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New Information on Lending to Small Businesses and Small Farms: The 1996 CRA Data

Raphael W. Bostic and Glenn B. Canner, of the Board's Division of Research and Statistics, prepared this article. Sheryl L. Hudson and John E. Matson provided research assistance.

The Community Reinvestment Act (CRA) of 1977 is intended to encourage commercial banks and savings associations to help meet the credit needs of their local communities in a manner consistent with safe and sound banking practices. As a consequence of recent revisions to the regulations that implement the CRA, new information is now publicly available on the geographic distribution of small loans to businesses and farms and on community development lending. Because small businesses and small farms are more likely than larger ones to borrow small amounts, the CRA data on small loans are likely to provide a reasonable measure of the extension of credit to such businesses (and hence, in this article, inferences about lending to small businesses and small farms are based on data on small loans).

The new CRA data, combined with information reported by institutions about the geographic areas that constitute their local communities, enable lenders, supervisory agencies, and members of the public to better assess the performance of these institutions in meeting their CRA obligations. Just as the availability of credit to purchase, refinance, and improve homes is critical to the well-being of local communities, so is the availability of credit for small businesses and small farms. The new CRA data thus complement information made available pursuant to the Home Mortgage Disclosure Act (HMDA) about the flow of housing-related credit to communities nationwide.¹ The CRA data also provide new opportunities to gauge the flow of credit to com-

munities with differing economic and demographic characteristics.

Although intended primarily to facilitate assessments of performance under the CRA, the data on small business and small farm lending are likely to be used in other ways as well. For example, lending institutions may use the data to help evaluate the effectiveness of products and services and to calculate their share of the small business loan market in a given geographic area. Similarly, the federal agencies charged with enforcing the nation's antitrust laws may use the CRA data in assessing the competitive effects of bank mergers and acquisitions.

This article presents an initial assessment of the new CRA data on originations and purchases of small business and small farm loans during 1996. It is mainly intended to provide a description of the depth and breadth of the data and to place the information in the context in which it will be used for CRA and other regulatory enforcement activities. The focus of the analysis is on the broad patterns that emerge when the data are reviewed from a national perspective rather than on the lending activities of any individual institution. The article also discusses some of the important limitations of the data and challenges that arise in using this new information.

For 1996, we find that nearly 2,100 large commercial banks and savings associations (savings banks and savings and loan associations) reported data on their small business, small farm, and community development lending and on the geographic areas that constitute their local communities.² While they account for only 18 percent of all commercial banks and savings associations, the CRA reporters extend about two-thirds of all small business loans and about one-fifth of all small farm loans granted by such institutions. Of the CRA reporters that extended loans, the most active 1 percent granted a large proportion (nearly half) of the small business loans and 13 percent of the small farm loans.

Like the number of businesses and farms, the distribution of lending to small businesses and small

1. HMDA data have been available for many years and have been widely analyzed. Research based on HMDA data has found that the flow of mortgage credit varies with characteristics of borrowers and local neighborhoods. 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 Glenn B. Canner and Wayne Passmore, "Home Purchase Lending in Low-Income Neighborhoods and to Low-Income Borrowers," *Federal Reserve Bulletin*, vol. 81 (February 1995), pp. 71-103.

2. The regulation implementing the CRA requires only large commercial banks and savings associations to report their lending activity.

farms varies geographically. Most small business loans are extended in central city and suburban areas; most small farm loans, not surprisingly, are in rural areas. Overall, the distribution of small business lending across census tracts categorized by their income generally follows the distribution of the population and businesses across these areas. Within central city areas, the data show that most small business loans are extended in areas with low home-ownership rates—areas that tend to have high concentrations of businesses. About half of the CRA reporters extended community development loans, which tended to be much larger in size than the average small business or small farm loan.

ORIGINS OF THE NEW DATA REPORTING REQUIREMENTS ON SMALL BUSINESS AND SMALL FARM LENDING

The CRA was enacted two decades ago in response to the concern that many commercial banks and savings associations were thought to be accepting deposits from households and firms in inner cities while lending and investing them primarily elsewhere. These “disinvestment” activities, it was maintained, were contributing to the decline of many urban areas as evidenced by a deterioration in the quality of housing in these areas and a shift of jobs to surrounding areas. In adopting the CRA, the Congress reaffirmed the principle that commercial banks and savings associations have an obligation under their charters to serve the “convenience and needs” of their local communities by providing credit services to all segments of those communities. For purposes of enforcement, the supervisory agencies are directed to periodically assess the performance of institutions in this regard, to make available to the public written evaluations, including CRA performance ratings, and to consider the institution’s record in acting on applications for deposit facilities, mergers, and acquisitions.³

Evolution of CRA Regulation

Historically, CRA performance evaluations focused on the processes used and efforts made by institutions to serve their local communities as well as on the

results of those efforts. This approach to CRA assessments was heavily criticized, both by community organizations and lending institutions. Community organizations argued that the examination process failed to make meaningful distinctions between institutions that performed well and those that performed poorly. Lenders contended that CRA enforcement was too focused on process and paperwork and that the examination standards were unclear and inconsistently applied. In response to these concerns, President Clinton in July 1993 asked the supervisory agencies to reform the regulations that implement the CRA.⁴

The agencies subsequently adopted revised regulations in May 1995 that were intended to make CRA assessments more performance-based, more objective, and less burdensome for covered institutions. The new regulations substitute three performance tests—lending, investment, and service—for the twelve assessment factors contained in the original regulation.⁵ (See the box “The Three CRA Performance Tests.”)

In assessing compliance with the CRA, the three performance tests are evaluated in the context of information about the institution and its community, competitors, and peers. For example, CRA assessments consider the economic and demographic characteristics of the local service areas; lending, investment, and service opportunities in the local community; the institution’s product offerings and business strategy; and its capacity and constraints.⁶

Lending to Small Businesses and Small Farms

Although data collection efforts in support of CRA enforcement have traditionally focused on home mortgage lending, a consensus has evolved in recent years that lending to small businesses and small farms is also critical for a vital and viable community. Responding to this recognition, one of the more significant changes to the regulation requires commercial banks and savings associations defined as

4. For a discussion of the original regulation and concerns that led to the revised regulation, 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. For a discussion of the new regulation and the regulatory alternatives considered before its adoption, see the Federal Reserve’s press release on the new CRA regulations, April 24, 1995.

5. For a description of the original twelve assessment factors, see Garwood and Smith, “The Community Reinvestment Act,” p. 253.

6. For further details, see the Federal Reserve press release, April 24, 1995, and Kevin T. Kane, “CRA’s More Flexible Yardstick,” *Mortgage Banking* (September 1997), pp. 54–60.

3. The supervisory agencies are the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision.

The Three CRA Performance Tests

The regulations that implement the CRA set forth three tests by which the performance of covered institutions will be evaluated: a lending test, an investment test, and a service test.

The lending test involves the measurement of lending activity for a variety of loan types, including small business and small farm 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 considers the extent of an institution's involvement with qualified investments. A qualified investment is an investment, deposit, or grant that benefits the institution's assessment area or a broader statewide or regional area that includes its assessment area.

The service test considers the availability and responsiveness of an institution's system for delivering retail banking services and judges 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 automated teller machines, the availability of alternative systems for delivering retail banking services in low- and moderate-income areas and to low- and moderate-income persons, and the provision of community development services.

“large” under the regulation to collect and report data annually on the number and dollar amount of their originations and purchases of small loans to businesses and farms and any community development loans. Only independent institutions with total assets of \$250 million or more and institutions of any size if owned by a holding company that has assets of \$1 billion or more are subject to the new data reporting requirements.

For purposes of reporting, small loans to businesses and farms are grouped in two ways. First, loans are reported in three loan size categories based on the original amount of the loan: \$100,000 or less, \$100,001 to \$250,000, and more than \$250,000.⁷ For businesses, the maximum loan size reported is \$1 million; for farms, the maximum is \$500,000. Second, these loans are categorized according to the

geographic location (census tract or block numbering area) of the firms and farms receiving them. Unlike the business and farm loans, no geographic information is provided for community development loans; only the aggregate amount of lending by each institution is reported.

The data also include information on how many of the reported loans were extended to businesses and farms with annual revenues of \$1 million or less. Such firms fall within generally accepted definitions of a small business, although somewhat larger firms are also often categorized as being a small business or small farm.⁸ Finally, each reporting institution includes a list of the areas that constitute its local CRA assessment community. For a small institution, the assessment area may be a single, relatively small geographic area; a large institution may have many assessment areas, some small and some large, which in some cases span the country.

The data on business and farm lending reported under the CRA regulations are more limited in scope than data reported on home lending under HMDA. In particular, the CRA data include information only on loans originated or purchased, not on applications that are turned down or withdrawn by the customer. Also, unlike HMDA data, the CRA data do not include the income, sex, or racial or ethnic background of applicants. Finally, the CRA data are not reported and disclosed application by application as HMDA data are; rather the data are aggregated into the three loan size categories and then reported at the census tract level.

From the information submitted by reporting institutions, the Federal Financial Institutions Examination Council (FFIEC) prepares a disclosure statement for each institution, in electronic form, as well as an aggregate statement for each of the 332 metropolitan statistical areas (MSAs) and each of the non-metropolitan counties in the United States and Puerto Rico. Before public release of the CRA data, the FFIEC and the supervisory agencies review it to help ensure its accuracy (see the box “Data Quality”). The FFIEC made the CRA data on 1996 lending activity available to the public in October 1997.⁹ For more information on the content of these disclosures and how to obtain the new CRA data, see the box “CRA Disclosures.”

8. According to the 1993 National Survey of Small Business Finances, sponsored by the Federal Reserve Board and the U.S. Small Business Administration, about 84 percent of all small businesses (defined as having fewer than 500 full-time employees) have annual revenues of less than \$1 million.

9. See the FFIEC press release, September 30, 1997.

7. For lines of credit, the reported amount is the size of the line at the time of origination.

Data Quality

To maximize the usefulness of the CRA data, the information must be accurate and made available to the public on a timely basis. To achieve these objectives, the reporting institutions and their supervisory agencies have made a substantial commitment of resources.

The supervisory agencies seek to ensure that the commercial banks and savings associations they supervise provide complete and accurate information. To facilitate accurate reporting, the FFIEC makes available tools and information to assist covered institutions through the CRA site on its World Wide Web home page (<http://www.ffiec.gov>) and in various hard copy forms. The FFIEC Web site for the CRA, for example, includes the regulation, instructions on how to file data reports, a description of which institutions are covered by the data reporting requirements, the text of interagency interpretive letters pertaining to the regulation and interagency questions, and answers to the most frequently asked questions about compliance. The CRA site also includes a geocoding system that allows anyone to identify the census tract that corresponds to a specific street address.

Beyond informational tools, the FFIEC makes available an electronic data entry and reporting system that incorporates a series of edit routines to detect and correct errors in the data. In addition, the FFIEC reviews each reporting institution's CRA data before public release and subjects the data to further quality checks. Finally, the supervisory agencies conduct on-site examinations and periodically review the covered institutions' compliance with the geographic reporting requirements of the regulation. Such reviews consider, for example, the accuracy of the geocoding done by reporters and the completeness of their filings.

Reporting Rules and Geocoding

Under the CRA, lending institutions are asked to report the geographic location of the business or farm receiving the loan. According to the rules for such "geocoding," institutions may designate the location of the loan as being either the location of the business headquarters or the primary area where the loan proceeds are applied. For firms with operations in multiple locations, the potential for incorrect interpretations of data arises because some or all of the funds may be used to support activities in locations not reported by the lender. Thus, assessments of the data may characterize a loan by the economic and demographic characteristics of a reported location (the census tract of the headquarters) even though the funds are used to support the activities of the business or farm in a location with different characteristics. Unfortunately, it is not possible to identify the extent to which the geographic locations reported in the data reflect where loan funds are actually used.¹⁰

The potential for this type of census tract miscategorization does not appear to be large, however. Information from the 1993 National Survey of Small Business Finances indicates that most small businesses have few offices. According to the survey, 84 percent of small businesses have only one office and 95 percent have two or fewer offices. In addition, the effects of such miscategorization are likely to be small, as the data are not considered in isolation for CRA performance evaluations. Other information, such as documentation in loan files, may be available to help examiners determine whether the census tract categorization provided by the lender is appropriate.

CHALLENGES AND LIMITATIONS

Whether the new CRA data are used to help gauge an institution's record with respect to the CRA or for other purposes, the nature of the information and limits on information that can be used in conjunction with the new data pose many challenges for analysts. Challenges arise because reporting rules and limits on information available to the reporting institutions create the potential for incorrect interpretations. Analysts also face challenges because the census data used to characterize neighborhoods and to assess the distribution of lending are collected only every ten years. Finally, an appropriate interpretation of the CRA data requires an understanding of the different demand and supply conditions that prevail across local markets.

Post Office Boxes and Rural Routes

Another issue, also related to the proper geographic categorization of small business and small farm lending, arises when the street address of a business or farm is not used by a lender to identify the location of the firm or farm. This situation occurs when a street address is not available to the lender because the firm or farm provided only a post office box number or a rural route or box number.

10. The same issue arises in assessing HMDA data on home lending. For home refinancing and, in some cases, home improvement loans, the funds may be used to support activity in a location that is not the same as that of the property. For home purchase lending, however, the HMDA data include the location of the property to be purchased (with some minor exceptions), and consequently the appropriateness of the census tract categorization is generally not an issue.

CRA Disclosures

The CRA data on small business, small farm, and community development lending are made available to the public via the financial institutions covered by the act, central data depositories (usually a public library, regional planning agency, or other public entity), and the FFIEC. Under the regulation, each financial institution submits its lending data to the Federal Reserve Board, which processes the information on behalf of the FFIEC.

From the reported information, the FFIEC prepares a disclosure statement for each institution and an aggregate report for each MSA and nonmetropolitan county in the United States and Puerto Rico. The aggregate reports display lending activity by census tract. To better protect the confidentiality of the business relationships underlying the data, disclosure statements for individual lenders group and display the lending information in a limited number of income categories. For lending activity in counties that have 500,000 or fewer residents, the data are shown in four income categories—low, moderate, middle, and upper (see the box “Categorization of Neighborhoods by Relative Median Family Income”). For larger counties, the data are displayed in income categories arrayed in intervals of 10 percentage points up to a final group, 120 percent or more of the median family income for the county.

Individual institutions make their disclosure statements available at their home office. Organizations with offices in

more than one state must make the statements available at one office in each of those states. Central depositories throughout the nation have the aggregate disclosure statements for inspection by the public. In addition, the FFIEC provides disclosure statements and aggregate reports in paper form and on CD-ROM. A single CD-ROM contains all of the 1996 CRA data together with an audio-visual tutorial to help users access, view, and print disclosure statements of individual institutions and aggregate statements. The CD-ROM also includes a comprehensive on-line help system and a function that allows users to copy the CRA data for use in other applications software. The FFIEC believes that public access to the CRA data will be greatly enhanced by electronic disclosure and that the costs associated with distribution of the data will be substantially lowered by reducing the traditional reliance on paper copies.

The CRA data order form, which may be used to order the CD-ROM for \$10, and the location of each central depository for an MSA are available on the FFIEC's Internet site at <http://www.ffiec.gov>. The order form may also be obtained by calling the CRA Assistance Line at (202) 872-7584. A copy of the September 30, 1997, press release announcing the availability of the new CRA data is available from the Federal Reserve Board's Publications Section at (202) 452-3245 and on the FFIEC's Web site.

For post office box addresses, loans were coded by the lender according to the census tract of the post office rather than the census tract location of the business.¹¹ This procedure creates two potential problems. First, the characteristics of the census tract where the post office is located may be different from those of the census tract where the firm is located.¹² Second, the data may show inordinately high numbers of loans in some census tracts with post offices because many businesses or farms outside the census tract containing the post office may use that office's boxes to receive correspondence.

The extent of difficulties created by coding based on post office boxes is unclear. However, because a firm is likely to select a convenient post office to receive correspondence, it is reasonably likely that, in

most circumstances, the firm and the post office will be in close proximity. In many cases, the census tract applicable to the firm may be the same one applicable to the post office.

To better understand the possible influence of the reporting of post office box locations on the lending data, information was obtained on the census tract locations of those post offices that offer post office boxes.¹³ These post office box census tracts were then matched to the data on the census tract locations of small business and small farm lending reported by CRA-covered institutions.

The matching revealed that of the roughly 60,000 census tracts nationwide for which small business loans were reported, 31 percent contained a postal service office with post boxes (table 1). Of the roughly 17,000 census tracts for which small farm loans were reported, 58 percent contained an office with post box services.

11. In some cases, the census tract reported for a post office location was determined from the ZIP code of the post office by mapping the post office location to the census tract at the center of the ZIP code area.

12. For the future, the agencies have attempted to minimize the use of post office addresses when coding by clarifying the instructions to reporting institutions. The instructions emphasize that, except in unusual circumstances, the street address of the business or farm, not a post office, should be the basis for coding.

13. Information on the census tract numbers of postal service locations with post office boxes was obtained from CENTRAX Services, Dallas, Texas. Census tract numbers were determined from the street addresses of post offices offering post office boxes.

1. Post office box locations and small loans to businesses and farms, 1996

Census tracts and lending	Business		Farm	
	Number	Percent	Number	Percent
Census tracts in all areas . . .	62,186	100	62,186	100
Census tracts with loans . . .	59,631	95.9	16,959	27.3
Census tracts with loans and P.O. boxes	18,644	...	9,755	...
As a share of all tracts with loans . . . . .	...	31.3	...	57.5
MEMO: Number of loans in census tracts				
With P.O. boxes	876,978	...	175,927	...
As a share of each loan type . . . . .	...	36.3	...	81.2
Average				
Without P.O. boxes	37.5	...	5.6	...
With P.O. boxes	47.0	...	18.0	...

SOURCE: FFIEC and CENTRAX Services.

The matched data file indicated that census tracts with post office box locations received, on average, forty-seven small business loans, nearly ten more than the average census tract without post office boxes. At the same time, the typical census tract with a post office box location had virtually the same number of businesses on average as census tracts with no post office box locations—139 and 136 respectively (data not shown in table). This result suggests that some fraction of businesses use post offices outside their census tracts as their primary mailing address and that this may affect the loan distributions observed in the data.¹⁴

Differences in lending between census tracts with and without a post office box location are more significant for farm lending. Census tracts with post office boxes received, on average, eighteen small farm loans while those without a post office box location had only six. Further, of the 100 census tracts with the largest numbers of small farm loans, all but 2 included a post office that offered post office box services. On balance, the analysis suggests that, particularly for small farm lending, coding loan location by using the post office box location may influence the interpretation of the data related to the geographic distribution of loans.

Timeliness of Census Data

The 1997 CRA disclosure statements portray 1996 small business and small farm lending by census tract

and census tract income grouping. Census tract boundaries and associated sociodemographic information are based on the 1990 decennial census, which is the most recent information available about the characteristics of these geographic areas. The population characteristics of some census tracts may have changed substantially since the 1990 census and the income categorization for any given census tract may no longer be the most appropriate. The supervisory agencies recognize this limitation, and examiners consider additional information that may help them better assess current conditions in a lender's CRA service area.

Contextual Framework

The most significant challenge facing those using the new CRA data will be to place the information in the proper context. Variations in demand for credit among small businesses and farms across localities as well as differences in underwriting standards and in the credit quality of local firms will greatly influence the level and distribution of lending. Analysts must consider these issues in interpreting patterns in the data.

Measurement of Demand

Nationwide there are more than 22 million businesses, most of which are small businesses or small farms. They vary considerably with respect to many characteristics, including age, location, industry, product markets, and financial condition.¹⁵ This diversity, along with differences in local economic conditions, means that the demand for small business and small farm lending will vary greatly across neighborhoods and regions. Although the new CRA data provide information on extensions of credit, they do not provide any indication of these local credit demands. Therefore, conclusions drawn from analyses using only the loan data should be made with caution, as differences in local loan volumes may reflect differences in local demands, among other things. Indeed, CRA performance assessments by the supervising agencies focus on evaluating the volume and distribution of lending in the context of local

14. An alternative explanation for this pattern is that businesses located in census tracts with post office box locations have a greater borrowing propensity than businesses located elsewhere. We lack data to assess this hypothesis.

15. See "Report to the Congress on the Availability of Credit to Small Businesses," Board of Governors of the Federal Reserve System (October 1997).

credit needs and the capabilities and capacities of the lending institutions. For instance, examiners will consider the size and characteristics of the population in a lender's community, the number and types of small businesses and small farms, and many other factors.

Supply Effects

The volume of local lending will also reflect the influence of a number of supply-related factors, including the underwriting standards applied in a given community, the credit quality of local businesses and farms, and the expected rate of return on such lending. Variation in lending activity across communities may arise from local differences in any of these factors. For example, in areas with weak economic conditions, as often happens during regional recessions, local firms may have more uncertain prospects and hence pose more credit risks. Lenders may respond by limiting the amount and terms of credit they are willing to offer in such communities.

Data Features

In many ways, the new CRA data are quite similar to the type of data available under the original provisions of HMDA. Each institution's lending activity is aggregated at the census tract level and pertains only to originations and purchases. Further, no information is available about the characteristics of individual borrowers. While these features limit the uses of the CRA data, much as they did the original HMDA data, the new data still provide important insights into the nature and distribution of lending in local markets.

Also, the CRA data include information only about new originations and purchases of loans during 1996. The data contain no information about the total amount of small business and small farm credit outstanding or about the duration or other terms of originated or purchased loans. Therefore, conclusions drawn about an institution's lending presence in a community that rely exclusively on the CRA data may be misleading. For example, two institutions that extend comparable lending services to a community may have very different patterns of loan originations over a year depending on loan terms and products offered.

The following sections describe in some detail the 1996 CRA data. To help place this lending activity in

context, we provide information on population and the number of businesses and farms in different geographic areas when possible.

OVERVIEW OF THE 1996 CRA DATA

Because the 1996 CRA data have been available for review for only a short time, relatively little is known about what the new data may reveal after thorough analysis. Also, because there are no data from previous years with which to make comparisons, time trend analysis using the 1996 data is not possible.

The focus of the present analysis is on nationwide totals rather than on the activity of any individual institution. When appropriate, comparisons are made with data on small business and small farm lending from the Report of Condition and Income (Call Report) submitted by commercial banks and some savings associations and the Thrift Financial Report submitted by savings and loan associations. In reviewing the nationwide totals, it should be noted that the lending activity of individual institutions may vary greatly, both in comparison with other institutions and with patterns for the nation as a whole, depending on their location, the types of businesses they serve, the types of products they offer, the credit standards they employ, and the nature of their local competition.

The Lending Institutions

For 1996, 2,078 institutions, consisting of 1,564 commercial banks and 514 savings associations, reported data under CRA requirements (table 2, memo item).¹⁶ Roughly 9 percent of the reporting institutions did not extend any small business or small farm loans; 44 percent did not report any community development lending (derived from table 10, memo item). Overall, 133 institutions (6 percent) extended no small business, small farm, or community development loans and reported only the census tracts or block number areas that constituted each of their CRA assessment areas. Most of the reporting institutions (75 percent) had assets of less than \$1 billion (table 2, memo item). About one-third of the com-

16. The count of commercial banks and savings associations presented here differs somewhat from the totals provided in the FFIEC's September 30, 1997, press release because, as a result of a different grouping procedure used for the press release, some savings associations were placed in the commercial bank category.

2. Originations and purchases of small loans to businesses and farms, grouped by type of borrower and loan and distributed by type and size of lending institution, 1996

Type of borrower and loan	Commercial banks, by asset size (millions of dollars)								All commercial banks		All institutions	
	Less than 100		100 to 249		250 to 999		1,000 or more		Total	Percent	Total	Percent
	Total	Percent	Total	Percent	Total	Percent	Total	Percent				
Number of loans												
<i>Business</i>												
Originations	89,569	3.8	476,028	20.2	354,972	15.1	1,379,301	58.5	2,299,870	97.5	2,358,256	100
Purchases	160	.3	197	0.3	4,025	7.1	48,022	84.9	52,404	92.7	56,549	100
Total	89,729	3.7	476,225	19.7	358,997	14.9	1,427,323	59.1	2,352,274	97.4	2,414,805	100
<i>Farm</i>												
Originations	20,928	9.7	30,485	14.2	71,903	33.5	87,371	40.7	210,687	98.1	214,771	100
Purchases	197	10.6	240	12.9	585	31.5	531	28.6	1,553	83.6	1,858	100
Total	21,125	9.8	30,725	14.2	72,488	33.5	87,902	40.6	212,240	98.0	216,629	100
<i>All</i>												
Originations	110,497	4.3	506,513	19.7	426,875	16.6	1,466,672	57.0	2,510,557	97.6	2,573,027	100
Purchases	357	.6	437	.7	4,610	7.9	48,553	83.1	53,957	92.4	58,407	100
Total	110,854	4.2	506,950	19.3	431,485	16.4	1,515,225	57.6	2,564,514	97.5	2,631,434	100
Amount of loans (thousands of dollars)												
<i>Business</i>												
Originations	2,276,073	1.6	8,446,694	5.8	28,703,666	19.9	99,072,089	68.5	138,498,522	95.8	144,588,665	100
Purchases	25,316	1.1	46,420	1.9	398,622	16.7	1,549,036	64.8	2,019,394	84.4	2,391,819	100
Total	2,301,389	1.6	8,493,114	5.8	29,102,288	19.8	100,621,125	68.5	140,517,916	95.6	146,980,484	100
<i>Farm</i>												
Originations	656,122	6.4	1,181,149	11.5	3,147,226	30.7	5,070,868	49.4	10,055,365	97.9	10,266,808	100
Purchases	7,839	4.8	11,833	7.3	46,533	28.5	56,372	34.5	122,597	75.1	163,191	100
Total	663,961	6.4	1,192,982	11.4	3,193,779	30.6	5,127,240	49.2	10,177,962	97.6	10,429,999	100
<i>All</i>												
Originations	2,932,195	1.9	9,627,843	6.2	31,850,892	20.6	104,142,957	67.3	148,553,887	95.9	154,855,473	100
Purchases	33,155	1.3	58,253	2.3	445,175	17.4	1,605,408	62.8	2,141,991	83.8	2,555,010	100
Total	2,965,350	1.9	9,686,096	6.2	32,296,067	20.5	105,748,365	67.2	150,695,878	95.7	157,410,483	100
MEMO												
Number of institutions reporting	208		293		690		373		1,564		2,078	
Number of institutions extending loans	198		289		668		346		1,501		1,887	

mercial banks but few of the savings associations (5 percent) had assets of less than \$250 million.

A total of 2,414,805 small business loans, for \$147 billion, and 216,629 small farm loans, totaling \$10 billion, were reported for 1996. Unlike the case for mortgage lending, a well-developed secondary market for small business loans does not exist, and the new CRA data reflect this market reality.¹⁷ Most of the small business and small farm loans reported were originations; only about 2 percent of small business loans and less than 1 percent of small farm loans were reported as purchases from another institution.

17. The one exception is for small business loans guaranteed by the Small Business Administration. See "Report to the Congress on Markets for Small Business- and Commercial Mortgage-Related Securities," Board of Governors of the Federal Reserve System and the U.S. Securities and Exchange Commission (September 1996).

The vast majority of the reported small business loans (about 97 percent measured by the number of loans) were either originated or purchased by commercial banks or their affiliates. The large role of commercial banks relative to savings associations in small business lending is consistent with information from other data sources, including the 1987 and 1993 National Survey of Small Business Finances, which show that commercial banks are the predominant source of credit for small businesses.¹⁸ The CRA data indicate that affiliates of commercial banks and savings associations account for only a small proportion (1.1 percent) of the reported loans (table 3).

18. See Rebel A. Cole, John D. Wolken, and R. Louise Woodburn, "Bank and Nonbank Competition for Small Business Credit: Evidence from the 1987 and 1993 National Surveys of Small Business Finances," *Federal Reserve Bulletin*, vol. 82 (November 1996), pp. 983-95.

2. —Continued

Type of borrower and loan	Savings associations, by asset size (millions of dollars)								All savings associations		All institutions	
	Under 100		100 to 249		250 to 999		1,000 or more					
	Total	Percent	Total	Percent	Total	Percent	Total	Percent	Total	Percent	Total	Percent
Number of loans												
<i>Business</i>												
Originations	635	*	597	*	26,638	1.1	30,516	1.3	58,386	2.5	2,358,256	100
Purchases	4	*	0	*	1,391	2.5	2,750	4.9	4,145	7.3	56,549	100
Total	639	*	597	*	28,029	1.2	33,266	1.4	62,531	2.6	2,414,805	100
<i>Farm</i>												
Originations	81	*	124	.1	1,789	.8	2,090	1.0	4,084	1.9	214,771	100
Purchases	0	.0	0	.0	80	4.3	225	12.1	305	16.4	1,858	100
Total	81	*	124	.1	1,869	.9	2,315	1.1	4,389	2.0	216,629	100
<i>All</i>												
Originations	716	*	721	*	28,427	1.1	32,606	1.3	62,470	2.4	2,573,027	100
Purchases	4	*	0	.0	1,417	2.5	2,975	5.1	4,450	7.6	58,407	100
Total	720	*	721	*	29,898	1.1	35,581	1.4	66,920	2.5	2,631,434	100
Amount of loans (thousands of dollars)												
<i>Business</i>												
Originations	63,787	*	61,718	*	2,796,333	1.9	3,168,305	2.2	6,090,143	4.2	144,588,665	100
Purchases	2,119	*	0	.0	157,720	6.6	212,586	8.9	372,425	15.6	2,391,819	100
Total	65,906	*	61,718	*	2,954,053	2.0	3,380,891	2.3	6,462,568	4.4	146,980,484	100
<i>Farm</i>												
Originations	4,294	*	8,289	.1	84,850	.8	114,010	1.1	211,443	4.1	10,266,808	100
Purchases	0	.0	0	.0	7,066	4.3	33,528	20.5	40,594	16.2	163,191	100
Total	4,294	*	8,289	.1	91,916	.9	147,538	1.4	252,037	2.4	10,429,999	100
<i>All</i>												
Originations	68,081	*	70,007	*	2,881,183	1.9	3,282,315	2.1	6,301,586	2.4	154,855,473	100
Purchases	2,119	*	0	.0	164,786	6.4	246,114	9.6	413,019	13.4	2,555,010	100
Total	70,200	*	70,007	*	3,045,969	1.9	3,528,429	2.2	6,714,605	4.3	157,410,483	100
MEMO												
Number of institutions reporting	9		16		346		143		514		2,078	
Number of institutions extending loans	7		12		260		107		386		1,887	

NOTE. In this and subsequent tables, percentages may not sum to 100 because of rounding. Institutions reporting are independent institutions with total assets of \$250 million or more and institutions of any size if owned by a holding company that has assets of \$1 billion or more. Savings associations

consist of savings banks and savings and loan associations. The maximum size of loan reported is \$1 million for businesses and \$500,000 for farms.

* Less than 0.05 percent.

SOURCE: FFIEC.

Concentration of Lending Activity

Although a minority in number, larger commercial banks and savings associations (those with assets of \$1 billion or more) originated or purchased the majority (60.5 percent) of the reported small business loans. No significant differences between commercial banks and savings associations were observed in this regard, as larger institutions did the majority of small business lending within each institutional category. For small farm loans the overall pattern is less striking, as larger institutions accounted for 42 percent.

As suggested, wide variation exists across institutions in the number and dollar amount of their reported lending. A ranking of reporting institutions

by type of loan—first by number of loans and then by dollar amount—further illustrates this variation (table 4).¹⁹ A ranking of reporters by number of loans shows that the top 1 percent of the lenders originated or purchased 46 percent of the small business loans, 13 percent of the small farm loans, and 26 percent of the community development loans. When the dollar amount of lending is considered using this ranking scheme, however, the distributions are less skewed. For example, while the top 1 percent of the reporters extended 46 percent of the number of small business loans, these institutions extended only 18.6 percent of

19. For ranking purposes, small business loans, small farm loans, and community development lending were each ranked separately.

3. Small loans to firms by affiliated lenders, as a share of all small loans to businesses and farms by commercial banks and savings associations, 1996

Type of borrower	Lending by commercial bank affiliates		Lending by savings association affiliates		Lending by all affiliates	
	Total	Share of commercial bank loans	Total	Share of savings association loans	Total	Share of all loans
Number of loans						
Business	27,333	1.2	835	1.3	28,368	1.2
Farm	624	.3	14	.3	638	.3
All	28,157	1.1	849	1.3	29,006	1.1
Amount of loans (thousands of dollars)						
Business	1,046,673	.7	128,753	2.0	1,175,426	.8
Farm	32,063	.5	105	*	32,168	.5
All	1,098,736	.7	128,858	1.9	1,227,594	.8
MEMO Number of institutions extending loans	118		9		127	

NOTE: See note to table 2.
* Less than 0.05 percent.

SOURCE: FFIEC.

the small business loan dollars. In other words, the average small business loan extended by these active lenders was relatively small.

The highly concentrated nature of the reported lending that is apparent when institutions are ranked by number of loans also holds when institutions are ranked by the dollar amount of their lending (table 4). By this ranking, the top 1 percent of lenders extended 22 percent of small business loan dollars, 17 percent

of small farm loan dollars, and 32 percent of community development loan dollars.

Specialized Banks

The CRA data include lending information from institutions that differ considerably in their product offerings and market specializations. Although most

4. Small loans to businesses and farms and loans for community development, grouped by type of loan and distributed by institution ranked by amount of lending, 1996
Percent

Institutions by amount of lending (percent)	Business loans ¹		Farm loans ¹		Community development loans ¹	
	By number	By dollars	By number	By dollars	By number	By dollars
<i>Institutions ranked by number of loans</i>						
Top 1	46.1	18.6	13.3	13.6	26.0	7.8
2-5	18.6	28.2	26.1	26.2	27.3	36.7
6-9	9.6	14.5	17.8	17.1	11.9	14.5
10-19	9.2	13.5	19.7	20.2	13.4	14.8
20-49	11.8	17.8	20.03	19.1	15.8	20.3
50-74	3.7	5.5	2.7	3.1	4.3	4.5
75-100 .....	.9	1.8	.4	.7	1.4	1.3
All	100	100	100	100	100	100
<i>Institutions ranked by dollar amount of loans</i>						
Top 1	30.7	21.8	11.7	17.4	8.6	31.9
2-5	31.1	27.6	24.4	26.5	23.3	29.7
6-9	10.5	14.3	17.7	18.2	17.5	14.1
10-19	8.9	13.7	20.1	18.0	18.6	12.7
20-49	13.0	16.6	21.9	16.9	21.2	9.8
50-74	4.5	4.8	3.5	2.6	7.5	1.5
75-100	1.3	1.2	.7	.4	3.4	.3
All	100	100	100	100	100	100
MEMO Number of loans	2,414,805		216,629		32,677	
Amount (in thousands)		146,980,484		10,429,999		17,708,161
Number of lenders with data ²	1,886		1,150		1,156	

NOTE: See note to table 2.

2. Includes only lenders reporting the relevant type of loan.
SOURCE: FFIEC.

1. For ranking purposes, small business loans, small farm loans, and community development lending were each ranked separately.

of the CRA reporters offer a wide range of products, some do not. Among these “specialized” banks, the group most involved in small business lending are those institutions that specialize in credit card lending (referred to as credit card banks). In total, the CRA data include information from thirty-nine credit card banks, of which twelve reported some amount of small business lending in 1996. These twelve credit card banks accounted for a substantial proportion of all the small business lending reported by CRA-covered institutions when measured by number of loans, but a much smaller proportion when measured in dollars. In 1996, credit card banks accounted for 30 percent of the number of reported small business loans but only 2.9 percent of the dollar amount of such loans.²⁰ Although credit card banks reporting CRA data were relatively active small business lenders, they did little small farm lending: In 1996, they extended fewer than 100 small farm loans.

Size of Loans and Size of Borrowers

The new CRA data include information about the size of small business and small farm loans. For 1996, the average small business loan was about \$61,000 and the average small farm loan was about \$48,000 at institutions reporting under CRA, and 87 percent of the small business loans and 88 percent of the small farm loans (measured by number of loans) were for \$100,000 or less (table 5). Measured by dollar volume, the distribution differs: 29 percent of small business loan dollars and 44 percent of small farm loan dollars were for \$100,000 or less.

The new CRA data also provide information on how many of the reported loans were extended to businesses or farms with revenues of \$1 million or less. For 1996, 56 percent of the reported small business loans and 88 percent of the small farm loans (measured by number of loans) were extended to firms and farms with revenues of \$1 million or less (table 5).²¹ The data show that, on average, loans to small businesses with revenues of \$1 million or less are smaller than those to larger firms. For example,

the average loan to these small businesses was about \$46,000, while the average loan amount for larger firms was \$79,000 (derived from table 5). Similarly, the average size of the loan to farms with revenues of \$1 million or less was about \$44,000, and that to larger farms was about \$77,000.

How Comprehensive Are the CRA Data?

As of December 31, 1996, there were 9,446 insured commercial banks and 1,980 savings associations.²² The new CRA data on small business and small farm lending include the lending activity of only the largest commercial banks and savings associations, which represent just 18 percent of all commercial banks and savings associations.

To assess the extent that the CRA covers small business and small farm lending activity, a comparison was made between the small business and small farm lending activity of CRA-covered institutions and that of all commercial banks and savings associations as reported on the Call Report and the Thrift Financial Report.²³ Call Reports and Thrift Financial Reports include the outstanding amount of small loans to businesses and farms for all commercial banks and savings associations. This analysis thus compares the outstanding amounts for CRA reporters with the outstanding amounts for all commercial banks and savings associations as of June 1996.

The comparison shows that the CRA reporters accounted for 64.6 percent of the number of small business loans and 65.9 percent of the dollar amount of such loans outstanding in June 1996. Similarly, the CRA reporters extended 21.6 percent of the number of small farm loans and 27.5 percent of the dollar amount of such loans. Thus, despite the limited institutional coverage of the CRA data reporting requirements, CRA reporters accounted for a sizable fraction of the small business loans reported by all commercial banks and savings associations. However, they accounted for a much smaller fraction of small farm lending.

20. The CRA regulations direct institutions that issue credit cards to the employees of a small business to report all of the credit card lines opened on a particular day as a single business loan with the “amount of the loan” equivalent to the sum of the available credit lines of those credit card accounts opened on that day.

21. Patterns among credit card banks are quite similar—51 percent of their small business loans were extended to firms with revenues of \$1 million or less.

22. See “Financial Structure Information,” Financial Structure Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, March 25, 1997. Savings associations included in the structure data are state-chartered savings banks, federal savings banks, savings and loan associations, industrial banks, and cooperative banks.

23. We use the Call Report and Thrift Financial Report because they include comparable data regarding *both* CRA reporters and institutions not required to report under the CRA.

5. Originations and purchases of small loans to businesses and farms, by size of loan, 1996

Type of borrower and loan	Size of loan (dollars)						All loans		MEMO Loans to firms with revenues of \$1 million or less	
	100,000 or less		100,001 to 250,000		More than 250,000		Total	Percent	Total	Percent
	Total	Percent	Total	Percent	Total	Percent				
	Number of loans									
<i>Business</i>										
Originations	2,046,056	86.8	171,712	7.3	140,488	6.0	2,358,256	100	n.a.	n.a.
Purchases	52,660	93.1	1,901	3.4	1,988	3.5	56,549	100	n.a.	n.a.
Total	2,098,716	86.9	173,613	7.2	142,476	5.9	2,414,805	100	1,349,824	55.9
<i>Farm</i>										
Originations	188,252	87.7	19,604	9.1	6,915	3.2	214,771	100	n.a.	n.a.
Purchases	1,367	73.6	334	18.0	157	8.4	1,858	100	n.a.	n.a.
Total	189,619	87.5	19,938	9.2	7,072	3.3	216,629	100	191,027	88.2
<i>All</i>										
Originations	2,234,308	86.8	191,316	7.4	147,403	5.7	2,573,027	100	n.a.	n.a.
Purchases	54,027	92.5	2,235	3.8	2,145	3.7	58,407	100	n.a.	n.a.
Total	2,288,335	87.0	193,551	7.4	149,548	5.7	2,631,434	100	1,540,851	58.6
	Amount of loans (thousands of dollars)									
<i>Business</i>										
Originations	42,021,720	29.1	29,574,408	20.5	72,992,537	50.5	144,588,665	100	n.a.	n.a.
Purchases	1,018,717	42.6	308,657	12.9	1,064,445	44.5	2,391,819	100	n.a.	n.a.
Total	43,040,437	29.3	29,883,065	20.3	74,056,982	50.4	146,980,484	100	62,583,338	42.6
<i>Farm</i>										
Originations	4,556,028	44.4	3,208,692	31.3	2,502,088	24.4	10,266,808	100	n.a.	n.a.
Purchases	48,277	29.6	55,673	34.1	59,241	36.3	163,191	100	n.a.	n.a.
Total	4,604,305	44.1	3,264,365	31.3	2,561,329	24.6	10,429,999	100	8,469,677	81.2
<i>All</i>										
Originations	46,577,748	30.0	32,783,100	21.2	75,494,625	48.8	154,855,473	100	n.a.	n.a.
Purchases	1,066,994	41.8	364,330	14.3	1,123,686	44.0	2,555,010	100	n.a.	n.a.
Total	47,644,742	30.3	33,147,430	21.1	76,618,311	48.7	157,410,483	100	71,053,015	45.1

NOTE: See note to table 2. The maximum size of loan reported is \$1 million for businesses and \$500,000 for farms.

n.a. Not available.
SOURCE: FFIEC.

Analysis of Lending by Location and Area Income

The availability of information about the geographic location of businesses and farms receiving credit provides an opportunity to examine regional credit flows and the distribution of small business and small farm lending across areas grouped by their socio-demographic and economic characteristics. Because the new CRA data do not include the lending of all commercial banks and savings associations, the data do not fully represent all small business and small farm lending by these types of institutions. Nonetheless, as noted, covered institutions represent a significant portion of such lending.

Distribution of Lending by Census Tract

Like the number of businesses and farms, the distribution of small business and small farm lending varies geographically. The 1996 CRA data reveal that

CRA-reporting institutions extended small business loans in the vast majority (96 percent) of census tracts nationwide (derived from table 6, memo items). Reflecting the rural location of most farm lending, the proportion of all census tracts receiving farm loans is much smaller (27 percent) than the proportion of census tracts receiving small business loans.

Although at least some small business loans are made in most geographic areas, small business lending by CRA-reporting institutions tends to be rather concentrated geographically. When census tracts receiving at least one loan are ranked by number of small business loans in 1996 (table 6, top panel), the top 5 percent received 26 percent of all small business loans. Ranking census tracts by the dollar amount of small business lending (bottom panel of table 6) indicates that in 1996 the top 5 percent received 33 percent of the small business loan dollars. Small farm lending is even more concentrated than small business lending; for example, the 5 percent of census tracts with the highest levels of farm lending (measured by number of loans) received 41 percent of the small farm loans.

6. Small loans to businesses and farms, grouped by type of loan and distributed by census tract ranked by amount of lending, 1996

Percent

Census tracts by amount of lending	Business loans		Farm loans	
	By number	By dollars	By number	By dollars
<i>Census tracts ranked by number of loans</i>				
Top 1	9.3	11.4	15.5	12.2
2-5	16.4	18.4	25.6	24.1
6-9	12.9	13.5	16.6	16.4
10-19	17.6	17.8	18.0	19.2
20-49	28.7	26.6	18.3	20.5
50-74	11.2	9.4	4.1	5.4
75-100	3.9	2.9	2.0	2.4
Total	100	100	100	100
<i>Census tracts ranked by dollar amount of loans</i>				
Top 1	8.3	13.1	12.1	15.8
2-5	14.8	20.2	23.2	25.9
6-9	12.1	14.4	16.7	16.9
10-19	17.0	18.2	18.2	18.4
20-49	29.6	25.4	20.6	18.9
50-74	13.1	7.3	6.3	3.5
75-100	5.2	1.5	2.9	.6
Total	100	100	100	100
MEMO				
Number of loans	2,414,805	...	216,629	...
Amount of loans (thousands of dollars) .....	...	146,980,484	...	10,429,999
Number of census tracts with loans	59,631	...	16,959	...
Total number of census tracts	62,186	...	62,186	...

NOTE. Includes only census tracts with the relevant type of loan.
SOURCE: FFIEC.

Credit Flows by Region of the Country

To examine regional credit flows, reported loans were grouped by census region. Small business lending varies by region of the country roughly in proportion to the distribution of businesses. For example, New England had 5 percent of the small business loans (table 7) and 5.9 percent of the businesses (table 7, memo item). The South Atlantic region had 20.4 percent of the small business loans and 17.8 percent of the businesses.

The regional variation in small farm lending is more pronounced than in small business lending. The New England region had the smallest share (less than 1 percent) of all small farm lending by CRA-reporting institutions (measured either by number or dollar amount of loans) and the West North Central region had the largest share (more than 30 percent). As with small business loans, this regional variation fairly closely tracks differences in the share of farms and the share of farm revenues by region. For example, although New England had the smallest share of the small farm lending, it also had the smallest share of the nation's farms (1.3 percent) and farm revenues (1.2 percent).

Categorization of Neighborhoods by Relative Household Median Income

In counties with less than 500,000 residents, census tracts are grouped in broad categories. The categories are defined by the median household income in the census tract as a percentage of the median household income in the MSA or in the nonmetropolitan portion of the state (if the census tract is not located in an MSA). The categories are shown in the table below.

Income category of census tract	Percentage of area median	Share of census tracts in 1996 (percent) ¹
Low	Less than 50	6.5
Moderate	50-80	19.2
Middle	80-120	50.4
Upper	More than 120	20.8

1. Shares do not sum to 100 percent because median income was not reported by the Bureau of the Census for 3.1 percent of the census tracts.

Credit Flows by Neighborhood Income

CRA performance assessments include an analysis of the distribution of small business and small farm loans across census tracts grouped into four neighborhood income categories: low, moderate, middle, and upper (see the box "Categorization of Neighborhoods by Relative Median Family Income"). Concerns have been expressed that small business loans are not sufficiently available in lower-income neighborhoods, particularly those in central cities. The data suggest that, at least from a national perspective, such concerns may be overstated, as the distribution of the number and the dollar amounts of small business loans across the four income categories generally follows the distribution of population and businesses across these groups (table 8.A). For example, low-income areas include about 4.9 percent of the population and 5.6 percent of all businesses; and they received 4.7 percent of the number and 5.6 percent of the total dollar amount of new or purchased small business loans at CRA-reporting institutions.²⁴ Some larger differences are observed in areas with higher incomes. The total amount of lending to middle- and upper-income neighborhoods taken together only slightly exceeds their share of the population and of businesses. These lending patterns stand in marked contrast to the distribution of home purchase loans,

24. Data on population and lending activity include Puerto Rico.

7. Originations and purchases of small loans to businesses and farms, by region, 1996

Type of borrower and loan	New England		Middle Atlantic		East North Central		West North Central		South Atlantic	
	Total	Percent	Total	Percent	Total	Percent	Total	Percent	Total	Percent
Number of loans										
<i>Business</i>										
Originations	117,469	5.0	322,205	13.7	366,551	15.5	180,875	7.7	476,862	20.2
Purchases	4,445	7.9	9,909	17.5	4,818	8.5	2,760	4.9	15,309	27.1
Total	121,914	5.0	332,114	13.8	371,369	15.4	183,635	7.6	492,171	20.4
<i>Farm</i>										
Originations	620	.3	6,868	3.2	37,098	17.3	82,399	38.4	17,895	8.3
Purchases	1	.1	4	.2	35	1.9	1,157	62.3	37	2.0
Total	621	.3	6,872	3.2	37,133	17.1	83,556	38.6	17,932	8.3
<i>All</i>										
Originations	118,089	4.6	329,073	12.8	403,649	15.7	263,274	10.2	494,757	19.2
Purchases	4,446	7.6	9,913	17.0	4,853	8.3	3,917	6.7	15,346	26.3
Total	122,535	4.7	338,986	12.9	408,502	15.5	267,191	10.2	510,103	19.4
Amount of loans (thousands of dollars)										
<i>Business</i>										
Originations	7,507,367	5.2	22,338,690	15.4	26,628,373	18.4	12,233,773	8.5	26,341,624	18.2
Purchases	210,411	8.8	376,636	15.7	405,855	17.0	214,020	8.9	441,396	18.5
Total	7,717,778	5.3	22,715,326	15.5	27,034,228	18.4	12,447,793	8.5	26,783,020	18.2
<i>Farm</i>										
Originations	38,250	.4	340,974	3.3	1,727,932	16.8	3,163,081	30.8	811,663	7.9
Purchases	270	.2	93	.1	3,224	2.0	89,052	54.6	4,032	2.5
Total	38,520	.4	341,067	3.3	1,731,156	16.6	3,252,133	31.2	815,695	7.8
<i>All</i>										
Originations	7,545,617	4.9	22,679,664	14.6	28,356,305	18.3	15,396,854	9.9	27,153,287	17.5
Purchases	210,681	8.2	376,729	14.7	409,079	16.0	303,072	11.9	445,428	17.4
Total	7,756,298	4.9	23,056,393	14.6	28,765,384	18.3	15,699,926	10.0	27,598,715	17.5
MEMO										
Number of businesses in 1992 (thousands) ...	307.8		815.4		828.7		402.1		932.1	
Share of businesses (percent)	5.9		15.5		15.8		7.7		17.8	
Number of farms in 1994 (thousands) ...	26.7		95.9		346.0		477.0		248.0	
Share of farms (percent)	1.3		4.6		16.8		23.1		12.0	
Share of farm revenues (percent)	1.2		4.1		14.7		24.3		12.8	

of which low- and moderate-income neighborhoods receive a smaller relative proportion measured by number or by dollar amount.²⁵

For small farm loans, about three-fourths of all lending, whether measured in number of loans or in dollars, was in middle-income census tracts (table 8.B). Only a small proportion (less than 1 percent) of reported farm lending was in low-income neighborhoods, which, as noted, have only a small proportion of the U.S. population.

Credit Flows by Degree of Urbanization and Neighborhood Income

The distribution of small business lending by CRA-reporting institutions across census tracts grouped by

both income and degree of urbanization (central city, suburban, or rural location) generally parallels the distribution of the U.S. population and businesses (table 8.A). Small business loans are heavily concentrated in central city and suburban areas (about 80 percent of all small business loans), as are the bulk of the U.S. population and most small businesses.²⁶ In lower-income areas, most small business loans are made in central city census tracts; in higher-income areas, suburban census tracts have the most small business loans.

The general observation that the number of loans parallels the distribution of the population may not hold for all central city areas.²⁷ Because businesses

26. According to the 1993 National Survey of Small Business Finances, 79 percent of small businesses are located in central city and suburban areas.

27. Previous research has identified significant differences in the economic experiences of different central city neighborhoods. For

25. Canner and Passmore, "Home Purchase Lending in Low-Income Neighborhoods."

7.—Continued

Type of borrower and loan	East South Central		West South Central		Mountain		Pacific	
	Total	Percent	Total	Percent	Total	Percent	Total	Percent
Number of loans								
<i>Business</i>								
Originations	171,995	7.3	230,560	9.8	144,250	6.1	347,489	14.7
Purchases	5,759	10.2	5,477	9.7	1,230	2.2	6,842	12.1
Total	177,754	7.4	236,037	9.8	145,480	6.0	354,331	14.7
<i>Farm</i>								
Originations	19,774	9.2	20,960	9.8	17,569	8.2	11,588	5.4
Purchases	32	1.7	192	10.3	67	3.6	333	17.9
Total	19,806	9.1	21,152	9.8	17,636	8.1	11,921	5.5
<i>All</i>								
Originations	191,769	7.5	251,520	9.8	161,819	6.3	359,077	14.0
Purchases	5,791	9.9	5,669	9.7	1,297	2.2	7,175	12.3
Total	197,560	7.5	257,189	9.8	163,116	6.2	366,252	13.9
Amount of loans (thousands of dollars)								
<i>Business</i>								
Originations	9,049,045	6.3	11,901,436	8.2	7,833,955	5.4	20,754,402	14.4
Purchases	102,125	4.3	198,372	8.3	66,716	2.8	376,288	15.7
Total	9,151,170	6.2	12,099,808	8.2	7,900,671	5.4	21,130,690	14.4
<i>Farm</i>								
Originations	663,873	6.5	958,193	9.3	1,155,080	11.3	1,407,762	13.7
Purchases	1,443	.9	20,107	12.3	3,621	2.2	41,349	25.3
Total	665,316	6.4	978,300	9.4	1,158,701	11.1	1,449,111	13.9
<i>All</i>								
Originations	9,712,918	6.3	12,859,629	8.3	8,989,035	5.8	22,162,164	14.3
Purchases	103,568	4.1	218,479	8.6	70,337	2.8	417,637	16.3
Total	9,816,486	6.2	13,078,108	8.3	9,059,372	5.8	22,579,801	14.3
MEMO:								
Number of businesses								
in 1992 (thousands) ...	279.5		514.1		318.3		848.0	
Share of businesses								
(percent)	5.3		9.8		6.1		16.2	
Number of farms								
in 1994 (thousands) ...	257.0		342.0		113.8		158.3	
Share of farms (percent) ...	12.4		16.6		5.5		7.7	
Share of farm revenues								
(percent)	6.2		13.2		7.9		15.7	

NOTE. For the states that constitute each census region, see the inside front cover of a recent edition of *Statistical Abstract of the United States*.
n.a. Not available.

SOURCE. FFIEC; U.S. Department of Agriculture, *Agricultural Statistics, 1995-96*; and *The State of Small Business*, Report of the President, 1995.

are not evenly distributed across central city neighborhoods, one might expect that the distribution of loans would not be either. To explore this issue, we attempt to identify those central city census tracts that are likely to have high concentrations of small businesses. Based on an assumption that residential areas in close proximity to business districts are likely to be predominantly rental, central city census tracts within each income category were grouped by their rates of home ownership.

The results show that areas with low home-ownership rates have significantly more businesses (50 percent to 100 percent more, depending on cen-

sus tract income category) than areas with high home-ownership rates, although their population shares are effectively equal, and that lending patterns reflect these differences (table 8.A). Census tracts with low home-ownership rates receive far more small business loans (measured by number or dollar amount) than those with high rates. This relationship holds across all neighborhood income groups. These results show that areas with high concentrations of businesses tend to receive the bulk of small business loans.

In contrast to the distribution of small business loans, most small farm loans are in rural areas (74 percent of all small farm loans). The income-urbanization pattern observed for small business loans does not generally hold for small farm loans, however. Most small farm loans are made in rural areas regardless of area income (table 8.B).

example, differences across central city neighborhoods along various dimensions have been noted in Robert B. Avery, Raphael W. Bostic, Paul S. Calem, and Glenn B. Canner, "Changes in the Distribution of Banking Offices," *Federal Reserve Bulletin*, vol. 83 (September 1997), pp. 707-25.

8. Continued
A.—Continued

Characteristic of neighborhood ¹	Amount of loans (thousands of dollars)									MEMO Amount of loans to firms with revenues of \$1 million or less	
	100,000 or less		100,001 to 250,000		More than 250,000 to 1 million		All			Thousands of dollars	Percent of small business loans
	Percent	MEMO Percent of small business loans	Percent	MEMO Percent of small business loans	Percent	MEMO Percent of small business loans	Total	Percent	MEMO Percent of small business loans		
LOCATION											
Central city, by rate of home ownership											
Low	26.8	24.2	19.6	25.4	53.6	28.0	38,770,525	100	26.4	15,046,521	38.8
High	28.3	16.3	21.0	17.4	50.7	17.0	24,793,102	100	16.9	10,328,805	41.7
Suburban	28.3	39.6	20.1	40.5	51.6	41.9	60,167,192	100	40.8	23,997,476	39.9
Rural	36.8	19.9	21.5	16.7	41.7	13.1	23,249,665	100	15.8	13,210,536	56.8
Total, by location	29.3	100	20.3	100	50.4	100	146,980,484	100	100	62,583,338	42.6
AREA INCOME (percent)³											
<i>Low (less than 50)</i>											
Central city, by rate of home ownership											
Low	24.8	2.9	19.3	3.2	55.9	3.7	4,957,683	100	3.4	1,749,976	35.3
High	24.4	1.5	21.1	1.9	54.5	1.9	2,617,885	100	1.8	884,280	33.8
Suburban	27.7	.3	20.3	.3	52.0	.3	429,503	100	.3	155,088	36.1
Rural	38.2	.1	21.6	.1	40.2	.1	158,946	100	.1	96,465	60.7
Total	25.1	4.8	20.0	5.5	54.9	6.1	8,164,017	100	5.6	2,885,809	35.3
<i>Moderate (50 to 79)</i>											
Central city, by rate of home ownership											
Low	26.9	5.6	19.8	5.9	53.3	6.4	8,910,232	100	6.1	3,381,621	38.0
High	27.3	3.6	20.7	3.9	52.0	4.0	5,650,967	100	3.8	2,053,835	36.3
Suburban	30.7	4.5	19.7	4.2	49.7	4.3	6,381,503	100	4.3	2,496,672	39.1
Rural	36.8	2.2	20.5	1.7	42.8	1.5	2,537,436	100	1.7	1,425,166	56.2
Total	29.1	15.9	20.0	15.7	50.9	16.1	23,480,138	100	16.0	9,357,294	39.9
<i>Middle (80 to 119)</i>											
Central city, by rate of home ownership											
Low	27.7	8.1	19.9	8.3	52.4	8.9	12,526,947	100	8.5	5,088,239	40.6
High	28.8	6.3	20.5	6.4	50.8	6.4	9,385,430	100	6.4	4,026,121	42.9
Suburban	29.1	21.3	20.3	21.4	50.7	21.7	31,631,288	100	21.5	12,734,763	40.3
Rural	37.6	13.3	21.1	10.8	41.3	8.5	15,215,257	100	10.4	8,578,759	56.4
Total	30.7	49.0	20.4	47.0	48.9	45.4	68,758,922	100	46.8	30,427,882	44.3
<i>Upper (120 or more)</i>											
Central city, by rate of home ownership											
Low	27.2	7.3	19.5	7.5	53.3	8.3	11,484,547	100	7.8	4,614,103	40.2
High	30.2	4.9	21.9	5.2	47.9	4.6	7,045,946	100	4.8	3,336,311	47.4
Suburban	26.7	13.4	20.0	14.5	53.3	15.6	21,633,230	100	14.7	8,588,377	39.7
Rural	34.5	4.3	22.9	4.1	42.6	3.1	5,318,300	100	3.6	3,099,475	58.3
Total	28.3	29.9	20.5	31.2	51.2	31.5	45,482,023	100	30.9	19,638,266	43.2
<i>Income not reported</i>											
Central city, by rate of home ownership											
Low	19.7	.4	16.7	.5	63.6	.8	891,116	100	.6	212,582	23.9
High	21.4	.0	19.0	.1	59.5	.1	92,874	100	.1	28,258	30.4
Suburban	18.2	.0	19.7	.1	62.1	.1	91,668	100	.0	22,576	24.6
Rural	40.1	.0	23.0	.0	36.9	.0	19,726	100	.0	10,671	54.1
Total	18.0	.5	17.2	.6	62.7	.9	1,095,384	100	.7	274,087	25.0
Total	29.3	100	20.3	100	50.4	100	146,980,484	100	100	62,583,338	42.6
MEMO											
Dollar amount of loans (thousands)	43,040,437		29,883,065		74,056,982						

8.— Continued

B. Loans to farms

Characteristic of neighborhood ¹	MEMO Share of U.S. population (percent)	Number of loans, by size category (dollars)									MEMO Number of loans to firms with revenues of \$1 million or less	
		100,000 or less		100,001 to 250,000		More than 250,000 to 1 million		All			Total	Percent of small farm loans
		Percent	MEMO Percent of small farm loans	Percent	MEMO Percent of small farm loans	Percent	MEMO Percent of small farm loans	Total	Percent	MEMO Percent of small farm loans		
LOCATION												
Central city, by rate of home ownership												
Low	18.4	74.1	1.6	16.6	3.3	9.2	5.2	3,975	100	1.8	3,139	79.0
High	18.6	82.3	4.6	12.9	6.9	5.2	7.7	10,580	100	5.0	8,737	82.6
Suburban	42.7	84.6	18.6	10.9	22.8	4.5	26.8	41,738	100	19.3	35,559	85.2
Rural	20.3	89.0	75.3	8.3	67.0	2.7	60.3	160,336	100	74.0	143,592	89.6
Total	100	87.5	100	48.8	100	3.3	100	216,629	100	100	191,027	88.2
AREA INCOME (percent)²												
<i>Low (less than 50)</i>												
Central city, by rate of home ownership												
Low	2.2	71.2	.1	19.2	.3	9.6	.4	260	100	.1	199	76.5
High	2.2	76.6	.1	15.9	.1	7.6	.2	145	100	.1	89	61.4
Suburban .....	.4	91.8	.1	4.9	.0	3.3	.1	183	100	.1	169	92.3
Rural .....	.2	88.3	.2	8.5	.2	3.2	.2	435	100	.2	356	81.8
Total	4.9	82.9	.4	11.6	.6	5.5	.8	1,023	100	.5	813	79.5
<i>Moderate (50 to 79)</i>												
Central city, by rate of home ownership												
Low	4.9	68.9	.2	19.5	.5	11.5	.8	486	100	.2	361	74.3
High	4.9	83.3	.4	10.7	.4	6.0	.7	813	100	.4	665	81.8
Suburban	6.0	85.0	2.7	10.0	3.0	5.0	4.3	6,067	100	2.8	5,111	84.2
Rural	2.8	88.1	7.6	8.9	7.3	3.0	7.0	16,387	100	7.6	14,583	89.0
Total	18.5	86.7	10.9	9.5	11.3	3.8	12.8	23,753	100	11.0	20,720	87.2
<i>Middle (80 to 119)</i>												
Central city, by rate of home ownership												
Low	7.2	74.9	.7	15.8	1.3	9.3	2.2	1,686	100	.8	1,337	79.3
High	7.5	82.9	3.0	12.3	4.2	4.8	4.6	6,831	100	3.2	5,774	84.5
Suburban	24.4	85.2	14.8	10.7	17.6	4.2	19.4	32,865	100	15.2	28,160	85.7
Rural	14.1	89.3	59.9	8.2	52.2	2.6	46.2	127,265	100	58.7	114,166	89.7
Total	53.2	88.1	78.3	8.9	75.3	3.0	72.4	168,647	100	77.9	149,437	88.6
<i>Upper (120 or more)</i>												
Central city, by rate of home ownership												
Low	4.0	75.6	.6	16.1	1.2	8.3	1.8	1,528	100	.7	1,231	80.6
High	4.0	79.3	1.2	14.9	2.1	5.8	2.3	2,791	100	1.3	2,209	79.1
Suburban	12.0	75.9	1.0	16.1	2.1	8.0	3.0	2,623	100	1.2	2,119	80.8
Rural	3.3	88.0	7.5	9.1	7.4	3.0	6.9	16,198	100	7.5	14,441	89.2
Total	23.3	84.7	10.3	11.0	12.8	4.3	13.9	23,140	100	10.7	20,000	86.4
<i>Income not reported</i>												
Central city, by rate of home ownership												
Low .....	.1	66.7	.0	20.0	.0	13.3	.0	15	100	.0	11	73.3
High .....	.0	.0	.0	.0	.0	.0	.0	0	100	.0	0	0.0
Suburban .....	.1	.0	.0	.0	.0	.0	.0	0	100	.0	0	0.0
Rural .....	.0	92.2	.0	3.9	.0	3.9	.0	51	100	.0	46	90.2
Total .....	.2	86.4	.0	7.6	.0	6.1	.1	66	100	.0	57	86.4
Total	100	87.5	100	9.2	100	3.3	100	216,629	100	100	191,027	88.2
MEMO Number of loans		189,619		19,938		7,072						
Population (millions)	252.2											

8. Continued
B—Continued

Characteristic of neighborhood ¹	Amount of loans (thousands of dollars)									MEMO Amount of loans to farms with revenues of \$1 million or less	
	100,000 or less		100,001 to 250,000		More than 250,000 to 1 million		All			Total	Percent of small farm loans
	Percent	MEMO Percent of small farm loans	Percent	MEMO Percent of small farm loans	Percent	MEMO Percent of small farm loans	Thousands of dollars	Percent	MEMO Percent of small farm loans		
LOCATION											
Central city, by rate of home ownership											
Low	27.9	2.1	32.6	3.4	39.5	5.3	344,416	100	23.8	229,416	66.6
High	36.8	5.4	33.8	7.0	28.8	7.6	678,279	100	15.8	496,300	73.2
Suburban	39.0	20.1	31.7	23.0	29.3	27.2	2,371,704	100	41.1	1,802,397	76.0
Rural	47.4	72.4	30.9	66.5	21.7	59.7	7,035,600	100	19.3	5,941,564	84.4
Total, by location	44.1	100	31.3	100	24.6	100	10,429,999	100	100	8,469,677	81.2
AREA INCOME (percent)³											
Low (less than 50)											
Central city, by rate of home ownership											
Low	28.6	.2	35.2	.3	36.2	.4	24,749	100	2.8	16,596	46.4
High	31.3	.1	32.9	.1	35.8	.2	12,029	100	1.5	4,826	45.5
Suburban	44.3	.1	24.3	.0	31.5	.1	6,343	100	.3	5,416	47.3
Rural	43.1	.2	32.7	.2	24.2	.2	20,277	100	.1	14,358	68.4
Total	35.3	.5	32.9	.6	31.8	.8	63,398	100	.6	41,196	65.0
Moderate (50 to 79)											
Central city, by rate of home ownership											
Low	23.2	.2	33.4	.5	43.4	.8	48,663	100	5.5	27,677	48.5
High	37.6	.4	27.6	.4	34.8	.7	52,222	100	3.5	35,280	49.7
Suburban	36.8	2.7	30.3	3.2	32.9	4.4	340,580	100	4.7	246,122	52.4
Rural	43.5	7.0	32.6	7.3	23.9	6.9	736,022	100	2.2	615,152	69.0
Total	40.5	10.3	31.7	11.4	27.8	12.8	1,177,487	100	11.3	924,231	78.5
Middle (80 to 119)											
Central city, by rate of home ownership											
Low	28.0	.9	31.3	1.4	40.7	2.3	145,409	100	8.1	98,342	52.4
High	38.0	3.4	33.6	4.3	28.4	4.6	417,458	100	6.2	318,450	55.2
Suburban	40.5	16.0	31.8	17.6	27.7	19.6	1,812,279	100	22.2	1,406,159	54.2
Rural	48.1	57.6	30.6	51.6	21.3	45.7	5,506,308	100	13.0	4,653,291	70.2
Total	45.5	77.9	31.0	75.0	23.5	72.2	7,881,454	100	75.6	6,476,242	82.2
Upper (120 or more)											
Central city, by rate of home ownership											
Low	29.6	.8	33.3	1.3	37.1	1.8	123,977	100	7.0	85,497	52.9
High	34.3	1.5	35.9	2.2	29.8	2.3	196,570	100	4.6	137,744	57.6
Suburban	29.1	1.3	33.3	2.2	37.6	3.1	212,502	100	13.9	144,700	52.0
Rural	45.9	7.7	31.1	7.3	23.0	6.9	770,962	100	4.0	656,889	69.3
Total	39.9	11.3	32.4	12.9	27.8	14.1	1,304,011	100	12.5	1,024,830	78.6
Income not reported											
Central city, by rate of home ownership											
Low	19.5	.0	32.6	.0	47.9	.0	1,618	100	.4	1,304	35.1
High .....	.0	.0	0.0	.0	.0	.0	0	100	.0	0	45.9
Suburban .....	.0	.0	0.0	.0	.0	.0	0	100	.0	0	46.9
Rural	41.4	.0	12.4	.0	46.3	.0	2,031	100	.0	1,874	66.7
Total	31.7	.0	21.3	.0	47.0	.1	3,649	100	.0	3,178	87.1
Total	44.1	100	31.3	100	24.6	100	10,429,999	100	100	8,469,677	81.2
MEMO Amount of loans in (thousands of dollars)	4,604,305		3,264,365		2,561,329						

1. Census tracts in central city locations are grouped by home-ownership rate. A low rate of home ownership is defined as being less than or equal to the median home-ownership rate for all central city census tracts; a high rate is defined as being above the median.

2. Data on share of businesses derived from information provided by the Office of the Comptroller of the Currency. The shares are calculated on a slightly smaller subset of the census tracts than those included in the CRA data.

3. For census tracts in central cities and suburbs, which together constitute metropolitan statistical areas (MSAs), percentage is of MSA median. For census tracts in rural areas, percentage is of nonmetropolitan areas of state median.

SOURCE: FFIEC.

Lending to Low- and Moderate-Income Neighborhoods by Institutions

On average, institutions covered by the CRA reporting requirements extended about 5 percent of their small business loans in low-income census tracts and about 16 percent of their loans in moderate-income tracts (table 8.A). However, lending activity varies greatly across lending institutions because of a number of different factors, including the characteristics of the local service areas and market conditions. To provide a sense of this diversity, we calculated the share of each institution's lending that occurred in low- and moderate-income census tracts and ranked institutions by these shares. This procedure used all small business lending in 1996 for each institution as a reference point, which differs from analytical procedures used by CRA examiners that focus on activity within specific assessment areas. A large proportion of institutions (39.8 percent) report that their small business lending in low-income areas makes up a very small share (less than 1 percent) of their newly originated or purchased loans. By contrast, only 8.8 percent of these institutions report that their small business lending in moderate-income areas makes up such a small share of their small business lending activity (table 9).

Community Development Lending

Besides information about small business and small farm lending, institutions covered by the CRA data reporting requirements also disclose the number and dollar amount of their community development loans. Community development loans are defined in the regulation as loans whose primary purpose is community development and which have not been reported elsewhere as a home purchase, small business, small farm, or consumer loan.²⁸ Examples include loans to local lending consortiums and local nonprofit organizations.

For 1996, 32,677 community development loans totaling \$17.7 billion were reported (table 10). The average community development loan, at \$542,000, was far larger than the average small business loan of \$61,000 reported in the CRA data.

Among CRA reporters, 58 percent of the commercial banks and 48 percent of the savings associations extended community development loans in 1996 (derived from table 10). Of the total number of

28. For more details see the Federal Reserve's April 24, 1995, press release.

9. Institutions that lend to small businesses in low- or moderate income neighborhoods, grouped by neighborhood income of the borrowers and distributed by the share of such loans in the institution's total lending to small businesses, 1996
Percent

Share of small business lending (percent) ¹	By number of loans			By amount of loans		
	Low income	Moderate income	Low and moderate income	Low income	Moderate income	Low and moderate income
Less than 1	39.8	8.8	7.2	40.7	10.1	8.7
1 to 2	8.6	3.3	3.3	8.2	3.4	2.4
2 to 3	8.2	3.4	2.5	7.2	2.9	2.8
3 to 4	7.1	2.8	2.7	6.6	3.0	2.1
4 to 5	6.6	2.7	2.0	4.8	3.3	2.1
5 to 6	5.6	2.5	1.8	6.0	3.2	2.3
6 to 7	4.8	3.7	2.1	4.5	2.4	2.0
7 to 8	4.6	3.2	1.9	4.3	3.9	2.8
8 to 9	3.2	3.8	2.9	2.5	3.6	2.1
9 to 10	1.9	3.9	2.7	2.7	3.8	1.4
10 to 15	5.8	21.5	14.0	8.0	19.4	14.5
More than 15	3.8	40.5	56.8	4.5	40.9	56.7
Total	100	100	100	100	100	100

NOTE. Excludes 151 lenders, about 8 percent of all lenders, that reported fewer than 25 small business loans.

Low-income neighborhoods are defined as census tracts with a median family income of less than 50 percent of the median family income of the tract's metropolitan statistical area (MSA) or, if the tract is not in an MSA, less than 50 percent of the entire nonmetropolitan portion of the state. The median income of moderate-income neighborhoods is 50 percent to 79 percent of the median income of the broader area.

1. Share is the percentage of a lender's total small business originations and purchases of loans to borrowers that are in the neighborhood income category. The share is based on all reported loans for which neighborhood income data were available.

SOURCE: FFIEC.

10. Community development lending, 1996

Type and asset size of lender (millions of dollars)	Number of loans		Amount of loans (thousands of dollars)		MEMO: CRA reporters			
	Total	Percent	Total	Percent	Number	Percentage	Community development loans	
							Number extending	Percentage extending
<i>Commercial banks</i>								
Less than 100	655	2.0	106,547	.6	208	10.0	78	6.7
100 to 249	1,634	5.0	240,605	1.4	293	14.1	128	11.1
250 to 999	10,181	31.2	2,146,720	12.1	690	33.2	417	36.1
1,000 or more	13,523	41.4	12,218,553	69.0	373	17.9	285	24.7
Total	25,993	79.5	14,712,425	83.1	1,564	75.3	908	78.5
MEMO: Lending by commercial bank affiliates	211	.8	423,976	2.9	...	...	28	3.1
<i>Savings associations</i>								
Less than 100	64	.2	46,799	.3	9	.4	2	.2
100 to 249	12	*	14,906	.1	16	.8	4	.3
250 to 999	2,181	6.7	764,314	4.3	346	16.7	151	13.1
1,000 or more	4,427	13.5	2,169,717	12.3	143	6.9	91	7.9
Total	6,684	20.5	2,995,736	16.9	514	24.7	248	21.5
MEMO: Lending by savings association affiliates	482	7.2	139,693	4.7	...	...	6	2.4
All	32,677	100	17,708,161	100	2,078	100	1,156	100
MEMO: Lending by all affiliates	693	2.1	563,669	3.2	...	...	34	2.9

* Less than 0.05 percent.

SOURCE: FFIEC.

community development loans, commercial banks extended nearly 80 percent, with large commercial banks and savings associations (assets of \$1 billion or more) extending the majority (55 percent). These large lenders tended to make larger loans, as these institutions accounted for 81 percent of the community development lending measured in dollars. Affiliates of reporting institutions extended relatively few (2 percent) of the community development loans.

CONCLUDING THOUGHTS

The new CRA data on small business, small farm, and community development lending provide opportunities to gauge the flow of credit to communities throughout the country. Analysis of the data suggests that, overall, the number and dollar amount of small business loans originated and purchased by CRA-reporting institutions are distributed in a manner that parallels the distribution of population and businesses across the country. This relationship holds across census regions and across neighborhoods with differ-

ing incomes and degrees of urbanization. The analysis also reveals considerable variation among individual lenders in the distribution of their small business lending across neighborhood income categories. By contrast, the data show that the distribution of small farm lending is quite different from the distribution of the population—most small farm loans were extended in rural areas, which have relatively small populations. The distribution of small farm lending does closely resemble the distribution of small farms across census regions, however.

Regarding use of the data to gauge the performance of lending institutions in meeting their CRA obligation, it must be emphasized that the geographic distribution of an institution's lending will be greatly influenced by the types of credit products it offers, the types of businesses in its local communities, the competitive environment it faces, and the characteristics of the communities it serves. As a result, the broad patterns of lending for all institutions found in the data may not reflect those of a single institution or group of institutions in any given neighborhood or local market. □

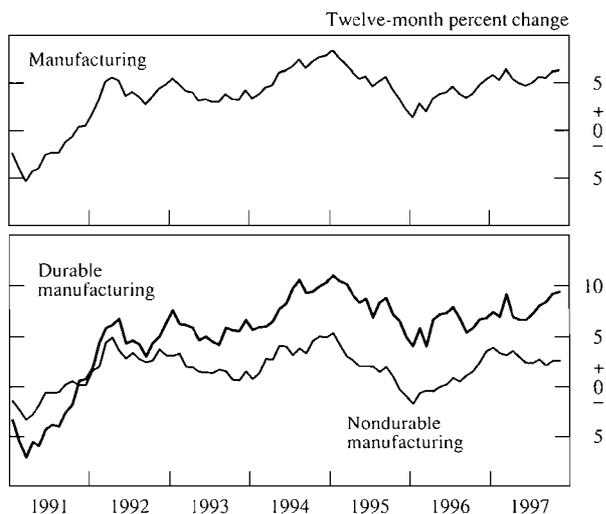
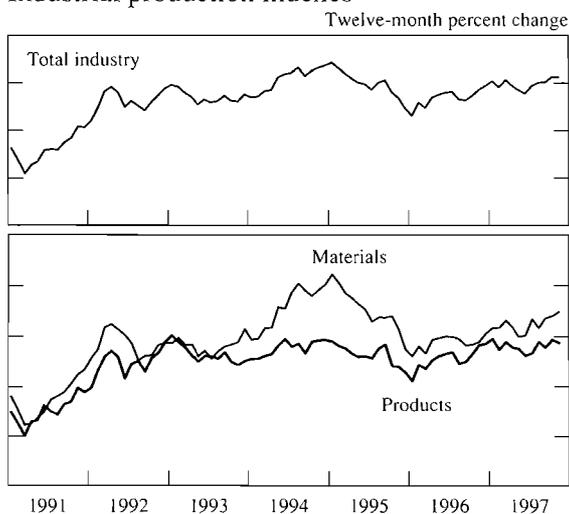
Industrial Production and Capacity Utilization for November 1997

Released for publication December 15

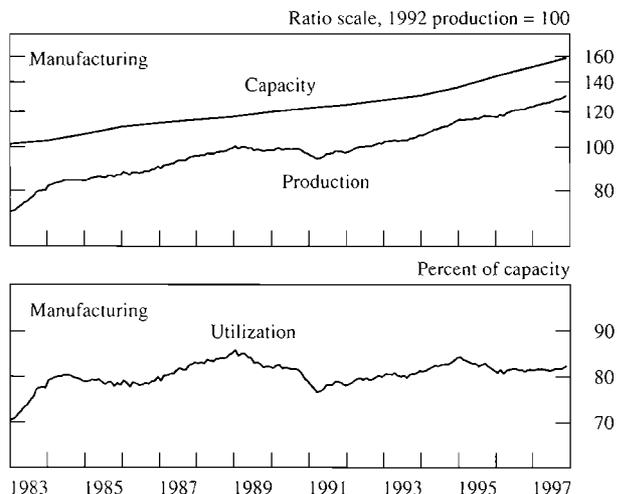
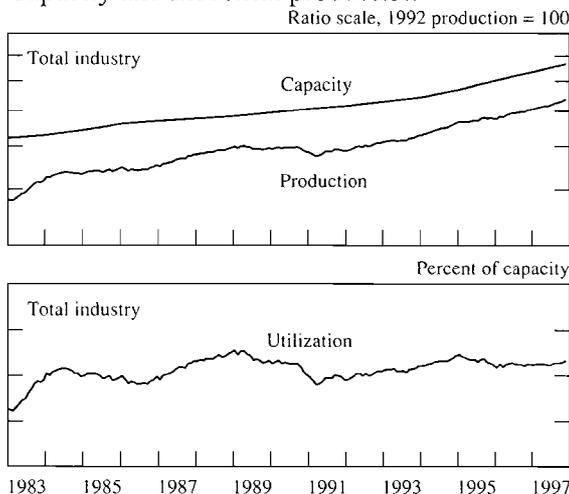
Total industrial production rose 0.8 percent in November following a gain of 0.5 percent in October. Increases were widespread among most major market groups. Information processing equipment, and parts used in high-technology equipment, contributed

notably to the gain. In addition, the production of motor vehicles, which had declined some in October, increased sharply. At 127.3 percent of its 1992 average, industrial production in November was 5.6 percent higher than in November 1996. The rate of industrial capacity utilization rose 0.3 percentage point, to 83.2 percent—its highest rate since September 1995.

Industrial production indexes



Capacity and industrial production



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

Industrial production and capacity utilization, November 1997

Category	Industrial production, index, 1992=100								
	1997				Percentage change				
					1997 ¹				Nov. 1996 to Nov. 1997
	Aug. ^r	Sept. ^r	Oct. ^r	Nov. ^p	Aug. ^r	Sept. ^r	Oct. ^r	Nov. ^p	
Total	125.2	125.7	126.4	127.3	.6	.4	.5	.8	5.6
Previous estimate	125.2	125.8	126.3	...	.5	.5	.4	...	...
<i>Major market groups</i>									
Products, total ²	119.2	119.2	119.9	120.8	1.0	.0	.6	.8	4.4
Consumer goods	114.6	114.6	115.4	116.0	.7	.0	.7	.6	2.5
Business equipment	144.6	144.5	145.3	147.5	2.1	.0	.5	1.5	10.9
Construction supplies	122.7	120.9	121.9	122.9	1.2	-1.4	.8	.8	.5
Materials	134.9	136.2	136.9	137.9	.0	.9	.5	.7	7.4
<i>Major industry groups</i>									
Manufacturing	127.9	128.2	129.0	130.2	.7	.2	.6	1.0	6.3
Durable	144.3	144.6	145.5	147.6	1.3	.2	.6	1.4	9.4
Nondurable	111.0	111.3	112.0	112.4	.1	.3	.6	.4	2.6
Mining	106.3	106.5	105.8	105.6	-.2	.2	-.7	-.2	1.9
Utilities	113.0	115.0	115.7	114.7	-.7	1.7	.6	-.9	1.0
	Capacity utilization, percent								MEMO Capacity, per- centage change, Nov. 1996 to Nov. 1997
	Average, 1967-96	Low, 1982	High, 1988-89	1996	1997				
				Nov.	Aug. ^r	Sept. ^r	Oct. ^r	Nov. ^p	
Total	82.1	71.1	85.4	82.5	82.8	82.8	82.9	83.2	4.7
Previous estimate .....	...	...	...	...	82.8	82.9	82.9	...	...
Manufacturing	81.1	69.0	85.7	81.5	81.8	81.7	81.8	82.3	5.3
Advanced processing	80.5	70.4	84.2	79.5	80.0	79.8	80.1	80.6	6.3
Primary processing	82.3	66.2	88.9	86.0	85.8	85.8	85.7	86.0	3.4
Mining	87.5	80.3	88.0	88.3	90.0	90.2	89.5	89.3	.7
Utilities	87.2	75.9	92.6	90.6	89.2	90.7	91.1	90.2	1.4

NOTE. Data seasonally adjusted or calculated from seasonally adjusted monthly data.

1. Change from preceding month.

2. Contains components in addition to those shown.

r Revised.

p Preliminary.

MARKET GROUPS

The output of consumer goods rose 0.6 percent, with an increase in the production of durable consumer goods accounting for the gain. Automotive products rebounded sharply, and the output of other durables, including appliances, carpeting, and furniture, rose also. The production of nondurable consumer goods was little changed, as gains in the output of food and chemical products were about offset by declines in the household use of fuels and electricity. Business equipment advanced 1.5 percent; the most sizable gains were in the production of transit equipment, which includes aircraft and motor vehicles for business use, and information processing equipment, which includes computers. The output of construction supplies rose 0.8 percent in both October and November, reversing the decline in September. On balance, this sector has been about flat, albeit at a high level, for much of this year. The production of materials advanced for a third month, increasing

0.7 percent in November; most of the gain was in durable materials, mainly in parts for high-technology equipment and for motor vehicles. Nondurable materials posted a moderate gain; the production of energy materials was down because of declines in electricity generation and coal mining.

INDUSTRY GROUPS

Manufacturing output rose 1.0 percent, its largest monthly gain since February 1996. Output in manufacturing excluding motor vehicles and parts was up 0.7 percent, with gains in most industries. The manufacture of durable goods rose 1.4 percent; most of those industries posted sizable increases, the largest of which were in transportation equipment, lumber, and electrical machinery. The production of nondurable goods rose 0.4 percent, its third successive month of moderate advances. Output in mining and at utilities declined in November.

The operating rate in manufacturing rose 0.5 percentage point, to 82.3 percent—its highest level since September 1995. The utilization rate in advanced-processing industries was 80.6 percent, about equal to its long-term average. The increase of 0.5 percentage point for advanced-processing industries largely

reflected a jump in utilization in the motor vehicle and parts industry. The operating rate in primary-processing industries rose 0.3 percentage point, to 86.0 percent, which is about the rate that has persisted so far this year. □

Statements to the Congress

Statement by Edward W. Kelley, Jr., Member, Board of Governors of the Federal Reserve System, before the Committee on Banking and Financial Services, U.S. House of Representatives, November 4, 1997

I am pleased to appear before the committee today to discuss the Federal Reserve's efforts to address the Year 2000 computer systems issue. The Federal Reserve System has developed and is executing a comprehensive plan to ensure its own Year 2000 readiness, and the bank supervision function is well along in a cooperative, interagency effort to promote timely remediation and testing by the banking industry. This afternoon I will focus on actions being taken by the Federal Reserve System to address our internal systems, coordination with the industry, and contingency planning.

BACKGROUND

The Federal Reserve operates several payments applications that process and settle payments and securities transactions between depository institutions in the United States. Three of these applications are the Fedwire funds transfer, Fedwire securities transfer, and automated clearinghouse (ACH) applications. The first two applications are large-value payments mechanisms for U.S. dollar interbank funds transfers and U.S. government securities transfers. Users of the applications are primarily depository institutions and government agencies.

The Fedwire funds transfer system is a real-time credit transfer system used primarily for payments related to interbank funds transfers such as Fed funds transactions, interbank settlement transactions, and "third-party" payments between the customers of depository institutions. Funds transferred over Fedwire are immediately final; they cannot be revoked after they have been accepted and processed by the Federal Reserve. About 10,000 depository institutions use the Fedwire funds transfer system to transfer each year approximately 86 million payments valued at more than \$280 trillion. The current average total daily value of Fedwire funds transfers is approximately \$1.1 trillion.

The Fedwire securities transfer system supports the safekeeping, clearing, and settlement of U.S. government securities in both the primary and secondary markets. It provides custody of U.S. government securities in book-entry form as well as the transfer of securities ownership among market participants. On the custody side, the system calculates and credits interest and principal payments to the holders of securities, reconciles outstanding securities balances with issuers, and performs other recordkeeping and collateral safekeeping functions. On the transfer side, the system delivers book-entry securities against a simultaneous payment, called delivery-versus-payment, thus reducing the settlement risks of market participants. About 8,000 depository institutions use the Fedwire securities transfer service to transfer each year approximately 13 million securities valued at more than \$160 trillion. The average total daily value of Fedwire securities transfers is about \$650 billion.

The ACH is an electronic payment service that supports both credit and debit transactions and is used by approximately 14,000 financial institutions, 400,000 companies, and an estimated 50 million consumers. Typical credit transactions include direct deposit of payroll and corporate payments to suppliers. Typical debit transactions include the collection of mortgage and loan payments and corporate cash concentration transactions. The ACH processes transactions in batches one or two days before they are scheduled to settle. ACH transactions are settled through depository institutions' accounts at the Federal Reserve Banks. Approximately 4 billion ACH transactions were processed in 1996, with a total value of approximately \$12 trillion. About 3.3 billion of these payments were commercial transactions; 625 million payments were originated by the federal government.

The Reserve Banks' critical applications, such as Fedwire funds and securities transfer, ACH, and supporting accounting systems, run on mainframe computer systems operated by Federal Reserve Automation Services (FRAS), the internal organizational unit that processes applications on behalf of the Federal Reserve Banks and operates the Federal Reserve's national network. These critical applications are "centralized," that is, one copy of the application is

used by all twelve Reserve Banks. In addition to centralized applications on the mainframe, the Federal Reserve Banks operate a range of applications in a distributed computing environment, supporting business functions such as cash distribution, banking supervision and regulation, research, public information, and human resources. The Reserve Banks also operate check processing systems that provide check services to depository institutions and the U.S. government. A national communications network, called FEDNET, supports the exchange of information among the Reserve Banks, FRAS, and external organizations. The scope of the Federal Reserve's Year 2000 activities includes all of these processing environments and the supporting telecommunications network.

YEAR 2000 READINESS

It is crucial that the Federal Reserve provide reliable services to the nation's banking system and financial markets. The Federal Reserve is giving the Year 2000 its highest priority, commensurate with our goal of maintaining the stability of the nation's financial markets and payments systems, preserving public confidence, and supporting reliable government operations.

We are taking a comprehensive approach to our preparedness which includes assessments of readiness, remediation, and testing. The Federal Reserve has completed application assessments and internal test plans, and we are currently renovating and testing software. We are also updating proven plans and techniques used during other times of operational stress in order to be prepared to address potential century date change difficulties. All Federal Reserve computer program changes, as well as system and user-acceptance testing, are scheduled to be completed by year-end 1998. Further, critical financial services systems that interface with the depository institutions will be Year 2000 ready by mid-1998. This schedule will permit approximately eighteen months for customer testing, to which we are dedicating considerable support resources.

A large cadre of top personnel in the Federal Reserve System have been assigned to this task. Our staff is putting in many extra hours to prepare for testing with customers, planning for business continuity in the event of any unanticipated problems with internal systems, and enhancing our ability to respond to possible Year 2000-related operating failures of depository institutions. Assuring compliance internally is requiring review of approximately 90 million

lines of computer code. While there are challenges and a great deal of work before us, I can report that we expect to be fully prepared for the century date change.

The Federal Reserve recognized the potential problem with two-digit date fields more than five years ago when we began consolidating our mainframe data processing operations. Our new centralized mission-critical applications, such as Fedwire funds transfer, Fedwire securities transfer, and ACH, were designed from inception with Year 2000 compliance in mind. The mainframe consolidation effort also necessitated extensive application standardization, which required us to complete a comprehensive inventory of our mainframe applications, a necessary first step to effective remediation. Like our counterparts in the private sector, the Federal Reserve System still faces substantial challenges in achieving Year 2000 readiness. These challenges include managing a highly complex project involving multiple interfaces with others, ensuring the readiness of vendor components, ensuring the readiness of applications, thorough testing, and establishing contingency plans. We are also faced with labor market pressures that call for creative measures to retain staff who are critical to the success of our Year 2000 activities.

CDC PROJECT MANAGEMENT

According to industry experts, up to one-quarter of an organization's Year 2000 compliance efforts are devoted to project management. Managing preparations for the century date change is particularly resource-intensive given the number of automated systems to be addressed, systems interrelationships and interdependencies, interfaces with external data sources and customers, and testing requirements. In addition, Year 2000 preparations must address many computerized environmental and facilities management systems such as power, heating and cooling, voice communications, elevators, and vaults. Our Year 2000 project is being closely coordinated among the Reserve Banks, the Board of Governors, numerous vendors and service providers, approximately 13,000 customers, and government agencies.

In 1995, a Federal Reserve System-wide project was initiated, referred to as the Century Date Change (CDC) project, to coordinate the efforts of the Reserve Banks, FRAS, and the Board of Governors. Our project team is taking a three-part approach to achieve its objectives, focusing on planning, readiness, communication, and monitoring. Our planning began with a careful inventory of all applications and

establishment of schedules and support mechanisms to ensure that readiness objectives are met. The readiness process involves performing risk assessments, modifying automated systems, and testing both internally and with depository institutions, service providers, and government agencies. We are stressing effective, consistent, and timely communication, both internal and external, to promote awareness and commitment at all levels of our own organization and the financial services industry, more generally. Some of our most senior executives are leading the project, and the Board and senior Bank management are now receiving formal, detailed status reports at least every sixty days. Any significant compliance issues will be reported to the Board immediately. The Reserve Banks' internal audit departments and the Board's oversight staff are also closely monitoring progress.

A significant challenge in meeting our Year 2000 readiness objectives is our reliance on commercial hardware and software products and services. Much of our information processing and communications infrastructure is composed of hardware and software products from third-party vendors. Additionally, the Federal Reserve utilizes commercial application software products and services for certain administrative functions and other operations. As a result, we must coordinate with numerous vendors and manufacturers to ensure that all of our hardware, software, and services are Year 2000 ready. In many cases, compliance will require upgrading, or even replacing, equipment and software. We have a complete inventory of vendor components used in our mainframe and distributed computing environments, and vendor coordination and system change are progressing well. These preparations also include careful attention to the Year 2000 readiness of telecommunications providers.

TESTING

As we continue to assess our systems for Year 2000 readiness, we are well along in preparing a special central environment for testing our payment system applications. We are establishing isolated mainframe data processing environments to be used for internal testing of all system components as well as for testing with depository institutions and other government agencies. These environments will enable testing for high-risk dates, such as the rollover to the year 2000 and leap year processing. Testing will be conducted through a combination of future-dating our computer systems to verify the readiness of our infrastructure and testing critical future dates within interfaces to

other institutions. Our test environments will be configured to provide flexible and nearly continuous access by customers. Network communications components are also being tested and certified in a special test lab environment at FRAS.

The testing effort for Year 2000 readiness within the Federal Reserve will be extensive and complex. Industry experts estimate that testing for readiness will consume more than half of total Year 2000 project resources. To leverage existing resources and processes, we are modeling our Year 2000 testing on proven testing methods and processes. Our customers are already familiar with these processes and the testing environment. We shared our testing strategy with depository institutions in October of this year, and we are currently developing a coordinated test schedule. As I noted earlier, the Reserve Banks are targeting June 1998 to commence testing with their depository institution customers, which allows an eighteen-month time period for depository institutions to test their systems with the Federal Reserve.

All of these activities require that we retain highly skilled staff critical to the success of the project. As I mentioned earlier, we have placed the highest priority on our CDC project and, as such, have allocated many of the best managers and technical staff in the Federal Reserve System to work on the project. The information technology industry is already experiencing market pressures due to the increased demand for technical talent. As the millennium draws closer, the global market requirements for qualified personnel will intensify even further. We are responding as necessary to these market-induced pressures by implementing programs to retain staff members in critical, high-demand positions.

Our focus at the Board goes beyond the immediate need to prepare our systems and ensure reliable operation of the payments infrastructure. We are also working hard to address the supervisory issues raised by Year 2000 and are developing contingency plans, which I will discuss later.

BANK SUPERVISION

As a bank supervisor, the Federal Reserve has worked closely with the other supervisory agencies that are part of the Federal Financial Institutions Examination Council (FFIEC) to alert the industry to our concerns and to monitor Year 2000 preparations of the institutions we supervise so that we can identify early and address problems that arise. Comptroller of the Currency Eugene Ludwig is testifying today as Chairman

of the FFIEC to describe the interagency Year 2000 supervisory initiatives of all of the five member agencies (Federal Reserve, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Office of Thrift Supervision, and National Credit Union Administration), so I will limit my comments on the Federal Reserve's supervisory efforts.

In May of this year, the Federal Reserve and the other regulatory agencies developed a uniform Year 2000 assessment questionnaire to collect information on a national basis. Based on the responses and other information, we believe the banking industry's awareness level improved substantially during 1997 and is reflected in the intensified project management, planning, budgeting, and renovation efforts that have been initiated.

Generally speaking, the nation's largest banking organizations have done much to address the issues and have devoted significant financial and human resources to preparing for the century date change. Many larger banks are already renovating their operating systems and have commenced testing of their critical applications. Large organizations seem generally capable of renovating their critical operating systems by year-end 1998 and will have their testing well under way by then.

Smaller banks, including the U.S. offices of foreign banks and those dependent on a third party to provide their computer services, are generally aware of the issues and are working on the problem; however, their progress is less measurable and is being carefully monitored. We are directing significant attention to ensure that these banks intensify their efforts to prepare for the Year 2000.

Major third-party service providers and software vendors serving the banking industry are acutely aware of the issue and are working diligently to address it. Most of these suppliers consider their Year 2000 capability to be a business survival issue, as it is of critical importance to their ability to remain competitive in an aggressive industry.

By mid-year 1998 we will have conducted a thorough Year 2000 preparedness examination of every bank, U.S. branch and agency of a foreign bank, and service provider that we supervise. Our examination program includes a review of each organization's Year 2000 project management plans in order to evaluate their sufficiency, to ensure the direct involvement of senior management and the board of directors, and to monitor their progress against the plan. As we proceed through the examination process, we are identifying any institutions that require intensified supervisory attention and establishing our priorities for subsequent examinations.

INTERNATIONAL AWARENESS

With regard to the international aspects of the Year 2000 issue, U.S. offices of foreign banks pose a unique set of challenges. We are concerned about the possibility that some offices may not have an adequate appreciation of the magnitude and ramifications of the problem and may not as yet have committed the resources necessary to address the issues effectively. This is a particular concern for foreign bank offices that are dependent on their foreign parent bank for information processing systems. In addition, we are increasingly concerned that the foreign branches of U.S. banks may be adversely affected if counterparties in foreign markets are not ready for the Year 2000.

Therefore, we are working through the Bank for International Settlements (BIS) Committee on Banking Supervision, composed of many of the international supervisory agencies responsible for the foreign banks that operate in the United States. Through formal and informal discussions, the distribution of several interagency statements and advisories, and the Federal Reserve's Year 2000 video (see below) to the BIS supervisors committee, we have sought to elevate foreign bank supervisors' awareness of the risks posed by the century date change.

The Group of Ten (G-10) governors issued an advisory in September that included a paper by the bank supervisors committee on the Year 2000 challenge to banks and bank supervisors around the world to ensure a higher level of awareness and activity on their part. The BIS supervisors committee has developed a survey sent to about forty countries to collect better information on the state of readiness of banks in those countries and the extent of the efforts of the bank supervisors to address the issues locally and internationally. The surveys will be evaluated and the findings distributed early next year. Also on the international front, William McDonough, President of the Federal Reserve Bank of New York, in a keynote address to the annual meeting of the Institute of International Finance in Hong Kong, emphasized the importance of planning for the century date change on an international basis and the significant risk to financial markets posed by the Year 2000.

We also participated in the BIS meeting sponsored by the Committee on Payments and Settlement Systems and the Group of Computer Experts for G-10 and major non-G-10 central banks in September, which provided a forum to share views on and approaches to dealing with Year 2000 issues, and we have been active in various private sector forums. The majority of foreign central banks are confident

that payment and settlement applications under their management will be Year 2000 ready. Like the Federal Reserve, however, the operation of foreign central bank payment systems is dependent on compliant products from hardware and software suppliers and the readiness of telecommunication service providers. The approach of foreign central banks toward raising bank industry awareness varies widely. Information garnered from this meeting and similar meetings planned for the future will assist the BIS Committee on Payment and Settlement Systems, as well as the Federal Reserve, in understanding the state of preparedness of payment systems on a global level.

PUBLIC AWARENESS

We are mindful that extensive communication with the industry and the public is crucial to the success of century date change efforts. Our public awareness program concentrates on communications with the financial services industry related to our testing efforts and our overall concerns about the industry's readiness. We continue to advise our bank customers of the Federal Reserve's plans and time frames for making our software Year 2000 ready. We have inaugurated a Year 2000 industry newsletter and have just published our first bulletin addressing specific technical issues. We would be glad to provide you with copies of our recent newsletter and the bulletin. We have also established an Internet Web site to provide depository institutions with information regarding the Federal Reserve System's CDC project. This site can be accessed at the following Internet address: <http://www.frbsf.org/fiservices/cdc>.

On behalf of the FFIEC, the Federal Reserve has developed a Year 2000 information distribution system, including an Internet Web site and a toll free Fax Back service (888-882-0982). The Web site provides easy access to policy statements, guidance to examiners, and paths to other Year 2000 Web sites available from numerous other sources. The FFIEC Year 2000 Web site can be accessed at the following Internet address: <http://www.ffiec.gov/y2k>.

The Federal Reserve has also produced a ten-minute video entitled "Year 2000 Executive Awareness" intended for viewing by a bank's board of directors and senior management. The video presents a summary of the Year 2000 five-phase project management plan outlined in the interagency policy statement. In my introductory remarks on the video, I note that senior bank officials should be directly involved in managing the Year 2000 project to ensure that it is given the appropriate level of attention and sufficient

resources to address the issue on a timely basis. The video can be ordered through the Board's Web site.

CONTINGENCY PLANNING

While we will continue our public outreach efforts, our main focus is preparedness. Because smooth and uninterrupted financial flows are obviously of utmost importance, our main focus is on our readiness and the avoidance of problems. But we know from experience that upon occasion things can go wrong. Given our unique role as the nation's central bank, the Federal Reserve has always stressed contingency planning—for both systemic risks as well as operational failures.

In this regard, we regularly conduct exhaustive business resumption tests of our major payment systems that include depository institutions. Moreover, as a result of our experience in responding to problems arising from such diverse events as earthquakes, fires, storms, and power outages, as well as liquidity problems in institutions, we expect to be appropriately positioned to deal with similar problems in the financial sector that might arise as a result of CDC. However, CDC presents many unique situations. For example, in the software application arena, the normal contingency of falling back to a prior release of the software is not a viable option. We are, of course, developing specific CDC contingency plans to address various operational scenarios, and our contingency planning includes preparation to address unanticipated problems when we bring our systems into production as Year 2000 begins. Key technical staff will be ready to respond quickly to problems with our computer and network systems. We are establishing procedures with our primary vendors to ensure direct communication and appropriate recourse should their products fail at Federal Reserve installations during Year 2000 date processing. Our existing business resumption plans will be updated to address date-related difficulties that may face the financial industry.

We already have arrangements in place to assist financial institutions in the event that they are unable to access their own systems. For example, we are able to provide financial institutions with access to Federal Reserve computer terminals on a limited basis for the processing of critical funds transfers. This contingency arrangement has proved highly effective when used from time to time by depository institutions experiencing major hardware-software outages or that have had their operations disrupted because of natural disasters such as the Los Angeles

earthquake, hurricane Hugo in the Carolinas, and hurricane Andrew in south Florida. In these cases we worked closely with financial institutions to ensure that adequate supplies of cash were available to the community, and we arranged for our operations to function virtually without interruptions for twenty-four hours a day during the crisis period. We feel the experience gained from such crises will prove very helpful in the event of similar problems triggered by the century date change. We are formulating responses for augmenting certain functions, such as computer help desk services and off-line funds transfers, to respond to short-term needs for these services.

Beyond reliance on a sound plan and effective execution of the plan, the Federal Reserve provides several different payment services, such as Fedwire, ACH, check, and cash; therefore, the banking industry is not totally dependent upon any single system for executing payments. Alternatives are available in the event of a disruption in a segment of the electronic payment system.

We recognize that despite their best efforts some depository institutions may experience operating difficulties, either as a result of their own computer problems or those of their customers, counterparties, or others. These problems could be manifested in a number of ways and would not necessarily involve funding shortfalls. Nevertheless, the Federal Reserve is always prepared to provide information to depository institutions on the balances in their accounts with us throughout the day so that they can identify shortfalls and seek funding in the market. The Federal Reserve will be prepared to lend in appropriate circumstances and with adequate collateral to depository institutions when market sources of funding are not reasonably available. The terms and conditions of such lending may depend upon the circumstances giving rise to the liquidity shortfall.

Our preparations for possible liquidity difficulties also extend to the foreign bank branches and agencies

in the United States that may be adversely affected directly by their own computer systems or through difficulties caused by the linkage and dependence on their parent bank. Such circumstances would necessitate coordination with the home country supervisor. Moreover, consistent with current policy, foreign central banks will be expected to provide liquidity support to any of their banking organizations that experience a funding shortfall.

CLOSING REMARKS

As I indicated at the outset, the Federal Reserve views its Year 2000 preparations with great seriousness. As such, we have placed a high priority on the remediation of date problems in our systems and the development of action plans that will ensure business continuity for the critical financial systems we operate. While we have made significant progress and are on schedule in validating our internal systems and preparing for testing with depository institutions and others using Federal Reserve services, we must work to ensure that our efforts remain on schedule and that problems are addressed in a timely fashion. In particular, we will be paying special attention to the testing needs of depository institutions and the financial industry and are prepared to adjust our support for them as required by experience. We believe that we are well positioned to meet our objectives and will remain vigilant throughout the process.

As a bank supervisor, the Federal Reserve will continue to address the industry's preparedness, monitor progress, and target for special supervisory attention those organizations that are most in need of assistance. Lastly, we will continue to participate in international forums with the expectation that these efforts will help foster an international awareness of Year 2000 issues and provide for the sharing of experiences, ideas, and best practices.

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking and Financial Services, U.S. House of Representatives, November 13, 1997

Recent developments in world finance have highlighted growing interactions among national financial markets. The underlying technology-based structure of the international financial system has enabled us

to improve materially the efficiency of the flows of capital and payment systems. That improvement, however, has also enhanced the ability of the financial system to transmit problems in one part of the globe to another quite rapidly. Doubtless, there is much to be learned from the recent experience in Asia that can be applied to better the workings of the international financial system and its support of international trade that has done so much to enhance living standards worldwide.

While each of the Asian economies differs in many important respects, the sources of their spectacular growth in recent years, in some cases decades, and the problems that have emerged are relevant to a greater or lesser extent to nearly all of them.

After the early post-World War II period, policies generally fostering low levels of inflation and openness of their economies coupled with high savings and investment rates contributed to a sustained period of rapid growth, in some cases starting in the 1960s and 1970s. By the 1980s most economies in the region were expanding vigorously. Foreign net capital inflows grew but until recent years were relatively modest. The World Bank estimates that net inflows of long-term debt, foreign direct investment, and equity purchases to the Asia Pacific region were only about \$25 billion in 1990 but exploded to more than \$110 billion by 1996.

A major impetus behind this rapid expansion was the global stock market boom of the 1990s. As that boom progressed, investors in many industrial countries found themselves more heavily concentrated in the recently higher valued securities of companies in the developed world, whose rates of return, in many instances, had fallen to levels perceived as uncompetitive with the earnings potential in emerging economies, especially in Asia. The resultant diversification induced a sharp increase in capital flows into those economies. To a large extent, they came from investors in the United States and Western Europe. A substantial amount came from Japan, as well, more because of a search for higher yields than because of rising stock prices and capital gains in that country. The rising yen through mid-1995 also encouraged a substantial increase in direct investment inflows from Japan. In retrospect, it is clear that more investment monies flowed into these economies than could be profitably employed at modest risk.

I suspect that it was inevitable in those conditions of low inflation, rapid growth, and ample liquidity that much investment moved into the real estate sector, with an emphasis by both the public and private sectors on conspicuous construction projects. This is an experience, of course, not unknown in the United States on occasion. These real estate assets, in turn, ended up as collateral for a significant proportion of the assets of domestic financial systems. In many instances, those financial systems were less than robust, beset with problems of lax lending standards, weak supervisory regimes, and inadequate capital.

Moreover, in most cases, the currencies of these economies were closely tied to the U.S. dollar, and the dollar's substantial recovery since mid-1995,

especially relative to the yen, made their exports less competitive. In addition, in some cases, the glut of semiconductors in 1996 suppressed export growth, exerting further pressures on highly leveraged businesses.

However, overall GDP growth rates generally edged off only slightly, and imports, fostered by rising real exchange rates, continued to expand, contributing to what became unsustainable current account deficits in a number of these economies. Moreover, with exchange rates seeming to be solidly tied to the dollar, and with dollar and yen interest rates lower than domestic currency rates, a significant part of the enlarged capital inflows into these economies, in particular short-term flows, was denominated by the ultimate borrowers in foreign currencies. This put additional pressure on companies to earn foreign exchange through exports.

The pressures on fixed exchange rate regimes mounted as foreign investors slowed the pace of new capital inflows and domestic businesses sought increasingly to convert domestic currencies into foreign currencies, or, equivalently, slowed the conversion of export earnings into domestic currencies. The shifts in perceived future investment risks led to sharp declines in stock markets across Asia, often on top of earlier declines or lackluster performances.

To date, the direct impact of these developments on the American economy has been modest, but it can be expected not to be negligible. U.S. exports to Thailand, the Philippines, Indonesia, and Malaysia (the four countries initially affected) were about 4 percent of total U.S. exports in 1996. However, an additional 12 percent went to Hong Kong, Korea, Singapore, and Taiwan (economies that have been affected more recently). Thus, depending on the extent of the inevitable slowdown in growth in this area of the world, the growth of our exports will tend to be muted. Our direct foreign investment in, and foreign affiliate earnings reported from, the economies in this region as a whole have been a smaller share of the respective totals than their share of our exports. The share is, nonetheless, large enough to expect some drop-off in those earnings in the period ahead. In addition, there will be indirect effects on the U.S. real economy from countries such as Japan that compete even more extensively with the economies in the Asian region.

Particularly troublesome over the past several months has been the so-called contagion effect of weakness in one economy spreading to others as investors perceive, rightly or wrongly, similar vulnerabilities. Even economies, such as Hong Kong, with formidable stocks of international reserves, balanced

external accounts, and relatively robust financial systems, have experienced severe pressures. One can debate whether the turbulence in Latin American asset values reflects contagion effects from Asia, the influence of developments in U.S. financial markets, or homegrown causes. Whatever the answer, and the answer may be all of the above, this phenomenon illustrates the interdependencies in today's world economy and financial system.

Perhaps it was inevitable that the impressive and rapid growth experienced by the economies in the Asian region would run into a temporary slowdown or pause. But there is no reason that above-average growth in countries that are still in a position to gain from catching up with the prevailing technology cannot persist for a very long time. Nevertheless, rapidly developing, free-market economies periodically can be expected to run into difficulties because investment mistakes are inevitable in any dynamic economy. Private capital flows may temporarily turn adverse. In these circumstances, companies should be allowed to default, private investors should take their losses, and government policies should be directed toward laying the macroeconomic and structural foundations for renewed expansion; new growth opportunities must be allowed to emerge. Similarly, in providing any international financial assistance, we need to be mindful of the desirability of minimizing the impression that international authorities stand ready to guarantee the external liabilities of sovereign governments or failed domestic businesses. To do

otherwise could lead to distorted investments and could ultimately unbalance the world financial system.

The recent experience in Asia underscores the importance of financially sound domestic banking and other associated financial institutions. While the current turmoil has significant interaction with the international financial system, the recent crises would arguably have been better contained if long-maturity property loans had not accentuated the usual mismatch between maturities of assets and liabilities of domestic financial systems that were far from robust to begin with. Our unlamented savings and loan crises come to mind.

These are trying days for economic policymakers in Asia. They must fend off domestic pressures that seek disengagement from the world trading and financial system. The authorities in these countries are working hard, in some cases with substantial assistance from the International Monetary Fund, the World Bank, and the Asian Development Bank, to stabilize their financial systems and economies.

The financial disturbances that have afflicted a number of currencies in Asia do not at this point, as I indicated earlier, threaten prosperity in this country, but we need to work closely with their leaders and the international financial community to ensure that their situations stabilize. It is in the interest of the United States and other nations around the world to encourage appropriate policy adjustments, and where required, provide temporary financial assistance.

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Task Force on Social Security, Committee on the Budget, U.S. Senate, November 20, 1997

I am pleased to appear here today to discuss one of our nation's most pressing challenges: putting Social Security's Federal Old-Age, Survivors, and Disability Insurance Benefits (OASDI) program on a sound financial footing for the twenty-first century. It has become conventional wisdom that the social security system, as currently constructed, will not be fully viable after the baby boom generation starts to retire. The most recent report by the social security trustees projected that the trust funds of the system will grow over approximately the next fifteen years. However, beginning in the year 2014, the annual expected costs of the OASDI program are projected to exceed annual earmarked tax receipts, and the subsequent deficits

are projected to deplete the trust funds by the year 2031.

This imbalance in social security stems primarily from the fact that, until very recently, payments into the social security trust accounts by the average employee, plus employer contributions and interest earned, were inadequate to fund the total of retirement benefits. This has started to change. Under the most recent revisions to the law and presumably conservative economic and demographic assumptions, today's younger workers will pay social security taxes over their working years that appear sufficient, on average, to fund their benefits during retirement. However, the huge liability for current retirees, as well as for much of the workforce closer to retirement, leaves the system as a whole badly underfunded.

This issue of funding underscores the critical elements in the forthcoming debate on social security reform because it focuses on the core of any retire-

ment system, private or public. Simply put, enough resources must be set aside over a lifetime of work to fund the excess of consumption over claims on production a retiree may enjoy. At the most rudimentary level, one could envision households saving by actually storing goods purchased during their working years for consumption during retirement. Even better, the resources that would have otherwise gone into the stored goods could be diverted to the production of new capital assets, which would, cumulatively, over a working lifetime, produce an even greater quantity of goods and services to be consumed in retirement. In the latter case, we would be getting more output per worker, our traditional measure of productivity and a factor that is central in all calculations of long-term social security trust fund financing.

In sum, the bottom line in all retirement programs is the availability of *real* resources. The finance of any system is merely to facilitate the allocation of resources that fund retirement consumption of goods and services. Unless social security savings are increased by higher taxes (with negative consequences for growth) or reduced benefits, domestic savings must be augmented by greater private saving or surpluses in the rest of the government budget to ensure that there are enough overall savings to finance adequate productive capacity down the road to meet the consumption needs of *both* retirees and active workers.

The basic premise of our current largely pay-as-you-go social security system is that future productivity growth will be sufficient to supply promised retirement benefits for current workers. However, even supposing some acceleration in long-term productivity growth from recent experience, at existing rates of saving and capital investment, a pickup in productivity growth large enough by itself to provide for impending benefits is problematic. Moreover, savings borrowed from abroad, our current account deficit, cannot be counted on indefinitely to bridge the gap between domestic investment and domestic savings.

Accordingly, short of a far more general reform of the system, there are a number of initiatives, at a minimum, that should be addressed. As I argued at length during the Social Security Commission deliberations of 1983, with only modest effect, some delaying of the age of eligibility for retirement benefits is becoming increasingly pressing. For example, adjusting the full-benefits retirement age further to keep pace with increases in life expectancy in a way that would keep the ratio of retirement years to expected life span approximately constant would significantly narrow the funding gap. Such an initiative would become easier to implement as fewer and

fewer of our older citizens retire from physically arduous work. Hopefully, other modifications to social security, such as improved cost-of-living indexing, will be instituted.

There are a number of broader reform initiatives that, through the process of privatization, could increase domestic saving rates. Given the considerable stakes involved, these are clearly worthy of intensive evaluation. Perhaps the strongest argument for privatization is that replacing the current underfunded system with a fully funded one could boost domestic saving. But we must remember that it is because privatization plans might increase savings that they are potentially viable, not because of their particular form of financing.

Moving toward a privatized defined-contribution plan would, by definition, convert our social security system into a fully funded plan. But the same issues and questions remain as under the current system. What level of retirement income would be viewed as adequate, and should required contributions to private accounts (and savings) be increased to meet this level? Is there an alternative to forced savings to raise the level of contributions to the private funds?

Finally, if individuals did invest a portion of their accounts in equities and other private securities, thereby receiving higher rates of return and enhancing their social security retirement income, what would be the effect on non-social-security investments? As I have argued elsewhere, unless national saving increases, shifting social security trust funds to private securities, while likely increasing income in the social security system, will, to a first approximation, reduce non-social-security retirement income to an offsetting degree.¹ Without an increase in the savings flow, private pension and insurance funds, among other holders of private securities, presumably would be induced to sell higher-yielding stocks and private bonds to the social security retirement funds in exchange for lower-yielding U.S. Treasuries. This could translate into higher premiums for life insurance and lower returns on other defined-contribution retirement plans. This would not be an improvement to our overall retirement system.

Furthermore, the potential consequences of moving social security to a system that features private retirement accounts need to be considered carefully. Any move toward privatization will confront the problem of how to finance previously promised benefits. That would presumably involve making the implicit accrued unfunded liability of the current

1. See my remarks at the Abraham Lincoln Award Ceremony of the Union League of Philadelphia, December 6, 1996.

social security system to beneficiaries explicit. For example, participants at the time of privatization could each receive a nonmarketable certificate that confirmed irrevocably the obligations of the U.S. government to pay a real annuity at retirement, indexed to changes in the cost of living. The amount of that annuity would reflect the benefits accrued through the date of privatization.²

Under our current system, social security beneficiaries technically do not have an irrevocable claim to current levels of promised future benefits because legislative actions can lower future benefits. In contrast, the explicit liability of federal government debt to the public is essentially irrevocable. A critical consideration for the privatization of social security is how financial markets are factoring in the implicit unfunded liability of the current system in setting long-term interest rates.

If markets perceive that this liability has the same status as explicit federal debt, then one must presume that interest rates have already fully adjusted to the implicit contingent liability. However, if markets have not fully accounted for this implicit liability, then making it explicit could lead to higher interest rates for U.S. government debt.

For any level of real annuity at retirement, the corresponding current value of recognition certificates would depend on a number of technical assumptions. These assumptions have no impact on the real payouts from the retirement annuities but determine the current notional value of recognition certificates, which is useful for making broad economic comparisons. For example, factoring in a 2 percent real annual rate of discount and including other technical assumptions, the value of recognition certificates the U.S. government would need to issue to ensure that all currently accrued legislated future benefits are paid would be roughly \$9½ trillion. Alternatively, at a 1 percent real rate the value would be roughly \$12 trillion, and at a 6 percent real rate the value would be about \$4½ trillion.³ Because, under a wide range of assumptions, the magnitude of this liability remains very large relative to the current outstanding federal debt to the public—\$3½ trillion—the market adjustment could be substantial.

2. Calculating the accrued benefits would require an estimate of future national real wage growth.

3. Note that these estimates of the value of the accrued liability differ in concept from the \$3 trillion official OASDI unfunded liability. That number represents the difference between expected future tax payments and future benefits over a seventy-five-year horizon and also includes the unfunded liability of the disability program. Even if the assets in the social security trust fund were to be increased by the \$3 trillion, the social security system would still not be in balance over the long term (that is, in perpetuity).

There is reason to suspect, however, that if such a liability is made explicit in a manner similar to the transition procedure in Chile, each dollar of new liability will weigh far less on financial markets than a dollar of current public debt. In the case of the Chilean pension reform, a significant portion of the implicit liability of their old system was made explicit at the initiation of the new pension system by the issuance of “recognition bonds” that were deposited in workers’ individual accounts. These bonds were initially nonmarketable, indexed for price inflation, and yielded a fixed real return on a specified face value. In Chile, the liquidation of these bonds generally occurs only after a worker retires, and the proceeds from the bonds are required to be paid in the form of an annuity or through programmed partial withdrawals. These bonds have been viewed as a different instrument from other forms of public debt, and it is likely that if an instrument such as recognition certificates were issued here, it would also be viewed as distinct from fully liquid, marketable public debt.

In effect, under privatization, the obligations of social security would be transferred from an implicit government account to millions of private individual accounts. Retirement needs would be funded first by the conversion of recognition certificates and later by withdrawals from private defined contribution funds. The outstanding certificates would accordingly decline with time and finally be paid off some decades in the future. But if benefits and contributions do not change, national savings are only being transferred from the federal government account to that of households and are not increased in the process. It is only if contributions or private saving increases that household and national saving increases.

The transfer of savings from public to private accounts would affect the unified budget balance of the U.S. government, although precisely how that balance would be affected would depend on the exact budgetary accounting treatment adopted for recognition certificates. Certainly, with immediate and full privatization, the ongoing annual unified budget balance would decline by at least the amount of the social security surplus: As payroll taxes were diverted from public coffers to private accounts, they would no longer count as tax revenues; similarly, payments of social security benefits would not count as outlays.

The issuance of recognition certificates under current accounting rules presumably would also increase outlays and the deficit by the value of the certificates at the time of issuance. Exactly how much the deficit

would be affected in the initial year, and how much in subsequent years, would depend on how the certificates were structured and on bookkeeping conventions.⁴ However, the basic effects of privatization on the budget deficit are clear—the implicit liabilities of the social security system would start to appear on our balance sheets now, rather than when the baby boomers retire.

It is an open, but crucial, question as to how financial markets would respond to a change of the magnitude contemplated by immediate full privatization. Before any such move is made, a thorough examination of the risks and benefits to the financial markets would be wise. The key issues that will affect the economy are (1) the change from the implicit liability of the current system to one of an irrevocable obligation to pay, and (2) the magnitude of changes in national saving and the level of productivity-spurring investment. The budget bookkeeping on how privatization is recorded has little significance.

An alternative to what is clearly a “big bang,” one-shot transition, in which privatization occurs immediately for all, is a gradual transition in which, for example, only younger workers are accorded recognition certificates and are required to fund the remainder of their retirement needs through defined contribution plans. Over the years, ever-older groups would be included in the new system. During the transition, two systems would operate in parallel. Such a transition would involve smaller immediate increases in recognition certificates (and in the unified budget

deficit) and smaller accompanying market risks but would have larger effects in subsequent years, as tax revenues from the younger groups would be diverted as contributions to private accounts, whereas all social security benefits to retirees would still be counted as government outlays.⁵ Thus, if there is a unified budget surplus before the transition, it will be reduced or turned to a deficit at least to the extent of the loss in tax revenues. In effect, social security benefits will be increasingly financed with “general revenues” for a time. Should this be the direction that the Congress decides to move, containment of spending outside of social security doubtless would be necessary to add assurances to the market.

Ultimately, of course, even under a gradual transition, the system would be almost fully privatized. I say “almost” because I presume the Congress would provide some form of assistance to those who through investment imprudence or unforeseen events had retirement benefits below a certain level perceived as an absolute minimum. Needless to say, such a new entitlement would have to be rigorously delimited because political pressures to increase it could be overwhelming.

Despite all of these complications, in the broader scheme of things, the types of changes that will be required to restore fiscal balance to our social security accounts are significant but manageable. More important, most entail changes that are less unsettling if they are enacted soon, even if their effects are significantly delayed, rather than waiting five or ten years or longer for legislation. We owe it to those who will retire after the turn of the century to be given sufficient advance notice to make what alterations in retirement planning may be required. If we procrastinate too long, the adjustments could be truly wrenching. Our senior citizens, both current and future, deserve better. □

4. For example, if the certificates could be treated as non-interest-bearing, then the notional face value of the certificates would be quite large; their issuance would lead to a one-time spike in the deficit, but the certificates would not affect the deficit in future years. Alternatively, if the certificates were accorded an imputed interest rate for budget accounting, while the immediate effect would be to record a lower deficit, the unified balance of the U.S. government would increase in subsequent years by interest accruing on the certificates. Finally, should the recognition certificates be kept separate from the unified budget, the unified deficit would only be affected by the loss of the social security surplus.

5. The cumulative total effect of privatization on the unified budget is approximately the same whether the privatization is immediate or phased in. Immediate privatization results in bigger up-front deficits.

Announcements

APPOINTMENTS OF CHAIRMEN AND DEPUTY CHAIRMEN OF THE FEDERAL RESERVE DISTRICT BANKS

The Federal Reserve Board on November 3, 1997, announced the appointment of chairmen and deputy chairmen of the twelve Federal Reserve Banks for 1998.

Each Reserve Bank has a board of directors of nine members. The Board of Governors in Washington appoints three of these directors and designates one of its appointees as chairman and a second as deputy chairman.

Following are the names of the chairmen and deputy chairmen appointed by the Board for 1998.

Boston

William C. Brainard, Professor, Department of Economics, Yale University, New Haven, Conn., renamed chairman.

Deputy chairman—To be announced.

New York

John C. Whitehead, Chairman, AEA Investors Inc., New York, N.Y., renamed chairman.

Thomas W. Jones, Vice Chairman, Travelers Group Inc., and Chairman and Chief Executive Officer, Smith Barney Asset Management, New York, N.Y., renamed deputy chairman.

Philadelphia

Joan Carter, President and Chief Operating Officer, UM Holdings Ltd., Haddonfield, N.J., Chairman.

Charisse R. Lillie, Partner, Ballard Spahr Andrews & Ingersoll, Philadelphia, Pa., deputy chairman.

Cleveland

G. Watts Humphrey, Jr., President, GWH Holdings, Inc., Pittsburgh, Pa., renamed chairman.

David H. Hoag, Chairman and Chief Executive Officer, The LTV Corporation, Cleveland, Ohio, renamed deputy chairman.

Richmond

Claudine B. Malone, President, Financial & Management Consulting, Inc., McLean, Va., renamed chairman.

Robert L. Strickland, Chairman, Lowe's Companies, Inc., Winston-Salem, N.C., renamed deputy chairman.

Atlanta

David R. Jones, President and Chief Executive Officer, AGL Resources Inc., Atlanta, Ga., chairman.

John F. Wieland, President, John Wieland Homes, Inc., Atlanta, Ga., Deputy Chairman.

Chicago

Lester H. McKeever, Jr., Managing Partner, Washington, Pittman & McKeever, Chicago, Ill., renamed chairman.

Arthur C. Martinez, Chairman and Chief Executive Officer, Sears, Roebuck and Co., Hoffman Estates, Ill., renamed deputy chairman.

St. Louis

John F. McDonnell, Former Chairman, McDonnell Douglas Corp., St. Louis, Mo., renamed chairman.

Susan S. Elliott, President and Chief Executive Officer, Systems Service Enterprises, Inc., St. Louis, Mo., renamed deputy chairman.

Minneapolis

David A. Koch, Chairman, Graco Inc., Plymouth, Minn., chairman.

James J. Howard, Chairman, President, and Chief Executive Officer, Northern States Power Company, Minneapolis, Minn., deputy chairman.

Kansas City

Jo Marie Dancik, Office Managing Partner, Ernst & Young LLP, Denver, Colo., chairman.

Deputy chairman—To be announced.

Dallas

Roger R. Hemminghaus, Chairman and Chief Executive Officer, Ultramar Diamond Shamrock Corp., San Antonio, Tex., renamed chairman.

James A. Martin, Second General Vice President, International Association of Bridge, Structural, & Ornamental Iron Workers, Austin, Tex., deputy chairman.

San Francisco

Gary G. Michael, Chairman and Chief Executive Officer, Albertson's, Inc., Boise, Idaho, chairman.

Cynthia A. Parker, Executive Director, Anchorage Neighborhood Housing Services, Inc., Anchorage, Ala., deputy chairman.

REGULATION Z: AMENDMENT

The Federal Reserve Board on November 21, 1997, issued an amendment to its Truth in Lending regulation (Regulation Z) that gives creditors flexibility in providing variable-rate disclosures.

The amendment applies to variable-rate loans with a term exceeding one year and secured by the consumer's principal dwelling. It allows creditors to provide a statement that the periodic payment may substantially increase or decrease together with a maximum interest rate and payment based on a \$10,000 loan amount, in lieu of providing a fifteen-year historical example of index values. The revisions were effective immediately, but compliance is optional until December 22, 1997. The revisions implement a provision of the Regulatory Paperwork Reduction Act of 1996.

REDUCTION IN FEES FOR ELECTRONIC PAYMENT SERVICES

The Federal Reserve on November 5, 1997, announced a reduction for next year in fees for electronic payment services provided by the Federal Reserve Banks. Fees for paper-based payment services will remain relatively flat. The fees became effective January 2, 1998.

Overall prices for Reserve Bank priced services are projected to decline approximately 4.0 percent in 1998, compared with an overall price decline of 3.7 percent in 1997. The 1998 price decline is mainly attributable to an 11.4 percent reduction across electronic payment services, reflecting lower prices for most Fedwire funds transfers and automated clearing-house (ACH) transactions.

Depository institutions will save an estimated \$15.6 million in 1998 because of these fee reductions. The savings generally reflect the efficiencies gained from the success of a five-year project to consolidate the Federal Reserve's automation processing facilities. This project has resulted in an estimated savings for depository institutions of \$41.8 million since 1995 from lower fees for electronic payment services.

In the Fedwire funds transfer service, the basic funds transfer fee will decline 11.1 percent, from 45 cents to 40 cents. In the ACH service, fees will decline as much as 12.5 percent for 1998, including a decrease of one mill (\$.001) in fees for items originated, items received, and addenda items.

Fees for the paper check service will remain relatively flat, with a modest volume-weighted increase

of 0.2 percent in 1998. Fees for the noncash, Fedwire book-entry securities transfer, and net settlement services will be retained at their 1997 levels. The 1998 priced services fee schedules are available from the Reserve Banks.

The Monetary Control Act of 1980 requires the Federal Reserve to recover the costs of providing priced services over the long run. The Federal Reserve continues to fully meet this requirement and recovered 99.9 percent of the costs of priced services, including targeted return on equity, during the 1987-96 period.

In 1998 the Reserve Banks project to recover 100.8 percent of their priced services costs, including targeted return on equity, generating after-tax net income of \$59.0 million. The Reserve Banks estimate that they will recover 101.0 percent of their costs in 1997.

The Board on November 5, 1997, also approved the 1998 private sector adjustment factor (PSAF) for Reserve Bank priced services of \$108.5 million—an increase of \$7.0 million, or 6.9 percent, from the 1997 targeted PSAF of \$101.5 million. The PSAF is an allowance for taxes and other imputed expenses that would have been paid and return on capital that would have been earned had the Federal Reserve's priced services been provided by a private business firm.

REVISION TO THE SUPERVISORY POLICY FOR SMALL SHELL BANK HOLDING COMPANIES

The Federal Reserve Board announced on November 6, 1997, a revised policy for risk-focused supervision of small shell bank holding companies, defined as banking organizations with less than \$1 billion of consolidated assets that do not have debt outstanding to the public and that do not engage in significant nonbank activities. Implementation of the new program was to commence no later than November 30, 1997.

The new supervisory program supersedes the previous guidelines for inspection frequency that were applicable to small shell organizations and permits a more flexible approach to supervising these entities in a risk-focused environment.

DECREASE IN THE NET TRANSACTION ACCOUNTS TO WHICH A 3 PERCENT RESERVE REQUIREMENT WILL APPLY

The Federal Reserve Board on November 13, 1997, announced a decrease from \$49.3 million to

\$47.8 million in the net transaction accounts to which a 3 percent reserve requirement will apply in 1998. The Board also changed from \$4.4 million to \$4.7 million the amount of reservable liabilities of each depository institution that is subject to a reserve requirement of 0 percent.

Additionally, the Board increased the deposit cut-off levels that are used in conjunction with the exemption level to determine the frequency and detail of deposit reporting required for each institution from \$75.0 million to \$78.9 million for nonexempt depository institutions and from \$48.2 million to \$50.7 million for exempt depository institutions.¹

PROPOSED ACTIONS

The Federal Reserve Board on November 4, 1997, requested public comment on a joint interagency proposal to revise risk-based capital standards to address the regulatory capital treatment of recourse obligations and direct credit substitutes that expose banks, bank holding companies, and thrift institutions to credit risk. Comments were requested by February 3, 1998.

The Federal Reserve Board on November 6, 1997, requested public comment on a proposal to integrate its policies on Privately Operated Large-Dollar Multilateral Netting Systems and Private Small-Dollar Clearing and Settlement Systems into a single, comprehensive policy statement on Privately Operated Multilateral Settlement Systems. Comments were requested by February 10, 1998.

The Federal Reserve Board on November 10, 1997, requested public comment on a proposal to move from a system of contemporaneous reserve requirements to one in which reserves are maintained on a lagged basis. The switch would make it easier for depositories to calculate their required reserves and would increase the accuracy of information needed by the Open Market Trading Desk to carry out its operations. Comments were requested by January 12, 1998.

ISSUANCE OF A REPORT ON TRADING AND DERIVATIVES ACTIVITIES OF BANKS AND SECURITIES FIRMS WORLDWIDE

A joint report on the public disclosure of trading and derivatives activities of banks and securities firms worldwide has been issued by the Basle Committee on Banking Supervision and the Technical Committee of the International Organisation of Securities Commissions (IOSCO).

This joint report provides an overview of the disclosures about trading and derivatives activities in the 1996 annual reports of a sample of the largest, internationally active banks and securities firms in the Group of Ten (G-10) countries and notes improvements since 1993. The analysis builds, in part, on a framework used by the Federal Reserve in analyzing the trading and derivatives disclosures of major U.S. banking organizations.

In total, the sample reviewed for the 1993–96 period comprised seventy-nine major banks and securities firms in the G-10 countries, representing more than \$14 trillion in total assets and more than \$83 trillion in notional amounts of derivative instruments. Disclosures in the 1995 and 1996 annual reports of a major securities firm in Hong Kong were also reviewed.

The analysis revealed that there have been general improvements as well as voluntary innovations in the annual report disclosures of a number of large, internationally active banks and securities firms. In particular, there were notable improvements in quantitative disclosures about market risk in 1996 and 1995. However, despite encouraging advances in disclosure practices by a number of institutions in the G-10 countries, many institutions continued to disclose very little about their trading and derivatives activities.

In addition, the report includes recommendations made by the Basle Committee and IOSCO in 1995 for further improvements in disclosures of qualitative and quantitative information about institutions' involvement in trading and derivatives activities, including their risk exposures and risk management policies, and the earnings impact of these activities.

The report's recommendations draw on concepts developed in the *Discussion Paper on Public Disclosure of Market and Credit Risks by Financial Intermediaries* released by the Euro-currency Standing Committee of the G-10 central banks in September 1994, and in the joint report of the Basle Committee and the IOSCO Technical Committee, *Framework for Supervisory Information About the Derivatives*

1. The Board's notice includes the effective dates of these transactions and is available from Publications Services, Board of Governors of the Federal Reserve System, Mail Stop 127, Washington, DC 20551.

Activities of Banks and Securities Firms, issued in May 1995.

CHANGES IN BOARD STAFF

In September 1997, based on a recommendation of its Budget Committee, the Board approved a merger of the Division of Human Resources Management, the Office of the Controller, the Equal Employment Opportunity Programs Office, and the procurement function into a new Management Division. On October 14, 1997, the Board approved a number of official staff reassignments related to this merger, which took effect December 31, 1997.

The changes in the official staff were the following: David L. Shannon and George E. Livingston became Senior Advisers to the Board. John R. Weis

and Fred Horowitz became Advisers to the Staff Director for Management. S. David Frost continued as Staff Director for Management and also became the Director of the new Management Division. Within the Management Division, Darrell R. Pauley and Stephen J. Clark were each promoted to the position of Assistant Director. Sheila Clark remained the EEO Programs Director and assumed responsibility for coordinating Reserve Bank EEO matters.

The Board also announced on November 10, 1997, that Portia W. Thompson, EEO Programs Adviser in the Office of Board Members, would be retiring from the Board on December 31, 1997, after twenty-nine years of service.

In addition, Catherine L. Mann, Assistant Director, Division of International Finance, resigned, effective December 1, 1997. □

Minutes of the Federal Open Market Committee Meeting Held on September 30, 1997

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, September 30, 1997, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Broaddus
Mr. Gynn
Mr. Kelley
Mr. Moskow
Mr. Meyer
Mr. Parry
Ms. Phillips
Ms. Rivlin

Messrs. Hoenig, Jordan, Melzer, 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. Baxter, Deputy General Counsel
Mr. Prell, Economist

Messrs. Cecchetti, Goodfriend, Eisenbeis, Hunter,
Lindsey, Promisel, Siegman, Slifman, and
Stockton, Associate Economists

Mr. Fisher, Manager, System Open Market Account

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

Messrs. Madigan and Simpson, Associate Directors,
Divisions of Monetary Affairs and Research and
Statistics respectively, Board of Governors

Messrs. Alexander, Hooper, and Ms. Johnson,
Associate Directors, Division of International
Finance, Board of Governors

Ms. Low, Open Market Secretariat Assistant,
Division of Monetary Affairs, Board of
Governors

Mr. Varvel, First Vice President, Federal Reserve
Bank of Richmond

Ms. Browne, Messrs. Dewald, Hakkio, Ms. Krieger,
Messrs. Lang, Rolnick, Rosenblum, and
Sniderman, Senior Vice Presidents, Federal
Reserve Banks of Boston, St. Louis, Kansas City,
New York, Philadelphia, Minneapolis, Dallas,
and Cleveland respectively

Mr. Judd, Vice President, Federal Reserve Bank of
San Francisco

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on August 19, 1997, were approved.

The Manager of the System Open Market Account reported on developments in foreign exchange and international financial markets in the period since the previous meeting on August 19, 1997. There were no open market transactions in foreign currencies for System account since that meeting, and thus no vote was required of the Committee.

The Manager also reported on developments in domestic financial markets and on System open market transactions in government securities and federal agency obligations during the period August 19, 1997, through September 29, 1997. By unanimous vote, the Committee ratified these transactions.

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

The information reviewed at this meeting suggested that economic activity had expanded briskly further in the third quarter. The expansion was paced

by robust growth in consumer spending and substantial further increases in business investment expenditures. Housing demand seemed to have been well maintained over the summer. Employment and production had risen considerably further since midyear. Despite widespread indications of tight labor markets, increases in labor compensation had been moderate in recent months, and price inflation had remained subdued.

Private nonfarm payroll employment rose substantially over July and August despite the retarding effects of a work stoppage at a major package shipping firm. Aggregate weekly hours of production or nonsupervisory workers were considerably above their second-quarter average over the two months. The civilian unemployment rate, at 4.9 percent in August, was marginally above its low for the current economic expansion.

Industrial production increased considerably in July and August, extending a relatively brisk advance over the first half of the year. The output of business equipment rose strongly over the two months, with sizable gains in all major categories, and the output of consumer nondurables turned up after having displayed some weakness in earlier months of the year. The production of consumer durables also increased on balance over the two months. After having risen somewhat in other recent months, the utilization of total manufacturing capacity was up appreciably in August, reaching its highest level since the spring of 1995.

Retail sales were up substantially over the summer after having edged lower during the spring. The upturn in recent months included a rebound in sales at automotive dealers following some weakness in earlier months. Sales at non-auto durable and at nondurable goods stores also strengthened after having declined on balance during the second quarter. The pickup in consumer spending occurred against a backdrop of further strong gains in incomes and household net worth that, according to recent surveys, had fostered high levels of consumer confidence. In addition, credit continued to be readily available to most consumers. Total private housing starts and building permits declined in August to levels somewhat below their averages in earlier months of the year, but data on overall home sales and builder ratings of new home sales continued to suggest that demand for single-family housing was still relatively buoyant.

Real business fixed investment had remained on a steep uptrend since midyear, with exceptional ongoing demand for computers and communications equipment and relatively robust demand in other

categories of business equipment as well. Nonresidential construction activity appeared to have rebounded somewhat in late spring and early summer after having declined moderately earlier in the year. While new construction contracts displayed little trend, favorable conditions for nonresidential construction were suggested by low vacancy rates, rising prices for commercial real estate, and a widespread availability of financing.

The accumulation of nonfarm business inventories slowed substantially in July (latest data) from its average pace in the second quarter. Inventory investment in manufacturing was only a bit below its pace in the second quarter, but the inventory–shipments ratio for the sector remained at a very low level. In wholesale trade, stocks fell after a sharp buildup in June, and the stock–sales ratio for this sector was at the middle of its relatively low range for the past year. At the retail level, a rise in inventories in July about matched that in June and the inventory–sales ratio for the sector also was near the middle of its range for the past year.

The nominal deficit on U.S. trade in goods and services widened substantially in July, reflecting both a decline in exports and a rise in imports. The lower exports of goods and services were associated with decreases in most trade categories and left total exports slightly below their relatively high level of the second quarter. The July increase in imports also was spread among nearly all trade categories and brought total imports of goods and services to a level somewhat above the average for the second quarter. The available information suggested that economic activity expanded further in recent months in all the major foreign industrial countries except Japan. Growth remained relatively robust in Canada and the United Kingdom, and activity apparently picked up in France and Germany after having been sluggish early in the year. Economic activity in Japan declined appreciably in the second quarter, and more recent information provided little clear evidence of subsequent strength.

Price inflation had remained subdued. Consumer price inflation picked up slightly in July and August from a slow rate of increase in each of the previous four months; reduced but still appreciable increases in food prices contributed to the larger advance in both months, and a sizable rise in energy prices lifted the index in August. At the producer level, the price index for finished goods rose moderately in August after having fallen for seven consecutive months; the August rise largely reflected a jump in energy prices. Over the twelve months ended in August, consumer prices were up considerably less than in the pre-

vious twelve months, while producer prices of finished goods were down slightly after having increased moderately in the previous twelve months. The behavior of these broad measures of inflation excluding the effects of food and energy prices also was favorable over the year ended in August, albeit slightly less so. Average hourly earnings of production and nonsupervisory workers picked up in August from a much reduced pace in July; the rise in such earnings over the twelve months ended in July was slightly above that in the previous twelve months.

At its meeting on August 19, 1997, the Committee adopted a directive that called for maintaining conditions in reserve markets that were consistent with an unchanged federal funds rate averaging about 5½ percent. The directive included a bias toward the possible firming of reserve conditions and a somewhat higher federal funds rate to reflect a consensus among the members that the economic risks remained biased toward higher inflation. Although the members did not see a high probability that likely developments would warrant a tightening of policy during the intermeeting interval, they continued to anticipate that the next policy move was more likely to be in the direction of some firming than toward some easing. The reserve market conditions associated with this directive were expected to be consistent with some slowing in the growth of M2 and M3 to more moderate rates over coming months.

Open market operations were directed throughout the intermeeting period toward maintaining the existing degree of pressure on reserve positions, and the federal funds rate averaged just slightly above the Committee's intended level of 5½ percent. Most other interest rates in short-term markets were little changed over the period. Rates on longer-term obligations were down somewhat on balance, apparently reflecting a reassessment of the outlook for inflation by some market participants in the light of unexpectedly low inflation and other statistics released during the latter part of the period. The downward movement in long-term interest rates resulted in some further flattening of the slope of the yield curve and appeared consistent with an interpretation that market participants saw little likelihood of any tightening of monetary policy in coming months. Share prices in equity markets continued to display considerable volatility but increased appreciably further on balance over the intermeeting interval.

In foreign exchange markets, the dollar experienced mixed changes in relation to major foreign currencies, largely reflecting diverging economic developments abroad. On balance, the dollar's trade-weighted value in terms of the other G-10 currencies

declined somewhat over the intermeeting period. The dollar was down considerably against the mark as data suggesting a pickup in German economic activity and inflation led to market speculation concerning a possible increase in short-term German interest rates. The dollar also registered sizable declines over the period against a number of other European currencies. On the other hand, the dollar rose appreciably in relation to the Japanese yen, which came under selling pressure against the background of continuing sluggish economic conditions in Japan, persistent problems in its financial system, and concerns about the potential effect on Japan of the recent depreciations of Southeast Asian currencies. The dollar also strengthened somewhat in terms of the British pound, in part as a result of some indications that economic activity in the United Kingdom was not as strong as expected and the sizable declines that had occurred recently in that nation's long-term interest rates.

M2 expanded at a rapid pace in August and continued to grow at a still robust though diminished rate in September according to the limited data available for that month. The strength of M2 and also that of M3 was related at least in part to changes in the allocation of financial assets and liabilities rather than to the growth in spending; in particular, the volatility in the stock market evidently fostered a redirection of funds to M2 assets, among others, and included heavy inflows to the money market funds component of M2. For the year through August, M2 rose at a rate somewhat above the upper bound of the Committee's range. M3 grew at an exceptionally rapid rate over the summer months, with only few signs of moderation in September according to the partial data available for that month. Apart from the strength in its M2 components, the increase in this aggregate reflected bank substitution of large time deposits for foreign borrowings to finance credit growth and also reflected substantial inflows to institution-only money funds. For the year through August, M3 expanded at a rate well above the upper bound of its range. Total domestic nonfinancial debt continued to increase at a relatively moderate rate in recent months.

The staff forecast prepared for this meeting suggested that the economy would expand at a pace significantly above that anticipated earlier for the second half of the year and the early part of 1998, but economic growth was likely to moderate appreciably to a more sustainable rate later. In the near term, business fixed investment appeared to be providing surprisingly strong impetus to income growth, and rising levels of wealth were stimulating robust consumer demand. With sales so strong, the downward adjustment in inventory investment that had been

anticipated in the previous staff forecast seemed likely to occur more gradually. The projected strength in aggregate demand appeared likely to intensify pressures on resources and lead to some pickup in inflation. Less accommodative financial market conditions were anticipated to damp these tendencies over time.

In the Committee's discussion of current and prospective economic developments, members commented on the continued remarkable performance of the economy. Strength in consumer spending and further acceleration in capital investment sparked faster-than-expected growth in the third quarter, and relatively brisk economic expansion seemed to be in prospect for a period ahead in the context of very positive business and consumer sentiment, strong demands for capital goods, and favorable financial conditions. The rate of expansion might subsequently be expected to slow as stocks of business capital and consumer durable goods built up relative to sales and incomes, inventory investment moderated somewhat, and the recent strength of the dollar began to exert a drag on exports. It was an open question, however, as to whether these influences would be sufficient to slow the growth of demands for goods and services to a more sustainable pace, and many members suggested that the risks to the forecast were on the side of increases in final demands that would press more intensely against the available resources. Despite high levels of resource utilization, inflation and inflationary expectations had remained subdued to date, reflecting to some extent special influences like the rise in the foreign exchange value of the dollar. Moreover, sizable gains in productivity combined with moderate increases in wages and salaries seemed to have contributed to keeping unit labor costs and prices under control. However, the growing tightness in labor markets in many parts of the country was being accompanied by some signs of rising pressures on labor compensation, including the use of special bonuses and other innovative compensation initiatives that are not included in the usual statistical measures of labor costs. In the circumstances, members saw a risk of added wage and price inflation if economic activity did not slow to a more sustainable pace consistent at a minimum with no further appreciable increase in labor utilization rates.

With regard to the prospects for final demand in key sectors, members took note of the rebound in consumer expenditures after a sluggish second quarter. Solid gains in employment, incomes, and household net worth were seen as sustaining further robust expansion in consumer spending. In addition, members anticipated that continued further rapid expan-

sion in investment expenditures by business firms for equipment and structures would provide strong underlying support for the economic expansion. High rates of return on investments in equipment, particularly for computers and communications equipment where prices were falling rapidly, coupled with ready financing from both internal cash flows and external sources were inducing firms to undertake large investment programs. Such investments would expand capacity, improve productivity, and lower costs of production. Anecdotal reports suggested a mixed picture in nonresidential real estate markets. In much of the country, commercial and office vacancies were declining from already low levels and lease rates were rising. Shortages of construction workers were said to be holding back construction in some areas, but in other parts of the country there were indications of some moderation in construction activity and of emerging overcapacity in some markets. The ready availability of financing was a supportive factor in the outlook for nonresidential construction.

A gradual decline in housing activity was expected to exert only mild restraint on the increase of economic activity. Solid job and income growth, the high level of household wealth, and the low cash flow burden of homeownership would continue to provide good support for housing demand. In this regard, recent statistical and anecdotal information indicated that home sales were holding up well across the country, although higher-priced homes appeared to be selling relatively slowly in some areas.

In the Committee's discussion of the prospects for inflation, members discussed the relative absence of price pressures in an environment of increasingly tight labor markets across the country and rising levels of manufacturing capacity utilization. In labor markets, costs were increasing much less than would have been expected on the basis of previous experience under similarly tight conditions. Among the possible explanations for this outcome were persisting concerns about job security; the muted rise in worker benefits, notably health care; and the increasing use by employers of more flexible and innovative means to attract and retain workers that were in high demand. Moreover, it was suggested that, at least in manufacturing, productivity had risen unusually rapidly of late, allowing corporations to hold the line on prices despite increases in labor costs. While the underlying reasons for the favorable inflation trends were not entirely clear, the members noted that, in addition to subdued increases in labor costs, the appreciation of the dollar and the relatively sluggish performance of many foreign industrial economies seemed to be contributing to the better-than-expected

inflation performance by holding down prices in world commodity markets and prices of imported goods more generally. These developments also added to competitive pressures on businesses, which together with customer resistance were making it very difficult for firms to raise prices to reflect their higher costs.

The members commented that while few signs of rising price inflation had surfaced, the widespread tautness of labor markets and the emergence of scattered indications of increased pressure on wages and other labor costs were cause for concern. Anecdotal reports suggested that increases in health care costs were likely to turn up, and there were indications that fears about job security might be diminishing and that workers were becoming less reluctant to leave their jobs before finding better ones. In addition, businesses were reporting increasing difficulty in hiring and retaining qualified workers. Growth in labor demand had been outpacing sustainable increases in labor supply; these reports suggested that the risk of an acceleration in labor compensation was rising.

In the Committee's discussion of policy for the intermeeting period ahead, all the members endorsed a proposal to maintain an unchanged policy stance, but several also indicated that economic developments could well require a tightening of policy in the relatively near future. Members observed in this regard that some factors that had contributed to a currently subdued rate of inflation, notably the appreciation of the dollar, damped wage demands, and relatively limited increases in the cost of health benefits, were not likely to continue to exert the same restraining influence. Moreover, final demands had been unexpectedly strong, with economic activity and the associated demand for labor expanding at an unsustainable pace for some time, and it was unclear whether without policy action overall demands would moderate sufficiently to avoid increasing pressures on resources. In the circumstances, the risks to the economy appeared to be strongly tilted toward rising inflation whose emergence would in turn threaten the sustainability of the expansion. Several members emphasized in this regard that a tightening move could be most effective if it were implemented preemptively, before inflation had time to gather upward momentum and become embedded in financial asset prices and in business and consumer decision-making.

There were, nonetheless, a number of reasons for delaying a tightening of policy. The behavior of inflation had been unexpectedly benign for an extended period of time for reasons that were not fully understood. Forecasts of an upturn in inflation

were therefore subject to a considerable degree of uncertainty, and the expansion of economic activity could still slow to a noninflationary pace. Members also commented that a policy tightening was not anticipated at this time and such an action might therefore have unintended adverse effects on financial markets. Members recognized that from the standpoint of the level of real short-term interest rates, monetary policy could already be deemed to be fairly restrictive. Several noted, however, that credit from a wide variety of lenders appeared to be amply available in financial markets on favorable terms, perhaps overly so in present circumstances, and some also noted that the strength in the broad measures of money in recent months suggested that policy was not restraining liquidity or financial conditions more generally. In the course of the Committee's discussion of these diverging considerations, a consensus emerged for maintaining a steady policy course at this time, but members also expressed the need for a heightened degree of vigilance as they continued to assess ongoing developments for signs that inflation might intensify in the future.

In their discussion of possible adjustments to policy during the intermeeting period, all the members indicated that they wanted to retain in the operating paragraph of the directive the existing asymmetry toward restraint that was initially adopted at the May meeting. Such a directive was consistent with their view that the risks continued to be biased toward rising inflation and indeed with the view of most members that those risks might have increased. Accordingly, while the probability that the incoming information would warrant a tightening move during the intermeeting period might not be high, the members continued to view the next policy move as more likely to be in the direction of some firming than toward easing.

At the conclusion of the Committee's discussion, all the members supported a directive that called for maintaining conditions in reserve markets that were consistent with an unchanged federal funds rate of about 5½ percent. All the members also agreed on the desirability of retaining a bias in the directive toward the possible firming of reserve conditions and a higher federal funds rate 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 a somewhat higher federal funds rate would be acceptable or a slightly lower federal funds rate might be acceptable during the intermeeting period. The reserve con-

ditions contemplated at this meeting were expected to be consistent with some moderation in the expansion in M2 and M3 over coming months.

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 growth of economic activity remains brisk. In labor markets, hiring continued robust over the summer months and the civilian unemployment rate, at 4.9 percent in August, remained near its low for the current economic expansion. Industrial production increased considerably further in July and August. Retail sales have risen sharply over recent months after a pause during the spring. Housing starts declined in July and August, but home sales have been strong. Business fixed investment has increased substantially further since midyear and available indicators point to further sizable gains in coming months. After narrowing somewhat in the second quarter, the nominal deficit on U.S. trade in goods and services widened substantially in July. Inventory investment in July was well below the average pace in prior months of 1997. Price inflation has remained subdued and increases in labor compensation have been moderate in recent months.

Most market interest rates are about unchanged on balance since the day before the Committee meeting on August 19, 1997. Share prices in equity markets have increased considerably over the period, with some stock price indexes reaching new highs. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies declined somewhat on balance over the intermeeting period.

Growth of M2 appears to have moderated somewhat in September from a very rapid pace in August, while expansion of M3 remained very strong in both months. For the year through August, M2 expanded at a rate somewhat above the upper bound of its range for the year and M3 at a rate substantially above the upper bound of its range. Total domestic nonfinancial debt has continued to expand in recent months at a pace near the middle of its range.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at its meeting in July reaffirmed the ranges it had established in February for growth of M2 and M3 of 1 to 5 percent and 2 to 6 percent respectively, measured from the fourth quarter of 1996 to the fourth quarter of 1997. The range for growth of total domestic nonfinancial debt was maintained at 3 to 7 percent for the year. For 1998, the Committee agreed on a tentative basis to set the same ranges as in 1997 for growth of the monetary aggregates and debt, measured from the fourth quarter of 1997 to the fourth quarter of 1998. 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 conditions in reserve markets consistent with maintaining the federal funds rate at an average of around 5½ percent. 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, a somewhat higher federal funds rate would or a slightly lower federal funds rate might be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with some moderation in the growth of M2 and M3 over coming months.

Votes for this action: Messrs. Greenspan, McDonough, Broadus, Guynn, Kelley, Meyer, Moskowitz, Parry, Mses. Phillips and Rivlin. Votes against this action: None.

It was agreed that the next meeting of the Committee would be held on Wednesday, November 12, 1997.

The meeting adjourned at 12:45 p.m.

Donald L. Kohn
Secretary

Legal Developments

FINAL RULE—AMENDMENT TO REGULATION D

The Board of Governors is amending 12 C.F.R. Part 204, its Regulation D (Reserve Requirements of Depository Institutions), to decrease the amount of transaction accounts subject to a reserve requirement ratio of three percent, as required by section 19(b)(2)(C) of the Federal Reserve Act, from \$49.3 million to \$47.8 million of net transaction accounts. This adjustment is known as the low reserve tranche adjustment. The Board is increasing from \$4.4 million to \$4.7 million the amount of reservable liabilities of each depository institution that is subject to a reserve requirement of zero percent. This action is required by section 19(b)(11)(B) of the Federal Reserve Act, and the adjustment is known as the reservable liabilities exemption adjustment. The Board is also increasing the deposit cutoff levels that are used in conjunction with the reservable liabilities exemption to determine the frequency of deposit reporting from \$75.0 million to \$78.9 million for nonexempt depository institutions and from \$48.2 million to \$50.7 million for exempt institutions. (Nonexempt institutions are those with total reservable liabilities exceeding the amount exempted from reserve requirements (\$4.7 million) while exempt institutions are those with total reservable liabilities not exceeding the amount exempted from reserve requirements.) Thus, beginning in September 1998, nonexempt institutions with total deposits of \$78.9 million or more will be required to report weekly while nonexempt institutions with total deposits less than \$78.9 million may report quarterly, in both cases on form FR 2900. Similarly, exempt institutions with total deposits of \$50.7 million or more will be required to report quarterly on form FR 2910q while exempt institutions with total deposits less than \$50.7 million may report annually on form FR 2910a.

The effective date of the amendment is December 16, 1997, and the compliance dates are as follows. For depository institutions that report weekly, the low reserve tranche adjustment and the reservable liabilities exemption adjustment will apply to the reserve computation period that begins Tuesday, December 30, 1997, and the corresponding reserve maintenance period that begins Thursday, January 1, 1998. For institutions that report quarterly, the low reserve tranche adjustment and the reservable liabilities exemption adjustment will apply to the reserve computation period that begins Tuesday, December 16, 1997, and the corresponding reserve maintenance period that begins Thursday, January 15, 1998. For all depository institutions, the deposit cutoff levels will be used to screen institutions in the second quarter of 1998 to determine the reporting frequency for the twelve month period that begins in

September 1998. The Board is amending 12 C.F.R. Part 204 as follows:

Part 204—Reserve Requirements of Depository Institutions (Regulation D)

1. The authority citation for Part 204 continues to read as follows:

Authority: 12 U.S.C. 248(a), 248(c), 371a, 461, 601, 611, and 3105.

2. Section 204.9 is revised to read as follows:

Section 204.9—Reserve requirement ratios.

(a) *Reserve percentages.* The following reserve ratios are prescribed for all depository institutions, Edge and Agreement corporations, and United States branches and agencies of foreign banks:

Category	Reserve requirement ¹
Net transaction accounts: \$0 to \$47.8 million over \$47.8 million	3 percent of amount. \$1,434,000 plus 10 percent of amount over \$47.8 million.
Nonpersonal time deposits	0 percent.
Eurocurrency liabilities	0 percent.

¹ Before deducting the adjustment to be made by the paragraph (b) of this section.

(b) *Exemption from reserve requirements.* Each depository institution, Edge or agreement corporation, and U.S. branch or agency of a foreign bank is subject to a zero percent reserve requirement on an amount of its transaction accounts subject to the low reserve tranche in paragraph (a) of this section not in excess of \$4.7 million determined in accordance with section 204.3(a)(3).

FINAL RULE—AMENDMENT TO REGULATION Z

The Board of Governors is amending 12 C.F.R. Part 226, its Regulation Z (Truth in Lending). The revisions implement an amendment to the Truth in Lending Act contained in the Economic Growth and Regulatory Paperwork Reduction Act of 1996 affecting the disclosure of a 15-year historical example of rates and payments. The amendment applies to variable-rate loans with a term exceeding one year and secured by the consumer's principal dwelling.

The amendment allows creditors to provide a statement that the periodic payment may substantially increase or decrease together with a maximum interest rate and payment based on a \$10,000 loan amount, in lieu of having to provide a 15-year historical example of index values.

Effective November 21, 1997, and compliance is optional until October 1, 1998, 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).

2. Section 226.19 is amended by:

- a. Republishing the introductory text of paragraph (b)(2);
- b. Revising paragraph (b)(2)(viii);
- c. Revising paragraph (b)(2)(ix);
- d. Removing paragraph (b)(2)(x); and
- e. Paragraphs (b)(2)(xi), (b)(2)(xii), and (b)(2)(xiii) are redesignated as paragraphs (b)(2)(x), (b)(2)(xi) and (b)(2)(xii) respectively.

The revisions read as follows:

Section 226.19—Certain residential mortgage and variable-rate transactions.

* * * * *

(b) Certain variable-rate transactions. * * *

* * * * *

(2) A loan program disclosure for each variable-rate program in which the consumer expresses an interest. The following disclosures, as applicable, shall be provided:

* * * * *

(viii) At the option of the creditor, either of the following:

(A) A historical example, based on a \$10,000 loan amount, illustrating how payments and the loan balance would have been affected by interest rate changes implemented according to the terms of the loan program disclosure. The example shall reflect the most recent 15 years of index values. The example shall reflect all significant loan program terms, such as negative amortization, interest rate carryover, interest rate discounts, and interest rate and payment limitations, that would have been affected by the index movement during the period.

(B) The maximum interest rate and payment for a \$10,000 loan originated at the initial interest rate (index value plus margin, adjusted by the amount

of any discount or premium) in effect as of an identified month and year for the loan program disclosure assuming the maximum periodic increases in rates and payments under the program; and the initial interest rate and payment for that loan and a statement that the periodic payment may increase or decrease substantially depending on changes in the rate.

(ix) An explanation of how the consumer may calculate the payments for the loan amount to be borrowed based on either:

(A) The most recent payment shown in the historical example in paragraph 226.19(b)(2)(viii)(A) of this section; or

(B) The initial interest rate used to calculate the maximum interest rate and payment in paragraph 226.19(b)(2)(viii)(B) of this section.

* * * * *

3. In Part 226, Appendix H is amended by revising the appendix heading, H-4(C) Variable-Rate Model Clauses, and H-14 Variable-Rate Mortgage Sample to read as follows:

APPENDIX H TO PART 226—CLOSED-END MODEL FORMS AND CLAUSES

* * * * *

H-4(C)—Variable-Rate Model Clauses

This disclosure describes the features of the adjustable-rate mortgage (ARM) program you are considering. Information on other ARM programs is available upon request.

How Your Interest Rate and Payment Are Determined

- Your interest rate will be based on [an index plus a margin][a formula].
- Your payment will be based on the interest rate, loan balance, and loan term.
 - [The interest rate will be based on (identification of index) plus our margin. Ask for our current interest rate and margin.]
 - [The interest rate will be based on (identification of formula). Ask us for our current interest rate.]
 - Information about the index [formula for rate adjustments] is published [can be found] ____.
 - [The initial interest rate is not based on the (index) (formula) used to make later adjustments. Ask us for the amount of current interest rate discounts.]

How Your Interest Rate Can Change

- Your interest rate can change (frequency).
- [Your interest rate cannot increase or decrease more than ____ percentage points at each adjustment.]
- Your interest rate cannot increase [or decrease] more than ____ percentage points over the term of the loan.

How Your Payment Can Change

- Your payment can change (frequency) based on changes in the interest rate.
- [Your payment cannot increase more than (amount or percentage) at each adjustment.]
- You will be notified in writing ___ days before the due date of a payment at a new level. This notice will contain information about your interest rates, payment amount, and loan balance.
- [You will be notified once each year during which interest rate adjustments, but no payment adjustments, have been made to your loan. This notice will contain information about your interest rates, payment amount, and loan balance.]
- [For example, on a \$10,000 [term] loan with an initial interest rate of ___ [(the rate shown in the interest rate column below for the year 19___)][(in effect ___ (month) ___ (year))], the maximum amount that the interest rate can rise under this program ___ is percentage points, ___ to %, and the monthly payment can rise from a first-year payment of \$ ___ to a maximum of \$ ___ in ___ the year. To see what your payments would be, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount. (For example, the monthly payment for a mortgage amount of \$60,000 would be: $\$60,000 \div \$10,000 = 6$; $6 \times __ = \$__ \text{ per month.}$)]

[EXAMPLE]

The example below shows how your payments would have changed under this ARM program based on actual changes in the index from 1982 to 1996. This does not necessarily indicate how your index will change in the future.

* * * * *

H-14—Variable-Rate Mortgage Sample

This disclosure describes the features of the adjustable-rate mortgage (ARM) program you are considering. Information on other ARM programs is available upon request.

How Your Interest Rate and Payment Are Determined

- Your interest rate will be based on an index rate plus a margin.
- Your payment will be based on the interest rate, loan balance, and loan term.
 - The interest rate will be based on the weekly average yield on United States Treasury securities adjusted to a constant maturity of 1 year (your index), plus our margin. Ask us for our current interest rate and margin.
 - Information about the index rate is published weekly in the *Wall Street Journal*.
- Your interest rate will equal the index rate plus our margin unless your interest rate “caps” limit the amount of change in the interest rate.

The example is based on the following assumptions:

Amount	\$10,000	Caps _____	[periodic interest rate cap]
Term	_____	_____	lifetime interest rate cap
Change date	_____	_____	[payment cap]
Payment adjustment	(frequency)	_____	[Interest rate carryover]
Interest adjustment	(frequency)	_____	[Negative amortization]
[Margin]*	_____	_____	[Interest rate discount]**
			Index (identification of index or formula)

Year	Index (%)	Margin (percentage points)	Interest rate (%)	Monthly payment (\$)	Remaining balance (\$)
1982					
1983					
1984					
1985					
1986					
1987					
1988					
1989					
1990					
1991					
1992					
1993					
1994					
1995					
1996					

To see what your payments would have been during that period, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount. (For example, in 1996 the monthly payment for a mortgage amount of \$60,000 taken out in 1982 would be: $\$60,000 \div \$10,000 = 6$; $6 \times __ = \$__ \text{ per month.}$)

* This is a margin we have used recently; your margin may be different.
 ** This is the amount of a discount we have provided recently; your loan may be discounted by a different amount.]

How Your Interest Rate Can Change

- Your interest rate can change yearly.
- Your interest rate cannot increase or decrease more than 2 percentage points per year.
- Your interest rate cannot increase or decrease more than 5 percentage points over the term of the loan.

How Your Monthly Payment Can Change

- Your monthly payment can increase or decrease substantially based on annual changes in the interest rate.
- [For example, on a \$10,000, 30-year loan with an initial interest rate of 12.41 percent in effect in July 1996, the maximum amount that the interest rate can rise under this program is 5 percentage points, to 17.41 percent, and the monthly payment can rise from a first-year payment of \$106.03 to a maximum of \$145.34 in the fourth year. To see what your payment is, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount. (For example, the monthly payment for a mortgage amount of \$60,000 would be: $\$60,000 \div \$10,000 = 6$; $6 \times 106.03 = \$636.18 \text{ per month.}$)
- You will be notified in writing 25 days before the annual payment adjustment may be made. This notice will contain information about your interest rates, payment amount and loan balance.]

[EXAMPLE]

The example below shows how your payments would have changed under this ARM program based on actual changes in the index from 1982 to 1996. This does not necessarily indicate how your index will change in the future. The example is based on the following assumptions:

Amount	\$10,000	Caps	2 percentage points annual interest rate
Term	30 years		
adjustment	1 year		5 percentage points lifetime interest rate
Interest adjustment	1 year		Payment
Margin	3 percentage points	Index	Weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one year

Year (as of 1st week ending in July)	Index (%)	Margin* (percentage points)	Interest rate (%)	Monthly payment (\$)	Remaining balance (\$)
1982	14.41	3	17.41	145.90	9,989.37
1983	9.78	3	15.41**	129.81	9,969.66
1984	12.17	3	15.17	127.91	9,945.51
1985	7.66	3	13.17**	112.43	9,903.70
1986	6.36	3	12.41***	106.73	9,848.94
1987	6.71	3	12.41***	106.73	9,786.98
1988	7.52	3	12.41***	106.73	9,716.88
1989	7.97	3	12.41***	106.73	9,637.56
1990	8.06	3	12.41***	106.73	9,547.83
1991	6.40	3	12.41***	106.73	9,446.29
1992	3.96	3	12.41***	106.73	9,331.56
1993	3.42	3	12.41***	106.73	9,201.61
1994	5.47	3	12.41***	106.73	9,054.72
1995	5.53	3	12.41***	106.73	8,888.52
1996	5.82	3	12.41***	106.73	8,700.37

* This is a margin we have used recently; your margin may be different.
 ** This interest rate reflects a 2 percentage point annual interest rate cap.
 *** This interest rate reflects a 5 percentage point lifetime interest rate cap.

To see what your payments would have been during that period, divide your mortgage amount by \$10,000; then multiply the monthly payment by that amount. (For example, in 1996 the monthly payment for a mortgage amount of \$60,000 taken out in 1982 would be:
 $\$60,000 \div \$10,000 = 6; 6 \times \$106.73 = \$640.38.$)

● [You will be notified in writing 25 days before the annual payment adjustment may be made. This notice will contain information about your interest rates payment amount and loan balance.]

* * * * *

4. In Supplement I to Part 226, under Section 226.19—*Certain Residential Mortgage and Variable-Rate Transactions*, under paragraph 19(b) *Certain variable-rate transactions*, the following amendments are made:

- a. Paragraph 2, under the heading “Paragraph 19(b)(2)” is revised.
- b. Paragraph 1, under the heading “Paragraph 19(b)(2)(v)” is revised.
- c. The heading “Paragraph 19(b)(2)(viii)” is revised to read “Paragraph 19(b)(2)(viii)(A).”
- d. A new heading “Paragraph 19(b)(2)(viii)” and a new paragraph 1 is added below the new heading, and both are transferred immediately preceding “Paragraph 19(b)(2)(viii)(A).”
- e. The heading “Paragraph 19(b)(2)(x)” is revised to read “Paragraph 19(b)(2)(viii)(B)” and the paragraph heading

and text are transferred immediately preceding the heading “Paragraph 19(b)(2)(ix).”

f. Paragraphs 1 and 2, under the heading “Paragraph 19(b)(2)(viii)(B)” are revised and a new paragraph 5 is added.

g. Paragraph 1, under the heading “Paragraph 19(b)(2)(ix)” is revised.

h. The heading “Paragraph 19(b)(2)(xi)” is revised to read “Paragraph 19(b)(2)(x).”

i. The heading “Paragraph 19(b)(2)(xii)” is revised to read “Paragraph 19(b)(2)(xi).”

j. The heading “Paragraph 19(b)(2)(xiii)” is revised to read “Paragraph 19(b)(2)(xii).”

The revisions and additions read as follows:

SUPPLEMENT I TO PART 226—OFFICIAL STAFF INTERPRETATIONS

* * * * *

Section 226.19—Certain Residential Mortgage Transactions.

* * * * *

19(b) *Certain variable-rate transactions.*

* * * * *

Paragraph 19(b)(2).

* * * * *

(2) *Variable-rate loan program defined.*

(i) Generally, if the identification, the presence or absence, or the exact value of a loan feature must be disclosed under this section, variable-rate loans that differ as to such features constitute separate loan programs. For example, separate loan programs would exist based on differences in any of the following loan features:

- (A) The index or other formula used to calculate interest rate adjustments.
- (B) The rules relating to changes in the index value, interest rate, payments, and loan balance.
- (C) The presence or absence of, and the amount of, rate or payment caps.
- (D) The presence of a demand feature.
- (E) The possibility of negative amortization.
- (F) The possibility of interest rate carryover.
- (G) The frequency of interest rate and payment adjustments.
- (H) The presence of a discount feature.
- (I) In addition, if a loan feature must be taken into account in preparing the disclosures required by section 226.19(b)(2)(viii), variable-rate loans that differ as to that feature constitute separate programs under section 226.19(b)(2).
- (ii) If, however, a representative value may be given for a loan feature or the feature need not be disclosed under section 226.19(b)(2), variable-rate loans that differ as to such features do not constitute separate

loan programs. For example, separate programs would not exist based on differences in the following loan features:

- (A) The amount of a discount.
- (B) The amount of a margin.

* * * * *

Paragraph 19(b)(2)(v).

1. *Discounted and premium interest rate.* In some variable-rate transactions, creditors may set an initial interest rate that is not determined by the index or formula used to make later interest rate adjustments. Typically, this initial rate charged to consumers is lower than the rate would be if it were calculated using the index or formula. However, in some cases the initial rate may be higher. If the initial interest rate will be a discount or a premium rate, creditors must alert the consumer to this fact. For example, if a creditor discounted a consumer's initial rate, the disclosure might state, "Your initial interest rate is not based on the index used to make later adjustments." (See the commentary to section 226.17(c)(1) for a further discussion of discounted and premium variable-rate transactions.) In addition, the disclosure must suggest that consumers inquire about the amount that the program is currently discounted. For example, the disclosure might state, "Ask us for the amount our adjustable rate mortgages are currently discounted." In a transaction with a consumer buydown or with a third-party buydown that will be incorporated in the legal obligation, the creditor should disclose the program as a discounted variable-rate transaction, but need not disclose additional information regarding the buydown in its program disclosures. (See the commentary to section 226.19(b)(2)(viii) for a discussion of how to reflect the discount or premium in the historical example or the maximum rate and payment disclosure.)

* * * * *

Paragraph 19(b)(2)(viii).

1. *Historical example and initial and maximum interest rates and payments.* A creditor may disclose both the historical example and the initial and maximum interest rates and payments.

Paragraph 19(b)(2)(viii)(A).

* * * * *

Paragraph 19(b)(2)(viii)(B).

1. *Initial and maximum interest rates and payments.* The disclosure form must state the initial and maximum interest rates and payments for a \$10,000 loan originated at an initial interest rate (index value plus margin adjusted by the amount of any discount or premium) in effect as of an identified month and year for the loan program disclosure. (See comment 19(b)(2)-5 on revisions to the loan program disclosure.) In calculating the maximum payment under

this paragraph, a creditor should assume that the interest rate increases as rapidly as possible under the loan program, and the maximum payment disclosed should reflect the amortization of the loan during this period. Thus, in a loan with 2 percentage point annual (and 5 percentage point overall) interest rate limitations or "caps," the maximum interest rate would be 5 percentage points higher than the initial interest rate disclosed. Moreover, the loan would not reach the maximum interest rate until the fourth year because of the 2 percentage point annual rate limitations, and the maximum payment disclosed would reflect the amortization of the loan during this period. If the loan program includes a discounted or premium initial interest rate, the initial interest rate should be adjusted by the amount of the discount or premium.

2. *Term of the loan.* In calculating the initial and maximum payments, the creditor need not base the disclosures on each term to maturity or payment amortization offered under the program. Instead, the creditor may follow the rules set out in comment 19(b)(2)(viii)(A)-5. If a historical example is provided under section 226.19(b)(2)(viii)(A), the terms to maturity or payment amortization used in the historical example must be used in calculating the initial and maximum payment. In addition, creditors must state the term or payment amortization used in making the disclosures under this section.

* * * * *

5. *Periodic payment statement.* The statement that the periodic payment may increase or decrease substantially may be satisfied by the disclosure in paragraph 19(b)(2)(vi) if it states for example, "your monthly payment can increase or decrease substantially based on annual changes in the interest rate."

Paragraph 19(b)(2)(ix).

1. *Calculation of payments.* A creditor is required to include a statement on the disclosure form that explains how a consumer may calculate his or her actual monthly payments for a loan amount other than \$10,000. The example should be based upon the most recent payment shown in the historical example or upon the initial interest rate reflected in the maximum rate and payment disclosure. In transactions in which the latest payment shown in the historical example is not for the latest year of index values shown (such as in a five-year loan), a creditor may provide additional examples based on the initial and maximum payments disclosed under section 226.19(b)(2)(viii)(B). The creditor, however, is not required to calculate the consumer's payments. (See the model clauses in Appendix H-4(C).)

Paragraph 19(b)(2)(x).

* * * * *

Paragraph 19(b)(2)(xi).

* * * * *

Paragraph 19(b)(2)(xii).

* * * * *

5. In Supplement I to Part 226, under paragraph heading *Paragraph 19(b)(2)(viii)(A)*, all references in paragraphs 3 and 4 to “Section 226.19(b)(2)(viii)” are revised to read “Section 226.19(b)(2)(viii)(A).”

6. In Supplement I to Part 226, under paragraph heading *Paragraph 19(b)(2)(viii)(A)*, in paragraphs 6 and 7 the words “comment 19(b)(2)(x)” are revised to read “comment 19(b)(2)(viii)(B)” in each place they appear.

7. In Supplement I to Part 226, under paragraph heading *Paragraph 19(b)(2)(viii)(B)*, in paragraphs 2, 3, and 4 the words “comment 19(b)(2)(viii)” are revised to read “comment 19(b)(2)(viii)(A)” in each place they appear.

8. In Supplement I to Part 226, Appendix H—Closed-End Model Forms and Clauses, Paragraphs 6 and 18, are revised to read as follows:

* * * * *

APPENDIX H — CLOSED-END MODEL FORMS AND CLAUSES

* * * * *

6. *Model H-4(C)*. This model clause illustrates the early disclosures required generally under section 226.19(b). It includes information on how the consumer’s interest rate is determined and how it can change over the term of the loan, and explains changes that may occur in the borrower’s monthly payment. It contains an example of how to disclose historical changes in the index or formula values used to compute interest rates for the preceding 15 years. The model clause also illustrates the disclosure of the initial and maximum interest rates and payments based on an initial interest rate (index value plus margin, adjusted by the amount of any discount or premium) in effect as of an identified month and year for the loan program disclosure and illustrates how to provide consumers with a method for calculating the monthly payment for the loan amount to be borrowed.

* * * * *

18. *Sample H-14*. This sample disclosure form illustrates the disclosures under section 226.19(b) for a variable-rate transaction secured by the consumer’s principal dwelling with a term greater than one year. The sample form shows a creditor how to adapt the model clauses in Appendix H-4(C) to the creditor’s own particular variable-rate program. The sample disclosure form describes the features of a specific variable-rate mortgage program and alerts the consumer to the fact that information on the creditor’s other closed-end variable-rate programs is avail-

able upon request. It includes information on how the interest rate is determined and how it can change over time. Section 226.19(b)(2)(viii) permits creditors the option to provide either a historical example or an initial and maximum interest rates and payments disclosure; both are illustrated in the sample disclosure. The historical example explains how the monthly payment can change based on a \$10,000 loan amount, payable in 360 monthly installments, based on historical changes in the values for the weekly average yield on U.S. Treasury Securities adjusted to a constant maturity of one year. Index values are measured for 15 years, as of the first week ending in July. This reflects the requirement that the index history be based on values for the same date or period each year in the example. The sample disclosure also illustrates the alternative disclosure under section 226.19(b)(2)(viii)(B) that the initial and the maximum interest rates and payments be shown for a \$10,000 loan originated at an initial interest rate of 12.41 percent (which was in effect July 1996) and to have 2 percentage point annual (and 5 percentage point overall) interest rate limitations or caps. Thus, the maximum amount that the interest rate could rise under this program is 5 percentage points higher than the 12.41 percent initial rate to 17.41 percent, and the monthly payment could rise from \$106.03 to a maximum of \$145.34. The loan would not reach the maximum interest rate until its fourth year because of the 2 percentage point annual rate limitations, and the maximum payment disclosed reflects the amortization of the loan during that period. The sample form also illustrates how to provide consumers with a method for calculating their actual monthly payment for a loan amount other than \$10,000.

* * * * *

FINAL RULE—AMENDMENT TO RULES REGARDING AVAILABILITY OF INFORMATION

The Board of Governors is amending 12 C.F.R. Part 271, its Rules Regarding Availability of Information (“Rules”) to reflect recent changes in the Freedom of Information Act (“FOIA”) as a result of the Electronic Freedom of Information Act Amendments (“EFOIA”).

Effective December 17, 1997, 12 C.F.R. Part 271 is amended as follows:

Part 271—Rules Regarding Availability of Information

Section	
271.1	Authority and purpose.
271.2	Definitions.
271.3	Published information.
271.4	Records available for public inspection and copying.
271.5	Records available to the public on request.

- 271.6 Processing requests.
 271.7 Exemptions from disclosure.
 271.8 Subpoenas.
 271.9 Fee schedules; waiver of fees.

Authority: 5 U.S.C. 552; 12 U.S.C. 263.

Section 271.1—Authority and purpose.

(a) *Authority.* This part is issued by the Federal Open Market Committee (the Committee) pursuant to the Freedom of Information Act, 5 U.S.C. 552, and also pursuant to the Committee's authority under section 12A of the Federal Reserve Act, 12 U.S.C. 263, to issue regulations governing the conduct of its business.

(b) *Purpose.* This part sets forth the categories of information made available to the public and the procedures for obtaining documents and records.

Section 271.2—Definitions.

(a) *Board* means the Board of Governors of the Federal Reserve System established by the Federal Reserve Act of 1913 (38 Stat. 251).

(b) *Commercial use request* refers to a request from or on behalf of one who seeks information for a use or purpose that furthers the commercial, trade, or profit interests of the requester or the person on whose behalf the request is made.

(c) *Direct costs* mean those expenditures that the Committee actually incurs in searching for, reviewing, and duplicating documents in response to a request made under section 271.5.

(d) *Duplication* refers to the process of making a copy of a document in response to a request for disclosure of records or for inspection of original records that contain exempt material or that otherwise cannot be inspected directly. Among others, such copies may take the form of paper, microform, audiovisual materials, or machine-readable documentation (e.g., magnetic tape or disk).

(e) *Educational institution* refers to a preschool, a public or private elementary or secondary school, or an institution of undergraduate higher education, graduate higher education, professional education, or an institution of vocational education that operates a program of scholarly research.

(f) *Federal Reserve Bank* means one of the district Banks authorized by the Federal Reserve Act, 12 U.S.C. 222, including any branch of any such Bank.

(g) *Information of the Committee* means all information coming into the possession of the Committee or of any member thereof or of any officer, employee, or agent of the Committee, the Board, or any Federal Reserve Bank, in the performance of duties for, or pursuant to the direction of, the Committee.

(h) *Noncommercial scientific institution* refers to an institution that is not operated on a "commercial" basis (as that term is used in this section) and which is operated solely for the purpose of conducting scientific research, the re-

sults of which are not intended to promote any particular product or industry.

(i) *Records of the Committee* includes rules, statements, decisions, minutes, memoranda, letters, reports, transcripts, accounts, charts, and other written material, as well as any materials in machine readable form that constitute a part of the Committee's official files.

(j) *Representative of the news media* refers to any person actively gathering news for an entity that is organized and operated to publish or broadcast news to the public.

(1) The term "news" means information about current events or that would be of current interest to the public.

(2) Examples of news media entities include, but are not limited to, television or radio stations broadcasting to the public at large, and publishers of newspapers and other periodicals (but only in those instances when they can qualify as disseminators of "news") who make their products available for purchase or subscription by the general public.

(3) "Freelance" journalists may be regarded as working for a news organization if they can demonstrate a solid basis for expecting publication through that organization, even though not actually employed by it.

(k)(1) *Review* refers to the process of examining documents, located in response to a request for access, to determine whether any portion of a document is exempt information. It includes doing all that is necessary to excise the documents and otherwise to prepare them for release.

(2) *Review* does not include time spent resolving general legal or policy issues regarding the application of exemptions.

(l)(1) *Search* means a reasonable search, by manual or automated means, of the Committee's official files and any other files containing records of the Committee as seem reasonably likely in the particular circumstances to contain documents of the kind requested. For purposes of computing fees under section 271.9, search time includes all time spent looking for material that is responsive to a request, including line-by-line identification of material within documents. Such activity is distinct from "review" of material to determine whether the material is exempt from disclosure.

(2) *Search* does not mean or include research, creation of any document, or extensive modification of an existing program or system that would significantly interfere with the operation of the Committee's automated information system.

Section 271.3—Published information.

(a) *Federal Register.* The Committee publishes in the *Federal Register*, in addition to this part:

- (1) A description of its organization;
- (2) Statements of the general course and method by which its functions are channeled and determined;
- (3) Rules of procedure;

- (4) Substantive rules of general applicability, and statements of general policy and interpretations of general applicability formulated and adopted by the Committee;
- (5) Every amendment, revision, or repeal of the foregoing; and

(6) General notices of proposed rulemaking.

(b) *Annual Report to Congress.* Each annual report made to Congress by the Board includes a complete record of the actions taken by the Committee during the preceding year upon all matters of policy relating to open market operations, showing the reasons underlying the actions, and the votes taken.

(c) *Other published information.* From time to time, other information relating to open market operations of the Federal Reserve Banks is published in the Federal Reserve Bulletin, issued monthly by the Board, in the Board's annual report to Congress, and in announcements and statements released to the press. Copies of issues of the Bulletin and of annual reports of the Board may be obtained from the Publications Services of the Federal Reserve Board, 20th Street and Constitution Avenue, N.W., Washington, D.C. 20551 (pedestrian entrance is on C Street, N.W.). Subscription or other charges may apply.

Section 271.4—Records available for public inspection and copying.

(a) *Types of records made available.* Unless they were published promptly and made available for sale or without charge, certain records shall be made available for inspection and copying at the Board's Freedom of Information Office pursuant to 5 U.S.C. 552(a)(2).

(b) *Reading room procedures.* (1) Information available under this section is available for inspection and copying, from 9:00 a.m. to 5:00 p.m. weekdays, at the Freedom of Information Office of the Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C. 20551 (the pedestrian entrance is on C Street, N.W.).

(2) The Committee may determine that certain classes of publicly available filings shall be made available for inspection and copying only at the Federal Reserve Bank where those records are maintained.

(c) *Electronic records.* Information available under this section that was created on or after November 1, 1996, shall also be available on the Board's website, found at <http://www.bog.frb.fed.us>.

(d) *Privacy protection.* The Committee may delete identifying details from any record to prevent a clearly unwarranted invasion of personal privacy.

Section 271.5—Records available to the public on request.

(a) *Types of records made available.* All records of the Committee that are not available under sections 271.3 and 271.4 shall be made available upon request, pursuant to the

procedures in this section and the exceptions in section 271.7.

(b) *Procedures for requesting records.* (1) A request for identifiable records shall reasonably describe the records in a way that enables the Committee's staff to identify and produce the records with reasonable effort and without unduly burdening or significantly interfering with any of the Committee's operations.

(2) The request shall be submitted in writing to the Secretary of the Committee, Federal Open Market Committee, 20th & C Street, N.W., Washington, D.C. 20551; or sent by facsimile to the Secretary of the Committee, (202) 452-2921. The request shall be clearly marked **FREEDOM OF INFORMATION ACT REQUEST**.

(c) *Contents of request.* The request shall contain the following information:

(1) The name and address of the requester, and the telephone number at which the requester can be reached during normal business hours;

(2) Whether the requested information is intended for commercial use, and whether the requester represents an educational or noncommercial scientific institution, or news media;

(3) A statement agreeing to pay the applicable fees, or a statement identifying any fee limitation desired, or a request for a waiver or reduction of fees that satisfies section 271.9(f).

(d) *Defective requests.* The Committee need not accept or process a request that does not reasonably describe the records requested or that does not otherwise comply with the requirements of this section. The Committee may return a defective request, specifying the deficiency. The requester may submit a corrected request, which will be treated as a new request.

Section 271.6—Processing requests.

(a) *Receipt of requests.* The date of receipt for any request, including one that is addressed incorrectly or that is referred to the Committee by another agency or by a Federal Reserve Bank, is the date the Secretary of the Committee actually receives the request.

(b) *Priority of responses.* The Committee shall normally process requests in the order they are received. However, in the Secretary's discretion, or upon a court order in a matter to which the Committee is a party, a particular request may be processed out of turn.

(c) *Expedited processing.* Where a person requesting expedited access to records has demonstrated a compelling need for the records, or where the Committee has determined to expedite the response, the Committee shall process the request as soon as practicable.

(1) To demonstrate a compelling need for expedited processing, the requester shall provide a certified statement, a sample of which may be obtained from the Board's Freedom of Information Office. The statement, certified to be true and correct to the best of the requester's knowledge and belief, shall demonstrate that:

- (i) The failure to obtain the records on an expedited basis could reasonably be expected to pose an imminent threat to the life or physical safety of an individual; or
- (ii) The requester is a representative of the news media, as defined in section 271.2, and there is urgency to inform the public concerning actual or alleged Committee activity.
- (2) In response to a request for expedited processing, the Secretary of the Committee shall notify a requester of the determination within ten working days of receipt of the request. In exceptional situations, the Secretary of the Committee has the discretion to waive the formality of certification. If the Secretary of the Committee denies a request for expedited processing, the requester may file an appeal pursuant to the procedures set forth in paragraph (i) of this section, and the Committee shall respond to the appeal within ten working days after the appeal was received by the Committee.
- (d) *Time limits.* The time for response to requests shall be 20 working days, except:
- (1) In the case of expedited treatment under paragraph (c) of this section;
 - (2) Where the running of such time is suspended for payment of fees pursuant to section 271.9(b)(2);
 - (3) In unusual circumstances, as defined in 5 U.S.C. 552(a)(6)(B). In such circumstances, the time limit may be extended for a period of time not to exceed:
 - (i) 10 working days as provided by written notice to the requester, setting forth the reasons for the extension and the date on which a determination is expected to be dispatched; or
 - (ii) Such alternative time period as mutually agreed to by the Secretary of the Committee and the requester when the Secretary of the Committee notifies the requester that the request cannot be processed in the specified time limit.
- (e) *Response to request.* In response to a request that satisfies section 271.5, an appropriate search shall be conducted of records of the Committee in existence on the date of receipt of the request, and a review made of any responsive information located. The Secretary shall notify the requester of:
- (1) The Committee's determination of the request;
 - (2) The reasons for the determination;
 - (3) The amount of information withheld;
 - (4) The right of the requester to appeal to the Committee any denial or partial denial, as specified in paragraph (i) of this section; and
 - (5) In the case of a denial of a request, the name and title or position of the person responsible for the denial.
- (f) *Referral to another agency.* To the extent a request covers documents that were created by, obtained from, or classified by another agency, the Committee may refer the request to that agency for a response and inform the requester promptly of the referral.
- (g) *Providing responsive records.* (1) Copies of requested records shall be sent to the requester by regular U.S. mail to the address indicated in the request, unless the requester elects to take delivery of the documents at the Board's Freedom of Information Office or makes other acceptable arrangements, or the Committee deems it appropriate to send the documents by another means.
- (2) The Committee shall provide a copy of the record in any form or format requested if the record is readily reproducible by the Committee in that form or format, but the Committee need not provide more than one copy of any record to a requester.
- (h) *Appeal of denial of request.* Any person denied access to Committee records requested under section 271.5 may file a written appeal with the Committee, as follows:
- (1) The appeal shall prominently display the phrase *FREEDOM OF INFORMATION ACT APPEAL* on the first page, and shall be addressed to the Secretary of the Committee, Federal Open Market Committee, 20th & C Street, N.W., Washington, D.C. 20551; or sent by facsimile to the Secretary of the Committee, (202) 452-2921.
 - (2) An initial request for records may not be combined in the same letter with an appeal.
 - (3) The Committee, or such member of the Committee as is delegated the authority, shall make a determination regarding any appeal within 20 working days of actual receipt of the appeal by the Secretary, and the determination letter shall notify the appealing party of the right to seek judicial review of such denial.

Section 271.7—Exemptions from disclosure.

(a) *Types of records exempt from disclosure.* Pursuant to 5 U.S.C. 552(b), the following records of the Committee are exempt from disclosure under this part:

(1) *National defense.* Any information that is specifically authorized under criteria established by an Executive Order to be kept secret in the interest of national defense or foreign policy and is in fact properly classified pursuant to the Executive Order.

(2) *Internal personnel rules and practices.* Any information related solely to the internal personnel rules and practices of the Board.

(3) *Statutory exemption.* Any information specifically exempted from disclosure by statute (other than 5 U.S.C. 552b), if the statute:

(i) Requires that the matters be withheld from the public in such a manner as to leave no discretion on the issue; or

(ii) Establishes particular criteria for withholding or refers to particular types of matters to be withheld.

(4) *Trade secrets; commercial or financial information.* Any matter that is a trade secret or that constitutes commercial or financial information obtained from a person and that is privileged or confidential.

(5) *Inter- or intra-agency memorandums.* Information contained in inter- or intra-agency memorandums or letters that would not be available by law to a party

(other than an agency) in litigation with an agency, including, but not limited to:

- (i) Memorandums;
- (ii) Reports;
- (iii) Other documents prepared by the staffs of the Committee, Board or Federal Reserve Banks; and
- (iv) Records of deliberations of the Committee and of discussions at meetings of the Committee or its staff.

(6) *Personnel and medical files.* Any information contained in personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy.

(7) *Information compiled for law enforcement purposes.* Any records or information compiled for law enforcement purposes, to the extent permitted under 5 U.S.C. 552(b)(7).

(8) *Examination, inspection, operating, or condition reports, and confidential supervisory information.* Any matter that is contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions, including a state financial institution supervisory agency.

(b) *Segregation of nonexempt information.* The Committee shall provide any reasonably segregable portion of a record that is requested after deleting those portions that are exempt under this section.

(c) *Discretionary release.* Except where disclosure is expressly prohibited by statute, regulation, or order, the Committee may authorize the release of records that are exempt from mandatory disclosure whenever the Committee or designated Committee members determines that such disclosure would be in the public interest.

(d) *Delayed release.* Publication in the *Federal Register* or availability to the public of certain information may be delayed if immediate disclosure would likely:

- (1) Interfere with accomplishing the objectives of the Committee in the discharge of its statutory functions;
- (2) Interfere with the orderly conduct of the foreign affairs of the United States;
- (3) Permit speculators or others to gain unfair profits or other unfair advantages by speculative trading in securities or otherwise;
- (4) Result in unnecessary or unwarranted disturbances in the securities markets;
- (5) Interfere with the orderly execution of the objectives or policies of other government agencies; or
- (6) Impair the ability to negotiate any contract or otherwise harm the commercial or financial interest of the United States, the Committee, the Board, any Federal Reserve Bank, or any department or agency of the United States.

(e) *Prohibition against disclosure.* Except as provided in this part, no officer, employee, or agent of the Committee or any Federal Reserve Bank shall disclose or permit the disclosure of any unpublished information of the Committee to any person (other than Committee officers, employees, or agents properly entitled to such information for the performance of official duties).

Section 271.8—Subpoenas.

(a) *Advice by person served.* If any person, whether or not an officer or employee of the Committee, of the Board of Governors of the Federal Reserve System, or of a Federal Reserve Bank, has information of the Committee that may not be disclosed by reason of section 271.7 and in connection therewith is served with a subpoena, order, or other process requiring his personal attendance as a witness or the production of documents or information upon any proceeding, he should promptly inform the Secretary of the Committee of such service and of all relevant facts, including the documents and information requested and any facts that may be of assistance in determining whether such documents or information should be made available; and he should take action at the appropriate time to inform the court or tribunal that issued the process, and the attorney for the party at whose instance the process was issued, if known, of the substance of this part.

(b) *Appearance by person served.* Except as disclosure of the relevant information is authorized pursuant to this part, any person who has information of the Committee and is required to respond to a subpoena or other legal process shall attend at the time and place therein mentioned and decline to disclose such information or give any testimony with respect thereto, basing his refusal upon this part. If, notwithstanding, the court or other body orders the disclosure of such information, or the giving of such testimony, the person having such information of the Committee shall continue to decline to disclose such information and shall promptly report the facts to the Committee for such action as the Committee may deem appropriate.

Section 271.9—Fee schedules; waiver of fees.

(a) *Fee schedules.* The fees applicable to a request for records pursuant to sections 271.4 and 271.5 are set forth in Appendix A to this section. These fees cover only the full allowable direct costs of search, duplication, and review. No fees will be charged where the average cost of collecting the fee (calculated at \$5.00) exceeds the amount of the fee.

(b) *Payment procedures.* The Secretary may assume that a person requesting records pursuant to section 271.5 will pay the applicable fees, unless the request includes a limitation on fees to be paid or seeks a waiver or reduction of fees pursuant to paragraph (f) of this section.

(1) *Advance notification of fees.* If the estimated charges are likely to exceed \$100, the Secretary of the Committee shall notify the requester of the estimated amount, unless the requester has indicated a willingness to pay fees as high as those anticipated. Upon receipt of such notice, the requester may confer with the Secretary to reformulate the request to lower the costs.

(2) *Advance payment.* The Secretary may require advance payment of any fee estimated to exceed \$250. The

Secretary may also require full payment in advance where a requester has previously failed to pay a fee in a timely fashion. The time period for responding to requests under section 271.6(d), and the processing of the request shall be suspended until the Secretary receives the required payment.

(3) *Late charges.* The Secretary may assess interest charges when fee payment is not made within 30 days of the date on which the billing was sent. Interest is at the rate prescribed in 31 U.S.C. 3717 and accrues from the date of the billing.

(c) *Categories of uses.* The fees assessed depend upon the intended use for the records requested. In determining which category is appropriate, the Secretary shall look to the intended use set forth in the request for records. Where a requester's description of the use is insufficient to make a determination, the Secretary may seek additional clarification before categorizing the request.

(1) *Commercial use.* The fees for search, duplication, and review apply when records are requested for commercial use.

(2) *Educational, research, or media use.* The fees for duplication apply when records are not sought for commercial use, and the requester is a representative of the news media or an educational or noncommercial scientific institution, whose purpose is scholarly or scientific research. The first 100 pages of duplication, however, will be provided free.

(3) *All other uses.* For all other requests, the fees for document search and duplication apply. The first two hours of search time and the first 100 pages of duplication, however, will be provided free.

(d) *Nonproductive search.* Fees for search and review may be charged even if no responsive documents are located or if the request is denied.

(e) *Aggregated requests.* A requester may not file multiple requests at the same time, solely in order to avoid payment of fees. If the Secretary reasonably believes that a requester is separating a request into a series of requests for the purpose of evading the assessment of fees, the Secretary may aggregate any such requests and charge accordingly. It is considered reasonable for the Secretary to presume that multiple requests of this type made within a 30-day period have been made to avoid fees.

(f) *Waiver or reduction of fees.* A request for a waiver or reduction of the fees, and the justification for the waiver, shall be included with the request for records to which it pertains. If a waiver is requested and the requester has not indicated in writing an agreement to pay the applicable fees if the waiver request is denied, the time for response to the request for documents, as set forth in section 271.6(d), shall not begin until a determination has been made on the request for a waiver or reduction of fees.

(1) *Standards for determining waiver or reduction.* The Secretary shall grant a waiver or reduction of fees where it is determined both that disclosure of the information is in the public interest because it is likely to contribute

significantly to public understanding of the operation or activities of the government, and that the disclosure of information is not primarily in the commercial interest of the requester. In making this determination, the following factors shall be considered:

(i) Whether the subject of the records concerns the operations or activities of the government;

(ii) Whether disclosure of the information is likely to contribute significantly to public understanding of government operations or activities;

(iii) Whether the requester has the intention and ability to disseminate the information to the public;

(iv) Whether the information is already in the public domain;

(v) Whether the requester has a commercial interest that would be furthered by the disclosure; and, if so,

(vi) Whether the magnitude of the identified commercial interest of the requester is sufficiently large, in comparison with the public interest in disclosure, that disclosure is primarily in the commercial interest of the requester.

(2) *Contents of request for waiver.* A request for a waiver or reduction of fees shall include:

(i) A clear statement of the requester's interest in the documents;

(ii) The use proposed for the documents and whether the requester will derive income or other benefit for such use;

(iii) A statement of how the public will benefit from such use and from the Committee's release of the documents;

(iv) A description of the method by which the information will be disseminated to the public; and

(v) If specialized use of the information is contemplated, a statement of the requester's qualifications that are relevant to that use.

(3) *Burden of proof.* The burden shall be on the requester to present evidence or information in support of a request for a waiver or reduction of fees.

(4) *Determination by Secretary.* The Secretary shall make a determination on the request for a waiver or reduction of fees and shall notify the requester accordingly. A denial may be appealed to the Committee in accordance with section 271.6(h).

(g) *Employee requests.* In connection with any request by an employee, former employee, or applicant for employment, for records for use in prosecuting a grievance or complaint of discrimination against the Committee, fees shall be waived where the total charges (including charges for information provided under the Privacy Act of 1974 (5 U.S.C. 552a) are \$50 or less; but the Secretary may waive fees in excess of that amount.

(h) *Special services.* The Secretary may agree to provide, and set fees to recover the costs of, special services not covered by the Freedom of Information Act, such as certifying records or information and sending records by special methods such as express mail or overnight delivery.

Appendix A to Section 271.9—Freedom of Information Fee Schedule

Duplication:

Photocopy, per standard page	\$.10
Paper copies of microfiche, per frame	\$.10
Duplicate Microfiche, per microfiche	\$.35

Search and review:

Clerical/Technical, hourly rate	\$20.00
Professional/Supervisory, hourly rate	\$38.00
Manager/Senior Professional, hourly rate	\$65.00

Computer search and production:

Computer operator search, hourly rate	\$32.00
Tapes (cassette) per tape	\$ 6.00
Tapes (cartridge), per tape	\$ 9.00
Tapes (reel), per tape	\$18.00
Diskettes (3½"), per diskette	\$ 4.00
Diskettes (5¼"), per diskette	\$ 5.00
Computer Output (PC), per minute	\$.10
Computer Output (mainframe)	actual cost

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT*Orders Issued Under Section 3 of the Bank Holding Company Act*

First National Security Company
DeQueen, Arkansas

Order Approving the Acquisition of a Bank Holding Company

First National Security Company, DeQueen, Arkansas ("First National"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all of the voting shares of First Financial Corporation of Idabel ("First Financial"), and thereby acquire its subsidiary bank, First State Bank of Idabel, both in Idabel, Oklahoma ("Bank").

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 53,007 (1997)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

First National operates subsidiary banks in Arkansas and Oklahoma. First National is the 144th largest depository institution in Oklahoma, controlling approximately \$41.9 million in deposits, representing less than 1 percent of total deposits in depository institutions in the state.¹ First Financial is the 216th largest depository institution in Oklahoma, controlling approximately \$23 million in deposits. On consummation of this proposal, First National would become the 96th largest depository institution in Okla-

homa, controlling deposits of \$64.9 million, representing less than 1 percent of the total deposits in depository institutions in the state.

Interstate Banking Analysis

Section 3(d) of the BHC Act, as amended by Section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, allows the Board to approve an application by a bank holding company to acquire a bank located in a state other than the home state of such bank holding company if certain conditions are met.² For purposes of the BHC Act, the home state of First National is Arkansas, and First National proposes to acquire a bank in Oklahoma. The conditions for an interstate acquisition under section 3(d) of the BHC Act are met in this case.³

Competitive Considerations

The BHC Act prohibits the Board from approving a proposal submitted under section 3 of the Act if the proposal would result in a monopoly or if the effect of the proposal may be to substantially lessen competition in any relevant market unless the Board finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

First National and First Financial compete directly in the McCurtain County, Oklahoma, banking market.⁴ First National is the fourth largest commercial banking organization in the McCurtain County banking market, controlling deposits of approximately \$41.9 million, representing 16.1 percent of the total deposits in commercial banking organizations in the market ("market deposits").⁵ First Financial is the sixth largest commercial banking institution in the market, controlling deposits of approximately \$23 million, representing 8.8 percent of market deposits. On consummation of this proposal, First National would become the largest commercial banking organization in the McCurtain County banking market, controlling deposits of

2. Pub. L. No. 103-328, 108 Stat. 2338 (1994). A bank holding company's home state is the state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

3. 12 U.S.C. §§ 1842(c)(1)(A) and (B) and 1842(d)(2)(A) and (B). First National is adequately capitalized and adequately managed. On consummation of the proposal, First National would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States, and less than 30 percent of the total amount of deposits of insured depository institutions in Oklahoma. In addition, Bank has been in existence for the minimum period of time necessary to satisfy age requirements established by applicable state law. See Okla. Stat. Ann. tit. 6 § 506(D)(1)(a). All other requirements of section 3(d) of the BHC Act also would be met on consummation of the proposal.

4. The McCurtain County banking market is approximated by McCurtain County, Oklahoma.

5. Market share data are as of June 30, 1996. No savings associations operate in the McCurtain County banking market.

1. Deposit data are as of June 30, 1996. In this context, depository institutions include commercial banks, savings banks, and savings associations.

approximately \$64.9 million, representing 24.9 percent of market deposits. Concentration in the market, as measured by the Herfindahl–Hirschman Index (“HHI”), would increase by 285 points to 1971.⁶

In evaluating the competitive effects of the proposal in the McCurtain County banking market, the Board has considered several factors. The McCurtain County banking market is a relatively small rural market in southeastern Oklahoma and six competitors would remain in the market after consummation of the proposal, including a large multistate bank holding company. Each of the five banks that would compete with First National after consummation would have a market share of more than 5 percent, and three of the banks control more than 15 percent of market deposits. The Department of Justice has reviewed the proposal and advised the Board that consummation of the proposal would not likely have any significantly adverse competitive effects in the McCurtain County banking market or any other relevant banking market.

Based on all the facts of record, the Board concludes that consummation of the proposal would not result in any significantly adverse effects on competition or on the concentration of banking resources in the McCurtain County banking market or any other relevant banking market.

Other Factors

The BHC Act also requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal, the convenience and needs of the communities to be served, and certain supervisory factors. The facts of record include supervisory reports of examination assessing the financial and managerial resources of the organizations and financial information provided by First National. Based on all the facts of record, the Board concludes that the financial and managerial resources and the future prospects of First National, First Financial, and their respective subsidiary banks, are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act. In addition, considerations relating to the convenience and needs of the communities to be served are consistent with approval of the application.

Conclusion

Based on the foregoing, and in light of 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 First National with all the commitments made in connection with this application. For the purpose of this action, the commitments and conditions relied on by the Board in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The acquisition of First Financial 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 St. Louis, acting pursuant to delegated authority.

By order of the Board of Governors, effective November 24, 1997.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Phillips, Meyer, Ferguson, and Gramlich.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

First Union Corporation
Charlotte, North Carolina

Order Approving Notice to Engage in Nonbanking Activities

First Union Corporation, Charlotte, North Carolina (“First Union”), a bank holding company within the meaning of the Bank Holding Company Act (“BHC Act”), has requested the Board’s approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board’s Regulation Y (12 C.F.R. 225.24) to acquire all the voting shares of Wheat First Butcher Singer, Inc. (“Wheat First”), and thereby acquire control of its wholly owned subsidiary, Wheat, First Securities, Inc. (“Company”), both of Richmond, Virginia.¹ First Union would thereby engage in the following activities:

- (1) Underwriting and dealing in, to a limited extent, all types of debt and equity securities, other than ownership interests in open-end investment companies, that a member bank may not underwrite or deal in (“bank-ineligible securities”);
- (2) Providing financial and investment advisory services, pursuant to section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6));
- (3) Providing securities brokerage, private placement, riskless principal, futures commission merchant, and other transactional services, pursuant to section

6. Under the revised Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market above 1800 is considered to be highly concentrated. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice 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.

1. First Union would merge Wheat First into itself, and, immediately thereafter, merge the existing section 20 subsidiary of First Union, First Union Capital Markets Corp., Charlotte, North Carolina (“FUCMC”), into Company.

225.28(b)(7) of Regulation Y (12 C.F.R. 225.28(b)(7)); and

(4) Underwriting and dealing in government obligations and money market instruments in which state member banks may underwrite and deal under 12 U.S.C. §§ 335 and 24(7) ("bank-eligible securities"), engaging in investing and trading activities, and buying and selling bullion and related activities, pursuant to section 225.28(b)(8) of Regulation Y (12 C.F.R. 225.28(b)(8)).

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 55,403 (1997)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

First Union, with total consolidated assets of approximately \$155 billion, is the sixth largest banking organization in the United States.² First Union operates bank subsidiaries in 12 states and the District of Columbia, and engages through subsidiaries in a broad range of permissible nonbanking activities. First Union currently engages in limited underwriting and is dealing in bank-ineligible securities that the Board has determined are permissible under section 20 of the Glass-Steagall Act (12 U.S.C. § 377).³ 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.*) ("1934 Act") and a member of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, Company is and will remain subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the 1934 Act, the SEC, and the NASD. Following consummation of the proposal, Company also would be registered as a futures commission merchant with the Commodity Futures Trading Commission ("CFTC") and would be subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Commodity Exchange Act (7 U.S.C. § 2 *et seq.*) and the CFTC.

Underwriting and Dealing Activities

The Board has determined—subject to the framework of prudential limitations to address the potential for conflicts of interests, unsound banking practices, or other adverse effects—that 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.⁴ The Board

also has determined that conduct of the proposed activities is consistent with section 20 of the Glass-Steagall Act, provided that the company engaged in underwriting and dealing activities derives no more than 25 percent of its gross revenues from underwriting and dealing bank-ineligible securities over a two-year period.⁵ First Union has committed that Company will conduct its bank-ineligible securities underwriting and dealing activities subject to the Board's 25-percent revenue limit.⁶ As a condition of this order, First Union also would be required to conduct its bank-ineligible securities activities subject to the Operating Standards for section 20 subsidiaries.⁷

Other Activities Approved by Regulation

The Board previously has determined by regulation that the proposed financial and investment advisory services; securities brokerage, riskless principal, private placement, futures commission merchant, and other transactional services; and underwriting and dealing in bank-eligible securities, investing and trading services, and buying and selling of bullion and related activities to be conducted by Company after its acquisition by First Union are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.⁸ First Union has committed that it will conduct each of these activities in accordance with the BHC Act, Regulation Y, and the relevant Board interpretations and orders.⁹

(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); as modified by *Review of Restrictions on Director, Officer and Employee Interlocks, Cross-Marketing Activities, and the Purchase and Sale of Financial Assets between a Section 20 Subsidiary and an Affiliated Bank or Thrift*, 61 *Federal Register* 57,679 (1996), and *Amendments to Restrictions in the Board's Section 20 Orders*, 62 *Federal Register* 45,295 (1997) (collectively, "Section 20 Orders").

5. Compliance with the 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), and *10 Percent Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 48,953 (1996), and *Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 68,750 (1996) (collectively, "Modification Orders").

6. Company may provide services that are necessary incidents to the proposed underwriting and dealing activities. Unless First Union receives specific approval under section 4(c)(8) of the BHC Act to conduct the activities independently, Company must treat any revenues from the incidental activities as bank-ineligible revenues subject to the Board's revenue limitation.

7. 12 C.F.R. 225.200.

8. See 12 C.F.R. 225.28(b)(6), (7), and (8).

9. Wheat First also engages in certain real estate and insurance activities that are not permissible for a bank holding company under section 4 of the BHC Act. First Union has committed that it will conform the real estate activities of Wheat First to the requirements of section 4 of the BHC Act within two years after consummation of the proposal, and will cease making any impermissible real estate investments immediately on consummation of the proposal. First Union also

2. Asset and ranking data are as of September 30, 1997, and include transactions approved by the Board after that date.

3. See *First Union Corporation*, 81 *Federal Reserve Bulletin* 726 (1995); *First Union Corporation*, 75 *Federal Reserve Bulletin* 645 (1989).

4. See *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

Proper Incident to Banking Standard

In order to approve the proposal, the Board also must determine that the proposed activities are a proper incident to banking, that is, that the proposed transaction "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."¹⁰ As part of its evaluation of these factors, the Board considers the financial condition and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.¹¹

In considering the financial resources of the notificant, the Board has reviewed the capitalization of First Union and Wheat First in accordance with the standards set forth in the Section 20 Orders. The Board finds the capitalization of each to be consistent with approval of the proposal. The Board's determination is based on all the facts of record, including First Union's projections of the volume of the bank-ineligible underwriting and dealing activities of Company.

The Board also has reviewed the managerial resources of each of the entities involved in the proposal in light of examination reports and the Board's supervisory experience with First Union and FUCMC. The Board also has considered that First Union has established policies and procedures to ensure compliance with this order and the Section 20 Orders, including computer, audit, and account systems, internal risk management controls, and the necessary operational and managerial infrastructure. On the basis of these and all the facts of record, including the commitments provided in this case and the proposed managerial structure and risk management systems of Company, the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

The Board has carefully considered the competitive effects of the proposed acquisition. To the extent that FUCMC and Company offer different types of products and services, the proposed acquisition would result in no loss of competition. In those markets in which FUCMC's and Company's product and service offerings overlap, such as municipal finance underwriting, research, and placement and investment advisory activities for mutual funds, there are numerous existing and potential competitors. Consum-

mation of the proposal, therefore, would have a *de minimis* effect on competition in the market for these services, and the Board has concluded that the proposal would not result in any significantly adverse competitive effects in any relevant market.

The Board expects that the proposed acquisition would provide added convenience to customers of both First Union and Company. First Union has stated that the acquisition would expand the range of products and services available to its customers and those of Company. First Union also has stated that the proposed transaction would result in operational efficiencies that would allow it to become a more effective competitor.

As noted above, First Union has committed that, following the proposed acquisition, Company will conduct its bank-ineligible securities underwriting and dealing activities in accordance with the prudential framework established by the Board's Section 20 Orders. Under the framework and conditions established in this order and the Section 20 Orders, and based on all the facts of record, the Board concludes that Company's proposed underwriting and dealing activities in bank-ineligible securities are not likely to result in significantly adverse effects that would outweigh the public benefits. Similarly, the Board finds no evidence that Company's proposed riskless principal, private placement, and other nonbanking activities—conducted under the framework and conditions established in this order and Regulation Y—would likely result in any significantly adverse effects that would outweigh the public benefits of the proposal.

Based on all the facts of record, the Board has determined that performance of the proposed activities by First Union can reasonably be expected to produce public benefits. Accordingly, the Board has determined that performance of the proposed activities by First Union is a proper incident to banking for purposes of section 4(c)(8) of the BHC Act.

Conclusion

On the basis of all the facts of record, the Board has determined that the notice should be, and hereby is, approved, subject to all the terms and conditions in this order and the Section 20 Orders, as modified by the Modification Orders. The Board's approval of the 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 First Union's activities are consistent with safety and soundness, avoidance of 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 (as modified by the Modification Orders) is not within the scope of the Board's approval and is not authorized for First Union.

The Board's determination is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to

has committed that it will conform the insurance activities of Wheat First to the requirements of section 4 of the BHC Act within two years after consummation of the proposal, and will cease selling new insurance policies or annuities within six months after consummation of the proposal.

First Union also has committed that it will conform its investment in certain limited partnerships that serve as investment vehicles for certain Wheat First employees to the requirements of section 4 of the BHC Act within two years after consummation of the proposal, and will terminate the mutual fund distribution activities currently conducted by Wheat First immediately on consummation of the proposal.

10. See 12 U.S.C. § 1843(c)(8).

11. See 12 C.F.R. 225.26.

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 compliance with all the commitments made in connection with this notice, including the commitments discussed in this order, and the conditions set forth in this order and the above-noted Board regulations and orders. These commitments and conditions are 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.

The proposal 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 Richmond acting pursuant to delegated authority.

By order of the Board of Governors, effective November 26, 1997.

Voting for this action: Chairman Greenspan and Governors Kelley, Phillips, Ferguson, and Gramlich. Absent and not voting: Vice Chair Rivlin and Governor Meyer.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

U.S. Bancorp
Minneapolis, Minnesota

Order Approving Notice to Engage in Nonbanking Activities

U.S. Bancorp, Minneapolis, Minnesota ("USB"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to engage *de novo* through its wholly owned subsidiary, U.S. Bancorp Investments, Inc., Minneapolis, Minnesota ("Company"), in the following activities:¹

- (1) Underwriting and dealing in, to a limited extent, certain municipal revenue bonds (including certain unrated municipal revenue bonds), 1-4 family mortgage-related securities, consumer receivable-related securities, and commercial paper (collectively, "bank-ineligible securities");
- (2) Providing financial and investment advisory services, pursuant to section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6));
- (3) Providing securities brokerage, private placement, riskless principal, futures commission merchant, and

other transactional services, pursuant to section 225.28(b)(7) of Regulation Y (12 C.F.R. 225.28(b)(7)); and

(4) Providing investing and trading services, pursuant to section 225.28(b)(8) of Regulation Y (12 C.F.R. 225.28(b)(8)).

In addition, USB proposes that Company engage in lending and loan servicing, activities related to lending, lease financing, management consulting, and insurance agency activities that are related to Company's underwriting and dealing, private placement, riskless principal, and other securities activities.² These activities would be conducted in accordance with the Board's Regulation Y.³

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 53,784 (1997)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

USB, with total consolidated assets of approximately \$71.8 billion, is the 14th largest banking organization in the United States.⁴ USB operates bank subsidiaries in 17 states, and engages through subsidiaries in a broad range of permissible nonbanking activities. Company is and, following consummation of the proposal, will continue to be registered as a broker-dealer with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*) ("1934 Act") and a member of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, Company is and will remain subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the 1934 Act, the SEC, and the NASD. Following consummation of the proposal, Company also would be registered as a futures commission merchant with the Commodity Futures Trading Commission ("CFTC") and would be subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Commodity Exchange Act (7 U.S.C. § 2 *et seq.*) and the CFTC.

Underwriting and Dealing Activities

The Board has determined—subject to the framework of prudential limitations to address the potential for conflicts of interests, unsound banking practices, or other adverse effects—that 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.⁵

2. USB is authorized to engage in insurance agency activities pursuant to section 4(c)(8)(G) of the BHC Act, which authorizes those bank holding companies that engaged in insurance agency activities prior to 1971 with Board approval to engage in insurance agency activities.

3. Section 225.28(b)(1), (2), (3), (9), and (11)(vii) of Regulation Y (12 C.F.R. 225.28(b)(1), (2), (3), (9), and (11)(vii)).

4. Asset and ranking data are as of June 30, 1997.

5. See *Citicorp, et al.*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the*

1. Company currently is a wholly owned subsidiary of USB's lead bank subsidiary, U.S. Bank National Association, Minneapolis, Minnesota ("US Bank").

The Board also has determined that conduct of the proposed activities is consistent with section 20 of the Glass-Steagall Act (12 U.S.C. § 377), provided that the company engaged in underwriting and dealing activities derives no more than 25 percent of its gross revenues from underwriting and dealing in bank-ineligible securities over a two-year period.⁶ USB has committed that Company will conduct its bank-ineligible securities underwriting and dealing activities subject to the Board's 25-percent revenue limit.⁷ As a condition of this order, USB also would be required to conduct its bank-ineligible securities activities subject to the Operating Standards for section 20 subsidiaries.⁸

Other Activities Approved by Regulation

The Board previously has determined by regulation that extending credit and servicing loans; activities related to extending credit; leasing personal or real property; financial and investment advisory activities; securities brokerage, riskless principal, private placement, futures commission merchant, and other transactional services; investment and trading services; management consulting; and insurance agency activities are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.⁹ USB has committed that it will conduct each of these activities in accordance with the BHC Act, Regulation Y, and the relevant Board interpretations and orders.

Proper Incident to Banking Standard

In order to approve the proposal, the Board also must determine that the proposed activities are a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public . . .

Federal Reserve System, 839 F.2d 47 (2d Cir. 1988), cert. denied, 486 U.S. 1059 (1988); as modified by *Review of Restrictions on Director, Officer and Employee Interlocks, Cross-Marketing Activities, and the Purchase and Sale of Financial Assets between a Section 20 Subsidiary and an Affiliated Bank or Thrift*, 61 *Federal Register* 57,679 (1996), and *Amendments to Restrictions in the Board's Section 20 Orders*, 62 *Federal Register* 45,295 (1997) (collectively, "Section 20 Orders").

6. Compliance with the revenue limitation shall be calculated in accordance with the method stated in the Section Orders, as modified by the *Order Approving Modifications to the Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989), and *10 Percent Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 48,953 (1996), and *Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 68,750 (1996) (collectively, "Modification Orders").

7. Company may provide services that are necessary incidents to the proposed underwriting and dealing activities. Unless USB receives specific approval under section 4(c)(8) of the BHC Act to conduct the activities independently, Company must treat any revenues from the incidental activities as ineligible revenues subject to the Board's revenue limitation.

8. 12 C.F.R. 225.200.

9. See 12 C.F.R. 225.28(b)(1), (2), (3), (6), (7), (8), (9), and (11)(vii).

that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."¹⁰ As part of its evaluation of these factors, the Board considers the financial condition and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.¹¹ The Board has carefully examined the financial resources, management expertise, and risk management policies of USB and its subsidiaries. Based on all the facts of record, the Board concludes that financial and managerial considerations are consistent with approval.

The Board expects that the *de novo* entry of Company into the market for the proposed services would provide added convenience to USB's customers and would increase the level of competition among existing providers of these services. As noted above, USB has committed that Company will conduct its bank-ineligible securities underwriting and dealing activities in accordance with the prudential framework established by the Board's Section 20 Orders. Under the framework and conditions established in this order, the Section 20 Orders, and the Modification Orders, the Board concludes that Company's proposed limited conduct of underwriting and dealing in bank-ineligible securities is not likely to result in significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that would outweigh the public benefits. Similarly, the Board finds no evidence that Company's riskless principal, private placement, and other nonbanking activities—conducted under the framework and conditions established in this order and Regulation Y—would likely result in any significantly adverse effects that would outweigh the public benefits of the proposal. Accordingly, the Board has determined that performance of the proposed activities by USB is a proper incident to banking for purposes of section 4(c)(8) of the BHC Act.

Conclusion

On the basis of all the facts of record, the Board has determined that the notice should be, and hereby is, approved, subject to all the terms and conditions in this order and the Section 20 Orders, as modified by the Modification Orders. The Board's approval of the 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 USB's activities are consistent with safety and soundness, avoidance of 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 (as modified by the Modification Or-

10. See 12 U.S.C. § 1843(c)(8).

11. See 12 C.F.R. 225.26.

ders) is not within the scope of the Board's approval and is not authorized for USB.

The Board's determination is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 C.F.R. 225.7 and 225.25(c)), 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 compliance with all the commitments made in connection with this notice, including the commitments discussed in this order, and the conditions set forth in this order and the above-noted Board regulations and orders. These commitments and conditions are 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.

The proposal 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 November 26, 1997.

Voting for this action: Chairman Greenspan and Governors Kelley, Phillips, Ferguson, and Gramlich. Absent and not voting: Vice Chair Rivlin and Governor Meyer.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

ORDERS ISSUED UNDER BANK MERGER ACT

Centura Bank
Rocky Mount, North Carolina

Order Approving Acquisition and Establishment of a Branch

Centura Bank, Rocky Mount, North Carolina ("Centura"), a state member bank, has requested the Board's approval under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to acquire a branch of First Union National Bank, Charlotte, North Carolina ("First Union"). Centura also has applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321) to establish a branch at the former branch location of First Union.¹

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.

Centura is a wholly owned subsidiary of Centura Banks, Inc., Rocky Mount, North Carolina, which is the sixth largest commercial banking organization in North Carolina, controlling \$4.7 billion of deposits, representing 6 percent of total deposits in commercial banking organizations in the state.² The branch of First Union to be acquired controls deposits of \$22.8 million, representing less than 1 percent of deposits in the state. On consummation of the proposal, Centura Banks, Inc., would remain the sixth largest commercial banking organization in North Carolina.

Competitive Considerations

The Bank Merger Act provides that the Board may not approve an application if the effect of the acquisition is to create a monopoly or substantially to lessen competition in any section of the country unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community.³ In evaluating the competitive factors in this case, the Board has carefully considered comments that assert that the proposal would create a monopoly for banking services by eliminating Centura's only competitor in Bakersville, North Carolina.

The Board and the courts have found that the relevant banking market for analyzing the competitive effects of a proposal must reflect commercial and banking realities and should consist of the local area where local customers can practicably turn for alternatives.⁴ In making a determination on the geographic market in this case, the Board has considered worker commuting patterns (as indicated by census data) and other indicia of economic integration and transmission of competitive forces among depository institutions.

2. State data are as of June 30, 1996, and have been updated to reflect transactions as of June 30, 1997. Deposits include Centura recent acquisition of five branches of NationsBank, N.A., Charlotte, North Carolina.

3. 12 U.S.C. § 1828(c)(5).

4. See *St. Joseph Valley Bank*, 68 *Federal Reserve Bulletin* 673, 674 (1982). The key question to be considered in making this selection "is not where the parties to the merger do business or even where they compete, but where, within the area of competitive overlap, the effect of the merger on competition will be direct and immediate." *United States v. Philadelphia Nat'l Bank*, 374 U.S. 321, 374 (1963); *United States v. Phillipsburg Nat'l Bank*, 399 U.S. 350 (1969).

1. Centura proposes to consolidate its branch at 117 Mitchell Avenue into First Union's branch at 114 Mitchell Avenue, both in Bakersville, North Carolina.

A commenter contends that the market for evaluating the competitive effects of this proposal should be the town of Bakersville, North Carolina. Based on all the facts, and for the reasons discussed herein, the Board concludes that the relevant geographic market for evaluating the competitive effects of this proposal is the Mitchell County, North Carolina, banking market ("Mitchell County banking market"), which is the area approximated by Mitchell County and includes the town of Bakersville.

Mitchell County has a population of approximately 14,400 residents and is located in the western corner of North Carolina adjacent to Tennessee. Census Bureau data for 1990 indicate that approximately 68 percent of the workers who reside in Mitchell County work in the county. The county's major employers include several large furniture manufacturers in Spruce Pine, North Carolina, that each employ more than 200 workers.

Other facts of record indicate that Spruce Pine is the center for economic activity for the county. Spruce Pine, with a population of more than 2,000 residents, is the largest town in Mitchell County and is located in the southern portion of the county which contains approximately 60 percent of the county's residents. Spruce Pine has a shopping mall and a hospital. The town also has the only newspaper and radio station in the county, thereby providing the primary advertising media for Mitchell County's residents. Four insured depository institutions, including First Union, are located in Spruce Pine.

Bakersville is a smaller town with a population of approximately 330 residents, located 11 miles from Spruce Pine. The town's two largest employers employ a total of 125 workers, and there is no shopping mall or hospital in Bakersville. State Highway 226 provides Bakersville's residents with convenient access to the commercial and health care facilities in Spruce Pine.

In light of these, and all facts of record, the Board concludes that Mitchell County is a local area that is economically integrated by the commercial activities conducted in Spruce Pine to an extent that local customers, including residents in Bakersville, can practicably turn for alternatives in the area. Accordingly, the relevant banking market for assessing the competitive effects of the proposal is the Mitchell County banking market and not the town of Bakersville.

Centura is the third largest depository institution in the banking market, controlling deposits of approximately \$27 million, representing approximately 19 percent of the total deposits in depository institutions in the market ("market deposits").⁵ The First Union branch that Centura proposes to acquire controls deposits of \$22.8 million,

representing approximately 16 percent of market deposits. On consummation of the proposal, Centura would become the second largest depository institution in the Mitchell County banking market, controlling deposits of approximately \$49.8 million, representing approximately 35 percent of market deposits. Centura proposes to purchase a branch of First Union, the largest competitor in the market, which controls approximately 52 percent of market deposits. On consummation, First Union's share of market deposits would decrease to approximately 35.4 percent. Because First Union's share of market deposits would be substantially reduced and would be acquired by a smaller competitor in the market, concentration in the market, as measured by the Herfindahl-Hirschman Index ("HHI"), would decrease approximately 522 points to 3027.⁶

In analyzing the competitive effects of the proposal in this market, the Board also has considered that the number of competitors in the Mitchell County banking market would not change because First Union would remain as one of the county's four competing depository institutions. First Union and another large bank holding company competitor would each control at least 20 percent of market deposits. The Department of Justice also has reviewed the proposal and advised the Board that consummation of the proposal would not likely have any significantly adverse competitive effects in these banking markets or any relevant banking market.⁷

Based on the characteristics of the market, which will maintain the same number of competitors, the size of the market competitors, and all other facts of record, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in the Mitchell County banking market or any other relevant banking market.⁸

Convenience and Needs Considerations

The Board has carefully reviewed the convenience and needs factor in the Bank Merger Act, which includes a

6. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is above 1800 is considered highly 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 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.

7. The OCC and the FDIC also have not objected to the proposal.

8. Several commenters criticize the proposal because no alternative banking services will be available in Bakersville. As discussed above, there is a branch of First Union and two other financial institutions in Spruce Pine which is 11 miles from Bakersville. The record indicates that residents of Mitchell County, including Bakersville's residents, are likely to travel to Spruce Pine as the county's center for commercial activity to obtain services. The Board also has considered Centura's record of assisting to meet the credit needs of its communities in light of the comments and, as discussed above, concludes that this record is satisfactory.

5. Market data are as of June 30, 1996. 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).

review of the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) (“CRA”), in light of all the facts and comments. Commenters maintain that Centura generally does not assist in meeting the credit needs of its communities and, in particular, is not responsive to the credit needs of small businesses.

As provided in the CRA, the Board has evaluated this factor in light of examinations by the primary federal supervisor of the CRA performance record of the relevant institution. An institution’s most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institution’s overall record of performance under the CRA by its primary federal supervisor.⁹

Centura received a “satisfactory” rating under the Community Reinvestment Act from the Federal Reserve Bank of Richmond at its most recent performance examination, as of April 1996 (“1996 Examination”). The 1996 Examination found that Centura offered a wide range of services and products to help in meeting the credit needs of all its communities, including residential mortgages, residential construction, home improvement, small business, commercial, consumer, agricultural, and community development loans. There was no evidence of prohibited discrimination or other illegal practices at Centura.

Examiners considered the products and services offered by Centura to be responsive to the significant credit needs in all its communities, including LMI neighborhoods. The 1996 Examination also concluded that lending data demonstrated a reasonable penetration of various loan products into all segments of Centura’s delineated communities. In addition, Centura was considered to be a leader in making Small Business Administration (“SBA”) loans in North Carolina. In 1995, Centura made 90 SBA loans, totalling \$13 million.¹⁰

The Board has carefully considered all the facts of record, including the comments received, the CRA performance record of Centura, and relevant reports of examination and other supervisory information.¹¹ Based on a re-

view of the entire record and for the facts discussed above, the Board concludes that convenience and needs considerations, including the CRA record of performance of Centura are consistent with approval of this proposal.

Other Considerations

The Board has carefully considered the financial and managerial resources and future prospects of Centura and First Union in light of all the facts of record. The facts of record include supervisory reports of examination assessing the financial and managerial resources of the organizations and financial information provided by Centura. The Board notes that Centura is in satisfactory financial condition and would remain so after consummation of the proposal. In addition, reports of examination assessing the managerial resources of Centura indicate this factor is consistent with approval.

Based on all the facts of record, the Board concludes that considerations related to the financial and managerial resources and future prospects of the institutions involved are consistent with approval as are the factors required to be considered under the Federal Reserve Act.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that this application should be, and hereby is, approved.¹² The Board’s approval of the proposal is specifically conditioned on compliance by Centura 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 are both

9. The Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act (“Agency CRA Statement”) provides that a CRA examination is an important and often controlling factor in the consideration of an institution’s CRA record and that reports of these examinations will be given great weight in the applications process. See 54 *Federal Register* 13,742 and 13,745 (1989).

10. Some commenters also contend that Centura’s fees for services are excessive. Centura provides a full range of credit products and banking services to assist in meeting the credit and banking needs of its communities, including low- and moderate-income (“LMI”) communities. The Board notes that examiners favorably noted Centura’s “Simple Checking,” a low-cost checking account. In addition, there is no evidence in the record that the fees charged by Centura are based on any factor that would be prohibited under law. Although the Board has recognized that banks help serve the banking needs of their communities by making basic services available at nominal or no charge, the CRA does not impose any limitation on the fees or surcharges for services.

11. A commenter contends that the proposal will result in a loss of jobs. The convenience and needs factor has been consistently inter-

preted by the federal banking agencies, the courts, and Congress to relate to the effect of a proposal on the availability and quality of banking services in the community, and does not extend to the effect of a proposed acquisition on employment in a community. See, e.g., *Wells Fargo & Company*, 82 *Federal Reserve Bulletin* 445, 457 (1996).

12. A commenter has requested that the Board hold a hearing on the application. The Board is not required under the Bank Merger Act or the Federal Reserve Act to hold a public hearing or meeting in this case. Under the Board’s rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. The Board has carefully considered the commenter’s request for a hearing in light of all the facts of record. In the Board’s view, the commenter has had ample opportunity to submit his views, and has submitted two written comments that have been carefully considered by the Board in acting on this application. The commenter’s request fails to demonstrate why his written presentations do not adequately present his evidence, allegations and views. After a careful review of all the facts of record, moreover, the Board has concluded that the commenter disputes the weight that should be accorded to, and the conclusions that the Board should draw from, the facts of record, but does not identify disputed issues of fact that are material to the Board’s decision. For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not required or warranted to clarify the factual record in the application, or otherwise warranted in this case. Accordingly, the request for a hearing on the proposal is hereby denied.

conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

The proposed acquisition 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 Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective November 10, 1997.

Voting for this action: Vice Chair Rivlin and Governors Kelley, Phillips, Meyer, Ferguson, and Gramlich. Absent and not voting: Chairman Greenspan.

BARBARA R. LOWREY
Associate Secretary of the Board

ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT

Bank of Cyprus, Ltd.
Nicosia, Cyprus

Order Approving Establishment of a Representative Office

Bank of Cyprus, Ltd. ("Bank"), Nicosia, Cyprus, 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 (*The New York Times*, January 6, 1993). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with \$6.3 billion in consolidated assets,¹ is a commercial bank chartered in Cyprus. Bank is wholly owned by a holding company, Bank of Cyprus (Holdings) Ltd. ("Holdings"), Nicosia, Cyprus.²

Bank is chiefly engaged in the provision of banking and other financial services to retail, corporate and governmental clients, including the provision of deposit accounts, short- and long-term financing, trustee and credit card services, and facilities for international transactions.

Bank operates more than 200 branches in Cyprus, ten branches in Greece, three representative offices in Australia, a representative office in South Africa, and a represen-

tative office in Canada.³ Bank does not engage, directly or indirectly, in any activities in the United States. The proposed representative office would engage in traditional representational functions, including serving as a liaison between customers and Bank's offices in Cyprus, promoting Bank's name, products, and services to potential customers, and advising on economic conditions and investment opportunities in Cyprus.

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, is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor, and has provided adequate assurances of access to information on the operations of the bank and its affiliates to determine compliance with U.S. laws. (12 U.S.C. § 3107(a); 12 C.F.R. 211.24(d)). 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 previously has 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.⁴ In evaluating an application to establish a representative office under the IBA and Regulation K, the Board will take into account the standards that apply to the establishment of branches and agencies, subject generally to the following considerations. With respect to supervision by home country authorities, a foreign bank that proposes to establish a representative office should be subject to a significant degree of supervision by its home country supervisor.⁵ A foreign bank's financial and managerial resources will be reviewed to determine whether its financial condition and performance demonstrate that it is capable of complying with applicable laws and has an operating record that would be consistent with the establishment of a representative office in the United States. Finally, all foreign banks, whether operating through branches, agencies or representative offices, will be required to provide adequate assurances of access to information on the operations of the bank and its affiliates necessary to determine compliance with U.S. laws.

3. Bank also has three bank subsidiaries: the Bank of Cyprus (London), Ltd., London, England; the Mortgage Bank of Cyprus, Ltd., Nicosia, Cyprus; and the Bank of Cyprus (Channel Islands) Ltd., Guernsey, Channel Islands. Two other subsidiaries of Bank provide factoring services in Cyprus and Greece, and another subsidiary specializes in the management of mutual funds. Holdings also controls six subsidiaries, other than through Bank, which engage in finance, insurance, investment banking, real estate development and management, and hotel operations activities.

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

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

1. Data are as of December 31, 1996.

2. No single shareholder owns more than 5 percent of the shares of Holdings.

With respect to home country supervision of Bank, the Board has considered the following information. The Central Bank of Cyprus (the "Central Bank") is the supervisory authority for all banks licensed in Cyprus, including Bank. The Board has previously determined, in connection with an application involving another bank from Cyprus, that such bank was subject to a significant degree of supervision by the Central Bank.⁶ The Board has determined that Bank is supervised by the Central Bank on substantially the same terms and conditions as the bank previously considered by the Board. Based on all the facts of record, the Board concludes that factors relating to the supervision of Bank by its home country supervisor are consistent with approval of the proposed representative office.

The Board also has determined that, for purposes of the IBA and Regulation K, Bank engages directly in the business of banking outside of the United States through its operations in Cyprus. Bank has provided the Board with the information necessary to assess the application through submissions that address relevant issues.

The Board also has 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 does not object to Bank's establishing the proposed representative office.

The Board also has determined that financial and managerial factors are consistent with approval of the proposed representative office. Bank appears to have the experience and capacity to support the proposed office and also has 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 applicable provisions of law in relevant jurisdictions and has communicated with appropriate government authorities regarding access to information. Bank and Holdings each have committed to make available to the Board such information on the operations of Bank and any of 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 to the Board may be prohibited or impeded by law, Bank and Holdings have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties in connection with disclosure of certain 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 the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a representative office should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank and any of its affiliates subsequently interfere with the Board's ability to determine the compliance by Bank or its affiliates with applicable Federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Bank with the commitments made in connection with this application, and with the conditions in this order.⁷ 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 November 24, 1997.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Phillips, Meyer, Ferguson, and Gramlich.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

6. *See The Cyprus Popular Bank*, 83 *Federal Reserve Bulletin* 1028 (1997).

7. 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.

*INDEX OF ORDERS ISSUED OR ACTIONS TAKEN BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
(JULY 1, 1997-SEPTEMBER 30, 1997)*

Applicant	Merged or Acquired Bank or Activity	Date of Approval	Bulletin Volume and Page
ABSA Bank Limited, Johannesburg, Republic of South Africa	To establish a representative office in New York, New York	July 30, 1997	83, 788
ANB Holding Company, Ltd., Terrell, Texas	Lakeside Bancshares, Inc., Rockwall, Texas	September 29, 1997	83, 902
ANB Corporation, Terrell, Texas	Lakeside National Bank, Rockwall, Texas		
Associated Banc-Corp, Green Bay, Wisconsin	First Financial Corporation, Stevens Point, Wisconsin First Financial Bank, F.S.B., Stevens Point, Wisconsin	September 8, 1997	83, 910
BankAmerica Corporation, San Francisco, California	Robertson, Stephens & Company Group, L.L.C., San Francisco, California Robertson, Stephens & Company, Inc., San Francisco, California	September 17, 1997	83, 913
Bankers Trust New York Corporation, New York, New York	Alex. Brown Incorporated, Baltimore, Maryland	July 21, 1997	83, 780
Barnett Banks, Inc., Jacksonville, Florida	First of America Bank-Florida, FSB, Tampa, Florida	September 15, 1997	83, 916
BB&T Corporation, Winston-Salem, North Carolina	Craigie Incorporated, Richmond, Virginia	September 17, 1997	83, 919
The Chase Manhattan Corporation, New York, New York	Chase Manhattan Bank and Trust Company, National Association, Los Angeles, California	September 29, 1997	83, 905
Chase Holding Delaware Inc., New York, New York			
Citizens Commercial Bank & Trust Company, Celina, Ohio	KeyBank, N.A., Cleveland, Ohio	September 9, 1997	83, 933
CoreStates Financial Corporation, Philadelphia, Pennsylvania	CoreStates Securities Corporation, Philadelphia, Pennsylvania	August 4, 1997	83, 838
First Chicago NBD Corporation, Chicago, Illinois	To engage to a limited extent in underwriting and dealing in all types of equity securities except ownership interests in open-end investment companies	July 28, 1997	83, 784
First Chicago Capital Markets, Inc., Chicago, Illinois			
Housing & Commercial Bank, Seoul, Korea	To establish a state-licensed branch in New York, New York	September 17, 1997	83, 935
Huntington Bancshares Incorporated, Columbus, Ohio	First Michigan Bank Corporation, Holland, Michigan	September 2, 1997	83, 930
KeyCorp, Cleveland, Ohio	Key Capital Markets, Inc., Cleveland, Ohio	September 8, 1997	83, 921
NationsBank Corporation, Charlotte, North Carolina	Montgomery Securities, San Francisco, California The Pyramid Company, San Francisco, California	September 10, 1997	83, 924
Neighborhood Bancorp, San Diego, California	Neighborhood National Bank, San Diego, California	July 21, 1997	83, 780
New Prague Bancshares, Inc., New Prague, Minnesota	Community Security Bank, New Prague, Minnesota	September 15, 1997	83, 909

Index of Orders Issued or Actions Taken

Applicant	Merged or Acquired Bank or Activity	Date of Approval	Bulletin Volume and Page
Northwest Bancorp, MHC Warren, Pennsylvania	Northwest Savings Bank, Warren, Pennsylvania	August 18, 1997	83, 831
Northwest Bancorp, Inc., Warren, Pennsylvania			
Santa Barbara Bancorp, Santa Barbara, California	Citizens State Bank of Santa Paula, Santa Paula, California	August 21, 1997	83, 833
Südwestdeutsche Landesbank Girozentrale, Stuttgart and Mannheim, Germany	To establish a state-licensed branch office in New York, New York	September 17, 1997	83, 937
Swiss Bank Corporation, Basel, Switzerland	Dillon, Read Holding, Inc., New York, New York	July 28, 1997	83, 786
Union Planters Corporation, Memphis, Tennessee	Magna Bancorp, Inc., Hattiesburg, Mississippi Magnolia Federal Bank for Savings, Hattiesburg, Mississippi Magna Mortgage Company, Hattiesburg, Mississippi	September 10, 1997	83, 928

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

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

Section 4

Applicant(s)	Bank(s)	Effective Date
Wachovia Corporation, Winston-Salem, North Carolina	Solutions by Design, Inc., Atlanta, Georgia	November 13, 1997

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
Alabama National Bancorporation, Birmingham, Alabama	First American Bancorp, Decatur, Alabama First American Bank, Decatur, Alabama	Atlanta	October 29, 1997

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Amador Merger Corporation, Las Cruces, New Mexico	Amador Bancshares, Inc., Las Cruces, New Mexico Citizens Bank of Las Cruces, Las Cruces, New Mexico	Dallas	November 5, 1997
Builders Financial Corporation, Chicago, Illinois	Builders Bank, Chicago, Illinois	Chicago	October 28, 1997
Capitol Bancorp Ltd., Lansing, Michigan	Muskegon Commerce Bank, Muskegon, Michigan	Chicago	November 5, 1997
Citizens Bancshares Company, Chillicothe, Missouri	Trenton Trust Bancshares, Trenton, Missouri	Kansas City	November 17, 1997
Citizens Effingham Bancshares, Inc., Springfield, Georgia	Citizens Bank of Effingham, Springfield, Georgia	Atlanta	November 19, 1997
City National Corporation, Beverly Hills, California	Harbor Bancorp, Long Beach, California Harbor Bank, Long Beach California	San Francisco	November 13, 1997
Coddle Creek Financial Corp., Mooresville, North Carolina	Mooresville Savings Bank, SSB, Mooresville, North Carolina	Richmond	November 10, 1997
Community Bancshares of West Plains, Inc., West Plains, Missouri	Community First National Bank of West Plains, West Plains, Missouri	St. Louis	October 29, 1997
Community Bankshares, Inc., Denver, Colorado	Dove Creek State Bank, Dove Creek, Colorado	Kansas City	October 27, 1997
Covenant Bancgroup, Inc., Leeds, Alabama	Covenant Bank, Leeds, Alabama	Atlanta	November 19, 1997
CSB Bancshares, Inc., Ellsworth, Kansas	Wilson Bancshares, Inc., Wilson, Kansas	Kansas City	October 27, 1997
F & M Bancshares, Inc., Langdon, North Dakota	Farmers and Merchants State Bank, Langdon, North Dakota	Minneapolis	November 3, 1997
FBOP Corporation, Oak Park, Illinois	California Bank, N.A., Beverly Hills, California	Chicago	November 3, 1997
Fidelity Ban Corporation, Independence, Iowa	Benton County Savings Bank, Norway, Iowa	Chicago	November 19, 1997
First Banks, Inc., Creve Coeur, Missouri	Surety Bank, Vallejo, California	St. Louis	October 20, 1997
Sundowner Corporation, Reno, Nevada			
First Banks America, Inc., Houston, Texas			
First National Bancorp, Inc., Green Forest, Arkansas	The First National Bank in Green Forest, Green Forest, Arkansas	St. Louis	November 7, 1997
First National Bank at St. James Employee Stock Ownership Plan, St. James, Minnesota	First National Agency at St. James, Minnesota, Inc., St. James, Minnesota	Minneapolis	October 29, 1997
First State Financial Corporation, Sarasota, Florida	First State Bank, Sarasota, Florida	Atlanta	November 19, 1997
Fisher Bancorp, Inc., Fisher, Illinois	The Fisher National Bank, Fisher, Illinois	Chicago	November 10, 1997
George Washington Bancorp, Inc., Oak Lawn, Illinois	George Washington Savings Bank, Oak Lawn, Illinois	Chicago	October 30, 1997
Greater Bay Bancorp, Palo Alto, California	Peninsula Bank of Commerce, Millbrae, California	San Francisco	November 12, 1997

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Greater Southern Capital Corporation Employee Stock Ownership Trust, Meridian, Mississippi	Great Southern National Bank, Meridian, Mississippi	Atlanta	November 4, 1997
Greater Southern Capital Corporation, Meridian, Mississippi			
Heritage Financial Corporation, Olympia, Washington	Heritage Financial Corporation MHC, Olympia, Washington	San Francisco	November 18, 1997
Matson Financial, Inc., Blomkest, Minnesota	State Bank of Blomkest, Blomkest, Minnesota	Minneapolis	November 20, 1997
MBNA Corporation, Wilmington, Delaware	MBNA America Bank (Delaware), Wilmington, Delaware	Philadelphia	November 7, 1997
Mercantile Bancorp, Inc., Quincy, Illinois	Golden Bancshares, Inc., Golden, Illinois Golden State Bank, Golden, Illinois Brown County State Bank, Mount Sterling, Illinois	St. Louis	October 30, 1997
Midland First Financial Corporation, Lee's Summit, Missouri	Midland Bank, Lee's Summit, Missouri	Kansas City	November 13, 1997
Montana First National Bancorporation, Kalispell, Montana	Montana First National Bank, Kalispell, Montana	Minneapolis	October 29, 1997
National Bank of Canada, Montreal, Quebec, Canada	Natbank N.A., Hollywood, Florida	New York	October 28, 1997
NatBC Holding Corporation, Wilmington, Delaware			
Owen-Curtiss Financial Corporation, Rice Lake, Wisconsin	Brill Bancshares, Inc., Rice Lake, Wisconsin Brill State Bank, Brill, Wisconsin	Minneapolis	October 29, 1997
Penns Woods Bancorp, Inc., Williamsport, Pennsylvania	Columbia Financial Corporation, Bloomsburg, Pennsylvania	Philadelphia	October 27, 1997
Peoples Bancorporation, Inc., Cuba, Missouri	Peoples Investment Corporation, Cuba, Missouri Peoples Bank, Cuba, Missouri	St. Louis	October 24, 1997
Riverside Gulf Coast Banking Company, Cape Coral, Florida	Riverside Bank of the Gulf Coast, Cape Coral, Florida	Atlanta	October 29, 1997
Roscoe Community Bankshares, Inc., Roscoe, South Dakota	Roscoe Financial Services, Inc., Roscoe, South Dakota	Minneapolis	November 5, 1997
Security Bank Holding Company, Coos Bay, Oregon	Pacific State Bank, Reedsport, Oregon	San Francisco	October 23, 1997
Security Bank Holding Company Employee Stock Ownership Plan, Coos Bay, Oregon			
Security State Bancshares, Inc., Charleston, Missouri	Merchants and Planters Bank of Hornersville, Hornersville, Missouri	St. Louis	November 4, 1997

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
SIS Bancorp, Inc., Springfield, Massachusetts	Glastonbury Bank and Trust Company, Glastonbury, Connecticut	Boston	October 22, 1997
Sparta Union Bancshares, Inc., Sparta, Wisconsin	Union National Bank and Trust Company, Sparta, Wisconsin	Chicago	November 6, 1997
SWB Bancshares, Inc., Fort Worth, Texas	SW Financial, Inc., Dover, Delaware Southwest Bank, Fort Worth, Texas	Dallas	October 28, 1997
SW Financial, Inc., Dover, Delaware	Southwest Bank, Fort Worth, Texas	Dallas	October 28, 1997
Trust No. 3 Under the Will of Charles Henderson, Troy, Alabama	Pea River Capital Corporation, Elba, Alabama The Peoples Bank of Coffee County, Elba, Alabama	Atlanta	November 13, 1997
Henderson Bancshares, Inc., Troy, Alabama			
Verona Bancshares, Limited, Verona, Wisconsin	Bank of Verona, Verona, Wisconsin	Chicago	November 20, 1997
Virginia Bank Bankshares, Inc., Danville, Virginia	Virginia Bank and Trust Company, Danville, Virginia	Richmond	November 12, 1997
Warwick Community Bancorp, Inc., Warwick, New York	The Warwick Savings Bank, Warwick, New York	New York	October 29, 1997
Washington Bancorp, Washington, Iowa	Rubio Savings Bank of Brighton, Brighton, Iowa	Chicago	October 31, 1997
Winter-Park Bancshares, Inc., Cameron, Wisconsin	Brill Bancshares, Inc., Rice Lake, Wisconsin	Minneapolis	October 29, 1997

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Bank of Montreal, Montreal, Ontario, Canada	Partners First Holdings, LLC, Linthicum, Maryland	Chicago	November 13, 1997
Bankmont Financial Corp., Chicago, Illinois	Partners First National Bank, Newark, Delaware		
Harris Bancorp, Inc., Chicago, Illinois	Partners First Receivables, LLC, Newark, Delaware Partners First Finance, Inc., Newark, Delaware		
Boston Private Bancorp, Inc., Boston, Massachusetts	Westfield Capital Management Company, Inc., Boston, Massachusetts	Boston	October 29, 1997
Fifth Third Bancorp, Cincinnati, Ohio	Heartland Capital Management, Inc., Indianapolis, Indiana	Cleveland	October 21, 1997
Fleet Financial Group, Inc., Boston, Massachusetts	Mezzanine Capital Fund I, LLC, Boston, Massachusetts	Boston	October 24, 1997
The Governor and Company of the Bank of Ireland, Dublin 2, Ireland	BancIreland/First Financial, Inc., Boston, Massachusetts Trade Finance Services, Inc., Boston, Massachusetts	Boston	November 3, 1997
Huntington Bancshares Incorporated, Columbus, Ohio	Solutions by Design, Inc., Atlanta, Georgia Security First Network Bank, Atlanta, Georgia	Cleveland	November 4, 1997

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Louisville Development Bancorp, Inc., Louisville, Kentucky	Louisville Enterprise Center, Inc., Louisville, Kentucky	St. Louis	November 7, 1997
Norwest Corporation, Minneapolis, Minnesota	Second National Fund Corporation, Bala Cynwyd, Pennsylvania	Minneapolis	November 3, 1997
Norwest Financial Services, Inc., Des Moines, Iowa			
Norwest Financial, Inc., Des Moines, Iowa			
Norwest Corporation, Minneapolis, Minnesota	Smith Asset Management Group, L.P., Dallas, Texas	Minneapolis	November 18, 1997
Peoples Heritage Financial Group, Inc., Portland, Maine	Home Settlement Services of Maine, LLC, Portland, Maine	Boston	November 19, 1997
Roseau Realty Co., Inc., Roseau, Minnesota	Citizens State Bank of Roseau, Roseau, Minnesota	Minneapolis	October 28, 1997
The Toronto-Dominion Bank, Toronto, Ontario, Canada	Kennedy, Cabot & Co., Beverly Hills, California	New York	November 7, 1997
Waterhouse Investor Services, Inc., New York, New York			

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
U.S. Bancorp, Minneapolis, Minnesota	Zappco, Inc., St. Cloud, Minnesota Zapp Data, Inc., St. Cloud, Minnesota	Minneapolis	November 3, 1997

*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
Alabama Exchange Bank, Tuskegee, Alabama	First National Bank of Ashland, Ashland, Alabama	Atlanta	November 12, 1997
Colonial Bank, Montgomery, Alabama	Ashville Savings Bank, Ashville, Alabama	Atlanta	November 19, 1997
Colonial Bank, Montgomery, Alabama	Fist Central Bank, St. Petersburg, Florida	Atlanta	November 19, 1997
Colonial Bank, Montgomery, Alabama	First National Bank of Florida at Bonita Springs, Bonita Springs, Florida	Atlanta	November 19, 1997
Community Bank and Trust Company, Forest City, Pennsylvania	First Union National Bank, Avondale, Pennsylvania	Philadelphia	October 24, 1997

Bank Merger Act—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
First Bank, Creve Coeur, Missouri	First Bank, A Federal Savings Bank, Clayton, Missouri First Bank, O'Fallon, Illinois	St. Louis	October 16, 1997
First Interstate Bank, Billings, Montana	First Interstate Bank, fsb, Hamilton, Montana	Minneapolis	October 29, 1997
Omni Bank, Macomb, Illinois	Farmers State Bank of Ferris Ferris, Illinois	Chicago	October 23, 1997
Premier Bancorp, Inc., Doylestown, Pennsylvania	Premier Bank, Doylestown, Pennsylvania	Philadelphia	October 30, 1997
Southern California Bank, Anaheim, California	National Bank of Southern California, Newport Beach, California	San Francisco	November 13, 1997

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.

Patrick v. United States, No. 97-75017 (E.D. Mich., filed September 30, 1997). Action for damages arising out of tax dispute.

Artis v. Greenspan, No. 97-5234 (D.C. Cir., filed September 19, 1997). Appeal of district court order dismissing employment discrimination action.

Artis v. Greenspan, No. 97-5235 (D.C. Cir., filed September 19, 1997). Appeal of district court order dismissing class complaint alleging race discrimination in employment.

Branch v. Board of Governors, No. 97-5229 (D.C. Cir., filed September 12, 1997). Appeal of district court order denying motion to compel production of pre-decisional supervisory documents and testimony sought in connection with an action by Bank of New England Corporation's trustee in bankruptcy against the Federal Deposit Insurance Corporation.

Wilkins v. Reno, No. 97-2275 (4th Cir., filed September 12, 1997). Appeal of district court dismissal of complaint concerning customer dispute with bank.

Clarkson v. Greenspan, No. 97-CV-2035 (D.D.C., filed September 5, 1997). Freedom of Information Act case.

Banking Consultants of America v. Board of Governors, No. 97-2791 (W.D. Tenn., filed September 2, 1997). Action to enjoin investigation by the Board, the Office of the Comptroller of the Currency, and the Department of Labor.

Bettersworth v. Board of Governors, No. 97-CA-624 (W.D. Tex., filed August 21, 1997). Privacy Act case.

Wilkins v. Warren, No. 97-CV-590 (E.D. Va., filed August 4, 1997). Customer dispute with a bank.

Eliopoulos v. Board of Governors, No. 97-1442 (D.C. Cir., filed July 17, 1997). Petition for review of a Board order dated June 23, 1997, approving the application of First Bank System, Inc., Minneapolis, Minnesota, to acquire U.S. Bancorp, Portland, Oregon, and thereby acquire U.S. Bancorp's banking and nonbanking subsidiaries. On November 10, 1997, the Court granted the Board's motion to dismiss the petition.

Greeff v. Board of Governors, No. 97-1976 (4th Cir., filed June 17, 1997). Petition for review of a Board order dated May 19, 1997, approving the application of by Allied Irish Banks, plc, Dublin, Ireland, and First Maryland Bancorp, Baltimore, Maryland, to acquire Dauphin Deposit Corporation, Harrisburg, Pennsylvania, and thereby acquire Dauphin's banking and nonbanking subsidiaries.

Inner City Press/Community on the Move v. Board of Governors, No. 97-1394 (D.C. Cir., filed June 12, 1997). Petition to review a Board order dated May 14, 1997, approving the application of Banc One Corporation, Inc., Columbus, Ohio, to merge with First USA, Inc., Dallas, Texas. On June 16, 1997, petitioners moved for a stay pending appeal. The motion was denied on June 27, 1997. On August 11, 1997, the Board filed a motion to dismiss the petition.

Vickery v. Board of Governors, No. 97-1344 (D.C. Cir., filed May 9, 1997). Petition for review of a Board order dated April 14, 1997, prohibiting Charles R. Vickery, Jr., from further participation in the banking industry. Oral argument is scheduled for February 24, 1998.

Pharaoh v. Board of Governors, No. 97-1114 (D.C. Cir., filed February 28, 1997). Petition for review of a Board order dated January 31, 1997, imposing civil money penalties and an order of prohibition for violations of the Bank Holding Company Act. Oral argument is scheduled for December 8, 1997.

Research Triangle Institute v. Board of Governors, No. 97-1282 (4th Cir., filed February 24, 1997). Appeal of district court's dismissal of contract claim. Oral argument was held on October 30, 1997.

Jones v. Board of Governors, No. CV97-0198 (W.D. Louisiana, filed January 30, 1997). Complaint alleging violations of the Fair Housing Act. On November 13, 1997, the Court granted the Board's motion to dismiss the action.

The New Mexico Alliance v. Board of Governors, No. 96-9552 (10th Cir., filed December 24, 1996). Petition for review of a Board order dated December 16, 1996, approving the acquisition by NationsBank Corporation and NB Holdings Corporation, both of Charlotte, North Carolina, of Boatmen's Bancshares, Inc., St. Louis, Missouri. Also on December 24, 1996, petitioners moved for an emergency stay of the Board's order. The motion for a stay was denied by the 10th Circuit on January 3, 1997; on January 6, 1997, petitioners' application for emergency stay was denied by the Supreme Court. Oral argument is scheduled for January 20, 1998.

American Bankers Insurance Group, Inc. v. Board of Governors, No. 96-CV-2383-EGS (D.D.C., filed October 16, 1996). Action seeking declaratory and injunctive relief invalidating a new regulation issued by the Board under the Truth in Lending Act relating to treatment of fees for debt cancellation agreements. On October 18, 1996, the district court denied plaintiffs' motion for a temporary restraining order. On January 17, 1997, the parties filed cross-motions for summary judgment.

Leuthe v. Office of Financial Institution Adjudication, No. 97-1826 (3d Cir., filed October 22, 1997). Appeal of district court dismissal of action against the Board and other Federal banking agencies challenging the constitutionality of the Office of Financial Institution Adjudication.

Board of Governors v. 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

Luis Carrizo
Buenos Aires, Argentina

The Federal Reserve Board announced on November 7, 1997, the issuance of an Order of Prohibition against Luis Carrizo, a former officer of the New York agency of Banco de la Provincia de Buenos Aires, Buenos Aires, Argentina.

Eric C. Dill
New York, New York

The Federal Reserve Board announced on November 24, 1997, the issuance of an Order of Prohibition against Eric C. Dill, a former employee of the New York Branch of the National Bank of Canada.

Jose E. Romero Muniz
Hato Rey, Puerto Rico

The Federal Reserve Board announced on November 7, 1997, the issuance of an Order of Prohibition against Jose E. Romero Muniz, a former credit card processing clerk of Banco Popular De Puerto Rico, Hato Rey, Puerto Rico.

Putnam-Greene Financial Corporation
Eatonton, Georgia

The Federal Reserve Board announced on November 17, 1997, the issuance of a Cease and Desist Order against Putnam-Greene Financial Corporation, Eatonton, Georgia, a bank holding company. This action was coordinated with the Federal Deposit Insurance Corporation and the Georgia Commissioner of Banking and Finance, who jointly issued Cease and Desist Orders against Putnam-Greene's three subsidiary banks.

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SYMBOLS AND ABBREVIATIONS

c	Corrected	G-10	Group of Ten
e	Estimated	GNMA	Government National Mortgage Association
n.a.	Not available	GDP	Gross domestic product
p	Preliminary	HUD	Department of Housing and Urban Development
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IMF	International Monetary Fund
*	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)	IO	Interest only
0	Calculated to be zero	IPCs	Individuals, partnerships, and corporations
. . .	Cell not applicable	IRA	Individual retirement account
ATS	Automatic transfer service	MMDA	Money market deposit account
BIF	Bank insurance fund	MSA	Metropolitan statistical area
CD	Certificate of deposit	NOW	Negotiable order of withdrawal
CMO	Collateralized mortgage obligation	OCB	Other checkable deposit
FFB	Federal Financing Bank	OPEC	Organization of Petroleum Exporting Countries
FHA	Federal Housing Administration	OTS	Office of Thrift Supervision
FHLBB	Federal Home Loan Bank Board	PO	Principal only
FHLMC	Federal Home Loan Mortgage Corporation	REIT	Real estate investment trust
FmHA	Farmers Home Administration	REMIC	Real estate mortgage investment conduit
FNMA	Federal National Mortgage Association	RP	Repurchase agreement
FSLIC	Federal Savings and Loan Insurance Corporation	RTC	Resolution Trust Corporation
G-7	Group of Seven	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.

A4 Domestic Financial Statistics □ January 1998

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

Percent annual rate of change, seasonally adjusted¹

Monetary or credit aggregate	1996	1997			1997 ^f				
	Q4	Q1	Q2	Q3	June	July	Aug.	Sept.	Oct.
<i>Reserves of depository institutions²</i>									
1 Total	-17.2	-8.3	-14.3	-1.8	1.5	-5.7	13.5	-18.9	-5.5
2 Required	-18.5	-8.4	-15.0	-2.4 ^f	5	-3.8	12.6	-20.5	-8.4
3 Nonborrowed	-16.2	-7.2	-16.0	-3.4	-1.6	-6.8	8.8	-15.0	-1.2
4 Monetary base	5.1	5.6	3.3	6.0	4.7	7.3	5.8	7.5	6.8
<i>Concepts of money, liquid assets, and debt⁴</i>									
5 M1	-7.3	-7	-5.5	2 ^f	3	-1.1	8.5	-9.9	-3.7
6 M2	4.2	5.4 ^f	3.8 ^f	5.1 ^f	4.2	3.4	10.8	5.9	4.9
7 M3	7.5	7.7 ^f	6.7 ^f	8.4 ^f	4.7	10.3	12.1	9.2	8.4
8 L	6.2	6.1 ^f	7.8 ^f	7.7	4.3	6.8	13.5	9.2	n.a.
9 Debt	4.7	4.3	4.5 ^f	3.7	2.0	4.2	4.5	4.6	n.a.
<i>Nontransaction components</i>									
10 In M2	9.0	7.8 ^f	7.4 ^f	6.9 ^f	5.6	5.0	11.7	11.8	8.1
11 In M3 only	19.6	15.9	16.7	19.6 ^f	6.2	33.3	16.1	19.8	19.5
<i>Time and savings deposits</i>									
<i>Commercial banks</i>									
12 Savings, including MMDAs	17.0	14.0	10.7	8.6	5.7	6.7	14.4	19.2	16.1
13 Small time	4.7	2.7	5.5 ^f	9.0	11.2	12.9	3.5	6.4	5.2
14 Large time	22.9	12.8	23.2	28.1 ^f	23.1	44.6	14.7	33.8	15.8
<i>Thrift institutions</i>									
15 Savings, including MMDAs	8	2.7	5.8	-1 ^f	0	-2.9	6	-1.0	1.6
16 Small time	3.0	-1	-2.6 ^f	-4.9 ^f	-3.4	-12.0	-7	-5.5	-1.0
17 Large time	9.1	12.8	5.6	11.6	14.6	20.1	5.7	5.6	-4.2
<i>Money market mutual funds</i>									
18 Retail	10.5	11.9 ^f	11.4 ^f	14.1 ^f	9.0	9.9	31.5	23.9	7.3
19 Institution-only	19.8	15.5	12.5	21.3	28.1	19.6	18.9	35.4	22.7
<i>Repurchase agreements and Eurodollars</i>									
20 Repurchase agreements ¹⁰	3.0	10.7	4.3	13.0	-34.0	55.5	17.3	-15.9	64.6
21 Eurodollars ¹⁰	48.2	40.2	33.4	1.7 ^f	-42.2	9	19.6	-2.7	-31.2
<i>Debt components⁴</i>									
22 Federal	3.4	1.8	.4	-6	-4.2	.9	1.6	1.1	n.a.
23 Nonfederal	5.2	5.1	6.0 ^f	5.2	4.1	5.3	5.4	5.7	n.a.

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

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

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

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

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

M2: M1 plus (1) savings (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than \$100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than \$50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of \$100,000 or more), (2) balances in institutional money funds (money funds with minimum initial investments of \$50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes

amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and 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) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances, each seasonally adjusted separately.

6. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees, each seasonally adjusted separately.

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.

10. Includes both overnight and term.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT¹

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1997			1997						
	Aug.	Sept.	Oct.	Sept. 17	Sept. 24	Oct. 1	Oct. 8	Oct. 15	Oct. 22	Oct. 29
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	449,742	452,943	453,689	451,553	453,055	453,242	451,326	453,992	455,317	453,527
U.S. government securities ²										
2 Bought outright—System account ³	409,254	410,759	413,890	410,918	411,338	411,645	413,220	413,270	415,085	414,841
3 Held under repurchase agreements	6,571	8,724	5,321	7,608	8,509	7,645	4,106	6,152	5,986	3,683
Federal agency obligations										
4 Bought outright	1,035	938	789	925	925	917	865	833	754	716
5 Held under repurchase agreements	1,333	1,102	1,157	560	725	848	1,140	1,256	976	1,313
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	205	71	33	84	17	6	90	8	34	10
8 Seasonal credit	387	372	225	374	379	340	276	232	208	190
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	398	486	454	698	458	258	279	618	466	571
11 Other Federal Reserve assets	30,559	30,490	31,821	30,387	30,705	31,583	31,350	31,623	31,808	32,202
12 Gold stock	11,051	11,050	11,050	11,051	11,050	11,050	11,050	11,050	11,050	11,051
13 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,394 ^f	25,445 ^f	25,506	25,442 ^f	25,456 ^f	25,470	25,484	25,498	25,512	25,526
ABSORBING RESERVE FUNDS										
15 Currency in circulation	456,702 ^f	458,540 ^f	460,741	458,606 ^f	457,524 ^f	457,212	459,145	461,751	461,486	460,573
16 Treasury cash holdings	296	260	244	260	262	255	256	242	240	239
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	4,855	6,303	5,386	6,807	6,949	6,687	5,402	5,110	5,527	5,868
18 Foreign	201	173	189	167	165	192	207	176	199	166
19 Service-related balances and adjustments	7,073	7,023 ^f	6,942	6,999	7,073	7,005	6,954	7,006	6,879	6,912
20 Other	357	360	377	362	365	378	376	382	375	383
21 Other Federal Reserve liabilities and capital	15,437	16,072	16,016	15,904	16,183	16,128	16,042	15,842	16,101	16,051
22 Reserve balances with Federal Reserve Banks ⁴	10,465	9,908 ^f	9,551	8,140	10,241	11,104	8,678	9,231	10,272	9,113
End-of-month figures				Wednesday figures						
	Aug.	Sept.	Oct.	Sept. 17	Sept. 24	Oct. 1	Oct. 8	Oct. 15	Oct. 22	Oct. 29
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	453,808	458,404	455,999	452,741	457,421	453,068	456,280	457,014	463,621	453,831
U.S. government securities ²										
2 Bought outright—System account ³	409,409	411,822	410,767	411,268	411,030	413,046	413,414	414,233	415,465	414,096
3 Held under repurchase agreements	10,547	12,696	9,862	8,925	12,519	5,945	7,554	7,040	12,514	4,475
Federal agency obligations										
4 Bought outright	1,030	925	711	925	925	865	865	761	746	711
5 Held under repurchase agreements	2,622	1,222	1,704	916	1,056	546	1,722	905	1,622	1,844
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	55	3	24	29	11	6	34	17	14	8
8 Seasonal credit	412	310	151	384	372	297	249	221	203	177
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	-91	-263 ^f	-114	-299	409	543	675	1,537	706	-257
11 Other Federal Reserve assets	29,823	31,689	32,894	30,593	31,099	31,819	31,767	32,301	32,351	32,778
12 Gold stock	11,050	11,050	11,050	11,050	11,050	11,050	11,050	11,050	11,050	11,051
13 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,414 ^f	25,470 ^f	25,540	25,442 ^f	25,456 ^f	25,470	25,484	25,498	25,512	25,526
ABSORBING RESERVE FUNDS										
15 Currency in circulation	459,479 ^f	458,270 ^f	461,551	458,689 ^f	457,999 ^f	458,827	461,051	462,806	461,559	462,108
16 Treasury cash holdings	278	255	237	263	255	258	242	240	239	237
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	4,700	7,692	4,616	10,987	7,328	3,703	4,858	5,174	5,585	5,091
18 Foreign	169	188	190	159	162	217	164	164	205	192
19 Service-related balances and adjustments	7,054	7,005 ^f	6,966	6,999	7,073	7,005	6,954	7,006	6,879	6,912
20 Other	327	386	337	373	366	400	374	381	365	437
21 Other Federal Reserve liabilities and capital	16,144	16,536	16,328	15,643	15,962	15,918	15,655	15,599	15,922	15,771
22 Reserve balances with Federal Reserve Banks ⁴	11,323	13,791 ^f	11,565	5,321	13,982	12,459	12,716	11,393	18,629	8,862

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. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.
 4. Excludes required clearing balances and adjustments to compensate for float.

A6 Domestic Financial Statistics □ January 1998

1.12 RESERVES AND BORROWINGS Depository Institutions¹

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages										
	1994	1995	1996	1997							
	Dec.	Dec.	Dec.	Apr.	May	June	July	Aug.	Sept.	Oct.	
1 Reserve balances with Reserve Banks ²	24,658	20,440	13,395	12,308	10,916	10,291	9,851	10,489	9,742	9,990	
2 Total vault cash ³	40,378	42,094	44,426	41,381	41,111	42,398	43,129	42,363	43,052	41,730	
3 Applied vault cash ⁴	36,682	37,460	37,848	35,571	35,081	36,319	36,529	36,156	36,314 ^f	35,631	
4 Surplus vault cash ⁵	3,696	4,634	6,578	5,810	6,030	6,079	6,600	6,208	6,738 ^f	6,100	
5 Total reserves ⁶	61,340	57,900	51,243	47,879	45,997	46,610	46,380	46,645	46,056	45,621	
6 Required reserves	60,172	56,622	49,819	46,869	44,757	45,330	45,179	45,392	44,761 ^f	44,222	
7 Excess reserve balances at Reserve Banks ⁷	1,168	1,278	1,424	1,010	1,240	1,280	1,201	1,253	1,295 ^f	1,399	
8 Total borrowings at Reserve Banks ⁸	209	257	155	261	243	367	409	598	438	270	
9 Seasonal borrowings	100	40	68	88	173	243	330	385	368	227	
10 Extended credit ⁹	0	0	0	0	0	0	0	0	0	0	

Reserve classification	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1997									
	July 2	July 16	July 30	Aug. 13	Aug. 27	Sept. 10	Sept. 24	Oct. 8 ^f	Oct. 22	Nov. 5
1 Reserve balances with Reserve Banks ²	10,639	10,560	9,003	10,226	10,754	10,417	9,201	9,883	9,756	10,452
2 Total vault cash ³	41,664	42,756	43,703	43,250	41,480	42,573	43,588	42,603	41,098	41,940
3 Applied vault cash ⁴	36,009	36,565	36,559	36,650	35,596	36,507	36,170	36,329	35,177	35,717
4 Surplus vault cash ⁵	5,655	6,191	7,144	6,600	5,884	6,066	7,418	6,275	5,921	6,223
5 Total reserves ⁶	46,648	47,125	45,562	46,876	46,350	46,924	45,371	46,211	44,932	46,169
6 Required reserves	45,398	45,739	44,561	45,562	45,153	45,679	44,101	44,772	43,731	44,498
7 Excess reserve balances at Reserve Banks ⁷	1,250	1,386	1,001	1,314	1,197	1,245	1,269	1,439	1,201	1,670
8 Total borrowings at Reserve Banks ⁸	547	314	484	426	785	503	427	356	241	238
9 Seasonal borrowings	300	299	363	371	396	392	377	308	220	167
10 Extended credit ⁹	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Data are not break-adjusted or seasonally adjusted.

2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.

3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.

4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.

5. Total vault cash (line 2) less applied vault cash (line 3).

6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).

7. Total reserves (line 5) less required reserves (line 6).

8. Also includes adjustment credit.

9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

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 12/12/97	Effective date	Previous rate	On 12/12/97	Effective date	Previous rate	On 12/12/97	Effective date	Previous rate
Boston	5.00	2/1/96	5.25	5.65	12/4/97	5.60	6.15	12/4/97	6.10
New York		1/31/96							
Philadelphia		1/31/96							
Cleveland		1/31/96							
Richmond		2/1/96							
Atlanta		1/31/96							
Chicago	5.00	2/1/96	5.25	5.65	12/4/97	5.60	6.15	12/4/97	6.10
St. Louis		2/5/96							
Minneapolis		1/31/96							
Kansas City		2/1/96							
Dallas		1/31/96							
San Francisco		1/31/96							

Range of rates for adjustment credit in recent years⁴

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6	1981—Nov. 2	13–14	13	1988—Aug. 9	6–6.5	6.5
1978—Jan. 9	6–6.5	6.5	Dec. 6	13	13	11	6.5	6.5
20	6.5	6.5	Dec. 4	12	12	1989—Feb. 24	6.5–7	7
May 11	6.5–7	7	1982—July 20	11.5–12	11.5	27	7	7
12	7	7	23	11.5	11.5	1990—Dec. 19	6.5	6.5
July 3	7–7.25	7.25	Aug. 2	11–11.5	11	1991—Feb. 1	6–6.5	6
10	7.25	7.25	3	11	11	4	6	6
Aug. 21	7.75	7.75	16	10.5	10.5	Apr. 30	5.5–6	5.5
Sept. 22	8	8	27	10–10.5	10	May 2	5.5	5.5
Oct. 16	8–8.5	8.5	30	10	10	Sept. 13	5–5.5	5
20	8.5	8.5	Oct. 12	9.5–10	9.5	17	5	5
Nov. 1	8.5–9.5	9.5	13	9.5	9.5	Nov. 6	4.5–5	4.5
3	9.5	9.5	Nov. 22	9–9.5	9	7	4.5	4.5
1979—July 20	10	10	26	9	9	Dec. 20	3.5–4.5	3.5
Aug. 17	10–10.5	10.5	Dec. 14	8.5–9	8.5	24	3.5	3.5
20	10.5	10.5	15	8.5–9	8.5	1992—July 2	3–3.5	3
Sept. 19	10.5–11	11	17	8.5	8.5	7	3	3
21	11	11	1984—Apr. 9	8.5–9	9	1994—May 17	3–3.5	3.5
Oct. 8	11–12	12	13	9	9	18	3.5	3.5
10	12	12	Nov. 21	8.5–9	8.5	Aug. 16	3.5–4	4
1980—Feb. 15	12–13	13	26	8.5	8.5	18	4	4
19	13	13	Dec. 24	8	8	Nov. 15	4–4.75	4.75
May 29	12–13	13	1985—May 20	7.5–8	7.5	17	4.75	4.75
30	12	12	24	7.5	7.5	1995—Feb. 1	4.75–5.25	5.25
June 13	11–12	11	1986—Mar. 7	7–7.5	7	9	5.25	5.25
16	11	11	10	7	7	1996—Jan. 31	5.00–5.25	5.00
July 28	10–11	10	Apr. 21	6.5–7	6.5	Feb. 5	5.00	5.00
29	10	10	23	6.5	6.5	In effect Dec. 12, 1997	5.00	5.00
Sept. 26	11	11	July 11	6	6			
Nov. 17	12	12	Aug. 21	5.5–6	5.5			
Dec. 5	12–13	13	22	5.5	5.5			
8	13	13	1987—Sept. 4	5.5–6	6			
1981—May 5	13–14	14	11	6	6			
8	14	14						

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 intrayear 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 INSTITUTIONS¹

Type of deposit	Requirement	
	Percentage of deposits	Effective date
<i>Net transaction accounts</i> ²		
1 \$0 million–\$47.8 million ³	3	1/1/98
2 More than \$47.8 million ⁴	10	1/1/98
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 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. Transaction accounts include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, or telephone or preauthorized transfers for the purpose of making payments to third persons or others. However, accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month (of which no more than three may be by check, draft, debit card, or similar order payable directly to third parties) are savings deposits, not transaction accounts.

3. 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 with the reserve maintenance period beginning January 1, 1998, for depository institutions that report weekly, and with the period beginning January 15, 1998, for institutions that report quarterly, the amount was decreased from \$49.3 million to \$47.8 million.

Under the Garn–St Germain Depository Institutions Act of 1982, the Board adjusts the amount of reservable liabilities subject to a 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 made in the event of a decrease. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement. Effective with the reserve maintenance period beginning January 1, 1998, for depository institutions that report weekly, and with the period beginning January 15, 1998, for institutions that report quarterly, the exemption was raised from \$4.4 million to \$4.7 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. 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.

The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as 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 TRANSACTIONS¹

Millions of dollars

Type of transaction and maturity	1994	1995	1996	1997						
				Mar.	Apr.	May	June	July	Aug.	Sept.
U.S. TREASURY SECURITIES²										
<i>Outright transactions (excluding matched transactions)</i>										
Treasury bills										
1 Gross purchases	17,484	10,932	9,901	0	4,006	0	596	0	0	0
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	380,327	405,296	426,928	31,720	33,160	47,456	33,022	41,643	35,666	20,593
4 For new bills	380,327	405,296	426,928	31,720	33,160	47,456	33,022	41,643	35,666	20,593
5 Redemptions	0	900	0	0	0	0	0	0	0	0
Others within one year										
6 Gross purchases	733	390	524	0	0	383	494	0	0	644
7 Gross sales	0	0	0	0	0	0	0	0	0	0
8 Maturity shifts	0	43,574	30,512	3,143	2,006	5,666	1,476	4,359	7,487	1,596
9 Exchanges	-31,949	-35,407	-41,394	-1,534	-2,100	-4,229	-2,250	-1,087	-2,780	-2,382
10 Redemptions	2,337	1,776	2,015	0	376	0	0	598	0	0
One to five years										
11 Gross purchases	9,916	5,366	3,898	2,861	1,924	1,102	2,797	0	0	2,697
12 Gross sales	0	0	0	0	0	0	0	0	0	0
13 Maturity shifts	-6,004	-34,646	-25,022	-3,143	-2,006	-4,685	-1,476	-4,359	-5,247	-1,596
14 Exchanges	26,458	26,387	31,459	1,534	1,700	2,479	2,250	1,087	1,170	2,382
Five to ten years										
15 Gross purchases	3,575	1,432	1,116	0	0	734	499	0	0	0
16 Gross sales	0	0	0	0	0	0	0	0	0	0
17 Maturity shifts	-3,145	-3,093	-5,469	0	0	-981	0	0	-2,240	0
18 Exchanges	4,717	7,220	6,666	0	400	1,750	0	0	880	0
More than ten years										
19 Gross purchases	3,606	2,529	1,655	1,117	0	988	906	0	0	0
20 Gross sales	0	0	0	0	0	0	0	0	0	0
21 Maturity shifts	-918	-2,253	-20	0	0	0	0	0	0	0
22 Exchanges	775	1,800	3,270	0	0	0	0	0	730	0
All maturities										
23 Gross purchases	35,314	20,649	17,094	3,978	5,930	3,206	5,292	0	0	3,341
24 Gross sales	0	0	0	0	0	0	0	0	0	0
25 Redemptions	2,337	2,676	2,015	0	376	0	0	598	0	0
<i>Matched transactions</i>										
26 Gross purchases	1,700,836	2,197,736	3,092,399	288,373	303,056	287,229	293,506	307,101	317,008 ^f	311,153
27 Gross sales	1,701,309	2,202,030	3,094,769	288,073	301,177	287,826	293,008	309,578	315,439 ^f	312,083
<i>Repurchase agreements</i>										
28 Gross purchases	309,276	331,694	457,568	60,425	102,578	46,552	60,286	44,503	54,561	77,109
29 Gross sales	311,898	328,497	450,359	60,718	62,685	89,477	47,070	53,217	27,204	49,923
30 Net change in U.S. Treasury securities	29,882	16,875	19,919	3,984	47,326	-40,316	19,006	-11,789	28,926 ^f	29,597
FEDERAL AGENCY OBLIGATIONS										
<i>Outright transactions</i>										
31 Gross purchases	0	0	0	0	0	0	0	0	0	0
32 Gross sales	0	0	0	0	0	0	0	0	0	0
33 Redemptions	942	1,003	409	17	24	0	474	287	179	105
<i>Repurchase agreements</i>										
34 Gross purchases	52,696	36,851	75,354	14,300	10,178	7,954	8,401	10,437	13,131	9,796
35 Gross sales	52,696	36,776	74,842	14,830	10,285	7,096	9,131	10,811	11,252	11,196
36 Net change in federal agency obligations	-942	-928	103	-547	-131	858	-1,204	-661	1,700	-1,505
37 Total net change in System Open Market Account	28,940	15,948	20,021	3,437	47,195	-39,458	17,802	-12,450	30,626^f	28,092

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

2. Transactions exclude changes in compensation for the effects of inflation on the principal of inflation-indexed securities.

A10 Domestic Financial Statistics □ January 1998

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements¹

Millions of dollars

Account	Wednesday					End of month		
	1997					1997		
	Oct. 1	Oct. 8	Oct. 15	Oct. 22	Oct. 29	Aug. 31	Sept. 30	Oct. 31
Consolidated condition statement								
ASSETS								
1 Gold certificate account.....	11,050	11,050	11,050	11,050	11,051	11,050	11,050	11,050
2 Special drawing rights certificate account.....	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
3 Coin.....	526	527	524	519	517	485	526	532
<i>Loans</i>								
4 To depository institutions.....	304	283	238	217	185	468	313	175
5 Other.....	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements.....	0	0	0	0	0	0	0	0
<i>Federal agency obligations</i>								
7 Bought outright.....	865	865	761	746	711	1,030	925	711
8 Held under repurchase agreements.....	546	1,722	905	1,622	1,844	2,622	1,222	1,704
9 Total U.S. Treasury securities.....	418,991	420,968	421,273	427,979	418,571	419,956	424,518	420,629
10 Bought outright ²	413,046	413,414	414,233	415,465	414,096	409,409	411,822	410,767
11 Bills.....	194,917	195,284	195,100	196,331	194,962	194,623	193,693	191,632
12 Notes.....	163,138	163,139	163,074	163,075	163,076	159,795	163,138	163,076
13 Bonds.....	54,991	54,991	56,059	56,059	56,059	54,991	54,991	56,059
14 Held under repurchase agreements.....	5,945	7,554	7,040	12,514	4,475	10,547	12,696	9,862
15 Total loans and securities.....	420,706	423,839	423,177	430,563	421,310	424,076	426,978	423,219
16 Items in process of collection.....	7,376	7,406	12,299	7,106	6,001	4,252	8,652	4,529
17 Bank premises.....	1,268	1,268	1,271	1,274	1,273	1,265	1,268	1,273
<i>Other assets</i>								
18 Denominated in foreign currencies ³	17,593	17,601	17,608	17,615	17,623	17,320	17,592	17,945
19 All other ⁴	12,963	12,834	13,414	13,427	13,855	11,302	12,822	13,728
20 Total assets.....	480,681	483,724	488,543	490,753	480,831	478,950	488,088	481,475
LIABILITIES								
21 Federal Reserve notes.....	434,141	436,336	438,072	436,804	437,336	434,827	433,581	436,780
22 Total deposits.....	23,707	25,120	24,823	31,712	22,105	23,693	30,057	23,852
23 Depository institutions.....	19,388	19,724	19,103	25,556	16,386	18,497	21,791	18,709
24 U.S. Treasury—General account.....	3,703	4,858	5,174	5,585	5,091	4,700	7,692	4,616
25 Foreign—Official accounts.....	217	164	164	205	192	169	188	190
26 Other.....	400	374	381	365	437	327	386	337
27 Deferred credit items.....	6,915	6,614	10,050	6,315	5,618	4,286	7,914	4,515
28 Other liabilities and accrued dividends ⁵	4,841	4,762	4,682	4,972	4,825	5,005	4,947	4,936
29 Total liabilities.....	469,604	472,831	477,626	479,803	469,884	467,811	476,499	470,083
CAPITAL ACCOUNTS								
30 Capital paid in.....	5,230	5,245	5,252	5,259	5,272	5,150	5,227	5,279
31 Surplus.....	4,389	4,389	4,389	4,389	4,389	4,496	4,496	4,389
32 Other capital accounts.....	1,459	1,260	1,277	1,303	1,286	1,493	1,866	1,724
33 Total liabilities and capital accounts.....	480,681	483,724	488,543	490,753	480,831	478,950	488,088	481,475
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts.....	637,946	633,543	635,857	628,649	621,101	642,699	637,992	624,722
Federal Reserve note statement								
35 Federal Reserve notes outstanding (issued to Banks).....	549,898	551,036	551,608	550,993	549,297	546,295	549,745	548,595
36 LESS: Held by Federal Reserve Banks.....	115,757	114,701	113,536	114,189	111,961	111,467	116,164	111,815
37 Federal Reserve notes, net.....	434,141	436,336	438,072	436,804	437,336	434,827	433,581	436,780
<i>Collateral held against notes, net</i>								
38 Gold certificate account.....	11,050	11,050	11,050	11,050	11,051	11,050	11,050	11,050
39 Special drawing rights certificate account.....	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
40 Other eligible assets.....	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities.....	413,891	416,086	417,822	416,554	417,086	414,577	413,331	416,530
42 Total collateral.....	434,141	436,336	438,072	436,804	437,336	434,827	433,581	436,780

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 includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities. 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		
	1997					1997		
	Oct. 1	Oct. 8	Oct. 15	Oct. 22	Oct. 29	Aug. 31	Sept. 30	Oct. 31
1 Total loans	304	283	238	217	185	468	313	176
2 Within fifteen days ¹	81	67	43	177	168	294	174	96
3 Sixteen days to ninety days.....	223	216	195	40	16	174	139	79
4 Total U.S. Treasury securities ²	418,991	420,968	421,273	427,979	418,571	419,956	420,473	420,629
5 Within fifteen days ¹	18,676	20,169	20,717	19,979	16,595	12,146	16,403	15,483
6 Sixteen days to ninety days.....	84,712	86,577	91,089	93,640	87,956	91,288	88,467	90,393
7 Ninety-one days to one year.....	141,248	139,867	134,293	139,186	138,846	143,510	141,248	140,643
8 One year to five years.....	91,956	91,956	91,356	91,357	91,357	90,614	91,956	90,291
9 Five years to ten years.....	37,658	37,658	38,429	38,429	38,429	37,657	37,658	38,429
10 More than ten years.....	44,741	44,741	45,389	45,389	45,389	44,741	44,741	45,389
11 Total federal agency obligations	1,411	2,587	1,666	2,368	2,555	3,757	1,929	2,415
12 Within fifteen days ¹	551	1,842	955	1,683	1,870	2,727	1,004	1,730
13 Sixteen days to ninety days.....	76	61	26	n.a.	n.a.	106	76	n.a.
14 Ninety-one days to one year.....	202	202	202	202	202	154	202	202
15 One year to five years.....	303	203	203	203	203	351	303	203
16 Five years to ten years.....	255	255	255	255	255	290	255	255
17 More than ten years.....	25	25	25	25	25	25	25	25

1. Holdings under repurchase agreements are classified as maturing within fifteen days in accordance with maximum maturity of the agreements.

2. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.

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1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE¹

Billions of dollars, averages of daily figures

Item	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	1997							
					Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
Seasonally adjusted												
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS ²												
1 Total reserves ³	60.55	59.40	56.39	50.06	48.31	47.43	47.05	47.11	46.89	47.41	46.67	46.45
2 Nonborrowed reserves ⁴	60.46	59.20	56.13	49.91	48.16	47.17	46.81	46.74	46.48	46.82	46.23	46.18
3 Nonborrowed reserves plus extended credit ⁵	60.46	59.20	56.13	49.91	48.16	47.17	46.81	46.74	46.48	46.82	46.23	46.18
4 Required reserves	59.48	58.24	55.11	48.64	47.15	46.42	45.81	45.83	45.68	46.16	45.37 ^f	45.06
5 Monetary base ⁶	386.88	418.48	434.52	452.67	457.62	458.24	459.60	461.40	464.21	466.46	469.36 ^f	472.04
Not seasonally adjusted												
6 Total reserves ⁷	62.37	61.13	58.02	51.52	47.69	48.09	46.26	46.93	46.76	47.09	46.55	46.16
7 Nonborrowed reserves	62.29	60.92	57.76	51.37	47.53	47.83	46.02	46.56	46.35	46.49	46.11	45.89
8 Nonborrowed reserves plus extended credit ⁸	62.29	60.92	57.76	51.37	47.53	47.83	46.02	46.56	46.35	46.49	46.11	45.89
9 Required reserves ⁹	61.31	59.96	56.74	50.10	46.53	47.08	45.02	45.65	45.56	45.83	45.25	44.76
10 Monetary base ⁹	390.59	422.51	439.03	456.72	455.26	458.17	458.29	461.81	465.55	467.24 ^f	468.63 ^f	470.68
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS ¹⁰												
11 Total reserves ¹¹	62.86	61.34	57.90	51.24	47.54	47.88	46.00	46.61	46.38	46.65	46.06	45.62
12 Nonborrowed reserves	62.78	61.13	57.64	51.09	47.39	47.62	45.75	46.24	45.97	46.05	45.62	45.35
13 Nonborrowed reserves plus extended credit ⁸	62.78	61.13	57.64	51.09	47.39	47.62	45.75	46.24	45.97	46.05	45.62	45.35
14 Required reserves	61.80	60.17	56.62	49.82	46.38	46.87	44.76	45.33	45.18	45.39	44.76 ^f	44.22
15 Monetary base ¹²	397.62	427.25	444.45	463.49	462.22	465.06	465.22	468.78	472.58	474.01	475.32 ^f	477.27
16 Excess reserves ¹³	1.06	1.17	1.28	1.42	1.16	1.01	1.24	1.28	1.20	1.25	1.30	1.40
17 Borrowings from the Federal Reserve	.08	.21	.26	.16	.16	.26	.24	.37	.41	.60	.44	.27

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 effect 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 effect 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 MEASURES¹

Billions of dollars, averages of daily figures

Item	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	1997 ²			
					July	Aug.	Sept.	Oct.
Seasonally adjusted								
<i>Measures²</i>								
1 M1	1,129.8	1,150.7	1,129.0	1,081.1	1,062.1	1,069.6	1,060.8	1,057.5
2 M2	3,486.6	3,502.1	3,655.0	3,819.3	3,905.3	3,940.5	3,960.0	3,976.2
3 M3	4,254.4	4,327.3	4,592.5	4,918.0	5,117.4	5,168.9	5,208.7	5,243.2
4 L	5,167.8	5,308.4	5,697.6	6,069.3	6,307.4	6,378.2	6,427.2	n.a.
5 Debt	12,457.3	13,072.1	13,768.1	14,485.7	14,832.1	14,887.3	14,943.8	n.a.
<i>M1 components</i>								
6 Currency ³	322.2	354.4	372.6	395.2	410.2	412.1	415.4	418.1
7 Travelers checks ⁴	7.9	8.5	8.9	8.6	8.2	8.3	8.1	8.1
8 Demand deposits ⁵	385.2	384.1	391.1	402.6	396.4	402.0	390.6	386.4
9 Other checkable deposits ⁶	414.5	403.8	356.5	274.8	247.2	247.2	246.7	244.8
<i>Nontransaction components</i>								
10 In M2 ⁷	2,356.8	2,351.4	2,526.0	2,738.2	2,843.2	2,871.0	2,899.3	2,918.8
11 In M3 only ⁸	767.8	825.3	937.5	1,098.7	1,212.1	1,228.4	1,248.7	1,269.0
<i>Commercial banks</i>								
12 Savings deposits, including MMDAs	785.2	752.4	776.0	903.9	955.2	966.7	982.2	995.4
13 Small time deposits ⁹	468.3	503.2	576.0	592.0	613.2	615.0	618.3	621.0
14 Large time deposits ^{10, 11}	271.9	298.4	344.7	412.3	466.3	472.0	485.3	491.7
<i>Thrift institutions</i>								
15 Savings deposits, including MMDAs	434.0	397.2	361.1	367.1	374.6	374.8	374.5	375.0
16 Small time deposits ⁹	314.3	314.3	357.7	353.7	347.7	347.5	345.9	345.6
17 Large time deposits ¹⁰	61.5	64.7	75.1	79.2	84.8	85.2	85.6	85.3
<i>Money market mutual funds</i>								
18 Retail	354.9	384.3	455.2	521.5	552.5	567.0	578.3	581.8
19 Institution-only	209.5	198.5	246.9	299.3	324.1	329.2	338.9	345.3
<i>Repurchase agreements and Eurodollars</i>								
20 Repurchase agreements ¹²	158.6	182.9	182.1	194.1	208.0	211.0	208.2	219.4
21 Eurodollars ¹²	66.4	80.8	88.7	113.9	128.9	131.0	130.7	127.3
<i>Debt components</i>								
22 Federal debt	3,322.9	3,491.9	3,638.5	3,780.0	3,779.4	3,784.5	3,788.0	n.a.
23 Nonfederal debt	9,134.4	9,580.2	10,129.6	10,705.7	11,052.7	11,102.8	11,155.9	n.a.
Not seasonally adjusted								
<i>Measures²</i>								
24 M1	1,153.7	1,174.4	1,152.8	1,103.1	1,063.7	1,067.5	1,057.7	1,054.6
25 M2	3,506.6	3,522.5	3,675.3	3,837.7	3,910.3	3,944.0	3,952.4	3,965.7
26 M3	4,274.8	4,347.4	4,612.0	4,935.0	5,115.3	5,170.9	5,195.9	5,242.0
27 L	5,197.7	5,338.8	5,729.5	6,098.1	6,297.5	6,378.3	6,408.6	n.a.
28 Debt	12,459.4	13,073.9	13,768.5	14,485.1	14,782.8	14,843.9	14,912.3	n.a.
<i>M1 components</i>								
29 Currency ³	324.8	357.5	376.2	397.9	411.3	413.4	414.2	417.3
30 Travelers checks ⁴	7.6	8.1	8.5	8.3	8.7	8.8	8.4	8.2
31 Demand deposits ⁵	401.8	400.3	407.3	418.9	398.2	400.6	389.6	386.5
32 Other checkable deposits ⁶	419.4	408.6	360.8	278.0	245.5	244.8	245.5	242.6
<i>Nontransaction components</i>								
33 In M2 ⁷	2,352.9	2,348.1	2,522.6	2,734.6	2,846.6	2,876.5	2,894.7	2,911.1
34 In M3 only ⁸	768.2	824.9	936.6	1,097.3	1,205.0	1,226.9	1,243.5	1,276.3
<i>Commercial banks</i>								
35 Savings deposits, including MMDAs	784.3	751.7	775.3	902.9	958.6	970.0	983.2	994.8
36 Small time deposits ⁹	466.8	501.5	573.8	589.8	613.8	615.0	617.5	620.2
37 Large time deposits ^{10, 11}	272.0	298.9	345.7	413.7	463.7	470.7	484.5	497.5
<i>Thrift institutions</i>								
38 Savings deposits, including MMDAs	433.4	396.8	360.8	366.7	375.9	376.1	374.9	374.8
39 Small time deposits ⁹	313.3	313.2	356.3	352.4	348.1	347.5	345.5	345.2
40 Large time deposits ¹⁰	61.5	64.8	75.4	79.5	84.4	84.9	85.4	86.3
<i>Money market mutual funds</i>								
41 Retail	355.0	385.0	456.3	522.9	550.2	568.0	573.7	576.1
42 Institution-only	210.6	199.8	248.2	300.5	321.0	328.3	333.1	341.2
<i>Repurchase agreements and Eurodollars</i>								
43 Repurchase agreements ¹²	156.6	179.6	178.0	188.8	208.7	213.0	210.7	222.8
44 Eurodollars ¹²	67.6	81.8	89.4	114.7	127.2	129.9	129.8	128.5
<i>Debt components</i>								
45 Federal debt	3,329.5	3,499.0	3,645.9	3,787.9	3,759.9	3,774.4	3,780.4	n.a.
46 Nonfederal debt	9,129.9	9,574.9	10,122.6	10,697.1	11,023.0	11,069.6	11,131.9	n.a.

Footnotes appear on following page.

NOTES TO TABLE I.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) savings deposits (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than \$100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than \$50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of \$100,000 or more) issued by all depository institutions, (2) balances in institutional money funds (money funds with minimum initial investments of \$50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and 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) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances.

8. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees.

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.

12. Includes both overnight and term.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities¹

A. All commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996		1997 ²						1997			
	Oct.	Apr.	May	June	July	Aug.	Sept.	Oct.	Oct. 8	Oct. 15	Oct. 22	Oct. 29
Seasonally adjusted												
<i>Assets</i>												
1 Bank credit	3,716.5	3,898.0	3,902.1	3,920.7	3,949.1	3,959.1	3,981.3	4,017.3	4,006.1	4,004.4	4,022.5	4,031.5
2 Securities in bank credit	968.9 ³	1,033.4	1,014.3	1,010.0	1,028.3	1,021.8	1,028.2	1,044.3	1,040.5	1,028.7	1,046.9	1,055.2
3 U.S. government securities	702.2 ⁴	723.7	723.4	726.3	726.1	713.9	722.2	730.7	733.3	719.5	729.5	737.6
4 Other securities	266.7 ⁵	309.7	290.9	283.7	302.2	307.9	306.0	313.6	307.2	309.2	317.4	317.6
5 Loans and leases in bank credit ²	2,747.6	2,864.6	2,887.8	2,910.7	2,920.8	2,937.4	2,953.1	2,973.0	2,965.6	2,975.7	2,975.6	2,976.3
6 Commercial and industrial	770.5	803.5	807.8	812.6	816.5	824.5	836.3	843.8	844.9	847.5	843.2	840.8
7 Real estate	1,115.6	1,167.8	1,178.9	1,188.6	1,193.6	1,199.3	1,206.2	1,210.3	1,210.5	1,208.8	1,209.4	1,211.0
8 Revolving home equity	83.5	89.7	90.9	92.5	93.5	94.3	95.5	96.6	96.0	96.4	96.8	96.9
9 Other	1,032.2 ⁶	1,078.1	1,087.9	1,096.1	1,100.2	1,105.0	1,110.7	1,113.8	1,114.5	1,112.4	1,112.5	1,114.1
10 Consumer	519.2	515.1	516.5	517.8	517.1	517.5	513.4	507.5	507.5	507.8	507.8	507.0
11 Security ³	75.8	89.4	88.3	92.6	93.6	93.5	94.8	104.7	99.1	105.2	107.4	108.4
12 Other loans and leases	266.5	288.8	296.3	299.1	299.9	302.6	302.3	306.7	303.7	306.5	307.8	309.2
13 Interbank loans	204.5	215.5	217.7	190.3	184.4	191.2	199.1	199.6	201.0	200.9	197.1	199.5
14 Cash assets ⁴	226.1	246.4	243.7	247.8	244.5	261.4	256.7	267.3	254.6	272.8	279.8	258.5
15 Other assets ⁵	253.0	278.5	280.7	286.9	283.0	285.4	286.0	295.3	291.0	297.7	296.5	293.1
16 Total assets⁶	4,343.3⁷	4,581.9	4,587.7	4,589.0	4,604.1	4,640.2	4,666.4	4,722.8	4,696.3	4,719.0	4,739.1	4,725.9
<i>Liabilities</i>												
17 Deposits	2,803.0	2,948.5	2,934.3	2,967.0	2,988.5	3,011.5	3,026.1	3,039.3	3,021.1	3,059.0	3,032.8	3,032.2
18 Transaction	719.0	701.6	689.4	693.1	688.1	694.3	679.2	678.8	656.4	696.6	679.6	679.5
19 Nontransaction	2,084.1	2,246.9	2,244.9	2,273.9	2,300.4	2,317.2	2,346.9	2,360.5	2,364.7	2,362.4	2,353.2	2,352.7
20 Large time	490.6	567.2	561.4	577.6	596.4	602.4	618.1	616.9	620.4	613.3	611.9	619.5
21 Other	1,593.5	1,679.7	1,683.5	1,696.2	1,703.9	1,714.8	1,728.9	1,743.6	1,744.3	1,749.1	1,741.3	1,733.2
22 Borrowings	688.5	761.3	760.7	727.7	726.6	740.1	761.1	802.0	787.2	791.6	817.1	811.5
23 From banks in the U.S.	288.3	310.8	299.0	266.2	262.1	273.9	281.4	291.2	289.1	296.1	297.7	280.4
24 From others	400.2	450.5	461.7	461.5	464.5	466.2	479.7	510.8	498.0	495.6	519.3	531.1
25 Net due to related foreign offices	244.1	211.6	234.1	229.5	215.0	206.7	205.6	186.7	198.2	183.0	189.4	176.2
26 Other liabilities	241.8	271.4	265.1	266.9	279.5	285.5	275.1	292.2	285.3	287.7	290.2	305.6
27 Total liabilities	3,977.3	4,192.8	4,194.1	4,191.1	4,209.6	4,243.8	4,267.9	4,320.2	4,291.7	4,321.3	4,329.5	4,325.4
28 Residual (assets less liabilities) ⁷	365.9 ⁸	389.1	393.5	397.9	394.6	396.4	398.5	402.6	404.6	397.7	409.7	400.5
Not seasonally adjusted												
<i>Assets</i>												
29 Bank credit	3,718.3	3,897.5	3,906.7	3,924.5	3,944.9	3,960.3	3,982.7	4,018.8	4,007.9	4,008.9	4,016.5	4,033.0
30 Securities in bank credit	968.9	1,035.9	1,023.3	1,016.5	1,025.6	1,027.0	1,028.4	1,044.2	1,040.8	1,029.8	1,043.6	1,056.0
31 U.S. government securities	702.7 ²	726.4	725.9	726.2	722.1	716.6	723.3	731.4	733.0	721.0	730.5	737.4
32 Other securities	266.2 ⁵	309.5	297.5	290.3	303.5	310.4	312.8	312.8	307.2	308.7	313.1	318.6
33 Loans and leases in bank credit ²	2,749.4	2,861.6	2,883.3	2,908.0	2,919.3	2,933.4	2,954.3	2,974.6	2,967.7	2,979.1	2,972.9	2,977.1
34 Commercial and industrial	766.9	810.8	814.6	816.1	817.8	820.2	830.5	839.7	840.9	842.5	838.5	837.0
35 Real estate	1,118.7	1,163.3	1,174.5	1,186.9	1,193.7	1,201.0	1,209.5	1,213.7	1,214.3	1,212.9	1,211.6	1,213.7
36 Revolving home equity	84.0	89.0	90.7	92.5	93.5	94.6	97.1	96.7	97.0	97.3	97.3	97.5
37 Other	1,034.7	1,074.3	1,083.7	1,094.4	1,100.2	1,106.3	1,113.3	1,116.5	1,117.6	1,115.9	1,114.3	1,116.2
38 Consumer	519.4	512.6	514.4	515.0	514.7	518.0	515.6	507.6	507.6	508.1	507.7	507.7
39 Security ³	75.7	89.9	88.7	92.2	92.1	91.6	93.9	104.5	98.1	105.7	106.7	108.2
40 Other loans and leases	268.7	285.0	291.1	297.8	300.9	302.6	304.8	309.2	307.5	310.3	307.9	310.4
41 Interbank loans	199.3	213.9	213.2	187.8	182.2	186.8	193.5	194.4	198.1	197.5	186.8	193.0
42 Cash assets ⁴	227.0	241.6	241.5	244.4	240.8	247.8	253.4	268.2	254.5	294.2	263.3	259.6
43 Other assets ⁵	250.4	276.2	283.0	287.1	285.1	288.7	288.7	292.1	290.2	296.0	286.4	291.2
44 Total assets⁶	4,338.4	4,572.7	4,587.8	4,587.0	4,596.3	4,626.6	4,661.4	4,717.0	4,694.1	4,740.0	4,696.4	4,720.4
<i>Liabilities</i>												
45 Deposits	2,807.9	2,945.9	2,925.6	2,962.2	2,979.9	3,001.5	3,026.2	3,047.0	3,040.9	3,086.6	3,014.0	3,031.4
46 Transaction	716.7	704.8	679.5	687.4	681.9	681.8	677.7	676.7	661.7	712.7	653.9	673.3
47 Nontransaction	2,091.2	2,241.1	2,246.1	2,274.8	2,298.0	2,319.7	2,348.5	2,370.3	2,379.2	2,373.9	2,360.2	2,358.2
48 Large time	495.6	562.8	566.2	577.4	592.1	601.6	613.3	624.5	624.0	619.0	622.5	630.7
49 Other	1,595.6	1,678.3	1,679.9	1,697.3	1,705.9	1,718.1	1,735.1	1,745.8	1,755.2	1,754.9	1,737.6	1,727.5
50 Borrowings	680.9	762.1	770.9	748.2	741.2	745.4	764.8	791.8	777.5	783.5	803.3	799.9
51 From banks in the U.S.	281.7	309.5	307.5	280.0	271.1	279.1	283.1	283.2	284.7	288.4	284.2	272.9
52 From others	399.2	452.6	463.4	468.2	470.2	466.3	481.7	508.6	492.9	495.1	519.1	527.1
53 Net due to related foreign offices	245.7	210.0	236.5	219.8	211.4	202.5	198.3	187.2	191.2	185.4	193.5	182.6
54 Other liabilities	240.9	271.7	268.7	269.2	277.8	284.5	275.7	290.9	283.6	284.6	285.8	307.3
55 Total liabilities	3,975.3	4,189.7	4,201.8	4,199.4	4,210.3	4,233.8	4,264.9	4,316.9	4,293.3	4,340.1	4,296.6	4,321.3
56 Residual (assets less liabilities) ⁷	363.1	383.0	386.0	387.6	386.0	392.8	396.5	400.1	400.8	399.9	399.8	399.1
MEMO												
57 Revaluation gains on off-balance-sheet items ⁸	62.5	90.1	81.4	76.1	84.3	86.1	78.1	76.6	75.7	73.7	77.3	82.3
58 Revaluation losses on off-balance-sheet items ⁸	58.4	87.8	85.2	79.9	87.7	89.3	81.2	79.2	79.2	80.6	85.1	

Footnotes appear on p. A21.

A16 Domestic Financial Statistics □ January 1998

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities¹—Continued

B. Domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996		1997						1997			
	Oct.	Apr.	May	June	July ^r	Aug. ^r	Sept. ^r	Oct.	Oct. 8	Oct. 15	Oct. 22	Oct. 29
	Seasonally adjusted											
<i>Assets</i>												
1 Bank credit	3,235.5	3,366.9 ^r	3,367.9 ^r	3,387.0	3,413.0	3,427.1	3,444.5	3,473.8	3,461.1	3,464.6	3,480.0	3,488.3
2 Securities in bank credit	819.9	856.5	841.3	836.6 ^r	847.9	843.5	844.9	862.3	855.0	851.5	868.6	873.0
3 U.S. government securities	619.5	636.4 ^r	634.8 ^r	636.1 ^r	634.7	627.2	632.9	643.3	640.7	634.1	645.7	650.8
4 Other securities	200.4	220.1	206.5 ^r	200.5	213.2	216.2	212.0	219.0	214.3	217.4	222.8	222.2
5 Loans and leases in bank credit ²	2,415.6	2,510.4 ^r	2,526.6 ^r	2,550.4 ^r	2,565.1	2,583.7	2,599.6	2,611.5	2,606.0	2,613.1	2,614.8	2,613.3
6 Commercial and industrial	564.5	587.6 ^r	589.8 ^r	594.8 ^r	598.9	605.4	614.7	620.6	619.0	622.5	620.8	620.7
7 Real estate	1,082.9 ^r	1,136.5 ^r	1,148.4 ^r	1,159.1 ^r	1,165.3	1,171.3	1,178.9	1,183.1	1,183.5	1,181.3	1,182.0	1,184.0
8 Revolving home equity	83.5	89.7	90.9	92.5	93.5	94.3	95.5	96.6	96.0	96.4	96.8	96.9
9 Other	999.4	1,046.8 ^r	1,057.4 ^r	1,066.6 ^r	1,071.8	1,076.9	1,083.3	1,086.6	1,087.4	1,084.9	1,085.2	1,087.0
10 Consumer	519.2	515.1 ^r	516.5	517.8 ^r	517.1	517.5	513.4	507.5	507.5	507.8	507.8	507.0
11 Security ³	42.9	46.5	45.6	47.8 ^r	50.0	51.0	51.4	57.6	55.4	58.6	56.3	61.3
12 Other loans and leases	206.1	224.6 ^r	226.4 ^r	231.0	233.8	238.5	241.1	242.7	240.7	242.9	244.5	242.5
13 Interbank loans	183.9	196.9	197.9	171.7	166.2	173.8	182.1	180.7	183.5	183.4	178.7	175.9
14 Cash assets ⁴	196.4	213.8	210.1	212.7	211.1	227.5	221.9	233.3	220.6	239.7	245.8	224.1
15 Other assets ⁵	219.5	239.5	242.1	246.1	240.5	242.8	244.1	254.1	251.0	255.9	255.3	251.8
16 Total assets⁶	3,778.8	3,960.8^r	3,961.8^r	3,961.1	3,974.2	4,014.6	4,036.2	4,085.3	4,060.0	4,087.1	4,103.3	4,083.6
<i>Liabilities</i>												
17 Deposits	2,605.6	2,691.8	2,685.0	2,712.9	2,722.0	2,744.6	2,755.5	2,772.8	2,753.6	2,794.3	2,769.4	2,763.5
18 Transaction	708.6	690.9	678.5	682.5	677.4	682.9	668.0	667.8	645.7	685.6	669.0	668.3
19 Nontransaction	1,897.0	2,000.9	2,006.5	2,030.4	2,044.6	2,061.8	2,087.6	2,105.0	2,107.9	2,108.7	2,100.4	2,095.2
20 Large time	305.8	323.8	325.5	336.7	343.3	349.6	361.2	364.0	366.1	362.1	361.5	364.4
21 Other	1,591.3	1,677.1	1,681.0	1,693.7	1,701.4	1,712.2	1,726.3	1,741.0	1,741.8	1,746.6	1,738.9	1,730.8
22 Borrowings	571.0	622.7	620.0	591.1	593.3	604.6	620.3	642.7	632.1	632.3	659.0	650.4
23 From banks in the U.S.	255.9	278.9	267.7	238.2 ^r	233.9	244.7	247.9	255.7	253.8	255.8	262.7	250.5
24 From others	315.0	343.7	352.3	352.9 ^r	359.4	359.9	372.4	387.0	378.4	376.5	396.3	399.9
25 Net due to related foreign offices	76.5	77.3	85.7	81.1	85.6	79.5	83.5	73.2	79.3	74.6	76.2	63.0
26 Other liabilities	167.5	179.7	176.4	177.8 ^r	184.1	189.1	180.2	198.2	192.6	195.2	196.5	209.1
27 Total liabilities	3,420.6	3,571.4	3,567.0	3,562.8^r	3,585.0	3,617.9	3,639.5	3,687.0	3,657.6	3,696.4	3,701.1	3,685.9
28 Residual (assets less liabilities) ⁷	358.2	389.4 ^r	394.8 ^r	398.3 ^r	389.2	396.8	396.7	398.3	402.4	390.7	402.3	397.7
	Not seasonally adjusted											
<i>Assets</i>												
29 Bank credit	3,238.5	3,366.2 ^r	3,369.9 ^r	3,390.4	3,408.4	3,424.4	3,448.0	3,476.7	3,465.4	3,470.8	3,476.4	3,490.0
30 Securities in bank credit	819.9	858.5	845.5	845.2 ^r	846.4	845.0	846.8	862.2	855.9	852.2	866.2	872.8
31 U.S. government securities	620.6	639.7 ^r	636.7 ^r	637.2 ^r	633.4	628.4	635.1	644.7	642.1	636.2	647.3	651.3
32 Other securities	199.3	218.8 ^r	208.7 ^r	205.2 ^r	213.0	216.7	211.7	217.5	213.9	216.0	218.9	221.4
33 Loans and leases in bank credit ²	2,418.6 ^r	2,507.8 ^r	2,524.5 ^r	2,548.0 ^r	2,562.0	2,579.3	2,601.2	2,614.4	2,609.5	2,618.6	2,610.2	2,617.3
34 Commercial and industrial	562.1	594.2 ^r	596.3 ^r	597.5 ^r	599.0	601.0	610.4	617.8	616.4	619.5	617.4	617.9
35 Real estate	1,085.8	1,132.4 ^r	1,144.2 ^r	1,157.5 ^r	1,165.4	1,172.9	1,182.1	1,186.3	1,187.2	1,185.3	1,184.2	1,186.4
36 Revolving home equity	84.0	89.0	90.7	92.5	93.5	94.6	96.2	97.1	97.0	97.0	97.3	97.5
37 Other	1,001.8	1,043.4 ^r	1,053.5 ^r	1,065.1 ^r	1,071.9	1,078.3	1,085.9	1,089.1	1,090.5	1,088.4	1,086.9	1,088.9
38 Consumer	519.4	512.6	514.4	515.0 ^r	514.7	518.0	515.6	507.6	506.8	508.1	507.7	507.7
39 Security ³	42.8	47.0	46.0	47.4 ^r	48.5	49.1	50.5	57.4	54.4	59.1	55.6	61.1
40 Other loans and leases	208.5	221.5	223.5 ^r	230.6	234.3	238.3	242.7	245.3	244.6	247.1	244.8	244.2
41 Interbank loans	178.7	195.3	193.4	169.2	163.9	169.4	176.5	180.5	180.0	180.0	168.5	169.5
42 Cash assets ⁴	197.0	209.9	207.8	208.6	207.2	214.0	219.5	233.9	220.2	260.7	229.0	224.6
43 Other assets ⁵	217.3	238.6	243.4	246.4	243.4	245.3	246.3	251.2	250.8	254.6	245.9	249.9
44 Total assets⁶	3,775.0	3,953.9^r	3,958.3^r	3,958.0	3,966.6	3,996.4	4,033.7	4,081.0	4,060.6	4,109.7	4,063.6	4,077.8
<i>Liabilities</i>												
45 Deposits	2,605.1	2,695.6	2,675.8	2,707.7	2,716.4	2,736.8	2,756.6	2,772.6	2,767.4	2,815.1	2,740.6	2,752.7
46 Transaction	706.2	694.6	669.1	676.9	671.1	670.6	666.0	665.7	650.9	701.6	643.5	661.9
47 Nontransaction	1,898.9	2,001.0	2,006.7	2,030.8	2,045.3	2,066.1	2,090.6	2,106.8	2,116.6	2,113.6	2,097.1	2,090.7
48 Large time	305.6	325.3	329.4	336.0	341.9	350.6	358.0	363.6	363.9	361.2	362.0	365.7
49 Other	1,593.3	1,675.8	1,677.3	1,694.8	1,703.4	1,715.5	1,732.6	1,743.2	1,752.7	1,752.4	1,735.1	1,725.0
50 Borrowings	566.7	621.0	630.5	606.5	599.0	604.7	623.0	637.2	626.9	628.0	648.3	647.0
51 From banks in the U.S.	251.9	277.4	276.7	250.2	241.2	249.3	250.4	251.0	253.0	250.7	254.1	245.4
52 From others	314.9	343.6	353.8	356.3 ^r	357.9	355.3	372.7	386.3	373.9	377.3	394.2	401.6
53 Net due to related foreign offices	78.2	78.8	92.3	79.6	83.2	77.1	79.3	74.8	75.4	74.8	81.8	69.4
54 Other liabilities	168.2	180.2	177.3	179.1 ^r	184.6	187.6	180.9	198.9	192.8	194.3	195.5	212.2
55 Total liabilities	3,418.2	3,575.6	3,576.0	3,573.0^r	3,583.2	3,606.2	3,639.8	3,683.5	3,662.5	3,712.2	3,666.2	3,681.3
56 Residual (assets less liabilities) ⁷	356.8	378.4 ^r	382.4	385.1 ^r	383.4	390.2	393.9	397.4	398.1	397.5	397.3	396.5
MEMO												
57 Revaluation gains on off-balance-sheet items ⁸	32.5	49.5	42.0	38.5	44.3	45.1	37.5	38.2	36.5	36.1	38.9	41.4
58 Revaluation losses on off-balance-sheet items ⁸	28.9	44.6	43.4	40.2	45.9	46.5	40.0	41.3	40.0	39.7	41.7	43.8
59 Mortgage-backed securities ⁹	237.0	248.6 ^r	248.7 ^r	249.8 ^r	251.3	253.1	255.4	260.7	260.9	255.6	261.0	263.3

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities¹—Continued

C. Large domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1997 ²							1997			
	Oct. ³	Apr.	May	June	July	Aug.	Sept.	Oct.	Oct. 8	Oct. 15	Oct. 22	Oct. 29
	Seasonally adjusted											
Assets												
1 Bank credit.....	1,886.2	1,963.9	1,955.2	1,969.1	2,005.3	2,008.0	2,019.2	2,044.9	2,035.6	2,036.2	2,051.3	2,057.2
2 Securities in bank credit.....	418.8	446.5	429.9	426.4	441.7	437.3	440.0	455.9	449.4	446.0	462.0	465.6
3 U.S. government securities.....	298.3	309.5	306.4	308.2	309.8	302.3	309.1	318.8	316.2	310.3	321.3	325.6
4 Trading account.....	21.3	20.3	19.4	22.9	23.7	20.6	23.3	25.5	24.6	22.6	26.8	27.8
5 Investment account.....	277.0	289.2	287.0	285.4	286.1	281.7	285.8	293.4	291.6	287.7	294.5	297.8
6 Other securities.....	120.5	137.0	123.5	118.2	131.9	134.9	130.8	137.1	133.1	135.7	140.7	140.0
7 Trading account.....	55.1	72.0	58.4	51.8	64.2	63.7	59.6	65.4	61.7	63.5	68.7	68.4
8 Investment account.....	65.4	65.0	65.1	66.4	67.7	71.3	71.2	71.8	71.4	72.2	72.0	71.6
9 State and local government.....	20.2	20.8	21.1	21.7	22.1	22.3	22.1	22.0	22.1	22.0	22.0	22.0
10 Other.....	45.2	44.2	44.0	44.6	45.5	49.0	49.2	49.8	49.4	50.2	50.0	49.7
11 Loans and leases in bank credit ²	1,467.4	1,517.5	1,525.4	1,542.7	1,563.7	1,570.7	1,579.3	1,588.9	1,586.2	1,590.2	1,589.3	1,591.6
12 Commercial and industrial.....	395.0	409.9	410.2	414.1	419.3	424.1	431.9	436.4	435.9	437.5	436.7	436.4
13 Bankers acceptances.....	1.8	1.6	1.6	1.6	1.6	1.5	1.5	1.3	1.3	1.4	1.4	1.4
14 Other.....	393.1	408.3	408.7	412.5	417.7	422.6	430.4	435.1	434.6	436.3	435.4	435.1
15 Real estate.....	593.0	608.0	614.5	620.8	627.4	627.6	629.1	629.5	631.2	628.2	628.2	629.4
16 Revolving home equity.....	57.8	60.7	61.6	63.0	64.5	65.1	66.0	66.6	66.3	66.5	66.8	66.9
17 Other.....	535.2	547.3	552.9	557.9	562.9	562.5	563.1	562.9	564.9	561.8	561.4	562.5
18 Consumer.....	296.2	298.0	299.4	300.4	303.7	301.5	299.3	296.1	295.8	296.9	296.8	295.5
19 Security ³	38.5	41.9	41.0	43.2	45.4	46.2	46.6	52.5	50.3	53.3	51.2	56.2
20 Federal funds sold to and repurchase agreements with broker-dealers.....	22.9	23.8	23.3	26.4	28.6	30.0	29.6	35.4	33.0	36.8	33.8	38.6
21 Other.....	15.6	18.1	17.6	16.8	16.9	16.3	16.9	17.1	17.3	16.5	17.4	17.6
22 State and local government.....	11.5	11.1	11.0	11.2	11.2	11.3	11.4	11.3	11.4	11.3	11.2	11.2
23 Agricultural.....	8.4	8.4	8.6	8.5	8.7	8.8	8.9	9.0	8.9	8.9	9.0	9.2
24 Federal funds sold to and repurchase agreements with others.....	6.3	7.4	5.8	6.4	7.4	6.3	6.6	8.9	8.9	8.3	10.7	8.3
25 All other loans.....	60.8	63.9	64.7	66.2	66.0	68.7	68.4	67.4	66.3	67.9	67.6	67.2
26 Lease-financing receivables.....	57.7	68.8	70.3	72.0	74.5	76.2	77.2	77.9	77.5	77.8	78.0	78.2
27 Interbank loans.....	140.1	148.4	149.2	121.3	115.6	121.6	128.0	124.6	128.9	123.9	124.2	120.1
28 Federal funds sold to and repurchase agreements with commercial banks.....	87.3	96.3	92.8	69.5	69.8	74.1	80.9	78.0	81.5	77.2	78.0	74.3
29 Other.....	52.7	52.2	56.3	51.8	45.8	47.4	47.2	46.6	47.4	46.7	46.3	45.7
30 Cash assets ⁴	136.3	145.2	142.9	143.0	143.0	156.3	150.7	163.4	154.1	166.2	174.3	157.5
31 Other assets ⁵	170.7	180.1	183.9	183.6	178.5	180.2	184.5	193.0	190.7	195.5	192.1	192.0
32 Total assets⁶.....	2,296.1	2,400.9	2,394.8	2,380.3	2,405.7	2,429.5	2,446.2	2,489.5	2,473.2	2,485.4	2,505.5	2,490.4
Liabilities												
33 Deposits.....	1,428.5	1,458.8	1,448.8	1,467.3	1,476.2	1,490.2	1,498.0	1,506.5	1,496.5	1,520.1	1,502.5	1,500.1
34 Transaction.....	405.1	384.6	374.1	377.8	375.0	379.3	367.8	368.7	354.9	381.2	368.6	368.2
35 Nontransaction.....	1,023.4	1,074.2	1,074.7	1,089.5	1,101.2	1,111.0	1,130.2	1,137.8	1,141.6	1,139.0	1,133.9	1,131.9
36 Large time.....	158.0	167.9	168.1	176.6	182.6	188.0	199.4	199.4	201.2	197.7	197.4	200.1
37 Other.....	865.4	906.3	906.6	913.0	918.7	922.9	932.1	938.4	940.5	941.3	936.5	931.8
38 Borrowings.....	417.9	463.9	463.2	434.6	437.2	446.1	463.9	488.3	479.7	478.2	502.2	495.5
39 From banks in the U.S.....	170.7	193.7	181.7	157.7	157.6	167.2	174.1	181.6	182.8	181.6	185.8	175.4
40 From others.....	247.2	270.2	281.5	276.9	279.6	278.9	289.8	306.6	296.9	296.6	316.4	320.1
41 Net due to related foreign offices.....	73.2	72.9	81.5	77.3	80.8	75.0	78.7	68.1	74.6	69.3	70.7	58.1
42 Other liabilities.....	143.0	154.1	150.0	150.7	158.0	162.1	152.4	170.6	164.7	167.8	169.3	181.5
43 Total liabilities.....	2,062.6	2,149.7	2,143.5	2,130.0	2,152.3	2,173.4	2,193.0	2,233.6	2,215.5	2,235.5	2,244.6	2,235.2
44 Residual (assets less liabilities) ⁷	233.5	251.3	251.3	250.3	253.4	256.0	253.2	255.9	257.8	249.9	260.9	255.2

Footnotes appear on p. A21.

A18 Domestic Financial Statistics □ January 1998

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities¹—Continued

C. Large domestically chartered commercial banks—Continued

Account	Monthly averages								Wednesday figures			
	1996	1997 ²							1997			
	Oct. ³	Apr.	May	June	July	Aug.	Sept.	Oct.	Oct. 8	Oct. 15	Oct. 22	Oct. 29
	Not seasonally adjusted											
<i>Assets</i>												
45 Bank credit	1,886.7	1,963.0	1,957.4	1,971.5	2,000.2	2,005.5	2,018.9	2,045.0	2,036.8	2,039.5	2,044.9	2,056.9
46 Securities in bank credit	419.9	445.0	432.2	430.5	440.9	440.6	441.4	456.9	451.2	447.4	460.5	466.6
47 U.S. government securities	300.5	309.5	306.8	307.5	309.3	305.0	310.8	321.2	318.5	313.2	323.7	327.5
48 Trading account	22.1	20.5	19.6	21.4	22.6	21.3	23.4	26.3	24.7	24.1	28.1	28.4
49 Investment account	278.3	289.0	287.1	286.1	286.7	283.8	287.4	294.9	293.8	289.0	295.5	299.1
50 Mortgage-backed securities	169.9	184.5	184.4	185.2	188.5	187.8	189.6	195.1	195.0	189.8	195.2	198.2
51 Other	108.4	104.5	102.7	100.8	98.1	95.9	97.7	99.7	98.8	99.2	100.3	100.9
52 One year or less	31.5	29.0	27.5	27.5	26.2	26.2	27.0	25.7	25.1	25.0	25.2	26.8
53 Between one and five years	60.7	57.5	56.7	54.5	51.2	48.8	48.7	51.5	51.0	51.4	51.7	52.4
54 More than five years	16.2	17.9	18.5	18.8	20.7	20.9	22.1	22.5	22.6	22.8	23.4	21.7
55 Other securities	119.4	135.4	125.4	123.0	131.7	135.6	130.7	135.6	132.7	134.3	136.8	139.1
56 Trading account	53.5	70.8	60.6	57.0	64.9	64.8	59.4	63.3	60.7	61.7	64.3	66.9
57 Investment account	65.9	64.6	64.8	66.0	66.8	70.8	71.2	72.3	72.0	72.6	72.5	72.2
58 State and local government	20.2	20.9	21.2	21.8	21.7	22.0	22.0	22.0	22.0	22.0	22.0	22.0
59 Other	45.7	43.7	43.7	44.2	45.0	48.8	49.2	50.3	50.0	50.7	50.6	50.2
60 Loans and leases in bank credit ²	1,466.8	1,518.0	1,525.2	1,541.1	1,559.3	1,564.9	1,577.5	1,588.2	1,585.6	1,592.1	1,584.4	1,590.3
61 Commercial and industrial	393.2	415.2	415.4	415.6	419.4	420.9	428.6	434.2	433.9	435.3	433.7	434.3
62 Bankers acceptances	1.9	1.5	1.5	1.6	1.5	1.5	1.5	1.4	1.3	1.4	1.4	1.4
63 Other	391.2	413.7	413.8	414.0	417.9	419.4	427.1	432.9	432.6	433.9	432.3	432.9
64 Real estate	593.7	606.6	611.9	619.4	627.1	628.0	630.1	630.3	632.8	629.9	628.0	629.3
65 Revolving home equity	58.1	60.3	61.5	63.0	64.5	65.3	66.4	67.0	66.7	66.9	67.1	67.2
66 Other	331.9	338.8	341.3	345.0	347.9	348.7	348.5	346.7	349.9	346.3	344.5	345.2
67 Commercial	203.6	207.5	209.1	211.4	214.7	215.2	216.6	216.3	216.3	216.7	216.3	216.9
68 Consumer	295.8	295.9	297.7	299.3	301.5	302.0	300.7	295.6	295.1	296.3	296.1	295.2
69 Securitized	38.4	42.4	41.6	42.9	44.1	44.4	45.7	52.4	49.2	53.9	50.8	56.2
70 Federal funds sold to and repurchase agreements with broker-dealers	22.9	24.8	24.1	25.9	27.9	28.5	29.3	35.4	32.9	37.4	33.5	38.3
71 Other	15.5	17.6	17.5	17.0	16.2	15.9	16.4	16.9	16.4	16.5	17.3	17.9
72 State and local government	11.6	11.1	11.0	11.2	11.3	11.4	11.5	11.3	11.4	11.4	11.3	11.2
73 Agricultural	8.5	8.3	8.5	8.6	9.0	9.1	9.1	9.1	9.1	9.1	9.0	9.2
74 Federal funds sold to and repurchase agreements with others	6.2	7.1	5.8	6.6	7.6	6.2	7.2	8.7	9.2	8.2	10.2	8.0
75 All other loans	61.8	62.7	63.1	65.6	65.4	67.5	68.0	68.5	67.1	70.1	67.4	68.6
76 Lease-financing receivables	57.7	68.7	70.1	71.8	74.0	75.3	76.5	78.0	77.8	77.9	78.0	78.2
77 Interbank loans	134.6	146.4	148.1	121.6	116.0	118.2	124.2	119.2	122.5	120.7	115.4	115.8
78 Federal funds sold to and repurchase agreements with commercial banks	82.1	96.3	93.7	70.9	69.2	71.0	77.7	72.8	75.3	73.2	69.4	71.0
79 Other	52.5	50.1	54.4	50.7	46.8	47.1	46.5	46.3	47.3	47.5	45.9	44.8
80 Cash assets ⁴	135.8	142.6	141.0	140.3	139.6	145.1	149.8	162.9	152.1	182.3	159.8	157.2
81 Other assets ⁵	168.7	180.2	185.7	185.9	181.5	182.7	186.3	190.4	189.0	193.0	186.8	190.5
82 Total assets⁶	2,288.7	2,395.7	2,395.7	2,382.6	2,400.6	2,414.7	2,442.7	2,481.3	2,464.2	2,499.3	2,470.7	2,484.3
<i>Liabilities</i>												
83 Deposits	1,425.7	1,460.4	1,442.2	1,464.0	1,474.0	1,485.0	1,496.9	1,503.9	1,500.2	1,533.5	1,480.6	1,492.5
84 Transaction	402.2	388.0	368.1	373.8	370.9	370.2	366.6	366.1	354.4	392.6	349.3	364.7
85 Nontransaction	1,023.4	1,072.4	1,074.1	1,090.2	1,103.0	1,114.7	1,130.3	1,137.9	1,145.9	1,140.9	1,131.3	1,127.7
86 Large time	157.4	168.4	171.1	176.4	182.0	189.3	195.2	198.6	199.1	196.4	197.2	200.6
87 Other	866.0	904.0	903.1	913.9	921.0	925.4	935.1	939.2	946.8	944.5	934.1	927.1
88 Borrowings	413.5	464.7	469.8	446.3	443.0	447.7	467.2	482.8	475.2	474.9	491.5	490.4
89 From banks in the U.S.	167.1	193.0	188.2	166.6	163.3	171.9	175.9	177.6	181.5	177.9	178.6	170.6
90 From nonbanks in the U.S.	246.3	271.7	281.6	279.7	279.7	275.8	291.2	305.3	293.7	297.0	312.9	319.7
91 Net due to related foreign offices	74.8	74.4	88.1	75.8	78.4	72.6	74.5	69.7	70.6	69.5	76.4	64.6
92 Other liabilities	143.7	154.3	151.3	152.6	158.3	160.5	153.5	171.3	165.1	167.0	168.0	184.6
93 Total liabilities	2,057.7	2,153.8	2,151.4	2,138.8	2,153.7	2,165.7	2,192.0	2,227.9	2,211.2	2,244.8	2,216.4	2,232.0
94 Residual (assets less liabilities) ⁷	231.0	241.9	244.4	243.8	247.0	249.0	250.7	253.4	253.0	254.5	254.3	252.3
MEMO												
95 Revaluation gains on off-balance-sheet items ⁸	32.5	49.5	42.0	38.5	44.3	45.1	37.5	38.2	36.5	36.1	38.9	41.4
96 Revaluation losses on off-balance-sheet items ⁸	28.9	44.6	43.4	40.2	45.9	46.5	40.0	41.3	40.0	39.7	41.7	43.8
97 Mortgage-backed securities ⁹	194.4	202.2	201.7	202.1	204.6	204.1	205.8	211.3	211.4	206.2	211.7	213.9
98 Pass-through securities	130.2	139.3	139.8	140.8	142.4	141.4	142.9	147.3	147.1	142.2	147.9	151.0
99 CMOs, REMICs, and other mortgage-backed securities	64.2	62.9	61.9	61.2	62.1	62.6	63.0	64.0	64.3	63.9	63.8	62.9
100 Net unrealized gains (losses) on available-for-sale securities ¹⁰	2.1	1.8	2.1	2.6	3.1	3.7	3.3	3.9	4.1	3.9	3.8	3.8
101 Offshore credit to U.S. residents ¹¹	30.6	33.3	33.6	33.4	33.7	34.0	34.1	34.2	34.2	34.3	33.8	34.4

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities¹—Continued

D. Small domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996		1997 ²						1997			
	Oct.	Apr.	May	June	July	Aug.	Sept.	Oct.	Oct. 8	Oct. 15	Oct. 22	Oct. 29
	Seasonally adjusted											
<i>Assets</i>												
1 Bank credit	1,349.3	1,402.9	1,412.7	1,417.9	1,407.7	1,419.1	1,425.3	1,428.9	1,425.5	1,428.4	1,428.7	1,431.1
2 Securities in bank credit	401.1	410.0	411.4	410.1	406.2	406.2	405.0	406.3	405.6	405.5	406.6	407.4
3 U.S. government securities	321.2	326.9	328.4	327.8	325.0	324.9	323.8	324.5	324.5	323.8	324.4	325.2
4 Other securities	79.9	83.1	83.0	82.3	81.3	81.3	81.2	81.9	81.1	81.8	82.2	82.2
5 Loans and leases in bank credit ³	948.2	992.9	1,001.3	1,007.8	1,001.5	1,012.9	1,020.3	1,022.6	1,019.8	1,022.9	1,022.1	1,023.7
6 Commercial and industrial	169.5	177.8	179.5	180.7	179.7	181.3	182.8	184.2	183.1	184.9	184.1	184.2
7 Real estate	489.9	528.5	533.8	538.3	537.9	543.7	549.8	553.6	552.3	553.1	553.8	554.6
8 Revolving home equity	25.7	29.0	29.3	29.5	29.0	29.2	29.5	30.0	29.8	29.9	30.0	30.1
9 Other	464.2	499.5	504.5	508.8	508.9	514.5	520.3	523.7	522.5	523.1	523.8	524.5
10 Consumer	223.0	217.1	217.2	217.4	213.4	216.0	214.1	211.4	211.7	210.9	211.0	211.5
11 Security ⁴	4.4	4.6	4.6	4.6	4.6	4.7	4.9	5.2	5.1	5.4	5.1	5.1
12 Other loans and leases	61.3	64.9	66.1	66.8	65.9	67.2	68.7	68.2	67.7	68.6	68.0	68.3
13 Interbank loans	43.8	48.5	48.7	50.5	50.6	52.3	54.0	56.1	54.6	59.5	54.5	55.8
14 Cash assets ⁴	60.1	68.7	67.1	69.7	68.1	71.2	71.3	69.8	66.5	73.6	71.6	66.6
15 Other assets ⁵	48.8	59.4	58.2	62.5	61.9	62.6	59.6	61.1	60.3	60.4	63.2	59.7
16 Total assets⁶	1,482.7	1,559.9	1,567.0	1,580.8	1,568.5	1,585.1	1,590.0	1,595.8	1,586.7	1,601.7	1,597.8	1,593.2
<i>Liabilities</i>												
17 Deposits	1,177.1	1,233.0	1,236.1	1,245.6	1,245.8	1,254.4	1,257.5	1,266.4	1,257.0	1,274.2	1,266.9	1,263.4
18 Transaction	303.5	306.4	304.4	304.7	302.4	303.6	300.1	299.2	290.8	304.5	300.4	300.1
19 Nontransaction	873.6	926.6	931.8	940.9	943.4	950.8	957.3	967.2	966.2	969.7	966.5	963.3
20 Large time	147.7	155.8	157.4	160.1	160.7	161.5	163.1	164.6	164.9	164.4	164.2	164.3
21 Other	725.9	770.8	774.3	780.7	782.7	789.3	794.2	802.6	801.3	805.3	802.4	799.0
22 Borrowings	153.0	158.7	156.5	156.5	156.1	158.5	156.4	154.4	154.4	154.1	156.8	154.9
23 From banks in the U.S.	85.2	85.2	86.0	80.5	76.3	77.5	73.8	74.0	71.0	74.2	77.0	75.1
24 From others	67.8	73.5	70.8	76.0	79.8	81.0	82.6	80.4	81.5	79.9	79.8	79.9
25 Net due to related foreign offices	3.4	4.4	4.2	3.8	4.8	4.5	4.8	5.1	4.7	5.3	5.5	4.9
26 Other liabilities	24.5	25.6	26.4	27.0	26.1	27.0	27.8	27.6	27.9	27.4	27.2	27.5
27 Total liabilities	1,358.0	1,421.8	1,423.5	1,432.9	1,432.7	1,444.4	1,446.5	1,453.4	1,442.1	1,461.0	1,456.4	1,450.7
28 Residual (assets less liabilities) ⁷	124.7	138.1	143.5	147.9	135.8	140.7	143.5	142.4	144.6	140.8	141.4	142.5
	Not seasonally adjusted											
<i>Assets</i>												
29 Bank credit	1,351.8	1,403.3	1,412.6	1,418.8	1,408.2	1,418.9	1,429.1	1,431.6	1,428.5	1,431.3	1,431.5	1,433.1
30 Securities in bank credit	400.0	413.5	413.2	411.9	405.5	404.4	405.4	405.4	404.7	404.7	405.7	406.2
31 U.S. government securities	320.1	330.1	329.9	329.7	324.2	323.3	324.4	323.5	323.6	323.1	323.6	323.8
32 Other securities	79.9	83.4	83.3	82.2	81.3	81.1	81.0	81.9	81.1	81.7	82.1	82.3
33 Loans and leases in bank credit ³	951.8	989.8	999.3	1,006.9	1,002.7	1,014.5	1,023.8	1,026.2	1,023.9	1,026.5	1,025.8	1,027.0
34 Commercial and industrial	168.9	179.0	181.0	181.9	179.7	180.2	181.8	183.6	184.2	184.2	183.7	183.6
35 Real estate	492.1	525.8	532.3	538.1	538.3	544.9	551.9	556.0	554.4	555.4	556.2	557.1
36 Revolving home equity	25.9	28.7	29.2	29.5	29.0	29.4	29.8	30.2	30.0	30.1	30.2	30.3
37 Other	466.2	497.1	503.1	508.6	509.3	515.5	522.1	525.8	524.3	525.3	526.0	526.8
38 Consumer	223.6	216.7	216.7	215.7	213.2	216.0	214.9	212.0	211.7	211.3	212.0	212.4
39 Security ⁴	4.4	4.6	4.4	4.5	4.5	4.7	4.8	5.1	5.2	5.3	4.9	4.9
40 Other loans and leases	62.7	63.7	64.9	66.8	67.1	68.8	70.4	69.6	70.1	70.4	68.9	68.9
41 Interbank loans	44.1	48.9	45.3	47.6	48.0	51.3	52.3	56.4	58.0	59.3	53.1	53.6
42 Cash assets ⁴	61.2	67.3	66.9	68.3	67.7	68.8	69.7	71.0	68.1	78.4	69.2	67.4
43 Other assets ⁵	48.6	58.4	57.6	60.5	61.9	62.6	60.0	60.8	61.7	61.5	59.1	59.5
44 Total assets⁶	1,486.4	1,558.2	1,562.6	1,575.4	1,565.9	1,581.6	1,591.0	1,599.7	1,596.4	1,610.4	1,592.8	1,593.5
<i>Liabilities</i>												
45 Deposits	1,179.4	1,235.2	1,233.6	1,243.6	1,242.4	1,251.8	1,259.7	1,268.6	1,267.2	1,281.6	1,260.0	1,260.2
46 Transaction	304.0	306.6	301.1	303.1	300.2	300.4	299.5	299.7	296.5	308.9	294.2	297.2
47 Nontransaction	875.4	928.6	932.6	940.6	942.2	951.4	960.2	969.0	970.7	972.7	965.9	963.0
48 Large time	148.2	156.9	158.3	159.6	159.9	161.3	162.8	165.0	164.8	164.8	164.8	165.1
49 Other	727.3	771.7	774.3	780.9	782.3	790.1	797.5	804.0	805.9	807.9	801.0	797.9
50 Borrowings	153.3	156.2	160.7	160.2	156.0	157.0	155.8	154.4	151.7	153.2	156.8	156.6
51 From banks in the U.S.	84.7	84.4	88.5	83.6	77.9	77.4	74.4	73.4	71.5	72.8	75.5	74.8
52 From others	68.5	71.9	72.2	76.6	78.2	79.5	81.4	81.0	80.1	80.3	81.3	81.9
53 Net due to related foreign offices	3.4	4.4	4.2	3.8	4.8	4.5	4.8	5.1	4.7	5.3	5.5	4.9
54 Other liabilities	24.5	25.9	26.1	26.5	26.2	27.2	27.5	27.6	27.7	27.3	27.5	27.6
55 Total liabilities	1,360.5	1,421.8	1,424.6	1,434.2	1,429.5	1,440.4	1,447.8	1,455.7	1,451.3	1,467.4	1,449.8	1,449.3
56 Residual (assets less liabilities) ⁷	125.9	136.4	138.0	141.2	136.4	141.2	143.2	144.0	145.1	143.0	143.0	144.2
MEMO												
57 Mortgage-backed securities ⁸	42.6	46.3	46.9	47.7	46.8	49.0	49.6	49.4	49.5	49.4	49.3	49.3

Footnotes appear on p. A21.

A20 Domestic Financial Statistics □ January 1998

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities¹—Continued

E. Foreign-related institutions

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1997							1997			
	Oct.	Apr.	May	June	July	Aug.	Sept. ¹	Oct.	Oct. 8	Oct. 15	Oct. 22	Oct. 29
Seasonally adjusted												
<i>Assets</i>												
1 Bank credit	480.9 ^f	531.2	534.2	533.7 ^f	536.0 ^f	532.0	536.8	543.6	545.1	539.8	542.5	543.2
2 Securities in bank credit	148.9 ^f	176.9	173.0 ^f	173.4 ^f	180.4	178.3	183.2	182.0	185.5	177.2	178.3	182.2
3 U.S. government securities	82.7 ^f	87.3 ^f	88.6 ^f	90.2 ^f	91.4 ^f	86.7 ^f	89.3	87.4	92.6	85.4	83.7	86.8
4 Other securities	66.3 ^f	89.6 ^f	84.4 ^f	83.2 ^f	89.0 ^f	91.7 ^f	94.0	94.6	93.0	91.8	94.6	95.4
5 Loans and leases in bank credit ²	332.0	354.3	361.1	360.3	355.7	353.7	353.5	361.5	359.6	362.7	364.2	361.0
6 Commercial and industrial	206.0	215.9 ^f	218.1 ^f	217.9 ^f	217.6 ^f	219.0 ^f	221.6	223.2	225.9	225.0	225.5	220.1
7 Real estate	32.7	31.3	30.5	29.5	28.4	28.0	27.4	27.2	27.0	27.5	27.4	27.0
8 Security ³	32.9	42.8	42.7	44.8	43.6	42.5	43.4	47.1	43.7	46.6	51.1	47.1
9 Other loans and leases	60.4	64.2 ^f	69.8 ^f	68.1 ^f	66.1 ^f	64.1 ^f	61.1	64.0	62.9	63.6	63.2	66.7
10 Interbank loans	20.6	18.6	19.8	18.6	18.3	17.4	17.0	18.9	17.5	17.5	18.3	23.6
11 Cash assets ⁴	29.7	32.5	33.6	35.1	33.4	33.9	34.7	34.0	34.0	33.0	34.0	34.4
12 Other assets ⁵	33.4	39.0	38.6	40.8	42.5	42.5	42.0	41.3	40.0	41.8	41.2	41.4
13 Total assets⁶	564.5^f	621.0^f	625.9	627.9^f	629.9^f	625.6	630.2	637.5	636.3	631.9	635.8	642.3
<i>Liabilities</i>												
14 Deposits	197.4	256.7	249.3	254.1	266.5	266.9	270.6	266.4	267.5	264.7	263.4	268.7
15 Transaction	10.4	10.6	10.9	10.6	10.8	11.5	11.2	10.9	10.7	11.0	10.6	11.2
16 Nontransaction	187.1	246.0	238.4	243.5	255.7	255.4 ^f	259.4	255.5	256.8	253.7	252.8	257.6
17 Large time	184.8	243.4	235.9	240.9	253.1 ^f	252.9	256.8	252.9	254.3	251.3	250.3	255.1
18 Other	2.2	2.6	2.5	2.5	2.6	2.6	2.6	2.6	2.5	2.5	2.4	2.4
19 Borrowings	117.5	138.6	140.7	136.6	133.3	135.5 ^f	140.8	159.3	155.1	159.3	158.1	161.0
20 From banks in the U.S.	32.3	31.8	31.3	28.1	28.2	29.1	33.5	35.5	35.4	40.2	35.0	29.9
21 From others	85.1	106.8	109.4	108.6	105.0 ^f	106.3	107.3	123.8	119.7	119.1	123.0	131.1
22 Net due to related foreign offices	167.5	134.4	148.4	148.4	129.4	127.2	122.1	113.4	118.9	108.4	113.3	113.2
23 Other liabilities	74.3	91.7	88.7	89.1	95.4	96.4	94.9	94.0	92.7	92.5	93.7	96.5
24 Total liabilities	556.7	621.3	627.1	628.3^f	624.6	626.0^f	628.4	633.2	634.1	624.9	628.4	639.5
25 Residual (assets less liabilities) ⁷	7.8	-0.3	-1.3 ^f	-0.4 ^f	5.4	-0.4	1.8	4.3	2.2	7.0	7.4	2.8
Not seasonally adjusted												
<i>Assets</i>												
26 Bank credit	479.8	531.2 ^f	536.7 ^f	534.1 ^f	536.5	536.0	534.7	542.1	542.5	538.1	540.0	543.0
27 Securities in bank credit	148.9 ^f	177.4	177.9	174.1 ^f	179.2 ^f	181.9	181.6	181.9	184.3	177.6	177.4	183.2
28 U.S. government securities	82.1 ^f	86.8 ^f	89.1 ^f	89.0 ^f	88.7 ^f	88.2 ^f	88.2	86.6	91.0	84.8	83.2	86.1
29 Trading account	18.7	18.5	18.6	18.3	17.8	18.7	17.5	13.4	18.5	13.4	12.4	15.2
30 Investment account	63.4	68.3	70.6	70.6	70.9	69.5 ^f	70.2	70.7	72.4	71.5	70.9	71.0
31 Other securities	66.8 ^f	90.6 ^f	88.7 ^f	85.1 ^f	90.6 ^f	93.7 ^f	93.4	95.3	93.3	92.8	94.1	97.1
32 Trading account	45.5	60.8	58.8	56.9	59.4	60.8	59.1	54.1	61.2	59.7	60.8	65.3
33 Investment account	21.3	29.9	29.9	28.2	31.2	33.0 ^f	32.8	32.8	32.1	33.1	33.3	31.8
34 Loans and leases in bank credit ²	330.8	353.9	358.9	360.0	357.2	354.1	353.1	360.2	358.2	360.5	362.7	359.8
35 Commercial and industrial	204.8	216.6 ^f	218.3 ^f	218.6 ^f	218.8 ^f	219.2 ^f	220.1	221.9	224.5	223.1	221.0	219.1
36 Real estate	32.9	30.9	30.2	29.3	28.3	28.0	27.5	27.4	27.1	27.6	27.5	27.3
37 Security ³	32.9	42.8	42.7	44.8	43.6	42.5	43.4	47.1	43.7	46.6	51.1	47.1
38 Other loans and leases	60.2	63.5 ^f	67.6 ^f	67.2 ^f	66.6 ^f	64.3 ^f	62.1	63.8	62.9	63.3	63.1	66.2
39 Interbank loans	20.6	18.6	19.8	18.6	18.3	17.4	17.0	18.9	17.5	17.5	18.3	23.6
40 Cash assets ⁴	30.0	31.7	33.6	35.9	33.6	33.8	33.9	34.4	34.3	33.5	34.2	35.0
41 Other assets ⁵	33.2	37.6	39.6	40.7	41.7	43.4	42.4	40.9	39.4	41.4	40.5	41.3
42 Total assets⁶	563.4	618.8	629.5	629.0	629.8	630.3	627.7	636.0	633.5	630.3	632.8	642.6
<i>Liabilities</i>												
43 Deposits	202.8	250.3	249.8	254.5	263.5	264.7 ^f	269.6	274.5	273.5	271.5	273.4	278.8
44 Transaction	10.4	10.2	10.4	10.5	10.8	11.2	11.7	11.0	10.8	11.1	10.4	11.3
45 Nontransaction	192.3	240.1	239.4	244.0	252.7 ^f	253.5 ^f	257.9	263.5	262.7	260.4	263.0	267.5
46 Large time	190.0	237.5	236.9	241.4	250.2	251.0	255.4	260.8	260.1	257.8	260.5	264.9
47 Other	2.3	2.6	2.6	2.5	2.5	2.5	2.5	2.6	2.5	2.5	2.5	2.5
48 Borrowings	114.2	141.1	140.5	141.6	142.2	140.7	141.8	154.6	150.7	155.4	155.0	152.9
49 From banks in the U.S.	29.9	32.1	30.8	29.8	29.9	29.7	32.7	32.3	31.7	37.7	30.1	27.5
50 From others	84.3	109.0	109.6	111.9	112.3	111.0	109.1	122.3	119.0	117.8	124.8	125.5
51 Net due to related foreign offices	167.5	131.2	144.2	140.2	128.2	125.4 ^f	119.0	112.4	115.9	110.7	111.7	113.2
52 Other liabilities	72.7	91.5	91.4	90.1	93.3	96.9	94.7	92.0	90.8	90.3	90.3	95.1
53 Total liabilities	557.1	614.2	625.9	626.4	627.2	627.7^f	625.1	633.4	630.8	627.9	630.3	640.0
54 Residual (assets less liabilities) ⁷	6.2 ^f	4.6 ^f	3.6 ^f	2.5 ^f	2.6 ^f	2.6	2.6	2.6	2.7	2.4	2.5	2.6
MEMO												
55 Revaluation gains on off-balance-sheet items ⁸	30.0	40.5	39.4	37.6	40.0	41.1	40.6	38.3	39.3	37.7	38.4	40.9
56 Revaluation losses on off-balance-sheet items ⁸	29.4	43.2	41.8	39.8	41.8	42.7	41.2	38.6	39.2	38.1	38.8	41.3

Footnotes appear on p. A21.

NOTES TO TABLE 1.26

NOTE. Tables 1.26, 1.27, and 1.28 have been revised to reflect changes in the Board's H.8 statistical release, "Assets and Liabilities of Commercial Banks in the United States." Table 1.27, "Assets and Liabilities of Large Weekly Reporting Commercial Banks," and table 1.28, "Large Weekly Reporting U.S. Branches and Agencies of Foreign Banks," are no longer being published in the *Bulletin*. Instead, abbreviated balance sheets for both large and small domestically chartered banks have been included in table 1.26, parts C and D. Data are both merger-adjusted and break-adjusted. In addition, data from large weekly reporting U.S. branches and agencies of foreign banks have been replaced by balance sheet estimates of all foreign-related institutions and are included in table 1.26, part E. These data are break-adjusted.

The not-seasonally-adjusted data for all tables now contain additional balance sheet items, which were available as of October 2, 1996.

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, 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.

The data for large and small domestic banks presented on pp. A17–19 are adjusted to remove the estimated effects of mergers between these two groups. The adjustment for mergers changes past levels to make them comparable with current levels. Estimated quantities of balance sheet items acquired in mergers are removed from past data for the bank

group that contained the acquired bank and put into past data for the group containing the acquiring bank. Balance sheet data for acquired banks are obtained from Call Reports, and a ratio procedure is used to adjust past levels.

2. Excludes federal funds sold to, reverse RPs with, and loans made to commercial banks in the United States, all of which are included in "Interbank loans."

3. Consists of reverse RPs with brokers and dealers and loans to purchase and carry securities.

4. Includes vault cash, cash items in process of collection, balances due from depository institutions, and balances due from Federal Reserve Banks.

5. Excludes the due-from position with related foreign offices, which is included in "Net due to related foreign offices."

6. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

7. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis. On a seasonally adjusted basis this item reflects any differences in the seasonal patterns estimated for total assets and total liabilities.

8. Fair value of derivative contracts (interest rate, foreign exchange rate, other commodity and equity contracts) in a gain/loss position, as determined under FASB Interpretation No. 39.

9. Includes mortgage-backed securities issued by U.S. government agencies, U.S. government-sponsored enterprises, and private entities.

10. Difference between fair value and historical cost for securities classified as available-for-sale under FASB Statement No. 115. Data are reported net of tax effects. Data shown are restated to include an estimate of these tax effects.

11. Mainly commercial and industrial loans but also includes an unknown amount of credit extended to other than nonfinancial businesses.

A22 Domestic Financial Statistics □ January 1997

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1997					
	1992 Dec.	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	Apr.	May	June	July	Aug.	Sept.
Commercial paper (seasonally adjusted unless noted otherwise)											
1 All issuers	545,619	555,075	595,382	674,904	775,371	838,366	855,178	864,758	889,494	885,601	908,640
Financial companies ¹											
2 Dealer-placed paper ² , total	226,456	218,947	223,038	275,815	361,147	404,727	413,776	414,475	440,262	437,340	475,792
3 Directly placed paper ³ , total	171,605	180,389	207,701	210,829	229,662	248,920	252,856	256,165	253,971	253,934	235,030
4 Nonfinancial companies ⁴	147,558	155,739	164,643	188,260	184,563	184,719	188,546	194,119	195,260	194,327	197,818
Bankers dollar acceptances (not seasonally adjusted) ⁵											
5 Total	38,194	32,348	29,835	29,242	25,754	↑	↑	↑	↑	↑	↑
By holder											
6 Accepting banks	10,555	12,421	11,783	↑	↑	↑	↑	↑	↑	↑	↑
7 Own bills	9,097	10,707	10,462	↑	↑	↑	↑	↑	↑	↑	↑
8 Bills bought from other banks	1,458	1,714	1,321	↑	↑	↑	↑	↑	↑	↑	↑
Federal Reserve Banks ⁶											
9 Foreign correspondents	1,276	725	410	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Others	26,364	19,202	17,642	↓	↓	↓	↓	↓	↓	↓	↓
By basis											
11 Imports into United States	12,209	10,217	10,062	↓	↓	↓	↓	↓	↓	↓	↓
12 Exports from United States	8,096	7,293	6,355	↓	↓	↓	↓	↓	↓	↓	↓
13 All other	17,890	14,838	13,417	↓	↓	↓	↓	↓	↓	↓	↓

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.

2. Includes all financial-company paper sold by dealers in the open market.

3. As reported by financial companies that place their paper directly with investors.

4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.

5. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January. Beginning January 1995, data for Bankers dollar acceptances are reported annually in September.

6. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans¹

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1994—Mar. 24	6.25	1994	7.15	1995—Jan.	8.50	1996—July	8.25
Apr. 19	6.75	1995	8.83	Feb.	9.00	Aug.	8.25
May 17	7.25	1996	8.27	Mar.	9.00	Sept.	8.25
Aug. 16	7.75	1994—Jan.	6.00	Apr.	9.00	Oct.	8.25
Nov. 15	8.50	Feb.	6.00	May	9.00	Nov.	8.25
1995—Feb. 1	9.00	Mar.	6.06	June	9.00	Dec.	8.25
July 7	8.75	Apr.	6.45	July	8.80		
Dec. 20	8.50	May	6.99	Aug.	8.75	1997—Jan.	8.25
1996—Feb. 1	8.25	June	7.25	Sept.	8.75	Feb.	8.25
1997—Mar. 26	8.50	July	7.25	Oct.	8.75	Mar.	8.30
		Aug.	7.51	Nov.	8.75	Apr.	8.50
		Sept.	7.75	Dec.	8.65	May	8.50
		Oct.	7.75			June	8.50
		Nov.	8.15	1996—Jan.	8.50	July	8.50
		Dec.	8.50	Feb.	8.25	Aug.	8.50
				Mar.	8.25	Sept.	8.50
				Apr.	8.25	Oct.	8.50
				May	8.25	Nov.	8.50
				June	8.25		

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	1994	1995	1996	1997				1997, week ending				
				July	Aug.	Sept.	Oct.	Oct. 3	Oct. 10	Oct. 17	Oct. 24	Oct. 31
MONEY MARKET INSTRUMENTS												
1 Federal funds ^{1,2,3}	4.21	5.83	5.30	5.52	5.54	5.54	5.50	5.58	5.46	5.45	5.54	5.50
2 Discount window borrowing ⁴	3.60	5.21	5.02	5.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
<i>Commercial paper</i> ^{3,4,5,6}												
Nonfinancial												
3 1-month	n.a.	n.a.	n.a.	n.a.	n.a.	5.49	5.49	5.49	5.47	5.48	5.49	5.51
4 2-month	n.a.	n.a.	n.a.	n.a.	n.a.	5.48	5.48	5.48	5.46	5.48	5.49	5.51
5 3-month	n.a.	n.a.	n.a.	n.a.	n.a.	5.48	5.51	5.48	5.48	5.51	5.54	5.53
Financial												
6 1-month	n.a.	n.a.	n.a.	n.a.	n.a.	5.51	5.50	5.52	5.49	5.50	5.49	5.52
7 2-month	n.a.	n.a.	n.a.	n.a.	n.a.	5.51	5.50	5.50	5.48	5.50	5.51	5.52
8 3-month	n.a.	n.a.	n.a.	n.a.	n.a.	5.51	5.55	5.51	5.51	5.54	5.59	5.58
<i>Commercial paper (historical)</i> ^{3,5,6,7}												
9 1-month	4.43	5.93	5.43	5.56	5.55	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 3-month	4.66	5.93	5.41	5.57	5.56	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
11 6-month	4.93	5.93	5.42	5.60	5.59	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Finance paper, directly placed (historical)</i> ^{3,5,7,8}												
12 1-month	4.33	5.81	5.31	5.49	5.49	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 3-month	4.53	5.78	5.29	5.50	5.49	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 6-month	4.56	5.68	5.21	5.50	5.50	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Bankers acceptances</i> ^{3,5,9}												
15 3-month	4.56	5.81	5.31	5.53	5.53	5.54	5.57	5.54	5.55	5.58	5.58	5.58
16 6-month	4.83	5.80	5.31	5.54	5.56	5.58	5.56	5.55	5.55	5.57	5.58	5.56
<i>Certificates of deposit, secondary market</i> ^{3,10}												
17 1-month	4.38	5.87	5.35	5.54	5.54	5.56	5.55	5.56	5.54	5.54	5.55	5.56
18 3-month	4.63	5.92	5.39	5.60	5.60	5.65	5.64	5.60	5.60	5.65	5.69	5.67
19 6-month	4.96	5.98	5.47	5.70	5.71	5.71	5.72	5.71	5.69	5.74	5.77	5.71
20 Eurodollar deposits, 3-month ^{3,11}	4.63	5.93	5.38	5.61	5.58	5.59	5.63	5.63	5.61	5.64	5.66	5.63
<i>U.S. Treasury bills</i>												
Secondary market ^{1,5}												
21 3-month	4.25	5.49	5.01	5.05	5.14	4.95	4.97	4.92	4.95	4.94	4.97	5.04
22 6-month	4.64	5.56	5.08	5.12	5.19	5.09	5.09	5.04	5.05	5.12	5.15	5.07
23 1-year	5.02	5.60	5.22	5.24	5.27	5.23	5.17	5.16	5.16	5.23	5.23	5.07
Auction average ^{3,5,12}												
24 3-month	4.29	5.51	5.02	5.07	5.13	4.97	4.95	4.93	4.93	4.98	4.96	4.97
25 6-month	4.66	5.59	5.09	5.12	5.17	5.11	5.09	5.08	5.01	5.12	5.15	5.08
26 1-year	5.02	5.69	5.23	5.26	5.28	5.30	5.20	n.a.	n.a.	5.20	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
<i>Constant maturities</i> ¹³												
27 1-year	5.32	5.94	5.52	5.54	5.56	5.52	5.46	5.45	5.45	5.52	5.53	5.35
28 2-year	5.94	6.15	5.84	5.89	5.94	5.88	5.77	5.76	5.76	5.85	5.86	5.65
29 3-year	6.27	6.25	5.99	6.00	6.06	5.98	5.84	5.84	5.82	5.91	5.93	5.73
30 5-year	6.69	6.38	6.18	6.12	6.16	6.11	5.93	5.94	5.93	6.01	6.02	5.78
31 7-year	6.91	6.50	6.34	6.20	6.29	6.20	6.05	6.06	6.06	6.13	6.13	5.93
32 10-year	7.09	6.57	6.44	6.22	6.30	6.21	6.03	6.06	6.04	6.11	6.09	5.90
33 20-year	7.49	6.95	6.83	6.56	6.65	6.56	6.38	6.40	6.39	6.46	6.44	6.27
34 30-year	7.37	6.88	6.71	6.51	6.58	6.50	6.33	6.35	6.34	6.40	6.38	6.22
<i>Composite</i>												
35 More than 10 years (long-term)	7.41	6.93	6.80	6.55	6.64	6.54	6.37	6.39	6.38	6.44	6.42	6.25
STATE AND LOCAL NOTES AND BONDS												
<i>Moody's series</i> ¹⁴												
36 Aaa	5.77	5.80	5.52	5.24	5.25	5.19	5.19	5.13	5.11	5.26	5.26	5.17
37 Baa	6.17	6.10	5.79	5.39	5.37	5.33	5.32	5.26	5.24	5.41	5.40	5.29
38 Bond Buyer series ¹⁵	6.18	5.95	5.76	5.35	5.41	5.39	5.38	5.34	5.38	5.42	5.42	5.35
CORPORATE BONDS												
39 Seasoned issues, all industries ¹⁶	8.26	7.83	7.66	7.42	7.48	7.40	7.26	7.28	7.27	7.31	7.29	7.19
<i>Rating group</i>												
40 Aaa	7.97	7.59	7.37	7.14	7.22	7.15	7.00	7.01	7.00	7.05	7.05	6.93
41 Aa	8.15	7.72	7.55	7.36	7.40	7.34	7.20	7.21	7.21	7.25	7.23	7.13
42 A	8.28	7.83	7.69	7.42	7.46	7.39	7.27	7.27	7.28	7.30	7.30	7.22
43 Baa	8.63	8.20	8.05	7.75	7.82	7.70	7.57	7.61	7.60	7.64	7.57	7.49
44 A-rated, recently offered utility bonds ¹⁷	8.29	7.86	7.77	7.62	7.67	7.58	7.44	7.37	7.53	7.54	7.41	7.27
MEMO												
<i>Dividend-price ratio</i> ¹⁸												
45 Common stocks	2.82	2.56	2.19	1.66	1.65	1.65	1.61	1.61	1.58	1.60	1.59	1.68

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. Series ended August 29, 1997.

8. An average of offering rates on paper directly placed by finance companies.

9. Representative closing yields for acceptances of the highest-rated money center banks.

10. An average of dealer offering rates on nationally traded certificates of deposit.

11. Bid rates for Eurodollar deposits at approximately 11:00 a.m. London time. Data are for indication purposes only.

12. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.

13. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.

14. General obligation bonds based on Thursday figures; Moody's Investors Service.

15. 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 Moody's A1 rating. Based on Thursday figures.

16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.

17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.

18. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1994	1995	1996	1997								
				Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
Prices and trading volume (averages of daily figures) ¹												
<i>Common stock prices (indexes)</i>												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	254.16	291.18	357.98	418.57	416.72	401.00	433.36	457.07	480.94	482.39	489.74	499.25
2 Industrial	315.32	367.40	453.57	524.30	523.08	506.69	549.65	578.57	610.42	609.54	617.94	625.22
3 Transportation	247.17	270.14	327.30	364.15	372.37	366.67	395.50	410.93	433.75	439.71	451.63	466.04
4 Utility	104.96	110.64	126.36	142.88	132.38	126.66	140.52	140.24	144.25	143.82	145.96	157.83
5 Finance	209.75	238.48	303.94	388.75	387.19	364.25	392.32	419.12	441.59	446.93	459.86	476.70
6 Standard & Poor's Corporation (1941-43 = 10) ²	460.42	541.72	670.49	798.39	792.16	763.93	833.09	876.29	925.29	927.74	937.02	951.16
7 American Stock Exchange (Aug. 31, 1973 = 50) ³	449.49	498.13	570.86	593.29	593.64	554.13	584.06	619.94	635.28	645.59	678.05	702.43
<i>Volume of trading (thousands of shares)</i>												
8 New York Stock Exchange	290,652	345,729	409,740	508,199	495,994 ⁴	473,094	479,907	516,241	543,006	506,205	541,204	606,513
9 American Stock Exchange	17,951	20,387	22,567	21,250	19,232	19,122	19,634	23,277	25,562	24,095	28,252	32,873
Customer financing (millions of dollars, end-of-period balances)												
10 Margin credit at broker-dealers ⁴	61,160	76,680	97,400	100,000	100,160	98,870	106,010	113,440	116,190	119,810	126,050	128,190
<i>Free credit balances at brokers⁵</i>												
11 Margin accounts ⁶	14,095	16,250	22,540	22,200	22,930	22,700	22,050	23,860	24,290	23,375	23,630	26,950
12 Cash accounts	28,870	34,340	40,430	40,090	41,050	37,560	39,400	41,840	43,985	42,960	43,770	47,465
Margin requirements (percent of market value and effective date) ⁷												
	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. Daily data on prices are available upon request to the Board of Governors. For ordering address, see inside front cover.

2. 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.

3. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.

4. 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.

5. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.

6. Series initiated in June 1984.

7. 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 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.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
	1994	1995	1996	1997					
				May	June	July	Aug.	Sept.	Oct.
<i>U.S. budget¹</i>									
1 Receipts, total	1,258,627	1,351,830	1,453,062	94,493	173,361	109,178	103,483	174,770	114,898
2 On-budget	923,601	1,000,751	1,085,570	63,146	135,922	79,599	70,902	138,847	87,083
3 Off-budget	335,026	351,079	367,492	31,347	37,439	29,579	32,581	35,923	27,815
4 Outlays, total	1,461,731	1,515,729	1,560,330	142,988	118,726	134,802	138,672	125,210	150,486
5 On-budget	1,181,469	1,227,065	1,259,872	112,625	105,267	107,049	109,810	91,404	123,863
6 Off-budget	279,372	288,664	300,458	30,362	13,459	27,753	28,862	33,805	26,623
7 Surplus or deficit (-), total	-203,104	-163,899	-107,268	-48,494	54,635	-25,624	-35,189	49,560	-35,588
8 On-budget	-258,758	-226,314	-174,302	-49,479	30,655	-27,450	-38,908	47,443	-36,780
9 Off-budget	55,654	62,415	67,034	985	23,980	1,826	3,719	2,118	1,192
<i>Source of financing (total)</i>									
10 Borrowing from the public	185,344	171,288	129,712	-19,054	-11,147	-1,408	30,348	-18,318	6,315
11 Operating cash (decrease, or increase (-))	16,564	-2,007	-6,276	72,532	-34,387	23,748	15,435	-31,545	23,360
12 Other	1,196	-5,382	-16,168	-4,984	-9,101	3,284	-10,594	303	5,913
<i>MEMO</i>									
13 Treasury operating balance (level, end of period)	35,942	37,949	44,225	16,872	51,259	27,511	12,076	43,621	20,261
14 Federal Reserve Banks	6,848	8,620	7,700	5,174	16,368	5,014	4,700	7,692	4,616
15 Tax and loan accounts	29,094	29,329	36,525	11,698	34,891	22,496	7,376	35,930	15,645

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.

SOURCE: Monthly totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government*.

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1.39 U.S. BUDGET RECEIPTS AND OUTLAYS¹

Millions of dollars

Source or type	Fiscal year		Calendar year						
	1995	1996	1995	1996		1997	1997		
			H2	H1	H2	H1	Aug.	Sept.	Oct.
RECEIPTS									
1 All sources	1,351,830	1,453,062	656,865	767,099	707,551	845,552	103,483	174,770	114,898
2 Individual income taxes, net	590,244	656,417	292,393	347,285	323,884	400,435	45,669	78,199	60,680
3 Withheld	499,927	533,080	256,916	264,177	279,988	292,252	43,156	44,442	55,270
4 Nonwithheld	175,855	212,168	45,521	162,782	53,491	191,050	4,244	36,230	6,299
5 Refunds	85,538	88,897	10,058	79,735	9,604	82,926	1,732	2,474	889
Corporation income taxes									
6 Gross receipts	174,422	189,055	88,302	96,480	95,364	106,451	3,854	39,133	6,357
7 Refunds	17,418	17,231	7,518	9,704	10,053	9,635	1,575	1,795	3,103
8 Social insurance taxes and contributions, net	484,473	509,414	224,269	277,767	240,326	288,251	46,201	47,601	38,784
9 Employment taxes and contributions ²	451,045	476,361	211,323	257,446	227,777	268,357	41,861	47,013	36,928
10 Unemployment insurance	28,787	28,584	10,702	18,068	10,302	17,709	4,002	247	1,443
11 Other net receipts ³	4,550	4,469	2,247	2,254	2,245	2,184	338	342	414
12 Excise taxes	57,484	54,014	30,014	25,682	27,016	28,084	4,593	5,719	5,082
13 Customs deposits	19,301	18,670	9,849	8,731	9,294	8,619	1,749	1,590	1,802
14 Estate and gift taxes	14,763	17,189	7,718	8,775	8,835	10,477	1,655	1,849	2,198
15 Miscellaneous receipts ⁴	28,561	25,534	11,839	12,087	12,888	12,866	1,338	2,474	3,097
OUTLAYS									
16 All types	1,515,729	1,560,330	752,856	785,368	800,184	797,443	138,672	125,210^f	150,486
17 National defense	272,066	265,748	132,887	132,599	138,702	131,525	24,259	21,076	26,374
18 International affairs	16,434	13,496	6,908	8,076	8,596	5,779	494	1,270 ^f	724
19 General science, space, and technology	16,724	16,709	7,970	8,897	8,260	8,939	1,643	1,543	1,586
20 Energy	4,936	2,836	1,992	1,356	704	801	48	598	-163
21 Natural resources and environment	22,078	21,614	11,392	10,254	10,309	9,688	1,555	2,071	1,710
22 Agriculture	9,778	9,159	3,065	73	10,977	1,433	121	3,202 ^f	2,983
23 Commerce and housing credit	-17,808	-10,646	-3,947	-6,885	-5,899	-7,575	-1,917	1,293 ^f	-629
24 Transportation	39,350	39,565	20,725	18,290	22,211	18,046	3,730	3,818	3,913
25 Community and regional development	10,641	10,685	5,569	5,245	5,497	5,699	865	1,116 ^f	1,014
26 Education, training, employment, and social services	54,263	52,001	26,212	25,979	27,548	25,227	4,055	5,804	4,289
27 Health	115,418	119,378	57,128	59,989	61,596	61,808	10,024	10,773 ^f	11,905
28 Social security and Medicare	495,701	523,901	251,388	264,647	269,411	278,817	48,683	43,731	49,471
29 Income security	220,493	225,989	104,847	121,186	107,602	123,874	19,702	13,735 ^f	20,292
30 Veterans benefits and services	37,890	36,985	18,678	18,140	21,109	17,697	4,806	1,833	5,234
31 Administration of justice	16,216	17,548	8,091	9,015	9,584	10,643	1,484	1,467 ^f	1,584
32 General government	13,835	11,892	7,601	4,641	6,547	6,574	747	1,440	1,460
33 Net interest ⁵	232,169	241,090	119,348	120,576	122,571	122,701	21,636	17,061	21,805
34 Undistributed offsetting receipts ⁶	-44,455	-37,620	-26,995	-16,716	-25,142	-24,234	-3,262	-6,630	-3,067

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 receipts and outlays do 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. Federal employee retirement contributions and civil service retirement and disability fund.

4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.

5. Includes interest received by trust funds.

6. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCE: Fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1998*; monthly and half-year totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1995		1996				1997		
	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30
1 Federal debt outstanding	5,001	5,017	5,153	5,197	5,260	5,357	5,415	5,410	5,446
2 Public debt securities	4,974	4,989	5,118	5,161	5,225	5,323	5,381	5,376	5,413
3 Held by public	3,653	3,684	3,764	3,739	3,778	3,826	3,874	3,805	n.a.
4 Held by agencies	1,321	1,305	1,354	1,422	1,447	1,497	1,507	1,572	n.a.
5 Agency securities	27	28	36	36	35	34	34	34	33
6 Held by public	27	28	28	28	27	27	26	26	n.a.
7 Held by agencies	0	0	8	8	8	8	8	7	n.a.
8 Debt subject to statutory limit	4,885	4,900	5,030	5,073	5,137	5,237	5,294	5,290	5,328
9 Public debt securities	4,885	4,900	5,030	5,073	5,137	5,237	5,294	5,290	5,328
10 Other debt	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,900	4,900	5,500	5,500	5,500	5,500	5,500	5,500	5,950

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.

SOURCE: 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	1993	1994	1995	1996	1996	1997		
					Q4	Q1	Q2	Q3
1 Total gross public debt	4,535.7	4,800.2	4,988.7	5,323.2	5,323.2	5,380.9	5,376.2	5,413.2
<i>By type</i>								
2 Interest-bearing	4,532.3	4,769.2	4,964.4	5,317.2	5,317.2	5,375.1	5,370.5	5,407.5
3 Marketable	2,989.5	3,126.0	3,307.2	3,459.7	3,459.7	3,504.4	3,433.1	3,439.6
4 Bills	714.6	733.8	760.7	777.4	777.4	785.6	704.1	701.9
5 Notes	1,764.0	1,867.0	2,010.3	2,112.3	2,112.3	2,131.0	2,132.6	2,122.2
6 Bonds	495.9	510.3	521.2	555.0	555.0	565.4	565.4	576.2
7 Inflation-indexed notes ¹	n.a.	n.a.	n.a.	n.a.	n.a.	7.4	15.9	24.4
8 Nonmarketable ²	1,542.9	1,643.1	1,657.2	1,857.5	1,857.5	1,870.8	1,937.4	1,967.9
9 State and local government series	149.5	132.6	104.5	101.3	101.3	104.8	107.9	111.9
10 Foreign issues ³	43.5	42.5	40.8	37.4	37.4	36.8	35.4	34.9
11 Government	43.5	42.5	40.8	47.4	47.4	36.8	35.4	34.9
12 Public	0	0	0	0	0	0	0	0
13 Savings bonds and notes	169.4	177.8	181.9	182.4	182.4	182.6	182.7	182.7
14 Government account series ⁴	1,150.0	1,259.8	1,299.6	1,505.9	1,505.9	1,516.6	1,581.5	1,608.5
15 Non-interest-bearing	3.4	31.0	24.3	6.0	6.0	5.8	5.7	5.6
<i>By holder</i> ⁵								
16 U.S. Treasury and other federal agencies and trust funds	1,153.5	1,257.1	1,304.5	1,497.2	1,497.2	1,506.8	1,571.6	
17 Federal Reserve Banks	334.2	374.1	391.0	410.9	410.9	405.6	426.4	
18 Private investors	3,047.4	3,168.0	3,294.9	3,411.2	3,411.2	3,451.7	3,361.7	
19 Commercial banks	322.2	290.4	278.7	261.7 ^f	261.7 ^f	282.3	290.0	
20 Money market funds	80.8	67.6	71.5 ^f	91.6 ^f	91.6 ^f	84.0	76.3	
21 Insurance companies	234.5	240.1	241.5	235.9 ^f	235.9 ^f	238.2	239.0	
22 Other companies	213.0	224.5 ^f	228.8	258.5	258.5	262.5	261.0	
23 State and local treasuries ^{6,7}	609.2 ^f	540.2 ^f	421.5 ^f	358.0 ^f	358.0 ^f	360.7	358.0	n.a.
24 Individuals								
24 Savings bonds	171.9	180.5	185.0	187.0	187.0	186.5	186.3	
25 Other securities	137.9	150.7	162.7	169.6	169.6	168.9	169.1	
26 Foreign and international ⁸	623.0	688.6	862.2	1,131.8 ^f	1,131.8 ^f	1,204.1	1,240.2	
27 Other miscellaneous investors ^{7,9}	655.0 ^f	785.5 ^f	843.0 ^f	717.1 ^f	717.1 ^f	664.5	541.8	

1. The U.S. Treasury first issued inflation-indexed notes during the first quarter of 1997.

2. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.

3. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.

4. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.

5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

6. Includes state and local pension funds.

7. In March 1996, in a redefinition of series, fully defeased debt backed by nonmarketable federal securities was removed from "Other miscellaneous investors" and added to "State and local treasuries." The data shown here have been revised accordingly.

8. Consists of investments of foreign balances and international accounts in the United States.

9. 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.

SOURCE: U.S. Treasury Department, data by type of security, *Monthly Statement of the Public Debt of the United States*; data by holder, *Treasury Bulletin*.

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1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions¹

Millions of dollars, daily averages

Item	1997			1997, week ending								
	July	Aug.	Sept.	Sept. 3	Sept. 10	Sept. 17	Sept. 24	Oct. 1	Oct. 8	Oct. 15	Oct. 22	Oct. 29
OUTRIGHT TRANSACTIONS²												
<i>By type of security</i>												
1 U.S. Treasury bills	34,285	38,732	40,266	41,910	41,856	48,625	34,415	34,322	35,718	45,390	35,301	47,054
<i>Coupon securities, by maturity</i>												
2 Five years or less	102,092	117,232	110,548	113,755	101,097	118,731	108,945	112,531	120,504	110,289	100,156	192,569
3 More than five years	61,251	67,685	59,117	52,488	54,177	64,616	56,952	64,437	81,120	63,199	54,719	104,578
4 Federal agency	39,871	42,563	40,258	45,712	35,021	41,857	38,997	43,654	40,472	46,661	44,925	41,962
5 Mortgage-backed	50,317	47,848	48,520	37,308	65,574	47,327	37,121	48,547	74,356	66,377	38,808	54,051
<i>By type of counterparty</i>												
<i>With interdealer broker</i>												
6 U.S. Treasury	110,830	127,179	120,687	114,415	112,560	132,755	118,644	121,448	136,848	128,397	114,862	199,706
7 Federal agency	1,460	1,299	1,513	1,627	1,712	1,851	909	1,540	1,497	1,474	980	1,445
8 Mortgage-backed	15,503	15,481	15,920	12,688	18,202	17,024	13,644	16,147	19,651	22,976	12,567	17,529
<i>With other</i>												
9 U.S. Treasury	86,798	96,471	89,244	93,737	84,571	99,216	81,668	89,842	100,494	90,480	75,315	144,494
10 Federal agency	38,411	41,264	38,745	44,085	33,309	40,006	38,089	42,114	38,974	45,187	43,945	40,517
11 Mortgage-backed	34,815	32,367	32,600	24,620	47,372	30,303	23,476	32,400	54,705	43,401	26,241	36,522
FUTURES TRANSACTIONS³												
<i>By type of deliverable security</i>												
12 U.S. Treasury bills	188	202	291	327	578	165	114	n.a.	n.a.	n.a.	73	316
<i>Coupon securities, by maturity</i>												
13 Five years or less	1,399	2,220	2,358	3,200	2,077	3,514	1,789	1,552	1,802	1,893	1,492	2,280
14 More than five years	14,693	18,859	16,939	19,641	13,610	20,346	15,485	17,306	23,141	18,984	15,405	29,308
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 TRANSACTIONS⁴												
<i>By type of underlying security</i>												
17 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
<i>Coupon securities, by maturity</i>												
18 Five years or less	2,231	2,150	1,768	1,791	2,598	1,999	922	1,489	2,266	2,436	2,640	2,365
19 More than five years	6,038	6,122	5,063	4,209	3,940	6,103	5,963	4,467	7,905	5,273	5,410	9,631
20 Federal agency	0	0	0	0	0	0	n.a.	0	n.a.	0	0	n.a.
21 Mortgage-backed	576	548	898	171	390	935	1,128	1,561	941	316	224	527

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 to be 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.

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 Financing¹

Millions of dollars

Item	1997			1997, week ending							
	July	Aug.	Sept.	Sept. 3	Sept. 10	Sept. 17	Sept. 24	Oct. 1	Oct. 8	Oct. 15	Oct. 22
Positions²											
NET OUTRIGHT POSITIONS³											
<i>By type of security</i>											
1 U.S. Treasury bills	-2,696	4,548	1,089	9,063	2,601	5,882	-5,860	-2,149	3,269	7,029	9,187
<i>Coupon securities, by maturity</i>											
2 Five years or less	-15,429	-27,559	-35,923	-30,087	-35,368	-38,435	-30,219	-43,213	-33,684	-40,931	-41,684
3 More than five years	-21,652	-16,447	-15,703	-15,681	-18,089	-17,565	-15,201	-11,342	-14,619	-20,535	-25,981
4 Federal agency	36,617	31,886	32,961	29,868	29,156	31,229	37,834	35,281	37,509	35,318	34,486
5 Mortgage-backed	33,661	32,497	37,016	29,275	35,783	38,762	41,155	35,459	37,480	41,619	40,072
NET FUTURES POSITIONS⁴											
<i>By type of deliverable security</i>											
6 U.S. Treasury bills	303	-841	-626	-511	-717	n.a.	-569	-642	-666	-992	-1,294
<i>Coupon securities, by maturity</i>											
7 Five years or less	3,187	7,431	5,650	8,390	9,447	5,173	3,160	3,313	2,323	2,947	4,426
8 More than five years	-17,588	-16,452	-22,372	-14,064	-15,048	-19,183	-30,700	-29,076	-29,699	-21,858	-19,609
9 Federal agency	0	0	0	0	0	0	0	0	0	0	0
10 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
<i>By type of deliverable security</i>											
11 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0
<i>Coupon securities, by maturity</i>											
12 Five years or less	2,361	-433	2,026	-392	797	3,018	3,005	2,371	2,829	2,265	2,925
13 More than five years	4,960	5,444	5,368	3,805	3,606	5,335	6,636	6,764	5,079	4,022	3,600
14 Federal agency	0	0	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
15 Mortgage-backed	470	1,000	361	835	63	-64	161	1,200	168	474	260
Financing⁵											
<i>Reverse repurchase agreements</i>											
16 Overnight and continuing	296,334	298,973	303,186	307,125	299,000	296,749	287,794	331,565	327,762	310,889	327,978
17 Term	601,067	622,314	619,579	555,503	600,818	618,882	660,530	626,544	670,973	691,697	728,492
<i>Securities borrowed</i>											
18 Overnight and continuing	213,183	210,814	203,445	207,461	206,281	203,010	201,012	201,473	210,014	213,559	210,245
19 Term	91,863	93,092	92,992	80,651	89,112	94,908	97,931	95,694	97,084	96,843	96,604
<i>Securities received as pledge</i>											
20 Overnight and continuing	8,712	7,865	6,934	6,976	7,082	7,227	6,653	6,726	7,429	7,695	7,896
21 Term	121	102	78	95	77	79	77	70	68	94	98
<i>Repurchase agreements</i>											
22 Overnight and continuing	642,431	651,055	647,675	652,288	634,565	644,996	640,900	671,691	680,737	682,785	686,513
23 Term	550,542	569,029	540,310	476,014	526,804	542,843	575,921	543,715	596,159	614,047	659,224
<i>Securities loaned</i>											
24 Overnight and continuing	7,843	8,020	6,673	7,768	7,116	6,771	5,534	6,824	7,281	7,839	7,685
25 Term	4,688	5,014	3,314	3,800	3,114	3,186	3,193	3,594	3,647	3,344	3,286
<i>Securities pledged</i>											
26 Overnight and continuing	54,921	53,321	54,253	53,803	53,704	54,135	56,031	53,184	53,883	52,296	49,444
27 Term	1,904	2,332	5,818	2,340	5,039	6,682	6,903	6,193	4,334	4,147	4,166
<i>Collateralized loans</i>											
28 Overnight and continuing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
29 Term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
30 Total	14,547	16,343	13,724	13,984	15,994	13,175	12,517	12,996	15,241	17,759	16,891
MEMO: Matched book⁶											
<i>Securities in</i>											
31 Overnight and continuing	291,783	281,860	276,476	279,257	276,218	273,443	262,682	295,019	308,483	295,768	306,061
32 Term	587,039	602,540	602,147	528,602	582,161	598,536	642,118	619,814	654,977	671,487	706,074
<i>Securities out</i>											
33 Overnight and continuing	381,031	383,828	382,054	379,346	380,443	377,293	375,137	398,913	397,565	386,604	402,693
34 Term	474,771	483,264	462,807	400,905	447,452	464,253	495,706	471,605	518,013	535,353	573,882

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright positions include immediate and forward positions. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day. Financing data are reported in terms of actual funds paid or received, including accrued interest.

6. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE: "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

A30 Domestic Financial Statistics □ January 1998

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1993	1994	1995	1996	1997				
					Apr.	May	June	July	Aug.
1 Federal and federally sponsored agencies	570,711	738,928	844,611	925,823	960,491	974,331	972,731	977,877	980,501
2 Federal agencies	45,193	39,186	37,347	29,380	27,762	28,011	27,646	27,738	27,484
3 Defense Department ¹	6	6	6	6	6	6	6	6	6
4 Export-Import Bank ^{2,3}	5,315	3,455	2,050	1,447	1,357	1,357	1,357	1,326	1,326
5 Federal Housing Administration ⁴	255	116	97	84	31	32	37	43	46
6 Government National Mortgage Association certificates of participation ⁵	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Postal Service ⁶	9,732	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Tennessee Valley Authority	29,885	27,536	29,429	27,853	27,756	28,005	27,640	27,732	27,478
9 United States Railway Association ⁶	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Federally sponsored agencies ⁷	523,452	699,742	807,264	896,443	932,729	946,320	945,085	950,139	953,017
11 Federal Home Loan Banks	139,512	205,817	243,194	263,404	277,880	284,861	290,028	291,931	292,174
12 Federal Home Loan Mortgage Corporation	49,993	93,279	119,961	156,980	162,872	167,407	161,900	161,476	165,690
13 Federal National Mortgage Association	201,112	257,230	299,174	331,270	341,789	344,350	345,462	348,599	348,115
14 Farm Credit Banks ⁸	53,123	53,175	57,379	60,053	60,945	61,384	62,075	61,874	61,091
15 Student Loan Marketing Association ⁹	39,784	50,335	47,529	44,763	48,515	47,620	44,841	45,536	45,211
16 Financing Corporation ¹⁰	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation ¹¹	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation ¹²	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 Federal Financing Bank debt¹³	128,187	103,817	78,681	58,172	n.a.	51,866	50,962	50,119	48,625
<i>Lending to federal and federally sponsored agencies</i>									
20 Export-Import Bank ³	5,309	3,449	2,044	1,431	1,357	1,357	1,357	1,326	1,326
21 Postal Service ⁶	9,732	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
22 Student Loan Marketing Association	4,760	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23 Tennessee Valley Authority	6,325	3,200	3,200	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 United States Railway Association ⁶	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Other lending¹⁴</i>									
25 Farmers Home Administration	38,619	33,719	21,015	18,325	16,675	16,505	15,455	18,700	14,300
26 Rural Electrification Administration	17,578	17,392	17,144	16,702	15,696	15,674	15,679	15,564	15,568
27 Other	45,864	37,984	29,513	21,714	23,919	18,330	18,471	14,529	17,431

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.

2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.

3. On-budget since Sept. 30, 1976.

4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.

5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans Administration.

6. Off-budget.

7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation; therefore details do not sum to total. Some data are estimated.

8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.

9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.

10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.

11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.

12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.

13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table to avoid double counting.

14. Includes FFB purchases of agency assets and guaranteed loans, the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1994	1995	1996	1997							
				Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
1 All issues, new and refunding¹	153,950	145,657	171,222	13,701	15,741	15,447	19,376	16,740	16,580^f	20,464^f	18,617
<i>By type of issue</i>											
2 General obligation	54,404	56,980	60,409	5,491	6,224	5,741	6,145	7,679	5,083	3,526	7,570
3 Revenue	99,546	88,677	110,813	8,210	9,517	9,706	13,231	9,061	11,552	16,938	11,047
<i>By type of issuer</i>											
4 State	19,186	14,665	13,651	4,037	1,126	1,219	1,197	1,984	1,352	1,278	n.a.
5 Special district or statutory authority ²	95,896	93,500	113,228	7,206	11,124	9,666	13,810	10,715	10,480	15,557	n.a.
6 Municipality, county, or township	38,868	37,492	44,343	2,458	3,491	4,562	4,369	4,041	4,803	3,629	n.a.
7 Issues for new capital	105,972	102,390	112,298	8,736	11,835	10,507	14,536	9,279	9,038	9,450	11,541
<i>By use of proceeds</i>											
8 Education	21,267	23,964	26,851	2,330	3,264	2,844	3,498	2,701	2,741	1,976	↑
9 Transportation	10,836	11,890	12,324	393	1,873	1,225	638	666	1,276	2,651	n.a.
10 Utilities and conservation	10,192	9,618	9,791	954	425	1,608	1,615	1,182	583	1,168	↓
11 Social welfare	20,289	19,566	24,583	2,644	1,929	1,291	4,438	1,789	1,654	1,509	
12 Industrial aid	8,161	6,581	6,287	317	765	462	637	334	793	423	
13 Other purposes	35,227	30,771	32,462	2,098	3,220	3,077	3,710	2,607	2,024	1,723	

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts.

SOURCE: Securities Data Company beginning January 1990; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1994	1995	1996	1997							
				Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
1 All issues¹	583,240	673,779	n.a.	53,027	62,411	43,956	54,750	83,890^f	66,919^f	50,758^f	80,394
2 Bonds²	498,039	573,206	n.a.	44,980	54,632	37,672	46,738	72,638^f	57,500^f	45,218^f	70,704
<i>By type of offering</i>											
3 Public, domestic	365,222	408,804	386,280	35,245	45,886	29,797	38,594	60,979 ^f	46,029 ^f	40,328 ^f	55,764
4 Private placement, domestic	76,065	87,492	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	56,755	76,910	74,793	9,735	8,746	7,875	8,144	11,660 ^f	11,471 ^f	4,890	14,941
<i>By industry group</i>											
6 Manufacturing	43,423	61,070	41,959	4,791	3,060	2,276	2,355	3,748	7,780	5,175	3,534
7 Commercial and miscellaneous	40,735	50,689	34,076	2,004	1,641	6,201	2,104	2,771 ^f	4,429	3,354	4,137
8 Transportation	6,867	8,430	5,111	100	324	257	6,566	424	544	406	296
9 Public utility	13,322	13,751	8,161	1,476	1,185	47	653	1,377	3,674	1,407	1,357
10 Communication	13,340	22,999	13,320	405	2,802	500	300	576	1,304	278	1,831
11 Real estate and financial	380,352	416,269	358,446	36,204	45,619	28,391	34,761	63,743 ^f	39,769 ^f	34,599 ^f	59,550
12 Stocks²	85,155	100,573	n.a.	8,047	7,779	6,284	8,012	11,252	9,419^f	5,541^f	9,835
<i>By type of offering</i>											
13 Public preferred	12,570	10,917	33,208	1,510	2,740	1,952	2,055	3,846	678	645	1,878
14 Common	47,828	57,556	83,052	6,537	5,039	4,332	5,957	7,406	8,741 ^f	4,896 ^f	7,957
15 Private placement ³	24,800	32,100	↑	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>By industry group</i>											
16 Manufacturing	17,798	21,545	↑	2,008	1,136	847	1,594	1,627	1,056	1,044	1,294
17 Commercial and miscellaneous	15,713	27,844	n.a.	3,041	1,923	1,181	1,912	2,938	2,804	1,943	3,714
18 Transportation	2,203	804	↓	258	0	0	35	272	563	94	302
19 Public utility	2,214	1,936	↓	96	841	570	200	1,046	483	29	405
20 Communication	494	1,077	↓	28	0	25	0	374	120	59	235
21 Real estate and financial	46,733	47,367	↓	2,575	3,879	3,661	4,219	5,384	3,875	2,371	3,885

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.

SOURCE: Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

A32 Domestic Financial Statistics □ January 1998

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets¹

Millions of dollars

Item	1995	1996	1997							
			Mar.	Apr.	May	June	July	Aug. ¹	Sept.	Oct.
1 Sales of own shares ²	871,415	1,149,918	101,390	110,721	103,470	112,318	125,710	114,358	116,021	126,714
2 Redemptions of own shares	699,497	853,460	79,976	100,188	76,337	86,759	90,095	84,366	86,449	97,870
3 Net sales ³	171,918	296,458	21,413	10,532	27,133	25,559	35,615	29,992	29,572	28,844
4 Assets ⁴	2,067,337	2,637,398	2,700,474	2,782,077	2,952,609	3,067,565	3,279,535	3,199,534	3,386,547	3,296,768
5 Cash ⁵	142,572	139,396	160,570	177,979	182,004	180,552	182,122	180,152	180,159	182,087
6 Other	1,924,765	2,498,002	2,539,906	2,604,098	2,770,606	2,887,013	3,097,413	3,019,382	3,206,388	3,114,681

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	1994	1995	1996	1995	1996				1997		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1 Profits with inventory valuation and capital consumption adjustment	570.5	650.0	735.9	685.7	717.7	738.5	739.6	747.8	779.6	795.1	816.2
2 Profits before taxes	535.1	622.6	676.6	634.1	664.9	682.2	679.1	680.0	708.4	719.8	740.8
3 Profits-tax liability	186.6	213.2	229.0	215.3	226.2	232.2	231.6	226.0	241.2	244.5	257.4
4 Profits after taxes	348.5	409.4	447.6	418.8	438.7	450.0	447.5	454.0	467.2	475.3	483.4
5 Dividends	216.2	264.4	304.8	274.4	300.7	303.7	305.7	309.1	326.8	333.0	339.1
6 Undistributed profits	132.3	145.0	142.8	144.5	138.0	146.4	141.8	144.9	140.3	142.3	144.3
7 Inventory valuation	-16.1	-24.3	-2.5	.4	-5.1	-5.4	-2.7	3.3	3.5	5.9	4.9
8 Capital consumption adjustment	51.4	51.6	61.8	51.1	57.9	61.6	63.2	64.4	67.7	69.4	70.4

SOURCE: U.S. Department of Commerce, *Survey of Current Business*.

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities¹

Billions of dollars, end of period; not seasonally adjusted

Account	1994	1995	1996	1996				1997		
				Q1	Q2	Q3	Q4	Q1	Q2 ¹	Q3
ASSETS										
1 Accounts receivable, gross ²	543.7	607.0	637.1	613.7	626.7	628.1	637.1	647.2	650.7	656.8
2 Consumer	201.9	233.0	244.9	235.9	240.6	244.4	244.9	248.6	254.3	255.0
3 Business	274.9	301.6	309.5	303.5	305.7	301.4	309.5	315.2	311.7	313.1
4 Real estate	66.9	72.4	82.7	74.3	80.4	82.2	82.7	83.4	84.8	88.7
5 LESS: Reserves for unearned income	52.9	60.7	55.6	58.9	57.2	54.8	55.6	51.3	57.1	58.0
6 Reserves for losses	11.3	12.8	13.1	12.8	12.7	12.9	13.1	12.8	13.3	13.7
7 Accounts receivable, net	479.5	533.5	568.3	542.0	556.7	560.5	568.3	583.1	580.4	585.1
8 All other	216.8	250.9	290.0	255.0	258.7	268.7	290.0	289.9	307.1	310.5
9 Total assets	696.3	784.4	858.3	796.9	815.4	829.2	858.3	873.0	887.5	895.6
LIABILITIES AND CAPITAL										
10 Bank loans	14.8	15.3	19.7	15.4	17.7	18.3	19.7	18.4	18.8	19.3
11 Commercial paper	171.6	168.6	177.6	168.2	169.6	173.1	177.6	185.3	193.7	190.2
<i>Debt</i>										
12 Owed to parent	41.8	51.1	60.3	50.5	56.3	57.9	60.3	61.0	60.0	61.7
13 Not elsewhere classified	247.4	300.0	332.5	307.5	319.0	322.3	332.5	324.4	345.0	348.5
14 All other liabilities	146.2	163.6	174.7	165.6	163.2	164.8	174.7	189.1	171.3	177.2
15 Capital, surplus, and undivided profits	74.6	85.9	93.5	89.7	89.7	92.8	93.5	94.8	98.7	98.7
16 Total liabilities and capital	696.3	784.4	858.3	796.9	815.4	829.2	858.3	873.0	887.5	895.6

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 Owned and Managed Receivables¹

Billions of dollars, amounts outstanding

Type of credit	1994	1995	1996	1997					
				Apr.	May	June	July	Aug.	Sept.
Seasonally adjusted									
1 Total	607.3	682.4	762.4	775.6	775.9	782.9	786.1^f	791.6^f	795.8
2 Consumer	244.4	281.9	306.6	318.2	318.5	320.8	323.2 ^f	323.4 ^f	323.1
3 Real estate	66.9	72.4	111.9	116.9	118.0	120.1	121.8	123.7 ^f	122.9
4 Business	295.9	328.1	343.8	340.5	339.3	342.0	341.1	344.5 ^f	349.7
Not seasonally adjusted									
5 Total	613.5	689.5	769.7	776.6	777.8	786.9	780.3^f	786.2^f	792.1
6 Consumer	248.0	285.8	310.6	315.6	317.5	320.9	322.1 ^f	323.2 ^f	323.8
7 Motor vehicles loans	70.2	81.1	86.7	83.2	85.1	87.0	88.3	88.4	88.6
8 Motor vehicle leases	67.5	80.8	92.5	96.7	97.3	98.5	99.4	98.8	96.7
9 Revolving ²	25.9	28.5	32.5	34.3	34.4	34.0	33.1	33.6	33.1
10 Other ³	38.4	42.6	33.2	34.3	34.7	34.8	34.7	35.4	36.6
Securitized assets ⁴									
11 Motor vehicle loans	32.8	34.8	36.8	38.3	36.8	37.8	38.1 ^f	38.3 ^f	39.7
12 Motor vehicle leases	2.2	3.5	8.7	9.4	9.3	9.2	9.0	8.9	10.0
13 Revolving	n.a.	n.a.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14 Other	11.2	14.7	20.1	19.3	19.9	19.7	19.5	19.7	19.0
15 Real estate	66.9	72.4	111.9	116.9	118.0	120.1	121.8	123.7 ^f	122.9
16 One- to four-family	n.a.	n.a.	52.1	55.0	54.9	54.5	56.8	59.1 ^f	58.1
17 Other	n.a.	n.a.	30.5	30.3	30.3	30.3	30.3	30.4	30.6
Securitized real estate assets ⁴									
18 One- to four-family	n.a.	n.a.	28.9	31.3	32.5	35.0	34.4	33.9	34.0
19 Other	n.a.	n.a.	0.4	0.3	0.3	0.3	0.3	0.3	0.3
20 Business	298.6	331.2	347.2	344.1	342.2	345.9	336.4	339.3 ^f	345.4
21 Motor vehicles	62.0	66.5	67.1	71.7	70.4	70.7	63.6	65.2	67.6
22 Retail loans	18.5	21.8	25.1	24.6	24.4	25.2	24.4	25.3	26.0
23 Wholesale loans ⁵	35.2	36.6	33.0	37.9	36.6	36.3	29.8	30.5	32.0
24 Leases	8.3	8.0	9.0	9.2	9.3	9.3	9.3	9.4	9.6
25 Equipment	8.3	8.0	9.0	189.9	188.0	188.8	188.3	189.0	191.6
26 Loans	8.3	8.0	9.0	53.8	52.3	52.6	51.7	51.3	53.0
27 Leases	8.3	8.0	9.0	136.1	135.6	136.2	136.6	137.6	138.6
28 Other business receivables ⁶	8.3	8.0	9.0	49.6	50.3	52.2	51.6	52.6 ^f	53.9
Securitized assets ⁴									
29 Motor vehicles	8.3	8.0	9.0	20.3	21.1	21.3	19.9	19.8	19.3
30 Retail loans	8.3	8.0	9.0	2.1	2.6	2.5	2.4	2.3	2.2
31 Wholesale loans	8.3	8.0	9.0	18.2	18.5	18.7	17.4	17.5	17.1
32 Leases	8.3	8.0	9.0	0.0	0.0	0.0	0.0	0.0	0.0
33 Equipment	8.3	8.0	9.0	9.9	9.9	10.4	10.6	10.3	10.1
34 Loans	8.3	8.0	9.0	3.8	4.0	3.9	4.2	4.1	4.0
35 Leases	8.3	8.0	9.0	6.2	5.9	6.5	6.4	6.2	6.0
36 Other business receivables ⁶	8.3	8.0	9.0	2.6	2.5	2.5	2.5	2.4	2.9

NOTE: This table has been revised to incorporate several changes resulting from the benchmarking of finance company receivables to the June 1996 Survey of Finance Companies. In that benchmark survey, and in the monthly surveys that have followed, more detailed breakdowns have been obtained for some components. In addition, previously unavailable data on securitized real estate loans are now included in this table. The new information has resulted in some reclassification of receivables among the three major categories (consumer, real estate, and business) and in discontinuities in some component series between May and June 1996.

Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

1. Owned receivables are those carried on the balance sheet of the institution. Managed receivables are outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator. Data are shown

before deductions for unearned income and losses. Components may not sum to totals because of rounding.

2. Excludes revolving credit reported as held by depository institutions that are subsidiaries of finance companies.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, boats, 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. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

6. 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.

A34 Domestic Financial Statistics □ January 1998

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1994	1995	1996	1997						
				Apr.	May	June	July	Aug.	Sept.	Oct.
Terms and yields in primary and secondary markets										
PRIMARY MARKETS										
<i>Terms¹</i>										
1 Purchase price (thousands of dollars).....	170.4	175.8	182.4	172.5	177.6	181.4	181.4	191.2	190.6	183.4
2 Amount of loan (thousands of dollars).....	130.8	134.5	139.2	134.8	137.7	140.6	142.7	148.2	147.0	142.4
3 Loan-to-price ratio (percent).....	78.8	78.6	78.2	81.1	80.0	79.9	81.2	79.8	79.3	80.1
4 Maturity (years).....	27.5	27.7	27.2	27.8	28.2	28.0	28.7	28.2	28.3	28.1
5 Fees and charges (percent of loan amount) ²	1.29	1.21	1.21	1.04	1.00	1.04	1.05	1.06	1.12	0.94
<i>Yield (percent per year)</i>										
6 Contract rate ³	7.26	7.65	7.56	7.86	7.85	7.79	7.62	7.42	7.43	7.39
7 Effective rate ⁴	7.47	7.85	7.77	8.03	8.01	7.95	7.78	7.59	7.61	7.54
8 Contract rate (HUD series) ⁵	8.58	8.05	8.03	8.19	8.08	7.82	7.62	7.67	7.51	7.48
SECONDARY MARKETS										
<i>Yield (percent per year)</i>										
9 FHA mortgages (Section 203) ⁵	8.68	8.18	8.19	8.56	8.05	8.02	7.61	8.02	7.52	7.53
10 GNMA securities ⁶	7.96	7.57	7.48	7.80	7.59	7.37	7.04	7.16	7.10	6.90
Activity in secondary markets										
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
<i>Mortgage holdings (end of period)</i>										
11 Total.....	222,057	253,511	287,052	295,804	297,023	297,471	300,439	304,528	307,256	310,421
12 FHA/VA insured.....	27,558	28,762	30,592	30,839	31,437	31,198	31,065	31,193	31,847	32,080
13 Conventional.....	194,499	224,749	256,460	264,965	265,586	266,273	269,374	273,335	275,409	278,341
14 Mortgage transactions purchased (during period).....	62,389	56,598	68,618	6,683	4,148	3,594	6,417	7,606	6,544	7,619
<i>Mortgage commitments (during period)</i>										
15 Issued ⁷	54,038	56,092	65,859	3,898	1,704	6,196	6,956	5,960	7,573	9,190
16 To sell ⁸	1,820	360	130	0	23	115	75	219	215	300
FEDERAL HOME LOAN MORTGAGE CORPORATION										
<i>Mortgage holdings (end of period)⁸</i>										
17 Total.....	72,693	107,424	137,755	147,190	148,698	149,250	151,582	155,169	157,165	159,801
18 FHA/VA insured.....	276	267	220	205	202 ^f	198 ^f	194 ^f	200 ^f	200 ^f	200
19 Conventional.....	72,416	107,157	137,535	146,985	148,496 ^f	149,052 ^f	151,388 ^f	154,969 ^f	156,965 ^f	159,601
<i>Mortgage transactions (during period)</i>										
20 Purchases.....	124,697	98,470	128,566	8,981	8,195	8,884	8,374	9,917	10,496	12,648
21 Sales.....	117,110	85,877	119,702	8,269	7,596	8,321	7,757	9,187	9,727	11,712
22 Mortgage commitments contracted (during period) ⁹	136,067	118,659	128,995	9,746	7,408	9,099	9,053 ^f	9,913	10,877	11,986

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 OUTSTANDING¹

Millions of dollars, end of period

Type of holder and property	1993	1994	1995	1996			1997	
				Q2	Q3	Q4	Q1	Q2 ^p
1 All holders	4,261,151	4,462,816	4,691,812	4,861,363	4,940,700	5,022,445	5,080,199	5,162,447
<i>By type of property</i>								
2 One- to four-family residences	3,225,011	3,424,018	3,616,440	3,719,650	3,792,425	3,850,579	3,898,042	3,955,964
3 Multifamily residences	270,380	275,287	287,593	301,063	305,081	312,984	315,578	321,955
4 Nonfarm, nonresidential	685,021	680,540	703,218	754,457	756,462	771,749	778,940	795,708
5 Farm	80,739	82,971	84,561	86,193	86,732	87,134	87,639	88,821
<i>By type of holder</i>								
6 Major financial institutions	1,763,410	1,811,018	1,884,714	1,919,622	1,945,088	1,968,859	1,983,813	2,021,318
7 Commercial banks ²	940,603	1,003,923	1,080,483	1,099,643	1,112,914	1,135,133	1,149,721	1,186,255
8 One- to four-family	556,660	611,092	663,715	670,756	678,565	692,180	702,553	727,211
9 Multifamily	38,657	39,346	43,837	45,368	46,410	46,676	47,620	48,752
10 Nonfarm, nonresidential	324,420	330,934	349,101	358,956	363,124	371,394	374,317	384,232
11 Farm	20,866	22,551	23,830	24,563	24,815	24,883	25,231	26,060
12 Savings institutions ³	598,435	596,191	596,763	611,735	628,037	628,335	627,564	629,045
13 One- to four-family	470,000	477,626	482,353	498,219	513,794	513,712	514,575	516,699
14 Multifamily	67,366	64,343	61,987	60,680	61,570	60,645	60,645	60,102
15 Nonfarm, nonresidential	60,764	53,933	52,135	52,522	52,614	52,723	52,007	51,906
16 Farm	305	289	288	315	320	331	336	338
17 Life insurance companies	224,372	210,904	207,468	208,244	204,138	205,390	206,529	206,018
18 One- to four-family	8,593	7,018	7,316	7,270	6,190	6,772	6,799	6,684
19 Multifamily	25,376	23,902	23,435	23,534	23,155	23,197	23,320	23,251
20 Nonfarm, nonresidential	180,934	170,421	167,095	167,800	165,096	165,399	166,277	165,779
21 Farm	9,469	9,563	9,622	9,640	9,697	10,022	10,133	10,304
22 Federal and related agencies	326,040	315,580	306,774	305,963	302,793	300,935	295,203	292,966
23 Government National Mortgage Association	25	6	2	2	2	2	6	7
24 One- to four-family	15	6	2	2	2	2	6	7
25 Multifamily	7	0	0	0	0	0	0	0
26 Farmers Home Administration ⁴	41,386	41,781	41,791	41,547	41,575	41,596	41,485	41,400
27 One- to four-family	18,030	18,098	17,705	17,396	17,374	17,303	17,175	17,239
28 Multifamily	10,940	11,319	11,617	11,645	11,652	11,685	11,692	11,706
29 Nonfarm, nonresidential	5,406	5,670	6,248	6,552	6,681	6,841	6,969	7,135
30 Farm	7,012	6,694	6,221	5,954	5,869	5,768	5,649	5,321
31 Federal Housing and Veterans' Administrations	12,215	10,964	9,809	8,052	6,627	6,244	4,330	4,200
32 One- to four-family	5,364	4,753	5,180	3,861	3,190	3,524	2,335	2,299
33 Multifamily	6,851	6,211	4,629	4,191	3,438	2,719	1,995	1,900
34 Resolution Trust Corporation	17,284	10,428	1,864	0	0	0	0	0
35 One- to four-family	7,203	5,200	691	0	0	0	0	0
36 Multifamily	5,327	2,859	647	0	0	0	0	0
37 Nonfarm, nonresidential	4,754	2,369	525	0	0	0	0	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	14,112	7,821	4,303	5,016	4,025	2,431	2,217	1,816
40 One- to four-family	2,367	1,049	492	840	675	365	333	272
41 Multifamily	1,426	1,595	428	955	766	413	377	309
42 Nonfarm, nonresidential	10,319	5,177	3,383	3,221	2,584	1,653	1,508	1,235
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	165,668	174,312	176,824	176,692	175,472	174,556	172,829	170,386
45 One- to four-family	150,336	158,413	161,322	161,407	160,541	160,205	159,056	157,167
46 Multifamily	15,332	15,899	15,502	15,285	14,931	14,351	13,773	13,219
47 Federal Land Banks	28,460	28,555	28,428	29,362	29,579	29,602	29,668	29,963
48 One- to four-family	1,675	1,671	1,673	1,728	1,740	1,742	1,746	1,763
49 Farm	26,785	26,885	26,755	27,634	27,839	27,860	27,922	28,200
50 Federal Home Loan Mortgage Corporation	46,892	41,712	43,753	45,292	45,513	46,504	44,668	45,194
51 One- to four-family	44,345	38,882	39,901	41,095	41,149	41,758	39,640	40,092
52 Multifamily	2,547	2,830	3,852	4,197	4,364	4,746	5,028	5,102
53 Mortgage pools or trusts ⁵	1,570,691	1,726,365	1,861,489	1,963,345	2,008,356	2,056,276	2,099,448	2,134,311
54 Government National Mortgage Association	414,066	450,934	472,283	485,316	497,018	506,340	513,471	520,938
55 One- to four-family	404,864	441,198	461,438	473,825	485,073	494,158	500,591	507,618
56 Multifamily	9,202	9,736	10,845	11,491	11,945	12,182	12,880	13,320
57 Federal Home Loan Mortgage Corporation	447,147	490,851	515,051	536,671	545,608	554,260	562,894	567,187
58 One- to four-family	442,612	487,725	512,238	534,238	543,341	551,513	560,369	564,445
59 Multifamily	4,535	3,126	2,813	2,433	2,267	2,747	2,525	2,742
60 Federal National Mortgage Association	495,525	530,343	582,959	621,285	636,362	650,780	663,668	673,931
61 One- to four-family	486,804	520,763	569,724	606,271	619,869	633,210	645,324	654,826
62 Multifamily	8,721	9,580	13,235	15,014	16,493	17,570	18,344	19,105
63 Farmers Home Administration ⁴	28	19	11	9	7	3	3	2
64 One- to four-family	5	3	2	1	0	0	0	0
65 Multifamily	0	0	0	0	0	0	0	0
66 Nonfarm, nonresidential	13	9	5	4	4	0	0	2
67 Farm	10	7	4	4	3	3	3	2
68 Private mortgage conduits	213,925	254,218	291,185	320,064	329,360	344,894	359,413	372,253
69 One- to four-family ⁶	179,755	202,519	222,526	248,715	244,884	247,740	256,834	259,950
70 Multifamily	8,701	14,925	21,279	26,809	28,141	33,689	35,498	39,461
71 Nonfarm, nonresidential	25,469	36,774	47,380	54,541	56,336	63,464	67,081	72,842
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others ⁷	601,010	609,853	638,836	672,433	684,462	696,375	701,735	713,853
74 One- to four-family	446,383	448,002	470,163	464,027	476,038	486,395	490,708	499,692
75 Multifamily	65,393	69,615	73,486	79,462	80,212	81,438	81,880	82,987
76 Nonfarm, nonresidential	72,943	75,253	77,345	110,862	110,023	110,275	110,781	112,579
77 Farm	16,292	16,983	17,841	18,083	18,190	18,268	18,366	18,595

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. Includes securitized home equity loans.
 7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.
 SOURCE: Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 69 from Inside Mortgage Securities and other sources.

A36 Domestic Financial Statistics □ January 1997

1.55 CONSUMER CREDIT¹

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1994	1995	1996	1997 ^r					
				Apr.	May	June	July	Aug.	Sept.
Seasonally adjusted									
1 Total	964,568	1,100,712	1,184,022	1,212,762	1,213,720	1,213,329	1,219,292	1,223,520	1,225,464
2 Automobile	326,356	362,097	390,308	393,951	394,378	398,004	400,449	399,758	400,151
3 Revolving	364,616	441,862	497,977	512,787	514,327	514,551	521,013	524,069	526,052
4 Other ^r	273,596	296,753	295,738	306,024	305,015	300,774	297,830	299,693	299,261
Not seasonally adjusted									
5 Total	988,079	1,128,618	1,214,882	1,200,882	1,203,571	1,207,731	1,212,295	1,223,769	1,228,987
<i>By major holder</i>									
6 Commercial banks	462,923	507,753	529,417	515,542	515,526	513,036	516,749	518,345	509,557
7 Finance companies	134,421	152,123	152,391	151,897	154,177	155,805	156,137	157,466	158,247
8 Credit unions	119,594	131,939	144,148	145,601	146,691	147,640	148,973	150,176	151,016
9 Savings institutions	38,468	40,106	44,711	46,243	46,626	47,009	47,392	47,400	47,883
10 Nonfinancial business ³	86,621	85,061	77,745	69,356	67,749	67,994	67,606	68,556	68,531
11 Pools of securitized assets ⁴	146,052	211,636	266,470	272,243	272,802	276,247	275,438	281,826	293,753
<i>By major type of credit⁵</i>									
12 Automobile	328,576	364,726	393,189	389,539	391,239	397,112	400,533	402,090	403,785
13 Commercial banks	141,895	149,094	153,983	151,150	151,842	152,535	154,299	154,971	153,367
14 Finance companies	70,157	81,073	86,690	83,230	85,106	86,979	88,323	88,428	88,554
15 Pools of securitized assets ⁴	36,689	44,635	52,363	53,504	51,505	53,731	53,389	53,156	55,466
16 Revolving	383,187	464,134	522,860	505,316	509,406	511,313	515,875	522,194	524,500
17 Commercial banks	182,021	210,298	228,615	209,273	212,796	213,318	218,992	217,466	209,380
18 Finance companies	25,880	28,460	32,493	34,345	34,411	34,011	33,076	33,626	33,054
19 Nonfinancial business ³	56,790	53,525	44,901	38,953	37,078	37,283	36,791	37,578	37,685
20 Pools of securitized assets ⁴	96,130	147,934	188,712	193,798	195,800	196,746	196,618	202,528	213,009
21 Other	276,316	299,758	298,833	306,027	302,926	299,306	295,887	299,485	300,702
22 Commercial banks	139,007	148,361	146,819	155,119	150,888	147,183	143,458	145,908	146,810
23 Finance companies	38,384	42,590	33,208	34,322	34,660	34,815	34,738	35,412	36,639
24 Nonfinancial business ³	29,831	31,536	32,844	30,403	30,671	30,711	30,815	30,978	30,846
25 Pools of securitized assets ⁴	13,233	19,067	25,395	24,941	25,497	25,770	25,431	26,142	25,278

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Comprises mobile home loans and all other loans that are not included in automobile or revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.

3. Includes retailers and gasoline companies.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER CREDIT¹

Percent per year except as noted

Item	1994	1995	1996	1997						
				Mar.	Apr.	May	June	July	Aug.	Sept.
INTEREST RATES										
<i>Commercial banks²</i>										
1 48-month new car	8.12	9.57	9.05	n.a.	n.a.	9.20	n.a.	n.a.	8.99	n.a.
2 24-month personal	13.19	13.94	13.54	n.a.	n.a.	13.81	n.a.	n.a.	13.84	n.a.
<i>Credit card plan</i>										
3 All accounts	15.69	16.02	15.63	n.a.	n.a.	15.75	n.a.	n.a.	15.78	n.a.
4 Accounts assessed interest	15.77	15.79	15.50	n.a.	n.a.	15.72	n.a.	n.a.	15.79	n.a.
<i>Auto finance companies</i>										
5 New car	9.79	11.19	9.84	8.08	8.56	7.80	7.64	6.71	5.93	6.12
6 Used car	13.49	14.48	13.53	13.18	13.29	13.48	13.55	13.51	13.38	13.29
OTHER TERMS³										
<i>Maturity (months)</i>										
7 New car	54.0	54.1	51.6	53.5	52.8	53.2	53.3	54.6	55.5	55.4
8 Used car	50.2	52.2	51.4	51.1	51.2	51.3	51.3	51.4	51.2	50.8
<i>Loan-to-value ratio</i>										
9 New car	92	92	91	90	91	93	93	94	93	93
10 Used car	99	99	100	99	99	99	99	99	99	99
<i>Amount financed (dollars)</i>										
11 New car	15,375	16,210	16,987	17,198	17,620	18,060	18,171	18,281	18,329	18,520
12 Used car	10,709	11,590	12,182	12,194	12,195	12,261	12,239	12,307	12,204	12,190

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. 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 MARKETS¹

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1992	1993	1994	1995	1996	1995	1996				1997	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
Nonfinancial sectors												
1 Total net borrowing by domestic nonfinancial sectors	539.9	619.6	594.0	698.2	715.3	586.6	855.1	694.0	680.8	631.2	686.2	544.7
<i>By sector and instrument</i>												
2 Federal government	304.0	256.1	155.9	144.4	145.0	64.9	227.3	62.7	163.2	126.9	81.2	-97.1
3 Treasury securities	303.8	248.3	155.7	142.9	146.6	59.7	229.6	60.5	166.3	130.2	82.6	-97.3
4 Budget agency securities and mortgages . . . . .	.2	7.8	.2	1.5	-1.6	5.1	-2.3	2.2	-3.1	-3.3	-1.4	.2
5 Nonfederal	235.9	363.4	438.1	553.7	570.3	521.7	627.8	631.3	517.6	504.4	605.0	641.7
<i>By instrument</i>												
6 Commercial paper	8.6	10.0	21.4	18.1	-9	14.1	25.7	9.1	-14.2	-24.4	7.8	21.4
7 Municipal securities and loans	30.5	74.8	-35.9	-48.2	1.3	-38.9	-4.1	30.2	-65.2	44.2	23.2	76.5
8 Corporate bonds	67.6	75.2	23.3	73.3	72.5	82.0	60.9	71.5	67.8	89.9	79.4	86.1
9 Bank loans n.e.c.	-12.3	5.1	75.0	100.4	69.9	89.6	41.5	69.7	132.2	36.3	142.0	125.2
10 Other loans and advances	5.7	-18.9	37.3	46.5	22.0	53.5	20.4	38.0	45.6	-15.8	1.2	-7.1
11 Mortgages	131.5	155.3	191.9	223.1	319.2	201.3	359.9	323.7	261.6	331.6	265.4	287.2
12 Home	189.1	184.1	199.0	192.4	267.8	171.6	316.1	255.4	248.3	251.6	240.3	203.9
13 Multifamily residential	-10.7	-6.0	1.7	10.4	17.9	13.3	14.7	18.3	11.8	26.9	5.1	20.9
14 Commercial	-47.4	-23.9	-11.0	18.8	30.9	15.2	27.5	45.1	-6	51.5	18.0	57.7
15 Farm . . . . .	.5	1.0	2.2	1.6	2.6	1.0	1.6	4.9	2.2	1.6	2.0	4.7
16 Consumer credit	4.2	62.0	125.1	140.5	86.3	120.1	123.5	89.0	89.9	42.6	85.9	52.4
<i>By borrowing sector</i>												
17 Household	191.2	246.2	343.7	354.9	363.8	329.7	443.0	376.5	348.8	286.8	335.5	291.1
18 Nonfinancial business	23.6	54.9	140.8	241.8	193.9	226.3	177.2	216.8	219.7	161.8	234.5	266.4
19 Corporate	39.6	49.1	135.3	213.7	148.1	200.8	132.9	172.1	192.9	94.4	179.3	190.9
20 Nonfarm noncorporate	-16.4	3.2	2.2	26.6	43.4	26.4	44.2	38.5	29.2	61.5	54.4	72.0
21 Farm . . . . .	.5	2.6	3.3	1.5	2.4	-9	.1	6.2	-2.5	6.0	.8	3.6
22 State and local government	21.1	62.3	-46.4	-42.9	12.7	-34.2	7.7	38.0	-50.8	55.8	35.0	84.2
23 Foreign net borrowing in United States	23.7	70.4	-15.2	71.2	70.1	81.3	53.2	35.4	106.0	85.7	27.2	50.7
24 Commercial paper	5.2	-9.0	-27.3	13.6	10.9	-3.9	-5.4	8.9	37.8	2.2	16.2	10.0
25 Bonds	16.8	82.9	12.2	49.7	49.4	76.1	47.7	11.2	60.2	78.5	11.0	29.7
26 Bank loans n.e.c.	2.3	.7	1.4	8.5	9.1	11.9	8.7	15.1	4.7	7.8	-6	11.0
27 Other loans and advances	-6	-4.2	-1.5	-5	.8	-2.8	2.3	.1	3.4	-2.7	.7	.1
28 Total domestic plus foreign	563.6	690.0	578.7	769.3	785.4	667.9	908.3	729.4	786.8	716.9	713.4	595.4
Financial sectors												
29 Total net borrowing by financial sectors	241.4	293.4	465.9	449.0	530.6	598.4	341.2	707.1	432.7	641.4	281.9	629.4
<i>By instrument</i>												
30 Federal government-related	155.8	165.3	287.5	204.1	231.5	306.8	148.8	301.4	222.9	252.8	105.7	286.2
31 Government-sponsored enterprise securities	40.3	80.6	176.9	105.9	90.4	132.1	31.4	126.9	80.0	123.3	-8.9	198.1
32 Mortgage pool securities	115.6	84.7	115.4	98.2	141.1	174.7	117.4	174.5	142.9	129.6	114.6	88.1
33 Loans from U.S. government . . . . .	.0	.0	-4.8	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	85.6	128.2	178.4	244.9	299.2	291.6	192.4	405.7	209.9	388.6	176.2	343.2
35 Open market paper	-7	-6.2	41.6	42.6	92.7	57.0	16.1	106.1	84.2	164.3	175.4	78.1
36 Corporate bonds	85.6	122.8	118.1	188.8	151.1	196.3	150.6	219.6	76.3	157.8	-6.1	173.9
37 Bank loans n.e.c. . . . .	.7	-14.4	-13.7	4.2	16.8	-1.5	23.4	20.6	2.6	20.4	7.0	10.4
38 Other loans and advances	-6	22.4	22.6	3.4	27.2	32.0	-5.5	48.6	33.9	31.8	-16.1	66.8
39 Mortgages . . . . .	.6	3.6	9.8	5.9	11.4	7.7	7.7	10.8	12.9	14.3	16.0	14.0
<i>By borrowing sector</i>												
40 Commercial banking	10.0	13.4	20.1	22.5	11.7	-7.9	-34.2	40.5	14.7	25.7	16.1	83.0
41 Savings institutions	-7.0	11.3	12.8	2.6	26.0	31.5	11.0	42.1	26.4	24.7	-14.6	33.9
42 Credit unions . . . . .	.0	.2	.2	-1	.1	.0	-1	.2	.3	.3	-2	.2
43 Life insurance companies . . . . .	.0	.2	.3	-1	1.1	-4	2.5	.3	-4	2.0	.8	.1
44 Government-sponsored enterprises	40.2	80.6	172.1	105.9	90.4	132.1	31.4	126.9	80.0	123.3	-8.9	198.1
45 Federally related mortgage pools	115.6	84.7	115.4	98.2	141.1	174.7	117.4	174.5	142.9	129.6	114.6	88.1
46 Issuers of asset-backed securities (ABSs)	57.3	82.8	68.8	132.9	132.4	186.7	138.9	162.8	88.2	139.6	58.1	86.3
47 Finance companies	-2.3	-8	49.1	50.8	43.2	61.7	41.5	56.8	30.7	43.8	6.4	124.3
48 Mortgage companies	8.0	.0	-11.5	.4	12.4	-10.0	20.0	16.0	1.7	12.1	5.9	10.0
49 Real estate investment trusts (REITs) . . . . .	.3	3.4	13.7	6.0	12.8	8.3	8.2	11.5	13.7	17.7	19.1	18.6
50 Brokers and dealers	2.7	12.0	.5	-5.0	-2.0	7.7	-31.8	13.2	5.7	4.9	-2.9	42.4
51 Funding corporations	16.6	5.7	24.2	34.9	61.5	13.9	36.3	62.9	28.8	118.0	87.5	-55.6

A38 Domestic Financial Statistics □ January 1997

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS¹—Continued

Transaction category or sector	1992	1993	1994	1995	1996	1995	1996					1997	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2	
All sectors													
52 Total net borrowing, all sectors	805.0	983.4	1,044.7	1,218.3	1,316.0	1,266.3	1,249.5	1,436.5	1,219.6	1,358.4	995.3	1,224.7	
53 Open market paper	13.1	-5.1	35.7	74.3	102.6	67.2	36.4	124.2	107.7	142.1	199.4	109.4	
54 U.S. government securities	459.8	421.4	448.1	348.5	376.5	371.7	376.1	364.1	386.1	379.7	186.9	189.1	
55 Municipal securities	30.5	74.8	-35.9	-48.2	1.3	-38.9	-4.1	30.2	-65.2	44.2	23.2	76.5	
56 Corporate and foreign bonds	169.9	280.8	153.6	311.8	273.0	354.4	259.3	302.4	204.2	326.2	84.3	289.7	
57 Bank loans n.e.c.	-9.3	-8.6	62.8	113.0	95.7	100.1	73.5	105.4	139.5	64.5	148.3	146.6	
58 Other loans and advances	4.6	-8	53.6	49.3	50.0	82.7	17.2	86.7	82.9	13.2	-14.2	59.8	
59 Mortgages	132.1	158.9	201.7	229.0	330.6	209.0	367.6	334.5	274.5	346.0	281.4	301.2	
60 Consumer credit	4.2	62.0	125.1	140.5	86.3	120.1	123.5	89.0	89.9	42.6	85.9	52.4	
Funds raised through mutual funds and corporate equities													
61 Total net issues	293.9	422.1	124.8	145.1	241.3	223.4	319.1	386.6	78.4	181.2	194.4	205.7	
62 Corporate equities	103.4	130.1	24.1	-2.3	3.8	-4.7	21.5	82.1	-93.5	4.9	-59.0	-36.1	
63 Nonfinancial corporations	27.0	21.3	-44.9	-58.3	-64.2	-58.4	-73.6	4	-127.6	-56.0	-86.2	-83.6	
64 Foreign shares purchased by U.S. residents	32.4	63.4	48.1	50.4	58.8	55.9	90.1	70.1	32.7	42.3	47.0	55.6	
65 Financial corporations	44.0	45.4	20.9	5.6	9.2	-2.2	5.1	11.6	1.5	18.6	-19.8	-8.1	
66 Mutual fund shares	190.5	292.0	100.6	147.4	237.6	228.1	297.6	304.5	171.9	176.3	253.4	241.8	

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F:2 through F:4. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS¹

Billions of dollars except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1992	1993	1994	1995	1996	1995	1996				1997	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
NET LENDING IN CREDIT MARKETS²												
1 Total net lending in credit markets	805.0	983.4	1,044.7	1,218.3	1,316.0	1,266.3	1,249.5	1,436.5	1,219.6	1,358.4	995.3	1,224.7
2 Domestic nonfederal nonfinancial sectors	117.2	80.0	257.1	-86.5	-8.9	-167.4	-40.9	305.7	-183.8	-116.7	-300.7	-90.2
3 Household	87.8	39.3	293.9	-2.1	31.7	-79.4	-76.5	277.9	-43.3	-31.5	-241.2	-63.8
4 Nonfinancial corporate business	27.8	9.1	17.7	-2.4	15.3	-5.2	29.2	31.7	9.5	-9.4	42.3	-14.4
5 Nonfarm noncorporate business	-1	-1.1	6	3	4	3	4	4	4	4	5	5
6 State and local governments	1.7	32.6	-55.0	-82.4	-56.2	-83.1	6.0	-4.4	-150.4	-76.2	-102.2	-12.5
7 Federal government	-10.4	-17.2	-22.6	-20.4	-20.9	-22.7	-19.9	-14.3	-25.0	-24.3	-18.7	-12.9
8 Rest of the world	98.4	129.3	132.3	273.9	409.1	160.2	350.0	268.9	485.4	532.2	366.3	306.3
9 Financial sectors	599.8	791.3	677.9	1,051.3	936.7	1,296.2	960.3	876.2	943.0	967.1	948.4	1,021.6
10 Monetary authority	27.9	36.2	31.5	12.7	12.3	23.2	17.5	11.7	11.5	8.4	37.4	47.2
11 Commercial banking	95.3	142.2	163.4	265.9	187.8	176.5	126.0	179.7	196.1	249.4	319.6	330.1
12 U.S.-chartered banks	69.5	149.6	148.1	186.5	119.6	126.0	78.3	121.9	119.5	158.9	212.3	321.9
13 Foreign banking offices in United States	16.5	-9.8	11.2	75.4	63.3	38.5	50.8	50.7	71.1	80.5	97.3	1.1
14 Bank holding companies	5.6	.0	.9	-.3	3.9	4.6	-5.1	5.4	4.8	10.5	2.2	5.1
15 Banks in U.S.-affiliated areas	3.7	2.4	3.3	4.2	1.0	7.4	2.1	1.7	-.7	-6	7.8	2.0
16 Savings institutions	-79.0	-23.3	6.7	-7.6	19.9	-68.4	34.1	44.7	49.7	-48.8	-3.0	21.1
17 Credit unions	17.7	21.7	28.1	16.2	25.5	19.0	23.6	33.0	21.1	24.3	14.0	18.9
18 Bank personal trusts and estates	8.0	9.5	7.1	-18.8	3.9	-20.2	-3.5	4.2	7.8	7.2	8.2	8.9
19 Life insurance companies	79.5	100.9	66.7	99.2	72.5	51.7	47.6	9	123.2	118.1	94.3	84.4
20 Other insurance companies	6.7	27.7	24.9	21.5	21.5	22.3	13.6	30.5	14.2	27.7	3.9	11.4
21 Private pension funds	37.5	49.5	47.7	63.1	46.6	81.3	69.5	45.4	41.9	29.5	57.5	57.8
22 State and local government retirement funds	5.9	21.1	30.7	22.7	34.5	20.1	54.9	47.9	19.0	16.1	38.7	21.1
23 Money market mutual funds	4.7	20.4	30.0	86.5	88.8	130.4	164.1	27.0	83.0	81.3	65.2	19.7
24 Mutual funds	126.2	159.5	-7.1	52.5	48.9	146.0	88.5	54.3	27.5	25.3	61.9	108.1
25 Closed-end funds	18.2	14.4	-3.3	13.3	9.3	13.2	10.9	9.8	9.0	7.5	6.7	5.3
26 Government-sponsored enterprises	68.8	87.8	117.8	84.7	92.0	185.1	33.9	114.7	81.2	138.1	45.1	119.0
27 Federally related mortgage pools	115.6	84.7	115.4	98.2	141.1	174.7	117.4	174.5	142.9	129.6	114.6	88.1
28 Asset-backed securities issuers (ABSs)	53.1	80.2	61.7	111.1	102.1	137.1	119.7	135.7	62.0	91.1	34.5	71.3
29 Finance companies	.4	-20.9	48.3	49.9	18.4	45.1	30.4	36.3	13.1	-6.3	41.4	1.8
30 Mortgage companies	.1	.0	-24.0	-3.4	8.2	-36.4	51.8	-26.8	3.4	4.1	-8.2	.0
31 Real estate investment trusts (REITs)	1.1	6	4.7	2.2	3.0	3.4	3.4	3.4	3.4	2.0	2.0	3.4
32 Brokers and dealers	-1.3	14.8	-44.2	90.1	-17.1	189.3	-109.0	-72.0	35.5	77.0	-12.8	23.0
33 Funding corporations	13.3	-35.6	-28.4	-8.6	17.5	3.0	65.9	21.1	-2.4	-14.5	27.2	-19.1
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 Net flows through credit markets	805.0	983.4	1,044.7	1,218.3	1,316.0	1,266.3	1,249.5	1,436.5	1,219.6	1,358.4	995.3	1,224.7
<i>Other financial sources</i>												
35 Official foreign exchange	-1.6	.8	-5.8	8.8	-6.3	-1.9	-.9	1.6	-26.6	.7	-17.6	.4
36 Special drawing rights certificates	-2.0	.0	.0	2.2	-.5	.0	.0	.0	-1.8	.0	-2.1	.0
37 Treasury currency	.2	.4	.7	.6	.0	.0	.0	.0	2.3	-2.3	.4	.2
38 Foreign deposits	-3.4	-18.5	52.9	35.3	82.0	21.1	100.8	3.0	119.7	104.5	188.6	79.0
39 Net interbank transactions	49.4	50.5	89.8	9.9	-52.6	57.0	-78.6	-51.8	-102.5	22.3	-85.2	-33.9
40 Checkable deposits and currency	113.5	117.3	-9.7	-12.8	15.8	-40.4	6.8	3.9	105.9	-53.4	81.3	54.0
41 Small time and savings deposits	-57.2	-70.3	-40.0	96.5	97.1	110.2	207.7	-3.2	92.7	91.2	165.0	30.2
42 Large time deposits	-73.2	-23.5	19.6	65.6	113.9	-1.5	57.4	83.1	181.8	133.2	48.1	177.4
43 Money market fund shares	4.5	20.2	43.3	142.3	145.8	148.9	227.6	23.1	145.1	187.5	182.4	58.5
44 Security repurchase agreements	43.1	71.2	78.3	110.7	38.7	56.7	-4.7	98.5	-15.9	77.0	51.8	217.3
45 Corporate equities	103.4	130.1	24.1	-2.3	3.8	-4.7	21.5	82.1	-93.5	4.9	-59.0	-36.1
46 Mutual fund shares	190.5	292.0	100.6	147.4	237.6	228.1	297.6	304.5	171.9	176.3	253.4	241.8
47 Trade payables	46.6	52.0	93.7	105.2	75.4	93.6	77.7	120.4	-4.3	107.6	90.3	66.3
48 Security credit	4.6	61.4	-.1	26.7	52.4	42.8	114.0	-34.8	5.3	125.1	117.6	114.4
49 Life insurance reserves	28.0	36.0	34.5	44.9	43.6	38.3	19.0	32.5	56.6	66.3	44.0	66.4
50 Pension fund reserves	230.3	254.7	253.2	241.2	235.7	189.5	236.1	196.2	231.9	278.5	287.0	278.9
51 Taxes payable	9.7	5.2	1.5	1.6	3.2	-7.2	4.5	4.7	-.1	3.5	-9.3	-11.4
52 Investment in bank personal trusts	-7.1	.9	17.8	-49.7	12.5	-39.2	-.6	11.8	19.2	19.8	23.5	26.3
53 Noncorporate proprietors' equity	37.7	14.2	43.7	28.0	5.7	26.9	2.2	6.4	27.5	-15.6	-12.3	-6.7
54 Miscellaneous	246.3	336.6	243.1	466.0	454.8	765.1	506.5	431.0	348.0	533.7	604.8	631.1
55 Total financial sources	1,768.0	2,314.6	2,086.0	2,686.4	2,874.4	2,949.4	3,044.1	2,749.4	2,482.8	3,219.1	2,948.0	3,179.0
<i>Liabilities not identified as assets (-)</i>												
56 Treasury currency	-.2	-.2	-.2	-.5	-1.0	-1.0	-1.1	-1.0	1.3	-3.1	-.3	-.6
57 Foreign deposits	-2.7	-5.7	43.0	25.7	58.1	18.0	73.2	26.6	91.3	41.3	179.0	54.5
58 Net interbank liabilities	-4.9	4.2	-2.7	-3.1	-3.3	-32.5	9.3	-22.5	-4.4	4.2	26.5	-24.9
59 Security repurchase agreements	4.7	46.1	57.3	55.1	24.2	29.9	27.7	124.8	-133.3	77.6	-102.1	166.7
60 Taxes payable	11.9	9.6	15.6	14.8	5.5	9.4	-14.6	20.4	7.7	8.5	-27.5	15.1
61 Miscellaneous	-68.8	-201.7	-178.8	-98.2	-99.2	104.4	-149.4	-134.8	-156.2	43.6	-112.4	-378.1
<i>Floats not included in assets (-)</i>												
62 Federal government checkable deposits	.7	-1.5	-4.8	-6.0	.5	-13.9	2.7	-6.6	27.1	-21.4	-9.4	16.1
63 Other checkable deposits	1.6	-1.3	-2.8	-3.8	-4.0	-4.7	-2.8	-5.0	-4.7	-3.7	-2.6	-4.8
64 Trade credit	11.8	-4.1	.7	-30.5	-32.0	-114.4	6.5	-9.8	-101.5	-23.4	28.4	-57.4
65 Total identified to sectors as assets	1,814.1	2,469.1	2,158.7	2,732.9	2,925.8	2,954.2	3,092.6	2,757.3	2,755.7	3,095.5	2,968.5	3,392.3

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.1 and F.5. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING¹

Billions of dollars, end of period

Transaction category or sector	1993	1994	1995	1996	1995		1996				1997	
					Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Nonfinancial sectors												
1 Total credit market debt owed by domestic nonfinancial sectors	12,486.9	13,087.1	13,785.2	14,500.5	13,785.2	13,980.9	14,134.3	14,308.4	14,500.5	14,658.4	14,769.2	
<i>By sector and instrument</i>												
2 Federal government	3,336.5	3,492.3	3,636.7	3,781.8	3,636.7	3,717.2	3,693.8	3,733.1	3,781.8	3,829.8	3,760.6	
3 Treasury securities	3,309.9	3,465.6	3,608.5	3,755.1	3,608.5	3,689.6	3,665.5	3,705.7	3,755.1	3,803.5	3,734.3	
4 Budget agency securities and mortgages	26.6	26.7	28.2	26.6	28.2	27.6	28.2	27.4	26.6	26.3	26.3	
5 Nonfederal	9,150.4	9,594.8	10,148.5	10,718.8	10,148.5	10,263.7	10,440.6	10,575.3	10,718.8	10,828.6	11,008.6	
<i>By instrument</i>												
6 Commercial paper	117.8	139.2	157.4	156.4	157.4	174.2	181.7	173.0	156.4	168.7	179.3	
7 Municipal securities and loans	1,377.5	1,341.7	1,293.5	1,294.8	1,293.5	1,290.3	1,296.1	1,279.8	1,294.8	1,298.8	1,315.5	
8 Corporate bonds	1,229.7	1,253.0	1,326.3	1,398.8	1,326.3	1,341.5	1,359.4	1,376.4	1,398.8	1,418.7	1,440.2	
9 Bank loans n.e.c.	680.8	755.7	856.1	926.0	856.1	864.4	887.0	915.5	926.0	952.1	998.4	
10 Other loans and advances	629.3	673.0	719.4	741.4	719.4	728.8	737.4	745.1	741.4	746.2	743.3	
11 Mortgages	4,252.2	4,444.1	4,667.2	4,986.4	4,667.2	4,744.0	4,832.2	4,908.3	4,986.4	5,040.2	5,118.9	
12 Home	3,225.0	3,424.0	3,616.4	3,850.6	3,616.4	3,682.3	3,719.7	3,792.4	3,850.6	3,898.0	3,956.0	
13 Multifamily residential	267.4	269.1	279.5	301.1	279.5	283.2	291.4	294.4	301.1	302.4	307.6	
14 Commercial	679.0	668.0	686.8	747.6	686.8	693.6	734.9	734.7	747.6	752.1	766.6	
15 Farm	80.7	83.0	84.6	87.1	84.6	85.0	86.2	86.7	87.1	87.6	88.8	
16 Consumer credit	863.0	988.1	1,128.6	1,214.9	1,128.6	1,120.5	1,146.9	1,177.3	1,214.9	1,193.9	1,213.0	
<i>By borrowing sector</i>												
17 Household	4,203.5	4,550.0	4,910.1	5,244.7	4,910.1	4,969.5	5,043.5	5,148.5	5,244.7	5,275.0	5,362.8	
18 Nonfinancial business	3,785.0	3,929.4	4,165.9	4,388.9	4,165.9	4,221.2	4,316.5	4,358.9	4,388.9	4,460.7	4,534.5	
19 Corporate	2,528.6	2,667.5	2,875.9	3,053.1	2,875.9	2,922.9	3,003.6	3,038.7	3,053.1	3,113.8	3,165.3	
20 Nonfarm noncorporate	1,118.5	1,120.7	1,147.3	1,190.7	1,147.3	1,158.3	1,167.9	1,174.6	1,190.7	1,204.2	1,222.2	
21 Farm	137.9	141.2	142.7	145.1	142.7	140.0	145.5	145.5	145.1	142.7	147.0	
22 State and local government	1,161.8	1,115.4	1,072.5	1,085.1	1,072.5	1,073.1	1,080.6	1,068.0	1,085.1	1,093.0	1,111.3	
23 Foreign credit market debt held in United States	385.7	370.6	441.7	511.8	441.7	452.7	461.5	489.1	511.8	516.4	528.8	
24 Commercial paper	68.7	41.4	55.0	65.8	55.0	51.5	53.4	64.8	65.8	67.9	69.8	
25 Bonds	230.1	242.3	291.9	341.3	291.9	303.8	306.7	321.7	341.3	344.1	351.5	
26 Bank loans n.e.c.	24.6	26.1	34.6	43.7	34.6	36.8	40.5	41.7	43.7	43.5	46.2	
27 Other loans and advances	62.3	60.8	60.2	61.0	60.2	60.6	60.9	61.0	61.0	61.0	61.2	
28 Total credit market debt owed by nonfinancial sectors, domestic and foreign	12,872.6	13,457.6	14,227.0	15,012.3	14,227.0	14,433.6	14,595.9	14,797.5	15,012.3	15,174.8	15,298.0	
Financial sectors												
29 Total credit market debt owed by financial sectors	3,327.0	3,800.7	4,252.3	4,782.9	4,252.3	4,333.0	4,511.9	4,623.1	4,782.9	4,848.5	5,008.7	
<i>By instrument</i>												
30 Federal government-related	1,885.2	2,172.7	2,376.8	2,608.3	2,376.8	2,414.0	2,489.4	2,545.1	2,608.3	2,634.7	2,706.2	
31 Government-sponsored enterprise securities	523.7	700.6	806.5	896.9	806.5	814.4	846.1	866.1	896.9	894.7	944.2	
32 Mortgage pool securities	1,356.8	1,472.1	1,570.3	1,711.4	1,570.3	1,599.7	1,643.3	1,679.0	1,711.4	1,740.0	1,762.1	
33 Loans from U.S. government	4.8	0	0	0	0	0	0	0	0	0	0	
34 Private	1,441.8	1,627.9	1,875.4	2,174.6	1,875.4	1,919.0	2,022.5	2,078.1	2,174.6	2,213.8	2,302.5	
35 Open market paper	393.5	442.8	488.0	580.7	488.0	491.9	518.5	539.6	580.7	624.5	644.0	
36 Corporate bonds	867.9	985.9	1,174.7	1,325.8	1,174.7	1,208.5	1,265.2	1,287.6	1,325.8	1,319.9	1,365.8	
37 Bank loans n.e.c.	62.6	48.9	53.1	69.8	53.1	58.6	63.9	64.2	69.8	71.3	74.3	
38 Other loans and advances	108.9	131.6	135.0	162.2	135.0	133.6	145.8	154.2	162.2	158.2	174.9	
39 Mortgages	8.9	18.7	24.6	36.0	24.6	26.5	29.2	32.4	36.0	40.0	43.5	
<i>By borrowing sector</i>												
40 Commercial banks	84.6	94.5	102.6	112.3	102.6	100.5	103.6	106.7	112.3	114.5	125.2	
41 Bank holding companies	123.4	133.6	148.0	150.0	148.0	141.4	148.4	149.1	150.0	151.7	161.7	
42 Savings institutions	99.6	112.4	115.0	141.1	115.0	117.8	128.3	134.9	141.1	137.4	145.9	
43 Credit unions	2	5	4	4	4	4	3	4	4	4	4	
44 Life insurance companies	2	6	5	1.6	5	1.1	1.2	1.1	1.6	1.8	1.8	
45 Government-sponsored enterprises	528.5	700.6	806.5	896.9	806.5	814.4	846.1	866.1	896.9	894.7	944.2	
46 Federally related mortgage pools	1,356.8	1,472.1	1,570.3	1,711.4	1,570.3	1,599.7	1,643.3	1,679.0	1,711.4	1,740.0	1,762.1	
47 Issuers of asset-backed securities (ABSs)	485.3	554.1	687.0	819.5	687.0	717.3	756.7	781.3	819.5	829.0	849.5	
48 Brokers and dealers	33.7	34.3	29.3	27.3	29.3	21.4	24.6	26.1	27.3	26.6	37.2	
49 Finance companies	386.7	435.8	486.6	529.8	486.6	493.8	506.3	513.7	529.8	528.2	557.7	
50 Mortgage companies	30.2	18.7	19.1	31.5	19.1	24.1	28.1	28.5	31.5	33.0	35.5	
51 Real estate investment trusts (REITs)	17.4	31.1	37.1	49.9	37.1	39.1	42.0	45.4	49.9	54.6	59.3	
52 Funding corporations	180.3	212.3	249.8	311.3	249.8	262.2	283.0	290.7	311.3	336.7	328.2	
All sectors												
53 Total credit market debt, domestic and foreign	16,199.6	17,258.3	18,479.2	19,795.2	18,479.2	18,766.6	19,107.8	19,420.7	19,795.2	20,023.4	20,306.7	
54 Open market paper	580.0	623.5	700.4	803.0	700.4	717.6	753.6	777.4	803.0	861.1	893.1	
55 U.S. government securities	5,216.9	5,665.0	6,013.6	6,390.0	6,013.6	6,131.2	6,183.1	6,278.2	6,390.0	6,464.5	6,466.8	
56 Municipal securities	1,377.5	1,341.7	1,293.5	1,294.8	1,293.5	1,290.3	1,296.1	1,279.8	1,294.8	1,298.8	1,315.5	
57 Corporate and foreign bonds	2,327.6	2,481.2	2,793.0	3,066.0	2,793.0	2,853.8	2,931.3	2,985.7	3,066.0	3,082.6	3,157.5	
58 Bank loans n.e.c.	768.0	830.8	943.8	1,039.5	943.8	959.7	991.4	1,021.3	1,039.5	1,076.9	1,118.9	
59 Other loans and advances	805.3	859.3	914.6	964.6	914.6	923.0	944.1	963.6	964.6	963.3	979.4	
60 Mortgages	4,261.2	4,462.8	4,691.8	5,022.4	4,691.8	4,770.5	4,861.4	4,940.7	5,022.4	5,080.2	5,162.4	
61 Consumer credit	863.0	988.1	1,128.6	1,214.9	1,128.6	1,120.5	1,146.9	1,177.3	1,214.9	1,193.9	1,213.0	

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES¹

Billions of dollars except as noted, end of period

Transaction category or sector	1993	1994	1995	1996	1995		1996				1997	
					Q4	Q1	Q2	Q3	Q4	Q1	Q2	
CREDIT MARKET DEBT OUTSTANDING²												
1 Total credit market assets	16,199.6	17,258.3	18,479.2	19,795.2	18,479.2	18,766.6	19,107.8	19,420.7	19,795.2	20,023.4	20,306.7	
2 Domestic nonfederal nonfinancial sectors	2,795.8	3,085.7	2,964.1	3,000.3	2,964.1	2,928.4	3,013.5	2,982.4	3,000.3	2,899.1	2,855.3	
3 Household	1,702.4	2,029.1	1,991.8	2,068.6	1,991.8	1,970.0	2,040.5	2,047.5	2,068.6	2,007.8	1,961.4	
4 Nonfinancial corporate business	271.5	289.2	286.8	302.1	286.8	273.6	285.7	286.8	302.1	289.6	291.6	
5 Nonfarm noncorporate business	37.0	37.6	37.9	38.3	37.9	38.0	38.1	38.2	38.3	38.4	38.6	
6 State and local governments	784.9	729.9	647.5	591.3	647.5	646.8	649.1	609.9	591.3	563.3	563.7	
7 Federal government	234.7	212.0	191.6	170.7	191.6	186.6	183.0	176.8	170.7	166.0	162.8	
8 Rest of the world	1,147.8	1,254.8	1,563.1	1,953.5	1,563.1	1,656.5	1,722.0	1,844.6	1,953.5	2,050.7	2,125.8	
9 Financial sectors	12,021.3	12,705.7	13,760.4	14,670.7	13,760.4	13,995.1	14,189.3	14,416.8	14,670.7	14,907.5	15,162.9	
10 Monetary authority	336.7	368.2	380.8	393.1	380.8	379.6	386.3	386.2	393.1	397.1	412.4	
11 Commercial banking	3,090.8	3,254.3	3,520.0	3,707.9	3,520.1	3,541.6	3,590.8	3,643.3	3,707.9	3,780.5	3,866.8	
12 U.S.-chartered banks	2,721.5	2,869.6	3,056.1	3,175.8	3,056.1	3,068.8	3,101.3	3,135.3	3,175.8	3,222.2	3,304.5	
13 Foreign banking offices in United States	326.0	337.1	412.6	475.8	412.6	412.6	437.1	454.2	475.8	499.5	501.8	
14 Bank holding companies	17.5	18.4	18.0	22.0	18.0	16.8	18.1	19.3	22.0	22.5	23.8	
15 Banks in U.S.-affiliated areas	25.8	29.2	33.4	34.4	33.4	33.9	34.3	34.5	34.4	36.3	36.8	
16 Savings institutions	914.1	920.8	913.3	933.2	913.3	913.0	933.0	945.4	933.2	932.4	937.7	
17 Credit unions	218.7	248.8	263.0	288.5	263.0	267.0	276.9	282.6	288.5	290.1	296.4	
18 Bank personal trusts and estates	240.9	248.0	229.2	233.1	229.2	228.3	229.4	231.3	233.1	235.2	237.4	
19 Life insurance companies	1,416.0	1,482.6	1,581.8	1,654.3	1,581.8	1,596.2	1,596.7	1,627.0	1,654.3	1,680.2	1,701.5	
20 Other insurance companies	422.7	446.4	468.7	490.2	468.7	472.1	479.7	483.2	490.2	491.2	494.0	
21 Private pension funds	611.4	659.2	722.3	768.8	722.3	739.6	751.0	761.4	768.8	783.2	797.7	
22 State and local government retirement funds	423.4	454.1	476.8	511.3	476.8	491.9	505.0	506.3	511.3	522.5	529.1	
23 Money market mutual funds	429.0	459.0	545.5	634.3	545.5	595.6	594.7	606.6	634.3	659.0	656.5	
24 Mutual funds	725.9	718.8	771.3	820.2	771.3	795.9	809.0	818.3	820.2	838.3	864.7	
25 Closed-end funds	82.0	78.7	92.0	101.3	92.0	94.8	97.2	99.5	101.3	103.0	104.3	
26 Government-sponsored enterprises	545.5	663.3	748.0	813.6	748.0	755.8	758.9	779.3	813.6	824.3	854.8	
27 Federally related mortgage pools	1,356.8	1,472.1	1,570.3	1,711.4	1,570.3	1,599.7	1,643.3	1,679.0	1,711.4	1,740.0	1,762.1	
28 Asset-backed securities issuers (ABSs)	455.1	516.8	627.9	730.0	627.9	653.3	686.0	704.1	730.0	733.7	750.5	
29 Finance companies	427.9	476.2	526.2	544.5	526.2	530.3	539.9	544.5	544.5	551.6	552.3	
30 Mortgage companies	60.4	36.5	33.0	41.2	33.0	46.0	39.3	40.2	41.2	39.2	39.2	
31 Real estate investment trusts (REITs)	8.6	13.3	15.5	18.5	15.5	16.3	17.2	18.0	18.5	19.0	19.9	
32 Brokers and dealers	137.5	93.3	183.4	166.3	183.4	156.2	138.2	147.1	166.3	163.1	168.9	
33 Funding corporations	117.9	97.3	91.3	108.8	91.3	113.2	116.8	119.8	108.8	124.1	116.9	
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 Total credit market debt	16,199.6	17,258.3	18,479.2	19,795.2	18,479.2	18,766.6	19,107.8	19,420.7	19,795.2	20,023.4	20,306.7	
<i>Other liabilities</i>												
35 Official foreign exchange	53.4	53.2	63.7	53.7	63.7	62.1	61.4	54.3	53.7	46.3	46.7	
36 Special drawing rights certificates	8.0	8.0	10.2	9.7	10.2	10.2	9.7	9.7	9.7	9.2	9.2	
37 Treasury currency	17.0	17.6	18.2	18.2	18.2	18.2	18.2	18.8	18.2	18.3	18.3	
38 Foreign deposits	271.8	324.6	359.2	438.1	359.2	384.4	385.2	415.1	438.1	485.2	505.0	
39 Net interbank liabilities	189.3	280.1	290.7	239.7	290.7	266.0	249.1	223.6	239.7	210.1	199.4	
40 Checkable deposits and currency	1,251.7	1,242.0	1,229.3	1,245.1	1,229.3	1,183.3	1,212.3	1,220.8	1,245.1	1,219.0	1,261.8	
41 Small time and savings deposits	2,223.2	2,183.3	2,279.7	2,376.8	2,279.7	2,342.3	2,340.1	2,357.4	2,376.8	2,428.7	2,435.3	
42 Large time deposits	391.7	411.2	476.9	590.7	476.9	493.6	511.1	557.6	590.7	605.4	646.4	
43 Money market fund shares	559.6	602.9	745.3	891.1	745.3	816.9	809.5	838.1	891.1	950.8	952.4	
44 Security repurchase agreements	471.1	549.4	660.1	698.8	660.1	666.1	692.1	687.6	698.8	716.6	774.3	
45 Mutual fund shares	1,375.4	1,477.3	1,852.8	2,342.4	1,852.8	1,997.0	2,129.9	2,211.6	2,342.4	2,411.5	2,731.1	
46 Security credit	279.0	279.0	305.7	358.0	305.7	326.9	318.6	317.8	358.0	380.0	409.1	
47 Life insurance reserves	470.8	505.3	550.2	593.8	550.2	555.0	563.1	577.2	593.8	604.8	621.4	
48 Pension fund reserves	4,663.3	4,871.8	5,597.3	6,257.7	5,597.3	5,753.0	5,874.0	5,989.4	6,257.7	6,339.9	6,789.1	
49 Trade payables	1,047.8	1,141.5	1,246.7	1,322.1	1,246.7	1,235.5	1,271.5	1,267.7	1,322.1	1,313.8	1,336.1	
50 Taxes payable	84.8	86.3	88.0	91.1	88.0	93.0	89.2	91.1	91.1	93.0	85.0	
51 Investment in bank personal trusts	691.3	699.4	767.4	872.0	767.4	793.7	811.7	829.0	872.0	890.4	969.7	
52 Miscellaneous	5,109.8	5,379.1	5,783.0	6,135.1	5,783.0	5,951.7	5,948.9	6,027.7	6,135.1	6,327.6	6,267.5	
53 Total liabilities	35,358.5	37,370.5	40,803.4	44,329.3	40,803.4	41,715.4	42,403.7	43,115.3	44,329.3	45,074.0	46,364.4	
<i>Financial assets not included in liabilities (+)</i>												
54 Gold and special drawing rights	20.1	21.1	22.1	21.4	22.1	22.1	22.0	21.2	21.4	20.9	21.1	
55 Corporate equities	6,257.6	6,237.9	8,331.3	10,061.1	8,331.3	8,809.7	9,105.0	9,340.5	10,061.1	10,072.3	11,719.8	
56 Household equity in noncorporate business	3,219.2	3,416.3	3,620.8	3,850.3	3,620.8	3,664.6	3,731.0	3,797.3	3,850.3	3,908.2	3,901.6	
<i>Liabilities not identified as assets (-)</i>												
57 Treasury currency	-5.1	-5.4	-5.8	-6.8	-5.8	-6.1	-6.3	-6.0	-6.8	-6.9	-7.0	
58 Foreign deposits	233.2	276.2	301.2	356.4	301.2	319.5	326.1	348.9	356.4	401.1	414.7	
59 Net interbank transactions	-4.7	-6.5	-9.0	-10.6	-9.0	-2.6	-8.0	-11.6	-12.6	-1.7	-8.3	
60 Security repurchase agreements	-1.6	55.7	110.9	135.1	110.9	121.7	149.2	135.1	110.9	110.8	150.3	
61 Taxes payable	26.8	33.7	42.8	44.3	42.8	22.6	36.9	40.9	44.3	30.5	28.6	
62 Miscellaneous	-887.6	-988.6	-1,081.0	-1,354.7	-1,081.0	-1,098.4	-1,213.2	-1,246.8	-1,354.7	-1,295.8	-1,364.8	
<i>Floats not included in assets (-)</i>												
63 Federal government checkable deposits	5.6	3.4	3.1	-1.6	3.1	0	-3.4	-1.7	-1.6	-9.7	-6.8	
64 Other checkable deposits	40.7	38.0	34.2	30.1	34.2	29.6	31.8	23.1	30.1	25.6	27.9	
65 Trade credit	-247.5	-247.7	-278.2	-310.2	-278.2	-332.0	-343.4	-383.6	-310.2	-361.2	-381.5	
66 Total identified to sectors as assets	45,695.7	47,887.0	53,659.6	59,380.2	53,659.6	55,157.5	56,292.1	57,384.6	59,380.2	60,182.7	63,153.8	

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.1 and L.5. 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 1992=100, except as noted

Measure	1994	1995	1996	1997								
				Feb.	Mar.	Apr.	May	June	July	Aug. ^f	Sept. ^f	Oct.
1 Industrial production¹	108.6	112.1	115.2	118.4	118.8	119.3	119.5	119.9	120.8^f	121.5	122.1	122.7
<i>Market groupings</i>												
2 Products, total	106.8	109.3	112.0	114.8	115.3	115.4	115.9	116.0	116.4 ^f	117.4	117.6	118.2
3 Final, total	107.1	109.9	112.8	115.6	116.3	116.6	117.1	117.4	117.8	119.1	119.1	119.9
4 Consumer goods	107.4	108.9	110.5	111.6	112.1	112.1	112.6	112.3	112.5 ^f	113.3	113.5	114.2
5 Equipment	106.6	111.6	116.8	122.6	123.5	124.3	124.9	126.2	126.9 ^f	129.1	128.8	129.5
6 Intermediate	106.1	107.5	109.4	112.0	112.1	112.0	112.2	112.0	112.0 ^f	112.2	113.0	113.2
7 Materials	111.3	116.6	120.3	124.1	124.5	125.5	125.2	126.0	127.9 ^f	128.2	129.3	129.9
<i>Industry groupings</i>												
8 Manufacturing	109.4	113.2	116.3	120.1	120.6	120.9	121.0	121.6	122.6 ^f	123.5	123.8	124.6
9 Capacity utilization, manufacturing (percent) ²	83.1	83.1	82.1	82.6	82.7	82.6	82.4	82.5	82.9	83.2	83.1	83.3
10 Construction contracts ³	117.6	122.0 ^f	130.6 ^f	133.0 ^f	135.0	140.0 ^f	143.0 ^f	142.0 ^f	137.0 ^f	137.0	134.0	131.0
11 Nonagricultural employment, total ⁴	112.0	115.0	117.3	118.8	119.0	119.3	119.5	119.7	120.1	120.1	120.4	120.7
12 Goods-producing, total	96.9	98.1	98.3	99.9	100.0	100.0	100.1	100.2	100.2	100.4	100.3	100.6
13 Manufacturing, total	96.4	97.2	96.2	97.2	97.3	97.4	97.4	97.5	97.7	97.7	97.6	97.9
14 Manufacturing, production workers	97.5	98.7	97.5	98.5	98.6	98.6	98.7	98.8	98.8	98.9	98.9	99.3
15 Service-producing	116.8	120.3	123.3	124.9	125.1	125.5	125.7	126.0	126.5	126.5	126.8	127.1
16 Personal income, total	148.9	158.2	167.0	173.6	174.6	174.9	175.5	176.5	176.8 ^f	177.8	178.5	n.a.
17 Wages and salary disbursements	142.6	150.9	159.8	167.2	168.1	168.2	168.7	170.2	170.3	171.7	172.3	n.a.
18 Manufacturing	124.9	130.4	135.7	139.5	140.5	140.7	140.9	141.0	141.1	142.3	142.8	n.a.
19 Disposable personal income ⁵	149.7	158.7	166.2	171.7	172.5	172.8	173.2	174.1	174.3 ^f	175.3	176.0	n.a.
20 Retail sales ⁶	144.6	151.2	158.6	166.1	165.6	163.7	163.3	164.5	166.5	167.2	167.0	166.6
<i>Prices⁶</i>												
21 Consumer (1982-84=100)	148.2	152.4	156.9	159.6	160.0	160.2	160.1	160.3	160.5	160.8	161.2	161.6
22 Producer finished goods (1982=100)	125.5	127.9	131.3	132.2	132.1	131.6	131.6	131.6	131.3	131.7	131.8	132.4

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 January 1997. See "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67-92. The article contains a description of the new aggregation system for industrial production and capacity utilization. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187-204.

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.

4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.

5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.

6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

NOTE: Basic data (not indexes) for series mentioned in notes 4 and 5, and indexes for series mentioned in notes 3 and 6, can also be found in the *Survey of Current Business*.

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411-35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590-605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1994	1995	1996	1997								
				Mar.	Apr.	May	June	July	Aug. ^f	Sept. ^f	Oct.	
HOUSEHOLD SURVEY DATA¹												
1 Civilian labor force ²	131,056	132,304	133,943	136,319	136,098	136,173	136,200	136,290	136,480	136,467	136,361	
<i>Employment</i>												
2 Nonagricultural industries ³	119,651	121,460	123,264	125,789	125,887	126,209	125,973	126,226	126,421	126,265	126,591	
3 Agriculture	3,409	3,440	3,443	3,386	3,497	3,430	3,391	3,482	3,383	3,450	3,303	
<i>Unemployment</i>												
4 Number	7,996	7,404	7,236	7,144	6,714	6,534	6,836	6,583	6,677	6,752	6,467	
5 Rate (percent of civilian labor force)	6.1	5.6	5.4	5.2	4.9	4.8	5.0	4.8	4.9	4.9	4.7	
ESTABLISHMENT SURVEY DATA												
6 Nonagricultural payroll employment ⁴	114,172	117,203	119,549	121,344	121,671	121,834	122,056	122,440	122,492	122,761	123,045	
7 Manufacturing	18,321	18,468	18,282	18,489	18,495	18,498	18,518	18,514	18,555	18,543	18,597	
8 Mining	601	580	570	572	573	576	574	574	573	576	573	
9 Contract construction	4,986	5,158	5,405	5,609	5,599	5,628	5,622	5,625	5,637	5,637	5,657	
10 Transportation and public utilities	5,993	6,165	6,318	6,405	6,421	6,431	6,434	6,443	6,289	6,459	6,488	
11 Trade	26,670	27,585	28,178	28,556	28,651	28,656	28,713	28,823	28,864	28,896	28,955	
12 Finance	6,896	6,830	6,977	6,992	7,019	7,029	7,034	7,058	7,068	7,079	7,102	
13 Service	31,579	33,107	34,360	35,176	35,334	35,451	35,522	35,684	35,702	35,828	35,928	
14 Government	19,128	19,310	19,459	19,545	19,579	19,565	19,639	19,719	19,804	19,743	19,745	

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 UTILIZATION¹

Seasonally adjusted

Series	1996	1997			1996	1997			1996	1997			
	Q4	Q1	Q2	Q3 ^f	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3 ^f	
	Output (1992=100)				Capacity (percent of 1992 output)				Capacity utilization rate (percent) ²				
1 Total industry	117.0	118.3	119.6	121.5	140.5	141.8	143.2	144.6	83.3	83.5	83.5	84.0	
2 Manufacturing	118.4	120.0	121.2	123.3	143.9	145.3	146.9	148.5	82.3	82.5	82.5	83.1	
3 Primary processing ³	113.9	114.7	115.7	116.5	131.5	132.2	132.9	133.7	86.6	86.8	87.0	87.1	
4 Advanced processing ⁴	120.7	122.6	123.9	126.7	150.0	151.9	153.8	155.8	80.4	80.7	80.5	81.3	
5 Durable goods	128.1	130.7	133.0	136.9	156.9	159.3	161.8	164.5	81.7	82.0	82.2	83.2	
6 Lumber and products	110.1	111.3	114.0	113.1	130.0	131.0	132.0	133.1	84.7	84.9	86.4	85.0	
7 Primary metals	119.8	119.7	122.2	124.0	131.0	132.1	133.3	134.5	91.5	90.6	91.7	92.2	
8 Iron and steel	118.6	118.3	121.1	121.1	133.5	134.9	136.0	137.2	88.9	87.7	89.0	88.3	
9 Nonferrous	121.1	121.3	123.5	127.2	127.8	129.8	130.9	132.2	94.8	94.3	95.2	97.2	
10 Industrial machinery and equipment	161.5	166.2	171.3	179.4	181.3	186.5	192.3	198.2	89.1	89.1	89.1	90.5	
11 Electrical machinery	167.2	172.1	178.9	187.6	208.5	216.3	224.2	232.4	80.2	79.6	79.8	80.7	
12 Motor vehicles and parts	126.0	130.2	125.4	132.6	177.3	178.2	178.7	179.3	71.0	73.0	70.1	74.0	
13 Aerospace and miscellaneous transportation equipment	90.4	93.5	96.4	99.1	119.8	119.7	120.5	121.4	75.5	78.1	80.0	81.6	
14 Nondurable goods	108.1	108.6	108.6	109.0	130.1	130.6	131.1	131.6	83.0	83.1	82.8	82.8	
15 Textile mill products	107.4	107.1	108.3	110.9	130.8	131.3	131.4	131.6	82.1	81.6	82.4	84.3	
16 Paper and products	109.8	111.2	112.2	114.1	123.3	123.6	123.9	124.2	89.0	89.9	90.6	91.9	
17 Chemicals and products	112.4	112.8	112.7	112.4	140.3	141.5	142.6	143.7	80.1	79.8	79.1	78.2	
18 Plastics materials	125.3	127.0	127.8	...	134.0	136.2	138.1	...	93.5	93.3	92.6	...	
19 Petroleum products	107.7	108.1	111.4	109.8	113.8	113.9	114.2	114.5	94.6	94.9	97.5	95.9	
20 Mining	103.8	105.8	107.3	106.7	113.7	113.8	114.3	114.8	91.3	93.0	93.9	92.9	
21 Utilities	113.0	110.9	112.5	114.1	125.9	126.5	127.0	127.4	89.8	87.7	88.7	89.5	
22 Electric	112.4	111.5	111.8	114.6	124.4	125.1	125.6	126.1	90.4	89.1	89.0	90.9	
	1973	1975	Previous cycle ⁵		Latest cycle ⁶		1996	1997					
	High	Low	High	Low	High	Low	Oct.	May	June	July ^f	Aug ^f	Sept.	Oct. ^f
	Capacity utilization rate (percent) ²												
1 Total industry	89.2	72.6	87.3	71.1	85.3	78.1	83.0	83.5	83.5	83.9	84.1	84.2	84.3
2 Manufacturing	88.5	70.5	86.9	69.0	85.7	76.6	82.0	82.4	82.5	82.9	83.2	83.1	83.3
3 Primary processing ³	91.2	68.2	88.1	66.2	88.9	77.8	86.7	87.1	86.9	87.2	87.1	87.1	87.2
4 Advanced processing ⁴	87.2	71.8	86.7	70.4	84.2	76.1	79.9	80.3	80.6	81.0	81.5	81.3	81.6
5 Durable goods	89.2	68.9	87.7	63.9	84.5	73.2	81.5	82.0	82.4	82.8	83.6	83.3	83.4
6 Lumber and products	88.7	61.2	87.9	60.8	93.6	75.5	84.2	86.3	86.5	85.4	84.9	84.6	84.0
7 Primary metals	100.2	65.9	94.2	45.1	92.7	73.7	93.5	92.5	92.1	92.0	92.0	92.6	92.3
8 Iron and steel	105.8	66.6	95.8	37.0	95.2	71.8	92.6	90.8	88.2	88.4	87.1	89.3	88.8
9 Nonferrous	90.8	59.8	91.1	60.1	89.3	74.2	94.7	94.8	97.0	96.7	98.2	96.7	96.7
10 Industrial machinery and equipment	96.0	74.3	93.2	64.0	85.4	72.4	89.1	88.7	88.6	90.0	91.5	90.1	90.2
11 Electrical machinery	89.2	64.7	89.4	71.6	84.0	75.1	80.5	79.4	80.1	80.9	81.0	80.2	80.5
12 Motor vehicles and parts	93.4	51.3	95.0	45.5	89.1	55.9	68.5	69.2	71.0	70.7	75.1	76.1	75.9
13 Aerospace and miscellaneous transportation equipment	78.4	67.6	81.9	66.6	87.3	79.2	74.6	80.0	80.6	81.2	81.6	82.1	82.6
14 Nondurable goods	87.8	71.7	87.5	76.4	87.3	80.7	82.7	82.9	82.6	83.0	82.7	82.8	83.1
15 Textile mill products	91.4	60.0	91.2	72.3	90.4	77.7	82.4	81.7	82.8	84.6	83.8	84.6	84.7
16 Paper and products	97.1	69.2	96.1	80.6	93.5	85.0	87.4	91.1	90.1	92.5	91.8	91.3	92.3
17 Chemicals and products	87.6	69.7	84.6	69.9	86.2	79.3	79.5	79.0	78.5	78.4	77.8	78.3	78.4
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	94.0	92.5	92.0	94.4	92.4
19 Petroleum products	96.7	81.1	90.0	66.8	88.5	85.1	95.3	98.2	97.4	95.0	96.1	96.6	97.6
20 Mining	94.3	88.2	96.0	80.3	86.8	86.1	91.0	94.6	94.2	93.7	92.9	92.2	91.1
21 Utilities	96.2	82.9	89.1	75.9	92.6	83.4	89.0	88.5	87.9	88.9	88.3	91.3	91.4
22 Electric	99.0	82.7	88.2	78.9	95.0	87.1	90.2	88.0	88.4	90.0	89.3	93.3	93.4

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 January 1997. See "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67-92. The article contains a description of the new aggregation system for industrial production and capacity utilization. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187-204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; synthetic materials; fertilizer materials; petroleum products; rubber and plastics; stone, clay, and glass; primary metals, and fabricated metals.

4. Advanced processing includes foods; tobacco; apparel; furniture and fixtures, printing and publishing; chemical products such as drugs and toiletries; agricultural chemicals; leather and products; machinery; transportation equipment; instruments; and miscellaneous manufactures.

5. Monthly highs, 1978-80; monthly lows, 1982.

6. Monthly highs, 1988-89; monthly lows, 1990-91.

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2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value¹

Monthly data seasonally adjusted

Group	1992 proportion	1996 avg.	1996			1997									
			Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July ^f	Aug. ^f	Sept.	Oct. ^P
Index (1992 = 100)															
MAJOR MARKETS															
1 Total index	100.0	115.2	116.2	117.2	117.7	117.8	118.4	118.8	119.3	119.5	119.9	120.8	121.5	122.1	122.7
2 Products	60.5	112.0	112.8	114.1	114.3	114.2	114.8	115.3	115.4	115.9	116.0	116.4	117.4	117.6	118.2
3 Final products	46.3	112.8	113.6	114.8	115.3	115.1	115.6	116.3	116.6	117.1	117.4	117.8	119.1	119.1	119.9
4 Consumer goods, total	29.1	110.5	110.8	112.3	112.7	111.7	111.6	112.1	112.1	112.6	112.3	112.5	113.3	113.5	114.2
5 Durable consumer goods	6.1	126.2	124.5	127.1	128.4	127.3	129.2	131.0	126.9	128.4	130.6	128.5	133.0	132.2	133.0
6 Automotive products	2.6	125.8	122.0	127.4	127.2	129.6	131.0	131.7	124.4	126.4	128.4	123.1	133.3	134.4	135.3
7 Autos and trucks	1.7	132.6	125.7	133.8	135.5	138.7	138.9	138.9	127.1	130.0	132.6	123.5	140.5	143.4	143.9
8 Autos, consumer	.9	120.2	112.3	123.5	115.9	120.1	122.3	116.0	117.7	114.9	118.0	124.5	125.1	122.1	122.1
9 Trucks, consumer	.7	147.2	147.4	152.4	164.9	167.0	165.0	163.8	146.1	150.5	159.5	135.8	165.8	171.7	176.1
10 Auto parts and allied goods	.9	114.5	114.4	116.4	114.0	115.5	118.1	119.7	118.0	118.8	120.1	119.2	121.5	120.6	121.8
11 Other	3.5	126.3	126.2	126.8	129.1	125.5	127.8	130.4	128.6	129.7	132.0	132.1	132.6	130.5	131.2
12 Appliances, televisions, and air conditioners	1.0	173.0	176.5	176.9	181.1	171.2	179.5	183.6	179.0	181.1	187.3	189.9	195.3	186.9	189.4
13 Carpeting and furniture	.8	109.9	108.6	110.7	109.3	106.0	106.9	111.6	108.6	111.7	114.2	108.3	110.1	110.7	111.9
14 Miscellaneous home goods	1.6	107.9	106.5	106.4	109.6	109.2	109.2	109.9	110.0	109.6	109.7	111.9	109.5	109.0	108.6
15 Nondurable consumer goods	23.0	106.5	107.3	108.5	108.7	107.8	107.2	107.4	108.3	108.6	107.8	108.5	108.4	108.9	109.6
16 Foods and tobacco	10.3	106.1	106.6	107.2	108.2	107.7	108.0	108.7	107.8	107.6	106.9	108.1	108.1	107.7	108.3
17 Clothing	2.4	95.5	95.5	95.0	94.9	94.0	93.8	94.2	94.4	94.8	94.1	94.5	94.2	94.6	94.2
18 Chemical products	4.5	112.7	115.5	117.3	118.8	117.9	116.2	114.9	117.2	118.0	117.3	116.3	116.5	117.3	118.3
19 Paper products	2.9	101.1	102.9	102.9	103.0	101.1	101.5	102.3	102.6	103.4	104.5	105.4	104.2	104.3	105.9
20 Energy	2.9	112.0	110.7	115.3	111.8	110.4	107.6	107.5	113.0	113.5	110.4	111.9	112.4	115.2	115.8
21 Fuels	.8	106.6	108.1	107.8	106.0	105.1	106.2	108.5	110.1	111.9	111.8	108.9	111.3	111.6	113.0
22 Residential utilities	2.1	114.3	111.7	118.5	114.2	112.6	108.0	106.8	114.1	114.0	109.5	113.0	112.6	116.5	116.9
23 Equipment	17.2	116.8	118.4	119.0	119.6	120.8	122.6	123.5	124.3	124.9	126.2	126.9	129.1	128.8	129.5
24 Business equipment	13.2	126.6	128.8	129.8	130.7	132.1	133.8	134.3	135.5	136.1	137.4	139.2	142.1	142.0	143.2
25 Information processing and related	5.4	143.2	147.4	147.1	148.5	149.6	152.4	153.6	155.1	156.5	159.9	162.4	164.8	166.7	169.0
26 Computer and office equipment	1.1	292.0	318.8	323.5	327.1	335.7	343.0	349.9	358.6	366.5	378.4	394.7	410.5	422.4	433.0
27 Industrial	4.0	126.9	127.0	127.1	127.3	127.9	128.2	127.5	130.3	129.3	129.2	131.9	134.3	132.4	133.2
28 Transit	2.5	100.0	101.9	106.6	107.2	109.8	111.8	113.1	110.1	112.1	112.1	112.3	117.8	118.4	118.0
29 Autos and trucks	1.2	115.3	109.4	115.9	113.7	117.2	118.7	118.3	110.0	111.7	110.1	108.8	117.9	118.0	116.9
30 Other	1.3	116.4	118.7	119.9	121.4	123.4	124.4	125.1	128.8	128.2	129.2	129.6	130.1	128.0	129.5
31 Defense and space equipment	3.3	77.0	77.0	76.1	76.2	74.7	75.4	75.6	75.2	75.6	76.1	75.0	75.8	75.5	75.7
32 Oil and gas well drilling	.6	120.5	120.2	120.7	123.6	130.8	140.7	153.4	152.5	154.2	161.4	149.8	147.3	141.7	136.8
33 Manufactured homes	.2	162.0	165.3	159.8	146.2	156.3	163.5	160.9	168.0	166.4	163.1	166.3	164.4	161.2	...
34 Intermediate products, total	14.2	109.4	110.2	111.9	111.3	111.6	112.0	112.1	112.0	112.2	112.0	112.0	112.2	113.0	113.2
35 Construction supplies	5.3	116.8	117.7	120.7	117.8	117.0	120.0	121.8	120.1	120.6	120.6	119.8	121.1	121.0	120.7
36 Business supplies	8.9	105.1	105.8	106.8	107.4	108.4	107.3	106.5	107.2	107.3	106.9	107.5	107.0	108.4	108.7
37 Materials	39.5	120.3	121.7	122.2	123.1	123.4	124.1	124.5	125.5	125.2	126.0	127.9	128.2	129.3	129.9
38 Durable goods materials	20.8	134.0	135.8	136.5	137.8	138.4	139.2	140.2	141.7	141.7	143.3	145.8	147.2	148.1	149.2
39 Durable consumer parts	4.0	128.8	126.6	129.7	130.3	132.1	129.7	129.8	130.5	127.2	130.1	134.5	135.7	135.9	136.0
40 Equipment parts	7.6	159.2	163.4	165.3	167.9	169.4	172.6	175.6	178.1	180.4	183.2	187.3	190.2	192.4	195.9
41 Other	9.2	118.2	120.0	119.1	119.9	119.3	119.8	120.0	121.0	121.0	121.2	122.0	122.5	122.8	122.9
42 Basic metal materials	3.1	113.1	117.2	114.4	115.7	114.9	116.4	116.4	116.7	118.4	118.7	118.3	119.0	118.8	118.9
43 Nondurable goods materials	8.9	106.4	108.0	108.4	109.5	109.6	110.5	110.6	111.3	109.8	109.9	111.3	110.0	110.8	111.1
44 Textile materials	1.1	106.3	108.4	108.5	105.9	106.8	107.7	104.9	109.5	105.4	107.8	112.8	108.4	111.2	111.5
45 Paper materials	1.8	107.4	108.0	110.9	112.5	111.5	113.2	113.8	114.4	114.8	111.7	116.3	115.8	113.9	115.9
46 Chemical materials	3.9	105.9	109.3	107.7	110.2	111.1	111.2	111.2	111.7	109.7	109.4	110.4	109.3	109.9	109.9
47 Other	2.1	106.1	103.9	106.8	106.3	105.3	107.5	108.4	107.8	107.4	109.7	108.0	107.1	109.3	109.0
48 Energy materials	9.7	103.9	103.9	104.0	103.9	103.8	104.0	103.5	103.8	104.1	103.9	105.0	104.4	106.3	106.1
49 Primary energy	6.3	102.6	102.0	101.6	102.6	101.6	102.8	102.3	101.7	102.5	101.9	103.1	103.0	104.2	103.8
50 Converted fuel materials	3.3	106.2	107.5	108.5	106.3	108.0	106.2	105.9	107.6	107.0	107.6	108.6	107.0	110.2	110.5
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.1	114.9	116.1	116.9	117.4	117.4	118.0	118.5	119.3	119.4	119.8	120.9	121.3	121.8	122.4
52 Total excluding motor vehicles and parts	95.1	114.6	115.9	116.6	117.2	117.1	117.8	118.3	119.0	119.3	119.5	120.5	120.9	121.4	122.0
53 Total excluding computer and office equipment	98.2	112.9	113.7	114.6	115.1	115.1	115.6	116.0	116.4	116.5	116.8	117.6	118.2	118.6	119.1
54 Consumer goods excluding autos and trucks	27.4	109.2	109.9	111.0	111.4	110.3	110.1	110.7	111.1	111.5	111.1	111.8	111.8	111.9	112.7
55 Consumer goods excluding energy	26.2	110.2	110.8	111.8	112.8	111.9	112.1	112.7	111.9	112.4	112.6	112.6	113.4	113.2	114.0
56 Business equipment excluding autos and trucks	12.0	127.7	130.7	131.2	132.4	133.6	135.3	135.9	138.0	138.5	140.1	142.3	144.6	144.5	145.8
57 Business equipment excluding computer and office equipment	12.1	115.8	116.6	117.5	118.2	119.2	120.5	120.7	121.5	121.7	122.4	123.6	125.9	125.3	126.0
58 Materials excluding energy	29.8	125.4	127.1	127.8	129.0	129.4	130.3	131.0	132.2	131.8	132.8	135.0	135.5	136.3	137.2

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value¹—Continued

Group	SIC ² code	1992 proportion	1996 avg.	1996			1997									
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July ^f	Aug. ^f	Sept.	Oct. ^P
Index (1992 = 100)																
MAJOR INDUSTRIES																
59 Total index		100.0	115.2	116.2	117.2	117.7	117.8	118.4	118.8	119.3	119.5	119.9	120.8	121.5	122.1	122.7
60 Manufacturing		85.4	116.3	117.6	118.5	119.2	119.3	120.1	120.6	120.9	121.0	121.6	122.6	123.5	123.8	124.6
61 Primary processing		26.5	112.2	113.8	113.8	114.0	113.8	114.8	115.6	115.6	115.8	115.7	116.3	116.4	116.8	117.0
62 Advanced processing		58.9	118.4	119.5	120.8	121.7	122.0	122.6	123.0	123.5	123.6	124.5	125.7	127.0	127.3	128.3
63 Durable goods		45.0	125.7	127.1	128.4	128.8	129.5	130.8	131.7	132.3	132.7	134.1	135.4	137.5	137.8	138.7
64 Lumber and products	24	2.0	109.7	109.2	113.1	108.0	108.6	112.0	113.3	113.6	114.0	114.6	113.4	113.1	112.9	112.4
65 Furniture and fixtures	25	1.4	108.9	110.4	110.5	110.5	109.7	110.3	111.0	112.7	113.9	114.5	112.4	110.6	112.5	112.6
66 Stone, clay, and glass products	32	2.1	111.0	111.7	111.8	111.3	112.7	112.5	113.5	113.8	112.8	113.5	114.0	113.7	113.7	114.1
67 Primary metals	33	3.1	117.2	122.1	118.5	118.8	117.8	120.0	121.3	120.2	123.4	123.1	123.4	123.7	124.8	124.8
68 Iron and steel	331,2	1.7	116.4	123.2	115.9	116.7	118.0	118.2	118.7	119.3	123.6	120.3	120.9	119.6	122.9	122.6
69 Raw steel	331PT	.1	112.2	111.5	108.7	112.5	111.7	112.3	114.2	115.5	115.8	115.1	115.4	116.3	119.0	118.3
70 Nonferrous	333-6,9	1.4	118.0	120.7	121.4	121.2	117.6	122.1	124.2	121.3	123.1	126.2	126.2	128.5	126.9	127.3
71 Fabricated metal products	34	5.0	118.6	119.3	119.1	119.5	119.2	119.5	120.4	120.8	121.1	120.8	121.1	121.7	121.9	121.9
72 Industrial machinery and equipment	35	8.0	156.4	159.9	161.7	162.9	164.7	166.6	167.4	171.3	170.5	172.2	176.6	181.2	180.4	182.4
73 Computer and office equipment	357	1.8	296.9	323.6	328.3	332.5	340.3	347.8	354.7	363.8	371.8	383.9	400.4	416.4	428.4	439.2
74 Electrical machinery	36	7.3	163.3	165.6	167.2	168.8	168.6	172.5	175.2	176.7	178.1	181.7	185.9	188.2	188.7	191.6
75 Transportation equipment	37	9.5	106.1	105.3	109.5	109.6	111.9	111.5	111.9	110.6	110.2	112.4	112.6	116.9	118.2	118.6
76 Motor vehicles and parts	371	4.9	126.9	121.2	128.9	127.9	132.0	129.6	128.9	125.3	123.7	127.1	126.7	134.6	136.6	136.4
77 Autos and light trucks	371PT	2.6	124.6	117.3	125.7	125.6	128.8	129.4	129.5	119.1	121.6	123.1	116.9	131.0	133.3	133.0
78 Aerospace and miscellaneous transportation equipment	372-6,9	4.6	85.6	89.4	90.3	91.5	92.2	93.5	94.8	95.5	96.4	97.4	98.3	99.1	99.9	100.7
79 Instruments	38	5.4	102.8	103.4	103.0	104.1	103.3	104.6	104.7	104.4	105.2	105.9	105.9	107.0	106.1	107.2
80 Miscellaneous	39	1.3	112.9	113.0	114.1	116.6	116.3	117.1	116.3	116.9	117.0	117.5	118.9	118.4	117.8	118.1
81 Nondurable goods		40.4	106.3	107.4	107.9	108.8	108.5	108.6	108.7	108.7	108.7	108.4	109.1	108.8	109.2	109.7
82 Foods	20	9.4	106.3	107.1	107.6	108.2	108.2	108.4	109.2	108.3	108.1	107.9	108.8	108.4	108.1	108.6
83 Tobacco products	21	1.6	105.6	104.0	105.4	108.9	104.6	105.7	106.9	105.5	104.2	101.8	103.3	104.8	104.7	106.3
84 Textile mill products	22	1.8	106.6	107.6	108.2	106.3	106.3	106.9	108.2	108.6	107.3	108.9	111.3	110.2	111.3	111.6
85 Apparel products	23	2.2	98.2	97.8	97.3	97.2	96.2	95.8	96.3	96.1	96.4	96.4	96.5	95.7	96.0	96.1
86 Paper and products	26	3.6	108.0	107.6	110.1	111.6	110.3	111.1	112.1	112.2	112.8	111.7	114.8	114.0	113.5	114.8
87 Printing and publishing	27	6.7	98.4	99.7	100.0	99.8	100.5	100.6	99.7	99.6	99.8	99.7	100.2	99.5	100.1	100.7
88 Chemicals and products	28	9.9	108.9	111.3	111.8	114.0	113.7	112.8	112.0	113.3	112.7	112.3	112.4	111.9	112.9	113.3
89 Petroleum products	29	1.4	106.5	108.4	107.4	107.3	107.4	108.6	108.1	110.7	112.1	111.3	108.7	110.1	110.8	112.0
90 Rubber and plastic products	30	3.5	120.5	121.4	121.7	122.6	121.1	123.1	124.0	122.3	123.4	124.0	124.2	126.5	126.3	126.5
91 Leather and products	31	.3	80.0	78.4	77.3	80.1	78.3	77.6	78.4	78.8	77.0	75.6	75.3	73.2	72.8	72.0
92 Mining		6.9	102.9	103.4	103.5	104.5	103.6	106.3	107.5	106.0	108.1	107.8	107.4	106.7	105.9	104.8
93 Metal	10	5.5	102.0	105.6	102.5	106.3	105.7	105.7	104.8	103.5	104.2	107.4	103.4	104.5	102.9	101.5
94 Coal	12	1.0	105.9	107.5	108.8	109.5	106.4	109.6	105.2	104.1	115.9	107.4	114.1	109.8	109.3	108.5
95 Oil and gas extraction	13	4.8	100.3	100.0	100.2	100.7	100.8	103.1	105.4	104.5	105.0	105.8	104.8	103.9	103.3	102.0
96 Stone and earth minerals	14	.6	118.7	120.0	120.2	122.9	117.2	125.0	128.8	122.3	121.3	123.7	119.8	123.3	122.1	122.2
97 Utilities		7.7	112.8	111.9	114.5	112.6	112.7	110.2	109.9	113.6	112.4	111.7	113.2	112.6	116.5	116.8
98 Electric	491,493PT	6.2	112.7	112.0	112.7	112.6	113.2	110.9	110.3	113.6	110.5	111.1	113.4	112.6	117.8	118.1
99 Gas	492,493PT	1.6	113.2	111.3	120.9	112.7	110.9	107.6	108.7	113.2	119.0	113.5	112.5	112.4	112.0	112.1
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts		80.5	115.7	117.3	117.9	118.6	118.6	119.5	120.0	120.6	120.8	121.2	122.3	122.8	123.1	123.9
101 Manufacturing excluding office and computing machines		83.6	113.7	114.7	115.5	116.1	116.2	116.9	117.3	117.5	117.6	118.0	118.8	119.6	119.8	120.4
Gross value (billions of 1992 dollars, annual rates)																
MAJOR MARKETS																
102 Products, total		2,001.9	2,258.7	2,270.7	2,303.5	2,301.1	2,302.9	2,315.3	2,327.5	2,324.7	2,337.5	2,338.5	2,339.6	2,371.0	2,374.1	2,386.2
103 Final		1,552.1	1,760.9	1,771.8	1,795.1	1,796.8	1,798.4	1,808.8	1,819.6	1,816.4	1,827.8	1,830.4	1,832.4	1,863.2	1,862.4	1,874.5
104 Consumer goods		1,049.6	1,162.2	1,164.7	1,182.2	1,182.3	1,176.3	1,177.7	1,184.7	1,179.4	1,187.3	1,184.6	1,182.6	1,197.6	1,198.6	1,206.9
105 Equipment		502.5	598.0	606.3	612.1	613.7	621.4	630.4	634.2	636.4	639.9	645.1	649.3	665.2	663.3	667.2
106 Intermediate		449.9	498.2	499.3	508.6	504.9	505.1	507.2	508.7	508.9	510.5	509.1	508.2	509.6	513.1	513.4

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 January 1997. See "Industrial Production and Capacity Utilization: Historical Revision and Recent Develop-

ments." *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67-92. 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.

A46 Domestic Nonfinancial Statistics □ January 1998

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1994	1995	1996	1997									
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July ^f	Aug. ^f	Sept.
Private residential real estate activity (thousands of units except as noted)													
NEW UNITS													
1 Permits authorized	1,372	1,333	1,426	1,405	1,395	1,438	1,457	1,442	1,432	1,402	1,414	1,397	1,460
2 One-family	1,069	997	1,070	999	1,052	1,069	1,034	1,060	1,053	1,049	1,030	1,027	1,065
3 Two-family or more	303	335	356	406	343	369	423	382	379	353	384	370	395
4 Started	1,457	1,354	1,477	1,353	1,375	1,554	1,479	1,483	1,402	1,503	1,465	1,395	1,507
5 One-family	1,198	1,076	1,161	1,024	1,125	1,237	1,142	1,133	1,098	1,134	1,149	1,091	1,187
6 Two-family or more	259	278	316	329	250	317	337	350	304	369	316	304	320
7 Under construction at end of period	755	775	819	815	818	821	814	812	815	829	837	834	840
8 One-family	584	554	584	571	573	574	566	563	564	566	571	568	570
9 Two-family or more	171	221	235	244	245	247	248	249	251	263	266	266	270
10 Completed	1,346	1,319	1,407	1,484	1,362	1,572	1,471	1,460	1,388	1,318	1,320	1,321	1,436
11 One-family	1,161	1,073	1,124	1,177	1,109	1,267	1,156	1,158	1,101	1,096	1,069	1,052	1,149
12 Two-family or more	185	246	283	307	253	305	315	302	287	222	251	269	287
13 Mobile homes shipped	305	341	362	338	339	353	353	372	356	356	358	357	372
Merchant builder activity in one-family units													
14 Number sold	670	667	757	794	822	826	825	765	764	802 ^f	821	802	800
15 Number for sale at end of period ¹	340	374	326	322	308	300	287	291	288	288 ^f	288	286	286
Price of units sold (thousands of dollars) ²													
16 Median	130.0	133.9	140.0	144.9	145.0	143.0	148.0	150.0	141.0	145.0 ^f	146.0	143.9	142.0
17 Average	154.5	158.7	166.4	171.8	171.9	171.1	172.7	179.5	170.7	179.4 ^f	175.2	168.0	176.9
EXISTING UNITS (one-family)													
18 Number sold	3,967	3,812	4,087	3,950	3,910	4,230	4,160	4,060	4,250	4,150	4,180	4,310	4,320
Price of units sold (thousands of dollars) ²													
19 Median	109.9	113.1	118.2	118.8	120.6	117.5	120.0	120.7	123.1	127.2	126.5	127.5	125.6
20 Average	136.8	139.1	145.5	147.1	149.6	144.7	147.5	150.4	153.1	158.4	157.6	159.1	155.0
Value of new construction (millions of dollars) ³													
CONSTRUCTION													
21 Total put in place	518,644	534,463	567,179	579,109	577,116	592,365	593,908	596,907	595,763	594,195	602,322	602,303	595,786
22 Private	398,646	407,370	435,929	447,045	444,391	452,037	452,728	457,604	459,882	456,927	463,510	464,091	457,996
23 Residential	238,423	231,230	246,659	247,899	246,661	251,402	253,974	259,917	259,662	257,277	258,843	259,655	262,207
24 Nonresidential	160,223	176,140	189,271	199,146	197,730	200,635	198,754	197,687	200,220	199,650	204,667	204,436	195,789
25 Industrial buildings	28,893	32,505	31,997	30,752	31,871	32,161	30,520	29,331	30,501	31,046	31,952	32,837	30,590
26 Commercial buildings	59,480	68,223	74,593	78,395	81,979	83,107	81,015	76,545	78,670	79,009	82,536	79,886	75,200
27 Other buildings	26,988	27,089	30,525	34,409	34,257	35,561	36,012	38,229	37,738	35,775	36,673	37,785	36,785
28 Public utilities and other	44,862	48,323	52,156	55,590	49,623	49,806	51,207	53,582	53,311	53,820	53,506	53,928	53,214
29 Public	119,998	127,092	131,250	132,064	132,725	140,328	141,180	139,304	135,882	137,268	138,813	138,212	137,790
30 Military	2,310	2,983	2,541	2,241	2,542	2,564	2,232	2,408	2,548	2,580	2,743	2,775	2,479
31 Highway	36,933	36,319	37,898	39,585	37,869	41,060	41,473	42,356	40,694	41,531	41,056	41,896	41,115
32 Conservation and development	6,459	6,391	5,807	5,223	5,807	5,727	6,114	5,134	5,242	4,952	4,989	5,384	5,739
33 Other	74,297	81,399	85,005	85,015	86,507	90,977	91,361	89,406	87,398	88,205	90,025	88,157	88,457

1. Not at annual rates.
 2. Not seasonally adjusted.
 3. Recent data on value of new construction may not be strictly comparable with data for previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes, see *Construction Reports (C-30-76-5)*, issued by the Census Bureau in July 1976.

SOURCE: Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 19,000 jurisdictions beginning in 1994.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, Oct. 1997 ¹
	1996 Oct.	1997 Oct.	1996 Dec.	1997 ^f			1997					
				Mar.	June	Sept.	June	July	Aug.	Sept.	Oct.	
CONSUMER PRICES² (1982-84=100)												
1 All items	3.0	2.1	3.3	1.8	1.0	2.5	.1	.2	.2	.2	.2	161.6
2 Food	4.0	1.8	3.4	.3	1.5	3.4	.2	.3	.4	.1	.2	158.2
3 Energy items	5.7	.9	16.2	-2.8	-14.7	11.9	.0	-1	1.7	1.3	.1	111.5
4 All items less food and energy	2.6	2.3	2.4	2.4	2.4	1.7	.1	.2	.1	.2	.2	170.8
5 Commodities	1.1	.5	.9	1.1	.6	-6	-2	-1	-3	.2	.1	142.7
6 Services	3.2	3.0	3.1	2.7	3.5	2.4	.3	.3	.2	.2	.3	186.7
PRODUCER PRICES (1982=100)												
7 Finished goods	3.1	-.2	4.3	-3.3	-3.6	2.8	-.2	-.1	.3	.5	.1	132.4
8 Consumer foods	5.2	-1.2	2.4	-2.0	-3.2	.3	-.9 ^f	-.3 ^f	.3	.1	.4	135.0
9 Consumer energy	9.8	-1.5	26.2	-16.9	-15.1	12.4	.5	.1	1.4	1.5	.1	83.5
10 Other consumer goods	1.1	.6	.6	.6	-.6	1.7	.1	-.1	.1	.5	.1	145.9
11 Capital equipment .....	.7	-.1	-.6	.0	-.9	.6	.1 ^f	-.1	.0	.3	-.1	138.7
<i>Intermediate materials</i>												
12 Excluding foods and feeds .....	.0	-.1	2.2	-1.9	-1.9	1.0	.1	-.2	.2	.2	.1	125.7
13 Excluding energy	-1.6	.6	-.3	.6	.3	.3	.0	.0	.1	.0	.1	134.4
<i>Crude materials</i>												
14 Foods	9.1	-8.5	-28.5	-2.8	-11.1	.7	-5.6 ^f	.5 ^f	-.1	-.3	.0	109.4
15 Energy	23.6	9.9	235.2	-75.5	11.3	15.5	-2.0 ^f	-6 ^f	1.7	2.6	10.7	90.9
16 Other	-8.0	2.2	-1.3	15.7	-4.9	-1.5	-.3 ^f	-.1 ^f	.8	-1.0	.3	155.6

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.

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2.16 GROSS DOMESTIC PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1994	1995	1996	1996		1997		
				Q3	Q4	Q1	Q2	Q3
GROSS DOMESTIC PRODUCT								
1 Total	6,947.0	7,265.4	7,636.0	7,676.0	7,792.9	7,933.6	8,034.3	8,131.7
<i>By source</i>								
2 Personal consumption expenditures	4,717.0	4,957.7	5,207.6	5,227.4	5,308.1	5,405.7	5,432.1	5,527.7
3 Durable goods	579.5	608.5	634.5	634.5	638.2	658.4	644.5	665.0
4 Nondurable goods	1,428.4	1,475.8	1,534.7	1,538.3	1,560.1	1,587.4	1,578.9	1,602.3
5 Services	2,709.1	2,873.4	3,038.4	3,054.6	3,109.8	3,159.9	3,208.7	3,260.5
6 Gross private domestic investment	1,007.9	1,038.2	1,116.5	1,149.2	1,151.1	1,193.6	1,242.0	1,253.6
7 Fixed investment	946.6	1,008.1	1,090.7	1,112.0	1,119.2	1,127.5	1,160.8	1,200.6
8 Nonresidential	660.6	723.0	781.4	798.6	807.2	811.3	836.3	871.1
9 Structures	184.5	200.6	215.2	217.7	227.0	226.8	226.8	234.6
10 Producers' durable equipment	476.1	522.4	566.2	580.9	580.2	583.9	609.5	636.5
11 Residential structures	286.0	285.1	309.2	313.5	312.0	316.2	324.6	329.5
12 Change in business inventories	61.2	30.1	25.9	37.1	31.9	66.1	81.1	53.0
13 Nonfarm	50.5	38.1	23.0	31.3	28.7	62.2	74.9	45.3
14 Net exports of goods and services	-90.9	-86.0	-94.8	-114.0	-88.6	-98.2	-88.8	-107.3
15 Exports	721.2	818.4	870.9	863.7	904.6	922.8	960.3	968.9
16 Imports	812.1	904.5	965.7	977.6	993.2	1,021.0	1,049.0	1,076.3
17 Government consumption expenditures and gross investment	1,313.0	1,355.5	1,406.7	1,413.5	1,422.3	1,433.1	1,449.0	1,457.8
18 Federal	510.2	509.6	520.0	521.6	517.6	516.1	525.3	525.3
19 State and local	802.8	846.0	886.7	891.9	904.7	917.0	923.0	932.4
<i>By major type of product</i>								
20 Final sales, total	6,885.7	7,235.3	7,610.2	7,638.9	7,761.0	7,867.4	7,953.2	8,078.7
21 Goods	2,520.2	2,637.9	2,759.3	2,760.7	2,795.0	2,838.4	2,854.9	2,905.9
22 Durable	1,072.5	1,133.9	1,212.0	1,216.3	1,233.5	1,248.0	1,275.3	1,303.8
23 Nondurable	1,447.6	1,503.9	1,547.3	1,544.4	1,561.5	1,590.4	1,579.6	1,602.1
24 Services	3,772.4	3,980.7	4,187.3	4,208.1	4,282.7	4,338.2	4,400.1	4,461.4
25 Structures	593.2	616.8	663.6	670.1	683.3	690.8	698.2	711.4
26 Change in business inventories	61.2	30.1	25.9	37.1	31.9	66.1	81.1	53.0
27 Durable goods	33.6	29.1	16.9	33.3	-1.1	31.8	46.8	24.8
28 Nondurable goods	27.7	1.1	9.0	3.9	33.0	34.3	34.4	28.3
MEMO								
29 Total GDP in chained 1992 dollars	6,610.7	6,742.1	6,928.4	6,943.8	7,017.4	7,101.6	7,159.6	7,221.8
NATIONAL INCOME								
30 Total	5,590.7	5,912.3	6,254.5	6,303.3	6,376.5	6,510.0	6,599.0	n.a.
31 Compensation of employees	4,012.0	4,215.4	4,426.9	4,461.0	4,520.7	4,606.3	4,663.4	4,725.4
32 Wages and salaries	3,254.0	3,442.6	3,633.6	3,664.0	3,718.0	3,792.7	3,842.7	3,897.2
33 Government and government enterprises	602.2	623.0	642.6	645.5	648.9	657.8	662.0	667.4
34 Other	2,651.8	2,819.6	2,991.0	3,018.4	3,069.0	3,134.9	3,180.8	3,229.8
35 Supplement to wages and salaries	758.0	772.9	793.3	797.0	802.7	813.6	820.7	828.1
36 Employer contributions for social insurance	353.0	366.0	385.7	388.6	393.6	401.3	405.6	410.2
37 Other labor income	405.0	406.8	407.6	408.4	409.1	412.3	415.1	418.0
38 Proprietors' income ¹	471.6	489.0	520.3	523.8	528.3	534.6	543.6	547.3
39 Business and professional ¹	434.7	465.5	483.1	483.7	487.9	494.4	500.0	506.1
40 Farm ¹	36.9	23.4	37.2	40.1	40.4	40.2	43.6	41.2
41 Rental income of persons ²	124.4	132.8	146.3	148.0	149.2	149.0	148.7	147.9
42 Corporate profits ¹	570.5	650.0	735.9	739.6	747.8	779.6	795.1	n.a.
43 Profits before tax ³	535.1	622.6	676.6	679.1	680.0	708.4	719.8	n.a.
44 Inventory valuation adjustment	-16.1	-24.3	-2.5	-2.7	3.3	3.5	5.9	7.8
45 Capital consumption adjustment	51.4	51.6	61.8	63.2	64.4	67.7	69.4	70.4
46 Net interest	412.3	425.1	425.1	430.9	430.6	440.5	448.1	n.a.

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

3. For after-tax profits, dividends, and the like, see table 1.48.
SOURCE: U.S. Department of Commerce, *Survey of Current Business*.

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1994	1995	1996	1996		1997		
				Q3	Q4	Q1	Q2	Q3
PERSONAL INCOME AND SAVING								
1 Total personal income	5,791.8	6,150.8	6,495.2	6,541.9	6,618.4	6,746.2	6,829.1	6,909.8
2 Wage and salary disbursements	3,240.7	3,429.5	3,632.5	3,662.8	3,716.9	3,791.5	3,841.6	3,896.1
3 Commodity-producing industries	824.4	864.4	909.1	917.2	927.8	942.9	952.8	961.8
4 Manufacturing	620.8	648.4	674.7	680.1	685.6	694.1	700.3	706.3
5 Distributive industries	741.4	783.1	823.3	829.0	840.6	856.8	867.0	879.6
6 Service industries	1,072.7	1,159.0	1,257.5	1,271.1	1,299.5	1,334.1	1,359.8	1,387.3
7 Government and government enterprises	602.2	623.0	642.6	645.5	648.9	657.8	662.0	667.4
8 Other labor income	405.0	406.8	407.6	408.4	409.1	412.3	415.1	418.0
9 Proprietors' income ¹	471.6	489.0	520.3	523.8	528.3	534.6	543.6	547.3
10 Business and professional ¹	434.7	465.5	483.1	483.7	487.9	494.4	500.0	506.1
11 Farm ¹	36.9	23.4	37.2	40.1	40.4	40.2	43.6	41.2
12 Rental income of persons ²	124.4	132.8	146.3	148.0	149.2	149.0	148.7	147.9
13 Dividends	204.8	251.9	291.2	292.0	295.2	312.5	318.3	324.5
14 Personal interest income	668.1	718.9	735.7	742.7	749.8	757.2	766.1	775.6
15 Transfer payments	954.7	1,015.0	1,068.0	1,072.4	1,081.5	1,107.2	1,117.0	1,125.2
16 Old-age survivors, disability, and health insurance benefits	473.0	507.8	537.6	540.0	545.6	558.9	564.4	569.1
17 LESS: Personal contributions for social insurance	277.5	293.1	306.3	308.2	311.5	318.2	321.3	324.8
18 EQUALS: Personal income	5,791.8	6,150.8	6,495.2	6,541.9	6,618.4	6,746.2	6,829.1	6,909.8
19 LESS: Personal tax and nontax payments	739.1	795.1	886.9	897.3	922.6	955.7	979.2	997.4
20 EQUALS: Disposable personal income	5,052.7	5,355.7	5,608.3	5,644.6	5,695.8	5,790.5	5,849.9	5,912.4
21 LESS: Personal outlays	4,842.1	5,101.1	5,368.3	5,390.6	5,475.4	5,574.6	5,602.8	5,701.2
22 EQUALS: Personal saving	210.6	254.6	239.6	254.0	220.4	215.9	247.0	211.1
MEMO								
<i>Per capita (chained 1992 dollars)</i>								
23 Gross domestic product	25,357.0	25,615.9	26,085.8	26,114.4	26,331.6	26,597.8	26,765.0	26,926.8
24 Personal consumption expenditures	17,207.2	17,459.3	17,748.9	17,744.2	17,847.8	18,045.2	18,053.9	18,259.2
25 Disposable personal income	18,431.0	18,861.0	19,116.0	19,161.0	19,152.0	19,331.0	19,439.0	19,532.0
26 Saving rate (percent)	4.2	4.8	4.3	4.5	3.9	3.7	4.2	3.6
GROSS SAVING								
27 Gross saving	1,079.2	1,165.5	1,267.8	1,295.9	1,303.0	1,332.9	1,396.9	n.a.
28 Gross private saving	1,030.2	1,093.1	1,125.5	1,145.1	1,131.4	1,134.0	1,178.1	n.a.
29 Personal saving	210.6	254.6	239.6	254.0	220.4	215.9	247.0	211.1
30 Undistributed corporate profits ¹	167.6	172.4	202.1	202.3	212.6	211.5	217.6	n.a.
31 Corporate inventory valuation adjustment	-16.1	-24.3	-2.5	-2.7	3.3	3.5	5.9	7.8
<i>Capital consumption allowances</i>								
32 Corporate	412.3	428.9	452.3	455.5	462.0	467.4	472.6	478.6
33 Noncorporate	226.3	224.1	230.5	232.2	235.2	238.0	239.7	242.4
34 Gross government saving	49.0	72.4	142.3	150.8	171.6	198.9	218.8	n.a.
35 Federal	-117.2	-103.6	-39.3	-28.3	-5.9	15.9	34.7	n.a.
36 Consumption of fixed capital	69.5	70.9	71.2	71.2	71.3	71.4	71.5	71.6
37 Current surplus or deficit (-), national accounts	-186.7	-174.4	-110.5	-99.5	-77.1	-55.5	-36.8	n.a.
38 State and local	166.2	176.0	181.5	179.1	177.5	182.9	184.1	n.a.
39 Consumption of fixed capital	69.4	72.9	76.2	76.5	77.2	78.2	79.2	79.7
40 Current surplus or deficit (-), national accounts	96.8	103.1	105.3	102.6	100.4	104.7	104.9	n.a.
41 Gross investment	1,093.8	1,137.2	1,207.9	1,216.4	1,243.5	1,268.6	1,323.4	n.a.
42 Gross private domestic investment	1,007.9	1,038.2	1,116.5	1,149.2	1,151.1	1,193.6	1,242.0	1,253.6
43 Gross government investment	206.0	213.4	224.3	223.6	225.3	227.4	227.4	226.3
44 Net foreign investment	-120.0	-114.4	-132.9	-156.4	-132.9	-148.4	-146.0	n.a.
45 Statistical discrepancy	14.6	-28.2	-59.9	-79.5	-59.5	-64.3	-73.5	n.a.

1. With inventory valuation and capital consumption adjustments.
 2. With capital consumption adjustment.

SOURCE: U.S. Department of Commerce, *Survey of Current Business*.

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted¹

Item credits or debits	1994	1995	1996	1996			1997	
				Q2	Q3	Q4	Q1	Q2 ^p
1 Balance on current account	-133,538	-129,095	-148,184	-35,585	-42,833	-36,874	-39,972	-39,030
2 Merchandise trade balance	-166,192	-173,560	-191,170	-47,562	-52,493	-48,190	-49,787	-46,903
3 Merchandise exports	502,398	575,871	612,069	153,411	150,764	157,846	162,527	171,489
4 Merchandise imports	-668,590	-749,431	-803,239	-200,973	-203,257	-206,036	-212,314	-218,392
5 Military transactions, net	1,874	3,866	3,786	1,214	792	1,295	437	782
6 Other service transactions, net	59,902	67,837	76,344	18,569	19,185	20,697	20,050	19,708
7 Investment income, net	9,723	6,808	2,824	883	-1,370	1,250	-1,990	-3,554
8 U.S. government grants	-15,671	-11,096	-14,933	-2,423	-2,690	-5,499	-2,109	-2,255
9 U.S. government pensions and other transfers	-4,544	-3,420	-4,331	-1,081	-1,064	-1,050	-1,083	-1,128
10 Private remittances and other transfers	-18,630	-19,530	-20,704	-5,185	-5,193	-5,377	-5,490	-5,680
11 Change in U.S. government assets other than official reserve assets, net (increase, -)	-352	-549	-690	-358	162	-284	-21	-238
12 Change in U.S. official reserve assets (increase, -)	5,346	-9,742	6,668	-523	7,489	-315	4,480	-236
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	-441	-808	370	-133	848	-146	72	-133
15 Reserve position in International Monetary Fund	494	-2,466	-1,280	-220	-183	-28	1,055	54
16 Foreign currencies	5,293	-6,468	7,578	-170	6,824	-141	3,353	-157
17 Change in U.S. private assets abroad (increase, -)	-165,510	-296,916	-358,422	-48,817	-85,193	-153,837	-132,428	-95,018
18 Bank-reported claims ³	-4,200	-75,108	-98,186	192	-33,589	-66,657	-62,026	-29,612
19 Nonbank-reported claims	-31,739	-34,997	-64,234	-5,047	-17,294	-26,115	-29,466	...
20 U.S. purchases of foreign securities, net	-60,309	-100,074	-108,189	-20,328	-23,206	-30,200	-14,510	-21,325
21 U.S. direct investments abroad, net	-69,262	-86,737	-87,813	-23,634	-11,104	-30,865	-26,426	-29,081
22 Change in foreign official assets in United States (increase, +)	40,385	110,729	122,354	13,154	24,089	33,097	28,891	-3,719
23 U.S. Treasury securities	30,750	68,977	111,253	-3,383	25,472	33,564	23,289	-8,444
24 Other U.S. government obligations	6,077	3,735	4,381	1,258	1,217	1,854	651	644
25 Other U.S. government liabilities	2,366	744	720	-204	907	160	478	804
26 Other U.S. liabilities reported by U.S. banks ⁴	3,665	34,008	4,722	14,198	-1,922	-4,270	7,698	2,346
27 Other foreign official assets ⁵	-2,473	3,265	1,278	1,285	-1,585	1,789	-3,225	931
28 Change in foreign private assets in United States (increase, +)	256,952	340,505	425,201	92,960	134,540	161,482	153,347	155,368
29 U.S. bank-reported liabilities ³	104,338	30,176	9,784	2,319	2,040	38,960	17,387	27,143
30 U.S. nonbank-reported liabilities	-7,710	34,588	31,786	7,288	20,610	-2,912	15,210	...
31 Foreign private purchases of U.S. Treasury securities, net	57,674	111,848	172,878	36,152	50,798	75,326	51,289	50,816
32 Foreign purchases of other U.S. securities, net	56,971	96,367	133,798	29,761	35,115	32,447	38,820	51,537
33 Foreign direct investments in United States, net	45,679	67,526	76,955	17,440	25,977	17,661	30,641	28,872
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	-3,283	-14,931	-46,927	-20,831	-38,254	-3,269	-14,297	-17,127
36 Due to seasonal adjustment	...	...	...	-1,076	-7,830	2,669	7,059	-1,768
37 Before seasonal adjustment	-3,284	-14,931	-46,926	-19,755	-30,424	-5,938	-21,356	-15,359
MEMO								
<i>Changes in official assets</i>								
38 U.S. official reserve assets (increase, -)	5,346	-9,742	6,668	-523	7,489	-315	4,480	-236
39 Foreign official assets in United States, excluding line 25 (increase, +)	38,019	109,985	121,634	13,358	23,182	32,937	28,413	-4,523
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	-1,529	4,239	12,278	5,239	5,263	3,315	9,272	2,563

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 institutions 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 TRADE¹

Millions of dollars; monthly data seasonally adjusted

Item	1994	1995	1996	1997						
				Mar.	Apr.	May	June	July	Aug.	Sept. ^P
1 Goods and services, balance	-104,416	-101,857	-111,040	-7,831	-8,794	-9,557	-8,293	-10,018	-9,457	-11,068
2 Merchandise	-166,192	-173,560	-191,170	-14,877	-15,527	-16,363	-15,244	-16,848	-16,559	-18,142
3 Services	61,776	71,703	80,130	7,046	6,733	6,806	6,951	6,830	7,102	7,074
4 Goods and services, exports	699,646	794,610	848,833	78,124	77,791	77,742	78,515	77,787	78,578	77,999
5 Merchandise	502,398	575,871	612,069	57,155	57,162	56,871	57,378	56,745	57,326	56,508
6 Services	197,248	218,739	236,764	20,969	20,629	20,871	21,137	21,042	21,252	21,491
7 Goods and services, imports	-804,062	-896,467	-959,873	-85,955	-86,585	-87,299	-86,808	-87,805	-88,035	-89,067
8 Merchandise	-668,590	-749,431	-803,239	-72,032	-72,689	-73,234	-72,622	-73,593	-73,885	-74,650
9 Services	-135,472	-147,036	-156,634	-13,923	-13,896	-14,065	-14,186	-14,212	-14,150	-14,417

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	1994	1995	1996	1997							
				Mar.	Apr.	May	June	July	Aug.	Sept.	Oct. ^P
1 Total	74,335	85,832	75,090	67,222	65,873	68,054	67,813	66,120	66,640	67,148	68,036
2 Gold stock, including Exchange Stabilization Fund ¹	11,051	11,050	11,049	11,050	11,051	11,051	11,050	11,051	11,050	11,050	11,050
3 Special drawing rights ^{2,3}	10,039	11,037	10,312	9,879	9,726	10,050	10,023	9,810	9,985	9,997	10,132
4 Reserve position in International Monetary Fund ²	12,030	14,649	15,435	13,846	13,660	13,805	13,805	13,677	13,959	14,042	14,243
5 Foreign currencies ⁴	41,215	49,096	38,294	32,447	31,436	32,935	32,935	31,582	31,646	32,059	32,611

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 BANKS¹

Millions of dollars, end of period

Asset	1994	1995	1996	1997							
				Mar.	Apr.	May	June	July	Aug.	Sept.	Oct. ^P
1 Deposits	250	386	167	16	169	176	178	175	169	188	190
Held in custody											
2 U.S. Treasury securities ²	441,866	522,170	638,049	672,059	668,536	662,747	652,077	653,157	660,461	655,406	638,100
3 Earmarked gold ³	12,033	11,702	11,197	11,034	10,944	10,868	10,794	10,793	10,793	10,793	10,793

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	1995	1996	1997						
			Mar. ^f	Apr. ^r	May ^f	June ^t	July ^r	Aug.	Sept. ^p
1 Total¹	630,918	758,351	785,877	780,795	784,977	779,905	780,210	792,870	802,386
<i>By type</i>									
2 Liabilities reported by banks in the United States ²	107,394	113,098	120,594	118,838	127,073	125,130	129,388	128,457	137,835
3 U.S. Treasury bills and certificates ³	168,534	198,921	196,219	186,432	178,366	163,950	161,270	165,453	161,610
4 U.S. Treasury bonds and notes									
Marketable.....	293,690	379,851	405,041	412,143	415,520	425,575	423,076	431,582	434,287
Nonmarketable ⁴	6,491	5,968	6,084	5,692	5,730	5,767	5,804	5,841	5,879
5 U.S. securities other than U.S. Treasury securities ⁵	54,809	60,513	57,939	57,690	58,288	59,483	60,672	61,537	62,775
<i>By area</i>									
7 Europe ³	222,406	257,480	269,214	268,337	268,536	272,973	270,794	271,474	274,922
8 Canada.....	19,473	21,343	21,997	19,677	20,196	20,577	21,009	20,856	21,130
9 Latin America and Caribbean.....	66,721	81,173	80,631	76,632	81,926	89,186	93,765	95,098	95,650
10 Asia.....	311,016	385,048	401,331	403,814	402,475	382,281	380,318	390,265	394,186
11 Africa.....	6,296	7,379	7,908	7,765	8,643	8,890	8,882	8,934	10,218
12 Other countries.....	5,004	5,926	4,794	4,568	3,199	5,996	5,440	6,241	6,278

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 and Treasury bills issued to official institutions of foreign countries.

4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero-coupon Treasury bond issues to foreign governments as follows: Mexico, beginning March 1988, 20-year maturity issue and beginning March 1990, 30-year maturity issue;

Venezuela, beginning December 1990, 30-year maturity issue; Argentina, beginning April 1993, 30-year maturity issue.

5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

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 States¹

Payable in Foreign Currencies

Millions of dollars, end of period

Item	1993	1994	1995	1996		1997	
				Sept.	Dec.	Mar.	June
1 Banks' liabilities.....	78,259	89,258	109,713	111,140	103,383	109,238	109,433
2 Banks' claims.....	62,017	60,711	74,016	68,120	66,018	72,589	84,665
3 Deposits.....	20,993	19,661	22,696	24,026	22,467	24,542	26,503
4 Other claims.....	41,024	41,050	51,320	44,094	43,551	48,047	58,162
5 Claims of banks' domestic customers ²	12,854	10,878	6,145	7,390	10,978	9,357	11,292

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 States¹
Payable in U.S. dollars
Millions of dollars, end of period

Item	1994	1995	1996	1997						
				Mar.	Apr.	May	June	July	Aug.	Sept. ^P
BY HOLDER AND TYPE OF LIABILITY										
1 Total, all foreigners	1,014,996	1,099,549	1,161,993	1,173,099	1,181,419	1,193,134	1,183,736^f	1,199,601^f	1,191,903	1,197,299
2 Banks' own liabilities	718,591	753,461	758,998	782,633	796,344	812,513	801,237 ^f	806,686 ^f	788,093	796,297
3 Demand deposits	23,386	24,448	27,034	27,675	29,252	26,204	29,548 ^f	27,658	27,090	28,316
4 Time deposits ²	186,512	192,558	187,956	189,873	183,860	184,347	187,766 ^f	190,144	191,039	188,650
5 Other ³	113,215	140,165	142,464	151,545	161,607	162,470	165,333 ^f	176,087 ^f	160,986	169,206
6 Own foreign offices ⁴	395,478	396,290	401,544	413,540	421,625	439,492	418,590	412,797	408,978	410,125
7 Banks' custodial liabilities ⁵	296,405	346,088	402,995	390,466	385,075	380,621	382,499	392,915	403,810	401,002
8 U.S. Treasury bills and certificates ⁶	162,938	197,355	236,874	230,074	221,387	207,894	205,792	202,630	209,121	205,946
9 Other negotiable, and readily transferable instruments ⁷	42,539	52,200	72,011	63,102	67,074	72,716	73,235	88,057	89,375	90,686
10 Other	90,928	96,533	94,110	97,290	96,614	100,011	101,472	102,228	105,314	104,370
11 Nonmonetary international and regional organizations ⁸	8,606	11,039	13,972	12,227	13,059	12,547	13,952	11,796	10,259	11,806
12 Banks' own liabilities	8,176	10,347	13,355	11,808	12,787	12,332	13,496	11,384	9,758	11,524
13 Demand deposits	29	21	29	49	30	16	775	86	217	771
14 Time deposits ²	3,298	4,656	5,784	6,952	5,238	4,857	6,669	4,726	4,569	6,017
15 Other ³	4,849	5,670	7,542	4,807	7,519	7,459	6,052	6,572	4,972	4,736
16 Banks' custodial liabilities ⁵	430	692	617	419	272	215	456	412	501	282
17 U.S. Treasury bills and certificates ⁶	281	350	352	246	174	122	65	47	166	53
18 Other negotiable, and readily transferable instruments ⁷	149	341	265	158	98	88	383	365	314	229
19 Other	0	1	0	15	0	5	8	0	21	0
20 Official institutions ⁹	212,957	275,928	312,019	316,813	305,270	305,439	289,080 ^f	290,658	293,910	299,445
21 Banks' own liabilities	59,935	83,447	79,406	90,679	86,808	92,845	97,025 ^f	101,957	98,940	105,013
22 Demand deposits	1,564	2,098	1,511	2,368	2,341	1,855	1,482 ^f	1,711	2,181	1,745
23 Time deposits ²	23,511	30,717	33,336	32,691	33,428	36,627	39,694	41,936	40,147	40,073
24 Other ³	34,860	50,632	44,559	55,620	51,039	54,363	55,849	58,310	56,612	63,195
25 Banks' custodial liabilities ⁵	153,022	192,481	232,613	226,134	218,462	212,594	192,055	188,701	194,970	194,432
26 U.S. Treasury bills and certificates ⁶	139,571	168,534	198,921	196,219	186,432	178,366	163,950	161,270	165,453	161,610
27 Other negotiable, and readily transferable instruments ⁷	13,245	23,603	33,266	29,532	31,883	33,976	27,676	26,878	29,349	32,315
28 Other	206	344	426	383	147	252	429	553	168	507
29 Banks ¹⁰	678,532	691,412	694,835	696,864	710,231	718,282	727,606 ^f	734,444 ^f	730,291	722,525
30 Banks' own liabilities	563,617	567,834	562,898	567,501	579,775	591,027	575,768 ^f	573,804 ^f	566,335	561,822
31 Unaffiliated foreign banks	168,139	171,544	161,354	153,961	158,150	151,535	157,178 ^f	161,007 ^f	157,357	151,697
32 Demand deposits	10,633	11,758	13,692	13,014	14,451	12,686	14,800 ^f	13,700	13,323	13,851
33 Time deposits ²	111,171	103,471	90,811	88,786	83,542	81,587	80,291	81,126	82,929	77,503
34 Other ³	46,335	56,315	56,851	52,161	60,157	57,262	62,087 ^f	66,181 ^f	61,105	60,343
35 Own foreign offices ⁴	395,478	396,290	401,544	413,540	421,625	439,492	418,590	412,797	408,978	410,125
36 Banks' custodial liabilities ⁵	114,915	123,578	131,937	129,363	130,456	127,255	151,838	160,640	163,956	160,703
37 U.S. Treasury bills and certificates ⁶	11,264	15,872	23,106	19,088	19,567	14,127	27,115	28,642	30,629	30,012
38 Other negotiable, and readily transferable instruments ⁷	14,506	13,035	17,027	15,318	16,693	18,918	28,866	35,522	33,960	32,886
39 Other	89,145	94,671	91,804	94,957	94,196	94,210	95,857	96,476	99,367	97,805
40 Other foreigners	114,901	121,170	141,167	147,195	152,859	156,866	153,098 ^f	162,703 ^f	157,443	163,523
41 Banks' own liabilities	86,863	91,833	103,339	112,645	116,974	116,309	114,948 ^f	119,541 ^f	113,060	117,938
42 Demand deposits	11,160	10,571	11,802	12,244	12,430	11,647	12,491 ^f	12,161	11,369	11,949
43 Time deposits ²	48,532	53,714	58,025	61,444	61,652	61,276	61,112 ^f	62,356	63,394	65,057
44 Other ³	27,171	27,548	33,512	38,957	42,892	43,386	41,345 ^f	45,024 ^f	38,297	40,932
45 Banks' custodial liabilities ⁵	28,038	29,337	37,828	34,550	35,885	40,557	38,150	43,162	44,383	45,585
46 U.S. Treasury bills and certificates ⁶	11,822	12,599	14,495	14,521	15,214	15,279	14,662	12,671	12,873	14,271
47 Other negotiable, and readily transferable instruments ⁷	14,639	15,221	21,453	18,094	18,400	19,734	18,310	25,292	25,752	25,256
48 Other	1,577	1,517	1,880	1,935	2,271	5,544	5,178	5,199	5,758	6,058
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	17,895	9,103	14,573	13,927	15,130	15,030	15,771	16,453	16,040	15,872

1. Reporting banks include all types of depository institutions as well as some brokers and dealers. Excludes bonds and notes of maturities longer than one year.

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 for foreign customers.

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 States¹—Continued

Item	1994	1995	1996	1997						
				Mar.	Apr.	May	June	July	Aug.	Sept. ^P
AREA										
50 Total, all foreigners	1,014,996	1,099,549	1,161,993	1,173,099	1,181,419	1,193,134	1,183,736^F	1,199,601^F	1,191,903^F	1,197,299
51 Foreign countries	1,006,390	1,088,510	1,148,021	1,160,872	1,168,360	1,180,587	1,169,784^F	1,187,805^F	1,181,644^F	1,185,493
52 Europe	390,869	362,819	376,590	381,716	380,617	382,253	395,718 ^F	411,680 ^F	407,700 ^F	401,155
53 Austria	3,588	3,537	5,128	4,606	3,003	3,231	3,252	3,257	3,404	2,711
54 Belgium and Luxembourg	21,877	24,792	24,084	22,318	19,243	21,256	41,286	45,291	46,063	43,416
55 Denmark	2,884	2,921	2,565	1,827	1,782	2,112	2,098	2,289	1,736	2,867
56 Finland	1,436	2,831	1,958	2,422	3,149	1,868	1,851	1,814	1,751	2,163
57 France	44,365	39,218	35,078	35,337	40,702	38,742	41,211	43,464	41,213	43,006
58 Germany	27,109	24,035	24,660	25,458	25,793	26,081	26,086 ^F	24,978 ^F	22,626	24,672
59 Greece	1,400	2,014	1,835	2,419	1,740	2,296	1,701	1,726	1,592 ^F	2,086
60 Italy	10,885	10,868	10,946	8,844	9,499	9,691	10,191	9,490	9,179 ^F	9,852
61 Netherlands	16,033	13,745	11,110	11,076	11,758	8,702	8,292	8,440	7,823 ^F	8,388
62 Norway	2,338	1,394	1,288	1,896	1,357	1,121	841	846	604	1,321
63 Portugal	2,846	2,761	3,562	3,022	3,010	2,712	2,582	2,075	1,931	1,958
64 Russia	2,726	7,948	7,623	7,859	7,863	9,582	12,302	13,604	13,216	12,784
65 Spain	14,675	10,011	17,707	18,847	17,697	15,027	16,274	15,158	15,203 ^F	17,796
66 Sweden	3,094	3,246	1,623	2,113	2,216	1,658	1,514	1,925	2,317	2,024
67 Switzerland	40,724	43,625	44,538	43,614	42,128	44,028	39,124	44,283	41,076 ^F	36,862
68 Turkey	3,341	4,124	6,738	7,191	6,585	6,757	6,545	6,594	5,933 ^F	4,736
69 United Kingdom	163,733	139,183	153,420	155,843	158,258	163,227	156,127 ^F	161,672 ^F	167,914 ^F	158,529
70 Yugoslavia ¹¹	245	177	206	248	266	324	228	267	244	243
71 Other Europe and other former U.S.S.R. ¹²	27,770	26,389	22,521	26,776	24,568	23,838	24,213 ^F	24,507	23,875	25,741
72 Canada	24,768	30,468	38,920	38,053	40,331	38,441	37,970	30,444	27,628 ^F	29,542
73 Latin America and Caribbean	423,847	440,213	467,374	467,352	479,595	494,607	495,710 ^F	500,309	496,336 ^F	502,533
74 Argentina	17,203	12,235	13,877	16,907	14,224	16,486	18,229	17,100	18,033 ^F	16,643
75 Bahamas	104,014	94,991	88,895	90,075	105,465	100,935	90,166	92,136	86,271 ^F	86,914
76 Bermuda	8,424	4,897	5,527	8,417	7,450	6,358	5,358	5,919	7,786	6,084
77 Brazil	9,145	23,797	27,701	23,822	23,408	25,452	26,058	28,340	31,567 ^F	33,575
78 British West Indies	229,599	239,083	251,310	254,809	251,752	268,284	272,142	264,986	268,180 ^F	273,484
79 Chile	3,127	2,826	2,915	3,309	3,117	3,239	3,371	3,440	3,353 ^F	3,327
80 Colombia	4,615	3,659	3,256	2,807	3,165	2,776	2,836	2,652	2,587 ^F	2,657
81 Cuba	8	8	21	18	52	54	55	54	60 ^F	55
82 Ecuador	875	1,314	1,767	1,484	1,469	1,608	1,466	1,640	1,512 ^F	1,508
83 Guatemala	1,121	1,276	1,282	1,378	1,514	1,457	1,497	1,455	1,389 ^F	1,449
84 Jamaica	529	481	628	585	525	472	465	532	534	523
85 Mexico	12,227	24,560	31,240	27,299	27,855	28,223	32,611	34,579	30,804 ^F	32,640
86 Netherlands Antilles	5,217	4,673	6,099	3,590	5,486	3,755	6,134	10,986	8,286 ^F	7,566
87 Panama	4,551	4,264	4,099	3,868	3,711	4,026	3,976	4,424	3,805 ^F	3,835
88 Peru	900	974	834	926	881	1,117	919	958	1,006 ^F	904
89 Uruguay	1,597	1,836	1,890	1,842	1,753	2,062	2,153	2,392	2,070	1,997
90 Venezuela	13,986	11,808	17,363	18,456	18,968	18,899	19,187	19,114	20,159	20,570
91 Other	6,704	7,531	8,670	7,760	8,800	9,404	9,087 ^F	9,602	8,934 ^F	8,802
92 Asia	154,346	240,595	249,083	257,779	250,070	249,131	222,698 ^F	227,555	231,110 ^F	234,370
93 China										
94 Mainland	10,066	33,750	30,438	31,366	28,575	29,429	7,283	9,480	10,450	12,652
95 Taiwan	9,844	11,714	15,995	15,803	14,664	12,442	12,363	13,464	11,803	13,331
96 Hong Kong	17,104	20,197	18,789	20,107	18,941	19,397	20,236	18,737	17,647	18,528
97 India	2,338	3,373	3,930	5,428	4,755	4,367	4,241	4,555	4,474	4,451
98 Indonesia	1,587	2,708	2,298	2,679	2,430	2,770	2,531	2,817	3,737 ^F	2,810
99 Israel	5,157	4,041	6,051	5,963	6,097	6,416	5,751	5,180	5,202	4,534
100 Japan	62,981	109,193	117,316	122,760	122,194	118,921	118,413	118,410	119,549	118,261
101 Korea (South)	5,124	5,749	5,949	6,555	7,158	7,866	7,657	8,928	9,646	9,590
102 Philippines	2,714	3,092	3,378	2,389	2,340	2,387	2,469	2,908	2,541	2,409
103 Thailand	6,466	12,279	10,912	9,394	10,361	7,808	6,159	5,262	4,956	6,545
104 Middle Eastern oil-exporting countries ¹³	15,494	15,582	16,285	13,671	14,214	14,425	12,946	14,112	15,480	14,277
105 Other	15,471	18,917	17,742	21,664	18,341	22,903	22,649 ^F	23,702	25,625	26,982
106 Africa	6,524	7,641	8,116	8,564	8,986	9,821	9,970 ^F	9,734	9,731 ^F	10,379
107 Egypt	1,879	2,136	2,012	2,010	2,056	2,257	1,986	1,921	1,973	2,050
108 Morocco	97	104	112	107	130	91	65	112	94	99
109 South Africa	433	739	458	819	780	1,985	1,758	1,697	1,694 ^F	2,046
110 Zaire	9	10	10	9	4	9	17	8	7	14
111 Oil-exporting countries ¹⁴	1,343	1,797	2,626	2,945	3,344	2,731	3,153	2,981	3,211	3,280
112 Other	2,763	2,855	2,898	2,674	2,672	2,748	2,991 ^F	3,015	2,752	2,890
113 Other	6,036	6,774	7,938	7,408	8,761	6,334	7,718	8,083	9,139	7,514
114 Australia	5,142	5,647	6,479	6,066	7,546	4,991	6,433	6,782	7,917	6,391
115 Other	894	1,127	1,459	1,342	1,215	1,343	1,285	1,301	1,222	1,123
116 Nonmonetary international and regional organizations	8,606	11,039	13,972	12,227	13,059	12,547	13,952	11,796	10,259 ^F	11,806
117 International ¹⁵	7,537	9,300	12,099	10,307	11,691	10,873	12,297	10,341	9,124 ^F	10,634
118 Latin American regional ¹⁶	613	893	1,339	1,459	1,050	1,435	1,071	794	579	708
119 Other regional ¹⁷	456	846	534	461	318	239	584	661	556	464

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 States¹
Payable in U.S. Dollars
Millions of dollars, end of period

Area or country	1994	1995	1996	1997						
				Mar.	Apr.	May	June	July	Aug	Sept ²
1 Total, all foreigners	485,432	532,444	599,685	636,478	640,974	632,547	651,435^f	646,597^f	650,427	655,806
2 Foreign countries	480,841	530,513	597,081	634,972	638,686	630,215	649,505^f	645,444^f	648,010	653,763
3 Europe	124,124	132,150	165,555	204,661	183,035	196,157	192,392 ^f	186,365 ^f	189,751	198,676
4 Austria	692	565	1,662	1,911	1,541	1,440	1,394	1,690	1,739	1,371
5 Belgium and Luxembourg	6,923	7,624	6,727	8,439	8,054	8,017	8,159	8,089	8,117	7,840
6 Denmark	1,129	403	492	546	888	924	981	806	811	1,077
7 Finland	512	1,055	971	1,684	1,194	1,121	1,414	1,247	1,773	1,889
8 France	12,149	15,033	15,246	24,780	14,933	17,296	16,764	18,694	16,239	17,533
9 Germany	7,623	9,263	8,472	11,971	9,532	9,054	10,024 ^f	8,351 ^f	8,685	11,195
10 Greece	604	469	568	755	453	477	630	461	481	499
11 Italy	6,044	5,370	6,457	6,427	6,166	6,478	7,865	7,443	8,015	7,669
12 Netherlands	2,960	5,346	7,080	7,612	8,866	8,190	10,687	12,050	11,074	11,474
13 Norway	504	665	808	1,226	846	1,199	750	745	849	1,713
14 Portugal	938	888	418	421	326	306	468	439	732	562
15 Russia	973	660	1,669	2,028	1,799	1,881	2,020	2,098	2,192	1,924
16 Spain	3,536	2,166	3,211	6,633	6,301	5,854	6,811	6,496 ^f	6,176	5,428
17 Sweden	4,098	2,080	1,739	2,311	1,942	1,870	2,539	1,740	1,639	1,659
18 Switzerland	5,747	7,474	19,798	20,851	21,301	24,574	22,523	24,883	24,338	25,392
19 Turkey	878	803	1,109	1,240	1,216	1,306	1,392	1,362	1,305	1,398
20 United Kingdom	66,863	67,784	85,057	99,153	91,217	101,629	94,070	84,162 ^f	90,226	93,899
21 Yugoslavia ³	265	147	115	87	78	79	75	75	76	75
22 Other Europe and other former U.S.S.R. ⁴	1,686	4,355	3,956	6,586	6,382	4,462	3,826	5,534	5,284	6,079
23 Canada	18,490	20,874	26,436	35,782	33,727	31,613	35,916	26,289	24,441	23,347
24 Latin America and Caribbean	224,229	256,944	274,127	261,159	282,478	264,378	281,253 ^f	300,449 ^f	298,790	302,435
25 Argentina	5,854	6,439	7,400	6,995	6,884	7,251	7,293	7,088	7,277	7,255
26 Bahamas	66,410	58,818	71,871	67,728	68,219	65,546	66,804	69,819	70,011	66,051
27 Bermuda	8,533	5,741	4,103	6,216	8,132	6,603	7,112 ^f	8,252 ^f	9,829	9,297
28 Brazil	9,583	13,297	17,259	17,752	17,590	18,588	18,757	18,882	19,251	19,428
29 British West Indies	96,373	124,037	105,510	98,778	111,276	106,898	122,088	134,435	128,370	133,737
30 Chile	3,820	4,864	5,136	5,784	5,636	5,745	5,599	5,801	5,919	6,235
31 Colombia	4,004	4,550	6,247	6,099	6,026	6,041	6,324	6,419	6,609	6,540
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	682	825	1,031	1,155	995	1,092	1,132	1,165	1,199	1,217
34 Guatemala	366	457	620	629	633	619	651	679	690	764
35 Jamaica	258	323	345	366	325	328	336	359	375	374
36 Mexico	17,749	18,024	18,425	19,516	20,292	19,168	19,201	19,585	18,680	18,770
37 Netherlands Antilles	1,404	9,229	25,209	18,926	25,235	14,759	14,016	15,759	18,408	20,324
38 Panama	2,198	3,008	2,786	3,110	3,243	3,347	3,183	3,272	3,482	3,567
39 Peru	997	1,829	2,720	2,510	2,473	2,580	2,597	2,697	2,851	3,060
40 Uruguay	503	466	589	741	682	735	705	778	702	728
41 Venezuela	1,832	1,661	1,702	1,520	1,561	1,710	1,801	1,734	1,750	1,720
42 Other	3,663	3,376	3,174	3,334	3,276	3,368	3,654	3,725	3,367	3,368
43 Asia	107,800	115,336	122,478	124,292	129,326	128,708	129,744	122,500	124,907	120,783
44 China										
45 Mainland	836	1,023	1,401	1,456	2,201	2,168	2,023	2,370	2,588	2,786
46 Taiwan	1,448	1,713	1,894	1,532	1,500	1,851	1,523	1,523	1,523	1,250
47 Hong Kong	9,222	12,821	12,802	14,143	13,389	14,969	16,014	12,247	13,188	13,569
48 India	994	1,846	1,946	2,194	2,147	2,257	2,342	2,184	2,110	2,086
49 Indonesia	1,472	1,696	1,762	2,081	2,206	2,435	2,536	2,521	2,576	2,710
50 Israel	688	739	633	612	586	909	631	855	749	907
51 Japan	59,569	61,468	59,967	56,483	58,872	56,484	59,679	55,592	54,427	52,480
52 Korea (South)	10,286	13,975	18,901	19,901	20,802	20,864	20,606	21,274	21,690	19,972
53 Philippines	663	1,318	1,697	1,600	1,746	1,937	2,119	1,723	1,834	1,669
54 Thailand	2,902	2,612	2,679	3,429	3,233	3,069	3,187	2,825	2,641	2,479
55 Middle Eastern oil-exporting countries ⁵	13,982	9,639	10,424	10,078	11,315	10,590	9,115	9,750	9,470	8,041
56 Other	5,738	6,486	8,372	10,606	11,297	11,526	9,641	9,636	12,113	12,844
56 Africa	3,053	2,742	2,776	3,282	3,282	2,847	3,273	3,125	3,280	3,462
57 Egypt	225	210	247	244	231	270	312	267	388	251
58 Morocco	429	514	524	473	478	463	465	463	554	547
59 South Africa	674	465	584	470	452	569	602	493	489	654
60 Zaire	2	1	0	0	1	0	0	0	0	0
61 Oil-exporting countries ⁶	856	552	420	605	1,177	679	1,129	1,134	1,178	1,123
62 Other	867	1,000	1,001	943	943	866	765	768	771	887
63 Other	3,145	2,467	5,709	6,343	6,838	6,512	6,927	6,716	6,841	5,060
64 Australia	2,192	1,622	4,577	4,101	4,918	4,088	5,042	4,934	5,266	4,314
65 Other	953	845	1,132	2,242	1,920	2,424	1,885	1,782	1,575	746
66 Nonmonetary international and regional organizations ⁶	4,591	1,931	2,604	1,506	2,288	2,332	1,930	1,153	2,417	2,043

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 States¹
 Payable in U.S. Dollars
 Millions of dollars, end of period

Type of claim	1994	1995	1996	1997						
				Mar.	Apr.	May	June	July ^f	Aug.	Sept. ^p
1 Total	601,814	655,211	743,700	798,450	...	...	813,672^r	...	...	...
2 Banks' claims	485,432	532,444	599,685	636,478	640,974	632,547	651,435 ^r	646,597	650,427	655,806
3 Foreign public borrowers	23,416	22,518	22,241	28,864	29,176	27,264	29,394	26,918	28,258	29,745
4 Own foreign offices ²	283,015	307,427	341,574	360,340	362,790	367,977	379,425 ^r	370,505	370,593	374,443
5 Unaffiliated foreign banks	110,410	101,595	113,505	118,444	116,071	113,013	119,527	117,674	115,318	104,635
6 Deposits	59,368	37,771	33,826	37,284	34,592	34,581	35,789	36,001	35,430	29,623
7 Other	51,042	63,824	79,679	81,160	81,479	78,432	83,738	81,673	79,888	75,012
8 All other foreigners	68,591	100,904	122,365	128,830	132,937	124,293	123,089 ^r	131,500	136,258	146,983
9 Claims of banks' domestic customers ³	116,382	122,767	144,015	161,972	...	...	162,237	...	...	...
10 Deposits	64,829	58,519	77,673	95,147	...	...	94,591	...	...	...
11 Negotiable and readily transferable instruments ⁴	36,111	44,161	51,207	49,518	...	...	50,301	...	...	...
12 Outstanding collections and other claims	15,442	20,087	15,135	17,307	...	...	17,345	...	...	...
MEMO										
13 Customer liability on acceptances	8,427	8,410	10,372	11,202	...	...	11,437 ^r	...	...	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States ⁵	32,796	30,717	42,679	38,815	42,719	44,870	38,358	41,604	47,552	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 from 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, bankers acceptances, and commercial paper.

5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States¹
 Payable in U.S. Dollars
 Millions of dollars, end of period

Maturity, by borrower and area ²	1993	1994	1995	1996		1997	
				Sept.	Dec.	Mar.	June
1 Total	202,566	202,282	224,932	232,945	257,866	275,945	271,863
<i>By borrower</i>							
2 Maturity of one year or less	172,662	170,411	178,857	188,995	211,682	223,686	211,121
3 Foreign public borrowers	17,828	15,435	14,995	15,983	15,411	19,876	17,974
4 All other foreigners	154,834	154,976	163,862	173,012	196,271	203,810	193,147
5 Maturity of more than one year	29,904	31,871	46,075	43,950	46,184	52,259	60,742
6 Foreign public borrowers	10,874	7,838	7,522	6,922	6,815	8,861	11,220
7 All other foreigners	19,030	24,033	38,553	37,028	39,369	43,398	49,522
<i>By area</i>							
8 Maturity of one year or less							
9 Europe	57,413	56,381	55,622	58,527	55,513	74,886	69,233
10 Canada	7,727	6,690	6,751	8,811	8,339	10,404	10,320
11 Latin America and Caribbean	60,490	59,583	72,504	79,622	103,254	96,891	87,056
12 Asia	41,418	40,567	40,296	37,165	38,078	36,465	38,418
13 Africa	1,820	1,379	1,295	1,320	1,316	1,451	1,899
13 All other ³	3,794	5,811	2,389	3,550	5,182	3,589	4,195
Maturity of more than one year							
14 Europe	5,310	4,358	4,995	7,117	6,928	9,474	11,835
15 Canada	2,581	3,505	2,751	3,533	2,645	2,953	3,154
16 Latin America and Caribbean	14,025	15,717	27,681	21,382	24,917	26,771	30,999
17 Asia	5,606	5,323	7,941	9,808	9,392	10,773	12,510
18 Africa	1,935	1,583	1,421	1,349	1,361	1,204	1,264
19 All other	447	1,385	1,286	761	941	1,084	980

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.

2. Maturity is time remaining until maturity.

3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks¹

Billions of dollars, end of period

Area or country	1993	1994	1995			1996				1997	
			June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
1 Total	409.5	499.5	531.9	535.3	551.9	574.6	614.9 ^f	587.6 ^f	646.7 ^f	649.3 ^f	680.5
2 G-10 countries and Switzerland	161.9	191.2	206.5	203.0	206.0	203.4	229.0 ^f	221.6 ^f	229.7 ^f	233.1 ^f	251.6
3 Belgium and Luxembourg	7.4	7.2	9.7	11.0	13.6	11.0	11.4	11.3	11.7	14.1	9.3
4 France	12.0	19.1	19.9	18.0	19.4	17.9	18.0	17.4	16.6	19.9	17.9
5 Germany	12.6	24.7	30.0	27.5	27.3	31.5	33.5 ^f	35.5 ^f	31.4 ^f	33.7 ^f	35.9
6 Italy	7.7	11.8	10.7	12.6	11.5	13.2	14.9	15.2	16.0	14.4	20.2
7 Netherlands	4.7	3.6	4.3	4.5	3.7	3.0	4.7	5.9	3.9	4.5	6.4
8 Sweden	2.7	2.7	3.1	2.9	2.7	3.3	2.7	3.0	2.6	3.4	3.6
9 Switzerland	5.9	5.1	6.2	6.6	6.7	5.2	6.3	6.3	5.3	6.0	5.4
10 United Kingdom	84.4	85.8	87.1	80.4	82.4	84.7	101.6	90.5	104.6	99.2	109.7
11 Canada	6.9	10.0	11.3	12.9	10.3	10.8	12.2	14.8	14.0	16.3	15.8
12 Japan	17.6	21.1	24.4	26.6	28.5	22.7	23.6	21.7	23.7 ^f	21.7	27.4
13 Other industrialized countries	26.5	45.7	43.3	50.5	50.2	61.3	55.5	62.1	65.7	66.4	71.8
14 Austria	7	1.1	7	1.2	9	1.3	1.2	1.0	1.1	1.9	1.5
15 Denmark	1.0	1.3	1.1	1.8	2.6	3.4	3.3	1.7	1.5	1.7	2.8
16 Finland	4	9	5	7	8	7	6	6	8	7	1.4
17 Greece	3.2	4.5	5.0	5.1	5.7	5.6	5.6	6.1	6.7	6.3	6.1
18 Norway	1.7	2.0	1.8	2.3	3.2	2.1	2.3	3.0	8.0	5.3	4.7
19 Portugal	8	1.2	1.2	1.9	1.3	1.6	1.6	1.4	9	1.0	1.1
20 Spain	9.9	13.6	13.0	13.3	11.6	17.5	13.6	16.1	13.2	14.4	15.4
21 Turkey	2.1	1.6	1.4	2.0	1.9	2.0	2.3	2.8	2.7	2.7	3.5
22 Other Western Europe	3.2	3.2	2.9	3.3	4.7	3.8	3.4	4.8	4.7	6.3	5.5
23 South Africa	1.1	1.0	1.4	1.3	1.2	1.7	2.0	1.7	2.0	1.9	1.9
24 Australia	2.3	15.4	14.3	17.4	16.4	21.7	19.6	22.8	24.0	24.4	27.8
25 OPEC ²	17.6	24.1	20.3	22.7	22.1	21.2	20.1	19.2	19.7	21.8	22.2
26 Ecuador	5	5	7	7	7	8	9	9	1.1	1.1	9
27 Venezuela	5.1	3.7	3.5	3.0	2.7	2.9	2.3	2.3	2.4	1.9	2.1
28 Indonesia	3.3	3.8	4.1	4.4	4.8	4.7	4.9	5.4	5.2	4.9	5.6
29 Middle East countries	7.6	15.3	11.5	13.9	13.3	12.3	11.5	10.2 ^f	10.7 ^f	13.2	12.4
30 African countries	1.2	9	6	6	6	6	5	4	4	7	1.2
31 Non-OPEC developing countries	83.2	96.0	103.7	104.1	112.6	118.6	126.5 ^f	124.2 ^f	130.3 ^f	128.1	140.7
Latin America											
32 Argentina	7.7	11.2	12.3	10.9	12.9	12.7	14.1	15.0	14.3	14.3	16.4
33 Brazil	12.0	8.4	10.0	13.6	13.7	18.3	21.7	17.8	20.7	22.0	27.6
34 Chile	4.7	6.1	7.1	6.4	6.8	6.4	6.7	6.6	7.0	6.8	7.6
35 Colombia	2.1	2.6	2.6	2.9	2.9	2.9	2.8	3.1	4.1	3.7	3.3
36 Mexico	17.9	18.4	17.6	16.3	17.3	16.1	15.4	16.1	16.2	17.2	16.6
37 Peru	4	5	8	7	8	9	1.2	1.3	1.6	1.6	1.4
38 Other	3.1	2.7	2.6	2.6	2.8	3.1	3.0	3.0	3.3	3.4	3.4
Asia											
39 China											
40 Mainland	2.0	1.1	1.4	1.7	1.8	3.3	2.9	2.6	2.5	2.7	3.6
41 Taiwan	7.3	9.2	9.0	9.0	9.4	9.7	9.8	10.4 ^f	10.3 ^f	10.5	10.6
42 India	3.2	4.2	4.0	4.4	4.4	4.7	4.2	3.8	4.3	4.9	5.3
43 Israel	5	4	7	5	5	5	6	5	5	6	8
44 Korea (South)	6.7	16.2	18.7	18.0	19.1	19.3	21.7	21.9	21.5	14.6	16.3
45 Malaysia	4.4	3.1	4.1	4.3	4.4	5.2	5.3	5.5	6.0 ^f	6.5	6.2
46 Philippines	3.1	3.3	3.6	3.3	4.1	3.9	4.7	5.4	5.8	6.0	7.0
47 Thailand	3.1	2.1	3.8	3.9	4.9	5.2	5.4	4.8	5.7	6.8	7.3
Other Asia	3.1	4.7	3.5	3.7	4.5	4.3	4.8	4.1	4.1	4.3	4.7
Africa											
48 Egypt	4	3	4	4	4	5	5	6	7	9	1.1
49 Morocco	7	6	9	9	7	7	8	7	7	6	6
50 Zaire	0	0	0	0	0	0	0	0	1	0	0
51 Other Africa ³	8	8	6	8	9	8	8	1.0	9	9	9
52 Eastern Europe	3.2	2.7	1.8	3.4	4.2	6.3	5.1	5.3	6.9	8.9	7.1
53 Russia ⁴	1.6	8	4	6	1.0	1.4	1.0	1.8	3.7	3.5	4.2
54 Other	1.6	1.9	1.3	2.8	3.2	4.9	4.1	3.5	3.2	5.4	2.9
55 Offshore banking centers	73.5	72.9	83.8	87.5	99.2	101.3	106.1 ^f	105.2 ^f	134.7 ^f	131.3	129.5
56 Bahamas	10.9	10.2	8.4	12.6	11.0	13.9	17.3	14.2	20.3	20.9	16.0
57 Bermuda	8.9	8.4	8.4	6.1	6.3	5.3	4.1	4.0	4.5	6.7	7.7
58 Cayman Islands and other British West Indies	18.4	21.4	25.3	25.1	32.4	28.8	26.1	32.0	37.2	32.8	35.2
59 Netherlands Antilles	2.8	1.6	2.8	5.7	10.3	11.1	13.2	11.7	26.1	19.9	15.8
60 Panama ⁵	2.4	1.3	1.2	1.3	1.4	1.6	1.7	1.7	2.0	2.0	2.6
61 Lebanon	1.8	1	1	1	1	1	1	1	1	1	1
62 Hong Kong, China	18.8	20.0	23.1	23.7	25.0	25.3	27.6 ^f	26.0 ^f	27.9 ^f	30.8	35.3
63 Singapore	11.2	10.1	14.8	13.3	13.1	15.4	15.9	15.5 ^f	16.7	17.9	16.6
64 Other ⁶	1	1	0	1	1	1	1	1	1	1	3
65 Miscellaneous and unallocated ⁷	43.6	66.9	72.6	64.2	57.6	62.6	72.7	50.0	59.6 ^f	59.6	57.6

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).

3. Excludes Liberia. Beginning March 1994 includes Namibia.

4. As of December 1992, excludes other republics of the former Soviet Union.

5. Includes Canal Zone.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of liability, and area or country	1993	1994	1995	1996				1997	
				Mar.	June	Sept.	Dec.	Mar.	June ^P
1 Total	50,597	54,309	46,448	49,907	48,990	51,651	54,822	54,616	52,699
2 Payable in dollars	38,728	38,298	33,903	36,273	35,385	36,421	39,003	39,361	37,842
3 Payable in foreign currencies	11,869	16,011	12,545	13,634	13,605	15,230	15,819	15,255	14,857
<i>By type</i>									
4 Financial liabilities	29,226	32,954	24,241	26,570	24,844	25,492	26,089	25,499	24,379
5 Payable in dollars	18,545	18,818	12,903	13,831	12,212	11,319	11,374	11,264	10,551
6 Payable in foreign currencies	10,681	14,136	11,338	12,739	12,632	14,173	14,715	14,235	13,828
7 Commercial liabilities	21,371	21,355	22,207	23,337	24,146	26,159	28,733	29,117	28,320
8 Trade payables	8,802	10,005	11,013	10,815	11,081	11,791	12,720	11,515	11,122
9 Advance receipts and other liabilities	12,569	11,350	11,194	12,522	13,065	14,368	16,013	17,602	17,198
10 Payable in dollars	20,183	19,480	21,000	22,442	23,173	25,102	27,629	28,097	27,291
11 Payable in foreign currencies	1,188	1,875	1,207	895	973	1,057	1,104	1,020	1,029
<i>By area or country</i>									
<i>Financial liabilities</i>									
12 Europe	18,810	21,703	15,622	16,950	16,434	16,133	16,242	15,970	16,099
13 Belgium and Luxembourg	175	495	369	483	498	547	632	769	238
14 France	2,539	1,727	999	1,679	1,011	1,220	1,091	1,205	1,280
15 Germany	975	1,961	1,974	2,161	1,850	2,276	1,834	1,589	1,765
16 Netherlands	534	552	466	479	444	519	556	507	466
17 Switzerland	634	688	895	1,260	1,156	830	699	694	591
18 United Kingdom	13,332	15,543	10,138	10,246	10,790	9,884	10,224	9,752	10,537
19 Canada	859	629	632	1,166	951	973	1,401	602	456
20 Latin America and Caribbean	3,359	2,034	1,783	1,876	969	1,169	1,668	1,876	1,279
21 Bahamas	1,148	101	59	78	31	50	236	293	124
22 Bermuda	0	80	147	126	28	25	50	27	55
23 Brazil	18	207	57	57	8	52	78	75	97
24 British West Indies	1,533	998	866	946	826	764	1,030	965	769
25 Mexico	17	0	12	16	11	13	17	16	15
26 Venezuela	5	5	2	2	1	1	1	1	1
27 Asia	5,956	8,403	5,988	6,390	6,351	6,969	6,400	6,347	5,961
28 Japan	4,887	7,314	5,436	5,980	6,051	6,602	5,846	5,771	5,412
29 Middle Eastern oil-exporting countries ¹	23	35	27	26	26	25	25	72	39
30 Africa	133	135	150	131	72	153	38	29	29
31 Oil-exporting countries ²	123	123	122	122	61	121	0	0	0
32 All other ³	109	50	66	57	67	95	340	675	555
<i>Commercial liabilities</i>									
33 Europe	6,827	6,773	7,700	8,425	7,916	8,680	9,767	9,551	8,711
34 Belgium and Luxembourg	239	241	331	370	326	427	479	643	738
35 France	655	728	481	648	678	657	680	680	709
36 Germany	684	604	767	867	839	949	1,002	1,047	852
37 Netherlands	688	722	500	659	617	668	766	553	290
38 Switzerland	375	327	413	428	516	405	624	481	430
39 United Kingdom	2,039	2,444	3,568	3,525	3,266	3,663	4,303	4,165	3,827
40 Canada	879	1,037	1,040	959	998	1,144	1,090	1,068	1,136
41 Latin America and Caribbean	1,658	1,857	1,740	2,110	2,301	2,386	2,574	2,563	2,501
42 Bahamas	21	19	1	28	35	33	63	43	33
43 Bermuda	350	345	205	570	509	355	297	479	397
44 Brazil	214	161	98	128	119	198	196	201	225
45 British West Indies	27	23	56	10	10	15	14	14	26
46 Mexico	481	574	416	468	475	446	665	633	594
47 Venezuela	123	276	221	243	283	341	328	318	304
48 Asia	10,980	10,741	10,421	10,474	11,389	12,227	13,422	13,968	13,926
49 Japan	4,314	4,555	3,315	3,725	3,943	4,149	4,614	4,502	4,440
50 Middle Eastern oil-exporting countries ¹	1,534	1,576	1,912	1,747	1,784	1,951	2,168	2,495	2,420
51 Africa	453	428	619	708	924	1,020	1,040	1,037	941
52 Oil-exporting countries ²	167	256	254	254	462	490	532	479	423
53 Other	574	519	687	661	618	702	840	930	1,105

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (U.A.E.).

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of claim, and area or country	1993	1994	1995	1996				1997	
				Mar.	June	Sept.	Dec.	Mar.	June ^P
1 Total	49,159	57,888	52,509	55,406	60,195	59,092	63,642	64,343	65,542
2 Payable in dollars	45,161	53,805	48,711	51,007	55,350	55,014	58,630	60,177	60,817
3 Payable in foreign currencies	3,998	4,083	3,798	4,399	4,845	4,078	5,012	4,166	4,725
<i>By type</i>									
4 Financial claims	27,771	33,897	27,398	30,772	35,251	34,200	35,268	36,788	38,006
5 Deposits	15,717	18,507	15,133	17,595	19,507	19,877	21,404	19,628	22,385
6 Payable in dollars	15,182	18,026	14,654	17,044	19,069	19,182	20,631	18,548	21,474
7 Payable in foreign currencies	535	481	479	551	438	695	773	1,080	911
8 Other financial claims	12,054	15,390	12,265	13,177	15,744	14,323	13,864	17,160	15,621
9 Payable in dollars	10,862	14,306	10,976	11,290	13,347	12,234	12,069	15,383	13,243
10 Payable in foreign currencies	1,192	1,084	1,289	1,887	2,397	2,089	1,795	1,777	2,378
11 Commercial claims	21,388	23,991	25,111	24,634	24,944	24,892	28,374	27,555	27,536
12 Trade receivables	18,425	21,158	22,998	22,123	22,353	22,454	25,751	24,801	24,853
13 Advance payments and other claims	2,963	2,833	2,113	2,511	2,591	2,438	2,623	2,754	2,683
14 Payable in dollars	19,117	21,473	23,081	22,673	22,934	23,598	25,930	26,246	26,100
15 Payable in foreign currencies	2,271	2,518	2,030	1,961	2,010	1,294	2,444	1,309	1,436
<i>By area or country</i>									
<i>Financial claims</i>									
16 Europe	7,299	7,936	7,609	8,929	10,498	9,777	9,282	9,317	10,189
17 Belgium and Luxembourg	134	86	193	159	151	126	185	119	203
18 France	826	800	803	1,015	679	733	694	761	681
19 Germany	526	540	436	320	296	272	276	324	281
20 Netherlands	502	429	517	486	488	520	493	567	519
21 Switzerland	530	523	498	470	461	432	474	570	447
22 United Kingdom	3,585	4,649	4,303	5,568	7,426	6,603	6,119	6,075	7,112
23 Canada	2,032	3,581	2,851	5,269	4,773	4,502	3,445	4,917	6,422
24 Latin America and Caribbean	16,224	19,536	14,500	13,827	17,644	17,241	19,577	19,742	18,725
25 Bahamas	1,336	2,424	1,965	1,538	2,168	1,746	1,452	1,894	2,064
26 Bermuda	125	27	81	77	84	113	140	157	188
27 Brazil	654	520	830	1,019	1,242	1,438	1,468	1,404	1,617
28 British West Indies	12,699	15,228	10,393	10,100	13,024	12,809	15,182	15,166	13,442
29 Mexico	892	723	554	461	392	413	457	517	498
30 Venezuela	161	35	32	40	23	20	31	22	21
31 Asia	1,657	1,871	1,579	1,890	1,571	1,834	2,221	2,068	1,938
32 Japan	892	953	871	1,171	852	1,001	1,035	831	770
33 Middle Eastern oil-exporting countries ¹	3	141	3	13	9	13	22	12	20
34 Africa	99	373	276	277	197	177	174	182	179
35 Oil-exporting countries ²	1	0	5	5	5	13	14	14	15
36 All other ³	460	600	583	580	568	669	569	562	553
<i>Commercial claims</i>									
37 Europe	9,105	9,540	9,824	9,776	9,842	9,288	10,443	9,863	9,601
38 Belgium and Luxembourg	184	213	231	247	239	213	226	364	327
39 France	1,947	1,881	1,830	1,803	1,659	1,532	1,644	1,514	1,377
40 Germany	1,018	1,027	1,070	1,410	1,335	1,250	1,337	1,364	1,234
41 Netherlands	423	311	452	442	481	424	562	582	613
42 Switzerland	432	557	520	579	602	594	642	418	385
43 United Kingdom	2,377	2,556	2,656	2,607	2,658	2,516	2,946	2,626	2,836
44 Canada	1,781	1,988	1,951	2,045	2,074	2,083	2,165	2,381	2,464
45 Latin America and Caribbean	3,274	4,117	4,364	4,151	4,347	4,409	5,276	5,067	5,230
46 Bahamas	11	9	30	30	28	14	35	40	28
47 Bermuda	182	234	272	273	264	290	275	159	197
48 Brazil	460	612	898	809	838	968	1,303	1,216	1,134
49 British West Indies	71	83	79	106	103	119	190	127	97
50 Mexico	990	1,243	993	870	1,021	936	1,128	1,102	1,138
51 Venezuela	293	348	285	308	313	316	357	330	450
52 Asia	6,014	6,982	7,312	7,100	6,939	7,289	8,376	8,348	8,456
53 Japan	2,275	2,655	1,870	2,010	1,877	1,919	2,003	2,065	2,059
54 Middle Eastern oil-exporting countries ¹	704	708	974	1,024	903	945	971	1,078	1,014
55 Africa	493	454	654	667	688	731	746	718	618
56 Oil-exporting countries ²	72	67	87	107	83	142	166	100	81
57 Other ³	721	910	1,006	895	1,054	1,092	1,368	1,178	1,167

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction, and area or country	1995	1996	1997		1997					
			Jan. - Sept.	Mar.	Apr.	May	June	July	Aug.	Sept. ^P
U.S. corporate securities										
STOCKS										
1 Foreign purchases	462,950	623,760	718,267	68,468	70,267	82,604	87,060	89,271	91,332	83,141
2 Foreign sales	451,710	611,832	664,241	68,166	64,454	75,674	76,826	78,435	83,260	78,086
3 Net purchases, or sales (-)	11,240	11,928	54,026	302	5,813	6,930	10,234	10,836	8,072	5,055
4 Foreign countries	11,445	12,002	54,106	294	5,833	6,949	10,245	10,825	8,115	5,060
5 Europe	4,912	5,046	41,401	2,120	6,686	2,440	5,571	6,121	4,389	5,297
6 France	-1,099	-2,354	2,860	-308	679	238	-602	1,188	465	241
7 Germany	-1,837	1,104	6,887	699	648	601	857	1,080	583	374
8 Netherlands	3,507	1,389	2,044	378	378	382	126	80	-108	820
9 Switzerland	-2,283	2,710	4,488	310	810	184	1,036	920	546	-405
10 United Kingdom	8,066	4,119	16,249	488	3,274	218	2,565	1,180	2,145	3,559
11 Canada	-1,517	2,221	-25	374	141	27	35	-482	-291	-560
12 Latin America and Caribbean	5,814	5,563	11,152	-1,433	-1,987	2,912	2,380	4,363	2,399	749
13 Middle East ¹	-337	-1,598	75	10	203	-246	164	-51	-62	32
14 Other Asia	2,503	906	592	-894	713	1,541	2,246	684	1,546	-519
15 Japan	-2,725	-372	3,290	-253	1,294	1,763	1,121	849	888	-313
16 Africa	2	-81	419	96	-7	4	81	99	2	94
17 Other countries	68	-55	492	21	84	271	-232	91	132	-33
18 Nonmonetary international and regional organizations	-205	-74	-80	8	-20	-19	-11	11	-43	-5
BONDS ²										
19 Foreign purchases	293,533	423,149	467,005	43,649	42,663	44,749	58,904	63,814 ^f	64,953	50,262
20 Foreign sales	206,951	294,636	366,010	38,104	31,741	36,358	47,673	46,771 ^f	50,282	41,521
21 Net purchases, or sales (-)	86,582	128,513	100,995	5,545	10,922	8,391	11,231	17,043 ^f	14,671	8,741
22 Foreign countries	87,036	128,342	100,853	5,531	10,926	8,483	11,099	17,029 ^f	14,603	8,740
23 Europe	70,318	76,767	61,944	4,766	5,362	5,601	7,117	10,241 ^f	7,643	5,277
24 France	1,143	5,124	3,123	511	602	-4	90	520	740	301
25 Germany	5,938	5,164	2,657	493	30	145	-250	1,842	-123	610
26 Netherlands	1,463	2,470	2,316	105	67	978	154	-140	702	-12
27 Switzerland	494	1,063	-1,475	98	189	-54	4	-378	-418	-669
28 United Kingdom	57,591	58,595	50,228	2,872	4,298	3,888	6,522	6,985 ^f	6,324	3,962
29 Canada	2,569	4,197	4,181	390	512	446	-98	313 ^f	560	624
30 Latin America and Caribbean	6,141	22,901	13,482	-2,434	2,550	1,569	1,964	3,579 ^f	2,413	1,279
31 Middle East ¹	1,869	1,637	1,450	480	16	-179	16	-9	-44	-1
32 Other Asia	5,659	22,570	17,934	2,165	2,185	874	1,800	2,699	3,900	1,419
33 Japan	2,250	13,499	10,670	1,213	1,229	399	1,618	1,884	2,980	-785
34 Africa	234	600	891	47	190	44	61	104	105	8
35 Other countries	246	-330	971	117	111	128	239	102	26	134
36 Nonmonetary international and regional organizations	-454	171	142	14	-4	-92	132	14	68	1
Foreign securities										
37 Stocks, net purchases, or sales (-)	-50,291	-57,122	-40,867	-3,827	-4,089	-3,684	-5,529	-7,576	-8,016	-147
38 Foreign purchases	345,540	456,826	509,029	47,780	49,725	57,647	64,388	69,677	62,071	60,518
39 Foreign sales	395,831	513,948	549,896	51,607	53,814	61,331	69,917	77,253	70,087	60,665
40 Bonds, net purchases, or sales (-)	-48,405	-48,793	-36,740	-2,978	5,720	-1,328	-13,006	-11,245 ^f	-3,839	-7,728
41 Foreign purchases	889,541	1,118,678	1,120,653	131,454	117,761	127,985	123,406	139,887 ^f	129,977	130,106
42 Foreign sales	937,946	1,167,471	1,157,393	134,432	112,041	129,313	136,412	151,132 ^f	133,816	137,834
43 Net purchases, or sales (-), of stocks and bonds	-98,696	-105,915	-77,607	-6,805	1,631	-5,012	-18,535	-18,821 ^f	-11,855	-7,875
44 Foreign countries	-97,891	-105,044	-77,850	-6,871	1,617	-5,069	-18,551	-18,858 ^f	-11,784	-7,869
45 Europe	-48,125	-55,948	-20,563	-3,004	5,732	377	-2,001	-10,423 ^f	-4,555	-5,399
46 Canada	-7,812	-6,279	-4,683	-110	-239	-841	-1,356	-1,816 ^f	-1,448	-1,253
47 Latin America and Caribbean	-7,634	-9,503	-19,824	-1,574	-1,240	-1,286	-8,473	-2,374 ^f	621	183
48 Asia	-34,056	-27,745	-29,140	-1,517	-3,650	-3,549	-5,865	-3,925 ^f	-4,773	-747
49 Japan	-25,072	-5,888	-15,876	-674	-2,349	-2,878	-4,945	-2,350 ^f	104	-183
50 Africa	-327	-1,529	-1,793	-74	-121	15	-588	-74 ^f	-705	-273
51 Other countries	63	-4,040	-1,847	-592	1,135	215	-268	-246	-924	-380
52 Nonmonetary international and regional organizations	-805	-871	243	66	14	57	16	37	-71	-6

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 Transactions¹

Millions of dollars; net purchases, or sales (-) during period

Area or country	1995	1996	1997							
			Jan. - Sept.	Mar.	Apr.	May	June	July	Aug.	Sept. ²
1 Total estimated	134,115	244,010	174,830	22,357	25,307	7,752	24,795	4,622²	22,831	15,889
2 Foreign countries	133,676	245,852	172,883	22,667	24,847	7,909	23,845	4,251 ¹	23,026	15,503
3 Europe	49,976	118,345	115,641	13,473	10,625	9,688	10,393	11,721 ¹	19,323	19,898
4 Belgium and Luxembourg	591	1,486	2,532	83	944	309	-37	298 ²	92	138
5 Germany	6,136	17,647	10,060	-3,124	-1,480	721	1,417	6,433 ²	4,050	2,714
6 Netherlands	1,891	-582	2,663	343	1,412	194	-408	368	882	-3
7 Sweden	358	2,343	-436	-581	-86	90	141	2	583	16
8 Switzerland	-472	327	1,199	-1,431	1,029	-223	329	141	12	109
9 United Kingdom	34,754	65,381	77,683	14,242	6,482	6,951	4,922	2,723 ²	13,130	13,874
10 Other Europe and former U.S.S.R.	6,718	31,743	21,940	3,941	2,324	1,646	4,029	1,756	574	3,050
11 Canada	252	2,389	1,055	-317	17	348	1,278	717 ²	-839	-414
12 Latin America and Caribbean	48,609	24,664	-5,862	-3,135	1,101	-9,494	1,266	-3,555 ²	-384	769
13 Venezuela	-2	-69	187	10	-8	93	635	57	25	-691
14 Other Latin America and Caribbean	25,152	12,311	6,428	3,964	-2,937	2,005	2,787	527 ²	-4,703	-2,880
15 Netherlands Antilles	23,459	12,422	-12,477	-7,109	4,046	-11,592	-2,156	-4,139	4,294	2,802
16 Asia	32,467	98,001	61,134	12,227	13,200	7,536	8,406	-3,266	4,867	-4,646
17 Japan	16,979	41,390	28,942	1,747	6,604	7,657	5,972	2,612	-3,458	-2,782
18 Africa	1,464	1,085	1,287	-22	-16	27	340	193	218	461
19 Other	908	1,368	-372	441	-80	-196	2,162	-1,559	-159	973
20 Nonmonetary international and regional organizations	439	-1,842	1,947	-310	460	-157	950	371	-195	386
21 International	9	-1,390	1,293	-384	467	-172	1,068	117	-190	341
22 Latin American regional	261	-779	250	80	24	-2	-145	70	-117	-21
MEMO										
23 Foreign countries	133,676	245,852	172,883	22,667	24,847	7,909	23,845	4,251 ¹	23,026	15,503
24 Official institutions	39,631	86,161	54,436	7,387	7,102	3,377	10,055	-2,499	8,506	2,705
25 Other foreign	94,045	159,691	118,447	15,280	17,745	4,532	13,790	6,750 ²	14,520	12,798
Oil-exporting countries										
26 Middle East ³	3,075	10,227	9,392	2,533	2,879	541	-1,735	-2,251	3,455	59
27 Africa ³	2	1	-13	0	1	-6	0	0	-7	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 BANKS¹

Percent per year, averages of daily figures

Country	Rate on Nov. 28, 1997		Country	Rate on Nov. 28, 1997	
	Percent	Month effective		Percent	Month effective
Austria	2.5	Apr. 1996	Germany	2.5	Apr. 1996
Belgium	2.75	Oct. 1997	Italy	6.25	June 1997
Canada	4.0	Nov. 1997	Japan	5	Sept. 1995
Denmark	3.5	Oct. 1997	Netherlands	2.5	Apr. 1996
France ²	3.3	Oct. 1997	Switzerland	1.0	Sept. 1996

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 RATES¹

Percent per year, averages of daily figures

Type or country	1994	1995	1996	1997						
				May	June	July	Aug.	Sept.	Oct.	Nov.
1 Eurodollars	4.63	5.93	5.38	5.69	5.66	5.61	5.58	5.59	5.63	5.71
2 United Kingdom	5.45	6.63	5.99	6.41	6.63	6.93	7.12	7.19	7.24	7.52
3 Canada	5.57	7.14	4.49	3.35	3.30	3.57	3.67	3.66	3.83	4.02
4 Germany	5.25	4.43	3.21	3.09	3.05	3.06	3.19	3.24	3.51	3.68
5 Switzerland	4.03	2.94	1.92	1.51	1.25	1.43	1.39	1.36	1.73	1.91
6 Netherlands	5.09	4.30	2.91	3.15	3.14	3.17	3.33	3.35	3.50	3.65
7 France	5.72	6.43	3.81	3.37	3.30	3.27	3.31	3.29	3.47	3.57
8 Italy	8.45	10.43	8.79	6.82	6.85	6.87	6.85	6.65	6.63	6.49
9 Belgium	5.65	4.73	3.19	3.22	3.23	3.39	3.55	3.55	3.76	3.72
10 Japan	2.24	1.20	.58	.58	.60	.67	.58	.55	.52	.53

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 RATES¹

Currency units per dollar except as noted

Country/currency unit	1994	1995	1996	1997					
				June	July	Aug.	Sept.	Oct.	Nov.
1 Australia/dollar ²	73.161	74.073	78.283	75.422	74.199	74.036	72.310	71.971	69.526
2 Austria/schilling	11.409	10.076	10.589	12.158	12.620	12.946	12.568	12.360	12.182
3 Belgium/franc	33.426	29.472	30.970	35.651	37.040	38.011	36.876	36.266	35.737
4 Canada/dollar	1.3664	1.3725	1.3638	1.3843	1.3775	1.3905	1.3872	1.3869	1.4128
5 China, P.R./yuan	8.6397	8.3700	8.3389	8.3224	8.3162	8.3187	8.3171	8.3135	8.3109
6 Denmark/krone	6.3361	5.5999	5.8003	6.5804	6.8317	7.0109	6.8001	6.6922	6.5937
7 Finland/markka	5.2340	4.3763	4.5948	5.1794	5.3164	5.5046	5.3455	5.2674	5.2217
8 France/franc	5.5459	4.9864	5.1158	5.8293	6.0511	6.2010	6.0031	5.8954	5.8001
9 Germany/deutsche mark	1.6216	1.4321	1.5049	1.7277	1.7939	1.8400	1.7862	1.7575	1.7323
10 Greece/drachma	242.50	231.68	240.82	273.83	281.43	288.41	281.69	276.84	271.87
11 Hong Kong/dollar	7.7290	7.7357	7.7345	7.7445	7.7454	7.7436	7.7440	7.7373	7.7314
12 India/rupee	31.394	32.418	35.506	35.820	35.747	36.009	36.476	36.302	37.289
13 Ireland/pound ²	149.69	160.35	159.95	150.60	149.45	145.34	148.06	146.92	150.30
14 Italy/lira	1,611.49	1,629.45	1,542.76	1,694.54	1,745.91	1,797.12	1,743.22	1,721.09	1,697.08
15 Japan/yen	102.18	93.96	108.78	114.29	115.38	117.93	120.89	121.06	125.38
16 Malaysia/ringgit	2.6237	2.5073	2.5154	2.5167	2.5815	2.7589	3.0254	3.2972	3.3791
17 Netherlands/guilder	1.8190	1.6044	1.6863	1.9438	2.0201	2.0709	2.0116	1.9800	1.9524
18 New Zealand/dollar ²	59.358	65.625	68.765	68.713	66.097	64.211	63.604	63.556	62.420
19 Norway/krone	7.0553	6.3355	6.4594	7.2240	7.4545	7.6224	7.3008	7.0807	7.0588
20 Portugal/escudo	165.93	149.88	154.28	174.56	181.20	186.50	181.49	179.07	176.84
21 Singapore/dollar	1.5275	1.4171	1.4100	1.4271	1.4521	1.4977	1.5164	1.5597	1.5820
22 South Africa/rand	3.5526	3.6284	4.3011	4.5005	4.5611	4.6856	4.6890	4.7145	4.8394
23 South Korea/won	806.93	772.69	805.00	891.40	893.09	898.71	912.50	929.42	1,035.22
24 Spain/peseta	133.88	124.64	126.68	145.98	151.33	155.51	150.75	148.32	146.30
25 Sri Lanka/rupee	49.170	51.047	55.289	58.531	58.732	59.189	59.713	59.723	60.132
26 Sweden/krona	7.7161	7.1406	6.7082	7.7506	7.8188	7.9886	7.6887	7.5765	7.5589
27 Switzerland/franc	1.3667	1.1812	1.2361	1.4424	1.4824	1.5128	1.4702	1.4516	1.4069
28 Taiwan/dollar	26.465	26.495	27.468	27.903	28.032	28.824	28.731	29.696	31.794
29 Thailand/baht	25.161	24.921	25.359	24.534	30.274	32.399	35.256	37.543	39.092
30 United Kingdom/pound ²	153.19	157.85	156.07	164.49	166.94	160.35	160.13	163.30	168.89
MEMO									
31 United States/dollar ³	91.32	84.25	87.34	95.42	97.48	99.96	98.29	97.07	96.37

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).

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4.31 PRO FORMA FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

A. Pro forma balance sheet

Millions of dollars

Item	Sept. 30, 1997	Sept. 30, 1996
<i>Short-term assets</i> (Note 1)		
Imputed reserve requirement on clearing balances	646.3	590.0
Investment in marketable securities	5,816.7	5,310.0
Receivables	66.2	63.1
Materials and supplies	2.9	11.4
Prepaid expenses	28.7	29.1
Items in process of collection	<u>3,097.4</u>	<u>1,207.9</u>
Total short-term assets	9,658.2	7,211.6
<i>Long-term assets</i> (Note 2)		
Premises	389.1	386.0
Furniture and equipment	132.5	149.9
Leases and leasehold improvements	33.7	22.1
Prepaid pension costs	<u>334.5</u>	<u>276.0</u>
Total long-term assets	889.8	834.0
Total assets	10,548.0	8,045.6
<i>Short-term liabilities</i>		
Clearing balances and balances arising from early credit of uncollected items	6,899.9	6,212.3
Deferred-availability items	2,660.6	895.6
Short-term debt	<u>97.8</u>	<u>103.7</u>
Total short-term liabilities	9,658.2	7,211.6
<i>Long-term liabilities</i>		
Obligations under capital leases .....	.7	2.3
Long-term debt	187.8	184.4
Postretirement/postemployment benefits obligation	<u>203.8</u>	<u>187.7</u>
Total long-term liabilities	392.3	374.4
Total liabilities	10,050.5	7,586.0
Equity	<u>497.5</u>	<u>459.6</u>
Total liabilities and equity (Note 3)	10,548.0	8,045.6

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

(1) SHORT-TERM ASSETS

The imputed reserve requirement on clearing balances held at Reserve Banks by depository institutions reflects a treatment comparable to that of compensating balances held at correspondent banks by respondent institutions. The reserve requirement imposed on respondent balances must be held as vault cash or as nonearning balances maintained at a Reserve Bank; thus, a portion of priced services clearing balances held with the Federal Reserve is shown as required reserves on the asset side of the balance sheet. The remainder of clearing balances is assumed to be invested in three-month Treasury bills, shown as investment in marketable securities.

Receivables are (1) amounts due the Reserve Banks for priced services and (2) the share of suspense-account and difference-account balances related to priced services.

Materials and supplies are the inventory value of short-term assets.

Prepaid expenses include salary advances and travel advances for priced-service personnel. Items in process of collection is gross Federal Reserve cash items in process of collection (CIPC) stated on a basis comparable to that of a commercial bank. It reflects adjustments for intra-System items that would otherwise be double-counted on a consolidated Federal Reserve balance sheet; adjustments for items associated with non-priced items, such as those collected for government agencies; and adjustments for items associated with providing fixed availability or credit before items are received and processed. Among the costs to be recovered under the Monetary Control Act is the cost of float, or net CIPC during the period (the difference between gross CIPC and deferred-availability items which is the portion of gross CIPC that involves a financing cost), valued at the federal funds rate.

(2) LONG-TERM ASSETS

Consists of long-term assets used solely in priced services, the priced-services portion of long-term assets shared with nonpriced services, and an estimate of the assets of the Board of Governors used in the development of priced services. Effective Jan. 1, 1987, the Reserve Banks implemented the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 87, *Employers' Accounting for Pensions* (SFAS 87). Accordingly, the Federal Reserve Banks recognized credits to expenses of \$15.8 million in the third quarter of 1997, \$15.6 million in the second quarter of 1997, \$15.6 million in the first quarter of 1997, \$9.6 million in the third quarter of 1996, \$12 million in the second quarter of 1996, and \$12.2 million in the first quarter of 1996, and corresponding increases in this asset account.

(3) LIABILITIES AND EQUITY

Under the matched-book capital structure for assets that are not "self-financing," short-term assets are financed with short-term debt. Long-term assets are financed with long-term debt and equity in a proportion equal to the ratio of long-term debt to equity for the fifty largest bank holding companies, which are used in the model for the private-sector adjustment factor (PSAF). The PSAF consists of the taxes that would have been paid and the return on capital that would have been provided had priced services been furnished by a private-sector firm. Other short-term liabilities include clearing balances maintained at Reserve Banks and deposit balances arising from float. Other long-term liabilities consist of obligations on capital leases.

4.31 PRO FORMA FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

B. Pro forma income statement

Millions of dollars

Item	Quarter ending Sept. 30, 1997		Quarter ending Sept. 30, 1996	
Revenue from services provided to depository institutions (Note 4)		197.8		196.8
Operating expenses (Note 5)		166.6		167.5
Income from operations		31.1		29.4
Imputed costs (Note 6)				
Interest on float	2.8		2.7	
Interest on debt	4.4		4.3	
Sales taxes	2.1		3.1	
FDIC insurance	2.9	12.3	0.0	10.1
Income from operations after imputed costs		18.9		19.4
Other income and expenses (Note 7)				
Investment income on clearing balances			82.2	
Earnings credits	93.5	7.6	72.9	9.2
Income before income taxes		26.5		28.6
Imputed income taxes (Note 8)		8.5		9.2
Net income		18.0		20.0
MEMO				
Targeted return on equity (Note 9)		13.5		10.1
		Six months ending Sept. 30, 1997		Six months ending Sept. 30, 1996
Revenue from services provided to depository institutions (Note 4)		586.6		586.9
Operating expenses (Note 5)		494.8		490.7
Income from operations		91.9		96.1
Imputed costs (Note 6)				
Interest on float	8.9		14.5	
Interest on debt	13.1		13.0	
Sales taxes	7.1		8.5	
FDIC insurance	4.0	33.1	0.0	35.8
Income from operations after imputed costs		58.8		60.2
Other income and expenses (Note 7)				
Investment income on clearing balances	273.6		229.4	
Earnings credits	(251.6)	22.0	206.9	22.4
Income before income taxes		80.8		82.6
Imputed income taxes (Note 8)		25.9		24.7
Net income		54.9		57.9
MEMO				
Targeted return on equity (Note 9)		40.5		31.1

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

(4) REVENUE

Revenue represents charges to depository institutions for priced services and is realized from each institution through one of two methods: direct charges to an institution's account or charges against its accumulated earnings credits.

(5) OPERATING EXPENSES

Operating expenses consist of the direct, indirect, and other general administrative expenses of the Reserve Banks for priced services plus the expenses for staff members of the Board of Governors working directly on the development of priced services. The expenses for Board staff members were \$.7 million per quarter in the first three quarters of 1997 and 1996. The credit to expenses under SFAS 87 (see note 2) is reflected in operating expenses.

(6) IMPUTED COSTS

Imputed costs consist of interest on float, interest on debt, sales taxes, and the FDIC assessment. Interest on float is derived from the value of float to be recovered, either explicitly or through per-item fees, during the period. Float costs include costs for checks, book-entry securities, noncash collection, ACH, and funds transfers.

Interest is imputed on the debt assumed necessary to finance priced-service assets. The sales taxes and FDIC assessment that the Federal Reserve would have paid had it been a private-sector firm are among the components of the PSAF (see note 3).

The following list shows the daily average recovery of float by the Reserve Banks for the third quarter of 1997 and 1996 in millions of dollars:

	1997	1996
Total float	480.8	476.2
Unrecovered float	39.1	1.0
Float subject to recovery	441.7	475.2
Sources of float recovery		
Income on clearing balances	44.4	47.5
As-of adjustments	242.2	277.1
Direct charges	99.6	69.8
Per-item fees	55.5	80.7

Unrecovered float includes float generated by services to government agencies and by other central bank services. Float recovered through income on clearing balances is the result of the increase in investable clearing balances; the increase is produced by a deduction for float for cash items in process of collection, which reduces imputed reserve requirements. The income on clearing balances reduces the float to be recovered through other means. As-of adjustments and direct charges are mid-week closing float and interterritory check float, which may be recovered from depositing institutions through adjustments to the institution's reserve or clearing balance or by valuing the float at the federal funds rate and billing the institution directly. Float recovered through per-item fees is valued at the federal funds rate and has been added to the cost base subject to recovery in the third quarters of 1997 and 1996.

(7) OTHER INCOME AND EXPENSES

Consists of investment income on clearing balances and the cost of earnings credits. Investment income on clearing balances represents the average coupon-equivalent yield on three-month Treasury bills applied to the total clearing balance maintained, adjusted for the effect of reserve requirements on clearing balances. Expenses for earnings credits granted to depository institutions on their clearing balances are derived by applying the average federal funds rate to the required portion of the clearing balances, adjusted for the net effect of reserve requirements on clearing balances.

(8) INCOME TAXES

Imputed income taxes are calculated at the effective tax rate derived from the PSAF model (see note 3).

(9) RETURN ON EQUITY

Represents the after-tax rate of return on equity that the Federal Reserve would have earned had it been a private business firm, as derived from the PSAF model (see note 3). This amount is adjusted to reflect the recovery of automation consolidation costs of \$2.0 million for the third quarter of 1997, \$1.9 million for the second quarter of 1997, \$2.3 million for the first quarter of 1997, \$9 million for the third quarter of 1996, \$1.6 million for the second quarter of 1996, and \$1.2 million for the first quarter of 1996. The Reserve Banks plan to recover these amounts, along with a finance charge, by the end of the year 2001.

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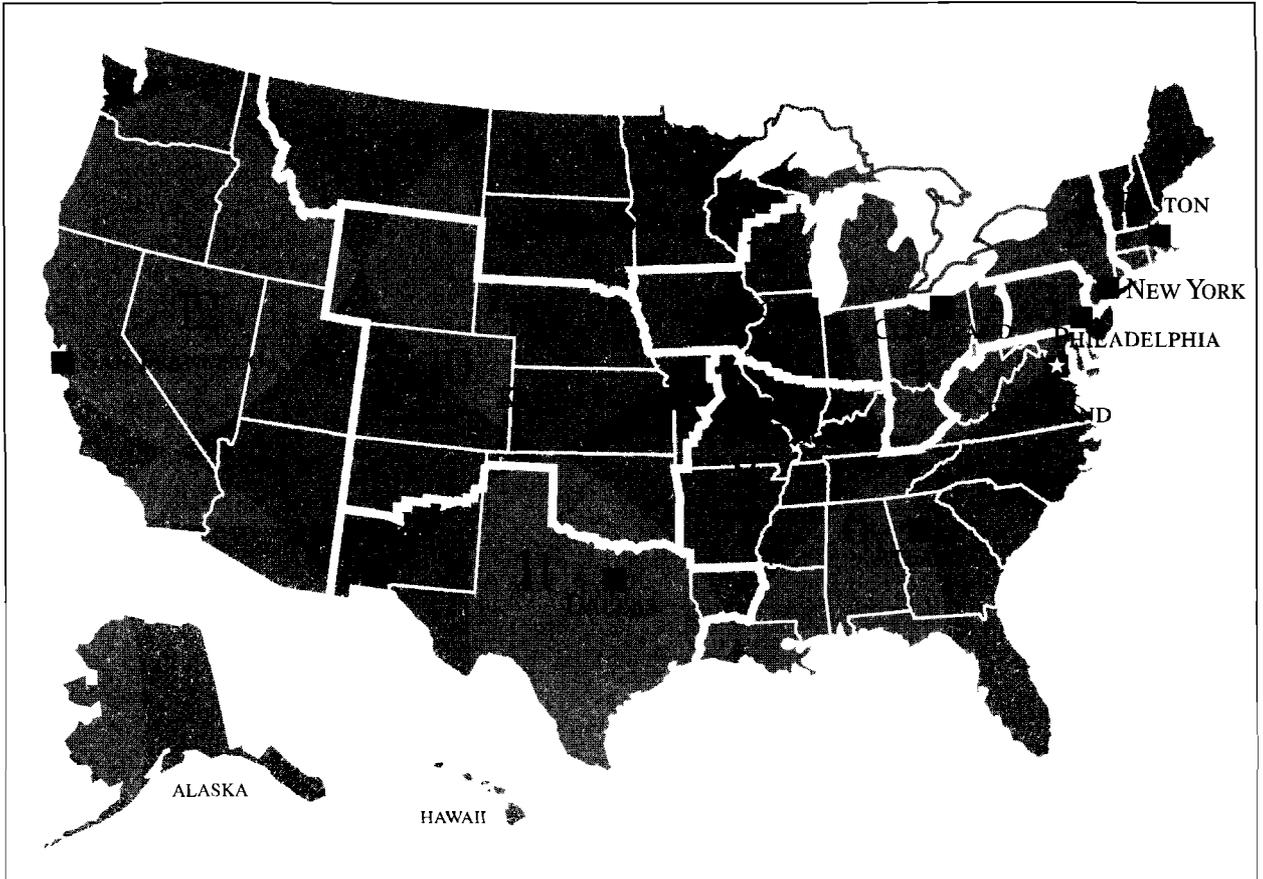
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Both pages

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- Federal Reserve Branch city
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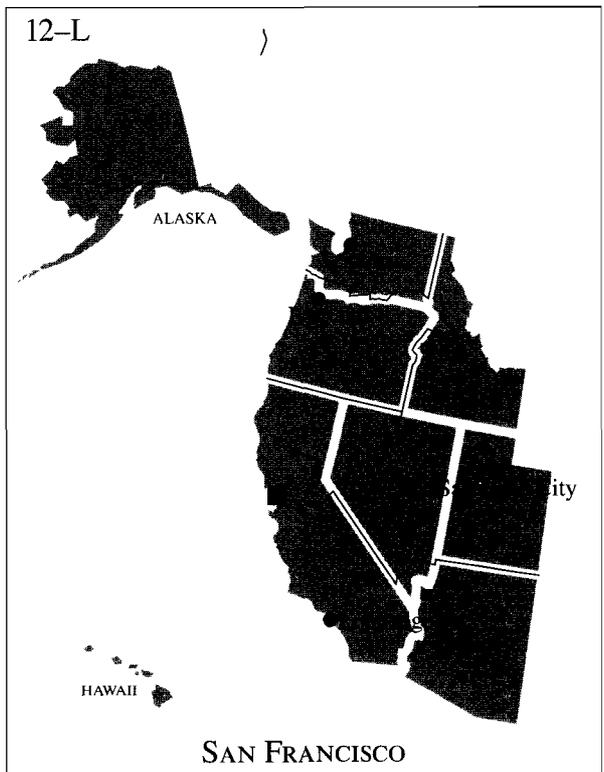
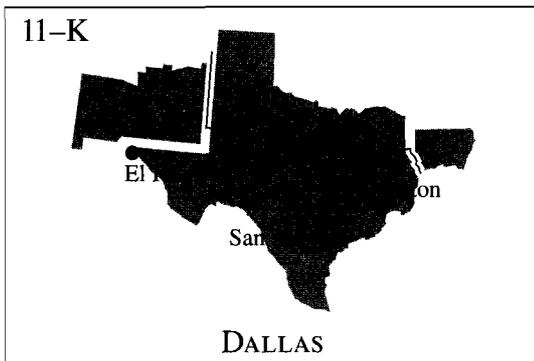
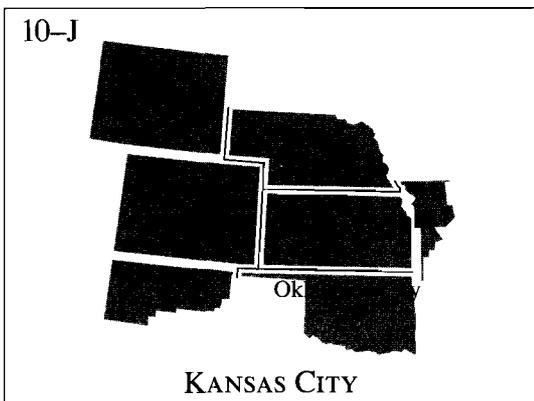
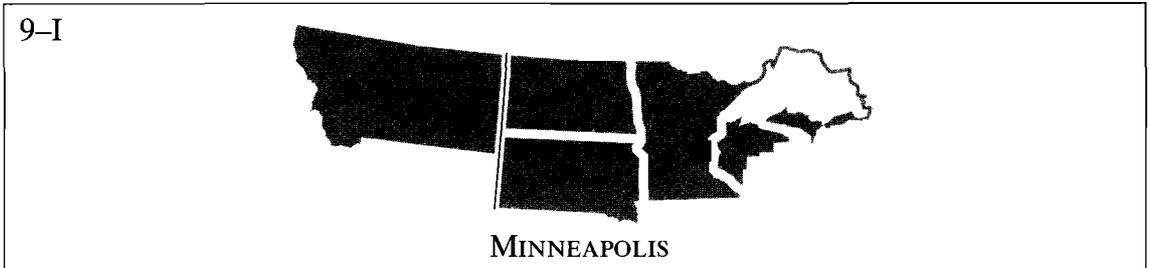
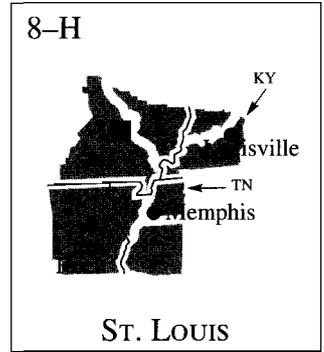
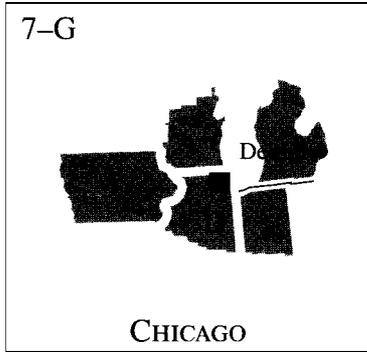
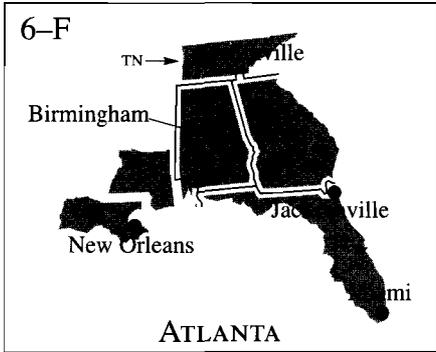
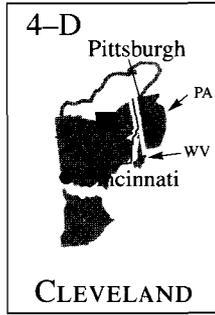
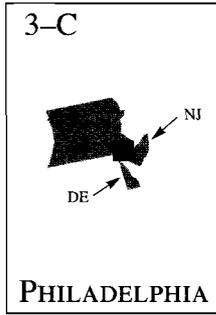
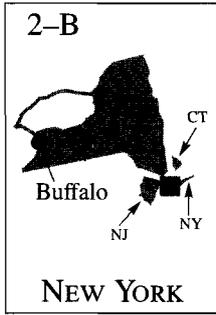
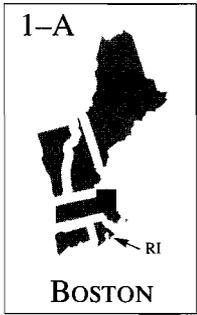
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