earlier Fedwire opening time will be sufficient to address industry concerns regarding the interdependencies between these two Fedwire initiatives, while not deferring for a significant period of time the potential changes in payment and settlement practices that can contribute to reductions in Herstatt risk.

PROPOSED ACTIONS

The Federal Reserve Board published for public comment on December 21, 1994, proposed revisions to its official staff commentary on Regulation B (Equal Credit Opportunity). Comments are requested by February 15, 1995.

The Board issued for public comment on December 9, 1994, a proposed amendment to Regulation K (International Banking Operations) to provide criteria for use in evaluating the operations of any foreign bank in the United States that the Board has determined is not subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor. Comments are requested by February 13, 1995.

The Board issued for public comment on December 8, 1994, proposed revisions to its official staff commentary on Regulation Z (Truth in Lending). Comments were requested by February 1, 1995.

On December 20, 1994, the Board invited public comment on whether consumers might benefit from greater flexibility in waiving the right of rescission under the Truth in Lending Act. Comments were requested by January 30, 1995.

The Board requested on December 22, 1994, public comment on the potential benefits, costs, and market implications of opening the Fedwire on-line book-entry securities transfer service earlier in the day. Currently, the book-entry securities transfer service begins operation at 8:30 a.m. eastern time (ET) and closes at 2:30 p.m. ET for transfers and at 3:00 p.m. ET for reversals. Comments were requested by April 28, 1995. Also, the Board is requesting comment on the establishment of a firm closing time for the Fedwire book-entry securities transfer service, beginning in January 1996.

The Board also is requesting comment on new service capabilities that would give banks the option of participating in earlier Fedwire securities hours and new service capabilities that would allow banks to control their use of intraday credit during expanded hours and core business hours.

The Board also requested on December 22, 1994, public comment on an internal appeals process for institutions wishing to appeal an adverse material supervisory determination. Comments were requested by February 6, 1995.

ISSUANCE OF REPORT ON DEPOSITORY LOANS PROVIDED TO SMALL BUSINESSES AND FARMS IN 1994

The Federal Reserve Board on December 27, 1994, issued a compilation of depository loans provided to small businesses and farms in 1994. The information, provided under the Federal Deposit Insurance Corporation Improvement Act of 1991, is taken primarily from the reports of condition filed by insured depositories in their June 30 Call Reports. The compilation, entitled *Information on Depository Credit for Small Businesses and Small Farms,* is available on request from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551.

PUBLICATION OF THE ANNUAL STATISTICAL DIGEST, 1993

The *Annual Statistical Digest, 1993* is now available. This one-year *Digest* is designed as a compact source of economic, and, especially, financial data. The *Digest* provides a single source of historical continuations of the statistics carried regularly in the *Federal Reserve Bulletin.*

This issue of the *Digest* covers only 1993 unless data were revised for earlier years. It serves to maintain the historical series first published in *Banking and Monetary Statistics, 1941–1970,* and the *Digest* for 1970–79, for 1980–89, and yearly issues. A *Concordance of Statistics* will be included with all orders. The *Concordance* provides a guide to tables that cover the same material in the current and the previous single-year issues of the *Digest,* the ten-year *Digest* for 1980–89, and the *Bulletin.*

Copies of the *Digest* at $25.00 each are available from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551.

PUBLICATION OF A SUPPLEMENT TO THE BANK HOLDING COMPANY SUPERVISION MANUAL

A December 1994 supplement to the *Bank Holding Company Supervision Manual* has been published by the Board's Division of Banking Supervision and Regulation and is now available for purchase by the public. The *Manual* is used by Federal Reserve examiners in the supervision, regulation, and inspection of bank holding companies and their subsidiaries.

Topics in the supplement (no. 7) place emphasis on the responsibilities of holding companies to oversee the activities of their subsidiaries and include the following: (1) the examiner guidance for the review of structured notes; and (2) the examination and inspection procedures for the interagency policy statement on retail sales of nondeposit investment products (that is, mutual funds). The supplement also includes several revised sections pertaining to the following: (1) the Board's July 27, 1994, revision of Regulation Y (Bank Holding Companies and Change in Bank Control) to provide limited extensions of a statutory exception that permits bank holding company affiliates (bank and nonbank) to offer package discounts and to also offer a discount on securities brokerage services (subject to the condition that a customer obtain a traditional bank product); (2) the Board's July 19, 1994, technical amendments to Regulation O (Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks); (3) the changes resulting from the Federal Reserve System's Supervisory Information System (SIS) that were made effective July 18, 1994; and (4) the revisions for issuing a combined examination–inspection report. These and other changes are described in a summary included with the supplement.

The December 1994 supplement is available to the public and may be obtained from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551. A copy of the *Manual* is available at a cost of $50.00. Supplements are available for an additional cost. For information on purchasing the *Manual* or the supplements, call (202) 452-3244. □

Minutes of the Federal Open Market Committee Meeting Held on November 15, 1994

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., on Tuesday, November 15, 1994, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Blinder
Mr. Broaddus
Mr. Forrestal
Mr. Jordan
Mr. Kelley
Mr. LaWare
Mr. Lindsey
Mr. Parry
Ms. Phillips
Ms. Yellen

Messrs. Hoenig, Melzer, and Moskow and Ms. Minehan, Alternate Members of the Federal Open Market Committee

Messrs. Boehne, McTeer, and Stern, Presidents of the Federal Reserve Banks of Philadelphia, Dallas, and Minneapolis respectively

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

Messrs. Goodfriend, Lindsey, Mishkin, Promisel, Siegman, and Simpson and Ms. Tschinkel, Associate Economists

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

Mr. Ettin, Deputy Director, Division of Research and Statistics, Board of Governors
Mr. Slifman, Associate Director, Division of Research and Statistics, Board of Governors

Mr. Madigan, Associate Director, Division of Monetary Affairs, Board of Governors
Mr. Brayton, Assistant Director, Division of Research and Statistics, Board of Governors
Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs, Board of Governors

Ms. Pianalto, First Vice President, Federal Reserve Bank of Cleveland
Ms. Browne and Messrs. Davis, Dewald, Lang, Rolnick, Rosenblum, and Vander Wilt, Senior Vice Presidents, Federal Reserve Banks of Boston, Kansas City, St. Louis, Philadelphia, Minneapolis, Dallas, and Chicago respectively
Mr. Judd, Vice President, Federal Reserve Bank of San Francisco
Mr. Guentner, Assistant Vice President, Federal Reserve Bank of New York

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on September 27, 1994, were approved.

The Report of Examination of the System Open Market Account, conducted by the Board's Division of Reserve Bank Operations and Payment Systems as of the close of business on June 30, 1994, was accepted.

The Manager for Foreign Operations reported on developments in foreign exchange markets and on System open market transactions in foreign currencies during the period September 27, 1994, through November 14, 1994. By unanimous vote, the Committee ratified these transactions.

The Manager for Domestic Operations reported on developments in domestic financial markets and on System open market transactions in government securities and federal agency obligations during the period September 27, 1994, through November 14, 1994. By unanimous vote, the Committee ratified these transactions.

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

The information reviewed at this meeting suggested that the growth of the economy remained substantial. Consumer spending was robust, business fixed investment continued on a strong upward trend, and housing activity had been well sustained despite the increase in mortgage interest rates over the past year. Business inventory investment had been brisk since the spring, apparently in response to the strong growth in final sales. Further sizable gains had been recorded in industrial production and employment. Increases in labor compensation were still moderate, although there were some tentative signs of wage acceleration associated with the further tightening of labor markets. Prices of many materials continued to move up rapidly, but broad indexes did not indicate a pickup in consumer inflation.

Nonfarm payroll employment rose appreciably further in October, with job gains widespread by industry. In the service-producing sector, retail trade posted a particularly large advance while health and business services continued to record moderate increases. Manufacturing employment was up in October after having been unchanged in September; the rise was related partly to continued job growth in automobile- and construction-related industries, but payrolls also expanded in a number of other industries, including textiles, paper, rubber, and plastics. Construction hiring slowed after a large rise in September. Employment, as measured by the household survey, increased by more than the labor force in October, and the civilian unemployment rate edged down to 5.8 percent.

Industrial production increased substantially in October after having posted appreciable advances on balance in previous months. Manufacturing output accounted for all of the October rise as production declined again in the mining and utilities components. In manufacturing, the pace of motor vehicle assemblies was unchanged, but production in automotive-related industries was stepped up noticeably and output of business equipment continued to expand vigorously. Total utilization of industrial capacity climbed further in October from already elevated rates.

Consumer confidence remained at a high level, and retail sales continued to rise rapidly in October. Automotive dealers reported a large increase in sales, but strength also was evident elsewhere: Furniture and appliance stores posted another appreciable gain; apparel outlets registered a brisk rise; and spending at food and general merchandise stores grew moderately. Housing starts rose appreciably in September, reaching their highest level of the year. Sales of new and existing homes were stronger in September, despite the higher interest rates on both fixed- and adjustable-rate mortgages that had prevailed since earlier in the year.

Business capital spending remained on a solid uptrend. Shipments of nondefense capital goods were brisk during the third quarter, and with orders continuing to exceed shipments, already large backlogs increased further for most types of business equipment. Spending for transportation equipment grew at a healthy rate in the third quarter; purchases of heavy trucks persisted at a very high level, and spending for motor vehicles picked up after a second-quarter lull. Nonresidential construction activity advanced at a reduced pace in the third quarter; however, permits for new construction continued to trend higher.

Business inventory investment apparently continued at a brisk pace in the third quarter, with much of the accumulation occurring in types of goods where sales were strong. Manufacturing stocks fell in September, but for the third quarter as a whole they increased at the same moderate rate as in the second quarter; the inventory-to-shipments ratio for manufacturing in September remained near the historical low reached the previous month. At the wholesale level, inventory accumulation slowed slightly in the third quarter, and the inventory-to-sales ratio was in the lower end of its range over recent years. Retail inventories surged in August (latest data available) after having declined slightly in July. Nonetheless, the inventory-to-sales ratio for this sector remained near the middle of its range in recent years.

The nominal deficit on U.S. trade in goods and services narrowed in August, but for July and August combined the deficit was substantially larger than its second-quarter average. The value of exports of goods and services rebounded in August, with increases spread widely among automotive products, aircraft, agricultural products, machinery, and consumer goods. The value of imports also increased in August, but by a lesser amount than that of exports; much of the rise reflected greater imports of automotive vehicles from Canada. Economic activity continued to expand in the major foreign industrial countries in the third quarter, but growth apparently was at a more moderate pace than in the first half of the year.

Consumer price inflation remained moderate in September. For items other than the food and energy components, the increase in consumer prices over the twelve months ending in September was slightly smaller than the rise over the previous twelve months. At the producer level, prices of finished goods declined, largely reflecting a sharp fall in prices of finished energy goods. Excluding food and energy items, producer prices edged up in September and had risen slowly over the twelve months ending in September. At intermediate stages of processing, prices of many materials, notably industrial materials, had continued to move up rapidly. Total compensation of private industry workers rose significantly less over the four quarters ending in September than over the previous four quarters, primarily reflecting a sharply smaller increase in benefit costs. Average hourly earnings of production or nonsupervisory workers recorded a large gain in September after having expanded moderately over previous months.

At its meeting on September 27, 1994, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions but included a bias toward possible firming during the intermeeting period. The directive stated that in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, somewhat greater reserve restraint would be acceptable or slightly lesser reserve restraint might be acceptable during the intermeeting period. The reserve conditions contemplated at this meeting were expected to be consistent with modest growth of M2 and M3 over the balance of the year.

Open market operations during the intermeeting period were directed toward maintaining the existing degree of pressure on reserve positions. As the need for seasonal credit waned over the period, adjustment plus seasonal borrowing declined substantially, with actual borrowing remaining close to anticipated levels. Apart from some tightness in reserves markets around the end of the third quarter, the federal funds rate averaged close to $4\frac{3}{4}$ percent.

Most market interest rates rose appreciably over the period since the September 27 meeting in response to incoming economic data that generally indicated sustained momentum in final sales and inventory investment and high levels of aggregate output relative to the economy's potential. The strong economic data and persisting upward pressures on prices at earlier stages of production appeared to heighten concerns among market participants about inflationary pressures and prospects for even more monetary tightening than had previously been anticipated. Most major indexes of equity prices were little changed on balance over the intermeeting period.

The trade-weighted value of the dollar in terms of the other G-10 currencies changed little on net over the intermeeting period. The dollar trended lower over much of the period, apparently reflecting market perceptions that inflation risks in the United States were on the rise. In early November, after reaching a new post–World War II low against the yen and a two-year low against the mark, the dollar began to recover. The rebound in the value of the dollar apparently was in part a response to U.S. intervention in support of the dollar and heightened expectations of further monetary tightening in the United States.

M2 continued to edge lower in October; the weakness was concentrated in its more-liquid deposit components, for which opportunity costs had risen very substantially this year. M3 expanded at a moderate pace, buoyed by continued rapid growth in large-denomination time deposits issued to finance rapid loan growth and to counter runoffs of nondeposit sources of funds. For the year through October, M2 grew at a rate at the bottom of the Committee's range for 1994 and M3 at a rate in the lower half of its range for the year. Total domestic nonfinancial debt continued to expand at a moderate rate in recent months.

The staff forecast prepared for this meeting suggested that growth in economic activity would slow markedly over the next several quarters and for a period would average less than the rate of increase in the economy's potential output. In the staff's judgment, the economy currently was operating at or beyond its long-run capacity, and the forecast assumed that monetary policy would not accommodate any continuing tendency for aggregate demand to expand at a pace that could foster sustained higher inflation. The expansion of consumer spending was projected to slow considerably in response to diminishing pent-up demands, higher borrowing costs, and reduced income growth. Business fixed investment also was anticipated to decelerate appreciably in the context of smaller increases in sales and less favorable financial conditions. Homebuilding was expected to be damped by higher financing costs, although housing activity likely would remain well above the depressed levels of recent years when cash-flow affordability had been less favorable. The lower value of the dollar and the favorable prospects for faster economic recovery abroad were projected to bolster the demand for U.S. exports. With the economy having reached or exceeded its long-run potential in the staff's judgment, wage and price inflation was projected to pick up for a period before turning down as pressures on productive resources eased.

In the Committee's discussion of current and prospective economic developments, members commented on widespread statistical and anecdotal indications of considerably greater strength in the business expansion than they had anticipated earlier, with numerous industries now operating at or beyond historic, long-run capacity levels. They saw few signs that growth in aggregate demand might be moderating toward a more sustainable pace; nonetheless, they continued to view some slowing as a reasonable expectation as the monetary policy tightening actions implemented earlier exerted their lagged effects on interest-sensitive sectors of the economy. At this point, increases in prices of final goods and services and of wages generally did not appear to be trending higher, but the members were concerned that inflation would worsen as the effects of continuing strong demand, rising production costs, and higher import prices increasingly were felt in an environment where the utilization of labor and other producer resources was already at, if not above, sustainable full employment levels.

The evidence of persisting growth in aggregate demand at a pace appreciably above that of the economy's long-run potential and of developing pressures on resources tended to be confirmed by anecdotal reports of robust business expansion in many parts of the country and growing difficulties in hiring and retaining some types of labor. Ongoing cutbacks in some industries, such as defense, were tending to hold down overall economic activity in a few regions, but all parts of the country appeared to be experiencing at least modest economic growth, including California where economic activity now seemed to have turned up after an extended period of weakness. Sentiment among retailers and other business contacts was widely reported to be quite favorable. In addition, some members commented that despite higher interest rates financial conditions generally remained conducive to further business expansion. The lending constraints that had tended to retard the expansion earlier seemed to have given way to increasingly accommodative loan policies by depository institutions and ready access to market sources of financing for many business firms.

In their assessment of the contribution of key sectors of the economy to the expansion, members commented on the current strength of consumer spending and also noted that business contacts were expressing considerable optimism about the prospects for retail sales over the holiday season. Consumer sentiment, as evidenced by survey results and retailer comments, appeared to be at a high level. Some moderation in the growth of consumer spending could be expected to emerge next year for a variety of reasons, including reduced pent-up demands and some anticipated slowing in the growth of employment and consumer incomes. Members also noted that rising interest rates were likely to damp consumer spending, notably for durable goods, though there was little evidence of such a development thus far. A projected softening in housing markets would contribute to slower growth in demand for housing-related consumer durables.

Expanding sales and favorable profit margins were fostering strong growth in business fixed investment, and much of the momentum in this sector probably would carry over into 1995. Some business contacts reported that they were developing plans for major capital outlays over coming months. As the year progressed, however, the increases that had occurred in interest rates, and the possibility of less receptive financial conditions more generally, should begin to exert some inhibiting effects on business fixed investment, especially if profit margins also were to fall in the context of rising labor and other costs.

With regard to the outlook for housing, members reported that conditions were somewhat uneven across the country but that for the nation as a whole rising mortgage rates had had surprisingly little effect thus far on this typically interest-sensitive sector of the economy. One reason, it was suggested, was the apparent willingness of some homebuyers to accept higher mortgage rates at this point because they expected rates to rise further later. Even so, the members continued to anticipate some slowdown in housing construction over coming quarters. Overall construction activity was likely to be supported to some extent, however, by further gradual gains in nonresidential construction, notably commercial and industrial structures, and perhaps some continuing strength in multifamily housing.

After a surge in the second quarter, inventory investment remained substantial in the third quarter and appeared to be continuing at a robust pace in the current quarter. For a variety of reasons, inventory accumulation might well be relatively brisk for some period of time, given the favorable sales experience of numerous business firms and the still quite low levels of inventories relative to sales. Moreover, with capacity pressures in many industries leading to some lengthening in delivery times, businesses would tend to build inventories to support sales and avoid disruptions to production schedules. Tending to confirm such an assessment were anecdotal reports suggesting that recent additions to inventories were largely intended and not the result of disappointing sales. An inventory buildup at the pace recorded on average in the second and third quarters would not be sustainable, but inventory investment was likely to be relatively well maintained over coming months if aggregate demand were to expand in line with current expectations.

The members generally anticipated that the external sector of the economy would provide some impetus to the expansion. The recent depreciation of the dollar and strength in foreign economic activity could be expected to boost real exports at a time when growth in real imports was likely to moderate. The resulting improvement in the nation's net trade position would, however, tend to exacerbate any tendency for domestic demand to outrun the economy's output potential.

In the Committee's discussion of the outlook for prices, the members saw a considerable risk of higher inflation if growth in demand and output continued at an unsustainable pace, placing added pressures on labor and other producer resources. They noted indications of greater inflation pressures, especially in the rising prices of many materials used in the production process and the increasing number of reports of labor shortages. To date, prices of finished goods and services did not reflect those pressures and overall wage inflation did not appear to be trending higher. Even so, at least some modest worsening of inflation seemed quite likely over the quarters immediately ahead, despite the persistence of strong competition that continued to limit attempts to raise prices in most markets. This view seemed to be reinforced by increasing reports of successful efforts by some business firms to establish and sustain higher prices and by numerous indications of business plans to raise prices around year-end or the early part of next year. Other factors that appeared to have adverse implications for the inflation outlook included faster increases in import prices, and in the view of at least some members the prospect of diminishing gains in productivity. Moreover, as evidenced by the comments of some business contacts and the behavior of financial markets, inflationary expectations might be in the process of worsening, though such a development could not be seen in broad survey results. To what extent such expectations would become more pervasive and foster greater inflation momentum was very difficult to gauge at this point. One member suggested that some further rise in inflation might reflect a typical development in a maturing cyclical expansion but that such a rise would not necessarily augur a permanent uptick in inflation or even that progress toward price stability would not continue to be made over time, provided appropriate monetary policies were pursued.

In the Committee's discussion of policy for the intermeeting period ahead, all the members agreed that the current stance of monetary policy presented unacceptable risks of embedding higher inflation in the economy. The expansion retained appreciably more forward momentum and greater inflationary potential than the members had anticipated, given the policy restraint implemented earlier this year. The reasons for that outcome remained unclear. Among the suggested explanations were that the earlier restraint appeared to have had a less-than-expected effect on current economic conditions and, in particular, on the more interest-sensitive sectors of the economy. Some members also suggested that the underlying expansion was stronger than they had anticipated, and a couple referred to the possibility that the lingering effects from the accommodative policy stance maintained through last year were larger than had been expected. Moreover, additional monetary restraint seemed to be needed to counteract the stimulative effects on domestic economic activity of a number of atypical financial developments in a period of rising interest rates; these included the easing of nonprice credit terms by depository institutions, the ample availability of funds in debt and equity markets, and the depreciation of the dollar in foreign exchange markets. The members recognized that monetary policy actions exerted much of their effects after relatively long lags and that a substantial portion of the restraint stemming from the earlier policy actions undoubtedly had not yet been felt in the economy. They agreed, nonetheless, that monetary policy was still insufficiently restrictive in light of emerging inflationary signals in the economy. Views differed to some extent, however, regarding the degree of additional restraint that might be needed to foster the Committee's objectives for sustainable, noninflationary economic growth.

A majority of the members believed that an unusually sizable firming of monetary policy was desirable at this time, and they endorsed a proposal to tighten reserve conditions in line with a ¾ percentage point increase in the discount rate that a number of Federal Reserve Banks had proposed for approval by the Board of Governors. In this view, the data becoming available in recent months had suggested considerable resilience and underlying strength in economic activity and rising risks of greater inflation pressures. A somewhat aggressive tightening action would improve the prospects for curbing intensifying inflationary pressures before they gathered further momentum and would help position the economy on a sustainable growth path consistent with the economy's long-run potential. The members acknowledged the difficulty of judging the precise degree of monetary restraint that would be needed to attain the Committee's objectives and in particular the risk that further efforts to control inflation at this juncture might foster greater-than-intended weakening of the expansion. The Committee could not prejudge how much, if any, additional monetary restraint might be needed in the future. That would depend on further developments, but for most members a sizable move at this point represented the most appropriate balance among the competing risks. During this discussion, it was noted that recent developments were having an unsettling effect on financial markets, and a tightening move of this magnitude might contribute to market stability by reducing expectations of higher inflation and a further near-term policy action. Some members also commented that the action would tend to reinforce the recent intervention in the foreign exchange markets.

Other members indicated that they preferred a less forceful policy move at this point, one that would be consistent with the ½ percentage point increase in the discount rate that had been proposed by several Federal Reserve Banks. In their view, substantial further restraint could be expected from the combined effects of the policy tightening actions implemented earlier this year and the inevitable waning of the stimulative effects of policy actions taken in previous years. While the need for further monetary restraint could not be ruled out, a more limited policy move at this point could reasonably be expected in this view to accomplish the greater part or all of the Committee's anti-inflationary objectives over time and would minimize the risk of setting policy on an overly restrictive course with undesired consequences for the business expansion later. Moreover, a cautious approach could lessen the risk that the Committee's policy intentions would be misinterpreted, with some resulting damage to consumer and business confidence and dislocation in financial markets. Despite their reservations, these members indicated that they could accept the degree of restraint preferred by the majority because of the quite small difference in the effects of the alternative moves on the economy over time.

With regard to possible changes in policy during the period until the next meeting, a majority of the members favored associating the more substantial policy adjustment with a symmetric intermeeting instruction. This preference was based on expectations that a further policy action was not likely to be called for over the near term, although a symmetric directive would not prevent an intermeeting adjustment if near-term developments differed substantially from expectations. One member expressed the view that the unusually large move made it especially important to follow a steady policy course for some period of time and to undertake any further firming only if new information of a surprisingly strong nature were to be received. Another member indicated a preference for an asymmetric directive toward restraint because such a directive would be more consistent with the likely need in his view for further monetary restraint to contain inflationary forces in the economy.

At the conclusion of the Committee's policy discussion, all the members indicated that they could support a directive that called for a significant increase in the degree of pressure on reserve positions, taking account of a possible increase of ¾ percentage point in the discount rate, and that did not include a presumption about the likely direction of any adjustment to policy during the intermeeting period. Accordingly, in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, the Committee decided that somewhat greater or somewhat lesser reserve restraint would be acceptable during the intermeeting period. According to a staff analysis, the reserve conditions contemplated at this meeting would be consistent with modest growth in M2 and M3 over coming months.

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

The information reviewed at this meeting suggests that the growth of the economy has remained substantial. Nonfarm payroll employment advanced appreciably further in October, and the civilian unemployment rate edged down to 5.8 percent. Industrial production registered a large increase in October after posting sizable gains on average over other recent months, and capacity utilization moved up further from already high levels. Retail sales have continued to rise rapidly. Housing starts rose appreciably in September. Orders for nondefense capital goods point to a continued strong expansion in spending on business equipment; permits for nonresidential construction have been trending higher. Inventory accumulation appears to have continued at a brisk pace in the third quarter. For July and August combined, the nominal deficit on U.S. trade in goods and services widened from its second-quarter average. Prices of many materials have continued to move up rapidly, but broad indexes of prices for consumer goods and services have increased moderately on average over recent months.

Most market interest rates have risen appreciably since the September meeting. The trade-weighted value of the dollar in terms of the other G-10 currencies was essentially unchanged on balance over the intermeeting period, though it was weaker through much of the period.

M2 contracted further in October while M3 expanded at a moderate pace, buoyed by continued rapid growth in large-denomination time deposits. For the year through October, M2 grew at a rate at the bottom of the Committee's range for 1994 and M3 at a rate in the lower half of its range for the year. Total domestic nonfinancial debt has continued to expand at a moderate rate in recent months.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at its meeting in July reaffirmed the ranges it had established in February for growth of M2 and M3 of 1 to 5 percent and 0 to 4 percent respectively, measured from the fourth quarter of 1993 to the fourth quarter of 1994. The Committee anticipated that developments contributing to unusual velocity increases could persist during the year and that money growth within these ranges would be consistent with its broad policy objectives. The monitoring range for growth of total domestic nonfinancial debt was maintained at 4 to 8 percent for the year. For 1995, the Committee agreed on tentative ranges for monetary growth, measured from the fourth quarter of 1994 to the fourth quarter of 1995, of 1 to 5 percent for M2 and 0 to 4 percent for M3. The Committee provisionally set the associated monitoring range for growth of domestic nonfinancial debt at 3 to 7 percent for 1995. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks to increase significantly the existing degree of pressure on reserve positions, taking account of a possible increase in the discount rate. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, somewhat greater reserve restraint or somewhat lesser reserve restraint would be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with modest growth in M2 and M3 over coming months.

Votes for this action: Messrs. Greenspan, McDonough, Blinder, Broaddus, Forrestal, Jordan, Kelley, LaWare, Lindsey, and Parry and Mses. Phillips and Yellen. Votes against this action: None.

Secretary's note. The meeting was recessed briefly at this point and the members of the Board of Governors convened to consider pending Reserve Bank proposals for increases in the discount rate. After the conclusion of that meeting, the Presidents of the Federal Reserve Banks were informed that the Board of Governors had approved an increase of ¾ percentage point in the discount rate, effective immediately, and the meeting of the Federal Open Market Committee then resumed.

SYSTEM FOREIGN CURRENCY ARRANGEMENTS

The Committee considered the renewal of the System's currency ("swap") arrangements with foreign central banks. These arangements normally have one-year maturities and, except for those with the Bank of Canada and the Bank of Mexico, were due to mature on various dates in December 1994.

In the course of their review, the members discussed sterilized intervention by the Federal Reserve in the foreign exchange markets. They generally agreed that in certain circumstances such intervention serves a useful purpose, such as helping to counter disorderly market conditions, but it normally would not be expected to have lasting effects on the foreign exchange value of the dollar in the absence of other policy adjustments. In the overwhelming number of instances for more than a decade, the Federal Reserve has participated jointly with the U.S. Treasury in foreign exchange operations. In the view of most members it seemed advisable to continue that procedure, especially given the System's responsibilities for the overall financial health of the economy and ongoing cooperation with the Treasury regarding the nation's broad financial objectives. Nonetheless, the apparently limited and temporary effectiveness of sterilized intervention counseled a cautious reliance on such transactions. Against this background, nearly all the members believed that the System's reciprocal currency arrangements, which were a potential source of foreign currencies that might be used for intervention purposes as well as an ongoing symbol of cooperation with other participating central banks, should be renewed for another year.

At the conclusion of this discussion, the Committee authorized the renewal for further periods of one year of the System's reciprocal currency arrangements with twelve foreign central banks and the Bank for International Settlements. The amounts and existing maturity dates of the arrangements are indicated in the table that follows:

Foreign bank	Amount of arrangement (millions of dollars equivalent)	Term (months)	Maturity date
Austrian National Bank	250	12	12/04/94
Bank of England	3,000	"	12/04/94
Bank of Japan	5,000	"	12/04/94
Bank of Mexico	3,000	20	12/15/95
Bank of Norway	250	12	12/04/94
Bank of Sweden	300	"	12/04/94
Swiss National Bank	4,000	"	12/04/94
Bank for International Settlements			
Swiss francs	600	"	12/04/94
Other authorized European currencies	1,250	"	12/04/94
National Bank of Belgium	1,000	"	12/18/94
Bank of Canada	2,000	20	12/15/95
National Bank of Denmark	250	12	12/28/94
Bank of France	2,000	"	12/28/94
German Federal Bank	6,000	"	12/28/94
Bank of Italy	3,000	"	12/28/94
Netherlands Bank	500	"	12/28/94

Votes for this action: Messrs. Greenspan, McDonough, Blinder, Forrestal, Jordan, Kelley, LaWare, Lindsey, and Parry and Mses. Phillips and Yellen. Vote against this action: Mr. Broaddus.

Mr. Broaddus dissented because he believed that the Federal Reserve's participation in foreign exchange market intervention compromises its ability to conduct monetary policy effectively. Because sterilized intervention cannot have sustained effects in the absence of conforming monetary policy actions, Federal Reserve participation in foreign exchange operations risks one of two undesirable outcomes. First, the independence of monetary policy is jeopardized if the System adjusts its policy actions to support short-term foreign exchange objectives set by the Treasury. Alternatively, the credibility of monetary policy is damaged if the System does not follow interventions with compatible policy actions, the interventions consequently fail to achieve their objectives, and the System is associated in the mind of the public with the failed operations. In these circumstances, he did not view renewal of the existing swap lines as desirable because they are used primarily to facilitate market intervention.

It was agreed that the next meeting of the Committee would be held on Tuesday, December 20, 1994.

The meeting adjourned at 2:05 p.m.

Donald L. Kohn
Secretary

Legal Developments

Final Rule—Amendment to Risk-Based Capital Standards

The Office of the Comptroller of the Currency ("OCC"), Treasury; Board of Governors of the Federal Reserve System ("Board"); Federal Deposit Insurance Corporation ("FDIC"); and the Office of Thrift Supervision ("OTS"), Treasury, are amending 12 C.F.R. Parts 3, 208, 325, and 567, and issuing this final rule to implement the portions of section 305 of the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") that require the agencies to revise their risk-based capital standards for insured depository institutions to ensure that those standards take adequate account of concentration of credit risk and the risks of nontraditional activities. The final rule amends the risk-based capital standards by explicitly identifying concentration of credit risk and certain risks arising from nontraditional activities, as well as an institution's ability to manage these risks, as important factors in assessing an institution's overall capital adequacy.

Effective January 17, 1995, 12 C.F.R. Parts 3, 208, 325, and 567, are amended as follows:

Part 3—Minimum Capital Ratios; Issuance of Directives

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

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

2. Section 3.1 is revised to read as follows:

Section 3.1—Authority.

This part is issued under the authority of 12 U.S.C. 1 *et seq.*, 93a, 161, 1818, 3907 and 3909.

3. Section 3.10 is revised to read as follows:

Section 3.10—Applicability.

The OCC may require higher minimum capital ratios for an individual bank in view of its circumstances. For example, higher capital ratios may be appropriate for:
(a) A newly chartered bank;
(b) A bank receiving special supervisory attention;
(c) A bank that has, or is expected to have, losses resulting in capital inadequacy;
(d) A bank with significant exposure due to interest rate risk, the risks from concentrations of credit, certain risks arising from nontraditional activities, or management's overall inability to monitor and control financial and operating risks presented by concentrations of credit and nontraditional activities;
(e) A bank with significant exposure due to fiduciary or operational risk;
(f) A bank exposed to a high degree of asset depreciation, or a low level of liquid assets in relation to short-term liabilities;
(g) A bank exposed to a high volume of, or particularly severe, problem loans;
(h) A bank that is growing rapidly, either internally or through acquisitions; or
(i) A bank that may be adversely affected by the activities or condition of its holding company, affiliate(s), or other persons or institutions including chain banking organizations, with which it has significant business relationships.

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

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

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

2. Appendix A to Part 208 is amended by revising the fifth and sixth paragraphs under "*I. Overview*" to read as follows:

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

I. Overview

* * * * *

The risk-based capital ratio focuses principally on broad categories of credit risk, although the framework for assigning assets and off-balance-sheet items to risk categories does incorporate elements of transfer risk, as well as limited instances of interest rate and market risk. The framework incorporates risks arising from traditional banking activities as well as risks arising from nontraditional activities. The risk-based ratio does not, however, incorporate other factors that can affect an institution's financial condition. These factors include overall interest-rate exposure; liquidity, funding and market risks; the quality and level of earnings; investment, loan portfolio, and other concentrations of credit risk; certain risks arising from nontraditional activities; the quality of loans and investments; the effectiveness of loan and investment policies; and management's overall ability to monitor and control financial and operating risks, including the risks presented by concentrations of credit and nontraditional activities.

In addition to evaluating capital ratios, an overall assessment of capital adequacy must take account of those factors, including, in particular, the level and severity of problem and classified assets. For this reason, the final supervisory judgement on a bank's capital adequacy may differ significantly from conclusions that might be drawn solely from the level of its risk-based capital ratio.

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[RISK-BASED CAPITAL STANDARDS: CONCENTRATION OF CREDIT RISK AND OF NONTRADITIONAL ACTIVITIES]

Part 325—Capital Maintenance

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

Authority: 12 U.S.C. 1815(a), 1815(b), 1816, 1818(a), 1818(b), 1818(c), 1818(t), 1819(Tenth), 1828(c), 1828(d), 1828(i), 1828(n), 1828(o), 1828 note, 1831n note, 1831o, 3907, 3909.

Section 325.3—[Amended]

2. Section 325.3(a) is amended in the fourth sentence by adding "significant risks from concentrations of credit or nontraditional activities," immediately after "funding risks," and by adding "will take these other factors into account in analyzing the bank's capital adequacy and" immediately after "FDIC" and before "may".

3. The fifth paragraph of the introductory text of Appendix A to Part 325 is revised to read as follows:

APPENDIX A TO PART 325—STATEMENT OF POLICY ON RISK-BASED CAPITAL

* * * * *

The risk-based capital ratio focuses principally on broad categories of credit risk; however, the ratio does not take account of many other factors that can affect a bank's financial condition. These factors include overall interest rate risk exposure; liquidity, funding and market risks; the quality and level of earnings; investment, loan portfolio, and other concentrations of credit risk; certain risks arising from nontraditional activities; the quality of loans and investments; the effectiveness of loan and investment policies; and management's overall ability to monitor and control financial and operating risks, including the risk presented by concentrations of credit and nontraditional activities. In addition to evaluating capital ratios, an overall assessment of capital adequacy must take account of each of these other factors, including, in particular, the level and severity of problem and adversely classified assets. For this reason, the final supervisory judgement on a bank's capital adequacy may differ significantly from the conclusions that might be drawn solely from the absolute level of the bank's risk-based capital ratio.

* * * * *

Part 567—Capital

1. The authority citation for Part 567 continues to read as follows:

Authority: 12 U.S.C. 1462, 1462a, 1463, 1464, 1467a, 1828 (note).

2. Section 567.3 is amended by revising paragraphs (b)(3) and (b)(9) to read as follows:

Section 567.3—Individual minimum capital requirements.

* * * * *

(b) * * *

(3) A savings association that has a high degree of exposure to interest rate risk, prepayment risk, credit risk, concentration of credit risk, certain risks arising from nontraditional activities, or similar risks; or a high proportion of off-balance sheet risk, especially standby letters of credit;

* * * * *

(9) A savings association that has a record of operational losses that exceeds the average of other, similarly situated savings associations; has management deficiencies, including failure to adequately monitor and control financial and operating risks, particularly the risks presented by concentrations of credit and nontraditional activities; or has a poor record of supervisory compliance.

* * * * *

Final Rule—Amendments to Regulations H and Y

The Board of Governors is amending 12 C.F.R. Parts 208 and 225, its Regulations H and Y (Capital; Capital Adequacy Guidelines), for state member banks and bank holding companies. Under this final rule, institutions are generally directed to not include in regulatory capital the "net unrealized holding gains (losses) on securities available for sale," the new common stockholders' equity account created by Statement of Financial Accounting Standards Number 115 (FAS 115), *Accounting for Certain Investments in Debt and Equity Securities*. Net unrealized losses on marketable equity securities (*i.e.*, equity securities with readily determinable fair values), however, will continue to be deducted from Tier 1 capital. This rule has the general effect of valuing available-for-sale securities at amortized cost (*i.e.*, based on historical cost), rather than at fair value (*i.e.*, generally at market value), for purposes of calculating the risk-based and leverage capital ratios.

Effective December 31, 1994, 12 C.F.R. Parts 208 and 225 are amended as follows:

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

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

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

2. Appendix A to Part 208 is amended by revising sections II.A.1.a. and II.A.2.f to read as follows:

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

* * * * *

II. * * *

A. * * *

1. * * *

a. *Common stockholders' equity.* For purposes of calculating the risk-based capital ratio, common stockholders' equity is limited to common stock; related surplus; and retained earnings, including capital reserves and adjustments for the cumulative effect of foreign currency translation, net of any treasury stock; less net unrealized holding losses on available-for-sale equity securities with readily determinable fair values. For this purpose, net unrealized holding gains on such equity securities and net unrealized holding gains (losses) on available-for-sale debt securities are not included in common stockholders' equity.

* * * * *

2. * * *

f. *Revaluation reserves.*

i. Such reserves reflect the formal balance sheet restatement or revaluation for capital purposes of asset carrying values to reflect current market values. The federal banking agencies generally have not included unrealized asset appreciation in capital ratio calculations, although they have long taken such values into account as a separate factor in assessing the overall financial strength of a bank.

ii. Consistent with long-standing supervisory practice, the excess of market values over book values for assets held by state member banks will generally not be recognized in supplementary capital or in the calculation of the risk-based capital ratio. However, all banks are encouraged to disclose their equivalent of premises (building) and security revaluation reserves. The Federal Reserve will consider any appreciation, as well as any depreciation, in specific asset values as additional considerations in assessing overall capital strength and financial condition.

* * * * *

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

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

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

2. Appendix A to Part 225 is amended by revising sections II.A.1.a. and II.A.2.f to read as follows:

Appendix A to Part 225—Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure

* * * * *

II. * * *

A. * * *

1. * * *

a. *Common stockholders' equity.* For purposes of calculating the risk-based capital ratio, common stockholders' equity is limited to common stock; related surplus; and retained earnings, including capital reserves and adjustments for the cumulative effect of foreign currency translation, net of any treasury stock; less net unrealized holding losses on available-for-sale equity securities with readily determinable fair values. For this purpose, net unrealized holding gains on such equity securities and net unrealized holding gains (losses) on available-for-sale debt securities are not included in common stockholders' equity.

* * * * *

2. * * *

f. *Revaluation reserves.*

i. Such reserves reflect the formal balance sheet restatement or revaluation for capital purposes of asset carrying values to reflect current market values. The Federal Reserve generally has not included unrealized asset appreciation in capital ratio calculations, although it has long taken such values into account as a separate factor in assessing the overall financial strength of a banking organization.

ii. Consistent with long-standing supervisory practice, the excess of market values over book values for assets held by bank holding companies will generally not be recognized in supplementary capital or in the calculation of the risk-based capital ratio. However, all bank holding companies are encouraged to disclose their equivalent of premises (building) and security revaluation reserves. The Federal Reserve will consider any appreciation, as well as any depreciation, in specific asset values as additional considerations in assessing overall capital strength and financial condition.

* * * * *

Final Rule—Amendment to Regulation C

The Board of Governors is amending 12 C.F.R. Part 203, its Regulation C (Home Mortgage Disclosure), to revise the instructions and reporting forms that financial institutions must use in complying with the annual reporting requirements. The amendments respond to the statutory provisions regarding earlier availability of the Home Mortgage Disclosure Act (HMDA) disclosure statements to the public; provide clarifications requested by financial institutions that report under HMDA; and are intended to help improve the quality of the HMDA data. The amendments require reporting in machine-readable format; require institutions to update their loan application registers quarterly during the year as data are being collected; and make a number of other changes.

Effective January 1, 1995, 12 C.F.R. Part 203 is amended as follows:

Part 203—Home Mortgage Disclosure (Regulation C)

1. The authority citation for Part 203 continues to read as follows:

Authority: 12 U.S.C. 2801-2810.

2. Section 203.2 is amended by republishing (e) introductory text, and by revising paragraph (e)(1) introductory text, and paragraphs (e)(2) and (f) as to read as follows:

Section 203.2—Definitions.

* * * * *

(e) *Financial institution* means:

(1) A bank, savings association, or credit union that originated in the preceding calendar year a home purchase loan (other than temporary financing such as a construction loan), including a refinancing of a home purchase loan, secured by a first lien on a one- to four-family dwelling if:

* * * * *

(2) A for-profit mortgage lending institution (other than a bank, savings association, or credit union) whose home purchase loan originations (including refinancings of home purchase loans) equaled or exceeded ten percent of its loan origination volume, measured in dollars, in the preceding calendar year.

(f) *Home improvement loan* means any loan that:

(1) Is for the purpose, in whole or in part, of repairing, rehabilitating, remodeling, or improving a dwelling or the real property on which it is located; and

(2) Is classified by the financial institution as a home improvement loan.

* * * * *

3. Section 203.4 is amended by revising the second sentence of the introductory text in paragraph (a), and paragraph (a)(7), to read as follows:

Section 203.4—Compilation of loan data.

(a) *Data format and itemization.* * * * These transactions shall be recorded, within thirty calendar days after the end of each calendar quarter in which final action is taken (such as origination or purchase of a loan, or denial or withdrawal of an application), on a register in the format prescribed in Appendix A of this part and shall include the following items:

* * * * *

(7) The race or national origin and sex of the applicant or borrower, and the gross annual income relied upon in processing the application.

* * * * *

4. Section 203.5 is amended by revising paragraphs (a) and (e), to read as follows:

Section 203.5—Disclosure and reporting.

(a) *Reporting to agency.* By March 1 following the calendar year for which the loan data are compiled, a financial institution shall send its complete loan application register to the agency office specified in Appendix A of this regulation, and shall retain a copy for its records for a period of not less than three years.

* * * * *

(e) *Notice of availability.* A financial institution shall post a general notice about the availability of its HMDA data in the lobbies of its home office and any physical branch offices located in an MSA. Upon request, it shall promptly provide the location of the institution's offices where the statement is available. At its option, an institution may include the location in its notice.

5. Item II. of Appendix A to Part 203 is amended by revising paragraph A. and by adding a new paragraph E., as follows:

APPENDIX A TO PART 203—FORM AND INSTRUCTIONS FOR COMPLETION OF HMDA LOAN/APPLICATION REGISTER

* * * * *

II. Required Format and Reporting Procedures

A. Institutions must submit data to their supervisory agencies in an automated, machine-readable form. The format must conform exactly to that of form FR HMDA-LAR, including the order of columns, column headings, etc. Contact your federal supervisory agency for information regarding procedures and technical specifications for automated data submission; in some cases, agencies also make software for automated data submission available to institutions. The data must be edited before submission, using the edits included in the agency-supplied software or equivalent edits in software available from vendors or developed in-house. (Institutions that report 25 or fewer entries on their HMDA-LAR may collect and report the data in paper form. An institution that submits its register in nonautomated form must send two copies that are typed or computer printed, and must use the format of form FR HMDA-LAR (but need not use the form itself). Each page must be numbered, and the total number of pages must be given (for example, "Page 1 of 3").)

* * * * *

E. Applications and loans must be recorded on your register within thirty calendar days after the end of the calendar quarter in which final action (such as origination or purchase of a loan, or denial or withdrawal of an application) is taken. The type of purchaser for loans sold need not be included in these quarterly updates.

* * * * *

6. Item III. of Appendix A to Part 203 is amended by revising paragraphs B., C., and G., as follows:

* * * * *

III. Submission of HMDA-LAR and Public Release of Data

* * * * *

B. You must submit all required data to your supervisory agency *in one complete package,* with the prescribed transmittal sheet. An officer of your institution must certify to the accuracy of the data. Any additional data submissions that become necessary (for example, because you discover that data were omitted from the initial submission, or because revisions are called for) also must be accompanied by a transmittal sheet.

C. The transmittal sheet must state the total number of line entries contained in the accompanying data submission. If the data submission involves revisions or deletions of previously submitted data, state the total of *all* line entries contained in *that submission,* including both those representing revisions or deletions of previously submitted entries, and those that are being resubmitted unchanged or are being submitted for the first time. If you are a depository institution, you also are asked to provide a list of the MSAs where you have a home or branch office.

* * * * *

G. *Posters.* Some of the agencies provide HMDA posters that you can use to inform the public of the availability of your HMDA data, or you may create your own posters. If you print your own, the following language is suggested but is not required:

HOME MORTGAGE DISCLOSURE ACT NOTICE

The HMDA data about our residential mortgage lending are available for review. The data show geographic distribution of loans and applications; race, gender, and income of applicants and borrowers; and information about loan approvals and denials. Inquire at this office regarding the locations where HMDA data may be inspected.

* * * * *

7. Item V. of Appendix A to Part 203 is amended as follows:
a. Paragraphs A.5.Code 2 a. and c., A.5. Code 3 a. and c., and A.8. b., c., d., and f. are revised;
b. Paragraphs B.2.a., B.2.b., and B.2.c. are redesignated as paragraphs B.2.b., B.2.d., and B.2.e., respectively;
c. New paragraphs B.2.a. and B.2.c. are added;
d. Paragraph C.5. is revised; and
e. Paragraph D.5.c. is revised.

The revisions and additions read as follows:

* * * * *

V. Instructions for Completion of Loan/Application Register

A. *Application or Loan Information*

* * * * *

5. *Explanation of Purpose Codes*

* * * * *

Code 2: Home improvement.
A. Code 2 applies to loans and applications for loans if:
(i) A portion of the proceeds is to be used for repairing, rehabilitating, remodeling, or improving a one- to four-family residential dwelling, or the real property upon which it is located, and
(ii) The loan is classified as a home improvement loan.

* * * * *

c. At your option, you may report data about home-equity lines of credit—even if the credit line is not classified as a home improvement loan. If you choose to do so, you may report a home-equity line of credit as a home improvement loan if some portion of the proceeds will be used for home improvement. (See Paragraph 8. "Loan amount.") If you report originations of home-equity lines of credit, you must also report applications for such loans that did not result in originations.
Code 3: Refinancings.
a. Use this code for refinancings (and applications for refinancings) of loans secured by one- to four-family residential dwellings. A refinancing involves the satisfaction of an existing obligation that is replaced by a new obligation undertaken by the same borrower. But do not report a refinancing if, under the loan agreement, you are unconditionally obligated to refinance the obligation, or you are obligated to refinance the obligation subject to conditions within the borrower's control.

* * * * *

c. You may report all refinancings of loans secured by one- to four-family residential dwellings, regardless of the purpose of or amount outstanding on the original loan, and regardless of the amount of new money (if any) that is for home purchase or home improvement purposes.

* * * * *

8. *Loan Amount.*

* * * * *

b. For home improvement loans (both originations and purchases), you may include unpaid finance charges in the loan amount if that is how you record such loans on your books. For a multiple purpose loan classified by you as a home improvement loan because it involves a home improvement purpose, enter the full amount of the loan, not just the amount specified for home improvement.
c. For home-equity lines of credit (if you have chosen to report them), enter as the loan amount only that portion of the line that is for home improvement purposes. Report the loan amount for applications that did not result in originations in the same manner. Report only in the year the line is established.
d. For refinancings of dwelling-secured loans, indicate the total amount of the refinancing, including the amount outstanding on the original loan and the amount of new money (if any).

* * * * *

f. If you make a counteroffer for an amount different from the amount initially applied for, and the counteroffer is accepted by the applicant, report it as an origination for the amount of the loan actually granted. If the applicant turns down the counteroffer or fails to respond, report it as a denial for the amount initially requested.

B. *Action Taken*

* * * * *

2. *Explanation of Codes*
a. Use code 1 for a loan that is originated, including one resulting from a counteroffer (your offer to the applicant to make the loan on different terms or in a different amount than initially applied for) that the applicant accepts.

* * * * *

c. Use code 3 when an application is denied. This includes the situation when an applicant turns down or fails to respond to your counteroffer. Do not report as a withdrawn application or as an application that was approved but not accepted.

* * * * *

C. *Property Location.*

* * * * *

5. *Outside-MSA.* For loans on property located outside the MSAs in which you have a home or branch office (or

outside any MSA), you have two options. Under option 1, you may enter the MSA, state, and county codes and the census tract number. You may enter "NA" in the MSA or census tract column if no code or number exists for the property. (Codes exist for all states and counties.) If you choose option 1, the codes and tract number must accurately identify the location for the property in question. Under option 2, you may enter "NA" in all four columns, whether or not the codes or number exist for the property.

* * * * *

D. *Applicant Information — Race or National Origin, Sex, and Income.*

* * * * *

5. *Income.*

* * * * *

c. If no income information is asked for or relied on in the credit decision, enter "NA."

* * * * *

8. A Loan/Application Register Transmittal Sheet is added to Appendix A to Part 203 immediately following paragraph VI.G., to read as follows:

* * * * *

Final Rule—Amendment to Regulation H

The Board of Governors is amending 12 C.F.R. Part 208, its Regulation H (Membership of State Banking Institutions in the Federal Reserve System), to implement a provision of the Depository Institutions Disaster Relief Act of 1992 that authorizes state member banks to make investments designed primarily to promote the public welfare to the extent permissible under state law and subject to regulation by the Board. The amendment would permit state member banks to make certain public welfare investments without prior approval and other public welfare investments with specific Board approval. The amendment also addresses the procedural aspects of these investments.

Effective January 9, 1995, 12 C.F.R. Part 208 is amended as follows:

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

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

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

2. A new section 208.21 is added to Subpart A to read as follows:

Section 208.21—Community development and public welfare investments.

(a) *Definitions* — (1) *Low- or moderate-income area* means:

(i) One or more census tracts in a Metropolitan Statistical Area where the median family income adjusted for family size in each census tract is less than eighty percent of the median family income adjusted for family size of the Metropolitan Statistical Area; or

(ii) If not in a Metropolitan Statistical Area, one or more census tracts or block-numbered areas where the median family income adjusted for family size in each census tract or block-numbered area is less than eighty percent of the median family income adjusted for family size of the State.

(2) *Low- and moderate-income* persons has the same meaning as low- and moderate-income persons as defined in 42 U.S.C. 5302(a)(20)(A).

(3) *Small business* means a business that meets the size eligibility standards of 13 C.F.R. 121.802(a)(2).

(b) *Investments that do not require prior Board approval.* Notwithstanding the provisions of section 5136 of the Revised Statutes (12 U.S.C. 24 (Seventh)) made applicable to State member banks by paragraph 20 of section 9 of the Federal Reserve Act (12 U.S.C. 335), a State member bank may make an investment, without prior Board approval, if the following conditions are met:

(1) The investment is in a corporation, limited partnership, or other entity:

(i) Where the Board has determined that an investment in that entity or class of entities is a public welfare investment under paragraph 23 of section 9 of the Federal Reserve Act (12 U.S.C. 338a), or a community development investment under Regulation Y (12 C.F.R. 225.25(b)(6));

(ii) Where the Comptroller of the Currency has determined, by order or regulation, that an investment in that entity by a national bank is a public welfare investment under section 5136 of the Revised Statutes (12 U.S.C. 24 (Eleventh));

(iii) Where that entity is a community development financial institution as defined in section 103(5) of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4702(5)); or

(iv) Where that entity, directly or indirectly, engages solely in or makes loans solely for the purposes of one or more of the following community development activities:

LOAN/APPLICATION REGISTER TRANSMITTAL SHEET

Form FR HMDA-LAR
OMB No. 7100-0247. Approval expires March 31, 1997
Hours per response: 10 to 10 000 (200 average)
This report is required by law (12 USC 2801-2810 and 12 CFR 203)

LOAN/APPLICATION REGISTER

TRANSMITTAL SHEET

You must complete this transmittal sheet (please type or print) and attach it to the Loan/Application Register, required by the Home Mortgage Disclosure Act, that you submit to your supervisory agency.

Reporter's Identification Number	Agency Code	Reporter's Tax Identification Number	Total line entries contained in attached Loan/Application Register
__________	- _	__ - _______	______

The Loan/Application Register that is attached covers activity during 19_____ and contains a total of _____ pages.

Enter the name and address of your institution. The disclosure statement that is produced by the Federal Financial Institutions Examination Council will be mailed to the address you supply below:

____
Name of Institution

____
Address

____
City, State, ZIP

Enter the name and telephone number of a person who may be contacted about questions regarding your register:

_______________ ( ) _______________
Name Telephone Number

If your institution is a subsidiary of another institution or corporation, enter the name of your parent:

____
Name

____
Address

____
City, State, ZIP

Enter the name and address of your supervisory agency (or your parent's supervisory agency):

____
Name

____
Address

____
City, State, ZIP

An officer of your institution must complete the following section.

I certify to the accuracy of the data contained in this register.

_______________ _______________ ________
Name of Officer Signature Date

(A) Investing in, developing, rehabilitating, managing, selling, or renting residential property if a majority of the units will be occupied by low- and moderate-income persons or if the property is a "qualified low-income building" as defined in section 42(c)(2) of the Internal Revenue Code (26 U.S.C. 42(c)(2));

(B) Investing in, developing, rehabilitating, managing, selling, or renting nonresidential real property or other assets located in a low- or moderate-income area and targeted towards low- and moderate-income persons;

(C) Investing in one or more small businesses located in a low- or moderate-income area to stimulate economic development;

(D) Investing in, developing, or otherwise assisting job training or placement facilities or programs that will be targeted towards low- and moderate-income persons;

(E) Investing in an entity located in a low- or moderate-income area if that entity creates long-term employment opportunities, a majority of which (based on full time equivalent positions) will be held by low- and moderate-income persons; and

(F) Providing technical assistance, credit counseling, research, and program development assistance to low- and moderate-income persons, small businesses, or nonprofit corporations to help achieve community development;

(2) The investment is permitted by State law;

(3) The investment will not expose the State member bank to liability beyond the amount of the investment;

(4) The investment does not exceed the sum of two percent of the State member bank's capital stock and surplus as defined under 12 C.F.R. 250.162;

(5) The aggregate of all such investments of the State member bank does not exceed the sum of five percent of its capital stock and surplus as defined under 12 C.F.R. 250.162;

(6) The State member bank is well capitalized or adequately capitalized under sections 208.33(b)(1) and (2);

(7) The State member bank received a composite CAMEL rating of "1" or "2" under the Uniform Financial Institutions Rating System as of its most recent examination and an overall rating of at least "satisfactory" as of its most recent consumer compliance examination; and

(8) The State member bank is not subject to any written agreement, cease and desist order, capital directive, prompt corrective action directive, or memorandum of understanding issued by the Board or a Federal Reserve Bank.

(c) *Notice.* Not more than 30 days after making an investment under paragraph (b) of this section, the State member bank shall advise its Federal Reserve Bank of the investment, including the amount of the investment and the identity of the entity in which the investment is made.

(d) *Investments requiring Board approval.* (1) With prior Board approval, a State member bank may make public welfare investments under paragraph 23 of section 9 of the Federal Reserve Act (12 U.S.C. 338a), other than those specified in paragraph (b) of this section.

(2) Requests for approval under this paragraph should include, at a minimum, the amount of the proposed investment, a description of the entity in which the investment is to be made, an explanation of why the investment is a public welfare investment under paragraph 23 of section 9 of the Federal Reserve Act (12 U.S.C. 338a), a description of the State member bank's potential liability under the proposed investment, the amount of the State member bank's aggregate outstanding public welfare investments under paragraph 23 of section 9 of the Federal Reserve Act, and the amount of the State member bank's capital stock and surplus as defined in 12 C.F.R. 250.162.

(3) The Board will act on a request under this paragraph within 60 calendar days after receipt of a request that meets the requirements of paragraph (d)(2) of this section, unless the Board notifies the requesting State member bank that a longer time period will be required.

(e) *Divestiture of investments.* A State member bank shall divest itself of an investment made under paragraph (b), (d) or (f) of this section to the extent that the investment exceeds the scope of, or ceases to meet, the requirements of paragraphs (b)(1) through (b)(5), or paragraph (d) of this section. The divestiture shall be made in the manner specified in 12 C.F.R. 225.140, Regulation Y, for interests acquired by a lending subsidiary of a bank holding company or the bank holding company itself in satisfaction of a debt previously contracted.

(f) *Preexisting investments.* (1) For ongoing investments made prior to January 9, 1995, that are covered by paragraph (b) of this section, a State member bank shall notify its Federal Reserve Bank of the investment not more than sixty days after January 9, 1995.

(2) For other ongoing investments made prior to the January 9, 1995, a State member bank shall request Board approval not more than one year after January 9, 1995.

FINAL RULE—AMENDMENTS TO REGULATIONS H AND Y

The Board of Governors is amending 12 C.F.R. Parts 208 and 225, its Regulations H and Y (Capital; Capital Adequacy Guidelines), to recognize the risk-reducing benefits of qualifying bilateral netting contracts. This final rule implements a recent revision to the Basle Accord permitting the recognition of such netting arrangements. The effect of the final rule is that state member banks and bank holding companies (banking organizations, institutions) may net positive and negative mark-to-market values of interest and exchange rate contracts in determining the current exposure portion of the credit equivalent amount of such contracts to be included in risk-weighted assets.

Effective December 31, 1994, 12 C.F.R. Parts 208 and 225 are amended as follows:

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

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

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

2. Appendix A to part 208 is amended by revising:
   a. Section III.E.2.;
   b. Section III.E.3;
   c. Section III.E.5.;
   d. The last heading and two subsequent paragraphs of Attachment IV; and
   e. Attachment V.

The revisions read as follows:

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

* * * * *

III. * * *

E. * * *

2. *Calculation of credit equivalent amounts.*

a. The credit equivalent amount of an off-balance-sheet rate contract that is not subject to a qualifying bilateral netting contract in accordance with section III.E.5. of this Appendix A is equal to the sum of:

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

(ii) An estimate of the potential future credit exposure over the remaining life of the contract.

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

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

Remaining Maturity	Interest rate contracts (percent)	Exchange rate contracts (percent)
One year or less	0	1.0
Over one year	0.5	5.0

d. Examples of the calculation of credit equivalent amounts for these instruments are contained in Attachment V of Appendix A.

e. Because exchange rate contracts involve an exchange of principal upon maturity, and exchange rates are generally more volatile than interest rates, higher conversion factors have been established for foreign exchange rate contracts than for interest rate contracts.

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

3. *Risk Weights.* Once the credit equivalent amount for an interest rate or exchange rate contract has been determined, that amount is assigned to the risk weight category appropriate to the counterparty, or, if relevant, to the guarantor or the nature of any collateral.[49] However, the maximum weight that will be applied to the credit equivalent amount of such instruments is 50 percent.

* * * * *

5. *Netting.*

a. For purposes of Appendix A, netting refers to the offsetting of positive and negative mark-to-market values in the determination of a current exposure to be used in the calculation of a credit equivalent amount. Any legally enforceable form of bilateral

49. For interest and exchange rate contracts, sufficiency of collateral or guarantees is determined by the market value of the collateral or the amount of the guarantee in relation to the credit equivalent amount. Collateral and guarantees are subject to the same provisions noted under section III.B. of Appendix A. Collateral held against a netting contract is not recognized for capital purposes unless it is legally available to support the single legal obligation created by the netting contract.

netting (that is, netting with a single counterparty) of rate contracts is recognized for purposes of calculating the credit equivalent amount provided that:

1. The netting is accomplished under a written netting contract that creates a single legal obligation, covering all included individual contracts, with the effect that the bank would have a claim to receive, or obligation to pay, only the net amount of the sum of the positive and negative mark-to-market values on included individual contracts in the event that a counterparty, or a counterparty to whom the contract has been validly assigned, fails to perform due to any of the following events: default, insolvency, liquidation, or similar circumstances.
2. The bank obtains a written and reasoned legal opinion(s) representing that in the event of a legal challenge—including one resulting from default, insolvency, liquidation, or similar circumstances—the relevant court and administrative authorities would find the bank's exposure to be such a net amount under:
   i. The law of the jurisdiction in which the counterparty is chartered or the equivalent location in the case of noncorporate entities, and if a branch of the counterparty is involved, then also under the law of the jurisdiction in which the branch is located;
   ii. The law that governs the individual contracts covered by the netting contract; and
   iii. The law that governs the netting contract.
3. The bank establishes and maintains procedures to ensure that the legal characteristics of netting contracts are kept under review in the light of possible changes in relevant law.
4. The bank maintains in its files documentation adequate to support the netting of rate contracts, including a copy of the bilateral netting contract and necessary legal opinions.

b. A contract containing a walkaway clause is not eligible for netting for purposes of calculating the credit equivalent amount.[50]

c. By netting individual contracts for the purpose of calculating its credit equivalent amount, a bank represents that it has met the requirements of Appendix A and all the appropriate documents are in the bank's files and available for inspection by the Federal Reserve. The Federal Reserve may determine that a bank's files are inadequate or that a netting contract, or any of its underlying individual contracts, may not be legally enforceable under any one of the bodies of law described in paragraph 5.a.2.i. through 5.a.2.iii. of section III of Appendix A. If such a determination is made, the netting contract may be disqualified from recognition for risk-based capital purposes or underlying individual contracts may be treated as though they are not subject to the netting contract.

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

(i) The current exposure of the netting contract, and

(ii) The sum of the estimates of the potential future credit exposures on all individual contracts subject to the netting contract, estimated in accordance with section III.E.2. of Appendix A.[50]

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

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

g. An example of the calculation of the credit equivalent amount for rate contracts subject to a qualifying netting contract is contained in Attachment V of Appendix A.

* * * * *

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

50. For purposes of calculating potential future credit exposure to a netting counterparty for foreign exchange contracts and other similar contracts in which notional principal is equivalent to cash flows, total notional principal is defined as the net receipts falling due on each value date in each currency. The reason for this is that offsetting contracts in the same currency maturing on the same date will have lower potential future exposure as well as lower current exposure.

APPENDIX A TO PART 208—CAPITAL ADEQUACY GUIDELINES FOR STATE MEMBER BANKS

Attachment V—Calculation of Credit Equivalent Amounts for Interest Rate and Exchange Rate-Related Transactions for State Member Banks

	Potential exposure			+	Current exposure	=	Credit equivalent amount
Type of contract (remaining maturity)	Notional principal (dollars)	Conversion factor	Potential exposure (dollars)		Mark-to-market value	Current exposure (dollars)	
(1) 120-day forward foreign exchange	5,000,000	.01	50,000		100,000	100,000	150,000
(2) 120-day forward foreign exchange	6,000,000	.01	60,000		−120,000	0	60,000
(3) 3-year single-currency fixed/floating interest-rate swap	10,000,000	.005	50,000		200,000	200,000	250,000
(4) 3-year single-currency fixed/floating interest-rate swap	10,000,000	.005	50,000		−250,000	0	50,000
(5) 7-year cross-currency fixed/floating interest-rate swap	20,000,000	.05	1,000,000		−1,300,000	0	1,000,000
Total			1,210,000			300,000	1,510,000

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

	Potential future exposure (from above)		Net current exposure[1]		Credit equivalent amount
(1)	50,000				
(2)	60,000				
(3)	50,000				
(4)	50,000				
(5)	1,000,000				
Total	1,210,000	+	0	=	1,210,000

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

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

* * * * *

Credit Conversion for Interest Rate and Exchange Rate Contracts

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

Remaining Maturity	Interest rate contracts (percent)	Exchange rate contracts (percent)
One year or less	0	1.0
Over one year	0.5	5.0

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

* * * * *

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

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

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

2. Appendix A to part 225 is amended by revising:
  a. Section III.E.2.;
  b. Section III.E.3.;
  c. Section III.E.5.;
  d. The last heading and subsequent two paragraphs of Attachment IV; and
  e. Attachment V.

The revisions read as follows:

Appendix A to Part 225—Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure

* * * * *

III. * * *

E. * * *

2. *Calculation of credit equivalent amounts.*

a. The credit equivalent amount of an off-balance sheet rate contract that is not subject to a qualifying bilateral netting contract in accordance with section III.E.5. of Appendix A is equal to the sum of:

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

(ii) An estimate of the potential future credit exposure over the remaining life of the contract.

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

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

Remaining Maturity	Interest rate contracts (percent)	Exchange rate contracts (percent)
One year or less	0	1.0
Over one year	0.5	5.0

d. Examples of the calculation of credit equivalent amounts for these instruments are contained in Attachment V of Appendix A.

e. Because exchange rate contracts involve an exchange of principal upon maturity, and exchange rates are generally more volatile than interest rates, higher conversion factors have been established for exchange rate contracts than for interest rate contracts.

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

3. *Risk weights.* Once the credit equivalent amount for an interest rate or exchange rate contract has been determined, that amount is assigned to the risk weight category appropriate to the counterparty, or, if relevant, to the guarantor or the nature of any collateral.[53] However, the maximum weight that will be applied to the credit equivalent amount of such instruments is 50 percent.

* * * * *

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

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

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

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

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

iii. The law that governs the netting contract.

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

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

b. A contract containing a walkaway clause is not eligible for netting for purposes of calculating the credit equivalent amount.[50]

c. By netting individual contracts for the purpose of calculating its credit equivalent amount, a banking organization represents that it has met the requirements of Appendix A and all the appropriate documents are in the organization's files and available for inspection by the Federal Reserve. The Federal Reserve may determine that a banking organization's files are inadequate or that a netting contract, or any of its underlying individual contracts, may not be legally enforceable under any one of the bodies of law described in paragraph 5.a.2.i. through 5.a.2.iii. of section III of Appendix A. If such a determination is made, the netting contract may be disqualified from recognition for risk-based capital purposes or underlying individual contracts may be treated as though they are not subject to the netting contract.

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

(i) The current exposure of the netting contract, and

(ii) The sum of the estimates of the potential future credit exposures on all individual contracts subject to the netting contract, estimated in accordance with section III.E.2. of Appendix A.[55]

53. For interest and exchange rate contracts, sufficiency of collateral or guarantees is determined by the market value of the collateral or the amount of the guarantee in relation to the credit equivalent amount. Collateral and guarantees are subject to the same provisions noted under section III.B. of Appendix A. Collateral held against a netting contract is not recognized for capital purposes unless it is legally available to support the single legal obligation created by the netting contract.

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

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

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

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

g. An example of the calculation of the credit equivalent amount for rate contracts subject to a qualifying netting contract is contained in Attachment V of Appendix A.

* * * * *

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

* * * * *

Credit Conversion for Interest Rate and Exchange Rate Contracts

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

Remaining Maturity	Interest rate contracts (percent)	Exchange rate contracts (percent)
One year or less	0	1.0
Over one year	0.5	5.0

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

The reason for this is that offsetting contracts in the same currency maturing on the same date will have lower potential future exposure as well as lower current exposure.

Final Rule—Amendments to Regulations H and Y

The Board of Governors is amending 12 C.F.R. Parts 208 and 225, its Regulations H and Y (Capital; Capital Adequacy Guidelines), for state member banks and bank holding companies to establish a limitation on the amount of certain deferred tax assets that may be included in (that is, not deducted from) Tier 1 capital for risk-based and leverage capital purposes. The capital rule was developed in response to the Financial Accounting Standards Board's (FASB) issuance of Statement No. 109, "Accounting for Income Taxes" (FAS 109). Under the final rule, deferred tax assets that can only be realized if an institution earns taxable income in the future are limited for regulatory capital purposes to the amount that the institution expects to realize within one year of the quarter-end report date—based on its projection of taxable income—or 10 percent of Tier 1 capital, whichever is less.

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

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

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

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

APPENDIX A TO PART 225—CAPITAL ADEQUACY GUIDELINES FOR BANK HOLDING COMPANIES

Attachment V—Calculation of Credit Equivalent Amounts for Interest Rate and Exchange Rate-Related Transactions for Bank Holding Companies

	Potential exposure		+	Current exposure	=	Credit equivalent amount
Type of contract (remaining maturity)	Notional principal (dollars)	Conversion factor	Potential exposure (dollars)	Mark-to-market value	Current exposure (dollars)	
(1) 120-day forward foreign exchange	5,000,000	.01	50,000	100,000	100,000	150,000
(2) 120-day forward foreign exchange	6,000,000	.01	60,000	−120,000	0	60,000
(3) 3-year single-currency fixed/floating interest-rate swap	10,000,000	.005	50,000	200,000	200,000	250,000
(4) 3-year single-currency fixed/floating interest-rate swap	10,000,000	.005	50,000	−250,000	0	50,000
(5) 7-year cross-currency fixed/floating interest-rate swap	20,000,000	.05	1,000,000	−1,300,000	0	1,000,000
Total			1,210,000		300,000	1,510,000

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

	Potential future exposure (from above)		Net current exposure[1]		Credit equivalent amount
(1)	50,000				
(2)	60,000				
(3)	50,000				
(4)	50,000				
(5)	1,000,000				
Total	1,210,000	+	0	=	1,210,000

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

2. Appendix A to Part 208 is amended by adding a new paragraph (iv) to the introductory text of Section II.B. to read as follows:

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

* * * * *

II. * * *

B. * * *

(iv) Deferred tax assets—portions are deducted from the sum of core capital elements in accordance with section II.B.4. of Appendix A.

* * * * *

3. Appendix A to Part 208 is amended by:

a. Revising footnote 19 in Section II.B.3.;

b. Removing footnote 20 from the end of Section II.B.3.; and

c. Adding Section II.B.4.

The additions and revisions read as follows:

* * * * *

II. * * *

B. * * *

3. * * *[19]* * *

4. *Deferred tax assets.* The amount of deferred tax assets that are dependent upon future taxable income, net of the valuation allowance for deferred tax assets, that may be included in, that is, not deducted from, a bank's capital may not exceed the lesser of:

(i) The amount of these deferred tax assets that the bank is expected to realize within one year of the calendar quarter-end date, based on its projections of future taxable income for that year,[20] or

(ii) Ten percent of Tier 1 capital.

For purposes of calculating this limitation, Tier 1 capital is defined as the sum of core capital elements, net of goodwill and all identifiable intangible assets other than purchased mortgage servicing rights and purchased credit card relationships (and before any disallowed deferred tax assets are deducted). The amount of deferred tax assets that can be realized from taxes paid in prior carryback years and from future reversals of existing taxable temporary differences and that do not exceed the amount which the bank could reasonably expect to have refunded by its parent (if applicable) generally are not limited. The reported amount of deferred tax assets, net of any valuation allowance for deferred tax assets, in excess of these amounts is to be deducted from a bank's core capital elements in determining Tier 1 capital.

4. Appendix B to Part 208 is revised to read as follows:

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

I. Overview

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

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

II. The Tier 1 Leverage Ratio

a. The Board has established a *minimum* level of Tier 1 capital to total assets of 3 percent. An institution operating at or near these levels is expected to have well-diversified risk, including no undue interest-rate risk exposure; excellent asset quality; high liquidity; and good earnings; and in general be considered a strong banking organization, rated composite 1 under CAMEL rating system of banks. Institutions not meeting these characteristics, as well as institutions with supervisory, financial,

19. Deductions of holdings of capital securities also would not be made in the case of interstate "stake out" investments that comply with the Board's Policy Statement on Nonvoting Equity Investments, 12 C.F.R. 225.143 (Federal Reserve Regulatory Service 4–172.1; 68 *Federal Reserve Bulletin* 413 (1982)). In addition, holdings of capital instruments issued by other banking organizations but taken in satisfaction of debts previously contracted would be exempt from any deduction from capital. The Board intends to monitor nonreciprocal holdings of other banking organizations' capital instruments and to provide information on such holdings to the Basle Supervisors' Committee as called for under the Basle capital framework.

20. Projected future taxable income should not include net operating loss carryforwards to be used during that year or the amount of existing temporary differences a bank expects to reverse within the year. Such projections should include the estimated effect of tax planning strategies that the organization expects to implement to realize net operating losses or tax credit carryforwards that would otherwise expire during the year. Institutions may use the future taxable income projections for their current fiscal year (adjusted for any significant changes that have occurred or are expected to occur) when applying the capital limit at an interim report date rather than preparing a new projection each quarter. To determine the limit, an institution should assume that all existing temporary differences fully reverse as of the report date.

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

or operational weaknesses, are expected to operate well above minimum capital standards. Institutions experiencing or anticipating significant growth also are expected to maintain capital ratios, including tangible capital positions, well above the minimum levels. For example, most such banks generally have operated at capital levels ranging from 100 to 200 basis points above the stated minimums. Higher capital ratios could be required if warranted by the particular circumstances or risk profiles of individual banks. Thus for all but the most highly rated banks meeting the conditions set forth above, the minimum Tier 1 leverage ratio is to be 3 percent plus an additional cushion of at least 100 to 200 basis points. In all cases, banking institutions should hold capital commensurate with the level and nature of all risks, including the volume and severity of problem loans, to which they are exposed.

b. A bank's Tier 1 leverage ratio is calculated by dividing its Tier 1 capital (the numerator of the ratio) by its average total consolidated assets (the denominator of the ratio). The ratio will also be calculated using period-end assets whenever necessary, on a case-by-case basis. For the purpose of this leverage ratio, the definition of Tier 1 capital for year-end 1992 as set forth in the risk-based capital guidelines contained in Appendix A of this part will be used.[2] As a general matter, average total consolidated assets are defined as the quarterly average total assets (defined net of the allowance for loan and lease losses) reported on the bank's Reports of Condition and Income (Call Report), less goodwill; amounts of purchased mortgage servicing rights and purchased credit card relationships that, in the aggregate, are in excess of 50 percent of Tier 1 capital; amounts of purchased credit card relationships in excess of 25 percent of Tier 1 capital; all other intangible assets; any investments in subsidiaries or associated companies that the Federal Reserve determines should be deducted from Tier 1 capital; and deferred tax assets that are dependent upon future taxable income, net of their valuation allowance, in excess of the limitation set forth in section II.B.4 of Appendix A.[3]

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

2. At the end of 1992, Tier 1 capital for state member banks includes common equity, minority interest in the equity accounts of consolidated subsidiaries, and qualifying noncumulative perpetual preferred stock. In addition, as a general matter, Tier 1 capital excludes goodwill; amounts of purchased mortgage servicing rights and purchased credit card relationships that, in the aggregate, exceed 50 percent of Tier 1 capital; amounts of purchased credit card relationships that exceed 25 percent of Tier 1 capital; all other intangible assets; and deferred tax assets that are dependent upon future taxable income, net of their valuation allowance, in excess of certain limitations. The Federal Reserve may exclude certain investments in subsidiaries or associated companies as appropriate.

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

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

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

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

2. Appendix A to Part 225 is amended by adding a new paragraph (iv) to the introductory text of section II. B. to read as follows:

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

* * * * *

II. * * *

B. * * *

(iv) Deferred tax assets—portions are deducted from the sum of core capital elements in accordance with section II.B.4. of Appendix A.

* * * * *

3. Appendix A to Part 225 is amended by:

a. Revising footnote 22 in section II.B.3.;

b. Removing footnote 23 from the end of section II.B.3. and;

c. Adding section II.B.4.

The revisions and additions read as follows:

* * * * *

II. * * *

B. * * *

3. * * *[22] * * *

22. Deductions of holdings of capital securities also would not be made in the case of interstate "stake out" investments that comply with the Board's Policy Statement on Nonvoting Equity Investments, 12 C.F.R. 225.143

4. *Deferred tax assets.* The amount of deferred tax assets that are dependent upon future taxable income, net of the valuation allowance for deferred tax assets, that may be included in, that is, not deducted from, a banking organization's capital may not exceed the lesser of:

(i) The amount of these deferred tax assets that the banking organization is expected to realize within one year of the calendar quarter-end date, based on its projections of future taxable income for that year,[23] or

(ii) 10 percent of Tier 1 capital.

For purposes of calculating this limitation, Tier 1 capital is defined as the sum of core capital elements, net of goodwill and all identifiable intangible assets other than purchased mortgage servicing rights and purchased credit card relationships (and before any disallowed deferred tax assets are deducted). The amount of deferred tax assets that can be realized from taxes paid in prior carryback years and from future reversals of existing taxable temporary differences generally are not limited. The reported amount of deferred tax assets, net of any valuation allowance for deferred tax assets, in excess of these amounts is to be deducted from a banking organization's core capital elements in determining Tier 1 capital.

4. Appendix D to Part 225 is revised to read as follows:

Appendix D to Part 225—Capital Adequacy Guidelines for Bank Holding Companies: Tier 1 Leverage Measure

I. Overview

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

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

(i) The parent bank holding company is engaged in nonbank activity involving significant leverage;[2] or

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

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

II. The Tier 1 Leverage Ratio

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

(Federal Reserve Regulatory Service 4–172.1; 68 *Federal Reserve Bulletin* 413 (1982)). In addition, holdings of capital instruments issued by other banking organizations but taken in satisfaction of debts previously contracted would be exempt from any deduction from capital. The Board intends to monitor nonreciprocal holdings of other banking organizations' capital instruments and to provide information on such holdings to the Basle Supervisors' Committee as called for under the Basle capital framework.

23. Projected future taxable income should not include net operating loss carryforwards to be used during that year or the amount of existing temporary differences a bank holding company expects to reverse within the year. Such projections should include the estimated effect of tax planning strategies that the organization expects to implement to realize net operating loss or tax credit carryforwards that will otherwise expire during the year. Banking organizations may use the future taxable income projections for their current fiscal year (adjusted for any significant changes that have occurred or are expected to occur) when applying the capital limit at an interim report date rather than preparing a new projection each quarter. To determine the limit, a banking organization should assume that all existing temporary differences fully reverse as of the report date.

1. Supervisory ratios that related capital to total assets for state member banks are outlined in Appendix B of this part.

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

volume and severity of problem loans, to which they are exposed.

b. A banking organization's Tier 1 leverage ratio is calculated by dividing its Tier 1 capital (the numerator of the ratio) by its average total consolidated assets (the denominator of the ratio). The ratio will also be calculated using period-end assets whenever necessary, on a case-by-case basis. For the purpose of this leverage ratio, the definition of Tier 1 capital for year-end 1992 as set forth in the risk-based capital guidelines contained in Appendix A of this part will be used.[3] As a general matter, average total consolidated assets are defined as the quarterly average total assets (defined net of the allowance for loan and lease losses) reported on the organization's Consolidated Financial Statements (FR Y-9C Report), less goodwill; amounts of purchased mortgage servicing rights and purchased credit card relationships that, in the aggregate, are in excess of 50 percent of Tier 1 capital; amounts of purchased credit card relationships in excess of 25 percent of Tier 1 capital; all other intangible assets; any investments in subsidiaries or associated companies that the Federal Reserve determines should be deducted from Tier 1 capital; and deferred tax assets that are dependent upon future taxable income, net of their valuation allowance, in excess of the limitation set forth in section II.B.4 of Appendix A.[4]

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

3. At the end of 1992, Tier 1 capital for state member banks includes common equity, minority interest in the equity accounts of consolidated subsidiaries, and qualifying noncumulative perpetual preferred stock. In addition, as a general matter, Tier 1 capital excludes goodwill; amounts of purchased mortgage servicing rights and purchased credit card relationships that, in the aggregate, exceed 50 percent of Tier 1 capital; amounts of purchased credit card relationships that exceed 25 percent of Tier 1 capital; all other intangible assets; and deferred tax assets that are dependent upon future taxable income, net of their valuation allowance, in excess of certain limitations. The Federal Reserve may exclude certain investments in subsidiaries or associated companies as appropriate.

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

Final Rule—Amendment to Regulation S

The Board of Governors is amending 12 C.F.R. Part 219, its Regulation S (Reimbursement for Providing Financial Records; Recordkeeping Requirements for Certain Financial Records), finalizing the enhanced recordkeeping requirements relating to certain wire transfers (which include funds transfers and transmittals of funds) by financial institutions. The final rule takes into consideration the public comments received on the initial notice of proposed rulemaking. These recordkeeping requirements are being promulgated jointly by the Board and the Department of Treasury (Treasury). A companion notice published by the Treasury and the Board (Joint Notice) sets forth the substantive provisions of the recordkeeping requirements and provides an analysis of comments received on the proposal. This notice sets forth the regulation for codification at 12 C.F.R. Part 219, subpart B, which cross-references the substantive provisions set forth in the Joint Notice. Under the Joint Notice, each domestic financial institution involved in either a domestic or international wire transfer must collect and retain certain information. The amount and type of information collected and retained will depend upon the nature of the financial institution, its role in the particular wire transfer, and the relationship of the parties to the transaction with the financial institution.

Effective January 1, 1996, 12 C.F.R. Part 219 is amended as follows:

Part 219—Reimbursement for Providing Financial Records; Recordkeeping Requirements for Certain Financial Records (Regulation S)

1. The title of Part 219 is revised to read as set forth above.

Subpart A—Reimbursement to Financial Institutions for Providing Financial Records

Sections 219.1 through 219.7—[Designated as Subpart A]

2. Sections 219.1 through 219.7 are designated as Subpart A, and a new Subpart A heading is added to read set forth above.

3. The authority citation for Part 219 is designated as the authority for Subpart A and continues to read as follows:

Authority: 12 U.S.C. 3415.

4. Subpart A is amended by revising section 219.1 to read as follows:

Section 219.1—Authority, purpose and scope.

This subpart of Regulation S (12 C.F.R. Part 219, Subpart A) is issued by the Board of Governors of the Federal Reserve System (the Board) under section 1115 of the Right to Financial Privacy Act (the Act) (12 U.S.C. 3415). It establishes the rates and conditions for reimbursement of reasonably necessary costs directly incurred by financial institutions in assembling or providing customer financial records to a government authority pursuant to the Act.

5. Section 219.2 is amended by revising the introductory text to read as follows:

Section 219.2—Definitions.

For the purposes of this subpart, the following definitions shall apply:

* * * * *

6. Subpart B is added to Part 219 to read as follows:

Subpart B—Recordkeeping and Reporting Requirements for Funds Transfers and Transmittals of Funds

Section 219.21	Authority, purpose and scope.
Section 219.22	Definitions.
Section 219.23	Recordkeeping and reporting requirements.
Section 219.24	Retention period.

Authority: 12 U.S.C. 1829b(2) and (3).

Section 219.21—Authority, purpose and scope.

This subpart of Regulation S (12 C.F.R. Part 219, Subpart B) is issued by the Board under the authority of section 21(b) of the Federal Deposit Insurance Act (12 U.S.C. 1829b), as amended by the Annunzio-Wylie Anti-Money Laundering Act of 1992 (Pub. L. 102–550, Title XV; 106 Stat. 3672-4044), which authorizes the Board and the Secretary of the Treasury jointly to prescribe recordkeeping and reporting requirements for domestic wire transfers by insured depository institutions; and which also requires the Board and the Treasury jointly to prescribe recordkeeping and reporting requirements for international wire transfers by insured depository institutions and by nonbank financial institutions. The definitions and recordkeeping and reporting requirements referenced in this subpart are promulgated and administered jointly by the Board and the Treasury and are codified in 31 C.F.R. 103.11 and 103.33(e) and (f). Such recordkeeping and reporting requirements will assist in the prosecution of money laundering activities and are determined to have a high degree of usefulness in criminal, tax or regulatory investigations or proceedings.

Section 219.22—Definitions.

The following terms are defined in 31 C.F.R. 103.11 under the joint authority of the Board and the Treasury:

Accept.
Beneficiary.
Beneficiary's bank.
Established customer.
Execution date.
Funds transfer.
Intermediary bank.
Intermediary financial institution.
Originator.
Originator's bank.
Payment date.
Payment order.
Receiving bank.
Receiving financial institution.
Recipient.
Recipient's financial institution.
Sender.
Transmittal of funds.
Transmittal order.
Transmittor.
Transmittor's financial institution.

Section 219.23—Recordkeeping and reporting requirements.

(a) *Domestic and international funds transfers by insured depository institutions.* The Board and the Treasury are authorized to promulgate jointly recordkeeping and reporting requirements for domestic and international funds transfers by insured depository institutions whenever the agencies determine that the maintenance of such records has a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings. These regulations are codified at 31 C.F.R. 103.33(e). For the purposes of this subpart, the provisions of 31 C.F.R. 103.33(e) apply only to funds transfers by insured depository institutions.

(b) *International transmittals of funds by financial institutions other than insured depository institutions.* The Board and the Treasury are required to promulgate jointly reporting and recordkeeping requirements for international transmittals of funds by financial institutions, including brokers and dealers in securities and businesses that provide money transmitting services. In prescribing these requirements, the Board and the Treasury take into account the usefulness of these records in criminal, tax, or regulatory investigations or proceedings and the effect the recordkeeping will have on the cost and efficiency of the payment system. These regulations are codified at 31 C.F.R. 103.33(f). For the purposes of this subpart, the provisions of 31 C.F.R. 103.33(f) apply only to international transmittals of funds.

Section 219.24—Retention period.

All records that are required to be retained by this subpart shall be retained for a period of five years. All these records shall be filed or stored in such a way as to be accessible within a reasonable period of time, taking into consideration the nature of the record and the amount of time that has expired since the record was made. Any records required to be retained by this subpart shall be made available to the Board upon request.

Final Rule—Amendment to Regulation Y

The Board of Governors is amending 12 C.F.R. Part 225, its Regulation Y (Bank Holding Companies and Change in Bank Control), to permit a bank holding company or its nonbank subsidiary to offer a discount on its product or service on condition that a customer obtain any other product or service from that company or from any of its nonbank affiliates. Thus, the final rule would generally remove Board-imposed restrictions on tying when no bank is involved in the arrangement and the products are separately available for purchase by the customer. The Board believes that the amendment will relieve bank holding companies of a competitive disadvantage, promote efficiency in the delivery of services, and provide benefits for consumers.

Effective January 23, 1995, 12 C.F.R. Part 225 is amended as follows:

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

1. The authority citation for 12 C.F.R. Part 225 is revised to read as follows:

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

2. In section 225.7, a new paragraph (b)(3) is added and paragraph (c)(2) is revised to read as follows:

Section 225.7—Tying restrictions.

* * * * *

(b) * * *

(3) *Discounts on tie-in arrangements not involving banks.* A bank holding company or any nonbank subsidiary thereof may vary the consideration for any extension of credit, lease or sale of property of any kind, or service, on the condition or requirement that the customer obtain some additional credit, property, or service from itself or a nonbank affiliate.

(c) * * *

(2) Any exception granted pursuant to this section shall terminate upon a finding by the Board that the arrangement is resulting in anti-competitive practices. The eligibility of a bank holding company or bank or nonbank subsidiary thereof to operate under any exception granted pursuant to this section shall terminate upon a finding by the Board that its exercise of this authority is resulting in anti-competitive practices.

Final Rule—Amendment to Regulation Z

The Board of Governors is amending 12 C.F.R. Part 226, its Regulation Z (Trust in Lending), to provide some relief in areas in Texas recently affected by major flooding. The amendments provide a temporary exception to its provisions that prohibit the use of a preprinted form by a creditor to obtain a consumer's waiver of the right to rescind certain home-secured loans when loan proceeds are needed immediately to meet a consumer's bona fide personal financial emergency. Generally, Regulation Z requires a mandatory three day waiting period on rescindable transactions before funds can be disbursed. The relief also provides that a consumer's need to obtain funds immediately shall be regarded as a bona fide personal financial emergency for purposes of Regulation Z for transactions secured by a consumer's principal dwelling located in areas of Texas recently declared to be major disaster areas because of extensive flooding. The exception expires one year from the date the area was declared a major disaster.

Effective December 8, 1994, 12 C.F.R. Part 226 is amended as follows:

Part 226—Truth in Lending (Regulation Z)

1. The authority citation for Part 226 continues to read as follows:

Authority: 12 U.S.C. 3806, 15 U.S.C. 1604 and 1637(c)(5).

Subpart B—Open-End Credit

Section 226.16—[Amended]

2. In section 226.16, footnotes 36c and 36d are redesignated as footnotes 36d and 36e, respectively.

3. In section 226.15, a new paragraph (e)(4) and footnote 36c are added to read as follows:

Section 226.15—Right of rescission.

* * * * *

(e) * * *

(4) The consumer's need to obtain funds immediately shall be regarded as a bona fide personal financial emergency provided that the dwelling securing the extension of credit is located in an area declared during October 1994 to be a major disaster area, pursuant to 42 U.S.C. 5170, because of severe storms and flooding in Texas.[36c] In this instance, creditors may use printed forms for the consumer to waive the right to rescind. This exemption to paragraph (e)(1) of this section shall expire one year from the date an area was declared a major disaster.

* * * * *

Subpart C—Closed-End Credit

4. In section 226.23, a new paragraph (e)(4) and footnote 48c are added to read as follows:

Section 226.23—Right of rescission.

* * * * *

(e) * * *

(4) The consumer's need to obtain funds immediately shall be regarded as a bona fide personal financial emergency provided that the dwelling securing the extension of credit is located in an area declared during October 1994 to be a major disaster area, pursuant to 42 U.S.C. 5170, because of severe storms and flooding in Texas.[48c] In this instance, creditors may use printed forms for the consumer to waive the right to rescind. This exemption to paragraph (e)(1) of this section shall expire one year from the date an area was declared a major disaster.

Final Rule—Amendment to Uniform Rules of Practice and Procedure

The Board of Governors is amending 12 C.F.R. Part 263, its Uniform Rules of Practice and Procedure, to clarify that the rules' provisions relating to *ex parte* communications conform to the requirements of the Administrative Procedure Act. In particular, the amendment would clarify that the *ex parte* provisions do not apply to intra-agency communications, which are governed by a separate provision of the Administrative Procedure Act.

Effective January 18, 1995, 12 C.F.R. Part 263 is amended as follows:

Part 263—Rules of Practice for Hearings

1. The authority citation for Part 263 is revised to read as follows:

Authority: 5 U.S.C. 504, 554–557; 12 U.S.C. 248, 324, 504, 505, 1817(j), 1818, 1828(c), 1847(b), 1847(d), 1884(b), 1972(2)(F), 3105, 3107, 3108, 3907, and 3909; 15 U.S.C. 21, 78o-4, 78o-5, and 78u-2.

2. Section 263.9 is amended by revising paragraphs (a) and (b) and adding a new paragraph (e) to read as follows:

Section 263.9—*Ex parte* communications.

(a) *Definition*—(1) *Ex parte communication* means any material oral or written communication relevant to the merits of an adjudicatory proceeding that was neither on the record nor on reasonable prior notice to all parties that takes place between:

(i) An interested person outside the Board (including such person's counsel); and

(ii) The administrative law judge handling that proceeding, a member of the Board, or a decisional employee.

(2) *Exception.* A request for status of the proceeding does not constitute an *ex parte* communication.

(b) *Prohibition of ex parte communications.* From the time the notice is issued by the Board until the date that the Board issues its final decision pursuant to section 263.40(c):

(1) No interested person outside the Federal Reserve System shall make or knowingly cause to be made an *ex parte* communication to a member of the Board, the administrative law judge, or a decisional employee; and

(2) A member of the Board, administrative law judge, or decisional employee shall not make or knowingly cause to be made to any interested person outside the Federal Reserve System any *ex parte* communication.

* * * * *

(e) *Separation of functions.* Except to the extent required for the disposition of *ex parte* matters as authorized by law, the administrative law judge may not consult a person or party on any matter relevant to the merits of the adjudication, unless on notice and opportunity for all parties to participate. An employee or agent engaged in the performance of investigative or prosecuting functions for the Board in a

36c. A list of the affected areas will be maintained and published by the Board. Such areas now include the following counties in Texas: Angelina, Austin, Bastrop, Brazos, Brazoria, Burleson, Chambers, Fayette, Fort Bend, Galveston, Grimes, Hardin, Harris, Houston, Jackson, Jasper, Jefferson, Lee, Liberty, Madison, Matagorda, Montgomery, Nacagdoches, Orange, Polk, San Augustine, San Jacinto, Shelby, Trinity, Victoria, Washington, Waller, Walker, and Wharton.

48c. A list of the affected areas will be maintained and published by the Board. Such areas now include the following counties in Texas: Angelina, Austin, Bastrop, Brazos, Brazoria, Burleson, Chambers, Fayette, Fort Bend, Galveston, Grimes, Hardin, Harris, Houston, Jackson, Jasper, Jefferson, Lee, Liberty, Madison, Matagorda, Montgomery, Nacagdoches, Orange, Polk, San Augustine, San Jacinto, Shelby, Trinity, Victoria, Washington, Waller, Walker, and Wharton.

case may not, in that or a factually related case, participate or advise in the decision, recommended decision, or agency review of the recommended decision under section 263.40, except as witness or counsel in public proceedings.

Final Rule—Amendment to the Bank Secrecy Act Regulations Relating to Recordkeeping for Funds Transfers and Transmittals of Funds by Financial Institutions

The Financial Crimes Enforcement Network (FinCEN) of the Department of the Treasury (Treasury) and the Board of Governors of the Federal Reserve System (Board) jointly have adopted a final rule that requires enhanced recordkeeping related to certain wire transfers (which include funds transfers and transmittals of funds) by financial institutions. The final rule takes into consideration the public comments received on the notice of proposed rulemaking. Each domestic financial institution involved in a wire transfer must collect and retain certain information, depending upon the type of financial institution, its role in the particular wire transfer, the amount of the wire transfer, and the relationship of the parties to the transaction with the financial institution.

Effective January 1, 1996, 31 C.F.R. Part 103 is amended as follows:

Part 103—Financial Recordkeeping and Reporting of Currency and Foreign Transactions

1. The authority citation for Part 103 is revised to read as follows:

Authority: 12 U.S.C. 1829b and 1951-1959, 31 U.S.C. 5311-5328.

2. Section 103.11 is amended as follows:
   a. By redesignating paragraphs (a), (b), (c) through (h), (i) through (k), (l), (m), (n), (o), (p) through (r), and (s) through (u) as paragraphs (b), (c), (f) through (k), (n) through (p), (t), (u), (z), (ee), (gg) through (ii), and (nn) through (pp), respectively;
   b. By removing the words "For purposes of § 103.29 of this part, deposit" and adding in their place, "Deposit" in newly designated paragraph (j); and
   c. By adding new paragraphs (a), (d), (e), (l), (m), (q), (r), (s), (v), (w), (x), (y), (aa), (bb), (cc), (dd), (ff), (jj), (kk), (ll), and (mm).

The revisions and amendments read as follows:

Section 103.11—Meaning of terms.

(a) *Accept.* A receiving financial institution, other than the recipient's financial institution, accepts a transmittal order by executing the transmittal order. A recipient's financial institution accepts a transmittal order by paying the recipient, by notifying the recipient of the receipt of the order or by otherwise becoming obligated to carry out the order.

* * * * *

(d) *Beneficiary.* The person to be paid by the beneficiary's bank.

(e) *Beneficiary's bank.* The bank identified in a payment order in which an account of the beneficiary is to be credited pursuant to the order or which otherwise is to make payment to the beneficiary if the order does not provide for payment to an account.

* * * * *

(l) *Established customer.* A person with an account with the financial institution, including a loan account or deposit or other asset account, or a person with respect to which the financial institution has obtained and maintains on file the person's name and address, as well as taxpayer identification number (*e.g.*, social security or employer identification number) or, if none, alien identification number or passport number and country of issuance, and to which the financial institution provides financial services relying on that information.

(m) *Execution date.* The day on which the receiving financial institution may properly issue a transmittal order in execution of the sender's order. The execution date may be determined by instruction of the sender but cannot be earlier than the day the order is received, and, unless otherwise determined, is the day the order is received. If the sender's instruction states a payment date, the execution date is the payment date or an earlier date on which execution is reasonably necessary to allow payment to the recipient on the payment date.

* * * * *

(q) *Funds transfer.* The series of transactions, beginning with the originator's payment order, made for the purpose of making payment to the beneficiary of the order. The term includes any payment order issued by the originator's bank or an intermediary bank intended to carry out the originator's payment order. A funds transfer is completed by acceptance by the beneficiary's bank of a payment order for the benefit of the beneficiary of the originator's payment order. Funds transfers governed by the Electronic Fund Transfer Act of 1978 (Title XX, Pub. L. 95–630, 92 Stat. 3728, 15 U.S.C. 1693, *et seq.*), as well as any other funds transfers that are made through an automated clearinghouse, an automated teller machine, or a point-of-sale system, are excluded from this definition.

(r) *Intermediary bank.* A receiving bank other than the originator's bank or the beneficiary's bank.

(s) *Intermediary financial institution.* A receiving financial institution, other than the transmittor's financial institution or the recipient's financial institution. The term intermediary financial institution includes an intermediary bank.

* * * * *

(v) *Originator.* The sender of the first payment order in a funds transfer.
(w) *Originator's bank.* The receiving bank to which the payment order of the originator is issued if the originator is not a bank, or the originator if the originator is a bank.
(x) *Payment date.* The day on which the amount of the transmittal order is payable to the recipient by the recipient's financial institution. The payment date may be determined by instruction of the sender, but cannot be earlier than the day the order is received by the recipient's financial institution and, unless otherwise prescribed by instruction, is the date the order is received by the recipient's financial institution.
(y) *Payment order.* An instruction of a sender to a receiving bank, transmitted orally, electronically, or in writing, to pay, or to cause another bank to pay, a fixed or determinable amount of money to a beneficiary if:

(1) The instruction does not state a condition to payment to the beneficiary other than time of payment;
(2) The receiving bank is to be reimbursed by debiting an account of, or otherwise receiving payment from, the sender; and
(3) The instruction is transmitted by the sender directly to the receiving bank or to an agent, funds transfer system, or communication system for transmittal to the receiving bank.

* * * * *

(aa) *Receiving bank.* The bank to which the sender's instruction is addressed.
(bb) *Receiving financial institution.* The financial institution to which the sender's instruction is addressed. The term receiving financial institution includes a receiving bank.
(cc) *Recipient.* The person to be paid by the recipient's financial institution. The term recipient includes a beneficiary, except where the recipient's financial institution is a financial institution other than a bank.
(dd) *Recipient's financial institution.* The financial institution identified in a transmittal order in which an account of the recipient is to be credited pursuant to the transmittal order or which otherwise is to make payment to the recipient if the order does not provide for payment to an account. The term recipient's financial institution includes a beneficiary's bank, except where the beneficiary is a recipient's financial institution.

* * * * *

(ff) *Sender.* The person giving the instruction to the receiving financial institution.

* * * * *

(jj) *Transmittal of funds.* A series of transactions beginning with the transmittor's transmittal order, made for the purpose of making payment to the recipient of the order. The term includes any transmittal order issued by the transmittor's financial institution or an intermediary financial institution intended to carry out the transmittor's transmittal order. The term transmittal of funds includes a funds transfer. A transmittal of funds is completed by acceptance by the recipient's financial institution of a transmittal order for the benefit of the recipient of the transmittor's transmittal order. Funds transfers governed by the Electronic Fund Transfer Act of 1978 (Title XX, Pub. L. 95–630, 92 Stat. 3728, 15 U.S.C. 1693, *et seq.*), as well as any other funds transfers that are made through an automated clearinghouse, an automated teller machine, or a point-of-sale system, are excluded from this definition.
(kk) *Transmittal order.* The term transmittal order includes a payment order and is an instruction of a sender to a receiving financial institution, transmitted orally, electronically, or in writing, to pay, or to cause another financial institution to pay, a fixed or determinable amount of money to a recipient if:

(1) The instruction does not state a condition to payment to the recipient other than time of payment;
(2) The receiving financial institution is to be reimbursed by debiting an account of, or otherwise receiving payment from, the sender; and
(3) The instruction is transmitted by the sender directly to the receiving financial institution or to an agent or communication system for transmittal to the receiving financial institution.

(ll) *Transmittor.* The sender of the first transmittal order in a transmittal of funds. The term transmittor includes an originator, except where the transmittor's financial institution is a financial institution other than a bank.
(mm) *Transmittor's financial institution.* The receiving financial institution to which the transmittal order of the transmittor is issued if the transmittor is not a financial institution, or the transmittor if the transmittor is a financial institution. The term transmittor's financial institution includes an originator's bank, except where the originator is a transmittor's financial institution other than a bank.

* * * * *

3. Paragraph (b)(2) of § 103.25 is revised to read as follows:

Section 103.25—Report of transactions with foreign financial agencies.

* * * * *

(b) * * *

(2) Transmittal orders received by a respondent financial institution from a foreign financial agency or sent by respondent financial institution to a foreign financial

agency, including all information maintained by that institution pursuant to § 103.33.

* * * * *

4. Section 103.33 is amended by adding new paragraphs (e) and (f), to read as follows:

Section 103.33—Records to be made and retained by financial institutions.

* * * * *

(e) *Banks.* With respect to a funds transfer in the amount of $3,000 or more by a bank:

(1) *Recordkeeping requirements.* (i) For each payment order that it accepts as an originator's bank, the bank shall obtain and retain either the original or a microfilm, other copy, or electronic record of the following information relating to the payment order:

(A) The name and address of the originator;

(B) The amount of the payment order;

(C) The execution date of the payment order;

(D) Any payment instructions received from the originator with the payment order;

(E) The identity of the beneficiary's bank; and

(F) As many of the following items as are received with the payment order:[1]

(*1*) The name and address of the beneficiary;

(*2*) The account number of the beneficiary; and

(*3*) Any other specific identifier of the beneficiary.

(ii) For each payment order that it accepts as an intermediary bank, the bank shall retain either the original or a microfilm, other copy, or electronic record of the payment order.

(iii) For each payment order that it accepts as a beneficiary's bank, the bank shall retain either the original or a microfilm, other copy, or electronic record of the payment order.

(2) *Originators other than established customers.* In the case of a payment order from an originator that is not an established customer, in addition to obtaining and retaining the information required in paragraph (e)(1)(i) of this section:

(i) If the payment order is made in person, prior to acceptance the originator's bank shall verify the identity of the person placing the payment order. If it accepts the payment order, the originator's bank shall obtain and retain a record of the name and address, the type of identification reviewed, the number of the identification document (*e.g.*, driver's license), as well as a record of the person's taxpayer identification number (*e.g.*, social security or employer identification number) or, if none, alien identification number or passport number and country of issuance, or a notation in the record of the lack thereof. If the originator's bank has knowledge that the person placing the payment order is not the originator, the originator's bank shall obtain and retain a record of the originator's taxpayer identification number (*e.g.*, social security or employer identification number) or, if none, alien identification number or passport number and country of issuance, if known by the person placing the order, or a notation in the record of the lack thereof.

(ii) If the payment order accepted by the originator's bank is not made in person, the originator's bank shall obtain and retain a record of name and address of the person placing the payment order, as well as the person's taxpayer identification number (*e.g.*, social security or employer identification number) or, if none, alien identification number or passport number and country of issuance, or a notation in the record of the lack thereof, and a copy or record of the method of payment (*e.g.*, check or credit card transaction) for the funds transfer. If the originator's bank has knowledge that the person placing the payment order is not the originator, the originator's bank shall obtain and retain a record of the originator's taxpayer identification number (*e.g.*, social security or employer identification number) or, if none, alien identification number or passport number and country of issuance, if known by the person placing the order, or a notation in the record of the lack thereof.

(3) *Beneficiaries other than established customers.* For each payment order that it accepts as a beneficiary's bank for a beneficiary that is not an established customer, in addition to obtaining and retaining the information required in paragraph (e)(1)(iii) of this section:

(i) If the proceeds are delivered in person to the beneficiary or its representative or agent, the beneficiary's bank shall verify the identity of the person receiving the proceeds and shall obtain and retain a record of the name and address, the type of identification reviewed, and the number of the identification document (*e.g.*, driver's license), as well as a record of the person's taxpayer identification number (*e.g.*, social security or employer identification number) or, if none, alien identification number or passport number and country of issuance, or a notation in the record of the lack thereof. If the beneficiary's bank has knowledge that the person receiving the proceeds is not the beneficiary, the beneficiary's bank shall obtain and retain a record of the beneficiary's name and address, as well as the beneficiary's taxpayer identification number (*e.g.*, social security or employer identification number) or, if none, alien identification number or passport

1. For funds transfers effected through the Federal Reserve's Fedwire funds transfer system, only one of the items is required to be retained, if received with the payment order, until such time as the bank that sends the order to the Federal Reserve Bank completes its conversion to the expanded Fedwire message format.

number and country of issuance, if known by the person receiving the proceeds, or a notation in the record of the lack thereof.

(ii) If the proceeds are delivered other than in person, the beneficiary's bank shall retain a copy of the check or other instrument used to effect payment, or the information contained thereon, as well as the name and address of the person to which it was sent.

(4) *Retrievability.* The information that an originator's bank must retain under paragraphs (e)(1)(i) and (e)(2) of this section shall be retrievable by the originator's bank by reference to the name of the originator. If the originator is an established customer of the originator's bank and has an account used for funds transfers, then the information also shall be retrievable by account number. The information that a beneficiary's bank must retain under paragraphs (e)(1)(iii) and (e)(3) of this section shall be retrievable by the beneficiary's bank by reference to the name of the beneficiary. If the beneficiary is an established customer of the beneficiary's bank and has an account used for funds transfers, then the information also shall be retrievable by account number. This information need not be retained in any particular manner, so long as the bank is able to retrieve the information required by this paragraph, either by accessing funds transfer records directly or through reference to some other record maintained by the bank.

(5) *Verification.* Where verification is required under paragraphs (e)(2) and (e)(3) of this section, a bank shall verify a person's identity by examination of a document (other than a bank signature card), preferably one that contains the person's name, address, and photograph, that is normally acceptable by financial institutions as a means of identification when cashing checks for persons other than established customers. Verification of the identity of an individual who indicates that he or she is an alien or is not a resident of the United States may be made by passport, alien identification card, or other official document evidencing nationality or residence (*e.g.*, a foreign driver's license with indication of home address).

(6) *Exceptions.* The following funds transfers are not subject to the requirements of this section:

(i) Funds transfers where the originator and beneficiary are any of the following:

(A) A domestic bank;

(B) A wholly owned domestic subsidiary of a domestic bank;

(C) A domestic broker or dealer in securities;

(D) A wholly owned domestic subsidiary of a domestic broker or dealer in securities;

(E) The United States;

(F) A state or local government; or

(G) A federal, state or local government agency or instrumentality; and

(ii) Funds transfers where both the originator and the beneficiary are the same person and the originator's bank and the beneficiary's bank are the same domestic bank.

(f) *Nonbank financial institutions.* With respect to a transmittal of funds in the amount of $3,000 or more by a financial institution other than a bank:

(1) *Recordkeeping requirements.* (i) For each transmittal order that it accepts as a transmittor's financial institution, the financial institution shall obtain and retain either the original or a microfilm, other copy, or electronic record of the following information relating to the transmittal order:

(A) The name and address of the transmittor;

(B) The amount of the transmittal order;

(C) The execution date of the transmittal order;

(D) Any payment instructions received from the transmittor with the transmittal order;

(E) The identity of the recipient's financial institution;

(F) As many of the following items as are received with the transmittal order:[2]

(*1*) The name and address of the recipient;

(*2*) The account number of the recipient; and

(*3*) Any other specific identifier of the recipient; and

(G) Any form relating to the transmittal of funds that is completed or signed by the person placing the transmittal order.

(ii) For each transmittal order that it accepts as an intermediary financial institution, the financial institution shall retain either the original or a microfilm, other copy, or electronic record of the transmittal order.

(iii) For each transmittal order that it accepts as a recipient's financial institution, the financial institution shall retain either the original or a microfilm, other copy, or electronic record of the transmittal order, as well as any form completed or signed by the person receiving the proceeds of the transmittal of funds.

(2) *Transmittors other than established customers.* In the case of a transmittal order from a transmittor that is not an established customer, in addition to obtaining and retaining the information required in paragraph (f)(1)(i) of this section:

(i) If the transmittal order is made in person, prior to acceptance the transmittor's financial institution shall verify the identity of the person placing the transmittal order. If it accepts the transmittal order, the transmittor's financial institution shall obtain and retain a

2. For transmittals of funds effected through the Federal Reserve's Fedwire funds transfer system by a domestic broker or dealers in securities, only one of the items is required to be retained, if received with the transmittal order, until such time as the bank that sends the order to the Federal Reserve Bank completes its conversion to the expanded Fedwire message format.

record of the name and address, the type of identification reviewed, and the number of the identification document (*e.g.*, driver's license), as well as a record of the person's taxpayer identification number (*e.g.*, social security or employer identification number) or, if none, alien identification number or passport number and country of issuance, or a notation in the record the lack thereof. If the transmittor's financial institution has knowledge that the person placing the transmittal order is not the transmittor, the transmittor's financial institution shall obtain and retain a record of the transmittor's taxpayer identification number (*e.g.*, social security or employer identification number) or, if none, alien identification number or passport number and country of issuance, if known by the person placing the order, or a notation in the record the lack thereof.

(ii) If the transmittal order accepted by the transmittor's financial institution is not made in person, the transmittor's financial institution shall obtain and retain a record of the name and address of the person placing the transmittal order, as well as the person's taxpayer identification number (*e.g.*, social security or employer identification number) or, if none, alien identification number or passport number and country of issuance, or a notation in the record of the lack thereof, and a copy or record of the method of payment (*e.g.*, check or credit card transaction) for the transmittal of funds. If the transmittor's financial institution has knowledge that the person placing the transmittal order is not the transmittor, the transmittor's financial institution shall obtain and retain a record of the transmittor's taxpayer identification number (*e.g.*, social security or employer identification number) or, if none, alien identification number or passport number and country of issuance, if known by the person placing the order, or a notation in the record the lack thereof.

(3) *Recipients other than established customers.* For each transmittal order that it accepts as a recipient's financial institution for a recipient that is not an established customer, in addition to obtaining and retaining the information required in paragraph (f)(1)(iii) of this section:

(i) If the proceeds are delivered in person to the recipient or its representative or agent, the recipient's financial institution shall verify the identity of the person receiving the proceeds and shall obtain and retain a record of the name and address, the type of identification reviewed, and the number of the identification document (*e.g.*, driver's license), as well as a record of the person's taxpayer identification number (*e.g.*, social security or employer identification number) or, if none, alien identification number or passport number and country of issuance, or a notation in the record of the lack thereof. If the recipient's financial institution has knowledge that the person receiving the proceeds is not the recipient, the recipient's financial institution shall obtain and retain a record of the recipient's name and address, as well as the recipient's taxpayer identification number (*e.g.*, social security or employer identification number) or, if none, alien identification number or passport number and country of issuance, if known by the person receiving the proceeds, or a notation in the record of the lack thereof.

(ii) If the proceeds are delivered other than in person, the recipient's financial institution shall retain a copy of the check or other instrument used to effect payment, or the information contained thereon, as well as the name and address of the person to which it was sent.

(4) *Retrievability.* The information that a transmittor's financial institution must retain under paragraphs (f)(1)(i) and (f)(2) of this section shall be retrievable by the transmittor's financial institution by reference to the name of the transmittor. If the transmittor is an established customer of the transmittor's financial institution and has an account used for transmittals of funds, then the information also shall be retrievable by account number. The information that a recipient's financial institution must retain under paragraphs (f)(1)(iii) and (f)(3) of this section shall be retrievable by the recipient's financial institution by reference to the name of the recipient. If the recipient is an established customer of the recipient's financial institution and has an account used for transmittals of funds, then the information also shall be retrievable by account number. This information need not be retained in any particular manner, so long as the financial institution is able to retrieve the information required by this paragraph, either by accessing transmittal of funds records directly or through reference to some other record maintained by the financial institution.

(5) *Verification.* Where verification is required under paragraphs (f)(2) and (f)(3) of this section, a financial institution shall verify a person's identity by examination of a document (other than a customer signature card), preferably one that contains the person's name, address, and photograph, that is normally acceptable by financial institutions as a means of identification when cashing checks for persons other than established customers. Verification of the identity of an individual who indicates that he or she is an alien or is not a resident of the United States may be made by passport, alien identification card, or other official document evidencing nationality or residence (*e.g.*, a foreign driver's license with indication of home address).

(6) *Exceptions.* The following transmittals of funds are not subject to the requirements of this section:

(i) Transmittals of funds where the transmittor and the recipient are any of the following:

(A) A domestic bank;

(B) A wholly owned domestic subsidiary of a domestic bank;

(C) A domestic broker or dealer in securities;
(D) A wholly owned domestic subsidiary of a domestic broker or dealer in securities;
(E) The United States;
(F) A state or local government; or
(G) A federal, state or local government agency or instrumentality; and

(ii) Transmittals of funds where both the transmittor and recipient are the same person and the transmittor's financial institution and the recipient's financial institution are the same domestic broker or dealer in securities.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

China Trust Holdings N.V.
Curacao, Netherlands Antilles

China Trust Capital B.V.
Amsterdam, The Netherlands

China Trust Holdings Corp.
New York, New York

Order Approving the Acquisition of a Bank

China Trust Holdings N.V., Curacao, Netherlands Antilles ("CT Antilles"); China Trust Capital B.V., Amsterdam, The Netherlands ("CT Netherlands"); and China Trust Holdings Corp., New York, New York ("CT New York") (together, "Applicants"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire by merger Trans Bankcorp, Inc., and thereby acquire its wholly owned subsidiary, Trans National Bank, both of Monterey Park, California ("Bank").[1]

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 19,671 (1993)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

Applicants operate one subsidiary bank in New York. Applicants are the 44th largest commercial banking organization in New York, controlling deposits of $349.5 million, representing less than 1 percent of total deposits in commercial banks in the state.[2] Bank is the 182d largest commercial banking organization in California, controlling deposits of $82.9 million, representing less than 1 percent of total deposits in commercial banks in the state.[3]

Applicants and Bank do not compete directly in any banking market. Accordingly, consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

Considerations relating to the financial and managerial resources and future prospects of applicants, their subsidiaries, and Bank, the convenience and needs of the communities to be served, and the other supervisory factors that the Board is required to consider under section 3 of the BHC Act are consistent with approval of this application. In addition, the Board has received commitments to ensure that it will have access to information on the operations or activities of applicants, and of their affiliates, to permit the Board to determine and enforce compliance with the BHC Act and other federal banking law.

Based on the foregoing and all the facts of record, the Board has determined that the applications should be, and hereby are, approved. The Board's approval of this proposal is expressly conditioned on compliance by Applicants and their principal shareholders with all the commitments made in connection with this application and on receipt of all required state regulatory approval. For purposes of this action, these commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

This transaction shall not be consummated before the thirtieth calendar day following the effective date of this order, unless such period is shortened with the concurrence of the Attorney General, 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, acting pursuant to delegated authority.

By order of the Board of Governors, effective December 19, 1994.

1. CT New York is a wholly owned subsidiary of CT Netherlands, which is a wholly owned subsidiary of CT Antilles. In connection with this transaction, CT Antilles proposes to acquire direct ownership of 51.24 percent of the voting shares of CT New York from CT Netherlands. Applicants also have applied to the Federal Deposit Insurance Corporation and the California Superintendent of Banks to convert Bank to a state non-member bank. Applicants have committed not to consummate this proposal until after the charter conversion is completed.

2. State deposit data are as of June 30, 1994.

3. The Board previously has determined that the interstate banking statute of California permits a New York bank holding company to acquire a banking organization in California. *See Citicorp*, 77 *Federal Reserve Bulletin* 325 (1991). As required by California law, the California Superintendent of Banks has determined that the New York interstate banking statute is substantially reciprocal with California law, and has preliminarily indicated to Board staff that this proposal would not have an "adverse effect on the public convenience or advantage in California." *See* Cal. Fin. Code §§ 3753 and 3756 (West Supp. 1993). Thus, consummation of this transaction is not barred by section 3(d) of the BHC Act (12 U.S.C. § 1842(d)).

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

First International Bancorp Texas, Inc.
Bedford, Texas

First International Bancorp America
Reno, Nevada

Order Approving Formation of Bank Holding Companies

First International Bancorp Texas, Inc., Bedford, Texas, and First International Bancorp America, Reno, Nevada (together, "Applicants"), have applied under section 3(a)(1) of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842(a)(1)) to become bank holding companies by acquiring all the voting shares of First International Bank, Bedford, Texas ("Bank").[1]

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 35,122 (1994)). The time for filing comments has expired, and the Board has considered the applications and any comments received in light of the factors set forth in section 3 of the BHC Act.

Applicants are nonoperating corporations formed for the purpose of acquiring Bank. Bank is the 623d largest commercial banking organization in Texas, controlling deposits of approximately $29.4 million, representing less than 1 percent of total deposits in depository institutions in the state.[2] Based on all the facts of record, including the fact that this transaction constitutes a corporate reorganization, the Board believes that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market. Accordingly, the Board concludes that competitive considerations are consistent with approval.

The Board also concludes that the financial and managerial resources and future prospects of Applicants and Bank, and the convenience and needs and other supervisory factors that the Board is required to consider under section 3 of the BHC Act, are consistent with approval of this proposal.

Based on the foregoing and all the facts of record, the Board has determined that the applications should be, and hereby are, approved. The Board's approval is expressly conditioned on compliance with all the commitments made by Applicants, including commitments made by the principals of Applicants and related parties, in connection with these applications. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective December 12, 1994.

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

WILLIAM W. WILES
Secretary of the Board

1. This transaction constitutes a reorganization of interests by the shareholders of Bank. Upon consummation of this transaction, all shareholders of Bank would become shareholders of First International Bancorp Texas, Inc. First International Bancorp America would become a mid-tier holding company, owning the voting shares of Bank.

2. Deposit data are as of June 30, 1994.

Fourth Financial Corporation
Wichita, Kansas

Order Approving the Acquisition of a Bank Holding Company

Fourth Financial Corporation, Wichita, Kansas ("Fourth Financial"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire substantially all of the voting shares of Blackwell Security Bancshares, Inc. ("Blackwell"), and thereby indirectly acquire Blackwell's bank subsidiary, Security Bank and Trust Company ("Security Bank"), both of Blackwell, Oklahoma.[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 54,455 (1994)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

Fourth Financial, with consolidated assets of approximately $7.7 billion, operates two subsidiary banks in Kansas and Oklahoma.[2] Fourth Financial is the third largest commercial banking organization in Oklahoma, controlling

1. Blackwell would merge into Fourth Financial, and Security Bank would merge into Fourth Financial's bank subsidiary, Bank IV Oklahoma, N.A., Tulsa, Oklahoma ("Oklahoma Bank"). On September 15, 1994, Oklahoma Bank's primary federal regulator, the Office of the Comptroller of the Currency ("OCC"), approved Oklahoma Bank's application to merge with Security Bank pursuant to section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c) ("Bank Merger Act")).

2. Asset data are as of September 30, 1994.

deposits of $1.6 billion, representing approximately 6 percent of total deposits in commercial banking organizations in Oklahoma.[3] Blackwell is the 170th largest commercial banking organization in Oklahoma, controlling deposits of $43.1 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Fourth Financial would remain the third largest commercial banking organization in Oklahoma, controlling approximately $1.6 billion in deposits, representing approximately 6.2 percent of total deposits in commercial banking organizations in the state.

Douglas Amendment Analysis

Section 3(d) of the BHC Act, the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside its home state unless such acquisition is "specifically authorized by the statute laws of the State in which the bank is located, by language to that effect and not merely by implication."[4] For purposes of the Douglas Amendment, the home state of Fourth Financial is Kansas and the home state of Blackwell is Oklahoma.

Kansas and Oklahoma have enacted banking statutes that permit out-of-state bank holding companies to acquire banks in these states on a reciprocal basis. Under the Kansas interstate banking statute, a bank holding company located in any state contiguous to Kansas, which would include Oklahoma, may acquire a Kansas bank or bank holding company, if the laws of the state in which the acquiring bank holding company is located allow Kansas bank holding companies to acquire banks in that state on terms that are substantially no more restrictive than those established under the Kansas statute.[5] Oklahoma's interstate banking statute permits an out-of-state bank holding company to acquire a bank in Oklahoma, provided that the home state of the applicant permits Oklahoma-based bank holding companies to acquire banks in that state on a reciprocal basis, and certain other requirements, including shareholder notice and approval, are met.[6] The Kansas State Bank Commissioner and the Oklahoma Bank Commissioner have indicated that their respective reciprocity requirements have been satisfied. In light of the foregoing, and based on an analysis of the interstate banking statutes involved, the Board has concluded that approval of this proposal is not prohibited by the Douglas Amendment. Approval of this proposal is specifically conditioned upon Fourth Financial receiving all required state regulatory approvals.

3. State deposit data are as of December 31, 1993.

4. 12 U.S.C. § 1842(d). A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

5. *See* Kan. Stat. Ann. § 9-532, 9-535 (1991).

6. *See* 6 Okla. Stat. Ann. § 506 (1989).

Competitive Considerations

Fourth Financial and Blackwell own depository institutions that compete directly in the Kay County banking market.[7] Upon consummation of this proposal, Oklahoma Bank would become the largest depository institution in the Kay County banking market, controlling deposits of $144 million, representing approximately 26 percent of total deposits in depository institutions in the market.[8] The Kay County banking market would remain moderately concentrated as measured by the Herfindahl-Hirschman Index ("HHI"),[9] and numerous competitors would remain. In this light, and based on all the facts of record, the Board concludes that consummation of the proposal would not result in a significantly adverse effect on competition or concentration of banking resources in the Kay County banking market or any other relevant banking market.

Convenience and Needs Considerations

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

7. The Kay County banking market is approximated by Kay County, Oklahoma.

8. Market data are as of June 30, 1993. In this context, depository institutions include commercial banks, savings banks, and savings associations. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

9. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anti-competitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anti-competitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities. The HHI for the Kay County banking market would increase by 284 points to 1667 as a result of this proposal.

operation of such institution," and to take that record into account in its evaluation of applications.[10]

In connection with this application, the Board has received comments from the Community Development Coalition ("Protestant") alleging on the basis of data filed under the Home Mortgage Disclosure Act ("HMDA") that Fourth Financial's lead bank subsidiary, Bank IV Kansas, National Association, Wichita, Kansas ("Kansas Bank"), illegally discriminates against minority borrowers in Wichita.[11] In addition, Protestant maintains that Kansas Bank has not adequately marketed its credit product to its entire community, particularly in low- to moderate-income areas in Wichita.[12] The Board has carefully reviewed the CRA performance record of Fourth Financial, Blackwell, and their respective subsidiary banks in light of the CRA, the Board's regulations, the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement"), Protestant's comments, and Fourth Financial's response to those comments.[13]

Record of CRA Performance

A. Evaluation of CRA Performance

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record, and that these reports will be given great weight in the applications process.[14] Kansas Bank, Fourth Financial's lead bank, received a "satisfactory" rating from its primary regulator, the OCC, at its most recent examination for CRA performance as of October 1993.[15] Security Bank also received a "satisfactory" rating from its primary regulator, the Federal Deposit Insurance Corporation, at its most recent examination for CRA performance as of June 1993.

B. HMDA Data and Lending Activities

The Board has carefully reviewed the 1993 HMDA data reported by Kansas Bank in light of Protestant's comments. These data show an increase in the number of applications received by Kansas Bank from minority borrowers, and a decrease in denial rates for minorities when compared to data for 1992. However, these data also show that the rates in denials of housing-related loan applications vary by race in areas served by Kansas Bank.

The Board is concerned when an institution's record indicates disparities in lending to minority applicants and believes that all banks are obligated to ensure that their lending practices are based on criteria that assure not only safe and sound lending, but also equal access to credit by creditworthy applicants regardless of race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community, and have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal discrimination in making lending decisions.

The Board notes that the 1993 CRA performance examination for Kansas Bank found no evidence of prohibited discrimination or other illegal credit practices. The examination also found no evidence of practices intended to discourage applications for the types of credit listed in the banks' CRA statements.[16] Procedures and training to prevent illegal discrimination are monitored through the holding company's internal audit reviews, and the results of these audits are reviewed periodically by the bank's board of directors. In addition, Kansas Bank has formed a Second Review Committee to review all initially denied mortgage loans applications to ensure that fair and equitable lending standards are consistently applied in all markets.

Kansas Bank has also taken a number of steps to improve its record of meeting the housing-related credit needs of minorities and low- and moderate-income individuals in Wichita. For example, in 1993 Kansas Bank commenced an enhanced version of its Welcome Home Loan Program in the Wichita area. This affordable mortgage program, which is available only to low- to moderate-income borrowers, offers flexible underwriting standards and down payments as low as 5 percent without private mortgage insurance, and

10. *See* 12 U.S.C. § 2903.

11. Kansas Bank is made up of 15 "Market Based Banks" that serve specific geographical areas in Kansas, with units designated to serve Wichita. Protestant's comments focus on Kansas Bank's lending activities in an area approximated by 13 low- and moderate-income census tracts, five of which are also minority census tracts, and one middle-income census tract, all in south and northeast Wichita ("the 14 census tract area"). This area constitutes approximately one-third of the 39 low- and moderate-income and minority census tracts in Wichita.

12. Protestant has included comments from other organizations and individuals criticizing Kansas Bank's record of CRA performance in assisting to meet the credit needs of the bank's communities in Wichita and the 14 census tract area.

13. 54 *Federal Register* 13,742 (1989). Protestant also criticizes Kansas Bank for failing to negotiate an agreement with Protestant on lending goals for the 14 census tract area in Wichita. The Board has indicated in previous orders and in the Agency CRA Statement that communication by depository institutions with community groups provides a valuable method of assessing and determining how best to address the credit needs of the community. However, neither the CRA nor the Agency CRA Statement require depository institutions to enter into agreements with particular organizations. Accordingly, the Board's review has focused on the programs and policies that Fourth Financial and Kansas Bank have in place to assist in meeting the credit needs of its entire community. *See Fifth Third Bancorp*, 80 *Federal Reserve Bulletin* 838 (1994).

14. *Id.* at 13,745.

15. Fourth Financial's other subsidiary bank, Oklahoma Bank, also received a "satisfactory" rating from the OCC as of September 1993.

16. Protestant submitted complaints from five loan applicants alleging illegal discrimination by the bank. Each of these complaints has been investigated or is under investigation by Kansas Bank's primary regulator, the OCC, which has supervisory authority to address these issues. Based on all the facts of record, including examination and other information provided by the OCC, the Board concludes that these complaints do not provide a basis for disapproving this transaction.

it imposes no restrictions on the source of a borrower's down payment. During the first 11 months of the enhanced program's availability, Kansas Bank originated 373 loans totalling $15.4 million to low- to moderate-income individuals in the Wichita area. In addition, Kansas Bank participates in government-sponsored loan programs, such as the City of Wichita/BANK IV Home Improvement Loan program. Examiners also noted in the bank's most recent CRA performance examination that Kansas Bank's loan officers have been recertified so the bank can resume offering Federal Housing Administration loans to borrowers in Wichita in order to meet community demand for these lending products.

C. Other Aspects of CRA Performance

Small Business and Consumer Lending. Kansas Bank actively participates in government-sponsored programs offered by the Small Business Administration. During the first 11 months of 1994, Kansas Bank originated 27 SBA loans in the Wichita area totalling $4.7 million. In addition, Kansas Bank established a Small Business Banking Unit in 1991 to focus on the needs of small business customers, including low- and moderate-income and minority entrepreneurs in the Wichita area. This unit recently instituted a program of calling on minority-owned businesses and made approximately 30 calls in the first three months of this initiative.[17] Kansas Bank also has taken a leading role in the creation and financial support of the Financial Assistance and Referral Service ("FARS"), a community assistance referral center in Wichita formed through a cooperative effort with financial institutions. FARS is designed to improve access to financial services and business capital for low- and moderate-income business owners.

Kansas Bank also actively engages in consumer lending, and during the first ten months of 1994, originated 1,142 consumer loans totalling $4.3 million to individuals in low- and moderate-income communities. Moreover, Kansas Bank has developed a low-cost consumer loan product to provide consumer credit services to low- and moderate-income individuals.

Marketing. OCC examiners found that Kansas Bank has taken steps to inform its entire community of the products and services it offers. To address the ineffectiveness of the bank's traditional marketing methods in reaching areas with low- and moderate-income and minority residents, Kansas Bank has developed new programs designed to focus its marketing efforts on these areas. For example, the bank recently implemented an officer call program to reach churches serving low- to moderate-income areas. In addition, Kansas Bank advertises its credit products in publications aimed at reaching the African-American, Hispanic, and Vietnamese areas of its communities.[18]

The bank also advertises on a Wichita radio station that is a member of the Inspirational Black Network. In addition, a current advertising campaign featuring the theme "Limited Income Doesn't Mean Limited Resources" is aimed specifically at low- to moderate-income individuals, and is Spanish and Vietnamese in appropriate markets.

D. Conclusions Regarding Convenience and Needs Considerations

The Board has carefully considered all the facts of record, including the comments received, in reviewing Fourth Financial's record of CRA performance. Based on a review of the entire record, including the most recent CRA performance examinations of Kansas Bank, the Board believes that the efforts of Fourth Financial to help meet the credit needs of all segments of the communities it serves, including low- and moderate-income neighborhoods, and other convenience and needs considerations, are consistent with approval of this application.

The Board expects Fourth Financial to continue to improve its record of assisting in meeting the housing-related credit needs of minorities and low- to moderate-income individuals in Wichita and its progress will be reviewed by the Board in future applications to establish depository facilities.

Other Considerations

The Board finds that the financial and managerial resources and future prospects of Fourth Financial and Blackwell, and their respective subsidiaries and the other supervisory factors the Board must consider under section 3 of the BHC Act are consistent with approval of this proposal.

Based on the foregoing and all the facts of record, the Board has determined that this application should be, and hereby is, approved. The Board's approval is specifically conditioned upon Fourth Financial's compliance with all the commitments made in connection with this application. For purposes of this action, the commitments and conditions relied on in reaching this decision shall be deemed to be conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

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

17. The Small Business Banking Unit staff also conducts educational seminars in its community and has accepted invitations to make presentations to such organizations as the Hispanic Multicultural Center, the Kansas chapter of the National Association of Minority Contractors, and a number of church groups.

18. Advertisements have appeared in *The Ebony Shopper, El Perico,* and *Ngay Nay.*

the Board or the Federal Reserve Bank of Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors, effective December 21, 1994.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

KeyCorp
Cleveland, Ohio

Order Approving the Acquisition of a Bank Holding Company

KeyCorp, Cleveland, Ohio, a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all the voting shares of BANKVERMONT Corporation ("BANKVERMONT"), and thereby indirectly acquire BANKVERMONT's bank subsidiary, Bank of Vermont ("Bank"), both of Burlington, Vermont.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 42,274 (1994)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.[1]

KeyCorp, with consolidated assets of approximately $61 billion, operates 15 subsidiary banks in Alaska, Colorado, Florida, Idaho, Indiana, Maine, Michigan, New York, Ohio, Oregon, Utah, Washington and Wyoming, and holds approximately $42.4 billion in total deposits.[2] BANKVERMONT, with consolidated assets of approximately $705.8 million, controls one bank subsidiary in Vermont, holding approximately $536.7 million in total deposits. Upon consummation of this proposal, KeyCorp would remain the tenth largest commercial banking organization in the United States, with approximately $61.7 billion in consolidated assets and $42.9 billion in deposits.

Douglas Amendment Analysis

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

Vermont and Ohio have enacted banking statutes that permit out-of-state bank holding companies to acquire banks in these states on a reciprocal basis. The statute laws of Vermont permit an out-of-state bank holding company, such as KeyCorp, to acquire a Vermont bank holding company, and thereby acquire control of a Vermont bank, provided that the out-of-state bank holding company's home state would permit the acquisition by a Vermont bank holding company of banks and bank holding companies located in that state under conditions not substantially more restrictive than those imposed under Vermont's interstate banking statute.[4] Ohio law permits the acquisition of Vermont banks by out-of-state organizations, if Ohio banking organizations are permitted to acquire banking organizations in other jurisdictions on terms that are, on a whole, substantially no more restrictive than the conditions established under the Ohio statute.[5] The Vermont Commissioner of Banking, Insurance, and Securities and the Ohio Superintendent of Banks have indicated that their respective statutes satisfy these reciprocity requirements. In light of the foregoing, and based on an analysis of the interstate banking statutes involved, the Board has concluded that approval of this proposal is not prohibited by the Douglas Amendment. Approval of this proposal is specifically conditioned upon KeyCorp receiving all required state regulatory approvals.

Convenience and Needs Considerations

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

1. BANKVERMONT is a subsidiary bank holding company of the Bank of Boston Corporation, Boston, Massachusetts.

2. Asset and deposit data are as of March 31, 1994.

3. 12 U.S.C. § 1842(d). A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

4. *See* Vt. Stat. Ann. tit. 8, § 1052(a) (Supp. 1994).

5. *See* Ohio Rev. Code Ann. § 1101.05(b) (Anderson 1988).

and sound operation of such institution," and to take that record into account in its evaluation of applications.[6]

The Board received comments from the Vermont Community Reinvestment Organization ("Vermont Protestant") commending some aspects of KeyCorp's CRA-related lending activities, particularly in the area of affordable housing in Syracuse, New York. Vermont Protestant also raised questions, however, about whether Bank would maintain it relationships with community groups and its autonomy over lending decisions after its acquisition by KeyCorp.[7] The Board also received comments from an individual ("New York Protestant") alleging generally that KeyCorp's bank subsidiaries, Key Bank-NY; Key Bank USA, N.A., Albany, New York ("Key Bank-USA"); and Society National Bank, Cleveland, Ohio ("Society Bank"), have failed to comply with the CRA. In particular, New York Protestant alleges that Key Bank-NY charges excessive fees for the services provided and that Key Bank-USA does not reinvest deposits within its community.

The Board has carefully reviewed the CRA performance record of KeyCorp, BANKVERMONT, and their respective subsidiary banks, as well as all other relevant facts of record, in light of the CRA, the Board's regulations, the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement"),[8] the comments of protestants, and KeyCorp's response to these comments.

Record of CRA Performance

A. Evaluation of CRA Performance

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record, and that these reports will be given great weight in the applications process.[9] The Board notes that 14 of KeyCorp's 15 subsidiary banks received "outstanding" or "satisfactory" ratings at the most recent examinations of their CRA performance.[10] In particular, KeyCorp's lead bank, Society Bank, received an "outstanding" rating from its primary regulator, the Office of the Comptroller of the Currency ("OCC"), at its most recent examination for CRA performance as of March 1994. Key Bank-NY also received an "outstanding" CRA performance rating from its primary regulator, the Federal Deposit Insurance Corporation ("FDIC") as of May 1993. In addition, Key Bank-USA received a "satisfactory" CRA performance rating from the OCC as of May 1992, and Bank received an "outstanding" rating from the FDIC as of September 1991.

B. Other Aspects of CRA Performance

Key Bank-NY. Examiners concluded after sampling accepted and denied applications that Key Bank-NY serves all areas within its delineated community, including low- and moderate-income areas, and that the bank offers a wide array of consumer credit products that are designed to meet the credit needs of low- and moderate-income borrowers in its community. In 1991, Key Bank-NY introduced the Key Affordable Mortgage Program ("KEYAMP") to its banking market. This loan program, developed in conjunction with the New York State Affordable Homeownership Development Program, the Federal National Mortgage Association, the State of New York Mortgage Agency, and other secondary market investors, offers a conventional loan product that allows the borrower to use government and other grant monies as down payments when being qualified during the underwriting process. Key Bank-NY has committed $100 million to this program, and had originated $11.2 million in loans under this program at the time of its most recent CRA examination. In 1994, Key Bank-NY offered a mortgage product called "Key to the City" that provides flexible terms, including low down payments, financing of closing costs and prepaid escrow accounts. The bank allocated $50 million for this program.

Key Bank-NY also has developed community banking offices throughout New York State to provide services to its small commercial account customers (accounts of $150,000 to $500,000). The bank had approximately 6,900 small business loans with total outstanding balances of $349 million at its most recent CRA performance examination. Key Bank-NY also participates in governmentally insured programs, such as those of the Small Business Administration ("SBA"), and originated 184 SBA loans totalling $28.9 million in 1993. Key Bank-NY's marketing and advertising

6. *See* 12 U.S.C. § 2903.

7. Vermont Protestant also maintains that KeyCorp Mortgage Company, ("KeyCorp Mortgage"), a mortgage subsidiary of Key Bank of New York, both of Albany, New York ("Key Bank-NY"), uses credit histories as the sole criterion to deny loans to low-income applicants and does not coordinate loan originations with Key Bank-NY, thus producing unnecessary processing delays. Data filed by KeyCorp Mortgage under the Home Mortgage Disclosure Act for 1993 show that credit history accounted for approximately the same percentage of denials for low- and moderate-income applicants as for high-income applicants. These data also show that a significant percentage of low- and moderate-income applicants were denied on other grounds, including high debt-to-income ratios and insufficient collateral. In addition, KeyCorp expects to have its mortgage lending activities handled directly by its subsidiary banks in the future and thereby eliminate any need to coordinate procedures with another subsidiary.

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

9. *Id.* at 13,745.

10. One of KeyCorp's recently acquired subsidiary banks, Key Bank of Colorado, Fort Collins, Colorado, has not yet been examined for CRA performance.

programs are designed to inform all segments of its local community about the bank's products and services.[11]

Society Bank. Society Bank's performance in CRA-related lending activities was considered by examiners to be very strong. Examiners found that the bank had extended significant amounts of real estate and small business credit in its delineated communities and that the levels of lending indicated that the bank was responsive to meeting the credit needs of its delineated community. For example, Society Bank offers an affordable mortgage product, the HomeAssist Program, that provides flexible financing and grants to low- to moderate-income individuals. Under this program, Society Bank contributes 2 percent of the purchase price toward the down payment and pays the first year of private mortgage insurance. The HomeAssist Program also offers a maximum loan-to-value ratio of 95 percent and flexible debt-to-income ratios. During 1993, Society Bank originated 1,080 loans totalling $46.1 million under this program.[12] Society Bank also participates in governmentally insured programs, such as those of the SBA, and originated 59 SBA loans totalling $9.9 million in 1993. Examiners noted that Society Bank maintains a leadership role and an exceptional level of participation in community development programs throughout its local community directly and through the KeyCorp Community Development Corporation.[13] The bank's efforts in marketing its products in a manner designed to reach the widest range of potential customers, including low- and moderate-income and minority borrowers, were also commended by examiners.

Key Bank-USA. Key Bank-USA is a specialized institution with a principal credit product of equipment lease financing. It operates nationwide, and does not engage in traditional retail lending activities. To assist in meeting the credit needs of its local community, Key Bank-USA purchases home mortgage loans originated in its community, and has allocated $2 million toward Key Bank-NY's "Key to the City" mortgage program. The bank also markets special equipment lease products to local small businesses. For example, Key Bank-USA's small business leasing program focuses on leasing transactions of less than $50,000. From January 1993 to August 1994, Key Bank USA's gross lease originations under this program totalled $13.6 million, including $1.8 million to borrowers in its delineated community. Key Bank-USA also participates in community development and redevelopment programs, and has focused its local community efforts in Albany and Schenectady, New York.

Policies and Programs. KeyCorp has developed policies and programs designed to encourage outreach to the community. For example, examiners noted that Society Bank personnel regularly met with community organizations, including nonprofit groups, religious groups, and city officials. In addition, Key Bank-NY has initiated a statewide Officer Outreach Program that requires all customer contact officials to call regularly on nonprofit housing organizations, as well as a number of civic and business organizations.[14] Both banks also encourage membership by bank officers in community groups and civic organizations. In connection with this proposal, KeyCorp has analyzed Bank's participation in CRA-related programs in an effort to ensure that Bank would continue to meet or exceed its established standards. KeyCorp maintains that its state bank structure promotes lending and product development autonomy in conjunction with a community partnership approach.

C. Conclusion Regarding Convenience and Needs Factors

The Board has carefully considered all the facts of record, including the comments received, in reviewing the convenience and needs factor under the BHC Act. Based on a review of the entire record of this application, including the most recent CRA performance examination of Key Bank-NY, Society Bank and Key Bank-USA, the Board believes that the efforts of KeyCorp to help meet the credit needs of all segments of the communities it serves, including low- and moderate-income neighborhoods, and all other convenience and needs considerations, are consistent with approval of this application.

Other Considerations

The bank subsidiaries of KeyCorp and BANKVERMONT do not compete in any relevant banking market. Based on all the facts of record, the Board concludes that KeyCorp's acquisition of BANKVERMONT and its subsidiary bank would not result in any significantly adverse effects on competition in any relevant banking market.[15] The Board

11. Key Bank-NY maintains that its service fees are competitive with other major financial institutions and notes that it also offers banking products, such as Value Checking accounts that provide check writing, automatic teller machine services, and direct deposit of government checks at a lower cost than its regular checking accounts.

12. KeyCorp intends to implement this program at Bank after consummation of the proposal.

13. For example, Society Bank has issued a standby letter of credit to the Cleveland Housing Network ("Network") for rehabilitation in Cleveland, Ohio, and KeyCorp Community Development Corporation has issued a line of credit to the Network's Homeward Program for rehabilitation loans for first-time homebuyers.

14. Examiners found that many of these contacts included affordable housing groups, community development organizations, economic development agencies, neighborhood associations, and various civic organizations.

15. New York Protestant alleges that this proposal would have anti-competitive effects on banking services in Vermont and restrict the choices of upstate New York residents who wish to bank in Vermont. As noted above, consummation of this proposal would not eliminate any existing competitors in any of the Vermont banking markets currently served by Bank. In addition, each of these markets has numerous banking competitors. Based on all the facts of record, the Board concludes that competitive considerations are consistent with approval.

also finds that the financial and managerial resources[16] and future prospects of KeyCorp and BANKVERMONT, and their respective subsidiaries and the other supervisory factors the Board must consider under section 3 of the BHC Act are consistent with approval of this proposal.[17]

Based on the foregoing and all the facts of record, the Board has determined that this application should be, and hereby is, approved.[18] The Board's approval is specifically conditioned upon compliance with all the commitments made by KeyCorp in connection with this application. For purposes of this action, the commitments and conditions relied on in reaching this decision shall be deemed to be conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

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

16. In support of his contention that financial and managerial resource considerations do not warrant approval of this proposal, New York Protestant has alleged that KeyCorp, Society Bank and Key Bank-NY have lax credit administration policies, conducted inadequate due diligence in major acquisitions, violated banking rules and regulations, engaged in mismanagement that resulted in substantial losses, and engaged in other unsafe and unsound banking practices. New York Protestant has provided no evidence to support these allegations. The Board has carefully reviewed these allegations in light of all facts of record, including responses by KeyCorp and relevant reports of examination by federal regulators. The Board notes that the findings and conclusions in these examinations do not support New York Protestant's allegations. Based on all the facts of record, the Board does not believe that these allegations warrant denial of this proposal.

17. The Board also has carefully reviewed New York Protestant's allegations involving transactions and other business dealings between the protestant and KeyCorp's subsidiary banks, including Society Bank and Key Bank-NY, and their predecessor institutions. These allegations involve individual transactions and disputes between New York Protestant and KeyCorp institutions. In some cases, the record of litigation reveals that judgments were entered in favor of KeyCorp and that New York Protestant has been unsuccessful in overturning these rulings on appeal. Other allegations involve circumstances in which civil courts would provide New York Protestant with a full opportunity to press his claims and obtain a remedy it his allegations are proven and a remedy is appropriate. In this light, and based on all facts of record, including KeyCorp's responses and relevant reports of examination, the Board believes that other supervisory considerations are consistent with approval.

18. New York Protestant has requested that the Board hold a public meeting or hearing on these applications. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the Board has not received such a recommendation. Generally, under its rules, the Board may, in its discretion, hold a public meeting or hearing on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered New York Protestant's request. In the Board's view, New York Protestant has had ample opportunity to present written submissions, and New York Protestant has submitted substantial written comments that have been considered by the Board. In light of the foregoing and all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record on these applications, or otherwise warranted in this case. Accordingly, the request for a public meeting or hearing on these applications is hereby denied.

By order of the Board of Governors, effective December 19, 1994.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

New American Bank Holding Corporation
Corpus Christi, Texas

Order Approving Acquisition of a Bank Holding Company

New American Bank Holding Corporation, Corpus Christi, Texas ("Applicant"), has applied under section 3(a)(1) of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842(a)(1)) to merge with American Bank Holding Corporation ("American BHC"), and thereby indirectly acquire American National Bank ("Bank"), both of Corpus Christi, Texas.[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 26,646 (1994)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3 of the BHC Act.

Applicant is a nonoperating corporation formed for the purpose of becoming a bank holding company through the acquisition of American BHC.[2] American BHC, with total consolidated assets of $203.7 million, is the 83d largest commercial banking organization in Texas, controlling deposits of $170.3 million, representing less than 1 percent of the total deposits in commercial banks in the state.[3] Applicant and Bank do not compete directly in any banking market. Accordingly, based on all the facts of record, consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

The Board also has concluded that the financial and managerial resources and future prospects of Applicant and Bank, and all other supervisory factors the Board must consider under section 3 of the BHC Act, are consistent with approval of this application. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval.

1. Applicant would acquire American BHC through a merger, and thereby acquire ABHC Delaware, Inc., Wilmington, Delaware ("ABHC"), a second-tier bank holding company that owns 100 percent of the voting shares of Bank.

2. The proposal primarily represents a reorganization of existing ownership interests under which the number of shareholders of American BHC would be reduced from approximately 60 to 35 or fewer.

3. Asset and state deposit data are as of June 30, 1994.

Based on the foregoing and all the other facts of record, the Board has determined that this application should be, and hereby is, approved. The Board's approval is expressly conditioned upon compliance with all the commitments made by Applicant in connection with this application.[4] For purposes of this action, these commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective December 6, 1994.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

Citicorp
New York, New York

Order Approving an Application to Engage in Futures Commission Merchant Activities

Citicorp, New York, New York ("Applicant"), a bank holding company subject to the provisions of the Bank Holding Company Act ("BHC Act"), has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to engage through its subsidiary, Citicorp Futures Corporation, New York, New York ("Company"), in providing futures commission merchant ("FCM") execution and clearance, clearance-only, execution-only and advisory services to customers with respect to futures and options on futures on non-financial commodities.[1] A complete list of the proposed contracts is set forth in the appendix. Company would not trade in the proposed derivative instruments for its own account for any purpose, and would not trade in the physical commodities themselves, except when necessary to assist in the orderly resolution of an account. Company would provide the proposed FCM services only to institutional customers as defined in section 225.2(g) of Regulation Y.[2] Company would not provide the proposed services to retail brokerage customers, locals, or market makers.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 59,227 (1994)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with $253 billion in total consolidated assets,[3] operates subsidiary banks in several states, and engages in permissible nonbanking activities. Company[4] is an FCM registered with the Commodity Futures Trading Commission ("CFTC") and a member of the National Futures Association ("NFA"), and, therefore, is subject to the recordkeeping, reporting, fiduciary standards, and other requirements of the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*), the CFTC, and the NFA.

The Board previously has determined that the proposed FCM activities are closely related to banking within the meaning of section 4 of the BHC Act, and are, therefore, permissible activities for bank holding companies.[5] Company would conduct the proposed FCM activities subject to the limitations, conditions and commitments relied on by

4. Applicant also has filed applications in connection with the proposed conversion of Bank to a Texas-chartered limited banking association ("American LBA"), including an application for American LBA to become a Federal Reserve System member and an application to reorganize ABHC, the second-tier bank holding company, into a Delaware limited liability company after Bank's conversion. These membership and second-tier bank holding company applications raise a number of legal, financial, supervisory, and safety and soundness issues under the Federal Reserve Act and the BHC Act. The Board's consideration of these issues will depend in part on the views of the Federal Deposit Insurance Corporation and the Internal Revenue Service on related deposit insurance and tax treatment matters. The Board, however, must independently determine whether the applications meet the statutory factors under the Federal Reserve Act and the BHC Act on the basis of all the facts of record. In this regard, Applicant has committed that it will not, without the Board's prior approval:

(1) Convert Bank into a limited banking association under Texas law, or acquire in any manner any limited banking association formed under Texas law; or

(2) Convert itself or ABHC into a limited liability company or otherwise reorganize, liquidate, or modify its corporate structure or that of ABHC, or cause itself or ABHC to elect subchapter S corporation tax treatment under the Internal Revenue Code.

1. Applicant currently conducts all of the proposed activities through an operating subsidiary of Citibank, N.A., New York, New York.

2. Applicant anticipates that following consummation of the proposal, Company would perform services for commodity funds (or commodity pools), which are regulated by the Commodity Futures Trading Corporation and the National Futures Association. Company would apply its standard credit approval procedures to its commodity pool customers. Applicant has committed to provide the Federal Reserve System with prior notice of any material change in the characteristics of Company's customer base. Neither Applicant nor any direct or indirect nonbanking subsidiary of Applicant would sponsor, own or control a commodity pool or commodity fund in the United States without the prior written approval of the Federal Reserve System.

3. Asset data are as of September 30, 1994.

4. Company is currently a clearing member of the Chicago Board of Trade, Chicago Mercantile Exchange and Tokyo International Financial Futures Exchange. Company would become a clearing member of the New York Mercantile Exchange, Kansas City Board of Trade, MidAmerica Commodity Exchange and Singapore International Monetary Exchange to conduct the proposed activities.

5. *See J.P. Morgan & Co. Incorporated*, 80 *Federal Reserve Bulletin* 151 (1994) ("*J.P. Morgan*").

the Board in previous orders. In this regard, Applicant has committed that Company will provide clearing-only services to customers pursuant to customer agreements and give-up agreements that afford Company the right to refuse to clear customer trades that Company reasonably deems unsuitable in light of market conditions or a customer's financial situation or objectives. In addition, Company would not serve as the primary or qualifying clearing firm for any unaffiliated parties, and would subject its clearing-only and execution-only customers to the same credit review procedures set forth in *J.P. Morgan.* Company also would conduct the proposed FCM activities through omnibus trading accounts established in its own name with clearing members of exchanges on which Company would not itself be a clearing member. Applicant has committed that, with respect to Company's omnibus account customers, Company will employ the same credit approval and risk management procedures developed for its executing and clearing activities.

In order to approve this application, the Board also must determine that the performance of the proposed activities by Applicant 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 interests, and unsound banking practices. The Board expects that Applicant's proposal would provide added convenience to Applicant's customers and produce gains in efficiency for Applicant. To address the potential adverse effects of the proposed activities, Applicant has committed to conduct the proposed execution and clearance activities subject to the same rules and procedures imposed by the Board on the performance of FCM activities with respect to financial commodities.[6] In addition, in order to minimize risks associated with the delivery of non-financial commodities, Applicant has committed to take a number of steps in the event one of Company's customers has an open position in a contract after the contract has expired and the customer is unable or unwilling to make or take delivery, or if one of Company's customers otherwise defaults on a contract after the contract expires and Company is required to make or take delivery of the underlying commodity.[7]

Based on the commitments made by Applicant regarding its conduct of the proposed activities, the limitations on the activities noted in this order, and all the facts of record, the Board has determined that the performance of the proposed activities by Applicant could reasonably be expected to produce public benefits that would outweigh the possible adverse effects that may result from the proposal.

In every case under section 4 of the BHC Act, the Board must consider the financial condition and resources of the applicant and its subsidiaries and the effect of the proposal on these resources.[8] Based on the facts of this case, the Board concludes that financial considerations are consistent with approval of this application. The managerial resources of Applicant also are consistent with approval.

Based on the foregoing and all the facts of record, the Board has determined to, and hereby does, approve the application subject to all the terms and conditions set forth in this order, and in the Board's regulations and orders that relate to these activities.[9] The Board's determination also is subject to all the terms and conditions set forth in the Board's Regulation Y, including those in sections 225.7 and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act, and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments made by Applicant in this application, including the commitments discussed in this order and the conditions set forth in this order and in the above noted Board regulations and orders. For purposes of this action, these commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions, and, as such, may be enforced in proceedings under applicable law.

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

6. *See* 12 C.F.R. 225.25(b)(18). Applicant also has committed that Company will not enter into any impermissible tying arrangements with any lending affiliates, and that all customer trading positions of Company will be marked to market at least daily.

7. Among the steps Applicant will take are:

(1) Retendering or redelivering the commodity;

(2) Offsetting the customer's open position through an exchange-for-physical transaction;

(3) Offsetting the commodity in the cash market; and

(4) Seeking to avoid delivery through some other mechanism.

See Bank of Montreal, 79 *Federal Reserve Bulletin* 1049, 1052 n.21 (1993). Company would take these or other appropriate actions as soon as commercially practicable. Company also would take these steps if it exercises its right to liquidate a customer's account.

8. 12 C.F.R. 225.24; *The Fuji Bank, Limited,* 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG,* 73 *Federal Reserve Bulletin* 155 (1987).

9. Consistent with previously approved proposals to engage in these activities, Applicant must provide at least 20 days prior written notice to the Federal Reserve System before:

(i) Engaging in FCM activities with respect to additional exchange-traded derivative contracts on agricultural, energy, or non-precious metal commodities (unless the Board has approved the contracts for any other bank holding company under the BHC Act) to assure that such contracts are comparable to previously approved contracts; or

(ii) Becoming a clearing or non-clearing member of any commodities exchange that previously has been reviewed and approved by the Board under the BHC Act.

Applicant must obtain prior Board approval before becoming a clearing or non-clearing member of any commodities exchange that has not been reviewed and approved by the Board under the BHC Act.

the Federal Reserve Bank of New York, pursuant to delegated authority.

By order of the Board of Governors, effective December 13, 1994.

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

WILLIAM W. WILES
Secretary of the Board

Appendix

Chicago Board of Trade

Corn Futures
Options on Corn Futures
Wheat Futures
Options on Wheat Futures
Soybean Futures
Options on Soybean Futures
Soybean Meal Futures
Options on Soybean Meal Futures
Soybean Oil Futures
Options on Soybean Oil Futures

Chicago Mercantile Exchange

Live Cattle Futures
Options on Live Cattle Futures
Feeder Cattle Futures
Options on Feeder Cattle Futures
Live Hog Futures
Options on Live Hog Futures

New York Mercantile Exchange

Light Sweet Crude Oil Futures
Options on Light Sweet Crude Oil Futures
Sour Crude Oil Futures
Gulf Coast Unleaded Gasoline Futures
New York Harbor Unleaded Gasoline Futures
Options on New York Harbor Unleaded Gasoline Futures
Heating Oil Futures
Options on Heating Oil Futures
Propane Futures
Natural Gas Futures
Options on Natural Gas Futures

Singapore International Monetary Exchange Limited

High Sulphur Fuel Oil Futures

Kansas City Board of Trade

Hard Red Winter Wheat Futures
Option on Hard Red Winter Wheat Futures

MidAmerica Commodity Exchange

Soybean Futures
Options on Soybean Futures

Coffee, Sugar & Cocoa Exchange, Inc.

World Sugar No. 11 Futures
Options on World Sugar No. 11 Futures
Coffee "C" Futures
Options on Coffee "C" Futures
Cocoa Futures
Options on Cocoa Futures

CNB Bancshares, Inc.
Evansville, Indiana

Order Approving Acquisition of Shares of a Savings Association

CNB Bancshares, Inc., Evansville, Indiana ("CNB"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire King City Federal Savings Bank, Mount Vernon, Illinois ("King City"), a savings association. In connection with this acquisition, CNB also has applied to engage in the following nonbanking activities through King City's wholly owned subsidiary, King City Financial Services Corp., Mount Vernon, Illinois ("Services Corp."):

(1) Investment advisory services pursuant to section 225.25(b)(4) of Regulation Y (12 C.F.R. 225.25(b)(4));

(2) Securities brokerage activities, including related securities credit activities pursuant to the Board's Regulation T, pursuant to section 225.25(b)(15)(i) of Regulation Y (12 C.F.R. 225.25(b)(15)(i));

(3) Providing investment advisory and securities brokerage services on a combined basis ("full-service brokerage activities") pursuant to sections 225.25(b)(4) and (b)(15)(ii) of Regulation Y (12 C.F.R. 225.25(b)(4) and (b)(15)(ii));

(4) Acting as agent or broker in the sale of credit-related insurance pursuant to section 225.25(b)(8)(i) of Regulation Y (12 C.F.R. 225.25(b)(8)(i));

(5) Acting as agent or broker for insurance directly related to an extension of credit by a finance company that is a subsidiary of a bank holding company pursuant

to section 225.25(b)(8)(ii) of Regulation Y (12 C.F.R. 225.25(b)(8)(ii));
(6) Engaging in the issuance and sale at retail of money 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 traveler's checks ("consumer payment instrument activities") pursuant to section 225.25(b)(12) of Regulation Y (12 C.F.R. 225.25(b)(12)).

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 46,841 (1994)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

The Board has determined that the operation of a savings association is closely related to banking and permissible for bank holding companies. 12 C.F.R. 225.25(b)(9). In making this determination, the Board requires that savings associations acquired by bank holding companies conform their direct and indirect activities to those permissible for bank holding companies under section 4 of the BHC Act. CNB has committed to conform all activities of King City and Services Corp. to the requirements of section 4 of the BHC Act and Regulation Y.[1]

The Board also has previously determined by regulation that the investment advisory, securities brokerage, full-service brokerage, credit-related insurance, and consumer payment instrument activities CNB proposes to conduct through Services Corp. are closely related to banking for purposes of section 4 of the BHC Act.[2] CNB has committed that it will conduct these activities in accordance with the Board's regulations and orders.

CNB, with total consolidated assets of $2.5 billion, operates in Kentucky, Illinois, and Indiana. CNB controls the 230th largest depository institution in Illinois, with deposits of $117.6 million, representing less than 1 percent of the total deposits in depository institutions in Illinois.[3] King City is the 167th largest depository institution in Illinois, controlling deposits of $167.4 million, representing less than 1 percent of the total deposits in depository institutions in Illinois. Upon consummation of this proposal, CNB would control the 95th largest depository institution in Illinois, with deposits of $285 million, representing less than 1 percent of the total deposits in depository institutions in Illinois.

CNB and King City do not compete directly in any banking market. Accordingly, consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

Record of Performance Under the CRA

In considering an application to acquire a savings association under section 4 of the BHC Act, the Board reviews the records of performance of the relevant institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA").[4] The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operations of such institution," and to take that record into account in its evaluation of bank holding company applications.[5]

The Board has carefully reviewed the entire record of CRA performance of CNB and King City in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[6]

A. CRA Performance Examinations

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record, and that these reports will be given great weight in the applications pro-

1. King City engages in certain insurance and real estate activities that are not permissible for bank holding companies under the BHC Act. CNB has committed to divest or terminate all impermissible insurance activities within two years of consummation of the proposal, and that during this two-year period, King City will limit such activities to renewals of existing policies. In addition, CNB has committed to divest any impermissible real estate investments within two years of consummation of this proposal, and not to engage in any new impermissible real estate development projects or investments during this period, and that capital adequacy guidelines will be met excluding specified real estate investments.

2. *See* 12 C.F.R. 225.25(b)(4), (b)(15), (b)(8)(i) and (ii), and (b)(12).

3. Asset data are as of June 30, 1994; state deposit data are as of June 30, 1993. In this context, depository institutions include commercial banks, savings banks, and savings associations.

4. The Board previously has determined that the CRA by its terms generally does not apply to applications by bank holding companies to acquire nonbanking companies under section 4(c)(8) of the BHC Act. *The Mitsui Bank, Ltd.*, 76 *Federal Reserve Bulletin* 381 (1990). The Board also has stated that, unlike other companies that may be acquired by bank holding companies under section 4(c)(8) of the BHC Act, savings associations are depository institutions, as that term is defined in the CRA, and thus acquisitions of savings associations are subject to review under the express terms of the CRA. *Norwest Corporation*, 76 *Federal Reserve Bulletin* 873 (1990).

5. *See* 12 U.S.C. § 2903.

6. 54 *Federal Register* 13,742 (1989). The Board also received comments from a community organization regarding CNB's performance under the CRA. These comments were subsequently withdrawn after CNB and the commenter reached an agreement to address the issues raised by the commenter.

cess.[7] In this case, the Board notes that all of CNB's subsidiary banks and thrifts received "outstanding" or "satisfactory" ratings at the most recent examinations of their CRA performance. In particular, CNB's lead bank subsidiary, Citizens National Bank of Evansville, Evansville, Indiana ("Bank"), received a "satisfactory" rating from its primary regulator, the Office of the Comptroller of the Currency ("OCC"), at its most recent examination for CRA performance as of March 29, 1993. The record in this case also indicates that King City received a "satisfactory" rating from its primary regulator, the Office of Thrift Supervision ("OTS"), at its most recent CRA performance examination as of April 5, 1993.

The Board recently reviewed CNB's record of performance in meeting the credit needs of communities with predominately low- and moderate-income and minority residents.[8] For the reasons described in greater detail in the CNB Order and incorporated here by reference, the Board concluded that the CRA performance record of CNB was consistent with approval of an application to acquire a deposit-taking institution. The CNB Order also noted that Bank's performance record indicated areas for improvement, particularly in housing-related lending, and that CNB had initiated steps designed to strengthen the bank's CRA performance. These efforts would be monitored by the Federal Reserve Bank of St. Louis ("Reserve Bank") through semiannual reports that would be submitted by CNB.

The Board has carefully considered the progress demonstrated in CNB's first report covering the first six months of 1994. For example, Bank significantly increased the number of its housing-related loan applications from low- and moderate-income and minority borrowers during this reporting period compared to 1993.[9] These applications have originated from 23 of the 28 low- and moderate-income census tracts in Bank's delineated service area. CNB's report also indicates increased levels of housing-related lending to minority borrowers.[10]

CNB's progress in improving other aspects of Bank's CRA performance record is also reflected in this report. Bank's Partnership Mortgage Program and Community Resource Center[11] have been actively promoted, and have received favorable publicity from various newspapers, including newspapers marketed to predominantly minority communities. Bank also has increased its marketing efforts to focus on low- and moderate-income and minority borrowers, increased CRA training for Bank personnel, and established new CRA-related committees.

The Board also has carefully reviewed Bank's compliance with fair lending laws. The 1993 examination by Bank's primary regulator, the OCC, indicates no evidence of prohibited discriminatory or other illegal credit practices and that the bank is in compliance with Federal fair lending laws and regulations, including the ECOA and FHA. Bank also has developed policies that prohibit illegal discriminatory lending practices, and all initially denied residential mortgage loan applications are reviewed to ensure compliance with fair lending laws.

B. Conclusion Regarding Record of CRA Performance

The Board has carefully considered all the facts of record in reviewing Bank's record of CRA performance. Based on a review of the entire record, including the considerations discussed in the CNB Order, the most recent CRA performance examinations of Bank, and Bank's first report on efforts to improve its CRA performance, the Board believes that Bank's record in assisting to meet the credit needs of all segments of the communities it serves, including low- and moderate-income neighborhoods, is consistent with approval of this application. The Board expects CNB and Bank to continue to make progress in all areas of CRA performance, including housing-related lending. Bank's progress will continue to be monitored by the Reserve Bank through semiannual reports and will be assessed in connection with future applications to expand its deposit-taking facilities.

Other Considerations

The financial and managerial resources of CNB, King City, and their subsidiaries are consistent with approval. The Board also finds that consummation of this proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that are not likely to be outweighed by the public benefits, such as increased competition and added convenience, that are expected from this proposal. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of the application.

7. *Id.* at 13,745.

8. *CNB Bancshares, Inc.*, 80 *Federal Reserve Bulletin* 538 (1994) ("CNB Order").

9. Bank received 150 housing-related loan applications from borrowers residing in low- and moderate-income areas during the first six months of 1994 compared to a total of 197 housing-related loan applications in 1993. Bank also received 29 housing-related loan applications from African Americans during the first six months of 1994 compared to a total of 22 housing-related loan applications in 1993.

10. During the first six months of 1994, 20 of the 35 housing-related loan applications from minority borrowers were approved, four applications were denied, and the remaining applications are still under review.

11. The Partnership Mortgage Program provides affordable mortgage financing for families earning 80 percent or less of the median income in an area. The Community Resource Center provides credit services and education to low- and moderate-income individuals.

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by CNB with all the commitments made in connection with this application. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b)(3) of Regulation Y (12 C.F.R. 225.7 and 225.23(b)), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. For the purpose of this action, the commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective December 5, 1994.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

First Bank System, Inc.
Minneapolis, Minnesota

Order Approving Acquisition of Shares of a Savings Association

First Bank System, Inc., Minneapolis, Minnesota ("FBS"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), to acquire Metropolitan Financial Corporation, Minneapolis, Minnesota ("MFC"),[1] and thereby indirectly acquire MFC's savings association subsidiary, Metropolitan Federal Bank, FBS, Fargo, North Dakota ("Metropolitan"). FBS also has applied to acquire the nonbank subsidiaries of Metropolitan and thereby engage in nonbanking activities pursuant to section 4(c)(8)(G) of the BHC Act (12 U.S.C. § 1843(c)(8)(G)) and sections 225.25(b)(1), (b)(8)(vii), and (b)(15) of the Board's Regulation Y (12 C.F.R. 225.25(b)(1), (b)(8)(vii), and (b)(15)).[2]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 48,326 (1994)). 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 the BHC Act.

FBS, with consolidated assets of $25.9 billion, controls nine bank subsidiaries in Colorado, Illinois, Minnesota, Montana, North Dakota, South Dakota, and Wisconsin, with approximately $18.9 billion in total deposits.[3] MFC, with consolidated assets of $8 billion, controls one thrift subsidiary with branches in Arizona, Iowa, Kansas, Minnesota, Nebraska, North Dakota, South Dakota, Wisconsin, and Wyoming, with approximately $5.6 billion in total deposits. Upon consummation of this proposal, FBS would become the 26th largest commercial banking organization in the United States, based on consolidated assets of $33.9 billion.

Following the acquisition of the shares of MFC, FBS proposes that Metropolitan continue to operate as a federally chartered savings association with branches in Arizona, Iowa, Kansas, Nebraska, North Dakota, and Wyoming.[4] The Board previously has determined that a bank holding company may own and control a savings association, including a federally chartered savings association that operates interstate branches subject to the limitations on such branching imposed by the Office of Thrift Supervision ("OTS").[5] The OTS, which is Metropolitan's primary federal regulator, has approved FBS's application to operate branches of Metropolitan in these states. In determining that a bank holding company may operate a savings association, the Board required that savings associations acquired by bank holding companies conform their direct and indirect activities to those permissible for bank holding companies under section 4 of the BHC Act. FBS has committed to conform all activities of MFC, Metropolitan, and their

1. In connection with this proposal, FBS has requested approval to acquire an option to purchase up to 19.9 percent of the outstanding voting shares of MFC that would terminate upon consummation of this proposal.

2. A list of the nonbanking subsidiaries of MFC is contained in Appendix A.

3. Asset data and state deposit data are as of June 30, 1994. In this context, depository institutions include commercial banks, savings banks, and savings associations.

4. FBS proposes to consolidate the operations of Metropolitan in Minnesota, South Dakota, and Wisconsin with FBS's subsidiary bank in those states as follows: First Bank N.A., Minneapolis, Minnesota, would acquire certain branches of Metropolitan operating in Minnesota; First Bank South Dakota, N.A., Sioux Falls, South Dakota, would acquire certain branches of Metropolitan operating in South Dakota; and First Bank, N.A. Wisconsin, Milwaukee, Wisconsin, would acquire certain branches of Metropolitan operating in Wisconsin. These banks have received approval for these transactions from their primary Federal regulator, the Office of the Comptroller of the Currency ("OCC"), pursuant to sections 5(d)(3) and 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1815(d)(3) and 1828(c)).

5. 12 C.F.R. 225.25(b)(9). *See also National Commerce Bancorporation*, 79 *Federal Reserve Bulletin* 890 (1993); *see also* 12 C.F.R. 556.5.

nonbanking subsidiaries to the requirements of section 4 of the BHC Act and Regulation Y.[6]

The Board has received comments relating to the various legal and competitive effects of this proposal, including comments from the North Dakota State Banking Board, individual commenters, and National Title Resources Corp.[7] The Board has carefully considered these comments and the responses filed by FBS in light of all the facts of record.

Comments of the North Dakota State Banking Board

Within a few months of this acquisition, FBS proposes to merge its existing subsidiary bank in North Dakota, First Bank North Dakota, N.A., ("Bank"), into Metropolitan, with Metropolitan surviving the merger and continuing to operate as a federally chartered savings association. FBS has applied to the OTS for approval for this merger.

The North Dakota State Banking Board ("Banking Board") asserts that this transaction is barred by both North Dakota and federal law. The Banking Board claims that FBS has structured this transaction to circumvent the North Dakota interstate banking statute ("ND Statute"), and that the Board should direct FBS to file an application with the Banking Board for prior approval of this proposal under the ND Statute. The Banking Board further alleges that because this transaction would be barred by the ND Statute, the Board is precluded by section 3(d) of the BHC Act, the "Douglas Amendment," from approving this transaction.

6. By acquiring MFC, FBS would also acquire MFC's two other nonbank subsidiaries, LMN Management Corporation, Fargo, North Dakota ("LMN"), and Edina Realty, Inc., Fargo, North Dakota ("Edina Realty"). While LMN is currently inactive, Edina Realty engages in residential real estate brokerage and related operations in Minnesota, South Dakota, and Wisconsin. FBS has committed that, within two years of consummation of this proposal, FBS will divest all impermissible real estate activities and that it will not undertake any new investments during this time. FBS also has committed that capital adequacy guidelines will be satisfied after excluding these investments from its capital calculations.

7. The Board also received comments from a Minnesota bank maintaining that the proposal violates the Minnesota law that restricts a bank from establishing more than five branches, and requires consent of all banks in a municipality with a population of less than 10,000 to establish a branch in that municipality. Minn. Stat. Ann. § 47.52 (West 1992). These restrictions, however, do not apply to branches acquired through certain merger transactions, and FBS has structured this transaction to comply with the merger exceptions. Metropolitan's Minnesota branches would be acquired

(1) By five newly chartered national banks owned by FBS, with each bank owning less than five branches (no consent required under Minn. Stat. Ann. § 47.55 Subd. 2 (West 1992) for acquisitions of existing thrift branches), and

(2) In turn by FBS's Minnesota subsidiary bank (no number or consent restrictions under Minn. Stat. Ann. § 49.34 Subd. 2(a)(West 1992) for branches acquired in bank mergers).

The Minnesota Commissioner of Commerce has indicated in a 1990 opinion that a newly chartered interim national bank may facilitate the acquisition of thrift branches consistent with Minnesota law, and the OCC considered commenter's objections in approving this proposal. Based on all the facts of record, the Board concludes that this proposal is consistent with Minnesota law.

A. Douglas Amendment Analysis

The initial issue raised by the Banking Board is whether FBS's acquisition of Metropolitan, as structured, is permissible under the Douglas Amendment. The Douglas Amendment prohibits the Board from approving any application to acquire a bank that would result in the acquisition by a bank holding company located in one state of an *additional bank* located in another state unless the Board determines that the acquisition is specifically authorized by the laws of the state where such target bank is located, "by language to that effect and not merely by implication."[8]

The Board already has determined that the acquisition of a savings association, such as Metropolitan, is not subject to the interstate limitations of the Douglas Amendment.[9] The Douglas Amendment applies only to the interstate acquisition of an additional *bank*, and, by its terms, does not apply to the acquisition of a savings association, which the BHC Act specifically excludes from its definition of a "bank."[10]

The second step of this proposal — the merger of Bank into Metropolitan — also is not subject to the Douglas Amendment.[11] The Douglas Amendment bars approval of the acquisition of "an additional bank" in North Dakota by FBS unless the acquisition is specifically authorized by North Dakota law.[12] In this case, the proposal represents the merger of a bank that is already controlled by FBS into a savings association that will be owned by FBS at the time of the merger. The transaction therefore does not represent the acquisition by FBS of an "additional bank." In fact, after the merger, FBS will no longer own a bank in North Dakota. Thus, the Board is not precluded from approving this merger by the Douglas Amendment.

B. Permissibility of Transactions Under State Law

The Banking Board contends that the ND Statute would prohibit FBS from acquiring Metropolitan without the prior

8. 12 U.S.C. § 1842(d).

9. *See, e.g., Old National Bancorp*, 79 *Federal Reserve Bulletin* 55, 56 n.4 (1993).

10. 12 U.S.C. § 1841(c)(2)(B) and (j).

11. The Douglas Amendment governs only the acquisition of a bank in a transaction that requires Board approval under section 3 of the BHC Act. Section 3(a)(4) of the BHC Act requires Board approval for "any subsidiary [of a bank holding company], *other than a bank*, to acquire all or substantially all the assets of a bank." This transaction would fall within the literal terms of this section. Based on all the information provided by FBS in connection with this proposal, the Board believes that FBS has satisfied the application requirement in section 3 of the BHC Act. FBS has already published notice of this proposal in local newspapers, and the Board has invited comment through the *Federal Register*. FBS has filed substantial information relating to the factors the Board must consider under section 3, and the Board has considered this information, as well as the comments received, in light of the factors applicable under section 3 of the BHC Act in reviewing this proposed transaction.

12. The Banking Board argues that the merger of Bank into Metropolitan is not authorized by North Dakota law because FBS has refused to seek the approval of the Banking Board for this merger, which the Banking Board asserts is required under the ND Statute.

approval of the Banking Board. The North Dakota Attorney General has concluded, however, that the Banking Board's assertion of jurisdiction must be consistent with the BHC Act and the Board's interpretations.[13] For the reasons previously discussed, the Board has concluded that this proposal is consistent with the Douglas Amendment because FBS would only own a savings association in North Dakota after consummation.[14]

Moreover, by its terms, the ND Statute does not appear to require that FBS obtain the approval of the Banking Board for the second-step merger of Bank into Metropolitan. The ND Statute provides that a bank holding company operating in certain states may acquire an interest in a bank located in North Dakota and requires that "if the interest acquired will result in the reciprocating state bank holding company *obtaining control* of the bank or banks, the company file [an application] with the [Banking Board]," (emphasis added).[15] Thus, the acquisition by an out-of-state bank holding company of an interest in a bank in North Dakota requires the prior approval of the Banking Board only if the acquisition would result in the company "obtaining control" of the bank in North Dakota.

As explained above, FBS already controls Bank, and received approval from the Banking Board under the ND Statute at the time FBS acquired control of Bank. Thus, the merger of Bank into Metropolitan is not a situation in which a "reciprocating state bank holding company" will acquire "control" of a bank in North Dakota, and therefore, does not appear to require approval of the Banking Board under the ND Statute.

For these reasons, the Board does not believe that the ND Statute bars Board approval of this proposal.

C. The Banking Board's Request for a Hearing

The Banking Board alleges that Metropolitan would be operated in a manner indistinguishable from a commercial bank after consummation of the proposed transaction, and therefore the acquisition of Metropolitan should be viewed as the acquisition of a bank subject to its jurisdiction. The Banking Board has requested the Board to hold a hearing to determine whether Metropolitan would be operated as a bank by FBS.[16]

Under section 4 of the BHC Act, the Board may order a hearing on an application "if there are disputed issues of material fact that cannot be resolved in some other manner." 12 C.F.R. 225.23(g). Metropolitan would continue to be a federally chartered savings bank, and therefore, the Board concludes that it would not be a considered a "bank" for purposes of federal law, including the BHC Act.[17] The factual issues raised by the Banking Board regarding the manner of Metropolitan's operations are not material to this determination. In this light, the Board concludes that the Banking Board has not raised any disputed issues of material fact that cannot be resolved in some other manner, or that a public hearing or meeting is necessary to clarify the factual record in this application, or otherwise warranted in this case. Accordingly, the Banking Board's request for a public hearing or public meeting is hereby denied.

Competitive Considerations

FBS and Metropolitan Bank compete directly in 19 banking markets in Minnesota, North Dakota, South Dakota, and Wisconsin.[18] The relative size of FBS in Minnesota, North Dakota, South Dakota, and Wisconsin following this proposal is described in Appendix B to this order.

In connection with this application, the Board received comments from individuals in the Minneapolis-St. Paul area alleging that FBS's acquisition of Metropolitan would have an adverse effect on competition in the state of Minnesota, and particularly in the Minneapolis-St. Paul banking market.[19] The Board also received comments from the Banking Board alleging that competition in North Dakota's five largest banking markets, particularly the Fargo banking

13. *See* letter from Heidi Heitkamp, North Dakota Attorney General, to the Honorable James Maxson, North Dakota State Senator (September 8, 1994) ("Heitkamp Letter"). The North Dakota Attorney General has indicated that the definition of "bank" for purposes of the ND Statute must be read co-terminously with the definition of bank under the BHC Act.

14. In amending Regulation Y in 1989, the Board noted that certain mergers or conversions involving savings associations and banks must comply with the Douglas Amendment. 54 *Federal Register* at 37,299 (1989). This commentary referred to section 5(d)(3) of the Federal Deposit Insurance Act, as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, which requires a Douglas Amendment analysis for any transaction in which a savings association merges or consolidates with a bank and the resulting institution is a bank within the meaning of the BHC Act. *See* 12 U.S.C. § 1815(d)(3). A Douglas Amendment determination under this provision is not required in this proposal because the resulting institution is not a bank.

15. N.D. Cent. Code § 6–08.3–02 (1991).

16. The Banking Board would be entitled to a hearing under section 3 of the BHC Act, which requires the Board to hold a hearing on an application when requested by a state banking agency, if the application involved a state-chartered bank and the agency has denied, in a timely manner, the application made to such agency for approval of such acquisition. 12 U.S.C. § 1842(b). In this case, Bank is a nationally chartered bank and is not subject to supervision by the Banking Board.

17. *See* 12 U.S.C. § 1841(c)(2)(B) and 1841(j); *see also* 12 U.S.C. § 1467a (a)(1).

18. Specifically, FBS and MFC compete directly in the Albert Lea, Alexandria, Brainerd, Fairmont, Hibbing, Mankato, Minneapolis-St. Paul, Owatonna, Rochester, and St. Cloud, banking markets, all in Minnesota; the Bismark, Cando-Devils Lake, Fargo-Moorhead, Grand Forks, Jamestown, and Minot, banking markets, all in North Dakota; and in the Aberdeen, Rapid City, and Sioux Falls, banking markets, all in South Dakota.

19. One individual asserts that the recent series of small in-market acquisitions by FBS and Norwest Corporation, Minneapolis, Minnesota ("Norwest"), the two largest commercial banking organizations in the Minneapolis-St. Paul banking market, has led to anticompetitive market conditions, and should not be permitted to continue. The proposed acquisition, according to this individual, would solidify the dominance of the two largest banking organizations in the Minneapolis-St. Paul banking market, thereby eliminating opportunities for expansion by smaller in-market participants or entry by out-of-market participants.

market, would be substantially reduced as a result of the consolidation of Bank into Metropolitan. The Board has carefully considered the effects that consummation of this proposal would have on competition in these banking markets in light of all the facts of record, including all comments received, FBS's responses to these comments, the characteristics of these markets, the increase in the concentration of total deposits in depository institutions[20] in these markets as measured by the Herfindahl–Hirschman Index ("HHI"),[21] and commitments made by FBS.

A. The Minneapolis-St. Paul Banking Market

First Bank-Minnesota is the largest commercial bank or thrift institution ("depository institution") in the Minneapolis-St. Paul banking market,[22] controlling deposits of $9.97 billion, representing 36.3 percent of total deposits in depository institutions in the banking market ("market deposits"). Metropolitan Bank is the 13th largest depository institution in the market, controlling deposits of $205.2 million, representing less than 1 percent of market deposits. Upon consummation of this proposal, First Bank-Minnesota would remain the largest depository institution in the Minneapolis-St. Paul banking market, controlling deposits of $10.38 billion, representing 37.5 percent of market deposits. The HHI would increase by 78 points to 2172.

The Board previously has indicated that merger transactions in the Minneapolis-St. Paul banking market involving one of the two largest depository institutions in the market warrant close review because of the size of these institutions relative to other market competitors.[23] Even considering the competitive effect on the market concentration in light of previous acquisitions by the two largest depository organizations, however, this proposal is not likely to have a significantly adverse competitive effect in the market.[24] Metropolitan, with less than 1 percent of market deposits, does not control a significant share of market deposits. In addition, the Board notes that 99 competitors would remain in the market, including 92 commercial banks and 7 thrifts, upon consummation of this proposal.

In addition, the Minneapolis-St. Paul banking market is a major urban area that is attractive for entry, and this acquisition is not likely to affect the availability of attractive entry points for potential entrants.[25] The market has experienced both *de novo* entry and entry by acquisition in recent years. For example, seven commercial banking institutions have entered the market since 1989 by establishing branches. In addition, three *de novo* banks were chartered in this market since 1990, and one of the commercial banking institutions that entered this market since 1987 has become the fourth largest depository institution in the market.

On the basis of all the facts of record, including the number of competitors remaining in the market and the size of Metropolitan in this market, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in the Minneapolis-St. Paul banking market.[26]

20. Market data are as of June 30, 1993. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Because the deposits of Metropolitan would be controlled by a bank holding company under this proposal, those deposits are included at 100 percent in the calculation of *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669 (1990).

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

22. The Minneapolis-St. Paul banking market is approximated by Anoka, Hennepin, Ramsey, Washington, Carver, Scott, and Dakota Counties, and portions of Chisago, Le Sueur, Sherburne, and Wright Counties in Minnesota, and the town of Hudson in St. Croix County in Wisconsin.

23. *See Norwest Corporation*, 80 *Federal Reserve Bulletin* 164 (1994); *First Bank System, Inc.*, 79 *Federal Reserve Bulletin* 50 (1993). Acquisitions by either of these two banking organizations of a series of depository institutions with relatively small market shares could, on a cumulative basis, lead to significant anti-competitive effects.

24. The Board also received comments from two individuals asserting that FBS's acquisition of Metropolitan would result in anticompetitive effects in Plymouth, Minnesota, which is part of the Minneapolis-St. Paul banking market. These commenters have not presented any evidence to support a different delineation of the relevant banking market.

The Board previously has indicated that the relevant banking market must reflect the commercial and banking realities and should consist of the localized area where the banks involved offer their services and where local customers practically turn for alternatives. *See United States v. Philadelphia National Bank*, 374 U.S. 321, 361 (1963); *St. Joseph Valley Bank*, 68 *Federal Reserve Bulletin* 673, 674 (1982). The record in this case indicates that numerous consumers residing in Plymouth, Minnesota work outside of this community in other portions of the Minneapolis-St. Paul banking market, and that there is a substantial amount of commuting between Plymouth and the other areas of the Minneapolis-St. Paul banking market. Thus, based on all the facts of record, the Board believes that the relevant banking market is the Minneapolis-St. Paul banking market, and that the proposed merger would not have a significantly adverse effect on competition in this market.

25. The Minneapolis-St. Paul metropolitan area, with a population of 2.46 million, is the 16th largest in the United States according to 1990 census data, and has increased 15.3 percent in population since 1980.

26. One of the commenters also claims that consummation of this proposal would result in the two largest banking organizations in this Minnesota collectively controlling approximately 30 percent of all housing-related lending in Minnesota, and 40 percent of all housing-related lending to minorities in the state. Accordingly, this individual alleges that this proposed acquisition would have an anti-competitive effect on residential loan policies, particularly with respect to minority borrowers.

In fact, numerous other sources of residential mortgage credit would continue to operate in Minnesota following consummation of this proposal. In the Minneapolis-St. Paul banking market alone, the largest banking market in Minnesota, over 70 mortgage companies would compete for residential loan customers with the 100 depository institutions that would operate in this market following consummation of this proposal. Moreover,

B. The Hibbing Banking Market

FBS would become the largest depository institution in the Hibbing banking market,[27] controlling $204.4 million in deposits, representing approximately 31.1 percent of market deposits. The HHI would increase 313 points to 2016. In order to mitigate the adverse competitive effects that would otherwise result from consummation of this proposal, FBS has committed to divest Metropolitan's branch office in Chisolm, Minnesota to a competitively-suitable acquiror whose purchase would not result in substantial lessening of competition in the Hibbing banking market.[28] Following consummation of this proposal and the divestiture of the Chisolm branch, at least 13 depository institutions, including the second largest depository institution in the state, would compete with FBS in this market. Based on all of the facts of record, including the commitments made by FBS,[29] the Board concludes that consummation of this proposal would not result in significantly adverse effects on competition in the Hibbing banking market.

C. The Owatoona Banking Market

FBS would become the largest depository institution in the Owatoona banking market,[30] controlling $153.6 million, representing approximately 28.4 percent of market deposits. The HHI would increase 352 points to 1804. A number of factors indicate that the increase in concentration levels in the Owatoona banking market as measured by the HHI tend to overstate the competitive effects of this proposal. For example, upon consummation of this proposal, fourteen depository institutions, including the second largest depository institution in the state, would remain in the market. In addition, the Owatoona banking market is relatively attractive for entry, with two commercial banks and one thrift having entered the market by acquisition between 1989 and 1993. In light of all the facts of record, including the characteristics of this market, the Board concludes that consummation of this proposal would not result in significantly adverse effects on competition in the Owatoona banking market.

D. North Dakota Banking Markets

The Banking Board alleges that consummation of this proposal would significantly reduce banking competition in five banking markets in North Dakota, and particularly in the Fargo-Moorhead banking market,[31] and that any convenience or gain in efficiency would not outweigh the possible adverse effects resulting from this acquisition.

The record in this case indicates that in the Fargo-Moorhead, North Dakota banking market,[32] FBS would become the largest depository institution in the market, controlling $795.8 million in deposits, representing approximately 35 percent of market deposits. The HHI would increase 730 points to 1692. Although the increase in market concentration resulting from this acquisition as measured by the HHI is significant, this market would not be considered highly concentrated as measured by the HHI, and this acquisition would not exceed the Department of Justice's merger guidelines in this market. Additionally, 32 depository institutions would remain in this market following consummation of this proposal.

Similarly, the increase in market concentration as measured by the HHI in the other banking markets in North Dakota where FBS and Metropolitan compete indicate that all of these markets would remain moderately concentrated upon consummation of this proposal, and this acquisition

as discussed below, FBS offers a number of affordable mortgage programs to meet the housing-related credit needs of minorities and low- to moderate-income individuals. Accordingly, the Board concludes that consummation of this proposal would not significantly affect the availability of residential mortgage credit in the Minneapolis-St. Paul metropolitan area or in any of the areas in Minnesota served by FBS and its subsidiaries.

27. The Hibbing banking market is approximated by Carpenter, Bearvile, Nashwauk, and Lone Pine Townships, Effie Unorganized Territory and Northeast Itasca Unorganized Territory in Itasca County; St. Louis County with the exception of Fairbanks, Ellsburg, Ault, Kelsey, Cotton, Pequaywan, Elmer, Meadowlands, Payne, Northland, Alden, Van Buren, Ness, Alborn, New Independence, Fredenberg, Gnesen, Normanna, Halden, Floodwood, Culver, Industrial, Grand Lake, Canosia, Rice Lake, Lakewood, Duluth, Prairie Lake, Fine Lakes, Arrowhead, Stoney Brook, Brevator, Solway, and Midway Townships, the cities of Hermantown, Proctor, and Duluth, Potshot Lake Unorganized Territory and Whiteface Reservoir Unorganized Territory South of a horizontal line drawn from the northern border of Ault Township.

28. FBS has committed to sell this branch either to a firm that does not currently operate in this market (which divestiture would cause the HHI to increase 181 points to 1883), or to a current market competitor whose acquisitions of this branch would not cause the HHI to increase by 200 points or more.

29. In this regard, FBS has committed to execute a sales agreement prior to consummation of this proposal, and to complete these divestitures within 180 days of consummation of this proposal. FBS also has committed that in the event that it is unsuccessful in completing these divestitures within 180 days of consummation of the proposal, it will transfer the Chisolm branch office to an independent trustee that has been instructed to sell the office promptly without regard to price. *See BankAmerica Corporation*, 78 *Federal Reserve Bulletin* 338, 340 (1992); *United New Mexico Financial Corporation*, 77 *Federal Reserve Bulletin* 484, 485 (1991). Furthermore, FBS has committed to submit to the Board, prior to consummation of the acquisition, an executed trust agreement acceptable to the Board stating the terms of the divestiture.

30. The Owatonna banking market is approximated by Steele County, Waseca County with the exception of Janesville, Alton, Freedom, and Vivian Townships; Ellington, Claremont, Ripley, and Westfield townships in Dodge County.

31. The Banking Board argues that restrictions on entry into the city of Fargo imposed by North Dakota law exacerbate the significant effects that consummation of this proposal would have on competition in this market. However, the Fargo-Moorhead banking market encompasses an area significantly greater in size than the city of Fargo, including communities in Minnesota, and as discussed below, a significant number of financial institutions would continue to operate in this market upon consummation of this proposal.

32. The Fargo-Moorhead banking market is approximated by Cass and Ransom Counties; Helendale, Barrie, Walcott, Sheyenne, Viking, Colfax and Eagle Townships in Richland County; Sherbrooke, Primrose, Hugo, Eclendale, Colgate and Broadlawn Townships in Steele County; Treill County less Garfield, Morgan, Buston, Stavenger, Belmont, Viking, Lindess, Wold, Ervin and Bingham Townships; all in North Dakota; and Norman and Clay Counties in Minnesota.

would not exceed the Department of Justice's merger guidelines in any of these banking markets.[33] The record in this case indicates that numerous competitors would remain in each of these markets. In addition, the United States Attorney General, after a review of the competitive effects of the merger of Bank into Metropolitan, has indicated that the proposal is not likely to result in any significantly adverse competitive effects in any market in North Dakota. For these reasons, and based on all the facts of record, the Board concludes that consummation of this proposal would not result in significantly adverse effects on competition in any relevant banking market in North Dakota.

Consummation of this proposal in the remaining banking markets in Minnesota and South Dakota where FBS and Metropolitan compete also would not exceed the Department of Justice Merger Guidelines,[34] and numerous competitors would remain in all these banking markets. Based on these and all the facts of record, including Protestants' comments, the Board concludes that consummation of this proposal would not have significantly adverse effects on competition or on the concentration of resources in any relevant banking market.

Record of Performance Under the CRA

The Board has reviewed a comment alleging that FBS's acquisition of Metropolitan would adversely effect the residential credit needs of individuals, and particularly minorities, in Minnesota and in the Minneapolis-St. Paul area.[35] The Board also has reviewed comments from the Banking Board expressing concerns as to how the proposed merger of Bank into Metropolitan will affect developmental loan commitments made by FBS to the banking Board in connection with its acquisition of Bank earlier this year. The Board has carefully reviewed the entire record of CRA performance of FBS and Metropolitan, and all comments received regarding this application, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding The Community Reinvestment Act ("Agency CRA Statement").[36]

A. CRA Performance Examinations

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record, and that these reports will be given great weight in the applications process.[37] In this case, the Board notes that all of FBS's subsidiary banks and thrifts received "outstanding" or "satisfactory" ratings at the most recent examinations of their CRA performance. In particular, FBS's lead bank subsidiary, First Bank-Minnesota, received a "satisfactory" rating from its primary regulator, the OCC, at its most recent examination for CRA performance as of February 1993. The record in this case also indicates that Metropolitan received a "satisfactory" rating from the OTS at its most recent examination for CRA performance as of February 1993.

B. HMDA Data and Lending Activities

First Bank-Minnesota and FBS Mortgage have initiated a number of steps to strengthen their records of meeting the housing-related credit needs in low- to moderate-income areas of the Minneapolis-St. Paul area and all of Minnesota. FBS Mortgage employs a full-time staff of seven individuals who are responsible for developing programs and products designed to increase minority home ownership primarily through community outreach, educational programs and public-private community home ownership initiatives. Some of the initiatives implemented at FBS Mortgage include a second review procedure and a quarterly audit of denied loan applications to ensure compliance with fair lending laws. FBS Mortgage also provides increased opportunities for home ownership for low- to moderate-income and minority individuals through its Lending Options for All Neighborhoods Resource Program ("L.O.A.N. Resource"). Through L.O.A.N. Resource, FBS Mortgage works with nonprofit civic and community-based organizations to develop and provide credit products to meet the housing-related credit needs of these individuals.

In Minnesota, in particular, FBS Mortgage has worked with various community groups, including the St. Paul Ecumenical Alliance of Congregations, the Association of Community Organizations for Reform Now ("ACORN"), and Neighborhood Housing Services, to develop the Home Advantage Loan Program, an affordable home mortgage

33. Upon consummation of this proposal, the HHI in the Bismark banking market would increase by 398 points to 1366; in the Cando-Devils Lake banking market, the HHI would increase by 482 points to 1425; in the Grand Forks banking market, the HHI would increase by 311 points to 1347; in the Jamestown banking market, the HHI would increase by 392 points to 1257; and in the Minot banking market, the HHI would increase by 290 points to 1308.

34. Upon consummation of this proposal, the HHI in the remaining banking markets in Minnesota would increase as follows: Albert Lea (by 279 points to 1094); Alexandria (by 369 points to 1407); Brainerd (by 499 points to 1572); Fairmont (by 60 points to 812); Mankato (by 16 points to 587); Rochester (by 9 points to 964); and St. Cloud (by 22 points to 887). The HHI in the banking markets in South Dakota affected by this proposal would increase upon consummation as follows: Aberdeen (by 10 points to 1507); Rapid City (by 118 points to 2427); and Sioux Falls (by 18 points to 907).

35. As noted previously, this commenter asserts that the anti-competitive effects of this proposal would place FBS and Norwest in a position to dictate residential loan policies in the Minneapolis-St. Paul banking market, particularly with respect to minorities. In this context, the commenter raises concerns regarding ability of FBS and Norwest to meet the housing-related credit needs of minorities given disparities in minority denial rates for FBS' mortgage subsidiary, FBS Mortgage Corporation, St. Paul, Minnesota ("FBS Mortgage"). In support of this assertion, the commenter cites 1992 and 1993 data reported by FBS Mortgage pursuant to the Home Mortgage Disclosure Act ("HMDA").

36. 54 *Federal Register* 13,742 (1989).

37. *Id.* at 13,745.

product. This program, which is intended specifically for low- and moderate-income borrowers who do not qualify for secondary mortgage products, offers flexible underwriting criteria, down payment assistance, and a home rehabilitation component.[38] In 1993, FBS originated 143 loans totalling $8.5 million under this program in Minnesota.[39]

With respect to small business lending, First Bank-Minnesota sponsors the First Bank Civic Banking Group in order to develop and provide various credit products tailored to small businesses. First Bank-Minnesota also participates in a number of government-sponsored lending programs, including a program sponsored by the Small Business Administration ("SBA"). In 1993, First Bank-Minnesota originated 24 SBA loans totalling more than $12 million. Additionally, First Bank-Minnesota has signed an agreement with the St. Paul Port Authority ("Authority") to provide an $8 million letter of credit that will enable the Authority to create an industrial fund to finance business expansion projects.

The Board has reviewed the 1992 and 1993 HMDA data reported by First Bank-Minnesota and FBS Mortgage in light of Minnesota Protestant's comments. These data indicate denials of housing-related loan applications that vary by race in areas served by First Bank-Minnesota. The Board is concerned when an institution's record indicates disparities in lending to minority applicants and believes that all banks are obligated to ensure that their lending practices are based on criteria that assure not only safe and sound lending, but also assure equal access to credit by creditworthy applicants regardless of race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community, and have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal discrimination in making lending decisions.

The Board notes that the 1993 CRA performance examination for First Bank-Minnesota found no evidence of prohibited discrimination or other illegal credit practices. The examination also found no evidence of practices intended to discourage applications for the types of credit listed in the banks' CRA statements. Additionally, the record in this case indicates that FBS has aggressively sought to improve its record of lending to minorities, and in fact has shown improvement in this area. In particular, the 1993 HMDA data for FBS subsidiaries serving the Minneapolis-St. Paul area indicate an increase in applications from minorities and a decrease in minority denial rates. The Board believes that the programs implemented at FBS Mortgage and First Bank-Minnesota should enable these companies to continue to improve their record of meeting the credit needs of their community following FBS's acquisition of Metropolitan, including the housing-relating credit needs of low- and moderate-income and minority individuals.

C. FBS's Lending Commitments in North Dakota

In its application to the Banking Board to acquire Bank, FBS made various commitments pertaining to its lending activities in North Dakota. The Banking Board raises concerns that commitments FBS made relating to lending by Bank in North Dakota will be unenforceable once Bank is merged into Metropolitan.[40] In response to these allegations, FBS states that it fully intends to abide by the commitments it has made to the state of North Dakota relating to developmental lending in that state. In particular, FBS has committed that FBS and its subsidiaries will continue to engage in developmental lending in North Dakota, consistent with the parameters for such lending as set forth in FBS's commitments to the Banking Board, following consummation of this proposal.

D. Branch Locations and Closings

The Board has reviewed comments from various commenters, including the Banking Board, that the consolidation of the branches of FBS and Metropolitan will have an adverse effect on the economies of areas currently served by these organizations. As a general matter, the Board notes that FBS has committed to maintain or enhance all existing levels of services currently provided by FBS or Metropolitan branches in all service areas. If FBS determines to close any branches of FBS subsidiaries or of Metropolitan, FBS has committed that it will abide by all applicable federal laws in effectuating these branch closings. The Board also has reviewed FBS's branch closure policy as it relates to this proposal. The record in this case indicates that FBS's branch closure policy provides that each subsidiary bank is required to assess and consider the impact of branch closure on the communities served, including low- to moderate-income neighborhoods. The policy also states that, when appropriate, bank management should present branch clos-

38. Specifically, FBS Mortgage offers down payment and closing assistance, gap financing assistance, and counseling support. In 1993, FBS Mortgage extended over $800,000 in acquisition and gap assistance loans in the Minneapolis-St. Paul metropolitan area.

39. In addition, in February 1993, First Bank-Minnesota extended a $2.5 million line of credit with a below-market interest rate to the Greater Minneapolis Metropolitan Housing Corporation, a non profit housing developer, to assist in the construction of over 100 homes to be sold to low- to moderate-income families in inner city neighborhoods.

40. The Banking Board asserts that it was misled by FBS because FBS did not apprise the Banking Board of FBS's intention to acquire Metropolitan (and merge Bank into Metropolitan) at the time FBS was applying to the Banking Board to acquire Bank. In response to this allegation, FBS claims that FBS notified the North Dakota State Banking Commissioner of its intentions to acquire Metropolitan prior to the Banking Board's approval of FBS's acquisition of Bank. In light of FBS's representation that FBS will continue to abide by its commitments to the Banking Board following the merger of Bank into Metropolitan, the Board does not believe that these allegations warrant denial of this proposal.

ing plans to key neighborhood organizations and community leaders for input prior to making final recommendations to the bank's board of directors regarding branch closures.

E. Conclusion Regarding Record of CRA Performance

The Board has carefully considered all the facts of record, including the comments received, in reviewing FBS's record of CRA performance. Based on a review of the entire record, including the most recent CRA performance examinations of all of FBS's subsidiaries, including First Bank-Minnesota, the Board believes that Bank's record in meeting the credit needs of all segments of the communities it serves, including low- and moderate-income neighborhoods, is consistent with approval of this proposal.[41]

Other Nonbanking Activities

In considering the nonbanking subsidiaries acquired in this proposal, the Board has carefully reviewed comments from a Minnesota title insurance agency ("Insurance Protestant") regarding MFC's real estate brokerage subsidiary (Edina Realty) and title insurance agency subsidiary (Equity Title). Initially, the Board notes that real estate brokerage activities are not permissible under the BHC Act, and, consequently, FBS has committed to divest its interest in Edina Realty within two years of this acquisition. However, FBS may, with Board approval, engage in title insurance agency activities pursuant to an exemption from the BHC Act's general prohibition against insurance agency activities.[42]

Insurance Protestant alleges that consummation of this proposal would result in decreased and unfair competition in the market for title insurance in Minnesota because of the proposed affiliation between one of the largest title insurance agencies (Equity Title) with one of the largest loan originators (FBS) in the Minneapolis-St. Paul area. In addition, Insurance Protestant maintains that escrow services constitute a distinct function from title insurance agency services, requiring separate consideration of the effect of the proposal on these services. The Insurance Protestant asserts that a public hearing or public meeting is the only means of assembling and considering the entire record relating to these allegations and supports its request in part by citing alleged anti-competitive practices by Edina Realty and Equity Title.[43]

FBS does not currently engage in any title insurance agency activities or real estate settlement services, which include escrow services.[44] Accordingly, FBS's acquisition of MFC would not eliminate any existing competition in the markets affected by this proposal.

As noted above, FBS has also committed to divest Edina Realty, which Insurance Protestant alleges has engaged in illegal anti-competitive practices. In addition, FBS has made commitments, consistent with previous Board orders, that would prohibit the practices cited in the pending litigation and that should prevent the affiliation of Equity Title with FBS from adversely affecting competition or consumers as alleged by the Insurance Protestant. FBS affiliates would also inform their customers that they are not required to purchase title insurance from Equity Title in connection with a loan origination.[45] Section 106 of the BHC Act Amendments of 1970 and the Board's anti-tying rules would prohibit FBS lending affiliates from conditioning the availability of credit on the purchase of any nontraditional banking product or service like real estate settlement services or title insurance. In addition, the Board's rules prohibit conditioning the availability of real estate settlement services on the purchase of title insurance, and vice versa.[46]

Insurance Protestant has questioned whether FBS will abide by its commitments but has not provided any facts in support of its position. Insurance Protestant does not cite any past practices by FBS or provide any information that would suggest that FBS would be unable to ensure that

41. One commenter alleges that FBS made certain representations relating to lending authority at a branch following a previous acquisition by FBS, and that FBS's alleged failure to abide by these representations indicates that FBS will not abide by its commitment to meet the credit needs of its community following this acquisition. The Board has considered this comment in reviewing this proposal. The Board believes that, overall, the performance of FBS and its subsidiaries in meeting the credit needs of the communities they serve has been satisfactory and is consistent with approval of this proposal.

42. Section 4(c)(8)(G), commonly referred to as "exemption G," permits bank holding companies that were lawfully engaged in general insurance agency activities prior to 1971 to continue those activities. *See* 12 U.S.C. § 1843(c)(8)(G). FBS is one of several bank holding companies with exemption G rights.

43. Insurance Protestant alleges that Edina Realty and Equity Title have engaged in illegal "steering" practices whereby customers of Edina Realty were directed to buy title insurance and real estate settlement services from Equity Title. Insurance Protestant cites pending civil actions brought against these companies as well as a 1992 enforcement action and fine directed against Edina Realty by the Department of Housing & Urban Development. Insurance Protestant contends that these practices have illegally deprived other title insurance agencies of business and have adversely affected consumers because of alleged higher prices charged by Equity Title.

44. The Board previously has determined that real estate settlement services, which include collecting and dispersing funds and holding funds in escrow pending satisfaction of certain commitments, are permissible activities for bank holding companies under section 4(c)(8) of the BHC Act. *Norwest Corporation*, 76 *Federal Reserve Bulletin* 1058 (1990). Insurance Protestant provides no basis to substantiate its contention that these services are not closely related to banking, and the Board has found that banks do, in fact, engage in these activities. *See Norwest Corporation, supra* at 1059. The Board also concluded that these services could be — but are not required to be — offered by bank holding companies also engaged in title insurance agency activities.

45. FBS has also committed that Equity Title would inform its customers that they are not required to purchase Equity Title's real estate settlement services in connection with the purchase of title insurance in a real estate transaction.

46. 12 C.F.R. 225.7. Section 106 and the Board's anti-tying rules would also generally prohibit FBS subsidiary banks from tying extensions of credit (discounting or conditioning availability) to the purchase of real estate settlement services or title insurance from Equity Title.

Equity Title would comply with these commitments. The Board notes that FBS's commitments would be conditions imposed in writing as part of the Board's action on this application and, as such, would be enforceable under applicable provisions of law. FBS is aware that the Board considers the commitments made in this case to be legally binding and has indicated that these commitments will be reviewed as part of its compliance efforts.

The record also indicates that FBS has a formal program at its nonbanking subsidiaries for assuring and monitoring compliance with applicable law, and FBS has committed to implement these programs at Equity Title upon consummation of this proposal.[47] The Board has also considered confidential supervisory information in assessing the management of FBS and management's ability to address supervisory issues. Based on these and other facts of record, the Board believes that FBS's commitments will be effectively implemented. The Federal Reserve Bank of Minneapolis also will monitor FBS's compliance with these commitments on a regular basis.

In reviewing the request for a public hearing or public meeting, the Board notes that Insurance Protestant has not identified any disputed material facts that would require a hearing under the Board's Rules.[48] Instead, Insurance Protestant raises speculative concerns that FBS will act in an anti-competitive manner in violation of the anti-tying rules. However, these concerns are based on the way Edina Realty and Equity Title were operated by Metropolitan.

As noted, FBS proposes to change the manner in which these companies operate under commitments that address these concerns directly. Insurance Protestant has presented no evidence to indicate that FBS cannot or will not take the steps it proposes or that those steps are not sufficient. Moreover, Insurance Protestant does not present any evidence to support its allegations that the affiliation of Equity Title and FBS will effectively eliminate competition in the title services and escrow markets.[49]

In addition, the Insurance Protestant has not indicated why written submissions are not adequate in this case to explore Insurance Protestant's allegations. Instead, the Insurance Protestant simply asserts that it must have an opportunity to cross-examine FBS personnel and that requiring the Insurance Protestant to submit information in writing would be "inefficient, overly time consuming and counter productive."[50] Thus, the Insurance Protestant has not provided a sufficient basis to conclude that material facts relevant to the Board's decision are in dispute in this case.

Based on all the facts of record, and for the reasons discussed above, the Board concludes that Insurance Protestant's comments do not warrant denial of this application. In addition, the Board believes that interested parties have also had a sufficient opportunity to present written submissions, and have submitted substantial written comments that have been considered by the Board. In light of all the facts of record, the Board has determined that a public hearing or public meeting is not necessary to clarify the factual record in this application or otherwise warranted in this case. Accordingly, Insurance Protestant's request for a public hearing or public meeting on this application is hereby denied.

Conclusion Regarding Public Interests Considerations

The financial and managerial resources of FBS, MFC, and their subsidiaries are consistent with approval.[51] Additionally, the record in this case indicates that FBS's acquisition of MFC should result in public benefits resulting from the continued operation of MFC and its subsidiaries under FBS as a bank holding company.[52] For the reasons discussed above, and under the framework and conditions established in this and prior decisions, the Board concludes that consummation of this proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that are not likely to be outweighed by the public benefits, such as increased competition and added convenience, that are expected from this proposal. Accordingly, the Board has determined that the balance of public interest factors it must consider under

47. Under this program, each subsidiary designates compliance personnel who are independent of the subsidiary's operating personnel. In addition, compliance efforts are monitored by an audit committee of FBS's board of directors which regularly reviews the compliance programs of the subsidiaries.

48. 12 C.F.R. 225.23(g) provides that "[a]ny 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 C.F.R. 262.3(e)) [requiring a statement of why a written presentation would not suffice in lieu of a hearing, identifying specifically any questions of fact that are in dispute and summarizing the evidence that would be presented at a hearing].... The Board shall order a hearing only if there are disputed issues of material fact that cannot be resolved in some other manner."

49. Because there are numerous sources for mortgage loans in the Minneapolis-St. Paul area, FBS does not have the type of market power that could result in voluntary tying.

50. Insurance Protestant also states that it is prepared to present expert testimony at a hearing or public meeting but has not explained what its experts will say or why their views cannot be presented in writing.

51. The Board also received comments from a South Dakota resident requesting that the Board withhold approval of the above proposed transaction until FBS changes its policy of not extending credit to individuals with a prior personal bankruptcy. This policy, S.D. Protestant asserts, unfairly discriminates against responsible individuals who have suffered temporary hardships, thereby defeating the intent of the Bankruptcy Act (11 U.S.C. § 101 *et al.*). In this regard, the Board notes that FBS's policy is not illegal under federal law, and requiring FBS to change this policy as a condition of approval of this proposal is not warranted under the facts of this case.

52. Insurance Protestant has questioned whether FBS's acquisition would result in any public benefits. The Board believes that FBS's acquisition of MFC's subsidiaries should provide financial strength to these companies, and provide added convenience to the customers of both FBS and these companies. This proposal also should enable the subsidiaries of MFC acquired by FBS to remain active competitors in the markets in which these companies operate.

section 4(c)(8) of the BHC Act is favorable and consistent with approval of the application.

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by FBS with all the commitments made in connection with this application. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b)(3) of Regulation Y (12 C.F.R. 225.7 and 225.23(b)), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. For the purpose of this action, the commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective December 23, 1994.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix A

Nonbanking Subsidiaries of Metropolitan

Permissible Activities

(1) Metropolitan Financial Services, Minneapolis, Minnesota, which is authorized to sell life insurance, securities, and other investment products, including fixed and variable rate annuities, through offices of Metropolitan in Arizona, Iowa, Kansas, Minnesota, Nebraska, North Dakota, South Dakota, and Wisconsin pursuant to 12 U.S.C. § 1843(c)(8)(G); 12 C.F.R. 225.25(b)(8)(vii) and (b)(15)).
(2) Rocky Mountain Insurance and Investment Corporation, Minneapolis, Minnesota, which is authorized to sell life insurance, securities, and other financial products, including fixed and variable rate annuities, through branch offices of Metropolitan in Wyoming pursuant to 12 U.S.C. § 1843(c)(8)(G); 12 C.F.R. 225.25(b)(8)(vii) and (b)(15).
(3) Equity Title Services, Inc., Edina, Minnesota, which is authorized to engage in title insurance activities and real estate settlement and closing services pursuant to 12 U.S.C. § 1843(c)(8)(G); 12 C.F.R. 225.25(b)(8)(vii).
(4) Rocky Mountain Management Information Services, Inc., Minneapolis, Minnesota, which is a Wyoming Corporation, the sole activity of which is the ownership of Metropolitan's 10 percent interest in WYNEB Financial Limited Liability Company.
(5) WYNEB Financial Limited Liability Company, Cheyenne, Wyoming, which was established in 1993 to participate in the acquisition of commercial real estate loans from the Federal Deposit Insurance Corporation, and thereby engage in commercial lending pursuant to 12 C.F.R. 225.25(b)(1).
(6) American Charter Credit Corporation, Minneapolis, Minnesota, which performs various servicing activities related to four collateralized mortgage obligations pursuant to 12 U.S.C. § 1843(c)(1); 12 C.F.R. 225.22(a)(1).
(7) Security Consumer Services, Inc., Minneapolis, Minnesota, which is a Minnesota corporation whose sole activity is the ownership of a 75 percent interest in Security Financial Center of St. Cloud Partnership.
(8) Security Financial Center of St. Cloud Partnership, Saint Cloud, Minnesota, whose only activity is the ownership of a building occupied by one of Metropolitan's offices pursuant to 12 U.S.C. § 1843(c)(1); 12 C.F.R. 225.22(a)(2)(vi).

MFC Subsidiaries to be Divested by FBS

(9) Metropolitan Service Corporation, Fargo, North Dakota ("MSC"), which was established to participate directly in a real estate joint venture in Arizona.
(10) Candlewood Investors, Fargo, North Dakota, which is a general partnership in which MSC owns 50 percent.
(11) Lancaster Investment Corporation, Minneapolis, Minnesota ("LIC"), which is a company whose principal business is real estate development and construction.
(12) LIC-2, Inc., Minneapolis, Minnesota, which is a wholly owned subsidiary of LIC, which was established to participate directly in a real estate joint venture in Chicago, Illinois.
(13) LIC-3, Inc., Minneapolis, Minnesota,which is a wholly owned subsidiary of LIC, which was established to participate directly in a real estate joint venture in Charlotte, North Carolina.
(14) LIC-4, Inc., Minneapolis, Minnesota, which is a wholly owned subsidiary of LIC, which was established to participate directly in a real estate joint venture in Colorado Springs, Colorado.
(15) LIC-7, Inc., Minneapolis, Minnesota, which is a wholly owned subsidiary of LIC, which was established to participate directly in a real estate joint venture in Illinois.
(16) Portrait Homes Colorado Springs Joint Venture, Homewood, Illinois, which is a partnership in which LIC-4 owns

50 percent. This joint venture was established to participate in real estate acquisition, development, and construction in Colorado Springs, Colorado.
(17) Property Investor Realty, Homewood, Illinois ("PIR"), which is a partnership in which LIC-7 owns 50 percent. This joint venture was established to participate in real estate acquisition, development, and construction in Illinois. PIR also owns real property in Charlotte, North Carolina.
(18) Ferndale Corporation, Inc., Council Bluffs, Iowa, which is an Iowa corporation in which Metropolitan owns 20 percent of the issued and outstanding stock. Ferndale's assets consist of approximately 73 acres of land for development in Council Bluffs, Iowa.
(19) WDRA, which is a partnership in which CMC shares in 19.8 percent of the profits and losses. This partnership owns the Residence Inn Hotel in Wichita, Kansas.

Inactive Subsidiaries to be Terminated

(20) Portrait Homes Chicago Joint Venture, Homewood, Illinois, which is a partnership in which LIC-2 owns 50 percent. This joint venture was established to participate in real estate acquisition, development, and construction in Chicago, Illinois.
(21) Portrait Homes Charlotte Joint Venture, Homewood, Illinois, which is a partnership in which LIC-3 owns 50 percent . This joint venture was established to participate in real estate acquisition, development, and construction in Charlotte, North Carolina.
(22) Columbia Mortgage Corporation of Kansas City, Minneapolis, Minnesota, which previously provided mortgage banking services in Missouri but now only owns a minority interest in Wichita Downtown Residence Associates, Wichita, Kansas ("WDRA").
(23) Western Columbia Mortgage, Minneapolis, Minnesota ("WCM"), which previously engaged in mortgage banking in California. Most of the assets of WCM have been sold, and its loan servicing was transferred to Metropolitan during the fourth quarter of 1993.
(24) Western Columbia Mortgage Holdings, Inc., Minneapolis, Minnesota, which is a Kansas corporation formed in 1992 as a holding company for WCM.
(25) Uniwest Insurance, Minneapolis, Minnesota, which was previously used to maintain REO properties.
(26) Rocky Mountain Capital Agency, Inc., Minneapolis, Minnesota ("RMCA"), which was formerly engaged in the sale of property and casualty insurance. RMCA's assets were sold in May 1994.
(27) Rocky Mountain Property Management, Inc., Minneapolis, Minnesota, which previously engaged in the property management business.
(28) Edina Financial Services, Inc., Minneapolis, Minnesota, which previously engaged in mortgage banking activities.

Appendix B

Deposit Information for States in which FBS and Metropolitan compete.

Deposit Data are as of June 30, 1994.

(1) Minnesota

FBS is the second largest depository institution in Minnesota, with deposits of $10.2 billion, representing 20.5 percent of total deposits in depository institutions in Minnesota. MFC is the fourth largest depository institution in Minnesota, controlling deposits of $1.3 billion, representing 2.5 percent of total deposits in Minnesota. Upon consummation of this proposal, FBS would become the largest depository institution in Minnesota, controlling deposits of $11.5 billion, representing 23.1 percent of total deposits in depository institutions in the state.

(2) North Dakota

FBS is the third largest depository institution in North Dakota, controlling deposits of $633.8 million, representing 7.2 percent of total deposits in depository institutions in North Dakota. MFC is the largest depository institution in North Dakota, controlling deposits of $1.4 billion, representing approximately 16.4 percent of total deposits in depository institutions in North Dakota. Upon consummation of this proposal, FBS will become the largest depository institution in North Dakota, controlling $2.1 billion in deposits, representing approximately 23.7 percent of total deposits in depository institutions in the state.

(3) South Dakota

FBS controls the fourth largest depository institution in South Dakota, with $432.1 million in deposits, representing 3.7 percent of total deposits in depository institutions in South Dakota. MFC is the 12th largest depository institution in South Dakota, controlling deposits of $195.7 million, representing approximately 1.7 percent of total deposits in depository institutions in South Dakota. Upon consummation of this proposal, FBS would become the third largest depository institution in South Dakota, controlling $627.9 million in deposits, representing approximately 5.4 percent of total deposits in depository institutions in the state.

(4) Wisconsin

FBS controls the 16th largest depository institution in Wisconsin, with deposits of $500 million, representing less than 1 percent of total deposits in depository institutions in Wisconsin. MFC is the 165th largest depository institution in Wisconsin, controlling deposits of $100 million, representing less than 1 percent of total deposits in depository institutions in Wisconsin. Upon consummation of this proposal, FBS would control the 15th largest depository institution in Wisconsin, with deposits of $600 million, representing approximately 1 percent of total deposits in depository institutions in the state.

Mercantile Bancorporation Inc.
St. Louis, Missouri

Order Approving Application to Acquire a Savings Association

Mercantile Bancorporation Inc., St. Louis, Missouri ("Mercantile"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire UNSL Financial Corporation, Lebanon, Missouri ("UNSL"), and thereby indirectly acquire UNSL's savings association subsidiary, United Savings Bank, Lebanon, Missouri ("Savings Bank").[1]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 47,143 (1994)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

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

Mercantile, with consolidated assets of $12.4 billion, controls subsidiary banks in Illinois, Kansas, and Missouri.[4] Mercantile is the second largest depository institution in Missouri, controlling deposits of $7.6 billion in Missouri, representing approximately 11.6 percent of total deposits in depository institutions in the state.[5] Savings Bank is the 18th largest depository institution in Missouri, controlling deposits of $368.3 million, representing less than 1 percent of total deposits in the state. Upon consummation of this proposal, Mercantile would remain the second largest depository institution in Missouri, controlling deposits of $8 billion that represent approximately 12.1 percent of the total deposits in depository institutions in the state.

Competitive Considerations

Mercantile and UNSL compete directly in the Phelps County, Aurora/Monett, Boone County, Camden/Miller Counties, Lafayette County, Morgan County, and Springfield banking markets, all in Missouri. In all but the Phelps County banking market, consummation of the proposal would not exceed the Department of Justice guidelines, and a number of competitors would remain in each of these markets.[6]

In the Phelps County banking market,[7] Mercantile is the third largest of eight depository institutions, controlling deposits of $56.6 million, representing approximately 17.4 percent of the total deposits in depository institutions in the market ("market deposits").[8] Savings Bank is the sixth largest depository institution in the market, controlling $17.8 million in deposits, representing approximately 5.5 percent of market deposits. Upon consummation of this proposal, Mercantile would become the largest depository institution in the Phelps County banking market, controlling $92.1 million in deposits, representing 26.9 percent of total

1. Mercantile will acquire Savings Bank by merger of UNSL with Mercantile's wholly owned subsidiary, Ameribanc, Inc., St. Louis, Missouri, and operate Savings Bank as a separate subsidiary.

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

3. Savings Bank engages in certain insurance and real estate activities that are impermissible for bank holding companies under the BHC Act. Mercantile has committed that all impermissible insurance activities will be divested or terminated within two years of consummation of the proposal and during this two-year period, insurance activities will be limited to renewals of existing policies and those insurance activities permitted under section 4(c)(8) of the BHC Act. Mercantile also has committed that all impermissible real estate activities will be divested or terminated within two years of consummation of the proposal, that no new impermissible projects or investments will be undertaken during the period, and that capital adequacy guidelines will be met excluding specified real estate investments. Mercantile also has committed that any impermissible securities activities conducted by Savings Bank will cease on or before consummation of the proposal.

4. Asset data are as of September 30, 1994.

5. State data are as of June 30, 1993, and are adjusted to reflect bank holding company acquisitions approved and consummated through August 12, 1994. In this context, depository institutions includes commercial banks, savings banks, and savings associations.

6. After consummation of this proposal, the post-merger Herfindahl–Hirschman Index ("HHI") would rise by 62 to 1441 in the Aurora/Monett banking market; increase by 81 to 1903 in the Camden/Miller Counties banking market; increase by 13 to 1423 in the Lafayette County banking market; increase by 7 to 4245 in the Morgan County banking market; and increase by 14 to 1317 in the Springfield banking market. In the Boone County banking market, the HHI would not increase.

7. The Phelps County banking market is approximated by Phelps County, Missouri.

8. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Because the deposits of Savings Bank would be transferred to a commercial bank under this proposal, those deposits are included at 100 percent in the calculation of *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669 (1990).

market deposits. The HHI would increase by 227 points to 2179.[9]

A number of factors indicate that the increase in the concentration level in the Phelps County banking market, as measured by the HHI, tends to overstate the competitive effects of this proposal. For example, six competitors would remain in the Phelps County banking market, including the largest banking organization and the largest thrift institution in Missouri.[10] In addition, the market is attractive for entry to new competitors. For example, population and income data indicate that the market's per capita income and population per banking office are higher than average for rural counties in Missouri.[11] Moreover, entry by out-of-state bank holding companies into a Missouri banking market is permitted under Missouri law.[12]

As in other cases, the Board sought comments from the United States Attorney General, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision on the competitive effects of this proposal. Neither the Attorney General nor any federal bank regulator has objected to this proposal.

For the reasons discussed above, and based on all the facts of record, the Board concludes that consummation of this proposal would not have significantly adverse effects on competition or on the concentration of resources in any relevant banking market in which Mercantile and Savings Bank compete.

Other Considerations

The financial and managerial resources of UNSL, Mercantile, and their respective subsidiaries are consistent with approval. In addition, the record does not indicate that the consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that are not likely to be outweighed by the public benefits of this proposal. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval.

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval of this proposal is specifically conditioned on compliance by Mercantile with the commitments made in connection with this application, including all the terms of its divestiture commitments. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b)(3) of Regulation Y (12 C.F.R. 225.7 and 225.23(b)), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. For the purpose of this action, the commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective December 5, 1994.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

National Bank of Canada
Montreal, Quebec, Canada

Order Approving the Operation of a Savings Association

National Bank of Canada, Montreal, Quebec, Canada ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to engage *de novo* through its indirect subsidiary, Natbank, F.S.B., Pompano

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

10. Boatmen's Bancshares Inc., St. Louis, Missouri, the largest banking organization in the state, with $11.7 billion in total deposits, and Roosevelt Bank, a Federal Savings Bank, St. Louis, Missouri, the largest thrift organization in the state, with total deposits of $5.3 billion, both operate in the market.

11. 1990 population and 1989 income data indicate Phelps County has per capita income of $10,531 compared to an average of $9,560 for all rural areas of the state, and it has 2,900 people per banking office, compared to an average of 2,600 for all rural counties in Missouri. Population data are from U.S. Census Bureau estimates and income data are from the U.S. Department of Commerce, "City and County Book 1994" (13th edition).

12. Missouri's interstate banking statute permits out-of-state bank holding companies in eight adjacent states to acquire banking organizations in Missouri on a reciprocal basis. Mo. Ann. Stat. § 362.925 (Vernon Supp. 1994).

Beach, Florida ("Natbank"), in the operation of a savings association pursuant to section 225.25(b)(9) of the Board's Regulation Y (12 C.F.R. 225.25(b)(9)).[1]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 59,778 (1994)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

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

Applicant, with total consolidated assets of $43.6 billion (Canadian), is the sixth largest banking organization in Canada.[2] In the United States, Applicant operates branches in New York, New York, and Chicago, Illinois; agencies in Atlanta, Georgia, and Los Angeles, California; and representative offices in Buffalo, New York, and Dallas, Texas.

Applicant and Natbank do not compete directly in any banking market. Accordingly, consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market. The record in this case also indicates that the financial and managerial resources of Applicant and its subsidiaries and Natbank are consistent with approval.

Based on all the facts of record, the Board finds that consummation of this proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that are not likely to be outweighed by the public benefits, such as increased competition and added convenience, that are expected from this proposal. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of the application.

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by Applicant with all the commitments made in connection with this application. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b)(3) of Regulation Y (12 C.F.R. 225.7 and 225.23(b)), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, the commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective December 5, 1994.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

1. Applicant proposes to establish a wholly owned intermediate savings and loan holding company subsidiary, NatBC Holding Corporation, Wilmington, Delaware, which in turn will own all the shares of Natbank.

2. Asset data are as of July 31, 1994.

Stichting Prioriteit ABN AMRO Holding
Stichting Administratiekantoor ABN AMRO Holding
ABN AMRO Holding N.V.
ABN AMRO Bank N.V.

All of Amsterdam, The Netherlands

ABN AMRO North America, Inc.
Chicago, Illinois

Order Approving an Application to Engage in Underwriting and Dealing in Bank-Ineligible Securities on a Limited Basis

Stichting Prioriteit ABN AMRO Holding, Stichting Administratiekantoor ABN AMRO Holding, and ABN AMRO Holding N.V., all of Amsterdam, The Netherlands, foreign banking organizations subject to the Bank Holding Company Act ("BHC Act"); and ABN AMRO Bank N.V., Amsterdam, The Netherlands ("ABN AMRO Bank"), and ABN AMRO North America, Inc., Chicago, Illinois, bank holding companies within the meaning of the BHC Act (collectively referred to as "Applicant"), have each applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to engage *de novo* indirectly through

ABN AMRO Securities (USA) Inc., New York, New York ("Company"), in underwriting and dealing in, to a limited extent, all types of debt and equity securities. These securities would include, without limitation, corporate debt securities; sovereign debt securities; securities issued by a trust or other vehicle secured by or representing interests in debt obligations; preferred stock; common stock; American Depositary Receipts; securities convertible into equity securities; and other direct and indirect equity ownership interests in corporations and other entities, but not including ownership interests in open-end investment companies.[1] Company proposes to conduct these activities worldwide.

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 40,650 (1993)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets of $286.9 billion,[2] controls nine depository institutions[3] in Illinois and one commercial bank in New York. ABN AMRO Bank operates branches in Boston, Massachusetts; Chicago, Illinois; New York, New York; Pittsburgh, Pennsylvania; and Seattle, Washington; and operates agencies in Atlanta, Georgia; Miami, Florida; Houston, Texas; and Los Angeles and San Francisco, California.

Company currently is engaged in limited bank-ineligible securities[4] underwriting and dealing activities that are permissible under section 20 of the Glass–Steagall Act (12 U.S.C. § 377).[5] Company is, and will continue to be, a broker-dealer registered with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*) and is a member of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, Company is subject to the record-keeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934, the SEC, and the NASD.

The Board has determined that, subject to the prudential framework of limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, or other adverse effects ("section 20 firewalls"), the proposed activities of underwriting and dealing in bank-ineligible securities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[6] Applicant has committed that Company will conduct the proposed underwriting and dealing activities using the same methods and procedures and subject to the same prudential limitations as were established by the Board in the Section 20 Orders.[7]

1. In connection with this proposal, Applicant intends to transfer to Company certain securities-related activities currently being conducted by LaSalle National Bank, Applicant's commercial bank subsidiary located in Chicago, Illinois ("LaSalle"). In particular, Applicant intends to transfer certain underwriting and dealing, securities brokerage and riskless principal activities from LaSalle to Company. Applicant also would transfer the government securities trading activities of the U.S. offices of ABN AMRO Bank to Company.

The Board notes that Company may engage in activities that are necessary incidents to the proposed underwriting and dealing activities, provided they are treated as part of the bank-ineligible securities activities, unless Company has received specific approval under section 4(c)(8) of the BHC Act to conduct the activities independently. Until such approval is obtained, any revenues from the incidental activities must be counted as ineligible revenues subject to the 10 percent revenue limitation.

2. Asset data are as of June 30, 1994.

3. In this context, depository institutions include commercial banks, savings banks, and savings associations.

4. As used in this order, "bank-ineligible securities" refers to all types of debt and equity securities that a bank may not underwrite or deal in directly under section 16 of the Glass–Steagall Act (12 U.S.C. § 24(7)).

5. Company currently has authority to conduct a variety of securities-related activities, including:

(1) Underwriting and dealing in securities that state member banks are authorized to underwrite and deal in under sections 5(c) and 16 of the Glass–Steagall Act (12 U.S.C. §§ 335 and 24(7)), pursuant to section 225.25(b)(16) of Regulation Y (12 C.F.R. 225.25(b)(16));

(2) Underwriting and dealing in, on a limited basis, certain municipal revenue bonds, 1–4 family mortgage-backed securities, commercial paper, and consumer receivable-related securities;

(3) Providing securities brokerage and investment advisory services, on both a separate and combined basis, pursuant to sections 225.25(b)(4) and (b)(15) of Regulation Y (12 C.F.R. 225.25(b)(4) and (b)(15));

(4) Acting as agent in the private placement of all types of securities, and providing related advisory services; and

(5) Buying and selling all types of securities on customer order as a "riskless principal."

See Stichting Amro and Amsterdam-Rotterdam Bank, N.V., 76 *Federal Reserve Bulletin* 682 (1990); and *Algemene Bank Nederland, N.V., and A.B.N. Stichting*, 75 *Federal Reserve Bulletin* 842 (1989).

6. *See Canadian Imperial Bank of Commerce, et al.*, 76 *Federal Reserve Bulletin* 158 (1990); *J.P. Morgan & Co. Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industries Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990); *Citicorp, et al.*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir. 1988), *cert. denied*, 486 U.S. 1059 (1988) (collectively, "Section 20 Orders").

In addition, to address potential conflicts of interests arising from Company's conduct of full-service brokerage activities together with underwriting and dealing in bank-ineligible securities, Applicant has committed that whenever Company provides full-service brokerage services with respect to ineligible securities that it holds as principal, Company will inform its customers at the commencement of the relationship that, as a general matter, Company may be a principal or may be engaged in underwriting with respect to, or may purchase from an affiliate, those securities for which brokerage and advisory services are provided. In addition, at the time any brokerage order is taken, the customer will be informed (usually orally) whether Company is acting as agent or principal with respect to a security. Confirmations sent to customers also will state whether Company is acting as agent or principal. *See PNC Financial Corp.*, 75 *Federal Reserve Bulletin* 396 (1989). Company will not conduct its full-service brokerage activities from the premises of affiliated banks.

7. Applicant proposes that its subsidiary banks act as a riskless principal or broker for customers in buying and selling bank-eligible securities that Company underwrites or deals in. There would be no employees in common between Company and any of its bank affiliates. In addition, Company's arrangement to sell bank-eligible securities through affiliated banks would not involve any exclusive arrangements. Moreover, Company's role in underwriting or dealing in the securities brokered by affiliates would be fully disclosed to the affiliates' brokerage customers, and all such brokerage transactions would be conducted on an arm's-length basis. The Board previously has determined that these activities are consistent with the Glass–Steagall Act. *See BankAmerica Corporation*, 79 *Federal Reserve Bulletin* 1163 (1993). The Board also notes that the sale by a financial institution of uninsured investment products, such as bank-eligible securities, must comply

The Board also has determined that the conduct of these securities underwriting and dealing activities is consistent with section 20 of the Glass–Steagall Act (12 U.S.C. § 377), provided that the company engaged in the underwriting and dealing activities derives no more than 10 percent of its total gross revenue from underwriting and dealing in bank-ineligible securities over any two-year period.[8] Applicant has committed that Company will conduct its underwriting and dealing activities in bank-ineligible securities subject to the 10 percent revenue test.[9]

The Board has reviewed the capitalization of Applicant and Company in accordance with the standards set forth in the Section 20 Orders, and finds the capitalization of each to be consistent with approval.[10] With respect to the capitalization of Company, this determination is based upon all the facts of record, including Applicant's projections of the volume of Company's underwriting and dealing activities in bank-ineligible securities. The Federal Reserve Bank of Chicago ("Reserve Bank") has reviewed the operational and managerial infrastructure of Company, including its computer, audit, and accounting systems, and internal risk management procedures and controls with respect to the proposed underwriting and dealing in debt and equity securities. The Reserve Bank has determined that Company has established an adequate operational and managerial infrastructure for underwriting and dealing in all types of debt and equity securities to ensure compliance with the requirements of the Section 20 Orders. On the basis of the Reserve Bank's review and all the facts of record, the Board has determined that Company has in place the managerial and operational infrastructure and other policies and procedures necessary to comply with the requirements of the Section 20 Orders and this order. Accordingly, the Board concludes that financial and managerial considerations are consistent with approval of the proposal for Company to underwrite and deal in all types of debt and equity securities on a limited basis.

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

Accordingly, and for the reasons set forth in the Section 20 Orders, the Board concludes that Applicant's proposal to

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with applicable regulations and guidelines of the institution's primary federal regulator.

Company proposes to engage in securities borrowing and lending transactions and/or bonds borrowed transactions with affiliates or third parties ("bonds borrowed transactions"). The Board has previously permitted bank holding company subsidiaries to engage, as part of their permissible securities brokerage and securities credit activities, in lending and borrowing securities that an affiliated bank holds on behalf of customers. *See The Chase Manhattan Corporation*, 69 *Federal Reserve Bulletin* 725 (1983); *Canadian Imperial Bank of Commerce*, 74 *Federal Reserve Bulletin* 571 (1988); *see also Saban, S.A.*, 78 *Federal Reserve Bulletin* 955 (1992). Company would conduct all bonds borrowed transactions in accordance with the Board's policy statement on securities lending activities (1 F.R.R.S. 3–1579.5), and Company would not engage in bonds borrowed transactions with Applicant or its nonbank subsidiaries. Moreover, Company would not borrow securities from any customer custodial account over which a U.S. affiliate or branch exercises trustee powers. Applicant has committed that neither it nor any subsidiary, branch or agency of Applicant will directly or indirectly guarantee or indemnify any customers against losses arising from Company's nonperformance in connection with any bonds borrowed transactions, including Company's failure to return borrowed securities.

8. *See* Section 20 Orders. Compliance with the 10 percent revenue limitation shall be calculated in accordance with the method stated in the Section 20 Orders, as modified by the Order Approving Modifications to the Section 20 Orders, 75 *Federal Reserve Bulletin* 751 (1989); the Order Approving Modifications to the Section 20 Orders, 79 *Federal Reserve Bulletin* 226 (1993); and the Supplement to Order Approving Modifications to Section 20 Orders, 79 *Federal Reserve Bulletin* 360 (1993) (collectively, "Modification Orders"). The Board notes that Applicant has not adopted the Board's alternative indexed-revenue test to measure compliance with the 10 percent limitation on bank-ineligible securities activities, and, absent such election, will continue to employ the Board's original 10 percent revenue test.

9. Company also proposes to act as a dealer-manager in connection with cash tender and exchange offer transactions. *See Chemical Banking Corporation*, 80 *Federal Reserve Bulletin* 49, 50 n.5 (1994). Dealer-managers generally act as agent for tender or exchange offerors in arranging or facilitating mergers, acquisitions, and other corporate transactions. All-cash tender offers do not, themselves, involve the issuance, public sale, or distribution of securities. Accordingly, all revenues derived from Company acting as a dealer-manager in connection with such tender offers may be treated by Company as eligible revenue for purposes of determining compliance with the Board's 10 percent limitation on bank-ineligible securities activities.

However, exchange offers may entail the public sale or distribution of securities when the consideration to be paid for the securities to be acquired comprises, either in whole or in part, securities of the purchaser. *See Piper v. Chris-Craft Industries, Inc.*, 430 U.S. 1, 22 (1976); Federal Reserve System (In Re Bankers Trust and Louisiana Land Company), SEC No-Action Letter (May 18, 1984); 5 Loss & Seligman, *Securities Regulation* 2129 (1990). Accordingly, dealer-manager revenues derived from Company engaging in a securities underwriting, or revenues tied to a distribution of securities, must be treated as ineligible revenue for purposes of determining compliance with the Board's 10 percent limitation on bank-ineligible securities activities. Applicant has committed that Company will abide by all the section 20 firewalls when acting as a dealer-manager in connection with exchange offers (including partial cash tender/partial exchange offers), or when engaging in dealer-manager activities performed in connection with any underwriting or dealing activities.

10. The Board notes that Applicant's capital ratios satisfy applicable risk-based standards established under the Basle Accord, and are considered equivalent to the capital levels that would be required of a U.S. banking organization.

engage through Company in the proposed underwriting and dealing activities is consistent with the Glass–Steagall Act, and is so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act, provided that Applicant limits Company's activities as specified in this order and the Section 20 Orders, as modified by the Modification Orders.

On the basis of the record, the Board has determined to, and hereby does, approve these applications subject to all the terms and conditions discussed in this order and in the Section 20 Orders, as modified by the Modification Orders. The Board's approval of this proposal extends only to activities conducted within the limitations of those orders and this order, including the Board's reservation of authority to establish additional limitations to ensure that Company's activities are consistent with safety and soundness, conflicts of interests, and other relevant considerations under the BHC Act. Underwriting and dealing in any manner other than as approved in this order or the Section 20 Orders, as modified by the Modification Orders, is not authorized for Company.

The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b) of Regulation Y, and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments made in connection with these applications, including the commitments discussed in this order, and the conditions set forth in the above noted Board regulations and orders. These commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions, and may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective December 12, 1994.

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

WILLIAM W. WILES
Secretary of the Board

Swiss Bank Corporation
Basel, Switzerland

Order Approving Application to Engage in Underwriting and Dealing in All Types of Debt and Equity Securities on a Limited Basis, and Certain Other Securities- and Derivatives-Related Activities

Swiss Bank Corporation, Basel, Switzerland ("Swiss Bank"), a foreign bank subject to the provisions of the Bank Holding Company Act ("BHC Act"),[1] has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)):

(1) To establish a section 20 subsidiary, SBC Government Securities, Inc., New York, New York ("Company");

(2) To acquire through Company substantially all the assets and certain of the liabilities of O'Connor & Associates, Chicago, Illinois ("OCA"); and

(3) To engage through Company in a wide range of securities- and derivatives-related activities.

This application presents a number of significant issues, including:

(1) Whether certain of the proposed activities, including, in particular, proprietary trading for Company's own account in nonfinancial futures, are so closely related to banking as to be proper incidents thereto within the meaning of the BHC Act, and

(2) Whether Company's policies and practices in acting as principal and advisor in various types of derivative transactions would be adequate to mitigate the potential conflicts of interests and other potential adverse effects inherent in this proposal.

Specifically, Swiss Bank has applied to engage in the following nonbanking activities:

(1) Making, acquiring, and servicing loans and other extensions of credit for its own account and for the account of third parties, pursuant to section 225.25(b)(1) of Regulation Y;

(2) Providing various types of investment and financial advisory services, pursuant to section 225.25(b)(4) of Regulation Y;

(3) Conducting discount and full-service brokerage activities, pursuant to section 225.25(b)(15) of Regulation Y;

(4) Acting as a futures commission merchant ("FCM") for nonaffiliated persons in the execution and clearance on major commodity exchanges of futures and options on futures contracts based on bullion, foreign exchange, government securities, or certificates of deposit or other money market instruments that a bank may buy or sell in

1. Swiss Bank, a foreign bank with branches and an agency in the United States, is subject to the BHC Act by operation of section 8(a) of the International Banking Act of 1978 (12 U.S.C. § 3106(a)) ("IBA").

the cash market for its own account, and providing investment advice with respect to such contracts, pursuant to sections 225.25(b)(18) and (19) of Regulation Y;[2]

(5) Underwriting and dealing in, to a limited extent, all types of debt and equity securities (other than securities issued by open-end investment companies), including sovereign debt securities, municipal revenue bonds, mortgage-related securities, consumer receivable-related securities, commercial paper, corporate debt securities, convertible debt securities, debt securities issued by a trust or other vehicle secured by or representing interests in debt obligations, preferred stock, common stock, American Depositary Receipts, other direct and indirect equity ownership interests in corporations and other entities, and options on debt and equity securities ("bank-ineligible securities");

(6) Acting as agent in the private placement of all types of securities, and providing related advisory services;

(7) Purchasing and selling all types of securities as a "riskless principal" on the order of customers;

(8) Acting as an FCM for nonaffiliated persons in the execution and clearance on major commodity exchanges of futures and options on futures contracts based on bonds or other debt instruments, certain commodities, or stock, bond, or commodity indices, and providing investment advice with respect to such contracts;[3]

(9) Trading for its own account in gold and silver bullion, bars, rounds, and coins;

(10) Trading for its own account in foreign exchange spot, forward, futures, options, and options on futures transactions;

(11) Acting as originator, principal, agent, or broker with respect to interest rate and currency swap transactions and related swap derivative products;[4]

(12) Trading for its own account, for purposes other than hedging, in futures, options, and options on futures contracts based on certificates of deposit or other money market instruments eligible for investment by national banks;[5]

(13) Trading for its own account in platinum coin and bullion;

(14) Acting as originator, principal, agent, broker, or advisor with respect to swaps and swap derivative products, and over-the-counter option transactions, based on certain commodities, stock, bond, or commodity indices, or a hybrid of interest rates and such commodities or indices; and

(15) Trading for its own account, for purposes other than hedging, in futures, options, and options on futures contracts based on certain commodities or on stock, bond, or commodity indices.

Swiss Bank seeks approval for Company and SBC Derivatives to conduct the proposed activities throughout the United States, and plans for these entities to conduct the activities worldwide.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (59 *Federal Register* 8624, 27,274 (1994)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act. For the reasons discussed below, the Board has concluded that all the proposed activities are so closely related to banking as to be proper incidents thereto within the meaning of the BHC Act, provided that the activities are conducted in accordance with the framework and limitations hereinafter described.

Swiss Bank, with total consolidated assets of $139.3 billion, is the third largest commercial banking organization in Switzerland and the 44th largest commercial banking organization in the world.[6] In the United States, Swiss Bank operates branches in New York, New York; Chicago, Illinois; and San Francisco, California; maintains an agency in Miami, Florida; and engages through subsidiaries in a broad range of nonbanking activities. Company is, and will continue to be, a broker-dealer registered with the Securities and Exchange Commission ("SEC") and a member of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, Company is subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 (15 U.S.C.

2. Swiss Bank has proposed that both Company and a second Swiss Bank subsidiary, SBC Derivatives, Inc., Chicago, Illinois ("SBC Derivatives"), engage in the FCM and related advisory activities listed in paragraphs 4 and 8. Swiss Bank has proposed that SBC Derivatives execute and clear trades, provide advisory services, execute trades that will be given up at a customer's request to an unaffiliated FCM for clearance, and engage in clearing-only activities. Company would conduct the proposed FCM activities as a carrying broker through omnibus customer trading accounts, in addition to providing advisory services. *See Northern Trust Corporation*, 79 *Federal Reserve Bulletin* 723 (1993).

3. The specific contracts with respect to which Company and SBC Derivatives propose to conduct the activities described in paragraph 8 are listed either:

(i) In SR Letter No. 93-27 (FIS) (May 21, 1993) ("FCM SR Letter"), or

(ii) In Appendix A attached hereto.

4. As used herein, the term "swap derivative products" means caps, floors, collars, and options on swaps, caps, floors, and collars.

5. The specific contracts to be traded by Company for its own account in conducting the activities described in paragraphs 12 and 15 are listed either:

(i) In the FCM SR Letter, or

(ii) In Appendix A attached hereto.

The approval contained herein is limited to this specific proposal. Accordingly, before Company trades additional contracts for its own account, it must request and receive relief from this limitation from the Federal Reserve System.

6. Asset data are as of December 31, 1993, and use exchange rates then in effect.

§ 78a *et seq.*), the SEC, and the NASD. Company also is a primary dealer in United States government securities.[7]

Swiss Bank's proposal involves, *inter alia,* the consolidation into Company of certain activities currently conducted by OCA and two of Swiss Bank's wholly owned subsidiaries, SBC Derivatives and SBCI Swiss Bank Corporation Investment Banking Inc., New York, New York ("SBCI").[8] In connection with, and substantially contemporaneously with, this transaction, OCA proposes to acquire certain assets and liabilities of K K & Company, New York, New York ("KK").[9] Accordingly, Swiss Bank has applied for approval to acquire KK as part of this transaction.

Closely Related to Banking Standard

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity that the Board determines to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto." An activity may be deemed to be closely related to banking if it is demonstrated that:

(1) Banks generally provide the proposed services;

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

(3) Banks generally provide services that are so integrally related to the proposed services as to require their provision in a specialized form.[10]

Activities Authorized by Regulation

The Board has previously determined by regulation that certain of the proposed lending-related activities, investment and financial advisory services, securities brokerage activities, and FCM and futures advisory services are so closely related to banking as to be proper incidents thereto within the meaning of the BHC Act.[11] With one exception, Swiss Bank has committed that these activities will be conducted within the limitations established by Regulation Y and the Board's orders with respect to these activities.[12]

Underwriting and Dealing Activities

The Board has previously determined that the proposed underwriting and dealing activities involving bank-ineligible securities are so closely related to banking as to be proper incidents thereto within the meaning of section 4(c)(8) of the BHC Act, provided that the activities are conducted within the prudential framework of limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, and other adverse effects.[13] With one exception, Swiss Bank has committed that Company will conduct the proposed underwriting and dealing activities using the same methods and procedures, and subject to the same prudential limitations,

7. Company currently engages in:

(i) Underwriting and dealing in obligations of the United States and other securities that state member banks of the Federal Reserve System are authorized to underwrite and deal in under sections 5(c) and 16 of the Glass–Steagall Act (12 U.S.C. §§ 335 and 24(7)), pursuant to section 225.25(b)(16) of Regulation Y, and

(ii) Trading in futures, options, and options on futures contracts based on certain bank-eligible securities or on certain money market instruments. *See Swiss Bank Corporation,* 77 *Federal Reserve Bulletin* 759 (1991) ("*Swiss Bank 1991*").

8. OCA engages in trading, for its own account, in debt and equity securities, options on debt and equity securities, and options on stock, bond, and commodity indices. SBC Derivatives engages in foreign exchange options trading for its own account pursuant to section 4(c)(8) of the BHC Act. *See Swiss Bank Corporation,* 77 *Federal Reserve Bulletin* 126 (1991). SBCI engages in various nonbanking activities, including underwriting and dealing in corporate debt and equity securities. Swiss Bank controls SBCI pursuant to the grandfather provisions of section 8(c) of the IBA (12 U.S.C. § 3106(c)). SBCI would cease to exist upon consummation of this proposal, and Swiss Bank's grandfather rights relating to SBCI would end.

9. KK engages in executing securities transactions for third party customers.

10. *See National Courier Association v. Board of Governors of the Federal Reserve System,* 516 F.2d 1229, 1237 (D.C. Cir. 1975). In addition, the Board may consider any other basis that may demonstrate that the proposed activity has a reasonable or close connection or relationship to banking or managing or controlling banks. *See* Board Statement Regarding Regulation Y, 49 *Federal Register* 806 (1984); *Securities Industry Association v. Board of Governors of the Federal Reserve System,* 468 U.S. 207, 210–211 n.5 (1984).

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

12. *See id.* Swiss Bank has committed that Company's lending-related activities would be conducted in conformity with the prudential limitations governing credit extensions applicable to Company's proposed underwriting and dealing activities, and that Swiss Bank would adopt procedures to ensure that these activities are conducted in a manner that complies with the anti-tying restrictions of the BHC Act and Regulation Y. *See* 12 U.S.C. §§ 1971 and 1972; 12 C.F.R. 225.7. In order to address potential conflicts of interests arising from Company's conduct of securities brokerage and advisory activities combined with underwriting and dealing in bank-ineligible securities, Swiss Bank has committed that Company would comply with the customer disclosure requirements established by the Board in previous cases and with the Board's supervisory guidance in this area. *See PNC Financial Corp.,* 75 *Federal Reserve Bulletin* 396 (1989) ("*PNC Financial*"). *See also* SR Letter No. 93–69 (FIS) (December 20, 1993) (current supervisory guidance). Swiss Bank also has committed that the FCM and futures advisory services of Company and SBC Derivatives, including the proposed clearing-only and omnibus account activities, would be conducted in a manner consistent with the risk management and other conditions established by the Board in previous cases approving such FCM and advisory activities. *See, e.g., Northern Trust Corporation,* 79 *Federal Reserve Bulletin* 723 (1993); *Commerzbank Aktiengesellschaft,* 79 *Federal Reserve Bulletin* 961 (1993). The exception in this case to the limitations imposed in prior applications relates to potential conflicts of interests with respect to the proposed FCM activities, and is discussed below under the heading *"Potential Conflicts of Interests and Related Risks"*.

13. *See Canadian Imperial Bank of Commerce, et al.,* 76 *Federal Reserve Bulletin* 158 (1990) ("CIBC"); *J.P. Morgan & Co. Incorporated, et al.,* 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industries Ass'n v. Board of Governors of the Federal Reserve System,* 900 F.2d 360 (D.C. Cir. 1990) ("*Morgan*"); *Citicorp, et al.,* 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System,* 839 F.2d 47 (2d Cir. 1988), *cert. den.,* 486 U.S. 1059 (1988) (collectively, "Section 20 Orders").

as were established by the Board in the Section 20 Orders and other previous cases.[14]

The Board also has previously determined that the conduct of the proposed underwriting and dealing activities is consistent with section 20 of the Glass–Steagall Act (12 U.S.C. § 377), provided that the company engaged in the underwriting and dealing activities derives no more than 10 percent of its total gross revenues from underwriting and dealing in bank-ineligible securities over any two-year period.[15] Swiss Bank has committed that Company will conduct its underwriting and dealing activities with respect to bank-ineligible securities subject to this 10 percent revenue test.[16]

Private Placement and Riskless Principal Activities

The Board has previously determined that the proposed private placement and riskless principal activities are so closely related to banking as to be proper incidents thereto within the meaning of section 4(c)(8) of the BHC Act, provided that the activities are conducted within the prudential framework of limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, and other adverse effects.[17] The Board also has previously determined that acting as agent in the private placement of securities, and purchasing and selling securities on the order of customers as a riskless principal, do not constitute underwriting or dealing in securities for purposes of section 20 of the Glass–Steagall Act when conducted in the manner established in prior orders, and, accordingly, that revenues derived from these activities are not subject to the 10 percent revenue limitation on bank-ineligible securities activities.[18] Swiss Bank has committed that Company will conduct its private placement and riskless principal activities using the same methods and procedures, and subject to the same prudential limitations, as were established by the Board in *Bankers Trust* and *J.P. Morgan.* These methods, procedures, and prudential limitations include the comprehensive framework of restrictions designed to avoid potential conflicts of interests, unsound banking practices, and other adverse effects imposed by the Board in cases involving underwriting and dealing in bank-ineligible securities.

Additional FCM and Futures Advisory Activities

In addition to the FCM and related advisory services discussed above, Swiss Bank has proposed that SBC Derivatives and Company act as FCM for, and provide advisory services to, nonaffiliated persons in connection with the purchase and sale of futures and options on futures contracts based on bonds or other debt instruments, certain commodities, or stock, bond, or commodity indices. The commitments and limitations noted above with respect to the proposed FCM and futures advisory activities described in Regulation Y also would apply to these proposed activities.

Most of the contracts for which SBC Derivatives and Company propose to provide these services, and the exchanges on which these contracts are traded, have previously been approved by the Board or the Federal Reserve System.[19] These previously approved contracts and exchanges either were listed in the FCM SR Letter or have

14. The exception relates to the condition established in the Section 20 Orders, as modified for foreign banking organizations, requiring that the U.S. offices of such organizations establish policies, procedures, and limitations regarding the combined exposure of such offices to the customers of the underwriting subsidiary. *See CIBC, supra, 76 Federal Reserve Bulletin* at 171 (Condition 12). Swiss Bank has proposed to establish these policies, procedures, and limitations worldwide on a consolidated basis. This proposal is identical to the condition imposed by the Board in the Section 20 Orders involving domestic banking organizations. *See Morgan, supra, 75 Federal Reserve Bulletin* at 215 (Condition 12). For this reason, and because the narrower condition imposed on foreign organizations was designed only to limit the extraterritorial effect of the Section 20 Orders, the Board believes that Swiss Bank's proposed modification to the section 20 prudential framework is consistent with the purposes of that framework, and should be permitted.

15. *See* Section 20 Orders. Compliance with the 10 percent revenue limitation shall be calculated in accordance with the method stated in the Section 20 Orders, as modified by the *Order Approving Modifications to the Section 20 Orders, 75 Federal Reserve Bulletin* 751 (1989), the *Order Approving Modifications to the Section 20 Orders, 79 Federal Reserve Bulletin* 226 (1993), and the *Supplement to Order Approving Modifications to Section 20 Orders, 79 Federal Reserve Bulletin* 360 (1993) (collectively, "Modification Orders"). The Board notes that Swiss Bank has elected to use the Board's alternative indexed revenue test to measure compliance with the 10 percent limitation on bank-ineligible securities activities.

16. Swiss Bank also has proposed that Company engage in other activities in connection with the proposed underwriting and dealing activities, including certain risk management and securities lending activities. The securities lending activities would be conducted in conformity with the Board's Regulation T (12 C.F.R. Part 220) and the Board's Policy Statement on Securities Lending Activities (I F.R.R.S. 3-1579.5). In addition, these activities would be conducted in accordance with the section 20 prudential framework.

Swiss Bank maintains that these additional activities are incidental to the proposed underwriting and dealing activities. The Board notes that Company may provide services that are necessary incidents to the proposed underwriting and dealing activities, provided that any activities conducted as a necessary incident to the bank-ineligible securities activities must be treated as part of the bank-ineligible securities activities, unless Company has received specific approval under section 4(c)(8) of the BHC Act to conduct the activities independently. Until such approval is obtained, any revenues from the incidental activities must be counted as ineligible revenues subject to the 10 percent revenue limitation set forth in the Section 20 Orders, as modified by the Modification Orders. The Board notes that this order approves, under section 4(c)(8) of the BHC Act, Company's conduct of certain transactions that may be used for risk management purposes. Accordingly, revenues from such transactions may be treated as eligible revenues for purposes of the 10 percent revenue limitation, except, as discussed below, to the extent that such transactions themselves constitute underwriting or dealing in ineligible securities, or provide for the delivery of ineligible securities.

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

18. *See Bankers Trust.*

19. Swiss Bank has committed that any expansion of these futures-related activities to additional instruments or exchanges would be undertaken in accordance with the procedures set forth in the FCM SR Letter.

since been approved by Board order[20] or pursuant to the expedited procedures established in the FCM SR Letter.

The only proposed contracts not previously considered by the Federal Reserve System are Options on Eurotop 100 Index Futures, to be traded on the Commodity Exchange, Inc.[21] ("Eurotop Contracts"), and the One-Month Canadian Bankers Acceptance Futures, to be traded on The Montreal Exchange ("Bankers Acceptance Futures"). These contracts are based on a financial instrument, or a broad-based financial index, and are comparable to contracts previously considered by the Federal Reserve System. In particular, these contracts have essentially the same terms, and serve the same functions, as futures and options contracts for which FCM and related advisory services have been approved by the Board under section 4(c)(8) of the BHC Act. In addition, the Board believes that the skills necessary to engage in providing FCM and futures advisory services with respect to these contracts are virtually indistinguishable from those employed in providing such services with respect to contracts previously approved. In light of these considerations, the Board believes that the reasoning employed in earlier cases involving FCM and futures advisory services for similar instruments is also applicable to these contracts. Accordingly, the Board has concluded that providing FCM and related advisory services with respect to the Eurotop Contracts and the Bankers Acceptance Futures is closely related to banking within the meaning of section 4(c)(8) of the BHC Act.

Swiss Bank also has proposed that Company and SBC Derivatives engage in FCM and futures advisory activities with respect to contracts based on non-financial commodities (in particular, certain petroleum products and commodity indices). The Board has previously determined that these activities are so closely related to banking as to be proper incidents thereto, provided that the activities are conducted in conformity with certain limitations and conditions designed to ensure, *inter alia,* that these activities are conducted consistently with sound banking practices and that the subsidiary conducting these activities does not engage in trading non-financial contracts as principal.[22] With one exception, Swiss Bank has committed that Company and SBC Derivatives would conduct the proposed activities involving non-financial contracts in accordance with the limitations established in prior cases.[23]

Certain Precious Metals and Foreign Exchange Activities

Swiss Bank also has proposed that Company trade for its own account in gold and silver bullion, bars, rounds, and coins, and in foreign exchange spot, forward, futures, options, and options on futures transactions. The Board has previously determined by order that the proposed precious metals trading activities are closely related to banking and permissible for bank holding companies under section 4(c)(8) of the BHC Act.[24] The Board also has previously approved trading for one's own account in foreign exchange spot transactions,[25] and, subject to certain limitations and commitments, in foreign exchange forward, futures, options, and options on futures transactions.[26] Swiss Bank has committed that Company will conduct its foreign exchange trading activities within the limitations established by the Board in previous cases.[27]

Interest Rate and Currency Swap Activities

Under this proposal, Company also would act as originator, principal, agent, or broker with respect to interest rate and currency swap transactions and related swap derivative products.[28] The Board has previously determined that these activities are closely related to banking within the meaning

20. *See Bank of Montreal, et al.,* 79 *Federal Reserve Bulletin* 1049 (1993) and *J.P. Morgan & Co. Incorporated,* 80 *Federal Reserve Bulletin* 151 (1994) (approving FCM and advisory activities with respect to certain petroleum-based contracts traded on the New York Mercantile Exchange).

21. The Board notes that earlier this year, the Commodity Exchange, Inc. merged with the New York Mercantile Exchange. These two exchanges, however, have not yet fully consolidated their operational rules and procedures. Accordingly, the Board has considered this proposal in light of the exchange rules currently applicable to the proposed instruments.

22. *See Bank of Montreal, et al.,* 79 *Federal Reserve Bulletin* 1049 (1993); *J.P. Morgan & Co. Incorporated,* 80 *Federal Reserve Bulletin* 151 (1994).

23. As noted previously, Swiss Bank has proposed for Company to trade non-financial futures and options contracts for its own account, and, accordingly, Swiss Bank has not committed that Company would refrain from trading these contracts as principal. For the reasons discussed below, the Board believes that the proposal for Company to trade these contracts for its own account, in addition to providing FCM and advisory services with respect to these contracts, is consistent with the closely related to banking and proper incident to banking standards set forth in the BHC Act. Accordingly, the Board has determined that Company may conduct its proposed FCM and futures advisory activities with respect to contracts based on non-financial commodities without complying with the condition imposed in previous cases that it not trade such instruments for its own account.

24. *See Midland Bank PLC,* 76 *Federal Reserve Bulletin* 860 (1990) ("*Midland*").

25. *See Midland, supra; The Long-Term Credit Bank of Japan, Limited,* 74 *Federal Reserve Bulletin* 573 (1988).

26. *See The Long-Term Credit Bank of Japan, Limited,* 79 *Federal Reserve Bulletin* 347 (1993) ("*LTCB 1993*").

27. *See LTCB 1993, supra.*

28. Company also would provide advisory services for these transactions to the extent authorized by Regulation Y. *See* 12 C.F.R. 225.25(b)(4)(vi)(A)(2). Swiss Bank has indicated, with respect to Company's proposed derivatives activities, that Company would act as a principal primarily in exchange-traded futures, options, and options on futures transactions and in options transactions executed in the over-the-counter market. For other types of over-the-counter derivative contracts, such as swaps and swap derivative products, Company would act primarily as an agent, broker, or advisor in transactions in which an affiliate (usually Swiss Bank or a branch thereof) would act as counterparty principal. In some instances, however, Company may act as a principal in swap transactions, or as an agent or advisor for exchange-traded contracts. Accordingly, the application seeks authority for Company to engage in a full range of principal, agency, and advisory activities with respect to a wide variety of both exchange-traded and over-the-counter derivative transactions.

of the BHC Act.[29] Swiss Bank has committed that Company will conduct these swap-related activities in a manner similar to proposals previously approved by the Board.[30]

Trading Futures and Options on Bank-Eligible Instruments

The Board has previously authorized Company to trade for its own account, for purposes other than hedging, in futures, options, and options on futures contracts based on U.S. government securities that are permissible investments for national banks, and similar contracts based on certain money market instruments.[31] Swiss Bank has proposed that Company now be permitted to trade in all futures, options, and options on futures contracts based on certificates of deposit or other money market instruments that are permissible investments for national banks.

In *Swiss Bank 1991,* the Board noted that the proposed trading in contracts based on money market instruments would require a market judgment on interest rates. The Board also noted that banks, through their core lending and funding activities, have developed expertise in judging interest rates and predicting future price movements. For these reasons, and because the proposal would not authorize Company to trade derivative contracts based on securities or instruments that a state member bank could not purchase for its own account, the Board determined that the proposed trading activity was closely related to banking within the meaning of section 4(c)(8) of the BHC Act. The Board believes that the same reasoning applies to this expanded proposal. Moreover, the Board notes that the Office of the Comptroller of the Currency ("OCC") has determined that trading in futures and options contracts based on bank-eligible securities or instruments is an activity within the legally authorized powers of national banks.[32] For the foregoing reasons, the Board has determined that the proposed trading activity is conducted by banks, and is operationally and functionally so similar to activities conducted by banks that banks are particularly well equipped to engage in the proposed activity. Accordingly, the Board has concluded that trading for one's own account, for purposes other than hedging, in futures, options, and options on futures contracts based on certificates of deposit or other money market instruments that are permissible investments for national banks is an activity closely related to banking within the meaning of section 4(c)(8) of the BHC Act.

29. *See The Long-Term Credit Bank of Japan, Limited,* 79 *Federal Reserve Bulletin* 345 (1993).

30. The differences between this case and earlier applications relate to Swiss Bank's proposal for Company to engage in unmatched swap transactions, and are discussed below under the heading *"Risk Management Policies and Procedures".*

31. *See Swiss Bank 1991, supra.*

32. *See OCC Interpretive Letter No. 494* (December 20, 1989), reprinted in Federal Banking Law Reporter (CCH) ¶ 83,083 (January 26, 1990).

Trading Platinum Coin and Bullion

Swiss Bank also has proposed that Company trade platinum coin and bullion for its own account.[33] The OCC has determined that a national bank may engage in this activity.[34] The New York State Banking Department ("NYSBD") also has authorized platinum trading for state-chartered banks under its jurisdiction.[35] On the basis of the foregoing, the Board has concluded that Company's proposed trading of platinum coin and bullion for its own account is an activity conducted by banks, and, therefore, is closely related to banking within the meaning of section 4(c)(8) of the BHC Act.

Additional Swap-Related Activities

Swiss Bank also has proposed that Company act as originator, principal, agent, broker, or advisor with respect to swaps and swap derivative products, and over-the-counter option transactions, based on certain commodities, stock, bond, or commodity indices, or a hybrid of interest rates and such commodities or indices ("commodity and index swap transactions").[36] The Board has not previously determined that these activities, other than certain advisory services with respect to transactions based on economic or financial indices,[37] are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[38]

33. The Board has not previously determined that this activity is closely related to banking within the meaning of section 4(c)(8) of the BHC Act. The Board has determined, however, that the purchase and sale of platinum coins that function as legal tender is an activity closely related to banking, and, therefore, permissible for bank holding companies. *See National City Corporation,* 80 *Federal Reserve Bulletin* 346 (1994); *Standard Chartered PLC,* 76 *Federal Reserve Bulletin* 681 (1990). The Board also has approved, under Regulation K, trading in platinum by bank holding company subsidiaries located abroad. *See Republic National Bank of New York,* 80 *Federal Reserve Bulletin* 177 (1994); *J.P. Morgan & Co. Inc.,* 76 *Federal Reserve Bulletin* 552 (1990).

34. *See* 12 U.S.C. § 24(7); *OCC Interpretive Letter No. 553* (May 2, 1991), reprinted in Federal Banking Law Reporter (CCH) ¶ 83,300 (May 31, 1991). In reaching this determination, the OCC relied, in part, on the fact that several countries had recently introduced platinum coins.

35. *See* Letter from David T. Halvorson, First Deputy Superintendent of Banks, to Jeffrey D. Haroldson, Esq., Milbank, Tweed, Hadley & McCloy (May 22, 1991). The NYSBD based this decision in part on characteristics shared by platinum, gold, and silver that serve to distinguish these products from base metals and other commodities. In particular, the NYSBD noted that all three metals are perceived by market participants as having intrinsic value, resulting in their use for investment purposes and as hedges against political and financial uncertainties. In addition, it was noted that all three precious metals share similarly structured trading markets and common major market participants.

36. The commitments described above with respect to interest rate and currency swap transactions and related swap derivative products also would apply to these proposed activities.

37. *See* 12 C.F.R. 225.25(b)(4)(vi)(A)(2).

38. As noted previously, the Board has determined, by order or regulation, that acting as an originator, principal, broker, agent, or advisor with respect to interest rate and currency swaps and swap derivative products relating thereto ("financial swap transactions") are activities closely related to banking, and, therefore, permissible for bank holding companies under section 4(c)(8) of the BHC Act. *See* 12 C.F.R. 225.25(b)(4)(vi)(A)(2); *The Long-Term Credit Bank of Japan, Limited,* 79 *Federal Reserve Bulletin* 345

Swiss Bank expects that Company's commodity and index swap transactions would be based on a variety of stock and bond indices of the type previously approved in connection with proposed FCM activities (or a specially tailored basket of securities selected by the parties) ("index transactions"), or upon precious metals and energy products or related commodity indices ("commodity transactions"), and would include hybrid transactions based upon a combination of interest rates and such indices or commodities.[39]

The OCC has permitted national banks to engage in activities involving matched and unmatched commodity and index swap transactions (including related swap derivative products and over-the-counter options).[40] The NYSBD also has approved these activities for state-chartered banks under its jurisdiction.[41] In addition, the Board permits state member banks, to the extent consistent with their state charters, to enter into perfectly matched commodity and index swap transactions, and the Federal Reserve Bank of New York, acting pursuant to delegated authority, has approved proposals by state member banks to engage in such activities on an unmatched basis.[42]

For the foregoing reasons, and on the basis of all the facts of record, the Board has determined that engaging in commodity and index swap transactions is an activity conducted by banks.[43] Accordingly, the Board has concluded that these proposed activities are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[44]

Trading Futures and Options on Commodities and Indices

Swiss Bank also has proposed that Company engage in trading for its own account, for purposes other than hedging, in futures, options, and options on futures contracts based on certain commodities or on stock, bond, or commodity indices — transactions which have not been ex-

(1993); *The Sumitomo Bank, Limited,* 75 *Federal Reserve Bulletin* 582 (1989).

39. Swiss Bank has stated that the index transactions and commodity transactions that Company would enter into would provide for cash payments based on the underlying assets, rates, or indices, and, in general, would not provide for delivery of any security or commodity. Swiss Bank has indicated, however, that commodity transactions may provide for physical delivery of the underlying commodities. Swiss Bank has stated that Company would not enter into energy-related contracts calling for physical delivery, but may enter into such arrangements in contracts based upon precious metals (in particular, gold, silver, and platinum). In addition, while index transactions may be structured in a manner that provides for delivery of securities, Swiss Bank has stated that it is unlikely that Company would enter into any such contract. In this regard, the Board believes that revenues derived from any transaction that provides for delivery of ineligible securities, or from any transaction that itself constitutes underwriting or dealing in ineligible securities, should be treated as ineligible revenues for purposes of calculating compliance with the Board's 10 percent revenue limitation on bank-ineligible securities underwriting and dealing activities. The Board also notes that delivery in any securities-based transaction would be subject to the limits on acquisitions of securities contained in the BHC Act and the Board's related policies and interpretations, including the Policy Statement on Nonvoting Equity Investments by Bank Holding Companies (12 C.F.R. 225.143).

40. *See, e.g., OCC Interpretive Letter* (September 13, 1994), from Douglas E. Harris, Senior Deputy Comptroller for Capital Markets, to Carl Howard, Esq., Citibank, N.A.; *OCC Interpretive Letter No. 632* (June 30, 1993); *OCC Interpretive Letter* (May 13, 1992), from Jimmy F. Barton, Deputy Comptroller of the Currency, to Carl Howard, Esq., Citibank, N.A.; *OCC Interpretive Letter* (March 2, 1992), from Horace G. Sneed, Senior Attorney, to Jeffrey S. Lillien, Esq., The First National Bank of Chicago; *OCC No-Objection Letter No. 90-1* (February 16, 1990), reprinted in Federal Banking Law Reporter (CCH) ¶ 83,095 (March 23, 1990); *OCC No-Objection Letter No. 87-5* (July 20, 1987), reprinted in Federal Banking Law Reporter (CCH) ¶ 84,034 (August 21, 1987).

41. *See, e.g.,* Letter dated August 11, 1989, from David T. Halvorson, First Deputy Superintendent, to Edmund P. Rogers, III, Esq., Morgan Guaranty Trust Company of New York; Letter dated November 14, 1988, from David T. Halvorson, First Deputy Superintendent, to Anthony J. Horan, Esq., Bankers Trust Company.

42. *See* 12 C.F.R. 208.128; Letters dated June 30, 1994, from John S. Cassidy, Assistant Vice President, to Philip Levy, Chemical Bank, Guy C. Dempsey, Jr., Bankers Trust Company, and Shirin Emami, J.P. Morgan & Co. Incorporated.

43. The Board also believes that commodity and index swap transactions are operationally, structurally, and functionally similar to financial swap transactions. Both types of swaps represent privately negotiated financial transactions in which parties agree to exchange specified payment streams over time according to a predetermined formula. For example, the basic structure of an interest rate swap is an exchange between two counterparties of the payment streams that arise out of differing interest payment obligations calculated on the basis of an agreed-upon notional principal amount. In a commodity or index swap transaction, the parties exchange payment streams based on a notional principal amount and the prices of certain commodities, or the values of or returns on certain securities or indices of securities, or a combination of these and other financial measures such as interest rates. The parties to both types of transactions enter into these contracts to meet various common investment objectives, including taking positions in the market for the underlying assets for investment purposes, limiting one's exposure to market uncertainties and future price fluctuations, and preserving principal while participating in the potential returns of a particular financial market or economic sector. Because a swap or swap derivative product is negotiated between the parties, the economic terms of the transaction — including the duration of the contract, the notional principal amount, the method of calculating and frequency of payments, and the underlying assets, rates, or indices upon which the payments are to be based — may be individually tailored to the specific financial goals and risk-sensitivities of the counterparties. In addition, banks and other intermediaries play a similar role in both commodity and index swap transactions and financial swap transactions. All these contracts represent forms of financial intermediation in which banks have historically engaged.

44. As noted previously, Swiss Bank has proposed that Company provide advisory, agency, and brokerage services with respect to commodity and index swap transactions. The Board believes that the authority of banks to conduct these activities may be implicit in or incidental to their authority to engage in these transactions as principal. The Board also notes that, in acting as principal in these transactions, banks are able to develop a familiarity and expertise with respect to the structure and economic effects of these transactions that should equip them particularly well to provide related advisory, agency, or brokerage services. Moreover, banks have been expressly authorized to provide advisory, execution, and other services with respect to exchange-traded futures and options on futures contracts based on financial and non-financial commodities. *See OCC Interpretive Letter No. 494* (December 20, 1989), reprinted in Federal Banking Law Reporter (CCH) ¶ 83,083 (January 26, 1990). These exchange-traded transactions are used for similar purposes as the over-the-counter transactions for which Swiss Bank proposes that Company render advisory, agency, and brokerage services. The pricing bases for, economic effects of, and risks presented by the two types of transactions also are similar in important respects. For these reasons, and on the basis of all the facts of record, the Board has determined that these proposed activities with respect to commodity and index swap transactions are activities conducted by banks, or are operationally and functionally so similar to activities conducted by banks that banks are particularly well equipped to engage in the proposed activities. Accordingly, the Board has concluded that these proposed activities are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.

pressly authorized for banks. In general, the instruments to be traded are the same as those previously approved by the Board in considering FCM and futures advisory activities of bank holding company subsidiaries,[45] such as crude oil futures, Standard & Poor's 500 Stock Price Index Futures, and municipal bond index futures.[46] Swiss Bank proposes to go beyond furnishing FCM and related advisory services, however, and seeks authority for Company to trade these instruments for its own account. Swiss Bank has indicated that Company's trading activities would include arbitrage operations, market-making for customer accommodation purposes, and proprietary trading (or taking positions for investment purposes), as well as hedging transactions.

The Board has not previously approved this trading activity, with respect to these instruments, for bank holding companies or their subsidiaries under section 4(c)(8) of the BHC Act.[47] Moreover, neither the Board nor other banking regulators have expressly permitted banks to trade these instruments for their own accounts for purposes other than hedging.[48] Notwithstanding the fact that transactions in these instruments have not been authorized for banks (other than for hedging purposes), the Board believes that these trading activities are closely related to banking within the meaning of section 4(c)(8) of the BHC Act. The Board notes that banks engage in activities with respect to the instruments in question that are similar or related to the proposed trading activities, and that they engage in trading activities for the same purposes with respect to similar instruments, including both exchange-traded contracts based on bank-eligible securities and instruments and over-the-counter transactions based on commodities and various indices.

Banking organizations have substantial experience with respect to exchange-traded derivative transactions based on commodities or on commodity or securities indices. As discussed previously, banks are permitted to engage in over-the-counter customer transactions based on these commodities and indices. In connection with these customer transactions, banks and other financial intermediaries often enter into hedging transactions on various exchanges. Moreover, banks provide execution, clearance, and advisory services to third parties with respect to these exchange-traded transactions. As an incident to such hedging, execution, advisory, or other activities, an intermediary may become involved in market-making activities in order to secure overall market liquidity and to ensure competitive prices and adequate information for itself and its customers. From that position, the intermediary would be particularly well equipped to trade these instruments for arbitrage and other profit-seeking purposes. In this sense, the proposed trading activities may be seen as a natural outgrowth of traditional intermediation services.

In addition, there are important similarities between the proposed instruments and transactions that have been authorized for banks for non-hedging purposes. In particular, the proposed exchange-traded contracts are operationally, economically, and structurally similar to transactions permissible for banks. The process of trading a futures contract based on heating oil, or a stock index, does not differ substantially from that of trading a futures contract based on U.S. government securities. Moreover, the pricing bases for, and economic effects of, exchange-traded futures and options contracts are similar to those of over-the-counter derivative transactions that are based on the same commod-

45. *See, e.g., Bank of Montreal, et al.,* 79 *Federal Reserve Bulletin* 1049 (1993); *J.P. Morgan & Co. Incorporated,* 80 *Federal Reserve Bulletin* 151 (1994). *See generally* FCM SR Letter.

46. Exchange-traded instruments based on commodities such as crude oil may provide for delivery of the underlying commodity at the expiration of the contract. Swiss Bank has stated, however, that Company does not intend to take delivery, and would pursue a number of steps to avoid delivery, for any commodity contract not based on a precious metal (in particular, gold, silver, and platinum). Steps to be taken to avoid delivery would include closing positions in expiring contracts during trading periods and engaging in exchange-for-physical transactions after the close of trading. In addition, the record indicates that, in general, only a very small percentage of the historical volume of any particular commodity futures contract has resulted in actual physical delivery. Accordingly, as a condition of approval of this application, Swiss Bank may not take delivery of these commodities except in unusual circumstances. In this regard, whenever Swiss Bank takes delivery of any such commodity, Swiss Bank shall notify the Federal Reserve System and divest itself of the commodity promptly. In light of these considerations, the Board believes that these contracts may be viewed as financial instruments despite the possibility that trading in these contracts could result in the delivery and ownership of commodities that banking organizations are generally not permitted to hold. The Board also notes that, with respect to Company's proposed exchange-traded transactions based on an index of securities or commodities, Swiss Bank has indicated that such transactions would be settled with cash and would not provide for delivery of the underlying securities or commodities.

47. As noted above, however, the Board has approved acting as an FCM, and providing advisory services, with respect to the instruments to be traded. The Board also has approved similar trading with respect to contracts based on U.S. government securities or money market instruments that are eligible for investment by national banks. *See Swiss Bank Corporation,* 77 *Federal Reserve Bulletin* 759 (1991). In addition, the Board has recognized the utility of trading in futures and other instruments for purposes of hedging the market exposure resulting from the other trading activities of a section 20 subsidiary, and has indicated that these bank holding company subsidiaries may engage in such risk management transactions as are a necessary incident to their underwriting and dealing activities. *See First Chicago Corporation,* 80 *Federal Reserve Bulletin* 449 (1994).

48. For example, the Office of the Comptroller of the Currency has permitted national banks to enter into futures and options transactions based on commodities or ineligible securities in order to manage the risks arising from their permissible banking activities (for example, swap transactions based on such impermissible assets), but has not permitted national banks to purchase futures and options based on nonfinancial commodities or ineligible securities for investment purposes. *See, e.g., OCC Interpretive Letter* (September 13, 1994), from Douglas E. Harris, Senior Deputy Comptroller for Capital Markets, to Carl Howard, Esq., Citibank, N.A.; *OCC Interpretive Letter No. 632* (June 30, 1993). The New York State Banking Department, similarly, has permitted state-chartered banks under its jurisdiction to engage in these transactions, but only to hedge exposure resulting from permissible banking activities. *See, e.g.,* Letter dated August 11, 1989, from David T. Halvorson, First Deputy Superintendent, to Edmund P. Rogers, III, Esq., Morgan Guaranty Trust Company of New York; Letter dated November 14, 1988, from David T. Halvorson, First Deputy Superintendent, to Anthony J. Horan, Esq., Bankers Trust Company.

ities and indices.[49] In addition, an exchange-traded contract may be structurally similar to specific types of permissible over-the-counter transactions, in particular, forward or option contracts that are privately negotiated between counterparties.

Finally, the Board believes that many of the risks inherent in the proposed trading activities are similar to those encountered by banks that engage in swaps and other permissible transactions. Hence, conducting the proposed trading activity would require analytical skills, risk management policies, procedures, and techniques, and computer and operations systems similar to those developed by banks for engaging in those permissible transactions. Moreover, this similarity of risk indicates that the risks of the proposed trading activity can be managed adequately, if the organization in question possesses the requisite expertise and conducts the activity subject to appropriate policies, procedures, systems, and controls. Accordingly, the Board believes that some banking organizations have developed a special expertise that would equip them particularly well to engage in this type of transaction in a safe and sound manner.

For the foregoing reasons, and on the basis of all the facts of record, the Board has determined that the proposed activity is functionally and operationally so similar to activities conducted by banks that banking organizations are particularly well equipped to engage in the proposed activity. Accordingly, the Board has concluded that trading for one's own account, for purposes other than hedging, in futures, options, and options on futures contracts based on certain commodities, or on stock, bond, or commodity indices, is an activity closely related to banking within the meaning of section 4(c)(8) of the BHC Act.

Proper Incident to Banking Standard and Other Considerations

In every case under section 4(c)(8) of the BHC Act, the Board considers the financial and managerial resources of the applicant and its subsidiaries and the effect of the transaction upon those resources.[50] In considering these factors, the Board has noted that Swiss Bank's capital ratios satisfy applicable risk-based standards established under the Basle Accord, and are considered equivalent to the capital levels that would be required of a U.S. banking organization. The Board also has reviewed the capitalization of Swiss Bank and Company in accordance with the standards set forth in the Section 20 Orders, and finds the capitalization of each to be consistent with approval of this proposal. This determination on the capitalization of Company is based on all the facts of record, including related commitments and representations made by Swiss Bank. On the basis of all the facts of record, including the foregoing, the Board has concluded that these financial and managerial considerations are consistent with approval of this proposal.

In order to approve this application, the Board also must determine that the activities are a proper incident to banking, that is, that the performance of the proposed activities by Company "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8). The Board expects that consummation of this proposal should provide added convenience to Swiss Bank's customers by expanding the range of securities and capital markets products, as well as hedging and other risk management services, that are available to such customers. In addition, the Board expects that the conduct of the proposed activities by Company and SBC Derivatives, particularly those activities not now conducted by OCA, will increase the level of competition among existing providers of those services.

In considering the potential adverse effects of this proposal, the Board has found that there is no evidence in the record to indicate that consummation of the proposal would result in an undue concentration of resources or any substantial decrease in competition. As discussed in further detail below, the Board also believes that, in light of all the facts of record, considerations relating to potential unfair competition, conflicts of interests, and unsound banking practices are consistent with approval of this application.

Potential Unfair Competition. After consummation of this proposal, Swiss Bank will retain two nonbanking subsidiaries in the United States that operate pursuant to the grandfather provisions of the IBA.[51] In order to mitigate the potential unfair competition in the United States that could result from a foreign banking organization's combining activities permissible under section 4(c)(8) of the BHC Act with activities not permissible for domestic banking organizations, Swiss Bank has committed that Futures and PMI will remain completely separate from its section 4(c)(8) subsidiaries, and will not engage in any business with or on behalf of such subsidiaries (or *vice versa*). Swiss Bank also has made a number of specific commitments relating to the

49. Parties also enter into the proposed futures and options transactions for reasons similar to those that lead them to enter into commodity- or index-based swap transactions, as well as futures and options transactions based on bank-eligible securities or instruments. These common purposes include taking positions in the market for the underlying product for investment purposes, utilizing arbitrage opportunities between the spot (or cash) and futures markets, limiting exposure resulting from transactions in related financial instruments, and managing the risk arising from a party's dealings in the assets on which the derivative transactions are based.

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

51. *See* 12 U.S.C. § 3106(c). These two remaining grandfathered subsidiaries are SBCI Futures Inc. ("Futures"), which engages in certain FCM activities, and SBC Portfolio Management International, Inc. ("PMI"), which engages in certain investment advisory activities.

businesses proposed to be conducted by these subsidiaries that are designed to confirm and reflect the complete separation of its section 4(c)(8) subsidiaries from its grandfathered subsidiaries.[52] The Board believes that these commitments are adequate to mitigate any potential unfair competition that could result from this aspect of the proposal.

Potential Conflicts of Interest and Related Risks. Swiss Bank has proposed that Company act as principal in a number of different types of transactions — including securities dealing transactions, exchange-traded futures and options on futures contracts, and swap and other over-the-counter derivative transactions — for which Company or SBC Derivatives may also provide advisory services. In reviewing this proposal under the proper incident to banking standard of the BHC Act, the Board has carefully considered the potential conflicts of interests, and related legal and reputational risks, that could result from this proposed combination of advisory and proprietary trading activities, as well as the steps proposed by Swiss Bank to mitigate these potential conflicts and risks. Swiss Bank has made commitments relating to the sophistication of its advisory customers, and the disclosures that would be made to those customers concerning the trading activities of Company and its affiliates, that the Board has relied on in previous cases presenting similar potential conflicts.[53]

In addition, the Board has reviewed the policies, systems, internal controls, and operational procedures established by Swiss Bank for Company's derivatives trading operations in light of the Board's policies in this area. The Board has previously stated that sound business practices require banking organizations to take steps to ascertain the character and financial sophistication of their counterparties, including efforts to ensure that counterparties understand the nature of and risks inherent in contemplated transactions, and to ensure that recommendations to customers are based on adequate information about the customer.[54] The Board has carefully considered information provided by Swiss Bank concerning the manner in which Company's business would be conducted, including information relating to:

(1) "Know your customer" policies,

(2) Criteria for recommending and entering into transactions,

(3) Disclosures and explanations provided to customers concerning particular transactions and risks,

(4) Internal controls on approval of transactions and other matters,

(5) Education of customers and employees, in general,

(6) Management of customer relationships,

(7) Pricing methodologies,

(8) Internal review of transactions by senior management and internal compliance personnel, and related systems and procedures, and

(9) Compensation of traders and salespeople.

On the basis of this review and all the facts of record, the Board believes that the policies, procedures, systems, and controls established by Swiss Bank are consistent with the Board's existing policies and guidance in this area and are adequate to minimize the potential conflicts of interests, and related legal and reputational risks, presented by this proposal. Swiss Bank has committed to conduct this business in conformity with current supervisory guidance and to notify the Federal Reserve System, and provide a reasonable opportunity for comment, before altering the manner in which this business is conducted if it would render inaccurate information furnished to the Board with respect to these matters.

The Board notes that it may provide additional guidance concerning these matters in the future. Accordingly, Swiss Bank also has committed to conduct this business in conformity with any future supervisory or examination policies or guidance issued by the Board concerning a banking organization's conduct of a derivatives business, including policies or guidance with respect to customer transactions, trading and marketing practices and policies, and related systems and controls.

Risk Management Policies and Procedures. In reviewing this proposal under the proper incident to banking standard of section 4(c)(8) of the BHC Act, the Board also has carefully considered the risk management policies, procedures, systems, and controls proposed for Company, with

52. These commitments are substantially similar to commitments relied on by the Board in previous applications by foreign banking organizations that control grandfathered subsidiaries in the United States. *See Deutsche Bank AG*, 79 *Federal Reserve Bulletin* 133, 139–141 (1993).

53. *See, e.g., PNC Financial, supra* (combination of full-service securities brokerage activities with securities underwriting and dealing activities); *The Long-Term Credit Bank of Japan, Limited*, 79 *Federal Reserve Bulletin* 345 (1993) (trading and advisory activities relating to swap transactions). *See also* 12 C.F.R. 225.25(b)(4)(vi)(A)(2), (B), and (C). Swiss Bank has proposed that Company trade for its own account, for purposes other than hedging, in the same futures contracts and options on futures contracts for which it proposes to offer FCM and advisory services to third parties. This combination of activities has not previously been approved for bank holding company subsidiaries. *See* 12 C.F.R. 225.25(b)(18)(ii) and (19)(i). In order to minimize the potential conflicts of interests arising from this combination of activities, Swiss Bank has provided a number of commitments, including a commitment that Company will disclose to each customer it advises the fact that Company may be trading for its own account in the same contracts. In addition, Company's advisory services would be offered only to sophisticated institutional customers that would be better able to detect advice that is motivated by self-interest. Swiss Bank has provided similar commitments with respect to Company's other FCM activities, as well as the activities of SBC Derivatives. Swiss Bank also has indicated that there would be no interaction between Company's trading personnel and its personnel engaged in FCM and futures advisory activities. In addition, the only interaction between Company's trading personnel and the personnel of SBC Derivatives engaged in FCM and futures advisory services will be in connection with the execution and clearance by SBC Derivatives of trades made by Company for its own account. The Board believes that these commitments, in light of all the other facts of record, are adequate to assist Swiss Bank in complying with the Board's supervisory policies and guidance in this area and to mitigate the potential conflicts of interests and related risks arising from the proposed combination of own-account trading activities with FCM and related advisory services.

54. *See* SR Letter No. 93–69 (FIS) (December 20, 1993).

particular attention to the market and other risks inherent in the proposed derivatives trading activities. In reviewing these matters, the Board has noted that Swiss Bank, Company, and OCA have substantial experience in trading derivative products based on interest rates, foreign exchange, debt and equity securities, and other assets and indices. As noted previously, OCA currently engages in trading for its own account in options on debt and equity securities and options on stock, bond, and commodity indices. OCA acts as a Specialist, market maker, or registered options trader on various exchanges and as a NASDAQ market maker in the over-the-counter market. Company and SBC Derivatives currently engage in a variety of derivatives trading activities based on foreign exchange, U.S. government securities, and money market instruments. The record of this application also indicates that Swiss Bank has substantial experience in trading derivative products based on foreign exchange and money market instruments, precious metals and other commodities, and debt and equity securities.

The Board also has noted that, as a registered broker-dealer, Company must comply with the SEC's net capital rule.[55] In addition, as a section 20 subsidiary, Company would be subject to the comprehensive framework of prudential limitations established by the Board in the Section 20 Orders, including minimum capital requirements for Company and Swiss Bank and restrictions designed to insulate affiliated depository institutions from the risks of the proposed activities.[56] Moreover, Swiss Bank has made a number of commitments relating to management of the risks inherent in derivatives trading activities that are similar to commitments relied upon by the Board in prior cases involving proposals to engage in swap and other derivative transactions.[57] Swiss Bank also has represented that the proposed derivatives trading activities are not expected to constitute an excessively large part of Company's overall business, and that Company's derivative positions would bear a reasonable relationship to its aggregate asset portfolio.

In addition, the Board has carefully reviewed the risk management policies, procedures, systems, and controls to be utilized by Company in conducting and monitoring the proposed activities. These policies and other risk management structures systems are currently in place and have been used in connection with Company's existing securities business and related derivatives activities, and should assist in minimizing the likelihood of significant losses that could result from the activities that are the subject of this application.

Credit limits for any particular counterparty are established by Swiss Bank's Credit Committee after extensive analysis of the counterparty's financial strength, and are reviewed periodically, and more frequently when warranted by possible changes in a counterparty's financial condition. Counterparty credit risk guidelines, applicable to all Swiss Bank affiliates engaged in derivatives trading activities, also have been established by senior management personnel of Swiss Bank, with the participation of the bank's Credit Committee. Every transaction must conform to Swiss Bank's credit policies, and a computerized credit risk monitoring system would be used to determine whether a proposed transaction is within the credit available to the counterparty in question. Transactions are entered into this monitoring system on a real-time basis, thereby causing a recalculation of credit use and availability for the counterparty. In addition, market values are updated overnight, resulting in a daily recalculation of replacement values for all transactions. This monitoring system produces limit excess reports that are reviewed at least daily by senior credit risk management personnel.

With respect to market risk, senior management personnel of Swiss Bank have adopted written policies and risk limits for each derivative product traded by Company. Traditional volume restrictions are supplemented by loss limits, which set trading limits in terms of the maximum potential loss to be allowed in any trading book. Loss limits have been established both for Company and for the consolidated organization. Swiss Bank has stated that specific measurable limits would be adopted for each relevant risk exposure in the

55. *See* 15 C.F.R. 240.15c3–1. Company also would be required to comply with any further requirements that may result from its status as a primary dealer of U.S. government securities.

56. In connection with this section 20 application, Company also has been subject to an infrastructure review by the Federal Reserve Bank of New York that evaluated the adequacy of Company's risk management policies, procedures, systems, and controls in light of the activities proposed to be conducted by Company.

57. In particular, Swiss Bank has provided commitments relied on in previous cases concerning the management and monitoring of the risks presented by these activities. These commitments include matters relating to credit risk, market risk, and operational risk, as well as the roles of senior management and auditing personnel in establishing and ensuring compliance with risk limits and risk management policies and procedures. *See The Long-Term Credit Bank of Japan, Limited,* 79 *Federal Reserve Bulletin* 345 (1993). In past cases, however, the Board also has relied upon commitments and representations to the effect that the subsidiary conducting the swap-related activities would seek to match all the transactions in which it is a principal, and would hedge any unmatched positions pending a suitable match. Company's proposed risk management procedures differ from these methods in that Company would engage as principal in these swap and related transactions on an unmatched basis. The Board believes, however, that the proposal for Company to engage in these transactions on an unmatched basis does not alter the permissibility of the activity under the closely related to banking and proper incident to banking standards of the BHC Act. In this regard, the Board notes that both the OCC and the Board permit banks under their respective jurisdictions to engage in interest rate and currency swap transactions on both a matched and unmatched basis. *See OCC No-Objection Letter No. 90–1* (February 16, 1990), reprinted in Federal Banking Law Reporter (CCH) ¶ 83,095 (March 23, 1990), and *OCC No-Objection Letter No. 87–5* (July 20, 1987), reprinted in Federal Banking Law Reporter (CCH) ¶ 84,034 (August 21, 1987) (national banks); 12 C.F.R. 208.128 (state member banks). Swiss Bank also has committed to conduct this business in conformity with any present or future supervisory or examination policies or guidance issued by the Board concerning a banking organization's conduct of a derivatives business, including policies or guidance with respect to risk management policies and procedures and related systems and controls.

trading operation.[58] In effect, these loss limits express and establish the market risk that Swiss Bank is willing to bear, overall and in any particular portfolio, as measured by risk parameters that reflect historical market movements observed during periods of market disruption and unusual volatility.[59] To assist in compliance with these limits, Company would utilize a portfolio risk management strategy that contemplates two levels of hedging: an initial hedge, in each case, of the directional risk attendant on a specific transaction; and subsequent, ongoing hedging of the entire portfolio in order to maintain all risk attributes within acceptable levels.[60] Market risk limits are reviewed annually, and can be reduced at any time as market conditions warrant.

Throughout the day, transactions are entered into the trading operation's computerized market risk control system upon execution, and market prices are updated continuously, thereby permitting the real-time, on-line monitoring of market risk by risk control staff. Each trade thus can be reviewed promptly by risk managers, including with respect to the trade's impact on the overall portfolio. Risk control reports produced by the computer system are monitored and reviewed throughout the day by portfolio and risk managers, and are reviewed daily by the global risk management group in Switzerland to ensure compliance with bank-approved market risk limits. Risk control reports are produced both in hard copy and on computer screens, and are balanced with back office accounting systems for position and profit and loss purposes. These reports provide risk managers with information concerning exposure to each measured risk in the portfolio, and are the basis for all risk management decisions. Using these reports, senior risk managers monitor loss limits constantly and adjust the risk attributes of each trading book to avoid exceeding such limits. In the event that a limit is exceeded, risk managers take immediate steps to adjust the relevant trading book to desired risk levels.

Portfolio and product risk managers are in contact with trading personnel throughout the day, beginning with a morning meeting in which the portfolio is reviewed and risk managers discuss the specific risk attributes to be adjusted during the course of the trading session. These instructions are adjusted throughout the session to reflect changes in the portfolio or in market conditions. Company also has established policies and procedures designed to ensure that traders and risk managers comply with all trading limits. Profits from a nonconforming transaction would be removed from the trading book, thereby eliminating any incentive to exceed limits, and any trader or risk manager exceeding risk limits more than once would be subject to disciplinary sanctions, including dismissal. In addition, once a trader has effected a transaction and the resulting position becomes a part of Company's overall portfolio, control over the position is transferred from the trader to risk managers responsible for monitoring and managing the risk attributes of the portfolio.

Operations risk, similarly, is mitigated by extensive review and monitoring of Company's trading operation, including the policies, procedures, systems, and controls discussed above. Swiss Bank has stated that Company would maintain a comprehensive set of front office and back office procedures, including constant verification of trade data by back-office personnel, for position and profit and loss balancing to ensure that all positions are properly recorded and understood by risk managers and the global risk control group. In addition, senior management would serve a control function over trading operations by monitoring adherence to established risk limits through analysis of periodic reports that are produced at least daily. Moreover, a department independent of Company's traders would be responsible for monitoring compliance by risk managers and traders with all of Company's risk management procedures. Swiss Bank also has stated that Company's risk management systems would be tested periodically, both by comparing actual with simulated profitability to ensure model integrity and by evaluating the reasonableness of the assumptions underlying established risk parameters.

The Board recognizes that the proposed derivatives trading activities present substantial risks requiring that, in order to conduct such activities in a safe and sound manner, Swiss Bank and Company must establish sophisticated and comprehensive risk management policies and procedures and related computer and accounting systems and internal controls, and must employ personnel with expertise sufficient to implement and adhere to these systemic protections. The Board has conducted a careful and thorough review of these matters in considering this proposal, and, on the basis of all the facts of record, including the foregoing, the Board believes that Company's risk management policies, procedures, systems, and controls include the principal components of an effective risk management system capable of monitoring and controlling the risks inherent in the proposed activities, and that the record in this case indicates that Company intends to be operated in a manner consistent with sound banking practices.[61]

58. Swiss Bank has indicated that risk is measured independently for each trading area without assuming any correlation between business sectors, and that the risk exposure for the entire portfolio is computed as the sum of the individual risk exposures for each area. Swiss Bank maintains that this technique is very conservative because it is equivalent to assuming that a worst-case scenario occurs simultaneously in each business sector.

59. Company's hedging strategies would rely upon both historical volatility measures and implied volatility calculated daily on the basis of closing option prices.

60. In addition, Swiss Bank has indicated that the proposed derivatives activities will be integrated with Company's trading operations in the underlying securities markets and other cash markets, and will not function as an independent unit seeking separate profits solely from the derivatives markets.

61. In this regard, the Board notes that the record in this case also indicates that the risk management policies and procedures of Swiss Bank and Company would address the other risks, including legal risks, liquidity risks, and delivery risks, inherent in the proposed derivatives trading operations. The

On the basis of the foregoing and all the other facts of record, the Board has determined that under the framework and conditions established in this and prior decisions, consummation of this proposal is not likely to result in any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that are not outweighed by the public benefits that reasonably can be expected to ensue from this proposal. Accordingly, the Board has concluded that the balance of the public interest factors it is required to consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable, and consistent with approval of this application.

On the basis of the foregoing and all the other facts of record, including the commitments furnished by Swiss Bank, the Board has determined that the application should be, and hereby is, approved, subject to all the terms and conditions of this order and the Board's prior orders cited herein, including the Section 20 Orders, as modified by the Modification Orders. The Board's approval of this proposal extends only to activities conducted within the limitations of those orders and this order, including the Board's reservation of authority to establish additional limitations to ensure that the activities of Company and SBC Derivatives are consistent with safety and soundness, conflicts of interests, and other relevant considerations under the BHC Act. Underwriting and dealing in any manner other than as approved in this order and the Section 20 Orders is not within the scope of the Board's approval and is not authorized for Company.

Included among the conditions set forth in the Section 20 Orders is that Company may not commence the proposed underwriting and dealing activities until the Board has determined that Swiss Bank and Company have established policies and procedures to ensure compliance with the requirements of this order, including computer, audit, and accounting systems, internal risk management procedures and controls, and the necessary operational and managerial infrastructure. The Federal Reserve Bank of New York has reviewed these matters, and has determined that Company has established an operational and managerial infrastructure for underwriting and dealing in all types of debt and equity securities, including policies, procedures, systems, and controls, that is adequate to ensure compliance with the requirements of this order and the Section 20 Orders. On the basis of the Reserve Bank's review and all the facts of record, the Board has determined that Swiss Bank and Company have in place the managerial and operational infrastructure and other policies and procedures necessary to comply with the requirements of the Section 20 Orders and this order, including the commitments and conditions established in this order with respect to the conduct of Company's derivatives-related activities. Accordingly, Company may commence underwriting and dealing in all types of debt and equity securities as permitted by, and subject to the other conditions of, this order and the Section 20 Orders.

The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on:

(1) Swiss Bank's compliance with all the commitments made in connection with this application, including the commitments discussed in this order,

(2) The conduct of the proposed activities in accordance with the descriptions thereof set forth in the application and related materials, and

(3) The conditions set forth in this order and in the above-noted Board regulations and orders.

For purposes of this action, these commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law. The Board notes that compliance with the commitments made in connection with this application will be reviewed in future examinations of Company or other Swiss Bank offices or affiliates in the United States.

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

By order of the Board of Governors, effective December 23, 1994.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Board also notes that these activities have been approved for Company on the basis of all the facts of record. Accordingly, in addition to the commitments Swiss Bank has made regarding the conduct of its bank-ineligible securities underwriting and dealing and private placement activities in Company, Swiss Bank may not conduct the activities of trading derivative instruments for its own account as authorized by this order through any nonbanking subsidiary other than Company before consulting with the Federal Reserve System to determine whether prior approval would be required.

Appendix A

Chicago Mercantile Exchange

Standard & Poor's Midcap 400 Index Futures, and options thereon

Commodity Exchange, Inc.

Eurotop 100 Index Futures, and options thereon

Mercado de Productos Financieros Derivados de Renta Fija (Barcelona)

Mibor '90 Futures, and options thereon
The Montreal Exchange

One-Month Canadian Bankers Acceptance Futures
Three-Month Canadian Bankers Acceptance Futures

London International Financial Futures and Options Exchange

Three-Month Eurolira Interest Rate Futures
Italian Government Bond (BTP) Futures, and options thereon

New York Mercantile Exchange

Light Sweet Crude Oil Futures, and options thereon
New York Harbor Unleaded Gasoline Futures, and options thereon
Heating Oil Futures, and options thereon
Natural Gas Futures, and options thereon

Letter Interpreting Section 20 Orders

Letter Interpreting the Cross-Marketing Firewall and Granting Permission to Underwrite and Deal in Unrated Municipal Revenue Bonds that are Judged to be of Investment-Grade Quality

December 5, 1994

Bruce Moland
Assistant General Counsel
Norwest Corporation
Sixth and Marquette
Minneapolis, Minnesota 55479-1026

Dear Mr. Moland:

This responds to your letters requesting, on behalf of Norwest Corporation, Minneapolis, Minnesota ("Norwest"), modification of a commitment to which Norwest's section 20 company, Norwest Investment Services, Inc. ("Company"), is currently subject, to allow Company to underwrite and deal in certain unrated municipal revenue bonds. You also request that Norwest's subsidiary banks be permitted to engage in the following activities with respect to Company:

- Norwest's subsidiary banks would send materials describing Company and Company's services to their retail and commercial customers directly or as a stuffer to bank statements;
- officers and employees of Norwest's subsidiary banks would send materials and letters on bank letterhead describing Company and Company's services to their retail and commercial customers;
- Norwest's subsidiary banks would sponsor or co-sponsor with Company educational seminars to inform retail and commercial customers about investment opportunities, investment strategies, and Company's services; and
- officers and employees of Norwest's subsidiary banks would send invitations on bank letterhead inviting their customers to attend the educational seminars sponsored or co-sponsored by Norwest's subsidiary banks.

On December 20, 1989, the Board approved Norwest's application to engage, through Company, in underwriting and dealing in, to a limited extent, certain bank-ineligible securities.[1] In approving that application, the Board relied, in part, on Norwest's commitment that Company would underwrite and deal in only those municipal revenue bonds that are rated in one of the top four categories by a nationally recognized rating agency. Norwest also committed that no bank or thrift affiliate of Company would act as agent for, or engage in marketing activities on behalf of, Company.

Underwriting unrated municipal revenue bonds. Norwest has requested permission to allow Company to underwrite and deal in unrated municipal revenue bonds under certain circumstances. In this regard, Norwest has committed that Company will not underwrite or deal in any unrated municipal revenue bonds until Norwest's Capital Markets Credit staff conducts an independent credit review and determines that the securities are of investment-grade quality, and that no single issue of unrated municipal revenue bonds underwritten by Company will exceed $7.5 million. In addition, Norwest has committed that official statements and other information supplied to purchasers will state that the securities being sold are not rated; there will be no indication whatsoever that Company or Norwest deems the securities to be of investment-grade quality; and the securities will not be sold by any of Norwest's bank or nonbank subsidiaries, other than Company.

1. As used in this letter, "bank-ineligible securities" refers to securities that a bank may not underwrite or deal in directly under section 16 of the Glass–Steagall Act (12 U.S.C. § 24(Seventh)).

Based on all the facts of record, including those commitments made by Norwest in connection with this request, the Board hereby grants Norwest's request to allow Company to underwrite and deal in unrated municipal revenue bonds. In granting this request, the Board has relied on the credit evaluation packages that Norwest's Capital Markets Credit staff will use to review unrated municipal revenue bonds that Company would like to underwrite or in which Company would like to deal.

Cross-marketing. The cross-marketing limitation to which Norwest committed is intended, in part, to ensure that the bank affiliates of a section 20 company do not become involved in the underwriting, dealing, or distribution of bank-ineligible securities sold by the section 20 company. The cross-marketing restriction also is intended to ensure that the public does not link the economic fortunes of a financial institution with an affiliated section 20 company. In *J.P. Morgan & Co. Incorporated, et al.*,[2] the Board indicated that the purposes of the cross-marketing firewall do not require a complete prohibition of marketing activities, and the Board has permitted banks to act as riskless principal or broker for customers in buying and selling bank-eligible securities underwritten by, or held in the dealing portfolio of, a section 20 affiliate.[3]

Norwest has committed that bank-ineligible underwriting or dealing services offered by Company will not be mentioned or marketed in any manner in materials provided to bank customers or during educational seminars, and that bank employees who attend the educational seminars will not market or provide advice relating to bank-ineligible securities underwritten or dealt in by Company, even if seminar attendees request advice relating to such securities. As required under the firewalls, Norwest also has committed that sales literature relating to bank-ineligible securities underwritten or dealt in by Company will not be distributed by Norwest's subsidiary banks to their customers either through the mail or during educational seminars. In addition, to minimize the possibility of customer confusion, Norwest has committed that it will make certain disclosures conspicuously in all sales literature provided to bank customers either through the mail or during educational seminars.[4] These disclosures also will be made orally and in writing at the beginning of educational seminars.

In order to address the potential conflicts of interest that could arise from activities that concern the family of funds ("Norwest Funds") advised by Norwest Bank Minnesota, N.A. ("Norwest Bank") and brokered, but not underwritten, by Company, Norwest has committed that if Norwest Funds is mentioned in materials provided to bank customers or during educational seminars, then Norwest will disclose that Norwest Bank is the investment adviser for Norwest Funds, and that a detailed description of the fees received by Norwest Bank for performing these services can be found in the applicable prospectus. In addition, if a particular mutual fund advised by Norwest Bank is mentioned in materials provided to bank customers or during educational seminars, bank customers will be informed of the particular fee arrangement between Norwest Bank and the mutual fund.

Norwest also has made several commitments that address conflicts of interest and customer confusion that could arise when Company employees who participate in educational seminars sponsored or co-sponsored by Norwest's subsidiary banks market bank-ineligible securities underwritten or dealt in by Company. Norwest has committed that at the beginning of educational seminars, seminar attendees will be told which seminar participants are Company employees and which are bank employees. Norwest also has committed that before bank-ineligible securities underwritten or dealt in by Company are marketed by Company employees, seminar attendees will be informed that such securities are underwritten or dealt in by Company and not by the bank.

Norwest has made several commitments to ensure that Norwest's subsidiary banks will not have any control over Company. Norwest has committed that there will be no employees in common between Company and any of its bank affiliates or their subsidiaries; and Company will remain separately incorporated, capitalized, and funded, and will be operationally distinct from its bank affiliates. In addition, Norwest has committed that all services performed by Norwest's subsidiary banks on behalf of Company will be conducted in accordance with section 23B of the Federal Reserve Act.

Based on all the facts of record, including those commitments made by Norwest in connection with this request, Norwest's subsidiary banks may engage in the proposed cross-marketing activities consistent with the commitment made to the Board by Norwest in connection with its application to underwrite and deal in, to a limited extent, certain bank-ineligible securities. This determination is limited to the specified practices and does not permit any other types of joint marketing, advertising or selling practices between Company and its affiliated banks.

Very truly yours,

WILLIAM W. WILES
Secretary of the Board

cc: Federal Reserve Bank of Minneapolis

2. 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System, 900 F.2d 360 (D.C. Cir. 1990).*

3. *See Chemical Banking Corporation*, 80 *Federal Reserve Bulletin* 49 (1994).

4. Norwest has committed to disclose that products offered by Company are not FDIC insured, and are subject to investment risk, including the possible loss of the principal amount invested; investment products offered by Company are not deposits or other obligations of, or guaranteed by, the depository institution; Company is not a bank, and is separate from any affiliated bank; and Company is solely responsible for its contractual obligations and commitments.

Section 20 Firewall Interpretation

Order Interpreting the Cross-Marketing Limitation Applicable to Section 20 Subsidiaries

In October 1993, the Board approved an application by BankAmerica Corporation to conduct certain securities-related activities through its section 20 subsidiary.[1] In its Order, the Board interpreted the cross-marketing limitation, which prohibits bank and thrift affiliates of a section 20 company from acting as an agent for, or engaging in marketing activities on behalf of, the section 20 company. The Board stated that BankAmerica's subsidiary banks may, consistent with the cross-marketing limitation, act as a riskless principal or broker for customers in buying and selling bank-eligible securities that the section 20 company underwrites or deals in.[2]

In setting out this interpretation, the Board relied on several commitments by BankAmerica. BankAmerica committed that:

(1) its section 20 subsidiary would remain separately incorporated, capitalized, and funded, and operationally distinct from BankAmerica's subsidiary banks;

(2) there would be no employees in common between its section 20 subsidiary and any of BankAmerica's subsidiary banks or their subsidiaries;

(3) sales by its section 20 subsidiary of bank-eligible securities through BankAmerica's subsidiary banks and their subsidiaries would not involve any exclusive arrangements;[3] and

(4) the section 20 subsidiary's role in underwriting or dealing in the bank-eligible securities brokered by BankAmerica's subsidiary banks would be fully disclosed to the banks' brokerage customers and would be conducted on an arm's length basis. In addition, the banks must continue to operate in accordance with the guidelines established by the Board and the other agencies for the sale of uninsured products on bank premises.[4]

In order to relieve other bank holding companies from the burden of having to apply individually to engage in the cross-marketing activity approved in *BankAmerica*, the Board hereby clarifies that, under the circumstances relied on in *BankAmerica*, a bank or thrift or their subsidiaries may act as a riskless principal or broker for customers in buying and selling bank-eligible securities that an affiliated section 20 subsidiary underwrites or deals in, subject to the above conditions and receipt of any other necessary regulatory approvals.

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

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

WILLIAM W. WILES
Secretary of the Board

1. *BankAmerica Corporation*, 79 *Federal Reserve Bulletin* 1163 (1993) ("*BankAmerica*").

2. The term "bank-eligible securities" refers to securities that a state member bank may underwrite or deal in under sections 5(c) and 16 of the Glass–Steagall Act (12 U.S.C. §§ 335 and 24(7)).

3. In other words, the section 20 subsidiary also would sell its bank-eligible securities both directly and through other broker-dealers, and the section 20 subsidiary's bank affiliates would sell bank-eligible securities underwritten or dealt in by other broker-dealers.

4. *See* Interagency Statement on Retail Sales of Nondeposit Investment Products, February 15, 1994. Pursuant to this statement, among other things, banks engaging in retail sales of nondeposit investment products should ensure that customers are fully informed that these products:

(1) Are not FDIC-insured,

(2) Are not deposits or other obligations of the bank and are not guaranteed by the bank, and

(3) Involve investment risks, including possible loss of principal.

ORDERS ISSUED UNDER BANK MERGER ACT 1

Crestar Bank
Richmond, Virginia 3

Order Approving the Merger of Banks 4

Crestar Bank, Richmond, Virginia ("Crestar"), a state member bank, has applied under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) ("Bank Merger Act") to merge with Independent Bank, Manassas, Virginia ("Bank"). Crestar also has applied to establish branches at the present locations of Bank listed in the Appendix pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321).

Notice of the applications, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. 262.3(b)). As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation ("FDIC"). 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 the Bank Merger Act and the Federal Reserve Act.

Crestar is a wholly owned subsidiary of Crestar Financial Corporation, Richmond, Virginia ("CFC"). CFC controls total consolidated assets of $13.0 billion, and operates subsidiary banks in Virginia, Maryland, and the District of Columbia.[1] CFC is the largest commercial banking organization in Virginia, controlling approximately $9.2 billion in

1. All state banking data are as of June 30, 1994.

deposits, representing 16.0 percent of total deposits in commercial banking organizations in the state. Bank is the 63d largest commercial banking organization in Virginia, controlling deposits of $85.4 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. Upon consummation of the proposed transaction, CFC would control approximately $9.3 billion in deposits, representing 16.2 percent of total deposits in commercial banks in the state.

Crestar and Bank compete directly in the Washington, D.C. banking market.[2] CFC is the second largest of the 116 depository institutions in the market, controlling deposits of $5.1 billion, representing 11.8 percent of total deposits in depository institutions in the market ("market deposits").[3] Bank is the 48th largest depository institution in the market, controlling deposits of $85.1 million, representing less than 1 percent of the total deposits in depository institutions in the market. Upon consummation of this proposal, CFC would control $5.2 billion in deposits, representing 12.0 percent of total deposits in depository institutions in the market. The Herfindahl-Hirschman Index ("HHI") in the Washington, D.C., banking market would increase by 5 points to 930.[4] The Department of Justice has indicated that this proposal would not have a significantly adverse effect on competition, and neither the OCC nor the FDIC objected to this proposal. After considering the number of competitors remaining in the market, the small increase in concentration, and all other facts of record, the Board concludes that consummation of this proposal would not result in significantly adverse effects on competition in this market or any other relevant market.[5]

The Board also concludes that the financial and managerial resources and future prospects of Crestar and Bank, and considerations relating to the convenience and needs of the communities to be served, also are consistent with approval of this application.[6]

The Board also has reviewed the factors it is required to consider in applications for the establishment and operation of branches pursuant to the Federal Reserve Act.[7] Based on all the facts of record, the Board believes that the financial condition of Crestar, the general character of its management, and the proposed exercise of corporate powers are consistent with approval and the purposes of section 9 of the Federal Reserve Act.

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

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

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

2. The Washington, D.C., banking market is approximated by the Washington, D.C., Ranally Metro Area ("Washington RMA") and the remainder of Loudoun County, Virginia.

3. In this context, depository institutions include banks, savings banks, and savings associations. Market deposit data are as of June 30, 1993, and are based on calculations in which deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group* 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

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

5. The Board has carefully reviewed comments from an individual maintaining that this proposal would result in anticompetitive effects in Manassas and Manassas Park, Virginia, which are part of the Washington, D.C., banking market, as defined above. This commenter has not provided evidence to support a different delineation of the relevant banking market.

The Board previously has indicated that the relevant banking market must reflect the commercial and banking realities and should consist of the localized area where the banks involved offer their services and where local customers can practicably turn for alternatives. *See United States v. Philadelphia National Bank*, 374 U.S. 321, 361 (1963); *St. Joseph Valley Bank*, 68 *Federal Reserve Bulletin* 673, 674 (1982). The Board also has previously found RMA definitions to be helpful as a guide in defining relevant geographic banking markets. *See St. Joseph Valley Bank, supra*, note 5 (an RMA is defined generally as a compact area with relatively high population density that is linked by commuting, retail, and wholesale trade patterns, and by definition would include a central city or cities and all adjacent continuously built up areas, as well as certain other areas). In this regard, 1990 data from the U.S. Census Bureau indicate that 65 percent of the workers that reside in Manassas and Manassas Park, Virginia, work outside of these communities in other portions of the Washington RMA. In light of the substantial amount of commuting between Manassas, Manassas Park, and the remainder of the Washington RMA, and based on all the facts of record, the Board believes that the relevant geographic banking market is the Washington, D.C., banking market, and that the proposed merger would not have a significantly adverse effect on competition in this market.

6. The Board has carefully reviewed comments from several individuals commending the services provided by Bank and expressing concern that the acquisition of a locally controlled bank by a large multi-bank holding company would diminish the level of service at Bank. The Board notes that Crestar received an "outstanding" rating in its most recent performance examination under the Community Reinvestment Act for its activities to assist in meeting the credit needs of its entire communities, including low- and moderate-income areas. In addition, Crestar will expand the banking services available at Bank to include trust services, investment advisory services, and full-service brokerage services. Based on a review of these and other facts of record, the Board concludes that convenience and needs considerations are consistent with approval of this proposal.

7. *See* 12 U.S.C. § 322.

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

William W. Wiles
Secretary of the Board

Appendix

List of the addresses of the Branches of Independent Bank to be acquired by Crestar Bank.

Corporate Office
8751 Sudley Road
Manassas, Virginia 22110

Woodbridge Office
1708 David Ford Road
Woodbridge, Virginia 22192

Remote Drive In
8950 Mathis Avenue
Manassas, Virginia 22110

Remote Drive In
8112 Sudley Road
Manassas, Virginia 22110

Orders Issued Under International Banking Act

Banco Roberts, S.A.
Buenos Aires, Argentina

Order Approving Establishment of Representative Office

Banco Roberts, S.A. ("Bank"), Buenos Aires, Argentina, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in New York, New York. The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in New York, New York (*Wall Street Journal,* September 4 and 11, 1992). The time for filing comments has expired and the Board has considered the application and all comments received.

Bank is a commercial bank chartered in Argentina, and has total consolidated assets of approximately $1.6 billion.[1] Bank does not have any operations outside Argentina and its only subsidiary is an Argentine venture capital company. Bank's ultimate parents are Roberts S.A. Inversiones, which owns approximately 70 percent of Bank, and Midland Bank International S.A., an indirect subsidiary of HSBC Holdings plc, London, England, which owns approximately 30 percent of Bank.

The proposed representative office would engage in traditional representational functions, including acting as liaison between Bank's head office and customers in the United States, providing information regarding services offered by Bank to potential customers, and gathering business and economic information.

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

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

In this case, with respect to the issue of supervision by home country authorities, the Board has considered the following information. The Central Bank of the Republic of

1. Data are as of July 31, 1994, unless otherwise noted.

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

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

Argentina ("Central Bank") is the bank supervisory authority in Argentina and, as such, is the home country supervisor of Bank. The Central Bank has authorized Bank to establish the proposed representative office. The Central Bank performs its supervisory function through the Superintendency of Financial Entities. The Central Bank is authorized to approve and revoke bank licenses, set capital and liquidity requirements, approve the establishment of domestic or overseas offices or subsidiaries, and approve new banking activities. The Central Bank is also responsible for enforcement of laws regulating banking activities.

In approving an application by another Argentine bank, the Board noted that the Central Bank currently is in the process of making significant changes and enhancements to its system of bank supervision.[4] Under the enhanced system, the Central Bank monitors the operations and financial condition of Bank through on-site examinations and the review of required regulatory reports and external audit reports. Bank is subject to two types of on-site reviews, *comprehensive inspections and partial inspections.* Comprehensive inspections include a review of internal controls, credit policy, portfolio risk, capital and reserve requirements, transactions with related institutions, and foreign exchange operations and foreign currency transactions. Comprehensive inspections also include an evaluation of management's ability to operate the bank in a safe and sound manner. Partial inspections have a more specific scope and are used to evaluate potential weaknesses that need immediate attention. Bank is scheduled to receive a comprehensive inspection every year.

Off-site monitoring of Bank by the Central Bank is carried out through the review of required financial reports and external audit reports that provide information on Bank's financial condition and compliance with law and regulation. Bank files with the Central Bank monthly, quarterly, and annual reports that are prepared on a consolidated basis and address, among other things, asset balances, earnings performance, asset and liability structure, credit risk of large borrowers, and financial transactions with affiliates. The Central Bank also imposes certain investment and lending limits on Bank in its dealings with affiliates, senior management and directors. Bank monitors its activities and operations through periodic internal audits and has implemented policies and procedures to safeguard against money laundering and other illicit activities.

With respect to Midland Bank plc, London, England, which owns indirectly approximately 30 percent of Bank's shares, the Bank of England is the home country supervisor. The Bank of England has broad statutory powers to supervise and take enforcement action against authorized institutions. The Board has previously considered applications in which it determined that particular banks in the United Kingdom were subject to comprehensive home country supervision on a consolidated basis.[5] Based upon a review of the facts of record, the Board has determined that Midland Bank plc is subject to a significant degree of supervision by the Bank of England.

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

The Board has also found that Bank engages directly in the business of banking outside the United States through its commercial banking operations in Argentina. Bank has provided the Board with the information necessary to assess the application through submissions that address the relevant issues.

The Board has also taken into account the additional standards set forth in section 7 of the IBA and Regulation K (*see* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). As noted above, the Central Bank has authorized Bank to establish the proposed representative office. In addition, the Central Bank may share information on Bank's operations with other supervisors, including the Board.

With respect to the financial and managerial resources of Bank, given Bank's record of operations in its home country, its overall financial resources, and its standing with its home country supervisors, the Board has also determined that financial and managerial factors are consistent with approval of the proposed representative office. Although Bank currently operates no offices outside Argentina, Bank appears to have the experience and capacity to support the proposed representative office given the limited nature of the activities and the fact that experienced personnel have been retained. Bank has also established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

Finally, with respect to access to information about Bank's operations, the Board has reviewed the relevant provisions of law in Argentina and the United Kingdom and has communicated with appropriate governmental authorities regarding access to information. Bank and its ultimate parents have each committed to make available to the Board such information on the operations of Bank and its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable Federal law. To the extent that the provision of such information may be prohibited by law, Bank and its ultimate parents have committed to cooperate with the Board in obtaining any necessary consents or waivers that might be required from third parties in connection with the disclosure of certain

4. *See Banco de Galicia*, 80 *Federal Reserve Bulletin* 846 (1994).

5. *See Coutts & Co. AG*, 79 *Federal Reserve Bulletin* 636 (1993), with respect to supervision of National Westminster Bank, plc; *Singer & Friedlander*, 79 *Federal Reserve Bulletin* 809 (1993).

necessary information. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank and its ultimate parents, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a representative office should be, and hereby is, approved. If any restrictions on access to information on the operations or activities of Bank and any of its affiliates subsequently interfere with the Board's ability to determine the compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on compliance by Bank and its ultimate parent with the commitments made in connection with this application, and with the conditions contained in this order.[6] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank and its affiliates.

By order of the Board of Governors, effective December 21, 1994.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Banpais, S.A.
Mexico City, Mexico

Order Approving Establishment of a Representative Office

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

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in New York, New York (*New York Times*, September 23, 1993). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with $7.6 billion in consolidated assets,[1] is a commercial bank chartered in Mexico. Bank operates approximately 150 branches in Mexico and a branch in the Cayman Islands.[2] Bank engages, indirectly, in insurance activities in the United States through an office of its affiliate, Aseguradora Mexicana, Mexico City, Mexico, and in foreign exchange activities through another affiliate, Banpais Exchange, Inc., Houston, Texas. The proposed representative office will solicit loans for Bank's head office and provide liaison, customer relations and market research services. Bank is majority owned by a holding company, Grupo Financiero Asemex Banpais, S.A. de C.V., Mexico City, Mexico ("Holdings").[3] No other single shareholder owns more than five percent of the shares of Banpais.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside of the United States, has furnished to the Board the information it needs to assess adequately the application, and is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3105(d)(2); 12 C.F.R. 211.24(c)(1)). The Board may also take into account additional standards as set forth in the IBA (12 U.S.C. § 3105(d)(3)-(4)) and Regulation K (12 C.F.R. 211.24(c)(2)).

The Board has previously stated that the standards that apply to the establishment of a branch or agency need not in every case apply to the establishment of a representative office because a representative office does not engage in a banking business and cannot take deposits or make loans (*see* 58 *Federal Register* 6348, 6351 (1993)). In evaluating an application to establish a representative office under the IBA and Regulation K, the Board will take into account the standards that apply to the establishment of a branch or agency, subject to the following considerations. With respect to supervision by home country authorities, a foreign bank that proposes to establish a representative office must be subject to a significant degree of supervision by its home

6. The Board's authority to approve the establishment of the proposed representative office parallels the continuing authority of the State of New York to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of New York and its agent, the New York State Banking Department, to license the proposed representative office of Bank in accordance with any terms or conditions that the State of New York may impose.

1. Data are as of June 30, 1994, unless otherwise noted.

2. Bank also owns seven Mexican subsidiaries that engage in real estate activities.

3. Four shareholders own more than 5 percent of the shares of Holdings: Holding Fiasa, S.A. de C.V., (9.2 percent); Fideicomiso Comermex (12.8 percent); Grupo Alper, S.A. de C.V. (6.2 percent); and Mr. Angel I. Rodriguez Saez, the Chairman of the Boards of Holdings, Bank, other affiliates of Holdings, and Holding Fiasa (6.7 percent). Each of these shareholders is Mexican. Holdings also owns six other subsidiaries that provide diverse financial services including insurance and investment banking services.

country supervisor.[4] A foreign bank's financial and managerial resources will be reviewed to determine whether its financial condition and performance demonstrate that the bank is capable of complying with applicable laws and has an operating record that would be consistent with the establishment of a representative office in the United States. All foreign banks, whether seeking to establish a branch, agency or representative office, will be required to provide adequate assurances of access to information on the operations of bank and its affiliates that is necessary to determine compliance with U.S. laws.

In this case, with respect to supervision by home country authorities, the Board has considered the following information. Over the last several years, authorities in Mexico have extensively reviewed and revised the laws and regulations applicable to Mexican banks and their affiliates. The legal framework for the regulation and supervision of banks has been strengthened and the Ministry of Finance and the National Banking Commission ("Banking Commission") have instituted new programs that materially enhance the prudential supervision of all banking organizations in Mexico.

With respect specifically to Bank, Bank is subject to the supervisory authority of the Ministry of Finance, the National Banking Commission, and, by virtue of its affiliation with Aseguradora Mexicana, the National Insurance Bonding Commission ("Insurance Commission"). The Banking Commission is the primary supervisor of Bank and Holdings and is responsible for the oversight of Bank's operations. The Ministry of Finance, which has authority regarding the expansion of operations of Mexican banks, does not object to Bank's establishment of the proposed representative office.

The Banking Commission obtains information on the operations of Bank primarily through on-site examinations and periodic reports. The Banking Commission also has supervisory powers that include the ability to approve or replace Bank's management and to subject Bank to penalties for noncompliance with Mexican banking laws.

The Banking Commission conducts examinations to ensure the safe and sound operations of Bank through reviews of, among other things, the management, asset quality, liquidity, capital adequacy, and earnings performance of Bank. Since August of 1993, the Banking Commission has performed continuous examinations of Bank through examiners resident on Bank's premises.[5] The Banking Commission also has ongoing discussions with bank management on the results of these examinations and reviews.

The Banking Commission reviews mandatory financial and prudential reports that Bank must submit on a monthly, quarterly, semi-annual, and annual basis. These reports include consolidated financial information on Banks domestic subsidiaries and its Cayman Islands branch. These reports submitted include balance sheets, income statements, and investment and capital adequacy reports. The Banking Commission also receives annual reports from the external auditor of Bank which reviews the domestic and foreign operations of Bank. Holdings, the ultimate parent of Bank, also must submit unaudited monthly and audited annual financial statements to the Banking Commission.

Bank monitors its domestic and foreign branch operations through periodic internal audit and financial reports. Bank's head office in Mexico maintains financial records for the Cayman branch and obtains an external auditor's report on the financial statements of the Cayman branch each year. The proposed representative office also will be subject to internal reporting requirements by Bank regarding its activities.

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

The Board has also found that Bank engages directly in the business of banking outside of the United States through its commercial banking operations in Mexico. Bank has provided the Board with the information necessary to assess the application through submissions that address relevant issues.

The Board has also taken into account the additional standards set forth in section 7 of the IBA and Regulation K (*see* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). As noted above, the Ministry of Finance does not object to Bank establishing the proposed representative office.

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

Bank and Holdings each have committed to make available to the Board such information on the operations of Bank and any affiliate of Bank that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable Federal law. The Board has reviewed the restrictions on disclosure of information in Mexico and the Cayman Islands and has communicated with certain governmental authorities regarding access to information. The Board notes that Bank, Holdings, and certain of their affiliates, may not provide certain information directly to the Board. However, the Banking Commission has confirmed

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

5. Prior to this date, the Banking Commission performed targeted examinations of portions of Bank's operations.

that these restrictions will not prevent the sharing of general supervisory or financial information. Moreover, other information may be shared by the Banking Commission with foreign authorities, including the Board. Each of Bank and Holdings also has committed to cooperate with the Board to obtain any approvals or consents that may be required for the Board to gain access to such information. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a representative office should be, and hereby is, approved. If any restrictions on access to information on the operations or activities of Bank and any of its affiliates subsequently interfere with the Board's ability to determine the compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of the Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on compliance by Bank with the commitments made in connection with this application and with the conditions contained in this order.[6] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank and its affiliates.

By order of the Board of Governors, effective December 21, 1994.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

6. The Board's authority to approve the establishment of the proposed representative office parallels the continuing authority of the State of New York to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of New York and its agent, the New York State Banking Department, to license the proposed representative office of Bank in accordance with any terms or conditions that the New York State Banking Department may impose.

Actions Taken Under Sections 5(d)(3) and 18(c) of the Federal Deposit Insurance Act

By Federal Reserve Banks

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

Acquiring Bank(s)	Acquired Thrift	Reserve Bank	Approval Date
Crestar Bank, Richmond, Virginia	Jefferson Savings and Loan Association, F.A., Warrenton, Virginia	Richmond	November 23, 1994
First of America Bank-West Michigan, Grand Rapids, Michigan	Great Lakes Savings Bank, A Federal Savings Bank, Ann Arbor, Michigan	Chicago	December 5, 1994
United Jersey Bank, Hackensack, New Jersey	Palisade Savings Bank, Federal Savings Bank, Ridgefield Park, New Jersey	New York	December 14, 1994

Applications Approved Under Bank Holding Company Act

By the Secretary of the Board

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

Section 3

Applicant(s)	Bank(s)	Effective Date
Altus NBC Corporation, Altus, Oklahoma	Capital National Bancshares, Inc., Oklahoma City, Oklahoma	December 15, 1994
Compass Bancshares, Inc., Birmingham, Alabama	Southwest Bankers, Inc., San Antonio, Texas Bank of San Antonio, San Antonio, Texas	December 19, 1994
FCNB Corp., Frederick, Maryland	ENB Financial Corp., Elkridge, Maryland	December 16, 1994
First Interstate Bancorp, Los Angeles, California First Interstate Bank of California, Los Angeles, California	Levy Bancorp, Ventura, California	December 20, 1994

Section 4

Applicant(s)	Nonbanking Activity/Company	Effective Date
Bank South Corporation, Atlanta, Georgia SunTrust Banks, Inc., Atlanta, Georgia Synovus Financial Corp., Columbus, Georgia TB&C Bancshares, Inc., Columbus, Georgia Barnett Banks, Inc., Jacksonville, Florida BB&T Financial Corporation, Wilson, North Carolina First Citizens Bancshares, Inc., Raleigh, North Carolina First Union Corporation, Charlotte, North Carolina NationsBank Corporation, Charlotte, North Carolina Southern National Corporation, Lumberton, North Carolina Wachovia Corporation, Winston-Salem, North Carolina United Carolina Bancshares Corporation, Whiteville, North Carolina	to engage in providing card embossing and issuing services to institutions (financial and non-financial) that are not members of the Honor EFT network	December 12, 1994
Keystone Financial, Inc., Harrisburg, Pennsylvania	Key Trust Company, Philadelphia, Pennsylvania	December 21, 1994

Applications Approved Under Bank Holding Company Act

By Federal Reserve Banks

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

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
American Bancshares, Inc., Highland, Illinois	American Bank of Illinois in Highland, Highland, Illinois	St. Louis	November 23, 1994
The Bank of Kentucky Financial Corporation, Florence, Kentucky	The Bank of Boone County, Inc., Florence, Kentucky	Cleveland	December 20, 1994
Berlau Bancshares, Inc., Prairie Village, Kansas	Brooke State Bank, Jewell, Kansas	Kansas City	December 13, 1994
California Bancshares, Inc., San Ramon, California	Bank of Livermore, Livermore, California	San Francisco	November 29, 1994
Capital City Bancshares, Inc., Topeka, Kansas	Johnson County Bank, Overland Park, Kansas	Kansas City	December 9, 1994
Casey Bancorp, Inc., Grand Prairie, Texas	Grand Prairie State Bank, Grand Prairie, Texas	Dallas	November 29, 1994
Centennial Holdings, Ltd., Olympia, Washington	Centennial Bank, Olympia, Washington	San Francisco	December 14, 1994
Centura Banks, Inc., Rocky Mount, North Carolina	Cleveland Interim Bank, Shelby, North Carolina	Richmond	December 22, 1994
Century Capital Financial - Delaware, Inc., Wilmington, Delaware	City National Bank of Kilgore, Kilgore, Texas	Dallas	December 2, 1994
Century Capital Financial, Inc., Kilgore, Texas	Century Capital Financial - Delaware, Inc., Wilmington, Delaware City National Bank of Kilgore, Kilgore, Texas	Dallas	December 2, 1994
Century South Banks, Inc., Dahlonega, Georgia	First Community Bank of Dawsonville, Dawsonville, Georgia Gwinnett Bancorp, Inc., Duluth, Georgia	Atlanta	December 22, 1994
Chemung Financial Corporation, Elmira, New York	Owego National Financial Corporation, Owego, New York	New York	November 28, 1994
CNB Bancshares, Inc., Evansville, Indiana	Harrisburg Bancshares, Inc., Harrisburg, Illinois	St. Louis	December 7, 1994
The Colonial BancGroup, Inc., Montgomery, Alabama	Brundidge Banking Company, Inc., Brundidge, Alabama	Atlanta	November 25, 1994

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Community Bancshares, Inc., Katy, Texas	Community Bancshares of Delaware, Inc., Wilmington, Delaware Community Bank, Katy, Texas	Dallas	December 15, 1994
Community Bancshares of Delaware, Inc., Wilmington, Delaware	Community Bank, Katy, Texas	Dallas	December 15, 1994
Community Bancshares of Mississippi, Inc., Forest, Mississippi	M & M Bancorp, Inc., Laurel, Mississippi	Atlanta	December 29, 1994
Community Bankshares, Inc., Denver, Colorado	Plains States Financial Corporation, Walsenburg, Colorado	Kansas City	December 21, 1994
Community First Bankshares, Inc., Fargo, North Dakota	Bank of Colorado Holding Company, Vail, Colorado	Minneapolis	December 7, 1994
Community First Financial, Inc., Maysville, Kentucky	The Grant Bancshares, Inc., Dry Ridge, Kentucky	Cleveland	November 18, 1994
The Conrad Company, Minneapolis, Minnesota	The Bank of Santa Fe, Santa Fe, New Mexico	Minneapolis	December 14, 1994
Consumers Bancorp, Inc., Minerva, Ohio	Consumers National Bank, Minerva, Ohio	Cleveland	December 19, 1994
Dakota Community Bancshares, Inc., Hebron, North Dakota	Hebron Banshares, Inc., Hebron, North Dakota First State Bank, New Leipzig, North Dakota	Minneapolis	November 29, 1994
Dakota County Bancshares, Inc., Mendota Heights, Minnesota	St. Paul Bancshares, Inc., St. Paul, Minnesota	Minneapolis	December 13, 1994
Dutton Bancorporation, Inc., Dutton, Montana	Dutton State Bank, Dutton, Montana	Minneapolis	December 2, 1994
FBOP Corporation, Oak Park, Illinois	Citizens National Bank, Teague, Texas	Chicago	November 30, 1994
Firstar Corporation, Milwaukee, Wisconsin	First Colonial Bankshares Corporation, Chicago, Illinois	Chicago	December 19, 1994
First Mid-Illinois Bancshares, Inc., Mattoon, Illinois	Heartland Federal Savings Bank, Mattoon, Illinois	Chicago	November 30, 1994
First National of Nebraska, Inc., Omaha, Nebraska First National of Colorado, Inc., Omaha, Nebraska	Union Colony Bancorporation, Inc., Greeley, Colorado	Kansas City	December 6, 1994
First Security Bankshares, Inc., Lavonia, Georgia	Braselton Banking Company, Braselton, Georgia	Atlanta	November 25, 1994

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
First Southeastern BancGroup, Inc., Harmony, Minnesota	Granger State Bank, Granger, Minnesota	Minneapolis	December 29, 1994
Florida Gulfcoast Bancorp, Inc., Sarasota, Florida	Enterprise National Bank of Sarasota, Sarasota, Florida	Atlanta	November 30, 1994
Fourth Financial Corporation, Wichita, Kansas	Standard Bancorporation, Inc., Independence, Missouri	Kansas City	December 23, 1994
Hancock Holding Company, Gulfport, Mississippi	First Denham Bancshares, Inc., Denham Springs, Louisiana	Atlanta	December 13, 1994
HCB Bancorp, Palmyra, Indiana	Harrison County Bank, Palmyra, Indiana	St. Louis	November 23, 1994
Laurel Capital Group, Inc., Allison Park, Pennsylvania	Laurel Savings Bank, Allison Park, Pennsylvania	Cleveland	December 8, 1994
LCS Bancorp, Inc., Litchfield, Illinois	Litchfield Community Savings, S.B., Litchfield, Illinois	St. Louis	December 27, 1994
Malmo Bancorp, Inc., Malmo, Nebraska	Malmo Agency Company, Malmo, Nebraska	Kansas City	December 7, 1994
Merchants Bancorp of Pennsylvania, Inc., Kittanning, Pennsylvania	The Merchants National Bank of Kittanning, Kittanning, Pennsylvania	Cleveland	December 14, 1994
Merit Holding Corporation, Tucker, Georgia	Charter Bank and Trust Co., Marietta, Georgia	Atlanta	November 22, 1994
Mid Am, Inc., Bowling Green, Ohio	ASB Bankcorp, Inc., Adrian, Michigan	Cleveland	December 19, 1994
M & L Holding Company, Alton, Illinois	First Community Bank of Taney County, Branson, Missouri	St. Louis	November 25, 1994
National Westminster Bank Plc, London, England NatWest Holdings Inc., New York, New York National Westminster Bancorp Inc., Jersey City, New Jersey National Westminster Bancorp NJ, Jersey City, New Jersey	NatWest Bank (Delaware), Wilmington, Delaware	New York	December 23, 1994
The New Prosperity Banking Corporation, St. Augustine, Florida	The Prosperity Banking Company, St. Augustine, Florida	Atlanta	December 16, 1994
Norwest Corporation, Minneapolis , Minnesota	Parker Bankshares, Inc., Parker, Colorado	Minneapolis	December 28, 1994
Oak Bancorporation, Oakland, Iowa	Security Bancorp, Stanton, Iowa	Chicago	December 14, 1994

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Old Kent Financial Corporation, Grand Rapids, Michigan	First National Bank Corp., Mount Clemens, Michigan	Chicago	December 29, 1994
Peoples Trust of 1987, Ottawa, Kansas	Johnson County Bank, Overland Park, Kansas	Kansas City	November 23, 1994
Pioneer Bancshares, Inc. Employee Stock Ownership Plan, Ponca City, Oklahoma	Pioneer Bancshares, Inc., Ponca City, Oklahoma	Kansas City	December 23, 1994
Principal National Bancorp, Inc., Pontiac, Illinois	Home Guaranty Savings Association, Piper City, Illinois	Chicago	December 16, 1994
Raddatz Family Limited Partnership, Chicago, Illinois	East Side Financial, Inc., Chicago, Illinois	Chicago	November 29, 1994
Rockcastle Bancorp, Inc., Brodhead, Kentucky	Citizens Bank, Brodhead, Kentucky	Cleveland	December 14, 1994
Roxton Corporation Employees' Stock Ownership Plan, Whitesboro, Texas	The Roxton Corporation, Whitesboro, Texas The First State Bank, Roxton, Texas	Dallas	December 22, 1994
Royal Bancshares, Inc., Elroy, Wisconsin	Iowa-Grant Bankshares, Inc., Cobb, Wisconsin	Chicago	December 16, 1994
Salinas Valley Bancorp, Salinas, California	Bank of Salinas, Salinas, California	San Francisco	November 23, 1994
San Jose Banco, Inc., Fremont, Indiana	First National Bank of Fremont, Fremont, Indiana	Chicago	December 15, 1994
Summerville/Trion Bancshares, Inc., Trion, Georgia	Adairsville Bancshares, Inc., Adairsville, Georgia	Atlanta	December 28, 1994
Texas Financial Bancorporation, Inc., Minneapolis, Minnesota	Monmouth Financial Services, Inc., Minneapolis, Minnesota Monmouth Trust and Savings Bank, Monmouth, Illinois, Fulton State Bank, Fulton, Illinois First National Bank of Rosenberg, Rosenberg, Texas	Dallas	December 14, 1994
Truman Bancorp, Inc., Brentwood, Missouri	United States National Bank of Clayton, St. Louis, Missouri	St. Louis	December 6, 1994
Yoakum National Bancshares - Delaware, Inc., Wilmington, Delaware	Yoakum National Bank, Yoakum, Texas	Dallas	November 29, 1994

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Yoakum National Bancshares, Inc., Yoakum, Texas	Yoakum National Bancshares - Delaware, Inc., Wilmington, Delaware Yoakum National Bank, Yoakum, Texas	Dallas	November 29, 1994

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
A.N.B. Holding Company, Ltd., Terrell, Texas	to engage *de novo* in making, acquiring, or servicing loans directly for itself or for others	Dallas	December 21, 1994
Associated Banc-Corp., Green Bay, Wisconsin	Associated Trust Company of Illinois, Chicago, Illinois	Chicago	December 16, 1994
Banco Santander, S.A., Santander, Spain	First Fidelity Bancorporation, Lawrenceville, New Jersey	New York	December 22, 1994
BankAmerica Corporation, San Francisco, California	Arbor National Holdings, Inc., Uniondale, New York	San Francisco	December 15, 1994
Bank of Montreal, Toronto, Canada Bankmont Financial Corp., Chicago, Illinois	Burns Fry and Timmins Holdings Inc., Chicago, Illinois Harris Nesbitt Thomson Securities, Inc., Chicago, Illinois	Chicago	December 22, 1994
Banterra Corp., Eldorado, Illinois	Ron Clark Insurance, Inc., Eldorado, Illinois	St. Louis	November 28, 1994
Barnett Banks, Inc., Jacksonville, Florida	EquiCredit Corporation, Jacksonville, Florida	Atlanta	

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Boatmen's Bancshares, Inc., St. Louis, Missouri	National Mortgage Company, Memphis, Tennessee Arkansas Home Loan Company, Memphis, Tennessee National Home Loan Company, Inc., Memphis, Tennessee National Home Loan Company of Mississippi, Inc., Memphis, Tennessee	St. Louis	December 5, 1994
Chadwick Bancshares, Inc., Chadwick, Illinois	Community Insurance, Inc., Miles, Iowa	Chicago	December 2, 1994
Charter Bancorporation, Inc., Scottsdale, Arizona	to engage *de novo* in making, acquiring, or servicing loans or other extensions of credit	San Francisco	November 28, 1994
CNB Bancshares, Inc., Evansville, Indiana	Shelbyville High Apartments, Limited Partnership, Huntingburg, Indiana	St. Louis	December 15, 1994
Commerzbank Aktiengesellschaft, Frankfurt, Germany	CB Clearing, Inc., Chicago, Illinois	New York	December 12, 1994
First Bancorporation of Ohio, Akron, Ohio	The CIVISTA Corporation, Canton, Ohio	Cleveland	November 22, 1994
First Deposit Bancshares, Inc., Tompkinsville, Kentucky	South Central Savings Bank, FSB, Edmonton, Kentucky	St. Louis	December 23, 1994
First of America Bank Corporation, Kalamazoo, Michigan	New England Trust Company, Providence, Rhode Island	Chicago	December 5, 1994
First Virginia Banks, Inc., Falls Church, Virginia	First General Leasing Company, Falls Church, Virginia	Richmond	December 14, 1994
Lowndes Bancshares, Inc., Valdosta, Georgia	to expand its data processing and transmission services to Panama	Atlanta	December 15, 1994
Marshall & Ilsley Corporation, Milwaukee, Wisconsin M&I Data Services, Inc., Milwaukee, Wisconsin	Software Alliance Corporation, Berkeley, California	Chicago	December 29, 1994

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Mid Am, Inc., Bowling Green, Ohio	Lucas County Credit Bureau, Inc., d.b.a. International Credit Service, Toledo, Ohio MWN Corporation, d.b.a. CCB Services, St. Petersburg, Florida	Cleveland	November 23, 1994
NationsBank Corporation, Charlotte, North Carolina	Greyrock Capital Group Inc., Stamford, Connecticut	Richmond	December 21, 1994
Northern Bankshares, Inc., McFarland, Wisconsin	to expand the scope of its lending activity of making and servicing loans by increasing loan participations, in an aggregate amount, up to $2 million	Chicago	December 5, 1994
Norwest Corporation, Minneapolis, Minnesota	Bank of Montana System, Great Falls, Montana	Minneapolis	December 20, 1994
One Valley Bancorp of West Virginia, Inc., Charleston, West Virginia	Point Bancorp, Inc., Point Pleasant, West Virginia	Richmond	December 20, 1994
PAB Bankshares, Inc., Valdosta, Georgia	First Federal Savings Bank of Bainbridge, Bainbridge, Georgia	Atlanta	December 1, 1994
PNC Bank Corp., Pittsburgh, Pennsylvania	Indian River Federal Savings Bank, Vero Beach, Florida	Cleveland	November 18, 1994
Republic Bancorp, Inc., Ann Arbor, Michigan	CUB Funding, Calabasas, California	Chicago	December 20, 1994
Saban, S.A., Panama City, Panama RNYC Holdings Limited, Marina Bay, Gibraltar Republic New York Corporation, New York, New York	Republic New York Securities Corporation, New York, New York	New York	December 20, 1994
Security Richland Corporation, Miles City, Montana	Hansen-Lawrence Agency, Inc., Worden, Montana	Minneapolis	December 21, 1994
West Concord Bancshares, Inc., West Concord, Minnesota	to engage *de novo* in making loans for its own account	Minneapolis	November 25, 1994

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Hibernia Corporation, New Orleans, Louisiana	Pioneer Bancshares Corporation, Shreveport, Louisiana Zachary Taylor Life Insurance Company, Shreveport, Louisiana	Atlanta	November 23, 1994
N.S. Bancorp, Inc., Chicago, Illinois	Northwestern Savings Bank, Chicago, Illinois FirstFed Bancshares, Inc., Des Plaines, Illinois First Federal Bank for Savings, Des Plaines, Illinois	Chicago	December 14, 1994

APPLICATIONS APPROVED UNDER BANK MERGER ACT

By the Secretary of the Board

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

Applicant(s)	Bank(s)	Effective Date
First Interstate Bank of California, Los Angeles, California	Bank of A. Levy, Ventura, California	December 20, 1994
SouthTrust Bank of West Florida, St. Petersburg, Florida	Plant State Bank, Plant City, Florida	December 28, 1994

APPLICATIONS APPROVED UNDER BANK MERGER ACT

By Federal Reserve Banks

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

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Chemung Canal Trust Company, Elmira, New York	Owego National Bank, Owego, New York	New York	November 28, 1994
Cleveland Interim Bank, Shelby, North Carolina	Centura Bank, Rocky Mount, North Carolina	Richmond	December 22, 1994

Bank Merger Act—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Dakota County State Bank, Mendota Heights, Minnesota	Phalen Bank, St. Paul, Minnesota	Minneapolis	December 13, 1994
First Community Bank, Inc., Princeton, West Virginia	Ameribank, Inc., Welch, West Virginia	Richmond	December 22, 1994
Integra Bank/North, Titusville, Pennsylvania	Bucktail Bank and Trust Company, Emporium, Pennsylvania	Cleveland	November 23, 1994
Integra Bank/Pittsburgh, Pittsburgh, Pennsylvania	Lincoln Savings Bank, Pittsburgh, Pennsylvania	Cleveland	December 2, 1994
Integra Bank/South, Uniontown, Pennsylvania	Integra Bank/Pittsburgh, Pittsburgh, Pennsylvania	Cleveland	December 2, 1994
Vail Bank, Vail, Colorado	Colorado Community First State Bank, Steamboat Springs, Colorado	Kansas City	December 7, 1994
Wesbanco Bank Wheeling, Wheeling, West Virginia	Wesbanco Bank Elm Grove, Wheeling, West Virginia	Cleveland	December 6, 1994
Westamerica Bank, San Rafael, California	Pacific Valley National Bank, Modesto, California	San Francisco	December 8, 1994

PENDING CASES INVOLVING THE BOARD OF GOVERNORS

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

DLG Financial Corp. v. Board of Governors, No. 94–891 (U.S. Supreme Court, filed November 14, 1994). Appeal of an order of the Fifth Circuit Court of Appeals (29 F.3d 993) affirming both an asset freeze order obtained by the Board in connection with a pending enforcement action and the district court's dismissal of appellant's claims seeking an injunction and damages against the Board and the Federal Reserve Bank of Dallas relating to the same enforcement action.

Cavallari v. Board of Governors, No. 94–4183 (2d Cir., filed October 17, 1994). Petition for review of Board order of prohibition against a former outside counsel to a national bank (80 *Federal Reserve Bulletin* 1046 (1994)). The case was consolidated with a petition for review of orders of the Comptroller of the Currency imposing a civil money penalty and cease and desist order against petitioner (*Cavallari v. OCC*, No. 94–4151). The consolidated brief of the agencies is due January 9, 1995.

Jackson v. Board of Governors, No. 94–16789 (9th Cir., filed September 22, 1994). Appeal of dismissal of pro se action for violation of a prisoner's civil rights. On December 1, 1994, the court dismissed the appeal.

Board of Governors v. MacCallum, No. 94 Civ. 5652 (WK) (S.D. New York, filed August 3, 1994). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On August 3, 1994, the court issued an order temporarily restraining the transfer or disposition of the individual's assets. On December 22, 1994, the order was dissolved by agreement of the parties.

National Title Resource Agency v. Board of Governors, No. 94–2050 (8th Cir., filed April 28, 1994). Petition for review of Board's order, issued under section 4 of the Bank Holding Company Act, approving the application of Norwest Corp., Minneapolis, Minnesota, to acquire Double Eagle Financial Corp., Phoenix, Arizona, and its subsidiary, United Title Agency, Inc., and thereby engage in title insurance agency activities and real estate settlement services (80 *Federal Reserve Bulletin* 453). Oral argument was held November 17, 1994.

Beckman v. Greenspan, No. CV 94-41-BCG-RWA (D. Mont., filed April 13, 1994). Action against Board and others seeking damages for alleged violations of constitutional and common law rights. The Board's motion to dismiss was filed May 19, 1994.

Scott v. Board of Governors, No. 94-0104 (D. D.C., filed January 21, 1994). Petition for review of a Board order approving the application of Society Corporation, Cleveland, Ohio, to merge with KeyCorp, Albany, New York (80 *Federal Reserve Bulletin* 253 (1994)). On December 7, 1994, the court granted the Board's motion to dismiss.

Bennett v. Greenspan, No. 93-1813 (D. D.C., filed April 20, 1993). Employment discrimination action. A jury verdict for the plaintiff was rendered on October 13, 1994. The Board's motion for a new trial on the issue of damages is pending.

Adams v. Greenspan, No. 93-0167 (D. D.C., filed January 27, 1993). Action by former employee under the Civil Rights Act of 1964 and the Rehabilitation Act of 1973 concerning termination of employment. An order dismissing the case was entered on November 18, 1994.

Zemel v. Board of Governors, No. 92-1056 (D. D.C., filed May 4, 1992). Age Discrimination in Employment Act case. On November 29, 1994, the court granted the Board's motion for summary judgment.

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

Final Enforcement Orders Issued by the Board of Governors

Banco Latino C.A., S.A.C.A.
Caracas, Venezuela

The Federal Reserve Board announced on December 23, 1994, the issuance of a Cease and Desist Order against Banco Latino C.A., S.A.C.A., Caracas, Venezuela, and its U.S. subsidiary Edge corporation, Banco Latino Internacional, Miami, Florida.

Michael A. Jacobs
Stamford, New York

The Federal Reserve Board announced on December 15, 1994, the issuance of a combined Order of Prohibition, Order to Cease and Desist, and Order of Assessment of a Civil Money Penalty against Michael A. Jacobs, an institution-affiliated party of United Bank Corporation of New York, Stamford, New York, a bank holding company, and of United Bank Corporation's current or former subsidiary banks, the First National Bank of Lisbon, Ogdensburg, New York, the First National Bank of Amenia, Amenia, New York, and the First National Bank of Downsville, Downsville, New York.

James A. MacCallum
New York, New York

The Federal Reserve Board announced on December 29, 1994, the issuance of a combined Order to Cease and Desist and of Removal and Prohibition against James A. MacCallum, a former vice president and institution-affiliated party of the New York branch of The Toyo Trust & Banking Co., Ltd., Tokyo, Japan, and an officer and institution-affiliated party of the Canadian Imperial Bank of Commerce, New York, New York, and the New York agency of the Canadian Imperial Bank of Commerce, Toronto, Canada.

Written Agreements Approved by Federal Reserve Banks

Bankers Trust New York Corporation
New York, New York

The Federal Reserve Board announced on December 5, 1994, the execution of a Written Agreement between the Federal Reserve Bank of New York and Bankers Trust New York Corporation, New York, New York, and its subsidiaries, Bankers Trust Company, New York, New York, and BT Securities Corporation, New York, New York, regarding the conduct of the leverage derivatives transaction business by these companies.

Citizens Bancshares, Inc.
Walnut, Illinois

The Federal Reserve Board announced on December 29, 1994, the execution of two Written Agreements between the Federal Reserve Bank of Chicago and Citizens Bancshares, Inc., Walnut, Illinois, and the Federal Reserve Bank of Chicago and the Citizens First State Bank of Walnut, Walnut, Illinois.

Hanmi Bank
Los Angeles, California

The Federal Reserve Board announced on December 29, 1994, the execution of a Written Agreement between the Federal Reserve Bank of San Francisco and the Hanmi Bank, Los Angeles, California.

The San Francisco Company
San Francisco, California

The Federal Reserve Board announced on December 28, 1994, the execution of a Written Agreement between the Federal Reserve Bank of San Francisco and The San Francisco Company, San Francisco, California.

Financial and Business Statistics

CONTENTS

Domestic Financial Statistics—Continued

REAL ESTATE

CONSUMER INSTALLMENT CREDIT

FLOW OF FUNDS

Domestic Nonfinancial Statistics

SELECTED MEASURES

International Statistics

SUMMARY STATISTICS

REPORTED BY BANKS IN THE UNITED STATES

REPORTED BY NONBANKING BUSINESS ENTERPRISES IN THE UNITED STATES

SECURITIES HOLDINGS AND TRANSACTIONS

INTEREST AND EXCHANGE RATES

SPECIAL TABLES

Guide to Tabular Presentation

SYMBOLS AND ABBREVIATIONS

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

GENERAL INFORMATION

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

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

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

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

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1993	1994			1994				
	Q4	Q1	Q2	Q3	July[r]	Aug.[r]	Sept.[r]	Oct.	Nov.
Reserves of depository institutions[2]									
1 Total	14.2	3.1	−4.4	−2.5	2.2	−6.0	−.7	−6.3	−3.2
2 Required	14.1	2.5	−3.6	−2.6	2.2	−4.0	−1.9	−1.2	−7.4
3 Nonborrowed	15.6	3.7	−5.4	−4.2	−.3	−6.3	−1.1	−4.2	−.6
4 Monetary base[3]	9.8	10.2	8.4	7.3	8.1	6.3	5.4	6.7	8.8
Concepts of money, liquid assets, and debt[4]									
5 M1	9.4	6.0	1.9	3.0[r]	7.1	−2.2	1.0	−3.6	−.8
6 M2	2.4[r]	1.9	1.9	.8[r]	4.8	−1.9	−.4	−1.6	.6
7 M3	2.6	.3	.7	1.7[r]	5.9	−1.9	1.6	2.5	2.2
8 L	2.0	2.4[r]	1.4[r]	1.1	6.0	−1.6	−1.0	6.7	n.a.
9 Debt	5.0[r]	5.3	5.6[r]	4.4	2.6	6.2	5.7	4.7	n.a.
Nontransaction components									
10 In M2[5]	−.8	.0	1.9[r]	−.3[r]	3.7	−1.8	−1.0	−.7	1.4
11 In M3 only[6]	4.0	−8.0	−6.2	7.1[r]	12.4	−2.0	12.6	25.6	10.4
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	3.6	4.3	−3.3	−4.1	−2.2	−2.8	−3.6	−12.1	−9.7
13 Small time[7]	−7.3[r]	−5.2	.1	8.9	5.7	15.1	12.6	17.5	18.0
14 Large time[8,9]	−.4	−2.6	−2.5[r]	10.0	7.0	14.3	21.0	22.8	24.0
Thrift institutions									
15 Savings, including MMDAs	−.4	.5	.2	−11.1[r]	−9.3	−16.7	−16.9	−15.7	−21.5
16 Small time[7]	−9.4	−11.5	−7.5	−2.4[r]	.0	−3.2	2.4	13.0	19.6
17 Large time[8]	−6.7	−8.5	−6.5	4.8	15.9	−5.9	23.6	23.2	3.8
Money market mutual funds									
18 General purpose and broker–dealer	1.2	−.1	17.7	1.0[r]	14.0	−2.0	−2.0	8.9	15.8
19 Institution-only	8.8	−26.7	−22.8	−6.0	9.9	−11.2	−9.9	52.9	2.1
Debt components[4]									
20 Federal	6.2[r]	7.3	5.4[r]	3.9	1.0	6.1	6.0	5.4	n.a.
21 Nonfederal	4.6[r]	4.6	5.6[r]	4.6	3.2	6.3	5.6	4.5	n.a.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1994			1994						
	Sept.	Oct.	Nov.	Oct. 19	Oct. 26	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	392,939r	394,856	399,250	394,426	394,749	396,105	396,013	399,576	400,702	400,880
U.S. government securities[2]										
2 Bought outright—System account	354,429	354,275	357,686	353,754	353,467	353,635	354,941	358,166	359,509	359,214
3 Held under repurchase agreements	296	1,648	2,899	1,791	2,211	2,664	1,960	2,743	3,553	3,134
Federal agency obligations										
4 Bought outright	3,822	3,772	3,730	3,762	3,757	3,744	3,744	3,744	3,744	3,684
5 Held under repurchase agreements	346	349	969	161	448	386	344	807	1,193	1,694
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	45	20	103	10	32	13	242	40	57	97
8 Seasonal credit	448	344	159	348	303	258	188	164	140	127
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	730r	559	718	719	535	995	397	705	764	667
11 Other Federal Reserve assets	32,824	33,890	32,987	33,882	33,996	34,410	34,198	33,208	31,743	32,264
12 Gold stock	11,054	11,054	11,052	11,054	11,053	11,053	11,052	11,052	11,052	11,051
13 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
14 Treasury currency outstanding	22,698	22,758	22,819	22,758	22,772	22,786	22,800	22,814	22,828	22,842
ABSORBING RESERVE FUNDS										
15 Currency in circulation	386,408	388,817	393,820	389,572	388,763	389,561	391,654	394,224	394,192	396,053
16 Treasury cash holdings	372	367	379	367	371	363	364	371	396	390
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,953	5,553	5,250	5,112	5,078	6,119	5,503	5,225	4,821	5,351
18 Foreign	199	192	192	177	176	186	166	181	197	224
19 Service-related balances and adjustments	5,156	4,849	4,615	4,697	4,715	4,782	4,725	4,685	4,537	4,466
20 Other	325	336	316	346	325	336	322	318	310	302
21 Other Federal Reserve liabilities and capital	11,178	11,724	12,020	11,420	11,672	12,000	12,222	11,755	12,098	11,902
22 Reserve balances with Federal Reserve Banks[3]	25,119r	24,848	24,547	24,566	25,492	24,616	22,926	24,701	26,049	24,102

Factor	End-of-month figures			Wednesday figures						
	Sept.	Oct.	Nov.	Oct. 19	Oct. 26	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	393,466r	395,756	402,169	395,316	395,802	398,046	397,399	399,901	403,171	402,169
U.S. government securities[2]										
2 Bought outright—System account	353,010	352,313	359,190	353,103	356,241	354,284	356,721	358,817	359,627	359,190
3 Held under repurchase agreements	2,140	3,615	6,510	4,180	1,139	3,615	400	3,310	4,306	6,510
Federal agency obligations										
4 Bought outright	3,806	3,744	3,674	3,762	3,744	3,744	3,744	3,744	3,744	3,674
5 Held under repurchase agreements	370	400	1,655	375	500	400	760	850	2,050	1,655
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	69	17	31	11	82	21	1,641	16	338	31
8 Seasonal credit	436	247	113	326	288	216	175	163	131	113
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	188r	579	−432	−281	−231	882	30	1,317	930	−432
11 Other Federal Reserve assets	33,448	34,841	31,428	33,840	34,039	34,884	33,928	31,685	32,046	31,428
12 Gold stock	11,054	11,053	11,052	11,053	11,053	11,052	11,052	11,052	11,052	11,052
13 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
14 Treasury currency outstanding	22,730	22,786	22,842	22,758	22,772	22,786	22,800	22,814	22,828	22,842
ABSORBING RESERVE FUNDS										
15 Currency in circulation	385,516	389,604	396,703	389,807	389,675	391,220	393,816	394,580	395,796	396,703
16 Treasury cash holdings	363	363	389	372	363	363	367	397	391	389
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	6,848	5,164	5,348	5,510	5,912	4,806	6,272	4,250	4,532	5,348
18 Foreign	342	223	230	170	178	198	161	184	198	230
19 Service-related balances and adjustments	5,032r	4,782	4,466	4,697	4,715	4,782	4,725	4,685	4,537	4,466
20 Other	318	392	302	280	320	340	304	331	290	302
21 Other Federal Reserve liabilities and capital	12,012	12,584	11,133	11,247	11,452	12,205	11,452	11,567	11,905	11,133
22 Reserve balances with Federal Reserve Banks[3]	24,837r	24,502	25,509	25,064	25,030	25,989	22,173	25,792	27,420	25,509

1. Amounts of cash held as reserves are shown in table 1.12, line 2.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale-purchase transactions.
3. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1991	1992	1993	1994						
	Dec.	Dec.	Dec.	May	June	July	Aug.	Sept.[r]	Oct.	Nov.
1 Reserve balances with Reserve Banks[2]	26,659	25,368	29,374	26,790	26,502	25,996	25,284	25,157	24,745	24,714
2 Total vault cash[3]	32,509	34,542	36,812	35,892	36,898	37,635	37,614	38,431	38,231	38,931
3 Applied vault cash[4]	28,872	31,172	33,484	32,483	33,422	34,096	34,052	34,794	34,745	35,291
4 Surplus vault cash[5]	3,637	3,370	3,328	3,409	3,476	3,539	3,562	3,637	3,486	3,641
5 Total reserves[6]	55,532	56,540	62,858	59,273	59,924	60,092	59,337	59,951	59,490	60,005
6 Required reserves	54,553	55,385	61,795	r58,358	58,819	58,985	58,333	58,891	58,686	59,000
7 Excess reserve balances at Reserve Banks[7]	979	1,155	1,063	915	1,105	1,107	1,004	1,060	804	1,005
8 Total borrowings at Reserve Banks[8]	192	124	82	200	333	458	469	487	380	249
9 Seasonal borrowings	38	18	31	134	226	364	445	444	339	164
10 Extended credit[9]	1	1	0	0	0	0	0	0	0	0
	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1994									
	Aug. 3	Aug. 17	Aug. 31	Sept. 14	Sept. 28[r]	Oct. 12[r]	Oct. 26	Nov. 9	Nov. 23	Dec. 7
1 Reserve balances with Reserve Banks[2]	24,703	25,594	25,099	25,720	24,641	24,824	25,025	23,771	25,360	24,636
2 Total vault cash[3]	38,557	38,114	36,913	38,451	38,397	38,539	37,608	39,236	38,235	39,934
3 Applied vault cash[4]	34,818	34,486	33,455	34,839	34,700	35,138	34,137	35,506	34,677	36,243
4 Surplus vault cash[5]	3,739	3,628	3,458	3,612	3,697	3,401	3,472	3,730	3,558	3,691
5 Total reserves[6]	59,521	60,080	58,554	60,559	59,341	59,962	59,161	59,276	60,037	60,879
6 Required reserves	58,176	59,141	57,559	59,643	58,138	58,907	58,587	58,435	59,092	59,544
7 Excess reserve balances at Reserve Banks[7]	1,346	939	995	917	1,204	1,055	574	841	945	1,335
8 Total borrowings at Reserve Banks[8]	458	442	498	447	535	433	346	351	201	216
9 Seasonal borrowings	413	430	468	437	458	403	326	223	152	112
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

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

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

Millions of dollars, averages of daily figures

Source and maturity	1994, week ending Monday								
	Oct. 3	Oct. 10	Oct. 17	Oct. 24	Oct. 31	Nov. 7	Nov. 14	Nov. 21	Nov. 28
Federal funds purchased, repurchase agreements, and other selected borrowings									
From commercial banks in the United States									
1 For one day or under continuing contract	73,249	76,739	74,555	68,759	69,873	75,143	72,603	76,387	75,368
2 For all other maturities	12,920	12,492	12,889	13,879	15,923	16,685	14,817	17,343	15,334
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	20,162	19,205	18,386	18,240	16,902	17,835	18,979	20,140	18,621
4 For all other maturities	21,455	20,655	20,607	22,922	22,242	22,074	22,471	21,515	21,441
Repurchase agreements on U.S. government and federal agency securities									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	23,178	23,964	24,034	22,995	22,000	22,406	23,109	25,838	17,864
6 For all other maturities	29,333	29,910	28,918	33,192	32,215	31,392	29,513	27,429	33,284
All other customers									
7 For one day or under continuing contract	33,965	33,091	33,451	33,799	32,802	34,363	33,299	35,679	34,426
8 For all other maturities	16,814	16,528	16,698	17,004	17,134	16,875	16,955	17,389	19,759
MEMO									
Federal funds loans and resale agreements in immediately available funds in maturities of one day or under continuing contract									
9 To commercial banks in the United States	60,790	58,607	59,293	56,776	59,630	60,309	61,075	60,169	63,006
10 To all other specified customers[2]	21,031	21,283	21,488	21,415	21,842	22,347	22,091	22,698	22,601

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

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

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 1/6/95	Effective date	Previous rate	On 1/6/95	Effective date	Previous rate	On 1/6/95	Effective date	Previous rate
Boston	4.75	11/16/94	4.00	5.90	1/5/95	5.90	6.40	1/5/95	6.40
New York		11/15/94							
Philadelphia		11/17/94							
Cleveland		11/16/94							
Richmond		11/16/94							
Atlanta		11/16/94							
Chicago		11/17/94							
St. Louis		11/15/94							
Minneapolis		11/16/94							
Kansas City		11/15/94							
Dallas		11/16/94							
San Francisco	4.75	11/15/94	4.00	5.90	1/5/95	5.90	6.40	1/5/95	6.40

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

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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1981—May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11.5–12	11.5
23	11.5	11.5
Aug. 2	11–11.5	11
3	11	11
16	10.5	10.5
27	10–10.5	10
30	10	10
Oct. 12	9.5–10	9.5
13	9.5	9.5
Nov. 22	9–9.5	9
26	9	9
Dec. 14	8.5–9	9
15	8.5–9	8.5
17	8.5	8.5
1984—Apr. 9	8.5–9	9
13	9	9
Nov. 21	8.5–9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5–8	7.5
24	7.5	7.5
1986—Mar. 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	6.5
23	6.5	6.5
July 11	6	6

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1986—Aug. 21	5.5–6	5.5
22	5.5	5.5
1987—Sept. 4	5.5–6	6
11	6	6
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6–6.5	6
4	6	6
Apr. 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
17	5	5
Nov. 6	4.5–5	4.5
7	4.5	4.5
Dec. 20	3.5–4.5	3.5
24	3.5	3.5
1992—July 2	3–3.5	3
7	3	3
1994—May 17	3–3.5	3.5
18	3.5	3.5
Aug. 16	3.5–4	4
18	4	4
Nov. 15	4–4.75	4.75
17	4.75	4.75
In effect Jan. 6, 1995	4.75	4.75

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

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

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

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

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

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

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

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

2. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) requires that $2 million of reservable liabilities of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 20, 1994, the exemption was raised from $4.0 million to $4.2 million. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement.

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

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

4. The reserve requirement was reduced from 12 percent to 10 percent on Apr. 2, 1992, for institutions that report weekly, and on Apr. 16, 1992, for institutions that report quarterly.

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec. 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as was the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1991	1992	1993	1994						
				Apr.	May	June	July	Aug.	Sept.	Oct.
U.S. Treasury Securities										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	20,158	14,714	17,717	1,101	1,395	4,143	0	1,610	0	518
2 Gross sales	120	1,628	0	0	0	0	0	0	0	0
3 Exchanges	277,314	308,699	332,229	28,881	29,807	39,484	29,559	36,281	29,668	29,361
4 Redemptions	1,000	1,600	0	0	0	0	0	0	0	0
Others within one year										
5 Gross purchases	3,043	1,096	1,223	209	155	0	0	0	151	450
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	24,454	36,662	31,368	2,316	0	1,197	1,692	6,131	961	460
8 Exchanges	−28,090	−30,543	−36,582	−907	0	−3,192	−1,626	−4,089	−2,203	0
9 Redemptions	1,000	0	0	0	0	0	0	0	0	0
One to five years										
10 Gross purchases	6,583	13,118	10,350	2,817	0	0	0	0	2,530	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shifts	−21,211	−34,478	−27,140	1,607	0	−1,197	−1,692	−5,506	−837	−460
13 Exchanges	24,594	25,811	0	907	0	3,192	1,626	2,889	2,203	0
Five to ten years										
14 Gross purchases	1,280	2,818	4,168	1,117	0	0	0	0	938	0
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shifts	−2,037	−1,915	0	709	0	0	0	−549	−125	0
17 Exchanges	2,894	3,532	0	0	0	0	0	750	0	0
More than ten years										
18 Gross purchases	375	2,333	3,457	896	0	0	0	0	840	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	−1,209	−269	0	0	0	0	0	−76	0	0
21 Exchanges	600	1,200	0	0	0	0	0	450	0	0
All maturities										
22 Gross purchases	31,439	34,079	36,915	6,140	1,550	4,143	0	1,610	4,459	968
23 Gross sales	120	1,628	0	0	0	0	0	0	0	0
24 Redemptions	1,000	1,600	767	440	0	0	302	0	11	979
Matched transactions										
25 Gross sales	1,570,456	1,482,467	1,475,085	120,393	135,796	133,939	125,181	170,356	151,589	137,242
26 Gross purchases	1,571,534	1,480,140	1,475,941	120,512	137,195	133,075	126,677	169,018	151,029	136,556
Repurchase agreements										
27 Gross purchases	310,084	378,374	475,447	19,741	21,517	10,059	28,085	44,948	4,975	17,088
28 Gross sales	311,752	386,257	470,723	25,041	17,112	4,405	35,374	41,199	9,354	15,613
29 Net change in U.S. Treasury securities	29,729	20,642	41,729	519	7,353	8,933	−6,095	4,022	−479	778
Federal Agency Obligations										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	5	0	0	0	0	0	0	0	0	0
32 Redemptions	292	632	774	180	70	58	20	63	31	62
Repurchase agreements										
33 Gross purchases	22,807	14,565	35,063	728	4,195	580	9,472	8,491	3,620	2,868
34 Gross sales	23,595	14,486	34,669	878	2,895	1,300	8,702	8,109	4,982	2,838
35 Net change in federal agency obligations	−1,085	−554	−380	−330	1,230	−778	448	319	−1,393	−32
36 **Total net change in System Open Market Account**	**28,644**	**20,089**	**41,348**	**189**	**8,583**	**8,155**	**−5,345**	**4,341**	**−1,872**	**746**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements[1]

Millions of dollars

Account	Wednesday					End of month		
	1994					1994		
	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30	Sept. 30	Oct. 31	Nov. 30
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,052	11,052	11,052	11,052	11,052	11,054	11,053	11,052
2 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
3 Coin	351	353	346	341	321	360	360	321
Loans								
4 To depository institutions	237	1,816	179	469	144	504	264	144
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	3,744	3,744	3,744	3,744	3,674	3,806	3,744	3,674
8 Held under repurchase agreements	400	760	850	2,050	1,655	370	400	1,655
9 **Total U.S. Treasury securities**	**357,899**	**357,121**	**362,127**	**363,933**	**365,700**	**355,150**	**355,928**	**365,700**
10 Bought outright[2]	354,284	356,721	358,817	359,627	359,190	353,010	352,313	359,190
11 Bills	171,588	174,026	176,121	176,931	176,294	169,785	169,617	176,294
12 Notes	140,860	140,860	140,950	140,950	141,150	141,389	140,860	141,150
13 Bonds	41,836	41,836	41,746	41,746	41,746	41,836	41,836	41,746
14 Held under repurchase agreements	3,615	400	3,310	4,306	6,510	2,140	3,615	6,510
15 **Total loans and securities**	**362,280**	**363,442**	**366,899**	**370,195**	**371,172**	**359,830**	**360,336**	**371,172**
16 Items in process of collection	6,349	5,496	7,325	6,243	4,983	4,104	2,477	4,983
17 Bank premises	1,068	1,069	1,070	1,071	1,067	1,068	1,068	1,067
Other assets								
18 Denominated in foreign currencies[3]	23,927	22,632	22,648	22,664	21,909	23,197	23,922	21,909
19 All other[4]	9,898	10,015	8,001	8,320	8,373	9,218	9,848	8,373
20 **Total assets**	**422,944**	**422,076**	**425,358**	**427,904**	**426,895**	**416,848**	**417,080**	**426,895**
LIABILITIES								
21 Federal Reserve notes	369,148	371,735	372,508	373,700	374,571	363,509	367,540	374,571
22 **Total deposits**	**36,248**	**34,025**	**35,223**	**36,862**	**36,554**	**37,562**	**35,050**	**36,554**
23 Depository institutions	30,904	27,288	30,459	31,841	30,674	30,054	29,271	30,674
24 U.S. Treasury—General account	4,806	6,272	4,250	4,532	5,348	6,848	5,164	5,348
25 Foreign—Official accounts	198	161	184	198	230	342	223	230
26 Other	340	304	331	290	302	318	392	302
27 Deferred credit items	5,344	4,864	6,060	5,438	4,637	3,765	1,906	4,637
28 Other liabilities and accrued dividends[5]	3,924	3,768	3,900	4,197	4,210	3,831	3,992	4,210
29 **Total liabilities**	**414,663**	**414,392**	**417,691**	**420,197**	**419,973**	**408,667**	**408,488**	**419,973**
CAPITAL ACCOUNTS								
30 Capital paid in	3,644	3,646	3,646	3,656	3,668	3,608	3,643	3,668
31 Surplus	3,401	3,401	3,401	3,401	3,178	3,401	3,401	3,178
32 Other capital accounts	1,236	636	620	650	77	1,172	1,548	77
33 **Total liabilities and capital accounts**	**422,944**	**422,076**	**425,358**	**427,904**	**426,895**	**416,848**	**417,080**	**426,895**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	411,381	414,476	412,436	414,559	416,344	399,937	407,851	416,344
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	450,273	451,517	452,030	452,852	453,444	449,006	449,946	453,444
36 LESS: Held by Federal Reserve Banks	81,125	79,782	79,522	79,153	78,873	85,498	82,406	78,873
37 Federal Reserve notes, net	369,148	371,735	372,508	373,700	374,571	363,509	367,540	374,571
Collateral held against notes, net								
38 Gold certificate account	11,052	11,052	11,052	11,052	11,052	11,054	11,053	11,052
39 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	350,077	352,665	353,438	354,630	355,502	344,437	348,469	355,502
42 **Total collateral**	**369,148**	**371,735**	**372,508**	**373,700**	**374,571**	**363,509**	**367,540**	**374,571**

1. Some of the data in this table also appear in the Board's H.4.1 (503) weekly statistical release. For ordering address, see inside front cover.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1994					1994		
	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30	Sept. 30	Oct. 31	Nov. 30
1 **Total loans**	**237**	**1,816**	**179**	**469**	**144**	**504**	**264**	**224**
2 Within fifteen days[1]	65	1,669	167	459	65	264	133	201
3 Sixteen days to ninety days	172	147	12	10	79	240	131	23
4 Ninety-one days to one year	0	0	0	0	0	0	0	0
5 **Total acceptances**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
6 Within fifteen days[1]	0	0	0	0	0	0	0	0
7 Sixteen days to ninety days	0	0	0	0	0	0	0	0
8 Ninety-one days to one year	0	0	0	0	0	0	0	0
9 **Total U.S. Treasury securities**	**354,288**	**356,722**	**358,820**	**359,631**	**359,196**	**353,010**	**352,313**	**359,196**
10 Within fifteen days[1]	20,189	16,605	16,914	13,014	15,444	5,373	10,538	15,444
11 Sixteen days to ninety days	76,342	82,504	81,270	85,653	83,053	87,966	83,281	83,053
12 Ninety-one days to one year	109,243	109,098	111,904	12,232	111,940	110,922	109,980	111,940
13 One year to five years	88,463	88,463	87,745	87,746	87,773	88,294	88,463	87,773
14 Five years to ten years	25,711	25,711	27,036	27,036	27,036	26,116	25,711	27,036
15 More than ten years	34,339	34,339	33,950	33,950	33,950	34,339	34,339	33,950
16 **Total federal agency obligations**	**3,744**	**3,744**	**3,745**	**3,746**	**3,675**	**3,806**	**3,744**	**3,675**
17 Within fifteen days[1]	0	0	403	404	334	230	119	334
18 Sixteen days to ninety days	724	841	439	439	494	546	725	494
19 Ninety-one days to one year	866	750	850	850	915	780	747	915
20 One year to five years	1,603	1,603	1,510	1,510	1,390	1,666	1,603	1,390
21 Five years to ten years	525	525	518	518	518	559	525	518
22 More than ten years	25	25	25	25	25	25	25	25

1. Holdings under repurchase agreements are classified as maturing within fifteen days in accordance with maximum maturity of the agreements.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1990 Dec.	1991 Dec.	1992 Dec.	1993 Dec.	1994 Apr.	1994 May	1994 June	1994 July	1994 Aug.	1994 Sept.	1994 Oct.	1994 Nov.
					Seasonally adjusted							
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	41.77	45.53	54.34	60.48	60.33	59.91	59.71	59.82	59.52	59.48[r]	59.17	59.01
2 Nonborrowed reserves[4]	41.44	45.34	54.22	60.39	60.21	59.71	59.37	59.36	59.05	59.00	58.79	58.76
3 Nonborrowed reserves plus extended credit[5]	41.47	45.34	54.22	60.39	60.21	59.71	59.37	59.36	59.05	59.00	58.79	58.76
4 Required reserves	40.11	44.55	53.19	59.41	59.18	59.00	58.60	58.71	58.51	58.42	58.37	58.01
5 Monetary base[6]	293.16	317.12	350.61	385.86	399.20	401.73	404.32	407.04	409.18	411.03[r]	413.33	416.38
					Not seasonally adjusted							
6 Total reserves[7]	43.07	46.98	56.06	62.37	61.40	58.97	59.56	59.66	58.84	59.39	58.87	59.32
7 Nonborrowed reserves	42.74	46.78	55.93	62.29	61.27	58.77	59.22	59.20	58.37	58.90	58.49	59.07
8 Nonborrowed reserves plus extended credit[5]	42.77	46.78	55.93	62.29	61.27	58.77	59.22	59.20	58.37	58.90	58.49	59.07
9 Required reserves[8]	41.40	46.00	54.90	61.31	60.25	58.06	58.45	58.55	57.84	58.33	58.06	58.32
10 Monetary base[9]	296.68	321.07	354.55	390.59	399.76	400.26	404.72	408.17	408.95	411.05	412.78	416.67
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	59.12	55.53	56.54	62.86	61.64	59.27	59.92	60.09	59.34	59.95[r]	59.49	60.01
12 Nonborrowed reserves	58.80	55.34	56.42	62.78	61.52	59.07	59.59	59.63	58.87	59.47	59.11	59.76
13 Nonborrowed reserves plus extended credit[5]	58.82	55.34	56.42	62.78	61.52	59.07	59.59	59.64	58.87	59.47	59.11	59.76
14 Required reserves	57.46	54.55	55.39	61.80	60.49	58.36	58.82	58.99	58.33	58.89	58.69	59.00
15 Monetary base[12]	313.70	333.61	360.90	397.62	406.32	406.59	410.94	414.39	414.90	416.65[r]	418.12	421.82
16 Excess reserves[13]	1.66	.98	1.16	1.06	1.15	.92	1.11	1.11	1.00	1.06	.80	1.01
17 Borrowings from the Federal Reserve	.33	.19	.12	.08	.12	.20	.33	.46	.47	.49	.38	.25

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data starting in 1959 and estimates of the impact on required reserves of changes in reserve requirements are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10)

3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

5. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

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

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities that are due to regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with regulatory changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of contemporaneous reserve requirements in February 1984, currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item	1990 Dec.	1991 Dec.	1992 Dec.	1993 Dec.	1994 Aug.[r]	1994 Sept.[r]	1994 Oct.	1994 Nov.
	Seasonally adjusted							
Measures[2]								
1 M1	826.4	897.7	1,024.8	1,128.4	1,151.0	1,152.0	1,148.5	1,147.7
2 M2	3,353.0	3,455.2[r]	3,509.0	3,567.9[r]	3,597.8	3,596.6	3,591.7	3,593.6
3 M3	4,125.7	4,180.4	4,183.0[r]	4,232.0[r]	4,243.3	4,248.9	4,257.9	4,265.6
4 L	4,974.8	4,992.9	5,057.1[r]	5,135.0[r]	5,179.6	5,175.2	5,204.0	n.a.
5 Debt	10,690.2[r]	11,171.1[r]	11,706.1[r]	12,335.4[r]	12,749.1	12,809.6	12,860.3	n.a.
M1 components								
6 Currency[3]	246.7	267.1	292.2	321.4	345.4	347.3	349.9	352.9
7 Travelers checks[4]	7.8	7.7	8.1	7.9	8.3	8.4	8.4	8.4
8 Demand deposits[5]	277.9	290.0	339.6	384.8	387.5	388.0	385.9	383.5
9 Other checkable deposits[6]	294.0	332.8	384.9	414.3	409.7	408.2	404.4	402.9
Nontransaction components								
10 In M2[7]	2,526.6	2,557.5[r]	2,484.2[r]	2,439.5[r]	2,446.7	2,444.6	2,443.1	2,445.9
11 In M3[8] only	772.7	725.2	674.0[r]	664.1	645.5	652.3	666.2	672.0
Commercial banks								
12 Savings deposits, including MMDAs	582.1	665.5	754.6	785.3	776.0	773.7	765.9	759.7
13 Small time deposits[9]	611.4[r]	602.9	508.7	468.6[r]	474.8	479.8	486.8	494.1
14 Large time deposits[10, 11]	368.6	342.4	292.8	277.2[r]	279.8	284.7	290.1	295.9
Thrift institutions								
15 Savings deposits, including MMDAs	338.3	375.6	429.0	430.2	418.8	412.9	407.5	400.2
16 Small time deposits[9]	563.2	464.5	361.8	317.1[r]	302.9	303.5	306.8	311.8
17 Large time deposits[10]	120.9	83.4	67.5	61.8	60.9	62.1	63.3	63.5
Money market mutual funds								
18 General purpose and broker–dealer	355.5	370.4	352.0	348.8	362.9	362.3	365.0	369.8
19 Institution-only	135.0	181.0	201.5	197.0	169.3	167.9	175.3	175.6
Debt components								
20 Federal debt	2,490.3	2,763.3	3,067.9	3,328.0[r]	3,436.7	3,454.0	3,469.4	n.a.
21 Nonfederal debt	8,199.9[r]	8,407.8[r]	8,638.1[r]	9,007.4[r]	9,312.5	9,355.6	9,390.8	n.a.
	Not seasonally adjusted							
Measures[2]								
22 M1	843.8	916.7	1,046.7	1,153.8	1,144.0	1,146.1	1,147.4	1,155.4
23 M2	3,366.0	3,470.3[r]	3,527.6	3,590.5[r]	3,590.1	3,586.2	3,590.0	3,603.2
24 M3	4,135.5	4,191.9	4,198.2[r]	4,251.4[r]	4,239.3	4,238.2	4,252.4	4,278.5
25 L	4,997.2	5,018.0	5,087.6[r]	5,169.9[r]	5,168.9	5,163.1	5,196.3	n.a.
26 Debt	10,687.2[r]	11,168.5[r]	11,708.9[r]	12,327.6[r]	12,700.9	12,765.9	12,819.8	n.a.
M1 components								
27 Currency[3]	249.5	269.9	295.0	324.9	345.7	347.1	349.6	353.3
28 Travelers checks[4]	7.4	7.4	7.8	7.6	8.9	8.8	8.5	8.2
29 Demand deposits[5]	289.9	303.1	355.1	402.6	384.2	385.7	389.0	391.8
30 Other checkable deposits[6]	297.0	336.3	388.9	418.6	405.2	404.5	400.3	402.1
Nontransaction components								
31 In M2[7]	2,522.3	2,553.7	2,480.8[r]	2,436.7[r]	2,446.0	2,440.1	2,442.6	2,447.8
32 In M3[8]	769.5	721.6	670.6	660.9	649.3	652.1	662.4	675.3
Commercial banks								
33 Savings deposits, including MMDAs	580.8	664.0	752.9	783.9	776.6	772.4	765.2	761.4
34 Small time deposits[9]	610.5	601.9	507.8	467.6	475.9	481.2	487.7	493.3
35 Large time deposits[10, 11]	367.7	341.3	291.7	276.0	281.6	285.8	289.8	296.3
Thrift institutions								
36 Savings deposits, including MMDAs	337.6	374.8	428.1	429.4	419.0	412.2	407.1	401.1
37 Small time deposits[9]	562.4	463.7[r]	361.1[r]	316.4[r]	303.6	304.3	307.4	311.3
38 Large time deposits[10]	120.6	83.1	67.2	61.6	61.3	62.3	63.2	63.6
Money market mutual funds								
39 General purpose and broker–dealer	353.8	368.5	350.2	347.2	360.2	357.5	360.9	367.7
40 Institution-only	134.7	180.4	200.4	195.8	169.5	165.1	170.5	175.0
Repurchase agreements and Eurodollars								
41 Overnight and continuing	77.3	80.6	80.7	92.3	110.8	112.5	114.3	113.0
42 Term	158.3	130.1	126.8	143.8	151.9	153.6	154.4	156.7
Debt components								
43 Federal debt	2,491.3	2,765.0	3,069.8	3,329.5	3,418.4	3,438.4	3,448.7	n.a.
44 Nonfederal debt	8,195.9[r]	8,403.5[r]	8,639.1[r]	8,998.1[r]	9,282.5	9,327.5	9,371.2	n.a.

Footnotes appear on following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data starting in 1959 are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

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

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

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

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

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

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

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

4. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

5. Demand deposits at commercial banks and foreign-related institutions other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float.

6. Consists of NOW and ATS account balances at all depository institutions, credit union share draft account balances, and demand deposits at thrift institutions.

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

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

9. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRAs and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.

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

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

1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks[1]

Item	1992 Dec.	1993 Dec.	1994 Mar.	Apr.	May	June	July	Aug.	Sept.[r]	Oct.	Nov.
	Interest rates (annual effective yields)[2]										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts	2.33	1.86	1.82	1.81	1.83	1.82	1.83	1.85	1.87	1.88	1.92
2 Savings deposits[3]	2.88	2.46	2.43	2.45	2.50	2.54	2.57	2.63	2.67	2.72	2.80
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	2.90	2.65	2.76	2.87	2.99	3.08	3.17	3.29	3.36	3.47	3.62
4 92 to 182 days	3.16	2.91	3.02	3.13	3.28	3.36	3.44	3.61	3.75	3.93	4.22
5 183 days to 1 year	3.37	3.13	3.27	3.42	3.64	3.76	3.88	4.11	4.27	4.49	4.82
6 More than 1 year to 2½ years	3.88	3.55	3.69	3.87	4.12	4.26	4.39	4.61	4.80	5.08	5.41
7 More than 2½ years	4.77	4.29	4.46	4.67	4.89	5.02	5.14	5.33	5.47	5.76	6.08
BIF-INSURED SAVINGS BANKS[4]											
8 Negotiable order of withdrawal accounts	2.45	1.87	1.83	1.86	1.86	1.88	1.89	1.89	1.91	1.88	1.91
9 Savings deposits[3]	3.20	2.63	2.63	2.65	2.67	2.69	2.67	2.74	2.78	2.76	2.84
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	3.13	2.70	2.71	2.72	2.77	2.84	2.98	3.03	3.11	3.31	3.49
11 92 to 182 days	3.44	3.02	3.08	3.13	3.21	3.41	3.53	3.69	3.87	4.09	4.40
12 183 days to 1 year	3.61	3.31	3.37	3.47	3.67	3.92	4.02	4.24	4.47	4.78	5.15
13 More than 1 year to 2½ years	4.02	3.66	3.85	3.96	4.12	4.38	4.56	4.83	5.04	5.36	5.67
14 More than 2½ years	5.00	4.62	4.75	4.85	5.08	5.24	5.35	5.47	5.64	5.78	6.16
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts	286,541	305,223	297,496	293,888	292,797	290,220	290,631	295,320	286,787	294,069	294,279
16 Savings deposits[3]	738,253	766,413	779,340	771,869	773,170	767,539	765,751	764,035	755,249	751,300	746,647
17 Personal	578,757	597,838	615,875	611,720	612,648	608,132	605,881	600,892	595,175	591,304	584,989
18 Nonpersonal	159,496	168,575	163,465	160,149	160,522	159,407	159,870	163,143	160,074	159,996	161,658
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	38,474	29,455	29,539	29,467	29,950	28,763	28,659	27,959	28,312	31,387	31,487
20 92 to 182 days	127,831	110,069	107,407	105,615	104,400	102,439	100,424	98,085	96,398	95,328	94,691
21 183 days to 1 year	163,098	146,565	144,022	146,733	148,102	151,165	152,216	155,964	157,253	158,564	159,894
22 More than 1 year to 2½ years	152,977	141,223	139,946	139,313	140,764	144,686	146,875	150,807	152,514	155,251	158,553
23 More than 2½ years	169,708	181,528	180,973	181,977	180,381	181,843	182,944	186,490	190,209	188,456	189,017
24 IRA and Keogh plan deposits	147,350	143,985	142,002	142,448	142,047	142,513	142,649	142,617	142,700	142,742	142,923
BIF-INSURED SAVINGS BANKS[4]											
25 Negotiable order of withdrawal accounts	10,871	11,151	11,078	11,051	11,052	10,792	10,925	11,016	10,769	11,136	10,999
26 Savings deposits[3]	81,786	80,115	78,701	78,982	78,817	77,289	77,337	75,108	74,659	73,416	72,622
27 Personal	78,695	77,035	75,444	75,717	75,474	74,121	74,064	72,040	71,525	70,215	69,412
28 Nonpersonal	3,091	3,079	3,257	3,265	3,344	3,168	3,273	3,068	3,134	3,201	3,211
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	3,867	2,793	2,671	2,697	2,702	2,614	2,531	2,523	2,402	2,258	2,209
30 92 to 182 days	17,345	12,946	13,177	13,058	12,822	12,515	12,511	12,292	12,276	11,896	11,833
31 183 days to 1 year	21,780	17,426	17,511	17,504	17,444	17,310	17,591	17,593	17,928	18,213	18,608
32 More than 1 year to 2½ years	18,442	16,546	16,180	16,453	16,477	16,493	16,901	16,824	17,287	17,521	17,962
33 More than 2½ years	18,845	20,464	21,110	21,454	21,546	21,079	21,573	21,531	21,923	21,625	21,688
34 IRA and Keogh plan accounts	21,713	19,356	19,447	19,860	19,772	19,511	19,757	19,445	19,532	19,550	19,532

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 425 commercial banks and 77 savings banks on the last day of each month. Data are not seasonally adjusted and include IRA and Keogh deposits and foreign currency-denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks.

2. As of October 31, 1994, interest rate data for NOW accounts and savings deposits reflect a series break caused by a change in the survey used to collect these data.

3. Includes personal and nonpersonal money market deposits.

4. Includes both mutual and federal savings banks.

1.23 BANK DEBITS AND DEPOSIT TURNOVER[1]

Debits are in billions of dollars; turnover is ratio of debits to deposits; monthly data are at annual rates

Bank group, or type of deposit	1991[2]	1992[2r]	1993[2]	1994 Apr.[r]	1994 May[r]	1994 June[r]	1994 July[r]	1994 Aug.	1994 Sept.
	Seasonally adjusted								
DEBITS									
Demand deposits[3]									
1 All insured banks	277,741.7	313,179.6	334,375.0	352,704.5	376,228.7	371,514.3	345,270.8	384,057.8	370,534.3
2 Major New York City banks	137,337.2	165,484.6	171,310.7	184,408.9	200,277.5	195,079.5	182,408.3	196,505.5	186,294.7
3 Other banks	140,404.5	147,695.1	163,064.2	168,295.5	175,951.2	176,434.8	162,862.5	187,552.3	184,239.7
4 Other checkable deposits[4]	3,643.1	3,780.7	3,468.9	3,581.6	3,876.9	3,853.9	3,502.6	3,868.2	3,916.0
5 Savings deposits (including MMDAs)[5]	3,206.4	3,310.6	3,511.0	3,460.9	3,503.2	3,788.9	3,408.8	3,855.3	3,806.0
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	803.7	825.8	785.4	778.5	834.0	828.6	756.3	852.4	820.1
7 Major New York City banks	4,267.1	4,794.5	4,200.5	4,233.2	4,714.8	4,480.9	4,074.6	4,635.6	4,503.6
8 Other banks	448.1	428.7	423.7	411.0	430.6	435.8	395.5	459.5	448.9
9 Other checkable deposits[4]	16.2	14.4	11.8	12.0	12.9	12.8	11.5	12.8	13.0
10 Savings deposits (including MMDAs)[5]	5.2	4.7	4.6	4.4	4.5	4.9	4.4	5.0	5.0
	Not seasonally adjusted								
DEBITS									
Demand deposits[3]									
11 All insured banks	277,752.4	313,344.9	334,354.6	350,126.4	364,462.2	387,217.2	347,416.1	394,407.7	365,077.0
12 Major New York City banks	137,307.2	165,595.0	171,283.5	181,272.6	188,885.2	204,251.8	182,452.9	202,845.6	186,161.8
13 Other banks	140,445.2	147,749.9	163,071.0	168,853.8	175,577.0	182,965.4	164,963.2	191,562.1	178,915.2
14 Other checkable deposits[4]	3,645.2	3,783.6	3,467.5	3,790.1	3,693.6	3,911.3	3,509.1	3,856.0	3,951.2
15 Savings deposits (including MMDAs)[5]	3,209.2	3,310.0	3,509.5	3,636.5	3,539.7	3,911.0	3,525.0	3,876.6	3,719.6
DEPOSIT TURNOVER									
Demand deposits[3]									
16 All insured banks	803.6	826.1	785.4	771.3	823.3	868.4	761.9	889.5	811.9
17 Major New York City banks	4,269.0	4,803.5	4,197.9	4,228.8	4,449.3	4,878.2	4,150.3	4,960.2	4,539.5
18 Other banks	448.1	428.8	423.8	410.8	438.7	452.9	400.4	475.9	437.8
19 Other checkable deposits[4]	16.2	14.4	11.8	12.3	12.4	13.0	11.7	12.9	13.2
20 Savings deposits (including MMDAs)[5]	5.2	4.7	4.6	4.6	4.6	5.0	4.6	5.0	4.9

1. Historical tables containing revised data for earlier periods can be obtained from the Publications Section, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Data in this table also appear in the Board's G.6 (406) monthly statistical release. For ordering address, see inside front cover.

2. Annual averages of monthly figures.

3. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.

4. As of January 1994, other checkable deposits (OCDs), previously defined as automatic transfer to demand deposits (ATSs) and negotiable order of withdrawal (NOW) accounts, were expanded to include telephone and preauthorized transfer accounts. This change redefined OCDs for debits data to be consistent with OCDs for deposits data.

5. Money market deposit accounts.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1993	1994							1994			
	Nov.	May[r]	June[r]	July[r]	Aug.[r]	Sept.[r]	Oct.	Nov.	Nov. 9	Nov. 16	Nov. 23	Nov. 30
ALL COMMERCIAL BANKING INSTITUTIONS	Seasonally adjusted											
Assets												
1 Bank credit	3,091.1	3,212.2	3,224.4	3,259.6	3,269.6	3,278.7	3,286.6	3,296.1	3,284.2	3,292.0	3,303.3	3,305.9
2 Securities in bank credit	903.1[r]	972.9	975.6	979.5	971.4	967.2	957.5	950.6	950.7	949.8	949.5	950.0
3 U.S. government securities	720.8[r]	750.8	751.8	751.5	746.3	740.1	727.9	719.9	719.3	720.5	718.5	719.3
4 Other securities	182.2[r]	222.1	223.8	228.0	225.1	227.1	229.7	230.7	231.4	229.3	231.0	230.7
5 Loans and leases in bank credit[2]	2,188.1	2,239.4	2,248.9	2,280.1	2,298.2	2,311.5	2,329.1	2,345.5	2,333.5	2,342.2	2,353.9	2,355.8
6 Commercial and industrial	584.2	607.1	610.2	618.7	623.3	627.7	633.8	639.1	635.4	639.4	640.2	642.3
7 Real estate	933.8[r]	948.9	956.0	962.7	971.4	978.9	983.7	990.1	986.4	989.7	991.8	993.3
8 Revolving home equity	73.5	73.7	74.1	74.2	74.4	74.7	75.0	75.6	75.4	75.5	75.6	75.9
9 Other	860.3[r]	875.2	881.9	888.5	897.0	904.1	908.6	914.5	911.0	914.2	916.2	917.4
10 Consumer	388.4	412.3	416.0	424.0	430.1	434.9	441.9	444.7	444.0	443.9	444.4	446.9
11 Security[3]	88.2	77.5	76.2	77.7	75.1	69.2	72.1	73.3	71.1	70.0	77.2	75.6
12 Other	193.6	193.6	190.4	197.0	198.3	200.8	197.7	198.3	196.7	199.2	200.2	197.8
13 Interbank loans[4]	153.8[r]	157.9	156.7	160.2	159.0	160.0	163.4	171.7	169.3	161.2	180.0	179.2
14 Cash assets[5]	218.8	216.1	214.5	210.9	203.3	202.4	209.7	204.9	195.0	202.6	219.3	201.6
15 Other assets[6]	216.9	225.2	219.6	226.9	228.2	222.0	222.6	225.0	222.3	222.1	228.9	227.7
16 **Total assets[7]**	**3,621.9**	**3,754.3**	**3,758.2**	**3,800.1**	**3,802.9**	**3,805.8**	**3,825.1**	**3,840.8**	**3,813.9**	**3,821.0**	**3,874.8**	**3,857.6**
Liabilities												
17 Deposits	2,532.9	2,520.1	2,507.0	2,513.4	2,517.0	2,520.5	2,534.6	2,530.8	2,522.7	2,529.8	2,543.9	2,526.5
18 Transaction	816.4	812.1	808.8	809.8	807.6	803.2	806.9	798.1	790.8	798.2	809.8	792.9
19 Nontransaction	1,716.6[r]	1,707.9	1,698.2	1,703.6	1,709.4	1,717.4	1,727.7	1,732.7	1,731.8	1,731.6	1,734.1	1,733.7
20 Large time	347.4	338.1	334.4	339.2	342.6	348.9	357.8	362.5	361.7	360.4	363.3	365.3
21 Other	1,369.1	1,369.8	1,363.8	1,364.4	1,366.8	1,368.4	1,369.9	1,370.2	1,370.1	1,371.2	1,370.8	1,368.4
22 Borrowings	517.3	573.4	568.9	572.2	567.8	577.0	576.2	578.1	562.5	559.6	587.2	600.7
23 From banks in the U.S.	154.8	159.5	155.3	161.7	158.6	156.8	164.5	171.4	166.8	164.0	177.8	179.5
24 From nonbanks in the U.S.	362.5	413.9	413.6	410.5	409.2	420.1	411.7	406.6	395.8	395.7	409.3	421.2
25 Net due to related foreign offices	121.4	174.5	184.6	200.8	211.2	215.6	213.9	208.6	210.9	205.6	215.5	203.8
26 Other liabilities[8]	143.7	177.3	171.7	177.8	172.9	172.3	173.4	172.9	174.1	171.8	173.6	171.1
27 **Total liabilities**	**3,315.3[r]**	**3,445.3**	**3,432.1**	**3,464.2**	**3,469.0**	**3,485.4**	**3,498.1**	**3,490.3**	**3,470.2**	**3,466.7**	**3,520.3**	**3,502.1**
28 Residual (assets less liabilities)[9]	306.6	309.0	326.1	335.9	333.9	320.4	327.0	350.5	343.7	354.2	354.5	355.5
	Not seasonally adjusted											
Assets												
29 Bank credit	3,101.9	3,200.8	3,219.6	3,243.2	3,261.4	3,279.0	3,290.5	3,308.6	3,301.1	3,306.8	3,307.7	3,318.8
30 Securities in bank credit	908.4	968.4	972.1	973.2	970.8	968.6	962.1	957.8	959.4	958.8	954.2	955.6
31 U.S. government securities	724.9[r]	747.9	749.4	745.9	745.5	741.6	729.5	723.7	724.6	725.3	720.2	722.8
32 Other securities	183.6	220.5	222.8	227.3	225.3	227.0	232.6	234.1	234.8	233.6	234.0	232.9
33 Loans and leases in bank credit[2]	2,193.5	2,232.4	2,247.4	2,270.0	2,290.6	2,310.4	2,328.4	2,350.9	2,341.7	2,348.0	2,353.5	2,363.2
34 Commercial and industrial	585.0	608.6	611.2	616.5	619.6	624.0	631.6	639.9	636.0	639.7	641.7	643.4
35 Real estate	936.2[r]	949.3	956.5	963.5	970.4	979.1	985.4	993.1	991.2	992.7	993.5	996.1
36 Revolving home equity	74.0	73.5	73.9	74.0	74.4	75.0	75.7	76.1	76.0	76.1	76.1	76.2
37 Other	862.2[r]	875.8	882.5	889.5	896.0	904.1	909.7	917.0	915.2	916.6	917.4	919.9
38 Consumer	388.6	411.1	414.1	421.4	429.4	436.1	441.7	444.9	443.3	443.9	444.4	448.2
39 Security[3]	88.1	73.4	74.3	72.5	72.5	68.3	70.9	73.3	72.7	70.5	75.0	75.2
40 Other	195.6	190.0	191.4	196.1	198.8	202.9	198.8	199.7	198.4	201.2	199.0	200.3
41 Interbank loans[4]	155.4[r]	153.1	154.4	155.7	155.5	157.2	161.4	171.9	166.8	166.4	172.5	183.6
42 Cash assets[5]	226.3	213.6	212.2	207.5	197.7	204.0	209.0	211.5	194.1	216.5	217.2	218.9
43 Other assets[6]	219.7	222.3	216.9	225.1	226.6	223.2	225.1	228.0	227.1	225.0	228.6	231.6
44 **Total assets[7]**	**3,644.2**	**3,732.6**	**3,746.1**	**3,774.8**	**3,784.0**	**3,806.2**	**3,829.0**	**3,862.9**	**3,831.8**	**3,857.5**	**3,868.9**	**3,895.7**
Liabilities												
45 Deposits	2,543.8	2,508.8	2,508.6	2,507.3	2,505.5	2,517.3	2,525.7	2,541.2	2,528.9	2,550.8	2,539.1	2,547.1
46 Transaction	828.1	800.8	807.2	801.9	792.4	799.8	800.6	809.5	793.5	819.2	808.3	817.7
47 Nontransaction	1,715.8[r]	1,708.0	1,701.4	1,705.4	1,713.0	1,717.6	1,725.0	1,731.6	1,735.4	1,731.6	1,730.9	1,729.4
48 Large time	344.3	342.1	337.2	339.5	344.2	348.5	353.8	359.2	358.5	356.6	360.7	361.9
49 Other	1,371.5[r]	1,365.9	1,364.2	1,365.9	1,368.8	1,369.1	1,371.3	1,372.4	1,376.9	1,375.0	1,370.2	1,367.5
50 Borrowings	528.3	561.0	575.1	580.0	583.5	588.6	590.5	602.8	592.3	591.5	602.8	623.5
51 From banks in the U.S.	155.8	153.4	154.7	156.0	155.5	157.2	161.4	171.9	166.8	166.4	172.5	183.6
52 From nonbanks in the U.S.	372.5	407.6	420.4	424.1	428.0	431.4	429.1	430.9	425.5	425.1	430.3	439.9
53 Net due to related foreign offices	124.1	180.1	179.8	192.9	200.4	203.7	212.6	211.7	204.0	208.2	218.5	218.2
54 Other liabilities[8]	149.5	172.5	167.8	174.1	172.4	172.9	176.9	180.2	180.0	179.4	180.3	180.3
55 **Total liabilities**	**3,345.8**	**3,422.4**	**3,431.3**	**3,454.3**	**3,461.7**	**3,482.5**	**3,505.7**	**3,535.8**	**3,505.0**	**3,529.9**	**3,540.7**	**3,569.2**
56 Residual (assets less liabilities)[9]	298.4[r]	310.2	314.9	320.5	322.3	323.6	323.3	327.1	326.8	327.6	328.2	326.6

Footnotes appear on last page.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]—Continued

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1993	1994							1994			
	Nov.	May[r]	June[r]	July[r]	Aug.[r]	Sept.[r]	Oct.	Nov.	Nov. 9	Nov. 16	Nov. 23	Nov. 30
DOMESTICALLY CHARTERED COMMERCIAL BANKS	Seasonally adjusted											
Assets												
57 Bank credit	2,756.2[r]	2,864.4	2,877.6	2,902.3	2,913.1	2,919.8	2,930.5	2,941.3	2,934.7	2,939.4	2,942.5	2,948.4
58 Securities in bank credit	826.1[r]	885.9	886.7	892.2	882.7	876.1	868.1	865.4	866.5	865.1	862.8	865.0
59 U.S. government securities	668.6[r]	692.2	691.1	691.6	685.9	678.9	669.8	665.6	665.8	666.0	663.2	665.5
60 Other securities	157.5	193.7	195.6	200.5	196.9	197.3	198.4	199.8	200.7	199.1	199.6	199.4
61 Loans and leases in bank credit[2]	1,930.1	1,978.5	1,990.9	2,010.2	2,030.4	2,043.7	2,062.4	2,075.9	2,068.2	2,074.3	2,079.6	2,083.5
62 Commercial and industrial	434.1	452.1	455.7	460.8	464.1	467.9	471.8	474.4	472.4	474.4	475.5	475.7
63 Real estate	886.7[r]	905.7	912.8	920.4	929.3	937.1	943.0	949.4	945.7	948.9	951.1	952.7
64 Revolving home equity	73.5	73.7	74.0	74.2	74.4	74.7	75.0	75.6	75.4	75.5	75.6	75.9
65 Other	813.2[r]	832.0	838.8	846.2	854.9	862.4	868.0	873.9	870.3	873.4	875.5	876.8
66 Consumer	388.4	412.3	416.0	424.0	430.1	434.9	441.9	444.7	444.0	443.9	444.4	446.9
67 Security[3]	60.3	51.2	49.6	46.5	47.0	43.4	46.7	47.4	47.1	46.2	47.8	48.8
68 Other	160.6[r]	157.1	156.9	158.5	159.9	160.4	159.0	159.9	159.1	160.8	160.8	159.3
69 Interbank loans[4]	132.8[r]	131.8	131.5	133.7	134.5	136.5	138.7	148.8	146.2	143.1	156.2	152.9
70 Cash assets[5]	193.2	189.1	188.6	185.5	179.6	180.7	187.0	181.6	172.0	180.5	194.9	177.7
71 Other assets[6]	172.4	173.1	166.8	171.3	173.2	168.5	168.1	169.3	167.3	167.4	173.2	170.0
72 **Total assets**[7]	**3,195.8**	**3,301.3**	**3,307.6**	**3,335.6**	**3,343.0**	**3,348.2**	**3,367.0**	**3,384.2**	**3,363.4**	**3,373.5**	**3,410.1**	**3,392.3**
Liabilities												
73 Deposits	2,378.7[r]	2,376.4	2,369.0	2,371.4	2,371.9	2,368.5	2,374.9	2,371.0	2,362.8	2,371.1	2,382.8	2,366.6
74 Transaction	804.8	801.9	798.4	799.9	797.8	793.2	797.4	788.9	781.0	789.1	800.6	784.2
75 Nontransaction	1,573.8	1,574.5	1,570.6	1,571.5	1,574.2	1,575.2	1,577.4	1,582.0	1,581.8	1,582.0	1,582.2	1,582.4
76 Large time	210.8	209.9	210.1	211.4	212.5	211.2	214.6	218.8	218.5	218.1	219.0	219.9
77 Other	1,363.1[r]	1,364.6	1,360.5	1,360.2	1,361.7	1,364.0	1,362.9	1,363.2	1,363.3	1,363.9	1,363.2	1,362.5
78 Borrowings	410.3	471.0	462.4	462.2	460.9	473.5	477.5	476.0	462.5	460.2	479.9	497.6
79 From banks in the U.S.	121.5	138.5	131.9	140.6	139.5	139.0	148.2	154.2	148.7	149.2	159.2	161.5
80 From nonbanks in the U.S.	288.9	332.5	330.5	321.6	321.5	334.4	329.3	321.8	313.7	311.0	320.7	336.1
81 Net due to related foreign offices	−2.7	25.3	32.6	44.6	53.4	59.9	64.6	64.6	64.8	64.8	72.9	58.2
82 Other liabilities[8]	104.9	133.7	128.9	131.5	126.5	127.0	126.6	125.1	126.9	125.7	125.2	121.9
83 **Total liabilities**	**2,891.2**	**3,006.4**	**2,993.0**	**3,009.7**	**3,012.8**	**3,028.9**	**3,043.6**	**3,036.7**	**3,017.0**	**3,021.8**	**3,060.8**	**3,044.3**
84 Residual (assets less liabilities)[9]	304.7	294.9	314.6	325.9	330.3	319.4	323.4	347.6	346.4	351.7	349.3	348.0
	Not seasonally adjusted											
Assets												
85 Bank credit	2,764.9[r]	2,859.2	2,876.6	2,894.5	2,908.8	2,924.0	2,936.9	2,951.8	2,945.8	2,951.4	2,949.8	2,959.4
86 Securities in bank credit	830.2[r]	883.0	886.1	887.8	883.5	879.0	873.1	871.1	873.4	872.0	867.3	869.1
87 U.S. government securities	671.3[r]	690.9	690.7	687.7	686.4	681.6	671.4	667.8	669.2	668.7	664.5	667.3
88 Other securities	158.9	192.1	195.4	200.1	197.2	197.4	201.7	203.3	204.2	203.2	202.8	201.8
89 Loans and leases in bank credit[2]	1,934.7	1,976.1	1,990.5	2,006.6	2,025.3	2,045.0	2,063.8	2,080.7	2,072.4	2,079.4	2,082.5	2,090.3
90 Commercial and industrial	434.9	454.8	456.7	459.4	461.3	465.3	471.2	475.2	473.0	475.3	476.3	476.7
91 Real estate	889.1[r]	906.2	913.5	921.2	928.2	937.2	944.6	952.4	950.5	951.9	952.8	955.4
92 Revolving home equity	74.0	73.4	73.9	74.0	74.4	75.0	75.7	76.0	75.9	76.0	76.0	76.2
93 Other	815.1[r]	832.7	839.6	847.2	853.8	862.2	868.9	876.3	874.5	875.9	876.7	879.2
94 Consumer	388.6	411.1	414.1	421.4	429.4	436.1	441.7	444.9	443.3	443.9	444.4	448.2
95 Security[3]	60.1	49.1	48.8	45.7	46.0	43.7	46.0	47.3	46.2	45.8	48.7	48.4
96 Other	162.1[r]	155.1	157.4	158.9	160.4	162.7	160.3	161.0	159.4	162.5	160.4	161.6
97 Interbank loans[4]	134.5	127.7	130.7	129.6	132.4	133.4	136.1	148.9	146.1	147.1	149.8	154.3
98 Cash assets[5]	200.6	187.6	186.1	182.4	173.4	181.4	185.4	188.2	171.1	193.6	193.3	195.2
99 Other assets[6]	173.8	171.3	165.7	170.9	171.8	169.9	170.5	170.5	170.1	168.6	170.8	172.3
100 **Total assets**[7]	**3,214.6**	**3,288.8**	**3,302.2**	**3,320.7**	**3,329.2**	**3,351.5**	**3,371.9**	**3,402.5**	**3,376.0**	**3,403.6**	**3,406.6**	**3,424.2**
Liabilities												
101 Deposits	2,393.8	2,361.9	2,366.7	2,364.1	2,360.3	2,366.7	2,372.2	2,385.6	2,373.4	2,396.1	2,382.0	2,391.4
102 Transaction	816.4	790.9	796.9	791.9	782.8	789.5	791.0	800.4	784.0	809.8	799.3	808.8
103 Nontransaction	1,577.4	1,571.0	1,569.8	1,572.3	1,577.5	1,577.3	1,581.1	1,585.3	1,589.3	1,586.3	1,582.7	1,582.6
104 Large time	211.3	210.5	209.6	211.0	213.8	212.3	215.7	219.3	219.3	218.3	219.7	220.0
105 Other	1,366.1	1,360.5	1,360.2	1,361.3	1,363.6	1,365.0	1,365.4	1,366.0	1,370.0	1,368.0	1,363.1	1,362.6
106 Borrowings	420.2	461.7	468.3	469.8	475.6	483.7	489.7	500.3	489.3	490.7	499.2	520.6
107 From banks in the U.S.	121.3	134.3	132.1	134.6	136.3	138.6	145.4	154.5	148.3	150.9	155.4	165.0
108 From nonbanks in the U.S.	298.8	327.4	336.2	335.2	339.3	345.2	344.3	345.8	341.1	339.8	343.8	355.6
109 Net due to related foreign offices	−3.3	31.1	32.9	43.5	51.0	55.4	62.3	64.1	60.9	63.3	72.4	61.8
110 Other liabilities[8]	109.6	129.5	125.4	128.9	126.1	127.7	130.3	131.0	131.4	131.7	130.4	129.6
111 **Total liabilities**	**2,920.3**[r]	**2,984.2**	**2,993.3**	**3,006.3**	**3,012.9**	**3,033.6**	**3,054.4**	**3,081.1**	**3,055.0**	**3,081.7**	**3,084.1**	**3,103.3**
112 Residual (assets less liabilities)[9]	294.3[r]	304.5	308.9	314.4	316.3	317.9	317.5	321.4	321.0	321.9	322.5	320.9

Footnotes appear on following page.

NOTES TO TABLE 1.26

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks; New York State investment companies, and Edge Act and agreement corporations (foreign-related institutions). Excludes international banking facilities. Data are Wednesday values, or pro rata averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

2. Excludes federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

3. Consists of reserve repurchase agreements with broker–dealers and loans to purchase and carry securities.

4. Consists of federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

5. Includes vault cash, cash items in process of collection, demand balances due from depository institutions in the United States, balances due from Federal Reserve Banks, and other cash assets.

6. Excludes the due-from position with related foreign offices, which is included in lines 25, 53, 81, and 109.

7. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

8. Excludes the due-to position with related foreign offices, which is included in lines 25, 53, 81, and 109.

9. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.

NOTE. Data have been benchmarked to the June 1994 Call Report. Earlier tables were benchmarked to the March 1994 Call Report.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS

Millions of dollars, Wednesday figures

Account	1994								
	Oct. 5	Oct. 12	Oct. 19	Oct. 26	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30
ASSETS									
1 Cash and balances due from depository institutions	111,935	122,724	110,588	105,836	114,500	102,414	119,851	120,520	119,636
2 U.S. Treasury and government securities	300,939	300,425	301,546	301,946	305,139	300,233	302,400	299,623	302,617
3 Trading account	22,463	22,994	25,308	24,840	26,700	22,978	26,552	21,680	24,125
4 Investment account	278,475	277,431	276,238	277,107	278,439	277,256	275,848	277,944	278,492
5 Mortgage-backed securities[1]	91,337	91,125	91,026	90,625	91,636	91,499	92,735	92,528	93,608
All others, by maturity									
6 One year or less	43,329	42,402	42,014	42,937	43,096	42,541	41,135	44,240	45,063
7 One year through five years	76,908	77,166	77,010	77,540	78,029	77,235	75,071	74,177	74,093
8 More than five years	66,901	66,738	66,187	66,005	65,677	65,980	66,907	66,998	65,728
9 Other securities	104,848	104,507	109,177	119,216	120,038	117,339	116,326	115,692	114,482
10 Trading account	1,437	1,685	1,622	1,637	1,846	1,721	1,830	1,775	1,849
11 Investment account	61,718	61,804	61,833	61,804	62,499	62,743	62,623	62,904	62,746
12 State and local government, by maturity	21,544	21,520	21,643	21,651	21,706	21,684	21,730	21,829	21,817
13 One year or less	5,277	5,270	5,290	5,290	5,400	5,439	5,419	5,424	5,502
14 More than one year	16,267	16,251	16,354	16,361	16,306	16,245	16,311	16,404	16,315
15 Other bonds, corporate stocks, and securities	40,174	40,284	40,190	40,152	40,793	41,060	40,894	41,075	40,930
16 Other trading account assets	41,693	41,018	45,722	55,775	55,693	52,875	51,872	51,014	49,887
17 Federal funds sold[2]	90,122	97,636	93,058	99,002	99,136	99,777	97,740	105,780	107,882
18 To commercial banks in the United States	58,554	68,130	61,196	69,578	68,342	70,180	68,877	72,972	77,877
19 To nonbank brokers and dealers in securities	23,379	24,060	26,731	24,205	25,600	23,794	23,333	27,298	24,406
20 To others[3]	8,189	5,446	5,132	5,220	5,193	5,803	5,529	5,510	5,599
21 Other loans and leases, gross	1,113,864	1,115,804	1,116,922	1,119,232	1,129,609	1,129,041	1,134,465	1,134,335	1,142,898
22 Commercial and industrial	306,938	306,179	307,240	306,917	309,275	308,155	310,205	311,316	311,378
23 Bankers acceptances and commercial paper	2,885	3,243	3,393	3,278	3,270	3,143	3,273	3,295	3,390
24 All other	304,053	302,935	303,847	303,639	306,005	305,012	306,932	308,021	307,988
25 U.S. addressees	302,280	301,137	302,028	301,759	304,035	302,977	304,731	305,900	305,713
26 Non-U.S. addressees	1,772	1,799	1,819	1,880	1,970	2,035	2,201	2,121	2,275
27 Real estate loans	443,492	444,149	444,252	445,045	448,517	449,586	449,948	450,716	453,289
28 Revolving, home equity	45,821	45,864	46,129	46,251	46,303	46,318	46,357	46,584	46,812
29 All other	397,671	398,285	398,123	398,794	402,214	403,268	403,591	404,132	406,477
30 To individuals for personal expenditures	231,292	231,973	232,566	233,046	234,561	235,525	234,684	234,508	237,443
31 To depository and financial institutions	43,141	45,660	45,642	45,734	47,329	46,498	47,923	48,783	48,237
32 Commercial banks in the United States	25,140	26,196	26,347	26,498	27,325	27,123	28,145	28,749	27,923
33 Banks in foreign countries	2,458	3,005	2,542	2,744	3,063	2,334	2,835	3,217	3,614
34 Nonbank depository and other financial institutions	15,542	16,459	16,753	16,491	16,941	17,041	16,942	16,817	16,700
35 For purchasing and carrying securities	15,365	15,226	16,027	16,933	16,296	17,041	17,006	16,004	18,628
36 To finance agricultural production	6,500	6,467	6,423	6,358	6,357	6,335	6,344	6,300	6,347
37 To states and political subdivisions	11,488	11,549	11,571	11,572	11,453	11,373	11,296	11,392	11,493
38 To foreign governments and official institutions	940	1,050	915	920	917	921	1,087	906	1,070
39 All other loans[4]	24,773	23,541	22,185	22,465	24,531	23,031	25,374	23,661	24,048
40 Lease-financing receivables	29,938	30,011	30,101	30,242	30,372	30,575	30,598	30,749	30,965
41 LESS: Unearned income	1,633	1,635	1,624	1,624	1,597	1,598	1,609	1,611	1,595
42 Loan and lease reserve[5]	34,651	34,754	34,565	34,528	34,606	34,826	34,765	34,704	34,721
43 Other loans and leases, net	1,077,580	1,079,416	1,080,734	1,083,080	1,093,406	1,092,617	1,098,092	1,098,020	1,106,582
44 All other assets	148,281	150,066	143,360	135,858	141,350	138,946	136,734	134,852	140,553
45 **Total assets**[6]	**1,833,705**	**1,854,774**	**1,838,462**	**1,844,938**	**1,873,568**	**1,851,326**	**1,871,142**	**1,874,487**	**1,891,753**

Footnotes appear on the following page.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS—Continued

Millions of dollars, Wednesday figures

Account	1994								
	Oct. 5	Oct. 12	Oct. 19	Oct. 26	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30
LIABILITIES									
46 Deposits	1,145,964	1,157,278	1,126,673	1,125,397	1,149,509	1,138,825	1,157,563	1,150,053	1,158,859
47 Demand deposits[7]	299,886	311,565	284,836	283,596	299,232	287,119	308,311	302,406	308,991
48 Individuals, partnerships, and corporations	253,417	260,473	242,298	237,908	250,961	244,352	257,254	253,224	259,552
49 Other holders	46,470	51,092	42,538	45,688	48,272	42,767	51,058	49,182	49,439
50 States and political subdivisions	8,229	8,180	8,148	8,237	8,755	7,607	9,180	8,976	9,648
51 U.S. government	2,313	1,858	1,891	1,957	2,554	2,262	3,157	2,867	2,345
52 Depository institutions in the United States	21,038	25,065	18,665	18,608	21,485	18,171	22,064	20,748	20,655
53 Banks in foreign countries	5,144	5,819	5,021	5,293	5,424	4,811	5,508	6,115	6,508
54 Foreign governments and official institutions	788	848	640	733	756	693	774	1,466	680
55 Certified and officers' checks	8,957	9,323	8,173	10,860	9,298	9,223	10,374	9,010	9,603
56 Transaction balances other than demand deposits[4]	126,520	124,360	122,944	121,733	125,644	125,756	125,659	125,070	125,698
57 Nontransaction balances	719,558	721,354	718,893	720,068	724,632	725,950	723,593	722,577	724,170
58 Individuals, partnerships, and corporations	699,043	700,730	698,457	699,485	704,023	705,467	703,312	701,736	703,073
59 Other holders	20,515	20,624	20,437	20,583	20,609	20,483	20,281	20,841	21,097
60 States and political subdivisions	16,749	16,836	16,853	16,933	16,932	16,968	16,941	17,242	17,372
61 U.S. government	1,678	1,776	1,724	1,711	1,725	1,545	1,423	1,402	1,426
62 Depository institutions in the United States	1,639	1,562	1,414	1,490	1,519	1,492	1,477	1,671	1,773
63 Foreign governments, official institutions, and banks	449	449	446	448	433	478	439	526	526
64 *Liabilities for borrowed money*[5]	346,165	358,228	362,114	361,451	369,568	358,201	358,128	364,060	380,569
65 Borrowings from Federal Reserve Banks	0	0	0	54	0	54	0	100	0
66 Treasury tax and loan notes	2,831	3,565	12,374	12,580	20,507	6,177	4,512	4,320	15,354
67 Other liabilities for borrowed money[6]	343,333	354,663	349,739	348,817	349,062	351,969	353,616	359,640	365,216
68 Other liabilities (including subordinated notes and debentures)	169,423	166,263	175,940	183,788	180,988	180,396	181,840	186,985	178,489
69 **Total liabilities**	**1,661,551**	**1,681,770**	**1,664,726**	**1,670,636**	**1,700,066**	**1,677,422**	**1,697,531**	**1,701,097**	**1,717,918**
70 Residual (total assets less total liabilities)[7]	*172,154*	*173,004*	*173,736*	*174,302*	*173,502*	*173,904*	*173,611*	*173,390*	*173,835*
MEMO									
71 Total loans and leases, gross, adjusted, plus securities[8]	1,526,079	1,524,046	1,533,161	1,543,321	1,558,253	1,549,087	1,553,908	1,553,710	1,562,079
72 Time deposits in amounts of $100,000 or more	94,253	95,856	96,910	98,238	99,674	99,196	98,600	99,586	99,923
73 Loans sold outright to affiliates[9]	678	682	681	681	681	677	669	667	670
74 Commercial and industrial	328	339	338	339	339	339	338	337	340
75 Other	350	343	343	342	342	338	331	330	330
76 Foreign branch credit extended to U.S. residents[10]	22,756	22,857	22,369	22,734	22,743	22,662	22,646	23,034	23,211
77 Net owed to related institutions abroad	52,834	49,933	60,838	61,382	51,274	55,984	58,042	67,078	56,131

1. Includes certificates of participation, issued or guaranteed by agencies of the U.S. government, in pools of residential mortgages.
2. Includes securities purchased under agreements to resell.
3. Includes allocated transfer risk reserve.
4. Includes negotiable order of withdrawal (NOWs) and automatic transfer service (ATS) accounts, and telephone and preauthorized transfers of savings deposits.
5. Includes borrowings only from other than directly related institutions.
6. Includes federal funds purchased and securities sold under agreements to repurchase.
7. This balancing item is not intended as a measure of equity capital for use in capital-adequacy analysis.
8. Excludes loans to and federal funds transactions with commercial banks in the United States.
9. Affiliates include a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.
10. Credit extended by foreign branches of domestically chartered weekly reporting banks to nonbank U.S. residents. Consists mainly of commercial and industrial loans, but includes an unknown amount of credit extended to other than nonfinancial businesses.

1.28 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS
Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1994								
	Oct. 5	Oct. 12	Oct. 19	Oct. 26	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30
ASSETS									
1 Cash and balances due from depository institutions	15,309	15,819	15,625	15,861	14,700	14,984	14,954	15,677	15,481
2 U.S. Treasury and government agency securities	40,319	40,377	40,722	38,697	38,659	37,688	38,494	37,868	37,757
3 Other securities	12,476	12,377	12,449	12,518	12,494	12,351	12,261	12,624	12,550
4 Federal funds sold[1]	28,902	29,978	27,165	26,615	25,981	26,238	23,403	26,462	30,071
5 To commercial banks in the United States	9,692	10,444	7,282	7,456	6,786	5,686	4,921	6,514	10,018
6 To others[2]	19,210	19,534	19,882	19,160	19,195	20,552	18,482	19,948	20,053
7 Other loans and leases, gross	159,808	160,009	161,669	161,959	162,554	163,066	164,471	164,837	166,162
8 Commercial and industrial	102,458	102,326	103,635	103,523	104,021	104,491	105,521	105,967	106,872
9 Bankers acceptances and commercial paper	3,167	3,285	3,097	2,957	2,889	3,096	3,143	3,180	3,101
10 All other	99,292	99,041	100,538	100,566	101,131	101,396	102,378	102,787	103,771
11 U.S. addressees	95,128	94,851	96,469	96,594	97,116	97,402	98,368	98,656	99,673
12 Non-U.S. addressees	4,164	4,189	4,069	3,972	4,015	3,994	4,010	4,131	4,098
13 Loans secured by real estate	26,450	26,329	26,222	26,212	26,135	26,096	26,134	26,093	26,079
14 Loans to depository and financial institutions	24,128	24,456	24,707	24,897	24,761	24,898	25,119	25,496	25,308
15 Commercial banks in the United States	4,775	4,804	4,940	5,300	5,094	5,129	5,190	5,386	5,361
16 Banks in foreign countries	2,087	2,014	2,120	2,103	1,998	2,005	1,994	1,949	1,800
17 Nonbank financial institutions	17,266	17,637	17,647	17,495	17,669	17,764	17,935	18,160	18,147
18 For purchasing and carrying securities	2,932	2,990	3,351	3,361	3,463	3,677	3,799	3,432	4,057
19 To foreign governments and official institutions	346	357	358	381	335	338	380	369	372
20 All other	3,493	3,552	3,396	3,586	3,840	3,566	3,518	3,480	3,476
21 Other assets (claims on nonrelated parties)	34,465	35,299	35,179	35,573	36,217	37,007	36,581	37,612	38,679
22 **Total assets**[3]	**315,396**	**320,204**	**319,613**	**317,870**	**318,077**	**320,779**	**318,253**	**321,716**	**325,715**
LIABILITIES									
23 Deposits or credit balances owed to other than directly related institutions	96,518	95,876	96,895	97,885	96,149	98,385	97,645	99,184	98,952
24 Demand deposits[4]	4,333	4,545	4,107	4,261	4,046	4,198	4,173	3,878	3,864
25 Individuals, partnerships, and corporations	3,652	3,653	3,382	3,394	3,414	3,412	3,464	3,198	3,253
26 Other	682	892	725	867	632	786	709	680	611
27 Nontransaction accounts	92,184	91,332	92,789	93,624	92,103	94,187	93,472	95,306	95,088
28 Individuals, partnerships, and corporations	62,325	61,414	62,529	62,861	62,702	64,076	63,670	64,322	63,757
29 Other	29,859	29,917	30,260	30,763	29,400	30,110	29,803	30,984	31,331
30 Borrowings from other than directly related institutions	71,153	72,768	73,108	72,376	72,563	74,574	72,846	75,449	75,076
31 Federal funds purchased[5]	37,213	38,470	38,598	35,937	37,099	37,905	36,653	37,824	38,259
32 From commercial banks in the United States	5,334	6,318	6,170	6,444	6,511	7,547	6,065	6,373	7,894
33 From others	31,879	32,152	32,427	29,493	30,588	30,358	30,588	31,451	30,365
34 Other liabilities for borrowed money	33,940	34,298	34,510	36,440	35,464	36,669	36,193	37,624	36,817
35 To commercial banks in the United States	6,478	6,434	7,061	6,951	6,591	6,394	6,387	5,929	6,232
36 To others	27,462	27,864	27,449	29,489	28,873	30,275	29,806	31,695	30,585
37 Other liabilities to nonrelated parties	31,491	32,937	32,034	32,363	34,060	34,097	33,390	34,978	35,844
38 **Total liabilities**[6]	**315,396**	**320,204**	**319,613**	**317,870**	**318,077**	**320,779**	**318,253**	**321,716**	**325,715**
MEMO									
39 Total loans (gross) and securities, adjusted[7]	227,038	227,492	229,782	227,034	227,807	228,529	228,518	229,892	231,160
40 Net owed to related institutions abroad	92,119	92,278	90,771	88,599	87,832	84,279	86,284	85,470	90,827

1. Includes securities purchased under agreements to resell.
2. Includes transactions with nonbank brokers and dealers in securities.
3. For U.S. branches and agencies of foreign banks having a net "due from" position, includes net due from related institutions abroad.
4. Includes other transaction deposits.
5. Includes securities sold under agreements to repurchase.
6. For U.S. branches and agencies of foreign banks having a net "due to" position, includes net owed to related institutions abroad.
7. Excludes loans to and federal funds transactions with commercial banks in the United States.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1994					
	1989	1990	1991	1992	1993	May	June	July	Aug.	Sept.	Oct.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**525,831**	**562,656**	**528,832**	**545,619**	**555,075**	**559,915**r	**563,454**r	**572,925**r	**564,639**r	**574,471**	**592,518**
Financial companies[1]											
Dealer-placed paper[2]											
2 Total	183,622	214,706	212,999	226,456	218,947	213,623	214,313	222,780	214,769	214,349	224,280
3 Bank-related (not seasonally adjusted)[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Directly placed paper[4]											
4 Total	210,930	200,036	182,463	171,605	180,389	198,158r	199,555r	199,561r	199,031r	203,573	207,296
5 Bank-related (not seasonally adjusted)[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
6 Nonfinancial companies[5]	131,279	147,914	133,370	147,558	155,739	148,134	149,586	150,584	150,839	156,549	160,942
	Bankers dollar acceptances (not seasonally adjusted)[6]										
7 **Total**	**62,972**	**54,771**	**43,770**	**38,194**	**32,348**	**29,867**	**30,659**	**30,390**	**30,448**	**31,164**	**30,413**
By holder											
8 Accepting banks	9,433	9,017	11,017	10,555	12,421	11,533	12,334	11,608	11,543	11,299	11,061
9 Own bills	8,510	7,930	9,347	9,097	10,707	10,601	11,273	10,838	10,824	10,475	9,931
10 Bills bought from other banks	924	1,087	1,670	1,458	1,714	932	1,061	770	719	824	1,130
Federal Reserve Banks[7]											
11 Foreign correspondents	1,066	918	1,739	1,276	725	465	453	386	325	388	332
12 Others	52,473	44,836	31,014	26,364	19,202	17,869	17,872	18,396	18,580	19,477	19,020
By basis											
13 Imports into United States	15,651	13,095	12,843	12,209	10,217	10,396	10,625	10,956	10,486	10,985	10,674
14 Exports from United States	13,683	12,703	10,351	8,096	7,293	6,367	6,576	6,399	6,458	6,575	6,754
15 All other	33,638	28,973	20,577	17,890	14,838	13,104	13,458	13,035	13,505	13,604	12,986

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial-company paper sold by dealers in the open market.
3. Series were discontinued in January 1989.
4. As reported by financial companies that place their paper directly with investors.
5. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
6. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January.
7. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1992—Jan. 1	6.50	1992	6.25	1993—Jan.	6.00	1994—Jan.	6.00
July 2	6.00	1993	6.00	Feb.	6.00	Feb.	6.00
		1994	7.15	Mar.	6.00	Mar.	6.06
1994—Mar. 24	6.25			Apr.	6.00	Apr.	6.45
Apr. 19	6.75	1992—Jan.	6.50	May	6.00	May	6.99
May 17	7.25	Feb.	6.50	June	6.00	June	7.25
Aug. 16	7.75	Mar.	6.50	July	6.00	July	7.25
Nov. 15	8.50	Apr.	6.50	Aug.	6.00	Aug.	7.51
		May	6.50	Sept.	6.00	Sept.	7.75
		June	6.50	Oct.	6.00	Oct.	7.75
		July	6.02	Nov.	6.00	Nov.	8.15
		Aug.	6.00	Dec.	6.00	Dec.	8.50
		Sept.	6.00				
		Oct.	6.00				
		Nov.	6.00				
		Dec.	6.00				

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Percent per year; figures are averages of business day data unless otherwise noted

Item	1991	1992	1993	1994				1994, week ending				
				Aug.	Sept.	Oct.	Nov.	Oct. 28	Nov. 4	Nov. 11	Nov. 18	Nov. 25
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	5.69	3.52	3.02	4.47	4.73	4.76	5.29	4.72	4.77	4.74	5.22	5.53
2 Discount window borrowing[2,4]	5.45	3.25	3.00	3.76	4.00	4.00	4.40	4.00	4.00	4.00	4.21	4.75
Commercial paper[3,5,6]												
3 1-month	5.89	3.71	3.17	4.65	4.90	5.02	5.40	4.98	5.05	5.24	5.50	5.60
4 3-month	5.87	3.75	3.22	4.84	5.02	5.51	5.81	5.55	5.63	5.74	5.82	5.90
5 6-month	5.85	3.80	3.30	5.19	5.32	5.70	6.01	5.77	5.82	5.94	6.01	6.11
Finance paper, directly placed[3,5,7]												
6 1-month	5.73	3.62	3.12	4.56	4.79	4.91	5.30	4.88	4.96	5.16	5.41	5.49
7 3-month	5.71	3.65	3.16	4.73	4.89	5.36	5.67	5.45	5.47	5.59	5.71	5.79
8 6-month	5.60	3.63	3.15	4.79	4.99	5.30	5.58	5.33	5.32	5.42	5.63	5.76
Bankers acceptances[3,5,8]												
9 3-month	5.70	3.62	3.13	4.74	4.95	5.41	5.71	5.45	5.52	5.63	5.74	5.77
10 6-month	5.67	3.67	3.21	5.03	5.24	5.59	5.93	5.64	5.73	5.83	5.95	6.01
Certificates of deposit, secondary market[3,9]												
11 1-month	5.82	3.64	3.11	4.60	4.85	4.98	5.38	4.94	5.04	5.21	5.44	5.55
12 3-month	5.83	3.68	3.17	4.81	5.03	5.51	5.79	5.56	5.59	5.72	5.80	5.87
13 6-month	5.91	3.76	3.28	5.17	5.40	5.79	6.11	5.87	5.92	6.02	6.10	6.23
14 Eurodollar deposits, 3-month[3,10]	5.86	3.70	3.18	4.80	5.01	5.52	5.78	5.55	5.56	5.74	5.81	5.85
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	5.38	3.43	3.00	4.48	4.62	4.95	5.29	5.01	5.10	5.22	5.34	5.31
16 6-month	5.44	3.54	3.12	4.88	5.04	5.39	5.72	5.48	5.53	5.64	5.77	5.78
17 1-year	5.52	3.71	3.29	5.25	5.43	5.75	6.13	5.86	5.90	6.00	6.18	6.22
Auction average[3,5,11]												
18 3-month	5.42	3.45	3.02	4.50	4.64	4.96	5.25	5.07	5.07	5.25	5.29	5.40
19 6-month	5.49	3.57	3.14	4.91	5.02	5.39	5.69	5.51	5.51	5.68	5.72	5.85
20 1-year	5.54	3.75	3.33	5.36	5.38	5.72	6.09	n.a.	n.a.	n.a.	6.09	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	5.86	3.89	3.43	5.56	5.76	6.11	6.54	6.22	6.28	6.42	6.58	6.63
22 2-year	6.49	4.77	4.05	6.18	6.39	6.73	7.15	6.86	6.95	7.04	7.15	7.24
23 3-year	6.82	5.30	4.44	6.50	6.69	7.04	7.44	7.16	7.24	7.38	7.45	7.50
24 5-year	7.37	6.19	5.14	6.88	7.08	7.40	7.72	7.53	7.61	7.69	7.73	7.74
25 7-year	7.68	6.63	5.54	7.06	7.28	7.58	7.83	7.70	7.77	7.84	7.85	7.81
26 10-year	7.86	7.01	5.87	7.24	7.46	7.74	7.96	7.86	7.94	8.00	7.97	7.91
27 20-year	n.a.	n.a.	6.29	7.62	7.87	8.08	8.20	8.16	8.21	8.26	8.22	8.15
28 30-year	8.14	7.67	6.59	7.49	7.71	7.94	8.08	8.03	8.08	8.13	8.10	8.04
Composite												
29 More than 10 years (long-term)	8.16	7.52	6.45	7.55	7.81	8.02	8.16	8.11	8.16	8.21	8.18	8.12
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
30 Aaa	6.56	6.09	5.38	5.89	5.87	6.05	n.a.	6.15	6.30	6.30	6.80	6.80
31 Baa	6.99	6.48	5.82	6.23	6.23	6.37	n.a.	6.46	6.62	6.62	7.12	7.12
32 *Bond Buyer* series[14]	6.92	6.44	5.60	6.21	6.28	6.52	6.97	6.64	6.83	6.96	7.06	7.03
CORPORATE BONDS												
33 Seasoned issues, all industries[15]	9.23	8.55	7.54	8.36	8.60	8.83	8.94	8.91	8.94	9.00	8.96	8.89
Rating group												
34 Aaa	8.77	8.14	7.22	8.07	8.34	8.57	8.68	8.65	8.68	8.74	8.70	8.63
35 Aa	9.05	8.46	7.40	8.25	8.49	8.71	8.83	8.80	8.83	8.88	8.85	8.78
36 A	9.30	8.62	7.58	8.38	8.61	8.82	8.94	8.91	8.94	9.00	8.97	8.89
37 Baa	9.80	8.98	7.93	8.74	8.98	9.20	9.32	9.29	9.32	9.37	9.33	9.26
38 A-rated, recently offered utility bonds[16]	9.32	8.52	7.46	8.36	8.62	8.80	8.95	8.85	9.05	9.00	9.00	8.80
MEMO												
Dividend-price ratio[17]												
39 Preferred stocks[18]	8.17	7.46	6.89	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
40 Common stocks	3.24	2.99	2.78	2.78	2.80	2.82	2.86	2.84	2.82	2.83	2.83	2.93

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year for bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.
7. An average of offering rates on paper directly placed by finance companies.
8. Representative closing yields for acceptances of the highest-rated money center banks.
9. An average of dealer offering rates on nationally traded certificates of deposit.
10. Bid rates for Eurodollar deposits at 11:00 a.m. London time. Data are for indication purposes only.
11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
13. General obligations based on Thursday figures; Moody's Investors Service.
14. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moodys' A1 rating. Based on Thursday figures.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
17. Standard & Poor's corporate series. Preferred stock ratio is based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratio is based on the 500 stocks in the price index.
18. Data for the preferred stock yield was discontinued as of June 29, 1994.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1991	1992	1993	1994 Mar.	1994 Apr.	1994 May	1994 June	1994 July	1994 Aug.	1994 Sept.	1994 Oct.	1994 Nov.
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	206.35	229.00	249.71	257.32	247.97	249.56	251.21	249.29	256.08	257.61	255.22	252.48
2 Industrial	258.16	284.26	300.10	318.08	304.48	307.58	308.66	307.34	316.56	322.19	321.53	319.33
3 Transportation	173.97	201.02	242.68	265.68	250.43	244.75	246.64	244.21	244.67	239.10	230.71	227.44
4 Utility	92.64	99.48	114.55	107.72	105.04	102.89	103.27	102.73	105.61	102.30	101.67	100.07
5 Finance	150.84	179.29	216.55	211.02	208.12	211.30	215.89	210.91	214.77	211.90	203.33	198.38
6 Standard & Poor's Corporation (1941–43 = 10)[1]	376.20	415.75	451.63	463.81	447.23	450.90	454.83	451.40	464.24	466.96	463.81	461.01
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	360.32	391.28	438.77	465.72	437.01	437.54	436.08	430.10	444.89	456.31	456.25	445.16
Volume of trading (thousands of shares)												
8 New York Stock Exchange	179,411	202,558	263,374	311,096	301,242	269,812	265,341	250,382	277,877	292,356	301,327	297,001
9 American Stock Exchange	12,486	14,171	18,188	19,481	15,805	15,727	18,400	14,378	15,874	18,785	20,731	18,465
	Customer financing (millions of dollars, end-of-period balances)											
10 Margin credit at broker–dealers[3]	**36,660**	**43,990**	**60,310**	**61,960**	**60,700**	**59,870**	**60,800**	**61,930**	**63,070**	**61,630**	**62,150**	**61,000**
Free credit balances at brokers[4]												
11 Margin accounts[5]	8,290	8,970	12,360	13,185	13,175	12,715	12,560	12,620	12,090	12,415	12,875	13,635
12 Cash accounts	19,255	22,510	27,715	26,190	24,800	23,265	28,585	25,790	24,400	25,230	24,180	25,625

	Margin requirements (percent of market value and effective date)[6]					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.
3. Since July 1983, under the revised Regulation T, margin credit at broker–dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
4. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.
5. Series initiated in June 1984.
6. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission. Effective Jan. 31, 1986, the SEC approved new maintenance margin rules, permitting margins to be the price of the option plus 15 percent of the market value of the stock underlying the option.

Effective June 8, 1988, margins were set to be the price of the option plus 20 percent of the market value of the stock underlying the option (or 15 percent in the case of stock-index options).

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1992	Fiscal year 1993	Fiscal year 1994	Calendar year 1994 June	July	Aug.	Sept.	Oct.	Nov.
U.S. budget[1]									
1 Receipts, total	1,090,453	1,153,226	1,257,187	138,124	84,827	97,338	135,895	89,024	87,673
2 On-budget	788,027	841,292	922,161	106,014	60,145	70,949	105,212	65,385	62,083
3 Off-budget	302,426	311,934	335,026	32,110	24,681	26,389	30,683	23,639	25,590
4 Outlays, total	1,380,856	1,408,532	1,460,557	123,275	118,025	121,608	131,903	121,480r	125,131
5 On-budget	1,128,518	1,141,945	1,181,185	108,166	93,164	95,279	103,189	95,307r	99,464
6 Off-budget	252,339	266,587	279,372	15,108	24,861	26,329	28,714	26,174	25,668
7 Surplus or deficit (−), total	−290,403	−255,306	−203,370	14,850	−33,198	−24,270	3,993	−32,457r	−37,458
8 On-budget	−340,490	−300,653	−259,024	−2,152	−33,018	−24,330	2,024	−29,922r	−37,381
9 Off-budget	50,087	45,347	55,654	17,002	−180	60	1,969	−2,535	−78
Source of financing (total)									
10 Borrowing from the public	310,918	248,594	184,998	2,098	−3,245	52,350	−11,996	32,457	40,528
11 Operating cash (decrease, or increase (−))	−17,305	6,283	16,564	−23,797	30,705	−9,802	−5,855	−480	9,366
12 Other[2]	−3,210	429	1,808	7,049	5,737	−18,374	13,858	480r	−12,436
MEMO									
13 Treasury operating balance (level, end of period)	58,789	52,506	35,942	50,991	20,285	30,087	35,942	36,422	27,056
14 Federal Reserve Banks	24,586	17,289	6,848	9,356	3,683	5,994	6,848	5,164	5,348
15 Tax and loan accounts	34,203	35,217	29,094	41,635	16,603	24,093	29,094	31,258	21,709

1. Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.

2. Includes special drawing rights (SDRs); reserve position on the U.S. quota in the International Monetary Fund (IMF); loans to the IMF; other cash and monetary assets; accrued interest payable to the public; allocations of SDRs; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain or loss for U.S. currency valuation adjustment; net gain or loss for IMF loan-valuation adjustment; and profit on sale of gold.

SOURCES. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; and U.S. Office of Management and Budget, *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year 1993	Fiscal year 1994	Calendar year 1992 H2	1993 H1	1993 H2r	1994 H1	1994 Sept.	1994 Oct.	1994 Nov.
RECEIPTS									
1 **All sources**	**1,153,226**	**1,257,453r**	**540,484**	**593,212**	**582,038r**	**652,236r**	**135,895**	**89,024**	**87,673**
2 Individual income taxes, net	509,680	543,055r	246,938	255,556	262,073	275,053r	57,964	43,239	37,414
3 Withheld	430,211	459,699	215,584	209,517	228,423	225,387	35,201	40,480	37,882
4 Presidential Election Campaign Fund	28	70	10	25	2	63	1	0	2
5 Nonwithheld	154,989	160,364r	39,288	113,510	41,768	118,245r	24,811	3,919	1,857
6 Refunds	75,546	77,077	7,942	67,468	8,115r	68,642	2,050	1,160	2,327
Corporation income taxes									
7 Gross receipts	131,548	154,205	58,022	69,044	68,266	80,536	28,921	5,513	2,682
8 Refunds	14,027	13,820	7,219	7,198	6,514	6,933	1,656	2,043	1,185
9 Social insurance taxes and contributions, net	428,300	461,475	192,599	227,177	206,176	248,301	40,371	32,687	37,387
10 Employment taxes and contributions[2]	396,939	428,810	180,758	208,776	192,749	228,714	39,614	31,263	33,786
11 Self-employment taxes and contributions[3]	20,604	24,433	3,988	16,270	4,335	20,762	3,578	464	0
12 Unemployment insurance	26,556	28,004	9,397	16,074	11,010	17,301	346	1,073	3,249
13 Other net receipts[4]	4,805	4,661	2,445	2,326	2,417	2,284	411	351	352
14 Excise taxes	48,057	55,225	23,456	23,398	25,994	26,444	5,518	4,275	5,518
15 Customs deposits	18,802	20,099	9,497	8,860	10,215	9,500	1,799	1,848	1,827
16 Estate and gift taxes	12,577	15,225	5,733	6,494	6,617	8,197	1,254	1,206	1,220
17 Miscellaneous receipts[5]	18,273	22,041	11,458	9,879	9,227	11,170r	1,730r	2,300	2,811
OUTLAYS									
18 **All types**	**1,408,532r**	**1,461,067r**	**723,527**	**673,915**	**727,580r**	**710,621r**	**132,133r**	**121,480**	**125,131**
19 National defense	291,086	281,451	155,231	140,535	146,668r	133,739	27,657	18,801	22,428
20 International affairs	16,826	17,249	9,916	6,565	10,186	5,800	2,323	4,339	2,177
21 General science, space, and technology	17,030	17,602	8,521	7,996	8,880	8,502	1,772	1,115	1,673
22 Energy	4,319	5,398	3,109	2,462	1,663	2,036	987	525	166
23 Natural resources and environment	20,239	20,902	11,467	8,592	11,227	9,179	2,156	3,418	1,797
24 Agriculture	20,443	15,131	8,852	11,872	7,516	7,451	236	2,048	2,784
25 Commerce and housing credit	−22,725	−4,851	−7,697	−14,537	−1,490	−5,114	2,623	858	−1,244
26 Transportation	35,004	36,835	18,425	16,076	19,579r	16,772	3,583	3,434	3,506
27 Community and regional development	9,051	11,877	4,464	4,929	4,288	5,592	1,469	1,171	1,109
28 Education, training, employment, and social services	50,012	44,730	21,241	24,080	26,804r	18,976	5,088	3,705	4,025
29 Health	99,415	106,495	47,232	49,882	52,958	53,121	9,106	8,631	9,525
30 Social security and Medicare	435,137	464,314	232,109	195,933	223,735	232,777	39,944	37,801	39,299
31 Income security	207,257	213,972	98,382	107,870	102,330r	109,103	17,101	15,275	16,151
32 Veterans benefits and services	35,720	37,637	18,561	16,385	19,852	16,686	4,257	1,677	3,337
33 Administration of justice	14,955	15,283	7,238	7,482	7,400	7,718	1,362	1,340	1,176
34 General government	13,009	11,348	8,223	5,205	6,531	5,076	1,292	1,261	1,556
35 Net interest[6]	198,811	202,957	98,692	99,635	99,914	99,844	16,944	18,669	18,242
36 Undistributed offsetting receipts[7]	−37,386	−37,772	−20,628	−17,035	−20,344	−17,308	−5,996	−2,596	−2,575

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for outlays does not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Old-age, disability, and hospital insurance.
4. Federal employee retirement contributions and civil service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Includes interest received by trust funds.
7. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCES. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; and U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1995*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1992		1993				1994		
	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30
1 **Federal debt outstanding**	**4,083**	**4,196**	**4,250**	**4,373**	**4,436**	**4,562**	**4,602[r]**	**4,673**	**4,693[r]**
2 Public debt securities	4,065	4,177	4,231	4,352	4,412	4,536	4,576	4,646	↑
3 Held by public	3,048	3,129	3,188	3,252	3,295	3,382	3,434	3,443	
4 Held by agencies	1,016	1,048	1,043	1,100	1,117	1,154	1,142	1,203	
5 Agency securities	18	19	20	21	25	27	26	28	n.a.
6 Held by public	18	19	20	21	25	27	26	27	
7 Held by agencies	0	0	0	0	0	0	0	0	↓
8 **Debt subject to statutory limit**	**3,973**	**4,086**	**4,140**	**4,256**	**4,316**	**4,446**	**4,491**	**4,559**	**4,605**
9 Public debt securities	3,972	4,085	4,139	4,256	4,315	4,445	4,491	4,559	4,605
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,145	4,145	4,145	4,370	4,900	4,900	4,900	4,900	4,900

1. Consists of guaranteed debt of U.S. Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCES. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin*.

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1990	1991	1992	1993	1993	1994		
					Q4	Q1	Q2	Q3
1 **Total gross public debt**	**3,364.8**	**3,801.7**	**4,177.0**	**4,535.7**	**4,535.7**	**4,575.9**	**4,645.8**	n.a.
By type								
2 Interest-bearing	3,362.0	3,798.9	4,173.9	4,532.3	4,532.3	4,572.6	4,642.5	4,689.5
3 Marketable	2,195.8	2,471.6	2,754.1	2,989.5	2,989.5	3,042.9	3,051.0	3,091.6
4 Bills	527.4	590.4	657.7	714.6	714.6	721.2	698.5	697.3
5 Notes	1,265.2	1,430.8	1,608.9	1,764.0	1,764.0	1,802.5	1,835.7	1,867.5
6 Bonds	388.2	435.5	472.5	495.9	495.9	504.2	501.8	511.8
7 Nonmarketable[1]	1,166.2	1,327.2	1,419.8	1,542.9	1,542.9	1,529.7	1,591.5	1,597.9
8 State and local government series	160.8	159.7	153.5	149.5	149.5	145.5	143.4	137.4
9 Foreign issues[2]	43.5	41.9	37.4	43.5	43.5	42.7	42.2	42.0
10 Government	43.5	41.9	37.4	43.5	43.5	42.7	42.2	42.0
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	124.1	135.9	155.0	169.4	169.4	172.6	174.9	176.4
13 Government account series[3]	813.8	959.2	1,043.5	1,150.0	1,150.0	1,138.4	1,200.6	1,211.7
14 Non-interest-bearing	2.8	2.8	3.1	3.4	3.4	3.3	3.3	3.2
By holder[4]								
15 U.S. Treasury and other federal agencies and trust funds	828.3	968.7	1,047.8	1,153.5	1,153.5	1,141.7	1,203.0	↑
16 Federal Reserve Banks	259.8	281.8	302.5	334.2	334.2	342.6	357.7	
17 Private investors	2,288.3	2,563.2	2,839.9	3,047.7	3,047.7	3,094.6	3,088.2	
18 Commercial banks	171.5	233.4	294.0	316.0	316.0	344.3	350.0	
19 Money market funds	45.4	80.0	79.4	80.5	80.5	70.5	59.5	
20 Insurance companies	142.0	168.7	197.5	216.0	216.0	218.1	222.0	n.a.
21 Other companies	108.9	150.8	192.5	213.0	213.0	216.3	226.3	
22 State and local treasuries	490.4	520.3	534.8	564.0	564.0	582.8	585.0	
Individuals								
23 Savings bonds	126.2	138.1	157.3	171.9	171.9	175.0	177.1	
24 Other securities	107.6	125.8	131.9	137.9	137.9	140.1	144.0	
25 Foreign and international[5]	458.4	491.8	549.7	623.3	623.3	633.5	633.2	
26 Other miscellaneous investors[6]	637.7	651.3	702.4	725.0	725.0	714.0	693.1	↓

1. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
3. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign balances and international accounts in the United States.
6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

SOURCES. U.S. Treasury Department, data by type of security, *Monthly Statement of the Public Debt of the United States;* data by holder, *Treasury Bulletin*.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Millions of dollars, daily averages

Item	1994			1994, week ending								
	Aug.[r]	Sept.[r]	Oct.	Oct. 5	Oct. 12	Oct. 19	Oct. 26	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	52,540	52,362	53,226[r]	50,656	52,378	58,789	52,545	49,072	44,647	69,320	54,915	46,232
Coupon securities, by maturity												
2 Five years or less	84,229	80,185	87,707[r]	89,320	82,896	77,633	97,394	94,759	95,554	108,065	108,538	97,280
3 More than five years	50,914	40,275	42,798[r]	39,096	39,218	41,079	46,033	49,938	52,012	60,011	51,878	46,486
4 Federal agency	16,047	17,398	17,787[r]	19,984	17,507	16,369	16,989	19,748	16,133	18,394	19,681	21,507
5 Mortgage-backed	32,471	34,616	38,452[r]	39,170	53,701	37,674	30,635	26,645	42,862	35,861	31,400	18,842
By type of counterparty												
With interdealer broker												
6 U.S. Treasury	105,610	99,631	106,388[r]	103,050	99,394	104,095	113,645	113,108	114,346	137,216	127,925	107,823
7 Federal agency	696	732	650[r]	861	485	517	718	825	511	470	557	527
8 Mortgage-backed	12,063	13,004	14,137[r]	16,433	18,650	13,372	11,912	9,300	13,453	12,226	11,266	6,339
With other												
9 U.S. Treasury	82,073	73,191	77,343[r]	76,022	75,097	73,406	82,326	80,661	77,868	100,180	87,406	82,175
10 Federal agency	15,350	16,665	17,137[r]	19,123	17,023	15,853	16,271	18,924	15,622	17,924	19,124	20,980
11 Mortgage-backed	20,408	21,613	24,316[r]	22,738	35,051	24,302	18,723	17,345	29,409	23,634	20,134	12,503
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
12 U.S. Treasury bills	814	1,157	1,080[r]	1,339	1,178	1,301	890	606	873	2,522	2,024	1,675
Coupon securities, by maturity												
13 Five years or less	2,779	3,521	2,593[r]	2,888	2,352	2,572	2,740	2,490	2,082	4,268	3,951	4,728
14 More than five years	13,615	13,548	12,402[r]	12,417	11,078	11,431	13,980	13,582	12,179	16,870	14,178	14,202
15 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
16 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
17 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
18 Five years or less	4,098	3,566	4,712[r]	4,203	6,176	4,170	5,286	2,729	2,203	3,748	3,070	1,866
19 More than five years	5,162	4,714	5,527[r]	5,664	5,696	5,101	6,257	4,605	4,902	6,568	6,043	4,084
20 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
21 Mortgage-backed	675	523	559[r]	768	388	447	599	753	364	422	494	458

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. Futures transactions are standardized agreements arranged on an exchange. All futures transactions are included regardless of time to delivery.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Millions of dollars

Item	1994			1994, week ending							
	Aug.[r]	Sept.[r]	Oct.	Oct. 5	Oct. 12	Oct. 19	Oct. 26	Nov. 2	Nov. 9	Nov. 16	Nov. 23
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	3,970	1,906	3,177	−5,041	7,108	5,100	2,428	4,251	6,260	16,778	12,958
Coupon securities, by maturity											
2 Five years or less	−10,664	−16,175	−16,957	−20,732	−19,668	−20,534	−9,809	−14,383	−7,634	−8,299	−2,146
3 More than five years	−22,949	−22,799	−27,282	−24,944	−25,604	−29,001	−28,031	−28,513	−27,736	−33,172	−32,612
4 Federal agency	19,392	21,306	22,584	23,172	24,176	21,782	21,264	22,739	22,151	18,761	20,745
5 Mortgage-backed	42,415	37,645	37,701	38,767	38,432	36,609	36,412	38,947	35,102	37,598	36,077
NET FUTURES POSITIONS											
By type of deliverable security											
6 U.S. Treasury bills	−5,172	−2,829	−776	182	176	−1,345	−431	−2,752	−1,313	−717	604
Coupon securities, by maturity											
7 Five years or less	5,561	8,285	8,196	9,710	7,595	8,109	7,611	8,465	8,094	7,346	6,679
8 More than five years	−5,231	−1,681	91	1,333	−340	−365	116	57	1,939	5,166	1,415
9 Federal agency	0	0	0	0	0	0	0	0	0	0	0
10 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
	Financing[5]										
Reverse repurchase agreements											
11 Overnight and continuing	272,215	261,844	259,660	262,402	266,164	253,313	258,162	258,797	241,378	269,105	223,898
12 Term	377,641	387,958	388,809	361,674	371,325	405,719	410,804	385,956	391,524	312,801	355,649
Securities borrowed											
13 Overnight and continuing	175,792	174,381	181,291	180,525	179,441	183,088	180,609	183,089	179,611	187,161	178,637
14 Term	44,677	44,574	45,783	41,997	42,108	45,726	48,332	51,228	54,201	40,062	48,052
Securities received as pledge											
15 Overnight and continuing	2,096	2,015	2,058	2,283[r]	2,214	2,150	1,620	2,100	1,915	1,933	2,658
16 Term	31	129	53	n.a.	53	n.a.	n.a.	n.a.	32	n.a.	n.a.
Repurchase agreements											
17 Overnight and continuing	490,518	473,761	461,787	459,803	458,972	463,363	464,629	461,525	452,491	482,294	365,714
18 Term	351,975	359,336	360,693	330,918	340,792	376,463	384,017	363,599	373,293	289,697	402,988
Securities loaned											
19 Overnight and continuing	5,777	5,402	5,592	5,827	5,505	5,557	5,376	5,828	5,904	6,847	5,968
20 Term	1,233	922	1,234	820	1,104	1,363	1,167	1,743	1,609	1,476	1,018
Securities pledged											
21 Overnight and continuing	29,543	32,972	34,263	34,702[r]	33,765	34,316	34,021	34,786	31,205	31,165	36,266
22 Term	4,691	4,525	4,095	4,215	3,973	3,894	3,966	4,610	4,516	4,027	2,159
Collateralized loans											
23 Overnight and continuing	22,395	18,407	19,273	17,220	17,813	21,269	19,164	20,729	18,093	18,472	16,333
24 Term	n.a.	6,130	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MEMO: Matched book[6]											
Securities in											
25 Overnight and continuing	235,441	225,440	228,104	228,572	221,701	226,856	232,307	232,463	223,740	249,760	209,480
26 Term	349,799	355,640	363,804	339,462	346,234	379,079	382,981	364,511	368,392	293,829	336,610
Securities out											
27 Overnight and continuing	292,030	283,925	276,523	279,305	271,377	281,665	280,482	268,206	280,615	290,586	215,238
28 Term	289,866	294,295	301,669	275,978	283,186	316,415	320,228	306,609	309,287	234,890	310,998

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright postitions include immediate and forward positions. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day. Financing data are reported in terms of actual funds paid or received, including accrued interest.

6. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1990	1991	1992	1993	1994				
					May	June	July	Aug.	Sept.
1 **Federal and federally sponsored agencies**	**434,668**	**442,772**	**483,970**	**570,711**	**633,366**	**646,661**	**659,206**	**674,020**	**0**
2 Federal agencies	42,159	41,035	41,829	45,193	43,681	43,040	43,416	43,861	42,544
3 Defense Department[1]	7	7	7	6	6	6	6	6	6
4 Export-Import Bank[2,3]	11,376	9,809	7,208	5,315	4,853	4,389	4,389	4,389	3,932
5 Federal Housing Administration[4]	393	397	374	255	131	138	82	101	112
6 Government National Mortgage Association certificates of participation[5]	0	0	0	0	0	0	0	0	0
7 Postal Service[6]	6,948	8,421	10,660	9,732	9,473	9,473	9,473	9,773	8,973
8 Tennessee Valley Authority	23,435	22,401	23,580	29,885	29,218	29,037	29,466	29,592	29,521
9 United States Railway Association[6]	0	0	0	0	0	0	0	0	0
10 Federally sponsored agencies[7]	392,509	401,737	442,141	525,518	589,685	603,621	615,790	630,159	0
11 Federal Home Loan Banks	117,895	107,543	114,733	141,577	156,955	160,822	166,137	169,284	174,414
12 Federal Home Loan Mortgage Corporation	30,941	30,262	29,631	49,993	71,274	73,340	78,929	81,270	83,947
13 Federal National Mortgage Association	123,403	133,937	166,300	201,112	223,173	227,897	230,484	237,564	239,320
14 Farm Credit Banks[8]	53,590	52,199	51,910	53,123	52,534	53,692	52,276	53,844	54,333
15 Student Loan Marketing Association[9]	34,194	38,319	39,650	39,784	45,820	47,940	48,069	48,313	49,692
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	23,055	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**179,083**	**185,576**	**154,994**	**128,187**	**116,092**	**115,603**	**113,689**	**112,804**	**109,357**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	11,370	9,803	7,202	5,309	4,847	4,383	4,383	4,383	3,926
21 Postal Service[6]	6,698	8,201	10,440	9,732	9,473	9,473	9,473	9,773	8,973
22 Student Loan Marketing Association	4,850	4,820	4,790	4,760	0	0	0	0	0
23 Tennessee Valley Authority	14,055	10,725	6,975	6,325	4,675	4,375	4,375	4,375	3,400
24 United States Railway Association[6]	0	0	0	0	0	0	0	0	0
Other lending[14]									
25 Farmers Home Administration	52,324	48,534	42,979	38,619	37,124	35,999	35,104	34,594	34,129
26 Rural Electrification Administration	18,890	18,562	18,172	17,578	17,419	17,357	17,372	17,402	17,316
27 Other	70,896	84,931	64,436	45,864	42,554	44,016	42,982	42,322	41,613

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. On-budget since Sept. 30, 1976.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans' Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation, therefore details do not sum to total. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.
9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.
14. Includes FFB purchases of agency assets and guaranteed loans; the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1991	1992	1993	1994							
				Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.
1 **All issues, new and refunding**[1]	**154,402**	**226,818**	**279,945**	**11,256**[r]	**13,563**[r]	**15,076**[r]	**13,400**[r]	**12,175**[r]	**7,810**[r]	**10,537**	**11,685**
By type of issue											
2 General obligation	55,100	78,611	90,599	3,469	4,029	5,556	7,110	4,177	2,309	2,891	5,592
3 Revenue	99,302	136,580	189,346	6,660	8,359	9,223	5,340	8,133	5,325	6,899	6,093
By type of issuer											
4 State	24,939	24,874	27,999	1,013	1,158	1,733	4,686	1,675	1,009	952	1,528
5 Special district or statutory authority[2]	80,614	138,327	178,714	5,235	8,085	9,335	4,931	7,963	4,962	6,511	6,148
6 Municipality, county, or township	48,849	63,617	73,232	3,881	3,145	3,711	2,833	2,672	1,663	2,327	4,009
7 **Issues for new capital**	**116,953**	**101,865**	**91,434**	**8,843**[r]	**9,465**[r]	**9,913**[r]	**10,843**[r]	**10,479**[r]	**6,155**[r]	**8,893**	**10,137**
By use of proceeds											
8 Education	21,121	18,852	16,831	2,102	1,933	1,945	1,147	2,075	883	1,596	1,716
9 Transportation	13,395	14,357	9,167	1,453	1,037	2,033	290	1,088	334	1,135	799
10 Utilities and conservation	21,039	12,164	12,014	707	423	856	694	784	433	1,887	644
11 Social welfare	25,648	16,744	13,837	1,475	2,136	1,312	1,698	2,117	1,897	1,887	1,535
12 Industrial aid	8,376	6,188	6,862	601	657	935	959	1,128	403	420	688
13 Other purposes	30,275	33,560	32,723	1,809	2,939	2,645	5,560	3,401	2,011	2,396	4,750

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts.

SOURCES. Securities Data Company beginning January 1993; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1991	1992	1993	1994							
				Mar.	Apr.	May	June	July	Aug.[r]	Sept.	Oct.
1 **All issues**[1]	**465,246**	**559,827**	**764,509**	**52,881**	**35,110**[r]	**44,263**[r]	**49,457**[r]	**29,468**[r]	**38,144**	**29,933**	**29,891**
2 **Bonds**[2]	**389,822**	**471,502**	**641,498**	**43,671**	**29,645**[r]	**40,589**[r]	**43,126**	**25,804**[r]	**34,812**	**26,585**	**26,600**
By type of offering											
3 Public, domestic	286,930	378,058	486,879	41,097	26,436[r]	33,414[r]	38,387	22,087[r]	30,405	23,337	22,000
4 Private placement, domestic[3]	74,930	65,853	116,240	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	27,962	27,591	38,379	2,574	3,209	7,175	4,738	3,718	4,406	3,248	4,600
By industry group											
6 Manufacturing	86,628	82,058	88,002	2,446	2,229	3,266	2,093[r]	2,107	2,251	2,165	2,419
7 Commercial and miscellaneous	36,666	43,111	60,443	3,020	990	2,496	3,177	1,413	3,769	2,152	1,609
8 Transportation	13,598	9,979	10,756	920	97	150	1,082	248	315	229	327
9 Public utility	23,944	48,055	56,272	1,632	546	1,071	681	472	320	707	1,601
10 Communication	9,431	15,394	31,950	2,090	1,298	944	618	429	345	526	379
11 Real estate and financial	219,555	272,904	394,076	33,563	24,484[r]	32,662[r]	35,475[r]	21,135[r]	27,812	20,806	20,266
12 **Stocks**[2]	**75,424**	**88,325**	n.a.	**9,210**	**5,465**	**3,674**[r]	**6,331**[r]	**3,664**[r]	**3,332**	**3,348**	**3,291**
By type of offering											
13 Public preferred	17,085	21,339	19,898	1,969	2,248	695	1,366	599	710	555	1,098
14 Common	48,230	57,118	87,356	7,241	3,218	2,979[r]	4,965[r]	3,065[r]	2,622	2,793	2,193
15 Private placement[3]	10,109	9,867	11,917	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	24,111	22,723	22,271	2,499	2,696	956	1,056	489	569	860	720
17 Commercial and miscellaneous	19,418	20,231	25,761	1,491	773	850	1,853[r]	708[r]	838	865	968
18 Transportation	2,439	2,595	2,237	358	106	105[r]	449	75	50	223	69
19 Public utility	3,474	6,532	7,050	480	75	239	297	0	180	78	10
20 Communication	475	2,366	3,439	0	0	32	28	0	0	0	0
21 Real estate and financial	25,507	33,879	49,889	4,381	1,815	1,492	2,647[r]	2,386	1,691	1,323	1,523

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCES. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1992	1993	1994 Mar.	Apr.	May	June	July	Aug.[r]	Sept.	Oct.
1 **Sales of own shares**[2]	**647,055**	**851,885**	**87,381**	**71,164**	**65,179**	**65,333**	**59,258**	**64,833**	**62,263**	**59,427**
2 Redemptions of own shares	447,140	567,881	73,395	61,925	55,036	56,068	50,275	53,242	53,383	53,772
3 Net sales[3]	199,915	284,004	13,986	9,239	10,144	9,265	8,983	1,592	8,880	5,655
4 **Assets**[4]	**1,056,310**	**1,510,209**	**1,500,745**	**1,510,827**	**1,529,478**	**1,509,998**	**1,552,652**	**1,604,961**	**1,588,277**	**1,601,785**
5 Cash[5]	73,999	100,209	112,399	118,221	119,982	114,885	120,129	120,315	121,575	127,263
6 Other	982,311	1,409,838	1,388,347	1,392,606	1,409,496	1,395,113	1,432,523	1,484,646	1,466,702	1,474,522

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited-maturity municipal bond funds.
2. Includes reinvestment of net income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.
4. Market value at end of period, less current liabilities.
5. Includes all U.S. Treasury securities and other short-term debt securities.

SOURCE. Investment Company Institute. Data based on reports of membership, which comprises substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect underwritings of newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1991	1992	1993	1992 Q4	1993 Q1	1993 Q2	1993 Q3	1993 Q4	1994 Q1	1994 Q2	1994 Q3
1 Profits with inventory valuation and capital consumption adjustment	390.3	405.1	485.8	432.5	442.5	473.1	493.5	533.9	508.2	546.4	556.0
2 Profits before taxes	365.2	395.9	462.4	413.5	432.7	456.6	458.7	501.7	483.5	523.1	538.1
3 Profits-tax liability	131.1	139.7	173.2	148.6	159.8	171.8	169.9	191.5	184.1	201.7	208.6
4 Profits after taxes	234.1	256.2	289.2	264.8	273.0	284.8	288.9	310.2	299.4	321.4	329.5
5 Dividends	160.0	171.1	191.7	182.1	188.2	190.7	193.2	194.6	196.3	202.5	207.9
6 Undistributed profits	74.1	85.1	97.5	82.7	84.7	94.1	95.6	115.6	103.0	118.9	121.6
7 Inventory valuation	5.8	−6.4	−6.2	2.1	−11.2	−10.0	3.0	−6.5	−12.3	−14.1	−19.6
8 Capital consumption adjustment	19.4	15.7	29.5	16.9	21.0	26.5	31.7	38.8	37.0	37.4	37.5

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.50 NONFARM BUSINESS EXPENDITURES New Plant and Equipment

Billions of dollars; quarterly data at seasonally adjusted annual rates

Industry	1992	1993	1994[1]	1993 Q1	1993 Q2	1993 Q3	1993 Q4	1994 Q1	1994 Q2	1994 Q3	1994 Q4[1]
1 **Total nonfarm business**	**546.60**	**586.73**	**638.37**	**563.48**	**578.95**	**594.56**	**604.51**	**619.34**	**637.08**	**651.92**	**645.13**
Manufacturing											
2 Durable goods industries	73.32	81.45	92.78	78.19	80.33	82.74	83.64	86.03	91.71	98.97	94.44
3 Nondurable goods industries	100.69	98.02	99.77	95.80	97.22	99.74	98.51	99.02	102.28	98.39	99.39
Nonmanufacturing											
4 Mining	8.88	10.08	11.24	8.98	9.10	11.09	10.92	11.43	10.70	11.57	11.27
Transportation											
5 Railroad	6.67	6.14	6.72	6.16	5.94	5.89	6.55	7.46	5.36	6.65	7.40
6 Air	8.93	6.42	3.95	7.26	6.63	6.70	5.06	4.23	4.53	3.86	3.16
7 Other	7.04	9.22	10.53	8.96	8.92	8.74	10.23	10.77	9.70	10.22	11.42
Public utilities											
8 Electric	48.22	52.55	52.25	49.98	50.61	52.96	55.60	48.68	53.55	54.15	52.60
9 Gas and other	23.99	23.43	24.20	23.79	23.83	22.98	23.27	24.51	22.96	24.35	24.97
10 Commercial and other[2]	268.84	299.44	336.93	284.35	296.35	303.74	310.73	327.20	336.28	343.76	340.48

1. Figures are amounts anticipated by business.
2. "Other" consists of construction, wholesale and retail trade, finance and insurance, personal and business services, and communication.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1991	1992	1993	1992	1993				1994	
				Q4	Q1	Q2	Q3	Q4	Q1	Q2
ASSETS										
1 Accounts receivable, gross[2]	484.6	491.8	482.8	491.8	477.9	473.7	474.0	482.8	494.5	511.3
2 Consumer	121.7	118.3	116.5	118.3	112.6	110.6	111.0	116.5	120.1	124.3
3 Business	295.8	301.3	294.6	301.3	292.7	291.8	291.9	294.6	302.3	313.2
4 Real estate	67.1	72.2	71.7	72.2	72.5	71.4	71.1	71.7	72.1	73.8
5 LESS: Reserves for unearned income	56.1	53.2	50.7	53.2	50.1	49.7	49.5	50.7	51.2	51.9
6 Reserves for losses	13.1	16.2	11.2	16.2	15.2	10.8	11.2	11.2	11.6	12.1
7 Accounts receivable, net	415.4	422.4	420.9	422.4	412.6	413.2	413.3	420.9	431.7	447.3
8 All other	144.9	142.5	170.9	142.5	150.6	151.5	163.9	170.9	171.2	174.6
9 **Total assets**	**560.3**	**564.9**	**591.8**	**564.9**	**563.3**	**564.7**	**577.3**	**591.8**	**602.9**	**621.9**
LIABILITIES AND CAPITAL										
10 Bank loans	42.3	37.6	25.3	37.6	34.1	29.4	25.8	25.3	24.2	23.3
11 Commercial paper	159.5	156.4	159.2	156.4	149.8	144.5	149.9	159.2	165.9	171.2
Debt										
12 Other short-term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Long-term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 Owed to parent	35.5	39.5	42.7	39.5	43.1	45.0	44.6	42.7	41.1	44.7
15 Not elsewhere classified	190.2	196.3	206.0	196.3	197.3	199.9	204.2	206.0	211.7	219.6
16 All other liabilities	68.4	68.0	87.1	68.0	72.5	77.8	83.8	87.1	90.5	89.9
17 Capital, surplus, and undivided profits	64.5	67.1	71.4	67.1	66.5	68.1	68.9	71.4	69.5	73.2
18 **Total liabilities and capital**	**560.3**	**564.9**	**591.8**	**564.9**	**563.3**	**564.7**	**577.3**	**591.8**	**602.9**	**621.9**

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.

2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES Consumer, Real Estate, and Business Credit[1]

Millions of dollars, amounts outstanding, end of period

Type of credit	1991	1992	1993	1994					
				May	June	July	Aug.	Sept.	Oct.
	Seasonally adjusted								
1 **Total**	**523,824**	**540,679**	**546,020**	**573,851**	**576,239**	**571,470**	**579,032**	**590,512**	**596,397**
2 Consumer	154,389	157,857	160,802	166,534	168,531	166,639	166,921	172,547	173,178
3 Real estate[2]	67,376	72,496	71,991	74,371	74,503	75,321	75,524	76,424	76,971
4 Business	302,060	310,325	313,226	332,946	333,205	329,510	336,587	341,542	346,248
	Not seasonally adjusted								
5 **Total**	**527,329**	**544,691**	**550,387**	**573,773**	**577,546**	**568,648**	**575,769**	**588,525**	**596,054**
6 Consumer	155,671	159,558	162,770	165,580	167,909	164,749	166,501	172,002	172,813
7 Motor vehicles	62,232	57,259	56,057	59,398	59,788	58,107	58,589	60,522	60,750
8 Other consumer[3]	59,468	61,020	60,396	62,806	64,530	65,095	66,608	69,784	70,812
9 Securitized motor vehicles[4]	23,361	29,734	36,024	32,623	32,705	31,848	31,787	32,372	31,592
10 Securitized other consumer[4]	10,610	11,545	10,293	10,753	10,886	9,699	9,517	9,324	9,659
11 Real estate[2]	67,132	72,243	71,727	74,215	73,755	75,379	76,012	76,585	77,235
12 Business	304,526	312,890	315,890	333,978	335,882	328,520	333,256	339,938	346,006
13 Motor vehicles	91,554	89,011	95,173	104,023	105,828	101,878	102,655	106,365	110,089
14 Retail[5]	23,967	20,541	18,091	20,882	21,024	20,670	20,272	21,164	21,645
15 Wholesale[6]	31,164	29,890	31,148	31,215	31,188	26,154	25,875	27,201	29,302
16 Leasing	36,423	38,580	45,934	51,926	53,616	55,054	56,508	58,000	59,142
17 Equipment	140,396	151,424	145,452	151,182	151,542	151,480	151,388	152,782	152,675
18 Retail	30,952	33,521	35,513	38,518	39,062	39,348	39,629	39,357	38,584
19 Wholesale[6]	9,671	8,680	8,001	8,421	8,419	8,859	8,968	9,119	9,134
20 Leasing	99,773	109,223	101,938	104,243	104,061	103,273	102,791	104,306	104,957
21 Other business[7]	63,802	60,856	53,997	55,433	55,849	54,444	56,389	58,101	59,314
22 Securitized business assets[4]	8,774	11,599	21,268	23,340	22,663	20,718	22,824	22,690	23,928
23 Retail	576	1,120	2,483	2,406	2,619	2,480	2,656	2,564	2,956
24 Wholesale	5,285	5,756	10,584	14,577	14,240	12,817	14,147	14,411	15,173
25 Leasing	2,913	4,723	8,201	6,357	5,804	5,421	6,021	5,715	5,799

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are before deductions for unearned income and losses. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

2. Includes all loans secured by liens on any type of real estate, for example, first and junior mortgages and home equity loans.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, general merchandise, and recreation vehicles.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Passenger car fleets and commercial land vehicles for which licenses are required.

6. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

7. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1991	1992	1993	1994 May	June	July	Aug.	Sept.	Oct.	Nov.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	155.0	158.1	163.1	171.6	172.6	166.0	167.6	170.6	173.4	178.2
2 Amount of loan (thousands of dollars)	114.0	118.1	123.0	132.2	130.0	129.0	129.3	133.7	131.9	136.2
3 Loan-to-price ratio (percent)	75.0	76.6	78.0	78.5	78.0	79.4	79.0	79.4	78.3	78.0
4 Maturity (years)	26.8	25.6	26.1	27.6	26.5	27.5	28.0	27.9	27.6	27.9
5 Fees and charges (percent of loan amount)[2]	1.71	1.60	1.30	1.45	1.30	1.35	1.38	1.36	1.22	1.30
Yield (percent per year)										
6 Contract rate[1]	9.02	7.98	7.02	7.20	7.41	7.50	7.45	7.48	7.55	7.59
7 Effective rate[1,3]	9.30	8.25	7.24	7.43	7.62	7.71	7.67	7.70	7.76	7.81
8 Contract rate (HUD series)[4]	9.20	8.43	7.37	8.61	8.72	8.64	8.68	8.96	9.19	n.a.
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	9.25	8.46	7.46	8.63	9.03	8.65	8.66	9.10	9.23	n.a.
10 GNMA securities[6]	8.59	7.71	6.65	8.05	8.01	8.23	8.15	8.28	8.66	8.86
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	128,983	158,119	190,861	206,147	208,180	210,666	212,680	215,249	218,479	220,377
12 FHA/VA insured	21,796	22,593	23,857	25,303	25,390	25,477	25,604	25,800	26,226	27,118
13 Conventional	107,187	135,526	167,004	180,844	182,790	185,189	187,076	189,449	192,253	193,259
Mortgage transactions (during period)										
14 Purchases	37,202	75,905	92,037	7,238	4,386	4,628	4,077	4,266	5,003	3,549
Mortgage commitments (during period)										
15 Issued[7]	40,010	74,970	92,537	3,801	4,268	3,798	3,776	4,880	3,421	2,696
16 To sell[8]	7,608	10,493	5,097	281	1	0	0	0	48	20
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	26,809	33,665	55,012	60,799	62,232	62,993	64,118	66,478	69,340	70,757
18 FHA/VA insured	460	352	321	304	299	296	291	287	284	279
19 Conventional	26,349	33,313	54,691	60,495	61,933	62,697	63,827	66,191	69,057	70,477
Mortgage transactions (during period)										
20 Purchases	99,965	191,125	229,242	10,629	8,341	6,535	6,407	5,512	8,351	3,022
21 Sales	92,478	179,208	208,723	10,228	8,097	6,338	5,828	5,213	8,139	2,865
Mortgage commitments (during period)[9]										
22 Contracted	114,031	261,637	274,599	9,586	7,252	5,820	5,649	5,035	7,288	3,454

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.
4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.
5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.
6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.
7. Does not include standby commitments issued, but includes standby commitments converted.
8. Includes participation loans as well as whole loans.
9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1990	1991	1992	1993 Q3	1993 Q4	1994 Q1	1994 Q2[r]	1994 Q3[p]
1 **All holders**	**3,763,628[r]**	**3,926,154[r]**	**4,056,233[r]**	**4,174,202[r]**	**4,215,480[r]**	**4,239,496[r]**	**4,290,640**	**4,346,606**
By type of property								
2 One- to four-family residences	2,617,044[r]	2,781,416[r]	2,963,391[r]	3,098,344[r]	3,147,255[r]	3,178,389[r]	3,225,062	3,276,039
3 Multifamily residences	309,369	306,410	295,417	290,690[r]	290,489[r]	288,988[r]	290,109	291,907
4 Commercial	758,313	759,023	716,687[r]	704,032[r]	696,542[r]	690,726[r]	692,584	694,842
5 Farm	78,903	79,306	80,738[r]	81,136[r]	81,194[r]	81,393[r]	82,886	83,818
By type of holder								
6 Major financial institutions	1,914,315	1,846,726	1,769,187	1,769,950[r]	1,767,835[r]	1,746,474[r]	1,763,249	1,784,191
7 Commercial banks[2]	844,826	876,100	894,513	922,670[r]	940,444[r]	937,944[r]	956,793	981,350
8 One- to four-family	455,931	483,623	507,780	537,661[r]	556,538[r]	554,117[r]	570,325	590,244
9 Multifamily	37,015	36,935	38,024	37,655[r]	38,635[r]	38,451[r]	37,948	38,130
10 Commercial	334,648	337,095	328,826	326,507[r]	324,409[r]	324,122[r]	326,605	330,568
11 Farm	17,231	18,447	19,882	20,848	20,862[r]	21,254[r]	21,916	22,408
12 Savings institutions[3]	801,628	705,367	627,972	609,654	598,330	584,531[r]	585,671	587,375
13 One- to four-family	600,154	538,358	489,622	478,456	469,959	458,075[r]	462,240	466,414
14 Multifamily	91,806	79,881	69,791	68,440	67,362	66,914[r]	66,245	65,611
15 Commercial	109,168	86,741	68,235	62,439	60,704	59,245[r]	56,887	55,058
16 Farm	500	388	324	320	305	297	299	292
17 Life insurance companies	267,861	265,258	246,702	237,626	229,061	223,999	220,785	215,466
18 One- to four-family	13,005	11,547	11,441	9,835[r]	9,458[r]	9,245[r]	9,107	8,877
19 Multifamily	28,979	29,562	27,770	26,844[r]	25,814[r]	25,232[r]	24,855	24,227
20 Commercial	215,121	214,105	198,269	191,660[r]	184,305[r]	180,152[r]	177,463	172,977
21 Farm	10,756	10,044	9,222	9,287	9,484	9,370	9,360	9,385
22 Federal and related agencies	239,003	266,146	286,263	306,578[r]	317,486[r]	323,464[r]	327,690	334,284
23 Government National Mortgage Association	20	19	30	43	22	20	12	12
24 One- to four-family	20	19	30	37	15	13	12	12
25 Multifamily	0	0	0	7	7	7	0	0
26 Farmers Home Administration[4]	41,439	41,713	41,695	41,424	41,386	41,209	41,370	41,390
27 One- to four-family	18,527	18,496	16,912	15,714	15,303	14,870	14,459	14,063
28 Multifamily	9,640	10,141	10,575	10,830	10,940	11,037	11,147	11,254
29 Commercial	4,690	4,905	5,158	5,347	5,406	5,399	5,526	5,587
30 Farm	8,582	8,171	9,050	9,533	9,739	9,903	10,239	10,485
31 Federal Housing and Veterans' Administrations	8,801	10,733	12,581	11,797	12,215	11,344	11,169	10,657
32 One- to four-family	3,593	4,036	5,153	4,850	5,364	4,738	4,826	4,503
33 Multifamily	5,208	6,697	7,428	6,947	6,851	6,606	6,343	6,154
34 Resolution Trust Corporation	32,600	45,822	32,045	19,925	17,284	14,241	13,908	15,401
35 One- to four-family	15,800	14,535	12,960	8,381	7,203	6,308[r]	6,045	6,984
36 Multifamily	8,064	15,018	9,621	6,002	5,327	4,208[r]	4,230	4,528
37 Commercial	8,736	16,269	9,464	5,543	4,754	3,726[r]	3,633	3,889
38 Farm	0	0	0	0	0	0	0	0
39 Federal National Mortgage Association	104,870	112,283	137,584	160,721	166,642	172,343	175,377	177,200
40 One- to four-family	94,323	100,387	124,016	146,009	151,310	156,576	159,437	161,255
41 Multifamily	10,547	11,896	13,568	14,712	15,332	15,767	15,940	15,945
42 Federal Land Banks	29,416	28,767	28,664	28,810	28,460	28,181	28,475	28,538
43 One- to four-family	1,838	1,693	1,687	1,695	1,675	1,658	1,675	1,679
44 Farm	27,577	27,074	26,977	27,115	26,785	26,523	26,800	26,859
45 Federal Home Loan Mortgage Corporation	21,857	26,809	33,665	43,858[r]	51,476[r]	56,127[r]	57,379	61,087
46 One- to four-family	19,185	24,125	31,032	41,314[r]	48,929[r]	53,571[r]	54,799	58,432
47 Multifamily	2,672	2,684	2,633	2,544	2,547	2,556	2,580	2,655
48 Mortgage pools or trusts[5]	1,079,103	1,250,666	1,425,546	1,517,003[r]	1,550,818[r]	1,604,449[r]	1,643,627	1,668,496
49 Government National Mortgage Association	403,613	425,295	419,516	415,076	414,066	423,446	435,709	444,976
50 One- to four-family	391,505	415,767	410,675	405,963	404,864	414,194	426,363	435,511
51 Multifamily	12,108	9,528	8,841	9,113	9,202	9,251	9,346	9,465
52 Federal Home Loan Mortgage Corporation	316,359	359,163	407,514	433,090[r]	443,029[r]	459,949[r]	470,183	469,062
53 One- to four-family	308,369	351,906	401,525	428,155[r]	438,494[r]	455,779[r]	466,361	465,614
54 Multifamily	7,990	7,257	5,989	4,935	4,535	4,170	3,822	3,448
55 Federal National Mortgage Association	299,833	371,984	444,979	481,880	495,525	507,376	514,855	523,512
56 One- to four-family	291,194	362,667	435,979	473,599	486,804	498,489	505,730	514,375
57 Multifamily	8,639	9,317	9,000	8,281	8,721	8,887	9,125	9,137
58 Farmers Home Administration[4]	66	47	38	30	28	26	22	20
59 One- to four-family	17	11	8	6	5	5	4	3
60 Multifamily	0	0	0	0	0	0	0	0
61 Commercial	24	19	17	14	13	12	10	9
62 Farm	26	17	13	10	10	9	8	8
63 Private mortgage conduits	59,232	94,177	153,499	186,927	198,171	213,653[r]	222,858	230,926
64 One- to four-family	53,335	84,000	132,000	158,000	164,000	177,000	179,500	182,300
65 Multifamily	731	3,698	6,305	7,991	8,701	9,202[r]	11,514	13,891
66 Commercial	5,166	6,479	15,194	20,936	25,469	27,451[r]	31,844	34,735
67 Farm	0	0	0	0	0	0	0	0
68 Individuals and others[6]	531,208[r]	562,616[r]	575,237[r]	580,670[r]	579,341[r]	565,109[r]	556,074	559,635
69 One- to four-family	350,247[r]	370,246[r]	382,572[r]	388,669[r]	387,334[r]	373,752[r]	364,178	365,772
70 Multifamily	85,969	83,796	85,871	86,391	86,516	86,700[r]	87,014	87,462
71 Commercial	80,761	93,410	91,524[r]	91,588[r]	91,482[r]	90,621[r]	90,617	92,020
72 Farm	14,232	15,164	15,270[r]	14,023[r]	14,009[r]	14,037[r]	14,264	14,380

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCES. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 64 from Inside Mortgage Securities.

1.55 CONSUMER INSTALLMENT CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1991	1992	1993	1994					
				May	June	July	Aug.	Sept.	Oct.
	Seasonally adjusted								
1 **Total**	**728,389**	**731,098**	**794,300**	**836,936**	**847,715**	**854,469**	**869,628**	**879,961**	**891,603**
2 Automobile	259,594	257,678	282,036	298,278	303,526	305,193	309,721	315,162	318,036
3 Revolving	245,281	257,304	287,875	305,528	309,472	313,591	321,365	322,823	327,707
4 Other	223,514	216,117	224,389	233,130	234,717	235,685	238,542	241,976	245,860
	Not seasonally adjusted								
5 **Total**	**744,039**	**747,690**	**812,782**	**830,065**	**842,126**	**847,727**	**868,049**	**880,609**	**891,442**
By major holder									
6 Commercial banks	340,713	330,088	368,549	380,063	386,235	393,927	404,438	410,312	414,833
7 Finance companies	121,700	118,279	116,453	122,204	124,318	123,202	125,197	130,306	131,562
8 Credit unions	90,302	91,694	101,634	105,718	108,183	109,838	113,122	114,699	116,325
9 Savings institutions	41,373	37,049	37,855	37,803	38,134	38,055	37,975	37,943	38,122
10 Nonfinancial business	46,658	49,184	57,637	54,505	55,374	55,775	56,496	55,967	56,020
11 Pools of securitized assets[2]	103,293	121,396	130,654	129,772	129,882	126,930	130,821	131,382	134,580
By major type of credit[3]									
12 Automobile	259,863	258,226	282,825	297,172	302,874	304,026	310,925	316,778	320,182
13 Commercial banks	112,666	109,623	123,358	132,979	136,038	138,907	142,452	144,260	146,456
14 Finance companies	62,232	57,259	56,057	59,398	59,788	58,107	58,589	60,522	60,750
15 Pools of securitized assets[2]	28,588	33,888	39,490	35,836	35,817	34,436	34,584	35,149	34,394
16 Revolving	258,841	271,368	303,444	301,609	305,758	309,716	319,003	321,205	325,872
17 Commercial banks	138,005	132,966	149,527	149,972	153,032	156,940	161,417	164,724	165,561
18 Nonfinancial business	41,658	43,974	52,113	49,005	49,845	50,218	50,873	50,314	50,332
19 Pools of securitized assets[2]	63,333	74,931	79,887	82,064	82,075	81,704	85,644	85,051	88,762
20 Other	225,335	218,096	226,513	231,284	233,494	233,985	238,121	242,626	245,388
21 Commercial banks	90,042	87,499	95,664	97,112	97,165	98,080	100,569	101,328	102,816
22 Finance companies	59,468	61,020	60,396	62,806	64,530	65,095	66,608	69,784	70,812
23 Nonfinancial business	5,000	5,210	5,524	5,500	5,529	5,557	5,623	5,653	5,688
24 Pools of securitized assets[2]	11,372	12,577	11,277	11,872	11,990	10,790	10,593	11,182	11,424

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.

Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

3. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent per year except as noted

Item	1991	1992	1993	1994						
				Apr.	May	June	July	Aug.	Sept.	Oct.
Interest Rates										
Commercial banks[2]										
1 48-month new car	11.14	9.29	8.09	n.a.	7.76	n.a.	n.a.	8.41	n.a.	n.a.
2 24-month personal	15.18	14.04	13.47	n.a.	12.96	n.a.	n.a.	13.33	n.a.	n.a.
3 120-month mobile home	13.70	12.67	11.87	n.a.	11.60	n.a.	n.a.	12.04	n.a.	n.a.
4 Credit card	18.23	17.78	16.83	n.a.	16.15	n.a.	n.a.	16.25	n.a.	n.a.
Auto finance companies										
5 New car	12.41	9.93	9.48	9.71	9.92	9.96	10.17	10.32	10.13	10.39
6 Used car	15.60	13.80	12.79	13.25	13.51	13.78	13.86	13.92	13.98	14.01
Other Terms[3]										
Maturity (months)										
7 New car	55.1	54.0	54.5	53.8	53.5	53.3	53.9	54.2	54.3	54.9
8 Used car	47.2	47.9	48.8	50.0	50.6	50.0	50.2	50.1	50.2	50.2
Loan-to-value ratio										
9 New car	88	89	91	92	93	94	93	93	93	92
10 Used car	96	97	98	99	99	100	100	100	100	100
Amount financed (dollars)										
11 New car	12,494	13,584	14,332	15,067	15,194	15,180	15,319	15,283	15,419	15,827
12 Used car	8,884	9,119	9,875	10,477	10,606	10,656	10,735	10,755	10,906	10,554

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Data are available for only the second month of each quarter.

3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1989	1990	1991	1992	1993[r]	1993				1994		
						Q1	Q2	Q3[r]	Q4	Q1[r]	Q2[r]	Q3[r]
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**729.0**	**635.6**	**475.8**	**536.1**	**628.1**	**481.4[r]**	**740.5[r]**	**613.3**	**677.2[r]**	**651.2**	**543.4**	**612.3**
By sector and instrument												
2 U.S. government	146.4	246.9	278.2	304.0	256.1	240.5	336.4	173.4	274.2	210.6	122.9	134.1
3 Treasury securities	144.7	238.7	292.0	303.8	248.3	237.4	332.3	157.2	266.5	211.8	118.2	129.8
4 Budget agency issues and mortgages	1.6	8.2	−13.8	.2	7.8	3.2	4.1	16.3	7.7	−1.3	4.7	4.4
5 Private	582.7	388.7	197.5	232.1	372.0	240.9[r]	404.1[r]	439.9	403.0[r]	440.6	420.5	478.1
By instrument												
6 Tax-exempt obligations	69.8	48.7	68.7	31.1	78.1	88.7[r]	130.3[r]	66.2	27.4[r]	22.6	−9.8	−41.2
7 Corporate bonds	73.8	47.1	78.8	67.5	75.2	85.7	75.7	72.0	67.4	35.1	38.9	24.6
8 Mortgages	281.2	199.5	161.4	123.9	155.6	99.8[r]	152.2[r]	222.1	148.5[r]	151.5	162.2	219.4
9 Home mortgages	224.5	185.6	163.8	179.5	183.9	120.9[r]	193.5[r]	236.5	184.5[r]	180.2	144.9	199.6
10 Multifamily residential	11.5	4.8	−3.1	−11.2	−6.1	−5.5[r]	−11.4	−4.9	−2.6	−6.1	4.3	7.1
11 Commercial	47.8	9.3	.4	−45.5	−22.5	−15.7[r]	−30.9[r]	−9.9	−33.6[r]	−23.4	7.1	8.9
12 Farm	−2.5	−.3	.4	1.1	.5	.2	1.0[r]	.4	.2[r]	.8	6.0	3.7
13 Consumer credit	45.8	16.0	−15.0	5.5	62.3	20.3[r]	41.6[r]	76.2	111.3[r]	72.7	121.9	127.1
14 Bank loans n.e.c.	27.3	.4	−40.9	−13.8	5.0	−16.2[r]	−.2[r]	7.8	28.5[r]	74.2	73.0	93.5
15 Commercial paper	21.4	9.7	−18.4	8.6	10.0	−14.1	33.2	17.2	3.8	8.0	16.4	33.8
16 Other loans	63.3	67.4	−37.1	9.2	−14.3	−23.3[r]	−28.6[r]	−21.7	16.2[r]	76.5	17.8	20.9
By borrowing sector												
17 Household	281.6	218.9	170.9	217.7	284.5	167.5[r]	264.1[r]	368.5	337.7[r]	299.4	303.6	370.5
18 Nonfinancial business	233.1	123.7	−35.9	−2.0	21.9	−11.6[r]	26.7[r]	24.1	48.2[r]	131.4	144.7	156.4
19 Farm	.6	2.3	2.1	1.0	2.0	−2.3	2.7[r]	4.1	3.6[r]	3.1	11.8	3.6
20 Nonfarm noncorporate	40.3	10.1	−28.5	−43.9	−26.0	−28.6[r]	−33.4[r]	−26.2	−15.6[r]	8.4	16.5	26.9
21 Corporate	192.1	111.3	−9.6	40.9	45.8	19.3[r]	57.4[r]	46.3	60.2[r]	119.9	116.4	125.9
22 State and local government	68.0	46.0	62.6	16.4	65.7	85.0[r]	113.2[r]	47.3	17.1[r]	9.9	−27.8	−48.8
23 Foreign net borrowing in United States	10.2	23.9	13.9	21.3	46.9	38.9	42.8	83.1	22.9	−66.3	−1.9	−3.4
24 Bonds	4.9	21.4	14.1	14.4	59.4	66.5	45.3	84.5	41.4	29.0	11.1	6.6
25 Bank loans n.e.c.	−.1	−2.9	3.1	2.3	.7	1.5	6.6	1.0	−6.3	6.0	−.8	.9
26 Commercial paper	13.1	12.3	6.4	5.2	−9.0	−21.7	−.6	−1.6	−12.0	−101.8	−5.2	−8.1
27 U.S. government and other loans	−7.6	−7.0	−9.8	−.6	−4.2	−7.5	−8.4	−.8	−.1	.5	−7.0	−2.7
28 **Total domestic plus foreign**	**739.2**	**659.4**	**489.6**	**557.4**	**675.0**	**520.3[r]**	**783.3[r]**	**696.4**	**700.2[r]**	**584.9**	**541.5**	**608.9**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**225.1**	**202.9**	**152.6**	**237.1**	**286.1**	**180.4[r]**	**175.5[r]**	**438.9**	**349.8[r]**	**477.0**	**294.9**	**345.6**
By instrument												
30 U.S. government-related	149.5	167.4	145.7	155.8	161.2	169.4	56.6	287.3	131.3[r]	320.8	245.2	224.9
31 Government-sponsored enterprises securities	25.2	17.1	9.2	40.3	80.6	32.2	68.8	167.8	53.4	160.0	146.6	152.1
32 Mortgage pool securities	124.3	150.3	136.6	115.6	80.6	137.2	−12.2	119.5	77.9[r]	180.0	98.6	72.8
33 Loans from U.S. government	.0	−.1	.0	.0	.0	.0	.0	.0	.0	−19.2	.0	.0
34 Private	75.7	35.5	6.8	81.3	125.0	11.0[r]	118.9[r]	151.6	218.5[r]	156.2	49.7	120.7
35 Corporate bonds	41.5	46.3	67.6	78.5	118.3	99.0[r]	92.4[r]	143.4	138.3[r]	148.6	59.9	65.3
36 Mortgages	.3	.6	.5	.6	3.6	1.4	1.4	6.2	5.5	.2	.6	.1
37 Bank loans n.e.c.	13.5	4.7	8.8	2.2	−14.0	−34.6	12.8[r]	−16.1	−18.0	−18.3	−45.1	−17.6
38 Open market paper	31.3	8.6	−32.0	−.7	−6.2	−75.1	−16.2	−9.4	76.0	36.6	2.1	42.1
39 Loans from Federal Home Loan Banks	−11.0	−24.7	−38.0	.8	23.3	20.4	28.4	27.4	16.8	−10.8	32.3	30.7
By borrowing sector												
40 Government-sponsored enterprises	25.2	17.0	9.1	40.2	80.6	32.2	68.8	167.8	53.4	140.8	146.6	152.1
41 Federally related mortgage pools	124.3	150.3	136.6	115.6	80.6	137.2	−12.2	119.5	77.9[r]	180.0	98.6	72.8
42 Private	75.7	35.5	6.8	81.3	125.0	11.0[r]	118.9[r]	151.6	218.5[r]	156.2	49.7	120.7
43 Commercial banks	−1.4	−.7	−11.7	8.8	5.6	3.5	11.3	6.5	1.2	2.0	12.4	22.8
44 Bank holding companies	6.2	−27.7	−2.5	2.3	8.8	21.1	1.3	.5	12.2	3.5	8.2	11.7
45 Funding corporations	12.5	15.4	−6.5	13.2	2.9	−31.4	−1.6	7.9	36.7	47.4	−17.1	47.0
46 Savings institutions	−15.1	−30.2	−44.5	−6.7	11.1	9.7	12.6	13.5	8.8	−5.6	5.8	14.8
47 Credit unions	.0	.0	.0	.0	.2	.0	.3	.3	.1	.1	.2	.5
48 Life insurance companies	.0	.0	.0	.0	.2	.1	.6	−.1	.4	.0	.0	.0
49 Finance companies	27.4	24.0	18.6	−3.6	.2	−19.6[r]	−13.6[r]	17.5	16.3	63.3	67.0	16.9
50 Mortgage companies	10.1	.0	−2.4	8.0	−1.0	−25.2	32.4	−.8	−10.4	−27.6	−33.2	−10.0
51 Real estate investment trusts (REITs)	1.4	.8	1.2	.3	3.5	.4	1.3	6.0	6.2	1.2	2.2	2.3
52 Issuers of asset-backed securities (ABSs)	28.3	52.3	51.0	56.3	81.5	62.0[r]	60.5	85.8	117.6[r]	81.8	4.0	22.3

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1989	1990	1991	1992	1993	1993				1994		
						Q1	Q2	Q3	Q4	Q1[r]	Q2[r]	Q3[r]
	All sectors											
53 **Total net borrowing, all sectors**	**964.4**	**862.3**	**642.2**	**794.5**	**961.2**	**700.7[r]**	**958.8[r]**	**1,135.3**	**1,050.0[r]**	**1,061.9**	**836.4**	**954.5**
54 U.S. government securities	295.8	414.4	424.0	459.8	417.3	409.9	393.0	460.7	405.5[r]	550.5	368.1	359.0
55 Tax-exempt securities	69.8	48.7	68.7	31.1	78.1	88.7[r]	130.3[r]	66.2	27.4[r]	22.6	−9.8	−41.2
56 Corporate and foreign bonds	120.2	114.7	160.5	160.4	252.9	251.2[r]	213.4[r]	299.9	247.1[r]	212.6	109.8	96.5
57 Mortgages	281.6	200.1	161.9	124.5	159.2	101.2[r]	153.5[r]	228.3	154.0[r]	151.8	162.7	219.6
58 Consumer credit	45.8	16.0	−15.0	5.5	62.3	20.3[r]	41.6[r]	76.2	111.3[r]	72.7	121.9	127.1
59 Bank loans n.e.c.	40.7	2.2	−29.1	−9.4	−8.3	−49.2[r]	19.2[r]	−7.3	4.2[r]	61.9	27.1	76.8
60 Open market paper	65.9	30.7	−44.0	13.1	−5.1	−110.9	16.4	6.3	67.7	−57.2	13.3	67.8
61 Other loans	44.7	35.6	−84.9	9.5	4.7	−10.4[r]	−8.7[r]	4.9	32.9[r]	47.0	43.1	49.0
	Funds raised through mutual funds and corporate equities											
62 **Total net share issues**	**−60.8**	**19.7**	**215.4**	**296.0**	**436.9**	**343.9[r]**	**471.9[r]**	**498.0**	**434.0**	**214.5**	**218.6**	**117.4**
63 Mutual funds	37.2	65.3	151.5	211.9	316.8	268.9	358.0	348.9	291.5	114.0	152.7	131.2
64 Corporate equities	−98.0	−45.6	64.0	84.1	120.1	75.0[r]	113.9[r]	149.1	142.4	100.5	65.8	−13.8
65 Nonfinancial corporations	−124.2	−63.0	18.3	27.0	21.3	8.2[r]	23.2[r]	32.3	21.5	−9.6	−2.0	−50.0
66 Financial corporations	9.0	10.0	15.1	26.4	38.2	35.2	38.6	38.2	40.9	40.7	29.0	21.6
67 Foreign shares purchased in United States	17.2	7.4	30.7	30.7	60.6	31.6	52.1	78.6	80.0	69.4	38.9	14.6

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.5. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

Billions of dollars except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1989	1990	1991	1992	1993	1993 Q1	1993 Q2	1993 Q3	1993 Q4	1994 Q1[r]	1994 Q2[r]	1994 Q3
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**964.4**	**862.3**	**642.2**	**794.5**	**961.2[r]**	**700.7[r]**	**958.8[r]**	**1,135.3[r]**	**1,050.0[r]**	**1,061.9**	**836.4**	**954.5**
2 Private domestic nonfinancial sectors	137.0	190.1	−7.5	72.0	6.8[r]	−23.1[r]	−3.7[r]	−39.5[r]	93.3[r]	458.8	346.1	208.8
3 Households	94.7	157.2	−39.6	70.7	−9.6[r]	−74.8[r]	−75.6[r]	−69.7[r]	181.8[r]	462.2	412.3	316.4
4 Nonfarm noncorporate business	−.8	−1.7	−3.7	−1.1	−3.2	−3.0	−3.2	−3.3	−3.5	−3.6	−1.8	−1.9
5 Nonfinancial corporate business	13.7	−3.7	6.7	29.2	18.0[r]	−2.4[r]	17.3[r]	41.2[r]	16.0[r]	21.9	23.8	−1.7
6 State and local governments	29.3	38.3	29.2	−26.8	1.5[r]	57.0[r]	57.7[r]	−7.7[r]	−101.0[r]	−21.6	−88.2	−104.0
7 U.S. government	−3.1	33.7	10.5	−11.9	−18.4	−23.2	−27.1	−15.4	−7.9	−40.8	−8.2	−6.6
8 Foreign	86.6	85.5	26.6	100.5	126.0[r]	65.9[r]	93.4[r]	123.5[r]	221.2[r]	127.5	51.9	113.1
9 Financial sectors	743.8	553.0	612.5	633.9	846.8[r]	681.1[r]	896.2[r]	1,066.6[r]	743.3[r]	516.4	446.7	639.3
10 Government sponsored enterprises	−4.1	13.9	15.2	69.0	90.2	16.7	128.0	144.8[r]	71.2[r]	92.4	101.1	135.6
11 Federally related mortgage pools	124.3	150.3	136.6	115.6	80.6[r]	137.2	−12.2	119.5[r]	77.9[r]	180.0	98.6	72.8
12 Monetary authority	−7.3	8.1	31.1	27.9	36.2	42.5	35.7	28.2	38.5	48.8	17.9	24.0
13 Commercial banking	177.2	125.1	80.8	95.3	142.2	100.5	133.4	146.7	188.1	184.7	112.7	183.5
14 U.S. commercial banks	146.1	94.9	35.7	69.5	149.6	103.4	137.4	160.3	197.3	120.6	128.4	164.7
15 Foreign banking offices	26.7	28.4	48.5	16.5	−9.8	−1.4	−14.3	−16.9	−6.5	59.0	−17.8	19.2
16 Bank holding companies	2.8	−2.8	−1.5	5.6	.0	−4.5	7.9	1.2	−4.8	3.1	.2	−2.4
17 Banks in U.S. affiliated areas	1.6	4.5	−1.9	3.7	2.4	3.0	2.4	2.2	2.1	2.1	1.9	1.9
18 Funding corporations	8.0	16.1	15.8	23.5	18.1	−3.8	1.1	32.4	42.6	17.8	35.3	18.7
19 Thrift institutions	−90.0	−154.0	−123.5	−61.3	−2.0[r]	−30.7	15.2[r]	21.0[r]	−13.3	13.5	42.1	44.7
20 Life insurance companies	101.8	94.4	83.2	79.1	105.1	113.0[r]	109.4[r]	111.8	86.4[r]	53.7	6.1	33.3
21 Other insurance companies	29.7	26.5	32.6	12.8	33.3	27.3	36.0	37.6	32.1	27.9	20.8	16.0
22 Private pension funds	81.1	17.2	85.7	37.3	40.2	118.0	11.1	91.9	−60.1	−97.7	−30.7	−13.4
23 State and local government retirement funds	46.1	34.9	46.0	34.4	25.5[r]	−9.8[r]	47.5[r]	27.4[r]	36.9[r]	45.3	51.2	41.1
24 Finance companies	32.0	29.0	−12.7	1.7	−9.0[r]	−33.3[r]	−34.7[r]	9.4[r]	22.6[r]	72.1	49.8	59.0
25 Mortgage companies	20.1	.0	11.2	.1	.0	−50.4	65.1	−1.6	−13.3	−55.4	−66.2	−20.0
26 Mutual funds	23.8	41.4	90.3	123.7	164.0	148.6	194.4	174.6	138.4	−72.6	11.3	−18.6
27 Closed-end funds	6.6	.2	14.7	17.4	10.2	16.7	10.5	5.9	7.7	8.7	3.6	1.4
28 Money market funds	67.1	80.9	30.1	1.3	12.9	−57.3	33.3	25.3	50.3	−37.4	33.7	54.4
29 Real estate investment trusts (REITs)	.5	−.7	−.7	1.1	.6	.2	.8	1.0	.2	.7	.7	.7
30 Brokers and dealers	80.2	2.8	17.5	−6.9	9.2	75.2	52.5	−7.8	−82.8	−56.1	−52.6	−14.4
31 Asset-backed securities issuers (ABSs)	27.1	51.1	48.9	53.8	80.1[r]	61.5[r]	59.4	88.6[r]	111.1[r]	81.0	6.2	17.5
32 Bank personal trusts	19.7	15.9	10.0	8.0	9.5	9.1	10.0	9.9	8.9	9.3	5.2	2.9
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
33 **Net flows through credit markets**	**964.4**	**862.3**	**642.2**	**794.5**	**961.2[r]**	**700.7[r]**	**958.8[r]**	**1,135.3[r]**	**1,050.0[r]**	**1,061.9**	**836.4**	**954.5**
Other financial sources												
34 Official foreign exchange	24.8	2.0	−5.9	−1.6	.8	3.4	−4.0	1.7	2.2	−.2	−11.2	−.6
35 Special drawing rights certificates	3.5	1.5	.0	−2.0	.0	.0	.0	.0	.0	.0	.0	.0
36 Treasury currency	.6	1.0	.0	.2	.4	.3	.4	.4	.7	.7	.6	.8
37 Life insurance reserves	28.8	25.7	25.7	27.3	35.2	38.6[r]	35.3	46.6[r]	20.5[r]	20.0	8.1	23.8
38 Pension fund reserves	321.2	165.1	360.3	249.7	304.7[r]	331.7[r]	333.7[r]	359.9[r]	193.6[r]	−18.8	64.3	197.8
39 Interbank claims	−16.2	35.4	−3.9	61.7	42.1[r]	63.8[r]	130.2[r]	−7.6[r]	−18.1[r]	150.8	195.7	−44.5
40 Checkable deposits and currency	6.4	43.3	86.4	113.8	117.3	99.7	214.4	73.1	81.9	173.1	−68.0	−81.0
41 Small time and savings deposits	98.7	63.7	1.5	−57.2	−70.3	−108.5	−67.8	−68.1	−36.6	2.5	−59.9	−61.5
42 Large time deposits	16.9	−66.1	−58.5	−73.2	−23.5	−21.6	−26.8	−59.5	13.7	−39.6	−4.8	80.6
43 Money market fund shares	90.1	70.3	41.2	3.9	15.8	−46.8	61.8	.6	47.7	−10.9	67.8	50.3
44 Security repurchase agreements	77.8	−24.2	−16.5	35.5	65.5	170.7	37.9	67.8	−14.4	12.8	176.3	68.3
45 Foreign deposits	35.7	38.2	−16.7	−7.2	−22.1	−11.9	−17.1	−50.7	−8.6	24.9	35.9	5.0
46 Mutual fund shares	37.2	65.3	151.5	211.9	316.8	268.9	358.0	348.9	291.5	114.0	152.7	131.2
47 Corporate equities	−98.0	−45.6	64.0	84.1	120.1[r]	75.0[r]	113.9[r]	149.1[r]	142.4	100.5	65.8	−13.8
48 Security credit	15.6	3.5	51.4	4.2	61.9	44.8	40.0	76.6	86.5	29.7	−17.3	−62.3
49 Trade debt	68.2	37.0	3.6	41.5	49.0	43.4[r]	51.0[r]	49.6[r]	51.9	30.3	67.2	61.6
50 Taxes payable	2.4	−4.8	−6.2	8.5	4.6	7.9	7.3	−1.8	4.9	13.7	−3.4	5.9
51 Noncorporate proprietors' equity	−25.8	−28.3	−3.3	18.4	−10.2[r]	−6.6[r]	−14.8[r]	6.2[r]	−25.8[r]	−45.8	−47.2	−39.9
52 Investment in bank personal trusts	19.6	29.7	16.1	−7.1	1.6	−4.2	−7.2	.1	17.6	15.4	−15.5	6.7
53 Miscellaneous	313.8	135.7	197.2	257.6	302.1[r]	197.9[r]	404.0[r]	222.3[r]	384.0[r]	279.6	204.8	316.8
54 **Total financial sources**	**1,985.7**	**1,410.6**	**1,530.2**	**1,764.5**	**2,273.0[r]**	**1,847.1[r]**	**2,608.9[r]**	**2,350.7[r]**	**2,285.5[r]**	**1,914.8**	**1,648.4**	**1,599.4**
Floats not included in assets (−)												
55 U.S. government checkable deposits	8.4	3.3	−13.1	.7	−1.5	4.7	2.9	2.1	−15.5	−2.4	.3	14.7
56 Other checkable deposits	−2.2	8.5	4.5	1.6	−1.3	−2.0	8.3	−5.2	−6.2	.6	−1.1	−6.2
57 Trade credit	7.0	9.1	9.7	4.1	16.5[r]	5.8[r]	25.7[r]	22.2[r]	12.5[r]	−27.0	−10.3	−2.2
Liabilities not identified as assets (−)												
58 Treasury currency	−.2	.2	−.6	−.2	−.2	−.2	−.2	−.2	−.2	−.2	−.2	.0
59 Interbank claims	−4.4	1.6	26.2	−4.9	4.2	2.7	.5	−10.4	24.0	−29.1	5.3	11.4
60 Security repurchase agreements	32.4	−24.0	6.2	27.9	81.1[r]	179.6	60.8	66.6	17.3[r]	7.1	119.1	63.8
61 Taxes payable	2.7	.1	1.3	14.0	1.0	−6.9	18.2	1.2	−8.6	−.7	12.4	−1.4
62 Miscellaneous	−55.6	−35.4	−45.3	−46.0	−45.3[r]	−101.5[r]	−97.6[r]	−18.4[r]	36.4[r]	−87.6	−173.7	79.9
63 **Total identified to sectors as assets**	**1,997.6**	**1,447.2**	**1,541.2**	**1,767.2**	**2,218.5[r]**	**1,765.0[r]**	**2,590.2[r]**	**2,292.9[r]**	**2,225.9[r]**	**2,054.2**	**1,696.6**	**1,439.4**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.6 and F.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1990	1991	1992	1993[r]	1993[r]				1994[r]		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**10,712.6**	**11,181.5**	**11,720.7**	**12,363.1**	**11,816.1**	**12,008.9**	**12,155.3**	**12,363.1**	**12,485.5**	**12,629.7**	**12,775.0**
By sector and instrument											
2 U.S. government	2,498.1	2,776.4	3,080.3	3,336.5	3,140.2	3,201.2	3,247.3	3,336.5	3,387.7	3,395.5	3,432.5
3 Treasury securities	2,465.8	2,757.8	3,061.6	3,309.9	3,120.6	3,180.6	3,222.6	3,309.9	3,361.4	3,368.0	3,403.9
4 Budget agency issues and mortgages	32.4	18.6	18.8	26.6	19.6	20.6	24.7	26.6	26.3	27.5	28.6
5 Private	8,214.5	8,405.1	8,640.4	9,026.6	8,675.9	8,807.7	8,908.1	9,026.6	9,097.8	9,234.3	9,342.5
By instrument											
6 Tax-exempt obligations	1,039.9	1,108.6	1,139.7	1,217.8	1,160.7	1,202.2	1,210.0	1,217.8	1,222.3	1,229.5	1,209.9
7 Corporate bonds	1,008.2	1,086.9	1,154.4	1,229.6	1,175.9	1,194.8	1,212.8	1,229.6	1,238.4	1,248.1	1,254.3
8 Mortgages	3,758.5	3,920.0	4,043.9	4,206.5	4,061.5	4,109.9	4,166.6	4,206.5	4,230.5	4,281.5	4,337.4
9 Home mortgages	2,616.3	2,780.0	2,959.6	3,147.3	2,979.3	3,038.1	3,098.3	3,147.3	3,178.4	3,225.1	3,276.0
10 Multifamily residential	307.9	304.8	293.6	287.5	292.3	289.4	288.2	287.5	286.0	287.1	288.8
11 Commercial	755.4	755.8	710.3	690.6	709.2	701.4	699.0	690.6	684.7	686.5	688.7
12 Farm	78.9	79.3	80.4	81.2	80.8	81.0	81.1	81.2	81.4	82.9	83.8
13 Consumer credit	812.4	797.4	803.0	866.5	788.2	800.2	824.3	866.5	863.6	895.3	932.1
14 Bank loans n.e.c.	726.9	686.0	672.1	677.2	660.9	666.3	665.6	677.2	688.8	712.6	732.7
15 Commercial paper	116.9	98.5	107.1	117.8	113.9	124.0	123.2	117.8	129.9	135.7	138.7
16 Other loans	751.8	707.8	720.2	711.1	714.9	710.2	705.5	711.1	724.3	731.4	737.5
By borrowing sector											
17 Household	3,614.3	3,784.7	4,002.3	4,292.0	4,012.6	4,093.0	4,190.9	4,292.0	4,330.4	4,420.7	4,518.5
18 Nonfinancial business	3,751.7	3,709.3	3,710.5	3,741.5	3,715.7	3,729.8	3,729.1	3,741.5	3,772.9	3,816.4	3,848.4
19 Farm	135.4	135.0	136.0	138.3	133.4	136.7	138.7	138.3	136.7	142.4	144.3
20 Nonfarm noncorporate	1,147.0	1,116.4	1,074.1	1,049.1	1,067.2	1,059.4	1,052.2	1,049.1	1,050.4	1,055.1	1,061.2
21 Corporate	2,469.2	2,458.0	2,500.4	2,554.1	2,515.1	2,533.7	2,538.3	2,554.1	2,585.7	2,618.9	2,642.9
22 State and local government	848.6	911.1	927.5	993.2	947.6	984.9	988.0	993.2	994.4	997.2	975.7
23 **Foreign credit market debt held in United States**	**285.0**	**298.8**	**310.9**	**357.8**	**319.8**	**332.0**	**351.3**	**357.8**	**340.3**	**341.2**	**339.0**
24 Bonds	115.4	129.5	143.9	203.4	160.6	171.9	193.0	203.4	210.6	213.4	215.0
25 Bank loans n.e.c.	18.5	21.6	23.9	24.6	24.3	25.9	26.2	24.6	26.2	26.0	26.2
26 Commercial paper	75.3	81.8	77.7	68.7	72.3	72.1	71.7	68.7	43.3	42.0	39.9
27 U.S. government and other loans	75.7	65.9	65.3	61.1	62.7	62.0	60.3	61.1	60.3	59.9	57.8
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**10,997.6**	**11,480.3**	**12,031.6**	**12,720.8**	**12,135.9[r]**	**12,340.9**	**12,506.6**	**12,720.8**	**12,825.8**	**12,971.0**	**13,114.0**
	Financial sectors										
29 **Total credit market debt owed by financial sectors**	**2,599.5**	**2,752.1**	**3,004.7**	**3,297.3**	**3,047.0**	**3,096.6**	**3,204.7**	**3,297.3**	**3,412.3**	**3,492.5**	**3,577.1**
By instrument											
30 U.S. government-related	1,418.4	1,564.2	1,720.0	1,881.1	1,755.8	1,774.5	1,845.2	1,881.1	1,954.5	2,021.1	2,075.9
31 Government-sponsored enterprises securities	393.7	402.9	443.1	523.7	451.2	468.4	510.3	523.7	563.7	600.3	638.3
32 Mortgage pool securities	1,019.9	1,156.5	1,272.0	1,352.6	1,299.8	1,301.3	1,330.1	1,352.6	1,390.8	1,420.8	1,437.6
33 Loans from U.S. government	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.8	.0	.0	.0
34 Private	1,181.1	1,187.9	1,284.8	1,416.1	1,291.3	1,322.2	1,359.5	1,416.1	1,457.9	1,471.4	1,501.1
35 Corporate bonds	572.4	640.0	724.8	844.1	751.0	774.8	810.5	844.1	879.3	895.0	911.1
36 Mortgages	4.3	4.8	5.4	8.9	5.7	6.0	7.6	8.9	9.0	9.1	9.2
37 Bank loans n.e.c.	69.6	78.4	80.5	66.5	70.3	73.3	69.2	66.5	60.3	48.9	44.5
38 Open market paper	417.7	385.7	394.3	393.5	379.3	375.9	373.2	393.5	408.8	409.9	420.1
39 Loans from Federal Home Loan Banks	117.1	79.1	79.9	103.1	85.0	92.1	98.9	103.1	100.4	108.5	116.2
By borrowing sector											
40 Government-sponsored enterprises	398.5	407.7	447.9	528.5	456.0	473.2	515.1	528.5	563.7	600.3	638.3
41 Federally related mortgage pools	1,019.9	1,156.5	1,272.0	1,352.6	1,299.8	1,301.3	1,330.1	1,352.6	1,390.8	1,420.8	1,437.6
42 Private financial sectors	1,181.1	1,187.9	1,284.8	1,416.1	1,291.3	1,322.2	1,359.5	1,416.1	1,457.9	1,471.4	1,501.1
43 Commercial banks	76.7	65.0	73.8	79.5	73.1	76.6	77.9	79.5	78.4	82.1	87.5
44 Bank holding companies	114.8	112.3	114.6	123.4	119.9	120.2	120.3	123.4	124.2	126.3	129.2
45 Funding corporations	145.7	139.1	161.6	169.9	162.2	166.5	166.3	169.9	190.4	191.1	200.3
46 Savings institutions	139.1	94.6	87.8	99.0	90.3	93.4	96.8	99.0	97.6	99.0	102.7
47 Credit unions	.0	.0	.0	.2	.0	.1	.2	.2	.3	.3	.4
48 Life insurance companies	.0	.0	.0	.2	.0	.2	.1	.2	.3	.3	.3
49 Finance companies	374.4	393.0	389.4	390.5	381.3	373.8	380.0	390.5	401.9	414.2	420.9
50 Mortgage companies	24.6	22.2	30.2	29.2	23.9	32.0	31.8	29.2	22.3	14.0	11.5
51 Real estate investment trusts (REITs)	12.4	13.6	13.9	17.4	14.0	14.4	15.8	17.4	17.7	18.3	18.8
52 Issuers of asset-backed securities (ABSs)	278.1	329.1	391.7	473.2	407.2	422.3	443.8	473.2	493.6	494.6	500.2
	All sectors										
53 **Total credit market debt, domestic and foreign**	**13,597.1**	**14,232.3**	**15,036.3**	**16,018.1**	**15,183.0**	**15,437.5**	**15,711.3**	**16,018.1**	**16,238.1**	**16,463.5**	**16,691.0**
54 U.S. government securities	3,911.7	4,335.7	4,795.5	5,212.8	4,891.2	4,970.9	5,087.7	5,212.8	5,342.2	5,416.5	5,508.3
55 Tax-exempt securities	1,039.9	1,108.6	1,139.7	1,217.8	1,160.7	1,202.2	1,210.0	1,217.8	1,222.3	1,229.5	1,209.9
56 Corporate and foreign bonds	1,696.0	1,856.5	2,023.1	2,277.0	2,087.4	2,141.5	2,216.3	2,277.0	2,328.3	2,356.5	2,380.4
57 Mortgages	3,762.9	3,924.8	4,049.3	4,215.5	4,067.2	4,116.0	4,174.2	4,215.5	4,239.5	4,290.6	4,346.6
58 Consumer credit	812.4	797.4	803.0	866.5	788.2	800.2	824.3	866.5	863.6	895.3	932.1
59 Bank loans n.e.c.	815.0	785.9	776.6	768.4	755.4	765.5	761.0	768.4	775.4	787.5	803.5
60 Open market paper	609.9	565.9	579.0	580.0	565.5	572.0	568.2	580.0	582.0	587.5	598.7
61 Other loans	949.4	857.5	870.2	880.1	867.4	869.1	869.6	880.1	884.9	899.8	911.5

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1990	1991	1992	1993	1993 Q1	1993 Q2	1993 Q3	1993 Q4	1994 Q1[r]	1994 Q2[r]	1994 Q3
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**13,597.1**	**14,232.3**	**15,036.3**	**16,018.1[r]**	**15,183.0[r]**	**15,437.5[r]**	**15,711.3[r]**	**16,018.1[r]**	**16,238.1**	**16,463.5**	**16,691.0**
2 Private domestic nonfinancial sectors	2,260.8	2,240.2	2,318.0	2,340.9[r]	2,301.4[r]	2,296.4[r]	2,285.0[r]	2,340.9[r]	2,429.1	2,511.5	2,562.9
3 Households	1,499.3	1,446.5	1,523.1	1,557.5[r]	1,501.8[r]	1,501.4[r]	1,488.3[r]	1,557.5[r]	1,657.1	1,747.0	1,826.8
4 Nonfarm noncorporate business	47.8	44.1	42.9	39.7	42.2	41.4	40.6	39.7	38.8	38.4	37.9
5 Nonfinancial corporate business	189.6	196.2	225.4	248.1[r]	220.1[r]	227.3[r]	234.7[r]	248.1[r]	243.7	252.5	249.6
6 *State and local governments*	*524.1*	*553.3*	*526.5*	*495.6[r]*	*537.3[r]*	*526.2[r]*	*521.5[r]*	*495.6[r]*	*489.5*	*473.6*	*448.6*
7 U.S. government	239.0	246.9	235.0	216.6	229.4	223.1	218.8	216.6	206.3	204.7	202.6
8 Foreign	918.3	958.1	1,052.7	1,175.1[r]	1,061.8[r]	1,084.0[r]	1,118.1[r]	1,175.1[r]	1,206.8	1,219.1	1,250.4
9 Financial sectors	10,179.0	10,787.2	11,430.6	12,285.5[r]	11,590.3[r]	11,834.0[r]	12,089.4[r]	12,285.5[r]	12,395.9	12,528.2	12,675.1
10 Government-sponsored enterprises	375.6	390.7	459.7	549.8	463.0	495.5	531.8[r]	549.8	572.0	597.9	631.9
11 Federally related mortgage pools	1,019.9	1,156.5	1,272.0	1,352.6[r]	1,299.8	1,301.3	1,330.1[r]	1,352.6[r]	1,390.8	1,420.8	1,437.6
12 Monetary authority	241.4	272.5	300.4	336.7	303.6	318.2	324.2	336.7	341.5	351.6	356.8
13 Commercial banking	2,772.5	2,853.3	2,948.6	3,090.8	2,956.6	2,998.8	3,036.4	3,090.8	3,120.2	3,157.1	3,203.1
14 U.S. commercial banks	2,466.7	2,502.5	2,571.9	2,721.5	2,589.4	2,628.5	2,670.2	2,721.5	2,743.8	2,780.3	2,822.4
15 Foreign banking offices	270.8	319.2	335.8	326.0	326.7	327.1	322.3	326.0	331.8	331.7	335.7
16 Bank holding companies	13.4	11.9	17.5	17.5	16.4	18.4	18.7	17.5	18.2	18.3	17.7
17 Banks in U.S. affiliated areas	21.6	19.7	23.4	25.8	24.2	24.8	25.3	25.8	26.4	26.8	27.3
18 Funding corporations	35.7	51.5	75.0	93.1	74.0	74.3	82.4	93.1	97.5	106.3	111.0
19 Thrift institutions	1,320.5	1,192.6	1,134.5	1,132.5[r]	1,124.8	1,129.8[r]	1,136.2[r]	1,132.5[r]	1,134.0	1,145.7	1,157.9
20 Life insurance companies	1,116.5	1,199.6	1,278.8	1,383.9	1,313.3[r]	1,343.9	1,372.1	1,383.9	1,404.2	1,409.1	1,417.8
21 Other insurance companies	344.0	376.6	389.4	422.7	396.3	405.3	414.6	422.7	429.6	434.8	438.8
22 Private pension funds	607.4	693.0	730.4	770.6	759.8	762.6	785.6	770.6	746.2	738.5	735.1
23 State and local government retirement funds	433.9	479.9	514.3	542.6[r]	514.6[r]	526.5[r]	533.4[r]	542.6[r]	553.9	566.7	577.0
24 Finance companies	497.6	484.9	486.6	482.8[r]	477.9[r]	473.7[r]	474.0[r]	482.8[r]	494.5	511.3	524.2
25 Mortgage companies	49.2	60.3	60.5	60.4	47.9	64.1	63.8	60.4	46.6	30.0	25.0
26 Mutual funds	360.2	450.5	574.2	738.2	611.4	659.9	703.6	738.2	720.0	722.9	718.2
27 Closed-end funds	35.6	50.3	67.7	77.9	71.9	74.5	76.0	77.9	80.1	81.0	81.3
28 Money market funds	372.7	402.7	404.1	417.0	404.5	403.9	400.6	417.0	422.2	422.0	425.1
29 Real estate investment trusts (REITs)	7.7	7.0	8.1	8.6	8.1	8.3	8.6	8.6	8.8	9.0	9.1
30 Brokers and dealers	106.5	124.0	117.1	126.3	135.9	149.0	147.1	126.3	112.3	99.2	95.6
31 Asset-backed securities issuers (ABSs)	268.9	317.8	377.9	458.0[r]	393.3[r]	408.1	430.2[r]	458.0[r]	478.2	479.8	484.2
32 Bank personal trusts	213.4	223.5	231.5	240.9	233.7	236.2	238.7	240.9	243.3	244.6	245.3
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
33 **Total credit market debt**	**13,597.1**	**14,232.3**	**15,036.3**	**16,018.1[r]**	**15,183.0[r]**	**15,437.5[r]**	**15,711.3[r]**	**16,018.1[r]**	**16,238.1**	**16,463.5**	**16,691.0**
Other liabilities											
34 Official foreign exchange	61.3	55.4	51.8	53.4	54.5	53.9	55.6	53.4	56.4	54.9	55.5
35 Special drawing rights certificates	10.0	10.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
36 Treasury currency	16.3	16.3	16.5	17.0	16.6	16.7	16.8	17.0	17.1	17.3	17.5
37 Life insurance reserves	380.0	405.7	433.0	468.2	442.6[r]	451.4[r]	463.1[r]	468.2	473.2	475.2	481.2
38 Pension fund reserves	3,484.2	4,138.3	4,516.5	4,945.1[r]	4,652.7[r]	4,710.4[r]	4,869.4[r]	4,945.1[r]	4,890.7	4,880.8	5,016.8
39 Interbank claims	95.3	96.4	132.8	175.2[r]	135.7[r]	144.3[r]	165.4[r]	175.2[r]	201.6	223.9	238.9
40 Deposits at financial institutions	5,005.3	5,044.8	5,059.1	5,141.8	5,055.3	5,097.1	5,088.5	5,141.8	5,155.8	5,182.8	5,201.3
41 Checkable deposits and currency	934.2	1,020.6	1,134.4	1,251.7	1,089.1	1,168.0	1,181.9	1,251.7	1,220.5	1,229.3	1,206.5
42 Small time and savings deposits	2,349.2	2,350.7	2,293.5	2,223.2	2,275.7	2,255.0	2,236.6	2,223.2	2,233.8	2,214.7	2,198.3
43 Large time deposits	546.9	488.4	415.2	391.7	410.6	401.1	389.4	391.7	382.6	378.9	402.0
44 Money market fund shares	498.4	539.6	543.6	559.4	556.6	549.8	547.9	559.4	582.4	576.4	586.1
45 Security repurchase agreements	372.3	355.8	392.3	457.8	446.2	450.4	472.5	457.8	472.4	510.3	534.0
46 Foreign deposits	304.3	289.6	280.1	258.0	277.1	272.8	260.2	258.0	264.3	273.2	274.5
47 Mutual fund shares	602.1	813.9	1,042.1	1,429.3	1,134.6	1,225.8	1,342.4	1,429.3	1,439.0	1,443.1	1,563.7
48 Security credit	137.4	188.9	217.3	279.3	225.0	234.7	254.5	279.3	282.7	278.1	263.2
49 Trade debt	942.2	935.9	977.4	1,026.4	976.9	989.7[r]	1,009.6[r]	1,026.4	1,022.3	1,039.5	1,062.5
50 Taxes payable	77.4	71.2	79.6	84.2	82.9	81.2	82.8	84.2	88.8	84.4	88.1
51 Investment in bank personal trusts	522.1	608.3	629.6	660.9	639.0	637.6	651.2	660.9	655.3	640.2	656.8
52 Miscellaneous	2,820.4	2,992.2	3,160.2	3,414.6[r]	3,174.9[r]	3,249.9[r]	3,316.5[r]	3,414.6[r]	3,503.2	3,550.8	3,673.6
53 **Total liabilities**	**27,751.1**	**29,609.6**	**31,360.1**	**33,721.3[r]**	**31,781.7[r]**	**32,338.1[r]**	**33,035.0[r]**	**33,721.3[r]**	**34,032.4**	**34,342.6**	**35,018.1**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	22.0	22.3	19.6	20.1	19.8	20.0	20.3	20.1	20.4	20.8	21.0
55 Corporate equities	3,530.2	4,863.6	5,462.9	6,186.5	5,647.3	5,683.7	5,941.7	6,186.5	6,052.2	5,877.7	6,135.1
56 Household equity in noncorporate business	2,529.1	2,444.4	2,411.5	2,427.7[r]	2,419.5[r]	2,434.2[r]	2,445.3[r]	2,427.7[r]	2,457.8	2,478.9	2,487.3
Floats not included in assets (−)											
57 U.S. government checkable deposits	15.0	3.8	6.8	5.6	3.4	3.5	2.2	5.6	.3	.9	1.2
58 Other checkable deposits	35.9	40.4	42.0	40.7	36.7	41.6	33.7	40.7	36.3	38.7	30.6
59 Trade credit	−130.3	−129.3	−124.6	−101.7[r]	−130.9[r]	−135.0[r]	−130.4[r]	−101.7[r]	−121.6	−135.1	−136.0
Liabilities not identified as assets (−)											
60 Treasury currency	−4.1	−4.8	−4.9	−5.1	−5.0	−5.0	−5.1	−5.1	−5.2	−5.2	−5.3
61 Interbank claims	−32.0	−4.2	−9.3	−4.7	−5.8	−5.7	−7.8	−4.7	−7.7	−7.4	−3.5
62 Security repurchase agreements	3.0	9.2	38.1	119.2[r]	94.9	108.0	132.6	119.2[r]	133.0	160.3	186.3
63 Taxes payable	17.8	17.8	25.2	26.2[r]	14.5[r]	24.3[r]	24.3[r]	26.2[r]	15.2	23.6	23.8
64 Miscellaneous	−261.2	−330.7	−398.4	−451.0[r]	−432.7[r]	−409.3[r]	−452.6[r]	−451.0[r]	−470.3	−441.1	−456.3
65 **Total identified to sectors as assets**	**34,188.3**	**37,337.6**	**39,679.1**	**42,726.5[r]**	**40,293.1[r]**	**40,853.6[r]**	**41,845.5[r]**	**42,726.5[r]**	**42,982.9**	**43,085.3**	**44,020.8**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.6 and L.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1987=100, except as noted

Measure	1991	1992	1993	1994 Mar.	Apr.	May	June	July	Aug.[r]	Sept.[r]	Oct.	Nov.
1 **Industrial production**[1]	**104.3[r]**	**107.6[r]**	**112.0[r]**	**116.6[r]**	**116.7[r]**	**117.4[r]**	**118.0[r]**	**118.2[r]**	**119.1**	**119.0**	**119.6**	**120.2**
Market groupings												
2 Products, total	103.5[r]	106.5[r]	110.7[r]	114.7	114.7	115.3	115.9[r]	116.2[r]	116.7	116.4	116.9	117.4
3 Final, total	105.6[r]	109.0[r]	113.4[r]	117.4[r]	117.3	117.8	118.4[r]	118.5[r]	119.2	118.9	119.2	119.9
4 Consumer goods	103.0[r]	105.9[r]	109.4[r]	112.9[r]	112.3[r]	112.8[r]	113.5[r]	113.3[r]	113.8	113.1	113.0	113.6
5 Equipment	109.4[r]	113.4[r]	119.3[r]	124.3[r]	124.9[r]	125.4[r]	125.8[r]	126.4[r]	127.5	127.9	129.0	129.6
6 Intermediate	96.9[r]	98.8[r]	102.4[r]	106.3[r]	106.9[r]	107.7[r]	108.5[r]	109.1[r]	109.2	108.9	109.7	109.9
7 Materials	105.4	109.2[r]	114.1[r]	119.5[r]	119.7[r]	120.5[r]	121.2[r]	121.4[r]	122.8	123.0	123.8	124.5
Industry groupings												
8 Manufacturing	103.9[r]	108.0[r]	112.9[r]	118.0[r]	118.4[r]	119.0[r]	119.3[r]	119.8[r]	120.9	120.9	121.6	122.6
9 *Capacity utilization, manufacturing (percent)*[2]	*78.0[r]*	*79.2[r]*	*80.9[r]*	*82.9[r]*	*83.0[r]*	*83.2[r]*	*83.2[r]*	*83.3[r]*	*83.8*	*83.6*	*83.9*	*84.4*
10 Construction contracts[3]	89.7	97.7	103.9[r]	110.0	103.0	108.0	105.0	109.0	110.0	109.0	107.0	111.0
11 *Nonagricultural employment, total*[4]	106.2	106.4	108.1	110.1	110.5	110.8	111.2	111.4	111.7	112.0	112.2	112.5
12 Goods-producing, total	96.6	94.9	93.1	94.8	95.3	95.3	95.6	95.6	95.8	95.9	96.1	96.6
13 Manufacturing, total	97.1	95.8	93.7	94.6	94.8	94.8	95.0	95.0	95.2	95.3	95.5	95.7
14 Manufacturing, production workers	96.0	94.5	93.7	95.4	95.7	95.7	96.0	96.0	96.3	96.4	96.7	97.0
15 Service-producing	109.4	110.5	112.8	115.0	115.4	115.7	116.1	116.5	116.8	117.1	117.3	117.6
16 Personal income, total	127.8	135.6	141.4	147.5	148.3	149.0	149.3	150.0	150.7	151.7	153.9	153.6
17 Wages and salary disbursements	124.5	131.6	136.2	142.4	143.3	144.3	144.5	145.2	145.5	146.4	148.4	148.2
18 Manufacturing	113.7	118.0	120.0	124.8	124.8	124.9	125.3	125.6	126.2	126.7	128.9	128.0
19 Disposable personal income[5]	128.8	137.0	142.5	148.4	148.2	149.8	150.1	150.9[r]	151.6	152.6	154.8	154.5
20 Retail sales[5]	121.1	126.9	135.2	144.5	143.1	143.0	144.3	144.5	146.6	147.8	149.7	151.4
Prices[6]												
21 Consumer (1982–84=100)	136.2	140.3	144.5	147.2	147.4	147.5	148.0	148.4	149.0	149.4	149.5	149.7
22 Producer finished goods (1982=100)	121.7	123.2	124.7	124.9	125.0	125.3	125.6[r]	126.0	126.6	125.5	125.8	126.1

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1994. See "Industrial Production and Capacity Utilization: A Revision," *Federal Reserve Bulletin*, vol. 81 (January 1995), pp. 16–29. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.
2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.
3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.
4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.
5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.
6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

NOTE. Basic data (not indexes) for series mentioned in notes 4 and 5, and indexes for series mentioned in notes 3 and 6, can also be found in the *Survey of Current Business*.

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590–605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted except as noted

Category	1991	1992	1993	1994 Apr.	May	June	July	Aug.[r]	Sept.[r]	Oct.	Nov.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	125,303	126,982	128,040	130,747	130,774	130,248	130,457	131,189	131,343	131,836	131,937
Employment											
2 Nonagricultural industries[3]	114,644	114,391	116,232	118,880	119,437	119,195	119,173	119,722	120,219	120,741	121,048
3 Agriculture	3,233	3,207	3,074	3,459	3,435	3,235	3,278	3,444	3,409	3,495	3,561
Unemployment											
4 Number	8,426	9,384	8,734	8,408	7,902	7,817	8,005	8,023	7,715	7,600	7,328
5 Rate (percent of civilian labor force)	6.7	7.4	6.8	6.4	6.0	6.0	6.1	6.1	5.9	5.8	5.6
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**108,256**	**108,519**	**110,171**	**112,699**	**112,951**	**113,334**	**113,624**	**113,914**	**114,186**	**114,350**	**114,700**
7 Manufacturing	18,455	18,192	17,804	18,007	18,009	18,044	18,045	18,095	18,096	18,138	18,189
8 Mining	689	631	599	606	603	605	601	603	605	602	600
9 Contract construction	4,650	4,471	4,571	4,893	4,907	4,927	4,944	4,942	4,972	4,976	5,047
10 Transportation and public utilities	5,762	5,709	5,710	5,759	5,843	5,849	5,857	5,866	5,865	5,864	5,879
11 Trade	25,365	25,391	25,849	26,165	26,190	26,328	26,439	26,484	26,565	26,614	26,648
12 Finance	6,646	6,571	6,605	6,791	6,787	6,798	6,797	6,801	6,794	6,783	6,791
13 Service	28,336	29,053	30,193	31,497	31,598	31,765	31,918	32,036	32,138	32,238	32,385
14 Government	18,402	18,653	18,841	18,981	19,014	19,018	19,023	19,087	19,151	19,135	19,161

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.
2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.
3. Includes self-employed, unpaid family, and domestic service workers.
4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1993	1994[r]			1993	1994[r]			1993	1994[r]		
	Q4[r]	Q1	Q2	Q3	Q4[r]	Q1	Q2	Q3	Q4[r]	Q1	Q2	Q3
	Output (1987=100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**113.7**	**115.7**	**117.4**	**118.8**	**138.2**	**139.0**	**140.0**	**140.9**	**82.3**	**83.2**	**83.8**	**84.3**
2 Manufacturing	114.8	116.8	118.9	120.5	141.0	142.0	143.1	144.2	81.4	82.3	83.1	83.6
3 Primary processing[3]	111.3	112.4	114.7	115.9	129.7	130.3	131.0	131.6	85.8	86.3	87.6	88.1
4 Advanced processing[4]	116.5	118.9	120.9	122.7	146.2	147.4	148.7	150.0	79.7	80.7	81.3	81.8
5 Durable goods	119.3	122.0	124.1	126.5	147.7	148.8	150.2	151.6	80.8	82.0	82.6	83.4
6 Lumber and products	103.7	104.4	105.4	106.6	114.7	115.1	115.5	116.0	90.4	90.7	91.2	91.9
7 Primary metals	109.7	110.6	114.4	114.1	124.7	124.7	125.0	125.2	88.0	88.6	91.6	91.1
8 Iron and steel	114.7	114.5	120.2	115.8	127.4	127.5	127.9	128.4	90.0	89.8	93.9	90.2
9 Nonferrous	103.2	105.3	106.9	111.4	120.6	120.6	120.5	120.5	85.6	87.3	88.7	92.4
10 Industrial machinery and equipment	148.0	152.1	157.6	162.6	174.3	176.5	179.0	181.6	84.9	86.2	88.0	89.5
11 Electrical machinery	145.4	150.3	156.8	163.6	172.2	175.8	179.9	184.1	84.5	85.5	87.1	88.8
12 Motor vehicles and parts	131.1	140.0	133.3	134.9	155.3	156.7	158.5	160.3	84.4	89.4	84.1	84.1
13 Aerospace and miscellaneous transportation equipment	85.5	83.7	84.2	82.1	130.6	130.1	129.8	129.4	65.5	64.4	64.9	63.5
14 Nondurable goods	109.8	111.0	113.1	113.8	133.2	134.0	134.8	135.5	82.4	82.9	83.9	84.0
15 Textile mill products	105.8	106.8	108.7	108.9	119.5	120.1	120.8	121.4	88.5	88.9	90.1	89.7
16 Paper and products	116.1	115.1	115.9	118.5	125.5	126.0	126.6	127.1	92.5	91.4	91.6	93.2
17 Chemicals and products	120.4	122.1	123.6	124.3	149.2	150.5	151.9	153.3	80.7	81.1	81.4	81.1
18 Plastics materials	117.9	120.6	124.3	126.9	128.5	129.2	130.0	130.8	91.7	93.4	95.6	97.0
19 Petroleum products	106.1	103.7	106.3	104.9	115.6	115.4	115.3	115.2	91.8	89.9	92.2	91.1
20 Mining	98.4	99.3	100.7	100.1	111.7	111.5	111.5	111.5	88.1	89.1	90.3	89.8
21 Utilities	116.0	119.3	117.2	118.4	134.2	134.6	135.0	135.4	86.5	88.6	86.8	87.5
22 Electric	115.1	117.6	118.0	118.2	131.7	132.1	132.6	133.1	87.4	89.0	89.0	88.8

Series	1973	1975	Previous cycle[5]		Latest cycle[6]		1993	1994					
	High	Low	High	Low	High	Low	Nov.	June	July	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.8**	**84.9**	**78.0**	**82.3**	**84.1[r]**	**84.1[r]**	**84.5**	**84.3**	**84.5**	**84.7**
2 Manufacturing	88.9	70.8	87.3	70.0	85.2	76.6	81.4	83.2[r]	83.3[r]	83.8	83.6	83.9	84.4
3 Primary processing[3]	92.2	68.9	89.7	66.8	89.0	77.9	85.8	87.5	87.7[r]	88.3	88.2	88.5	89.2
4 Advanced processing[4]	87.5	72.0	86.3	71.4	83.5	76.2	79.7	81.5[r]	81.5[r]	82.1	81.9	82.1	82.5
5 Durable goods	88.8	68.5	86.9	65.0	84.0	73.7	80.7	82.7[r]	82.8[r]	83.7	83.7	84.1	84.8
6 Lumber and products	90.1	62.2	87.6	60.9	93.3	76.3	90.2	91.8[r]	92.2[r]	91.0	92.4	91.9	93.4
7 Primary metals	100.6	66.2	102.4	46.8	92.8	74.0	87.5	90.9[r]	90.0[r]	90.7	92.6	93.0	93.6
8 Iron and steel	105.8	66.6	110.4	38.3	95.7	72.1	89.4	92.3[r]	90.5[r]	88.0	92.1	93.8	93.6
9 Nonferrous	92.9	61.3	90.5	62.2	88.7	75.0	85.1	89.3[r]	89.6[r]	94.2	93.4	92.0	93.8
10 Industrial machinery and equipment	96.4	74.5	92.1	64.9	84.0	72.5	84.5	88.4[r]	88.9[r]	89.5	90.2	90.9	91.6
11 Electrical machinery	87.8	63.8	89.4	71.1	84.9	76.6	84.2	87.9[r]	88.4[r]	89.2	89.0	89.5	90.1
12 Motor vehicles and parts	93.4	51.1	93.0	44.5	85.1	57.6	85.3	83.1[r]	81.1[r]	86.1	85.2	85.5	87.2
13 Aerospace and miscellaneous transportation equipment	77.0	66.6	81.1	66.9	88.4	79.4	65.6	64.7[r]	63.9[r]	63.6	62.9	62.9	63.0
14 Nondurable goods	87.9	71.8	87.0	76.9	86.7	80.4	82.5	84.0[r]	84.0[r]	84.1	83.8	83.9	84.1
15 Textile mill products	92.0	60.4	91.7	73.8	92.1	78.9	88.5	89.8[r]	90.3[r]	89.8	89.0	90.9	91.1
16 Paper and products	96.9	69.0	94.2	82.0	94.8	86.5	92.6	92.0[r]	91.8[r]	94.6	93.2	93.2	93.6
17 Chemicals and products	87.9	69.9	85.1	70.1	85.9	78.9	80.9	81.7[r]	81.6[r]	81.4	80.2	80.3	80.3
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	90.7	97.0[r]	97.9[r]	97.3	95.7	...	...
19 Petroleum products	96.7	81.1	89.5	68.2	88.5	83.7	92.5	90.7[r]	90.5[r]	91.4	91.4	91.8	93.7
20 Mining	94.4	88.4	96.6	80.6	86.5	86.0	87.9	90.3[r]	89.8[r]	89.7	89.8	89.4	88.9
21 Utilities	95.6	82.5	88.3	76.2	92.6	83.2	87.0	89.6[r]	88.0[r]	87.8	86.7	86.0	84.6
22 Electric	99.0	82.7	88.3	78.7	94.8	86.5	87.8	91.4	89.5[r]	89.0	87.9	87.1	85.6

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1994. See "Industrial Production and Capacity Utilization: A Revision," *Federal Reserve Bulletin*, vol. 81 (January 1995), pp. 16–29. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; petroleum refining; rubber and plastics; stone, clay, and glass; and primary and fabricated metals.

4. Advanced processing includes food, tobacco, apparel, furniture, printing, chemical products such as drugs and toiletries, leather and products, machinery, transportation equipment, instruments, miscellaneous manufacturing, and ordnance.

5. Monthly highs, 1978–80; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1992 proportion	1993 avg.	1993[r] Nov.	1993[r] Dec.	1994[r] Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.[p]
			Index (1987 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**112.0**	**113.7**	**114.7**	**114.7**	**115.6**	**116.6**	**116.7**	**117.4**	**118.0**	**118.2**	**119.1**	**119.0**	**119.6**	**120.2**
2 Products	60.9	110.7	112.2	112.9	113.1	114.0	114.7	114.7	115.3	115.9	116.2	116.7	116.4	116.9	117.4
3 Final products	46.6	113.4	115.0	115.5	115.9	117.0	117.4	117.3	117.8	118.4	118.5	119.2	118.9	119.2	119.9
4 Consumer goods, total	28.5	109.4	110.6	110.9	111.5	112.4	112.9	112.3	112.8	113.5	113.3	113.8	113.1	113.0	113.6
5 Durable consumer goods	5.5	110.7	115.5	117.1	118.6	121.1	119.0	117.8	116.4	118.0	118.0	120.7	119.2	119.9	122.0
6 Automotive products	2.5	111.3	119.4	123.1	126.6	131.5	126.4	124.1	120.1	121.0	119.5	124.9	123.7	124.2	127.5
7 Autos and trucks	1.6	108.9	120.9	125.9	128.3	134.8	127.7	125.0	118.1	118.5	115.0	126.0	122.4	122.3	126.6
8 Autos, consumer	.9	84.2	92.5	95.0	98.7	102.7	98.8	96.0	90.4	89.6	86.5	91.7	90.1	92.8	94.1
9 Trucks, consumer	.7	153.3	172.0	181.8	181.5	192.7	179.6	177.2	168.0	170.7	166.6	189.0	181.5	175.5	185.8
10 Auto parts and allied goods	.9	114.2	114.0	114.7	120.4	121.9	121.1	119.8	121.9	123.8	126.6	120.0	123.9	125.8	127.0
11 Other	3.0	110.1	112.3	112.0	111.8	112.2	112.7	112.5	113.2	115.4	116.7	117.1	115.4	116.3	117.4
12 Appliances televisions and air conditioners	.7	122.9	131.7	127.5	124.0	121.6	124.3	120.7	125.6	132.8	129.7	135.1	131.3	129.9	134.4
13 Carpeting and furniture	.8	101.1	99.9	100.9	102.3	103.5	103.1	104.5	103.3	103.6	108.4	106.9	104.1	107.4	108.0
14 Miscellaneous home goods	1.5	109.4	110.4	111.2	111.4	112.7	112.8	113.2	113.1	114.2	115.3	114.6	114.6	115.0	114.8
15 Nondurable consumer goods	23.0	109.2	109.5	109.5	109.8	110.4	111.5	111.0	112.0	112.5	112.2	112.2	111.8	111.4	111.7
16 Foods and tobacco	10.3	106.3	106.2	106.6	106.5	107.6	109.8	110.2	110.9	110.5	110.6	111.2	112.2	111.7	112.4
17 Clothing	2.4	95.5	94.6	95.2	93.6	94.5	95.7	96.4	97.2	96.3	96.5	95.9	95.5	96.2	95.5
18 Chemical products	4.5	126.7	127.2	127.9	127.7	128.7	130.3	128.4	129.5	131.4	131.1	129.8	126.9	126.8	127.5
19 Paper products	2.9	104.0	104.7	104.3	104.0	103.9	103.9	105.1	105.6	105.8	105.2	105.9	105.2	104.0	104.1
20 Energy	2.9	113.7	115.9	113.2	118.4	117.3	114.5	110.0	112.4	115.5	114.3	113.1	111.4	110.8	110.1
21 Fuels	.9	107.2	110.9	107.9	105.8	105.4	105.8	108.3	107.4	106.5	105.8	105.8	107.4	108.3	111.5
22 Residential utilities	2.1	116.4	117.9	115.3	123.6	122.2	118.1	110.5	114.4	119.3	117.8	116.1	113.0	111.8	109.4
23 Equipment	18.1	119.3	121.5	122.6	122.7	123.8	124.3	124.9	125.4	125.8	126.4	127.5	127.9	129.0	129.6
24 Business equipment	14.0	134.6	138.3	140.0	140.4	142.0	142.6	143.5	144.5	145.5	146.9	148.9	149.2	151.2	152.2
25 Information processing and related	5.7	157.7	162.5	165.0	167.1	168.5	170.0	170.2	171.8	173.7	177.1	179.7	180.6	183.2	184.1
26 Computer and office equipment	1.5	230.9	253.9	262.5	265.5	267.6	270.9	270.8	271.6	276.5	282.6	288.9	293.7	299.4	305.7
27 Industrial	4.0	111.7	114.2	115.7	114.6	116.4	117.8	119.2	120.7	120.6	122.1	122.3	123.3	124.7	126.3
28 Transit	2.6	136.3	139.2	139.0	140.1	142.3	139.3	138.0	135.3	136.1	132.6	137.9	136.4	137.9	139.6
29 Autos and trucks	1.2	131.5	148.0	147.9	149.1	154.6	148.1	145.9	140.0	141.7	138.2	149.4	147.6	149.2	151.7
30 Other	1.7	116.1	120.3	122.5	121.1	122.3	123.3	127.1	129.4	130.5	132.6	133.5	132.6	134.4	133.8
31 Defense and space equipment	3.4	78.5	76.3	75.2	74.5	73.6	73.7	73.6	72.4	71.3	69.9	69.2	68.8	68.6	68.6
32 Oil and gas well drilling	.5	86.1	87.2	88.1	88.9	91.9	92.1	93.2	94.6	94.2	93.7	89.6	93.9	88.3	86.0
33 Manufactured homes	.2	114.6	124.1	128.9	132.4	131.5	135.6	132.4	135.2	137.8	133.3	134.5	138.4	142.0	...
34 Intermediate products, total	14.3	102.4	103.9	104.7	104.6	104.9	106.3	106.9	107.7	108.5	109.1	109.2	108.9	109.7	109.9
35 Construction supplies	5.3	98.9	101.0	103.7	102.9	102.7	103.2	104.7	106.1	106.4	107.9	108.2	108.5	109.1	109.9
36 Business supplies	9.0	104.9	105.8	105.5	105.8	106.5	108.4	108.5	108.8	110.1	110.0	109.9	109.3	110.3	110.1
37 Materials	39.1	114.1	115.9	117.5	117.1	118.1	119.5	119.7	120.5	121.2	121.4	122.8	123.0	123.8	124.5
38 Durable goods materials	20.6	119.8	122.8	125.4	125.2	126.2	128.3	129.2	129.8	130.0	130.9	132.6	133.4	134.7	136.3
39 Durable consumer parts	3.9	118.4	123.8	128.5	129.9	129.7	131.5	130.1	129.7	129.2	130.4	133.2	133.8	135.1	136.8
40 Equipment parts	7.5	128.2	131.6	133.2	134.1	135.6	137.9	139.6	140.5	142.1	143.8	145.2	146.6	149.0	151.0
41 Other	9.1	113.6	115.3	117.8	116.0	117.1	119.3	120.4	121.2	120.8	121.1	122.3	122.7	123.2	124.5
42 Basic metal materials	3.0	113.5	115.0	118.5	114.4	116.9	117.6	119.7	120.0	119.6	118.8	119.3	121.0	121.9	122.6
43 Nondurable goods materials	8.9	113.4	115.0	116.3	114.6	115.6	116.7	115.9	118.2	118.1	118.6	120.3	119.6	120.4	120.9
44 Textile materials	1.1	101.9	101.9	101.3	101.8	102.7	104.0	104.4	104.2	104.8	104.8	105.7	105.9	107.2	108.4
45 Paper materials	1.8	115.4	117.1	117.7	113.8	116.3	117.8	116.1	118.9	118.4	117.5	122.5	121.5	120.4	121.0
46 Chemical materials	4.0	116.1	118.3	119.3	119.5	120.0	120.6	120.6	123.8	122.9	123.4	124.8	123.7	124.7	124.8
47 Other	2.0	113.2	114.4	118.0	113.4	114.0	115.6	113.3	114.8	116.5	118.6	118.1	118.2	119.7	120.7
48 Energy materials	9.6	103.6	103.5	103.2	103.8	104.7	105.0	104.8	104.6	106.7	105.2	106.1	105.9	105.5	104.6
49 Primary energy	6.3	99.2	98.2	98.3	97.3	99.4	100.5	100.9	100.4	100.2	100.3	100.9	101.0	100.4	99.6
50 Converted fuel materials	3.3	112.4	114.0	113.1	116.9	115.2	114.0	112.5	112.8	119.9	114.9	116.3	115.7	115.7	114.6
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.2	111.9	113.2	114.1	114.1	114.8	116.1	116.2	117.1	117.7	118.1	118.7	118.7	119.2	119.7
52 Total excluding motor vehicles and parts	95.2	111.6	112.7	113.6	113.5	114.3	115.5	115.7	116.6	117.3	117.7	118.2	118.1	118.7	119.1
53 Total excluding computer and office equipment	98.3	109.9	111.3	112.2	112.2	113.1	114.0	114.1	114.8	115.4	115.5	116.4	116.2	116.7	117.3
54 Consumer goods excluding autos and trucks	26.9	109.4	109.9	109.9	110.4	111.0	111.9	111.5	112.4	113.2	113.2	113.0	112.6	112.4	112.8
55 Consumer goods excluding energy	25.6	108.9	110.0	110.6	110.7	111.9	112.7	112.5	112.8	113.2	113.2	113.8	113.3	113.2	114.0
56 Business equipment excluding autos and trucks	12.8	134.8	137.2	139.1	139.4	140.7	142.0	143.2	144.8	145.7	147.7	148.8	149.3	151.3	152.2
57 Business equipment excluding computer and office equipment	12.5	122.3	124.3	125.4	125.6	127.2	127.6	128.5	129.4	130.0	131.1	132.7	132.6	134.2	134.8
58 Materials excluding energy	29.5	117.8	120.4	122.6	121.9	122.9	124.8	125.1	126.2	126.4	127.2	128.8	129.2	130.3	131.6

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Group	SIC code[2]	1992 proportion	1993 avg.	1993[r] Nov.	1993[r] Dec.	1994[r] Jan.	1994[r] Feb.	1994[r] Mar.	1994[r] Apr.	1994[r] May	1994[r] June	1994[r] July	1994[r] Aug.	1994[r] Sept.	1994[r] Oct.	1994[r] Nov.[p]
				Index (1987 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	...	**100.0**	**112.0**	**113.7**	**114.7**	**114.7**	**115.6**	**116.6**	**116.7**	**117.4**	**118.0**	**118.2**	**119.1**	**119.0**	**119.6**	**120.2**
60 Manufacturing	...	85.5	112.9	114.8	116.1	115.8	116.7	118.0	118.4	119.0	119.3	119.8	120.9	120.9	121.6	122.6
61 Primary processing	...	26.5	109.1	111.2	112.9	111.7	112.2	113.3	114.0	115.2	114.7	115.3	116.3	116.2	116.9	118.0
62 Advanced processing	...	59.0	114.7	116.5	117.6	117.7	118.9	120.2	120.5	120.8	121.5	121.9	123.1	123.1	123.9	124.7
63 Durable goods	...	45.1	116.1	119.1	121.2	121.0	122.1	122.9	123.7	124.0	124.6	125.2	127.0	127.3	128.3	129.7
64 Lumber and products	24	2.0	100.2	103.5	104.6	105.3	103.8	104.0	103.9	106.0	106.2	106.8	105.5	107.4	106.9	108.8
65 Furniture and fixtures	25	1.4	105.0	104.4	107.0	105.8	107.6	107.7	110.2	110.1	111.8	114.0	115.5	112.4	114.8	114.7
66 Stone, clay, and glass products	32	2.1	99.2	101.0	104.4	101.8	101.8	103.7	105.0	105.5	104.4	104.3	105.8	106.0	105.7	106.5
67 Primary metals	33	3.1	106.9	109.1	113.4	108.0	111.6	112.1	114.8	114.8	113.7	112.7	113.5	116.0	116.5	117.4
68 Iron and steel	331,2	1.7	111.4	114.0	118.6	110.8	116.0	116.7	121.5	120.9	118.2	116.1	113.0	118.3	120.7	120.5
69 Raw steel	331PT	.1	105.7	106.2	110.9	102.0	105.8	106.0	105.3	105.7	106.3	104.7	107.0	109.9	109.0	...
70 Nonferrous	333–6,9	1.4	101.0	102.6	106.6	104.1	105.8	106.0	106.2	106.9	107.6	108.0	113.6	112.5	110.9	113.1
71 Fabricated metal products	34	5.0	103.7	105.6	107.1	107.2	106.6	108.5	109.6	110.0	110.2	111.7	112.4	112.0	112.8	114.0
72 Industrial and commercial machinery and computer equipment	35	7.9	141.1	147.3	151.3	150.3	151.9	154.0	156.1	157.7	158.9	160.6	162.6	164.5	166.6	168.6
73 Computer and office equipment	357	1.7	230.9	253.9	262.5	265.5	267.6	270.9	270.8	271.6	276.5	282.6	288.9	293.7	299.4	305.7
74 Electrical machinery	36	7.3	139.3	145.0	147.3	148.1	150.1	152.6	154.3	156.5	159.5	161.5	164.1	165.1	167.3	169.6
75 Transportation equipment	37	9.6	105.5	108.5	109.8	110.8	112.3	110.7	109.5	107.6	107.5	105.7	109.5	108.7	109.1	110.7
76 Motor vehicles and parts	371	4.8	121.1	132.4	135.9	138.7	142.6	138.8	136.2	131.6	132.2	129.6	138.1	137.1	138.2	141.4
77 Autos and light trucks	371PT	2.5	114.8	127.3	132.3	135.2	141.9	134.7	131.7	124.4	124.6	120.8	131.9	128.3	128.6	132.8
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.8	90.6	85.7	84.9	84.1	83.3	83.8	84.1	84.6	83.8	82.8	82.3	81.4	81.2	81.4
79 Instruments	38	5.4	106.2	105.0	104.9	105.9	106.3	106.9	106.6	106.4	106.8	108.5	108.7	108.0	108.6	108.9
80 Miscellaneous	39	1.3	109.8	111.4	112.4	112.6	113.5	114.1	115.2	115.4	115.8	118.6	117.1	117.0	118.1	118.9
81 Nondurable goods	...	40.5	109.3	110.0	110.4	110.0	110.7	112.5	112.4	113.4	113.4	113.6	114.0	113.8	114.2	114.6
82 Foods	20	9.4	109.4	110.1	110.3	109.9	109.9	112.9	111.9	112.8	112.8	113.4	113.7	114.6	113.9	114.7
83 Tobacco products	21	1.6	88.7	82.2	86.9	87.0	93.6	93.0	98.1	98.5	95.9	93.7	96.2	97.4	98.3	96.7
84 Textile mill products	22	1.8	105.7	105.7	105.7	106.0	106.4	107.9	108.6	108.9	108.7	109.4	109.0	108.2	110.8	111.1
85 Apparel products	23	2.2	94.9	94.5	94.7	93.5	94.9	95.7	96.2	97.1	97.0	97.0	96.8	96.8	97.0	96.3
86 Paper and products	26	3.6	113.8	116.2	117.6	114.0	115.7	115.7	114.4	116.7	116.6	116.6	120.2	118.7	118.9	119.6
87 Printing and publishing	27	6.8	99.3	99.3	98.8	98.2	98.8	101.3	101.7	101.6	102.4	102.1	101.5	101.2	102.0	101.9
88 Chemicals and products	28	9.9	119.1	120.7	120.9	121.3	121.8	123.1	122.4	124.0	124.4	124.7	124.7	123.4	123.8	124.2
89 Petroleum products	29	1.4	104.5	107.0	105.1	104.0	103.8	103.4	107.5	107.0	104.5	104.3	105.2	105.3	105.7	107.9
90 Rubber and plastic products	30	3.5	123.1	125.8	127.4	128.3	128.2	130.9	130.8	132.4	132.8	134.5	134.5	134.5	136.1	137.9
91 Leather and products	31	.3	87.3	85.7	86.6	86.8	85.4	87.0	87.6	85.9	85.5	86.3	85.5	85.4	86.6	86.0
92 Mining	...	6.8	98.2	98.2	98.4	97.8	99.5	100.5	100.7	100.7	100.6	100.1	100.0	100.1	99.7	99.1
93 Metal	10	.4	162.4	163.6	167.8	164.2	161.6	165.2	157.0	156.4	162.8	159.5	156.6	159.4	161.7	160.1
94 Coal	12	1.0	102.9	100.9	104.7	101.6	112.0	117.7	118.3	111.5	113.4	108.6	111.4	110.7	110.2	109.9
95 Oil and gas extraction	13	4.7	93.0	93.1	92.5	92.4	92.7	92.9	93.2	94.3	93.8	93.9	93.5	93.7	93.0	92.2
96 Stone and earth minerals	14	.6	101.0	103.4	103.1	103.6	104.8	104.7	105.9	108.1	105.6	107.9	106.6	106.7	107.5	108.7
97 Utilities	...	7.7	116.2	116.7	115.6	120.3	119.6	117.9	114.7	115.8	121.1	119.0	118.8	117.5	116.7	114.8
98 Electric	491,3PT	6.1	115.8	115.6	115.2	118.1	117.5	117.2	116.4	116.2	121.4	119.0	118.4	117.1	116.2	114.4
99 Gas	492,3PT	1.6	117.7	120.9	117.0	128.9	128.1	120.5	107.9	114.1	120.0	118.9	120.4	119.1	118.5	116.4
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	...	80.7	112.4	113.8	114.9	114.4	115.2	116.7	117.3	118.2	118.6	119.2	119.8	119.9	120.6	121.4
101 Manufacturing excluding office and computing machines	...	83.8	110.4	112.0	113.2	112.8	113.7	114.9	115.3	115.9	116.2	116.6	117.6	117.5	118.2	119.1
				Gross value (billions of 1987 dollars, annual rates)												
MAJOR MARKETS																
102 **Products, total**	...	**1,707.0**	**1,907.2**	**1,948.9**	**1,958.9**	**1,964.4**	**1,977.8**	**1,985.6**	**1,985.8**	**1,990.7**	**2,002.5**	**2,002.1**	**2,020.2**	**2,017.8**	**2,025.7**	**2,040.8**
103 Final	...	1,314.6	1,500.9	1,535.7	1,542.4	1,547.1	1,559.9	1,563.6	1,559.9	1,561.7	1,571.1	1,569.3	1,586.6	1,585.1	1,590.5	1,604.6
104 Consumer goods	...	866.6	951.1	967.9	968.8	972.5	979.6	981.3	976.0	977.1	983.0	979.0	987.3	983.3	983.0	992.1
105 Equipment	...	448.0	549.8	567.8	573.6	574.6	580.4	582.3	583.9	584.5	588.1	590.3	599.3	601.8	607.5	612.4
106 Intermediate	...	392.5	406.4	413.2	416.5	417.3	417.8	422.0	425.9	429.0	431.4	432.9	433.5	432.7	435.3	436.3

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1994. See "Industrial Production and Capacity Utilization: A Revision," *Federal Reserve Bulletin*, vol. 81 (January 1995), pp. 16–29. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76, (April 1990), pp. 187–204.

2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1991	1992	1993	1994 Jan.	Feb.	Mar.	Apr.	May	June	July[r]	Aug.[r]	Sept.	Oct.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	949	1,095	1,199	1,312	1,252	1,313	1,380	1,357	1,316	1,337	1,354	1,425	1,398
2 One-family	754	911	986	1,071	1,054	1,068	1,069	1,083	1,046	1,034	1,046	1,052	1,047
3 Two-family or more	195	184	213	241	198	245	311	274	270	303	308	373	351
4 Started	1,014	1,200	1,288	1,271	1,328	1,519	1,471	1,491	1,358	1,439	1,463	1,509	1,440
5 One-family	840	1,030	1,126	1,125	1,121	1,271	1,211	1,200	1,163	1,219	1,176	1,234	1,153
6 Two-family or more	174	169	162	146	207	248	260	291	195	220	287	275	287
7 Under construction at end of period[1]	606	612	680	716	720	732	740	748	751	758	768	776	783
8 One-family	434	473	543	577	578	585	585	582	584	585	587	592	591
9 Two-or-more-family	173	140	137	139	142	147	155	166	167	173	181	184	192
10 Completed	1,091	1,158	1,193	1,216	1,334	1,273	1,354	1,446	1,329	1,282	1,342	1,406	1,373
11 One-family	838	964	1,040	1,075	1,185	1,115	1,192	1,257	1,151	1,160	1,145	1,164	1,160
12 Two-or-more-family	253	194	153	141	149	158	162	189	178	122	197	242	213
13 Mobile homes shipped	171	210	254	316	301	308	290	292	292	286	288	301	310
Merchant builder activity in one-family units													
14 Number sold	507	610	666	642	697	722	673	692	628[r]	630	679	717	726
15 Number for sale at end of period[1]	284	266	294	296	298	298	298	301	313[r]	317	321	326	330
Price of units sold (thousands of dollars)[2]													
16 Median	120.0	121.3	126.1	126.0	129.9	132.3	129.0	129.9	133.5[r]	124.4	133.3	129.3	130.5
17 Average	147.0	144.9	147.6	153.4	150.7	152.8	152.9	151.8	158.4[r]	144.4	154.0	154.7	151.6
EXISTING UNITS (one-family)													
18 Number sold	3,219	3,520	3,800	4,250	3,840	4,070	4,120	4,110	3,960	3,970	3,930	3,890	3,910
Price of units sold (thousands of dollars)[2]													
19 Median	99.7	103.6	106.5	107.9	107.2	107.6	108.9	109.8	112.8	111.7	112.4	108.4	108.0
20 Average	127.4	130.8	133.1	134.6	133.3	134.4	135.5	136.6	140.9	139.3	140.6	135.2	133.7
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 **Total put in place**	**403,644**	**435,355**	**466,365**	**488,469**	**485,894**	**496,042**	**497,035**	**504,356**	**506,144**	**506,827**	**504,751**	**513,350**	**518,099**
22 Private	293,536	316,115	341,101	363,852	361,895	371,681	374,091	378,235	379,345	377,694	375,473	381,313	380,450
23 Residential	157,837	187,870	210,455	229,775	233,322	236,767	238,049	241,162	240,694	239,422	236,773	238,353	235,204
24 Nonresidential	135,699	128,245	130,646	134,077	128,573	134,914	136,042	137,073	138,651	138,272	138,700	142,960	145,246
25 Industrial buildings	22,281	20,720	19,533	19,682	19,972	19,905	21,221	21,338	20,960	20,967	22,054	22,643	22,819
26 Commercial buildings	48,482	41,523	42,627	43,261	42,065	46,602	47,481	47,912	48,410	48,702	48,245	50,004	50,086
27 Other buildings	20,797	21,494	23,626	22,998	22,258	23,918	23,824	23,956	24,439	23,764	23,287	24,612	25,084
28 Public utilities and other	44,139	44,508	44,860	48,136	44,278	44,489	43,516	43,867	44,842	44,839	45,114	45,701	47,257
29 Public	110,107	119,238	125,262	124,617	123,999	124,361	122,944	126,121	126,799	129,133	129,278	132,038	137,649
30 Military	1,837	2,502	2,454	2,911	2,404	2,231	1,959	2,024	2,277	2,087	1,996	1,890	2,774
31 Highway	32,041	34,899	37,355	38,410	36,329	38,830	39,508	40,655	40,300	40,272	40,213	40,855	41,847
32 Conservation and development	5,010	6,021	5,976	5,707	6,731	5,206	5,851	5,677	4,605	5,895	5,766	7,590	7,720
33 Other	71,219	75,816	79,477	77,589	78,535	78,094	75,626	77,765	79,617	80,879	81,303	81,703	85,308

1. Not at annual rates.
2. Not seasonally adjusted.
3. Recent data on value of new construction may not be strictly comparable with data for previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes, see *Construction Reports* (C–30–76–5), issued by the Census Bureau in July 1976.

SOURCES. Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 17,000 jurisdictions beginning in 1984.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, Nov. 1994[1]
	1993 Nov.	1994 Nov.	1993	1994[r]			1994					
			Dec.	Mar.	June	Sept.	July	Aug.	Sept.	Oct.	Nov.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**2.7**	**2.7**	**3.3**	**2.5**	**2.5**	**3.6**	**.3**	**.3**	**.2**	**.1**	**.3**	**149.7**
2 Food	2.6	2.4	4.9	−1.1	2.8	5.1	.5	.4	.3	.0	.2	145.3
3 Energy items	−.8	1.9	1.2	4.7	−4.9	10.9	1.8	1.4	−.7	−.7	.7	105.7
4 All items less food and energy	3.1	2.8	3.4	2.9	3.1	2.6	.2	.3	.2	.2	.2	158.2
5 Commodities	1.6	1.5	2.4	.6	4.2	.6	.1	−.1	.1	.0	.1	138.4
6 Services	3.7	3.5	3.7	4.2	2.4	3.6	.2	.4	.2	.2	.3	169.6
PRODUCER PRICES (1982=100)												
7 Finished goods	.4	1.3	−.3	3.6	−.3	2.6	.5	.6	−.5	−.5	.5	126.1
8 Consumer foods	2.6	.2	5.2	−.6	−5.5	3.9	.4[r]	.7	−.2	−.2	.2	126.8
9 Consumer energy	−2.8	2.1	−15.6	15.4	−1.0	3.2	2.0[r]	1.8[r]	−2.9	−1.2	2.1	77.8
10 Other consumer goods	−.5	1.5	1.5	2.0	1.5	2.0	.1[r]	.4	.1	−.3	.2	139.7
11 Capital equipment	1.8	1.7	.3	4.3	3.0	2.4	.1	.3[r]	.1	−1.0	.1	134.8
Intermediate materials												
12 Excluding foods and feeds	1.1	4.1	−.3	2.8	3.1	5.9	.6	.6[r]	.3	.4	1.1	121.3
13 Excluding energy	1.6	4.8	1.6	1.9	3.9	6.2	.5[r]	.4[r]	.6	.7	.9	130.2
Crude materials												
14 Foods	7.2	−9.1	18.4	−4.5	−20.6	−12.9	−2.5[r]	−1.1[r]	.2	−2.0	1.5	100.2
15 Energy	−11.2	−5.5	−22.1	10.1	21.0	−20.5	.1[r]	−.4[r]	−5.3	.0	−1.0	70.3
16 Other	11.6	15.4	15.4	22.7	−.8	18.8	2.0	1.0[r]	1.3	.9	3.4	163.6

1. Not seasonally adjusted.
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. U.S. Department of Labor, Bureau of Labor Statistics.

2.16 GROSS DOMESTIC PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1991	1992	1993	1993 Q3	1993 Q4	1994 Q1	1994 Q2	1994 Q3
GROSS DOMESTIC PRODUCT								
1 **Total**	**5,724.8**	**6,020.2**	**6,343.3**	**6,359.2**	**6,478.1**	**6,574.7**	**6,689.9**	**6,791.7**
By source								
2 Personal consumption expenditures	3,902.4	4,136.9	4,378.2	4,401.2	4,469.6	4,535.0	4,586.4	4,657.5
3 Durable goods	456.6	492.7	538.0	541.9	562.8	576.2	580.3	591.5
4 Nondurable goods	1,257.8	1,295.5	1,339.2	1,340.2	1,355.2	1,368.9	1,381.4	1,406.1
5 Services	2,188.1	2,348.7	2,501.0	2,519.1	2,551.6	2,589.9	2,624.7	2,659.9
6 Gross private domestic investment	744.8	788.3	882.0	882.2	922.5	966.6	1,034.4	1,055.1
7 Fixed investment	746.6	785.2	866.7	868.3	913.5	942.5	967.0	992.5
8 Nonresidential	557.0	561.4	616.1	619.0	646.3	665.4	683.3	709.1
9 Structures	182.9	171.1	173.4	173.9	176.7	172.7	181.8	184.6
10 Producers' durable equipment	374.1	390.3	442.7	445.1	469.6	492.7	501.5	524.5
11 Residential structures	189.6	223.8	250.6	249.3	267.2	277.1	283.6	283.4
12 Change in business inventories	−1.8	3.0	15.4	13.9	9.0	24.1	67.4	62.6
13 Nonfarm	−1.2	−2.7	20.1	24.2	10.7	22.3	60.4	53.4
14 Net exports of goods and services	−19.9	−30.3	−65.3	−77.0	−71.2	−86.7	−97.6	−109.6
15 Exports	601.1	638.1	659.1	649.0	680.3	674.2	704.5	730.5
16 Imports	620.9	668.4	724.3	726.0	751.4	760.9	802.1	840.1
17 Government purchases of goods and services	1,097.4	1,125.3	1,148.4	1,152.9	1,157.2	1,159.8	1,166.7	1,188.8
18 Federal	445.8	449.0	443.6	442.7	439.8	437.8	435.1	444.3
19 State and local	651.6	676.3	704.7	710.2	717.4	722.0	731.5	744.5
By major type of product								
20 Final sales, total	5,726.6	6,017.2	6,327.9	6,345.4	6,469.2	6,550.6	6,622.5	6,729.1
21 Goods	2,225.7	2,292.0	2,390.4	2,381.9	2,452.6	2,489.1	2,493.7	2,543.6
22 Durable	934.2	968.6	1,032.4	1,026.8	1,072.9	1,098.2	1,099.4	1,125.8
23 Nondurable	1,291.5	1,323.4	1,358.1	1,355.1	1,379.7	1,390.9	1,394.3	1,417.8
24 Services	3,028.9	3,227.2	3,405.5	3,429.3	3,459.3	3,503.8	3,555.4	3,603.6
25 Structures	472.0	498.1	532.0	534.1	557.2	557.7	573.4	581.9
26 Change in business inventories	−1.8	3.0	15.4	13.9	9.0	24.1	67.4	62.6
27 Durable goods	−16.9	−13.0	8.6	14.9	9.0	20.6	38.2	44.1
28 Nondurable goods	15.1	16.0	6.7	−1.1	.0	3.5	29.2	18.5
MEMO								
29 **Total GDP in 1987 dollars**	**4,867.6**	**4,979.3**	**5,134.5**	**5,139.4**	**5,218.0**	**5,261.1**	**5,314.1**	**5,367.0**
NATIONAL INCOME								
30 **Total**	**4,608.2**	**4,829.5**	**5,131.4**	**5,138.5**	**5,262.0**	**5,308.7**	**5,430.7**	**5,494.9**
31 Compensation of employees	3,404.8	3,591.2	3,780.4	3,801.7	3,845.8	3,920.0	3,979.3	4,023.7
32 Wages and salaries	2,816.0	2,954.8	3,100.8	3,115.9	3,148.4	3,208.3	3,257.2	3,293.9
33 Government and government enterprises	545.4	567.3	583.8	586.1	587.8	595.7	601.9	604.4
34 Other	2,270.6	2,387.5	2,517.0	2,529.8	2,560.7	2,612.6	2,655.4	2,689.6
35 Supplement to wages and salaries	588.8	636.4	679.6	685.9	697.4	711.7	722.0	729.7
36 Employer contributions for social insurance	289.8	307.7	324.3	327.0	330.6	338.5	343.6	346.0
37 Other labor income	299.0	328.7	355.3	358.8	366.8	373.2	378.4	383.7
38 Proprietors' income[1]	376.2	418.7	441.6	420.3	462.9	471.0	471.3	467.0
39 Business and professional[1]	339.5	374.4	404.3	404.5	418.5	423.8	431.9	437.1
40 Farm[1]	36.7	44.4	37.3	15.8	44.4	47.2	39.3	29.8
41 Rental income of persons[2]	−10.5	−5.5	24.1	26.3	30.3	15.3	34.1	32.6
42 Corporate profits[1]	390.3	405.1	485.8	493.5	533.9	508.2	546.4	556.0
43 Profits before tax[3]	365.2	395.9	462.4	458.7	501.7	483.5	523.1	538.1
44 Inventory valuation adjustment	5.8	−6.4	−6.2	3.0	−6.5	−12.3	−14.1	−19.6
45 Capital consumption adjustment	19.4	15.7	29.5	31.7	38.8	37.0	37.4	37.5
46 Net interest	447.4	420.0	399.5	396.7	389.1	394.2	399.7	415.7

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1991	1992	1993	1993 Q3	1993 Q4	1994 Q1	1994 Q2	1994 Q3
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**4,860.3**	**5,154.3**	**5,375.1**	**5,395.9**	**5,484.6**	**5,555.8**	**5,659.9**	**5,734.5**
2 Wage and salary disbursements	2,816.1	2,974.8	3,080.8	3,115.9	3,148.4	3,208.3	3,257.2	3,293.9
3 Commodity-producing industries	738.4	757.6	773.8	781.4	791.0	801.9	811.6	821.8
4 Manufacturing	557.4	578.3	588.4	594.9	601.7	609.4	612.8	618.3
5 Distributive industries	648.0	682.3	701.9	709.6	712.6	728.6	742.5	753.5
6 Service industries	884.2	967.6	1,021.4	1,038.8	1,057.0	1,082.0	1,101.2	1,114.3
7 Government and government enterprises	545.5	567.3	583.8	586.1	587.8	595.7	601.9	604.4
8 Other labor income	299.0	328.7	355.3	358.8	366.8	373.2	378.4	383.7
9 Proprietors' income[1]	376.2	418.7	441.6	420.3	462.9	471.0	471.3	467.0
10 Business and professional[1]	339.5	374.4	404.3	404.5	418.5	423.8	431.9	437.1
11 Farm[1]	36.7	44.4	37.3	15.8	44.4	47.2	39.3	29.8
12 Rental income of persons[2]	−10.5	−5.5	24.1	26.3	30.3	15.3	34.1	32.6
13 Dividends	150.5	161.0	181.3	182.8	184.1	185.7	191.7	196.9
14 Personal interest income	695.1	665.2	637.9	634.1	627.7	631.1	649.4	674.2
15 Transfer payments	770.1	860.2	915.4	921.6	931.0	947.4	957.6	969.0
16 Old-age survivors, disability, and health insurance benefits	382.3	414.0	444.4	446.8	452.1	463.8	470.7	476.5
17 LESS: Personal contributions for social insurance	236.2	248.7	261.3	263.8	266.6	276.3	279.9	282.9
18 EQUALS: Personal income	4,860.3	5,154.3	5,375.1	5,395.9	5,484.6	5,555.8	5,659.9	5,734.5
19 LESS: Personal tax and nontax payments	623.7	648.6	686.4	695.4	707.0	723.0	746.4	744.1
20 EQUALS: Disposable personal income	4,236.6	4,505.8	4,688.7	4,700.5	4,777.6	4,832.8	4,913.5	4,990.3
21 LESS: Personal outlays	4,025.0	4,257.8	4,496.2	4,518.2	4,588.2	4,657.3	4,712.4	4,787.0
22 EQUALS: Personal saving	211.6	247.9	192.6	182.3	189.4	175.5	201.1	203.3
MEMO								
Per capita (1987 dollars)								
23 Gross domestic product	19,263.3	19,489.7	19,878.8	19,871.2	20,119.1	20,235.2	20,389.7	20,536.5
24 Personal consumption expenditures	12,898.9	13,110.4	13,390.8	13,425.1	13,518.9	13,639.8	13,650.9	13,716.6
25 Disposable personal income	14,003.0	14,279.0	14,341.0	14,338.0	14,451.0	14,535.0	14,625.0	14,697.0
26 Saving rate (percent)	5.0	5.5	4.1	3.9	4.0	3.6	4.1	4.1
GROSS SAVING								
27 **Gross saving**	**751.4**	**722.9**	**787.5**	**788.9**	**825.8**	**886.2**	**923.3**	**922.6**
28 Gross private saving	937.3	980.8	1,002.5	989.9	1,011.4	1,037.3	1,041.4	1,052.7
29 Personal saving	211.6	247.9	192.6	182.3	189.4	175.5	201.1	203.3
30 Undistributed corporate profits[1]	99.2	94.3	120.9	130.3	147.9	127.7	142.3	139.5
31 Corporate inventory valuation adjustment	5.8	−6.4	−6.2	3.0	−6.5	−12.3	−14.1	−19.6
Capital consumption allowances								
32 Corporate	383.3	396.8	407.8	413.3	411.1	432.2	425.9	432.6
33 Noncorporate	243.1	261.8	261.2	264.1	263.0	301.8	272.1	277.3
34 Government surplus, or deficit (−), national income and product accounts	−185.9	−257.8	−215.0	−201.0	−185.6	−151.1	−118.1	−130.1
35 Federal	−202.9	−282.7	−241.4	−224.9	−220.1	−176.2	−145.1	−154.0
36 State and local	17.0	24.8	26.3	23.9	34.5	25.2	27.0	23.9
37 **Gross investment**	**752.9**	**731.7**	**789.8**	**783.4**	**809.3**	**850.2**	**899.3**	**901.5**
38 Gross private domestic investment	744.8	788.3	882.0	882.2	922.5	966.6	1,034.4	1,055.1
39 Net foreign investment	8.1	−56.6	−92.3	−98.8	−113.2	−116.4	−135.1	−153.6
40 **Statistical discrepancy**	**1.5**	**8.8**	**2.3**	**−5.5**	**−16.5**	**−36.1**	**−24.0**	**−21.1**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted[1]

Item credits or debits	1991	1992	1993	1993 Q3	1993 Q4	1994 Q1	1994 Q2[r]	1994 Q3[p]
1 Balance on current account	−6,952	−67,886	−103,896	−27,856	−30,587	−32,317	−37,906	−41,722
2 Merchandise trade balance[2]	−74,068	−96,097	−132,575	−36,488	−33,169	−36,962	−41,632	−44,633
3 Merchandise exports	416,913	440,361	456,866	111,736	119,679	118,018	122,683	127,817
4 Merchandise imports	−490,981	−536,458	−589,441	−148,224	−152,848	−154,980	−164,315	−172,450
5 Military transactions, net	−5,485	−3,034	−763	−87	−444	−338	177	376
6 Other service transactions, net	51,082	58,747	57,613	14,317	13,637	12,972	14,809	14,746
7 Investment income, net	14,833	4,540	3,946	2,015	−590	−811	−2,809	−3,948
8 U.S. government grants	23,959	−15,010	−14,620	−3,114	−5,591	−2,371	−3,590	−2,789
9 U.S. government pensions and other transfers	−3,461	−3,735	−3,785	−986	−987	−968	−974	−1,550
10 Private remittances and other transfers	−13,811	−13,297	−13,712	−3,513	−3,443	−3,839	−3,887	−3,924
11 *Change in U.S. government assets other than official reserve assets, net (increase, −)*	2,900	−1,652	−306	−192	−321	490	462	−118
12 Change in U.S. official reserve assets (increase, −)	5,763	3,901	−1,379	−545	−673	−59	3,537	−165
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−177	2,316	−537	−118	−113	−101	−108	−111
15 *Reserve position in International Monetary Fund*	−367	−2,692	−44	−48	−80	−3	251	273
16 Foreign currencies	6,307	4,277	−797	−378	−480	45	3,394	−327
17 Change in U.S. private assets abroad (increase, −)	−60,175	−63,759	−146,213	−34,915	−62,628	−48,667	−11,030	−20,111
18 Bank-reported claims[3]	4,763	22,314	32,238	7,335	−9,293	−1,236	15,248	−3,458
19 Nonbank-reported claims	11,097	45	−598	4,838	−303	1,941	−4,264	...
20 *U.S. purchases of foreign securities, net*	−44,740	−45,114	−119,983	−40,777	−30,349	−24,605	−14,007	−7,146
21 U.S. direct investments abroad, net	−31,295	−41,004	−57,870	−6,311	−22,683	−24,767	−8,007	−9,507
22 Change in foreign official assets in United States (increase, +)	17,199	40,858	71,681	19,259	23,962	11,530	8,925	17,496
23 U.S. Treasury securities	14,846	18,454	48,702	19,098	22,856	1,193	6,033	15,207
24 Other U.S. government obligations	1,301	3,949	4,062	1,345	970	50	2,355	2,003
25 Other U.S. government liabilities[4]	1,177	2,572	1,666	1,121	825	938	252	526
26 Other U.S. liabilities reported by U.S. banks[3]	−1,484	16,571	14,666	−2,489	−587	10,139	1,241	539
27 Other foreign official assets[5]	1,359	−688	2,585	184	−102	−790	−956	−779
28 Change in foreign private assets in United States (increase, +)	80,935	105,646	159,017	52,675	66,200	83,548	40,332	49,943
29 U.S. bank-reported liabilities[3]	3,994	15,461	18,452	27,618	7,370	35,200	25,539	16,826
30 U.S. nonbank-reported liabilities	−3,115	13,573	14,282	1,169	4,733	5,867	3,662	...
31 Foreign private purchases of U.S. Treasury securities, net	18,826	36,857	24,849	3,474	7,996	9,260	−7,434	5,661
32 Foreign purchases of other U.S. securities, net	35,144	29,867	80,068	17,445	38,008	21,258	13,152	14,162
33 Foreign direct investments in United States, net	26,086	9,888	21,366	2,969	8,093	11,963	5,413	13,294
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	−39,670	−17,108	21,096	−8,427	4,047	−14,525	−4,320	−5,323
36 Due to seasonal adjustment	...	...	...	−6,643	103	5,810	639	−6,919
37 Before seasonal adjustment	−39,670	−17,108	21,096	−1,785	3,944	−20,335	−4,959	1,596
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	5,763	3,901	−1,379	−545	−673	−59	3,537	−165
39 Foreign official assets in United States, excluding line 25 (increase, +)	16,022	38,286	70,015	18,138	23,137	10,592	8,673	16,970
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	−4,882	5,942	−3,847	−3,194	−229	−1,674	−4,149	3,592

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.

2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.

3. Reporting banks include all types of depository institution as well as some brokers and dealers.

4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.

5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1991	1992	1993	1994[r] Apr.	May	June	July	Aug.	Sept.	Oct.[p]
1 **Goods and services, balance**	−28,472	−40,384	−75,725	−8,582	−9,219	−8,845	−10,953	−9,060	−9,354	−10,141
2 Merchandise	−74,068	−96,097	−132,575	−13,339	−14,272	−14,020	−15,955	−14,101	−14,433	−15,018
3 Services	45,596	55,713	56,850	4,757	5,053	5,175	5,002	5,041	5,079	4,877
4 Goods and services, exports	580,127	616,924	641,677	55,977	56,258	58,333	56,297	60,292	60,063	59,699
5 Merchandise	416,913	440,361	456,866	40,378	40,276	42,028	40,128	44,121	43,596	43,306
6 Services	163,214	176,563	184,811	15,599	15,982	16,305	16,169	16,171	16,467	16,393
7 Goods and services, imports	−608,599	−657,308	−717,402	−64,559	−65,477	−67,178	−67,250	−69,352	−69,417	−69,840
8 Merchandise	−490,981	−536,458	−589,441	−53,717	−54,548	−56,048	−56,083	−58,222	−58,029	−58,324
9 Services	−117,618	−120,850	−127,961	−10,842	−10,929	−11,130	−11,167	−11,130	−11,388	−11,516
MEMO										
10 **Balance on merchandise trade, Census basis**	**−66,723**	**−84,501**	**−115,568**	**−12,045**	**−12,885**	**−13,028**	**−14,845**	**−12,758**	**−13,388**	**−13,719**

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900*, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1991	1992	1993	1994 May	June	July	Aug.	Sept.	Oct.	Nov.[p]
1 **Total**	**77,719**	**71,323**	**73,442**	**74,420**	**75,732**	**75,443**	**75,740**	**76,532**	**78,172**	**74,000**
2 Gold stock, including Exchange Stabilization Fund[1]	11,057	11,056	11,053	11,052	11,052	11,052	11,054	11,054	11,053	11,052
3 Special drawing rights[2,3]	11,240	8,503	9,039	9,522	9,731	9,696	9,837	9,971	10,088	10,017
4 Reserve position in International Monetary Fund[2]	9,488	11,759	11,818	11,841	12,184	12,183	12,161	12,067	12,339	12,037
5 Foreign currencies[4]	45,934	40,005	41,532	42,005	42,765	42,512	42,688	43,440	44,692	40,894

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.
2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.
3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Asset	1991	1992	1993	1994 May	June	July	Aug.	Sept.	Oct.	Nov.[p]
1 **Deposits**	**968**	**205**	**386**	**174**	**604**	**181**	**188**	**342**	**223**	**230**
Held in custody										
2 U.S. Treasury securities[2]	281,107	314,481	379,394	402,170	411,580	423,715	427,574	429,819	439,854	444,339
3 Earmarked gold[3]	13,303	13,118	12,327	12,065	12,065	12,056	12,044	12,044	12,039	12,037

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.
3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1992	1993	1994[r]						
			Apr.	May	June	July	Aug.	Sept.	Oct.[p]
1 **Total**[1]	**412,624**	**482,808**	**479,215**	**488,161**	**501,827**	**516,419**	**518,671**	**520,181**	**530,592**
By type									
2 Liabilities reported by banks in the United States[2]	54,967	69,808	74,695	76,911	80,937	84,889	79,742	82,228	79,006
3 U.S. Treasury bills and certificates[3]	104,596	150,900	140,653	134,568	141,338	146,247	143,400	138,261	147,849
U.S. Treasury bonds and notes									
4 Marketable	210,931	212,203	214,841	226,094	228,773	233,670	242,886	247,574	250,405
5 Nonmarketable[4]	4,532	5,652	5,799	5,837	5,875	5,913	5,952	5,990	6,031
6 *U.S. securities other than U.S. Treasury securities*[5]	37,598	44,245	43,227	44,751	44,904	45,700	46,691	46,128	47,301
By area									
7 Europe[1]	189,230	206,921	210,417	213,549	221,957	227,469	226,170	225,246	222,812
8 *Canada*	13,700	15,285	13,901	14,505	15,996	18,656	18,597	19,287	18,402
9 Latin America and Caribbean	37,973	55,898	44,439	43,731	42,696	42,749	44,224	44,427	47,847
10 Asia	164,690	197,708	203,434	209,029	211,200	217,881	221,050	222,921	232,100
11 Africa	3,723	4,052	3,691	3,969	4,110	3,862	4,259	4,388	4,232
12 Other countries[6]	3,306	2,942	3,331	3,376	5,866	5,800	4,369	3,910	5,197

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies; zero coupon bonds are included at current value.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1990	1991	1992	1993		1994	
				Dec.	Mar.	June	Sept,
1 Banks' liabilities	70,477	75,129	72,796	77,627	85,737	71,695	81,643
2 Banks' claims	66,796	73,195	62,799	59,151	72,728	55,698	58,373
3 Deposits	29,672	26,192	24,240	19,379	19,912	20,440	19,730
4 Other claims	37,124	47,003	38,559	39,772	52,816	35,258	38,643
5 Claims of banks' domestic customers[2]	6,309	3,398	4,432	3,058	3,655	4,182	4,987

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Item	1991	1992	1993	1994 Apr.	May	June[r]	July	Aug.[r]	Sept.	Oct.[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**756,066**	**810,259**	**914,989**	**960,143**	**961,827**	**991,232**	**997,099[r]**	**993,154**	**993,423**	**1,005,764**
2 Banks' own liabilities	575,374	606,444	621,118	666,673	664,770	685,265	697,114[r]	692,679	706,331	708,174
3 Demand deposits	20,321	21,828	21,575	23,646	27,878	24,566	23,595	23,000	23,541	24,546
4 Time deposits[2]	159,649	160,385	175,117	178,224	183,171	184,473	186,400[r]	185,246	177,020	181,104
5 Other[3]	66,305	93,237	110,117	123,797	122,681	117,368	126,973[r]	117,838	135,611	133,232
6 Own foreign offices[4]	329,099	330,994	314,309	341,006	331,040	358,858	360,146[r]	366,595	370,159	369,292
7 Banks' custodial liabilities[5]	180,692	203,815	293,871	293,470	297,057	305,967	299,985[r]	300,475	287,092	297,590
8 U.S. Treasury bills and certificates[6]	110,734	127,644	176,523	167,999	161,145	171,315	170,051[r]	170,579	164,321	174,271
9 Other negotiable and readily transferable instruments[7]	18,664	21,974	36,288	38,167	48,775	49,915	46,257[r]	46,352	38,914	37,878
10 Other	51,294	54,197	81,060	87,304	87,137	84,737	83,677[r]	83,544	83,857	85,441
11 Nonmonetary international and regional organizations[8]	8,981	9,350	10,935	5,912	8,363	8,631	7,318	4,967	7,225	7,391
12 Banks' own liabilities	6,827	6,951	5,639	4,328	6,437	5,256	5,511	3,972	6,248	5,614
13 Demand deposits	43	46	15	26	35	31	29	36	28	83
14 Time deposits[2]	2,714	3,214	2,780	2,411	2,785	3,073	3,469	2,335	2,663	2,845
15 Other[3]	4,070	3,691	2,844	1,891	3,617	2,152	2,013	1,601	3,557	2,686
16 Banks' custodial liabilities[5]	2,154	2,399	5,296	1,584	1,926	3,375	1,807	995	977	1,777
17 U.S. Treasury bills and certificates[6]	1,730	1,908	4,275	1,358	857	2,825	1,082	836	767	1,572
18 Other negotiable and readily transferable instruments[7]	424	486	1,021	226	1,069	548	725	159	205	205
19 Other	0	5	0	0	0	2	0	0	5	0
20 Official institutions[9]	131,088	159,563	220,708	215,348	211,479	222,275	231,136[r]	223,142	220,489	226,855
21 Banks' own liabilities	34,411	51,202	64,231	64,682	64,817	67,691	73,967[r]	67,619	71,859	67,150
22 Demand deposits	2,626	1,302	1,601	1,504	1,435	2,029	1,472	1,232	1,691	2,028
23 Time deposits[2]	16,504	17,939	21,654	22,064	24,398	26,029	28,052[r]	26,953	26,543	23,551
24 Other[3]	15,281	31,961	40,976	41,114	38,984	39,633	44,443[r]	39,434	43,625	41,571
25 Banks' custodial liabilities[5]	96,677	108,361	156,477	150,666	146,662	154,584	157,169	155,523	148,630	159,705
26 U.S. Treasury bills and certificates[6]	92,692	104,596	150,900	140,653	134,568	141,338	146,247	143,400	138,261	147,849
27 Other negotiable and readily transferable instruments[7]	3,879	3,726	5,482	9,969	12,050	13,112	10,863	11,990	10,303	11,820
28 Other	106	39	95	44	44	134	59	133	66	36
29 Banks[10]	522,265	547,320	582,441	624,710	628,200	645,698	649,355[r]	652,539	646,787	652,542
30 Banks' own liabilities	459,335	476,117	474,695	514,901	510,790	530,866	536,263[r]	536,432	538,258	545,333
31 Unaffiliated foreign banks	130,236	145,123	160,386	173,895	179,750	172,008	176,117	169,837	168,099	176,041
32 Demand deposits	8,648	10,170	9,719	11,785	15,551	12,323	11,792	11,837	10,555	11,023
33 Time deposits[2]	82,857	90,296	105,192	107,662	109,084	108,317	106,889	107,112	101,095	106,996
34 Other[3]	38,731	44,657	45,475	54,448	55,115	51,368	57,436	50,888	56,449	58,022
35 Own foreign offices[4]	329,099	330,994	314,309	341,006	331,040	358,858	360,146[r]	366,595	370,159	369,292
36 Banks' custodial liabilities[5]	62,930	71,203	107,746	109,809	117,410	114,832	113,092[r]	116,107	108,529	107,209
37 U.S. Treasury bills and certificates[6]	7,471	11,087	10,707	10,081	11,407	10,834	10,135	12,249	10,951	10,771
38 Other negotiable and readily transferable instruments[7]	5,694	7,555	17,020	15,684	22,081	22,347	21,446	22,049	15,388	13,248
39 Other	49,765	52,561	80,019	84,044	83,922	81,651	81,511[r]	81,809	82,190	83,190
40 Other foreigners	93,732	94,026	100,905	114,173	113,785	114,628	109,290	112,506	118,922	118,976
41 Banks' own liabilities	74,801	72,174	76,553	82,762	82,726	81,452	81,373	84,656	89,966	90,077
42 Demand deposits	9,004	10,310	10,240	10,331	10,857	10,183	10,302	9,895	11,267	11,412
43 Time deposits[2]	57,574	48,936	45,491	46,087	46,904	47,054	47,990[r]	48,846	46,719	47,712
44 Other[3]	8,223	12,928	20,822	26,344	24,965	24,215	23,081[r]	25,915	31,980	30,953
45 Banks' custodial liabilities[5]	18,931	21,852	24,352	31,411	31,059	33,176	27,917	27,850	28,956	28,899
46 U.S. Treasury bills and certificates[6]	8,841	10,053	10,641	15,907	14,313	16,318	12,587[r]	14,094	14,342	14,079
47 Other negotiable and readily transferable instruments[7]	8,667	10,207	12,765	12,288	13,575	13,908	13,223[r]	12,154	13,018	12,605
48 Other	1,423	1,592	946	3,216	3,171	2,950	2,107	1,602	1,596	2,215
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	7,456	9,111	17,567	17,961	26,385	27,075	25,589	25,338	19,160	17,032

1. Reporting banks include all types of depository institutions, as well as some brokers and dealers.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

Item	1991	1992	1993	1994 Apr.	May	June	July	Aug.	Sept.	Oct.[p]
AREA										
1 **Total, all foreigners**	**756,066**	**810,259**	**914,989**	**960,143**	**961,827**	**991,232[r]**	**997,099[r]**	**993,154[r]**	**993,423**	**1,005,764**
2 **Foreign countries**	**747,085**	**800,909**	**904,054**	**954,231**	**953,464**	**982,601[r]**	**989,781[r]**	**988,187[r]**	**986,198**	**998,373**
3 Europe	249,097	307,670	376,989	405,686	404,477	412,205[r]	422,604[r]	419,884[r]	406,821	413,466
4 Austria	1,193	1,611	1,917	2,719	3,309	3,578	3,364	3,349	3,014	3,725
5 Belgium and Luxembourg	13,337	20,567	28,627	32,049	32,612	25,306	25,145	27,159[r]	27,593	23,472
6 Denmark	937	3,060	4,517	3,342	3,207	3,473	2,877	2,634	2,128	2,374
7 Finland	1,341	1,299	1,872	1,932	1,849	2,649	2,504	1,747[r]	2,319	2,601
8 France	31,808	41,411	39,741	43,147	41,982	43,246[r]	41,410	41,911	43,143	44,145
9 Germany	8,619	18,630	26,613	32,704	27,583	33,114[r]	30,838[r]	31,045[r]	31,888	32,995
10 Greece	765	913	1,519	1,160	1,453	1,377	1,153	1,199	1,227	1,751
11 Italy	13,541	10,041	11,559	11,915	13,015	12,771	11,537	11,725[r]	10,781	10,701
12 Netherlands	7,161	7,365	16,096	16,347	18,514	18,709[r]	18,458	17,213[r]	18,755	18,035
13 Norway	1,866	3,314	2,966	2,537	3,278	4,018	3,731	3,195	2,861	3,400
14 Portugal	2,184	2,465	3,366	4,061	2,853	2,920	2,865	2,867	3,023	2,859
15 Russia	241	577	2,511	3,041	4,016	4,497	4,593	3,794	2,899	2,337
16 Spain	11,391	9,793	20,493	18,321	17,482	15,839[r]	17,142[r]	15,454[r]	14,197	16,298
17 Sweden	2,222	2,953	2,572	2,532	3,443	4,043	5,710	4,152	4,654	3,472
18 Switzerland	37,238	39,440	41,555	40,998	40,174	38,075	41,378	43,486[r]	41,300	42,084
19 Turkey	1,598	2,666	3,227	2,972	2,759	3,250	3,515	3,238	3,013	3,133
20 United Kingdom	100,292	111,805	133,936	153,906	158,962	163,339[r]	171,248	174,015[r]	160,243	172,306
21 Yugoslavia[11]	622	504	570	407	424	434	230	227	224	220
22 Other Europe and other former U.S.S.R.[12]	12,741	29,256	33,332	31,596	27,562	31,567[r]	34,906	31,474	33,659	27,758
23 Canada	21,605	22,420	20,227	22,552	25,948	25,480[r]	26,625	26,346	24,660	23,115
24 Latin America and Caribbean	345,529	317,228	351,356	364,556	358,829	381,060[r]	375,495[r]	377,876[r]	384,770	385,711
25 Argentina	7,753	9,477	14,477	13,270	13,474	13,750	14,592	14,807	13,783	15,571
26 Bahamas	100,622	82,284	72,964	80,843	79,265	85,817	87,264	83,260[r]	86,011	88,086
27 Bermuda	3,178	7,079	7,830	7,671	8,182	8,975	10,103[r]	8,422[r]	10,334	8,936
28 Brazil	5,704	5,584	5,301	4,880	5,572	5,708	6,259	5,695	5,669	6,183
29 British West Indies	163,620	153,033	184,608	195,456	188,943	206,263[r]	198,280[r]	204,702[r]	208,435	204,571
30 Chile	3,283	3,035	3,183	3,832	3,286	3,523	3,353	2,988	3,407	3,076
31 Colombia	4,661	4,580	3,171	4,003	3,865	3,929	3,773	3,726	4,027	4,457
32 Cuba	2	3	33	9	11	11	12	13	13	126
33 Ecuador	1,232	993	880	846	842	812	819	847	823	705
34 Guatemala	1,594	1,377	1,207	1,157	1,137	1,143	1,206	1,141	1,101	1,068
35 Jamaica	231	371	410	495	526	475	518	531	565	588
36 Mexico	19,957	19,454	28,018	22,362	21,900	21,286	20,179	20,817[r]	19,932	21,227
37 Netherlands Antilles	5,592	5,205	4,195	5,036	7,021	4,885	4,301	5,058	4,268	4,143
38 Panama	4,695	4,177	3,582	3,521	3,811	3,861	4,087	3,843	4,081	4,287
39 Peru	1,249	1,080	926	898	912	930	916	1,027	1,079	1,021
40 Uruguay	2,096	1,955	1,611	1,536	1,561	1,597	1,420	1,336	1,399	1,471
41 Venezuela	13,181	11,387	12,786	12,312	12,013	11,655	12,004[r]	13,157[r]	13,297	13,676
42 Other	6,879	6,154	6,174	6,429	6,508	6,440	6,409	6,506	6,546	6,519
43 Asia	120,462	143,540	144,656	149,188	152,135	148,761[r]	151,317[r]	152,596[r]	158,392	163,425
China										
44 People's Republic of China	2,626	3,202	4,011	6,058	5,358	6,158[r]	5,018[r]	4,394	5,062	5,725
45 Republic of China (Taiwan)	11,491	8,408	10,633	8,698	9,820	8,375	8,811	8,737	8,863	9,383
46 Hong Kong	14,269	18,499	17,233	19,093	21,665	19,111[r]	18,777	18,722	18,881	18,320
47 India	2,418	1,399	1,114	1,450	1,521	2,136	1,695	1,777[r]	2,187	2,376
48 Indonesia	1,463	1,480	1,986	1,802	1,537	2,002	1,676[r]	1,835[r]	1,828	1,734
49 Israel	2,015	3,773	4,435	4,134	3,460	3,762	3,822	3,436	3,204	6,615
50 Japan	47,069	58,435	61,483	62,295	63,051	64,124	65,690	65,778[r]	68,244	66,140
51 Korea (South)	2,587	3,337	4,913	4,646	4,523	4,581	5,311	4,873	4,622	4,739
52 Philippines	2,449	2,275	2,035	2,619	2,590	3,150	3,396	3,214	3,135	3,158
53 Thailand	2,252	5,582	6,137	5,550	5,788	4,851	5,222	6,364	6,503	5,682
54 Middle Eastern oil-exporting countries[13]	15,752	21,437	15,824	13,655	14,895	14,374	14,935[r]	15,928	17,138	17,233
55 Other	16,071	15,713	14,852	19,188	17,927	16,137	16,964[r]	17,538	18,725	22,320
56 Africa	4,825	5,884	6,634	5,813	6,166	6,411	6,153	6,360[r]	6,278	6,375
57 Egypt	1,621	2,472	2,208	1,688	1,984	1,999	1,706	1,914	2,014	1,996
58 Morocco	79	76	99	76	93	78	80	82	72	66
59 South Africa	228	190	451	331	230	290	289	417	197	245
60 Zaire	31	19	12	11	8	7	8	8	9	9
61 Oil-exporting countries[14]	1,082	1,346	1,303	983	1,057	1,204	1,291	1,156[r]	1,186	1,180
62 Other	1,784	1,781	2,561	2,724	2,794	2,833	2,779	2,783[r]	2,800	2,879
63 Other	5,567	4,167	4,192	6,436	5,909	8,684	7,587	5,125	5,277	6,281
64 Australia	4,464	3,043	3,308	2,991	2,796	5,804	6,288	3,935	3,966	5,114
65 Other	1,103	1,124	884	3,445	3,113	2,880	1,299	1,190	1,311	1,167
66 Nonmonetary international and regional organizations	8,981	9,350	10,935	5,912	8,363	8,631[r]	7,318	4,967	7,225	7,391
67 International[15]	6,485	7,434	6,850	4,249	5,634	6,647[r]	5,446	3,642	5,296	5,647
68 Latin American regional[16]	1,181	1,415	3,218	393	909	847	612	418	1,058	950
69 Other regional[17]	1,315	501	867	1,270	1,820	1,137	1,260	907	871	794

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
14. Comprises Algeria, Gabon, Libya, and Nigeria.
15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.
16. Principally the Inter-American Development Bank.
17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Area or country	1991	1992	1993	1994						
				Apr.	May	June	July	Aug.r	Sept.r	Oct.p
1 **Total, all foreigners**	**514,339**	**499,437**	**483,216**	**476,239**	**472,522**	**476,500r**	**469,277r**	**478,018**	**474,396**	**478,696**
2 **Foreign countries**	**508,056**	**494,355**	**480,811**	**475,055**	**470,796**	**474,079r**	**467,881r**	**476,059**	**471,132**	**476,691**
3 Europe	114,310	123,377	121,044	124,723	123,505	119,709r	123,110r	124,262	119,778	131,550
4 Austria	327	331	413	420	486	416	470	442	282	440
5 Belgium and Luxembourg	6,158	6,404	6,535	6,774	6,391	7,115	6,917	6,543	7,250	6,323
6 Denmark	686	707	382	896	1,332	539	622	464	521	880
7 Finland	1,907	1,418	598	647	669	699	739	511	603	595
8 France	15,112	14,723	11,490	11,398	13,092	13,763	13,278r	16,001	14,818	16,283
9 Germany	3,371	4,222	7,683	9,374	8,303	7,224r	7,887r	9,986	8,650	8,496
10 Greece	553	717	679	720	682	661	583	657	613	520
11 Italy	8,242	9,047	8,876	6,370	6,749	6,128	6,074	5,538	5,338	6,692
12 Netherlands	2,546	2,468	3,063	2,575	3,272	3,003	3,006	2,948	2,854	3,358
13 Norway	669	355	396	598	605	620	751	826	650	905
14 Portugal	344	325	720	846	835	876	1,035	1,040	1,182	1,056
15 Russia	1,970	3,147	2,295	1,862	1,642	1,605	1,541	1,378	1,272	1,220
16 Spain	1,881	2,755	2,763	1,859	2,828	2,502	1,905	2,664	2,211	2,731
17 Sweden	2,335	4,923	4,100	3,313	3,420	3,411	3,632	4,194	3,933	3,186
18 Switzerland	4,540	4,717	6,567	5,578	6,487	6,674	9,028	6,938	5,854	7,670
19 Turkey	1,063	962	1,287	1,546	1,324	1,210	1,208	1,152	1,024	1,142
20 United Kingdom	60,395	63,430	60,939	67,347	63,110	61,166	62,478r	61,240	60,485	68,211
21 Yugoslavia[2]	825	569	536	364	361	340	274	273	258	266
22 Other Europe and other former U.S.S.R.[3]	1,386	2,157	1,722	2,236	1,917	1,757	1,682	1,467	1,980	1,576
23 Canada	15,113	13,845	18,410	17,920	17,114	20,538r	19,919r	19,688	19,236	16,404
24 Latin America and Caribbean	246,137	218,078	224,032	219,983	219,608	221,929r	215,931r	223,151	220,031	221,199
25 Argentina	5,869	4,958	4,425	5,161	5,178	5,506	5,811	5,876	5,586	5,588
26 Bahamas	87,138	60,835	65,045	66,239	64,974	64,098	67,951	63,273	63,016	65,146
27 Bermuda	2,270	5,935	8,032	8,837	6,591	6,276	5,783r	7,328	5,430	5,186
28 Brazil	11,894	10,773	11,803	11,457	11,995	11,356	10,618	10,051	10,278	10,138
29 British West Indies	107,846	101,507	97,993	91,700	94,150	98,045	89,474	100,454	100,632	99,297
30 Chile	2,805	3,397	3,614	3,455	3,353	3,419	3,327	3,410	3,391	3,520
31 Colombia	2,425	2,750	3,179	3,263	3,229	3,366	3,326	3,414	3,459	3,670
32 Cuba	0	0	0	0	0	0	8	0	0	12
33 Ecuador	1,053	884	673	679	677	707	683	604	624	628
34 Guatemala	228	262	286	273	291	312	308	320	310	337
35 Jamaica	158	162	195	191	198	194	186	210	204	255
36 Mexico	16,567	14,991	15,835	16,300	16,456	16,768	16,684r	16,459	16,223	16,824
37 Netherlands Antilles	1,207	1,379	2,367	2,769	2,871	2,366	2,118	2,139	1,295	1,158
38 Panama	1,560	4,654	2,913	2,539	2,341	2,219	2,357	2,386	2,365	2,325
39 Peru	739	730	651	807	901	908	926	924	943	857
40 Uruguay	599	936	951	500	540	608	748	706	711	800
41 Venezuela	2,516	2,525	2,904	2,526	2,462	2,434	2,245	2,150	2,060	1,936
42 Other	1,263	1,400	3,166	3,287	3,401	3,347r	3,378r	3,447	3,504	3,522
43 Asia	125,262	131,789	110,697	105,412	103,874	104,857r	102,360r	102,341	105,485	101,042
China										
44 People's Republic of China	747	906	2,299	843	802	784	941	754	1,167	812
45 Republic of China (Taiwan)	2,087	2,046	2,628	1,817	2,024	1,948	1,786	1,807	1,256	1,467
46 Hong Kong	9,617	9,642	10,864	9,903	8,996	9,783	10,031	9,877	12,988	10,308
47 India	441	529	589	684	738	784	791	829	950	951
48 Indonesia	952	1,189	1,522	1,545	1,378	1,319	1,369	1,363	1,343	1,326
49 Israel	860	820	826	676	711	671r	638r	675	663	860
50 Japan	84,807	79,172	59,576	54,931	53,120	55,535r	53,313r	52,629	52,872	50,032
51 Korea (South)	6,048	6,179	7,569	7,457	7,410	7,984	8,112	8,553	8,636	8,869
52 Philippines	1,910	2,145	1,408	925	914	654	514	533	562	639
53 Thailand	1,713	1,867	2,154	2,744	2,944	2,979r	2,839r	2,784	2,685	2,756
54 Middle Eastern oil-exporting countries[4]	8,284	18,540	14,398	16,387	18,323	16,565	16,342	16,080	15,293	15,424
55 Other	7,796	8,754	6,864	7,500	6,514	5,851r	5,684r	6,457	7,070	7,598
56 Africa	4,928	4,279	3,819	3,680	3,684	3,788	3,456	3,659	3,473	3,147
57 Egypt	294	186	196	206	219	281	234	229	250	237
58 Morocco	575	441	444	472	470	518	479	485	490	468
59 South Africa	1,235	1,041	633	557	575	556	492	656	569	480
60 Zaire	4	4	4	5	5	4	3	3	3	3
61 Oil-exporting countries[5]	1,298	1,002	1,128	1,207	1,211	1,239	1,194	1,189	1,103	955
62 Other	1,522	1,605	1,414	1,233	1,204	1,190	1,054	1,097	1,058	1,004
63 Other	2,306	2,987	2,809	3,337	3,011	3,258	3,105	2,958	3,129	3,349
64 Australia	1,665	2,243	2,072	1,859	1,369	1,489	1,587	1,390	1,809	2,158
65 Other	641	744	737	1,478	1,642	1,769	1,518	1,568	1,320	1,191
66 Nonmonetary international and regional organizations[6]	6,283	5,082	2,405	1,184	1,726	2,421	1,396	1,959	3,264	2,005

1. Reporting banks include all types of depository institutions, as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1991	1992	1993	1994						
				Apr.	May	June[r]	July[r]	Aug.[r]	Sept.[r]	Oct.[p]
1 **Total**	**579,683**	**559,495**	**523,626**	...	...	**529,695**	...	...	**527,884**	...
2 Banks' claims	514,339	499,437	483,216	476,239	472,522	476,500	469,277	478,018	474,396	478,696
3 Foreign public borrowers	37,126	31,367	28,814	25,116	22,552	21,653	21,929	22,412	24,439	22,144
4 Own foreign offices[2]	318,800	303,991	286,882	280,435	284,532	289,976	283,858	287,013	283,250	287,012
5 Unaffiliated foreign banks	116,602	109,342	98,030	96,903	98,186	101,897	100,889	102,026	100,261	106,540
6 Deposits	69,018	61,550	46,887	47,971	50,323	50,970	50,765	49,593	50,527	52,622
7 Other	47,584	47,792	51,143	48,932	47,863	50,927	50,124	52,433	49,734	53,918
8 All other foreigners	41,811	54,737	69,490	73,785	67,252	62,974	62,601	66,567	66,446	63,000
9 Claims of banks' domestic customers[3]	65,344	60,058	40,410	...	...	53,195	...	...	53,488	...
10 Deposits	15,280	15,452	9,619	...	...	13,601	...	...	24,441	...
11 Negotiable and readily transferable instruments[4]	37,125	31,474	17,155	...	...	25,995	...	...	16,075	...
12 Outstanding collections and other claims	12,939	13,132	13,636	...	...	13,599	...	...	12,972	...
MEMO										
13 Customer liability on acceptances	8,974	8,655	7,871	...	...	7,506	...	...	7,620	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	43,024	36,213	22,854	21,901	20,603	20,098	22,210	21,771	22,284	n.a.

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.
Reporting banks include all types of depository institution, as well as some brokers and dealers.
2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
3. Assets held by reporting banks in the accounts of their domestic customers.
4. Principally negotiable time certificates of deposit and bankers acceptances.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see *Federal Reserve Bulletin*, vol. 65 (July 1979), p. 550.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1990	1991	1992	1993		1994	
				Dec.	Mar.	June[r]	Sept.[p]
1 **Total**	**206,903**	**195,302**	**195,119**	**194,794**	**193,255**	**185,638**	**189,942**
By borrower							
2 Maturity of one year or less	165,985	162,573	163,325	166,244	166,385	160,045	164,356
3 Foreign public borrowers	19,305	21,050	17,813	17,458	15,896	12,603	16,683
4 All other foreigners	146,680	141,523	145,512	148,786	150,489	147,442	147,673
5 Maturity of more than one year	40,918	32,729	31,794	28,550	26,870	25,593	25,586
6 Foreign public borrowers	22,269	15,859	13,266	10,828	9,585	8,641	7,399
7 All other foreigners	18,649	16,870	18,528	17,722	17,285	16,952	18,187
By area							
Maturity of one year or less							
8 Europe	49,184	51,835	53,300	56,300	58,786	50,955	57,624
9 Canada	5,450	6,444	6,091	7,542	7,291	8,255	7,197
10 Latin America and Caribbean	49,782	43,597	50,376	56,624	58,717	56,621	56,655
11 Asia	53,258	51,059	45,709	40,287	36,007	37,784	36,082
12 Africa	3,040	2,549	1,784	1,783	1,603	1,797	1,496
13 All other[3]	5,272	7,089	6,065	3,708	3,981	4,633	5,302
Maturity of more than one year							
14 Europe	3,859	3,878	5,367	4,327	3,822	3,316	3,714
15 Canada	3,290	3,595	3,287	2,553	2,548	2,496	2,622
16 Latin America and Caribbean	25,774	18,277	15,312	13,877	13,341	12,691	12,158
17 Asia	5,165	4,459	5,038	5,412	4,709	4,805	4,794
18 Africa	2,374	2,335	2,380	1,934	2,001	1,850	1,836
19 All other[3]	456	185	410	447	449	435	462

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Maturity is time remaining to maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1990	1991	1992		1993				1994		
			Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.[p]
1 **Total**	**320.1**	**343.6**	**344.5**	**346.5**	**361.0**	**377.0**	**388.3**	**403.7**	**488.9[r]**	**495.3[r]**	**502.8**
2 G-10 countries and Switzerland	132.2	137.6	136.0	132.9	142.4	150.0	153.3	161.0	178.0	165.6[r]	183.8
3 Belgium and Luxembourg	.0	6.0	6.2	5.6	6.1	7.0	7.1	7.4	7.9	8.6	9.5
4 France	10.4	11.0	15.3	15.3	13.5	14.0	12.3	11.7	16.4	18.8[r]	19.3
5 Germany	10.6	8.3	10.9	9.3	9.9	10.8	12.4	12.6	28.7	24.3	24.3
6 Italy	5.0	5.6	6.4	6.5	6.7	7.9	8.7	7.6	15.5	14.0	11.6
7 Netherlands	.0	4.7	3.7	2.8	3.6	3.7	3.7	4.7	4.1	3.6	3.4
8 Sweden	2.2	1.9	2.2	2.3	3.0	2.5	2.5	2.5	2.8	2.9	2.6
9 Switzerland	4.4	3.4	5.2	4.8	5.3	4.7	5.6	5.9	6.3	6.5	6.2
10 United Kingdom	60.9	68.5	61.0	60.8	65.7	73.5	74.7	84.5	69.8	57.7[r]	81.0
11 Canada	5.9	5.8	6.3	6.3	8.2	8.0	9.7	6.6	7.6	9.5[r]	9.8
12 Japan	24.0	22.6	18.9	19.3	20.4	17.9	16.8	17.4	18.8	19.6[r]	16.0
13 Other industrialized countries	22.9	22.8	25.0	24.0	25.4	27.2	26.0	24.6	41.2	43.2[r]	41.5
14 Austria	1.4	.6	.7	1.2	1.2	1.3	.6	.4	1.0	1.0	1.0
15 Denmark	1.1	.9	1.5	.9	.8	1.0	1.1	1.0	1.1	1.1	.8
16 Finland	.7	.7	1.0	.7	.7	.9	.6	.4	1.0	.8[r]	.8
17 Greece	2.7	2.6	3.0	3.0	2.7	3.1	3.2	3.2	3.8	4.6	4.3
18 Norway	1.6	1.4	1.6	1.2	1.8	1.8	2.1	1.7	1.6	1.6	1.6
19 Portugal	.6	.6	.5	.4	.7	.9	1.0	.8	1.2	1.1	1.0
20 Spain	8.3	8.3	9.7	8.9	9.5	10.5	9.3	8.9	12.3	13.2	13.0
21 Turkey	1.7	1.4	1.5	1.3	1.4	2.1	2.1	2.1	2.4	2.1	1.8
22 Other Western Europe	1.2	1.8	1.5	1.7	2.0	1.7	2.2	2.6	3.0	2.8	1.0
23 South Africa	1.8	1.9	1.7	1.7	1.6	1.3	1.2	1.1	1.2	1.2	1.2
24 Australia	1.8	2.7	2.3	2.9	2.9	2.5	2.8	2.3	12.7	13.7	15.0
25 OPEC[2]	12.8	14.5	15.9	16.1	16.6	15.7	14.8	16.7	22.4[r]	21.5	21.5
26 Ecuador	1.0	.7	.7	.6	.6	.6	.5	.5	.5	.5	.4
27 Venezuela	5.0	5.4	5.4	5.2	5.1	5.5	5.4	5.1	4.7	4.4	3.9
28 Indonesia	2.7	2.7	3.0	3.0	3.1	3.1	2.8	3.2	3.4[r]	3.2	3.2
29 Middle East countries	2.5	4.2	5.4	6.2	6.6	5.4	4.9	6.7	12.8	12.4	13.0
30 African countries	1.7	1.5	1.4	1.1	1.1	1.1	1.1	1.2	1.0	1.1	1.0
31 Non-OPEC developing countries	65.4	63.9	72.8	72.1	74.4	76.6	77.0	82.5	93.4[r]	93.9[r]	91.9
Latin America											
32 Argentina	5.0	4.8	6.2	6.6	7.0	6.6	7.2	7.7	8.7	9.8	10.5
33 Brazil	14.4	9.6	10.8	10.8	11.6	12.3	11.7	12.0	12.5	11.8	9.1
34 Chile	3.5	3.6	4.2	4.4	4.6	4.6	4.7	4.7	5.1	5.1	5.4
35 Colombia	1.8	1.7	1.7	1.8	1.9	1.9	2.0	2.1	2.2	2.4	2.4
36 Mexico	13.0	15.5	17.1	16.0	16.8	16.8	17.5	17.7	18.7	18.3	19.5
37 Peru	.5	.4	.5	.5	.4	.4	.3	.4	.5	.6	.6
38 Other	2.3	2.1	2.5	2.6	2.6	2.7	2.6	3.0	2.6	2.7	2.7
Asia											
China											
39 Peoples Republic of China	.2	.3	.3	.7	.6	1.6	.5	2.0	.8	.7	1.0
40 Republic of China (Taiwan)	3.5	4.1	5.0	5.2	5.3	5.9	6.4	7.3	7.5	7.1	6.9
41 India	3.3	3.0	3.6	3.2	3.1	3.1	2.9	3.2	3.6[r]	3.7	3.9
42 Israel	.5	.5	.4	.4	.5	.4	.4	.5	.4	.4	.4
43 Korea (South)	6.2	6.8	7.4	6.6	6.5	6.9	6.5	6.7	13.9	14.1[r]	13.9
44 Malaysia	1.9	2.3	3.0	3.1	3.4	3.7	4.1	4.4	5.2	5.2	3.9
45 Philippines	3.8	3.7	3.6	3.6	3.4	2.9	2.6	3.1	3.4	3.2	2.9
46 Thailand	1.5	1.7	2.2	2.2	2.2	2.4	2.8	3.1	2.9	3.3	3.4
47 Other Asia	1.7	2.0	2.7	2.7	2.7	2.6	3.0	2.9	3.1	3.5	3.6
Africa											
48 Egypt	.4	.4	.3	.2	.2	.2	.2	.4	.4	.5	.3
49 Morocco	.8	.7	.6	.6	.5	.6	.6	.6	.7	.7	.7
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	1.0	.7	.9	1.0	.8	.9	.8	.8	1.0	.9	.9
52 Eastern Europe	2.3	2.4	3.1	3.1	2.9	3.2	3.0	3.0	3.3	3.0[r]	3.4
53 Russia[4]	.2	.9	1.8	1.9	1.7	1.9	1.7	1.6	1.5	1.2	1.1
54 Yugoslavia[5]	1.2	.9	.7	.6	.6	.6	.6	.6	.5	.5	.5
55 Other	.9	.7	.7	.6	.7	.7	.7	.9	1.4	1.4[r]	1.9
56 Offshore banking centers	44.7	54.2	54.5	58.3	60.2	58.0	67.9	72.5	78.3[r]	76.6[r]	77.9
57 Bahamas	2.9	11.9	8.9	6.9	9.7	7.1	12.7	12.6	15.4	13.5	16.4
58 Bermuda	4.4	2.3	3.8	6.2	4.1	4.5	5.5	8.1	8.4	6.1	5.3
59 Cayman Islands and other British West Indies	11.7	15.8	16.9	21.8	17.6	15.6	15.1	16.9	17.2	20.1[r]	20.5
60 Netherlands Antilles	7.9	1.2	.7	1.1	1.6	2.5	2.8	2.3	2.7	2.4	1.7
61 Panama[6]	1.4	1.4	2.0	1.9	2.0	2.1	2.1	2.4	2.0	1.9	1.8
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	9.7	14.4	15.2	13.8	16.7	16.9	19.1	18.7	19.7[r]	21.8	20.3
64 Singapore	6.6	7.1	6.8	6.5	8.4	9.3	10.4	11.2	12.7	10.6	11.7
65 Other[7]	.0	.0	.0	.0	.0	.0	.0	.1	.0	.0	.1
66 Miscellaneous and unallocated[8]	39.9	48.0	36.8	39.7	38.8	46.2	46.3	43.3	72.0[r]	91.0[r]	82.5

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

2. *Organization of Petroleum Exporting Countries, shown individually; other members* of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).

3. Excludes Liberia. Beginning March 1994 includes Namibia.

4. As of December 1992, excludes other republics of the former Soviet Union.

5. As of December 1992, excludes Croatia, Bosnia and Hercegovinia, and Slovenia.

6. Includes Canal Zone.

7. Foreign branch claims only.

8. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type of liability, and area or country	1990	1991	1992	1993				1994	
				Mar.	June	Sept.	Dec.	Mar.	June
1 **Total**	**46,043**	**44,708**	**45,260**	**46,170**	**46,514**	**48,524**	**49,136**	**51,740**	**55,265**
2 Payable in dollars	40,786	39,029	37,276	37,896	37,027	39,311	37,880	38,115	42,463
3 Payable in foreign currencies	5,257	5,679	7,984	8,274	9,487	9,213	11,256	13,625	12,802
By type									
4 Financial liabilities	21,066	22,518	23,590	24,239	25,100	26,731	28,254	30,111	33,226
5 Payable in dollars	16,979	18,104	16,780	17,178	16,935	18,705	18,175	18,481	22,424
6 Payable in foreign currencies	4,087	4,414	6,810	7,061	8,165	8,026	10,079	11,630	10,802
7 Commercial liabilities	24,977	22,190	21,670	21,931	21,414	21,793	20,882	21,629	22,039
8 Trade payables	10,683	9,252	9,566	9,684	9,370	9,226	8,800	8,956	9,855
9 Advance receipts and other liabilities	14,294	12,938	12,104	12,247	12,044	12,567	12,082	12,673	12,184
10 Payable in dollars	23,807	20,925	20,496	20,718	20,092	20,606	19,705	19,634	20,039
11 Payable in foreign currencies	1,170	1,265	1,174	1,213	1,322	1,187	1,177	1,995	2,000
By area or country									
Financial liabilities									
12 Europe	10,978	12,003	13,207	13,567	14,199	16,445	18,185	20,293	23,564
13 Belgium and Luxembourg	394	216	414	306	268	278	175	525	503
14 France	975	2,106	1,623	1,625	2,219	2,077	2,326	2,589	1,590
15 Germany	621	682	889	899	863	855	975	1,214	939
16 Netherlands	1,081	1,056	606	639	585	573	534	564	533
17 Switzerland	545	408	569	503	491	378	634	1,200	631
18 United Kingdom	6,357	6,528	8,430	9,035	9,118	11,694	12,925	13,595	18,151
19 Canada	229	292	544	604	493	663	859	508	698
20 Latin America and Caribbean	4,153	4,784	4,053	4,299	4,199	3,719	3,359	3,553	3,282
21 Bahamas	371	537	379	626	476	1,301	1,148	1,157	1,052
22 Bermuda	0	114	114	114	124	114	0	120	115
23 Brazil	0	6	19	18	18	18	18	18	18
24 British West Indies	3,160	3,524	2,850	2,865	2,901	1,600	1,533	1,613	1,454
25 Mexico	5	7	12	13	11	15	17	14	13
26 Venezuela	4	4	6	5	5	5	5	5	5
27 Asia[2]	5,295	5,381	5,747	5,703	6,039	5,754	5,689	5,601	5,643
28 Japan	4,065	4,116	4,679	4,692	4,857	4,725	4,620	4,589	4,709
29 Middle Eastern oil-exporting countries[3]	5	13	19	24	19	23	23	24	24
30 Africa	2	6	6	6	130	132	133	133	9
31 Oil-exporting countries[4]	0	4	0	0	123	124	123	124	0
32 All other[5]	409	52	33	60	40	18	29	23	30
Commercial liabilities									
33 Europe	10,310	8,701	7,398	6,992	6,807	7,051	6,825	6,549	6,903
34 Belgium and Luxembourg	275	248	298	264	269	257	240	253	254
35 France	1,218	1,039	700	707	775	643	648	554	711
36 Germany	1,270	1,052	729	650	603	571	684	577	669
37 Netherlands	844	710	535	537	577	601	687	628	642
38 Switzerland	775	575	350	472	441	536	375	387	472
39 United Kingdom	2,792	2,297	2,505	2,119	2,186	2,319	2,051	2,156	2,309
40 Canada	1,261	1,014	1,002	1,005	942	847	883	1,039	1,062
41 Latin America and Caribbean	1,672	1,355	1,533	1,776	1,828	1,759	1,661	1,911	2,004
42 Bahamas	12	3	3	11	6	4	21	8	2
43 Bermuda	538	310	307	429	356	340	348	493	416
44 Brazil	145	219	209	236	226	214	216	211	217
45 British West Indies	30	107	33	34	16	36	26	19	23
46 Mexico	475	307	457	553	659	577	485	557	705
47 Venezuela	130	94	142	171	172	173	126	150	194
48 Asia[2]	9,483	9,334	10,594	10,757	10,520	10,916	10,458	10,906	10,898
49 Japan	3,651	3,721	3,612	3,709	3,390	3,726	3,951	4,613	4,385
50 Middle Eastern oil-exporting countries[3]	2,016	1,498	1,889	1,796	1,815	1,968	1,525	1,533	1,813
51 Africa	844	715	568	675	665	641	463	490	523
52 Oil-exporting countries[4]	422	327	309	322	378	320	171	199	247
53 Other[5]	1,406	1,071	575	726	652	579	592	734	649

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65, (July 1979), p. 550.
2. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type of claim, and area or country	1990	1991	1992	1993				1994	
					Mar.	June	Sept.	Dec.	Mar.	June
1	**Total**	**35,348**	**45,262**	**42,286**	**46,753**	**42,589**	**43,199**	**43,603**	**43,447**	**50,401r**
2	Payable in dollars	32,760	42,564	39,594	43,610	39,304	39,664	40,371	40,028	46,858r
3	Payable in foreign currencies	2,589	2,698	2,692	3,143	3,285	3,535	3,232	3,419	3,543
	By type									
4	Financial claims	19,874	27,882	23,822	26,833	22,656	24,212	23,656	23,324	29,626r
5	Deposits	13,577	20,080	15,136	16,732	11,966	13,499	13,272	13,852	17,567r
6	Payable in dollars	12,552	19,080	14,313	15,602	10,997	12,490	12,421	12,953	16,654r
7	Payable in foreign currencies	1,025	1,000	823	1,130	969	1,009	851	899	913
8	Other financial claims	6,297	7,802	8,686	10,101	10,690	10,713	10,384	9,472	12,059r
9	Payable in dollars	5,280	6,910	7,762	9,045	9,541	9,605	9,328	8,407	10,990r
10	Payable in foreign currencies	1,017	892	924	1,056	1,149	1,108	1,056	1,065	1,069
11	Commercial claims	15,475	17,380	18,464	19,920	19,933	18,987	19,947	20,123	20,775
12	Trade receivables	13,657	14,468	15,907	17,566	17,450	16,009	17,003	17,285	18,004
13	Advance payments and other claims	1,817	2,912	2,557	2,354	2,483	2,978	2,944	2,838	2,771
14	Payable in dollars	14,927	16,574	17,519	18,963	18,766	17,569	18,622	18,668	19,214
15	Payable in foreign currencies	548	806	945	957	1,167	1,418	1,325	1,455	1,561
	By area or country									
	Financial claims									
16	Europe	9,645	13,441	9,331	10,405	9,744	8,384	8,095	7,347	8,075r
17	Belgium and Luxembourg	76	13	8	67	74	70	131	122	83
18	France	371	269	764	905	781	708	785	753	899
19	Germany	367	283	326	388	383	362	472	441	407r
20	Netherlands	265	334	515	544	499	485	502	503	480
21	Switzerland	357	581	490	478	494	512	515	520	495
22	United Kingdom	7,971	11,534	6,252	6,991	6,579	5,230	4,527	3,916	4,638
23	Canada	2,934	2,642	1,716	2,013	1,805	1,627	1,870	2,508	3,546
24	Latin America and Caribbean	6,201	10,717	11,323	10,298	7,349	10,741	11,314	10,388	15,304r
25	Bahamas	1,090	827	658	320	762	580	496	502	1,215
26	Bermuda	3	8	40	79	258	197	125	34	65
27	Brazil	68	351	686	592	590	590	599	567	359
28	British West Indies	4,635	9,056	9,297	8,397	4,803	8,176	8,759	8,143	12,868r
29	Mexico	177	212	445	656	665	882	865	782	473
30	Venezuela	25	40	29	23	24	25	161	26	33
31	Asia	860	640	864	3,362	3,016	2,756	1,801	2,626	2,237r
32	Japan	523	350	668	3,123	2,485	2,215	1,063	1,762	1,351r
33	Middle Eastern oil-exporting countries[2]	8	5	3	3	10	5	3	5	2
34	Africa	37	57	83	128	125	88	99	76	74
35	Oil-exporting countries[3]	0	1	9	1	1	1	1	0	1
36	All other[4]	195	385	505	627	617	616	477	379	390
	Commercial claims									
37	Europe	7,044	8,193	8,351	8,800	8,968	8,088	8,764	8,407	8,563
38	Belgium and Luxembourg	212	194	189	170	173	163	185	174	179
39	France	1,240	1,585	1,537	1,492	1,511	1,438	1,943	1,817	1,761
40	Germany	807	955	933	1,025	1,046	935	997	923	920
41	Netherlands	555	645	552	734	565	410	417	351	287
42	Switzerland	301	295	362	437	442	376	424	404	642
43	United Kingdom	1,775	2,086	2,094	2,363	2,562	2,288	2,252	2,219	2,338
44	Canada	1,074	1,121	1,286	1,334	1,359	1,360	1,356	1,465	1,451
45	Latin America and Caribbean	2,375	2,655	3,043	3,474	3,456	3,071	3,207	3,499	3,801
46	Bahamas	14	13	28	18	17	20	11	12	17
47	Bermuda	246	264	255	195	239	225	173	210	285
48	Brazil	326	427	357	836	788	407	462	423	494
49	British West Indies	40	41	40	17	43	39	70	58	66
50	Mexico	661	842	924	998	913	866	945	985	1,000
51	Venezuela	192	203	345	349	317	286	295	290	303
52	Asia	4,127	4,591	4,866	5,430	5,220	5,538	5,623	5,763	6,028
53	Japan	1,460	1,899	1,903	2,163	1,885	2,519	2,142	2,338	2,326
54	Middle Eastern oil-exporting countries[2]	460	620	693	773	673	456	657	654	601
55	Africa	488	430	554	463	516	493	492	512	484
56	Oil-exporting countries[3]	67	95	78	75	99	107	71	101	90
57	Other[4]	367	390	364	419	414	437	505	477	448

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65 (July 1979), p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction, and area or country	1992	1993	1994 Jan.–Oct.	1994 Apr.	May	June	July	Aug.[r]	Sept.[r]	Oct.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	221,367	319,728	298,376	29,853	26,699	28,349	24,332	29,312	28,849	27,781
2 Foreign sales	226,503	298,145	294,826	31,654	25,113	30,249	25,174	26,400	30,431	29,841
3 **Net purchases, or sales (−)**	**−5,136**	**21,583**	**3,550**	**−1,801**	**1,586**	**−1,900**	**−842**	**2,912**	**−1,582**	**−2,060**
4 **Foreign countries**	**−5,169**	**21,311**	**3,565**	**−1,799**	**1,569**	**−1,891**	**−846**	**2,914**	**−1,596**	**−2,092**
5 Europe	−4,927	10,665	7,826	803	1,219	−378	−291	1,424	−1,198	−1,394
6 France	−1,350	−103	−74	−83	210	−241	−68	−22	−63	−198
7 Germany	−80	1,647	2,578	252	398	119	56	73	−104	−158
8 Netherlands	−262	−600	1,376	82	176	89	357	266	−134	316
9 Switzerland	168	2,986	575	174	30	74	82	136	−104	−655
10 United Kingdom	−3,301	4,560	1,385	230	174	−322	−830	866	−641	−505
11 Canada	1,407	−3,213	−1,150	290	156	−529	−313	−366	57	−416
12 Latin America and Caribbean	2,203	5,724	−1,723	−1,862	−207	−839	−476	989	−625	−530
13 Middle East[1]	−88	−328	−991	4	49	−111	−94	−281	−431	−74
14 Other Asia	−3,943	8,198	−1,088	−1,191	476	−143	280	1,031	589	335
15 Japan	−3,598	3,825	1,183	−658	335	171	555	1,132	761	251
16 Africa	10	63	59	33	−1	6	−7	0	10	12
17 Other countries	169	202	632	124	−123	103	55	117	2	−25
18 **Nonmonetary international and regional organizations**	**33**	**272**	**−15**	**−2**	**17**	**−9**	**4**	**−2**	**14**	**32**
BONDS[2]										
19 Foreign purchases	214,922	283,800	250,582	29,756	24,955	31,789	25,166	22,963	19,131	20,209
20 Foreign sales	175,842	217,943	200,615	27,473	20,868	21,123	18,898	15,686	17,520	16,102
21 **Net purchases, or sales (−)**	**39,080**	**65,857**	**49,967**	**2,283**	**4,087**	**10,666**	**6,268**	**7,277**	**1,611**	**4,107**
22 **Foreign countries**	**37,964**	**65,319**	**49,356**	**2,298**	**4,025**	**10,538**	**5,883**	**7,344**	**1,594**	**4,108**
23 Europe	17,435	22,429	31,301	346	528	6,031	4,531	5,152	2,406	3,755
24 France	1,203	2,346	345	181	−3	47	21	−18	−16	105
25 Germany	2,480	885	−4	83	−244	52	52	34	−355	449
26 Netherlands	540	−290	2,646	216	358	868	29	610	−64	125
27 Switzerland	−579	−627	550	−189	136	144	−192	−9	292	4
28 United Kingdom	12,421	19,529	27,543	556	894	5,624	4,409	4,497	1,997	1,684
29 Canada	237	1,668	2,353	−16	286	422	625	519	194	458
30 Latin America and Caribbean	9,300	15,697	3,117	873	762	1,553	−527	−81	−1,832	−981
31 Middle East[1]	3,166	3,257	1,012	7	17	339	375	157	−76	56
32 Other Asia	7,545	20,846	10,860	903	2,287	2,177	766	1,558	857	745
33 Japan	−450	11,569	5,263	523	1,575	1,396	712	763	340	375
34 Africa	354	1,149	40	55	10	9	−23	18	2	20
35 Other countries	−73	273	673	130	135	7	136	21	43	55
36 **Nonmonetary international and regional organizations**	**1,116**	**538**	**611**	**−15**	**62**	**128**	**385**	**−67**	**17**	**−1**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	−32,259	−63,340	−42,139	−1,940	−4,028	−6,715	−3,093[r]	−4,568	679	−4,003
38 Foreign purchases	150,051	245,527	330,104	33,083	30,946	31,098	29,291	30,534	37,367	29,788
39 Foreign sales[3]	182,310	308,867	372,243	35,023	34,974	37,813	32,384[r]	35,102	36,688	33,791
40 Bonds, net purchases, or sales (−)	−15,605	−69,471	−18,065	−5,565	−147	427	−2,202[r]	861	−949	−3,864
41 Foreign purchases	513,589	829,871	773,271	69,086	64,158	71,762	59,351	67,288	78,604	70,360
42 Foreign sales	529,194	899,342	791,336	74,651	64,305	71,335	61,553[r]	66,427	79,553	74,224
43 **Net purchases, or sales (−), of stocks and bonds**	**−47,864**	**−132,811**	**−60,204**	**−7,505**	**−4,175**	**−6,288**	**−5,295[r]**	**−3,707**	**−270**	**−7,867**
44 **Foreign countries**	**−51,274**	**−132,972**	**−60,016**	**−7,461**	**−4,462**	**−6,281**	**−5,477[r]**	**−3,890**	**257**	**−7,717**
45 Europe	−31,350	−89,390	−7,209	−40	−1,291	4,268	−2,410	−174	−2,931	−4,176
46 Canada	−6,893	−14,997	−8,087	−412	436	−769	−2,041	−600	865	−813
47 Latin America and Caribbean	−4,340	−9,229	−19,192	−6,602	−2,421	−4,997	−1,437[r]	−2,287	5,020	−1,330
48 Asia	−7,923	−15,303	−22,224	−117	−528	−4,309	339[r]	−321	−1,913	−1,227
49 Africa	−13	−185	−260	−31	−4	−45	29	48	−22	−73
50 Other countries	−755	−3,868	−3,044	−259	−654	−429	43	−556	−762	−98
51 **Nonmonetary international and regional organizations**	**3,410**	**161**	**−188**	**−44**	**287**	**−7**	**182**	**183**	**−527**	**−150**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Includes state and local government securities and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions[1]

Millions of dollars; net purchases, or sales (−) during period

Area or country	1992	1993	1994 Jan.–Oct.	1994 Apr.	May	June	July	Aug.r	Sept.r	Oct.p
1 **Total estimated**	**39,288**	**23,401**	**52,925**	**−13,607**	**19,778**	**−5,353**	**1,710r**	**15,160**	**11,088**	**10,516**
2 Foreign countries	37,935	23,175	52,686	−12,879	19,727	−4,901	2,043r	14,744	11,166	9,475
3 Europe	19,625	−2,403	22,414	−5,356	8,772	−2,702	4,891r	8,274	3,922	−1,430
4 Belgium and Luxembourg	1,985	1,218	604	−175	147	−170	−78	529	−15	32
5 Germany	2,076	−9,975	5,020	−465	2,279	143	714	1,795	−243	254
6 Netherlands	−2,959	−515	1,258	187	21	560	120	−15	−68	954
7 Sweden	−804	1,421	522	−154	150	257	100	−158	105	−37
8 Switzerland	488	−1,501	1,251	3	−211	158	−416	−259	441	−718
9 United Kingdom	24,184	6,167	8,733	−3,910	4,955	−5,562	4,820	5,361	3,522	−1,822
10 Other Europe and former U.S.S.R.	−5,345	782	5,026	−842	1,431	1,912	−369r	1,021	180	−93
11 Canada	562	10,309	5,087	−1,662	98	−11	2,937	1,888	1,515	−420
12 Latin America and Caribbean	−3,222	−4,572	−11,539	−6,002	−2,652	−7,080	−7,273	−2,310	−666	6,683
13 Venezuela	539	390	−404	−146	−130	−9	17	−132	19	7
14 Other Latin America and Caribbean	−1,956	−5,806	−18,039	−6,911	−2,708	−6,744	−7,663	3,172	1,487	−446
15 Netherlands Antilles	−1,805	844	6,904	1,055	186	−327	373	−5,350	−2,172	7,122
16 Asia	23,517	20,531	37,646	403	13,286	5,128	2,522	5,987	6,764	4,366
17 Japan	9,817	17,070	22,966	2,976	8,185	5,099	−812	3,681	3,210	2,190
18 Africa	1,103	1,156	193	59	−29	16	5	80	200	135
19 Other	−3,650	−1,846	−1,115	−321	252	−252	−1,039	825	−569	141
20 Nonmonetary international and regional organizations	1,353	226	239	−728	51	−452	−333	416	−78	1,041
21 International	1,018	−279	246	−724	70	−395	−425	317	−65	1,017
22 Latin American regional	533	654	77	21	−111	54	23	−4	−1	9
MEMO										
23 Foreign countries	37,935	23,175	52,686	−12,879	19,727	−4,901	2,043r	14,744	11,166	9,475
24 Official institutions	6,876	1,272	38,202	−640	11,253	2,679	4,897r	9,216	4,688	2,831
25 Other foreign[2]	31,059	21,903	14,484	−12,239	8,474	−7,580	−2,854	5,528	6,478	6,644
Oil-exporting countries										
26 Middle East[2]	4,317	−8,836	−197	144	−342	−495	12	621	3	445
27 Africa[3]	11	−5	1	0	0	0	0	1	0	0

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

Country	Rate on Dec. 31, 1994		Country	Rate on Dec. 31, 1994		Country	Rate on Dec. 31, 1994	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	4.5	May 1994	Germany	4.5	May 1994	Norway	4.75	Feb. 1994
Belgium	4.5	May 1994	Italy	7.5	Aug. 1994	Switzerland	3.5	Apr. 1994
Canada	7.43	Dec. 1994	Japan	1.75	Sept. 1993	United Kingdom	12.0	Sept. 1992
Denmark	5.0	May 1994	Netherlands	4.5	May 1994			
France[2]	5.0	July 1994						

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1992	1993	1994	1994						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 Eurodollars	3.70	3.18	4.63	4.51	4.74	4.80	5.01	5.52	5.78	6.27
2 United Kingdom	9.56	5.88	5.45	5.13	5.15	5.47	5.65	5.83	5.98	6.30
3 Canada	6.76	5.14	5.57	6.50	6.28	5.71	5.61	5.56	5.77	6.75
4 Germany	9.42	7.17	5.25	4.95	4.86	4.89	4.95	5.12	5.10	5.29
5 Switzerland	7.67	4.79	4.03	4.21	4.17	4.21	4.00	4.02	3.86	4.07
6 Netherlands	9.25	6.73	5.09	4.95	4.84	4.88	4.98	5.12	5.15	5.35
7 France	10.14	8.30	5.72	5.44	5.51	5.46	5.50	5.52	5.49	5.82
8 Italy	13.91	10.09	8.45	8.04	8.39	8.88	8.68	8.80	8.72	8.98
9 Belgium	9.31	8.10	5.65	5.33	5.53	5.47	5.34	5.15	5.09	5.42
10 Japan	4.39	2.96	2.24	2.12	2.14	2.28	2.31	2.33	2.33	2.34

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar except as noted

Country/currency unit	1992	1993	1994	1994 July	Aug.	Sept.	Oct.	Nov.	Dec.
1 Australia/dollar[2]	73.521	67.993	73.161	73.409	74.010	74.200	73.787	75.492	77.389
2 Austria/schilling	10.992	11.639	11.409	11.027	11.010	10.904	10.695	10.838	11.063
3 Belgium/franc	32.148	34.581	33.424	32.315	32.248	31.871	31.284	31.694	32.329
4 Canada/dollar	1.2085	1.2902	1.3664	1.3826	1.3783	1.3540	1.3503	1.3647	1.3893
5 China, P.R./yuan	5.5206	5.7795	8.6295	8.6605	8.6072	8.5581	8.5492	8.5370	8.3833
6 Denmark/krone	6.0372	6.4863	6.3561	6.1581	6.1845	6.1038	5.9479	6.0268	6.1614
7 Finland/markka	4.4865	5.7251	5.2340	5.1996	5.1493	4.9689	4.6866	4.7388	4.8590
8 France/franc	5.2935	5.6669	5.5459	5.3702	5.3602	5.2975	5.2025	5.2867	5.4132
9 Germany/deutsche mark	1.5618	1.6545	1.6216	1.5674	1.5646	1.5491	1.5195	1.5396	1.5716
10 Greece/drachma	190.81	229.64	242.50	236.92	237.11	235.98	233.06	237.38	242.96
11 Hong Kong/dollar	7.7402	7.7357	7.7290	7.7265	7.7272	7.7275	7.7276	7.7306	7.7379
12 India/rupee	28.156	31.291	31.394	31.376	31.373	31.372	31.373	31.394	31.389
13 Ireland/pound[2]	170.42	146.47	149.69	152.79	152.22	154.61	158.64	156.39	153.36
14 Italy/lira	1,232.17	1,573.41	1,611.49	1,562.31	1,582.15	1,565.79	1,548.29	1,583.81	1,633.71
15 Japan/yen	126.78	111.08	102.18	98.44	99.94	98.77	98.35	98.04	100.18
16 Malaysia/ringgit	2.5463	2.5738	2.6237	2.5948	2.5633	2.5575	2.5589	2.5604	2.5626
17 Netherlands/guilder	1.7587	1.8585	1.8190	1.7585	1.7570	1.7372	1.7028	1.7261	1.7601
18 New Zealand/dollar[2]	53.792	54.127	59.358	60.063	60.119	60.297	60.898	62.093	63.726
19 Norway/krone	6.2142	7.0979	7.0553	6.8560	6.8644	6.7961	6.6166	6.7297	6.8561
20 Portugal/escudo	135.07	161.08	165.93	160.98	159.80	157.91	155.26	157.27	161.21
21 Singapore/dollar	1.6294	1.6158	1.5275	1.5137	1.5045	1.4885	1.4761	1.4682	1.4657
22 South Africa/rand	2.8524	3.2729	3.5534	3.6705	3.5968	3.5570	3.5420	3.5256	3.5703
23 South Korea/won	784.66	805.75	806.93	808.39	806.83	803.69	801.98	799.46	794.81
24 Spain/peseta	102.38	127.48	133.86	129.31	129.90	128.41	126.34	128.34	132.31
25 Sri Lanka/rupee	44.013	48.211	49.170	49.010	49.241	49.260	49.112	49.163	49.531
26 Sweden/krona	5.8258	7.7956	7.7161	7.7471	7.7420	7.5227	7.2631	7.3637	7.5161
27 Switzerland/franc	1.4064	1.4781	1.3667	1.3239	1.3184	1.2892	1.2648	1.2956	1.3289
28 Taiwan/dollar	25.160	26.416	26.457	26.658	26.419	26.210	26.132	26.188	26.286
29 Thailand/baht	25.411	25.333	25.161	24.977	25.021	24.968	25.001[r]	24.992	25.109
30 United Kingdom/pound[2]	176.63	150.16	153.19	154.67	154.22	156.61	160.64	158.92	155.87
MEMO									
31 United States/dollar[3]	86.61	93.18	91.32	89.06	89.26	88.08	86.66	87.71	89.64

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.
2. Value in U.S. cents.
3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

Guide to Statistical Releases and Special Tables

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin *Reference*

SPECIAL TABLES—Quarterly Data Published Irregularly, with Latest Bulletin *Reference*

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, November 7–11, 1994[1]

Commercial and Industrial Loans

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)		Loans secured by collateral (percent)	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[5]
			Days	Weighted average effective[3]	Standard error[4]				
ALL BANKS									
1 Overnight[6]	10,570,154	7,276	*	5.31	.25	6.9	61.7	2.5	Other
2 One month or less (excluding overnight)	7,150,915	1,445	16	5.77	.16	16.7	75.7	9.1	Foreign
3 Fixed rate	5,707,387	2,095	15	5.68	.21	14.6	71.9	7.8	Foreign
4 Floating rate	1,443,529	649	20	6.13	.24	24.9	90.5	14.5	Domestic
5 More than one month and less than one year	9,622,138	222	144	7.02	.13	38.4	71.2	8.1	Prime
6 Fixed rate	4,025,487	209	128	6.55	.16	26.1	69.0	10.4	Other
7 Floating rate	5,596,651	233	156	7.36	.19	47.2	72.7	6.3	Prime
8 Demand[7]	12,365,873	273	*	7.11	.17	59.4	65.6	6.0	Prime
9 Fixed rate	3,107,446	683	*	5.73	.23	20.8	67.0	9.0	Other
10 Floating rate	9,258,426	227	*	7.57	.18	72.4	65.1	4.9	Prime
11 **Total short-term**	**39,709,080**	**418**	**56**	**6.37**	**.14**	**32.7**	**67.7**	**6.1**	**Other**
12 Fixed rate (thousands of dollars)	23,316,087	835	31	5.67	.16	14.0	66.0	5.9	Other
13 1–99	320,092	14	151	7.76	.25	89.1	43.4	.5	Other
14 100–499	361,690	209	178	7.80	.12	74.4	70.8	8.9	Other
15 500–999	360,723	683	67	6.64	.15	49.3	79.3	7.5	Other
16 1,000–4,999	3,520,303	2,237	49	6.15	.14	26.3	75.0	8.7	Other
17 5,000–9,999	4,153,165	6,667	32	5.68	.11	13.1	69.0	7.8	Other
18 10,000 or more	14,600,113	19,924	20	5.43	.05	7.2	63.1	4.7	Other
19 Floating rate (thousands of dollars)	16,392,994	244	126	7.36	.19	59.2	70.1	6.5	Prime
20 1–99	1,302,110	26	173	9.11	.03	81.8	85.7	1.8	Prime
21 100–499	2,618,985	201	181	8.60	.05	76.9	88.9	6.0	Prime
22 500–999	1,332,116	674	178	8.31	.10	74.3	89.9	6.9	Prime
23 1,000–4,999	3,683,462	2,031	151	7.85	.16	59.1	81.6	10.5	Prime
24 5,000–9,999	1,747,468	6,723	139	6.92	.32	55.6	75.7	5.1	Prime
25 10,000 or more	5,708,852	26,385	75	5.98	.27	43.6	44.3	5.4	Fed funds
			Months						
26 **Total long-term**	**5,098,070**	**241**	**43**	**7.53**	**.17**	**66.7**	**79.5**	**9.4**	**Prime**
27 Fixed rate (thousands of dollars)	1,141,140	118	45	7.30	.29	55.8	61.4	1.3	Other
28 1–99	155,707	18	52	9.42	.19	93.2	26.7	.3	Other
29 100–499	139,428	176	61	8.70	.20	89.3	38.7	3.7	Other
30 500–999	39,804	743	47	6.97	.51	45.2	93.1	11.1	Foreign
31 1,000 or more	806,200	3,938	40	6.66	.08	43.3	70.4	.5	Other
32 Floating rate (thousands of dollars)	3,956,930	345	43	7.59	.16	69.8	84.7	11.8	Prime
33 1–99	187,669	25	43	9.21	.10	84.6	60.3	2.6	Prime
34 100–499	543,322	219	40	8.42	.12	80.5	84.3	9.0	Prime
35 500–999	355,859	671	33	8.15	.06	69.7	85.9	10.0	Prime
36 1,000 or more	2,870,081	3,537	44	7.26	.34	66.9	86.2	13.1	Prime
			Days	Loan rate (percent)					Prime rate[9]
				Effective[3]	Nominal[8]				
LOANS MADE BELOW PRIME[10]									
37 Overnight[6]	10,411,094	9,326	*	5.27	5.24	5.9	61.2	2.5	7.75
38 One month or less (excluding overnight)	6,701,987	3,541	15	5.59	5.56	12.9	75.2	9.1	7.76
39 More than one month and less than one year	6,277,265	868	123	6.18	6.10	18.2	69.8	8.9	7.86
40 Demand[7]	6,574,511	2,350	*	5.67	5.60	44.1	44.6	6.0	7.77
41 **Total short-term**	**29,964,858**	**2,298**	**38**	**5.62**	**5.57**	**18.4**	**62.5**	**6.1**	**7.78**
42 Fixed rate	21,980,678	2,559	26	5.51	5.48	10.0	65.5	5.6	7.77
43 Floating rate	7,984,180	1,794	93	5.90	5.82	41.5	54.2	7.4	7.81
			Months						
44 **Total long-term**	**2,436,248**	**696**	**43**	**6.29**	**6.20**	**52.3**	**81.1**	**10.0**	**7.86**
45 Fixed rate	678,560	296	39	6.11	6.06	33.6	68.2	1.7	7.98
46 Floating rate	1,757,688	1,452	45	6.36	6.26	59.5	86.0	13.2	7.82

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, November 7–11, 1994—Continued

Commercial and industrial loans—Continued

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)		Loans secured by collateral (percent)	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[5]
			Days	Weighted average effective[3]	Standard error[4]				
LARGE BANKS									
1 Overnight[6]	8,310,689	8,686	*	5.32	.20	6.9	59.6	3.2	Other
2 One month or less (excluding overnight)	4,907,688	3,531	17	5.76	.14	15.3	76.0	10.9	Other
3 Fixed rate	3,726,359	4,627	16	5.72	.11	14.4	70.3	8.8	Other
4 Floating rate	1,181,329	2,021	20	5.89	.24	18.3	94.0	17.4	Domestic
5 More than one month and less than one year	4,680,361	959	139	6.86	.12	33.0	87.8	8.2	Foreign
6 Fixed rate	1,992,411	2,849	113	6.54	.16	23.5	82.5	10.8	Foreign
7 Floating rate	2,687,950	643	159	7.09	.17	40.0	91.7	6.3	Prime
8 Demand[7]	7,254,436	481	*	6.59	.16	55.6	56.1	5.8	Fed funds
9 Fixed rate	2,233,979	2,662	*	5.58	.21	13.9	63.0	5.5	Other
10 Floating rate	5,020,457	353	*	7.04	.18	74.1	53.0	5.9	Prime
11 **Total short-term**	**25,153,174**	**1,128**	**42**	**6.06**	**.14**	**27.4**	**67.0**	**6.4**	**Other**
12 Fixed rate (thousands of dollars)	16,204,112	4,922	21	5.60	.13	11.6	65.2	5.5	Other
13 1–99	14,442	31	120	7.41	.23	71.9	65.0	.5	Other
14 100–499	107,938	244	56	6.78	.16	50.2	76.2	2.4	Other
15 500–999	211,868	695	56	6.61	.19	49.9	85.0	5.6	Domestic
16 1,000–4,999	2,458,833	2,223	38	6.17	.14	24.6	73.0	5.1	Other
17 5,000–9,999	2,971,850	6,972	21	5.65	.07	13.4	63.9	6.0	Other
18 10,000 or more	10,439,180	19,397	17	5.42	.05	6.8	63.2	5.5	Other
19 Floating rate (thousands of dollars)	8,949,062	471	115	6.89	.19	56.0	70.4	7.9	Prime
20 1–99	389,746	35	170	8.87	.07	81.5	90.9	.9	Prime
21 100–499	1,170,265	205	166	8.51	.06	76.6	90.9	5.4	Prime
22 500–999	641,669	671	159	8.16	.06	70.2	91.5	8.3	Prime
23 1,000–4,999	1,677,956	2,034	139	7.46	.13	44.3	89.4	12.3	Prime
24 5,000–9,999	886,054	6,458	124	6.40	.29	41.5	74.1	8.3	Foreign
25 10,000 or more	4,183,372	26,311	86	5.94	.27	53.5	51.0	7.4	Fed funds
			Months						
26 **Total long-term**	**3,003,771**	**742**	**43**	**7.31**	**.15**	**63.1**	**87.1**	**12.7**	**Prime**
27 Fixed rate (thousands of dollars)	381,798	798	40	6.61	.28	39.3	78.3	.7	Foreign
28 1–99	6,532	30	44	9.21	.33	82.1	47.1	.0	Other
29 100–499	34,924	260	51	7.82	.28	70.4	84.1	.0	Other
30 500–999	24,062	748	49	6.94	.49	39.0	93.5	3.7	Foreign
31 1,000 or more	316,279	3,412	38	6.40	.36	35.0	77.1	.5	Foreign
32 Floating rate (thousands of dollars)	2,621,974	735	43	7.41	.13	66.6	88.3	14.5	Prime
33 1–99	45,766	32	29	8.60	.09	89.9	88.1	4.9	Prime
34 100–499	309,838	239	34	8.40	.08	77.2	89.8	7.2	Prime
35 500–999	242,825	666	33	8.15	.06	66.8	85.3	9.9	Prime
36 1,000 or more	2,023,545	4,230	47	7.14	.33	64.4	88.5	16.4	Prime
			Days	Loan rate (percent)					Prime rate[9]
				Effective[3]	Nominal[8]				
LOANS MADE BELOW PRIME[10]									
37 Overnight[6]	8,155,951	9,941	*	5.27	5.25	5.5	58.8	3.2	7.75
38 One month or less (excluding overnight)	4,682,199	4,878	17	5.64	5.61	12.9	75.6	11.0	7.76
39 More than one month and less than one year	3,370,707	3,047	132	6.18	6.12	22.5	87.8	7.9	7.81
40 Demand[7]	4,772,355	3,888	*	5.58	5.49	48.7	36.4	4.6	7.76
41 **Total short-term**	**20,981,212**	**5,100**	**33**	**5.57**	**5.52**	**19.7**	**62.1**	**6.0**	**7.77**
42 Fixed rate	15,522,787	5,755	20	5.49	5.46	9.2	64.1	5.2	7.76
43 Floating rate	5,458,426	3,853	97	5.80	5.71	49.6	56.5	8.5	7.79
			Months						
44 **Total long-term**	**1,566,468**	**2,636**	**47**	**6.25**	**6.14**	**53.3**	**85.8**	**13.4**	**7.87**
45 Fixed rate	298,447	1,688	41	6.06	5.98	27.0	75.5	.3	8.05
46 Floating rate	1,268,022	3,038	49	6.30	6.18	59.4	88.2	16.5	7.82

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, November 7–11, 1994[1]—Continued

Commercial and industrial loans—Continued

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)		Loans secured by collateral (percent)	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[5]
			Days	Weighted average effective[3]	Standard error[4]				
OTHER BANKS									
1 Overnight[6]	2,259,465	4,556	*	5.28	.30	7.2	69.6	.1	Fed funds
2 One month or less (excluding overnight)	2,243,227	630	14	5.78	.20	19.6	75.1	5.3	Foreign
3 Fixed rate	1,981,028	1,032	13	5.60	.25	15.0	75.1	5.8	Foreign
4 Floating rate	262,199	160	21	7.19	.28	54.5	74.7	1.5	Prime
5 More than one month and less than one year	4,941,777	129	149	7.17	.16	43.5	55.5	7.9	Prime
6 Fixed rate	2,033,076	110	143	6.55	.20	28.7	55.8	10.1	Other
7 Floating rate	2,908,701	146	153	7.60	.23	53.9	55.2	6.4	Prime
8 Demand[7]	5,111,437	169	*	7.84	.19	64.9	79.0	6.2	Prime
9 Fixed rate	873,467	235	*	6.12	.29	38.4	77.0	18.0	Other
10 Floating rate	4,237,969	160	*	8.20	.19	70.4	79.4	3.7	Prime
11 **Total short-term**	**14,555,906**	**200**	**82**	**6.90**	**.16**	**41.7**	**68.9**	**5.7**	**Prime**
12 Fixed rate (thousands of dollars)	7,111,974	289	51	5.83	.19	19.3	68.0	6.7	Foreign
13 1–99	305,649	14	151	7.78	.26	89.9	42.4	.5	Other
14 100–499	253,752	197	225	8.23	.08	84.7	68.5	11.7	Prime
15 500–999	148,856	667	83	6.68	.31	48.3	71.3	10.1	Other
16 1,000–4,999	1,061,470	2,270	71	6.11	.17	30.3	79.6	17.1	Fed funds
17 5,000–9,999	1,181,315	6,006	56	5.77	.21	12.5	81.9	12.3	Other
18 10,000 or more	4,160,933	21,383	29	5.46	.09	8.3	62.7	2.5	Foreign
19 Floating rate (thousands of dollars)	7,443,932	155	141	7.92	.21	63.1	69.9	4.7	Prime
20 1–99	912,364	24	174	9.21	.05	82.0	83.5	2.2	Prime
21 100–499	1,448,719	197	189	8.67	.08	77.1	87.3	6.4	Prime
22 500–999	690,448	677	196	8.46	.16	78.1	88.4	5.6	Prime
23 1,000–4,999	2,005,506	2,029	162	8.18	.22	71.6	75.1	9.0	Prime
24 5,000–9,999	861,414	7,020	192	7.46	.40	70.0	77.3	1.8	Prime
25 10,000 or more	1,525,481	26,590	49	6.09	.60	16.5	25.7	.0	Foreign
			Months						
26 **Total long-term**	**2,094,299**	**123**	**43**	**7.84**	**.19**	**71.9**	**68.6**	**4.6**	**Prime**
27 Fixed rate (thousands of dollars)	759,342	83	47	7.64	.33	64.1	52.9	1.6	Other
28 1–99	149,176	18	53	9.43	.20	93.7	25.8	.3	Other
29 100–499	104,504	159	65	9.00	.11	95.6	23.6	5.0	Other
30 500–999	15,742	735	43	7.01	.91	54.8	92.4	22.3	Prime
31 1,000 or more	489,921	4,372	41	6.82	.42	48.6	66.1	.5	Prime
32 Floating rate (thousands of dollars)	1,334,957	169	41	7.95	.16	76.3	77.5	6.4	Prime
33 1–99	141,903	23	47	9.40	.10	82.9	51.3	1.8	Prime
34 100–499	233,485	197	48	8.46	.21	84.9	77.1	11.4	Prime
35 500–999	113,034	681	34	8.17	.18	75.8	87.2	10.1	Prime
36 1,000 or more	846,535	2,541	39	7.54	.36	72.9	80.7	5.3	Prime
			Days	Loan rate (percent)					Prime rate[9]
				Effective[3]	Nominal[8]				
LOANS MADE BELOW PRIME[10]									
37 Overnight[6]	2,255,143	7,622	*	5.27	5.20	7.1	69.6	.1	7.75
38 One month or less (excluding overnight)	2,019,788	2,165	13	5.47	5.43	13.0	74.4	4.8	7.76
39 More than one month and less than one year	2,906,558	474	114	6.17	6.08	13.2	48.9	10.0	7.91
40 Demand[7]	1,802,156	1,148	*	5.90	5.89	31.9	66.1	9.9	7.77
41 **Total short-term**	**8,983,645**	**1,006**	**50**	**5.73**	**5.67**	**15.4**	**63.3**	**6.3**	**7.81**
42 Fixed rate	6,457,891	1,096	41	5.58	5.52	12.1	68.8	6.7	7.79
43 Floating rate	2,525,754	832	85	6.13	6.06	23.8	49.3	5.3	7.86
			Months						
44 **Total long-term**	**869,779**	**299**	**36**	**6.36**	**6.32**	**50.6**	**72.6**	**3.9**	**7.85**
45 Fixed rate	380,113	180	37	6.16	6.12	38.7	62.6	2.7	7.93
46 Floating rate	489,667	617	35	6.52	6.47	59.8	80.4	4.7	7.79

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, November 7–11, 1994—Continued

NOTES

1. The survey of terms of bank lending to business collects data on gross loan extensions made during the first full business week in the mid-month of each quarter by a sample of 340 commercial banks of all sizes. A sample of 250 banks reports loans to farmers. The sample data are blown up to estimate the lending terms at all insured commercial banks during that week. The estimated terms of bank lending are not intended for use in collecting the terms of loans extended over the entire quarter or residing in the portfolios of those banks. Construction and land development loans include both unsecure loans and loans secured by real estate. Thus, some of the construction and land development loans would be reported on the statement of condition as real estate loans and the remainder as business loans. Mortgage loans, purchased loans, foreign loans, and loans of less that $1,000 are excluded from the survey. As of September 30, assets of most of the large banks were at least $7.0 billion. For all insured banks, total assets averaged $275 million.

2. Average maturities are weighted by loan size; excludes demand loans.

3. Effective (compounded) annual interest rate calculated from the stated rate and other terms of the loans and weighted by loan size.

4. The chances are about two out of three that the average rate shown would differ by less than the amount of the standard error from the average rate that would be found by a complete survey of lending at all banks.

5. The rate used to price the largest dollar volume of loans. Base pricing rates include the *prime rate* (sometimes referred to as a bank's "basic" or "reference" rate); the *federal funds* rate; *domestic* money market rates other than the *federal funds* rate; *foreign* money market rates; and *other* base rates not included in the foregoing classifications.

6. Overnight loans mature on the following business day.

7. Demand loans have no stated date of maturity.

8. Nominal (not compounded) annual interest rate calculated from the stated rate and other terms of the loans and weighted by loan size.

9. Calculated by weighting the prime rate reported by each bank by the volume of loans reported by that bank, summing the results, and then averaging over all reporting banks.

10. The proportion of loans made at rates below the prime may vary substantially from the proportion of such loans outstanding in banks' portfolios.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, September 30, 1994[1]

Millions of dollars, except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
1 **Total assets**[4]	**718,261**	**318,573**	**549,602**	**258,360**	**71,415**	**32,475**	**60,715**	**20,379**
2 Claims on nonrelated parties	640,124	190,135	487,697	157,666	65,250	15,068	58,304	12,960
3 Cash and balances due from depository institutions	150,011	127,348	130,270	109,704	6,836	6,000	11,733	11,066
4 Cash items in process of collection and unposted debits	2,466	0	2,309	0	8	0	104	0
5 Currency and coin (U.S. and foreign)	23	n.a.	16	n.a.	2	n.a.	1	n.a.
6 Balances with depository institutions in United States	92,733	74,103	79,885	62,943	4,852	4,056	7,275	6,790
7 U.S. branches and agencies of other foreign banks (including IBFs)	87,653	71,094	76,212	60,886	4,616	4,016	6,277	5,878
8 Other depository institutions in United States (including IBFs)	5,079	3,009	3,673	2,057	236	40	998	912
9 Balances with banks in foreign countries and with foreign central banks	54,263	53,245	47,613	46,762	1,950	1,945	4,343	4,275
10 Foreign branches of U.S. banks	1,552	1,478	1,366	1,294	42	42	136	136
11 Other banks in foreign countries and foreign central banks	52,712	51,767	46,247	45,467	1,908	1,903	4,207	4,140
12 Balances with Federal Reserve Banks	526	n.a.	447	n.a.	24	n.a.	9	n.a.
13 **Total securities and loans**	**370,265**	**52,065**	**254,891**	**38,365**	**52,928**	**8,284**	**36,229**	**1,614**
14 Total securities, book value	88,203	12,540	80,256	11,352	4,677	690	2,591	478
15 U.S. Treasury	27,433	n.a.	25,736	n.a.	1,145	n.a.	452	n.a.
16 Obligations of U.S. government agencies and corporations	20,880	n.a.	20,337	n.a.	324	n.a.	36	n.a.
17 Other bonds, notes, debentures, and corporate stock (including state and local securities)	39,891	12,540	34,184	11,352	3,208	690	2,103	478
18 Federal funds sold and securities purchased under agreements to resell	48,669	5,476	44,896	5,088	785	289	2,598	85
19 U.S. branches and agencies of other foreign banks	11,685	3,628	10,456	3,386	470	150	573	85
20 Commercial banks in United States	12,605	319	12,057	299	160	20	198	0
21 Other	24,379	1,529	22,383	1,403	156	119	1,826	0
22 Total loans, gross	282,183	39,534	174,708	27,017	48,276	7,597	33,646	1,136
23 LESS: Unearned income on loans	120	8	74	4	25	2	8	0
24 EQUALS: Loans, net	282,062	39,525	174,634	27,013	48,251	7,594	33,638	1,136
Total loans, gross, by category								
25 Real estate loans	40,860	275	23,036	94	12,215	180	3,486	0
26 Loans to depository institutions	37,704	25,148	24,909	16,239	7,614	5,751	1,762	740
27 Commercial banks in United States (including IBFs)	17,175	9,650	9,714	5,033	5,675	3,966	1,491	502
28 U.S. branches and agencies of other foreign banks	15,063	9,096	8,473	4,625	5,503	3,846	870	502
29 Other commercial banks in United States	2,112	554	1,241	407	171	120	621	0
30 Other depository institutions in United States (including IBFs)	0	0	0	0	0	0	0	0
31 Banks in foreign countries	20,529	15,499	15,195	11,207	1,939	1,785	271	238
32 Foreign branches of U.S. banks	472	412	313	259	148	148	0	0
33 Other banks in foreign countries	20,057	15,087	14,882	10,948	1,791	1,637	271	238
34 Loans to other financial institutions	22,839	816	18,783	726	1,411	27	2,132	23
35 Commercial and industrial loans	163,657	10,431	94,565	7,350	26,270	1,556	24,177	353
36 U.S. addressees (domicile)	144,257	44	80,909	32	23,716	2	23,428	0
37 Non-U.S. addressees (domicile)	19,400	10,387	13,656	7,317	2,554	1,554	748	353
38 Acceptances of other banks	962	88	696	83	89	0	59	0
39 U.S. banks	395	0	360	0	16	0	2	0
40 Foreign banks	568	88	335	83	73	0	57	0
41 Loans to foreign governments and official institutions (including foreign central banks)	3,774	2,526	3,026	2,307	196	83	110	20
42 Loans for purchasing or carrying securities (secured and unsecured)	6,147	50	5,732	50	186	0	141	0
43 All other loans	5,049	159	2,774	129	295	0	1,776	0
44 Assets held in trading accounts	12,380	88	10,235	48	113	40	2,030	0
45 All other assets	58,799	5,157	47,405	4,460	4,588	455	5,714	196
46 Customers' liabilities on acceptances outstanding	13,393	n.a.	9,099	n.a.	2,958	n.a.	672	n.a.
47 U.S. addressees (domicile)	10,318	n.a.	6,547	n.a.	2,759	n.a.	645	n.a.
48 Non-U.S. addressees (domicile)	3,074	n.a.	2,552	n.a.	198	n.a.	28	n.a.
49 Other assets including other claims on nonrelated parties	45,406	5,157	38,306	4,460	1,630	455	5,041	196
50 Net due from related depository institutions[5]	78,137	128,438	61,905	100,695	6,165	17,407	2,412	7,419
51 Net due from head office and other related depository institutions[5]	78,137	n.a.	61,905	n.a.	6,165	n.a.	2,412	n.a.
52 Net due from establishing entity, head offices, and other related depository institutions[5]	n.a.	**128,438**	n.a.	**100,695**	n.a.	**17,407**	n.a.	**7,419**
53 **Total liabilities**[4]	718,261	318,573	549,602	258,360	71,415	32,475	60,715	20,379
54 Liabilities to nonrelated parties	604,004	300,024	494,043	244,947	54,476	32,098	38,153	17,266

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, September 30, 1994[1]—Continued

Millions of dollars, except as noted

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs[3]	IBFs only[3]	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only
55 Total deposits and credit balances	151,021	230,743	129,145	210,306	4,906	5,492	7,835	10,307
56 Individuals, partnerships, and corporations	102,597	13,087	84,771	9,086	4,230	501	6,061	78
57 U.S. addressees (domicile)	88,838	287	76,951	287	2,456	0	5,204	0
58 Non-U.S. addressees (domicile)	13,758	12,800	7,820	8,799	1,774	501	858	78
59 Commercial banks in United States (including IBFs)	25,951	69,777	23,263	65,125	372	1,959	1,583	2,424
60 U.S. branches and agencies of other foreign banks	14,000	63,934	12,949	60,026	69	1,724	318	1,959
61 Other commercial banks in United States	11,950	5,842	10,314	5,099	303	236	1,266	466
62 Banks in foreign countries	9,119	125,776	8,845	117,069	50	2,380	48	5,644
63 Foreign branches of U.S. banks	3,789	3,957	3,762	3,249	0	115	26	578
64 Other banks in foreign countries	5,330	121,819	5,083	113,820	49	2,265	22	5,066
65 Foreign governments and official institutions (including foreign central banks)	5,650	21,889	5,297	18,926	228	652	3	2,045
66 All other deposits and credit balances	7,334	214	6,648	99	6	0	131	115
67 Certified and official checks	370		322		21		7	
68 Transaction accounts and credit balances (excluding IBFs)	8,537		6,918		378		353	
69 Individuals, partnerships, and corporations	6,623		5,334		264		340	
70 U.S. addressees (domicile)	4,811		4,161		202		336	
71 Non-U.S. addressees (domicile)	1,812		1,173		62		4	
72 Commercial banks in United States (including IBFs)	56		50		2		0	
73 U.S. branches and agencies of other foreign banks	22		19		0		0	
74 Other commercial banks in United States	34		31		2		0	
75 Banks in foreign countries	935		758		41		2	
76 Foreign branches of U.S. banks	1		1		0		0	
77 Other banks in foreign countries	934		757		40		2	
78 Foreign governments and official institutions (including foreign central banks)	437		351		44		3	
79 All other deposits and credit balances	116		104		6		1	
80 Certified and official checks	370		322		21		7	
81 Demand deposits (included in transaction accounts and credit balances)	7,972		6,695		269		341	
82 Individuals, partnerships, and corporations	6,210		5,202		201		328	
83 U.S. addressees (domicile)	4,644		4,092		158		324	
84 Non-U.S. addressees (domicile)	1,567		1,110		43		4	
85 Commercial banks in United States (including IBFs)	38		33		0		0	
86 U.S. branches and agencies of other foreign banks	11	n.a.	9	n.a.	0	n.a.	0	n.a.
87 Other commercial banks in United States	27		24		0		0	
88 Banks in foreign countries	900		727		40		2	
89 Foreign branches of U.S. banks	1		1		0		0	
90 Other banks in foreign countries	900		727		40		2	
91 Foreign governments and official institutions (including foreign central banks)	384		347		4		3	
92 All other deposits and credit balances	70		63		1		1	
93 Certified and official checks	370		322		21		7	
94 Nontransaction accounts (including MMDAs, excluding IBFs)	142,484		122,227		4,528		7,481	
95 Individuals, partnerships, and corporations	95,974		79,437		3,966		5,721	
96 U.S. addressees (domicile)	84,027		72,790		2,254		4,867	
97 Non-U.S. addressees (domicile)	11,947		6,647		1,711		854	
98 Commercial banks in United States (including IBFs)	25,895		23,213		370		1,583	
99 U.S. branches and agencies of other foreign banks	13,979		12,930		69		318	
100 Other commercial banks in United States	11,916		10,284		301		1,266	
101 Banks in foreign countries	8,184		8,087		9		46	
102 Foreign branches of U.S. banks	3,788		3,761		0		26	
103 Other banks in foreign countries	4,396		4,325		9		20	
104 Foreign governments and official institutions (including foreign central banks)	5,213		4,946		184		0	
105 All other deposits and credit balances	7,218		6,544		0		131	
106 IBF deposit liabilities		230,743		210,306		5,492		10,307
107 Individuals, partnerships, and corporations		13,087		9,086		501		78
108 U.S. addressees (domicile)		287		287		0		0
109 Non-U.S. addressees (domicile)		12,800		8,799		501		78
110 Commercial banks in United States (including IBFs)		69,777		65,125		1,959		2,424
111 U.S. branches and agencies of other foreign banks	n.a.	63,934	n.a.	60,026	n.a.	1,724	n.a.	1,959
112 Other commercial banks in United States		5,842		5,099		236		466
113 Banks in foreign countries		125,776		117,069		2,380		5,644
114 Foreign branches of U.S. banks		3,957		3,249		115		578
115 Other banks in foreign countries		121,819		113,820		2,265		5,066
116 Foreign governments and official institutions (including foreign central banks)		21,889		18,926		652		2,045
117 All other deposits and credit balances		214		99		0		115

Footnotes appear at end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, September 30, 1994[1]—Continued

Millions of dollars, except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
118 Federal funds purchased and securities sold under agreements to repurchase	61,580	14,799	49,575	9,294	5,940	2,861	5,729	2,570
119 U.S. branches and agencies of other foreign banks	11,963	3,687	7,750	1,673	2,503	1,366	1,637	645
120 Other commercial banks in United States	6,420	522	3,860	155	1,951	301	511	67
121 Other	43,197	10,590	37,965	7,467	1,487	1,195	3,581	1,858
122 Other borrowed money	107,392	49,766	62,009	21,269	33,973	23,276	9,133	4,255
123 Owed to nonrelated commercial banks in United States (including IBFs)	36,822	19,563	15,287	5,064	17,725	12,832	2,564	1,286
124 Owed to U.S. offices of nonrelated U.S. banks	9,124	1,748	5,285	576	2,799	987	698	166
125 Owed to U.S. branches and agencies of nonrelated foreign banks	27,697	17,815	10,002	4,488	14,927	11,845	1,867	1,120
126 Owed to nonrelated banks in foreign countries	30,794	28,763	16,866	15,030	10,396	10,264	2,892	2,885
127 Owed to foreign branches of nonrelated U.S. banks	866	811	372	332	406	406	65	65
128 Owed to foreign offices of nonrelated foreign banks	29,929	27,952	16,494	14,698	9,990	9,859	2,827	2,820
129 Owed to others	39,776	1,440	29,856	1,174	5,852	181	3,677	83
130 All other liabilities	53,268	4,715	43,009	4,078	4,164	469	5,150	135
131 Branch or agency liability on acceptances executed and outstanding	14,111	n.a.	9,743	n.a.	2,983	n.a.	684	n.a.
132 Other liabilities to nonrelated parties	39,156	4,715	33,265	4,078	1,181	469	4,466	135
133 Net due to related depository institutions[5]	114,257	18,550	55,558	13,414	16,939	377	22,563	3,113
134 Net owed to head office and other related depository institutions[5]	114,257	n.a.	55,558	n.a.	16,939	n.a.	22,563	n.a.
135 Net owed to establishing entity, head office, and other related depository institutions[5]	n.a.	18,550	n.a.	13,414	n.a.	377	n.a.	3,113
MEMO								
136 Non-interest-bearing balances with commercial banks in United States	1,111	0	861	0	98	0	51	0
137 *Holding of commercial paper included in total loans*	953		901		22		11	
138 Holding of own acceptances included in commercial and industrial loans	3,560		2,662		702		67	
139 Commercial and industrial loans with remaining maturity of one year or less	96,911		55,217		15,576		15,225	
140 Predetermined interest rates	55,449	n.a.	31,713	n.a.	9,135	n.a.	10,392	n.a.
141 Floating interest rates	41,462		23,503		6,441		4,833	
142 Commercial and industrial loans with remaining maturity of more than one year	66,746		39,348		10,695		8,952	
143 Predetermined interest rates	19,745		11,056		3,937		3,390	
144 Floating interest rates	47,002		28,292		6,758		5,561	

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, September 30, 1994[1]—Continued

Millions of dollars, except as noted

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs[3]	IBFs only[3]	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only
145 Components of total nontransaction accounts, included in total deposits and credit balances of nontransaction accounts, including IBFs	146,294	n.a.	126,467	n.a.	5,150	n.a.	7,649	n.a.
146 Time CDs in denominations of $100,000 or more	110,522	n.a.	95,225	n.a.	2,944	n.a.	6,060	n.a.
147 Other time deposits in denominations of $100,000 or more	26,734	n.a. n.a.	23,740	n.a. n.a.	1,186	n.a. n.a.	1,165	n.a. n.a.
148 Time CDs in denominations of $100,000 or more with remaining maturity of more than 12 months	9,037	n.a.	7,502	n.a.	1,019	n.a.	424	n.a.
	All states[2]		**New York**		**California**		**Illinois**	
	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
149 Market value of securities held	0	0	0	0	0	0	0	0
150 Immediately available funds with a maturity greater than one day included in other borrowed money	64,464	n.a.	32,363	n.a.	27,211	n.a.	3,497	n.a.
151 Number of reports filed[6]	544	0	257	0	124	0	47	0

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks." The form was first used for reporting data as of June 30, 1980, and was revised as of December 31, 1985. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items. IBF, international banking facility.

2. Includes the District of Columbia.

3. Effective December 1981, the Federal Reserve Board amended Regulations D and Q to permit banking offices located in the United States to operate international banking facilities (IBFs). Since December 31, 1985, data for IBFs have been reported in a separate column. These data are either included in or excluded from the total columns as indicated in the headings. The notation "n.a." indicates that no IBF data have been reported for that item, either because the item is not an eligible IBF asset or liability or because that level of detail is not reported for IBFs. From December 1981 through September 1985, IBF data were included in all applicable items reported.

4. Total assets and total liabilities include *net* balances, if any, due from or owed to related banking institutions in the United States and in foreign countries (see note 5). On the former monthly branch and agency report, available through the G.11 statistical release, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.

5. Related depository institutions includes the foreign head office and other U.S. and foreign branches and agencies of a bank, a bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly).

6. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

Index to Statistical Tables

References are to pages A3–A75 although the prefix "A" is omitted in this index

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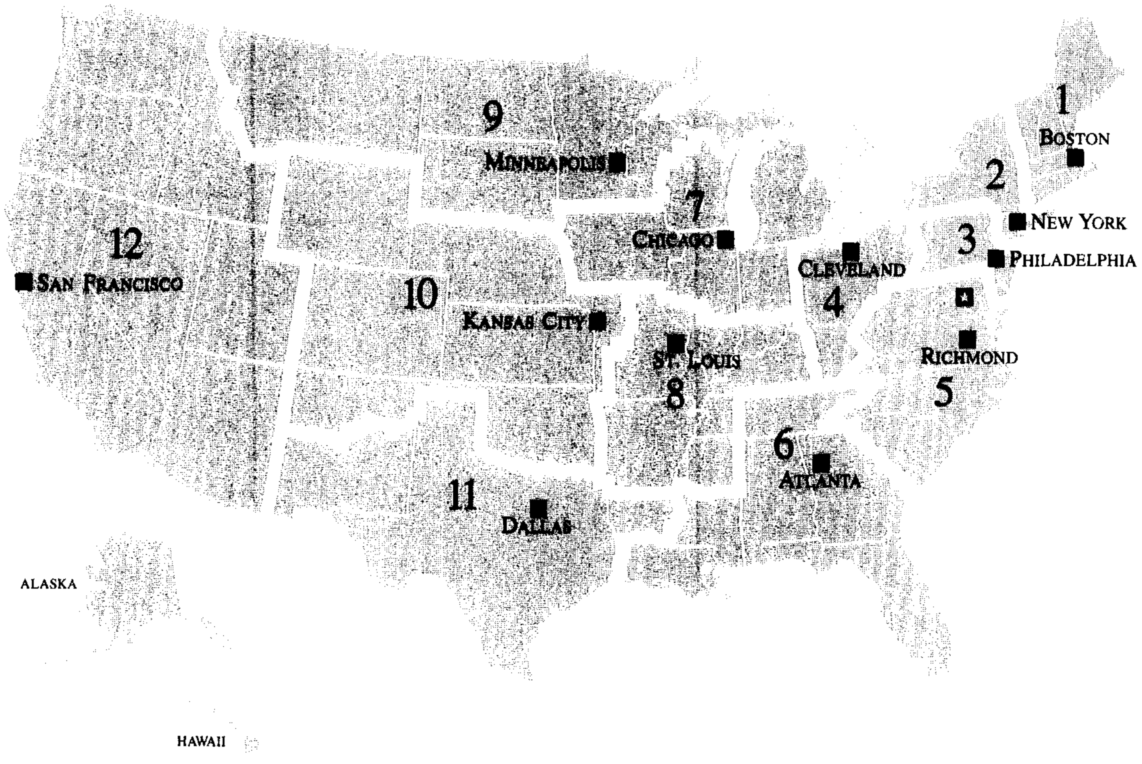


LEGEND

Both pages

■ Federal Reserve Bank city

◘ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

• Federal Reserve Branch city

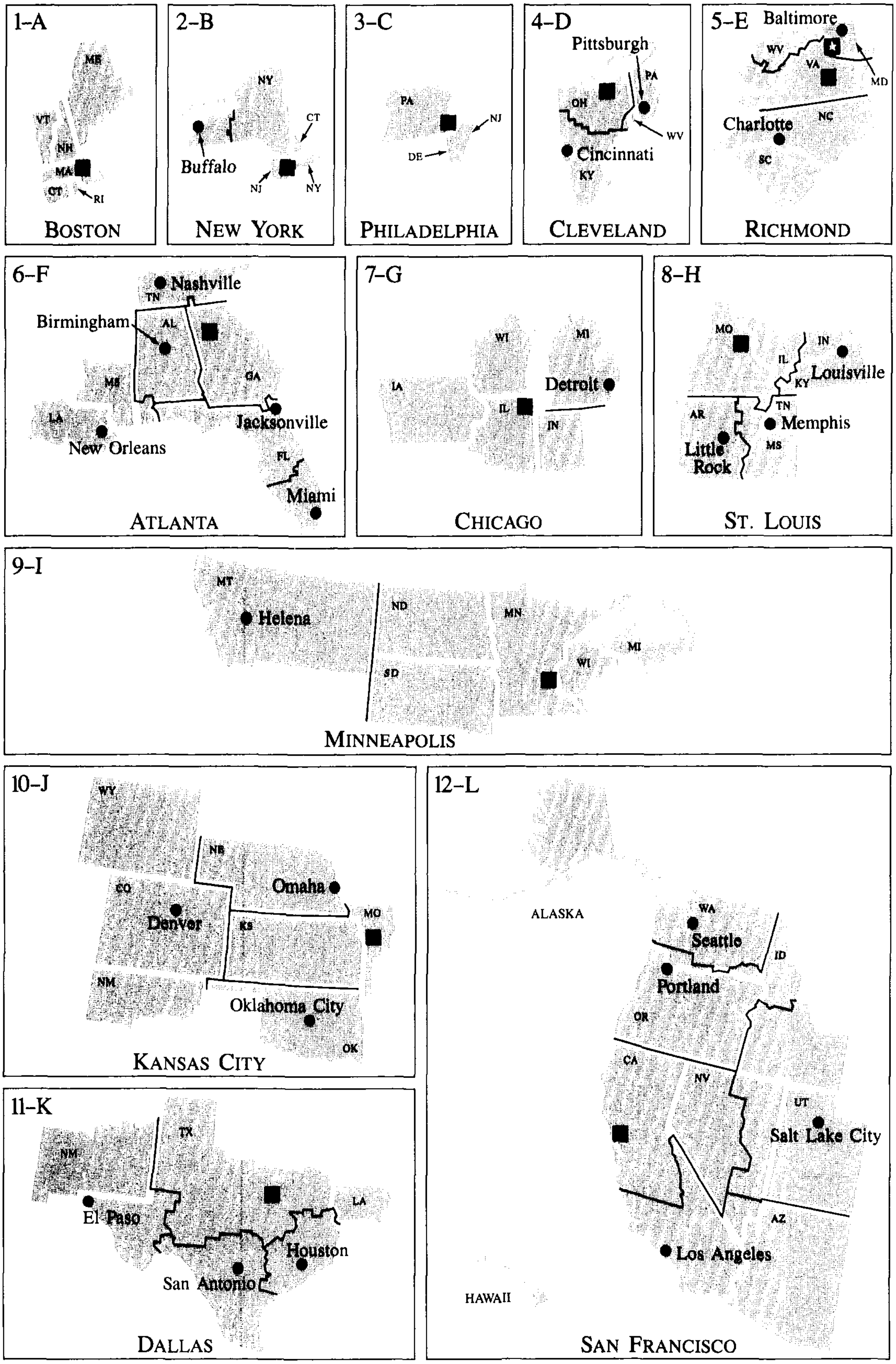
— Branch boundary

NOTE

The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in December 1991.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NH
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RI
BOSTON
2-B
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DE
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4-D
Pittsburgh
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7-G
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8-H
MO
IN
IL
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9-I
MT
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ND
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