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Table of Contents

Turning the Corner on Troubled Farm Debt

Emanuel Melichar, of the Board's Division of Research and Statistics, prepared this article.

Farmland values probably are near the end of their adjustment to this decade's less exuberant expectations for farm income. If so, financial stress in the farm sector has entered its final stages, and the remaining troubled debt incurred during the boom of the 1970s will be worked out. During that boom, farmers as a group enjoyed a massive increase in real wealth, and some farmers borrowed heavily to increase their participation in those gains. In the bust of the 1980s, the entire increase in real wealth disappeared, and many heavily indebted farmers have been unable to service or to repay their debt. Their personal financial crises are being managed through the restructuring of their obligations or are ending in the liquidation of their assets; that is, their excess debt is being forgiven or proceeds from sale or foreclosure of their assets are being applied to the indebtedness. In either event, such borrowers have lost their equity and their lenders have lost part of the funds they lent.

But the movement of farm assets from overly indebted or bankrupt farmers into stronger hands tends to improve the financial condition of the sector. While land prices were falling rapidly, problems associated with large amounts of newly troubled debt overshadowed the effects of debt restructuring and liquidation. But now the reverse is true. The amount of delinquent farm loans, which had been increasing through early 1986, is now declining. Charge-offs of farm loans appear to be past their peak among several major lender groups—individuals, banks, and life insurance companies—and may be peaking now at the large federally sponsored lender, the Farm Credit System.

At this stage of the boom–bust cycle, how much problem debt remains at various lender groups, and how large are the losses yet to come? Much depends on whether prices of farmland have completed their downward adjustment. Therefore, the first section of this article reviews past and current relationships among aggregate income, assets, and debt. The boom's legacy of troubled debt and probable losses are then assessed. The last section concentrates on agricultural banks, more than 200 of which have failed since the onset of farm loan problems. The recent experience of these institutions reflects the losses attending the resolution of farm loan delinquencies as well as the consequent improvement in the financial condition of the farm sector.

Farm Income and Land Prices

Changes in farm income and in expectations of farm income triggered both the boom and the bust. In 1972–73, an extraordinary rise in farm income brought instant prosperity to the farm sector but also set off a chain of events that eventually was to bring sorrow to many. In acting on expectations that farm income would continue to rise, buyers and sellers of farmland priced it at a relatively high multiple of its earnings at the time. When, in the 1980s, it became evident that the likely income trend would instead be flat—and then only with the help of government programs and payments—land prices fell to produce the lower price–earnings ratio appropriate for assets with less exciting prospects; that is, land prices fell sharply even though income was maintained.

Income from Assets

Data on the earnings of farm capital, which are fundamental to the study of these events and relationships, are difficult to obtain. Most farm businesses are family enterprises, and the operators do not separately calculate the returns to capital and to labor and management. Consequently, the reports of farm income that are most widely known and used are not suitable for the analysis of returns on assets. Fortunately, the U.S. Department of Agriculture has recently provided improved estimates of annual net income attributable to assets alone, derived as shown in table 1 and plotted, in constant dollars, in chart 1. As the chart shows, income from assets has differed materially from income that includes the earnings of labor and management.

The boom of the 1970s was preceded by two decades of slow but significant growth in income from assets and thus in asset values as well. During those years, farmers became accustomed to recording much of their individual financial progress through price appreciation of their real

1. Farm income, returns, assets, and debts of operators and landlords, 1970–86[1]

Annual average

Item	1970–71	Boom, 1972–75	Recession, 1976–77	Boom, 1978–79	Recession, 1980–83	Asset revaluation, 1984–86	MEMO: 1986
	Billions of 1986 dollars[2]						
Derivation of net income and total returns							
Gross income	149	191	176	200	174	160	149
LESS: Wages and perquisites paid to hired labor	11	12	14	13	11	10	10
LESS: Other operating expenses, excluding interest	73	87	90	104	93	78	71
LESS: Depreciation allowances and accidental damage	16	18	22	23	23	18	17
EQUALS: Net income from assets and operators' work	49	73	49	59	46	54	51
LESS: Income imputed to operators' work	27	30	30	30	27	24	21
EQUALS: Net income from assets	22	44	20	29	20	29	30
PLUS: Real capital gain on assets[3]	8	55	66	82	−57	−103	−66
EQUALS: Total return from assets	30	99	86	111	−38	−73	−35
LESS: Interest paid	9	11	13	17	23	18	15
PLUS: Real capital gain on debt[3]	6	10	9	16	13	6	4
EQUALS: Total return from equity	27	99	82	110	−47	−86	−47
Balance sheet (end of period)							
Assets	751	960	1,088	1,274	1,020	684	684
LESS: Debt	132	159	183	208	206	155	155
EQUALS: Equity	619	801	905	1,065	814	530	530
	Percent						
Rates of return and interest rates							
Income return on assets	3.0	5.0	1.9	2.4	1.7	3.5	4.1
PLUS: Real capital gain on assets[3]	1.1	6.4	6.4	6.9	−4.9	−12.3	−9.0
EQUALS: Total return on assets	4.1	11.4	8.3	9.3	−3.2	−8.8	−4.9
Interest paid	6.7	7.2	7.8	8.7	10.8	9.9	9.1
LESS: Real capital gain on debt[3]	4.3	6.8	5.6	8.3	6.2	3.1	2.3
EQUALS: Real cost of debt	2.4	.4	2.3	.4	4.6	6.8	6.8
Income return on equity	2.2	4.6	.8	1.2	−.3	1.7	2.7
PLUS: Real capital gain on equity	2.2	9.0	8.7	9.8	−4.6	−15.0	−11.0
EQUALS: Total return on equity	4.4	13.6	9.5	11.0	−5.0	−13.3	−8.3

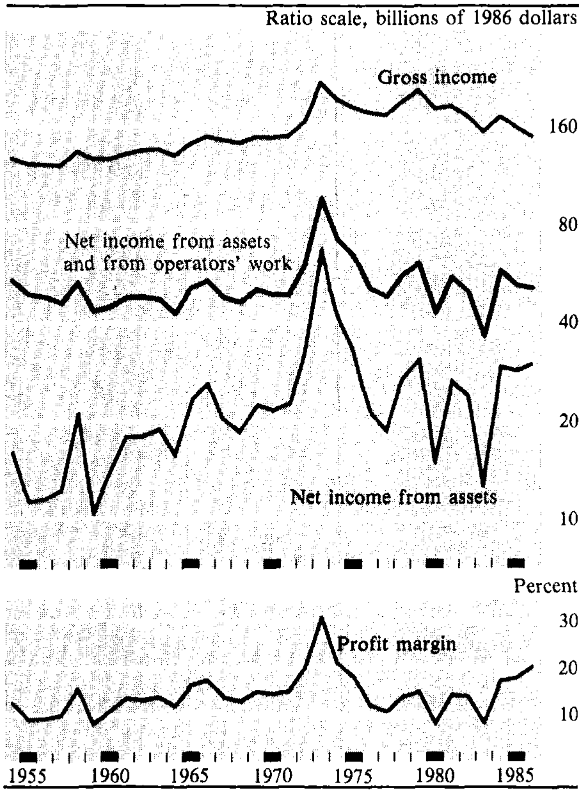
1. Data are for the farm sector excluding farm households (operators' dwellings, household equipment and furnishings, and all financial assets except cash, checkable bank deposits, and stock in farmers' cooperatives). Bank deposits are estimated by the author. Outstanding loans from the Commodity Credit Corporation are excluded from debt, and a corresponding amount is subtracted from the value of stored crops when computing total assets (proceeds of CCC loans are included in gross farm income). Data for 1986 reflect revised preliminary estimates in *Agricultural Outlook*, U.S. Department of Agriculture, June 1987, while earlier data are mainly from *Economic Indicators of the Farm Sector: National Financial Summary, 1985*, U.S. Department of Agriculture, November 1986.

2. Data are adjusted for general price inflation by the implicit price deflator for personal consumption expenditures (1986 average = 1.00).

3. Real capital gain (loss) on farm assets is the amount by which the annual increase in total market value of assets is greater (less) than the sum of net investment and of the change in general purchasing power of the total funds tied up in these assets. Real capital gain (loss) on debt is the decrease (increase) in general purchasing power of the funds owed. Changes in general purchasing power are measured by the implicit price deflator for personal consumption expenditures.

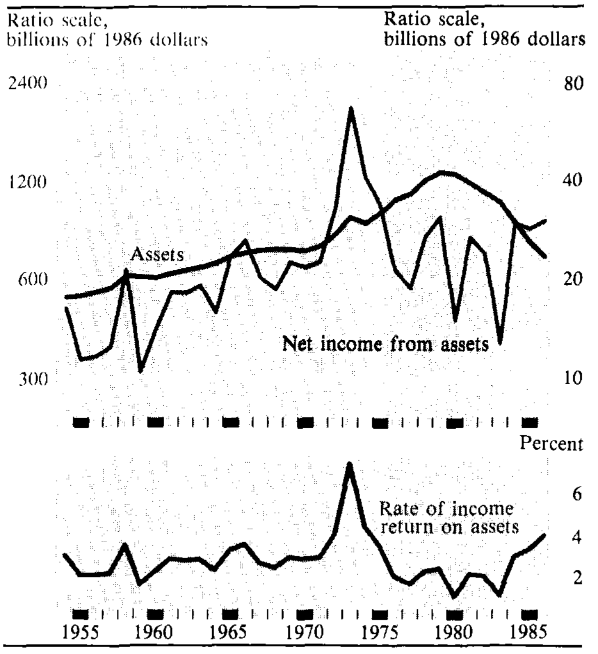
SOURCE. *Agricultural Finance Databook*, Statistical Release E.15, Board of Governors of the Federal Reserve System, June 1987.

1. Farm income



Income series are defined in table 1. Profit margin is net income from assets as a percentage of gross income.

2. Farm assets and income from assets



Income and assets are defined in table 1.

estate. Then income surged and the expectation spread that food scarcity would persist and push commodity prices and farm income ever higher. Farmers responded by further bidding up land prices and by increasing their investments in machinery and in land development projects such as irrigation facilities and permanent plantings.

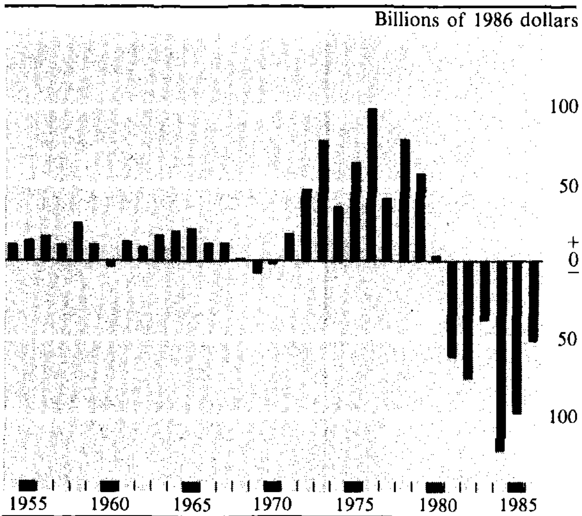
Asset values continued to rise during the rest of the 1970s, even though, as chart 2 shows, income from assets fell back toward the preboom level. Optimistic expectations were refueled by the income rebound of 1978–79. Even as late as 1980 and 1981, prominent analysts and forecasting firms expected steep upward trends in commodity prices and farm income. The realization of these expectations would have validated, at least temporarily, the high multiple of earnings to which farmland prices had by then risen. Instead, on average, an expansion of government programs and payments was required to keep income from falling. In response, land prices began to decline toward a lower multiple of those earnings.

Land Prices

Most of the rise and subsequent fall in the total value of farm assets consisted of changes in the price of farmland. Chart 3 shows the enormous changes in the value of farm real estate (excluding operators' dwellings). Measured in 1986 dollars, real capital gains on farmland during the 1970s totaled about $500 billion. Real capital losses during 1980–86 were about $450 billion.

For many years, the real capital gains and losses experienced by owners of farmland have overshadowed current income in determining the total return on farm assets (chart 4). A positive total return will be restored when land prices stop falling, and they will do so when enough potential buyers, finding that current and projected income returns are more attractive, think that prices are bottoming. Recent reports on land prices suggest that this point may be at hand. For example, surveys of rural banks conducted by five of the Federal Reserve Banks on April 1 indicated that prices of farmland were relatively

3. Real capital gains on farm real estate



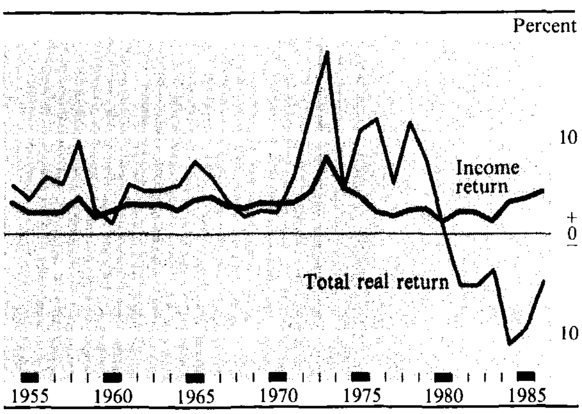
Real capital gain is defined in table 1.

stable in major midwestern farming areas during the first quarter of 1987. In the Chicago Federal Reserve District, where bankers were asked about their near-term expectations, most thought that prices of farmland would remain stable in the second quarter.

FARM DEBT

For several decades before the boom, farmers had favorable experience with the use of debt to leverage their holdings and thereby accelerate

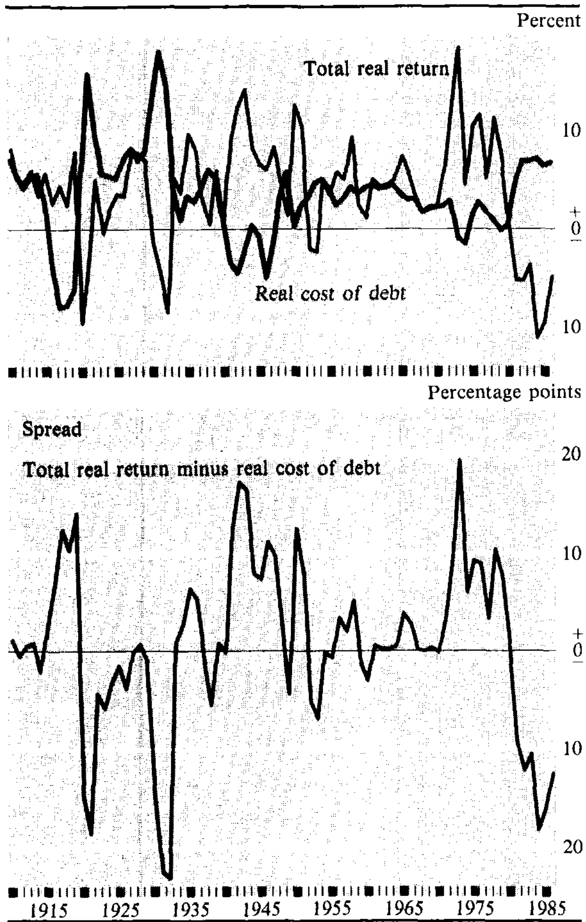
4. Rates of return on farm assets



Returns and assets are defined in table 1. Total return on assets is the sum of the income return and real capital gain.

their individual financial progress—experience that helped to erase more cautious attitudes formed in depression years. Initial earnings from land priced to reflect expectations of rising earnings often fell short of servicing the debt incurred to purchase it; however, farmers found that growth in earnings and capital appreciation later rewarded them handsomely for coping with their initial "cash flow problem." During the boom, farmers continued to make about the same relative use of debt; that is, debt rose at roughly the same pace as farm asset values. Farm debt (excluding household debt and commodity price support loans from the federal Commodity Cred-

5. Total real return on farm assets
and real cost of farm debt



Returns, assets, and debt are defined in table 1. Total return on assets is the sum of the income return and real capital gain. Real cost of debt is the average interest rate on outstanding farm debt less the general inflation rate as measured by the deflator for personal consumption expenditures.

it Corporation) rose from $53 billion at the beginning of 1972 to $150 billion at the beginning of 1980 and then increased further to a cyclical peak approaching $200 billion in the summer of 1984.

During the boom, use of debt was highly profitable. As chart 5 indicates, the total real return on farm assets during the 1970s far exceeded the real cost of farm debt (interest rate less the general inflation rate). Although the low real cost of borrowing during these years was an incentive to increase borrowing, the impetus came mostly from the increase in profitability of owning farm assets. Even a somewhat higher real cost of debt probably would not have deterred substantial additional borrowing, given the extraordinary total real returns on assets during those years.

Reduction of Farm Debt

Only 27 months after its peak in September 1984, farm debt had fallen more than 20 percent, to an estimated $157 billion at the end of 1986 (table 2). The major contribution to this large and swift decline was the liquidation or restructuring of troubled loans, which involved write-offs by lenders and the transfer of assets from heavily indebted owners to buyers for cash or, temporarily, to the lenders. Ironically, another contribution to the large reduction in debt came from farmers who were not financially stressed but who instead had liquid assets, such as bank deposits, on which yields had recently fallen far below the interest rate on their farm debt and which they now saw fit to use to pay down or eliminate their debt. Finally, farmers in general have been paring the amount of debt used to finance operating expenses and purchases of machinery and livestock. Such expenses continued to be reduced by factors such as lower fuel prices and cutbacks in crop acreage required by government programs. Cost-consciousness and low debt are now prevalent and mutually reinforcing themes among farmers, who are reacting both to the relatively high real cost of borrowing and to the financial misery they have been witnessing.

2. Change in farm debt outstanding, 1980–86

Percent change during year

Type of debt and lender[1]	1980	1981	1982	1983	1984	1985	1986	MEMO: Outstanding, year-end 1986 (billions of dollars)
Total debt	10	9	4	2	−1	−8	−10	157.3
Banks	2	3	8	9	3	−6	−6	41.3
Farm Credit System	17	16	5	0	−2	−13	−18	45.5
Life insurance companies	6	1	−2	−1	−2	−5	−7	10.2
Farmers Home Administration	21	19	3	1	7	6	−1	23.9
Individuals and others	8	6	2	−1	−6	−11	−10	36.3
Real estate debt	12	11	4	3	−1	−5	−8	89.4
Banks	0	−2	1	11	10	12	12	11.7
Federal Land Banks	21	21	9	2	1	−9	−16	35.0
Life insurance companies	6	1	−2	−1	−2	−5	−7	10.2
Farmers Home Administration	9	13	4	4	6	4	−1	9.5
Individuals and others	8	5	1	1	−7	−9	−8	23.1
Non-real-estate debt	8	8	4	1	−1	−11	−12	67.8
Banks	2	4	10	8	1	−10	−12	29.6
Production credit associations[2]	9	8	−3	−6	−7	−23	−24	10.6
Farmers Home Administration	31	23	2	−1	7	7	−2	14.4
Individuals and others	7	6	4	−3	−5	−15	−12	13.2

1. Loans from the Commodity Credit Corporation are excluded. See table 1, note 1.

2. Includes loans from Federal Intermediate Credit Banks to agricultural credit corporations and similar "other financing institutions," which totaled $275 million on December 31, 1986.

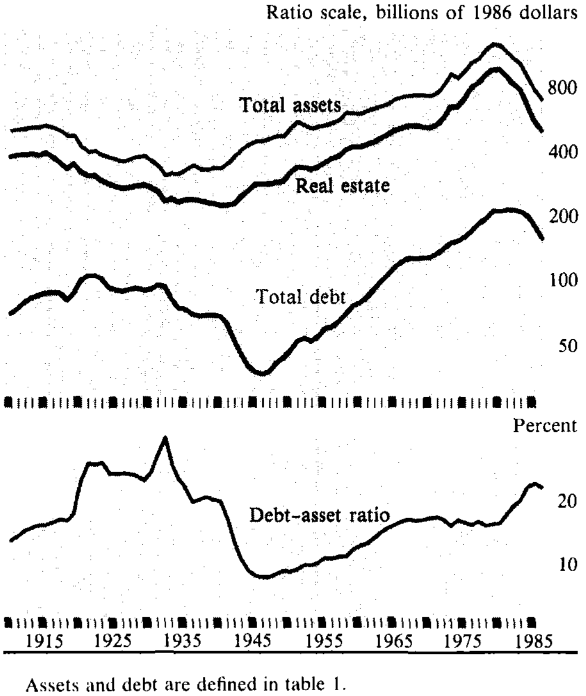
SOURCE. *Agricultural Finance Databook*, June 1987.

Farm Financial Stress

At the end of the 1970s, a majority of farmers and farm landlords were not heavily indebted (chart 6). The farmers with little or no debt were not affected directly by the large rise in interest rates that ensued. Although the drop in land prices eliminated much of the increase in net worth these farmers had enjoyed during the boom, their net income on average did not drop, and they were not financially threatened.

Farmers who had relatively heavy debt at the start of the 1980s—a position that, in general, resulted from relatively large recent investments in land or machinery—fared much differently. First, their interest rates rose—rapidly, to very high levels, on short-term debt and more slowly on long-term debt with variable rates. Therefore, debt service began to absorb much more of their income than they had expected when they incurred the debts. As interest rates rose far above the average income return on assets, surveys indicated, farmers with debt–asset ratios above 40 percent were likely to be financially stressed. On commercial-size farms, about one-third of the operators were indebted to this extent, and they owed nearly two-thirds of total farm debt. These farmers began to take actions to ease their debt burden; however, their ability to extricate themselves from their predicament was drastically reduced when prices of land and machinery began to fall sharply. The drop in asset values exhausted the equity of many of the more heavily indebted farmers, and, as it continued, lenders could not recover the full amount of the funds loaned to those farmers.

6. Farm assets and debt



Assets and debt are defined in table 1.

Experience of Farm Lenders

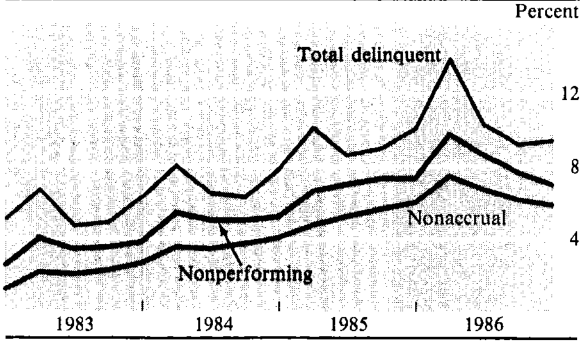
Information on the delinquent loans and loan losses of farm lenders varies greatly. Little is known, for example, about the experience of one of the more important groups—individuals who themselves provided financing when they sold their farms. Anecdotes and press accounts indicate that many of the borrowers either have defaulted and returned the collateral to the sellers or have forced renegotiation of the sale price or terms as an alternative to default. More authoritative data are available for non-real-estate loans at commercial banks; reporting of delinquencies on such loans started in December 1982, and reporting of charge-offs started in 1984. Recently, detailed information on the past and expected experience of the Farm Credit System has also become available.

Delinquent Loans. As financially stressed farmers started to miss loan payments, farm loan delinquencies began to rise from the very low level of the boom years. The Farmers Home Administration (FmHA) was the first of the major farm lenders to encounter a large increase in delinquent loans; that increase occurred primarily among the "emergency" loans it had made to farmers with drought or flood losses and among the "economic emergency" loans of 1978–82 (table 3). Delinquencies of FmHA loans also reached their highest level much earlier than at other lenders. As of September 1986, about $12 billion, or 43 percent, of FmHA farm loans were delinquent, a level essentially unchanged since 1983.

At the other reporting lenders, delinquent farm loans continued to rise until 1986. As described below, such delinquencies at commercial banks likely reached a cyclical peak in March 1986. Similarly, the cyclical peak among life insurance companies probably occurred in mid-1986: delinquent loans fell 18 percent in the second half of that year, after having risen almost steadily since 1979. Several companies have noted that the incidence of new delinquencies declined markedly during the second half of 1986. At the Farm Credit System, nonaccrual loans were at a high of $8 billion in September 1986 and subsequently declined to less than $7 billion in March 1987.

The proportion of farm loans in nonaccrual status at small commercial banks had risen steadily each quarter from 0.3 percent in December 1982 to 5.7 percent in March 1986. During the rest of 1986, these nonaccrual loans declined in each quarter, down to 4.6 percent at the end of the year. At all banks, delinquency rates have dropped considerably since March 1986, and the rates at the end of 1986 were below those of a year earlier (chart 7). Because the volume of outstanding loans has been dropping sharply during the past two years, however, the dollar amount of delinquent loans has actually dropped more significantly than is revealed by the decline in the delinquency rates. And, in these circumstances, the drops in the dollar amounts are the more meaningful indicator of the trend in the magnitude of the problem posed by these loans. At commercial banks, past-due and nonaccrual loans at the end of 1986 totaled $2.9 billion, not only down sharply from $3.6 billion a year earlier but also somewhat below the total delinquencies two years earlier (table 4).

7. Delinquency rates on non-real-estate farm loans at insured commercial banks



End-of-quarter data. Delinquent loans are defined in table 4.

Charge-offs of Farm Loans. As delinquencies increased, loan losses at lenders began to rise also. Data on charge-offs of farm loans are available only for banks, the Farm Credit System, and

3. Delinquent farm loans, December 31, 1980–86

Lender	1980	1981	1982	1983	1984	1985	1986
	Billions of dollars						
Banks[1,2]	n.a.	n.a.	.9	1.5	2.1	2.6	2.2
Farm Credit System[3]	.3	.4	.7	1.3	2.1	5.3	7.1
Life insurance companies[1,4]	.3	.5	.8	1.1	1.2	1.8	1.9
Farmers Home Administration[5]	3.6	5.8	9.5	11.0	12.1	11.9	12.1
	Percentage of outstanding loans						
Banks[1,2]	n.a.	n.a.	2.5	3.8	5.2	7.3	7.0
Farm Credit System[3]	.5	.5	1.1	1.8	3.3	8.7	14.4
Life insurance companies[1,4]	2.0	3.7	6.4	8.3	9.6	15.1	17.0
Farmers Home Administration[5]	18.2	24.1	37.9	43.9	45.9	41.5	42.9

1. Delinquencies were reported by institutions holding the most farm loans in this lender group. Data shown are estimates obtained by assuming that the remaining institutions in the group experienced the same delinquency rate.

2. Farm non-real-estate loans past due 90 days or more or in nonaccrual status.

3. Nonaccrual loans. The Farm Credit System also reports "other high-risk loans," but not all such loans are delinquent.

4. Loans with interest in arrears more than 90 days.

5. Past due 15 days or more. Data shown are for September 30; thus they avoid the year-end seasonal peak in very short term delinquencies and are more comparable with those shown for other lenders. The data shown reflect the total outstanding amount of these loans, rather than the smaller amount of delinquent payments that is often reported as FmHA "delinquencies."

n.a. Not available.

SOURCE. Data for commercial banks are from their year-end reports of condition; for the Farm Credit System, from *Farm Credit System Annual Information Statement—1986*, Federal Farm Credit Banks Funding Corporation, March 6, 1987, and, for years before 1985, from *Farm Credit Administration Financial Forecast of the Farm Credit System*, Appendix B, Farm Credit Administration, May 1987; for life insurance companies, from *Investment Bulletin*, American Council of Life Insurance, March 20, 1987; and for the Farmers Home Administration, from *Report 616*, selected issues.

4. Delinquent non-real-estate farm loans at insured commercial banks, December 31, 1982–86
Billions of dollars

Class of delinquent loan[1]	1982	1983	1984	1985	1986
Past due 30 to 89 days and still accruing	.9	1.0	1.0	1.0	.8
Nonperforming	.9	1.5	2.1	2.6	2.2
Past due 90 days or more and still accruing	.4	.4	.4	.4	.3
Nonaccrual	.5	1.1	1.6	2.2	1.9
Total	**1.9**	**2.5**	**3.1**	**3.6**	**2.9**
MEMO: Restructured loans in compliance with modified terms[2]	*	.1	.1	.2	.4

1. For nonaccrual loans, banks can record interest as income only when it is actually received; for other loans, banks record interest as it is earned. Thus, a loan can be past due and still accruing interest.
Loans are in nonaccrual status if (1) they are maintained on a cash basis because of deterioration in the financial position of the borrower, (2) payment in full of interest or principal is not expected, or (3) principal or interest has been in default for a period of 90 days or more unless the obligation is both well secured and in the process of collection.
2. For 1982–85, data shown are renegotiated "troubled" debt.
* Less than $50 million.

the Farmers Home Administration (table 5). In 1984, when commercial banks were first asked to report such losses, they reported charging off nearly $1 billion, more than double the charge-offs of the Farm Credit System that year. Annual bank charge-offs probably peaked in 1985, however, whereas charge-offs at the Farm Credit System were at a high in 1986 and may go slightly higher in 1987. At the Farmers Home Administration, charge-offs have been very low in relation to the huge amount of delinquent loans, many of which have been delinquent for several years. As a government agency, the FmHA can exercise such forbearance toward borrowers, but the public then bears the cost of the forgone interest and any increase in the eventual loss that results from extended delinquency.

A crude estimate of total charge-offs of all farm loans in 1986 can be obtained by assuming that all private farm lenders had the same relative charge-off experience as commercial banks and the Farm Credit System, whose loans that year represented about 56 percent of all private farm loans. As shown in table 5, charge-offs at the banks and Farm Credit System totaled $2.6 billion in 1986; therefore, on all farm debt other than FmHA loans, charge-offs may have totaled about $4.6 billion. With the FmHA included, charge-offs of farm loans in 1986 may have totaled about $5 billion. Thus, charge-offs alone probably accounted for more than one-fourth of the $18 billion reduction in total farm debt during 1986. Moreover, the $5 billion in charge-offs may have involved perhaps $15 billion in loans being liquidated or restructured, if one assumes a recovery rate in the range often mentioned by farm lenders. Another portion of such debt came off the books as ownership of the collateral passed to the lenders or to less-indebted farmers.

Currently Troubled Debt and Potential Losses

In January 1984, the U.S. Department of Agriculture began a program to collect extensive

5. Annual net charge-offs of farm loans, 1980–86

Lender	1980	1981	1982	1983	1984	1985	1986
	Billions of dollars						
Banks[1]	n.a.	n.a.	n.a.	n.a.	.9	1.3	1.2
Farm Credit System[2]	*	.1	.2	.3	.4	1.1	1.4
Farmers Home Administration	*	*	*	.1	.1	.3	.4
	Percentage of loans outstanding at start of year						
Banks[1]	n.a.	n.a.	n.a.	n.a.	2.3	3.3	3.4
Farm Credit System[2]	.1	.1	.3	.4	.6	1.6	2.5
Farmers Home Administration	.1	.1	.1	.3	.5	1.0	1.6

1. Non-real-estate loans only.
2. Includes a relatively small amount of charge-offs at the Banks for Cooperatives.
n.a. Not available.
* Less than $50 million.

SOURCE. Data for commercial banks are from their year-end reports of condition; for the Farm Credit System, from *Farm Credit System Annual Information Statement—1986* and, for years before 1985, from *Farm Credit Administration Financial Forecast*; and for the Farmers Home Administration, from the public information office.

financial data from a large national sample of farmers at the beginning of each year. The latest available survey, for January 1986, shows that operators of 670,000 commercial-size farms covered by the survey reported total farm business debt of $94 billion, excluding loans from the Commodity Credit Corporation (CCC). From other financial data also reported, analysts at the Department of Agriculture estimated that problem debt accounted for $30.5 billion of this amount and that eventual lender losses might be $8.1 billion. One can extend these results to the total farm debt of $188 billion outstanding at the beginning of 1986 (including household debt but excluding CCC loans) by assuming that the rest of the debt owed to each lender group was troubled to the same extent as the debt surveyed. This rough procedure yields a total problem debt of $60 billion and puts lender losses after 1985 at $16 billion. Of these amounts, the Farm Credit System would have a post-1985 loss of $4 billion on problem debt of $17 billion. Results for the Farm Credit System are of special interest because it is the only lender that has published an estimate of its total problem loans and a forecast of its charge-offs. Subtracting estimated 1986 charge-offs of $5 billion among all lenders and $1.4 billion at the Farm Credit System leaves estimated post-1986 losses of $11 billion among all lenders and $2.6 billion at the Farm Credit System.

In another study of the survey data, analysts at the Department of Agriculture used three different approaches to estimate the proportion of troubled debt at each farm lender group. Calculating the average of these proportions for each group and applying it to that group's farm loans puts problem debt at $52 billion as of January 1986. If recoveries on such problem loans average two-thirds, post-1985 losses would be $17 billion. The Farm Credit System has $15 billion of the estimated problem debt and $5.1 billion of the losses. Subtracting 1986 charge-offs, this approach puts losses after 1986 at $12 billion for all lenders and $3.7 billion for the Farm Credit System.

These two estimates do not differ greatly. The second estimate of post-1986 charge-offs at the

6. Loan-loss experience and forecasts of the Farm Credit System, 1980–94[1]

Billions of dollars

Year	Allowance for losses, beginning of year	LESS: Net charge-offs	PLUS: Annual provision for losses	EQUALS: Allowance for losses, end of year	MEMO: Nonaccrual loans, end of year
1980	1.1	*	.2	1.2	.3
1981	1.2	.1	.2	1.4	.4
1982	1.4	.2	.2	1.4	.7
1983	1.4	.3	.2	1.4	1.3
1984	1.4	.4	.3	1.3	2.1
1985	1.3	1.1	3.0	3.2	5.3
1986	3.2	1.4	1.8	3.6	7.1
Projection made by Farm Credit System					
1987	3.6	1.6	.8	2.8	6.2
1988	2.8	1.2	.5	2.0	4.4
1989	2.0	.7	.3	1.7	2.6
Forecast made by Farm Credit Administration					
1987	3.6	1.4	.9	3.0	5.6
1988	3.0	.8	.5	2.7	3.8
1989	2.7	.6	.3	2.4	2.3
1990	2.4	.4	.2	2.2	1.6
1991	2.2	.3	.2	2.1	1.1
1992	2.1	.2	.2	2.0	.8
1993	2.0	.2	.2	2.0	.6
1994	2.0	.2	.2	2.0	.6

1. The allowance for loan losses is an asset item that has been accumulated through earlier annual provisions for loan losses (which are annual expense items). During each year, the allowance is depleted by charge-offs of uncollectible loans and is replenished by further provision for losses.

* Less than $50 million.

SOURCE. Experience in 1985–86 is from *Farm Credit System Annual Information Statement—1986*, and experience in 1980–84 is from *Farm Credit Administration Financial Forecast*. The forecast shown for the Farm Credit Administration is the "most likely scenario" in Appendix C of that publication. The projection made by the Farm Credit System is from *Summary of Combined Financial Projections, 1987–1989*, Farm Credit Corporation of America, May 1987.

Farm Credit System is very close to the system's own forecast made this spring and to that of its regulator, the Farm Credit Administration. The Farm Credit System projected charge-offs totaling $3.5 billion during 1987–89, at the end of which period nonaccrual loans would have dropped to $2.6 billion (table 6). Its regulator, the Farm Credit Administration, forecast the charge-offs at $4.1 billion for 1987–94, after which time nonaccrual loans would be well under $1 billion and the boom-bust episode would be over. Most or all of the projected charge-offs have already been provided for in the loan-loss allowance of the Farm Credit System, which stood at $3.6 billion at the end of 1986. (In addition to these future charge-offs of loans, which it has anticipated and expensed through loan-loss provisions made in 1985 and 1986, the Farm Credit System is experiencing unique problems beyond the scope of this article, including operating losses as a result of the relatively high interest rates on its own old borrowings and difficulties in implementing loss-sharing arrangements among its many entities.)

The projections for the Farm Credit System indicate that, aside from the Farmers Home Administration, the current pace of debt restructuring and liquidation will work out most of the farm sector's troubled debt within the next few years.

Agricultural Banks

The experience of agricultural banks—commercial banks with relatively heavy involvement in farm lending—mirrored financial developments in the farm economy. Before 1986, most measures of performance and condition at such banks had been steadily deteriorating; during the year, virtually all of these indicators either stopped falling or reversed course. The amount of delinquent loans began to drop last spring, and in turn charge-offs declined toward year-end. The downward spiral in profitability thus slowed, halting the drift toward a more vulnerable financial condition.

At the end of 1986, about one-third of all banks could be regarded as "agricultural banks" in that the ratio of farm loans to total loans in each of their portfolios was above the unweighted mean of such ratios at all banks (15.7 percent). In the aggregate, farm loans averaged 2.9 percent of total loans at all banks and 35 percent at the 4,700 agricultural banks. This concentration in farm lending ties the fortune of the typical agricultural bank closely to that of farmers. But in this decade of great variation in the financial experience of individual farmers, the condition of their banks also has exhibited striking variability. Analyses must consider the range as well as the average of bank experiences and conditions.

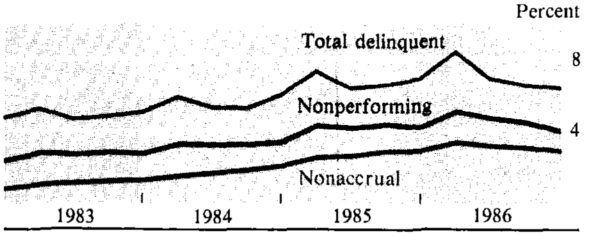
Loan Problems

Loan delinquencies and losses have been at the heart of problems encountered by agricultural banks during the past few years. Differences in the magnitude of loan problems account for much of the variation in income among those banks; in general, banks that have avoided significant loan problems have continued to thrive. Thus, factors such as the deregulation of interest rates or of banking structure appear to have had relatively little effect so far on the performance of agricultural banks.

When, in early 1986, national average delinquency rates on farm loans at banks peaked, so did average delinquency rates on all loans at agricultural banks (chart 8). The level of delinquencies of total loans has remained below that of farm loans at those banks during recent years, indicating that even the limited diversification of their loans has been advantageous. Although the proportion of loans past due or nonperforming rose seasonally to a new peak above 8 percent in March 1986, it dropped to 6.4 percent by the end of the year, well below its level of 6.9 percent a year earlier. Where seasonality is minor, as in the proportion of nonaccrual loans, the reversal in trend is more evident. Between December 1982, when these data were first collected, and last summer, the percentage of loans in nonaccrual status rose in each quarter; since then, the percentage has been falling.

The decline in the share of nonaccrual loans did not derive from an acceleration of charge-offs by banks. By the fourth quarter of 1986, the charge-off rate was below its level of a year

8. Delinquency rates on loans at agricultural banks



End-of-quarter data. Delinquent loans are defined in table 4. Agricultural banks are defined in table 7, note 1.

earlier, the first such decline since 1982. For the year as a whole, net charge-offs of loans at agricultural banks averaged 2.2 percent of total loans outstanding at year-end, only slightly above the rate of 2.1 percent in 1985.

Profitability

With loan charge-offs leveling out and delinquencies falling, the long uptrend in the average annual provision for loan losses made by agricultural banks ended in 1986. Consequently, the income statement for agricultural banks as a group last year resembled that of 1985 in most respects (table 7). The net interest margin declined somewhat in 1986 as interest income dropped more than interest expense (all data are expressed and discussed as a percentage of total assets). However, noninterest income was bolstered by capital gains on investments (equal to 0.2 percent of assets), leaving net income before provision for loan losses roughly unchanged from that of recent years. The provision for loan losses declined slightly in 1986 after rising sharply since 1980. Thus, the pronounced decline in net income, which had resulted mainly from the need to cover greater loan losses, was nearly halted last year.

In spite of declining net income, agricultural banks as a group continued to pay dividends to their stockholders at the advanced level first reached in 1981—about double the relative level of dividend payouts in the mid-1970s—and did so again last year. As a result, retained earnings provided only small additions to capital in 1985 and 1986.

Role of Interest Rates. The reduced interest margin at agricultural banks in 1986 may surprise observers who have noted—along with borrowers—that farm loan interest rates at those banks have declined more slowly than the prime rate has since 1981. Since mid-1982, the average interest rate on farm loans at smaller banks has been noticeably higher than either the national prime rate on business loans or the average rate on farm loans at larger banks (chart 9). In recent years, however, interest income at agricultural banks has dropped more rapidly than interest expense has (table 7). Factors underlying that

7. Income, expenses, and profits of agricultural banks, 1978–86[1]

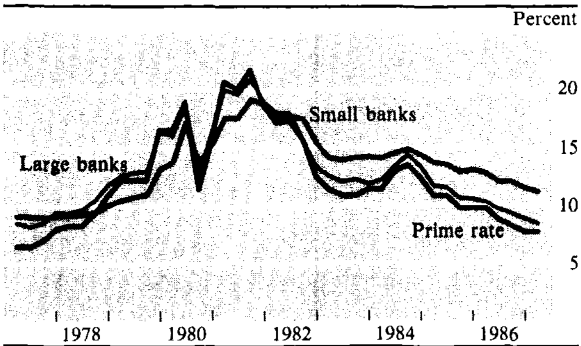
Percentage of total assets at year-end

Item	1978	1979	1980	1981	1982	1983	1984	1985	1986
Interest income	7.0	7.8	9.3	11.0	11.4	10.3	10.6	10.0	9.0
LESS: Interest expense	3.6	4.1	5.3	7.1	7.5	6.5	6.9	6.2	5.4
EQUALS: Net interest margin	3.5	3.7	4.0	4.0	3.9	3.8	3.7	3.8	3.6
PLUS: Noninterest income[2]	.4	.4	.4	.5	.5	.5	.5	.5	.7
LESS: Noninterest expense, excluding loan losses	2.3	2.3	2.4	2.5	2.6	2.6	2.6	2.7	2.7
EQUALS: Net income before loan losses	1.6	1.8	2.0	1.9	1.8	1.7	1.6	1.7	1.6
LESS: Provision for loan losses	.2	.2	.2	.3	.4	.6	.8	1.2	1.1
EQUALS: Net income before taxes	1.4	1.5	1.7	1.6	1.4	1.1	.8	.6	.5
LESS: Income taxes	.3	.3	.4	.4	.3	.2	.1	.0	.1
EQUALS: Net income	1.1	1.2	1.3	1.2	1.1	1.0	.7	.5	.4
LESS: Cash dividends	.3	.3	.3	.4	.4	.4	.4	.4	.4
EQUALS: Retained earnings	.8	.9	.9	.8	.7	.6	.3	.1	.1

1. For banks in operation at the end of the year. Agricultural banks are insured commercial banks at which the ratio of total farm loans to total loans is above the unweighted average of such ratios at all banks on the date specified (15.7 percent at the end of 1986).

2. Includes capital gain or loss on investments.

9. Average effective interest rates on non-real-estate farm loans made by commercial banks



In recent quarters, most "large banks" had total assets of $600 million or more. Farm loan rate is an estimate of the effective rate on loans made in the first full week of the second month of each quarter. Prime rate shown is the average effective national prime rate at large banks during the week for which the farm loan rate is estimated, assuming a loan maturity of six months.

SOURCE. Current data on farm loan rates are in "Survey of Terms of Bank Lending," Statistical Release E.2, and historical series are in *Agricultural Finance Databook*, Statistical Release E.15, both published by Board of Governors of the Federal Reserve System.

experience include the increase in nonperforming loans, a fall in the loan–deposit ratio resulting from a reduction in loan demand from creditworthy borrowers, and a lag in the response of interest expense to the fall in current interest rates as longer-term certificates of deposit remain outstanding at the old rates.

Variability of Profits. During the 1970s, when loan losses at agricultural banks were very low, only 1 percent of those banks reported negative earnings in any given year, and the average return on equity of the group hovered between 14 and 16 percent. After 1980, as loan losses began their climb, the proportion of agricultural banks reporting negative earnings rose as well, reaching 20 percent in 1986 (table 8). The average return on equity fell from 16 percent in 1980 to 5 percent last year.

The return on equity at agricultural banks in 1986 varied inversely with provisions for loan losses. Two-fifths of all agricultural banks earned 10 percent or more on equity last year, but nearly two-thirds of agricultural banks making low provision for losses (under 1 percent of loan volume) were this profitable. The distribution of the latter banks by return on equity in 1986 (table 9, first column) resembles that of all agricultural banks in earlier years of low loan losses (table 8).

Variability of Problem-Loan Levels

Variability in the relative level of loan losses in turn reflects the uneven distribution of loan delinquencies among agricultural banks. A majority of agricultural banks have a relatively low level of problem loans, while a small proportion of those banks have very high levels that are pulling up the average (table 10). At the end of 1986, more than three-fifths of the banks had a proportion of nonperforming loans below the agricultural-bank average of 4 percent. At two-fifths of the banks, nonperforming loans were less than 2 percent of total loans.

8. Distribution of agricultural banks, by return on equity, 1978–86

Percent

Net income as a percentage of average equity at bank[1]	1978	1979	1980	1981	1982	1983	1984	1985	1986
Negative income	1	1	1	2	4	7	13	18	20
0 to 4	3	2	2	3	5	7	9	11	14
5 to 9	14	8	9	12	15	18	23	22	27
10 to 14	46	36	33	33	33	36	36	33	28
15 to 19	28	38	35	32	28	24	15	13	9
20 to 24	6	12	14	13	11	7	3	3	2
25 or more	1	3	5	6	4	2	1	1	1
Total	100	100	100	100	100	100	100	100	100
MEMO									
Average return on equity	14	15	16	15	14	11	8	6	5
Net charge-offs as a percentage of total loans	.2	.2	.3	.4	.7	.9	1.2	2.1	2.2
Average capital ratio, December 31[2]	8.9	9.0	9.2	9.2	9.3	9.4	9.5	9.6	9.5

1. Net income after taxes as a percentage of the average of equity at the beginning and end of the year.

2. Total primary and secondary capital (items available in bank reports as of the date specified) as a percentage of total assets.

9. Distribution of agricultural banks, by return on equity and loan-loss provision class, 1986

Percent

Net income as a percentage of average equity at bank[1]	Provision for loan losses as a percentage of total loans: Less than 1.0	1.0 to 2.4	2.5 to 4.9	5.0 to 7.4	7.5 or more	MEMO: All banks
Negative income	2	6	30	72	92	20
0 to 4	6	15	27	17	5	14
5 to 9	26	36	27	9	2	27
10 to 14	43	32	13	2	*	28
15 to 19	17	8	1	*	*	9
20 to 24	4	1	1	*	0	2
25 or more	1	1	0	0	0	1
Total	100	100	100	100	100	100
MEMO: Number of banks	1,656	1,511	876	322	331	4,696

1. See table 8, note 1.

* Less than 0.5 percent.

Furthermore, as table 10 shows, during 1986 the distribution of agricultural banks shifted toward the low end of the delinquency-rate scale. This shift suggests that the decline last year in the proportion of nonperforming loans was widespread among agricultural banks, rather than merely a result of, say, the failure of banks and the assumption of such loans by the Federal Deposit Insurance Corporation.

Vulnerable Banks

In recent years, a large majority of the banks that failed had earlier reported a relatively high level of delinquent loans. The ratio of nonperforming loans to total capital is a particularly appropriate indicator of vulnerability, although, of course, the ultimate outcome depends on what proportion of the nonperforming loans can be collected. Before 1986, agricultural banks had been moving into more vulnerable positions, according to this ratio (table 11). For the most part, further deterioration was avoided in 1986.

The level of delinquent loans at most agricultural banks does not pose a threat of failure. At nearly three-fourths of agricultural banks, nonperforming loans were less than 25 percent of total capital at the end of 1986. Banks at which nonperforming loans exceed total capital are here called vulnerable banks because many of the banks that failed in recent years were in this position. At the end of 1986, only 152, or 3.2

10. Distribution of agricultural banks, by nonperforming loans as a percentage of total loans, December 31, 1982–86

Percent

Nonperforming loans as a percentage of total loans at bank[1]	1982	1983	1984	1985	1986
Less than 2.0	58.7	52.8	44.7	36.4	39.6
2.0 to 4.9	29.5	31.9	33.4	33.1	32.2
5.0 to 9.9	10.0	12.3	16.4	21.6	19.8
10.0 to 14.9	1.4	2.3	3.9	5.6	5.5
15.0 to 19.9	.3	.6	1.1	2.1	1.9
20 or more	.1	.2	.5	1.2	1.0
Total	100	100	100	100	100
MEMO: Average percentage of nonperforming loans	2.4	2.7	3.4	4.2	4.0

1. Nonperforming loans are defined in table 4.

11. Distribution of agricultural banks, by nonperforming loans as a percentage of total capital, December 31, 1982–86

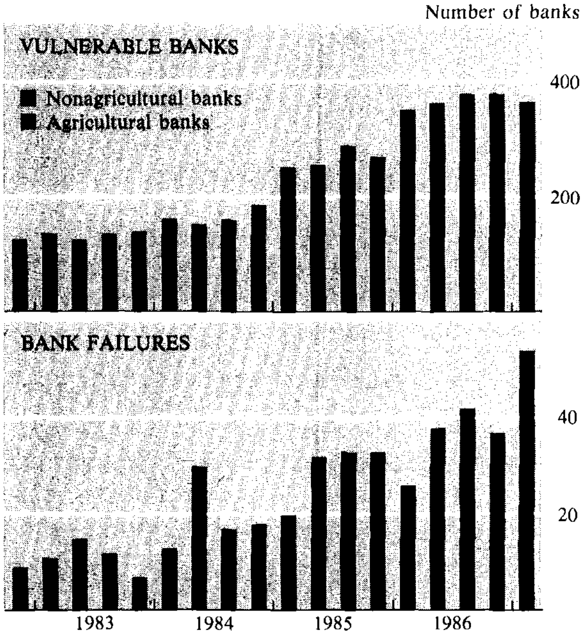
Percent

Nonperforming loans as a percentage of total capital of bank[1]	1982	1983	1984	1985	1986
Less than 25	85.6	82.2	75.3	70.2	72.3
25 to 49	11.2	13.0	16.3	18.7	16.6
50 to 74	2.2	3.0	4.6	5.6	5.4
75 to 99	.7	1.0	1.9	2.6	2.3
100 to 124	.3	.3	.9	1.1	1.1
125 to 149	*	.2	.3	.6	.5
150 to 174	*	.1	.2	.3	.3
175 to 199	.1	*	.1	.2	.3
200 or more[2]	.1	.2	.3	.6	1.1
Total	100	100	100	100	100
MEMO: Average percentage of nonperforming loans	13.0	15.1	18.9	21.7	19.6

1. Nonperforming loans are defined in table 4.
2. Includes banks with negative capital.

* Less than 0.05 percent.

10. Vulnerable banks and bank failures



Vulnerable banks are counted at the end of the quarter and are defined as having nonperforming loans greater than total capital. Bank failures are counted for the whole quarter.

percent, of the agricultural banks were vulnerable, down from a peak of about 200 banks in the spring of that year and only slightly above the year-earlier level of 141 banks (chart 10). A continued decline in the number of such vulnerable agricultural banks foreshadows a downturn in the number of failures.

With the number of vulnerable agricultural banks up only slightly during 1986 and with delinquencies among nonfarm loans rising, agricultural banks have become a less important component of all vulnerable banks. By the end of the year, agricultural banks constituted only two-fifths of all vulnerable banks, compared with a peak share of three-fifths in March 1985. The agricultural-bank share of the total loans at vulnerable banks, which had peaked at 39 percent in March 1985, declined to 12 percent by December 1986. From a slightly different point of view, the farm-loan share of total loans at vulnerable banks fell to 6 percent, compared with 15 percent a year earlier and a peak proportion of 19 percent in March 1985.

In short, severe financial difficulties at some agricultural banks have derived primarily from the legacy of problem loans left by the farm boom. With farm asset values completing their adjustment to post-boom conditions, restructurings and liquidations are exceeding additions to the number of problem loans. The improvement in loan portfolios in turn has stemmed the deterioration in the condition of the agricultural banks. □

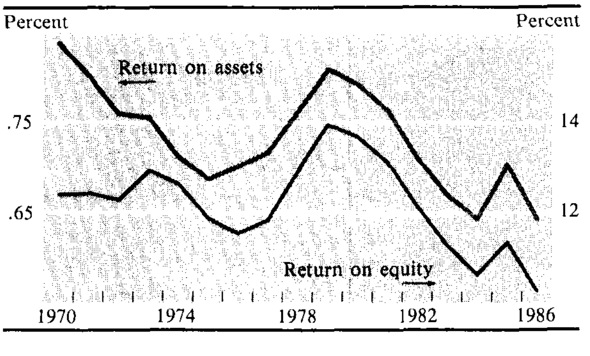
The Profitability of U.S.-Chartered Insured Commercial Banks in 1986

Deborah J. Danker and Mary M. McLaughlin of the Board's Division of Research and Statistics prepared this article. Rachel Valcour and Linda Rosenberg provided research assistance.

Asset-quality problems continued to dog U.S.-chartered commercial banks in 1986. Escalating loan losses cut into profits, as the banking industry's return on assets dropped to 0.64 percent and its return on equity fell to 10.23 percent. As shown in chart 1, last year's decline in these profit measures, which reflect banks' foreign and domestic operations on a fully consolidated basis, extended the downtrend—interrupted only in 1985—that has been evident since 1980. In 1985, lower market interest rates had contributed to a wider net interest margin and had allowed banks to realize substantial capital gains by selling investment-account securities. The wider margin and the capital gains in turn offset the continuing drag on earnings from growing loan losses. Despite a further drop in rates last year, the industry's interest margin returned to its 1984 level, and an additional hike in securities gains proved insufficient to prevent a renewed erosion of profitability (see table 1).

Problems in credit quality during the 1980s have not been unique to commercial banks. A variety of lenders have suffered losses that, rather than abating, have persisted as the economic expansion has continued. In many cases, these losses have reflected broad economic strains associated with disinflation and with the deterioration in the nation's trade performance; but in some of the most severe cases, the losses have reflected the special problems of such troubled sectors as energy and agriculture. In 1986, the depressed level of world oil prices caused pronounced dislocations and economic distress in energy-producing areas of the country, and these conditions were reflected in the poor performance of banks in those areas. Farm banks' profits also were under pressure last year, although the deterioration was slight compared with that in the previous few years. For the first time in six years, the average profitability of farm banks eroded at a rate no faster than that of the rest of the banking industry.

1. Net income after taxes



In many areas of the country, by contrast, economic conditions in 1986 were favorable, and banks did relatively well. In the Northeast, commercial bank profitability climbed and was well above its 1980 level. The lower level of interest rates, which allowed banks to realize substantial gains by selling securities, also left banks with unrealized capital gains in their investment accounts, which at the end of the year amounted to nearly four times those realized gains. Bank balance sheets were further strengthened by additions to loss reserves and capital, which boosted the industry's primary capital to 7.57 percent of assets. As a result, banks were in a better position to meet the continuing challenges of the 1980s, including, importantly, the threat to overall asset quality from the debt of developing countries.

Trends in Profitability and Capital

The decline in profitability last year was accompanied by an increase in the dispersion of bank

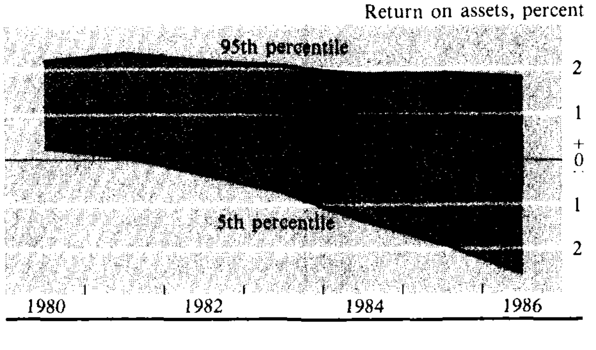
1. Income and expense as a percentage of average net assets, all insured commercial banks, 1981–86[1,2]

Item	1981	1982	1983	1984	1985	1986[3]
Gross interest income	11.93	11.36	9.63	10.23	9.44	8.38
Gross interest expense	8.77	8.07	6.38	6.97	6.06	5.10
Net interest margin	3.17	3.28	3.25	3.26	3.38	3.28
Noninterest income	.90	.96	1.03	1.19	1.32	1.40
Loss provision	.26	.40	.47	.57	.67	.77
Other noninterest expense	2.77	2.93	2.96	3.05	3.19	3.22
Securities gains (losses)	−.08	−.06	.00	−.01	.06	.14
Income before tax	.96	.85	.85	.83	.90	.82
Taxes[4]	.20	.14	.18	.19	.21	.19
Extraordinary items	.00	.00	.00	.01	.01	.01
Net income	.76	.71	.67	.64	.70	.64
Cash dividends declared	.30	.31	.33	.32	.33	.33
Net retained earnings	.46	.40	.34	.33	.37	.31
MEMO						
Net interest margin, taxable equivalent[5]	3.53	3.66	3.60	3.73	3.77	3.68

1. Before 1984, data are based on averages for call dates in December of the preceding year and in June and December of the current year. In 1984, data are based on averages for call dates at the beginning and end of the year only. After 1984, data are based on averages of the call date in December of the preceding year and all four call dates in the current year.
2. Assets are fully consolidated and net of loss reserves.
3. Some of the income and expense items in this table appear to be understated a bit in 1986 because of the increased importance of merger activity within the banking industry last year. In the most common type of merger, the income statement for the consolidated bank at the end of the year would not include the income and expenses of the acquired bank in the period before the merger. Thus the income and expense figures presented in this article apparently are biased downward slightly. In the case of interest income and interest expense as a share of assets, we have estimated this bias to be roughly 10 basis points. Over the income statement as a whole, the omitted data appear to be just offsetting and would not affect the net income figure.
4. Includes all taxes estimated to be due on income, extraordinary gains, and securities gains.
5. For each bank with profits before tax greater than zero, income from state and local obligations was increased by $[t/(1-t)]$ times the lesser of profits before tax or interest earned on state and local obligations (t is the marginal federal income tax rate). This adjustment approximates the equivalent pretax return on state and local obligations.

earnings. Chart 2 illustrates this growing dispersion in the widening gap between those banks with relatively high net incomes and those with relatively low net incomes. As may be seen by the 95th percentile line in that chart, many banks continued to do well in 1986: 5 percent of all banks earned returns on assets in excess of 1.8 percent. However, the banks that did poorly did very poorly: the bottom 5 percent of commercial banks posted losses equivalent to at least 2.5 percent of assets. Calculating the standard deviation of bank returns on assets confirms the increase in dispersion: the standard deviation more than doubled between 1980 and 1986.

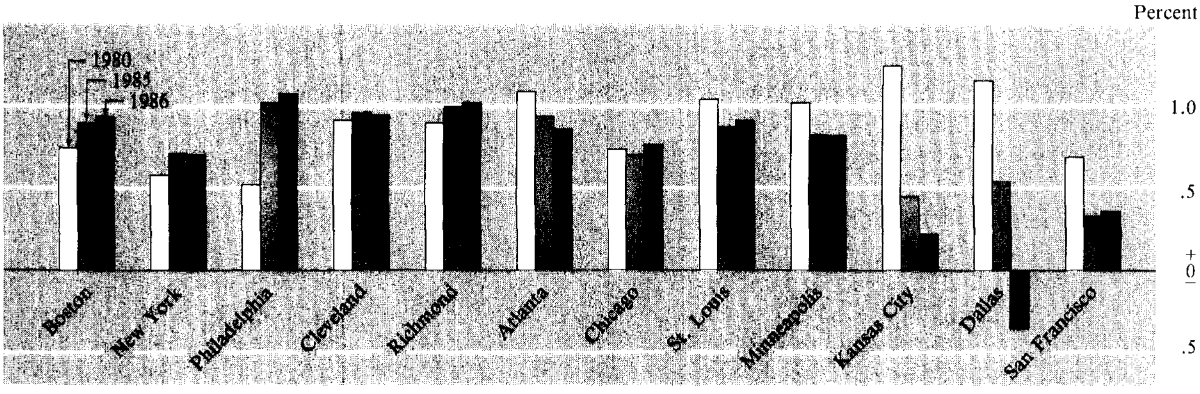
2. Dispersion of bank earnings



Most of the banks experiencing large losses last year were in the southwestern and plains states; two-thirds of the banks posting losses in excess of 2.5 percent of assets were located in the Kansas City or Dallas Federal Reserve Districts. Similarly, two-thirds of the 136 U.S. commercial banks that failed in 1986 were headquartered in these two Districts. The poor performance of commercial banks in these Districts is evident in chart 3. The worst case was the Dallas region, which recorded an overall net loss for the year. This net loss highlights the current difficulties of banks heavily involved in energy-related lending and, compared with the figure for 1980, illustrates the sharp reversals suffered in both energy and agricultural lending.

When the industry is disaggregated by size of bank rather than by location or lending specialty, small and medium banks appear to have been the predominant sources of the decline in overall profitability last year. Moreover, these two groups of banks, which together account for one-third of bank assets, have been primarily responsible for the cumulative drop in the industry's profitability since 1980. The average return on assets at banks with under $100 million in assets has fallen by more than one-half, and medium

3. Return on assets, by Federal Reserve District



banks (those with assets of $100 million to $1 billion) have posted a drop of more than one-quarter. As a result, the average return on assets at small banks, which had been well above the industrywide figure, dropped to the average for all banks in 1985 and fell significantly below the average, to 0.53 percent, in 1986 (see table 2). At medium banks the decline was not so severe, and the average return on assets for these banks, at 0.71 percent, remained above the industry average—albeit by a reduced margin.

After eroding somewhat from its earlier highs, the aggregate return on assets at the nation's nine largest banks held steady from 1985 to 1986, despite the large loss reported by Bank of America. As a result of additions to equity capital, however, the money center banks' average return on equity edged lower. Additions to equity also were apparent in the decline last year in the average return on equity at other banks with assets of at least $1 billion. Nevertheless, at 12.61 percent, the return on equity at these banks remained well in excess of the industrywide figure and almost matched the level for this group in 1980. The return on assets for these other large banks, while declining marginally last year, remained significantly above the 1980 level.

Although in recent years mounting loan losses have affected the profitability of these large banks nearly as much as they have that of other banks, the large banks have managed to overcome the losses through strong growth in net interest margins and securities gains. These banks increased their interest margins through

2. Profit rates, all insured commercial banks, 1981–86[1]
Percent

Type of return and size of bank[2]	1981	1982	1983	1984	1985	1986
Return on assets[3]						
All banks	.76	.71	.67	.64	.70	.64
Less than $100 million	1.14	1.07	.96	.81	.70	.53
$100 million to $1 billion	.91	.84	.84	.88	.84	.71
$1 billion or more						
Money center banks	.53	.53	.54	.52	.45	.46
Others	.66	.60	.54	.53	.78	.75
Return on equity[4]						
All banks	13.09	12.10	11.24	10.60	11.32	10.23
Less than $100 million	13.39	12.45	11.12	9.50	8.18	6.24
$100 million to $1 billion	12.78	11.74	11.86	12.41	11.69	9.87
$1 billion or more						
Money center banks	13.57	13.27	12.57	11.42	9.60	9.50
Others	12.80	11.42	10.15	9.66	13.69	12.61

1. See table 1, note 1.
2. Size categories are based on year-end fully consolidated assets.
3. Net income as a percentage of average fully consolidated assets net of loss reserves.
4. Net income as a percentage of average equity capital.

their relative success in replacing more expensive wholesale liabilities with deregulated retail deposits, as well as by shifting the other side of their balance sheets toward higher-yielding types of assets. By comparison, small banks experienced a less favorable shift in balance-sheet composition and a narrowing net interest margin, which offset the swing toward sizable securities gains and allowed the sharp rise in their loss provisions since 1980 to feed through directly to the bottom line. (Additional data on balance-sheet composition, earnings, and rates paid and earned are displayed in appendix table A.1, disaggregated by bank size.)

As shown in appendix table A.2, while earnings of the overall banking industry declined $184 million last year, cash dividends rose more than $700 million, as the dividend payout rate was lifted to more than one-half. On average, institutions have changed their dividend payments only sluggishly in response to movements in profitability in recent years; moreover, in many cases these changes have been in opposite directions. For example, in 1980, when small banks were earning a return on assets of 1.19 percent, they were paying out dividends of 0.32 percent of assets. In 1986, with profitability at less than half that earlier level, small banks declared cash dividends of 0.38 percent of assets. In part, the figures for small banks reflect the actions of small energy banks, which on average paid dividends out of equity last year, registering "retained earnings" of −0.87 percent of assets.

As shown in table 3, the portion of new equity derived from retained earnings in 1986 dropped to 52 percent as retained earnings shrank and large banks issued additional common and preferred stock. Banks also bolstered their primary capital positions last year by increasing their reserves for losses and expanding their issuance of securities eligible for primary capital treatment. In the aggregate, primary capital grew 10½ percent in 1986, while assets measured according to the appropriate regulatory definition rose 7¾ percent, lifting the resultant capital–asset ratio to 7.57 percent. While the ratio of primary capital to assets at small banks remained—at 9.19 percent—the highest in the industry, only this group of banks experienced a decline in its ratio. In general, the larger the bank, the lower its primary capital ratio and the larger the increase in that ratio last year. For example, the nation's nine largest banks raised their primary capital by 9¼ percent on average, while keeping the increase in their assets under 5 percent for the fifth straight year.

Loan Losses

The downturn in the overall profitability of commercial banks in the 1980s has been primarily an asset-quality phenomenon. What is perhaps remarkable is the extent to which the banking system has been able to offset the adverse effect of loan losses on its net income. Since the beginning of the 1980s, loss provisions have more than tripled, to 0.77 percent of assets in 1986. At the same time, nearly three-fourths of this deterioration has been counterbalanced by

3. Sources of increases in total equity capital, all insured commercial banks, 1981–86

Millions of dollars, except as noted

Item	1981	1982	1983	1984	1985	1986
Retained earnings[1]						
All banks	8,848	8,284	7,653	7,824	9,455	8,539
Large banks[2]	4,104	4,051	3,621	4,090	6,368	6,476
Net increase in equity capital						
All banks	11,163	9,374	10,739	14,958	14,720	16,502
Large banks	5,465	4,578	5,625	9,415	9,402	11,846
Percentage of net increase in equity capital from retained earnings						
All banks	79	88	71	52	64	52
Large banks	75	88	64	43	68	55

1. Net income less cash dividends declared on preferred and common stock.

2. Banks with fully consolidated assets of $1 billion or more at year-end.

an upturn in securities gains, a widening in interest margins, and—to a lesser degree—a reduction in tax burdens. Loss provisions, which generally move in close alignment with same-period charge-offs of bad loans, represent current revenues that are diverted from profits to raise or to replenish loss reserves. Those loss reserves, in turn, are balance-sheet items that must be maintained at a level adequate to absorb anticipated losses and may not dip below zero when charge-offs occur.

As shown in table 4, loss provisions in recent years have increased with net charge-offs but have exceeded them and thus have allowed expansion in reserves for losses. In 1986, these reserves ranged from an average of 1.02 percent of assets at the money center banks to 0.76 percent of assets at small banks. These figures translate into 1.70 percent and 1.48 percent, respectively, of loans at those institutions.

The increases in loss reserves are particularly striking since, for the industry as a whole, net charge-offs extinguished a full 1 percent of total loans, with small and medium banks experiencing higher than average losses. Detailed data available only for banks with at least $300 million in assets indicate that charge-off rates were higher for every major category of loans last year—including real estate, business, and consumer loans. The rise in charge-off rates was particularly pronounced at energy banks and relatively mild at farm banks; nevertheless, both of these groups continued to charge off between 2 percent and 3 percent of their loans.[1] Despite the higher overall level of charge-offs, nonaccrual loans edged up over the year, to 2.27 percent of loans.

As noted above, the groups of banks have not been equally successful in reducing the effect of higher loss provisions on their profitability in recent years. Specifically, in 1986 the rise in loss provisions as a share of assets at small banks was just 5 basis points—one-half the industrywide average. Nevertheless, these banks posted the largest decline in profits of any size group. The nine money center banks also hiked their loss provisions 5 basis points, to 0.79 percent of assets, but suffered no erosion of profitability in 1986. Medium and large (non-money-center) banks raised their loss provisions 14 basis points. At medium banks this increase translated into an equivalent hit to profits; but the large banks were able to offset the bulk of the increase by holding constant their net interest margin, boosting their securities gains, and reducing their noninterest expenses.

The relatively minor increase in loss provisions at small banks resulted to an extent from the importance of agricultural banks in this group. Farm banks continued to add to loss

1. Farm banks are defined as those at which the ratio of total agricultural loans to total loans is above the unweighted average of such ratios at all banks. Energy banks include generally those with energy loans and leases in excess of 25 percent of primary capital.

4. Loan losses and recoveries, all insured commercial banks, 1985–86

Millions of dollars, except as noted

Year and size of bank[1]	Losses charged	Recoveries	Net charge-offs: Amount	Net charge-offs: Percentage of loans[2]	Loss provision
1985					
All banks	15,519	2,694	12,825	.86	16,965
Less than $100 million	3,271	453	2,818	1.38	3,318
$100 million to $1 billion	2,841	461	2,380	.83	3,099
$1 billion or more					
Money center banks	3,864	557	3,307	.86	4,605
Others	5,543	1,223	4,320	.70	5,943
1986					
All banks	19,091	3,028	16,063	1.00	21,194
Less than $100 million	3,609	526	3,083	1.56	3,500
$100 million to $1 billion	3,699	534	3,165	1.05	4,054
$1 billion or more					
Money center banks	4,395	700	3,695	.94	5,124
Others	7,388	1,267	6,121	.85	8,516

1. Size categories are based on fully consolidated assets at year-end.

2. See table 1, note 1.

reserves at a rate well in excess of the industry average, but at 1.16 percent of assets their loss provisions were 8 basis points below those taken in 1985. Average loss provisions at small banks, however, were inflated a bit by the 309 energy banks, which registered provisions of 1.78 percent of assets. Loss provisions of 1½ percent or more of assets were not uncommon in some areas of the nation last year. For example, average provisions for all banks in the Dallas Federal Reserve District rose from less than 1 percent of assets in 1985 to 1.62 percent in 1986.

Net Interest Margin

The industry's net interest margin, while remaining at a relatively high level, narrowed somewhat in 1986 as the decline in market interest rates brought down interest income faster than interest expense. With market rates dropping and the yield curve flattening, interest income fell 1.06 percentage points to 8.38 percent of net assets, and interest expense declined nearly 1 percentage point to 5.10 percent—both to their lowest levels since 1978.

In the aggregate, the effect of declining market rates on interest income was moderated by the persistence of older, fixed-rate assets and by some shifts in the composition of assets. While the various groups of banks succeeded to differing degrees in redirecting their portfolios away from lower-yielding assets, the industry as a whole reduced the share of its assets held in the forms of U.S. government securities, interbank deposits, and commercial and industrial (C&I) loans. Even within the category of U.S. government securities, what growth there was came from higher-yielding federally related mortgage-backed securities; Treasury securities fell sharply relative to assets. As shown in table 5, for the fourth year in a row, interest-bearing deposits as a share of assets posted a decline, largely reflecting the pullback by U.S. banks from the Euro-interbank market. While concern over capital–asset ratios has limited banks' interest in placing funds in the interbank markets, the spreading use of off-balance-sheet hedging devices, such as interest rate futures, has provided banks with alternative means to manage their exposures and has lessened the need for access to interbank deposit markets.

The portion of bank assets made up of loans declined in 1986, despite bouyant growth of consumer and real estate loans. The sizable decline in average corporate bond rates prompted nonfinancial corporations to issue a record amount in the long-term market and stunted business demand for C&I loans. In addition, much of the new C&I lending by major U.S. banks was sold into the secondary market and often ended up on the books of foreign banks. As a result of these influences, C&I loans dropped to less than 21 percent of assets at U.S. commercial banks. In contrast to their restraining effect on C&I lending, lower long-term rates greatly boosted real estate loans, leading to sometimes frantic mortgage origination activity. Real estate lending was given further impetus just before the end of the year by the impending effective date of tax reform, which ended the favorable tax treatment of capital gains realized in real estate (and other) transactions.

Securities—other than U.S. government is-

5. Selected portfolio items as a percentage of total assets, all insured commercial banks, 1981–86[1]

Item	1981	1982	1983	1984	1985	1986
Interest-earning assets	84.59	85.87	85.96	85.74	86.00	86.02
Loans	55.91	56.82	56.46	57.67	58.38	57.86
Securities	17.00	16.56	17.47	17.58	17.64	18.29
U.S. government	8.63	8.59	9.79	9.89	9.53	9.25
State and local government	7.62	7.25	6.84	6.76	7.02	7.49
Other bonds and stocks	.75	.73	.83	.93	1.09	1.55
Gross federal funds sold and reverse repurchase agreements	3.99	4.41	4.34	4.17	4.44	4.72
Interest-bearing deposits	7.69	8.06	7.69	6.33	5.54	5.15
Memo						
Loss reserves	.55	.59	.63	.70	.80	.92
Average assets (billions of dollars)	1,940	2,101	2,259	2,418	2,562	2,779

1. See table 1, note 1.

sues—rose strongly as a share of assets. Private taxable securities remained a tiny share of commercial bank assets but rose rapidly, to 1½ percent in 1986 from just over 1 percent of assets in 1985. Acquisitions of collateralized mortgage obligations likely contributed to this rise. Tax-exempt securities also increased substantially last year; 1985 and 1986 were the only times in the past 15 years that tax-exempt obligations increased faster than the overall portfolio. These comparisons refer to annual average levels. In contrast, when measured from year-end 1985 to year-end 1986, tax-exempt securities declined, both as a share of bank assets and in dollar terms. Anticipation of tax reform, which has made tax-exempt securities far less attractive to commercial banks by ending the 80 percent deductibility of carrying costs on most newly acquired obligations, led to a surge in purchases of tax-exempt securities at the end of 1985 and again in the third quarter of 1986 and sharply boosted the average level for last year. Table 6 shows why state and local government issues were popular during most of 1986: on a taxable-equivalent basis, the rate of return on tax-exempt securities greatly exceeded that of taxable securities or loans. This rate relationship was attributable partly to the long average maturity of state and local government securities but also to the huge supplies of issues as tax-exempt borrowers rushed both to take advantage of lower interest rates and to beat anticipated tax-reform deadlines. During one notable, extended period last year, yields on municipal revenue bonds were appreciably above comparable-maturity Treasury rates, even before the adjustment for their tax status. Despite the high yields, small banks as a group ran off tax-exempt securities last year, probably because deteriorating profits left these banks with less need for tax shelters. Large banks (excluding the money center banks) showed the largest increase in holdings of municipals.

The comparison of these and other changes in the balance sheets of these two groups of banks illustrates how important compositional shifts are in influencing the course of interest income. Although the rates of return on each category of assets at small banks decreased less than did those of the industry as a whole, the drop in interest income per dollar of assets at small

6. Rates of return on fully consolidated portfolios, all insured commercial banks, 1981–86[1]

Percent

Item	1981	1982	1983	1984	1985	1986
Securities, total	9.28	9.96	9.83	9.95	9.27	8.34
State and local government	6.74	7.20	7.04	7.51	7.43	7.20
Loans, gross	16.32	15.17	12.69	13.65	12.06	10.84
Net of loss provision	15.59	14.17	11.59	12.54	10.90	9.48
Taxable equivalent[2]						
Total securities	11.65	12.43	12.06	12.18	11.46	10.53
State and local government	11.96	12.81	12.58	13.45	13.08	12.53
Total securities and gross loans	15.07	14.39	12.41	13.31	11.92	10.77

1. Calculated as described in the "Technical Note," *Federal Reserve Bulletin*, vol. 65 (September 1979), p. 704, for years through 1984. For more recent years, rates of return are derived from income items and quarterly average balance sheet data.

2. See table 1, note 4.

banks uncharacteristically was about as large as the industry average, as these banks shifted their portfolios toward relatively liquid, but lower-yielding, assets.

Loans declined more than 1½ percentage points as a share of assets at small banks last year, owing importantly to agricultural and energy banks, which registered declines of twice that size because creditworthy borrowers became scarcer and many farmers repaid their debts. Among the types of loans, not only C&I and farm loans but also consumer loans decreased at small banks. These influences were offset in part by real estate loans, which grew as a share of small banks' assets by about the same amount as for the rest of the industry. Besides running off tax-exempt securities, small banks decreased somewhat their holdings of U.S. government issues—although farm and energy banks acquired U.S. government securities on balance, presumably in lieu of lending their available funds. The strongest increases in assets at small banks last year were in the relatively low-yielding categories of federal funds and interbank deposits, which together rose by 2 percentage points at small banks, to 10½ percent of assets.

By contrast, the large banks (other than the money center banks) reduced the portion of their portfolio devoted to federal funds and interest-bearing deposits 1¼ percentage points, to 9¼ percent of assets. Instead, these banks increased their holdings of consumer and real estate loans and of all types of securities—including tax-exempt issues, which rose to 8¼ percent of assets, the same level as at small banks. As a result of these shifts, large banks had less of a decline in their interest income than did small banks.

On the liability side of the balance sheet, the shift away from wholesale, money market liabilities and toward retail-type deposits continued in 1986. Although this shift helped hold down funding costs, it was not as beneficial as in past years because the decline in market rates quickly brought the cost of wholesale liabilities down, nearly to the rates paid on interest-bearing retail accounts. Although the deregulation of retail deposit rates was completed last year with the removal of regulatory minimum-balance requirements and of ceiling rates on savings accounts, most retail deposit rates remained slow to adjust to changes in market interest rates. With the declining rates that characterized much of 1986, such rate setting by banks resulted in a marked narrowing between rates paid on retail deposits and those paid on managed liabilities (see table 7).

The move away from managed liabilities showed up in reduced shares of assets financed either with foreign office deposits or with large time deposits issued domestically. As shown in table 8, these declines continued the trends of recent years. The countervailing increase in retail deposits was most apparent last year in NOW accounts ("other checkable deposits" in table 8), while "other deposits"—the sum of money market deposit accounts (MMDAs) and savings and small time deposits—grew only about as fast as total assets. "Other deposits" had been the primary mover in increased retail deposits earlier in the 1980s, but a flattening yield curve and generally lower interest rates last year led to a weakening of small time deposits and to an enhanced demand for transactions accounts. In fact, in response to the sharp drop in interest rates, demand deposits rose relative to assets for the first time since 1975.

Since the beginning of this decade, the drop in demand deposits has been more than offset by interest-bearing retail-type deposits, which have risen rapidly. The sum of NOWs, MMDAs, savings, and small time deposits grew from 26 percent to 38 percent of commercial bank assets over this period. In the aggregate, about two-thirds of this increase matched the drop in demand deposits; the remaining one-third reflected the lower share of managed liabilities. Some groups of banks, however, differed appreciably from the aggregate two-thirds/one-third split. Large non-money-center banks achieved the most favorable split: more than one-half of the increase in their retail deposits since 1980 reflected a reduced reliance on wholesale, money market liabilities. At the other end of the spectrum, money market liabilities on the books of small banks have become more important since 1980 as the decrease in demand deposits relative to assets has outpaced the increase in interest-bearing retail deposits.

7. Rates paid for fully consolidated liabilities, all insured commercial banks, 1981–86[1]

Percent

Item	1981	1982	1983	1984	1985	1986
Interest-bearing deposits	13.42	12.10	9.32	9.92	8.21	6.98
Large certificates of deposit	16.42	14.13	8.90	10.67	8.73	7.31
Deposits in foreign offices[2]	17.37	14.87	10.32	12.62	9.48	7.78
Other deposits	10.07	9.99	9.11	8.84	7.67	6.67
Gross federal funds purchased and repurchase agreements	17.53	12.84	9.69	11.23	7.97	6.78
Other liabilities for borrowed money[3]	13.84	12.81	11.88	13.38	10.67	8.01
Total	**13.89**	**12.21**	**9.46**	**10.19**	**8.29**	**7.01**

1. Calculated as described in the "Technical Note," *Federal Reserve Bulletin*, vol. 65 (September 1979), p. 704, for years through 1984. For more recent years, rates are derived from expense items and quarterly average balance sheet data.

2. Series break after 1983. Reporting instructions classified international banking facilities as domestic offices until the end of 1983 and as foreign offices thereafter. Income data are not sufficiently detailed to allow construction of a consistent series on the new basis for rates of return as has been done for balance sheet data in other tables in this article.

3. Including subordinated notes and debentures.

Noninterest Income and Expenses and Securities Gains

The margin between noninterest income and expenses (excluding loss provisions), although narrowing a bit in 1986, has remained little changed for more than a decade. Both income and expenses, however, have escalated sharply over this period, lifted primarily by the behavior of the money center and other large banks.

The nine money center banks have registered particularly strong increases in noninterest in-

8. Selected liabilities as a percentage of total assets, all insured commercial banks, 1981–86[1]

Item	1981	1982	1983	1984	1985	1986
Deposit liabilities	78.61	77.61	77.68	77.93	77.47	76.72
In foreign offices	15.93	15.79	14.71	12.94	12.65	11.61
In domestic offices	62.68	61.82	62.97	64.99	64.83	65.11
Demand deposits	20.76	17.35	16.53	16.47	15.69	16.04
Other checkable deposits	2.43	3.43	4.03	4.34	4.58	5.21
Large time deposits[2]	14.12	14.61	12.15	12.22	11.42	10.75
Other deposits[3]	25.37	26.44	30.26	31.95	33.14	33.12
Gross federal funds purchased and repurchase agreements	7.54	7.99	7.81	7.51	7.62	8.26
Other borrowings	2.62	2.64	2.84	2.87	3.33	4.00
MEMO						
Money market liabilities[4]	40.21	41.03	37.51	35.55	35.01	34.61
Average assets (billions of dollars)	1,940	2,101	2,259	2,418	2,562	2,779

1. See table 1, note 1.
2. Deposits of $100,000 and over.
3. Including savings, small time deposits, and MMDAs.
4. Large time deposits issued by domestic offices, deposits issued by foreign offices, repurchase agreements, gross federal funds purchased, and other borrowings.

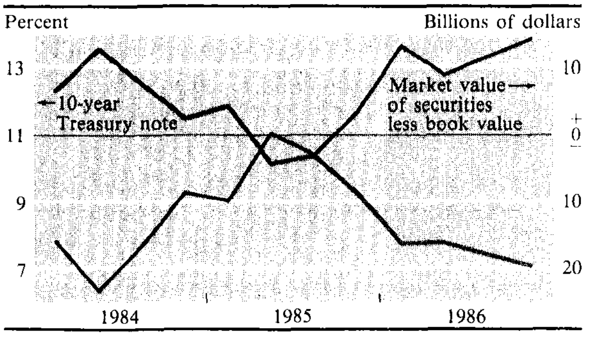
come and expenses over the past few years. In 1986, trading account profits and commissions, trust fees, and sales of assets were major contributors to income. As off-balance-sheet activities have become more important, income from them, which is part of the undifferentiated "other noninterest income" category, has soared. In 1986, the bulk of the increase in noninterest income occurred in this category, as the notional value of interest rate swaps outstanding almost doubled and loan sales rose by half, generating additional fee income. Standby letters of credit, however, shrank slightly, as foreign-chartered banks supplied a larger share of the market and U.S. banks anticipated risk-based capital requirements that would raise the implicit cost of issuing standby letters of credit. Salaries and benefits accounted for more than half of the rise in noninterest expenses last year as the money center banks expanded into new products and new markets.

For the banking industry as a whole, the noninterest margin was supported last year by restraint on expenses. Only the money center banks posted a significant increase in noninterest expenses (scaled by assets), and they made up for that increase with a parallel hike in income. Other large banks managed to lower their noninterest expenses relative to assets by 6 basis points as a result of slower growth in wages and salaries.

For the second year in a row, the commercial banking industry benefited significantly from capital gains on the sale of investment account securities, which accounted for one-sixth of pretax earnings last year. Without the improvement in this area, the decline in overall profitability would have been about twice as large. Banks took advantage of market rates at 9-year lows to realize nearly $4 billion in securities gains during 1986. While banks of all sizes took these gains last year, small banks registered the largest capital gains (scaled by assets). This pattern is consistent with small banks holding more securities relative to assets than do other banks and having been under more earnings pressure than the rest of the industry.

Despite the large realized capital gains, the decline in interest rates left banks with a much larger reservoir of unrealized securities gains at the end of 1986 than they had had a year earlier. The market value of investment-account securities held by the banking industry exceeded their book value by $14½ billion at the end of December. About $3 billion of that excess was at small banks, $4 billion at medium banks, $2 billion at money center banks, and $5½ billion at other large banks. Chart 4 shows the rise in this pool of potential gains over the past three years and the

4. Unrealized capital gains on securities



decline in interest rates (illustrated by the 10-year Treasury note rate).

EARLY 1987

Although call report data for the first quarter of 1987 were not available when this article was prepared, other sources of information on the performance of large banks indicate that the downward trend in profitability is continuing in 1987. Again the driving force is asset quality. In February, Brazil declared a moratorium on debt service payments to commercial banks, and many banks placed these loans on nonaccrual status. At the nine money center banks this latter action raised the pool of nonperforming assets almost $14 billion and decreased earnings more than $200 million for the first quarter alone. In the second quarter, the banking industry is likely to show an overall net loss as a result of the decisions first by Citibank and then by others to make huge additions to loan loss reserves in recognition of problems with developing-country debt.

In the first five months of 1987, insured banks failed at their fastest rate ever; 83 commercial banks were closed, and the FDIC estimated that failures would run at about that rate throughout the year. But the incipient improvement in the farm sector, the stabilization of oil prices, and the movement by many banks to put problems with their international loans behind them are all positive developments for the U.S. banking industry over the longer term.

A.1. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1981–86[1]

A. Banks with less than $100 million in assets

Item	1981	1982	1983	1984	1985	1986
	Balance sheet items as a percentage of average consolidated assets					
Interest-earning assets	90.84	91.10	91.02	90.77	91.00	90.91
Loans	53.72	52.55	51.49	52.26	53.15	51.51
Commercial and industrial	12.26	12.91	12.88	12.90	13.53	12.67
Real estate	19.60	18.37	17.98	18.88	19.83	20.77
Consumer	13.97	12.91	12.28	12.36	12.50	11.73
Securities	29.35	29.61	31.00	30.39	29.32	28.90
U.S. government	17.38	18.25	20.52	20.85	20.17	19.65
State and local government	11.50	10.94	10.01	9.01	8.55	8.27
Other bonds and stocks	.46	.41	.46	.54	.60	.98
Gross federal funds sold and reverse repurchase agreements	5.87	6.35	5.96	5.53	5.78	7.22
Interest-bearing deposits	1.90	2.60	2.57	2.59	2.75	3.28
Deposit liabilities	87.56	87.17	87.83	88.18	88.23	88.54
Demand deposits	22.52	19.04	17.01	16.10	14.62	14.10
Other checkable deposits	4.01	6.14	7.55	8.14	8.53	9.49
Large time deposits	10.03	10.67	9.80	10.23	10.98	10.96
Other deposits	51.00	51.32	53.46	53.71	54.10	53.95
Gross federal funds purchased and repurchase agreements	1.41	1.68	1.21	1.01	.85	.73
Other borrowings	.52	.48	.41	.35	.34	.29
MEMO						
Money market liabilities	11.96	12.83	11.42	11.59	12.18	12.02
Loss reserves	.51	.51	.52	.58	.67	.76
	Effective interest rate (percent)					
Rates earned						
Securities	9.69	10.82	10.58	10.66	9.83	8.86
State and local government	6.45	7.24	7.47	7.84	7.87	7.70
Loans, gross	14.91	15.34	13.70	14.16	12.71	11.73
Net of loss provision	14.27	14.39	12.55	12.80	11.06	9.92
Taxable equivalent						
Securities	11.70	12.95	12.53	12.23	11.42	10.38
Securities and gross loans	13.75	14.46	13.24	13.45	12.25	11.24
Rates paid						
Interest-bearing deposits	11.21	10.96	9.15	9.54	7.99	6.96
Large certificates of deposit	15.14	13.74	9.20	10.84	8.74	7.39
Other deposits	10.56	10.51	9.15	9.34	7.86	6.88
All interest-bearing liabilities	11.31	11.01	9.11	9.54	8.00	6.96
	Income and expenses as a percentage of average net consolidated assets					
Gross interest income	11.55	11.75	10.60	10.89	10.33	9.32
Gross interest expense	7.15	7.35	6.32	6.73	6.06	5.28
Net interest margin	4.39	4.40	4.28	4.17	4.28	4.04
Taxable equivalent	4.93	4.96	4.82	4.66	4.75	4.48
Noninterest income	.68	.67	.69	.74	.77	.77
Loss provision	.29	.42	.51	.63	.87	.92
Other noninterest expense	3.24	3.31	3.29	3.28	3.38	3.39
Securities gains or losses (−)	−.10	−.02	.01	−.01	.08	.16
Income before tax	1.45	1.31	1.18	.99	.88	.66
Taxes	.31	.24	.23	.19	.19	.15
Extraordinary items	.00	.00	.00	.01	.01	.02
Net income	1.14	1.07	.96	.81	.70	.53
Cash dividends declared	.35	.39	.38	.39	.41	.38
Net retained earnings	.79	.67	.58	.41	.29	.16
MEMO						
Average assets (billions of dollars)	352	365	373	383	385	384
Number of banks	12,353	12,081	11,811	11,554	11,332	11,011

1. See notes to tables in the text.

A.1. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1981–86[1] —Continued

B. Banks with $100 million to $1 billion in assets

Item	1981	1982	1983	1984	1985	1986
	Balance sheet items as a percentage of average consolidated assets					
Interest-earning assets	88.37	89.34	89.65	89.58	90.02	89.88
Loans	54.40	53.71	52.98	54.41	56.26	55.94
Commercial and industrial	16.34	16.88	16.84	17.51	17.96	16.76
Real estate	20.02	19.38	18.89	19.61	21.07	22.34
Consumer	14.00	13.16	12.86	13.14	13.54	13.61
Securities	25.68	25.30	26.51	26.18	25.60	25.05
U.S. government	13.15	13.48	15.34	15.46	14.76	13.60
State and local government	11.88	11.16	10.29	9.77	9.86	10.09
Other bonds and stocks	.65	.66	.87	.95	.98	1.36
Gross federal funds sold and reverse repurchase agreements	5.46	5.91	5.59	5.41	5.33	6.37
Interest-bearing deposits	2.84	4.42	4.58	3.58	2.84	2.51
Deposit liabilities	83.18	82.89	84.34	85.14	85.51	85.74
In foreign offices	.24	.24	.22	.27	.28	.39
In domestic offices	82.94	82.66	84.12	84.87	85.23	85.35
Demand deposits	24.97	21.31	19.51	18.71	17.31	16.94
Other checkable deposits	3.62	5.21	6.10	6.44	6.80	7.73
Large time deposits	14.98	15.35	12.94	12.95	13.22	12.53
Other deposits	39.37	40.79	45.57	46.76	47.89	48.15
Gross federal funds purchased and repurchase agreements	6.08	6.47	5.21	4.59	4.13	3.70
Other borrowings	1.28	1.15	1.21	1.04	1.01	1.28
MEMO						
Money market liabilities	22.58	23.20	19.57	18.86	18.65	17.90
Loss reserves	.58	.59	.61	.65	.72	.81
	Effective interest rate (percent)					
Rates earned						
Securities	9.15	9.96	9.89	9.97	9.22	8.34
U.S. government	11.55	12.41	11.86	10.35	10.40	9.17
State and local government	6.52	7.03	7.03	7.43	7.44	7.32
Other bonds and stocks	10.15	10.52	11.31	10.39	9.39	7.95
Loans, gross	15.23	14.70	12.78	13.61	12.16	11.20
Net of loss provision	14.56	13.71	11.81	12.65	11.04	9.82
Taxable equivalent						
Securities	11.37	12.27	12.08	12.15	11.33	10.43
Securities and gross loans	13.90	13.84	12.50	13.13	11.90	10.96
Rates paid						
Interest-bearing deposits	11.47	10.67	8.83	9.33	7.80	6.81
Large certificates of deposit	16.05	13.91	8.90	10.88	8.56	7.20
Deposits in foreign offices	15.84	14.48	9.23	15.80	8.45	7.76
Other deposits	9.99	9.71	8.82	8.95	7.63	6.72
All interest-bearing liabilities	11.98	10.98	8.80	9.39	7.79	6.80
	Income and expenses as a percentage of average net consolidated assets					
Gross interest income	11.37	11.18	9.92	10.39	9.81	8.91
Gross interest expense	7.44	7.19	6.02	6.50	5.79	5.04
Net interest margin	3.94	4.00	3.90	3.89	4.02	3.87
Taxable equivalent	4.46	4.53	4.42	4.42	4.57	4.40
Noninterest income	.83	.86	.90	.97	.98	1.02
Loss provision	.27	.42	.43	.46	.61	.76
Other noninterest expense	3.37	3.45	3.39	3.33	3.42	3.41
Securities gains or losses (−)	−.10	−.07	−.01	−.01	.06	.14
Income before tax	1.03	.92	.98	1.06	1.03	.86
Taxes	.13	.09	.14	.19	.20	.17
Extraordinary items	.01	.00	.00	.01	.01	.01
Net income	.91	.84	.84	.88	.84	.71
Cash dividends declared	.39	.40	.42	.43	.45	.43
Net retained earnings	.52	.44	.42	.44	.39	.27
MEMO						
Average assets (billions of dollars)	382	413	454	488	508	539
Number of banks	1,651	1,813	2,012	2,135	2,259	2,398

1. See notes to tables in the text.

A.1. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1981–86[1] —Continued

C. Money center banks

Item	1981	1982	1983	1984	1985	1986
	Balance sheet items as a percentage of average consolidated assets					
Interest-earning assets	80.63	82.19	81.56	81.14	80.56	80.09
Loans	59.14	62.27	62.93	63.66	61.91	60.07
Commercial and industrial	30.21	32.34	32.31	31.78	29.46	26.49
Real estate	8.62	9.16	9.22	9.82	10.49	11.45
Consumer	4.50	4.61	4.72	5.28	5.78	6.13
Securities	6.48	5.96	6.39	6.68	7.15	8.49
U.S. government	2.77	2.37	2.60	2.33	2.31	2.28
State and local government	2.39	2.37	2.49	2.90	3.02	3.48
Other bonds and stocks	1.32	1.23	1.30	1.45	1.82	2.73
Gross federal funds sold and reverse repurchase agreements	2.11	2.50	2.52	2.51	3.54	3.62
Interest-bearing deposits	12.90	11.43	9.72	8.29	7.95	7.91
Deposit liabilities	75.37	73.69	72.18	72.08	70.74	69.92
In foreign offices	39.86	39.99	37.93	35.21	35.86	34.64
In domestic offices	35.51	33.70	34.25	36.88	34.88	35.28
Demand deposits	15.06	11.28	11.43	11.83	11.51	12.46
Other checkable deposits	.83	1.06	1.19	1.24	1.30	1.63
Large time deposits	12.95	13.75	10.55	10.62	8.18	7.30
Other deposits	6.68	7.61	11.08	13.20	13.89	13.88
Gross federal funds purchased and repurchase agreements	7.23	7.27	7.86	7.42	7.66	8.17
Other borrowings	4.54	4.75	5.12	5.34	6.51	7.95
MEMO						
Money market liabilities	64.58	65.76	61.46	58.58	58.21	58.07
Loss reserves	.49	.54	.59	.69	.83	1.02
	Effective interest rate (percent)					
Rates earned						
Securities	9.89	9.73	9.56	9.72	9.41	8.51
U.S. government	10.97	10.81	11.92	11.58	10.51	9.07
State and local government	7.55	7.46	6.33	7.61	7.24	7.09
Other bonds and stocks	11.99	11.93	11.46	11.10	11.45	9.79
Loans, gross	17.32	15.47	12.64	13.85	12.08	10.53
Net of loss provision	16.62	14.63	11.75	12.97	10.85	9.18
Taxable equivalent						
Securities	12.46	12.36	11.86	12.58	11.75	10.89
Securities and gross loans	16.56	14.94	12.32	13.73	12.05	10.58
Rates paid						
Interest-bearing deposits	15.94	13.95	10.23	11.06	8.91	7.41
Large certificates of deposit	16.64	14.47	8.96	10.70	9.07	7.45
Deposits in foreign offices	17.12	14.89	10.77	12.90	9.59	7.88
Other deposits	9.97	10.15	10.02	7.83	7.43	6.47
All interest-bearing liabilities	16.06	13.84	10.56	11.53	9.16	7.57
	Income and expenses as a percentage of average net consolidated assets					
Gross interest income	12.55	11.63	9.40	10.22	9.10	7.85
Gross interest expense	10.45	9.29	7.00	7.84	6.74	5.57
Net interest margin	2.10	2.34	2.40	2.38	2.36	2.28
Taxable equivalent	2.25	2.49	2.53	2.83	2.53	2.49
Noninterest income	.98	1.05	1.12	1.42	1.75	2.02
Loss provision	.21	.30	.36	.50	.75	.79
Other noninterest expense	1.99	2.25	2.34	2.54	2.71	2.96
Securities gains or losses (−)	−.05	−.06	.01	.02	.06	.13
Income before tax	.83	.77	.84	.78	.71	.68
Taxes	.30	.24	.30	.26	.26	.22
Extraordinary items	.00	.01	.00	.00	.00	.00
Net income	.53	.53	.54	.52	.45	.46
Cash dividends declared	.22	.23	.27	.24	.25	.21
Net retained earnings	.31	.30	.26	.29	.21	.25
MEMO						
Average assets (billions of dollars)	538	564	582	594	623	652
Number of banks	9	9	9	9	9	9

1. See notes to tables in the text.

A.1. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1981–86[1] —Continued

D. Large banks other than money center banks

Item	1981	1982	1983	1984	1985	1986
	Balance sheet items as a percentage of average consolidated assets					
Interest-earning assets	82.33	84.19	84.77	84.62	85.45	85.95
Loans	55.33	56.52	56.07	57.78	59.23	59.56
Commercial and industrial	22.42	23.70	23.15	23.19	23.17	22.47
Real estate	13.02	13.25	13.25	13.74	14.74	15.73
Consumer	9.02	8.68	8.88	10.31	11.58	12.43
Securities	14.00	13.43	14.28	14.81	15.72	17.19
U.S. government	6.14	5.91	7.04	7.35	7.38	7.76
State and local government	7.35	6.97	6.58	6.71	7.46	8.25
Other bonds and stocks	.51	.54	.66	.75	.89	1.18
Gross federal funds sold and reverse repurchase agreements	3.68	4.09	4.20	4.01	4.04	3.78
Interest-bearing deposits	9.32	10.15	10.21	8.02	6.45	5.42
Deposit liabilities	73.89	73.07	73.43	73.77	73.63	72.59
In foreign offices	14.01	13.85	13.03	10.77	9.49	7.85
In domestic offices	59.89	59.22	60.40	62.99	64.14	64.74
Demand deposits	22.02	18.89	18.21	18.37	17.79	18.18
Other checkable deposits	2.21	2.92	3.33	3.68	4.00	4.64
Large time deposits	16.75	16.75	13.84	13.65	12.63	11.75
Other deposits	18.90	20.66	25.02	27.29	29.73	30.17
Gross federal funds purchased and repurchase agreements	11.84	12.39	12.05	11.68	11.79	12.74
Other borrowings	2.94	2.92	3.23	3.29	3.66	4.27
MEMO						
Money market liabilities	45.53	45.91	42.16	39.39	37.56	36.61
Loss reserves	.60	.65	.70	.78	.86	.97
	Effective interest rate (percent)					
Rates earned						
Securities	8.74	9.17	9.16	9.42	8.89	8.01
U.S. government	10.64	11.12	11.18	11.13	10.27	9.01
State and local government	6.96	7.24	6.95	7.36	7.28	6.99
Other bonds and stocks	12.11	12.66	10.84	11.46	10.49	8.79
Loans, gross	16.80	15.08	12.29	13.37	11.78	10.61
Net of loss provision	15.98	13.92	10.99	12.11	10.80	9.37
Taxable equivalent						
Securities	11.60	12.09	11.66	12.06	11.51	10.58
Securities and gross loans	15.55	14.31	12.00	13.10	11.73	10.61
Rates paid						
Interest-bearing deposits	13.92	12.20	9.09	9.73	8.12	6.84
Large certificates of deposit	16.88	14.17	8.83	10.52	8.71	7.30
Deposits in foreign offices	17.98	14.84	9.48	12.04	9.25	7.54
Other deposits	9.54	9.66	9.08	8.71	7.62	6.56
All interest-bearing liabilities	14.55	12.28	9.24	10.04	8.13	6.82
	Income and expenses as a percentage of average net consolidated assets					
Gross interest income	11.95	11.06	9.19	9.89	9.13	8.13
Gross interest expense	9.02	8.00	6.17	6.76	5.79	4.82
Net interest margin	2.94	3.06	3.02	3.13	3.34	3.31
Taxable equivalent	3.31	3.42	3.35	3.56	3.75	3.76
Noninterest income	1.00	1.09	1.19	1.34	1.43	1.44
Loss provision	.29	.46	.56	.64	.57	.71
Other noninterest expense	2.79	2.97	3.01	3.14	3.29	3.23
Securities gains or losses (−)	−.10	−.07	−.01	−.02	.05	.13
Income before tax	.76	.65	.63	.67	.96	.94
Taxes	.10	.05	.10	.16	.20	.20
Extraordinary items	.00	.00	.00	.01	.02	.01
Net income	.66	.60	.54	.53	.78	.75
Cash dividends declared	.30	.29	.29	.27	.29	.34
Net retained earnings	.37	.31	.25	.25	.49	.41
MEMO						
Average assets (billions of dollars)	668	759	850	953	1,047	1,204
Number of banks	195	220	243	263	290	321

1. See notes to tables in the text.

A.2. Report of income, all insured commercial banks, 1981–86

Millions of dollars

Item	1981	1982	1983	1984	1985	1986
Operating income, total	**247,577**	**257,293**	**239,264**	**274,273**	**273,461**	**269,292**
Interest, total	230,148	237,193	216,059	245,640	239,952	230,702
Loans	164,715	168,619	153,323	181,873	175,679	168,429
Balances with banks	23,905	23,867	16,739	16,557	13,590	11,132
Gross federal funds sold and reverse repurchase agreements	12,183	11,309	9,198	10,464	9,352	8,922
Securities (excluding trading accounts)	29,345	33,398	36,799	36,746	41,331	42,219
State and local government	9,704	10,648	10,620	11,817	12,820	14,956
Other	19,641	22,749	26,179	24,929	28,511	27,263
Service charges on deposits	3,892	4,584	5,399	6,512	7,280	7,902
Other operating income[1]	13,538	15,517	17,806	22,121	26,229	30,689
Operating expense, total	**227,490**	**238,274**	**220,236**	**254,273**	**252,057**	**250,399**
Interest, total	169,078	168,651	143,215	167,335	154,094	140,467
Deposits	138,830	141,185	119,843	139,331	128,837	115,889
Large certificates of deposit	38,896	37,366	22,523	25,761	22,472	19,257
Deposits in foreign offices	46,696	41,754	29,021	35,781	30,013	24,440
Other deposits	53,238	62,065	68,299	77,789	76,352	72,192
Gross federal funds purchased and repurchase agreements	23,752	20,628	16,438	19,323	16,236	15,766
Other borrowed money[2]	6,496	6,838	6,934	8,682	9,020	8,812
Salaries, wages, and employee benefits	27,901	31,244	33,637	36,463	39,338	42,258
Occupancy expense[3]	8,558	9,975	11,101	12,092	13,407	14,551
Loss provision	5,080	8,429	10,621	13,690	16,965	21,194
Other operating expense	16,873	19,975	21,662	24,694	28,254	31,929
Securities gains or losses (−)	−1,595	−1,282	−30	−142	1,504	3,773
Income before tax	18,491	17,737	18,998	19,858	22,908	22,665
Taxes	3,859	2,976	4,076	4,665	5,369	5,261
Extraordinary items	57	64	70	217	318	271
Net income	14,689	14,826	14,992	15,409	17,858	17,674
Cash dividends declared	5,841	6,542	7,338	7,585	8,402	9,135

1. Includes income from assets held in trading accounts.
2. Includes interest paid on U.S. Treasury tax and loan account balances and on subordinated notes and debentures.
3. Occupancy expense for bank premises net of any rental income plus furniture and equipment expenses.

Treasury and Federal Reserve Foreign Exchange Operations

This quarterly report, covering the period February through April 1987, provides information on Treasury and System foreign exchange operations. It was prepared by Sam Y. Cross, Manager of Foreign Operations of the System Open Market Account and Executive Vice President in charge of the Foreign Group of the Federal Reserve Bank of New York.[1]

The dollar traded rather steadily in February and early March, and then moved lower through the end of April. It closed the period down more than 8 percent against both the Japanese yen and the British pound, down roughly 2 percent against the German mark and most other continental currencies, and unchanged on balance against the Canadian dollar. The U.S. authorities intervened in the market at various times during the three-month period under review.

After declining almost continuously for nearly two years, the dollar steadied as the period opened. Market participants were reassured by a coordinated U.S.-Japanese intervention operation undertaken in late January following a joint statement by Secretary Baker and Finance Minister Miyazawa in which they reaffirmed their willingness to cooperate on exchange rate issues. Talk that the financial authorities of the major industrial countries would soon meet encouraged expectations that multilateral efforts might be forthcoming to prevent the dollar from declining further. In addition, reports of extensive Japanese participation in the February refunding operations of the U.S. Treasury reassured the exchange markets by seeming to suggest that Japanese investors would continue to make substantial investments in dollar-denominated assets.

Meanwhile, economic statistics being released suggested that the underlying economic fundamentals were clearly moving in directions that would lead to adjustment of external imbalances. To be sure, there were still few signs that the dollar's two-year decline had reduced the nominal U.S. trade deficit. However, data on gross national product for the fourth quarter of 1986, together with information becoming available on export and import volumes, showed that the nation's trade deficit was declining in volume terms and that the nation's external sector was beginning to contribute to economic growth. Japan's trade surplus, though still high in nominal terms, had been declining in volume terms since the beginning of 1986. As for Germany, weak export volumes and strong import volume gains carried a similar indication that earlier

1. Federal Reserve reciprocal currency arrangements
Millions of dollars

Institution	Amount of facility, April 30, 1987
Austrian National Bank	250
National Bank of Belgium	1,000
Bank of Canada	2,000
National Bank of Denmark	250
Bank of England	3,000
Bank of France	2,000
German Federal Bank	6,000
Bank of Italy	3,000
Bank of Japan	5,000
Bank of Mexico	700
Netherlands Bank	500
Bank of Norway	250
Bank of Sweden	300
Swiss National Bank	4,000
Bank for International Settlements	
Dollars against Swiss francs	600
Dollars against other authorized European currencies	1,250
Total	**30,100**

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

exchange rate movements were working to reduce external imbalances. In these circumstances, the dollar rose from its lows of late January to trade within a narrow range through mid-February against both the yen and the mark, around ¥153 and DM1.82 respectively.

Then on February 22, following meetings held at the Louvre in Paris, finance ministers and central bank governors of six major industrial countries stated that, given the economic policy commitments they were making, their currencies were now "within ranges broadly consistent with underlying economic fundamentals." In the announcement, the authorities of Germany and Japan stated that they would provide greater stimulus to their economies, and the U.S. government said that it would resist protectionism and substantially reduce the budget deficit for the fiscal year 1988. The statement noted that "further substantial exchange rate shifts among their currencies could damage growth and adjustment prospects in their countries." The officials of the six major industrial countries also announced that they had agreed "in current circumstances to cooperate closely to foster stability of exchange rates around current levels." Although many market participants regarded previous promises of domestic policy actions by the major industrial nations with skepticism, the prospect of increased cooperation and the more explicit association of the U.S. Treasury with a call for greater exchange rate stability reassured the market about the near-term outlook for the dollar. Remarks by some foreign officials attending the Paris meeting suggested that there had also been an agreement for coordinated intervention in the exchange market.

During the first several weeks following the Paris agreement, the dollar strengthened, especially against the German mark and other continental currencies. Although many market professionals expressed doubt, given the continuing pressures of large international trade imbalances, that further declines in the dollar could be avoided over time, there was less sense of downside risk in holding dollars in the near term. As a result, some corporations began to unwind costly hedges against their dollar positions. This commercial demand gave the dollar buoyancy that some market professionals suspected was the result of central bank intervention, an impression that added to the dollar's firmness.

The dollar continued to trade narrowly against the yen at around ¥153 after the Paris meeting. Japanese exporters took advantage of any firming of the dollar against the yen to convert export proceeds into yen—an activity that accelerated ahead of Japan's fiscal year-end in March. Japanese investors took advantage of any easing of the dollar against the yen to increase their holdings of U.S. and other foreign assets. They perceived relatively little near-term exchange rate risk in investing abroad, expecting the authorities to prevent any significant further appreciation of the yen against the dollar.

Meanwhile, greater stability in dollar exchange rates in February, together with the subsequent Paris commitment to foster exchange rate stability, was seen in the market as reducing exchange rate risk more generally and thereby enhancing the relative attractiveness of assets denominated in currencies with relatively high interest rates. Sterling, which also benefited from several other economic and political developments, rose strongly against all major currencies in February and early March, amid reports of strong demand by foreign investors. There were also signs of increased investor interest in the Australian and Canadian dollars, the Swedish krone, the French franc, and the Italian lira to take advantage of the high interest rates available in those currencies.

In that environment, investors found that a number of currencies offered more attractive investment opportunities than did the German mark. Traders viewed economic activity as somewhat stronger in the United States and somewhat weaker in Germany than previously thought. Also, expectations persisted that short-term interest rate differentials would continue to favor the dollar relative to the mark. Moreover, market participants were aware that there remained outstanding large positions, long of marks and short of dollars; any generalized move to trim these positions was expected to result in considerable bidding for dollars. In these circumstances, the dollar continued to rise gradually against the mark in late February and early March.

Around mid-March, speculative buying started to push the dollar up more rapidly against the mark. A number of stop-loss orders to buy dollars and sell marks were triggered, and the resulting bidding for dollars in otherwise thin trading propelled the dollar rate up as high as DM1.8745 on March 11 in New York. Under these circumstances, the Trading Desk at the Federal Reserve Bank of New York entered the exchange market, selling $30 million against marks. The intervention operation, which was undertaken to foster greater exchange rate stability as envisaged in the Paris agreement was quickly talked about in the markets. Dealers imagined that the Desk had sold a much larger amount and interpreted the action as signaling that major countries would seek to limit any significant rise in the dollar, as well as any significant decline. As a result, market participants calculated that there was little need to protect themselves against the possibility that the dollar might continue to advance. In view of their long-standing expectation that the dollar would decline over time, bidding for dollars quickly subsided, and dollar rates started to drift down.

As the dollar started to decline after mid-March, the focus of market attention shifted from the mark to the yen. The expectation that short-term interest rate differentials would move in favor of the dollar against the mark and fear of central bank intervention limited the dollar's decline against the mark. But against the yen, the dollar was trading only slightly above the ¥150 level that many market participants, especially in Japan, believed represented at least an important psychological benchmark and perhaps constituted the lower limit of the range for the yen-dollar exchange rate they thought had been agreed to in conjunction with the Paris agreement. Although Japanese economic growth was weaker than it had been in many years, market participants evidently judged that the Japanese government, embroiled in a debate concerning tax reform, would not take early and significant policy actions to spur domestic demand and reduce its trade surplus as promised in the Paris agreement. Moreover, the announcement that the United States would impose trade sanctions on selected Japanese products following a dispute over semiconductor products fueled fears of protectionism. In Europe, concern was growing that the Japanese were diverting their exports from other markets to Europe. With the weakness of the German economy seemingly confirmed by figures then becoming available, market participants were sensitive to the possibility that trade friction between Japan and Europe was also intensifying. Market concerns increased that there might be renewed calls for a lower dollar as a response to these trade problems. A clear bearish sentiment reemerged toward the dollar against the yen.

On March 23, the dollar moved below ¥150. Japanese investment houses, insurance companies, and corporations sold dollars aggressively, stop-loss orders were activated, and the dollar began to move down sharply. To restrain the dollar's decline, the Desk made daily purchases of dollars against yen in a series of operations between March 23 and April 6, purchasing a total of $3,007.7 million. The operations by the U.S. authorities were coordinated with operations by the Bank of Japan and several European central banks.

By the end of March, the dollar appeared to be settling in a range around ¥147. But concern over the stability of the dollar had spread from the foreign exchange to other financial markets. The dollar's depreciation precipitated sharp declines in prices of U.S. bonds and equities. It contributed to sharp increases in the prices of gold and silver. And as investors sought alternatives to dollar-denominated assets, the prices of bonds denominated in other currencies rose. As a result of the divergent forces in the world's bond markets, long-term interest rate differentials moved strongly in favor of the dollar.

Meanwhile, market participants came to believe that new incentives would be needed to maintain the credibility of official efforts to stabilize exchange rates and halt the dollar's decline. As a result, they looked forward to a scheduled meeting of the Group of Seven (G-7) finance ministers and central bank governors in Washington on April 8 for evidence that the authorities were firmly committed to exchange rate stability.

The G-7 ministers and governors welcomed the proposals announced by the governing party in Japan for substantial measures to stimulate Japan's economy. But some market participants were disappointed that additional new initiatives were not announced. Also, U.S. trade statistics for February, released on April 14, left the impression that the adjustment in the world's trade imbalances, at least in nominal terms, was still disappointingly small. Under these circumstances, sentiment toward the dollar remained bearish. Market participants questioned whether interest rate differentials favoring the dollar were sufficient to maintain foreign investors' appetite for dollar-denominated assets. As a result, the dollar was again heavily offered in early April, especially against the yen but also against other currencies that provided attractive capital market outlets for foreign investors. The U.S. authorities continued to intervene on occasion, buying U.S. dollars at times to foster exchange rate stability. They operated on three of the nine business days between April 7 and April 17, buying $532 million against yen. As before, these operations in yen were closely coordinated with those undertaken by the Bank of Japan and several European central banks.

Statements by U.S. and Japanese officials in mid-April were interpreted as indicating that the officials were genuinely concerned about the risks of further sharp downward movements in dollar rates and that other action might be forthcoming to enhance efforts to stabilize exchange rates. Comments by Bank of Japan Governor Sumita and other Japanese officials suggested that new arrangements were under consideration to finance concerted intervention operations. In a speech before the Japan Society in New York, Treasury Secretary Baker, making specific reference to the dollar–yen rate, said that U.S. and other authorities intended to cooperate closely to foster exchange rate stability despite trade difficulties and that a further decline of the dollar against other major currencies could be counterproductive. Also around mid-April, U.S. short-term interest rates firmed, and this was taken by some market participants as an indication that U.S. monetary policy might be tightening somewhat to ease the pressures on the dollar.

Even so, many in the market continued to doubt that the authorities were sufficiently committed to exchange rate stability to make major adjustments to domestic economic policies. Thus, the dollar again came under strong selling pressure during the last full week of April as hopes of more economic policy convergence faded. In Japan, official comments suggested that there would be no further easing of credit policy, and there seemed to be little evidence of movement toward a more expansionary budget. Doubts developed that the Federal Reserve had much scope to tighten monetary policy, given the decline in U.S. final domestic demand as reported in the first-quarter data on gross national product. Moreover, reports emerged from U.S.-Japanese trade negotiations indicating little progress, and toward the end of the month the U.S. House of Representatives added to its trade bill a provision calling for mandatory restrictions on U.S. imports from countries with large trade surpluses.

Thus, the dollar was again subject to episodes of intense selling pressure in the third week of April. Against the yen it declined below ¥140, reaching a 40-year low of ¥137.25 on April 27. The dollar also declined against the European currencies, easing below DM1.80 to trade as low as DM1.7710 against the German mark. The Desk intervened on three more occasions in late April, both in yen and marks, purchasing $424.9 million against yen and $99 million against marks.

In the final days of April, comments by Chairman Volcker and by Prime Minister Nakasone during his visit to Washington indicated that the central banks of the two countries were making more adjustments in their monetary policies. Mr. Nakasone announced that the Bank of Japan would act to ease short-term market rates, and Mr. Volcker stated that the Federal Reserve had "snugged up" monetary policy in light of the exchange rate pressure. With the market per-

2. Drawings and repayments by foreign central banks under regular reciprocal currency arrangements[1]

Millions of dollars; drawings or repayments (−)

Central bank drawing on the Federal Reserve System	Outstanding, February 1, 1987	February	March	April	Outstanding, April 30, 1987
Bank of Mexico ...	61.4	−61.4	0	0	0

1. Data are on a value-date basis.

3. Drawings and repayments by foreign central banks under special swap arrangement with the U.S. Treasury[1]
Millions of dollars; drawings or repayments (−)

Central bank drawing on the U.S. Treasury	Amount of facility	Outstanding, February 1, 1987	February	March	April	Outstanding, April 30, 1987
Bank of Mexico	273.0	61.6	−61.6	(2)	(2)	(2)
Central Bank of Argentina	225.0	0	0	225.0	0	225.0

1. Data are on a value-date basis.
2. No facility.

ceiving that monetary authorities were acting to widen interest rate differentials in favor of the dollar, the currency recovered from its lows against the yen and the mark to close the period at ¥140.85 and DM1.7925 respectively. At these levels, the dollar was down 8⅜ percent against the yen from both its opening in February and its level in mid-March. Against the mark, the dollar closed the period down 2⅛ percent from its opening in February and down 4⅜ percent from its highs in mid-March. On a trade-weighted basis, as measured by the Federal Reserve Board index, the dollar declined 3⅞ percent against all G-10 currencies between the opening in February and the end of April.

For the three-month period as a whole, intervention dollar purchases by the U.S. monetary authorities totaled $4,063.6 million, while dollar sales totaled $30 million. All intervention was financed out of foreign currency balances. The bulk of the authorities' dollar purchases, or $3,964.6 million, was against sales of yen, of which $1,962.3 million equivalent was drawn from the Treasury's balances and $2,002.3 million equivalent was drawn from the Federal Reserve. In addition, the Federal Reserve and the Treasury each sold $49.5 million equivalent of German marks. On one occasion in the period, as indicated above, the Federal Reserve and the Treasury each sold $15 million equivalent of German marks.

During the three-month period, foreign central banks also bought dollars in extraordinary amounts in the exchange markets. In part, these purchases reflected operations of the Bank of Japan, the Bundesbank, and several other European central banks, which purchased dollars against yen and other currencies in accordance with the understandings of the Paris Accord and the April G-7 statement to foster exchange rate stability. But in part, these transactions reflected the purchases of a number of European central banks that took advantage of the relative firmness of their currencies against the mark, the dollar, or both, to replenish official reserves by purchasing dollars.

During the three-month period, the Treasury Department through the Exchange Stabilization Fund (ESF) joined with other central banks to provide a multilateral short-term credit facility totaling $500 million for the Central Bank of the Argentine Republic in support of Argentina's economic program to achieve sustainable growth and a viable balance of payments position. The ESF's portion of the facility was $225 million. The facility was established on March 5, and the full amount was drawn by the Central Bank of the Argentine Republic on March 9.

Meanwhile, Mexico fully repaid on February 13 the $61.6 million drawing on the ESF and a $61.4 million drawing on the Federal Reserve that were outstanding under a two-tranche multilateral near-term contingency support facility of $1.1 billion provided jointly by the U.S. monetary authorities, the Bank for International Settlements (acting for certain central banks), and the central banks of Argentina, Brazil, Colombia, and Uruguay. The facility has now lapsed. As noted in previous reports, the first tranche of $850 million had been made available to Mexico on August 29, 1986, with the Federal Reserve providing $211.0 million. On December 8, after Mexico had become eligible to draw the second tranche of $250.0 million, Mexico had drawn $61.8 million from the Federal Reserve and $62.0 million from the ESF. Drawings on the first tranche were fully repaid in the previous reporting period.

4. Net profits or losses (–) on U.S. Treasury and Federal Reserve current foreign exchange operations[1]

Millions of dollars

Period	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
February 1, 1987–April 30, 1987	688.1	571.9
Valuation profits and losses on outstanding assets and liabilities as of April 30, 1987	1,981.3	1,809.8

1. Data are on a value-date basis.

In the period from February 1 through April 30, the Federal Reserve and the ESF realized profits of $688.1 million and $571.9 million respectively on sales of foreign currency balances. As of April 30, cumulative bookkeeping or valuation gains during the period on outstanding foreign currency balances were $1,981.3 million for the Federal Reserve and $1,809.8 million for the Treasury's ESF. These valuation gains represent the increase in the dollar value of outstanding currency assets valued at end-of-period exchange rates, compared with the rates prevailing at the time the foreign currencies were acquired.

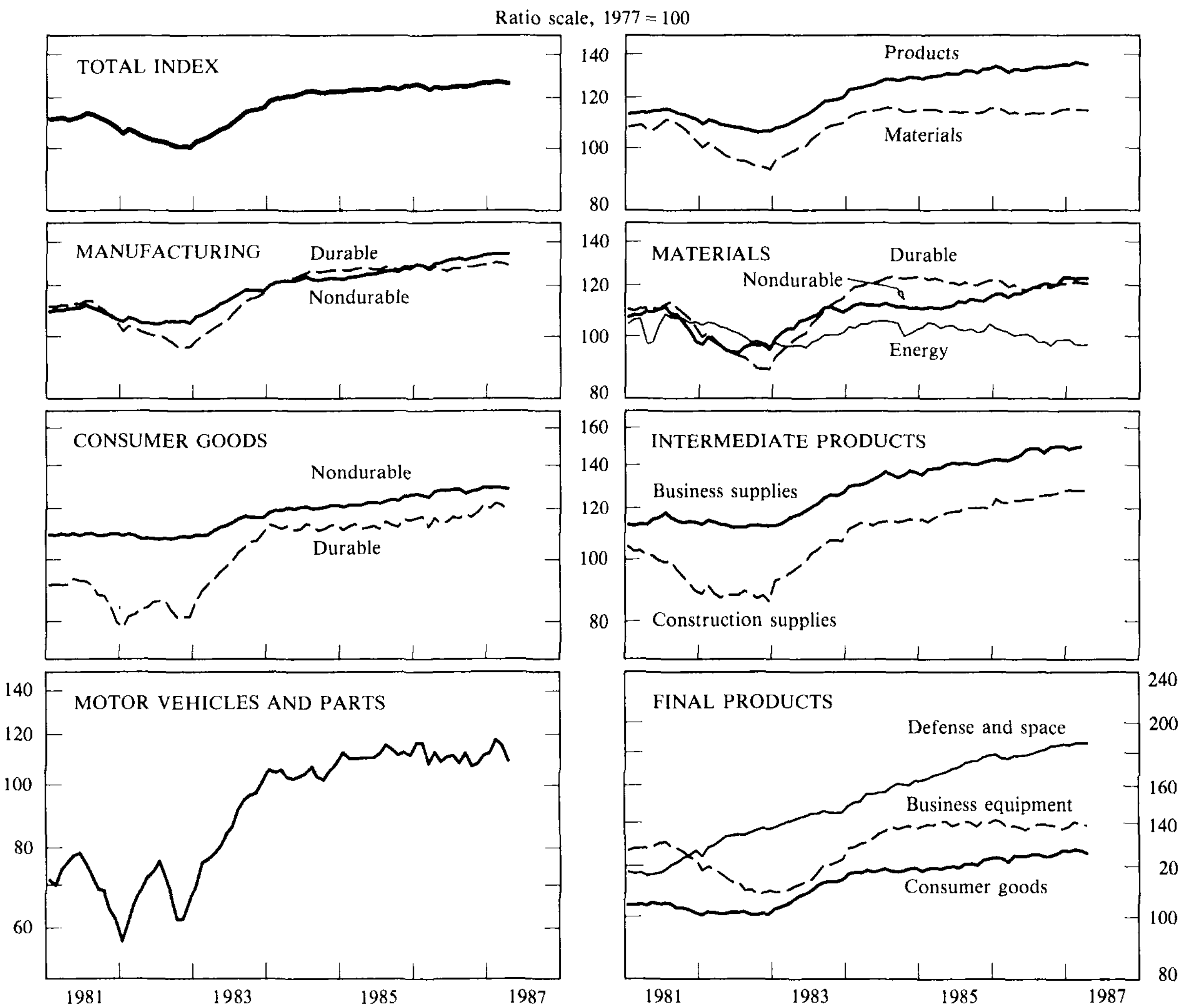
The Federal Reserve and the ESF invest foreign currency balances acquired in the market as a result of their foreign operations in a variety of instruments that yield market-related rates of return and that have a high degree of quality and liquidity. As of April 30, 1987, under the authority provided by the Monetary Control Act of 1980, the Federal Reserve held investments totalling $1,091.1 million equivalent of its foreign currency holdings in securities issued by foreign governments. In addition, as of the same date, the Treasury held the equivalent of $2,566.1 million in such securities.

Industrial Production

Released for publication May 15

Industrial production declined an estimated 0.4 percent in April, after having fallen a revised 0.2 percent in March. Output of motor vehicles dropped sharply, and much of the April decline in total production was related to the cuts in this industry; however, smaller declines were widespread. At 126.3 percent of the 1977 average, the index in April was 1.3 percent above that of a year earlier.

In market groupings, output of consumer goods declined 0.9 percent in April after having decreased 0.4 percent in March. A large part of the April decline resulted from a sharp reduction in output of durable consumer goods, primarily motor vehicles. In April, autos were assembled at an annual rate of 7.2 million units as compared



All series are seasonally adjusted. Latest figures: April.

Group	1977 = 100		Percentage change from preceding month					Percentage change, Apr. 1986 to Apr. 1987
	1987		1986	1987				
	Mar.	Apr.	Dec.	Jan.	Feb.	Mar.	Apr.	
	Major market groups							
Total industrial production	**126.8**	**126.3**	**.5**	**-.1**	**.4**	**-.2**	**-.4**	**1.3**
Products, total	135.6	134.9	.4	-.1	.8	-.3	-.5	1.7
Final products	134.4	133.5	.4	.0	1.0	-.5	-.6	1.0
Consumer goods	127.0	125.9	1.3	-.4	.6	-.4	-.9	1.1
Durable	121.3	118.3	2.7	-1.2	1.9	-.9	-2.5	2.1
Nondurable	129.1	128.7	.8	-.1	.2	-.3	-.3	.8
Business equipment	139.6	139.0	-1.1	.7	1.9	-.8	-.4	.3
Defense and space	186.7	186.6	.5	-.3	.7	.1	-.1	4.8
Intermediate products	139.7	139.5	.4	-.4	.2	.3	-.1	3.7
Construction supplies	128.1	127.9	.8	.3	-.3	.2	-.2	3.5
Materials	114.8	114.7	.8	.0	-.2	-.1	-.1	.8
	Major industry groups							
Manufacturing	131.7	131.1	.6	.1	.6	-.2	-.4	1.9
Durable	129.9	128.9	.5	-.1	1.0	-.3	-.7	.7
Nondurable	134.3	134.3	.8	.3	.1	.0	-.1	3.6
Mining	95.0	95.2	-.7	.5	-1.7	-.6	.2	-5.7
Utilities	110.2	110.5	-.6	-1.0	.3	.4	.3	1.0

NOTE. Indexes are seasonally adjusted.

with rates of 7.9 million in March and 8.3 million in February. Moreover, the output of home goods, which was very strong in the last quarter of 1986, fell for the fourth consecutive month. The production of nondurable consumer goods dropped in April and has been weak throughout this year. Production of business equipment decreased 0.4 percent in April led by weakness in transit equipment, particularly in motor vehicles; output in all other major business equipment areas declined with the exception of commercial equipment, which rose. Production of defense and space equipment was little changed again in April. The production of both construction and business supplies, which was quite strong during the second half of last year, has been, on average, little changed since December. Output of materials was about unchanged in April, with declines in durable and nondurable goods materials, but a small rise occurred in energy materials.

In industry groupings, manufacturing production decreased 0.4 percent in April, with most of the decline concentrated in durables. Iron and steel output, however, continued to rise following gains in February and March. Output of nondurables has been flat, on balance, since January. Production at both mines and utilities increased in April.

Statements to Congress

Statement by Martha R. Seger, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions Supervision, Regulation and Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, May 6, 1987.

I appreciate the opportunity to appear before the subcommittee on behalf of the Federal Reserve. The subcommittee asked the Board to discuss the efforts being taken to enlist the cooperation of foreign authorities in eliminating the use of the international banking system by criminal elements.

Before I begin to discuss this topic, however, the chairman of the subcommittee requested that I familiarize the subcommittee members with the duties and responsibilities of the Federal Reserve in enforcing the Bank Secrecy Act of 1970 and the Money Laundering Control Act of 1986. I will also take this opportunity to inform the subcommittee about the enhancements to the Federal Reserve's procedures on examining for compliance with provisions of the acts and efforts taken to date to educate the banking system on our procedures and the acts in general.

Responsibilities of the Federal Reserve under the Bank Secrecy Act

The Federal Reserve, in conjunction with the other banking supervisory agencies, has the responsibility for monitoring financial institutions to determine their compliance with the recordkeeping and reporting requirements of the Bank Secrecy Act. This authority is delegated to the Federal Reserve by the Department of the Treasury.

Among other requirements, the Bank Secrecy Act orders financial institutions to report currency transactions of certain customers that exceed $10,000. During 1986 the Federal Reserve conducted 844 examinations of state member banks and Edge act corporation offices for compliance. These compliance reviews found violations of the Bank Secrecy Act at 153 banks or offices. These violations included incomplete or inaccurate currency transaction reports, failure to file reports, and failure to maintain exemption lists with the required information.

The vast majority of these violations were found to be technical in nature. The violations resulted primarily from procedural problems or misinterpretations of the reporting requirements.

When it appears that an institution has willfully avoided the Bank Secrecy Act's reporting requirements, however, then the matter is referred immediately to the Department of the Treasury. The staff members of the Department of the Treasury review each report to determine if a criminal investigation is warranted or whether civil money penalties should be assessed. Of course, every violation discovered by bank regulatory agencies is reported to the Department of the Treasury on a quarterly basis.

Compliance with Anti-Drug Abuse Act of 1986

Section 1359 of the Anti-Drug Abuse Act of 1986 required the federal banking agencies to develop regulations requiring insured banks to establish and maintain the necessary procedures that would ensure compliance with the Bank Secrecy Act. On January 21, 1987, the Board amended Regulation H to require state member banks to establish a program that would assure compliance with the recordkeeping and reporting requirements of the Bank Secrecy Act. The regulation requires that a written compliance program that is approved by the bank's board of directors be established. The compliance program must, at a minimum, include four elements: (1) a system of internal controls; (2) independent testing for compliance; (3) designation of individual(s) to be responsible for compliance; and (4) appropriate training of employees. The regulations were published in the Federal Register on January 27, 1987, and required banks to have a program implemented by April 27, 1987.

Besides formulating the required regulations, the Federal Reserve also has the responsibility for ensuring compliance through the examination of its regulated banks. During an on-site examination, a state member bank's written procedures are carefully scrutinized to ensure that all of the Bank Secrecy Act's recordkeeping and reporting requirements are addressed. Cease-and-desist proceedings are required if a bank does not have a written compliance program or has not corrected previously cited problems. Written documentation is reviewed to ensure that, among other considerations, the bank has adopted the appropriate measures for establishing and maintaining the list of customers who have been exempted from the reporting requirements of the Bank Secrecy Act. Also, the documentation must provide for review procedures to make certain that each Currency Transaction Report is filled out completely and accurately before the time that it is forwarded to the Internal Revenue Service.

Board staff is presently in the process of strengthening the procedures followed by the Federal Reserve in enforcing the Bank Secrecy Act. Procedures designed to help detect violation of the law, developed by the Bank Secrecy Act Interagency Working Group chaired by the Treasury Department, are being incorporated into our examination instructions. In addition, the staff is revising the *Currency and Foreign Transactions Reporting Manual,* which includes the examination procedures, to reflect the recent amendments to the Bank Secrecy Act and to include exemption and reporting data recently developed by the Internal Revenue Service.

Board staff has provided assistance to state member banks in meeting the new requirements of Regulation H by issuing guidelines for establishing policies and procedures for maintaining compliance with the Bank Secrecy Act. We also provide sample documentation that will serve as a reference for banks that rarely conduct large cash transactions with their customers and do not have complex or sophisticated internal operations.

Also, Board staff members were active participants in the recent seminars conducted by the American Bankers Association and a teleconference by the Bank Administration Institute. These programs provided a forum for more than 7,000 bankers to discuss the fight against drug trafficking and money laundering. They also provided the opportunity to update the industry on the 1986 amendments to the Bank Secrecy Act.

The Anti-Drug Abuse Act of 1986 also amended the Change in Bank Control Act. The Change in Bank Control Act requires persons seeking to acquire control of a bank or a bank holding company to provide the appropriate federal banking agency with notice of the proposed acquisition at least 60 days before the transaction. During the 60-day period the Federal Reserve has the responsibility to conduct investigations of competence, experience, and financial ability of each notificant and to make an independent determination of the accuracy and completeness of the information provided. The Board must also perform a competitive analysis of the proposal. The amendments to the Change in Bank Control Act require the federal banking agencies to publish the name of each party seeking to acquire control of a bank or a bank holding company and the name of the target institutions and to solicit public comment on the proposed acquisition, in particular from persons in the geographic area in which the bank to be acquired is located.

In addition, the amendments permit the federal banking agencies to extend the period of agency review of proposed acquisitions. The agencies may extend the 60-day review period for 30 days at the agency's discretion. Two additional 45-day extension periods are permitted if the agency determines that additional time is necessary to investigate a notificant's compliance with the Bank Secrecy Act. The extension period is also available if the agency is unable to complete its review of the notice because the notificant has not provided all relevant information, has provided information that is substantially inaccurate, or has delayed in providing appropriate information.

The Board recently proposed amending its regulations regarding the Change in Bank Control Act to implement the amendments to the act made by the Anti-Drug Abuse Act of 1986. The comment period for the proposal expired March 6, 1987, and the Board is following the procedures in the proposal pending final issuance of the regulation.

INTERNATIONAL COOPERATIVE EFFORT

Besides concentrating on enhancing its domestic oversight of the Bank Secrecy Act, the Federal Reserve has also been working to obtain the cooperation of the international regulatory community in implementing policies aimed at eliminating criminal elements in the international banking system. The Federal Reserve is also collecting information on how U.S. banks police their own activities to ensure that procedures are in place to ascertain if criminal elements are using the international payments system.

Bank supervisory authorities agree that it is important to cooperate in attempting to eliminate, to the extent possible, the use of the international banking system by criminal elements. However, they often point out that while their role as information providers can be enhanced, a more effective force for deterrence may be the law enforcement agencies. Nevertheless, bank supervisors recognize that it is increasingly important to protect the banking system against criminal exploitation.

It is also interesting to note that countries besides the United States are becoming more active in this area. Switzerland, for example, often described as a preferred haven for money laundering, has recently published proposals for making money laundering a crime. The proposal was introduced by the Federal Justice and Police Department, which is illustrative of the critical role of law enforcement authorities in developing approaches to hinder criminal use of the banking system.

The Federal Reserve is continuing its efforts to heighten the sensitivity of foreign bank supervisory authorities to the problems of money laundering and, more generally, to educate those authorities about U.S. laws. The need for strengthened international cooperation in this area has been raised by the Federal Reserve in a number of meetings with the Basle Committee on Bank Regulation and Supervisory Practices.[1] As a result of these discussions, the committee has asked the Federal Reserve and the Office of the Comptroller of the Currency to develop jointly a Code of Conduct. This code, and ensuing discussions of it, may eventually evolve into a viable document to promote international agreement on the role that banks should play in helping to eliminate criminal elements from the international banking system. Several countries have indicated a desire to work with the U.S. authorities in preparing this paper. A first draft of the code will be completed shortly. The Federal Reserve will then begin a series of bilateral discussions aimed at securing general agreement with the code and soliciting opinions on the degree to which individual countries can ensure compliance by their banks.

The Federal Reserve is also working with officials from the Department of the Treasury to initiate an educational program on U.S. laws. This program would focus on the commitment of our government to eliminate the use of the banking system by criminal elements. Our support for this effort is wholehearted because we believe that an important step in the process of securing international cooperation is educating the principal parties, both in bank supervision and in the area of law enforcement, to the commitments made by the United States concerning money laundering.

The Federal Reserve has also initiated efforts to determine the extent to which overseas branches of U.S. banks have in place proper procedures to implement safeguards against money laundering. Examiners are being instructed to question management at each branch being examined as to what internal control measures the bank has taken to prevent money laundering activities. Besides providing information for the report required by Section 1363 of the 1986 act, this effort will serve as a basis for discussions

1. The Basle Committee was established at the end of 1974 by the central bank governors of the Group of Ten industrialized countries, with the objective of strengthening collaboration among national authorities in their prudential supervision of international banking. The committee, whose members are officials of the central banks and supervisory agencies, meets four times a year at the Bank for International Settlements in Basle, Switzerland. It is sometimes referred to as the Basle Supervisors' Committee or Cooke Committee, after its current chairman, W.P. Cooke.

with individual banks regarding compliance with the spirit of the Money Laundering Control Act.

The efforts just described are obviously initial steps being taken to set the groundwork for further work in this area. Progress is being made, and the Federal Reserve believes that efforts undertaken to date have been generally well received. The members of the Basle Committee appear to be more receptive to dealing with the issue of money laundering now than in the past. The efforts of the United States, and now Switzerland, may serve as role models to other countries in focusing their attention on these issues. The Federal Reserve will continue to focus its attention in this area and to assist the Department of the Treasury in carrying out the requirements of Subtitle H of the Anti-Drug Abuse Act of 1986 and the Bank Secrecy Act.

IRAN-CONTRA INVESTIGATION

The letter inviting the Board to testify requested information regarding any role the Federal Reserve is undertaking in the Iran-Contra investigation. The Federal Reserve has not been asked to play any specific role in this investigation although our staff did respond orally to a request for technical information about the operation of the international payment systems. □

Statement by Wayne D. Angell, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, May 6, 1987.

I appreciate this opportunity to discuss and review the Federal Reserve System's expenses and budget with this subcommittee. In 1986 Chairman Volcker testified twice on Federal Reserve budget matters. In January he focused on budget policy and the issue of Federal Reserve budgetary independence, and in June he concentrated on our expense and budget performance over the past 10 years and on the 1986 budget. This testimony continues that series with emphasis on budget developments in 1987.

We have recently made available to the public and to this subcommittee copies of our publication entitled *Annual Report: Budget Review*, 1986–87. This document presents detailed—but readable and convenient—information about spending plans for 1987 and comparisons with expenditures in 1985 and 1986. Also included is information about the budget and accounting processes in the Federal Reserve System. The *Budget Review* is in its second year of publication and is a companion document to the Board's *73rd Annual Report, 1986*.

Much of the material in this testimony has been taken from the budget document. The attached tables have been updated for actual experience in 1986 and therefore, small variations exist from data in that document.[1]

Before getting to the substance of our 1987 budget, I would remind the subcommittee of two aspects of Federal Reserve System operations that affect our budget in unusual ways. First, about 40 percent of the Reserve Bank expenses arise from services provided to depository institutions for which, by law, we charge fees adequate to cover costs, imputed taxes, and imputed return on capital that would have been paid had the services been furnished by a private business firm. In fact, since fees cover actual costs plus these imputed costs (what we call the private sector adjustment factor) plus the imputed cost of float, our revenue from the priced services amounts to about 50 percent of all our spending. Priced services are subject to the competitive discipline of the marketplace; yet we neither price on the basis of what the market can bear nor limit our provisions of particular services to "profitable" customers or geographic areas; nor do we rely on variable cost pricing to maintain market share. Second, many fiscal agency operations are reimbursable from the Treasury Department. Altogether, about 57 percent of our total expenses are either recovered through pricing or are reimbursable.

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

A 10-YEAR OVERVIEW

Let me put the 1987 budget in further perspective by sketching briefly the 10-year history of System expenses. In the 10-year period from 1977 to 1987, Federal Reserve expenses increased at an average annual rate of 6.7 percent in nominal terms and 0.9 percent in constant dollars while System employment decreased by 1,129, or 4.4 percent. In the measured services (chiefly those subject to pricing), volume increased about 40 percent through 1986; unit costs, adjusted for inflation, decreased more than 25 percent. Labor productivity showed an average gain of more than 5 percent per year.

Any discussion of operational trends during this period should mention the impact of the Monetary Control Act (MCA) on System resources. The MCA, which created the pricing system described earlier, also extended reserve requirements to all nonmember banks and thrift institutions, thus requiring us to create and maintain new data collection and account maintenance systems. With the transition to pricing, new billing and pricing systems had to be established and access to our services had to be provided to all depository institutions. If the 10-year period is divided into three distinct periods—pre-MCA, transition to MCA, and post-MCA—performance stands out more clearly:

- Pre-MCA, from 1977 to 1979, nominal expenses increased at an annual rate of 5.4 percent. If a broad-based measure of inflation is used, an annual rate of decrease in real expenses of 2.4 percent is implied.
- During the MCA implementation phase from 1980 to 1982, nominal expenses increased at an annual rate of 11.7 percent because of the large outlays required for the Monetary Control Act—an annual rate of increase of 3.1 percent is implied in real terms.
- Post-MCA, from 1983 to 1987, nominal expenses increased at 4.3 percent on average—an annual rate of increase of 1.0 percent is implied in real terms.

The past 10 years have also seen rapid changes in the banking industry that have required additional resources to strengthen examinations of member banks and inspections of bank holding companies. The period has also been marked by rapid developments in automation of Reserve Bank operations, significant increases in volumes of electronic payments, and steady increases in volumes of paper-based payments.

On the productivity front, real unit costs, 1977–86, have decreased at an annual rate of about 3.5 percent per year. For priced services—primarily check processing, which accounts for about 75 percent of priced service expenses—there were sharp losses in volume during the MCA transition period. Because of substantial elements of fixed costs, real expenses could not be cut at the same rate as volume decreased; thus, real unit costs increased. However, since 1983 unit costs have again declined in almost every area, bringing real unit costs substantially lower than they were in the 1970s. The decline has been particularly sharp in electronic payment areas in which equipment is more readily substituted for human resources and in which volume growth has been more rapid.

Gains in productivity have also been made in nonpriced service areas, which are comprised principally of fiscal agency operations performed for governmental units and cash operations involving distribution of currency and coin. In these services, volumes have increased and real unit costs have declined or risen only slightly during the same time periods.

This 10-year period of expenditure control and productivity gain was concluded by additional expense reduction actions in 1986 and 1987 in the spirit of Gramm–Rudman–Hollings.

GRAMM–RUDMAN–HOLLINGS

As Chairman Volcker indicated in testimony before this subcommittee last year, even though the System is not covered by the Gramm–Rudman–Hollings legislation, the Board decided to reduce System budgeted expenses for 1986 in a manner consistent with the spirit of the legislation. The Board determined that a reduction of $18 million in the System's (Reserve Bank and Board of Governors) approved budget was appropriate. I am pleased to be able to report that the System achieved the reduction targeted by the Board and further reduced expenses $53 million.

The Federal Reserve System is continuing in 1987 to make special efforts to limit the growth of expenses. The Reserve Banks have reduced previously planned growth in expenses $21.1 million. As a result, 1987 Reserve Bank budgeted expenditures are only 1.3 percent more than those in the original 1986 budget. At the Board, savings in personnel costs related to a self-imposed staff reduction project, which I will discuss later, and to Gramm–Rudman–Hollings combined to hold expenses well below the level to which they would otherwise have risen.

As you may know, the budgets for the Reserve Banks and the budget for the Board of Governors are approved through separate processes although all must be approved by the Board of Governors. Reserve Bank budgets must first be reviewed by the Committee on Federal Reserve Bank Activities; the Board budget must be reviewed by the Administrative Governor. Also, service and expense object categories are different in some respects between the Reserve Banks and the Board. Therefore, it is appropriate that I discuss the Reserve Bank budgets and the Board budget in separate sections.

RESERVE BANK BUDGETS FOR 1987

Planning for 1987 Reserve Bank budgets (93.2 percent of System expenses) began early in 1986, when the staff developed the budget objective based on forecasts of Reserve Bank workloads and productivity. This annual budget objective, which was approved by the Board in the spring, was used by the Reserve Banks in developing their plans and budgets. At each of the 12 Reserve Banks, the proposed 1987 budget was given rigorous review (with the budget objective as guidance) by a committee of the respective Bank's senior officials, First Vice President, and President. The budget, as modified by these reviews, was also reviewed and approved by the Reserve Bank's Board of Directors, many of whom are responsible in their private capacity for managing large organizations. In the fall, Reserve Bank budgets were submitted to the Board of Governors where they were analyzed and reviewed by the Committee on Federal Reserve Bank Activities, which held separate meetings with each Reserve Bank President on the proposed budget.

As a result of the review process, the total budgeted expense of the Reserve Banks—both priced and nonpriced—was held to an increase of 2.9 percent over estimated 1986. (Over actual 1986, the increase is expected to be 3.1 percent since actual expenses were less than estimated.) The Reserve Banks' 1987 budgets are affected by five initiatives, which we believe to be of high priority. These are the initiatives:

1. The Board of Governors decided in 1985 to intensify System supervisory oversight of state member banks and of bank holding companies and to strengthen the procedures for reporting to bank management. These efforts will cost $6.7 million more in 1987 than they did in 1986. The impact of this program is seen in the employment growth in supervision and regulation of 175 in 1986 over 1985 and of 94 in 1987 over 1986. The program enhancement will be in place in 1987.

2. A computer contingency center will provide emergency data processing for the New York Reserve Bank's electronic transfers of large-dollar funds and securities. The center is budgeted at $3.9 million in 1987 and is needed to reduce the possibility of financial crises should existing facilities fail. (These expenses are partially recovered through pricing and reimbursement.)

3. Several Districts are improving their electronic delivery and receipt of payment information and their check-clearing services at a cost of $3.5 million. (These expenses are recovered through pricing.)

4. One-time expenses will be incurred in moving into a new branch building and renovating four head-office buildings at a cost of $4.9 million.

5. Several initiatives for the U.S. Treasury will increase expenses $4.8 million. Treasury Direct, a book-entry system for the safekeeping of marketable Treasury securities for individuals and small investors, is expected to reduce staff at the Treasury Department resulting in a net reduction of federal resources. A full year of operations of the Treasury Direct System will increase reimbursable expenses $4.4 million in 1987 and increase staff at the central site in Philadelphia by 24 employees (bringing total staff there to 69). The Federal Reserve is also continuing the development of a Public Debt Accounting and Reporting System and two savings bond projects.

The total increase in expenses for these major initiatives is $24 million in 1987. If we were to exclude costs for these projects, the 1987 budget for Reserve Banks would be only 0.9 percent greater than estimated expenses for 1986. Budgeting for these initiatives and at the same time keeping bottom line expense growth low (2.9 percent) was achieved by restrained growth or decreases in other areas. Indeed, staff increases for these initiatives were more than offset by decreases in other services, producing a 1987 budgeted decrease in total staff of 220.

For a look at 1987 budgeted expenses on a program basis, I will discuss our four service lines in the order of their size.

Expenses for services to *financial institutions and the public* total $799 million and account for almost two-thirds of the Reserve Banks' 1987 budgets. Expenses are budgeted to increase 3.8 percent over actual 1986. While increases in volume are expected in all major operations, employment is budgeted to decline by 77 persons, or 0.8 percent, from 1986.

Almost half of the expenses in this operational area is related to commercial check processing. The budget increase for this area, $14.2 million, accounts for most of the increase for the service line as a whole and results from growth in volume and in the cost of new services. In 1987 the System expects to process 14.8 billion commercial checks, 330 million more than in 1986. As a result of continuing improvements in efficiency, the commercial checks staff is budgeted to decline by 67. System initiatives focus on offering new or improved services such as notification of the return of large-dollar checks; truncation (under which checks are not returned to the writer); and the accelerated availability of funds through the development of new products, the enhancement of existing ones, and the expansion of check-clearing zones. The budget projections do not, however, reflect the potential impact of legislation being considered in the Senate and the House of Representatives that would mandate certain availability limits on funds deposited by check. Passage could require an increase of 20 to 35 percent in return items staff and an increase in equipment. Overall expenses could approach $50 million over several years.

Expenses for currency processing are expected to increase $0.9 million, or 0.8 percent. High-speed processing of more than 14 billion notes is expected next year (an increase of 4.7 percent). Reserve Banks are taking steps to improve further the technology of high-speed currency processing. It is anticipated that newly designed second-generation equipment will improve efficiency of operations in future years.

Expenses in the funds transfer service are projected to increase $3.3 million, or 5.7 percent, largely because of the implementation of new software and the expansion of electronic networks in several Districts to improve services to the public. The System expects to process 85 million funds transfers in 1987, a rise of 6.2 percent over 1986.

An increase of $5.3 million, or 9.5 percent, is expected for the automated clearinghouse service because of the growth in workload (21 percent) and higher costs associated with expanding the electronic networks. A staff reduction of 13 is planned for noncash collection as volume continues to decline.

Expenses for *supervision and regulation,* which total $172 million, constitute 14 percent of the Reserve Banks' 1987 budgets and are budgeted to increase $7.8 million, or 4.7 percent over actual 1986. A major factor in the increase is the continuation of a program instituted in 1985 to strengthen the supervision of financial institutions and to improve communications with their management and directors. The supervision service, which includes the examination activities, is budgeted to increase $6.5 million, or 7.0 percent. The enhanced supervisory program will be fully implemented by the end of 1987. Employment is expected to increase 94, or 4.5 percent (mostly bank examiners).

To accomplish the enhanced supervisory program cost effectively, the Reserve Banks are shifting resources from other supervisory areas. For example, the Reserve Banks will reduce the frequency of examinations of smaller banking organizations with satisfactory ratings; they will reduce the frequency of trust examinations and examinations for compliance with consumer regulations; and they will be better integrated with state examinations. Also, the Reserve Banks are improving productivity through continued use of automation, including the use of portable personal computers in the field, and in-house analysis in certain cases.

Even without the enhanced supervisory program, the workload in supervision and regulation would be expanding as a consequence of the normal growth in the formation of new state member banks and bank holding companies. Moreover, in the current environment, the growing number of mergers in some Districts, the continued expansion of investment banking activities by multinational banking organizations, the number of problem banks, and the Board's payment system risk reduction program are all placing additional demands on Reserve Bank resources.

Expenses for *services to the U.S. Treasury and other government agencies*—the next service line in order of size—are budgeted at $136 million for 1987 (11 percent of all Reserve Bank expenses). Expenses are expected to decline $0.9 million, or 0.6 percent, from 1986 levels, primarily as a consequence of accounting changes and lower workloads. Partially offsetting these factors is the increased expense of $4.4 million in 1987 for Treasury Direct, a book-entry system for the safekeeping of marketable Treasury securities for individuals and small investors. In addition, the Federal Reserve is developing a "public debt accounting and reporting system" for the U.S. Treasury at a cost of $483,000 in 1987, $285,000 more than in 1986; and the Pittsburgh Branch will serve as the System's central site for processing payroll bonds and book-entry savings bonds at a cost of $97,000 in 1987.

Expenses for monetary and economic policy, which total $91 million and account for about 8 percent of the 1987 budget, are expected to increase only $232,000 or 0.3 percent in 1987. Employment is expected to be 780, a decline of 11 from 1986 levels. Factors tending to decrease expenses include the completion of a major banking statistics project, which will enhance the System's capacity to process and analyze financial data from depository institutions, and a reduction in staff for economic policy determination. Factors increasing expenses include expanded office automation, initiatives in open market trading at New York (two additional staff members and software), and analysis of the financial problems of developing countries.

A brief review of Reserve Bank expenses on an object-of-expense basis might be useful to the subcommittee. Total *personnel* expenses, which include all salaries and related benefits expenses, account for 62 percent of total expenses and are expected to increase only 1.3 percent over actual levels in 1986. A major factor contributing to this low rate of increase is the decline of $13.9 million in retirement and other benefits in 1987—owing to a cessation of contributions to the overfunded retirement plan in 1987, and a decline in the cost of group life insurance. A negative expense adjustment resulting from 1987 implementation of a recently adopted GAAP (generally accepted accounting principles) standard is not included. These decreases are partially offset by increases in expenses of other benefits. Another significant factor is a major decrease in the expected use of contract computer programmers in 1987 due to the completion of several important program applications. Increases in salaries of officers and employees result from merit pay increases, promotions and reclassifications, and changes in the number of employees.

Equipment expenses, which make up 14 percent of total expenses, are budgeted to increase 7.5 percent over 1986. Equipment costs have risen more rapidly than personnel costs in recent years as capital has been substituted for labor to improve productivity. In summary, the increase budgeted for equipment results from replacements and upgrades to ensure compatibility with the System's long-range automation plan and with automation and communication initiatives.

Building expenses, which constitute 9 percent of total expenses, are expected to increase 11.9 percent in 1987. The increase results from anticipated increases in local tax rates and assessments, increases in utility rates and consumption, renovations and refurbishments, higher rentals in some Districts, and the full-year effect of new buildings at two branch locations.

Shipping costs, 7 percent of total expenses, are budgeted to increase 3.5 percent because of higher costs for the interdistrict transportation system and anticipated increases in courier rates.

Other objects of expense, constituting the remaining 8 percent of total expenses, are expected to increase only 1.4 percent.

The plans of the Reserve Banks for *capital spending* in 1987 are also shown. By their nature, capital outlays vary greatly from year to year. Outlays for buildings and for data processing and communications equipment continue to dominate Reserve Bank capital budgets.

BOARD BUDGET

The budget of the Board of Governors is a relatively small part of the total System budget, amounting to about 6.8 percent of the whole. Each division director met with the appropriate Oversight Committee, composed of Board Members, early in the process. These meetings provided a high-level forum for planning budget initiatives and reviewing programs to find offsetting reductions. The result of the process was a guideline limiting the 1987 budget to an increase of only 2.7 percent over 1986 estimated expenses.

As a result of the intensive management review, the Board's 1987 operating budget totals $86.3 million, an increase of $2.3 million or 2.7 percent over actual 1986 expenses. The 1987 budget is, however, 0.3 percent less than the original 1986 budget. This relatively low rate of growth can be attributed to three major factors:

1. *Program Improvement Project*. This staff reduction project was initiated in mid-1984 to reduce expenses by scaling back lower-priority functions and by improving productivity. The incremental 1987 savings as a result of the staff reduction project are $2.2 million; the annual rate of savings from this program since its inception totals $5.6 million.
2. *Gramm–Rudman–Hollings*. The Board in its voluntary compliance with the spirit of this legislation, adopted measures in 1986 that reduced its operating budget $1.4 million. The reductions were accomplished, and the revised 1986 budget was underexpended at year-end. Some of the reductions made in 1986 to comply with Gramm–Rudman–Hollings were carried forward into 1987.
3. *Income*. The Board adopted a policy to reduce the costs associated with Board publications. This policy reduced expenses $0.1 million in 1986 and will save $0.5 million per year beginning in 1987.

The Board's operations are categorized into four major functional areas: Monetary and Economic Policy, Supervision and Regulation, Services to Financial Institutions and the Public, and System Policy Direction and Oversight.

Expenses in the Board's largest functional area, *Monetary and Economic Policy*, are budgeted to increase 4.8 percent to $46 million in 1987. This increase is attributed to relatively low data processing costs in 1986 and to higher-than-normal vacancy rates in 1986 due to budgetary restraints. The installation of a microcomputer network in 1987 will increase expenses but will also foster more efficient collection and analysis of data in conjunction with the present Board mainframe configuration.

The *Supervision and Regulation* area has been subject to the same factors that have affected this area at the Reserve Banks, and consequently, expenses have grown sharply in the past two years. Although expenses are budgeted to increase only 1.6 percent above 1986 expenses, this increase follows an increase of 12.8 percent in 1986. This level of increase has been necessary because the state of the nation's banking industry has required intensified supervision, surveillance, and enforcement. Additional resources have been required in spite of impressive productivity gains of staff working in the supervisory areas. Examples of the increase in workload from 1982 through 1986 include the following: an increase of 25 percent in the number of bank holding companies monitored; an increase of 132 percent in the number of bank holding company examination reports analyzed; and an increase of 278 percent in the number of formal enforcement actions.

In the area of *Services to Financial Institutions and the Public*, the 1987 budget of $2 million is 16.1 percent less than 1986 expenses. This decrease is the result of the completion of portions of the development work associated with the daylight overdraft project. The project is intended to minimize risk in the payments mechanism.

The 1987 budget for *System Policy Direction and Oversight* is $16.2 million, which is 1.6 percent higher than 1986 expenses. This increase is partially due to the reinstatement of a program to perform operations reviews that had been held in abeyance during the Program Improvement Project. The 1987 budget for the oversight portion of this category was increased to include funds to improve the ability of the Board to perform electronic data processing audits at the Federal Reserve Banks. This improvement helps the Board to comply with the Federal Reserve

Act requirement to examine each Reserve Bank annually.

Again, a brief review of expenses on an object-of-expense basis is useful. Seventy percent, or $60.1 million of the Board's $86.3 million budget, is for salaries, retirement, and insurance expenses. This amount represents a $0.7 million, or a 1.2 percent increase over 1986 expenses. A general pay increase, of 3.0 percent, routine salary actions, and changes in insurance rates account for an increase of $3.3 million, which is partially offset by the savings of $2.2 million associated with the Program Improvement Project. Further savings of $0.4 million resulted from a reduction of 22 positions in centralized data processing and an increase in the vacancy rate throughout the Board.

The remaining 30 percent of the Board's 1987 operating budget is for goods and services, and depreciation. These expenses total $26 million, an increase of $1.5 million or 6.2 percent over 1986 expenses. This increase can be attributed primarily to depreciation, which reflects capital investments of approximately $17.4 million by the Board in 1986, including the purchase of a new mainframe computer and disk access devices for $12 million. This equipment was necessary to handle increases in the volume of data processed at the Board, to support increased analysis and modeling, and to support enhancements in supervision.

CONCLUSION

In closing, I would like to emphasize that the Board believes the Federal Reserve's budget processes have worked well in controlling expenses. I would welcome any comments you may have on our presentation of budget information, and I am prepared to address any questions you may have on our budget. □

Statement by E. Gerald Corrigan, President, Federal Reserve Bank of New York, before the Committee on the Budget, U.S. Senate, May 6, 1987.

I am pleased to be able to appear today to discuss with the committee recent and prospective developments regarding the globalization of financial markets and institutions, with particular emphasis on developments in the three major financial centers of the world: New York, London, and Tokyo. Within that broad framework, I will devote particular attention to a series of issues pertaining to access of U.S. firms to money and securities markets in Japan.

BACKGROUND

Legend has it that Willie Sutton once said that he robbed banks because that's where the money was. The analogy is poor, but there can be no doubt that much of the current interest in Japanese financial markets stems from that same consideration: That's where the money is! Indeed, reflecting its very large domestic saving rate and its massive current account surplus, Japan has assumed a unique financial position in the world's community of nations. But Japan's financial position relative to the United States or to the rest of the world did not develop in a vacuum. Thus, before turning to the specific questions raised by the committee, allow me to comment briefly on the general economic and financial environment within which we must seek to address the points of stress and tension that are so apparent.

That broader perspective should include at least four major points of reference, as follows:

1. The dramatic rise in Japan's external surplus over the decade of the 1980s and the corresponding increase in the external deficit of the United States are primarily the result of macroeconomic considerations including the following: (1) the persistent and very large domestic savings gap in the United States—growing importantly out of the huge budget deficits—coupled with Japan's extraordinarily high internal savings rate; and (2) considerably more rapid growth in domestic demand in the U.S. economy, especial-

ly during the earlier stages of the current expansion. There is also the related issue of apparent differences in the ability of U.S. firms, perhaps especially manufacturing firms, to compete effectively in the external marketplace or with external competitors. All three of the factors, together with associated swings in exchange rates—swings that in my view tend to be exaggerated by the marketplace—lie at the heart of the severe imbalances in the world economy. The relative openness, or lack thereof, of Japanese financial markets is at most a marginal factor insofar as the underlying causes of trade current account imbalances are concerned.

2. Reversing the imbalances that have developed over the past five years will not be easy and will take time. Moreover, if that adjustment is to take place in a context of growth rather than in a framework of contraction, we must deal with the fundamentals. More open external markets for U.S. products and services are an important part of the agenda for adjustment, but absent underlying changes in economic policies and performance here in the United States as well as elsewhere in the world, more open *financial* markets simply will not materially help the adjustment process along.

3. Under the best of circumstances, the United States will be dependent on capital inflows from abroad for several years to come. That is, and to use a purely hypothetical example, even if our budget and trade deficits move lower at roughly the same speed as they increased, the United States would still have relatively large—and cumulating—current account deficits for the next few years. This situation, of course, implies that our external indebtedness will continue to grow, even if at a slower rate, such that net capital inflows will be needed. To the extent that these necessary capital flows are impeded—*for whatever reason*—the implications for interest rates and exchange rates, and therefore domestic economic activity, are almost certain to be detrimental here and elsewhere. To put it more directly, we must take care to conduct our affairs in such a way that our foreign creditors will be willing to acquire and hold the needed amounts of dollar-denominated assets at interest rates and exchange rates that are otherwise consistent with noninflationary growth in the U.S. and world economy.

4. Whether we like it or not, the globalization of financial markets and institutions is a reality. Since that reality has been brought about importantly by technology and innovation, it cannot be reversed in any material way by regulation or legislation. Moreover, while this process of globalization and innovation is producing important benefits to suppliers and users of financial services, it also produces anomalous results. To cite an example or two, Japanese securities companies—whether owned by Japanese or foreign firms—cannot generally engage in foreign exchange trading and position-taking in Tokyo, but they do it in London and New York; U.S. banking companies cannot underwrite corporate debt and equity securities in the United States, but they do it in London or elsewhere.

More generally, national systems of supervision and regulation—to say nothing of tax and accounting policies—that were created many years ago were not designed for a marketplace of worldwide dimensions in which firms with differing charters and national origins compete head to head with each other around the clock and around the world. This situation is one of the reasons why I believe the Congress must get on with the task of fundamental reform of the structure of our banking and financial system—a task that is already well under way in several other countries.

A more rational structure at home—including a structure that works in the direction of strengthening the banking and financial system—would help encourage a more rational structure internationally. Both now and in the future, this is probably more important to the prospects for U.S. financial firms and the U.S. national interests than are the relatively narrow issues of immediate dispute in particular markets.

In short, there are important and legitimate concerns that must be dealt with pertaining to access of U.S. firms to foreign financial markets. However, in seeking constructive solutions to those problems, we must be sensitive to the larger picture, and we must recognize that the solutions to these larger problems are not to be found in the relatively narrow context of specific equity and access issues pertaining to the activities of U.S. financial firms abroad, as important as those issues are for other reasons.

Major International Financial Markets: An Overview

At the risk of injuring the sensitivities of our friends in Frankfurt, Zurich, or Hong Kong—to say nothing of Chicago or San Francisco—it is probably fair to say that there are three dominant financial centers in the world today: London, Tokyo, and New York. Accordingly, and to provide some further perspective, Exhibit 1 attempts to categorize the scope of activities available to various classes of domestic and foreign institutions in each of these markets.[1]

As the exhibit indicates, there are important differences from one market to the other, but as a *general matter*, these differences do not reflect strictly legal distinctions based on the national origin of the firm in question. To put it differently, all three markets have de jure conditions of broad national treatment insofar as the general range of banking and financial activities are concerned even though there are important differences between the centers and, as noted later, important de facto distinctions in terms of competitiveness of foreign versus domestic concerns. For example:

- As mentioned earlier, banks, domestic or foreign, cannot as a general matter underwrite corporate securites in New York or Tokyo, but they may do so in London.
- Securities companies, domestic or foreign, may not as a general matter deal in foreign exchange in Tokyo, but they may in London and New York.
- In two instances, there is a small tilt in favor of U.S. banks in that as of March of this year, U.S. banks in Tokyo may have a securities affiliate whereas domestic Japanese banks may not, and U.S. banks were permitted in 1986 to own trust banks in Tokyo whereas Japanese city banks may not. By the same token, there are a number of foreign banks (none of which is Japanese) that have grandfathered securities subsidiaries in the United States.

In short, looking at broad classes of financial activities in the three major centers does not suggest that there are systematic patterns of discrimination against foreign participants in any of the centers that are rooted in law. However, the simple "yeses" and "nos" in Exhibit I do not even begin to tell the whole story. Thus, the balance of this section will look at the individual markets in somewhat greater detail.

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

Banking Markets

For several decades, foreign banking institutions have had a major presence in the United States. This presence reflected several key factors including the following: (1) the multinational population base of the United States; (2) the size and importance of U.S. markets; and (3) the role of the U.S. dollar as a reserve currency and an international medium of exchange.

Typically, foreign banks operating in the U.S. market concentrate their activities heavily on the so-called wholesale market. While there are some important exceptions, foreign banks are generally not major factors in retail banking markets. In addition, most of the foreign banks that have a sizable presence in the United States are affiliated with well-known major banks abroad, many of which have Triple-A credit ratings. Needless to say, the prominent names of some of these institutions, together with their credit ratings, give them important recognition in their activities here in the United States.

As of year-end 1986, there were more than 250 foreign banks that had some kind of presence in the United States. In the aggregate, the assets of such foreign banks exceeded $500 billion at year-end 1986 and constituted almost 20 percent of total U.S. banking assets. To an extent, this figure is inflated by virtue of the fact that some foreign banks—notably the Japanese—book most of their Western Hemisphere loans in U.S. offices. While not shown in the exhibit, foreign banks also account for about 20 percent of all commercial and industrial loans outstanding to U.S. addressees. In both instances, Japanese banks are by far the most dominant group of foreign banks, accounting for nearly half of the total assets and commercial loans outstanding at foreign banks in the United States. In certain markets, such as standby letters of credit and standbys associated with U.S. municipal bond offerings, Japanese banks now account for between one-quarter and one-half of the total U.S. market.

Measured in terms of numbers of institutions, the U.S. banking presence in Japan is similar to that of Japanese banks in the United States. However, in terms of asset size, in either absolute or relative terms, U.S. banks are much smaller in Japan, with total assets in Japan of something short of $20 billion, than are Japanese banks here. As in the United States, most foreign banking activities in Japan are concentrated in the wholesale markets and in activities such as foreign exchange trading. In the recent past, however, at least one U.S. bank has demonstrated some interest in selective aspects of the Japanese retail banking markets.

The reasons for the relatively small U.S. banking presence reflect a variety of factors. Historical and strategic considerations probably play a role. It is also true that U.S. banks find it more attractive to book Asian loans in Hong Kong or Singapore rather than in Tokyo. Finally, the historical rigidities of the local funding markets in Japan make it difficult to build up a large banking operation in Japan, especially in the face of lingering uncertainties as to the receptivity of Japan to a broad-based presence of major foreign banks.

While the size of the U.S. banking presence in Japan is small, the same cannot be said for London. Indeed, the U.S. banking presence in London is more than six times the U.S. presence in Japan. And, U.S. banking assets in the United Kingdom are roughly three times greater than U.K. banking assets in the United States. To a considerable extent, the size of U.S. banking operations in London reflects the long history of the importance of the London market, its openness to foreigners, and its association with the Eurocurrency markets that are so important to U.S. companies—financial and nonfinancial alike. In short, the London market has, for many years, sought out and welcomed foreign banks in part by maintaining a "friendly" regulatory environment.

Securities Markets

The comparative nature and scope of securities markets activities by foreign firms in the three major markets are distorted somewhat because the United Kingdom does not require strict separation of commercial and investment banking, whereas both Japan and the United States make such a distinction. In addition, data on relative size and importance of securities market activities are not as readily available as are data in banking. However, these limitations notwithstanding, some approximations of size and importance are possible.

In terms of numbers of firms and employment levels, the presence of U.S. securities firms in Japan and Japanese securities firms' presence in the United States are very roughly equivalent, and both have been growing quite rapidly in recent years. The activities of U.S. securities firms in Japan and Japanese firms in the United States also tend to be quite similar in that both are concentrated in trading-type activities. Both classes of institutions are engaged in underwriting activities in each others' markets but, to date, virtually all such underwriting by the foreign participants in both markets takes place as syndicate members, not as syndicate leaders or managers. In the United States, four Japanese securities houses (the "big four") are members of the New York Stock Exchange, while in Japan three U.S. securities houses—and one securities company that is owned by a U.S. bank through its London merchant bank—are members of the Tokyo Stock Exchange.

In short, in many respects, the relative size and importance of U.S. securities firms in Japan and Japanese securities companies in the United States are quite similar and, as noted earlier, both are growing rapidly. However, despite these broad similarities, there are particular points of tension regarding the treatment of U.S. financial firms in Japan that are not generally in evidence with regard to the treatment of Japanese financial firms in the United States.

Japanese Initiatives: Financial Deregulation and Access

The postwar Japanese financial system was, in many respects, modeled after the U.S. system. Not surprisingly, therefore, several features of the Japanese system that are the subject of controversy today—including interest rate ceilings on deposits and legal barriers separating classes of financial institutions including commercial and investment banks—are precisely the same issues that have provoked, and continue to provoke, controversy in the United States. In Japan, as in the United States, pressures for sweeping change in the structure and regulation of financial markets were largely muted until the late 1970s and early 1980s. Similarly, while U.S. financial firms have, for some time, had a minor presence in Japan, it was not until fairly recently that pressures for greater access built in a major way. These mounting pressures for deregulation and more open access reflected the interaction of a powerful set of macroeconomic forces as well as the wave of change and innovation that is rapidly transforming financial markets and institutions around the world.

In response to these forces, the Japanese authorities—under prodding from the United States and other governments—have, over the past several years, made major changes in the structure and regulation of financial markets, including important reductions in barriers to foreign presence in the Tokyo markets. Taken as a whole, the actions by the Japanese over the past several years are noteworthy, especially in the relatively short time frame involved. Indeed, I believe a case can be made that the Japanese record of the past several years is better than some observers suggest and is good enough to warrant confidence that further progress will be made in the future.

Having said that, I would hasten to add that despite this progress, the situation in Japan is still one in which barriers—visible and invisible—to open and effective competition between U.S. and Japanese financial firms remain important factors limiting the activities and competitive effectiveness of U.S. firms in Japan. It is also true that as the strategic importance of the Tokyo marketplace continues to grow and competitive pressures mount, concerns about those barriers have received increasing attention. However, in a number of important instances, specific issues raised by U.S. firms have little or nothing to do with national treatment considerations.

At the risk of a great oversimplification, the points of immediate concern to U.S. firms can be classified as follows:

Equal Treatment Issues. While purely legal barriers to national treatment of U.S. firms in Japanese markets have been eliminated, certain distinctions between the treatment of U.S. and Japanese firms are seen as having important competitive implications even though the basis for the distinction is not to be found in law. Concerns about practices for issuing government debt and limitations on seats on the Tokyo Stock Exchange would fit in this category.

Regulatory Policies. There are several areas of regulatory policy that are viewed by some U.S. firms as especially troublesome. These areas would include remaining regulatory and administrative rigidities in the money market, prohibitions on certain activities such as foreign exchange trading by securities companies, and other miscellaneous matters such as withholding taxes on interest income to foreigners and limitations on the ability to engage in short selling. While all of these policies apply equally to U.S. and Japanese firms, certain U.S. firms allege that, in practice, they are more binding on U.S. firms since they impinge on activities in which U.S. firms have special expertise.

There is, however, another important area of regulatory policy that results in important differences in treatment and that relates to capital adequacy standards for banks, a subject that is covered in greater detail later in this statement.

Limitations on Acquisitions. In most foreign countries, acquisitions of banks or other financial concerns by U.S. firms are either limited by law or regulation or are very difficult to achieve as a matter of practice. In Japan, the most significant current barrier to acquisition may be price, but whatever the reason, it is easier for foreign entities to acquire U.S. banking and financial institutions than is the reverse.

Invisible Barriers. There are a host of considerations ranging from language to custom to relationships with bureaucrats, which can be barriers to market participants in any foreign center, and Japan is certainly no exception. Indeed, some observers would contend that so-called invisible barriers in Japan are more of a problem than is the case in other international financial centers.

THE RECORD OF THE PAST SIX MONTHS

Over the past several months, Japanese authorities have implemented several important policy changes in furtherance of the goal of more open and more competitive financial markets in Japan. These steps included the following:

Deposit Deregulation. Effective April 6, 1987, the Ministry of Finance accomplished the following: (1) reduced the minimum size of time deposits that are free of interest rate ceilings from 300 million yen (about $2 million) to 100 million yen (about $700,000); and (2) reduced the minimum size of money market certificates from 30 million yen (about $200,000) to 20 million yen (about $150,000). Both the new and the old regulations apply equally to domestic and foreign institutions.

In the area of deposit deregulation and greater money market flexibility, national treatment considerations are not the central issue since Japanese institutions operate under the same rules as foreign institutions. Rather, the money market issues are more a matter of greater market efficiencies in a setting in which firms with special market expertise—Japanese or others—can take full advantage of those skills. While the extent of money market deregulation achieved is important, further steps are needed. This area will be one of those considered at the next round of so-called yen–dollar discussions between the U.S. Treasury and Japanese authorities planned for the near future.

Securities Affiliates of U.S. Banks. In March 1987, the Ministry of Finance formally advised that it had amended its regulations to permit U.S. banking organizations to have securities affiliates in Japan, subject to the same terms and conditions that apply to securities affiliates of European universal banks. What is particularly significant about this action is that it provides access to Japanese securities markets for U.S. banks even though such access is not available to Japanese banks. It would also permit these U.S. bank affiliates in Japan a wider range of securities activities than is permissible here in the United States.

At present, there are three U.S. banks with securities affiliates in Japan through their U.K. merchant banks, and I know of four U.S. banking organizations that are seeking to obtain licenses for securities affiliates under the arrangements noted above. The requests are in the advanced stage of review such that formal applications will soon be filed with final approvals expected in the near term. Of course, these arrangements would also be subject to approval of U.S. bank regulatory authorities.

Access to the Government Securities Market. Before 1978, all Japanese government debt was sold by the so-called syndicate method, whereby the terms of such debt issues were negotiated by the government and a syndicate of financial companies. Each member of the syndicate, in turn, received a predetermined share of the securities issue. The syndicate method of issuing government debt is still the dominant method of debt issuance in a number of countries, including a few major industrial countries. It is also the general procedure followed by federal government agencies here in the United States as well as the prevailing method for issuing most corporate and municipal debt.

Because most Japanese government debt was issued in this fashion and because U.S. firms were generally not part of the syndicate, U.S. firms did not have meaningful direct access to new issues of Japanese government securities. De facto limits on access to new issues of government securities placed U.S. firms at a competitive disadvantage not just in the government market itself but in other markets as well because of the important linkages between government securities and other securities.

In response to this situation, the Japanese authorities have taken several steps. First, for a number of short- and intermediate-term issues, they have fully adopted the auction method such that about 35 percent of new issues in 1986 were auctioned. In addition, the Japanese authorities have eliminated the requirement of having an account at the Bank of Japan to be eligible to bid in such auctions. However, the 10- and 20-year maturities are still issued by the syndicate method—a fact that is especially important in the case of the 10-year bond that is the largest and most important of the issues, especially in terms of secondary market trading.

In these circumstances, effective April 1, 1987, the syndicate has agreed to increase the total share of the new issues available to foreign securities firms from 1.19 percent to 5.725 percent of the share available to securities houses, and it has raised the shares available to individual foreign companies from 0.70 percent to a maximum of 1 percent. While still small, we understand that these shares for the foreign group as a whole are commensurate with the overall size of secondary market trading by foreign securities firms in yen government bonds. Finally, as discussed below, the Ministry of Finance apparently is considering additional steps that would further open the market for Japanese government debt to foreign market participants.

Taken in the context of measures initiated by the Japanese authorities over the past several years and taken in the context of further steps that may be under consideration at present (see below), these latest initiatives by the Japanese strike me as helpful and as reflective of continued good-faith efforts to move ahead with financial market liberalization. To be sure, further effort on a variety of fronts is needed.

Looking to the Future

In looking to the future, there is a clear need to reduce both the specific points of friction referred to in this statement and, more importantly, to deal with the underlying problems that are at the heart of current tensions in international economic and the financial arena.

Insofar as particular problems relating to the activities of U.S. banks and securities companies in Japan are concerned, I would hope, and expect, that the Japanese would continue to move forward with efforts to liberalize their domestic financial markets, thereby providing greater competitive opportunities for U.S. firms in the Japanese marketplace. As I see it, there are four specific areas that warrant particular attention:

1. *Greater access to the Japanese government securities market.* In this area, I believe that the Japanese authorities may be considering one or more possible further steps including the following: (1) the offering through auction of new maturities of intermediate and longer-term issues that would work in the direction of increasing the percentage of issues sold through auction; (2) shifting the 20-year issue from a syndicate to an auction; and (3) the use of something like the U.S. noncompetitive tender system in the 10-year maturity that could provide larger shares to U.S. market participants while still preserving the syndicate framework for that issue. Needless to say, I would welcome initiatives along these lines, which could pave the way to the day in which the auction method of issuing debt was the general practice. In turn, this method would be an important step in the direction of establishing market practices in the Japanese government securities markets that are more in line with practices here and in London.

2. *Increased representation in the Tokyo Stock Exchange.* As I understand it, plans are now under way to expand the number of seats—including seats held by foreigners—on the Tokyo Stock Exchange next spring when new facilities and computer capabilities will be in place. Procedurally, this will entail the establishment of a membership committee within the exchange in the near term. I am led to believe that the committee's deliberations should be completed and its recommendations made to the full exchange membership late this year. Here too, I expect that the result of these deliberations would be some added representation of U.S. firms in the exchange. I would also hope that the time schedule for this process could be accelerated, but I do understand the practical problems involved.

3. *Money market liberalization.* As noted earlier, the next round of discussions between the Japanese authorities and U.S. Treasury representatives is scheduled to take place shortly. Those discussions will, among other things, focus on what further steps might be taken to reduce rigidities in the Japanese money market, which, in turn, can make it easier for U.S. institutions to compete in the market and thereby more easily fund Japanese-based lending and securities market activities in the local currency.

4. *Bank Capital Standards.* While the areas mentioned above are important, the single item on which I place greatest emphasis relates to bank capital adequacy standards and specifically to the goal of moving Japanese bank capital

standards into closer alignment with emerging international standards.

Efforts to establish international standards for bank capital adequacy have been under way within the Bank for International Settlements for about three years. This effort was undertaken by the Group of Ten central bank governors in recognition of the fact that both competitive and prudential considerations pointed to the need for such standards as the globalization of banking was proceeding very rapidly. While efforts are proceeding in the Bank for International Settlements and through other multinational channels, the United States and the United Kingdom reached agreement earlier this year on a joint approach to capital standards in our respective countries. Such proposals were made available for public comment in January, and final rules are expected to be put in place sometime later this year.

Senior officials of both the Bank of Japan and the Ministry of Finance have indicated that they agree in principle that Japanese bank capital standards should, in due course, be brought into broad alignment with international standards. And, preliminary discussions between senior Federal Reserve, Bank of England, and Japanese officials have been held on the subject. Further discussions are scheduled in the near term.

Achieving the needed degree of convergence in this area will be much more difficult in the case of Japan than was true with the United Kingdom because the starting points with Japan are much further removed from prevailing practices in the United States and the United Kingdom. Moreover, as we have seen with U.S. banks, even relatively minor changes in this area can be controversial. Thus, while achieving convergence with the Japanese will be a long and difficult task, progress along those lines is important.

As I see it, the four areas I have mentioned above are clear priorities. Given the progress that has been made in the past, I am confident that efforts to move ahead in these and other areas will prove fruitful and mutually beneficial. Partly for this reason, I am opposed to legislative efforts along the lines of the so-called primary dealer amendment that was incorporated into the trade bill passed by the House of Representatives or as recently proposed by Senators Proxmire and Riegle. As I see it, such legislation could have the effect of stalling rather than accelerating discussions and negotiations, while possibly producing unintended adverse side effects—both in terms of general attitudes toward market liberalization and attitudes regarding capital inflows to the United States. It would be one thing to consider a legislative approach in an environment in which progress and good-faith discussions were not taking place. However, this is not the current situation.

Taking a longer-term view of the situation, Japan faces many of the same problems in the financial area that we are so conscious of here in the United States. Namely, much of its overall banking and financial structure—as well as the regulatory and supervisory apparatus associated with that structure—were not designed for the environment of the current international market. The Japanese will have to come to grips with these issues just as we and others will have to do the same. In the case of the Japanese, coming to grips with these larger issues could also yield a situation in which constructive change on the Japanese side is forthcoming at their initiative, as a part of that larger process, rather than as a result of time-consuming and, at times, difficult discussions of specific points of concern and friction. In this regard, the point should also be stressed that problems of the nature discussed in this statement—specific or generic—are by no means limited to Japan.

In concluding, let me return briefly to where I started—with the economic fundamentals. If we are to be successful in winding down our external imbalances in an orderly way, we in the United States must live up to our responsibilities—which means learning to live within our means. To be sure, actions abroad are needed and needed badly. But, as we call on others to open their markets and to stimulate their economies, let us not lose sight of our end of the bargain. Our federal budgetary affairs—despite the efforts of this committee and others—are still in a state of disarray and must be put in order; the need for broad-based reform in our own financial structure must be addressed; pressing questions as to the degree of underlying competitiveness of our industrial sector must be answered; and, patterns of savings and investment in our domestic economy must be brought into line with the longer-run needs of rising productivity and standards of living. If we are to come full circle in restoring balanced growth here at home and in the world more generally, we must also avoid any renewed outburst of inflation, which would undermine prospects on all fronts. Moreover, balanced growth in the world economy will also provide a much more constructive environment within which legitimate issues regarding financial market practices and evolution can be resolved here and elsewhere. □

Statement by Manuel H. Johnson, Vice Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, May 21, 1987.

I am pleased to meet with this committee to present the views of the Board of Governors on the condition of the banking system and to address the general areas covered in your letter of invitation. The Federal Reserve staff has worked with the regulatory agencies of other depository institutions and members of your staff to provide financial information and data on the condition of U.S. banking organizations. It is not my intent here to review all of these data in detail; rather, I intend to discuss our views on broad developments and conditions in the banking system and what supervisory steps we have taken to address these conditions.

In looking at the financial condition of the banking system, it is important to consider the environment within which banking organizations have been operating in recent years. Without question, the environment has been a difficult one—characterized by considerable financial stress and volatility. As a consequence, many institutions, many segments of the industry, and, indeed, the industry as a whole have experienced rising levels of loan charge-offs and classified assets, and, of course, the number of problem banks and failed banks has also increased significantly.

These problems are rooted in several causes. One cause, undoubtedly, is the transition to a less inflationary environment. As you know, inflation rates have drifted from double-digit levels in the late 1970s and early 1980s to low single-digit levels in each of the past several years. Unfortunately, inflationary expectations support many farm, energy, and real estate loans that, in hindsight, we now know were not viable. This situation was aggravated by steep back-to-back recessions in the early 1980s that left a legacy of troubled loans, even as the economy began to recover in late 1982. A second type of economic transition—from a weak dollar to a strong dollar—struck hard at another large segment of the banking industry's customer base: manufacturers of internationally traded goods. Finally, the transition from a period of low or negative real interest rates and expanding export markets to a period of high real interest rates and declining export revenues, coupled with other factors, left many borrowers in less developed countries in weakened positions.

During this period, banks also have been confronted with competitive challenges from several directions. Thrift institutions, foreign banks, and even nondepository financial institutions have emerged as formidable competitors in many areas. The direct issuance of securities has proved to be a less expensive and more efficient form of financing than bank loans for many of the banking industry's prime customers. And, the deregulation of interest rates and the dismantling of geographic barriers have placed pressure on the margins of some institutions, although these developments should lead to a more sound and efficient banking system over time.

All of this procedure was compounded by the inclination on the part of some depository institution managers to assume excessive risks with federally insured deposits in the hope that the expected high rewards would accrue to investors. By far the majority of banking organizations are well managed; however, mismanagement, improper lending practices, and other forms of excessive risk-taking have contributed to financial problems and the failure of a number of institutions.

Yet, despite these economic dislocations, problems, and competitive challenges, most banking organizations remain fundamentally sound, and it is important not to lose sight of the important elements of strength that underlie our banking system. To be sure, asset quality problems remain and segments of the industry have been weakened by troubled farm, energy, real estate, and foreign loans. On the other hand, many institutions continue to record favorable operating results, and the industry as a whole (and particularly the group of larger institutions) continues to build its capital strength. Indeed, I suspect that many institutions that have withstood the recent pressures on the industry may emerge in a much stronger competitive position.

ASSET QUALITY

Asset quality difficulties have contributed to the prevailing unease about the health of the banking system. Loan problems and loan losses have increased during the past few years, despite more than four full years of economic expansion. This experience is especially troublesome and contrary to that of recent decades. In past periods of recession and recovery, a consistent pattern was observed: loan losses increased during the recession and immediately afterwards but then improved as economic growth resumed. The relatively high level of troubled assets at some banks at this point in the recovery suggests that any major unforeseen economic or financial shocks could test the resiliency and solvency of the most vulnerable institutions.

The failure of asset quality to improve during the current economic expansion is due to special national and international economic conditions that have adversely affected particular borrowing sectors. The most obvious examples domestically are the agricultural and energy sectors. In the late 1970s and early 1980s, borrowers in these sectors took on large amounts of debt that could not be serviced when conditions subsequently deteriorated. While the wringing out of inflation had an important positive impact on the economy as a whole, the declines in the value of farm property and the price of oil led to an increase in the level of delinquencies and defaults on bank loans.

Depressed conditions in these two sectors have created serious problems in certain geographic areas. Particularly hard hit have been banks in the farmbelt states of the Midwest and the energy-dependent states in the Southwest. Asset quality measures of banks in these areas are generally lower than those of banks in other parts of the country.

Nonetheless, there are some signs that conditions may be stabilizing. The price of oil has recovered somewhat from very low levels, and in some areas the decline in prices of farm assets has leveled off. While adverse effects on banks that lend heavily to these sectors will continue, we have, I believe, begun to work through these problems, and absent any unanticipated shocks, the worst may be behind us in these sectors.

We need to maintain our vigilance, though, over these and other areas of the loan portfolio. In parts of our country that witnessed the energy boom and bust, problems have spilled over into the real estate industry. New construction, especially for downtown office buildings, has finally slowed and even come to a virtual stop in some energy-area markets, such as Houston. Nonetheless, these markets remain depressed, with a large relative supply of available office space. Moreover, while construction has slowed in these markets, it has not done so in the aggregate. In 1986, real estate construction loans held by banks grew nearly 20 percent, while total loans grew less than 8 percent. Over the past three years, construction loan growth averaged 21 percent, compared with an average growth of total loans of 10 percent. Thus, the banking industry remains highly exposed to conditions in the real estate market. Although 1986 witnessed some improvement in real estate vacancy rates, they remain relatively high by historical standards.

One additional area of the domestic loan portfolio that bears continued attention in the future is that of credit card loans. In recent years, many banks have solicited new accounts in a very aggressive fashion and have purchased existing accounts. These methods of securing new accounts have resulted in historically high charge-off rates. Although there is evidence that such rates may be peaking, losses are expected to remain high and many credit card portfolios remain vulnerable to narrowing margins and possible increased delinquencies.

An important determinant of asset quality at the major money center banks and some regional institutions continues to be the debt problems of the less developed countries. The adjustment process they have undergone has been painful, and the difficulties facing these borrowers remain serious; nonetheless, some progress has been made in dealing with this situation. Despite some significant exceptions, most countries have been able to service their indebtedness over the past four and a half years. During this period, banks have been able to significantly improve their ability to absorb any losses from their loans to countries with debt problems. Since 1982, the capital of the 50 largest U.S. banking organizations has roughly doubled while exposure to troubled developing-country borrowers has actually declined slightly. Thus, their exposure to the heavily indebted countries relative to their capital bases has declined sharply.

At the same time, many borrowing countries have made progress in strengthening their economies and their ability to service their external obligations. Most of these economies now are experiencing real growth, reducing their combined current account deficits considerably, and instituting many needed economic reforms. In the case of some countries, this development has been achieved despite a significant decline in commodity prices and export revenues. In my view, the international debt problem has been managed through an extraordinary cooperative effort by borrowing countries, the international banking community, multilateral financial institutions, and creditor governments. Moreover, while banks have shown a willingness to work with countries that undertake appropriate adjustment policies, this has been done without an excessive buildup of additional debt. The external debts of heavily indebted developing countries have increased at an annual rate of only 3½ percent over the past four years, which, under normal circumstances, would imply declining debt burdens.

While I believe we are on a track that offers a reasonable prospect of long-run success, this is not to say, of course, that individual countries will not experience renewed problems from time to time. For example, Brazil is now facing a resumption of serious inflationary pressures that, with other factors, has led to a curtailment of debt service. It will take, no doubt, the concerted effort of Brazil and all of its creditors to manage this situation. Nonetheless, despite the impact that the international debt situation has had on bank earnings and asset quality, U.S. banks to date have proved able to cope with the effects of foreign debt problems and, in particular, with Brazil's moratorium on interest rate payments.

It is important to note that events of recent days underscore the prudence of wisdom of efforts, over the last several years, to strengthen the capital bases of our larger institutions. The support of the Congress, as manifested in the International Lending Supervision Act of 1983, together with actions by both bankers and regulators in recent years, has resulted in significantly higher capital levels at most of our larger banking organizations. This should enable banks to withstand the pressures stemming from international lending difficulties of the type being experienced by Brazil. Indeed, it is a fundamental function of capital to absorb losses stemming from unanticipated shocks while maintaining confidence in the banking system. Although the difficulties facing many foreign borrowers are significant, the problems in Brazil should not obscure the progress made with other debtors. During 1987, new lending agreements have been signed, or tentatively agreed to with Mexico, Chile, Venezuela, Argentina, and the Philippines.

Having generally reviewed those segments of the loan portfolio that have been cause for concern in recent years, I would now like to address briefly recent trends in certain broad indicators of loan quality.

Overall, loan losses trended upward for most of this decade. For all insured commercial banks, the ratio of net charge-offs to average total loans has increased steadily since 1981; by year-end 1986, it had reached nearly 1 percent, an unusually high level for the industry as a whole.

Looking at specific size classes of banks, we find that the overall trend describes accurately each size group. No size class has fully escaped the general deterioration in asset quality, although some have done better than others. In general, banks with assets of less than $100 million have the highest relative level of loan losses. The problems experienced by smaller banks largely reflect the relatively high concentration of agricultural credits in many of these institutions. The smaller regional banks, those with assets of between $1 billion and $5 billion, have had the best performance, relatively speaking.

Nonperforming assets give some general idea of the level of problems in the loan portfolio. Nonperforming assets have increased or remained at relatively high levels in the last several years despite the extraordinarily high level of loan charge-offs over this same period. Among the various size groups of banks, nonperforming asset ratios are generally highest at the largest and the smallest banks. At year-end 1986 for example, nonperforming assets averaged 2.34 percent of total assets for the 25 largest banks, up from 2.25 percent a year earlier.[1] For the smaller banks, those with assets of less than $300 million, the nonperforming ratio stood at 2.09 percent, unchanged from the prior year-end level. As I have already suggested, nonperforming assets are higher than we would like at this point in the economic cycle.

In general, the difficult period of problems with asset quality through which we are passing firmly underscores, for both bankers and supervisors alike, the need for renewed attention to sound and prudent lending standards and practices, as well as the need for continued efforts to strengthen capital adequacy.

You have asked that we address the effect of "securitization" on asset quality. Simply stated, a securitized loan is one in which the originator is not the ultimate investor. In a typical loan securitization, the originator sells a bundle of loans, rather than individual loans, and the loans are converted to securities backed by the loans. Of course, depository institutions can act as both buyers and sellers of securitized loans. Until now, loan securitization has occurred mainly in the residential mortgage market, where more than half of all loans that are originated are subsequently securitized. Other assets that have been securitized on a much smaller scale include automobile loans, credit card receivables, lease receivables, and commercial real estate.

Securitization offers the potential benefits of diversification of credit risk, improved control over interest rate exposure, enhanced liquidity, and increased efficiency. The question of how securitization will affect asset quality, however, is difficult to answer with precision. The answer will no doubt lie ultimately in the quality of underwriting performed by those originating the loans to be securitized. The quality of lending could improve if securitization results in greater specialization and standardization in lending and if it is performed by the industry's most capable lenders. On the other hand, there is always the danger that too many insitutions will attempt to participate in the securitization process and that standards of credit underwriting will be compromised in the battle for market share. From a supervisory standpoint, we expect banking organizations that purchase securitized assets to conduct proper credit analyses and to assure themselves of the quality of the assets they are taking into their portfolios.

We sometimes hear that if banks securitize and sell their highest quality assets, the overall quality of bank assets will decline as relatively weaker assets that cannot be sold are retained in the balance sheet. While I see no necessary reason that banks that engage in this activity should relax their credit standards in general, examiners will, of course, continue to evaluate the condition of assets retained in selling bank portfolios, and supervisors have the latitude to require additional capital if an institution's credit profile changes as a result of such transactions.

One supervisory concern regarding securitization relates to whether the selling institution achieves a complete transfer of risk to the buyer before removing the "sold" assets from its books. Obviously, if the seller retains an explicit or implicit obligation to repurchase the securities with the aim of providing a credit guarantee or liquidity support, then the transaction has not reduced the risk to the selling institution. Moreover, if such obligations were in fact, retained in connection with a large number of such "sales," risk could be significantly increased. To deal with this concern, we have generally recognized transactions as true sales only if the seller retains no risk of loss to its capital base. In general, if the holder of the securities has recourse to the bank, that is, if the bank is at risk, the transaction must be kept on the bank's balance sheet and the risk of loss must be backed by capital.

Earnings and Profitability

The economic difficulties and imbalances that have marked the 1980s inevitably have placed

1. The figures for year-end 1986 do not include the effects of placing Brazilian debt in nonperforming status, which occurred in the first quarter of 1987.

downward pressure on the earnings and profitability of the banking industry. Aggregate after-tax earnings growth slowed from an annual rate of about 11 percent in the 1970s to an annual rate of about 5 percent in the first half of the 1980s, and earnings actually declined about 1 percent last year. Over this same period, asset and equity growth also have slowed, but more moderately. Consequently, key measures of aggregate industry profitability—return on assets and return on equity—last year fell to the lowest levels since at least 1970.

The deterioration in asset quality that I have described has been the dominant factor underlying declining industry profitability. U.S. banks' loan–loss expenses, measured as a percentage of average assets, have tripled since 1981. Indeed, this development accounts for much of the decline in profitability during this period. Declining interest rates have allowed banks to offset a substantial portion of their credit losses with gains from the sale of investment securities.

Profits from the sale of investment securities accounted for about one-sixth of total pretax income for the banking industry last year. Some of the very largest banking organizations have cushioned the impact of credit quality problems on profitability by achieving a very robust growth in other noninterest income, reflecting their increased emphasis on fee-based services, such as investment banking, securities processing, and cash management. It is not clear, however, how much these activities have contributed to the net income of these banks since data necessary to allocate certain expenses are not available. It is known that expansion of fee-based services has required substantial noninterest expenses in the form of investments in technology and the hiring of highly paid staff. Indeed, at some of the largest banks, the growth of noninterest expense has outstripped that of noninterest income.

It is extremely important to realize, however, that much of the U.S. banking industry remains profitable. Earnings difficulties have been concentrated in the western half of the country, where the problems in the energy and agricultural sectors have loomed large and at the major multinational banks, which have been hurt by foreign loans and, in some cases, by concentrations of energy, real estate, and shipping loans. The largest banks also have been adversely affected by the loss of many of their most creditworthy customers to the securities markets and to foreign banks.

Those banks that have avoided the most serious asset quality problems generally have fared quite well. Indeed, the return on assets was at or near peak levels last year for many regional banks located in Federal Reserve Districts in the eastern half of the country. The resiliency of the banking industry is evident in data on net interest margins, that is, net interest income as a percentage of assets. Although the margins dipped somewhat last year, they remained well above the average for the 1970s. The deregulation of deposit interest rates does appear to have contributed to a narrowing of margins at smaller banks from the very high levels recorded early in this decade, but even at these banks margins generally compare favorably with historical levels. What is not clear, however, is the extent to which the attempt to earn high margins has induced banks to hold riskier loan portfolios.

CAPITAL

While trends in banking conditions over the past few years may give rise to some uneasiness, our nation's banks, fortunately, have made considerable progress in strengthening their capital positions. This development is particularly noteworthy because capital plays a central role in fortifying the banking system. It acts as the buffer that provides protection to depositors, other creditors, and the deposit insurance fund when an institution reports negative earnings. The protection capital offers also serves to maintain confidence in the banking system as a whole.

It was only a few years ago that capital levels in the banking industry caused considerable apprehension about the ability of some banks to weather a difficult economic and financial environment. This apprehension was accentuated by the buildup in problem loans and off-balance-sheet exposures that in many instances accompanied the thinning of capital cushions. Against this background, in December 1981, the three federal bank regulatory agencies adopted formal minimum capital standards for banks and bank holding companies to halt the secular decline in capital ratios that had occurred and to counterbalance the increase in risk-taking that became evident during the 1970s. It is therefore comforting to note that since the adoption of the guidelines, the industry's capital base has been bolstered steadily by the issuance of common and preferred stock and long-term debt, and by the buildup of loan-loss reserves.

Currently, all banks and bank holding companies must meet a minimum primary capital requirement of 5.5 percent and a minimum total capital requirement of 6.0 percent.[2] As these levels are minimums, banks normally are expected to, and in fact do, operate above them.

From our perspective, the capital guidelines have worked reasonably well. The long secular decline in bank capital ratios has been reversed. The larger banking institutions have made especially noteworthy improvement in their capital positions since the end of 1981. Over this period, the average primary capital ratio of the nation's 50 largest bank holding companies jumped from 4.7 percent to 7.1 percent—which is well above the minimum guideline level of 5.5 percent. Of course, a complete assessment of capital adequacy must take account of both the quality of a banking organization's assets and the amount of any off-balance-sheet exposure.

With regard to the latter, financial innovation has given birth to a wide variety of financing instruments that carry varying degrees of risk and serve different purposes but that do not find their way onto banks' balance sheets. Interest rate swaps, financial futures and options, forward rate agreements, and foreign exchange contracts are among the off-balance-sheet instruments that banks use either to capitalize on or to hedge against interest rate and foreign exchange risks. Another group of off-balance-sheet items, often referred to as "direct credit substitutes," includes financial guarantees and standby letters of credit that back financial claims of third parties. A bank issuing such instruments bears essentially the same credit risk that it would have if it made a direct extension of credit to the customer. Commitments form yet another broad group of off-balance-sheet exposures.

The total volume of the industry's off-balance-sheet business is considerable. At year-end 1986, standby letters of credit issued by insured commercial banks amounted to $170 billion, foreign exchange commitments came to $893 billion, loan commitments were $571 billion, and interest rate and cross-currency swaps totaled $376 billion. The numbers appear staggering, as indeed they are. However, it clearly would be inappropriate and misleading to relate the total volume of off-balance-sheet exposures to the capital requirements of the banking industry. This is because in many cases the principal or face value of the instruments is not an indicator of the amount that is at risk, and because many of the assorted off-balance-sheet activities are used by banking institutions to reduce their exposure to risk. Therefore, it is important to look at these activities on a risk-adjusted basis.

In an attempt to provide some insight into the effect of the growth of off-balance-sheet items on capital trends, we have looked at a number of capital ratios adjusted for off-balance-sheet risks. Based on our analysis, the capital ratios of the largest banking institutions appear to have improved over the last several years—even when off-balance-sheet activity is taken into consideration. For example, the ratio of primary capital to total assets including adjustments for off-balance-sheet items for the 10 largest bank holding companies has climbed from 4.0 percent in December 1981 to 6.2 percent by year-end 1986. These results are not suprising given the huge amounts of new capital banks have raised over the past several years. These trends clearly demonstrate why capital, which long has been a sore point for the banking industry, is becoming an important selling point for major U.S. banking institutions, which now are among the most strongly capitalized in the world.

As you may know, we have recently proposed, in conjunction with the other federal banking agencies and the Bank of England, a risk-based capital framework. Besides factoring off-balance-sheet risks into our analysis, other important objectives of this proposal are to recognize that certain liquid, low-risk assets require less capital backing than standard loans and to achieve greater convergence in the assessment of

2. The principal components of primary capital are common stockholders' equity, perpetual preferred stock, loan-loss reserves, and certain debt instruments that must convert to stock. Total capital consists of primary capital plus secondary capital instruments—such as limited-life preferred stock and certain qualifying long-term debt securities.

capital adequacy among countries with major financial centers. We currently do not collect all of the data necessary to calculate precisely the ratio as proposed. However, estimates for the 10 largest bank holding companies averaged approximately 6.3 percent as of June 30, 1986; by year-end this figure had increased 6.6 percent.

Capital ratios are, of course, lower if adjustment is made for problem assets. This is not surprising since one of the major functions of capital is to absorb losses resulting from problem loans. Yet, even if capital is reduced by a percentage of classified loans, we find that there has been an improvement over the 1982–86 interval. For the 25 largest banks, for example, the average ratio of primary capital, adjusted for problem assets, to total assets increased from 4.0 percent at year-end 1982 and to 5.6 percent by year-end 1986. Some improvement in this ratio, albeit on a more modest scale, was also reported for other banks with assets of $1 billion or more. On the other hand, we noted some deterioration in this ratio for banks in the asset size category of less than $300 million. The average for this group declined from 8.0 percent in 1982 to 7.7 percent by the end of 1986. This decline was in large part due to the disproportionate share of problem farm loans held by small banks.

An important goal of the recent joint proposal of the U.S. federal banking agencies and the Bank of England for the establishment of a risk-based capital framework was to reduce the competitive inequities that can arise when supervisory authorities in countries around the world introduce different capital requirements. I cannot emphasize strongly enough our interest in the competitiveness of U.S. banks. Only a strong, competitive, and profitable banking system can remain healthy in the long run and fulfill the strategic role banks play in our economic and financial system. Thus, the Federal Reserve is committed to working with supervisors from other countries to encourage the development and adoption of more consistent and broadly accepted international capital standards of the type set forth in the U.S.–U.K. proposal.

Another dimension of the issue is the competition from nonbank financial institutions, including thrift institutions. Again, as a matter of both competitive equity and prudential concerns, it would seem desirable to bring the capital requirements of competing institutions into closer alignment. For this reason, we strongly support the efforts of the Federal Home Loan Bank Board to encourage thrift institutions to strengthen their capital positions.

You specifically asked that we address the issue of "double leveraging." Double leveraging refers to the practice of a parent company transforming debt that it issues into equity at the subsidiary level. A bank holding company can leverage itself by issuing long-term debt and can then channel, or "downstream," the proceeds of the offering to its bank or nonbank subsidiaries by purchasing their equity securities. Double leveraging is often used to increase the capital of a subsidiary bank to satisfy regulatory capital requirements. By using the parent as a centralized conduit for the capital financing of subsidiaries, an organization can reduce its cost of raising funds.

An organization using double leveraging runs the risk that its subsidiaries will not be able to "upstream" the cash flow needed to service the parent's debt. A bank subsidiary, for example, may fail to earn sufficient income to pay dividends, the principal source of funds parent companies use to service their debt. The risks of double leveraging are borne by a parent organization's shareholders and uninsured creditors.

A commonly used measure of double leverage is the ratio of the parent company's equity investments in its subsidiaries to total parent company equity. Last year there was a significant decline in levels of double leveraging in the banking industry. The decline was particularly pronounced among the largest holding companies, where as a group, the ratio for the 25 largest dropped from 158 percent at year-end 1985 to 125 percent by year-end 1986. The decline in double leveraging can be attributed, in part, to a heightened awareness on the part of holding company creditors that the flow of funds from bank subsidiaries to the parent company cannot be assured, and in part, to increased supervisory scrutiny of parent company cash flow and its potential impact on the capital of subsidiary banks. In addition, since we apply our capital standards to consolidated holding companies as well as to their subsidiary banks, there is a limit on the potential incentive for excessive double leveraging.

LIQUIDITY

Liquidity is a difficult concept to define with precision, and judgments on liquidity require consideration of a number of factors pertaining to both the asset and liability side of the balance sheet, as well as to off-balance-sheet commitments. However, one helpful measure of liquidity is the degree of reliance on volatile, purchased liabilities to fund assets. Reliance on such liabilities has decreased in recent years, primarily because of the deregulation of interest rates that has enabled banks to compete more effectively for retail accounts. This trend has been offset to some degree by a decline in the holding of certain liquid assets by banking institutions; nonetheless, on net, liquidity appears generally to have improved over the past several years. Although dependence on managed liabilities has changed little in recent years at smaller banks, deregulation has removed the threat of deposit disintermediation, which was perhaps the most serious threat to their liquidity.

Brokered deposits generally have remained a very small share of total deposits of banks, and thus, for the most part, have not had a significant impact on liquidity. Although brokered funds have been abused in some specific cases, supervisors monitor the use of such funds closely, particularly in connection with our review of the overall use of purchased liabilities.

PROBLEM AND FAILED INSTITUTIONS

It is a widely known fact that the number of problem and failed banking organizations has risen at an uncomfortably rapid pace over the past several years. It is our expectation that, absent unforeseen adverse economic or financial developments, these numbers may begin to level off. However, we do not expect these numbers to decline in a significant way in the near term.

In data submitted to the committee staff, the banking agencies have provided information on the total number of problem and failed commercial banks, and their aggregate deposits, in some detail. Therefore, I will touch briefly on the situation with respect to institutions under the jurisdiction of the Federal Reserve System.

At the end of March 1987, there were 85 problem state member banks and 510 problem bank holding companies. These 85 state member banks represented 7.7 percent of all state member banks, while the 510 bank holding companies represented 7.9 percent of all bank holding companies and controlled approximately 8.5 percent of total banking assets.

As of May 8, 1987, 74 commercial banks had failed, compared with 41 over the same period in 1986. Of the 74 banks that failed, 5 were state member banks with total assets of $243 million; in all of 1986, 11 state member banks with total assets of $147 million failed. Over the five-year period, 1982 through 1986, the assets of failed state member banks represented 5 percent of total failed bank assets. To put this figure into perspective, state member banks comprised 18 percent of total bank assets at year-end 1986.

SUPERVISORY ACTIONS

Over the past several years, the Federal Reserve has addressed the trends and conditions that I have just described with a number of important actions designed to strengthen our supervisory policies, practices, and procedures. Our objectives have been threefold: (1) to implement supervisory policies that would improve the ability of banking organizations to withstand financial stress and adversity; (2) to enhance our ability to identify in a timely manner financial and operating deficiencies that could weaken an organization's financial condition; and (3) to strengthen our follow-up procedures, particularly by improving our techniques for communicating with boards of directors and, when appropriate, broadening our use of formal enforcement actions.

In carrying out our supervisory responsibilities, we attempt to balance the need to maintain a fully adequate supervisory framework with our desire to avoid impinging on the legitimate prerogatives of management or undercutting the benefits from greater competition in our banking and financial markets. While views may differ on the best way to strike this balance, the crucial public interest in the maintenance of a sound and stable banking system, and the existence of the federal "safety net," underscore the critical importance of a strong and effective supervisory and regulatory framework.

I have already noted the efforts that the Federal Reserve, together with the other federal banking agencies, has made over time to encourage banking organizations to strengthen their capital positions. The imposition of minimum capital standards in 1981 and the strengthening of these standards in 1983 and 1985 have played an important role in helping banking institutions to withstand the strains of the past several years.

In carrying out its day-to-day supervisory activities, the Federal Reserve has encouraged banks to operate above the minimum capital ratios established by regulatory rules. Banking organizations undertaking significant expansion are expected to maintain particularly strong capital positions that are well above minimum supervisory standards. In addition, within the past two years, we have reiterated and strengthened our policy on the payment of cash dividends to shareholders when a banking organization is experiencing financial problems. Accordingly, we have intensified our review of dividend payments by banking organizations and, when appropriate, have encouraged them to conserve their capital by adopting more prudent dividend levels.

As I have stated, we are in the process of further improving our capital adequacy policies through adoption of risk-based capital standards. A major objective of our risk-based capital proposal, as I have indicated, is to ensure that capital is adequate to support off-balance-sheet exposures. In addition, our adoption of a risk-based capital framework will help to match more accurately an organization's capital requirements with its level of risk-taking and will contribute to broader international efforts to enhance capital standards for large multinational banking institutions. Such efforts are aimed at achieving stronger, more stable international banking institutions and markets, and at reducing the competitive inequities and distortions that can result from vastly different prudential rules among countries with important financial centers.

We have, as you may be aware, taken other prudential actions. Over the past several years, much time and effort has been devoted to heightening banking organizations' awareness of the potential risks associated with daylight overdrafts in large dollar payment systems and to giving bankers and examiners alike improved analytical and supervisory tools to monitor and control these risks. More recently, we have reiterated as clearly as possible our long-standing policy that bank holding companies should serve as a source of financial and managerial strength to their subsidiary banks. This is particularly important since banks benefit from the ability to issue federally insured deposits and to borrow from the Federal Reserve discount window. In light of subsidiary bank access to these "safety-net" protections, we expect their holding companies to stand ready to use available resources to support their banks during periods of financial stress or adversity, and we have underscored our policy to use our enforcement authority, when warranted and appropriate, to see that this is done.

In addition, we have taken actions to improve our ability to monitor the emergence of supervisory problems in banking organizations. In 1986, we increased the frequency of examinations to provide for at least an annual examination of state member banks and most large bank holding companies and semiannual examinations or on-site reviews for very large institutions and problem companies. This program has been supported by a significant boost in budgetary resources devoted to supervision and regulation and by an increase in the number of examiners from 835 in 1985 to 914 at the end of 1986. This more frequent on-site examination program has also been made possible, in part, through increased cooperation with state banking departments in the form of greater reliance on state examinations of certain institutions, and through increased operating efficiencies. We also have revised our reporting requirements for bank holding companies to place greater emphasis on such indicators as the level of nonperforming loans and off-balance-sheet activities.

Taken together, those actions have strengthened our ability to monitor risk-taking and improved our capacity to take enforcement actions. Indeed, since 1982, we have greatly increased the number of enforcement actions such as cease and desist orders, written agreements, and removal actions aimed at officers and directors. In the period 1980–82, the Federal Reserve System averaged 42 enforcement actions per year; from 1984–86, the average number of enforcement actions had increased to 177. Such actions are employed to require banks to improve their lending policies and procedures, strengthen management, terminate unsafe and unsound practices, and adopt more prudent funding, dividend, and capital strategies.

Enforcement actions are but one form of supervision. Equally, or perhaps more, important are preventive actions such as our efforts to improve communications with directors who, of course, have primary responsibility to see that their institutions are operated safely and in compliance with banking law and regulations. Toward this end, we have implemented a directors' summary report to spell out more clearly and effectively our supervisory assessment of an organization's problems and have broadened the involvement of senior Reserve Bank officials in meetings with directors of large institutions and those with significant problems.

Actions of the type that I have just reviewed, of course, cannot deal with all of the problems facing our depository institutions. Thus, the Board continues to support legislation to recapitalize the Federal Savings and Loan Insurance Corporation fund at an appropriate level. Moreover, while we are gratified by the actions taken by some state legislatures to permit out-of-state acquisitions of failed or failing banks, we do not believe that these have alleviated the problem of finding buyers for troubled institutions in certain states. Thus, the Board continues to urge the Congress to provide federal regulators with authority to arrange interstate acquisitions of failing and failed institutions.

As you are aware, the Board has recently approved the applications of certain bank holding companies to engage in underwriting commercial paper, 1- to 4-family mortgage-backed securities, and municipal revenue bonds. We have approved these applications subject to conditions to assure that the activity will be consistent with safe and sound banking practices and avoid conflicts of interest, concentration of resources, and other possible adverse effects. It is our hope that this action will provide banking organizations with additional sources of income and enhance in a meaningful way their ability to compete effectively with other nonbank financial institutions.

In the long run, of course, these activities should result in real benefits to banking organizations by promoting greater efficiencies, more competitive equity, and more diversified sources of income. These benefits will also, I believe, contribute to a stronger and more resilient banking system. In addition, a prudent expansion of bank holding company powers should provide significant benefits to customers in the form of greater convenience and competition and additional alternatives for obtaining important financial services.

In approving these applications, the Board acted under existing authority, applying a statute adopted more than 50 years earlier in very different circumstances, to a financial marketplace that technology and competitive forces have altered in ways that the enacting Congress could not have envisioned. Thus, we continue to urge the Congress to recognize the competitive, technological, and international forces at work in banking and financial markets by providing a clear legislative framework for expanding the authority of bank holding companies to provide financial services, consistent with the need to maintain a safe and sound banking system and safeguards against conflicts of interest and self-dealing. We also believe that the Congress should address the need for change in the current prohibitions on corporate underwriting, recognizing that bank holding companies conduct such activities abroad in substantial volume. As part of more comprehensive legislation in the future, we feel that it would also be desirable to consider ways of encouraging more consistency in accounting, supervisory, and capital standards among various types of depository institutions.

CONCLUSION

The recent trends in the performance and condition of our nations's banks, notably, the deterioration in asset quality, the slide in earnings and profitability, and the growth in off-balance-sheet exposures, explain much of the current unease about banking. But the industry has been working to reverse these trends and much progress is evident. Many banks have put in place cost-cutting programs, strengthened their capital positions, adopted more conservative lending practices, and generated new sources of income. The supervisory agencies, for their part, have implemented programs to help ensure that the banking system remains on a sound footing and that adequate safeguards are in place. All of these efforts should have the effect of putting banking organizations in a better position to withstand any additional unanticipated pressures and strains within our economy or financial markets.

While there is some justification for the prevailing sense of unease over banking, I believe that, on balance, much more is right in banking today than is wrong. The problems, while significant, are manageable, and I can assure this committee that the Board will do its utmost to see that supervisory efforts will continue to be directed toward maintaining the soundness of the banking system. □

Announcements

Retirement of Paul A. Volcker as Chairman of the Board of Governors: Nomination of Alan Greenspan to Succeed Him

At a White House press briefing on June 2, President Reagan made the following announcement:

I have a statement for you: Paul Volcker has advised me of his decision not to accept a third term as a member and Chairman of the Federal Reserve Board.

I accepted Mr. Volcker's decision with great reluctance and regret. He has served with distinction on the Board of Governors and has been an historic chairman during this time of economic recovery and expansion. Therefore, it's my intention to nominate Dr. Alan Greenspan to a 4-year term as Chairman of the Federal Reserve. Mr. Volcker has indicated his strong support for Dr. Greenspan.

And let me add, my dedication to our fight to hold down the forces of inflation remains as strong as ever. And I know that Dr. Greenspan shares that same commitment.

The letter from Chairman Volcker and his statement about Chairman-Elect Greenspan follow:

June 1, 1987

The President
The White House
Washington, D.C.

Dear Mr. President:

As the end of my term as Chairman of the Federal Reserve Board approaches, you naturally have to consider an appropriate new appointment.

In that connection, you will recall that, upon my reappointment as Chairman in 1983, I felt unable to make a firm commitment to you or to the Congress to remain in office for a second full four-year term. Despite my reservations at the time, that term is in fact now almost finished. However, I do think, after 8 years as Chairman, a natural time has now come for me to return to private life as soon as reasonably convenient and consistent with an orderly transition. Consequently, I do not desire reappointment as Chairman, and I plan to resign as Governor when a new Chairman is prepared to assume office.

I will be leaving with a sense of great appreciation for your unfailing courtesy to me personally. More broadly, your consistent support of the work of the Federal Reserve during a particularly challenging period for it, for the financial system, and for the economy has been critical to whatever success we have had.

Without doubt, strong challenges remain for all of those involved in economic policy. In that effort, I believe the nation will continue to be well served by a strong Federal Reserve System—a system firmly dedicated to fostering economic and financial strength and stability and able to bring to that effort a combination of sound and independent professional judgment and continuity beyond any partisan considerations.

May I add, too, my personal best wishes for the remainder of your own term in office during which you have done so much to restore a sense of confidence and self-reliance among the American people.

Faithfully yours,

Paul A. Volcker

June 2, 1987

Statement of Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System

I have known Alan Greenspan for many years. I know his talent and his experience—and not least his dedication. The President has made a natural and outstanding choice. I am delighted that Alan has agreed to take on the job. The Federal Reserve is a very special institution. Obviously, I leave with mixed feelings, but Alan's appointment makes me feel very comfortable about the continuing role of the Fed.

Edward W. Kelley, Jr.: Appointment as a Member of the Board of Governors

On January 21, 1987, President Reagan announced his intention to nominate Edward W.

Kelley, Jr., as a member of the Board of Governors. Mr. Kelley was subsequently confirmed by the Senate on May 20 and took the oath of office, administered by Chairman Volcker, on May 26. The text of the White House announcement of January 21 follows:

The President today announced his intention to nominate Edward W. Kelley, Jr., of Texas, District 11, to be a Member of the Board of Governors of the Federal Reserve System for the unexpired term of 14 years from February 1, 1976. He would succeed Emmett John Rice.

Since 1981, Mr. Kelley has been Chairman of the Board, Investment Advisors Incorporated in Houston, Texas. In addition, he currently is Chairman of the Board of The Shoreline Companies, Inc. and Director of Texas Industries, Inc. Previously, he was President and CEO of Kelley Industries, Inc., 1959–81. Mr. Kelley has served as a Director of the following banks: Southern National Bank, 1961–72; Westwood Commerce Bank, 1974–82; and West Belt National Bank, 1982–84.

Mr. Kelley graduated from Rice University (B.A., 1954) and Harvard Business School (M.B.A., 1959). He is married, has three children and resides in Houston, Texas. Mr. Kelley was born January 27, 1932, in Eugene, Oregon.

Adoption of Forms for Use by Government Securities Brokers and Dealers

The Federal Reserve Board announced adoption on May 26, 1987, of forms to be used by financial institutions acting as government securities brokers or as government securities dealers to report their status under the Government Securities Act of 1986.

The act requires all financial institutions that act as government securities brokers or dealers to notify their federal regulators of their broker–dealer activities. Institutions that currently act as broker–dealers must file notice (form G-FIN) by July 25, 1987. The second notice (form G-FINW) would be used by institutions that terminate their status as a government securities broker or dealer.

Under the act, the Board has the responsibility to establish the form of these notices to be used by commercial banks, foreign banks, savings banks, and savings and loan associations.

Quarterly Financial Results Available for Priced Service Operations

The Federal Reserve Board reported on May 19, 1987, financial results of Federal Reserve priced service operations for the quarter ending March 31, 1987.

The Board issues a report on priced services annually and a priced service balance sheet and income statement quarterly. The financial statements are designed to reflect standard accounting practices, taking into account the nature of the Federal Reserve's activities and its unique position in this field. Beginning with the statements for the second quarter of 1987, this release will be incorporated into the FEDERAL RESERVE BULLETIN.

Annual Report: Publication

The Seventy-Third *Annual Report* of the Board of Governors of the Federal Reserve System, covering operations for the calendar year 1986, is available for distribution. Copies may be obtained on request to Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. A separately printed companion document entitled *Annual Report: Budget Review*, 1986–87, which describes the budgeted expenses of the Federal Reserve System for 1987 and compares them with expenses for 1985 and 1986, is also available from Publications Services.

Proposed Actions

The Federal Reserve Board has extended the period for comment on its proposals to amend its Capital Guidelines to include a risk-based capital measure and to incorporate into that risk-based capital measure credit risks on off-balance-sheet interest rate and exchange rate contracts. The comment periods were extended from May 13 and May 22 respectively to June 1 because of the significance and nature of the Board's proposals.

ERRATA: BULLETIN TABLE

In table 4, "Net profits or losses (−) on U.S. Treasury and Federal Reserve current foreign exchange operations," which appeared on page 333 of the May 1987 BULLETIN, the figures in the last line, "Valuation profits and losses on outstanding assets and liabilities as of January 30, 1987," were inadvertently shown as negative amounts. The corrected table appears below.

4. Net profits or losses (−) on U.S. Treasury and Federal Reserve current foreign exchange operations

Millions of dollars

Period[1]	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
November 1, 1986–January 30, 1987	8.0	6.6
Valuation profits and losses on outstanding assets and liabilities as of January 30, 1987	2,322.8	1,975.0

1. Data are on a value-date basis.

CHANGE IN BOARD STAFF

Anne DeBeer, Assistant Director in the Division of Federal Reserve Bank Operations, has resigned, effective June 30, 1987.

SYSTEM MEMBERSHIP: ADMISSION OF STATE BANKS

The following state bank was admitted to membership in the Federal Reserve System during the period May 1 through May 31, 1987:

Texas

Plano .... First Bank of Plano

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON MARCH 31, 1987

1. Domestic Policy Directive

The information reviewed at this meeting suggested that economic activity has risen at a faster pace so far this year than in the fourth quarter of 1986, while the rate of price increase has accelerated slightly. The expansion in output apparently has reflected a rebuilding of inventories and some improvement in the external sector. Important components of domestic final demands seem to have eased off in the early months of 1987 after a surge late in 1986. The pickup in inflation primarily has reflected a rebound in crude oil prices; wage pressures have remained subdued.

Data on employment and production suggested a sizable advance in output in early 1987. Total nonfarm payroll employment rose more than 300,000 per month over the first two months of the year, appreciably faster than in 1986; large gains were reported in construction, trade, and services. In addition, the average workweek has lengthened, and total hours worked by production and nonsupervisory personnel have risen sharply from the fourth quarter. The civilian unemployment rate was 6.7 percent in February for the third consecutive month as increases in the labor force matched the strong expansion in employment.

The index of industrial production rose 0.5 percent in February to a level about 1 percent above its fourth-quarter 1986 average. Increased production of motor vehicles accounted for most of the gain, but output of defense and space equipment, construction supplies, and nondurable materials also posted further appreciable increases. Reflecting the recent strengthening in the industrial sector, the capacity utilization rate increased 0.2 percentage point in February to 79.8 percent.

On the demand side, both consumption and business fixed investment have been relatively weak. Purchases of automobiles, after a sharp drop in January, have recovered somewhat over the past two months, but are still well below the fourth-quarter pace. Automakers have trimmed assembly schedules and have renewed sales incentive programs, but dealer inventories have been building up. Consumer spending on goods other than autos has advanced at a moderate rate. Business investment spending appears to have weakened in recent months. Shipments of nondefense capital goods fell on balance over the first two months of the year after the tax-related surge in equipment outlays late last year. New orders also have moved lower and outlays for nonresidential construction fell further in January, maintaining the downtrend that began early last year.

The large fluctuations in final sales that occurred around the turn of the year have been mirrored in changes in inventories. Stocks rose sharply in January, after being drawn down late last year. Notable swings in inventories occurred for autos and machinery, where tax incentives may have had a greater effect on the timing of purchases than on production. In addition, some stockbuilding was evident in manufacturing industries in which production has been relatively strong.

Activity in the housing sector remained vigorous in January and February, with starts averaging more than 1.8 million units at an annual rate in both months. The strength in starts appeared to reflect unusually good weather in the Midwest. Single-family starts have been particularly robust. Multifamily starts, by contrast, have remained weak because of high vacancy rates and a less favorable tax environment for construction of rental units.

Inflation picked up early this year, largely reflecting the pass-through of higher crude oil prices into prices of final energy products. The CPI rose 0.4 percent in February, after a 0.7 percent increase a month earlier. Prices of gasoline and fuel oil posted further sizable increases last month. Consumer food prices in February continued to rise at the pace that has prevailed since last September. Excluding food and energy, increases in consumer prices slowed a bit in February. Spot prices for industrial materials have essentially leveled off in recent weeks after rising late last year. Wage increases have remained moderate so far this year.

Economic activity in major foreign industrial countries remained generally weak in the fourth quarter of 1986 and early 1987, except in the United Kingdom. Debt-servicing problems beset several important developing countries but progress was made in the negotiations of a number of such countries with commercial banks.

The trade-weighted value of the dollar against other G-10 currencies changed little in the period following the February 10–11 meeting of the Committee until mid-March. The stability apparently was fostered to a considerable extent by the announcement that the major industrial countries at a meeting in Paris on February 22 had agreed to support the prevailing structure of exchange rates. Since mid-March, however, the dollar has come under strong downward pressure, particularly against the Japanese yen, apparently triggered in part by intensified trade frictions between the United States and Japan. An improved fiscal picture for the United Kingdom contributed to a sharp rise in sterling. As a result, the Bank of England cut its lending rates around mid-March; several other European countries also lowered official lending rates as their currencies strengthened against the German mark.

At its meeting in February, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions. M2 and M3 were expected to grow at annual rates of about 6 to 7 percent from January through March, while growth in M1 was expected to slow substantially from the high rates of previous months. The members decided that somewhat greater reserve restraint would, or slightly lesser reserve restraint might, be acceptable depending on the behavior of the aggregates, taking into account developments in the economy and in foreign exchange and domestic credit markets. The intermeeting range for federal funds was left unchanged at 4 to 8 percent.

Growth of the monetary aggregates slowed sharply in February and March, and over the two months expansion in M2 and M3 was somewhat below the Committee's expectations. In March, these aggregates appeared to be around the lower bounds of the 5½ to 8½ percent ranges established by the Committee for the year. Some of the slower growth in the aggregates so far this year appears to be related to a reversal of the bulge in deposits and bank lending associated with the surge in transactions before year-end, but a more general moderation in the expansion of money balances also might be associated with completion of portfolio adjustments to earlier declines in interest rates. Total and nonborrowed reserves fell slightly over the past two months, as required reserves leveled off after the year-end bulge in transaction deposits, and excess reserves edged lower in line with their usual seasonal pattern. In the three complete reserve maintenance periods after the February FOMC meeting, adjustment plus seasonal borrowing averaged about $280 million. At the same time, the federal funds rate edged off from 6¼ percent to around 6 percent or a bit higher.

Other interest rates changed little over most of the intermeeting period before firming somewhat recently. Over the past few days concern about the dollar contributed to some pressure on rates, particularly in long-term markets in which Treasury bond yields have risen about 20 basis points. On balance, private short-term rates rose about 15 basis points over the intermeeting period, while Treasury bill rates were about unchanged to 20 basis points lower; the differential probably reflected heightened concerns about credit quality relating to debt-servicing problems of developing countries and a paydown of bills by the Treasury. Equity prices rose markedly over the period.

As at other recent meetings the staff projections suggested that real GNP would grow at a moderate rate through the end of 1987. The rise in net exports remained critical to sustaining growth. In response to the increased competitiveness of U.S. goods, growth in exports was expected to continue to boost demands on domestic production and growth of imports was anticipated to slow. Gross domestic purchases were expected to be sluggish, reflecting in part the effects of a less expansive fiscal policy and the influence of rising import prices on real income growth and consumption. Business equipment spending was projected to resume a moderate uptrend; however, construction of single-family homes was expected to edge down from the current pace, and activity in office building and multifamily housing could weaken substantially in response to overbuilding of such structures in many areas and the effects of the new tax law. Inflation was likely to pick up, reflecting the effects of the recent rebound of crude oil prices as well as the projected acceleration of import prices. However, remaining margins of slack in product and labor markets were expected to limit overall inflationary pressures.

In their discussion of the economic situation and outlook, Committee members generally agreed that recent developments on the whole were consistent with continuing expansion at a moderate pace. Comments on business conditions in several parts of the country tended to support a somewhat brighter picture than had been reported at earlier meetings. Business confidence appeared to have improved in many areas, buoyed by greater success in meeting foreign competition. Overall, economic activity seemed to have picked up in early 1987, though the improvement was due importantly to a buildup of inventories. Domestic final demands were expected to grow at a relatively slow pace over the year, with business spending for equipment and nonresidential construction likely to be retarding influences. Consumer spending on automobiles was mentioned as another potentially weak area of the economy, and problems persisted in agriculture and energy. The members concluded as at previous meetings that the prospects for sustaining a moderate rate of expansion would depend to an important extent on the achievement of significant gains in net exports.

The members saw encouraging signs that the trade deficit was narrowing in real terms if not yet in current dollar terms. Business contacts in several parts of the country reported that the dollar's depreciation was fostering growing demand for their products in export markets, although that experience was not shared by businesses in all areas. On the import side, many domestic producers indicated an increased ability to compete with foreign goods. Nonetheless, the outlook for foreign trade remained subject to a great deal of uncertainty. Generally weak economic growth abroad was cited as a negative factor. Members acknowledged that the dollar's depreciation might help U.S. producers, but substantial further weakness in the dollar carried considerable risks. A large additional decline would tend to damp demands and economic growth abroad, especially in the absence of stimulative policy actions in other major industrial countries. It could lead to substantially greater inflationary pressures in the United States, with adverse impacts on credit markets. While a few members were of the view that the dollar sooner or later might need to decline somewhat further to correct the nation's trade imbalance—and such a decline should be accepted if it occurred—most expressed concern about the implications of continuing dollar depreciation under prevailing circumstances.

Members already were anticipating that the earlier depreciation of the dollar along with the rebound in energy prices would be reflected in a somewhat higher rate of inflation this year. Tending to support that view were indications in some parts of the country that prices of a number of products and services were rising somewhat more rapidly than earlier. Nevertheless, the still ample availability of production resources in most industries and continuing competition from abroad were viewed as likely to limit price increases, assuming the absence of a substantial further drop in the dollar. It also was noted that recent labor contract settlements were generally favorable in terms of their impact on business costs.

At its meeting in February the Committee had agreed on policy objectives that called for monetary growth ranges for the period from the fourth quarter of 1986 to the fourth quarter of 1987 of 5½ to 8½ percent for both M2 and M3. The associated range for growth in total domestic nonfinancial debt was set at 8 to 11 percent. The Committee anticipated that growth in M1 would slow in 1987 from its very rapid pace in 1986, but the members decided not to establish a numerical target for the year; instead, the appropriateness of M1 changes would be evaluated during the year in the light of the behavior of M1 velocity, developments in the economy and financial markets, and the nature of emerging price pressures.

In their discussion at this meeting, Committee members agreed that domestic business and financial conditions and growth of the monetary aggregates did not call for any change in the current degree of pressure on reserve positions, at least at the start of the intermeeting period. With regard to the weeks ahead, a number of members noted that, while other developments in the economy and financial markets would need to be taken into account, continuing weakness in the dollar would suggest the possibility that some limited adjustment in policy implementation in a firming direction would be appropriate.

In the course of the Committee's discussion, a good deal of attention was devoted to the implications for policy of the currently strong downward pressure on the dollar in foreign exchange markets. Members agreed that the conduct of open market operations needed to be especially sensitive to any tendency for the dollar to weaken significantly further. Some commented that, within the framework of basically unchanged conditions of reserve availability, open market operations should be conducted with special caution to minimize unintended market impacts at times when the dollar was under particular downward pressure. Several also indicated that if pressures increased enough so that intervention in the foreign exchange markets was not effective in stabilizing the dollar, policy implementation might need to be adjusted to reduce reserve availability somewhat during the intermeeting period. In appraising the need for some firming, the Committee would be mindful of the adverse effects that a further slide in the dollar could have on domestic interest rates, on inflation expectations, and on the economy more generally over the longer run. The members also recognized that the problem was multilateral in nature and that the effectiveness of any policy steps in the United States would be greatly enhanced by complementary actions abroad.

There was some divergence of views regarding the circumstances under which any tendency for the dollar to fall appreciably further should be resisted through a reduced availability of reserves. Some members emphasized the desirability of relatively prompt, if limited, action to enhance the prospects for more stable exchange rates and also to reduce the need for stronger measures in the future. If successful, that approach would minimize the rise in domestic inflation and interest rates over time and perhaps facilitate a reversal of interest rates. One member noted that the success of such an approach in stabilizing the dollar might be realized more promptly and certainly if the markets were alerted to any firming action the Federal Reserve might undertake. Some other members preferred to move with relative caution, if at all, in countering any further weakening in the dollar. These members acknowledged that failure to arrest a considerable further decline in the dollar might result in substantial upward pressures on longer-term domestic interest rates, especially given current market anxieties. At the same time, they stressed the uncertainties surrounding the relationship between U.S. interest rates and the behavior of the dollar and also the negative impact that a firmer policy could have on a possibly fragile economic expansion, not only in the United States but around the world.

With regard to the monetary aggregates, the members generally viewed the recent slowdown in monetary growth as a welcome development in light of the previously rapid expansion over an extended period. In their assessment of the outlook for the months immediately ahead, the members took account of an analysis, which suggested some acceleration in the growth of M2 and M3 to rates approximating the expansion in nominal income if interest rates remained around current levels. Most of the members felt that more restrained monetary growth would be acceptable, especially if it occurred against the background of further downward pressures on the dollar. While continued slow money growth that held the broad aggregates below the lower ends of their long-run ranges could be a basis for concern, some shortfall in the growth of M2 and M3 would not seem to call for a more generous provision of reserves in the period immediately ahead, given the earlier monetary expansion, continuing moderate growth of the economy, and weakness of the dollar in foreign exchange markets. On the other hand, the members would not welcome a resumption of relatively rapid growth under current conditions. Some members suggested that the Committee specify rates of acceptable growth of around 6 percent for M2 and M3 from March to June. Other members, reflecting the Committee's discussion that some shortfall in monetary growth would be of less concern than an overshoot under current circumstances, suggested various ranges of growth for the broader aggregates, with the ranges extending further below than above 6 percent. All the members were able to accept a specification of 6 percent or less on the understanding that the Committee would need to reconsider its stance should monetary growth be extremely weak, especially in the context of a more sluggish economy than was currently anticipated.

At the conclusion of the Committee's discussion, all of the members indicated that they favored or could accept a directive that called for no change in the degree of pressure on reserve positions in the immediate future. There was a consensus in favor of allowing for possible limited adjustments during the intermeeting period toward some firming of reserve conditions, with excessive weakness in the dollar recognized as the potential development most likely to make such an adjustment appropriate. In particular, the members agreed that somewhat greater reserve restraint might be acceptable depending on the performance of the dollar in foreign exchange markets, but also taking into account the behavior of the monetary aggregates, the strength of the business expansion, progress against inflation, and conditions in credit markets. This approach to policy implementation was expected to be consistent with growth in M2 and M3 at annual rates of around 6 percent or less over the three-month period from March to June. Over the same period growth in M1 was expected to remain substantially below its pace in 1986. Because the behavior of M1 remained subject to unusual uncertainty, the Committee decided to continue its practice of not specifying a numerical expectation for its growth. The members agreed that the intermeeting range for the federal funds rate, which provides a mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, should be left unchanged at 4 to 8 percent.

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

The information reviewed at this meeting suggests on balance that economic activity has been expanding at a faster pace than in the fourth quarter, with output apparently strengthened by a rebuilding of business inventories and some improvement in foreign trade. Total nonfarm payroll employment rose strongly again in February. The civilian unemployment rate remained at 6.7 percent for the third consecutive month. Industrial production also increased appreciably further in February. Total retail sales have continued to fluctuate substantially from month to month, largely reflecting the uneven pattern of automobile sales, but on balance overall consumer spending has been relatively flat over the past several months. Housing starts strengthened further in February after rising in December and January to their highest level since late spring. Business capital spending appears to have weakened in early 1987. Consumer and producer prices rose more rapidly in early 1987, primarily reflecting sizable increases in energy prices. Labor cost increases have remained relatively moderate in recent months.

Growth of M2 and M3 has slowed substantially from the pace in December and January, and for 1987 to date expansion of these two aggregates appears to have been around the lower ends of their respective ranges established by the Committee for the year. Growth of M1, after moderating in January from an exceptionally rapid pace in late 1986, also has slowed markedly further. Expansion in total domestic nonfinancial debt appears to have moderated appreciably since year-end. Interest rates generally have fluctuated in a relatively narrow range since the February 10–11 meeting of the Committee, although they have firmed somewhat recently. At a meeting in the latter part of February, the Finance Ministers and Central Bank Governors of major industrial countries agreed to cooperate closely to foster stability of exchange rates around then-current levels. However, after mid-March, the trade-weighted value of the dollar against the other G-10 currencies declined further on balance, including a sizable decline against the yen.

The Federal Open Market Committee seeks monetary and financial conditions that will foster reasonable price stability over time, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives the Committee at its February meeting established growth ranges of 5½ to 8½ percent for both M2 and M3, measured from the fourth quarter of

1986 to the fourth quarter of 1987. The associated range for growth in total domestic nonfinancial debt was set at 8 to 11 percent for 1987.

With respect to M1, the Committee recognized that, based on experience, the behavior of that aggregate must be judged in the light of other evidence relating to economic activity and prices; fluctuations in M1 have become much more sensitive in recent years to changes in interest rates, among other factors. During 1987, the Committee anticipates that growth in M1 should slow. However, in the light of its sensitivity to a variety of influences, the Committee decided at the February meeting not to establish a precise target for its growth over the year as a whole. Instead, the appropriateness of changes in M1 during the course of the year will be evaluated in the light of the behavior of its velocity, developments in the economy and financial markets, and the nature of emerging price pressures.

In that connection, the Committee believes that, particularly in the light of the extraordinary expansion of this aggregate in recent years, much slower monetary growth would be appropriate in the context of continuing economic expansion accompanied by signs of intensifying price pressures, perhaps related to significant weakness of the dollar in exchange markets, and relatively strong growth in the broad monetary aggregates. Conversely, continuing sizable increases in M1 could be accommodated in circumstances characterized by sluggish business activity, maintenance of progress toward underlying price stability, and progress toward international equilibrium. As this implies, the Committee in reaching operational decisions during the year, might target appropriate growth in M1 from time to time in the light of circumstances then prevailing, including the rate of growth of the broader aggregates.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. Somewhat greater reserve restraint might be acceptable depending on developments in foreign exchange markets, taking into account the behavior of the aggregates, the strength of the business expansion, progress against inflation, and conditions in credit markets. This approach is expected to be consistent with growth in M2 and M3 over the period from March through June at annual rates of around 6 percent or less. Growth in M1 is expected to remain substantially below its pace in 1986. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 4 to 8 percent.

Votes for this action: Messrs. Volcker, Corrigan, Angell, Boehne, Boykin, Heller, Johnson, Keehn, Ms. Seger, and Mr. Stern. Votes against this action: None.

2. *Authorization for Domestic Open Market Operations*

Effective April 22, 1987, the Committee approved a temporary increase of \$3 billion, to \$9 billion, in the limit between Committee meetings on changes in System Account holdings of U.S. government and federal agency securities specified in paragraph 1(a) of the Authorization for Domestic Open Market Operations. Subsequently, effective May 6, 1987, the Committee approved a further increase of \$2 billion, to \$11 billion, in the intermeeting limit. These increases were effective for the remainder of the intermeeting period ending with the close of business on May 19, 1987.

Votes for the April 22 action: Messrs. Volcker, Corrigan, Angell, Boehne, Boykin, Heller, Johnson, Keehn, Ms. Seger, and Mr. Stern. Votes against this action: None.

Votes for the May 6 action: Messrs. Volcker, Corrigan, Angell, Boehne, Boykin, Heller, Johnson, Keehn, and Ms. Seger. Votes against this action: None. Absent and not voting: Mr. Stern.

The increases were approved on the recommendation of the Manager for Domestic Operations. The Manager had advised on April 22 that outright purchases of securities in the intermeeting interval through April 21 had reduced the leeway under the usual \$6 billion limit to about \$1¼ billion. On May 6, the Manager advised that the leeway had been reduced under the April 22 ceiling to a little over \$100 million. Additional purchases of securities in excess of these leeways were necessary chiefly because of unusually steep increases in Treasury balances at the Federal Reserve Banks.

Legal Developments

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT, BANK MERGER ACT, BANK SERVICE CORPORATION ACT, AND FEDERAL RESERVE ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Banks of Iowa, Inc.
Des Moines, Iowa

Order Approving Acquisition of a Bank

Banks of Iowa, Inc., Des Moines, Iowa, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire Central Trust and Savings Bank ("Bank"), Eldridge, Iowa.

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

Applicant, the second largest commercial banking organization in Iowa, controls 14 banks with deposits of $1.77 billion,[1] representing 7.2 percent of total deposits in commercial banking organizations in the state. Bank, the 146th largest commercial banking organization in the state, controls deposits of $45.4 million, representing 0.18 percent of total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Applicant would remain the second largest commercial banking organization in Iowa, controlling deposits of $1.8 billion, representing 7.38 percent of the total deposits in commercial banking organizations in the state. Consummation of this proposal would not have any significant adverse effect upon the concentration of banking resources in Iowa.

1. All banking data are as of December 31, 1985.

Applicant and Bank compete in the Davenport/Rock Island banking market.[2] Applicant is the fourth largest of 13 banking organizations in the market, controlling $73.2 million in deposits, representing 5.7 percent of the total deposits in commercial banking organizations in the market. Bank is the seventh largest commercial banking organization in the market, controlling deposits of $45.4 million, representing 3.5 percent of the total deposits in commercial banking organizations in the market. Upon consummation of the proposal, Applicant will become the third largest commercial banking organization in the market, with deposits of $118.6 million, representing 9.2 percent of the total deposits in commercial banking organizations in the market.

The Davenport/Rock Island banking market is considered to be highly concentrated, with a Herfindahl–Hirschman Index ("HHI") of 3355. Upon consummation of the proposal, however, the HHI would increase by only 40 points to 3395, and this acquisition would not be subject to challenge by the Department of Justice under its merger guidelines.[3] In view of the small increase in market concentration and other facts of record, the Board concludes that consummation of this proposal is not likely to have any significant adverse effect on existing competition in the Davenport/Rock Island banking market.

The financial and managerial resources of Applicant and its banking subsidiaries are consistent with approval. Moreover, the Board has considered the fact that Bank has experienced some financial difficulties and consummation of this proposal will improve the prospects of Bank by providing Bank with the financial and managerial resources to continue to serve the

2. The Davenport/Rock Island banking market is approximated by Scott County and Farmington Township in Cedar County, Iowa; and Rock Island County (except Drury and Buffalo Praric Townships), and Colona, Edford, Genesco, Hanna and Western Townships of Henry County, Illinois.

3. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), a market in which the post-merger HHI is above 1800 is considered highly concentrated. In such markets, the Department is likely to challenge a merger that increases the HHI by more than 50 points. The Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points.

convenience and needs of the community. Considerations related to the convenience and needs of the communities to be served also are consistent with approval of the transaction.

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. The transaction shall not be consummated before the thirtieth day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago, pursuant to delegated authority.

By order of the Board of Governors, effective May 26, 1987.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, Angell, and Heller.

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

CNB Bancorp, Inc.
Danville, Illinois

Order Approving Formation of a Bank Holding Company

CNB Bancorp, Inc., Danville, Illinois, has applied for the Board's approval under section 3 of the Bank Holding Company Act of 1956, as amended ("Act") (12 U.S.C. § 1841 *et seq.*), to acquire the City National Bank of Hoopeston, Hoopeston, Illinois ("Bank"), and thereby to become a bank holding company.

Notice of the application, affording an opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the Act (52 *Federal Register* 41,434 (1986)). The time for filing comments has expired and the Board has considered the application and all comments received, including a protest submitted by the Lake Shore National Bank, Danville, Illinois ("Protestant"),[1] in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant is a non-operating corporation formed for the purpose of acquiring Bank. Bank is among the smaller banking organizations in the state,[2] with total domestic deposits of $40.6 million, representing less than one percent of total deposits in commercial banking organizations in the state. Consummation of this proposal would not result in a concentration of banking resources or in any significant adverse competitive effects in the state.

Bank operates in the Watseka, Illinois banking market,[3] where it is the 2nd largest commercial banking organization, controlling 11.3 percent of total deposits in commercial banking organizations in the state. None of the principals of Applicant or Bank is associated with any other financial institution located within the relevant banking market. Accordingly, consummation of this transaction would not result in a concentration of banking resources or in significant adverse competitive effects in the relevant geographic area.[4] Competitive factors, therefore, are consistent with approval of the application.

The Board has previously indicated that a bank holding company should serve as a source of financial and managerial strength for its subsidiary bank. Although Applicant will incur debt in connection with this proposal, it appears that Applicant will be able to service its debt and serve as a source of financial and managerial strength to Bank, particularly in light of certain commitments by Applicant's principals. Accordingly, the Board concludes that the financial and managerial resources of Applicant and Bank are consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order or later than three

1. Protestant, a competitor of Bank in the local banking market, alleges in pertinent part that Applicant's proposal would have a significantly adverse effect on competition in view of the numerous existing providers of financial services; that Applicant has failed to demonstrate how the proposal would serve the needs of the Danville and Hoopeston, Illinois communities; that Applicant's principals failed to rent to Protestant space in a shopping mall owned by the principals; and that Applicant has failed to demonstrate that it has the financial and managerial resources to serve as a source of strength to Bank. The Board has carefully reviewed Protestant's comments, Applicant's responses thereto, and all the facts of record, and has concluded that financial, managerial and competitive factors, as well as convenience and needs considerations, are consistent with approval of the application.

Protestant also has requested that a public meeting be held on this application pursuant to section 262.25(d) of Regulation Y, 12 C.F.R. § 262.25(d). The Board has carefully reviewed the issues raised by the Protestant in light of the record before it, and has concluded that no additional clarification of the issues presented therein is necessary for the Board's disposition of this matter. The Board therefore concludes that a public meeting would serve no useful purpose. Accordingly, the request for a public meeting is denied.

2. Banking data are as of December 31, 1985.

3. The Watseka banking market includes all of Iroquois County, Illinois, as well as Butler and Grant Townships in Vermilion County, Illinois.

4. Upon consummation of the proposed transaction, Applicant intends to apply to the Comptroller of the Currency for approval to move Bank's main office a distance of 25 miles from its current location in Hoopeston, Illinois, to Danville, Illinois, which also is located within the Watseka banking market. Bank would be maintained as a separate facility and there would be no decrease in existing banking services in the market.

months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 6, 1987.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, Angell, and Heller.

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

Comerica Incorporated
Detroit, Michigan

Order Approving Acquisition of a Bank

Comerica Incorporated, Detroit, Michigan, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), 12 U.S.C. § 1841 *et seq.*, has applied pursuant to section 3(a)(3) of the Act, 12 U.S.C. § 1843(a)(3) to acquire between 25.77 percent and 100 percent of the shares of the successor by merger to MetroBanc, Federal Savings Bank, Grand Rapids, Michigan ("Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been given in accordance with section 3(b) of the Act, 51 *Federal Register* 45,177 (1986). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act.

Bank is a federal savings bank, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation ("FSLIC"). Bank has adopted a conversion plan by which it will convert to a state chartered, federally insured savings bank and then will convert to a national bank. Applicant proposes to establish an interim national bank which will acquire by merger the national bank into which Bank will be converted.

Since Bank, at the time of acquisition by Applicant, will be a national bank that will continue to accept demand deposits and make commercial loans, Bank is a "bank" for purposes of the Act, and Applicant properly has applied to acquire Bank under section 3 of the Act, which governs the acquisition of banks by bank holding companies.

Applicant, with deposits of $7.8 billion,[1] is the second largest commercial banking organization in Michigan, controlling 13.6 percent of the total deposits of commercial banking organizations in the state. After conversion Bank will control deposits of $281.7 million, representing 0.5 percent of the total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Applicant will continue to be the second largest commercial banking organization in Michigan and control deposits of $8.1 billion, representing 14.1 percent of total deposits in commercial banking organizations in the state. Consummation of this proposal would not have any significant adverse effect upon the concentration of banking resources in the state.

Applicant competes directly with Bank in the Grand Rapids banking market.[2] Applicant is the ninth largest of 17 commercial banking organizations, with total deposits of $52.5 million, representing 1.4 percent of total deposits in commercial banks in the market. Upon conversion Bank will be the fourth largest commercial banking organization in the market, with total deposits of $281.7 million, representing 7.6 percent of total deposits in commercial banking organizations in the market. After consummation of this proposal, Applicant would become the fourth largest commercial banking organization and control 9.0 percent of total deposits in commercial banking organizations in the market. The share of deposits held by the four largest commercial banking organizations in the market would be 85.5 percent and the Herfindahl–Hirschman Index ("HHI") would increase by 21 points to 2494.[3]

Although consummation of the proposal would eliminate some existing competition between Applicant and Bank in the Grand Rapids banking market, numerous other commercial banking organizations would remain as competitors in the market. Moreover, the conversion of MetroBanc to a national bank introduces another full service competitor into the market. Based upon the above considerations, the Board concludes that consummation of the proposal is not likely

1. Market data are as of December 31, 1985. State data are as of June 30, 1985.

2. The Grand Rapids banking market is approximated by Kent County, except for Oakfield and Spencer townships; Thornapple township in Barry County; Casnovia township in Muskegon County; Salem, Dorr and Leighton townships in Allegan County; and Jamestown, Georgetown, Blendon, Allendale, Tallmadge, Polkton, Wright, and Chester townships in Ottawa County, Michigan.

3. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), any market in which the post-merger HHI is over 1800 is considered highly concentrated, and the Department is likely to challenge a merger that increases the HHI by more than 50 points unless other factors indicate that the merger will not substantially lessen competition. 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 an anticompetitive effect) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points.

to substantially lessen competition in the Grand Rapids banking market.

Based upon a review of all of the facts of record, the Board has determined that the financial and managerial resources of Applicant and MetroBanc are consistent with approval. In its evaluation of Applicant's managerial resources, the Board has considered certain violations by Applicant's lead bank, Comerica Bank, Detroit, Michigan, of the Currency and Foreign Transactions Reporting Act ("CFTRA") and the regulations thereunder.[4] With regard to CFTRA violations, the Board notes that Applicant has cooperated with law enforcement agencies and has taken remedial action designed to correct violations and prevent their recurrence. The sufficiency of Applicant's compliance procedures has been reviewed by examiners from the Office of the Comptroller of the Currency and the Federal Reserve Bank of Chicago, and the Bank has consulted with appropriate enforcement agencies.

For the foregoing reasons, the Board concludes that the managerial resources of Applicant and its subsidiary banks are consistent with approval. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval of the proposal.

The Board notes that this application involves the acquisition of a bank that results from a conversion of a non-failing FSLIC-insured federal savings bank. The acquisition proposed here, however, does not fall within the scope of the Board's policy and rulings regarding acquisitions of thrift institutions under section 4 of the Act[5] or the provisions of the 1982 Garn–St Germain Depository Institutions Act regarding acquisitions of thrift institutions. Bank, when acquired by Applicant, will be a national bank chartered by the Office of the Comptroller of the Currency. Bank will function as a commercial bank, accepting demand deposits and engaging in commercial lending, and will be subject to all the banking standards of the Bank Holding Company Act.

The Board expects that Applicant will comply with all state and federal requirements necessary for consummation of the acquisition, and the Board's approval of this application under the Act is not intended to preempt any such requirements.[6] The Board has previously stated that its approval of transactions under section 3 of the Act does not relieve an applicant or the bank involved of the responsibility to obtain approval under other federal or state laws and regulations and does not shield an applicant from the consequences of violations of other laws.[7]

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. This transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 4, 1987.

Voting for this action: Chairman Volcker and Governors Johnson, Angell, and Heller. Abstaining from this action: Governor Seger.

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

First Chicago Corporation
Chicago, Illinois

Order Approving Acquisition of a Bank

First Chicago Corporation, Chicago, Illinois, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) (the "Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire all the voting shares of Beneficial National Bank USA, Wilmington, Delaware ("Beneficial"), a limited-purpose national bank that engages in credit card operations.

Notice of the application, affording opportunity for interested persons to submit comments, has been published (52 *Federal Register* 15,381 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3 of the Act.

Applicant is the largest commercial banking organization in Illinois, operating 10 subsidiary banks with total deposits of $27 billion.[1] Beneficial is a national banking association chartered in 1983 by the Comp-

4. 31 U.S.C. § 5311 *et seq.*; 31 C.F.R. § 103.
5. *D.H. Baldwin Company*, 63 FEDERAL RESERVE BULLETIN 280 (1977).
6. The Board may not approve an application that would result in a violation of federal or state law. *Whitney National Bank v. Bank of New Orleans*, 379 U.S. 411 (1964).
7. *Crocker National Corporation*, 66 FEDERAL RESERVE BULLETIN 66 (1980); *Royal Trust Company*, 37 *Federal Register* 18,414, 18,415 (1972).

1. Banking data are as of December 31, 1986.

troller of the Currency. Beneficial is engaged primarily in the extension of credit by means of the issuance of Visa and MasterCard credit cards. Beneficial also accepts time deposit accounts in the form of certificates of deposit, but it does not accept demand deposits. Because of the limited scope of Beneficial's activities, the proposed transaction would have no significant effect on the concentration of banking resources in Delaware.

Section 3(d) of the Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the bank holding company's home state unless the acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication."[2] As of May 18, 1987, the statute laws of Delaware authorize the acquisition by an out-of-state bank holding company of an existing bank that satisfies the requirements of section 803, Title 5, of the Delaware Code.[3] The Delaware Commissioner of Banks has notified the Board that he has approved the acquisition.

Based on the foregoing, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of Delaware and thus Board approval is not prohibited by the Douglas Amendment.

Applicant operates subsidiaries that compete with Beneficial in the provision of credit card services. Applicant controls approximately 3.9 percent of the market for bank revolving credit cards and Beneficial controls approximately 1.2 percent of the market.[4] The market for such services is nationwide, and there are numerous existing and potential competitors in the market. Accordingly, consummation of this proposal would not result in a substantial lessening of competition in any relevant market.

The financial and managerial resources of Applicant and Beneficial are consistent with approval of the proposal. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the application under section 3 of the Act should be and hereby is approved. The acquisition of Beneficial shall not be consummated before the thirtieth day following the effective date of this Order, or later than 90 days after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago, pursuant to delegated authority.

By order of the Board of Governors, effective May 26, 1987.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, Angell, and Heller.

[SEAL]

JAMES MCAFEE
Associate Secretary of the Board

Norstar Bancorp, Inc.
Albany, New York

Order Approving Acquisition of a Bank

Norstar Bancorp, Inc., Albany, New York, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) (the "Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares of Syracuse Savings Bank, Syracuse, New York, a stock savings bank ("Bank"). Bank presently operates as a mutual association and will convert to stock form in order to effect the acquisition.

Notice of the application, affording an opportunity for interested persons to submit comments, has been published (52 *Federal Register* 8,967 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. §1842(c)).

The Board previously has determined that a state savings bank is a "bank" under section 2(c) of the Act if it accepts demand deposits, engages in the business of making commercial loans, and is not covered by the exemption created by the Garn–St Germain Depository Institutions Act of 1982 for thrift institutions insured by the Federal Savings and Loan Insurance Corporation ("FSLIC") or is not operating under a charter by the Federal Home Loan Bank Board.[1] Bank

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

3. Del. Am. S.B. No. 109 § 160(3) (May 18, 1987); Del. Code Ann. tit. 5 § 803 (1985).

4. Data are as of June 30, 1986, and are based on bank credit card and check credit receivables.

1. *Excel Bancorp, Inc.*, 72 FEDERAL RESERVE BULLETIN 731 (1986); *First Fidelity Bancorporation*, 72 FEDERAL RESERVE BULLETIN 487 (1986); *BankVermont Corporation*, 70 FEDERAL RESERVE BULLETIN 829 (1984); *The Frankford Corporation*, 70 FEDERAL RESERVE BULLETIN 654 (1984); *The One Bancorp*, 70 FEDERAL RESERVE BULLETIN 359 (1984); *First NH Banks, Inc.*, 69 FEDERAL RESERVE BULLETIN 874 (1983); *Amoskeag Bank Shares, Inc.*, 69 FEDERAL RESERVE BULLETIN 860 (1983).

will accept deposits and engage in the business of making commercial loans, and its deposits will not be insured by the FSLIC. Accordingly, Bank will be a "bank" for purposes of the Act. The application therefore has been considered in light of the requirements of section 3 of the Act pertaining to the acquisition of banks.

Applicant is the tenth largest commercial banking organization in New York, with deposits of approximately $8.3 billion, controlling 3.3 percent of the total deposits in commercial banking organizations in the state.[2] Bank is the twenty-fourth largest commercial banking organization in New York, with approximately $1.1 billion in deposits, controlling 0.4 percent of the total deposits in commercial banking organizations in New York. Upon consummation of this proposal, Applicant would remain the tenth largest commercial banking organization in New York. Consummation of this proposal would not have a significant effect on the concentration of banking resources in New York.

Both Applicant and Bank operate in the Syracuse and Elmira-Corning banking markets.[3]

Applicant is the sixth largest of 15 commercial banking organizations in the Syracuse banking market, with 3.4 percent of the total deposits in commercial banking organizations in the market. Bank is the largest commercial banking organization in the Syracuse banking market, with 30.2 percent of the total deposits in commercial banking organizations in the market. Upon consummation of the transaction, Applicant will become the largest commercial banking organization in the market, with 33.6 percent of the total deposits in commercial banking organizations in the market. The market is highly concentrated, with a Herfindahl-Hirschman Index ("HHI") of 1836, and the proposed acquisition will increase the HHI by 202 points.

Although consummation of this proposal would eliminate some existing competition between Applicant and Bank in the Syracuse banking market, certain facts of record mitigate the adverse competitive effect of the proposal in this market. Numerous other commercial banking organizations would continue to operate in the market after consummation of the proposal. Moreover, the Board has considered as an extenuating factor in its evaluation of the competitive effects of this proposal Bank's deteriorating financial condition and that consummation of this proposal will provide it with the financial and managerial resources to continue to serve the convenience and needs of the community.

In addition, the Board has considered the presence of thrift institutions in the Syracuse market. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks.[4] Thrift institutions already exert a considerable competitive influence in the market by providing a wide array of deposit and lending services to consumer and commercial customers. In view of these facts, the Board has concluded that thrift institutions exert a significant competitive influence that mitigates the anticompetitive effects of this proposal in the Syracuse market. In accordance with the Board's practice, the Board has included in the calculation of market concentration 50 percent of the deposits controlled by thrift institutions.

Taking into account all of these factors, the Board notes that if 50 percent of deposits held by thrift institutions in the Syracuse market were included in the calculation of market concentration, Applicant would be the eighth largest of 28 depository institutions in the market with 2.5 percent of the total deposits in depository institutions in the market. Bank would be the largest depository institution in the market with 22.7 percent of the total deposits in depository institutions in the market. Upon consummation of the transaction, Applicant would become the largest depository institution in the market with 25.2 percent of the total deposits in depository institutions in the market. The market would be moderately concentrated, with an HHI of 1185, and the proposed acquisition would increase the HHI by 114 points to 1299. This market share and concentration ratio are consistent with prior decisions by the Board involving acquisitions of direct competitors.

Applicant is the third largest of 14 commercial banking organizations in the Elmira-Corning banking market, with 13.2 percent of the total deposits in commercial banking organizations in the market. Bank is the sixth largest commercial banking organization in the Elmira-Corning banking market, with 5.8 percent

2. State deposit data are as of December 31, 1986. Market deposit data are as of June 30, 1985.

3. The Syracuse banking market is approximated by all of Cayuga, Onondaga, and Oswego Counties, and parts of Cortland and Madison Counties. The Elmira-Corning banking market is approximated by all of Chemung County and parts of Allegany, Schuyler, and Steuben Counties.

4. *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743 (1984); *The Chase Manhattan Corporation*, 70 FEDERAL RESERVE BULLETIN 529 (1984); *NCNB Bancorporation*, 70 FEDERAL RESERVE BULLETIN 225 (1984); *General Bancshares Corporation*, 69 FEDERAL RESERVE BULLETIN 802 (1983); *First Tennessee Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

of the total deposits in commercial banking organizations in the market. Upon consummation of the transaction, Applicant will become the second largest commercial banking organization in the market, with 19.1 percent of the total deposits in commercial banking organizations in the market. The market is moderately concentrated, with an HHI of 1297, and the proposed acquisition will increase the HHI by 154 points. Accordingly, the Board concludes that the acquisition would have no significant adverse effect on existing competition in the Elmira-Corning banking market.[5]

In the past, Bank has engaged in certain real estate investment activities authorized by state law. Bank has advised Applicant that it currently is not engaged in these activities, and Applicant has committed that, upon consummation, Bank will not engage, directly or indirectly, in any real estate investment activities.

Bank engages, through a separate department, in the sale and issuance of Savings Bank Life Insurance ("SBLI"). As required by New York law, the assets, reserves and earnings of Bank's SBLI department are held solely for the benefit of policyholders. These holdings are segregated from all other assets, liabilities, obligations, and expenses of Bank.[6] Bank also engages in certain insurance activities through a subsidiary. The subsidiary acts as an agent in selling various types of insurance such as life insurance.

In connection with Applicant's proposal, the Independent Insurance Agents of America, Inc., the National Association of Casualty and Surety Agents, the National Association of Surety Bond Producers, the National Association of Life Underwriters, and the National Association of Professional Insurance Agents submitted comments protesting this application on the grounds that the insurance activities conducted by Bank are prohibited under the amendments to section 4 of the Act, contained in the Garn–St Germain Depository Institutions Act of 1982.[7]

In response to the protests and in order to expedite consideration of the application, Applicant has agreed that, within two years of consummation of its acquisition of Bank, Bank will divest or terminate its SBLI activities, unless during such period Applicant receives approval pursuant to an application under section 4(c)(8) of the Act to retain such activities, or the Board otherwise determines that these activities are permissible under the Act when conducted directly by subsidiary banks of bank holding companies.

Accordingly, and without resolving whether section 4 of the Act governs the SBLI activities conducted directly by savings banks owned by bank holding companies, the Board has determined to accept Applicant's commitment to divest or terminate such activities within two years of consummation of the proposal unless during that period Applicant obtains a Board determination that Bank may continue to conduct its SBLI activities under the Act. The Board wishes to emphasize that its action in this case does not constitute a decision by the Board on the merits of the issues raised by Protestants.

In this regard, the Board notes that, even if the Board were to conclude, as the Protestants claim, that the insurance prohibitions of the Act apply to the direct activities of Bank, the Board would, under the circumstances of this case, allow the Applicant two years to conform to the nonbanking provisions of the Act.[8] The Board believes the two-year period to be particularly appropriate in this case in light of the facts that this acquisition will result in the recapitalization of

5. If deposits held by thrift institutions in the Elmira-Corning market were included in the calculation of market concentration, Applicant would be the third largest of 20 depository institutions in the market with 10.5 percent of the total deposits in depository institutions in the market. Bank would be the ninth largest depository institution in the market with 4.6 percent of the total deposits in depository institutions in the market. Upon consummation of the transaction, Applicant would become the second largest depository institution in the market with 15.1 percent of the total deposits in depository institutions in the market. The market would be unconcentrated, with an HHI of 931, and the proposed acquisition would increase the HHI by 97 points, to 1028, which is a moderately concentrated market.

6. If the claims upon Bank's SBLI department exceed the department's reserves, those claims are paid by the New York State SBLI Fund.

7. The National Association of Life Underwriters and the National Association of Professional Insurance Agents have also requested that the Board order a factual hearing to determine whether the application complies with section 4(c)(8) of the Act. Although section 3(b) of the Act does not require a formal hearing in this instance, the Board may, in any case, order an informal or formal hearing. In light of the commitments made by Applicant and other facts of record, the Board has determined that a hearing would serve no useful purpose. Accordingly, the request for a hearing is denied.

8. Section 4(a)(2) of the Act (12 U.S.C. § 1843(a)(2)) expressly provides that a company has two years from the date it becomes a bank holding company to terminate any impermissible activities. Although Applicant is an established bank holding company, the Board has also allowed, in certain circumstances, already established bank holding companies a similar two-year period to divest impermissible nonbanking activities acquired in connection with the acquisition of a permissible activity. *See, e.g. Saban S.A.*, 73 FEDERAL RESERVE BULLETIN 359 (1987); *Maryland National Corporation*, 73 FEDERAL RESERVE BULLETIN 311 (1987); *Security Pacific Corporation*, 72 FEDERAL RESERVE BULLETIN 800, 802 n.12 (1986); *Citicorp/Quotron*, 72 FEDERAL RESERVE BULLETIN 497, 500 (1986); *Chase Manhattan Corporation*, 71 FEDERAL RESERVE BULLETIN 960 (1985); *Baltimore Bancorp*, 71 FEDERAL RESERVE BULLETIN 901 (1985); *Citicorp/First Federal Savings & Loan*, 70 FEDERAL RESERVE BULLETIN 149, 155 (1984).

Bank and that Bank has conducted this activity safely and soundly pursuant to explicit state authorization for over 40 years. In addition, the Board notes that an immediate requirement for cessation of Bank's SBLI activity could cause adverse consequences for other institutions offering SBLI as well as the state-SBLI financial guaranty fund. On this basis, and in view of the special and historical relationship between savings banks and the SBLI program, the Board has determined to grant the two-year divestiture period proffered by Applicant.

With regard to the Bank's remaining insurance activities, Applicant has agreed that, within two years of consummation of the acquisition, Bank will divest or terminate the insurance activities of its subsidiary, unless during such period Applicant receives approval pursuant to an application under section 4(c)(8) of the Act to retain such activities. During this two-year period or unless authorization is granted pursuant to the Act for broader activities, Bank will limit the insurance activities of its subsidiary to renewal of existing policies.[9]

In evaluating this application, the Board has considered the financial and managerial resources of Applicant and the effect on those resources of the proposed acquisition. In this regard, the Board has previously stated that it expects organizations experiencing substantial growth internally and by acquisition, such as Applicant, to maintain a strong capital position substantially above the minimum levels specified in the Capital Adequacy Guidelines, without significant reliance on intangibles, particularly goodwill.[10] Although the proposed transaction will result in the creation of a substantial amount of intangible assets, Applicant's tangible primary capital ratio is and will remain well above the minimum level specified in the Guidelines. In this connection, the Board notes that Applicant is raising common equity to fund the proposed acquisition. With respect to Bank's financial resources, Applicant will inject a significant amount of capital into Bank and maintain Bank's tangible primary capital ratio above the Board's minimum Guidelines. Accordingly, the Board concludes that the financial and managerial resources and future prospects of Applicant are satisfactory and consistent with approval.

Considerations relating to the convenience and needs of the communities to be served also are consistent with approval, particularly in light of the fact that the acquisition will result in the recapitalization of Bank and enable it to continue to provide services to the public.

Based on the foregoing and other facts of record, including the commitments made by Applicant, the Board has determined that the application under section 3 of the Act should be and hereby is approved. The acquisition of Bank shall not be consummated before the fifth calendar day following the effective date of this Order, or later than 90 days after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, pursuant to delegated authority.

By order of the Board of Governors, effective May 6, 1987.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, Angell, and Heller.

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

United Missouri Bancshares, Inc.
Kansas City, Missouri

Order Approving Acquisition of a Bank Holding Company and Banks

United Missouri Bancshares, Inc., Kansas City, Missouri, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), 12 U.S.C. § 1841 *et seq.*, has applied for the Board's approval pursuant to section 3(a)(3) of the Act, to acquire 100 percent of the voting shares of FCB Corp. ("FCB"), Collinsville, Illinois, and thereby indirectly to acquire The First National Bank of Collinsville, Collinsville, Illinois; First County Bank of Maryville, Maryville, Illinois; and First State Bank of Morrisonville, Morrisonville, Illinois.

Notice of the application, affording interested persons an opportunity to submit comments, has been given in accordance with section 3(b) of the Act (51 *Federal Register* 44,379 (1986)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act.

The Board is prohibited by the Douglas Amendment to the Act from approving any application by a bank holding company to acquire directly or indirectly a bank located outside the bank holding company's home state, unless the state where the bank to be acquired is located has specifically authorized the acquisition "by language to that effect and not merely

9. *See Standard Chartered PLC*, 73 FEDERAL RESERVE BULLETIN 167 (1987).

10. *Citicorp*, 72 FEDERAL RESERVE BULLETIN 724; Capital Adequacy Guidelines, 50 *Federal Register* 16,057, 16,066–67 (April 24, 1985), 71 FEDERAL RESERVE BULLETIN 445 (1985); *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743, 746 (1984).

by implication." 12 U.S.C. § 1842(d). Applicant's home state is Missouri. FCB and its subsidiary banks are located in Illinois. The Board reviewed the regional reciprocal interstate banking statutes of Illinois and Missouri[1] in *Landmark Bancshares Corp.*, Clayton, Missouri, to acquire Mid America Bancsystem, Inc., Fairview Heights, Illinois, and determined that the laws of Illinois and Missouri met the requirements of the Douglas Amendment and that the acquisition of an Illinois bank holding company and banks by a Missouri bank holding company was, therefore, permissible under the Act.[2] Accordingly, the Board concludes that the Douglas Amendment does not prohibit Board approval of Applicant's acquisition of FCB and its subsidiary banks.

Applicant, with deposits of $2.8 billion,[3] is the 5th largest banking organization in Missouri, controlling 6.5 percent of the total deposits in commercial banking organizations in Missouri. FCB, with deposits of $146.7 million, is the 102nd largest banking organization in Illinois, controlling 0.1 percent of the total deposits in commercial banking organizations in Illinois. Consummation of this proposal will not have a significant adverse effect on existing levels of concentration of state-wide banking resources in either Missouri or Illinois.

Applicant's subsidiary banks compete directly with FCB's subsidiary banks in the St. Louis banking market.[4] Applicant is the 9th largest of 72 commercial banking organizations in the market, with total market deposits of $340.1 million, representing 1.8 percent of total deposits in commercial banks in the market. FCB is the 17th largest commercial banking organization in the market, with total market deposits of $138.1 million, representing 0.7 percent of total deposits in commercial banks in the market. Upon consummation of this proposal, Applicant will become the 8th largest commercial banking organization in the market, controlling deposits of $478.2 million, representing 2.5 percent of total deposits in commercial banks in the market.

The St. Louis banking market is considered unconcentrated, with the four largest banks controlling 55.3 percent of deposits in commercial banks in the market. The Herfindahl–Hirschman Index ("HHI") for the market is 900, and would increase by 3 points upon consummation of this proposal.[5] Based upon the number of commercial banking organizations that would remain in the market after consummation and the small increase in Applicant's market share, the Board concludes that consummation of this proposal is not likely to substantially lessen competition in the St. Louis banking market.

FCB's subsidiary bank, First State Bank of Morrisonville, operates in the Christian County banking market.[6] FCB is the 9th largest of 11 commercial banking organizations in the market, with total deposits of $8.6 million, representing 2.6 percent of total deposits in commercial banks in the market. Applicant is not currently represented in the Christian County banking market.

This market is not located within a Metropolitan Statistical Area, and FCB is among the smaller firms in the market. In addition, there are a significant number of banking organizations in Illinois and those states with which it has established reciprocal interstate banking, including Missouri, which qualify as probable future entrants into the Christian County banking market. Based upon these and other facts of record, the Board concludes that consummation of this proposal would not have a significant adverse effect on probable future competition in the Christian County banking market. Accordingly, based on all the facts of record, the Board concludes that consummation of the proposal would not have a significant adverse effect on existing or probable future competition or significantly increase the concentration of banking resources in any relevant banking market.

The financial and managerial resources of Applicant and FCB are considered satisfactory and consistent with approval.

In considering the convenience and needs of the communities to be served, the Board has considered the records of Applicant's bank subsidiaries under the Community Reinvestment Act ("CRA"), as well as the comments of the Committee Against Recurring Economic Discrimination ("Protestant").[7] Protestant

1. *See*, Mo. Rev. Stat. § 362.910, *et seq.* (1986); Ill. Rev. Stat. Ch. 17 § 2501, *et seq.* (1986).
2. *Landmark Bancshares Corp.*, Order approved November 24, 1986.
3. All banking data are as of December 31, 1986.
4. The St. Louis banking market is approximated by St. Louis, Jefferson and St. Charles Counties, Missouri, and Lebanon and Mascoutal Townships in St. Claire County, Illinois.
5. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), any market in which the post-merger HHI is below 1000 is considered unconcentrated, and the Department will not challenge a merger with a post-merger HHI below 1000, except in extraordinary circumstances.
6. The Christian County banking market is approximated by Christian County, Illinois, and the Townships of Cold Spring, Oconee, Rural and Tower Hill in Shelby County, Illinois.
7. The CRA requires the Board to assess the record of banks in meeting the credit needs of their entire communities, including low-to-moderate income neighborhoods, consistent with their safe and sound operation, and to take those records into account in the Board's evaluation of bank holding company applications. 12 U.S.C. § 2901 *et seq.*

alleges that Applicant's Kansas City Banks ("Banks") have not adequately assessed or met the credit needs of low-to-moderate income neighborhoods located within the Banks' delineated service areas, in particular low-to-moderate income individuals residing in the northeast section of Kansas City. In this regard, pursuant to the Board's practice and procedures, the Federal Reserve Bank of Kansas City arranged several private meetings between the Applicant and Protestant in January 1987 to clarify the issues under the CRA and provide a forum for the resolution of differences.[8]

The Board notes that Applicant's and FCB's subsidiary banks have achieved satisfactory overall CRA ratings based upon the most recent compliance examinations. The Board also notes that, in 1985, approximately 18.6 percent of the Banks' total home purchase loans were made in low-to-moderate income areas in the Kansas City MSA.

The record also shows that since 1983, over 30 percent of the home improvement loans made by Banks in the Kansas City MSA were made in low-to-moderate income areas.[9] This represents a higher level of home improvement loans made in low-to-moderate income census tracts in the Kansas City MSA than was made by all other banks operating in the market. In 1985, Banks also made 28.8 percent of their Small Business Administration ("SBA") loans and 13.4 percent of their consumer installment loans in low-to-moderate income census tracts in the Kansas City MSA.

Applicant has informed the Board that its internal goals for 1987 contemplate a 20 percent increase in its home mortgage lending activities throughout the Kansas City MSA, including a 20 percent increase in its current home mortgage lending in low-to-moderate income areas. Similarly, Applicant expects to increase home improvement lending by approximately 10 percent in 1987.

In order to address concerns raised by Protestant, to enhance its service to low-to-moderate income areas, and to inform residents of low-to-moderate income neighborhoods of services available through Applicant's subsidiaries, Applicant has committed to:

(1) Include statement stuffers with all checking and savings account statements to improve customers' understanding of the availability of home improvement, home purchase and SBA loans;

(2) Place advertisements in an area newspaper, suggested by Protestant as one having significant interest and circulation in Protestant's census tracts, describing the availability of home improvement, home purchase and SBA loans;

(3) Designate a "Loan Officer" at United Missouri City Bank's Independence Avenue office;

(4) Ensure that representatives of Applicant's mortgage banking subsidiary and loan officers of United Missouri City Bank meet to review details of the loan application process for home purchase loans that qualify for Freddie Mac and Fannie Mae participation;

(5) Implement training sessions for loan officers and personal banking representatives of Banks to increase familiarity with the CRA and the Board's Regulation BB;

(6) Develop lobby posters and information leaflets explaining the availability of loans and the application procedure;

(7) Ensure the availability of a representative of United Missouri City Bank to become involved with Old Northeast, Inc., an area neighborhood association, or some similar group; and

(8) Ensure that Banks' representatives will be available to make presentations to area groups concerning the services available at Banks.

The Board expects Applicant to provide the Reserve Bank of Kansas City with quarterly written reports detailing the progress of Applicant's Kansas City Banks in implementing the proposed programs to assess and serve the credit needs of their respective communities and to fulfill the commitments made in connection with this application.

Accordingly, based on all of the evidence, including the commitments and measures Applicant has proposed in order to enhance its service of the convenience and needs of its communities, the Board concludes that convenience and needs considerations are consistent with approval of this application.[10]

8. 12 C.F.R. § 262.25.

9. These ratios are 33.3 percent in 1983, 34.2 percent in 1984, and 32.6 percent in 1985.

10. The Board has also considered the Protestant's request for a public meeting under section 262.25(d) of the Board's regulations and a formal hearing under the Act. Protestant has been given the opportunity to submit written facts and arguments to the Board regarding this application. In addition, the Reserve Bank has arranged several informal meetings between Protestant and Applicant in order to permit clarification and discussion of the record of Applicant's Banks in meeting the convenience and needs of the community. In light of this and the representations and commitments made by Applicant in response to Protestant's comments, the Board has determined to deny Protestant's requests for a public meeting and a formal hearing at this time.

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. This transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 28, 1987.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, Heller, and Kelley. Abstaining from this action: Governor Angell.

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

Orders Issued Under Section 4 of the Bank Holding Company Act

The Chase Manhattan Corporation New York, New York

Order Conditionally Approving Application to Underwrite and Deal in Certain Securities to a Limited Extent

The Chase Manhattan Corporation, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act and section 225.21(a) of the Board's Regulation Y, 12 C.F.R. § 225.21(a), to engage through a wholly owned subsidiary, Chase Manhattan Securities, Inc. ("Company")[1], in underwriting and dealing in, on a limited basis, the following securities:

(1) municipal revenue bonds, including certain industrial development bonds;
(2) residential mortgage-related securities; and
(3) consumer-receivable-related securities ("CRRs").[2]

In addition, Applicant has applied for approval under section 4(c)(8) of the BHC Act for Company to underwrite and deal in U.S. government and agency and state and municipal securities that state member banks are authorized to underwrite and deal in under section 16 of the Banking Act of 1933 (the "Glass–Steagall Act") (12 U.S.C. § 24 Seventh) (hereinafter "eligible securities"). Company would engage in the proposed underwriting and dealing activities through offices in New York, California, Illinois, Massachusetts, Pennsylvania, and Texas.[3]

Applicant, with consolidated assets of $94.8 billion,[4] is the third largest banking organization in the nation. It operates seven subsidiary banks in New York, Maryland, Ohio, Delaware, Florida, and Arizona and engages in a broad range of permissible nonbanking activities in the United States and abroad.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (52 *Federal Register* 1,380 (1987)). The Board received two comments on the proposal. The Securities Industry Association ("SIA"), a trade association of the investment banking industry, opposes the application for the reasons stated in its earlier protests to similar applications by Citicorp, J.P. Morgan & Co. Incorporated and Bankers Trust New York Corporation. The Dealer Bank Association commented in favor of the application.

The Board has previously determined that underwriting and dealing in eligible securities is closely related to banking under section 4(c)(8) of the BHC Act. 12 C.F.R. § 225.25(b)(16). In addition, the Board concludes that Company's performance of this activity may reasonably be expected to result in public benefits which would outweigh adverse affects under the proper incident to banking standard of section 4(c)(8) of the BHC Act. Accordingly, Applicant may engage through Company in underwriting and dealing in eligible securities to the extent that state member banks are authorized by section 16 of the Glass–Steagall Act.

On April 30, the Board approved applications by Citicorp, J.P. Morgan and Bankers Trust to underwrite and deal in, through their eligible securities underwriting subsidiaries, 1–4 family mortgage-backed securities, municipal revenue bonds (and certain industrial development bonds) and (except for Citicorp) commercial paper.[5] The Board concluded that the underwriting subsidiaries would not be "en-

1. Company is presently operating as Chase Manhattan Treasury Corporation.
2. Applicant proposes to limit Company's underwriting and dealing activity in these securities to 10 percent of the total business of the underwriting subsidiary as measured by dollar volume and assets as well as to 3 percent of the market.
3. The Board has previously authorized Applicant to underwrite and deal in third party commercial paper through a commercial finance subsidiary, Chase Commercial Corporation, Englewood, New Jersey, subject to 5 percent gross revenues and market limitations. *The Chase Manhattan Corporation*, 73 FEDERAL RESERVE BULLETIN 367 (1987).
4. Banking data are as of December 31, 1986.
5. *Citicorp/Morgan/Bankers Trust, supra.*

gaged principally" in underwriting or dealing in securities within the meaning of section 20 of the Glass–Steagall Act[6] provided they derived no more than 5 percent of their total gross revenues from underwriting and dealing in the approved securities over any two-year period and their underwriting and dealing activities did not exceed 5 percent of the market for each particular type of security involved. The Board further found that, subject to the prudential framework of limitations established in those cases to address the potential for conflicts of interest, unsound banking practices or other adverse effects, the proposed underwriting and dealing activities were so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act. In the case of CRRs, the Board concluded that the record then before it did not provide a sufficient evidentiary basis for it to make the formal finding required by the BHC Act, but stated that it would reconsider the matter within 60 days of its Order on the basis of fuller submissions.

For the reasons set forth in the Board's *Citicorp/Morgan/Bankers Trust* Order, the Board concludes that Applicant's proposal to engage through Company in underwriting and dealing in municipal revenue bonds[7] and 1–4 family mortgage-related securities would not result in a violation of section 20 of the Glass–Steagall Act and is closely related and a proper incident to banking within the meaning of section 4(c)(8) of the BHC Act provided Applicant limits Company's activities as provided in the *Citicorp/Morgan/Bankers Trust* Order. The Board will reconsider the permissibility of Applicant's proposal with respect to CRRs within 60 days. Accordingly, the Board has determined to approve the underwriting application subject to all of the terms and conditions established in the *Citicorp/Morgan/Bankers Trust* Order. The Board hereby adopts and incorporates herein by reference the reasoning and analysis contained in the *Citicorp/Morgan/Bankers Trust* Order.

The Board's approval of this application extends only to activities conducted within the limitations of section 225.25(b)(16) of the Board's Regulation Y and the *Citicorp/Morgan/Bankers Trust* Order, including the Board's reservation of authority to establish additional limitations to ensure that the subsidiary's activities are consistent with safety and soundness, conflict of interest and other relevant considerations under the BHC Act. Underwriting and dealing in the approved securities in any manner other than as approved in that Order[8] is not within the scope of the Board's approval and is not authorized for Company.

As the Board noted in the *Citicorp/Morgan/Bankers Trust* Order, Congress has under consideration legislation that would prohibit Board approval of an underwriting application, such as this, between March 6, 1987 and March 1, 1988. While this moratorium legislation has not yet been enacted into law, the Board calls to Applicant's attention that it may be required by subsequent Congressional action to cease its underwriting and dealing activities approved in this Order. The Board retains jurisdiction over the application to act to carry out the requirements of any legislation adopted by Congress that would affect Applicant's conduct of underwriting and dealing activities under this Order and the BHC Act.

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

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

By order of the Board of Governors, effective May 18, 1987.

Voting for this action: Governors Johnson, Seger, and Heller. Voting against this action: Chairman Volcker and Governor Angell.

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

6. Section 20 of the Glass–Steagall Act (12 U.S.C. § 377) prohibits the affiliation of a member bank with "any corporation . . . engaged principally in the issue, flotation, underwriting, public sale, or distribution at wholesale or retail or through syndicate participation of stocks, bonds, debentures, notes, or other securities . . . ."

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

8. Company may also provide services that are necessary incidents to these approved activities. The incidental services should be taken into account in computing the gross revenue and market share limits on the underwriting subsidiaries' ineligible underwriting and dealing activities, to the extent such limits apply to particular incidental activities.

Dissenting Statement of Chairman Volcker and Governor Angell

For the reasons set forth in our dissenting statement in the *Citicorp/Morgan/Bankers Trust* Order, we regret we are unable to join the majority in approving this application.

May 18, 1987

Chemical New York Corporation
New York, New York

Order Approving Expansion of Activities of Trust Company to Include Deposit-Taking and Consumer Lending

Chemical New York Corporation, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) (the "BHC Act" or "Act"), has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(1) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(1)), to expand the activities of its subsidiary, Chemical Trust Company of Florida, N.A., Palm Beach, Florida ("Company"), to include the acceptance of savings, time, and demand deposits and the making of consumer loans. These activities have been previously determined by the Board to be closely related to banking. 12 C.F.R. § 225.25(b)(1); *U.S. Trust Corporation*, 70 FEDERAL RESERVE BULLETIN 371 (1984).

Notice of the application, affording opportunity for interested persons to comment, has been published (51 *Federal Register* 43,244 (1986)). The time for filing comments and views has expired, and the Board has considered the application and all comments received, including those submitted by the Comptroller of the State of Florida, the Florida Bankers Association, and the Conference of State Bank Supervisors (collectively, the "Protestants") in opposition to the proposal, in light of the factors set forth in section 4(c)(8) of the Act (12 U.S.C § 1843(c)(8)).

Applicant, with total consolidated assets of $61.0 billion,[1] is the fifth largest commercial banking organization in New York. Company is a national banking association chartered by the Office of the Comptroller of the Currency ("OCC") in 1982 as a limited purpose trust company. It engages in activities normally performed by a trust company, such as the provision of fiduciary, investment advisory, and custody and agency services. Its original charter did not authorize it to engage in deposit-taking or lending activities.

Company now proposes to expand its trust company activities to offer various forms of FDIC-insured savings, time, and demand deposits. Company also intends to offer loans to individuals for personal, family, household, or charitable purposes, and other noncommercial purposes. Company has received the permission of the OCC to engage in the proposed expanded list of activities.

Applicant has stated that because Company will not engage in the business of making commercial loans, Company will not be a "bank" as defined in section 2 of the BHC Act,[2] and thus that Board approval of the application is not barred by the interstate banking limitations of the Douglas Amendment to the BHC Act.[3]

In approving an application by U.S. Trust Corporation to expand the powers of its Florida trust company subsidiary to include certain deposit-taking and consumer lending activities, the Board concluded that a bank holding company could acquire, on an interstate basis, a nationally chartered nonbank bank that would accept demand deposits but not make commercial loans.[4] The Board's determination has been upheld in a decision by the U.S. Court of Appeals for the Eleventh Circuit.[5]

1. Asset data are as of March 31, 1987, and do not reflect Applicant's acquisition of Texas Commerce Bancshares, Inc., Houston, Texas.

2. The BHC Act defines the term "bank" to include any institution chartered under the laws of the United States or any state that accepts deposits that the depositor has a legal right to withdraw on demand and that engages in the business of making commercial loans. 12 U.S.C. § 1841(c). An institution that is chartered as a bank but that does not perform one of the two essential functions required for "bank" status under the BHC Act has been referred to as a "nonbank bank".

3. 12 U.S.C. § 1842(d). The Douglas Amendment prohibits Board approval of an application by a bank holding company to acquire a bank outside the holding company's home state unless the state in which the bank is located has by statute authorized the acquisition.

The Douglas Amendment applies only to the acquisition of banks as defined in the Act and has no applicability in the case of nonbanking companies. *Lewis v. BT Investment Managers, Inc.*, 447 U.S. 27, 47, 49 (1980).

4. *U.S. Trust Corporation*, 70 FEDERAL RESERVE BULLETIN 371 (1984) ("*U.S. Trust*"). Applicant states that Company's excess funds will be invested in investment securities permitted for national banks under 12 U.S.C. section 24 (seventh). Applicant further has committed that Company will not channel funds into any commercial lending affiliate of Company. Accordingly, it appears that Company will not engage in the business of making commercial loans, either directly or indirectly.

5. *Florida Dept. of Banking & Finance v. Board of Governors*, 760 F.2d 1135 (11th Cir. 1985), *vacated and remanded* for further consideration in light of *Dimension*, U.S. , 106 S. Ct. 875 (1986), *on remand*, 800 F.2d 1534 (11th Cir. 1986), *cert. denied*, 55 U.S.L.W. 3706 (U.S. April 21, 1987) (No. 86-1024).

State Law Considerations

Protestants contend that the proposed transaction is prohibited under a 1984 Florida statute that prohibits the acquisition of nonbank banks in Florida.[6] The statute generally prevents a bank holding company, whether headquartered in Florida or outside Florida, from acquiring an institution located in Florida that takes deposits insured by the FDIC unless the institution qualifies as a "bank" under the BHC Act. In addition, the statute prohibits a nonbanking company from acquiring a bank in Florida unless the company is a bank holding company.

Applicant contends that the Florida statute discriminates against interstate commerce and is thus unconstitutional under the Commerce Clause of the United States Constitution. Applicant, therefore, urges the Board to approve the application notwithstanding the Florida statute.

In *Whitney National Bank in Jefferson Parish v. Bank of New Orleans & Trust Company*, 379 U.S. 411, 419 (1965) ("*Whitney*"), the Supreme Court stated that, in acting on bank holding company proposals, the Board must make a finding in the first instance regarding the applicability and validity of state laws that bear on the particular transaction before the Board, and that the Board may not approve a bank acquisition under the Bank Holding Company Act that would be prohibited by a valid state statute.[7] The United States Court of Appeals for the District of Columbia confirmed that this requirement applies to constitutional issues.[8]

In light of these decisions, the Board has taken the position that, in acting on applications under the BHC Act, it would review the applicability of the state statutes that bear on the proposed transaction, including the constitutionality of such statutes, but that it would not "hold the state statute to be unconstitutional without clear and unequivocal evidence of the inconsistency of the state law with the federal Constitution." *NCNB Corp.*, 68 FEDERAL RESERVE BULLETIN 54, 56 (1982). *Bank of New England Corporation*, 70 FEDERAL RESERVE BULLETIN 374, 376 (1984).

In this case, the state statute in question would directly prohibit consummation of Applicant's proposal and thus directly bears on the Board's decision on the application under the BHC Act. Moreover, resolution of the issues raised regarding the consistency of the Florida statute with the Commerce Clause of the U.S. Constitution are closely intertwined with the consideration of the provisions of the BHC Act. Indeed, the Florida statute was enacted to deal with a particular issue that arises under the BHC Act and the impact of the statute on affected banking organizations may only be understood in the context of the interstate banking prohibitions of the Douglas Amendment to the Bank Holding Company Act.

The Board, therefore, believes that, as the agency with primary federal responsibility for administration of the BHC Act, it is particularly appropriate for the Board to express its views in this case regarding the constitutionality of the Florida nonbank bank statute. The Board recognizes that this matter must in the final analysis be resolved by the judiciary, but believes its views would be of benefit to the court in reviewing the matter, particularly in light of the critical importance to the constitutional issue of the interplay between the Florida statute and the BHC Act. *See Whitney*, 379 U.S. at 421 (The Board's "role in the development of the national banking laws . . . makes its views of particular benefit to the courts where ultimately the validity of the arrangement will be tested.").[9]

Accordingly, the Board has examined carefully the arguments advanced by Applicant and Protestants as well as additional information regarding the constitutionality of the Florida statute obtained at an informal hearing on February 6, 1985. For the reasons set out in detail in the attached Appendix, the Board concludes that the Florida statute, as it applies to bank holding

6. Fla. Stat. Ann. § 658.296 (West 1984 and Supp. 1987).

7. *See also First State Bank of Clute v. Board of Governors*, 553 F.2d 950 (5th Cir. 1977), and *Gravois Bank v. Board of Governors*, 478 F.2d 546 (8th Cir. 1973), which do not deal with constitutional issues but required a decision by the Board as to the applicability of state laws to bank holding company acquisitions.

In acting on nonbanking proposals under section 4 of the Act, the Board has also considered whether consummation of the proposal would violate or result in a violation of a state statute. *E.g.*, *Guaranty Bancshares Corp.*, 69 FEDERAL RESERVE BULLETIN 39, 40 (1983); *Commerce Bancshares*, 69 FEDERAL RESERVE BULLETIN 447 (1983); *Crocker National Corp.*, 66 FEDERAL RESERVE BULLETIN 66 (1980). The U.S. Court of Appeals for the Fifth Circuit has held that the Board cannot ignore the applicability and effect of state law in acting on nonbanking proposals under section 4(c)(8) of the Act. *Florida Ass'n of Insurance Agents v. Board of Governors*, 591 F.2d 334, 342 (5th Cir. 1979).

8. *Iowa Independent Bankers Association v. Board of Governors of the Federal Reserve System*, 511 F.2d 1288, 1293 n.4 (1975). The court stated that it felt constrained "to register . . . substantial doubt that the Board can continue to presume conclusively the constitutional validity of state or federal law in light of the Supreme Court's opinion in [*Whitney*]. . . ." The Board notes that Justice Douglas in his dissent in *Whitney* noted that the specific issue with respect to the Louisiana statute at issue in that case would require the Board to decide a "bare, bald question of . . . constitutionality." 379 U.S. at 431.

9. *See also Florida Ass'n of Insurance Agents*, 591 F.2d at 342 ("the 'applicability and effect' of state law on public benefits criteria under the Act is 'the very type of question that Congress envisioned as being resolved in the first instance by the Board.'" (citing *Whitney*, 379 U.S. at 425)).

companies, is not consistent with the Commerce Clause of the U.S. Constitution and is not authorized under the Douglas Amendment to the BHC Act.

In sum, the Board believes that the Florida statute is inconsistent with the Commerce Clause of the Constitution because the record clearly and unequivocally shows that the statute in practice imposes a substantial burden on bank holding companies located outside of Florida and its southern interstate banking region that is not imposed on Florida and southern region bank holding companies; that the burden on out-of-state bank holding companies resulting from the statute is clearly excessive in relation to the local benefits resulting from the statute; and that the state statute in this case is not authorized by federal statute.[10] Accordingly, the Board concludes that the Florida statute does not bar Board approval of this application under the BHC Act.

The Board notes that the issue of the constitutionality of state statutes regulating the ownership or operation by holding companies of nonbank banks is raised in a number of other proposals. While the Board has expressed its views regarding this issue in the context of this application, the Board believes that the ultimate resolution of this issue is a proper function of the courts, which have particular expertise in the analysis and balancing of interests required to resolve constitutional questions.

Limitations on Nonbank Banks

Applicant intends to operate Company as a nonbank bank in accordance with the Board's *U.S. Trust* decision. As in the *U.S. Trust* case, the Board believes it is appropriate to take action to ensure that Company is not used as a vehicle for evasion of the Act's bank definition. In *U.S. Trust*, the Board determined to condition its approval on the following limitations:

1. Applicant will not operate the demand-deposit taking activities of the nonbank bank in tandem with any other subsidiary or other financial institution;
2. Applicant will not link in any way the demand deposit and commercial lending services that define a bank under the Act; and
3. The nonbank bank will not engage in any transactions with affiliates, other than the payment of dividends to Applicant or the infusion of capital by Applicant into the nonbank bank, without the Board's approval.

In the Board's view, these conditions preclude the type of linked or integrated operations that could otherwise render Company a bank for purposes of the Act. On the basis of Applicant's proposed adherence to these conditions and for the reasons set out more fully in the Board's decision in *U.S. Trust*, the Board concludes that Company will not be a bank as that term is defined in the Act.

Applicant has requested Board approval pursuant to the third *U.S. Trust* condition to engage in certain transactions with affiliates. Applicant through its lead bank, Chemical Bank, currently provides certain services to Company on an arms length basis, and has requested that it be permitted to continue to provide these services upon consummation of the proposal. They involve: securities custodial arrangements; research and investment advisory services; as well as data processing and similar internal support services. These services are conducted in such a manner that customers of Company would not have direct contact with Applicant or any of its affiliates providing the services.

For the following reasons, the Board has determined that it is appropriate to permit Applicant to continue to conduct these activities in this case. First, the securities custodial arrangements, as well as the research and investment advisory services, are specifically permitted for bank holding companies and their subsidiaries under Regulation Y. 12 C.F.R. § 225.25(b)(3) and (4). Bank holding companies are also specifically authorized under the BHC Act to provide internal support services to their bank and nonbank subsidiaries, 12 U.S.C. § 1843(c)(1)(C).

Second, the continued provision of these services by Applicant or Chemical Bank to Company would not link demand deposit taking with commercial lending, result in any impermissible commingling of banking and commerce, or implicate any of the fundamental policy concerns underlying the Board's *U.S. Trust* conditions.

The Board finds no evidence that consummation of this proposal, subject to the limitations and conditions described above, would result in any conflicts of interest, unfair competition, unsound banking practices or other adverse effects. Due to the *de novo* nature of this proposal, there will not be any decrease in competition. Indeed, consummation of the proposal may reasonably be expected to result in increased competition.

Need for Congressional Action

The Board has previously indicated its reluctance to approve nonbank bank acquisitions in view of the potential presented by such acquisitions to alter signif-

10. The Board notes that the Florida statute as it applies to nonbanking concerns would not be subject to these constitutional concerns. *See Sears, Roebuck & Co. v. Brown*, 806 F.2d 399 (2d Cir. 1986).

icantly the nation's banking structure without Congressional action on the underlying policy issues.[11] For the reasons stated in the Board's previous orders, the Board continues to believe that Congressional action to close the nonbank bank loophole is imperative. The fact that the Board is required by the technical aspects of the bank definition in the Act to approve this application should not be construed as encouragement to Applicant to consummate this proposal or to others to pursue similar acquisitions.

In this regard, the Board notes that the United States Senate has recently passed legislation that would eliminate the nonbank bank loophole in the BHC Act by redefining the term "bank" to include FDIC-insured banks.[12] While this legislation has not yet been enacted, the Board calls to Applicant's attention that it may be required by subsequent Congressional action to limit the activities of Company. The Board retains jurisdiction over the application to act to carry out the requirements of any legislation adopted by Congress that would affect Company's activities.

Based upon the foregoing and other facts of record, the Board has determined that the Florida statute, as it applies to bank holding companies seeking to acquire nonbank banks in Florida, is inconsistent with the Commerce Clause and is not a bar to approval of this application, and that the balance of public interest factors the Board is required to consider under section 4(c)(8) is favorable. Accordingly, the application is hereby approved.[13] Consummation of the proposal is subject to the conditions set forth in this Order and the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b). In addition, Company may not engage directly or indirectly in any activity other than those explicitly approved by the Board in this Order.[14]

The Board's approval is also subject to the Board's authority to require modification or termination of the activities of the holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof. In accordance with the provisions of section 225.23(b)(iii) of Regulation Y, the Board's approval would be required for additional acquisitions by Applicant of nonbank banks or for the establishment of offices of Company located in a state other than Florida.

By order of the Board of Governors, effective May 29, 1987.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, Angell, Heller, and Kelley.

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

11. *See e.g., U. S. Trust, supra.*

12. S.790 (The Competitive Equality Banking Act of 1987), 100th Cong., lst Sess. (1987).

13. The Protestants have requested that the Board convene a formal hearing in order to develop a complete record regarding the validity of the Florida statute. The courts have determined that the Board is required to hold a formal hearing regarding an application submitted under section 4(c)(8) of the Act only where "there is dispute as to facts material to the Board's ultimate decision." *Connecticut Bankers Ass'n v. Board of Governors*, 627 F.2d 245, 250 (D.C. Cir. 1980). *See also* 12 C.F.R. § 225.23(g). In this case, Protestants have been given the opportunity to submit facts and arguments to the Board, and in fact have submitted material to the Board. Protestants have not identified any material fact that is in dispute in this case, but have disputed only the legality of the proposal under the Florida statute—which is a question of law, and not of fact. Moreover, on February 6, 1985, the Board held an informal hearing regarding the constitutionality of the Florida statute at issue in this case as well as other similar statutes.

In light of the extensive record compiled in this case and at the earlier informal meeting, and the fact that Protestants have not identified any material facts that remain in dispute, Protestants' request for a formal hearing in this case is denied.

14. In this regard, the Board notes that because Company is not considered a bank under the BHC Act, the provisions of section 225.22(d)(1) of Regulation Y would not be applicable to exempt the acquisitions or activities of Company from Board approval under section 4 of the Act.

APPENDIX

Appendix to the Order Approving the Application of Chemical New York Corporation, New York, New York, to Expand the Activities of its Subsidiary, Chemical Trust Company of Florida, N.A., Palm Beach, Florida

In 1984, Florida enacted a statute that prohibits any bank holding company, whether located in Florida or outside Florida, from acquiring an institution located in Florida that takes deposits insured by the FDIC unless the institution qualifies as a "bank" under the Bank Holding Company Act ("BHC Act").[1] The BHC Act defines a bank as any institution chartered as a bank "which (1) accepts deposits that the depositor

1. The Florida statute provides that "No bank holding company shall control a bank [*i.e.*, a company (with several exceptions not relevent here) that accepts deposits in Florida that are insured under the provisions of the Federal Deposit Insurance Act] unless the bank is a bank as defined in section 2(c) of the federal Bank Holding Company Act." Fla. Stat. Ann. 658.296(2) (West 1984 and Supp. 1987). The statute also provides that "No company that is not a bank holding company shall control a bank." Fla. Stat. Ann. 658.296(3).

has a legal right to withdraw on demand, and (2) engages in the business of making commercial loans." 12 U.S.C. § 1841(c).

Applicant asserts that this state statute is unconstitutional under the Commerce Clause of the United States Constitution because the practical effect of the Florida statute is to discriminate against bank holding companies located outside of Florida and the southern region.[2] Consequently, Applicant urges the Board to declare the Florida statute void and approve the application.

The Office of the Comptroller of Florida, the Florida Bankers Association, and the Conference of State Bank Supervisors ("Protestants") have protested Board approval of this application. Protestants argue that the Florida statute represents a legitimate exercise of the State's authority to regulate the structure of banking within Florida and to provide for the well-being of residents of Florida. Protestants also assert that the Florida statute does not discriminate against interstate commerce and visits its prohibition against ownership of deposit-taking nonbank banks in Florida evenhandedly on all companies, including Florida bank holding companies. Protestants argue that any practical advantage granted to Florida bank holding companies is the result of the disparate treatment of bank holding companies under the Douglas Amendment to the BHC Act, and not the result of the Florida ban on ownership of nonbank banks, which applies equally to in-state and out-of-state companies. As a result, Protestants contend that the Florida statute is consistent with the requirements of the Commerce Clause of the U.S. Constitution and bars approval of the proposal in this case.

The Commerce Clause of the U.S. Constitution invests Congress with the power to regulate interstate commerce. Art. I, § 8, cl. 3. The courts have long interpreted the positive grant of authority to Congress contained in the Commerce Clause as limiting the power of states to erect barriers against interstate trade. *See, e.g., Philadelphia v. New Jersey*, 437 U.S. 617, 623 (1978); *Pike v. Bruce Church, Inc.*, 397 U.S. 137, 142 (1970); *Cooley v. Board of Wardens*, 12 How. 299 (1852).

The Supreme Court has interpreted the Commerce Clause as prohibiting a state from discriminating against interstate commerce and placing itself in a position of economic isolation. *See, e.g., Philadelphia v. New Jersey*, 437 U.S. at 626–27; *Baldwin v. G.A.F. Seelig, Inc.*, 294 U.S. 511 (1935). The states retain the authority, particularly pursuant to their powers to safeguard the health and safety of their residents, to regulate matters of legitimate local concern even though interstate commerce may be affected.[3] However, the states may not regulate in a manner that imposes more than an incidental burden on interstate commerce or that discriminates against articles of commerce from outside the state unless there is some reason apart from their origin to treat them differently.[4]

In those instances where the states have acted to effect purposes of simple economic protectionism or in a manner that is patently discriminatory, the Supreme Court has held such state statutes to be *per se* unconstitutional.[5] In determining whether a state statute that is neutral on its face discriminates against interstate commerce, the Supreme Court has stated that "the principal focus of inquiry must be the *practical operation of the statute*, since the validity of state laws must be judged chiefly in terms of their probable effects."[6]

In this case, the Florida restriction on ownership of deposit-taking nonbank banks is neutral on its face and prohibits all bank holding companies, wherever located, from owning deposit-taking nonbank banks located in Florida. However, in practice, the Florida statute operates to discriminate against out-of-state bank holding companies, while imposing no burden on Florida bank holding companies. The Florida statute has no effect on in-state bank holding companies because bank holding companies located in Florida take deposits through full service commercial banks and therefore have no reason or incentive to acquire a nonbank bank in Florida. A nonbank bank offers no advantage to a Florida bank holding company over a full service commercial bank either in the services that the nonbank bank may provide, or in the geographic locations at which it may offer these services in Florida. A Florida bank holding company may own a full service commercial bank at every location in Florida that a nonbank bank may operate. The absence of any effect from the Florida statute on in-state

2. Pursuant to the Douglas Amendment, Florida has authorized bank holding companies located in certain states in the southern region of the United States to acquire banks in Florida. Fla. Stat. Ann. 658.295 (West 1984 and Supp. 1987). Thus, for purposes of this Appendix, these institutions will be treated as Florida bank holding companies, and not as out-of-state bank holding companies. Bank holding companies located outside of this region continue to be barred by the Douglas Amendment from acquiring a bank in Florida.

3. *Pike v. Bruce Church, Inc.*, 397 U.S. at 142.

4. *Philadelphia v. New Jersey*, 437 U.S. at 624.

5. *Id.* The Court has declared that "where simple economic protectionism is affected by state legislation, a virtually *per se* rule of invalidity has been erected." 437 U.S. at 624.

6. *Lewis v. BT Investment Managers, Inc.*, 447 U.S. 27, 37 (1980) (emphasis supplied); *see also Hunt v. Washington Apple Advertising Commission*, 432 U.S. 333 (1977) (facially neutral North Carolina statute regulating transportation and display of apples in North Carolina was found inconsistent with the Commerce Clause because it had the effect of imposing a substantial burden on the shipment of Washington apples into North Carolina).

bank holding companies is demonstrated by the fact that no Florida bank holding company owns or has applied to own a nonbank bank in Florida. In contrast, out-of-state bank holding companies have applied for 48 nonbank bank charters in Florida.

On the other hand, the Florida restriction on ownership of deposit-taking nonbank banks imposes a direct burden on out-of-state bank holding companies by foreclosing to them the only method available under the BHC Act to acquire a deposit-taking banking institution in Florida. The Douglas Amendment to the BHC Act prohibits bank holding companies located outside of Florida from acquiring full service banks in Florida.[7] Deposit-taking nonbank banks which are the subject of the Florida statute are not "banks" for purposes of the BHC Act, but are deemed to be nonbanking companies subject to section 4 of the BHC Act.[8] As a result, the courts have held that the acquisition of nonbank banks by bank holding companies is not subject to the interstate banking limitations contained in the Douglas Amendment.[9] Thus, the Florida statute, by preventing the acquisition of nonbank banks in Florida, imposes a significant burden on out-of-state bank holding companies effectively preventing them from competing with Florida bank holding companies by operating deposit-taking facilities in Florida that are permissible for bank holding companies under the BHC Act.

Accordingly, because the operation and actual effect of the Florida statute results in discrimination against interstate commerce based solely on the geographic location of the bank holding company involved, the statute, insofar as it applies to bank holding companies,[10] violates the Commerce Clause of the United States Constitution. As noted, the Florida statute has no effect on Florida bank holding companies and, insofar as bank holding companies are concerned, operates exclusively to deny to out-of-state bank holding companies the ability to conduct deposit-taking in Florida through nonbank banks as permitted for bank holding companies under the BHC Act.[11]

It has been suggested that the burden experienced by out-of-state bank holding companies is the result of the Douglas Amendment, which prohibits out-of-state bank holding companies from acquiring full service banks in Florida, and not the result of the Florida statute. The Douglas Amendment does not, however, prohibit the acquisition of nonbank banks in Florida, which as noted may be acquired by out-of-state bank holding companies. It is the Florida statute that forecloses this opportunity for out-of-state bank holding companies to compete in Florida, thereby burdening interstate commerce. In effect, the Florida statute attempts to extend the coverage of the Douglas Amendment to institutions that Congress exempted from the Douglas Amendment. *See Dimension,* 106 S. Ct. at 687. As discussed below, the Douglas Amendment does not authorize the states to act beyond the limits of the Commerce Clause in regulating the acquisition of nonbanking companies, including nonbank banks. *See Lewis,* 447 U.S. at 47, 44, *see also Northeast Bancorp v. Board of Governors,* 472 U.S. 159, 174 (1985) (an individual state could not on its own authority comprehensively regulate the acquisition of local banks by out-of-state bank holding companies).

Moreover, a state may not enact a facially neutral statute that, in tandem with some other pre-existing legal requirement, operates in practice to discriminate against out-of-state business organizations seeking to do business in the state. *See Hunt v. Washington State Apple Advertising Comm'n,* 432 U.S. 334 (1977).

7. 12 U.S.C. § 1842(d). Florida law permits bank holding companies with 80 percent of their total deposits located in certain southern states to acquire banks located in Florida. Fla. Stat. Ann. 658.295 (West 1984 and Supp. 1987).

8. *See Board of Governors of the Federal Reserve System v. Dimension Financial Corp.,* 106 S. Ct. 681 (1986); *Florida Dept. of Banking and Finance v. Board of Governors,* 760 F.2d 1135 (11th Cir. 1985), *vacated and remanded* for further consideration in light of *Dimension,* U.S. 106 S. Ct. 875 (1986), *on remand,* 800 F.2d 1534 (11th Cir. 1986), *cert. denied,* 55 U.S.L.W. 3706 (U.S. April 21, 1987) (No. 86-1024).

9. *Id. See also Lewis,* 447 U.S. at 47, 48, in which the Supreme Court held that the Douglas Amendment does not apply to nonbanking companies.

10. The Florida statute, both as the statute is written and as it operates in practice, appears to treat nonbanking companies controlling nonbank banks equally, whether the companies are located inside or outside Florida. Accordingly, the statute would appear to be consitutional as it applies to ownership of nonbank banks by such nonbanking companies. *See Sears, Roebuck and Co. v. Brown,* 806 F.2d 399 (2d Cir. 1986). This equal distribution of burden in one area does not, however, save the statute from constitutional infirmity as it applies to bank holding companies because the Commerce Clause requires that like entities be treated in a like manner without regard to geographic criteria. *Id.* at 408.

11. The legislative history of the Florida statute illustrates that the Florida legislators intended the legislation to prohibit nonbank banks in Florida as a means to prevent circumvention of Florida's interstate banking statute by out-of-state bank holding companies through acquisition of deposit-taking nonbank banks in Florida. At that time, the Comptroller of Florida advised the Governor and members of the Florida legislature of the need to bar nonbank banks in Florida, noting that there were a number of pending applications before the Comptroller of the Currency and the Federal Reserve Board for nonbank banks in Florida. *See* Letter dated November 13, 1984, from Gerald Lewis, Florida Comptroller, to Honorable D. Robert Graham, Governor of Florida. Similar letters dated November 14, 1984, to James Harold Thompson, Speaker, Florida House of Representatives, and Harry A. Johnston, II, President, Florida Senate.

The record shows that all of these applications involved acquisitions by out-of-state bank holding companies. Thus, the Florida legislature was aware that, insofar as bank holding companies were concerned, the statute would affect only out-of-state bank holding companies that were prohibited by the Douglas Amendment and Florida law from acquiring full service banks in Florida. *See also* Staff Analysis of Bill 10A, Committee on Commerce, Florida House of Representatives, p.4 (December 5, 1984).

The burden imposed by the Florida statute on out-of-state bank holding companies also is not outweighed by the putative local benefits of the statute. *See Pike v. Bruce Church, Inc., supra.* The Protestants argue that the statute serves the purpose of preventing the diversion of deposits outside of Florida and of assuring the availability of commercial loans in Florida.[12]

The Florida statute itself, however, regulates only the ownership of nonbank banks and does not directly address the possible diversion of funds out of Florida or place any limits on the use of deposits by Florida institutions seeking to support their out-of-state commercial lending operations. The statute does not, for example, require that commercial loans made by nonbank banks be made in Florida. Moreover, there is nothing in the statute that would prohibit Florida banks owned by Florida bank holding companies or southern region bank holding companies from using Florida deposits exclusively to fund commercial loans or other operations outside of Florida. Similarly, the statute does not apply to banks or nonbank banks unless they are owned by a company, or to deposit-taking thrift institutions under any circumstances. In addition, a company may satisfy the statute's requirements by making *any* amount of commercial loans, no matter how small in volume.

As currently written, the Florida statute has the practical effect of requiring out-of-state bank holding companies to bear the burden for achieving these local benefits. Both purposes of preventing diversion of funds from Florida and of assuring the availability of commercial loans in Florida would be better served by legislation that also regulates the activities of full service banks and thrift institutions in Florida, rather than by simply regulating the ownership of nonbank banks.

In sum, there appear to be several methods of accomplishing the ostensible purposes of the Florida statute that would be more effective and would not in practice result in discrimination based upon geographic location as does the Florida ban on nonbank banks.

12. The record demonstrates that the concerns of the Protestants about nonbank banks have focused, insofar as bank holding companies are concerned, on the fact that the nonbank bank loophole undermines the right of the states under the Douglas Amendment to authorize and limit interstate acquisition of "banks" within their borders, rather than because there was evidence that nonbank banks were used to divert funds from Florida or because of a belief that regulating nonbank banks would assure the availability of commercial loans in Florida. *See U.S. Trust Corporation*, 70 FEDERAL RESERVE BULLETIN 371 (1984); *Florida Dept. of Banking and Finance, supra.* As discussed below, in light of the Supreme Court's decisions in *Dimension* and *Lewis*, however, it appears clear that the provisions of the BHC Act and the Douglas Amendment do not authorize the states to attempt to accomplish these purposes by restricting the acquisition of local nonbank banks by out-of-state bank holding companies in a manner that is not consistent with the Commerce Clause.

Thus, it does not appear that the state's local interests have been significantly or evenhandedly advanced by the Florida statute in a manner consistent with the Commerce Clause. *See Lewis* 447 U.S. at 42–3; *Hunt* 432 U.S. at 353–54.

The Board's conclusion that the Florida statute in this case falls outside the limits established by the Commerce Clause is consistent with previous decisions of the U.S. Supreme Court. The discriminatory effect resulting in practice from the Florida statute is substantially similar to the effect of a North Carolina law declared unconstitutional by the Supreme Court in *Hunt, supra.* Both the state statute in *Hunt* and the Florida statute at issue here impose requirements that significantly burden the ability of certain out-of-state companies to compete within the state while having no, or virtually no, impact on the operations of similar in-state companies. *See Hunt* 432 U.S. at 350. Moreover, neither the statute in *Hunt*, which was ostensibly enacted to eliminate the problems of deception and confusion in grading apples, nor the Florida statute here adequately serve legitimate local purposes, and appear in fact to have been enacted for the purpose of protecting local companies from competition from out-of-state companies. *Id.* at 353.

The Florida statute may also be distinguished from the statutes upheld by the Court in *Exxon Corp. v. Governor of Maryland*, 437 U.S. 117 (1978), and *Minnesota v. Clover Leaf Creamery Co.*, 449 U.S. 456 (1981). In both *Exxon* and *Minnesota v. Clover Leaf*, entities of the same type, whether located inside or outside of the state, were in practice treated similarly by the state statutes at issue. In *Exxon*, the statute affected only out-of-state oil refiners because there were in fact no Maryland oil refiners at that time. Similarly, in *Minnesota v. Clover Leaf*, most plastic container manufacturers affected by the state statute were located outside of Minnesota. In both cases, however, there was no bar to the establishment of a Maryland oil refiner or to the establishment of a plastic container manufacturer in Minnesota, and, in both cases, any in-state companies that existed or were subsequently established would in fact have been subject to the same state statutory requirements and practical effects of those statutory requirements as similar institutions located out-of-state.[13]

13. The Florida statute here may also be distinguished from the Indiana statute reviewed by the Court in *CTS Corp. v. Dynamics Corp.*, 55 U.S.L.W. 4478 (U.S. April 21, 1987). In that case, while the record suggested that, as a practical matter, most tender offers affected by the Indiana statute are launched by offerors located outside Indiana, the Indiana statute in practice imposed the same burden on offerors, whether located inside or outside Indiana. *Id.* at 4483. As discussed above, the Florida statute at issue here, in practice, imposes a greater burden on out-of-state bank holding companies than on in-state bank holding companies.

Such is not the case here. As discussed above, the Florida statute in actual effect imposes a significant burden on out-of-state bank holding companies that is not similarly borne by Florida bank holding companies.[14] In addition, unlike the statute in *Exxon* and *Minnesota v. Clover Leaf*, the Florida statute directly eliminates interstate commerce by foreclosing to out-of-state bank holding companies the only vehicle available to them to operate a deposit-taking banking institution in Florida in competition with Florida bank holding companies, which as noted, are not affected in any manner by the Florida statute in their ability to operate deposit-taking institutions in Florida. In short, Florida has enacted a statute that only bank holding companies located in Florida or the Southern region may comply with, and, thereby, has effectively prevented out-of-region bank holding companies from operating deposit-taking banking institutions in Florida.

In conclusion, in the Board's view, the Florida statute is not consistent with the Commerce Clause because it "discriminates among affected business entities according to the extent of their contacts with the local economy . . . [and] in actual effect . . . displays a local favoritism or protectionism that significantly alters its Commerce Clause status." *Lewis*, 447 U.S. at 42.

A state statute that imposes a discriminatory burden on interstate commerce may nonetheless withstand constitutional challenge if the statute is authorized by Congress. *Northeast*, 472 U.S. at 174 (the Douglas Amendment authorizes states to discriminate against out-of-state bank holding companies in the acquisition of banks located within the state). Florida's ban on nonbank banks is not authorized by federal statute, however. As noted above, the Supreme Court has determined that so-called deposit-taking nonbank banks are not "banks" for purposes of the BHC Act. *Dimension, supra*. As a result, the acquisition of a deposit-taking nonbank bank is deemed to be the acquisition of a nonbanking company subject to section 4 of the BHC Act, and not within the scope of the Douglas Amendment, which is limited to the acquisition under section 3 of the BHC Act of banks as defined by the Act. *Florida Department of Banking and Finance, supra*. The Supreme Court determined in *Lewis, supra*, that the Douglas Amendment to the BHC Act does not grant the states authority to limit the acquisition of a nonbanking company by out-of-state bank holding companies, and that the authority reserved to the states in section 7 of the BHC Act applies only to state legislation that operates within the boundaries of the Commerce Clause. *Lewis*, 447 U.S. at 47, 49. Thus, the provisions of the BHC Act do not authorize the states to restrict the acquisition of local nonbank banks in a manner that is not consistent with the Commerce Clause.

Accordingly, the Board believes that the Florida statute in this case does not meet the requirements for valid state action under the Commerce Clause of the U.S. Constitution and relevant Supreme Court decisions as the statute applies to prohibit the ownership of nonbank banks in Florida by bank holding companies.

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

14. In *Lewis*, 447 U.S. at 42, the Supreme Court stated that "the absence of a similar discrimination between interstate and local producer-refiners was a most critical factor in *Exxon*."

Chemical New York Corporation
New York, New York

Order Conditionally Approving Applications to Underwrite and Deal in Certain Securities to a Limited Extent and to Place Commercial Paper

Chemical New York Corporation, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act and section 225.21(a) of the Board's Regulation Y, 12 C.F.R. § 225.21(a), to engage through a wholly owned subsidiary, Chemical Securities, Inc. ("Company"), in underwriting and dealing in, on a limited basis, the following securities:

(1) municipal revenue bonds, including certain industrial development bonds;
(2) residential mortgage-related securities;
(3) consumer-receivable-related securities ("CRRs"); and
(4) commercial paper.[1]

Applicant has also applied separately for Company to act as agent for issuers of commercial paper and other short-term promissory notes in connection with the placement of such notes with institutional customers.

Applicant has previously received approval under section 4(c)(8) of the BHC Act for Company to underwrite and deal in U.S. government and agency and state and municipal securities that state member banks

1. Applicant proposes to limit Company's underwriting and dealing activity in these securities in the same manner and to the same extent as proposed by Bankers Trust in its application to underwrite and deal in these securities. *See Citicorp/J. P. Morgan & Co. Incorporated/ Bankers Trust New York Corporation*, Order dated April 30, 1987, pp. 17–18 n.11.

are authorized to underwrite and deal in under section 16 of the Banking Act of 1933 (the "Glass–Steagall Act") (12 U.S.C. § 24 Seventh) (hereinafter "eligible securities").[2] The proposed new underwriting and dealing activities would be provided in addition to the previously approved activities, with Company serving customers through offices in New York.

Applicant, with total consolidated assets of $60.6 billion, is the seventh largest commercial banking organization in the nation.[3] It operates 69 subsidiary banks in New York, Delaware, Colorado, Florida, and Texas and engages directly and through subsidiaries in a broad range of permissible nonbanking activities.

Notice of the applications, affording interested persons an opportunity to submit comments on the proposals, has been published (51 *Federal Register* 42,003 and 42,300 (1986)). The Board received two comments on each proposal. The Securities Industry Association ("SIA"), a trade association of the investment banking industry, opposes the applications for the reasons stated in its earlier protests to similar applications by Citicorp, J.P. Morgan & Co. Incorporated and Bankers Trust New York Corporation. The Dealer Bank Association commented in favor of the applications.

On April 30, the Board approved applications by Citicorp, J.P. Morgan and Bankers Trust to underwrite and deal in, through their eligible securities underwriting subsidiaries, 1–4 family mortgage-backed securities, municipal revenue bonds (and certain industrial development bonds) and (except for Citicorp) commercial paper.[4] The Board concluded that the underwriting subsidiaries would not be "engaged principally" in underwriting or dealing in securities within the meaning of section 20 of the Glass–Steagall Act[5] provided they derived no more than 5 percent of their total gross revenues from underwriting and dealing in the approved securities over any two year period and their underwriting and dealing activities did not exceed 5 percent of the market for each particular type of security involved. The Board further found that, subject to the prudential framework of limitations established in those cases to address the potential for conflicts of interest, unsound banking practices or other adverse effects, the proposed underwriting and dealing activities were so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act. In the case of CRRs, the Board concluded that the record then before it did not provide a sufficient evidentiary basis for it to make the formal finding required by the BHC Act, but stated that it would reconsider the matter within 60 days of its Order on the basis of fuller submissions.

For the reasons set forth in the Board's *Citicorp/Morgan/Bankers Trust* Order, the Board concludes that Applicant's proposal for Company to underwrite and deal in municipal revenue bonds,[6] commercial paper and 1–4 family mortgage-related securities would not result in a violation of section 20 of the Glass–Steagall Act and is closely related and a proper incident to banking within the meaning of section 4(c)(8) of the BHC Act, provided Applicant limits Company's activities as provided in the *Citicorp/Morgan/Bankers Trust* Order. The Board will reconsider the permissibility of Applicant's proposal with respect to CRRs within 60 days. Accordingly, the Board has determined to approve the underwriting application subject to all of the terms and conditions established in the *Citicorp/Morgan/Bankers Trust* Order. The Board hereby adopts and incorporates herein by reference the reasoning and analysis contained in the *Citicorp/Morgan/Bankers Trust* Order.

For the reasons set forth in the Board's *Bankers Trust* commercial paper placement decision,[7] the Board concludes that Applicant's proposal to place commercial paper is also consistent with section 20 of the Glass–Steagall Act and permissible for bank holding companies under section 4(c)(8) of the BHC Act, subject to the prudential limitations of that Order and the *Citicorp/Morgan/Bankers Trust* Order.

The Board's approval of these applications extends only to activities conducted within the limitations of the *Citicorp/Morgan/Bankers Trust* Order and the *Bankers Trust* commercial paper placement Order, including the Board's reservation of authority to estab-

2. These activities are authorized for bank holding companies under section 225.25(b)(16) of Regulation Y. 12 C.F.R. § 225.25(b)(16).

3. Banking data are as of December 31, 1986.

4. *Citicorp/Morgan/Bankers Trust, supra.*

5. Section 20 of the Glass-Steagall Act (12 U.S.C. § 377) prohibits the affiliation of a member bank with "any corporation . . . engaged principally in the issue, flotation, underwriting, public sale, or distribution at wholesale or retail or through syndicate participation of stocks, bonds, debentures, notes, or other securities . . . ."

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

7. *Bankers Trust New York Corporation*, 73 FEDERAL RESERVE BULLETIN 138 (1987). Company may underwrite, deal in and place only commercial paper that is exempt from the registration and prospectus requirements of the Securities Act of 1933 and that is short term, of prime quality, and issued in denominations no smaller than $100,000. Applicant has stated the paper will be issued or backed by large companies and sold to financially sophisticated corporate and other institutional investors.

lish additional limitations to ensure that the subsidiary's activities are consistent with safety and soundness, conflict of interest and other relevant considerations under the BHC Act. Underwriting and dealing in the approved securities, or acting as agent for the placement of commercial paper, in any manner other than as approved in those Orders[8] is not within the scope of the Board's approval and is not authorized for Company.

As the Board noted in the *Citicorp/Morgan/Bankers Trust* Order, Congress has under consideration legislation that would prohibit Board approval of an underwriting application, such as this, between March 6, 1987 and March 1, 1988. While this moratorium legislation has not yet been enacted into law, the Board calls to Applicant's attention that it may be required by subsequent Congressional action to cease its underwriting and dealing activities approved in this Order. The Board retains jurisdiction over the applications to act to carry out the requirements of any legislation adopted by Congress that would affect Applicant's conduct of underwriting and dealing activities under this Order and the BHC Act.

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

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

By order of the Board of Governors, effective May 18, 1987.

Voting for this action: Governors Johnson, Seger, and Heller. Voting against this action: Chairman Volcker and Governor Angell.

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

8. Company may also provide services that are necessary incidents to these approved activities. The incidental services should be taken into account in computing the gross revenue and market share limits on the underwriting subsidiaries' ineligible underwriting and dealing activities, to the extent such limits apply to particular incidental activities.

Dissenting Statement of Chairman Volcker and Governor Angell

For the reasons set forth in our dissenting statement in the *Citicorp/Morgan/Bankers Trust* Order, we regret we are unable to join the majority in approving this application.

May 18, 1987

Citicorp
New York, New York

Order Approving Application to Underwrite and Deal in Commercial Paper to a Limited Extent

Citicorp, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act, 12 U.S.C. § 1841 *et seq.* ("BHC Act"), has applied pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.21(a) of the Board's Regulation Y (12 C.F.R. § 225.21(a)) to engage through Citicorp Securities, Inc. ("CSI"), a wholly owned subsidiary, in underwriting and dealing in commercial paper to a limited extent.[1]

Applicant has previously received Board approval for CSI to underwrite and deal in U.S. government and agency and state and municipal securities that state member banks are authorized to underwrite and deal in under section 16 of the Banking Act of 1933 (the "Glass-Steagall Act") (12 U.S.C. § 24 Seventh) (hereinafter "eligible securities").[2] On April 30, 1987, the Board authorized Citicorp to engage through CSI in underwriting and dealing in 1-4 family mortgage-backed securities and municipal revenue bonds.[3]

Citicorp, with total consolidated assets of $196 billion, is the largest banking organization in the nation.[4] It operates eight banking subsidiaries and engages directly and through subsidiaries in a broad range of permissible nonbanking activities.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (52 *Federal Register* 13,317 (1987)). The Securities Industry Association ("SIA"),

1. Applicant proposes to limit CSI's underwriting and dealing activity in commercial paper as described in its application to underwrite and deal in municipal revenue bonds, mortgage-backed securities and consumer-receivable-related securities. *See Citicorp, J. P. Morgan & Co. Incorporated and Bankers Trust New York Corporation ("Citicorp/Morgan/Bankers Trust")*, Order dated April 30, 1987, pp. 17-18 n.11.

2. These activities are authorized for bank holding companies under section 225.25(b)(16) of Regulation Y. 12 C.F.R. § 225.25(b)(16).

3. *Citicorp/Morgan/Bankers Trust, supra.*

4. All asset data are as of December 31, 1986.

a trade association of the investment banking industry, opposes the application for the reasons stated in its earlier protests to similar applications by Citicorp, J.P. Morgan and Bankers Trust.

In its *Citicorp/Morgan/Bankers Trust* decision, the Board concluded that CSI and the eligible securities underwriting subsidiaries of J.P. Morgan and Bankers Trust would not be "engaged principally" in underwriting or dealing in municipal revenue bonds, 1–4 family mortgage-backed securities and (except for Citicorp) commercial paper within the meaning of section 20 of the Glass–Steagall Act[5] provided they derived no more than 5 percent of their total gross revenues from underwriting and dealing in the approved securities over any two year period and their underwriting and dealing activities did not exceed 5 percent of the market for each particular type of security involved. The Board further found that, subject to the prudential framework of limitations established in those cases to address the potential for conflicts of interest, unsound banking practices or other adverse effects, the proposed underwriting and dealing activities were so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.

For the reasons set forth in the *Citicorp/Morgan/Bankers Trust* Order,[6] the Board concludes that Applicant's proposal for CSI to underwrite and deal in commercial paper would not result in a violation of section 20 of the Glass–Steagall Act and is closely related and a proper incident to banking within the meaning of section 4(c)(8) of the BHC Act provided Applicant limits CSI's activities as provided in the *Citicorp/Morgan/Bankers Trust* Order. Accordingly, the Board has determined to approve the application subject to the terms and conditions established in the *Citicorp/Morgan/Bankers Trust* Order. The Board hereby adopts and incorporates herein by reference the reasoning and analysis contained in the *Citicorp/Morgan/Bankers Trust* and *Chase* Orders.

The Board's approval of this application extends only to activities conducted within the limitations of the *Citicorp/Morgan/Bankers Trust* Order, including the Board's reservation of authority to establish additional limitations to ensure that the subsidiary's activities are consistent with safety and soundness, conflict of interest and other relevant considerations under the BHC Act. Underwriting and dealing in commercial paper in any manner other than as approved in that Order[7] is not within the scope of the Board's approval and is not authorized for CSI.

As the Board noted in the *Citicorp/Morgan/Bankers Trust* Order, Congress has under consideration legislation that would prohibit Board approval of an underwriting application, such as this, between March 6, 1987 and March 1, 1988. While this moratorium legislation has not yet been enacted into law, the Board calls to Applicant's attention that it may be required by subsequent Congressional action to cease its underwriting and dealing activities approved in this Order. The Board retains jurisdiction over the application to act to carry out the requirements of any legislation adopted by Congress that would affect Applicant's conduct of underwriting and dealing activities under this Order and the BHC Act.

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

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

By order of the Board of Governors, effective May 18, 1987.

Voting for this action: Governors Johnson, Seger, and Heller. Voting against this action: Chairman Volcker and Governor Angell.

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

5. Section 20 of the Glass–Steagall Act (12 U.S.C. § 377) prohibits the affiliation of a member bank with "any corporation . . . engaged principally in the issue, flotation, underwriting, public sale, or distribution at wholesale or retail or through syndicate participation of stocks, bonds, debentures, notes, or other securities . . . ."

6. In *The Chase Manhattan Corporation*, 73 FEDERAL RESERVE BULLETIN 367 (1987), the Board found that underwriting commercial paper was closely related to banking under section 4(c)(8) of the BHC Act. The *Citicorp/Morgan/Bankers Trust* decision incorporated these findings.

7. CSI may also provide services that are necessary incidents to these approved activities. The incidental services should be taken into account in computing the gross revenue and market share limits on the underwriting subsidiaries' ineligible underwriting and dealing activities, to the extent such limits apply to particular incidental activities.

Dissenting Statement of Chairman Volcker and Governor Angell

For the reasons set forth in our dissenting statement in the *Citicorp/Morgan/Bankers Trust* order, we regret we are unable to join the majority in approving this application.

May 18, 1987

Manufacturers Hanover Corporation
New York, New York

Order Conditionally Approving Application to Underwrite and Deal in Certain Securities to a Limited Extent and to Place Commercial Paper

Manufacturers Hanover Corporation, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act and section 225.21(a) of the Board's Regulation Y, 12 C.F.R. § 225.21(a), to engage through a wholly owned subsidiary, Manufacturers Hanover Securities Corporation ("Company"), in underwriting and dealing in, on a limited basis, the following securities:

(1) municipal revenue bonds, including certain industrial development bonds;
(2) residential mortgage-related securities;
(3) consumer-receivable-related securities ("CRRs"); and
(4) commercial paper.[1]

Applicant has also applied for Company to act as agent for issuers of commercial paper in connection with the placement of such notes with institutional customers.

Applicant has previously received approval under section 4(c)(8) of the BHC Act for Company to underwrite and deal in U.S. government and agency and state and municipal securities that state member banks are authorized to underwrite and deal in under section 16 of the Banking Act of 1933 (the "Glass–Steagall Act") (12 U.S.C. § 24 Seventh) (hereinafter "eligible securities").[2] In addition, Company, pursuant to Board authorization, engages in securities brokerage services pursuant to section 225.25(b)(15) of Regulation Y, 12 C.F.R. § 225.25(b)(15). These brokerage services are conducted separately from the eligible securities underwriting and dealing activity. The proposed new underwriting and dealing activities would be provided in addition to the previously approved activities, with Company serving customers through offices in New York.

Applicant, with total consolidated assets of $75.8 billion, is the fifth largest commercial banking organization in the nation.[3] It operates two subsidiary banks in New York and Delaware and engages directly and through subsidiaries in a broad range of permissible nonbanking activities.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (52 *Federal Register* 6,218 (1987)). The Board received two comments on the proposal. The Securities Industry Association ("SIA"), a trade association of the investment banking industry, opposes the application for the reasons stated in its earlier protests to similar applications by Citicorp, J.P. Morgan & Co. Incorporated and Bankers Trust New York Corporation. The Dealer Bank Association commented in favor of the application.

On April 30, the Board approved applications by Citicorp, J.P. Morgan and Bankers Trust to underwrite and deal in, through their eligible securities underwriting subsidiaries, 1–4 family mortgage-backed securities, municipal revenue bonds (and certain industrial development bonds) and (except for Citicorp) commercial paper.[4] The Board concluded that the underwriting subsidiaries would not be "engaged principally" in underwriting or dealing in securities within the meaning of section 20 of the Glass–Steagall Act[5] provided they derived no more than 5 percent of their total gross revenues from underwriting and dealing in the approved securities over any two year period and their underwriting and dealing activities did not exceed 5 percent of the market for each particular type of security involved. The Board further found that, subject to the prudential framework of limitations established in those cases to address the potential for conflicts of interest, unsound banking practices or other adverse effects, the proposed under-

1. Applicant proposes to limit Company's underwriting and dealing activity in these securities in the same manner and to the same extent as proposed by Bankers Trust in its application to underwrite and deal in these securities. *See Citicorp, J.P. Morgan & Co. Incorporated and Bankers Trust New York Corporation*, Order dated April 30, 1987, pp. 17–18 n.11.

2. These activities are authorized for bank holding companies under section 225.25(b)(16) of Regulation Y, 12 C.F.R. § 225.25(b)(16).

3. Asset data are as of March 31, 1987. Banking data are as of December 31, 1986.

4. *Citicorp/Morgan/Bankers Trust, supra.*

5. Section 20 of the Glass–Steagall Act (12 U.S.C. § 377) prohibits the affiliation of a member bank with "any corporation . . . engaged principally in the issue, flotation, underwriting, public sale, or distribution at wholesale or retail or through syndicate participation of stocks, bonds, debentures, notes, or other securities . . . ."

writing and dealing activities were so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act. In the case of CRRs, the Board concluded that the record then before it did not provide a sufficient evidentiary basis for it to make the formal finding required by the BHC Act, but stated that it would reconsider the matter within 60 days of its Order on the basis of fuller submissions.

For the reasons set forth in the Board's *Citicorp/Morgan/Bankers Trust* Order, the Board concludes that Applicant's proposal to engage through Company in underwriting and dealing in municipal revenue bonds,[6] commercial paper and 1–4 family mortgage-related securities would not result in a violation of section 20 of the Glass–Steagall Act and is closely related and a proper incident to banking within the meaning of section 4(c)(8) of the BHC Act provided Applicant limits Company's activities as provided in the *Citicorp/Morgan/Bankers Trust* Order. The Board will reconsider the permissibility of Applicant's proposal with respect to CRRs within 60 days. Accordingly, the Board has determined to approve the underwriting application subject to all of the terms and conditions established in the *Citicorp/Morgan/Bankers Trust* Order. The Board hereby adopts and incorporates herein by reference the reasoning and analysis contained in the *Citicorp/Morgan/Bankers Trust* Order.

For the reasons set forth in the Board's Order in *Bankers Trust* approving commercial paper placement activity, the Board concludes that Applicant's proposal to place commercial paper is also consistent with section 20 of the Glass–Steagall Act and permissible for bank holding companies under section 4(c)(8) of the BHC Act, subject to the prudential limitations of that Order and the *Citicorp/Morgan/Bankers Trust* Order.[7]

The Board's approval of this application extends only to activities conducted within the limitations of the *Citicorp/Morgan/Bankers Trust* Order and the *Bankers Trust* commercial paper placement Order, including the Board's reservation of authority to establish additional limitations to ensure that the subsidiary's activities are consistent with safety and soundness, conflict of interest and other relevant considerations under the BHC Act. Underwriting and dealing in the approved securities in any manner other than as approved in those Orders[8] is not within the scope of the Board's approval and is not authorized for Company.

As the Board noted in the *Citicorp/Morgan/Bankers Trust* Order, Congress has under consideration legislation that would prohibit Board approval of an underwriting application, such as this, between March 6, 1987 and March 1, 1988. While this moratorium legislation has not yet been enacted into law, the Board calls to Applicant's attention that it may be required by subsequent Congressional action to cease its underwriting and dealing activities approved in this Order. The Board retains jurisdiction over the application to act to carry out the requirements of any legislation adopted by Congress that would affect Applicant's conduct of underwriting and dealing activities under this Order and the BHC Act.

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

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

By order of the Board of Governors, effective May 18, 1987.

Voting for this action: Governors Johnson, Seger, and Heller. Voting against this action: Chairman Volcker and Governor Angell.

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

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

7. *Bankers Trust New York Corporation*, 73 FEDERAL RESERVE BULLETIN 138 (1987). Company may underwrite, deal in and place only commercial paper that is exempt from the registration and prospectus requirements of the Securities Act of 1933 and that is short term, of prime quality, and issued in denominations no smaller than $100,000. Applicant has stated the paper will be issued or backed by large companies and sold to financially sophisticated corporate and other institutional investors.

8. Company may also provide services that are necessary incidents to these approved activities. The incidental services should be taken into account in computing the gross revenue and market share limits on the underwriting subsidiaries' ineligible underwriting and dealing activities, to the extent such limits apply to particular incidental activities.

Dissenting Statement of Chairman Volcker and Governor Angell

For the reasons set forth in our dissenting statement in the *Citicorp/Morgan/Bankers Trust* Order, we regret we are unable to join the majority in approving this application.

May 18, 1987

Security Pacific Corporation
Los Angeles, California

Order Conditionally Approving Application to Underwrite and Deal in Certain Securities to a Limited Extent

Security Pacific Corporation, Los Angeles, California, a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act and section 225.21(a) of the Board's Regulation Y, 12 C.F.R. § 225.21(a), to engage through a wholly owned subsidiary, Security Pacific Securities, Inc. ("Company"), in underwriting and dealing in, on a limited basis, the following securities:

(1) municipal revenue bonds, including certain industrial development bonds;
(2) residential mortgage-related securities;
(3) consumer-receivable-related securities ("CRRs"); and
(4) commercial paper.[1]

Applicant has previously received approval under section 4(c)(8) of the BHC Act for Company to underwrite and deal in U.S. government and agency and state and municipal securities that state member banks are authorized to underwrite and deal in under section 16 of the Banking Act of 1933 (the "Glass–Steagall Act") (12 U.S.C. § 24 Seventh) (hereinafter "eligible securities").[2] The proposed new underwriting and dealing activities would be provided in addition to the previously approved eligible securities activities, with Company serving customers through offices in Los Angeles.

Applicant, with total consolidated assets of $64.0 billion, is the sixth largest commercial banking organization in the nation.[3] It operates five subsidiary banks in California, Arizona, Washington and Oregon and engages directly and through subsidiaries in a broad range of permissible nonbanking activities.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (52 *Federal Register* 8,365 (1987)). The Board received two comments on the proposal. The Securities Industry Association ("SIA"), a trade association of the investment banking industry, opposes the application for the reasons stated in its earlier protests to similar applications by Citicorp, J.P. Morgan & Co. Incorporated and Bankers Trust New York Corporation. The Dealer Bank Association commented in favor of the application.

On April 30, the Board approved applications by Citicorp, J.P. Morgan and Bankers Trust to underwrite and deal in, through their eligible securities underwriting subsidiaries, 1–4 family mortgage-backed securities, municipal revenue bonds (including certain industrial development bonds) and (except for Citicorp) commercial paper.[4] The Board concluded that the underwriting subsidiaries would not be "engaged principally" in underwriting or dealing in securities within the meaning of section 20 of the Glass–Steagall Act[5] provided they derived no more than 5 percent of their total gross revenues from underwriting and dealing in the approved securities over any two year period and their underwriting and dealing activities did not exceed 5 percent of the market for each particular type of security involved. The Board further found that, subject to the prudential framework of limitations established in those cases to address the potential for conflicts of interest, unsound banking practices or other adverse effects, the proposed underwriting and dealing activities were so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act. In the case of CRRs, the Board concluded that the record then before it did not provide a sufficient evidentiary basis for it to make the formal findings required by the BHC Act, but stated that it would reconsider the matter within 60 days of its Order on the basis of fuller submissions.

1. Applicant proposes to limit Company's underwriting and dealing activity in these securities in the same manner and to the same extent as proposed by Bankers Trust in its application to underwrite and deal in these securities. *See Citicorp, J.P. Morgan & Co. Incorporated* and *Bankers Trust New York Corporation,* Order dated April 30, 1987, pp. 17–18 n.11.

2. These activities are authorized for bank holding companies under section 225.25(b)(16) of Regulation Y. 12 C.F.R. § 225.25(b)(16).

3. Asset data are as of March 31, 1987. Banking data are as of December 31, 1986.

4. *Citicorp/Morgan/Bankers Trust, supra.*

5. Section 20 of the Glass–Steagall Act (12 U.S.C. § 377) prohibits the affiliation of a member bank with "any corporation . . . engaged *principally in the issue, flotation, underwriting, public sale, or distribution* at wholesale or retail or through syndicate participation of stocks, bonds, debentures, notes, or other securities . . . ."

For the reasons set forth in the Board's *Citicorp/Morgan/Bankers Trust* Order, the Board concludes that Applicant's proposal to engage through Company in underwriting and dealing in municipal revenue bonds,[6] commercial paper and 1–4 family mortgage-related securities would not result in a violation of section 20 of the Glass–Steagall Act and is closely related and a proper incident to banking within the meaning of section 4(c)(8) of the BHC Act provided Applicant limits Company's activities as provided in the *Citicorp/Morgan/Bankers Trust* Order. The Board will reconsider the permissibility of Applicant's proposal with respect to CRRs within 60 days. Accordingly, the Board has determined to approve the underwriting application subject to all of the terms and conditions established in the *Citicorp/Morgan/Bankers Trust* Order. The Board hereby adopts and incorporates herein by reference the reasoning and analysis contained in the *Citicorp/Morgan/Bankers Trust* Order.

The Board's approval of this application extends only to activities conducted within the limitations of the *Citicorp/Morgan/Bankers Trust* Order, including the Board's reservation of authority to establish additional limitations to ensure that the subsidiary's activities are conducted consistent with safety and soundness, conflict of interest and other relevant considerations under the BHC Act. Underwriting and dealing in the approved securities in any manner other than as approved in that Order[7] is not within the scope of the Board's approval and is not authorized for Company.

As the Board noted in the *Citicorp/Morgan/Bankers Trust* Order, Congress has under consideration legislation that would prohibit Board approval of an underwriting application, such as this, between March 6, 1987 and March 1, 1988. While this moratorium legislation has not yet been enacted into law, the Board calls to Applicant's attention that it may be required by subsequent Congressional action to cease its underwriting and dealing activities approved in this Order. The Board retains jurisdiction over the application to act to carry out the requirements of any legislation adopted by Congress that would affect Applicant's conduct of underwriting and dealing activities under this Order and the BHC Act.

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

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

By order of the Board of Governors, effective May 18, 1987.

Voting for this action: Governors Johnson, Seger, and Heller. Voting against this action: Chairman Volcker and Governor Angell.

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

Dissenting Statement of Chairman Volcker and Governor Angell

For the reasons set forth in our dissenting statement in the *Citicorp/Morgan/Bankers Trust* Order, we regret we are unable to join the majority in approving this application.

May 18, 1987

Orders Approved Under the Bank Merger Act

Carney Bank
Boynton Beach, Florida

Carney Bank of Broward County
Sunrise, Florida

Order Approving Merger of Banks

Carney Bank, Boynton Beach, Florida, and Carney Bank of Broward County, Sunrise, Florida ("Sunrise

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

7. Company may also provide services that are necessary incidents to these approved activities. The incidental services should be taken into account in computing the gross revenue and market share limits on the underwriting subsidiaries' ineligible underwriting and dealing activities, to the extent such limits apply to particular incidental activities.

Applicant has proposed to place third party commercial paper as agent as an incident to its commercial paper underwriting and dealing activity. In this case, the Board concludes that Company may, as an incident to its commercial paper underwriting and dealing activities, engage in commercial paper placement provided Company observes the prudential limitations set forth by the Board in the *Citicorp/Morgan/Bankers Trust* Order and *Bankers Trust New York Corporation*, 73 FEDERAL RESERVE BULLETIN 138 (1987).

Bank"), have applied for the Board's approval under the Bank Merger Act (12 U.S.C. § 1828(c)) to merge under the title and charter of Carney Bank.

Notice of the application, affording interested persons an opportunity to submit comments and views, 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 transaction were requested from the United States Attorney General, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 18(c) of the Bank Merger Act.

Carney Bank, a Florida corporation with one branch, is one of the smallest commercial banking organization in Florida,[1] controlling total deposits of $8.9 million, representing less than 1 percent of total deposits in commercial banks in the state. Sunrise Bank, which is also a Florida corporation with one branch, is one of the smallest commercial banking organizations in Florida, controlling total deposits of $7.8 million, representing less than one percent of total deposits in commercial banks in the state. The resultant bank would control total deposits of $16.7 million, representing less than 1 percent of total deposits in commercial banks in the state.

Carney Bank and Sunrise Bank do not operate in the same banking market. In view of this fact and the fact that this proposal represents a reorganization of existing ownership interests, consummation of the proposed transaction would not result in any significant adverse effects on competition or increase the concentration of banking resources in any relevant area.

This proposed merger will result in a reduction in operating expenses and will be accompanied by an injection of additional capital. In view of these facts and other facts of record, the financial and managerial resources of Carney Bank and Sunrise Bank are considered consistent with approval. Considerations relating to the convenience and needs of the community to be served are also consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that consummation of the transaction would be in the public interest and that the application is approved for the reasons summarized above. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 7, 1987.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, Angell, and Heller.

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

1. All banking data are as of October 31, 1986.

Orders Approved Under Bank Holding Company Act

By Federal Reserve Banks

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

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
ALLIANCE FINANCIAL CORPORATION, Dearborn, Michigan	Michigan Bank—Huron, East Tawas, Michigan	Chicago	April 24, 1987
Belle Fourche Bancshares, Inc., Belle Fourche, South Dakota	Pioneer Bank and Trust Company, Bell Fourche, South Dakota	Minneapolis	April 30, 1987
Cherry Bancorporation, Inc., Cherry, Illinois	State Bank of Cherry, Cherry, Illinois	Chicago	April 22, 1987
Chesapeake Bank Corporation, Chesapeake, Virginia	American Bank, Newport News, Virginia	Richmond	May 8, 1987
Citizens First Bancorp, Inc., Union City, Tennessee	Bank of Obion County, Union City, Tennessee	St. Louis	April 23, 1987
Citizens State Bank Employee Stock Ownership Trust, Trenton, Tennessee	Citizens State Bank, Trenton, Tennessee	St. Louis	April 30, 1987
City National Bancshares, Inc., Miami, Florida	City National Bank of Florida, Hallandale, Florida City National Bank Corporation, Miami, Florida	Atlanta	April 24, 1987
CNB Financial Corporation, Litchfield, Minnesota	First Bank Central (N.A.)-Litchfield, Litchfield, Minnesota	Minneapolis	May 4, 1987
Collegiate Peaks Bancorporation, Inc., Buena Vista, Colorado	Collegiate Peaks Bank, Buena Vista, Colorado	Kansas City	May 4, 1987
Connecticut Bancorp, Inc., Norwalk, Connecticut	The Norwalk Bank, Norwalk, Connecticut	New York	May 5, 1987
Dime Financial Corp., West Chester, Pennsylvania	The Dime Savings Bank of Chester County, West Chester, Pennsylvania	Philadelphia	April 14, 1987
First Azle Bancshares, Inc., Azle, Texas	First National Bank of Azle, Azle, Texas	Dallas	May 15, 1987
First Caprock Bancshares, Inc., Claude, Texas	The First National Bank of Claude, Claude, Texas	Dallas	May 8, 1987
First Citizens Banc Corp., Sandusky, Ohio	The Citizens Banking Company, Sandusky, Ohio	Cleveland	May 8, 1987
First City Corporation Employee Stock Ownership Trust, Fort Smith, Arkansas	First City Corporation, Fort Smith, Arkansas	St. Louis	May 6, 1987
First Community Corporation, Woodstock, Georgia	Community First Bank, Woodstock, Georgia	Atlanta	May 14, 1987

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
First Gilmer Bankshares, Inc., Gilmer, Texas	The First National Bank of Gilmer, Gilmer, Texas	Dallas	May 1, 1987
First Interstate Corporation of Wisconsin, Sheboygan, Wisconsin	State Bank of Green Valley, Green Valley, Wisconsin	Chicago	May 15, 1987
First Jersey National Corporation, Jersey City, New Jersey	Newmarket National Bank, Fort Washington, Pennsylvania	New York	April 24, 1987
First Union Corporation, Charlotte, North Carolina	First Sarasota Bancorporation, Tampa, Florida	Richmond	April 22, 1987
First Virginia Banks, Inc., Falls Church, Virginia	First Virginia Bank—Clinch Valley, Richlands, Virginia	Richmond	April 22, 1987
First Wachovia Corporation, Winston-Salem, North Carolina	F.A. Bankshares, Inc., Monroe, Georgia	Richmond	April 23, 1987
FMB Bankshares, Inc., Madison, South Dakota	First Madison Bank, Madison, South Dakota	Minneapolis	April 27, 1987
F.N.B. Corporation, Hermitage, Pennsylvania	First County Bank, Chardon, Ohio	Cleveland	April 30, 1987
Greenville Bancshares Corporation, Greenville, Texas	American National Bank of Greenville, Greenville, Texas	Dallas	April 22, 1987
Gulf/Bay Financial Corporation, Tampa, Florida	Gulf/Bay Bank, Tampa, Florida	Atlanta	April 23, 1987
Gulf & Southern Financial Corporation, Fort Myers, Florida	Community National Bank of Sarasota County, Venice, Florida	Atlanta	April 24, 1987
Indiana United Bancorp, Greensburg, Indiana	The Peoples Bank, Portland, Indiana	Chicago	April 20, 1987
Lee Capital Corp., Fort Madison, Iowa	Lee County Bancorp, Inc., Fort Madison, Iowa	Chicago	April 23, 1987
Liberty Bancshares, Inc., Ada, Ohio	The Liberty National Bank of Ada, Ada, Ohio	Cleveland	May 8, 1987
Manteno Bancshares, Inc., Manteno, Illinois	First Midwest Bank/Bradley, Bradley, Illinois	Chicago	May 12, 1987
Market Bancorporation, Inc., New Market, Minnesota	First State Bank of New Market, New Market, Minnesota	Minneapolis	May 5, 1987
McLachlen Bancshares Corporation, Washington, D.C.	McLachlen National Bank, Washington, D.C.	Richmond	May 12, 1987
Mercantile Bancorporation Inc., St. Louis, Missouri	Mercantile Bank of Delaware, New Castle, Delaware	St. Louis	May 8, 1987

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Mercantile Partners and F-K Partnership, Fort Worth, Texas Landmark Financial Group of Delaware, Wilmington, Delaware Landmark Service Corporation, Fort Worth, Texas Landmark Financial Group, Inc., Fort Worth, Texas	Landmark Bank-Mid Cities, Euless, Texas Security Bank of Arlington, Arlington, Texas Tarrant County Bancshares, Inc., Fort Worth, Texas	Dallas	April 24, 1987
Merchants & Miners Bancshares, Inc., Hibbing, Minnesota	Merchants & Miners State Bank of Hibbing, Hibbing, Minnesota	Minneapolis	May 1, 1987
Merchants National Corporation, Indianapolis, Indiana	Indiana United Bancorp, Greensburg, Indiana	Chicago	April 20, 1987
Mountaineer Bankshares of W. Va., Inc., Martinsburg, West Virginia	Mercantile Bancorp, Inc., Moundsville, West Virginia	Richmond	May 5, 1987
Mountaineer Bankshares of W. Va., Inc., Martinsburg, West Virginia	Morgan Bancorp, Inc., Berkeley Springs, West Virginia	Richmond	May 5, 1987
NBD Bancorp, Inc., Detroit, Michigan	NBD Battle Creek, National Association, Battle Creek, Michigan	Chicago	May 5, 1987
Northside Bancshares, Inc., Roswell, Georgia	The Northside Bank & Trust Company, Roswell, Georgia	Atlanta	May 6, 1987
NW Bancshares, Inc., Chippewa Falls, Wisconsin	The Northwestern Bank, Chippewa Falls, Wisconsin	Minneapolis	May 4, 1987
Peoples Bancshares, Inc., Lewisville, Arkansas	Peoples Bank and Loan Company, Lewisville, Arkansas	St. Louis	May 14, 1987
Premier Bankshares Corporation, Tazewell, Virginia	The Richlands National Bank, Richlands, Virginia	Richmond	April 22, 1987
Rainbow Investment Company, Inc., Tuckerman, Arkansas	Bank of Tuckerman, Tuckerman, Arkansas	St. Louis	May 5, 1987
Randolph Bancshares, Inc., Oxford, Alabama	Alabanc, Inc., Wadley, Alabama	Atlanta	May 14, 1987
Republic Bancorp Inc., Flint, Michigan	Republic Bank of Ann Arbor, Ann Arbor, Michigan	Chicago	April 24, 1987
Trustcorp, Inc., Toledo, Ohio	Trustcorp Company, Dayton, Dayton, Ohio	Cleveland	May 6, 1987

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
U.S.B. Corporation, Washington, Indiana	United Southwest Bank, Washington, Indiana	St. Louis	April 24, 1987
VALLEY BANC SERVICES CORP., Antioch, Illinois	State Bank of Osco, Osco, Illinois	Chicago	April 27, 1987
West Tennessee Bancorp, Inc., Lexington, Tennessee	Henderson County Bank, Lexington, Tennessee	St. Louis	April 28, 1987
Worthington Bancshares, Inc., Worthington, Minnesota	First National Bank in Worthington, Worthington, Minnesota	Minneapolis	May 11, 1987
Wyatt Bancshares, Inc., Calico Rock, Arkansas	The First National Bank of Izard County, Calico Rock, Arkansas	St. Louis	May 8, 1987

Section 4

Applicant	Nonbanking Company/Activity	Reserve Bank	Effective date
Bank of New England Corporation, Boston, Massachusetts	Clayton, Polleys & Co., Inc., Boston, Massachusetts	Boston	May 13, 1987
Continental Illinois Corporation, Chicago, Illinois	Continental Capital Management Corporation, Chicago, Illinois	Chicago	May 6, 1987
Delaware National Bankshares Corp., Georgetown, Delaware	Kenneth White Insurance Agency Inc., Lewes, Delaware	Philadelphia	April 24, 1987

Section 3 and 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Draper Holding Company, Inc., Draper, South Dakota	Draper State Bank, Draper, South Dakota First Insurance-Presho, Presho, South Dakota Hayes Insurance Agency, Draper, South Dakota	Minneapolis	April 28, 1987
First of America Bancorporation-Illinois, Inc., Libertyville, Illinois	Keystone Bancshares, Inc., Kankakee, Illinois Keystone Bancshares Life Insurance Co., Kankakee, Illinois Keystone Data Corporation, Kankakee, Illinois	Chicago	April 24, 1987

Section 3 and 4—Continued

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
First of America Bank Corporation, Kalamazoo, Michigan	Keystone Bancshares, Inc., Kankakee, Illinois Keystone Bancshares Life Insurance Co., Kankakee, Illinois Keystone Data Corporation, Kankakee, Illinois	Chicago	April 24, 1987
Lincoln Financial Corporation, Fort Wayne, Indiana	SSB Bancorp, Shipshewana, Indiana Shipshewana State Bank, Shipshewana, Indiana Shipshewana Insurance Agency, Inc., LaGrange, Indiana	Chicago	April 20, 1987
Society for Savings Bancorp, Inc., Hartford, Connecticut	Society for Savings, Hartford, Connecticut Fidelity Acceptance Corporation, Minneapolis, Minnesota Society Mortgage Corporation, Wethersfield, Connecticut Financing for Science and Industry, Inc., Hartford, Connecticut	Boston	April 21, 1987

ORDERS APPROVED UNDER THE BANK MERGER ACT

By Federal Reserve Banks

Applicant	Bank(s)	Reserve Bank	Effective date
Alpine Bank and Trust, Glenwood Springs, Colorado	Alpine Bank, Glenwood Springs Mall, Glenwood Springs, Colorado	Kansas City	April 22, 1987
Bank of Lewanee, Adrian, Michigan	Hudson State Savings Bank, Hudson, Michigan	Chicago	May 15, 1987
First Virginia Bank—Clinch Valley, Richlands, Virginia	Clinch Valley Bank & Trust Company, Richlands, Virginia	Richmond	April 22, 1987
Newport News Interim Bank, Newport News, Virginia	American Bank, Newport News, Virginia	Richmond	May 8, 1987
Security Bank Northeast, Richmond, Michigan	Security Bank of Almont, Almont, Michigan	Chicago	April 30, 1987

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.

Securities Industry Association v. Board of Governors, et al., No. 87–1169 (D.C. Cir., filed April 17, 1987).

Jones v. Volcker, No. 87–0427 (D.D.C., filed Feb. 19, 1987).

Bankers Trust New York Corp. v. Board of Governors, No. 87–1035 (D.C. Cir., filed Jan. 23, 1987).

Securities Industry Association v. Board of Governors, et al., No. 87–1030 (D.C. Cir., filed Jan. 20, 1987).

Grimm v. Board of Governors, No. 87–4006 (2nd Cir., filed Jan. 16, 1987).

Independent Insurance Agents of America, et al. v. Board of Governors, Nos. 86–1572, 1573, 1576 (D.C. Cir., filed Oct. 24, 1986).

Securities Industry Association v. Board of Governors, No. 86–2768 (D.D.C., filed Oct. 7, 1986).

Independent Community Bankers Association of South Dakota v. Board of Governors, No. 86–5373 (8th Cir., filed Oct. 3, 1986).

Jenkins v. Board of Governors, No. 86–1419 (D.C. Cir., filed July 18, 1986).

Securities Industry Association v. Board of Governors, No. 86–1412 (D.C. Cir., filed July 14, 1986).

Adkins v. Board of Governors, No. 86–3853 (4th Cir., filed May 14, 1986).

Optical Coating Laboratory, Inc. v. United States, No. 288–86C (U.S. Claims Ct., filed May 6, 1986).

CBC, Inc. v. Board of Governors, No. 86–1001 (10th Cir., filed Jan. 2, 1986).

Myers, et al. v. Federal Reserve Board, No. 85–1427 (D. Idaho, filed Nov. 18, 1985).

Souser, et al. v. Volcker, et al., No. 85-C-2370, et al. (D. Colo., filed Nov. 1, 1985).

Podolak v. Volcker, No. C85–0456, et al. (D. Wyo., filed Oct. 28, 1985).

Kolb v. Wilkinson, et al., No. C85–4184 (N.D. Iowa, filed Oct. 22, 1985).

Farmer v. Wilkinson, et al., No. 4–85-CIVIL-1448 (D. Minn., filed Oct. 21, 1985).

Kurkowski v. Wilkinson, et al., No. CV-85–0-916 (D. Neb., filed Oct. 16, 1985).

Alfson v. Wilkinson, et al., No. A1–85–267 (D. N.D., filed Oct. 8, 1985).

Independent Community Bankers Associaton of South Dakota v. Board of Governors, No. 84–1496 (D.C. Cir., filed Aug. 7, 1985).

Urwyler, et al. v. Internal Revenue Service, et al., No. 85–2877 (9th Cir., filed July 18, 1985).

Wight, et al. v. Internal Revenue Service, et al., No. 85–2826 (9th Cir., filed July 12, 1985).

Florida Bankers Association v. Board of Governors, No. 84–3883 and No. 84–3884 (11th Cir., filed Feb. 15, 1985).

Florida Department of Banking v. Board of Governors, No. 84–3831 (11th Cir., filed Feb. 15, 1985), and No. 84–3832 (11th Cir., filed Feb. 15, 1985).

Lewis v. Volcker, et al., No. 86–3210 (6th Cir., filed Jan. 14, 1985).

Brown v. United States Congress, et al., No. 84–2887–6(IG) (S.D. Cal., filed Dec. 7, 1984).

Melcher v. Federal Open Market Committee, No. 84–1335 (D.D.C., filed Apr. 30, 1984).

Florida Bankers Association, et al. v. Board of Governors, Nos. 84–3269, 84–3270 (11th Cir., filed April 20, 1984).

Securities Industry Association v. Board of Governors, No. 86–5089, et al. (D.C. Cir., filed Oct. 24., 1980)

Membership of the Board of Governors of the Federal Reserve System, 1913–87

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

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership[2]
J. Dewey Daane	Richmond	Nov. 29, 1963	Served until Mar. 8, 1974.[3]
Sherman J. Maisel	San Francisco	Apr. 30, 1965	Served through May 31, 1972.
Andrew F. Brimmer	Philadelphia	Mar. 9, 1966	Resigned Aug. 31, 1974.
William W. Sherrill	Dallas	May 1, 1967	Reappointed in 1968. Resigned Nov. 15, 1971.
Arthur F. Burns	New York	Jan. 31, 1970	Term began Feb. 1, 1970. Resigned Mar. 31, 1978.
John E. Sheehan	St. Louis	Jan. 4, 1972	Resigned June 1, 1975.
Jeffrey M. Bucher	San Francisco	June 5, 1972	Resigned Jan. 2, 1976.
Robert C. Holland	Kansas City	June 11, 1973	Resigned May 15, 1976.
Henry C. Wallich	Boston	Mar. 8, 1974	Resigned Dec. 15, 1986
Philip E. Coldwell	Dallas	Oct. 29, 1974	Served through Feb. 29, 1980.
Philip C. Jackson, Jr.	Atlanta	July 14, 1975	Resigned Nov. 17, 1978.
J. Charles Partee	Richmond	Jan. 5, 1976	Served until Feb. 7, 1986.[3]
Stephen S. Gardner	Philadelphia	Feb. 13, 1976	Died Nov. 19, 1978.
David M. Lilly	Minneapolis	June 1, 1976	Resigned Feb. 24, 1978.
G. William Miller	San Francisco	Mar. 8, 1978	Resigned Aug. 6, 1979.
Nancy H. Teeters	Chicago	Sept. 18, 1978	Served through June 27, 1984.
Emmett J. Rice	New York	June 20, 1979	Resigned Dec. 31, 1986.
Frederick H. Schultz	Atlanta	July 27, 1979	Served through Feb. 11, 1982.
Paul A. Volcker	Philadelphia	Aug. 6, 1979	
Lyle E. Gramley	Kansas City	May 28, 1980	Resigned Sept. 1, 1985.
Preston Martin	San Francisco	Mar. 31, 1982	Resigned April 30, 1986.
Martha R. Seger	Chicago	July 2, 1984	
Wayne D. Angell	Kansas City	Feb. 7, 1986	
Manuel H. Johnson	Richmond	Feb. 7, 1986	
H. Robert Heller	San Francisco	Aug. 19, 1986	
Edward W. Kelley, Jr.	Dallas	May 26, 1987	

Chairmen[4]

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

Vice Chairmen[4]

Frederic A. Delano	Aug. 10, 1914–Aug. 9, 1916
Paul M. Warburg	Aug. 10, 1916–Aug. 9, 1918
Albert Strauss	Oct. 26, 1918–Mar. 15, 1920
Edmund Platt	July 23, 1920–Sept. 14, 1930
J.J. Thomas	Aug. 21, 1934–Feb. 10, 1936
Ronald Ransom	Aug. 6, 1936–Dec. 2, 1947
C. Canby Balderston	Mar. 11, 1955–Feb. 28, 1966
J.L. Robertson	Mar. 1, 1966–Apr. 30, 1973
George W. Mitchell	May 1, 1973–Feb. 13, 1976
Stephen S. Gardner	Feb. 13, 1976–Nov. 19, 1978
Frederick H. Schultz	July 27, 1979–Feb. 11, 1982
Preston Martin	Mar. 31, 1982–Mar. 31, 1986
Manuel H. Johnson	Aug. 22, 1986–

EX-OFFICIO MEMBERS[1]

Secretaries of the Treasury

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

Comptrollers of the Currency

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

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

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

3. Successor took office on this date.

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

Financial and Business Statistics

CONTENTS

Domestic Financial Statistics

MONEY STOCK AND BANK CREDIT

POLICY INSTRUMENTS

FEDERAL RESERVE BANKS

MONETARY AND CREDIT AGGREGATES

COMMERCIAL BANKING INSTITUTIONS

WEEKLY REPORTING COMMERCIAL BANKS

FINANCIAL MARKETS

FEDERAL FINANCE

SECURITIES MARKETS AND CORPORATE FINANCE

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

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
	1986			1987	1986	1987			
	Q2	Q3	Q4	Q1	Dec.	Jan.r	Feb.r	Mar.r	Apr.
Reserves of depository institutions[2]									
1 Total	18.7r	21.0r	24.3r	16.4r	36.9r	15.3	−.2	−.4	23.2
2 Required	20.7r	21.9r	22.8r	16.5r	28.8r	22.3	−3.3	5.9	25.5
3 Nonborrowed	18.6r	21.3r	25.3r	18.5r	35.8r	20.9	.3	.2	13.5
4 Monetary base[3]	9.1r	9.7r	11.0r	11.3r	13.4r	14.6	7.6	2.9	9.9
Concepts of money, liquid assets, and debt[4]									
5 M1	15.5	16.5	17.0	13.0	30.5	11.7	−.7	3.3	17.7
6 M2	9.4	10.6	9.2	6.4	10.5	9.5	−.1	1.7	5.7
7 M3	8.7	9.6	8.0	6.5r	10.2r	9.0	1.3	1.7	5.5
8 L	7.1	8.0	8.2	6.6	9.6r	9.7	2.7	−2.4	n.a.
9 Debt	10.2	12.3	12.1	11.8r	15.4	12.8	8.0	7.9	n.a.
Nontransaction components									
10 M2[5]	7.5	8.6	6.6	4.1	3.7	8.6	.1	1.2	1.4
11 M3 only[6]	6.0	5.7	3.4	6.9r	8.9r	7.3	6.9	1.9	4.8
Time and savings deposits									
Commercial banks									
12 Savings[7]	13.4	25.0	36.9	37.0	34.4	41.2	33.8	28.5	27.8
13 Small-denomination time[8]	−2.5	−7.5	−10.7	−4.9	−3.9	.0	−7.2	−8.3	−8.3
14 Large-denomination time[9,10]	−3.5	−1.5	.4	9.2r	7.9r	15.6	.8	11.8	27.7
Thrift institutions									
15 Savings[7]	16.0	21.0	23.0	27.9	19.6	29.5	33.2	29.1	30.5
16 Small-denomination time	.3	−3.4	−6.4	−4.8	−6.8	−5.2	−3.0	.2	−1.7
17 Large-denomination time[9]	11.2	2.8	−7.3	−10.0	−5.4	−10.1	−14.0	−8.7	−19.1
Debt components[4]									
18 Federal	11.6	14.5	12.1	10.2	19.1	8.6	4.6	3.9	n.a.
19 Nonfederal	9.8	11.7	12.1	12.3r	14.2	14.2	9.1	9.1	n.a.
20 Total loans and securities at commercial banks[11]	4.1	10.6	9.1	10.1	17.4	16.1	.9	3.8	11.9

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

2. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

3. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks plus the currency component of the money stock less the amount of vault cash holdings of thrift institutions that is included in the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. After the introduction of contemporaneous reserve requirements (CRR), currency and vault cash figures are measured over the weekly computation period ending Monday.

Before CRR, all components of the monetary base other than excess reserves are seasonally adjusted as a whole, rather than by component, and excess reserves are added on a not seasonally adjusted basis. After CRR, the seasonally adjusted series consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock plus the remaining items seasonally adjusted as a whole.

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

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (OCD) consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. The currency and demand deposit components exclude the estimated amount of vault cash and demand deposits respectively held by thrift institutions to service their OCD liabilities.

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all commercial banks and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, Money Market Deposit Accounts (MMDAs), savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and balances in both taxable and tax-exempt general purpose and broker/dealer money market mutual funds. Excludes individual retirement accounts (IRA) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker/dealer), foreign governments and commercial banks, and the U.S. government. Also subtracted is a consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of $100,000 or more) issued by commercial banks and thrift institutions, term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper and bankers acceptances, net of money market mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages. Growth rates for debt reflect adjustments for discontinuities over time in the levels of debt presented in other tables.

5. Sum of overnight RPs and Eurodollars, money market fund balances (general purpose and broker/dealer), MMDAs, and savings and small time deposits less the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposit liabilities.

6. Sum of large time deposits, term RPs, and Eurodollars of U.S. residents, money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

7. Excludes MMDAs.

8. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRA and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

9. Large-denomination time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

10. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

11. Changes calculated from figures shown in table 1.23.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1987			1987						
	Feb.	Mar.	Apr.	Mar. 18	Mar. 25	Apr. 1	Apr. 8	Apr. 15	Apr. 22	Apr. 29
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**222,882**	**221,583**	**230,049**	**221,286**	**221,096**	**222,732**	**225,432**	**227,243**	**232,065**	**233,864**
2 U.S. government securities[1]	195,023	195,925	203,630	195,737	195,389	196,549	199,491	201,744	204,393	207,658
3 Bought outright	194,910	195,619	201,662	195,388	195,389	196,549	197,717	201,299	202,535	205,270
4 Held under repurchase agreements	113	306	1,968	349	0	0	1,774	445	1,858	2,388
5 Federal agency obligations	7,750	7,772	8,220	7,818	7,719	7,719	8,118	7,862	8,195	8,374
6 Bought outright	7,719	7,719	7,703	7,719	7,719	7,719	7,717	7,714	7,701	7,683
7 Held under repurchase agreements	31	53	517	99	0	0	401	148	494	691
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	554	535	872	502	553	690	591	693	1,219	798
10 Float	2,085	466	604	384	373	1,107	669	224	1,512	−48
11 Other Federal Reserve assets	17,470	16,885	16,723	16,845	17,063	16,667	16,563	16,720	16,746	17,082
12 Gold stock[2]	11,070	11,083	11,079	11,083	11,082	11,081	11,080	11,078	11,078	11,076
13 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
14 Treasury currency outstanding	17,652	17,711	17,744	17,709	17,723	17,718	17,728	17,738	17,748	17,758
ABSORBING RESERVE FUNDS										
15 Currency in circulation	206,450	207,265	209,684	207,704	207,318	207,376	208,876	210,111	210,281	209,620
16 Treasury cash holdings[2]	484	506	530	500	507	516	525	531	534	531
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	4,834	3,161	7,163	3,255	2,865	3,025	3,923	3,815	4,758	13,312
18 Foreign	228	238	279	208	254	259	264	202	270	354
19 Service-related balances and adjustments	2,519	2,026	2,211	2,145	1,975	2,036	2,048	2,318	2,041	1,993
20 Other	424	442	424	468	423	459	431	399	451	390
21 *Other Federal Reserve liabilities and capital*	6,602	6,345	6,896	6,348	6,429	6,569	6,791	6,762	7,018	7,043
22 Reserve balances with Federal Reserve Banks[3]	35,081	35,412	36,701	34,468	35,148	36,309	36,399	36,939	40,556	34,474

Factors	End-of-month figures			Wednesday figures						
	1987			1987						
	Feb.	Mar.	Apr.	Mar. 18	Mar. 25	Apr. 1	Apr. 8	Apr. 15	Apr. 22	Apr. 29
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**220,180**	**227,578**	**249,706**	**220,131**	**220,344**	**222,860**	**232,873**	**229,625**	**242,619**	**243,550**
24 U.S. government securities[1]	194,178	196,409	218,883	194,413	194,544	197,013	204,720	203,917	209,978	213,824
25 Bought outright	194,178	196,409	205,112	194,182	194,544	197,013	196,920	202,818	202,034	204,590
26 Held under repurchase agreements	0	0	13,771	231	0	0	7,800	1,099	7,944	9,234
27 Federal agency obligations	7,719	7,719	11,039	7,826	7,719	7,719	9,236	8,198	10,028	10,436
28 Bought outright	7,719	7,719	7,683	7,719	7,719	7,719	7,714	7,714	7,683	7,683
29 Held under repurchase agreements	0	0	3,356	107	0	0	1,522	484	2,345	2,753
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	514	1,587	2,464	420	573	596	1,592	464	5,627	1,096
32 Float	1,023	5,241	126	387	249	577	380	294	−102	691
33 Other Federal Reserve assets	16,746	16,622	17,914	17,085	17,259	16,955	16,945	16,752	17,088	17,503
34 Gold stock[2]	11,085	11,081	11,076	11,082	11,082	11,081	11,079	11,078	11,077	11,076
35 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
36 Treasury currency outstanding	17,679	17,735	17,767	17,721	17,735	17,727	17,737	17,747	17,757	17,767
ABSORBING RESERVE FUNDS										
37 Currency in circulation	205,988	207,818	210,265	207,692	207,331	208,035	209,649	210,460	210,179	209,899
38 Treasury cash holdings[2]	510	518	531	505	515	519	532	534	531	529
Deposits, other than reserve balances with Federal Reserve Banks										
39 Treasury	3,482	3,576	29,688	2,437	2,953	4,563	3,531	4,056	9,431	25,802
40 Foreign	201	268	343	190	226	399	176	285	225	504
41 Service-related balances and adjustments	1,799	1,817	1,812	1,807	1,807	1,817	1,818	1,806	1,810	1,811
42 Other	539	577	533	498	610	485	360	557	522	527
43 *Other Federal Reserve liabilities and capital*	6,110	6,682	7,057	6,140	6,267	6,541	6,727	6,677	7,037	7,165
44 Reserve balances with Federal Reserve Banks[3]	35,334	40,156	33,337	34,684	34,470	34,326	43,914	39,092	46,736	31,172

1. *Includes* securities loaned—fully guaranteed by U.S government securities pledged with Federal Reserve Banks—and *excludes* any securities sold and scheduled to be bought back under matched sale-purchase transactions.
2. Revised for periods between October 1986 and April 1987. At times during this interval, outstanding gold certificates were inadvertently in excess of the gold stock. Revised data not included in this table are available from the Division of Research and Statistics, Banking Section.
3. Excludes required clearing balances and adjustments to compensate for float.

NOTE. For amounts of currency and coin held as reserves, see table 1.12.

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	Monthly averages[8]									
	1984	1985	1986	1986				1987		
	Dec.	Dec.	Dec.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1 Reserve balances with Reserve Banks[1]	21,738	27,620	37,360	31,922	32,947	34,803	37,360	36,584	33,625	35,318
2 Total vault cash[2]	22,313	22,953	24,071	23,384	23,753	23,543	24,071	25,049	25,889[r]	23,759
3 Vault[3]	18,958	20,522	22,199	21,267	21,676	21,595	22,199	23,084	23,435	21,743
4 Surplus[4]	3,355	2,431	1,872	2,117	2,078	1,947	1,872	1,965	2,454	2,016
5 Total reserves[5]	40,696	48,142	59,560	53,189	56,623	56,399	59,560	59,668	57,060	57,061
6 Required reserves	39,843	47,085	58,191	52,463	53,877	55,421	58,191	58,600	55,849	56,146
7 Excess reserve balances at Reserve Banks[6]	853	1,058	1,369	726	746	978	1,369	1,068	1,211	916
8 Total borrowings at Reserve Banks	3,186	1,318	827	1,008	841	752	827	580	556	527
9 Seasonal borrowings at Reserve Banks	113	56	38	137	99	70	38	34	71	91
10 Extended credit at Reserve Banks[7]	2,604	499	303	570	497	418	303	225	283	264
	Biweekly averages of daily figures for weeks ending									
	1987									
	Jan. 14	Jan. 28	Feb. 11	Feb. 25	Mar. 11	Mar. 25	Apr. 8	Apr. 22	May 6[p]	May 20[pe]
11 Reserve balances with Reserve Banks[1]	38,710	35,228	32,991	33,742	35,400	34,809	36,358	38,746	37,613	36,343
12 Total vault cash[2]	24,583[r]	25,028	27,327	25,237	23,662	24,077	23,198	23,479	23,289	23,552
13 Vault[3]	22,815	23,012	24,677	22,857	21,582	22,038	21,350	21,761	21,517	21,786
14 Surplus[4]	1,768	2,017	2,650	2,380	2,080	2,039	1,848	1,719	1,772	1,766
15 Total reserves[5]	61,525	58,239	57,667	56,599	56,982	56,847	57,708	60,506	59,130	58,129
16 Required reserves	60,680	57,033	56,208	55,530	56,021	55,866	57,029	59,703	58,106	57,041
17 Excess reserve balances at Reserve Banks[6]	845	1,206	1,459	1,070	961	981	679	804	1,024	1,088
18 Total borrowings at Reserve Banks	505	689	425	680	466	528	641	956	1,410	830
19 Seasonal borrowings at Reserve Banks	28	36	56	81	83	96	98	110	159	190
20 Extended credit at Reserve Banks[7]	215	227	265	299	275	263	248	267	299	276

1. Excludes required clearing balances and adjustments to compensate for float.
2. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end 30 days after the lagged computation periods in which the balances are held.
3. Equal to all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
4. Total vault cash at institutions having no required reserve balances less the amount of vault cash equal to their required reserves during the maintenance period.
5. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
6. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements less required reserves.
7. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.
8. Before February 1984, data are prorated monthly averages of weekly averages; beginning February 1984, data are prorated monthly averages of biweekly averages.

NOTE. These data also appear in the Board's H.3 (502) release. For address, see inside front cover.

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Member Banks[1]

Averages of daily figures, in millions of dollars

Maturity and source	1987 week ending Monday								
	Feb. 2	Feb. 9	Feb. 16	Feb. 23	Mar. 2	Mar. 9	Mar. 16	Mar. 23	Mar. 30
Federal funds purchased, repurchase agreements, and other selected borrowing in immediately available funds									
From commercial banks in the United States									
1 For one day or under continuing contract	78,255	80,428	76,927	77,242	75,122	80,561	78,545	76,584	74,628
2 For all other maturities	8,052	8,229	8,764	8,315	9,130	8,677	8,385	8,387	8,312
From other depository institutions, foreign banks and foreign official institutions, and United States government agencies									
3 For one day or under continuing contract	38,995	39,005	39,000	39,390	40,802	43,033	42,504	39,322	39,651
4 For all other maturities	6,175	5,920	6,603	6,021	6,631	6,504	7,083	6,917	7,412
Repurchase agreements on United States government and federal agency securities in immediately available funds									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	13,194	12,909	13,906	14,289	14,033	12,682	12,226	11,325	12,120
6 For all other maturities	9,066r	9,802r	10,551r	9,258r	10,649r	9,714r	9,638	10,345	10,525
All other customers									
7 For one day or under continuing contract	28,016	27,793	26,148	27,380	27,176	27,408	26,848	25,636	25,813
8 For all other maturities	10,667r	10,363r	10,541r	9,880r	10,098r	9,578r	9,209	9,399	9,874
MEMO: Federal funds loans and resale agreements in immediately available funds in maturities of one day or under continuing contract									
9 To commercial banks in the United States	34,026	31,180r	28,120r	28,588r	27,305	27,952	26,831	25,694	23,909
10 To all other specified customers[2]	12,671	10,976r	12,235	11,852	11,786	10,762	11,508	11,935	10,288

1. Banks with assets of $1 billion or more as of Dec. 31, 1977.

2. Brokers and nonbank dealers in securities; other depository institutions; foreign banks and official institutions; and U.S. government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per annum

Current and previous levels

Federal Reserve Bank	Short-term adjustment credit and seasonal credit[1]			Extended credit[2]						
				First 60 days of borrowing		Next 90 days of borrowing		After 150 days		Effective date for current rates
	Rate on 5/28/87	Effective date	Previous rate	Rate on 5/28/87	Previous rate	Rate on 5/28/87	Previous rate	Rate on 5/28/87	Previous rate	
Boston	5½	8/21/86	6	5½	6	6½	7	7½	8	8/21/86
New York		8/21/86								8/21/86
Philadelphia		8/22/86								8/22/86
Cleveland		8/21/86								8/21/86
Richmond		8/21/86								8/21/86
Atlanta		8/21/86								8/21/86
Chicago		8/21/86								8/21/86
St. Louis		8/22/86								8/22/86
Minneapolis		8/21/86								8/21/86
Kansas City		8/21/86								8/21/86
Dallas		8/21/86								8/21/86
San Francisco	5½	8/21/86	6	5½	6	6½	7	7½	8	8/21/86

Range of rates in recent years[3]

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1973	7½	7½
1974—Apr. 25	7½–8	8
30	8	8
Dec. 9	7¾–8	7¾
16	7¾	7¾
1975—Jan. 6	7¼–7¾	7¾
10	7¼–7¾	7¼
24	7¼	7¼
Feb. 5	6¾–7¼	6¾
7	6¾	6¾
Mar. 10	6¼–6¾	6¼
14	6¼	6¼
May 16	6–6¼	6
23	6	6
1976—Jan. 19	5½–6	5½
23	5½	5½
Nov. 22	5¼–5½	5¼
26	5¼	5¼
1977—Aug. 30	5¼–5¾	5¼
31	5¼–5¾	5¾
Sept. 2	5¾	5¾
Oct. 26	6	6
1978—Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7–7¼	7¼
July 10	7¼	7¼

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1978—Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
1979—July 20	10	10
Aug. 17	10–10½	10½
20	10½	10½
Sept. 19	10½–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981—May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1982—July 20	11½–12	11½
23	11½	11½
Aug. 2	11–11½	11
3	11	11
16	10½	10½
27	10–10½	10
30	10	10
Oct. 12	9½–10	9½
13	9½	9½
Nov. 22	9–9½	9
26	9	9
Dec. 14	8½–9	9
15	8½–9	8½
17	8½	8½
1984—Apr. 9	8½–9	9
13	9	9
Nov. 21	8½–9	8½
26	8½	8½
Dec. 24	8	8
1985—May 20	7½–8	7½
24	7½	7½
1986—Mar. 7	7–7½	7
10	7	7
Apr. 21	6½–7	6½
23	6½	6½
July 11	6	6
Aug. 21	5½–6	5½
22	5½	5½
In effect May 28, 1987	5½	5½

1. After May 19, 1986, the highest rate within the structure of discount rates may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

A temporary simplified seasonal program was established on Mar. 8, 1985, and the interest rate was a fixed rate ½ percent above the rate on adjustment credit. The program was re-established on Feb. 18, 1986 and again on Jan. 28, 1987; the rate may be either the same as that for adjustment credit or a fixed rate ½ percent higher.

2. Applicable to advances when exceptional circumstances or practices involve only a particular depository institution and to advances when an institution is under sustained liquidity pressures. As an alternative, for loans outstanding for more than 150 days, a Federal Reserve Bank may charge a flexible rate that takes into account rates on market sources of funds, but in no case will the rate charged be less than the basic rate plus one percentage point. Where credit provided to a particular depository institution is anticipated to be outstanding for an unusually prolonged period and in relatively large amounts, the time period in which each rate under this structure is applied may be shortened. See section 201.3(b)(2) of Regulation A.

3. Rates for short-term adjustment credit. For description and earlier data see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, and *1941–1970; Annual Statistical Digest, 1970–1979, 1980, 1981*, and *1982*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than 4 weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. There was no surcharge until Nov. 17, 1980, when a 2 percent surcharge was adopted; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12. As of Oct. 1, the formula for applying the surcharge was changed from a calendar quarter to a moving 13-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

Type of deposit, and deposit interval[2]	Depository institution requirements after implementation of the Monetary Control Act	
	Percent of deposits	Effective date
Net transaction accounts[3,4]		
$0 million–$36.7 million	3	12/30/86
More than $36.7 million	12	12/30/86
Nonpersonal time deposits[5]		
By original maturity		
Less than 1½ years	3	10/6/83
1½ years or more	0	10/6/83
Eurocurrency liabilities		
All types	3	11/13/80

1. Reserve requirements in effect on Dec. 31, 1986. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmembers may maintain reserve balances with a Federal Reserve Bank indirectly on a pass-through basis with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* and of the FEDERAL RESERVE BULLETIN. Under provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge corporations.

2. The Garn–St. Germain Depository Institutions Act of 1982 (Public Law 97–320) requires that $2 million of reservable liabilities (transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities) of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabiliies subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 30, 1986, the exemption was raised from $2.6 million to $2.9 million. In determining the reserve requirements of depository institutions, the exemption shall apply in the following order: (1) net NOW accounts (NOW accounts less allowable deductions); (2) net other transaction accounts; and (3) nonpersonal time deposits or Eurocurrency liabilities starting with those with the highest reserve ratio. With respect to NOW accounts and other transaction accounts, the exemption applies only to such accounts that would be subject to a 3 percent reserve requirement.

3. Transaction accounts include all deposits on which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers in excess of three per month for the purpose of making payments to third persons or others. However, MMDAs and similar accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month, of which no more than three can be checks, are not transaction accounts (such accounts are savings deposits subject to time deposit reserve requirements).

4. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage increase in transaction accounts held by all depository institutions, determined as of June 30 each year. Effective Dec. 30, 1986, the amount was increased from $31.7 million to $36.7 million.

5. In general, nonpersonal time deposits are time deposits, including savings deposits, that are not transaction accounts and in which a beneficial interest is held by a depositor that is not a natural person. Also included are certain transferable time deposits held by natural persons and certain obligations issued to depository institution offices located outside the United States. For details, see section 204.2 of Regulation D.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction	1984	1985	1986	1986				1987		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
U.S. TREASURY SECURITIES										
Outright transactions (*excluding matched transactions*)										
Treasury bills										
1 Gross purchases	20,036	22,214	22,602	861	928	3,318	5,422	997	191	1,062
2 Gross sales	8,557	4,118	2,502	0	0	0	0	583	3,581	0
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	7,700	3,500	1,000	0	0	0	0	0	800	0
Others within 1 year										
5 Gross purchases	1,126	1,349	190	0	0	190	0	0	0	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shift	16,354	19,763	18,673	1,053	974	2,974	1,280	611	1,855	1,762
8 Exchange	−20,840	−17,717	−20,179	−1,892	−529	−1,810	−1,502	0	−4,954	−1,799
9 Redemptions	0	0	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	1,638	2,185	893	0	0	893	0	0	0	0
11 Gross sales	0	0	0	0	0	0	0	0	252	0
12 Maturity shift	−13,709	−17,459	−17,058	−1,053	−969	−2,414	−1,280	−591	−1,650	−1,762
13 Exchange	16,039	13,853	16,984	1,892	529	1,510	1,502	0	4,354	1,799
5 to 10 years										
14 Gross purchases	536	458	236	0	0	236	0	0	0	0
15 Gross sales	300	100	0	0	0	0	0	0	0	0
16 Maturity shift	−2,371	−1,857	−1,620	0	−5	−560	0	−20	−204	0
17 Exchange	2,750	2,184	2,050	0	0	200	0	0	400	0
Over 10 years										
18 Gross purchases	441	293	158	0	0	158	0	0	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	−275	−447	0	0	0	0	0	0	0	0
21 Exchange	2,052	1,679	1,150	0	0	100	0	0	200	0
All maturities										
22 Gross purchases	23,776	26,499	24,078	861	928	4,795	5,422	997	191	1,062
23 Gross sales	8,857	4,218	2,502	0	0	0	0	583	3,833	0
24 Redemptions	7,700	3,500	1,000	0	0	0	0	0	800	0
Matched transactions										
25 Gross sales	808,986	866,175	927,997	73,179	77,262	60,146	91,404	63,865	82,086	72,306
26 Gross purchases	810,432	865,968	927,247	70,817	81,892	60,232	88,730	65,145	81,387	73,476
Repurchase agreements[2]										
27 Gross purchases	127,933	134,253	170,431	14,717	5,670	16,888	44,303	36,373	0	5,657
28 Gross sales	127,690	132,351	160,268	8,403	11,984	15,471	32,028	46,897	3,168	5,657
29 Net change in U.S. government securities	8,908	20,477	29,989	4,814	−756	6,298	15,023	−8,830	−8,307	2,231
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	256	162	398	0	93	125	0	110	0	0
Repurchase agreements[2]										
33 Gross purchases	11,509	22,183	31,142	2,678	952	1,622	5,488	4,714	0	897
34 Gross sales	11,328	20,877	30,522	869	2,761	1,274	3,522	6,171	857	897
35 Net change in federal agency obligations	−76	1,144	222	1,809	−1,902	223	1,965	−1,567	−857	0
BANKERS ACCEPTANCES										
36 Repurchase agreements, net	−418	0	0	0	0	0	0	0	0	0
37 Total net change in System Open Market Account	**8,414**	**21,621**	**30,211**	**6,623**	**−2,658**	**6,522**	**16,988**	**−10,397**	**−9,165**	**2,231**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings. Details may not add to totals because of rounding.

2. In July 1984 the Open Market Trading Desk discontinued accepting bankers acceptances in repurchase agreements.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements

Millions of dollars

Account	Wednesday 1987					End of month 1987		
	Apr. 1	Apr. 8	Apr. 15	Apr. 22	Apr. 29	Feb.	Mar.	Apr.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,081	11,080	11,078	11,078	11,077	11,059	11,081	11,076
2 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
3 Coin	563	556	549	537	523	578	569	517
Loans								
4 To depository institutions	596	1,592	464	5,627	1,096	514	1,587	2,464
5 Other	0	0	0	0	0	0	0	0
Acceptances—Bought outright								
6 Held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	7,719	7,714	7,714	7,683	7,683	7,719	7,719	7,683
8 Held under repurchase agreements	0	1,522	484	2,345	2,753	0	0	3,356
U.S. government securities								
Bought outright								
9 Bills	101,221	101,128	104,949	104,165	104,536	100,581	102,812	105,058
10 Notes	69,637	69,637	71,420	71,420	73,378	67,673	67,673	73,378
11 Bonds	26,155	26,155	26,449	26,449	26,676	25,924	25,924	26,676
12 Total bought outright[1]	197,013	196,920	202,818	202,034	204,590	194,178	196,409	205,112
13 Held under repurchase agreements	0	7,800	1,099	7,944	9,234	0	0	13,771
14 Total U.S. government securities	197,013	204,720	203,917	209,978	213,824	194,178	196,409	218,883
15 **Total loans and securities**	**205,328**	**215,548**	**212,579**	**225,633**	**225,356**	**202,411**	**205,715**	**232,386**
16 Items in process of collection	7,244	6,444	7,632	6,808	7,039	6,338	13,284	6,203
17 Bank premises	671	670	675	675	675	669	671	675
Other assets								
18 Denominated in foreign currencies[2]	9,251	8,964	8,879	8,809	8,642	9,960	9,467	8,283
19 All other[3]	7,033	7,311	7,198	7,604	8,186	6,117	6,484	8,236
20 **Total assets**	**246,189**	**255,591**	**253,608**	**266,162**	**266,516**	**242,150**	**252,289**	**272,394**
LIABILITIES								
21 Federal Reserve notes	191,391	193,001	193,797	193,491	193,187	189,370	191,170	193,547
Deposits								
22 To depository institutions	36,143	45,732	40,898	48,546	32,983	37,133	41,973	35,149
23 U.S. Treasury—General account	4,563	3,531	4,056	9,431	25,802	3,482	3,576	29,688
24 Foreign—Official accounts	399	176	285	225	504	201	268	343
25 Other	485	360	557	522	527	539	577	533
26 **Total deposits**	**41,590**	**49,799**	45,796	**58,724**	**59,816**	**41,355**	**46,394**	**65,713**
27 Deferred credit items	6,667	6,064	7,338	6,910	6,348	5,315	8,043	6,077
28 Other liabilities and accrued dividends[4]	2,333	2,595	2,538	2,889	3,024	2,189	2,219	2,696
29 **Total liabilities**	**241,981**	**251,459**	**249,469**	**262,014**	**262,375**	**238,229**	**247,826**	**268,033**
CAPITAL ACCOUNTS								
30 Capital paid in	1,917	1,918	1,917	1,920	1,921	1,910	1,916	1,921
31 Surplus	1,874	1,873	1,873	1,873	1,873	1,860	1,874	1,873
32 Other capital accounts	417	341	349	355	347	151	673	567
33 **Total liabilities and capital accounts**	**246,189**	**255,591**	**253,608**	**266,162**	**266,516**	**242,150**	**252,289**	**272,394**
34 MEMO: Marketable U.S. government securities held in custody for foreign and international account	176,098	178,243	178,466	175,355	176,544	166,449	175,569	174,715
	Federal Reserve note statement							
35 Federal Reserve notes outstanding	237,082	238,048	238,783	239,561	240,024	234,114	236,868	240,164
36 LESS: Held by bank	45,691	45,047	44,986	46,070	46,837	44,744	45,698	46,617
37 Federal Reserve notes, net	191,391	193,001	193,797	193,491	193,187	189,370	191,170	193,547
Collateral held against notes net:								
38 Gold certificate account	11,081	11,080	11,078	11,078	11,077	11,059	11,081	11,076
39 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. government and agency securities	175,292	176,903	177,701	177,395	177,092	173,293	175,071	177,453
42 **Total collateral**	**191,391**	**193,001**	**193,797**	**193,491**	**193,187**	**189,370**	**191,170**	**193,547**

1. *Includes* securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and *excludes* (if any) securities sold and scheduled to be bought back under matched sale-purchase transactions.
2. Assets shown in this line are revalued monthly at market exchange rates.
3. Includes special investment account at Chicago of Treasury bills maturing within 90 days.
4. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.

NOTE: Some of these data also appear in the Board's H.4.1 (503) release. For address, see inside front cover.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1987					1987		
	Apr. 1	Apr. 8	Apr. 15	Apr. 22	Apr. 29	Feb. 27	Mar. 31	Apr. 30
1 Loans—Total	596	1,592	464	5,627	1,096	514	1,587	2,464
2 Within 15 days	567	1,558	449	5,619	1,082	502	1,573	2,413
3 16 days to 90 days	29	34	15	8	14	12	14	51
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	0	0	0
6 Within 15 days	0	0	0	0	0	0	0	0
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. government securities—Total	197,013	204,720	203,917	209,978	213,824	194,178	196,409	218,883
10 Within 15 days[1]	9,639	17,113	13,192	15,179	19,553	4,662	4,688	21,640
11 16 days to 90 days	47,756	48,029	51,305	52,594	50,056	52,118	53,011	48,780
12 91 days to 1 year	60,628	60,588	58,892	61,677	61,890	59,463	61,450	66,830
13 Over 1 year to 5 years	39,611	39,611	40,587	40,587	41,851	39,042	38,367	41,159
14 Over 5 years to 10 years	15,917	15,917	16,232	16,232	16,538	15,627	15,627	16,538
15 Over 10 years	23,462	23,462	23,709	23,709	23,936	23,266	23,266	23,936
16 Federal agency obligations—Total	7,719	9,236	8,198	10,028	10,436	7,719	7,719	11,039
17 Within 15 days[1]	40	1,589	516	2,475	2,884	301	295	3,487
18 16 days to 90 days	532	710	732	661	669	640	532	669
19 91 days to 1 year	1,607	1,417	1,485	1,526	1,547	1,307	1,352	1,547
20 Over 1 year to 5 years	3,918	3,898	3,848	3,749	3,750	3,819	3,918	3,750
21 Over 5 years to 10 years	1,342	1,342	1,337	1,337	1,306	1,372	1,342	1,306
22 Over 10 years	280	280	280	280	280	280	280	280

1. Holdings under repurchase agreements are classified as maturing within 15 days in accordance with maximum maturity of the agreements.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE

Billions of dollars, averages of daily figures

Item	1983 Dec.	1984 Dec.	1985 Dec.r	1986 Dec.r	1986r Sept.	1986r Oct.	1986r Nov.	1986r Dec.	1987 Jan.r	1987 Feb.r	1987 Mar.r	1987 Apr.
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[1]	Seasonally adjusted											
1 **Total reserves[2]**	**36.16**	**39.51**	**46.06**	**56.17**	**52.30**	**53.23**	**54.49**	**56.17**	**56.88**	**56.87**	**56.85**	**57.95**
2 Nonborrowed reserves	35.38	36.32	44.74	55.34	51.29	52.38	53.74	55.34	56.30	56.32	56.33	56.96
3 Nonborrowed reserves plus extended credit[3]	35.38	38.93	45.24	55.64	51.86	52.88	54.16	55.64	56.53	56.60	56.59	57.23
4 Required reserves	35.59	38.66	45.00	54.80	51.58	52.48	53.51	54.80	55.82	55.66	55.94	57.12
5 Monetary base[4]	185.38r	199.20r	217.32	239.51	232.28	234.43	236.88	239.51	242.43	243.97	244.56	246.57
	Not seasonally adjusted											
6 **Total reserves[2]**	**36.87**	**40.57**	**47.24**	**57.64**	**52.02**	**52.83**	**54.59**	**57.64**	**58.73**	**56.09**	**56.07**	**58.37**
7 Nonborrowed reserves	36.09	37.38	45.92	56.81	51.01	51.98	53.84	56.81	58.15	55.53	55.54	57.38
8 Nonborrowed reserves plus extended credit[3]	36.10	39.98	46.42	57.11	51.58	52.48	54.26	57.11	58.38	55.81	55.80	57.65
9 Required reserves	36.31	39.71	46.18	56.27	51.29	52.08	53.61	56.27	57.66	54.88	55.15	57.54
10 Monetary base[4]	188.65	202.34	220.82	243.63	232.07	233.61	237.50	243.63	243.42	240.82	241.93	246.05
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[5]												
11 **Total reserves[2]**	**38.89**	**40.70**	**48.14**	**59.56**	**53.19**	**54.62**	**56.40**	**59.56**	**59.67**	**57.06**	**57.06**	**59.39**
12 Nonborrowed reserves	38.12	37.51	46.82	58.73	52.18	53.78	55.65	58.73	59.09	56.50	56.53	58.40
13 Nonborrowed reserves plus extended credit[3]	38.12	40.09	47.41	59.04	52.76	54.15	56.15	59.04	59.32	56.74	56.82	58.19
14 Required reserves	38.33	39.84	47.08	58.19	52.46	53.88	55.42	58.19	58.60	55.85	56.15	58.56
15 Monetary base[4]	192.26	204.18	223.53	247.71	235.07	237.26	241.27	247.71	246.75	244.22	244.98	249.23

1. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

2. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

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

4. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks and the currency component of the money stock less the amount of vault cash holdings of thrift institutions that is included in the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. After the introduction of contemporaneous reserve requirements (CRR), currency and vault cash figures are measured over the weekly computation period ending Monday.

Before CRR, all components of the monetary base other than excess reserves are seasonally adjusted as a whole, rather than by component, and excess reserves are added on a not seasonally adjusted basis. After CRR, the seasonally adjusted series consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock and the remaining items seasonally adjusted as a whole.

5. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with implementation of the Monetary Control Act or other regulatory changes to reserve requirements.

NOTE. Latest monthly and biweekly figures are available from the Board's H.3(502) statistical release. Historical data and estimates of the impact on required reserves of changes in reserve requirements are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Billions of dollars, averages of daily figures

Item[1]	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1987 Jan.	1987 Feb.r	1987 Mar.	1987 Apr.
	Seasonally adjusted							
1 M1	526.9	557.5	627.0	730.5	737.6	737.2	739.2	750.1
2 M2	2,184.6	2,369.1	2,569.5	2,799.7r	2,821.8r	2,821.6	2,825.5r	2,839.0
3 M3	2,692.8	2,985.4r	3,205.5	3,488.8r	3,515.0r	3,518.8	3,523.8r	3,540.0
4 L	3,154.6	3,529.0r	3,838.9	4,140.8r	4,174.3r	4,183.8	4,175.6	n.a.
5 Debt	5,206.3	5,946.0	6,774.9	7,625.6r	7,707.2r	7,758.7	7,809.6	n.a.
M1 components								
6 Currency[2]	148.3	158.5	170.6	183.5	186.0	187.2	187.8	188.9
7 Travelers checks[3]	4.9	5.2	5.9	6.4	6.5	6.7	6.8	6.8
8 Demand deposits[4]	242.3	248.3	272.2	308.3	305.1	300.7	299.1	303.9
9 Other checkable deposits[5]	131.4	145.5	178.3	232.3	240.0r	242.7	245.5	250.5
Nontransactions components								
10 In M2[6]	1,657.7	1,811.5	1,942.5	2,069.3	2,084.2r	2,084.3	2,086.3r	2,088.8
11 In M3 only[7]	508.2	616.3r	636.1r	689.0r	693.2r	697.2	698.3r	701.1
Savings deposits[8]								
12 Commercial Banks	133.2	122.2	124.6	154.5	159.8	164.3	168.2	172.1
13 Thrift institutions	173.0	166.6	179.0	211.7	216.9	222.9	228.3	234.1
Small denomination time deposits[9]								
14 Commercial Banks	350.9	386.6	383.9	364.7	364.7	362.5	360.0	357.5
15 Thrift institutions	432.9	498.6	500.3	488.5	486.4r	485.2	485.3	484.6
Money market mutual funds								
16 General purpose and broker/dealer	138.2	167.5	176.5	207.6	209.0	210.7	211.6	211.8
17 Institution-only	43.2	62.7	65.1	84.1	84.0	84.7	84.9	83.1
Large denomination time deposits[10]								
18 Commercial Banks[11]	230.0	269.6	284.1	291.9r	295.7r	295.9	298.8r	305.7
19 Thrift institutions	96.2	147.3	152.1	155.1	153.8	152.0	150.9r	148.5
Debt components								
20 Federal debt	1,172.8	1,367.6	1,587.0	1,804.8	1,817.8	1,824.7	1,830.7	n.a.
21 Nonfederal debt	4,033.5	4,578.4	5,187.9	5,820.8r	5,889.5r	5,933.9	5,978.9	n.a.
	Not seasonally adjusted							
22 M1	538.3	570.3	641.0	746.5r	744.3	723.1	728.7	757.4
23 M2	2,191.6	2,378.3	2,580.5	2,813.2r	2,832.0r	2,809.6	2,819.3r	2,847.6
24 M3	2,702.4	2,997.2r	3,218.8r	3,504.0r	3,525.8r	3,509.1	3,520.9r	3,548.1
25 L	3,163.1	3,539.7r	3,850.7	4,154.2r	4,185.7r	4,175.6	4,179.0	n.a.
26 Debt	5,200.7	5,940.2	6,768.3	7,618.4r	7,701.4r	7,742.3	7,786.4	n.a.
M1 components								
27 Currency[2]	150.6	160.8	173.1	186.2	184.6	184.8	186.0	188.0
28 Travelers checks[3]	4.6	4.9	5.5	6.0	6.0	6.2	6.4	6.5
29 Demand deposits[4]	251.0	257.2	282.0	319.4r	311.0	291.9	291.4	305.7
30 Other checkable deposits[5]	132.2	147.4	180.4	235.0	242.8	240.1	244.8r	257.2
Nontransactions components								
31 M2[6]	1,653.3	1,808.0	1,939.5	2,066.7	2,087.7r	2,086.5	2,090.6r	2,090.3
32 M3 only[7]	510.8	618.9	638.3r	690.8	693.7r	699.5	701.6r	700.5
Money market deposit accounts								
33 Commercial banks	230.4	267.4	332.5	379.0	381.7	378.4	378.1	375.3
34 Thrift institutions	148.5	150.0	180.7	192.3	192.4	192.2	192.2	189.9
Savings deposits[8]								
35 Commercial Banks	132.2	121.4	123.9	153.8	159.2	162.7	167.1	172.0
36 Thrift institutions	172.4	166.2	178.8	211.7	217.2	222.0	228.2	234.3
Small denomination time deposits[9]								
37 Commercial Banks	351.1	386.7	383.8	364.4	364.4	362.1	359.6	355.6
38 Thrift institutions	433.5	499.6	501.5	489.6	489.5r	487.6	485.5r	483.0
Money market mutual funds								
39 General purpose and broker/dealer	138.2	167.5	176.5	207.6	209.0	210.7	211.6	211.8
40 Institution-only	43.2	62.7	65.1	84.1	84.0	84.7	84.9	83.1
Large denomination time deposits[10]								
41 Commercial Banks[11]	231.6	271.2	285.6	293.3r	296.9r	298.0	301.2r	303.1
42 Thrift institutions	96.3	147.3	151.9	154.7	154.2	152.8	150.9	147.8
Debt components								
43 Federal debt	1,170.2	1,364.7	1,583.7	1,803.3r	1,816.9	1,826.7	1,838.3	n.a.
44 Nonfederal debt	4,030.5	4,575.5	5,184.6	5,815.1r	5,884.5r	5,915.6	5,948.2	n.a.

For notes see following page.

NOTES TO TABLE 1.21

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

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (OCD) consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. The currency and demand deposit components exclude the estimated amount of vault cash and demand deposits respectively held by thrift institutions to service their OCD liabilities.

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all commercial banks and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, MMDAs, savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and balances in both taxable and tax-exempt general purpose and broker–dealer money market mutual funds. Excludes individual retirement accounts (IRA) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker–dealer), foreign governments and commercial banks, and the U.S. government. Also subtracted is a consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of $100,000 or more) issued by commercial banks and thrift institutions, term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper and bankers acceptances, net of money market mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages.

2. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of commercial banks. Excludes the estimated amount of vault cash held by thrift institutions to service their OCD liabilities.

3. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

4. Demand deposits at commercial banks and foreign-related institutions other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float. Excludes the estimated amount of demand deposits held at commercial banks by thrift institutions to service their OCD liabilities.

5. Consists of NOW and ATS balances at all depository institutions, credit union share draft balances, and demand deposits at thrift institutions. Other checkable deposits seasonally adjusted equals the difference between the seasonally adjusted sum of demand deposits plus OCD and seasonally adjusted demand deposits. Included are all ceiling free "Super NOWs," authorized by the Depository Institutions Deregulation committee to be offered beginning Jan. 5, 1983.

6. Sum of overnight RPs and overnight Eurodollars, money market fund balances (general purpose and broker–dealer), MMDAs, and savings and small time deposits, less the consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits liabilities.

7. Sum of large time deposits, term RPs and term Eurodollars of U.S. residents, money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.

8. Savings deposits exclude MMDAs.

9. Small-denomination time deposits—including retail RPs— are those issued in amounts of less than $100,000. All individual retirement accounts (IRA) and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

10. Large-denomination time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

11. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

NOTE: Latest monthly and weekly figures are available from the Board's H.6 (508) release. Historical data are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.22 BANK DEBITS AND DEPOSIT TURNOVER

Debits are shown in billions of dollars, turnover as ratio of debits to deposits. Monthly data are at annual rates.

Bank group, or type of customer	1984[1]	1985[1]	1986[1]	1986			1987		
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
DEBITS TO	Seasonally adjusted								
Demand deposits[2]									
1 All insured banks	128,440.8	154,556.0	189,534.1	197,222.5	187,594.4	206,689.6	210,574.2	211,169.4	217,019.7
2 Major New York City banks	57,392.7	70,445.1	91,212.9	95,919.7	96,829.5	95,831.3	99,357.1	98,712.3	104,224.5
3 Other banks	71,048.1	84,110.9	98,321.4	101,302.9	90,764.9	110,858.4	111,217.1	112,457.1	112,795.2
4 ATS-NOW accounts[3]	1,588.7	1,920.8	2,351.1	2,292.5	2,501.0	2,960.8	2,255.7	2,306.0	2,344.6
5 Savings deposits[4]	633.1	539.0	410.3	456.5	424.9	533.7	459.2	477.7	468.6
DEPOSIT TURNOVER									
Demand deposits[2]									
6 All insured banks	434.4	496.5	561.8	569.6	538.2	560.7	580.3	594.7	613.8
7 Major New York City banks	1,843.0	2,168.9	2,460.6	2,493.4	2,513.2	2,251.6	2,426.4	2,461.0	2,707.8
8 Other banks	268.6	301.8	327.4	329.2	292.8	340.0	345.5	357.0	358.0
9 ATS-NOW accounts[3]	15.8	16.7	16.8	15.2	16.1	18.3	13.4	13.5	13.6
10 Savings deposits[4]	5.0	4.5	3.1	3.2	2.9	3.5	2.9	2.9	2.8
DEBITS TO	Not seasonally adjusted								
Demand deposits[2]									
11 All insured banks	128,059.1	154,108.4	189,443.3	204,618.4	167,465.5	226,263.1	216,638.7	191,572.9	222,532.0
12 Major New York City banks	57,282.4	70,400.9	91,294.4	98,837.9	85,849.7	106,935.2	102,274.2	89,866.7	106,161.2
13 Other banks	70,776.9	83,707.8	98,149.0	105,780.4	81,615.8	119,327.9	114,364.5	101,706.2	116,370.8
14 ATS-NOW accounts[3]	1,579.5	1,903.4	2,338.4	2,231.9	2,255.1	2,841.5	2,679.2	2,173.2	2,422.7
15 MMDA[5]	848.8	1,179.0	1,599.3	1,607.4	1,434.0	2,058.2	1,913.3	1,600.7	1,754.4
16 Savings deposits[4]	632.9	538.7	404.3	449.2	382.7	503.6	499.0	434.6	476.2
DEPOSIT TURNOVER									
Demand deposits[2]									
17 All insured banks	433.5	497.4	564.0	593.5	476.4	572.0	554.8	550.0	641.0
18 Major New York City banks	1,838.6	2,191.1	2,494.3	2,656.9	2,225.4	2,235.2	2,130.5	2,273.3	2,742.6
19 Other banks	267.9	301.6	327.9	343.9	260.8	357.4	346.6	329.4	377.3
20 ATS-NOW accounts[3]	15.7	16.6	16.8	14.9	14.6	17.4	15.7	12.9	14.1
21 MMDA[5]	3.5	3.8	4.5	4.3	3.8	5.4	5.0	4.2	4.7
22 Savings deposits[4]	5.0	4.5	3.1	3.2	2.6	3.3	3.1	2.7	2.9

1. Annual averages of monthly figures.
2. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.
3. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data are available beginning December 1978.
4. Excludes ATS and NOW accounts, MMDA and special club accounts, such as Christmas and vacation clubs.
5. Money market deposit accounts.

NOTE. Historical data for demand deposits are available back to 1970 estimated in part from the debits series for 233 SMSAs that were available through June 1977. Historical data for ATS-NOW and savings deposits are available back to July 1977. Back data are available on request from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

These data also appear on the Board's G.6 (406) release. For address, see inside front cover.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1986 May	1986 June	1986 July	1986 Aug.	1986 Sept.	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.
	Seasonally adjusted											
1 **Total loans and securities[2]**	**1,969.8**	**1,978.3**	**1,998.2**	**2,022.6**	**2,044.6**	**2,052.4**	**2,063.5**	**2,089.8**	**2,118.3**	**2,119.7**	**2,126.2[r]**	**2,147.3**
2 U.S. government securities	275.7	275.7	284.7	291.5	294.9	299.6	304.1	309.9	316.3	315.2	314.3	315.8
3 Other securities	185.6	187.0	189.7	196.0	204.2	199.8	197.9	196.9	190.2	193.8	195.5	197.2
4 Total loans and leases[2]	1,508.5	1,515.6	1,523.7	1,535.1	1,545.4	1,553.0	1,561.5	1,583.0	1,611.8	1,610.7	1,616.4[r]	1,634.3
5 Commercial and industrial	509.9	513.0	512.6	515.2	517.3	520.0	525.7	541.4	554.1	553.8	551.7	553.9
6 Bankers acceptances held[3]	6.1	6.3	6.1	6.5	6.6	6.7	6.4	6.4	6.7	6.8	6.1	6.5
7 Other commercial and industrial	503.8	506.6	506.5	508.7	510.7	513.3	519.2	535.1[r]	547.3	547.0	545.5[r]	547.5
8 U.S. addressees[4]	493.9	497.3	497.7	499.8	501.7	504.6	510.7	525.7	537.8	537.9	536.8[r]	539.0
9 Non-U.S. addressees[4]	9.9	9.4	8.9	8.9	9.0	8.8	8.5	9.4	9.5	9.1	8.7	8.5
10 Real estate	449.3	453.6	458.3	464.8	468.9	474.2	479.6	489.0	499.2	504.0	511.0	517.9
11 Individual	303.7	305.1	306.3	308.1	309.9	311.2	312.6	314.2	314.9	315.2	315.7	316.6
12 Security	45.0[r]	41.3[r]	43.7[r]	43.1[r]	42.8[r]	39.1[r]	40.1[r]	38.6[r]	37.7[r]	38.5[r]	38.3[r]	43.6
13 Nonbank financial institutions	33.7[r]	34.6[r]	34.5	34.5[r]	34.9[r]	35.5[r]	34.9[r]	35.2[r]	35.7	34.7[r]	35.0[r]	35.4
14 Agricultural	34.2	33.7	33.3	33.0	32.7	32.4	32.1	31.7	31.5	31.6	31.5[r]	31.1
15 State and political subdivisions	60.3	60.1	59.9	60.1	60.0	59.3	58.7	57.9	57.8	57.2	56.9	55.9
16 Foreign banks	10.0	10.3	10.3	10.1	10.1	10.0	10.0	10.4	10.6	10.3	9.7	9.9
17 Foreign official institutions	6.1	6.0	6.1	6.1	6.0	6.0	5.9	5.8	5.9	6.1	6.7	6.7
18 Lease financing receivables	20.2	20.4	20.5	20.7	21.1	21.8	22.0	22.2	22.1	22.2	22.3	22.6
19 All other loans	36.2[r]	37.4[r]	38.2[r]	39.5[r]	41.7[r]	43.3	39.9[r]	36.6[r]	42.3[r]	37.2[r]	37.5[r]	40.7
	Not seasonally adjusted											
20 **Total loans and securities[2]**	**1,967.8**	**1,978.2**	**1,993.7**	**2,015.1**	**2,042.3**	**2,044.0**	**2,064.2**	**2,105.2**	**2,123.7**	**2,121.6**	**2,127.8[r]**	**2,148.4**
21 U.S. government securities	275.5	276.2	285.6	290.5	293.8	296.1	303.2	308.3	314.6	318.9	317.2	317.7
22 Other securities	185.1	185.7	187.5	196.2	205.0	200.1	198.3	198.1	193.7	194.1	194.4	195.2
23 Total loans and leases[2]	1,507.2	1,516.3	1,520.6	1,528.4	1,543.5	1,547.8	1,562.6	1,598.7	1,615.4	1,608.6	1,616.2[r]	1,635.4
24 Commercial and industrial	511.8	514.2	512.1	512.8	516.1	517.8	525.2	544.3	552.4	551.7	554.5	556.5
25 Bankers acceptances held[3]	6.0	6.4	6.2	6.3	6.7	6.6	6.6	6.7	6.6	6.6	6.2	6.4
26 Other commercial and industrial	505.8	507.8	506.0	506.5	509.4	511.2	518.5	537.6	545.9	545.1	548.3[r]	550.1
27 U.S. addressees[4]	495.8	498.4	496.8	497.3	500.2	502.1	509.5	528.8	537.1	536.3	539.9	541.6
28 Non-U.S. addressees[4]	9.9	9.4	9.2	9.1	9.2	9.1	9.1	8.8	8.8	8.8	8.4	8.4
29 Real estate	448.5	453.3	458.4	464.9	469.9	475.1	480.7	489.9	499.3	503.1	509.8	516.7
30 Individual	301.8	303.8	305.2	307.9	310.8	312.3	313.7	317.8	317.9	314.7	313.3	314.4
31 Security	44.9[r]	41.9[r]	42.7[r]	40.7[r]	41.3[r]	37.8[r]	40.4[r]	40.9[r]	39.4[r]	37.5[r]	38.6[r]	45.1
32 Nonbank financial institutions	33.2	34.7	34.5	34.8	35.6	35.6	35.4	36.4	35.7	33.8	33.8	34.8
33 Agricultural	34.0	34.1	34.0	33.9	33.7	33.2	32.2	31.4	30.8	30.6	30.5[r]	30.3
34 State and political subdivisions	60.3	60.1	59.9	60.1	60.0	59.3	58.7	57.9	57.8	57.2	56.9	55.9
35 Foreign banks	9.7	10.1	10.3	9.9	10.3	10.0	10.1	10.9	10.7[r]	10.5	9.7	9.5
36 Foreign official institutions	6.1	6.0	6.1	6.1	6.0	6.0	5.9	5.8	5.9	6.1	6.7	6.7
37 Lease financing receivables	20.3	20.5	20.5	20.6	21.0	21.5	21.8	22.2	22.4	22.4	22.5	22.7
38 All other loans	36.7[r]	37.7[r]	36.8[r]	36.7[r]	39.0[r]	39.1[r]	38.6[r]	41.3[r]	43.0[r]	40.8[r]	39.8[r]	42.7

1. These data also appear in the Board's G.7 (407) release.
2. Excludes loans to commercial banks in the United States.
3. Includes nonfinancial commercial paper held.
4. United States includes the 50 states and the District of Columbia.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1986 May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1987 Jan.	Feb.ʳ	Mar.ʳ	Apr.
Total nondeposit funds												
1 Seasonally adjusted[2]	137.4	134.3	136.1	137.9	142.6	140.5	144.2	144.9	154.1ʳ	158.1	163.1	159.7
2 Not seasonally adjusted	138.5	132.0ʳ	132.9	137.8	141.9	139.5	145.7	145.0	153.6ʳ	160.7	165.4	159.8
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	158.8	158.0	165.5	167.4	166.9	167.8	166.0	164.0	169.2	170.1	169.1	169.4
4 Not seasonally adjusted	159.8ʳ	155.7	162.4	167.3	166.2	166.9	167.5	164.1	168.7	172.8	171.4	169.5
5 Net balances due to foreign-related institutions, not seasonally adjusted	−21.3	−23.7	−29.5	−29.5	−24.3	−27.3	−21.8	−19.1	−15.1ʳ	−12.1	−6.0	−9.7
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[4]	−29.3	−30.5	−33.8	−31.2	−29.2	−31.9	−28.7	−30.7	−25.7ʳ	−24.0	−20.8	−22.4
7 Gross due from balances	72.9	72.2	73.9	75.2	74.0	73.5	70.8	73.4	70.8ʳ	68.6	65.7	70.0
8 Gross due to balances	43.6	41.7	40.1	44.0	44.8	41.6	42.1	42.7	45.2	44.6	44.8	47.6
9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[5]	8.0	6.8	4.3	1.7	4.9	4.6	6.9	11.6	10.6ʳ	11.9	14.9	12.7
10 Gross due from balances	60.0	62.8	64.2	66.3	67.9	68.3	68.7	70.8	74.6	72.8	71.1	72.6
11 Gross due to balances	67.9	69.6	68.6	67.9	72.7	72.9	75.6	82.5	85.1	84.8	86.0	85.3
Security RP borrowings												
12 Seasonally adjusted[6]	89.9	90.1ʳ	95.2	95.9	95.9	97.0	96.9	97.0ʳ	99.4	96.3	93.9	97.1
13 Not seasonally adjusted	91.0	87.9	92.0	95.8	95.2	96.1	98.5	97.1	98.9	99.0	96.2	97.2
U.S. Treasury demand balances[7]												
14 Seasonally adjusted	19.1	17.7	15.4	14.5	16.5	17.1	23.2	21.2	21.3	23.2	17.7	20.7
15 Not seasonally adjusted	21.8	16.1	16.8	11.1	18.2	15.3	15.3	19.2	27.5	28.6	17.1	21.6
Time deposits, $100,000 or more[8]												
16 Seasonally adjusted	341.9	341.8	341.1	344.3	344.2	342.7	343.3	345.6ʳ	350.1ʳ	351.1	354.1	359.8
17 Not seasonally adjusted	340.5	339.2	338.3	344.0	345.5	343.8	344.1	347.1	351.3ʳ	353.2	356.4	357.1

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.
2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars. Includes averages of Wednesday data for domestically chartered banks and averages of current and previous month-end data for foreign-related institutions.
3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans.
4. Averages of daily figures for member and nonmember banks.
5. Averages of daily data.
6. Based on daily average data reported by 122 large banks.
7. Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.
8. Averages of Wednesday figures.

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series[1]

Billions of dollars

Account	1986							1987			
	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
ALL COMMERCIAL BANKING INSTITUTIONS[2]											
1 Loans and securities	2,117.8	2,144.5	2,164.8	2,179.7	2,183.2	2,227.3	2,314.3	2,284.8	2,279.4	2,279.2	2,306.1
2 Investment securities	435.9	449.0	460.0	469.4	471.9	475.4	479.6	482.2	484.7	486.2	492.5
3 U.S. government securities	259.5	269.1	272.9	276.6	282.8	287.3	292.6	296.1	298.8	299.5	305.0
4 Other	176.4	179.9	187.1	192.8	189.1	188.0	187.0	186.1	185.9	186.7	187.4
5 Trading account assets	27.3	28.6	29.3	27.9	26.0	28.1	27.8	26.4	29.0	25.2	23.3
6 Total loans	1,654.7	1,666.9	1,675.6	1,682.4	1,685.3	1,723.8	1,807.0	1,776.3	1,765.6	1,767.8	1,790.3
7 Interbank loans	138.9	148.7	145.5	139.8	141.2	154.7	168.9	160.1	156.7	154.3	151.8
8 Loans excluding interbank	1,515.8	1,518.2	1,530.1	1,542.5	1,544.1	1,569.1	1,638.1	1,616.2	1,608.9	1,613.5	1,638.5
9 Commercial and industrial	516.2	510.6	513.8	515.9	517.2	524.9	568.2	551.1	551.5	555.3	555.5
10 Real estate	454.3	459.8	466.5	470.5	476.2	481.8	497.5	499.9	503.5	510.7	518.9
11 Individual	304.6	305.8	308.8	311.2	312.8	314.1	320.4	317.0	314.7	313.1	315.2
12 All other	240.8	242.1	241.0	244.9	237.8	248.2	252.0	248.3	239.2	234.4	248.9
13 Total cash assets	198.7	209.0	208.3	199.3	203.5	227.0	273.7	214.4	206.3	203.8	209.7
14 Reserves with Federal Reserve Banks	28.3	28.6	28.3	28.2	31.6	32.2	41.2	33.4	28.4	31.1	29.8
15 Cash in vault	23.0	23.3	23.7	22.9	23.5	22.2	25.7	23.7	23.5	22.9	24.0
16 Cash items in process of collection	67.3	72.2	73.5	66.2	66.2	86.5	111.3	74.5	71.4	68.1	74.5
17 Demand balances at U.S. depository institutions	32.5	34.3	34.0	32.8	33.1	38.3	43.3	34.0	33.0	32.7	33.9
18 Other cash assets	47.5	50.7	48.7	49.2	49.0	47.9	52.3	48.8	50.1	49.0	47.5
19 Other assets	195.2	195.3	194.8	201.4	198.6	202.2	224.8	201.3	201.1	202.1	204.1
20 Total assets/total liabilities and capital	**2,511.7**	**2,548.9**	**2,567.8**	**2,580.4**	**2,585.3**	**2,656.5**	**2,812.8**	**2,700.5**	**2,686.8**	**2,685.2**	**2,719.8**
21 Deposits	1,796.1	1,822.4	1,837.6	1,834.5	1,847.1	1,900.2	2,018.0	1,898.3	1,895.5	1,899.6	1,919.4
22 Transaction deposits	524.8	541.6	545.7	538.9	548.8	596.3	691.1	577.8	569.2	568.8	590.7
23 Savings deposits	484.0	492.5	499.2	505.5	516.0	522.9	535.0	532.3	535.9	539.7	535.1
24 Time deposits	787.3	788.3	792.6	790.1	782.2	781.1	791.9	788.2	790.3	791.2	793.6
25 Borrowings	370.0	381.7	379.8	391.6	383.3	397.4	414.5	432.7	425.6	414.9	422.6
26 Other liabilities	168.8	168.7	173.8	176.3	175.7	180.0	199.6	188.0	184.6	188.7	194.9
27 Residual (assets less liabilities)	176.7	176.0	176.7	178.1	179.2	178.9	180.6	181.5	181.2	181.9	182.9
MEMO											
28 U.S. government securities (including trading account)	276.4	288.4	290.6	293.2	299.5	304.8	308.4	314.5	320.1	316.7	318.9
29 Other securities (including trading account)	186.8	189.2	198.7	204.1	198.4	198.8	198.9	194.1	193.7	194.7	196.9
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	1,996.7	2,020.1	2,034.6	2,044.8	2,052.1	2,094.7	2,154.4	2,136.7	2,130.3	2,121.7	2,146.8
31 Investment securities	420.9	433.8	443.0	450.5	452.9	457.1	459.3	461.5	463.3	463.6	469.9
32 U.S. government securities	252.7	262.5	265.0	267.9	273.6	279.0	283.0	286.8	289.2	289.4	295.2
33 Other	168.2	171.3	178.0	182.5	179.3	178.2	176.3	174.8	174.1	174.2	174.7
34 Trading account assets	27.3	28.6	29.3	27.9	26.0	28.1	27.8	26.4	29.0	25.2	23.3
35 Total loans	1,548.5	1,557.7	1,562.3	1,566.4	1,573.2	1,609.5	1,667.3	1,648.8	1,638.0	1,632.9	1,653.5
36 Interbank loans	116.6	124.0	119.7	115.6	118.8	133.0	137.9	134.3	130.5	124.1	124.2
37 Loans excluding interbank	1,431.9	1,433.7	1,442.7	1,450.8	1,454.3	1,476.4	1,529.5	1,514.5	1,507.5	1,508.8	1,529.3
38 Commercial and industrial	453.8	448.9	449.4	448.1	449.0	455.7	488.2	475.5	474.1	474.6	473.5
39 Real estate	448.4	453.8	460.4	464.3	470.0	475.1	490.3	493.2	497.0	504.1	511.9
40 Individual	304.3	305.4	308.5	310.9	312.5	313.8	320.1	316.7	314.4	312.7	314.9
41 All other	225.4	225.6	224.4	227.5	222.7	231.8	230.9	229.2	221.9	217.4	229.0
42 Total cash assets	182.3	190.1	191.2	182.5	185.6	210.0	253.5	196.6	188.9	186.5	192.5
43 Reserves with Federal Reserve Banks	26.4	27.2	26.6	26.9	29.7	29.8	39.7	31.2	27.1	29.7	27.2
44 Cash in vault	23.0	23.3	23.7	22.9	23.5	22.2	25.7	23.6	23.5	22.8	24.0
45 Cash items in process of collection	66.7	71.7	73.1	65.8	65.6	86.1	110.9	74.0	71.0	67.7	74.0
46 Demand balances at U.S. depository institutions	30.7	32.5	32.3	30.9	31.3	36.3	40.8	32.2	31.1	31.1	31.9
47 Other cash assets	35.6	35.4	35.5	36.0	35.5	35.6	36.4	35.6	36.4	35.2	35.4
48 Other assets	142.6	140.4	139.3	143.5	141.0	141.6	165.0	141.5	144.0	143.4	144.4
49 Total assets/total liabilities and capital	**2,321.5**	**2,350.6**	**2,365.0**	**2,370.8**	**2,378.7**	**2,446.3**	**2,572.8**	**2,474.8**	**2,463.2**	**2,451.5**	**2,483.7**
50 Deposits	1,746.3	1,771.6	1,784.2	1,779.3	1,792.8	1,844.8	1,957.0	1,840.8	1,838.2	1,840.7	1,857.1
51 Transaction deposits	516.9	533.5	537.6	530.6	540.9	588.2	682.2	569.4	561.3	560.5	582.2
52 Savings deposits	482.3	490.8	497.4	503.7	514.1	520.8	533.0	530.3	533.9	537.7	533.0
53 Time deposits	747.1	747.3	749.3	745.0	737.7	735.8	741.8	741.1	743.0	742.5	741.9
54 Borrowings	296.2	302.2	296.8	306.9	301.3	314.1	322.9	341.7	336.1	319.1	328.1
55 Other liabilities	105.5	103.9	110.5	109.6	108.6	111.7	115.5	114.0	110.8	113.0	118.8
56 Residual (assets less liabilities)	173.6	172.9	173.5	174.9	176.0	175.8	177.5	178.3	178.1	178.8	179.7

1. Data have been revised because of benchmarking to new Call Reports and new seasonal factors beginning July 1985. Back data are available from the Banking Section, Board of Governors of the Federal Reserve System, Washington, D.C., 20551.

Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Loan and securities data for domestically chartered commercial banks are estimates for the last Wednesday of the month based on a sample of weekly reporting banks and quarter-end condition report data. Data for other banking institutions are estimates made for the last Wednesday of the month based on a weekly reporting sample of foreign-related institutions and quarter-end condition reports.

2. Commercial banking institutions include insured domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.

3. Insured domestically chartered commercial banks include all member banks and insured nonmember banks.

1.26 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $1.4 Billion or More on December 31, 1982, Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1987								
	Mar. 4	Mar. 11	Mar. 18	Mar. 25	Apr. 1	Apr. 8	Apr. 15	Apr. 22	Apr. 29
1 Cash and balances due from depository institutions	103,334	105,003	102,523r	95,872	114,633	103,130	119,102	109,998	99,258
2 **Total loans, leases and securities, net**	**1,008,989r**	**1,004,946r**	**1,001,501r**	**996,414r**	**1,011,601**	**1,006,690**	**1,020,503**	**1,021,813**	**1,016,620**
3 U.S. Treasury and government agency	117,832	115,499	113,048	112,921	112,345	112,098	111,902	110,467	110,606
4 Trading account	21,586	19,414	18,314	17,256	16,596	16,377	16,578	14,346	13,847
5 Investment account, by maturity	96,245	96,086	94,734	95,664	95,749	95,721	95,324	96,121	96,759
6 One year or less	17,302r	17,418	16,629r	16,304r	15,997	16,014	16,017	15,426	15,321
7 Over one through five years	41,494	40,998	40,614	40,456r	40,612	40,048	40,630	41,501	42,028
8 Over five years	37,449r	37,670	37,491r	38,904r	39,139	39,659	38,677	39,193	39,410
9 Other securities	67,371	67,497	67,290	67,324	67,487	67,247	68,076	68,551	69,450
10 Trading account	3,523	3,405	3,335	3,515	3,773	3,511	4,182	4,576	4,946
11 Investment account	63,848	64,092	63,955	63,810	63,714	63,736	63,894	63,975	64,504
12 States and political subdivisions, by maturity	52,343	52,150	51,829	51,626	51,368	51,310	51,380	51,421	51,528
13 One year or less	6,870	6,766	6,702	6,590	6,528	6,575	6,544	6,580	6,629
14 Over one year	45,473	45,384	45,127	45,036	44,840	44,735	44,835	44,841	44,899
15 Other bonds, corporate stocks, and securities	11,505	11,942	12,126	12,184	12,346	12,426	12,514	12,554	12,976
16 Other trading account assets	4,394	4,562	5,046	4,440	4,244	4,879	4,757	4,482	4,500
17 Federal funds sold[1]	57,163r	59,758r	54,452r	53,877r	62,950	58,332	63,856	65,983	60,379
18 To commercial banks	34,700r	35,868r	30,904r	31,546r	38,441	35,870	41,298	39,636	35,833
19 To nonbank brokers and dealers in securities	14,932	16,565	15,880	15,205	18,402	15,202	16,118	18,885	16,539
20 To others	7,532	7,326	7,668	7,126	6,107	7,261	6,439	7,462	8,007
21 Other loans and leases, gross[2]	785,076r	780,507r	784,553r	780,473r	786,903	786,531	794,330	794,636	793,834
22 Other loans, gross[2]	766,856r	762,241r	766,270r	762,143r	768,557	768,122	775,892	776,205	775,230
23 Commercial and industrial[2]	281,226r	280,274r	281,002r	280,097r	279,601	278,648	280,336	279,934	277,688
24 *Bankers acceptances and commercial paper*	2,484	2,652	2,428	2,280	2,298	2,317	2,178	2,429	2,177
25 All other	278,742r	277,622r	278,574r	277,817r	277,304	276,331	278,157	277,505	275,511
26 U.S. addressees	275,065r	274,032r	275,180r	274,405r	273,991	273,012	274,717	274,147	272,195
27 Non-U.S. addressees	3,677r	3,590r	3,394r	3,412r	3,313	3,319	3,440	3,358	3,315
28 Real estate loans[2]	216,439	217,513	218,752	218,440r	219,457	219,748	220,633	220,520	221,069
29 To individuals for personal expenditures	141,388r	140,982r	140,731r	140,530r	140,563	140,320	141,040	141,481	141,923
30 To depository and financial institutions	51,373r	50,533r	51,373r	49,332r	51,988	53,587	53,060	52,560	53,480
31 Commercial banks in the United States	20,625r	20,193r	20,833r	20,326r	21,171	22,599	21,782	22,504	23,376
32 Banks in foreign countries	5,566r	4,970r	5,058r	4,934r	5,200	4,998	4,632	4,896	4,561
33 Nonbank depository and other financial institutions	25,181	25,370r	25,482	24,072r	25,616	25,990	26,645	25,160	25,543
34 For purchasing and carrying securities	15,213	12,915	13,606	13,904	14,900	15,763	18,463	20,353	20,435
35 To finance agricultural production	5,326	5,339	5,368	5,344	5,322	5,325	5,323	5,326	5,318
36 To states and political subdivisions	34,563r	34,280r	34,268r	34,299r	34,052	33,772	33,716	33,653	33,508
37 To foreign governments and official institutions	3,271r	3,231	3,262r	3,189	3,166	3,027	3,068	3,000	3,045
38 All other	18,058r	17,175r	17,907r	17,009r	19,506	17,930	20,253	19,378	18,764
39 Lease financing receivables	18,220r	18,266r	18,283r	18,330r	18,346	18,410	18,437	18,430	18,604
40 Less: Unearned income	4,833	4,829	4,830	4,614	4,568	4,591	4,596	4,590	4,483
41 Loan and lease reserve[2]	18,014	18,050	18,058	18,008	17,760	17,807	17,822	17,716	17,667
42 Other loans and leases, net[2]	762,228r	757,628r	761,664r	757,851r	764,574	764,134	771,912	772,329	771,684
43 All other assets	130,599	126,381	126,967	125,294r	131,191	129,817	128,413	126,696	126,320
44 **Total assets**	**1,242,922r**	**1,236,330r**	**1,230,991r**	**1,217,579r**	**1,257,426**	**1,239,638**	**1,268,019**	**1,258,508**	**1,242,198**
45 Demand deposits	230,727r	223,641r	225,538r	215,343r	250,126	224,041	262,570	233,431	228,895
46 Individuals, partnerships, and corporations	176,401r	173,282r	172,555r	167,748r	194,415	174,330	195,740	179,974	176,883
47 States and political subdivisions	5,259	4,610	5,191	5,066	5,776	4,594	6,138	5,755	5,585
48 U.S. government	4,894	2,751r	4,160	2,013	1,516	2,877	11,521	3,963	4,378
49 Depository institutions in United States	25,982	23,328	24,521	23,949	30,131	23,630	28,222	25,181	23,857
50 Banks in foreign countries	6,365	6,217	6,663	5,919	6,643	6,640	6,546	6,421	6,338
51 Foreign governments and official institutions	700	849	590	758	1,030	928	855	829	1,076
52 Certified and officers' checks	11,125	12,605	11,858	9,890r	10,615	11,042	13,549	11,309	10,777
53 Transaction balances other than demand deposits	60,710r	59,653r	59,440r	59,135	61,602	63,224	66,729	64,623	60,280
54 Nontransaction balances	519,119	518,950	519,643	518,495	521,088	520,839	518,641	516,313	516,208
55 Individuals, partnerships and corporations	480,591r	480,392r	480,973r	479,952r	482,867	483,016	481,172	478,418	478,130
56 States and political subdivisions	26,587r	26,712r	26,810r	26,899r	26,488	26,352	26,170	26,439	26,698
57 U.S. government	733	746	731	709	753	738	699	833	791
58 Depository institutions in the United States	10,196	10,092	10,098	9,984	10,029	9,801	9,672	9,705	9,698
59 Foreign governments, official institutions and banks	1,011	1,007	1,031	952	951	932	928	918	890
60 Liabilities for borrowed money	259,176	258,049r	251,450	248,716	251,484	261,362	251,653	266,995	253,902
61 Borrowings from Federal Reserve Banks	100	0	0	70	0	1,180	0	4,838	156
62 Treasury tax-and-loan notes	10,506	6,111	14,004	9,923	4,977	8,904	7,906	18,929	20,764
63 All other liabilities for borrowed money[3]	248,570	251,938r	237,446	238,722	246,508	251,278	243,747	243,228	232,982
64 Other liabilities and subordinated note and debentures	86,011r	88,725r	87,769r	87,895r	84,422	81,405	79,934	88,667	94,420
65 **Total liabilities**	**1,155,743r**	**1,149,018r**	**1,143,840r**	**1,129,583r**	**1,168,723**	**1,150,871**	**1,179,528**	**1,170,029**	**1,153,706**
66 Residual (total assets minus total liabilities)[4]	87,179	87,312	87,151	87,996	88,703	88,767	88,491	88,478	88,492
MEMO									
67 Total loans and leases (gross) and investments adjusted[5]	976,512r	971,763r	972,652r	967,164r	974,318	970,619	979,840	981,980	979,561
68 Total loans and leases (gross) adjusted[2,5]	786,914r	784,204r	787,268r	782,478r	790,241	786,395	795,105	798,479	795,005
69 Time deposits in amounts of $100,000 or more	158,352r	158,215r	158,470	158,230	157,667	158,661	157,278	158,003	159,588
70 Loans sold outright to affiliates—total[6]	2,037	1,942	1,954	1,967	1,940	1,903	1,862	1,754	1,685
71 Commercial and industrial	1,551	1,470	1,482	1,486	1,460	1,457	1,402	1,283	1,215
72 Other	485	472	472	481	480	446	460	470	470
73 Nontransaction savings deposits (including MMDAs)	232,676	232,966	233,555	232,792	236,368	235,664	234,545	231,712	230,211

1. Includes securities purchased under agreements to resell.
2. Levels of major loan items were affected by the Sept. 26, 1984, transaction between Continental Illinois National Bank and the Federal Deposit Insurance Corporation. For details see the H.4.2 statistical release dated Oct. 5, 1984.
3. Includes federal funds purchased and securities sold under agreements to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1.13.
4. This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
5. Exclusive of loans and federal funds transactions with domestic commercial banks.
6. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

1.28 LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY Assets and Liabilities

Millions of dollars, Wednesday figures except as noted

Account	1987								
	Mar. 4	Mar. 11	Mar. 18	Mar. 25	Apr. 1	Apr. 8	Apr. 15	Apr. 22	Apr. 29
1 Cash and balances due from depository institutions	24,497	30,317	26,221	25,419	34,104	28,339	32,137	27,134	24,078
2 **Total loans, leases and securities, net**[1]	**218,318**	**219,405**	**217,071**	**216,671**	**220,495**	**220,858**	**223,880**	**229,297**	**226,815**
Securities									
3 U.S. Treasury and government agency[2]	0	0	0	0	0	0	0	0	0
4 Trading account[2]	0	0	0	0	0	0	0	0	0
5 Investment account, by maturity	14,214	13,844	13,663	13,604	13,793	14,002	13,929	14,041	14,218
6 One year or less	1,670r	1,732	1,608r	1,474r	1,594	1,613	1,650	1,536	1,535
7 Over one through five years	4,623	4,116	4,124	4,136	4,173	4,221	4,407	4,981	5,135
8 Over five years	7,921r	7,995	7,931r	7,994r	8,025	8,168	7,872	7,524	7,547
9 Other securities[2]	0	0	0	0	0	0	0	0	0
10 Trading account[2]	0	0	0	0	0	0	0	0	0
11 Investment account	16,418	16,440	16,513	16,549	16,472	16,498	16,555	16,482	16,527
12 States and political subdivisions, by maturity	13,996	13,923	13,981	13,974	13,868	13,869	13,933	13,915	13,955
13 One year or less	1,436	1,393	1,407	1,392	1,350	1,386	1,368	1,380	1,395
14 Over one year	12,560	12,530	12,573	12,582	12,517	12,483	12,564	12,536	12,560
15 Other bonds, corporate stocks and securities	2,423	2,517	2,532	2,575	2,605	2,629	2,622	2,567	2,572
16 Other trading account assets[2]	0	0	0	0	0	0	0	0	0
Loans and leases									
17 Federal funds sold[3]	20,539	25,273	21,124	21,742	22,934	23,054	23,906	28,502	26,681
18 To commercial banks	8,617	11,732	8,247	10,123	9,572	10,488	11,366	13,432	11,837
19 To nonbank brokers and dealers in securities	5,803	7,832	7,377	6,662	9,451	7,408	8,311	9,749	8,456
20 To others	6,119	5,709	5,500	4,956	3,911	5,158	4,228	5,322	6,388
21 Other loans and leases, gross	173,987	170,769	172,667	171,639	174,035	174,057	176,262	176,943	175,959
22 Other loans, gross	169,610	166,366	168,254	167,199	169,559	169,560	171,748	172,422	171,302
23 Commercial and industrial	65,631	65,127	64,737	64,615	62,882	62,575	62,558	62,283	61,118
24 Bankers acceptances and commercial paper	762	859	691	610	578	601	562	743	590
25 All other	64,869	64,268	64,046	64,005	62,304	61,974	61,996	61,540	60,527
26 U.S. addressees	64,300	63,772	63,671	63,593	61,880	61,568	61,539	61,086	60,096
27 Non-U.S. addressees	569	496	375	412	423	406	457	453	431
28 Real estate loans	39,568	39,868	40,407	40,463	40,831	40,813	40,591	40,817	40,895
29 To individuals for personal expenditures	20,576	20,385	20,402	20,411	20,508	20,500	20,641	20,788	20,908
30 To depository and financial institutions	20,844	20,052	21,012	20,095	21,679	22,583	21,444	21,521	21,792
31 Commercial banks in the United States	11,550	11,223	11,532	11,109	11,865	12,815	11,751	12,026	12,311
32 Banks in foreign countries	2,993	2,445	2,625	2,652	2,786	2,642	2,319	2,563	2,365
33 Nonbank depository and other financial institutions	6,301	6,384	6,855	6,334	7,028	7,126	7,374	6,932	7,117
34 For purchasing and carrying securities	7,396	5,799	6,631	6,781	7,390	7,868	9,936	11,006	11,265
35 To finance agricultural production	244	249	261	252	252	258	252	253	248
36 To states and political subdivisions	8,537	8,331	8,304	8,348	8,237	8,172	8,223	8,207	8,088
37 To foreign governments and official institutions	1,036	993	1,038	977	974	833	887	845	882
38 All other	5,776	5,560	5,461	5,258	6,807	5,957	7,215	6,701	6,108
39 Lease financing receivables	4,377	4,403	4,413	4,440	4,476	4,497	4,514	4,521	4,657
40 LESS: Unearned income	1,591	1,594	1,596	1,598	1,579	1,588	1,589	1,585	1,485
41 Loan and lease reserve	5,250	5,326	5,300	5,264	5,160	5,165	5,183	5,086	5,085
42 Other loans and leases, net	167,146	163,849	165,771	164,776	167,295	167,304	169,489	170,271	169,389
43 All other assets[4]	66,908	61,421	62,150	59,148	65,752	62,611	62,520	62,166	62,900
44 **Total assets**	**309,723**	**311,143**	**305,442**	**301,238**	**320,351**	**311,808**	**318,536**	**318,596**	**313,793**
Deposits									
45 Demand deposits	59,784	59,288	61,214	57,256	71,589	57,581	72,378	61,261	59,405
46 Individuals, partnerships, and corporations	40,732	39,546	41,292	39,860	50,265	39,243	48,460	42,007	41,385
47 States and political subdivisions	547	574	636	729	709	571	757	528	556
48 U.S. government	992	518	782	355	149	504	2,660	707	713
49 Depository institutions in the United States	6,502	5,477	6,058	5,952	9,944	5,441	7,306	7,047	5,771
50 Banks in foreign countries	5,199	5,080	5,452	4,822	5,409	5,383	5,329	5,073	5,176
51 Foreign governments and official institutions	556	679	438	605	882	770	709	688	917
52 Certified and officers' checks	5,254	7,413	6,557	4,932	4,231	5,670	7,157	5,210	4,886
53 Transaction balances other than demand deposits ATS, NOW, Super NOW, telephone transfers)	7,753	7,675	7,764	7,774	8,115	8,456	9,190	8,769	8,135
54 Nontransaction balances	99,740	99,024	99,657	98,670	100,184	99,553	98,996	98,544	98,093
55 Individuals, partnerships and corporations	90,650	90,035	90,800	90,045	91,620	91,041	90,694	90,205	89,705
56 States and political subdivisions	6,259	6,262	6,203	6,168	6,152	6,149	6,111	6,105	6,123
57 U.S. government	35	37	36	26	32	33	31	31	31
58 Depository institutions in the United States	2,189	2,085	2,004	1,897	1,848	1,820	1,647	1,694	1,752
59 Foreign governments, official institutions and banks	608	605	613	534	532	510	513	508	482
60 Liabilities for borrowed money	80,216	79,832	71,597	72,171	76,943	83,640	76,413	79,879	73,209
61 Borrowings from Federal Reserve Banks	0	0	0	0	0	1,180	0	3,250	0
62 Treasury tax-and-loan notes	2,362	1,403	3,690	2,536	1,367	2,111	1,932	5,236	5,244
63 All other liabilities for borrowed money[5]	77,855	78,429	67,907	69,636	75,576	80,348	74,481	71,393	67,965
64 Other liabilities and subordinated note and debentures	33,888	36,904	36,765	36,044	33,841	32,899	32,053	40,697	45,586
65 **Total liabilities**	**281,382**	**282,724**	**276,997**	**271,916**	**290,671**	**282,130**	**289,030**	**289,151**	**284,429**
66 Residual (total assets minus total liabilities)[6]	28,341	28,419	28,445	29,322	29,680	29,678	29,506	29,446	29,365
MEMO									
67 Total loans and leases (gross) and investments adjusted[1,7]	204,992	203,370	204,188	202,302	205,799	204,307	207,534	210,511	209,237
68 Total loans and leases (gross) adjusted[7]	174,359	173,086	174,012	172,149	175,533	173,808	177,050	179,988	178,492
69 Time deposits in amounts of $100,000 or more	36,428	36,263	36,172	35,633	35,881	36,174	35,816	35,733	35,955

1. Excludes trading account securities.
2. Not available due to confidentiality.
3. Includes securities purchased under agreements to resell.
4. Includes trading account securities.
5. Includes federal funds purchased and securities sold under agreements to repurchase.
6. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
7. Exclusive of loans and federal funds transactions with domestic commercial banks.

NOTE. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.

1.30 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS[1] Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1987								
	Mar. 4	Mar. 11	Mar. 18	Mar. 25	Apr. 1	Apr. 8	Apr. 15	Apr. 22	Apr. 29
1 Cash and due from depository institutions	8,886	9,343	9,423	9,834	10,354	10,092	9,722	10,152	10,179
2 Total loans and securities	84,929	85,732	87,041	90,502	90,250	87,814	89,778	94,608	92,308
3 U.S. Treasury and govt. agency securities	6,414	6,964	6,986	6,856	6,966	6,748	6,551	6,370	6,728
4 Other securities	7,161	7,183	7,103	7,189	7,087	7,225	7,264	7,278	7,493
5 Federal funds sold[2]	4,270	5,102	4,920	6,499	5,862	4,173	5,098	9,212	7,223
6 To commercial banks in the United States	3,227	4,189	3,667	5,755	4,523	2,837	3,456	7,235	5,759
7 To others	1,044	913	1,253	744	1,339	1,336	1,643	1,976	1,464
8 Other loans, gross	67,084	66,483	68,033	69,957	70,335	69,668	70,864	71,748	70,864
9 Commercial and industrial	42,067	41,921	42,748	43,484	44,481	43,446	43,957	44,615	44,208
10 Bankers acceptances and commercial paper	2,798	2,808	2,707	2,616	2,660	2,838	2,971	3,126	3,112
11 All other	39,269	39,113	40,041	40,868	41,821	40,608	40,986	41,489	41,096
12 U.S. addressees	36,960	36,887	37,776	38,621	39,542	38,312	38,699	39,092	38,835
13 Non-U.S. addressees	2,310	2,226	2,265	2,246	2,278	2,296	2,287	2,397	2,261
14 To financial institutions	15,935	15,970	16,226	17,089	16,433	16,396	16,403	16,278	15,922
15 Commercial banks in the United States	12,318	12,445	12,777	13,592	12,840	12,750	12,475	12,568	12,173
16 Banks in foreign countries	1,134	942	884	884	912	900	1,085	1,018	953
17 Nonbank financial institutions	2,483	2,582	2,565	2,613	2,680	2,747	2,843	2,693	2,795
18 To foreign govts. and official institutions	844	895	978	1,035	1,028	1,153	1,152	908	839
19 For purchasing and carrying securities	2,799	2,402	2,654	2,899	2,906	3,264	3,930	4,524	4,402
20 All other	5,438	5,294	5,427	5,450	5,488	5,409	5,422	5,421	5,493
21 Other assets (claims on nonrelated parties)	22,433	22,978	23,390	23,308	22,701	23,186	22,749	23,026	23,690
22 *Net due from related institutions*	15,527	14,794	15,696	14,387	15,447	15,467	15,984	15,086	13,753
23 Total assets	131,776	132,848	135,550	138,030	138,752	136,559	138,233	142,872	139,930
24 Deposits or credit balances due to other than directly related institutions	39,778	40,129	40,407	40,667	40,678	40,160	40,955	41,955	43,556
25 Transaction accounts and credit balances[3]	3,133	3,181	3,243	3,136	3,417	2,982	3,232	3,392	3,786
26 Individuals, partnerships, and corporations	1,979	1,852	1,767	1,706	1,804	1,782	1,907	2,042	2,036
27 Other	1,154	1,328	1,476	1,430	1,613	1,201	1,325	1,350	1,750
28 Nontransaction accounts[4]	36,645	36,948	37,164	37,531	37,261	37,177	37,723	38,563	39,771
29 Individuals, partnerships, and corporations	29,281	29,467	29,627	30,408	30,116	30,058	30,502	31,374	32,299
30 Other	7,364	7,480	7,538	7,124	7,145	7,120	7,221	7,189	7,471
31 Borrowings from other than directly related institutions	53,698	52,504	55,278	54,013	58,111	56,626	57,442	58,451	54,096
32 Federal funds purchased[5]	25,808	23,789	25,212	22,928	27,813	25,702	25,848	26,489	23,451
33 From commercial banks in the United States	15,352	13,525	15,014	13,419	16,972	15,455	15,480	15,178	12,771
34 From others	10,457	10,264	10,197	9,510	10,841	10,248	10,368	11,312	10,680
35 Other liabilities for borrowed money	27,890	28,715	30,066	31,084	30,297	30,923	31,594	31,961	30,645
36 To commercial banks in the United States	24,316	24,986	26,265	26,606	26,051	26,800	27,577	27,791	26,439
37 To others	3,574	3,729	3,801	4,478	4,246	4,123	4,017	4,170	4,206
38 Other liabilities to nonrelated parties	24,576	24,767	25,272	25,538	24,484	25,599	25,902	26,276	27,024
39 Net due to related institutions	13,724	15,447	14,593	17,813	15,480	14,174	13,934	16,190	15,254
40 Total liabilities	131,776	132,848	135,550	138,030	138,752	136,559	138,233	142,872	139,930
MEMO									
41 Total loans (gross) and securities adjusted[6]	69,384	69,098	70,597	71,155	72,887	72,227	73,848	74,805	74,376
42 Total loans (gross) adjusted[6]	55,810	54,950	56,509	57,109	58,835	58,254	60,032	61,157	60,155

1. Effective Jan. 1, 1986, the reporting panel includes 65 U.S. branches and agencies of foreign banks that include those branches and agencies with assets of $750 million or more on June 30, 1980, plus those branches and agencies that had reached the $750 million asset level on Dec. 31, 1984.
2. Includes securities purchased under agreements to resell.
3. Includes credit balances, demand deposits, and other checkable deposits.
4. Includes savings deposits, money market deposit accounts, and time deposits.
5. Includes securities sold under agreements to repurchase.
6. Exclusive of loans to and federal funds sold to commercial banks in the United States.

1.31 GROSS DEMAND DEPOSITS Individuals, Partnerships, and Corporations[1]

Billions of dollars, estimated daily-average balances, not seasonally adjusted

Type of holder	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.[3,4]	1986 Mar.	1986 June	1986 Sept.	1986 Dec.	1987 Mar.
	Commercial banks									
1 **All holders—Individuals, partnerships, and corporations**	**288.9**	**291.8**	**293.5**	**302.7**	**321.0**	**307.4**	**322.4**	**333.6**	**363.6**	**n.a.**
2 Financial business	28.0	35.4	32.8	31.7	32.3	31.8	32.3	35.9	41.4	n.a.
3 Nonfinancial business	154.8	150.5	161.1	166.3	178.5	166.6	180.0	185.9	202.0	n.a.
4 Consumer	86.6	85.9	78.5	81.5	85.5	84.0	86.4	86.3	91.1	n.a.
5 Foreign	2.9	3.0	3.3	3.6	3.5	3.4	3.0	3.3	3.3	n.a.
6 Other	16.7	17.0	17.8	19.7	21.2	21.6	20.7	22.2	25.8	n.a.
	Weekly reporting banks									
	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.[2]	1985 Dec.[3,4]	1986 Mar.	1986 June	1986 Sept.	1986 Dec.	1987 Mar.[p]
7 **All holders—Individuals, partnerships, and corporations**	**137.5**	**144.2**	**146.2**	**157.1**	**168.6**	**159.7**	**168.5**	**174.7**	**195.1**	**178.2**
8 Financial business	21.0	26.7	24.2	25.3	25.9	25.5	25.7	28.9	32.5	28.7
9 Nonfinancial business	75.2	74.3	79.8	87.1	94.5	86.8	93.1	94.8	106.4	94.4
10 Consumer	30.4	31.9	29.7	30.5	33.2	32.6	34.9	35.0	37.5	36.8
11 Foreign	2.8	2.9	3.1	3.4	3.1	3.3	2.9	3.2	3.3	2.8
12 Other	8.0	8.4	9.3	10.9	12.0	11.5	11.9	12.8	15.4	15.5

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466. Figures may not add to totals because of rounding.

2. Beginning in March 1984, these data reflect a change in the panel of weekly reporting banks, and are not comparable to earlier data. Estimates in billions of dollars for December 1983 based on the new weekly reporting panel are: financial business, 24.4; nonfinancial business, 80.9; consumer, 30.1; foreign, 3.1; other, 9.5.

3. Beginning March 1985, financial business deposits and, by implication, total gross demand deposits have been redefined to exclude demand deposits due to thrift institutions. Historical data have not been revised. The estimated volume of such deposits for December 1984 is $5.0 billion at all insured commercial banks and $3.0 billion at weekly reporting banks.

4. Historical data back to March 1985 have been revised to account for corrections of bank reporting errors. Historical data before March 1985 have not been revised, and may contain reporting errors. Data for all commercial banks for March 1985 were revised as follows (in billions of dollars): all holders, –.3; financial business, –.8; nonfinancial business, –.4; consumer, .9; foreign, .1; other, –.1. Data for weekly reporting banks for March 1985 were revised as follows (in billions of dollars): all holders, –.1; financial business, –.7; nonfinancial business, –.5; consumer, 1.1; foreign, .1; other, –.2.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**166,436**	**187,658**	**237,586**	**300,899**	**330,828**	**328,275**	**322,292**	**330,828**	**336,996**	**336,550**	**338,797**
Financial companies[3]											
Dealer-placed paper[4]											
2 Total	34,605	44,455	56,485	78,443	99,980	99,186	95,015	99,980	101,731	102,784	102,889
3 Bank-related (not seasonally adjusted)	2,516	2,441	2,035	1,602	2,265	2,172	2,031	2,265	2,284	2,174	2,116
Directly placed paper[5]											
4 Total	84,393	97,042	110,543	135,504	152,385	147,056	146,856	152,385	157,252	158,954	159,333
5 Bank-related (not seasonally adjusted)	32,034	35,566	42,105	44,778	40,860	38,957	39,205	40,860	45,085	45,722	46,634
6 Nonfinancial companies[6]	47,437	46,161	70,558	86,952	78,463	82,033	80,421	78,463	78,013	74,812	76,575
	Bankers dollar acceptances (not seasonally adjusted)[7]										
7 **Total**	**79,543**	**78,309**	**78,364**	**68,413**	**64,974**	**65,920**	**64,952**	**64,974**	**65,049**	**65,144**	**66,125**
Holder											
8 Accepting banks	10,910	9,355	9,811	11,197	13,423	12,569	12,787	13,423	13,224	11,828	12,294
9 Own bills	9,471	8,125	8,621	9,471	11,707	10,178	10,951	11,707	10,662	10,006	10,516
10 Bills bought	1,439	1,230	1,191	1,726	1,716	2,391	1,835	1,716	2,561	1,821	1,778
Federal Reserve Banks											
11 Own account	1,480	418	0	0	0	0	0	0	0	0	0
12 Foreign correspondents	949	729	671	937	1,317	1,131	1,052	1,317	983	1,230	1,453
13 Others	66,204	67,807	67,881	56,279	50,234	52,220	51,113	50,234	50,843	52,087	52,377
Basis											
14 Imports into United States	17,683	15,649	17,845	15,147	14,670	15,980	15,354	14,670	14,459	14,615	14,688
15 Exports from United States	16,328	16,880	16,305	13,204	12,960r	12,612	12,699	12,960	12,783	12,897	13,193
16 All other	45,531	45,781	44,214	40,062	26,344r	37,327	36,899	26,344r	37,808r	37,632	38,244

1. Effective Dec. 1, 1982, there was a break in the commercial paper series. The key changes in the content of the data involved additions to the reporting panel, the exclusion of broker or dealer placed borrowings under any master note agreements from the reported data, and the reclassification of a large portion of bank-related paper from dealer-placed to directly placed.

2. Correction of a previous misclassification of paper by a reporter has created a break in the series beginning December 1983. The correction adds some paper to nonfinancial and to dealer-placed financial paper.

3. Institutions engaged primarily in activities such as, but not limited to, commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.

4. Includes all financial company paper sold by dealers in the open market.

5. As reported by financial companies that place their paper directly with investors.

6. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.

7. Beginning October 1984, the number of respondents in the bankers acceptance survey were reduced from 340 to 160 institutions—those with $50 million or more in total acceptances. The new reporting group accounts for over 95 percent of total acceptances activity.

1.33 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans

Percent per annum

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1985—Jan. 15	10.50	1986—July 11	8.00	1985—Jan.	10.61	1986—Apr.	8.83
May 20	10.00	Aug. 26	7.50	Feb.	10.50	May	8.50
June 18	9.50			Mar.	10.50	June	8.50
		1987—Apr. 1	7.75	Apr.	10.50	July	8.16
1986—Mar. 7	9.00	May 1	8.00	May	10.31	Aug.	7.90
Apr. 21	8.50	15	8.25	June	9.78	Sept.	7.50
				July	9.50	Oct.	7.50
				Aug.	9.50	Nov.	7.50
				Sept.	9.50	Dec.	7.50
				Oct.	9.50		
				Nov.	9.50	1987—Jan.	7.50
				Dec.	9.50	Feb.	7.50
						Mar.	7.50
				1986—Jan.	9.50	Apr.	7.75
				Feb.	9.50	May	8.14
				Mar.	9.10		

NOTE. These data also appear in the Board's H.15 (519) release. For address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Averages, percent per annum; weekly and monthly figures are averages of business day data unless otherwise noted.

Instrument	1984	1985	1986	1987				1987, week ending				
				Jan.	Feb.	Mar.	Apr.	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24
MONEY MARKET RATES												
1 Federal funds[1,2]	10.22	8.10	6.80	6.43	6.10	6.13	6.37	6.14	6.21	6.13	6.41	6.26
2 Discount window borrowing[1,2,3]	8.80	7.69	6.33	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Commercial paper[4,5]												
3 1-month	10.05	7.94	6.62	5.95	6.12	6.22	6.39	6.29	6.30	6.23	6.50	6.39
4 3-month	10.10	7.95	6.49	5.84	6.05	6.16	6.45	6.22	6.27	6.24	6.56	6.49
5 6-month	10.16	8.01	6.39	5.76	5.99	6.10	6.50	6.15	6.22	6.23	6.60	6.60
Finance paper, directly placed[4,5]												
6 1-month	9.97	7.91	6.58	5.86	6.02	6.11	6.28	6.17	6.21	6.14	6.36	6.31
7 3-month	9.73	7.77	6.38	5.59	5.88	5.95	6.22	5.99	6.09	6.10	6.20	6.29
8 6-month	9.65	7.75	6.31	5.60	5.79	5.88	6.14	5.93	6.02	6.04	6.15	6.19
Bankers acceptances[5,6]												
9 3-month	10.14	7.92	6.39	5.74	5.99	6.09	6.41	6.17	6.19	6.21	6.50	6.47
10 6-month	10.19	7.96	6.29	5.65	5.93	6.02	6.44	6.09	6.14	6.18	6.52	6.58
Certificates of deposit, secondary market[7]												
11 1-month	10.17	7.97	6.61	5.94	6.10	6.18	6.42	6.24	6.29	6.27	6.55	6.45
12 3-month	10.37	8.05	6.52	5.87	6.10	6.17	6.52	6.22	6.30	6.30	6.65	6.58
13 6-month	10.68	8.25	6.51	5.85	6.10	6.18	6.65	6.22	6.33	6.35	6.76	6.76
14 Eurodollar deposits, 3-month[8]	10.73	8.28	6.71	6.10	6.32	6.37	6.73	6.36	6.46	6.48	6.73	6.79
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	9.52	7.48	5.98	5.43	5.59	5.59	5.64	5.60	5.56	5.62	5.79	5.54
16 6-month	9.76	7.65	6.03	5.44	5.59	5.60	5.90	5.61	5.75	5.76	6.01	5.93
17 1-year	9.92	7.81	6.08	5.46	5.63	5.68	6.09	5.71	5.81	5.87	6.19	6.24
Auction average[10]												
18 3-month	9.57	7.49	5.97	5.45	5.59	5.56	5.76	5.55	5.72	5.53	5.98	5.77
19 6-month	9.80	7.66	6.02	5.47	5.60	5.56	5.93	5.55	5.80	5.63	6.08	6.00
20 1-year	9.91	7.76	6.07	5.44	5.74	5.68	5.92	n.a.	n.a.	n.a.	5.92	n.a.
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	10.89	8.43	6.46	5.78	5.96	6.03	6.50	6.07	6.18	6.26	6.60	6.67
22 2-year	11.65	9.27	6.87	6.23	6.40	6.42	7.02	6.45	6.61	6.69	7.05	7.24
23 3-year	11.89	9.64	7.06	6.41	6.56	6.58	7.32	6.63	6.86	6.98	7.39	7.57
24 5-year	12.24	10.13	7.31	6.64	6.79	6.79	7.57	6.83	7.09	7.24	7.68	7.83
25 7-year	12.40	10.51	7.55	6.92	7.06	7.06	7.83	7.08	7.36	7.51	7.91	8.10
26 10-year	12.44	10.62	7.68	7.08	7.25	7.25	8.02	7.27	7.56	7.71	8.12	8.30
27 20-year	12.48	10.97	7.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 30-year	12.39	10.79	7.80	7.39	7.54	7.55	8.25	7.59	7.87	7.98	8.30	8.48
Composite[13]												
29 Over 10 years (long-term)	11.99	10.75	8.14	7.60	7.69	7.62	8.31	7.65	7.91	8.02	8.38	8.56
State and local notes and bonds												
Moody's series[14]												
30 Aaa	9.61	8.60	6.95	6.12	6.05	6.25	7.20	6.45	6.65	6.95	7.55	7.45
31 Baa	10.38	9.58	7.76	6.93	6.98	7.25	8.29	7.45	7.60	8.10	8.65	8.55
32 *Bond Buyer* series[15]	10.10	9.11	7.32	6.61	6.61	6.66	7.55	6.79	6.93	7.27	7.90	7.82
Corporate bonds												
Seasoned issues[16]												
33 All industries	13.49	12.05	9.71	9.04	9.03	8.99	9.35	8.98	9.09	9.11	9.35	9.51
34 Aaa	12.71	11.37	9.02	8.36	8.38	8.36	8.85	8.36	8.50	8.56	8.82	9.07
35 Aa	13.31	11.82	9.47	8.86	8.88	8.84	9.15	8.83	8.94	8.93	9.18	9.26
36 A	13.74	12.28	9.95	9.23	9.20	9.13	9.36	9.11	9.16	9.18	9.35	9.49
37 Baa	14.19	12.72	10.39	9.72	9.65	9.61	10.04	9.62	9.72	9.77	10.05	10.23
38 A-rated, recently-offered utility bonds[17]	13.81	12.06	9.61	8.92	8.82	8.84	9.51	8.91	9.07	9.33	9.52	9.96
MEMO: Dividend/price ratio[18]												
39 Preferred stocks	11.59	10.49	8.76	7.91	7.93	7.52	7.94	7.51	7.68	7.63	8.06	8.09
40 Common stocks	4.64	4.25	3.48	3.17	3.02	2.90	2.99	2.97	2.92	2.93	3.03	3.01

1. Weekly and monthly figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
2. Weekly figures are averages for statement week ending Wednesday.
3. Rate for the Federal Reserve Bank of New York.
4. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
5. Yields are quoted on a bank-discount basis, rather than an investment yield basis (which would give a higher figure).
6. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
7. Unweighted average of offered rates quoted by at least five dealers early in the day.
8. Calendar week average. For indication purposes only.
9. Unweighted average of closing bid rates quoted by at least five dealers.
10. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.
11. Yields are based on closing bid prices quoted by at least five dealers.
12. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
13. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.
14. General obligations based on Thursday figures; Moody's Investors Service.
15. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.
18. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

NOTE. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1984	1985	1986	1986 Aug.	1986 Sept.	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	92.46	108.09	136.00	140.91	137.06	136.74	140.84	142.12	151.17	160.23	166.43	163.88
2 Industrial	108.01	123.79	155.85	160.10	156.52	156.56	162.10	163.85	175.60	189.17	198.95	199.03
3 Transportation	85.63	104.11	119.85	111.24	114.06	120.04	122.27	121.26	126.61	135.49	138.55	137.91
4 Utility	46.44	56.75	71.35	77.84	74.56	73.38	75.77	76.07	78.54	78.19	77.15	72.74
5 Finance	89.28	114.21	147.18	152.90	145.56	143.89	142.97	144.29	153.32	158.41	162.41	150.52
6 Standard & Poor's Corporation (1941–43 = 10)[1]	160.50	186.84	236.34	245.00	238.27	237.36	245.09	248.61	264.51	280.93	292.47	289.32
7 American Stock Exchange[2] (Aug. 31, 1973 = 50)	207.96	229.10	264.38	268.55	264.30	257.82	265.14	264.65	289.02	315.60	332.55	330.65
Volume of trading (thousands of shares)												
8 New York Stock Exchange	91,084	109,191	141,306	128,661	150,831	131,155	154,770	148,228	192,419	183,478	180,251	187,135
9 American Stock Exchange	6,107	8,355	11,846	9,885	10,853	8,930	10,513	12,272	14,755	14,962	15,678	14,420
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Margin credit at broker–dealers[3]**	**22,470**	**28,390**	**36,840**	**34,550**	**34,580**	**36,310**	**37,090**	**36,840**	**34,960**	**35,740**	**38,080**	**39,820**
Free credit balances at brokers[4]												
11 Margin-account[5]	1,755	2,715	4,880	3,035	3,395	3,805	3,765	4,880	5,060	4,470	4,730	4,660
12 Cash-account	10,215	12,840	19,000	14,210	14,060	14,445	15,045	19,000	17,395	17,325	17,370	17,285

	Margin requirements (percent of market value and effective date)[6]					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. Beginning July 5, 1983, the American Stock Exchange rebased its index effectively cutting previous readings in half.
3. Beginning July 1983, under the revised Regulation T, margin credit at broker-dealers includes credit extended against stocks, convertible bonds, stocks acquired through exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. New series beginning June 1984.
6. Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 percent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1984	1985	1986									1987	
			Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
	Savings and loan associations												
1 **Assets**	**903,488**	**948,781**	**954,869**	**963,274**	**954,226**	**957,945**	**965,032[r]**	**957,229[r]**	**961,894[r]**	**964,096[r]**	**963,291[r]**	**935,424**	**936,903**
2 Mortgages	555,291[r]	583,235[r]	575,177	574,992	565,037	565,353	566,438	557,137	557,303	556,780	553,552	n.a.	n.a.
3 Mortgage-backed securities	....	97,303	103,415	108,324	113,158	113,100	113,621	117,617[r]	121,606[r]	122,682[r]	123,257[r]	128,695	128,097
4 Cash and investment securities[1]	124,801	126,712	132,351	134,881	130,877	132,787	138,863[r]	138,619[r]	138,231[r]	141,527[r]	142,680[r]	133,237	136,226
5 Other	223,396	238,833	247,339	253,400	258,310	259,798	259,726[r]	261,415[r]	250,735[r]	250,248[r]	251,763[r]	260,892	262,921
6 **Liabilities and net worth**	**903,488**	**948,781**	**954,869**	**963,274**	**954,226**	**957,945**	**965,032[r]**	**957,229[r]**	**961,894[r]**	**964,096[r]**	**963,291[r]**	**935,424**	**936,903**
7 Savings capital	725,045	750,071	750,299	751,138	744,026	747,020	749,020	743,518	742,747	740,066	740,974[r]	721,574	722,082
8 Borrowed money	125,666	138,798	140,427	145,032	148,054	146,578	148,541[r]	155,748	152,567	156,920	159,705[r]	152,981	151,786
9 FHLBB	64,207	73,888	73,815	73,520	73,553	75,058	75,594	80,364	75,295	75,626	80,194	75,552	75,673
10 Other	61,459	64,910	66,612	71,512	74,501	71,520	72,947[r]	75,384	77,272	81,294	79,511[r]	77,429	76,113
11 Other	17,944	19,045	21,978	24,722	20,792	22,785	24,706	15,461	23,255[r]	24,078[r]	20,144[r]	19,969	22,015
12 Net worth[2]	34,833	41,064	42,163	42,382	41,353	41,560	42,764[r]	42,503[r]	43,326	43,034[r]	42,468[r]	40,901	41,019
MEMO													
13 Mortgage loan commitments outstanding[3]	61,305	54,475[r]	55,818[r]	57,997[r]	57,200[r]	55,687[r]	53,180[r]	51,163[r]	49,887[r]	48,222[r]	41,650[r]	n.a.	n.a.
	FSLIC-insured federal savings banks												
14 **Assets**	**98,559**	**131,868**	**155,686**	**164,129**	**180,124**	**183,317**	**186,810**	**196,225[r]**	**202,106**	**204,918**	**210,562[r]**	**235,351**	**235,661**
15 Mortgages	57,429	72,355	86,598	89,108	99,758	101,755[r]	103,019	108,627[r]	110,826	112,117	113,638	136,707	136,428
16 Mortgage-backed securities	9,949	15,676	18,661	19,829	21,598	23,247	24,097	26,431[r]	27,516	28,324	29,766	33,393	34,457
17 Other	10,971	11,723	14,590	15,083	16,774	17,027	17,056	18,509[r]	18,697	19,266	19,034[r]	15,948	16,209
18 ***Liabilities and net worth***	**98,559**	**131,868**	**155,686**	**164,129**	**180,124**	**183,317**	**186,810**	**196,225[r]**	**202,106**	**204,918**	**210,562[r]**	**235,351**	**235,661**
19 Savings capital	79,572	103,462	121,133	126,123	138,168	140,610	142,858	149,074	152,834	154,447	157,872[r]	176,722	177,335
20 Borrowed money	12,798	19,323	23,196	25,686	28,502	28,722	29,390	32,319	33,430	33,937	37,329	40,502	39,623
21 FHLBB	7,515	10,510	12,476	12,830	15,301	15,866	16,123	16,853	17,382	17,863	19,897	20,730	20,226
22 Other	5,283	8,813	10,720	12,856	13,201	12,856	13,267	15,466	16,048	16,074	17,432	19,772	19,397
23 Other	1,903	2,732	3,758	4,338	4,279	4,564	4,914	4,666	5,330	5,652	4,263[r]	5,321	5,540
24 Net worth	4,286	6,351	7,599	7,982	9,175	9,422	9,647	10,165[r]	10,511	10,883	11,098[r]	12,811	13,165
MEMO													
25 Mortgage loan commitments outstanding[3]	3,234	5,355	8,287	8,762	9,410	10,139	9,770	10,221	9,356	9,952	8,686	n.a.	n.a.
	Savings banks												
26 **Assets**	**203,898**	**216,776**	**222,542**	**226,495**	**223,367**	**224,569**	**227,011**	**228,854**	**230,919**	**232,577**	**236,866**	**235,603**	**238,074**
Loans													
27 Mortgage	102,895	110,448	111,813	112,417	110,958	111,971	113,265	114,188	116,648	117,612	118,323	119,199	119,737
28 Other	24,954	30,876	34,591	35,500	36,692	36,421	37,350	37,298	36,130	36,149	35,167	36,122	37,207
Securities													
29 U.S. government	14,643	13,111	12,013	13,210	12,115	12,297	12,043	12,357	12,585	13,037	14,209	13,332	13,525
30 Mortgage-backed securities	19,215	19,481	21,885	22,546	22,413	22,954	21,161	23,216	23,437	24,051	25,836	26,220	26,893
31 State and local government	2,077	2,323	2,372	2,343	2,281	2,309	2,400	2,407	2,347	2,290	2,185	2,180	2,168
32 Corporate and other	23,747	21,199	20,439	20,260	2,036	20,862	20,602	20,902	21,156	20,749	20,459	19,795	19,770
33 Cash	4,954	6,225	5,570	6,225	5,301	4,651	5,018	4,811	5,195	5,052	6,894	5,239	5,143
34 Other assets	11,413	13,113	13,859	13,994	13,244	13,104	13,172	13,675	13,421	13,637	13,793	13,516	13,631
35 **Liabilities**	**203,898**	**216,776**	**222,542**	**226,495**	**223,367**	**224,569**	**227,011**	**228,854**	**230,919**	**232,577**	**236,866**	**235,603**	**238,074**
36 Deposits	180,616	185,972	189,025	190,310	189,109	188,615	189,937	190,210	190,334	190,858	192,194	191,441	192,559
37 Regular[4]	177,418	181,921	184,580	185,716	183,970	183,433	184,764	185,002	185,254	185,958	186,345	186,385	187,597
38 Ordinary savings	33,739	33,018	33,057	33,577	34,008	34,166	34,530	35,227	36,165	36,739	37,717	38,467	39,370
39 Time	104,732	103,311	105,550	105,146	103,083	102,374	102,668	102,191	101,125	101,240	100,809	100,604	100,922
40 Other	3,198	4,051	4,445	4,594	5,139	5,182	5,173	5,208	5,080	4,900	5,849	5,056	4,962
41 Other liabilities	12,504	17,414	19,074	21,384	19,226	20,641	21,360	21,947	23,319	24,254	25,274	24,710	25,663
42 General reserve accounts	10,510	12,823	14,114	14,519	14,731	15,084	15,427	16,319	16,896	17,146	18,105	18,236	18,486

1.37—Continued

Account	1984	1985	1986 Apr.	1986 May	1986 June	1986 July	1986 Aug.	1986 Sept.	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.
	Credit unions[5]												
43 **Total assets/liabilities and capital**	**93,036**	**118,010**	**128,229**	**132,415**	**134,703**	**137,901**	**139,233**	**140,496**	**143,662**	**145,653**	**147,726**	n.a.	n.a.
44 Federal	63,205	77,861	83,543	86,289	87,579	89,539	90,367	91,981	93,257	94,638	95,483	n.a.	n.a.
45 State	29,831	40,149	44,686	46,126	47,124	48,362	48,866	48,515	50,405	51,015	52,243	n.a.	n.a.
46 Loans outstanding	62,561	73,513	76,385	76,774	77,847	79,647	80,656	81,820	83,388	84,635	86,137	n.a.	n.a.
47 Federal	42,337	47,933	49,756	49,950	50,613	51,331	52,007	53,042	53,434	53,877	55,304	n.a.	n.a.
48 State	20,224	25,580	26,629	26,824	27,234	28,316	28,649	28,778	29,954	30,758	30,833	n.a.	n.a.
49 Savings	84,348	105,963	116,703	120,331	122,952	125,331	126,268	128,125	130,483	131,778	134,327	n.a.	n.a.
50 Federal	57,539	70,926	77,112	79,479	80,975	82,596	83,132	84,607	86,158	87,009	87,954	n.a.	n.a.
51 State	26,809	35,037	39,591	40,852	41,977	42,735	43,136	43,518	44,325	44,769	46,373	n.a.	n.a.
	Life insurance companies												
52 **Assets**	**722,979**	**825,901**	**855,605**	**863,610**	**872,359**	**877,919**	**887,255**	**892,304**	**860,682**	**910,691**	**920,771**	**931,962**	n.a.
Securities													
53 Government	63,899	75,230	78,494	79,051	78,284	78,722	79,188	81,636	82,047	84,858	85,849	85,000	n.a.
54 United States[6]	42,204	51,700	54,705	55,120	54,197	54,321	54,487	56,698	57,511	59,802	61,494	61,014	n.a.
55 State and local	8,713	9,708	9,869	9,930	10,114	10,350	10,472	10,606	10,212	10,712	10,267	10,048	n.a.
56 Foreign[7]	12,982	13,822	13,920	14,001	13,973	14,051	14,229	14,332	14,324	14,344	14,088	13,938	n.a.
57 Business	359,333	423,712	445,573	450,279	455,119	455,013	463,135	462,540	467,433	473,860	474,485	487,837	n.a.
58 Bonds	295,998	346,216	361,306	364,122	367,966	369,704	374,670	378,267	381,381	386,293	386,994	395,994	n.a.
59 Stocks	63,335	77,496	84,267	86,157	87,153	85,309	88,465	84,273	86,052	87,567	87,491	91,843	n.a.
60 Mortgages	156,699	171,797	175,951	177,554	180,041	182,542	183,943	185,268	186,976	189,460	192,975	193,395	n.a.
61 Real estate	25,767	28,822	30,059	30,025	30,350	31,151	31,844	31,725	31,918	32,184	32,079	32,229	n.a.
62 Policy loans	54,505	54,369	54,272	54,351	57,342	54,249	54,247	54,273	54,199	54,152	54,016	53,692	n.a.
63 Other assets	63,776	71,971	71,256	72,352	74,223	76,214	74,898	76,862	77,798	76,177	81,367	79,809	n.a.

1. Holdings of stock of the Federal Home Loan Banks are in "other assets."
2. Includes net undistributed income accrued by most associations.
3. As of July 1985, data include loans in process.
4. Excludes checking, club, and school accounts.
5. Data include all federally insured credit unions, both federal and state chartered, serving natural persons.
6. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
7. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE. *Savings and loan associations:* Estimates by the FHLBB for all associations in the United States based on annual benchmarks for non-FSLIC-insured associations and the experience of FSLIC-insured associations.

FSLIC-insured federal savings banks: Estimates by the FHLBB for federal savings banks insured by the FSLIC and based on monthly reports of federally insured institutions.

Savings banks: Estimates by the National Council of Savings Institutions for all savings banks in the United States and for FDIC-insured savings banks that have converted to federal savings banks.

Credit unions: Estimates by the National Credit Union Administration for federally chartered and federally insured state-chartered credit unions serving natural persons.

Life insurance companies: Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1984	Fiscal year 1985	Fiscal year 1986	Calendar year 1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.
U.S. budget[1]									
1 Receipts, total	666,457	734,057	769,091	52,967	78,035	81,771	55,463	56,515	122,897
2 On-budget	500,382	547,886	568,862	38,158	60,694	62,981	37,919	38,469	99,083
3 Off-budget	166,075	186,171	200,228	14,809	17,341	18,790	17,544	18,046	23,814
4 Outlays, total	851,781	946,316	989,815	79,973	89,158	83,942	83,828	84,527	84,240
5 On-budget	685,968	769,509	806,318	63,639	74,669	68,176	67,138	67,872	69,215
6 Off-budget	165,813	176,807	183,498	16,334	14,489	15,766	16,690	16,655	15,025
7 Surplus, or deficit (−), total	−185,324	−212,260	−220,725	−27,006	−11,123	−2,170	−28,366	−28,012	38,657
8 On-budget	−185,586	−221,623	−237,455	−25,481	−13,976	−5,195	−29,219	−29,403	29,867
9 Off-budget	262	9,363	16,371	−1,524	2,853	3,024	854	1,391	8,790
Source of financing (total)									
10 Borrowing from the public	170,817	197,269	236,284	40,352	22,824	4,353	15,248	7,884	9,075
11 Cash and monetary assets (decrease, or increase (−))[2]	6,631	13,367	−14,324	−2,721	−14,751	−9,564	16,574	15,621	−47,189
12 Other[3]	7,875	1,630	−1,235	−10,625	4,004	7,381	−3,456	4,506	−543
MEMO									
13 Treasury operating balance (level, end of period)	30,426	17,060	31,384	17,007	30,946	41,307	24,816	8,969	55,744
14 Federal Reserve Banks	8,514	4,174	7,514	2,529	7,588	15,746	3,482	3,576	29,688
15 Tax and loan accounts	21,913	12,886	23,870	14,478	23,357	25,561	21,334	5,394	26,056

1. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. The Federal Financing Bank (FFB) activities are now shown as separate accounts under the agencies that use the FFB to finance their programs. The act has also moved two social security trust funds (Federal old-age survivors insurance and Federal disability insurance trust funds) off-budget.

2. Includes U.S. Treasury operating cash accounts; SDRs; reserve position on the U.S. quota in the IMF; loans to International Monetary Fund; and other cash and monetary assets.

3. Includes accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

SOURCES. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" and the *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1985	Fiscal year 1986	Calendar year 1985 H1	1985 H2	1986 H1	1986 H2	1987 Feb.	1987 Mar.	1987 Apr.
RECEIPTS									
1 **All sources**	**734,057**	**769,091**	**380,618**	**364,790**	**394,345**	**387,524**	**55,463**	**56,515**	**122,897**
2 Individual income taxes, net	334,531	348,959	166,783	169,987	169,444	183,156	22,805	14,240	71,850
3 Withheld	298,941	314,838	149,288	155,725	153,919	164,071	25,486	27,608	26,943
4 Presidential Election Campaign Fund	35	36	29	6	31	4	2	10	7
5 Nonwithheld	101,328	105,994	76,155	22,295	78,981	27,733	1,320	4,106	62,939
6 Refunds	65,743	71,873	58,684	8,038	63,488	8,652	4,003	17,482	18,039
Corporation income taxes									
7 Gross receipts	77,413	80,442	42,193	36,528	41,946	42,108	2,369	15,948	13,290
8 Refunds	16,082	17,298	8,370	7,751	9,557	8,230	1,433	2,834	2,101
9 Social insurance taxes and contributions, net	265,163	283,901	144,598	128,017	156,714	134,006	25,590	23,689	33,646
10 Employment taxes and contributions[1]	234,646	255,062	126,038	116,276	139,706	122,246	22,594	23,128	30,457
11 Self-employment taxes and contributions[2]	10,468	11,840	9,482	985	10,581	1,338	809	669	7,403
12 Unemployment insurance	25,758	24,098	16,213	9,281	14,674	9,328	2,633	186	2,827
13 Other net receipts[3]	4,759	4,742	2,350	2,458	2,333	2,429	364	375	361
14 Excise taxes	35,992	32,919	17,259	18,470	15,944	15,947	2,291	2,511	2,471
15 Customs deposits	12,079	13,323	5,807	6,354	6,369	7,282	1,052	1,220	1,165
16 Estate and gift taxes	6,422	6,958	3,204	3,323	3,487	3,649	553	570	810
17 Miscellaneous receipts[4]	18,539	19,887	9,144	9,861	10,002	9,605	2,235	1,171	1,767
OUTLAYS									
18 **All types**	**946,223**	**989,789**	**463,842**	**487,188**	**486,037**	**504,785**	**83,828**	**84,527**	**84,240**
19 National defense	252,748	273,369	124,186	134,675	135,367	138,544	23,475	24,742	24,407
20 International affairs	16,176	14,471	6,675	8,367	5,384	8,876	1,319	681	163
21 General science, space, and technology	8,627	9,017	4,230	4,727	12,519	4,594	791	703	653
22 Energy	5,685	4,792	680	3,305	2,484	2,735	189	441	361
23 Natural resources and environment	13,357	13,508	5,892	7,553	6,245	7,141	871	1,092	1,052
24 Agriculture	25,565	31,169	11,705	15,412	14,482	16,160	2,293	2,453	2,641
25 Commerce and housing credit	4,229	4,258	−260	644	860	3,647	−334	1,677	1,129
26 Transportation	25,838	28,058	11,440	15,360	12,658	14,745	1,697	1,982	1,936
27 Community and regional development	7,680	7,510	3,408	3,901	3,169	3,494	380	490	592
28 Education, training, employment, social services	29,342	29,662	14,149	14,481	14,712	15,268	2,669	2,440	2,317
29 Health	33,542	35,936	16,945	17,237	17,872	19,814	3,166	3,263	3,672
30 Social security and medicare	254,446	190,850	128,351	129,037	135,214	138,296	23,081	23,407	23,615
31 Income security	128,200	120,686	65,246	59,457	60,786	59,628	10,551	10,910	11,282
32 Veterans benefits and services	26,352	26,614	11,956	14,527	12,193	14,497	2,053	1,137	2,360
33 Administration of justice	6,277	6,555	3,016	3,212	3,352	3,360	619	570	619
34 General government	5,228	6,796	2,857	3,634	3,566	2,786	631	439	196
35 General-purpose fiscal assistance	6,353	6,430	2,659	3,391	2,179	2,767	120	61	179
36 Net interest[5]	129,436	135,284	65,143	67,448	68,054	65,816	12,967	10,971	11,295
37 Undistributed offsetting receipts[6]	−32,759	−33,244	−14,436	−17,953	−17,193	−17,426	−2,708	−2,932	−4,230

1. Old-age, disability, and hospital insurance, and railroad retirement accounts.
2. Old-age, disability, and hospital insurance.
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. Net interest function includes interest received by trust funds.
6. Consists of rents and royalties on the outer continental shelf and U.S. government contributions for employee retirement.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," and the *Budget of the U.S. Government, Fiscal Year 1988.*

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1984	1985				1986			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	**1,667.4**	**1,715.1**	**1,779.0**	**1,827.5**	**1,950.3**	**1,991.1**	**2,063.6**	**2,129.5**	**2,218.9**
2 Public debt securities	1,663.0	1,710.7	1,774.6	1,823.1	1,945.9	1,986.8	2,059.3	2,125.3	2,214.8
3 Held by public	1,373.4	1,415.2	1,460.5	1,506.6	1,597.1	1,634.3	1,684.9	1,742.4	1,811.7
4 Held by agencies	289.6	295.5	314.2	316.5	348.9	352.6	374.4	382.9	403.1
5 Agency securities	4.5	4.4	4.4	4.4	4.4	4.3	4.3	4.2	4.0
6 Held by public	3.4	3.3	3.3	3.3	3.3	3.2	3.2	3.2	3.0
7 Held by agencies	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
8 **Debt subject to statutory limit**	**1,663.7**	**1,711.4**	**1,775.3**	**1,823.8**	**1,932.4**	**1,973.3**	**2,060.0**	**2,111.0**	**2,200.5**
9 Public debt securities	1,662.4	1,710.1	1,774.0	1,822.5	1,931.1	1,972.0	2,058.7	2,109.7	2,199.3
10 Other debt[1]	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
11 MEMO: Statutory debt limit	1,823.8	1,823.8	1,823.8	1,823.8	2,078.7	2,078.7	2,078.7	2,111.0	2,300.0

1. Includes guaranteed debt of government agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCES. *Treasury Bulletin* and *Monthly Statement of the Public Debt of the United States*.

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1983	1984	1985	1986	1986			
					Q1	Q2	Q3	Q4
1 **Total gross public debt**	**1,410.7**	**1,663.0**	**1,945.9**	**2,214.8**	**1,986.8**	**2,059.3**	**2,125.3**	**2,214.8**
By type								
2 Interest-bearing debt	1,400.9	1,660.6	1,943.4	2,212.0	1,984.2	2,056.7	2,122.7	2,212.0
3 Marketable	1,050.9	1,247.4	1,437.7	1,619.0	1,472.8	1,498.2	1,564.3	1,619.0
4 Bills	343.8	374.4	399.9	426.7	393.2	396.9	410.7	426.7
5 Notes	573.4	705.1	812.5	927.5	842.5	869.3	896.9	927.5
6 Bonds	133.7	167.9	211.1	249.8	223.0	232.3	241.7	249.8
7 Nonmarketable[1]	350.0	413.2	505.7	593.1	511.4	558.5	558.4	593.1
8 State and local government series	36.7	44.4	87.5	110.5	88.5	98.2	102.4	110.5
9 Foreign issues[2]	10.4	9.1	7.5	4.7	6.7	5.3	4.1	4.7
10 Government	10.4	9.1	7.5	4.7	6.7	5.3	4.1	4.7
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	70.7	73.1	78.1	90.6	79.8	82.3	85.6	90.6
13 Government account series[3]	231.9	286.2	332.2	386.9	336.0	372.3	365.9	386.9
14 Non-interest-bearing debt	9.8	2.3	2.5	2.8	2.6	2.6	2.6	2.8
By holder[4]								
15 U.S. government agencies and trust funds	236.3	289.6	348.9	403.1	352.6	374.4	382.9	403.1
16 Federal Reserve Banks	151.9	160.9	181.3	211.3	184.8	183.8	190.8	211.3
17 Private investors	1,022.6	1,212.5	1,417.2	1,602.0	1,473.1	1,502.7	1,553.3	1,602.0
18 Commercial banks	188.8	183.4	192.2	225.0	195.1	197.2	212.5	225.0
19 Money market funds	22.8	25.9	25.1	28.6	29.9	22.8	24.9	28.6
20 Insurance companies	56.7	76.4	93.2	n.a.	95.8	n.a.	n.a.	n.a.
21 Other companies	39.7	50.1	59.0	68.8	59.6	59.8	67.0	68.8
22 State and local governments	155.1	179.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Individuals								
23 Savings bonds	71.5	74.5	79.8	92.3	81.4	83.8	87.1	92.3
24 Other securities	61.9	69.3	75.0	68.0	76.2	73.9	69.0	68.0
25 Foreign and international[5]	166.3	192.9	214.6	257.0	225.4	239.8	256.3	257.0
26 Other miscellaneous investors[6]	259.8	360.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration; depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.
3. Held almost entirely by U.S. government agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign and international accounts. Excludes non-interest-bearing notes issued to the International Monetary Fund.
6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. government deposit accounts, and U.S. government-sponsored agencies.

SOURCES. Data by type of security, U.S. Treasury Department, *Monthly Statement of the Public Debt of the United States;* data by holder, *Treasury Bulletin*.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Par value; averages of daily figures, in millions of dollars

	Item	1984	1985	1986[r]	1987 Feb.	1987 Mar.	1987 Apr.	1987 Mar. 25	1987 Apr. 1	1987 Apr. 8	1987 Apr. 15	1987 Apr. 22	1987 Apr. 29
	Immediate delivery[2]												
1	U.S. government securities	52,778	75,331	95,447	124,519	102,209	138,007	101,618	132,106	116,699	157,559	142,263	135,360
	By maturity												
2	Bills	26,035	32,900	34,249	48,972	37,027	50,528	34,142	44,699	45,924	58,413	52,915	45,951
3	Other within 1 year	1,305	1,811	2,115	2,815	2,647	3,190	2,218	3,041	2,917	2,947	3,262	3,485
4	1–5 years	11,733	18,361	24,667	30,231	24,322	29,094	30,147	30,686	23,918	31,964	30,550	29,460
5	5–10 years	7,606	12,703	20,455	24,326	22,444	31,476	20,567	31,355	24,540	38,160	30,883	32,297
6	Over 10 years	6,099	9,556	13,961	18,174	15,769	23,718	14,544	22,325	19,400	26,075	24,652	24,167
	By type of customer												
7	U.S. government securities dealers	2,919	3,336	3,646	4,082	3,506	3,113	3,337	5,119	3,081	3,141	2,678	3,134
8	U.S. government securities brokers	25,580	36,222	49,368	67,913	52,671	78,533	51,619	72,477	63,802	93,307	80,973	79,222
9	All others[3]	24,278	35,773	42,218	51,853	45,446	55,648	46,661	54,510	49,815	61,111	58,611	53,004
10	Federal agency securities	7,846	11,640	16,746	22,764	20,984	22,184	23,023	18,111	17,866	26,711	28,811	17,516
11	Certificates of deposit	4,947	4,016	4,355	4,750	3,570	4,964	3,227	3,574	4,557	5,495	5,344	4,553
12	Bankers acceptances	3,243	3,242	3,272	3,272	2,917	3,453	2,509	3,066	3,356	3,861	3,605	3,166
13	Commercial paper	10,018	12,717	16,660	16,513	15,489	17,914	15,058	13,924	16,976	15,438	21,206	18,625
	Futures transactions[4]												
14	Treasury bills	6,947	5,561	3,311	4,898	3,577	3,575	3,231	2,836	2,509	4,350	4,240	3,092
15	Treasury coupons	4,533[r]	6,085[r]	7,175	8,092	6,891	12,018	4,853	10,152	10,173	12,984	11,497	13,109
16	Federal agency securities	264[r]	252[r]	16	0	9	1	0	0	0	3	0	0
	Forward transactions[5]												
17	U.S. government securities	1,364	1,283	1,876	4,074	1,952	2,760	3,059	2,235	2,055	1,995	4,591	2,476
18	Federal agency securities	2,843	3,857	7,830	11,440	10,656	15,961	11,268	8,638	12,463	21,790	20,145	11,921

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers.

Averages for transactions are based on the number of trading days in the period. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

2. Data for immediate transactions do not include forward transactions.

3. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.

4. Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.

5. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for government securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

NOTE. Data for the period May 1 to Sept. 30, 1986, are partially estimated.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Averages of daily figures, in millions of dollars

Item	1984	1985	1986	1987			1987				
				Feb.	Mar.[r]	Apr.	Apr. 1	Apr. 8	Apr. 15	Apr. 22	Apr. 29
	Positions										
Net immediate[2]											
1 U.S. government securities	5,429	7,391	13,047[r]	6,057	7,840	−6,975	2,814	1,956	−3,512	−9,274	−16,927
2 Bills	5,500	10,075	12,724[r]	7,365	7,070	−778	499	4,168	2,487	−2,392	−6,448
3 Other within 1 year	63	1,050	3,698	3,709	3,513	3,046	2,712	3,348	3,081	3,236	2,694
4 1–5 years	2,159	5,154	9,297	7,399	7,451	2,537	7,968	3,120	2,182	2,599	2,224
5 5–10 years	−1,119	−6,202	−9,503[r]	−5,890	−5,208	−5,942	−3,682	−3,657	−5,139	−6,608	−8,802
6 Over 10 years	−1,174	−2,686	−3,169	−6,526	−4,986	−5,838	−4,682	−5,023	−6,122	−6,109	−6,595
7 Federal agency securities	15,294	22,860	33,075	32,048	33,296	32,916	32,234	31,463	35,650	34,194	31,514
8 Certificates of deposit	7,369	9,192	10,533	9,671	8,615	8,502	8,059	8,287	8,550	8,295	8,818
9 Bankers acceptances	3,874	4,586	5,533	4,934	5,015	3,694	4,003	4,502	3,786	3,469	3,154
10 Commercial paper	3,788	5,570	8,087	9,215	8,954	6,261	7,159	5,492	6,674	6,356	6,454
Futures positions											
11 Treasury bills	−4,525	−7,322	−18,062[r]	−13,476	−10,805	−5,000	−8,708	−5,971	−6,336	−4,179	−3,467
12 Treasury coupons	1,794	4,465	3,492[r]	6,669	4,313	3,949	4,413	4,740	3,834	3,830	3,586
13 Federal agency securities	233	−722	−153	−94	−98	−95	−98	−98	−90	−98	−96
Forward positions											
14 U.S. government securities	−1,643	−911	−2,304[r]	357	−2,151	−2,388	−1,766	−1,008	−1,920	−3,791	−2,996
15 Federal agency securities	−9,205	−9,420	−11,911[r]	−16,383	−16,703	−15,760	−15,639	−14,151	−16,441	−17,166	−15,351
	Financing[3]										
Reverse repurchase agreements[4]											
16 Overnight and continuing	44,078	68,035	98,954	128,668	127,183	n.a.	135,111	128,410	129,370	134,383	125,916
17 Term agreements	68,357	80,509	108,693	132,531	130,489	n.a.	127,349	124,115	121,485	138,459	149,607
Repurchase agreements[5]											
18 Overnight and continuing	75,717	101,410	141,735	174,370	177,021	n.a.	180,009	174,398	175,298	186,887	170,842
19 Term agreements	57,047	70,076	102,640	115,522	112,078	n.a.	105,626	104,632	100,894	105,821	122,608

1. Data for dealer positions and sources of financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers.

Data for positions are averages of daily figures, in terms of par value, based on the number of trading days in the period. Positions are net amounts and are shown on a commitment basis. Data for financing are in terms of actual amounts borrowed or lent and are based on Wednesday figures.

2. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs). The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Immediate positions include reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. Data for immediate positions do not include forward positions.

3. Figures cover financing involving U.S. government and federal agency securities, negotiable CDs, bankers acceptances, and commercial paper.

4. Includes all reverse repurchase agreements, including those that have been arranged to make delivery on short sales and those for which the securities obtained have been used as collateral on borrowings, that is, matched agreements.

5. Includes both repurchase agreements undertaken to finance positions and "matched book" repurchase agreements.

NOTE. Data on positions for the period May 1 to Sept. 30, 1986, are partially estimated.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1983	1984	1985	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.
1 **Federal and federally sponsored agencies**	**240,068**	**271,220**	**293,905**	**305,199**	**305,097**	**307,361**	**n.a.**	**n.a.**	
2 Federal agencies	33,940	35,145	36,390	36,716	36,952	36,958	37,041	37,083	
3 Defense Department[1]	243	142	71	36	35	33	32	27	
4 Export-Import Bank[2,3]	14,853	15,882	15,678	14,274	14,274	14,211	14,211	14,211	
5 Federal Housing Administration[4]	194	133	115	123	124	138	136	147	n.a.
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165	
7 Postal Service[6]	1,404	1,337	1,940	3,104	3,104	3,104	3,104	3,104	
8 Tennessee Valley Authority	14,970	15,435	16,347	16,940	17,176	17,222	17,308	17,344	
9 United States Railway Association[6]	111	51	74	74	74	85	85	85	
10 Federally sponsored agencies[7]	206,128	236,075	257,515	268,483	268,145	270,403	n.a.	n.a.	n.a.
11 Federal Home Loan Banks	48,930	65,085	74,447	87,146	86,891	88,752	90,225	91,313	92,087
12 Federal Home Loan Mortgage Corporation	6,793	10,270	11,926	14,007	13,606	13,589	n.a.	n.a.	n.a.
13 Federal National Mortgage Association	74,594	83,720	93,896	93,272	93,477	93,563	92,588	91,522	91,618
14 Farm Credit Banks	72,816	71,193	68,851	63,079	62,693	62,328	59,984	59,367	58,364
15 Student Loan Marketing Association[8]	3,402	5,745	8,395	10,979	11,478	12,171	11,784	12,481	13,230
MEMO									
16 **Federal Financing Bank debt[9]**	**135,791**	**145,217**	**153,373**	**157,371**	**157,452**	**157,510**	**157,650**	**157,724**	
Lending to federal and federally sponsored agencies									
17 Export-Import Bank[3]	14,789	15,852	15,670	14,268	14,268	14,205	14,205r	14,205	
18 Postal Service[6]	1,154	1,087	1,690	2,854	2,854	2,854	2,854	2,854	
19 Student Loan Marketing Association	5,000	5,000	5,000	4,970	4,970	4,970	4,970	4,970	n.a.
20 Tennessee Valley Authority	13,245	13,710	14,622	15,515	15,751	15,797	15,928	15,954	
21 United States Railway Association[6]	111	51	74	74	74	85	85	85	
Other Lending[10]									
22 Farmers Home Administration	55,266	58,971	64,234	65,374	65,374	65,374	65,374	65,374	
23 Rural Electrification Administration	19,766	20,693	20,654	21,506	21,531	21,680	21,719	21,749	
24 Other	26,460	29,853	31,429	32,810	32,630	32,545	32,515	32,533	

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: Notes, bonds, and debentures. Some data are estimated.
8. Before late 1981, the Association obtained financing through the Federal Financing Bank.
9. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.
10. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency generally being small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains 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	1984	1985	1986	1986				1987			
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.
1 **All issues, new and refunding[1]**	**106,641**	**214,189**	**134,606**	**4,532**	**8,825**	**10,085**	**14,082**	**6,829**	**8,738**	**14,350**	**6,530**
Type of issue											
2 General obligation	26,485	52,622	44,801	1,267	2,104	1,427	4,254	960	3,543	3,796	3,369
3 Revenue	80,156	161,567	89,806	3,265	6,721	8,658	9,828	5,869	5,195	10,554	3,161
Type of issuer											
4 State	9,129	13,004	14,935	9	697	111	961	153	1,441	1,217	419
5 Special district and statutory authority[2]	63,550	134,363	79,291	3,275	5,757	7,761	9,414	5,044	5,634	9,856	4,562
6 Municipalities, counties, townships	33,962	66,822	40,374	1,248	2,371	2,213	3,707	1,632	1,663	3,277	1,549
7 **Issues for new capital, total**	**94,050**	**156,050**	**79,195**	**2,558**	**3,789**	**4,085**	**8,831**	**2,556**	**2,699**	**4,701**	**3,298**
Use of proceeds											
8 Education	7,553	16,658	16,948	558	928	1,486	1,588	823	1,291	1,723	973
9 Transportation	7,552	12,070	11,666	827	1,195	976	588	146	604	280	642
10 Utilities and conservation	17,844	26,852	35,383	1,365	2,396	3,239	2,330	2,574	2,861	4,619	567
11 Social welfare	29,928	63,181	17,332	812	2,098	2,635	3,944	1,670	1,080	2,472	1,041
12 Industrial aid	15,415	12,892	5,594	138	499	331	2,159	101	165	667	42
13 Other purposes	15,758	24,398	47,433	832	1,708	1,418	3,473	1,515	2,738	4,590	3,265

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts beginning April 1986.

SOURCES. Securities Data Company beginning April 1986. Public Securities Association for earlier data. This new data source began with the November BULLETIN.

1.46 NEW SECURITY ISSUES Corporations

Millions of dollars

Type of issue or issuer, or use	1984	1985	1986	1986					1987		
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.
1 **All issues[1]**	**132,531**	**155,074**	**294,326**	**24,245**	**16,093**	**28,582**	**28,835**	**25,181**	**23,133[r]**	**23,986**	**32,799**
2 **Bonds[2]**	**109,903**	**155,074**	**294,326**	**18,481**	**12,830**	**23,476**	**22,236**	**18,933**	**20,218[r]**	**20,219**	**22,983**
Type of offering											
3 Public	73,579	119,559	232,496	18,481	12,829[r]	23,476	22,236	18,933	20,218[r]	20,219	22,983
4 Private placement	36,324	46,195	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
5 Manufacturing	24,607	52,128	53,358	4,536	2,345	2,055	3,378	3,276	4,165	3,679	6,349
6 Commercial and miscellaneous	13,726	15,140	19,188	1,030	1,387	1,067	1,213	2,067	1,074	1,714	3,723
7 Transportation	4,694	5,743	4,262	550	375	170	0	70	0	100	521
8 Public utility	10,679	12,957	25,585	2,098	1,915	2,537	2,587	2,498	1,491	2,715	694
9 Communication	2,997	10,456	13,430	1,615	417	1,255	1,158	776	65	250	300
10 Real estate and financial	53,199	69,332	116,675	8,652	6,390	16,392	13,901	9,736	13,423[r]	11,762	11,397
11 **Stocks[3]**	**22,628**	**35,515**	**61,830**	**5,764**	**3,263**	**5,106**	**6,599**	**6,248**	**2,915**	**3,767**	**9,816**
Type											
12 Preferred	4,118	6,505	11,514	1,290	402	817	1,390	1,293	429	905	2,321
13 Common	18,510	29,010	50,316	4,474	2,861	4,289	5,209	4,955	2,486	2,862	7,495
Industry group											
14 Manufacturing	4,054	5,700	14,234	982	250	570	2,565	1,781	365	814	2,134
15 Commercial and miscellaneous	6,277	9,149	9,252	803	1,009	1,271	535	709	148	437	2,264
16 Transportation	589	1,544	2,392	57	28	511	15	183	0	191	299
17 Public utility	1,624	1,966	3,791	208	174	410	218	873	237	509	893
18 Communication	419	978	1,504	379	0	59	104	101	16	9	57
19 Real estate and financial	9,665	16,178	30,657	3,335	1,802	2,285	3,162	2,601	2,149	1,807	4,169

1. Figures, which represent gross proceeds of issues maturing in more than one year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.
2. Monthly data include only public offerings.
3. Beginning in August 1981, gross stock offerings include new equity volume from swaps of debt for equity.

SOURCES. IDD Information Services, Inc., Securities and Exchange Commission and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1985	1986	1986					1987		
			Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	222,670	411,739	32,636	34,690	37,150	33,672	44,796	50,116	36,307	39,217
2 Redemptions of own shares[3]	132,440	239,396	20,102	21,338	20,782	20,724	34,835	26,565	21,576	24,103
3 Net sales	90,230	172,343	12,534	13,352	16,368	12,948	9,961	23,551	14,731	15,114
4 Assets[4]	251,695	424,156	387,547	381,872	402,644	416,939	424,156	464,415	490,643	505,864
5 Cash position[5]	20,607	30,716	28,682	29,540	30,826	29,579	30,716	34,098	35,279	36,010
6 Other	231,088	393,440	358,865	352,332	371,818	387,360	393,440	430,317	455,364	469,854

1. Excluding money market funds.
2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short-term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1984	1985	1986	1985			1986				1987
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
1 Corporate profits with inventory valuation and capital consumption adjustment	264.7	280.6	300.7	274.3	296.3	285.6	296.4	293.1	302.0	311.2	333.5
2 Profits before tax	235.7	223.1	237.5	213.8	229.2	235.8	222.5	227.7	240.4	259.6	266.5
3 Profits tax liability	95.4	91.8	103.5	87.1	95.8	96.4	95.7	99.0	104.4	115.1	129.9
4 Profits after tax	140.3	131.4	134.0	126.7	133.4	139.4	126.9	128.8	135.9	144.5	136.6
5 Dividends	78.3	81.6	87.8	81.4	81.6	82.5	85.2	87.5	88.8	89.7	91.4
6 Undistributed profits	62.0	49.8	46.2	45.3	51.8	57.0	41.7	41.2	47.2	54.8	45.2
7 Inventory valuation	-5.5	.6	6.5	1.6	6.1	-9.4	16.5	10.6	6.1	-7.2	-7.4
8 Capital consumption adjustment	34.5	58.1	56.6	58.9	61.0	59.2	57.3	54.8	55.5	58.8	74.4

SOURCE. *Survey of Current Business* (Department of Commerce).

1.49 NONFINANCIAL CORPORATIONS Assets and Liabilities

Billions of dollars, except for ratio

Account	1980	1981	1982	1983	1984	1985				1986
						Q1	Q2	Q3	Q4	Q1
1 **Current assets**	**1,328.3**	**1,419.6**	**1,437.1**	**1,575.9**	**1,703.0**	**1,722.7**	**1,734.6**	**1,763.0**	**1,784.6**	**1,795.7**
2 Cash	127.0	135.6	147.8	171.8	173.6	167.5	167.1	176.3	189.2	195.3
3 U.S. government securities	18.7	17.7	23.0	31.0	36.2	35.7	35.4	32.6	33.0	31.0
4 Notes and accounts receivable	507.5	532.5	517.4	583.0	633.1	650.3	654.1	661.0	671.5	663.4
5 Inventories	543.0	584.0	579.0	603.4	656.9	665.7	666.7	675.0	666.0	679.6
6 Other	132.1	149.7	169.8	186.7	203.2	203.5	211.2	218.0	224.9	226.3
7 **Current liabilities**	**890.6**	**971.3**	**986.0**	**1,059.6**	**1,163.6**	**1,174.1**	**1,182.9**	**1,211.9**	**1,233.6**	**1,222.3**
8 Notes and accounts payable	514.4	547.1	550.7	595.7	647.8	636.9	651.7	670.4	682.7	668.4
9 Other	376.2	424.1	435.3	463.9	515.8	537.1	531.2	541.5	550.9	553.9
10 **Net working capital**	**437.8**	**448.3**	**451.1**	**516.3**	**539.5**	**548.6**	**551.7**	**551.1**	**551.0**	**573.4**
11 MEMO: Current ratio[1]	1.492	1.462	1.458	1.487	1.464	1.467	1.466	1.455	1.447	1.469

1. Ratio of total current assets to total current liabilities.

NOTE. For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533–37.

All data in this table reflect the most current benchmarks. Complete data are available upon request from the Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SOURCE. Federal Trade Commission and Bureau of the Census.

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry	1985	1986	1987[1]	1985		1986				1987	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1[1]	Q2[1]
1 **Total nonfarm business**	**387.13**	**397.27**	**390.80**	**389.23**	**397.88**	**377.94**	**375.92**	**374.55**	**388.69**	**384.02**	**396.22**
Manufacturing											
2 Durable goods industries	73.27	69.08	70.60	72.99	75.47	68.01	68.33	69.31	70.68	69.06	73.02
3 Nondurable goods industries	80.21	73.65	74.27	81.48	82.79	76.02	73.35	69.89	75.33	73.89	74.37
Nonmanufacturing											
4 Mining	15.88	11.25	10.10	15.89	15.25	12.99	11.22	10.15	10.63	10.22	10.54
Transportation											
5 Railroad	7.08	6.63	6.15	7.79	6.74	6.22	6.77	7.31	6.25	5.92	6.46
6 Air	4.79	6.26	6.48	5.17	6.07	6.58	5.77	5.69	6.99	6.93	6.05
7 Other	6.15	5.86	6.44	5.85	6.34	5.42	5.74	6.03	6.24	6.18	6.59
Public utilities											
8 Electric	36.11	33.93	32.58	35.58	36.38	34.21	33.81	33.91	33.78	32.33	32.82
9 Gas and other	12.71	12.51	13.62	12.86	13.41	12.82	12.74	11.99	12.49	13.13	13.55
10 Commercial and other[2]	150.93	160.10	170.55	151.62	155.42	155.67	158.18	160.25	166.31	166.36	172.80

▲Trade and services are no longer being reported separately. They are included in Commercial and other, line 10.

1. Anticipated by business.

2. "Other" consists of construction; wholesale and retail trade; finance and insurance; personal and business services; and communication.

SOURCE. *Survey of Current Business* (Department of Commerce).

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1982	1983	1984	1985 Q3	1985 Q4	1986 Q1	1986 Q2	1986 Q3	1986 Q4[r]	1987 Q1
ASSETS										
Accounts receivable, gross										
1 Consumer	75.3	83.3	89.9	108.6	113.4	117.2	125.1	137.1	136.5	133.9
2 Business	100.4	113.4	137.8	143.7	158.3	165.9	167.7	161.0	174.8	182.8
3 Real estate	18.7	20.5	23.8	26.3	28.9	29.9	30.8	32.1	33.7	35.1
4 Total	194.3	217.3	251.5	278.6	300.6	312.9	323.6	330.2	345.0	351.8
Less:										
5 Reserves for unearned income	29.9	30.3	33.8	38.0	39.2	40.0	40.7	42.4	41.4	40.4
6 Reserves for losses	3.3	3.7	4.2	4.6	4.9	5.0	5.1	5.4	5.8	5.9
7 Accounts receivable, net	161.1	183.2	213.5	236.0	256.5	268.0	277.8	282.4[r]	297.8	305.5
8 All other	30.4	34.4	35.7	46.3	45.3	48.8	48.8[r]	59.9[r]	57.9	59.0
9 **Total assets**	**191.5**	**217.6**	**249.2**	**282.3**	**301.9**	**316.8**	**326.6[r]**	**342.3[r]**	**355.6**	**364.5**
LIABILITIES										
10 Bank loans	16.5	18.3	20.0	18.9	20.6[r]	19.0[r]	19.2[r]	20.2[r]	22.2	17.3
11 Commercial paper	51.4	60.5	73.1	93.2	99.2	104.3	108.4	112.8	117.8	119.1
Debt										
12 Other short-term	11.9	11.1	12.9	12.4	12.5	13.4	15.4[r]	16.0	17.2	21.6
13 Long-term	63.7	67.7	77.2	85.5	93.1[r]	101.0[r]	105.2[r]	109.8[r]	115.6	118.4
14 All other liabilities	21.6	31.2	34.5	38.2	40.9[r]	42.3[r]	40.1[r]	44.1[r]	43.4	46.3
15 Capital, surplus, and undivided profits	26.4	28.9	31.5	34.1	35.7	36.7	38.4[r]	39.4	39.4	41.8
16 **Total liabilities and capital**	**191.5**	**217.6**	**249.2**	**282.3**	**301.9**	**316.8**	**326.6[r]**	**342.3[r]**	**355.6**	**364.5**

NOTE. Components may not add to totals because of rounding.

1.52 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding Mar. 31, 1987[1]	Changes in accounts receivable 1987 Jan.	Feb.	Mar.	Extensions 1987 Jan.	Feb.	Mar.	Repayments 1987 Jan.	Feb.	Mar.
1 **Total**	**182,848**	**2,577[r]**	**1,850[r]**	**1,579**	**28,737[r]**	**28,193[r]**	**29,836**	**26,160[r]**	**26,342[r]**	**28,257**
Retail financing of installment sales										
2 Automotive (commercial vehicles)	27,099	185	602	570	801	1,036	1,138	616	434	568
3 Business, industrial, and farm equipment	22,330	−417	−429	−40	1,112	1,067	1,255	1,529	1,496	1,295
Wholesale financing										
4 Automotive	29,735	2,119[r]	−1,081[r]	995	11,175[r]	11,573[r]	12,676	9,056[r]	10,492[r]	11,681
5 Equipment	5,314	−46	31	−235	597	658	672	643	626	907
6 All other	8,812	918	−41	269	3,219	2,919	3,064	2,301	2,960	2,795
Leasing										
7 Automotive	20,013	−373	161	77	1,263	1,259	1,148	1,636	1,099	1,071
8 Equipment	39,361	827	121	440	1,009	885	995	182	764	555
9 Loans on commercial accounts receivable and factored commercial accounts receivable	16,255	−22	238	−652	7,841	7,619	7,664	7,862	7,381	8,316
10 All other business credit	13,929	−615	86	155	1,719	1,177	1,224	2,334	1,092	1,069

These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

1. Not seasonally adjusted.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1984	1985	1986	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	96.8	104.1	118.1	127.5	124.2	124.8	132.6	135.6	130.2[r]	134.2
2 Amount of loan (thousands of dollars)	73.7	77.4	86.2	93.9	92.5	93.2	97.3	99.1	95.0[r]	98.8
3 Loan/price ratio (percent)	78.7	77.1	75.2	75.6	76.2	76.4	75.5	75.3	74.3[r]	75.0
4 Maturity (years)	27.8	26.9	26.6	27.9	27.3	27.4	27.7	27.6	27.1	26.9
5 Fees and charges (percent of loan amount)[2]	2.64	2.53	2.48	2.66	2.64	2.46	2.23	2.21	2.20[r]	2.25
6 Contract rate (percent per annum)	11.87	11.12	9.82	9.57	9.45	9.28	9.14	8.87	8.77	8.86
Yield (percent per annum)										
7 FHLBB series[3]	12.37	11.58	10.25	10.02	9.91	9.69	9.51	9.23	9.14[r]	9.23
8 HUD series[4]	13.80	12.28	10.07	9.89	9.47	9.33	9.09	9.04	9.19	n.a.
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series)[5]	13.81	12.24	9.91	9.80	9.26	9.21	8.79	8.81	8.94	n.a.
10 GNMA securities[6]	13.13	11.61	9.30	9.06	8.83	8.62	8.46	8.28	8.18	8.85
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	83,339	94,574	98,048	98,402	98,210	97,895	96,382	95,514	95,140	94,404
12 FHA/VA-insured	35,148	34,244	29,683	25,435	24,300	23,121	22,178[r]	22,063[r]	21,843[r]	21,765
13 Conventional	48,191	60,331	68,365	72,967	73,910	74,774	74,204[r]	73,451[r]	73,297[r]	72,639
Mortgage transactions (during period)										
14 Purchases	16,721	21,510	30,826	3,784	2,549	2,336	1,346	979	1,435	2,118
Mortgage commitments[7]										
15 Contracted (during period)	21,007	20,155	32,987	2,375	1,811	1,272	948	912	2,805[r]	3,208
16 Outstanding (end of period)	6,384	3,402	3,386	5,740	4,625	3,386	2,258	2,175	3,539[r]	4,421
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	9,283	12,399	13,517	12,905	12,315	11,564	10,964			
18 FHA/VA	910	841	746	722	707	694	686			
19 Conventional	8,373	11,558	12,837	12,183	11,607	10,870	10,279			
Mortgage transactions (during period)										
20 Purchases	21,886	44,012	103,474	11,566	9,862	11,305	7,950	n.a.	n.a.	n.a.
21 Sales	18,506	38,905	100,236	11,417	10,510	11,169	8,269			
Mortgage commitments[9]										
22 Contracted (during period)	32,603	48,989	110,855	9,356	11,233	8,742	7,685			

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month. Large monthly movements in average yields may reflect market adjustments to changes in maximum permissable contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
8. Includes participation as well as whole loans.
9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder, and type of property	1984	1985	1986	1986 Q1	1986 Q2	1986 Q3	1986 Q4	1987 Q1
1 **All holders**	**2,033,654**	**2,266,923**	**2,563,833r**	**2,315,962**	**2,383,989r**	**2,469,954r**	**2,563,833r**	**2,622,446**
2 1- to 4-family	1,317,940	1,466,773	1,665,510r	1,494,603	1,543,681r	1,607,238r	1,665,510r	1,709,954
3 Multifamily	185,414	213,816	246,576r	221,587	229,145r	237,423r	246,576r	250,601
4 Commercial	418,300	480,719	554,087r	495,879	509,574r	525,112r	554,087r	566,045
5 Farm	112,000	105,615	97,660r	103,893	101,589r	100,181r	97,660r	95,846
6 Selected financial institutions	1,269,702	1,390,394	1,506,046r	1,408,665	1,435,437r	1,464,371r	1,506,046r	1,519,771
7 Commercial banks[2]	379,498	429,196	502,158r	441,096	456,163r	474,816r	502,158r	515,953
8 1- to 4-family	196,163	213,434	235,704r	216,290	221,640r	228,718r	235,704r	239,918
9 Multifamily	20,264	23,373	31,139r	25,389	26,799r	28,636r	31,139r	32,660
10 Commercial	152,894	181,032	222,579r	187,620	195,484r	204,986r	222,579r	230,373
11 Farm	10,177	11,357	12,736r	11,797	12,240r	12,476r	12,736r	13,002
12 Savings banks	154,441	177,263	224,232	188,154	203,398	215,036	224,232	226,409
13 1- to 4-family	107,302	121,879	154,801	131,381	142,174	149,786	154,801	156,236
14 Multifamily	19,817	23,329	30,161	23,980	26,543	28,400	30,161	30,476
15 Commercial	27,291	31,973	39,166	32,707	34,577	36,762	39,166	39,592
16 Farm	31	82	104	86	104	88	104	105
17 Savings and loan associations	555,277	583,236	553,080	574,732	565,037	557,139	553,080	545,976
18 1- to 4-family	421,489	432,422	403,611	420,073	413,865	408,152	403,611	398,017
19 Multifamily	55,750	66,410	66,898	67,140	66,020	65,827	66,898	66,609
20 Commercial	77,605	83,798	82,070	86,860	84,618	82,644	82,070	80,914
21 Farm	433	606	501	659	534	516	501	436
22 Life insurance companies	156,699	171,797	192,975	174,823	180,041	185,269	192,975	196,575
23 1- to 4-family	14,120	12,381	12,763	12,605	12,608	12,927	12,763	12,763
24 Multifamily	18,938	19,894	20,847	20,009	20,181	20,709	20,847	20,997
25 Commercial	111,175	127,670	148,367	130,569	135,924	140,213	148,367	151,867
26 Farm	12,466	11,852	10,998	11,640	11,328	11,420	10,998	10,948
27 Finance companies[3]	23,787	28,902	33,601	29,860	30,798	32,111	33,601	34,858
28 Federal and related agencies	158,993	166,928	203,800	165,041	161,398	159,505	203,800	198,996
29 Government National Mortgage Association	2,301	1,473	889	1,533	876	887	889	846
30 1- to 4-family	585	539	47	527	49	48	47	46
31 Multifamily	1,716	934	842	1,006	827	839	842	800
32 Farmers Home Administration[4]	1,276	733	48,421	704	570	457	48,421	48,471
33 1- to 4-family	213	183	21,625	217	146	132	21,625	21,525
34 Multifamily	119	113	7,608	33	66	57	7,608	7,708
35 Commercial	497	159	8,446	217	111	115	8,446	8,496
36 Farm	447	278	10,742	237	247	153	10,742	10,742
37 Federal Housing and Veterans Administration	4,816	4,920	5,047	4,964	5,094	4,966	5,047	5,091
38 1- to 4-family	2,048	2,254	2,386	2,309	2,449	2,331	2,386	2,440
39 Multifamily	2,768	2,666	2,661	2,655	2,645	2,635	2,661	2,651
40 Federal National Mortgage Association	87,940	98,282	97,895	98,795	97,295	97,717	97,895	95,140
41 1- to 4-family	82,175	91,966	90,718	92,315	90,460	90,508	90,718	88,126
42 Multifamily	5,765	6,316	7,177	6,480	6,835	7,209	7,177	7,014
43 Federal Land Banks	52,261	47,498	39,984	45,422	43,369	42,119	39,984	38,684
44 1- to 4-family	3,074	2,798	2,353	2,673	2,552	2,478	2,353	2,276
45 Farm	49,187	44,700	37,631	42,749	40,817	39,641	37,631	36,408
46 Federal Home Loan Mortgage Corporation	10,399	14,022	11,564	13,623	14,194	13,359	11,564	10,764
47 1- to 4-family	9,654	11,881	10,010	12,231	11,890	11,127	10,010	9,610
48 Multifamily	745	2,141	1,554	1,392	2,304	2,232	1,554	1,154
49 Mortgage pools or trusts[5]	332,057	415,042	529,763	440,701	475,615	522,721	529,763	575,567
50 Government National Mortgage Association	179,981	212,145	260,869	220,348	229,204	241,230	260,869	279,598
51 1- to 4-family	175,589	207,198	255,132	215,148	223,838	235,664	255,132	273,449
52 Multifamily	4,392	4,947	5,737	5,200	5,366	5,566	5,737	6,149
53 Federal Home Loan Mortgage Corporation	70,822	100,387	171,372	110,337	125,903	146,871	171,372	187,962
54 1- to 4-family	70,253	99,515	166,667	108,020	123,676	143,734	166,667	182,857
55 Multifamily	569	872	4,705	2,317	2,227	3,137	4,705	5,105
56 Federal National Mortgage Association	36,215	54,987	97,174	62,310	72,377	86,359	97,174	107,673
57 1- to 4-family	35,965	54,036	95,791	61,117	71,153	85,171	95,791	106,068
58 Multifamily	250	951	1,383	1,193	1,224	1,188	1,383	1,605
59 Farmers Home Administration[4]	45,039	47,523	348	47,706	48,131	48,261	348	334
60 1- to 4-family	21,813	22,186	142	22,082	21,987	21,782	142	137
61 Multifamily	5,841	6,675	n.a.	6,943	7,170	7,353	0	0
62 Commercial	7,559	8,190	132	8,150	8,347	8,409	132	127
63 Farm	9,826	10,472	74	10,531	10,627	10,717	74	70
64 Individuals and others[6]	272,902	294,559	324,224	301,555	311,539	323,357	324,224	328,112
65 1- to 4-family	153,710	165,199	180,159	167,755	174,396	182,569	180,159	181,628
66 Multifamily	48,480	55,195	65,864	57,850	60,938	63,635	65,864	67,673
67 Commercial	41,279	47,897	53,327	49,756	50,513	51,983	53,327	54,676
68 Farm	29,433	26,268	24,874	26,194	25,692	25,170	24,874	24,135

1. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not bank trust departments.
3. Assumed to be entirely 1- to 4-family loans.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986: 4, because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated.
6. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and other U.S. agencies.

1.55 CONSUMER INSTALLMENT CREDIT[1,4] Total Outstanding, and Net Change, seasonally adjusted

Millions of dollars

Holder, and type of credit	1985	1986	1986 July	1986 Aug.	1986 Sept.	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.[r]	1987 Mar.
	Amounts outstanding (end of period)										
1 **Total**	**522,805**	**577,784**	**558,059**	**563,660**	**571,280**	**576,874**	**577,656**	**577,784**	**578,578**	**579,591**	**579,528**
By major holder											
2 Commercial banks	242,084	261,604	255,744	257,482	258,990	260,940	262,949	261,604	261,694	262,105	262,344
3 Finance companies[2]	113,070	136,494	127,380	129,265	135,516	138,038	136,314	136,494	135,802	136,009	136,050
4 Credit unions	72,119	77,857	74,865	75,637	76,299	76,995	77,508	77,857	78,284	78,492	78,325
5 Retailers[3]	38,864	40,586	40,158	40,379	40,455	40,565	40,496	40,586	40,617	40,644	40,469
6 Savings institutions	52,433	58,037	56,500	57,524	56,687	57,046	57,168	58,037	58,906	59,031	58,936
7 Gasoline companies	4,235	3,205	3,411	3,372	3,333	3,289	3,221	3,205	3,276	3,311	3,405
By major type of credit											
8 Automobile	208,057	245,055	227,822	231,200	239,014	243,400	243,005	245,055	245,472	246,064	246,114
9 Commercial banks	93,003	100,709	95,972	96,871	98,057	99,385	100,221	100,709	101,389	101,688	101,589
10 Credit unions	35,635	39,029	37,529	37,916	38,248	38,597	38,854	39,029	39,243	39,347	39,264
11 Finance companies	70,091	93,274	83,066	84,868	91,241	93,786	92,188	93,274	92,617	92,780	93,032
12 Savings institutions	9,328	12,043	11,255	11,545	11,468	11,632	11,742	12,043	12,223	12,249	12,229
13 Revolving	122,021	134,938	132,181	133,180	133,123	133,816	134,391	134,938	134,916	135,663	135,150
14 Commercial banks	75,866	85,652	83,987	84,545	84,430	84,868	85,426	85,652	85,395	86,053	85,631
15 Retailers	34,695	36,240	35,827	36,028	36,086	36,190	36,137	36,240	36,277	36,308	36,141
16 Gasoline companies	4,235	3,205	3,411	3,372	3,333	3,289	3,221	3,205	3,276	3,311	3,405
17 Savings institutions	5,705	7,713	7,105	7,325	7,308	7,445	7,529	7,713	7,829	7,845	7,833
18 Credit unions	1,520	2,128	1,851	1,910	1,966	2,024	2,078	2,128	2,139	2,145	2,141
19 Mobile home	25,488	25,710	25,891	25,939	25,732	25,784	25,731	25,710	25,852	25,789	25,563
20 Commercial banks	9,538	8,812	9,126	9,055	9,016	9,025	8,951	8,812	8,787	8,739	8,749
21 Finance companies	9,391	9,028	9,414	9,337	9,216	9,149	9,091	9,028	9,077	9,045	8,823
22 Savings institutions	6,559	7,870	7,351	7,547	7,500	7,610	7,689	7,870	7,988	8,005	7,992
23 Other	167,239	172,081	172,165	173,341	173,411	173,874	174,529	172,081	172,338	172,076	172,701
24 Commercial banks	63,677	66,431	66,659	67,011	67,487	67,662	68,351	66,431	66,122	65,625	66,375
25 Finance companies	33,588	34,192	34,900	35,061	35,059	35,104	35,035	34,192	34,108	34,183	34,196
26 Credit unions	34,964	36,700	35,485	35,811	36,085	36,374	36,576	36,700	36,901	36,999	36,921
27 Retailers	4,169	4,346	4,331	4,351	4,369	4,375	4,359	4,346	4,340	4,336	4,327
28 Savings institutions	30,841	30,412	30,790	31,107	30,411	30,359	30,208	30,412	30,867	30,932	30,882
	Net change (during period)										
29 **Total**	**76,622**	**54,979**	**6,289**	**5,601**	**7,620**	**5,594**	**782**	**128**	**794**	**1,013**	**−63**
By major holder											
30 Commercial banks	32,926	19,520	2,366	1,738	1,508	1,950	2,009	−1,345	90	411	239
31 Finance companies[2]	23,566	23,424	2,234	1,885	6,251	2,522	−1,724	180	−692	207	41
32 Credit unions	6,493	5,738	622	772	662	696	513	349	427	208	−167
33 Retailers[3]	1,660	1,722	175	221	76	110	−69	90	31	27	−175
34 Savings institutions	12,103	5,604	931	1,024	−837	359	122	869	869	125	−95
35 Gasoline companies	−126	−1,030	−41	−39	−39	−44	−68	−16	71	35	94
By major type of credit											
36 Automobile	35,705	36,998	3,415	3,378	7,814	4,386	−395	2,050	417	592	50
37 Commercial banks	9,103	7,706	707	899	1,186	1,328	836	488	680	299	−99
38 Credit unions	5,330	3,394	312	387	332	349	257	175	214	104	−83
39 Finance companies	17,840	23,183	2,121	1,802	6,373	2,545	−1,598	1,086	−657	163	252
40 Savings institutions	3,432	2,715	275	290	−77	164	110	301	180	26	−20
41 Revolving	22,401	12,917	1,444	999	−57	693	575	547	−22	747	−513
42 Commercial banks	17,721	9,786	1,076	558	−115	438	558	226	−257	658	−422
43 Retailers	1,488	1,545	149	201	58	104	−53	103	37	31	−167
44 Gasoline companies	−126	−1,030	−41	−39	−39	−44	−68	−16	71	35	94
45 Savings institutions	2,771	2,008	206	220	−17	137	84	184	116	16	−12
46 Credit unions	547	608	54	59	56	58	54	50	11	6	−4
47 Mobile home	778	222	85	48	−207	52	−53	−21	142	−63	−226
48 Commercial banks	−85	−726	−62	−71	−39	9	−74	−139	−25	−48	10
49 Finance companies	−405	−363	−36	−77	−121	−67	−58	−63	49	−32	−222
50 Savings institutions	1,268	1,311	183	196	−47	110	79	181	118	17	−13
51 Other	17,738	4,842	1,345	1,176	70	463	655	−2,448	257	−262	625
52 Commercial banks	6,187	2,754	645	352	476	175	689	−1,920	−309	−497	750
53 Finance companies	6,131	604	149	161	−2	45	−69	−843	−84	75	13
54 Credit unions	616	1,736	256	326	274	289	202	124	201	98	−78
55 Retailers	172	177	26	20	18	6	−16	−13	−6	−4	−9
56 Savings institutions	4,632	−429	269	317	−696	−52	−151	204	455	65	−50

1. The Board's series cover most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.
2. More detail for finance companies is available in the G.20 statistical release.
3. Excludes 30-day charge credit held by travel and entertainment companies.
4. All data have been revised.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

Item	1984	1985	1986	1986				1987		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
INTEREST RATES										
Commercial banks[1]										
1 48-month new car[2]	13.71	12.91	11.33	n.a.	n.a.	10.58	n.a.	n.a.	10.35	n.a.
2 24-month personal	16.47	15.94	14.82	n.a.	n.a.	14.19	n.a.	n.a.	14.10	n.a.
3 120-month mobile home[2]	15.58	14.96	13.99	n.a.	n.a.	13.49	n.a.	n.a.	13.42	n.a.
4 Credit card	18.77	18.69	18.26	n.a.	n.a.	18.09	n.a.	n.a.	18.10	n.a.
Auto finance companies										
5 New car	14.62	11.98	9.44	5.40	6.12	11.83	11.71	11.65	10.78	10.59
6 Used car	17.85	17.59	15.95	15.23	15.17	15.20	15.12	14.62	14.56	14.40
OTHER TERMS[3]										
Maturity (months)										
7 New car	48.3	51.5	50.0	44.5	45.3	53.4	53.3	53.8	53.6	53.7
8 Used car	39.7	41.4	42.6	42.5	42.2	42.6	42.7	44.8	44.7	44.9
Loan-to-value ratio										
9 New car	88	91	91	92	92	93	93	94	94	94
10 Used car	92	94	97	98	97	97	98	98	99	99
Amount financed (dollars)										
11 New car	9,333	9,915	10,665	11,162	11,340	11,160	10,835	10,902	10,602	10,641
12 Used car	5,691	6,089	6,555	6,763	6,746	6,946	7,168	7,067	7,075	7,145

1. Data for midmonth of quarter only.
2. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
3. At auto finance companies.

NOTE. These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-yearly data are at seasonally adjusted annual rates.

Transaction category, sector	1981	1982	1983	1984	1985	1986	1984 H1	1984 H2	1985 H1	1985 H2	1986 H1	1986 H2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**375.8**	**387.4**	**548.8**	**756.3**	**869.3**	**827.7**	**727.8**	**784.8**	**732.6**	**1,006.1**	**705.2**	**950.7**
By sector and instrument												
2 U.S. government	87.4	161.3	186.6	198.8	223.6	214.3	181.3	216.3	201.8	245.5	211.3	217.5
3 Treasury securities	87.8	162.1	186.7	199.0	223.7	214.7	181.5	216.4	201.9	245.5	211.4	218.0
4 Agency issues and mortgages	-.5	-.9	-.1	-.2	-.1	-.3	-.2	-.1	-.1	-.1	-.1	-.5
5 Private domestic nonfinancial sectors	288.5	226.2	362.2	557.5	645.7	613.3	546.5	568.5	530.8	760.6	494.0	733.2
6 Debt capital instruments	155.5	148.3	252.8	314.0	461.7	447.0	298.4	329.6	355.4	568.0	384.3	509.7
7 Tax-exempt obligations	23.4	44.2	53.7	50.4	152.4	48.5	42.8	58.0	67.5	237.3	15.9	81.1
8 Corporate bonds	22.8	18.7	16.0	46.1	73.9	109.2	31.2	61.1	72.7	75.1	129.2	89.1
9 Mortgages	109.3	85.4	183.0	217.5	235.4	289.4	224.5	210.5	215.2	255.7	239.2	339.5
10 Home mortgages	72.2	50.5	117.1	129.9	150.3	200.6	135.2	124.7	133.1	167.5	156.4	244.7
11 Multifamily residential	4.8	5.4	14.1	25.1	29.2	30.4	27.5	22.7	24.6	33.7	30.9	29.9
12 Commercial	22.2	25.2	49.0	63.3	62.4	64.4	62.9	63.7	60.3	64.4	59.3	69.5
13 Farm	10.0	4.2	2.8	-.8	-6.4	-6.0	-1.1	-.5	-2.8	-10.0	-7.4	-4.6
14 Other debt instruments	133.0	77.9	109.5	243.5	184.0	166.3	248.1	238.9	175.4	192.6	109.6	223.5
15 Consumer credit	22.6	17.7	56.8	95.0	96.6	67.9	98.7	91.3	97.3	95.9	75.3	61.2
16 Bank loans n.e.c.	57.0	52.9	25.8	80.1	41.3	80.2	91.9	68.4	24.9	57.7	22.0	138.4
17 Open market paper	14.7	-6.1	-.8	21.7	14.6	-9.3	24.8	18.7	12.3	16.9	-15.7	-2.9
18 Other	38.7	13.4	27.7	46.6	31.4	27.4	32.7	60.5	40.9	22.0	28.1	26.8
19 By borrowing sector	288.5	226.2	362.2	557.5	645.7	613.3	546.5	568.5	530.8	760.6	494.0	733.2
20 State and local governments	6.8	21.5	34.0	27.4	107.8	60.0	25.2	29.6	56.8	158.7	35.7	84.2
21 Households	121.4	88.4	188.0	239.5	295.0	291.2	232.8	246.2	253.6	336.4	231.8	351.1
22 Farm	16.6	6.8	4.3	.1	-13.6	-11.7	-.4	.5	-5.9	-21.3	-15.2	-8.3
23 Nonfarm noncorporate	38.5	40.2	76.6	97.1	92.8	100.7	101.4	92.7	85.6	99.9	95.7	105.7
24 Corporate	105.2	69.2	59.3	193.4	163.7	173.2	187.4	199.5	140.7	186.8	145.9	200.5
25 Foreign net borrowing in United States	23.5	16.0	17.4	6.1	1.7	14.4	35.5	-23.3	-4.1	7.5	24.3	4.4
26 Bonds	5.4	6.7	3.1	1.3	4.0	5.2	1.1	1.5	5.5	2.6	7.1	3.3
27 Bank loans n.e.c.	3.0	-5.5	3.6	-6.6	-2.8	-2.1	-2.2	-11.1	-6.1	.4	1.4	-5.6
28 Open market paper	3.9	1.9	6.5	6.2	6.2	11.5	18.0	-5.6	4.2	8.2	20.6	2.4
29 U.S. government loans	11.1	13.0	4.1	5.3	-5.7	-.2	18.7	-8.1	-7.8	-3.6	-4.8	4.4
30 **Total domestic plus foreign**	**399.3**	**403.4**	**566.2**	**762.4**	**871.0**	**842.0**	**763.3**	**761.5**	**728.4**	**1,013.5**	**729.5**	**955.1**
	Financial sectors											
31 **Total net borrowing by financial sectors**	**101.9**	**90.1**	**94.0**	**139.0**	**186.9**	**242.0**	**134.2**	**143.8**	**154.8**	**218.9**	**189.0**	**295.0**
By instrument												
32 U.S. government related	47.4	64.9	67.8	74.9	101.5	171.1	69.8	80.0	92.9	110.2	129.5	212.7
33 Sponsored credit agency securities	30.5	14.9	1.4	30.4	20.6	12.4	29.1	31.8	25.3	15.9	4.4	20.5
34 Mortgage pool securities	15.0	49.5	66.4	44.4	79.9	159.0	40.7	48.2	67.6	92.1	124.3	193.7
35 Loans from U.S. government	1.9	.4	......	......	1.1	-.4	......	......	......	2.2	.8	-1.5
36 Private financial sectors	54.5	25.2	26.2	64.1	85.3	71.0	64.4	63.8	61.9	108.8	59.6	82.4
37 Corporate bonds	4.4	12.5	12.1	23.3	36.5	22.3	17.3	29.3	35.3	37.7	28.7	15.9
38 Mortgages	*	.1	*	.4	.1	.1	.4	.4	*	.1	.6	-.5
39 Bank loans n.e.c.	1.2	1.9	-.1	.7	2.6	3.6	-.1	1.4	.9	4.2	2.4	4.7
40 Open market paper	32.7	9.9	21.3	24.1	32.0	25.2	31.1	17.0	13.9	50.1	14.4	36.1
41 Loans from Federal Home Loan Banks	16.2	.8	-7.0	15.7	14.2	19.8	15.7	15.7	11.7	16.7	13.5	26.2
By sector												
42 Sponsored credit agencies	32.4	15.3	1.4	30.4	21.7	12.1	29.1	31.8	25.3	18.1	5.2	18.9
43 Mortgage pools	15.0	49.5	66.4	44.4	79.9	159.0	40.7	48.2	67.6	92.1	124.3	193.7
44 Private financial sectors	54.5	25.2	26.2	64.1	85.3	71.0	64.4	63.8	61.9	108.8	59.6	82.4
45 Commercial banks	11.6	11.7	5.0	7.3	-4.9	-2.2	15.4	-.9	-9.2	-.6	-6.7	2.3
46 Bank affiliates	9.2	6.8	12.1	15.6	14.5	4.5	23.7	7.5	13.7	15.3	1.7	7.2
47 Savings and loan associations	15.5	2.5	-2.1	22.7	22.3	31.3	20.2	25.1	12.1	32.6	23.1	39.5
48 Finance companies	18.5	4.3	11.4	17.8	52.8	36.9	4.3	31.3	44.8	60.9	40.6	33.2
49 REITs	-.2	*	-.2	.8	.5	.5	.8	.8	.5	.5	.9	.1
	All sectors											
50 **Total net borrowing**	**501.3**	**493.5**	**660.2**	**901.4**	**1057.8**	**1084.1**	**897.5**	**905.3**	**833.3**	**1,232.4**	**918.6**	**1250.1**
51 U.S. government securities	133.0	225.9	254.4	273.8	324.2	385.8	251.2	296.4	294.8	353.5	340.0	431.7
52 State and local obligations	23.4	44.2	53.7	50.4	152.4	48.5	42.8	58.0	67.5	237.3	15.9	81.1
53 Corporate and foreign bonds	32.6	37.8	31.2	70.7	114.4	136.6	49.6	91.9	113.5	115.3	165.0	108.3
54 Mortgages	109.2	85.4	183.0	217.8	235.4	289.4	224.8	210.8	215.2	255.7	239.7	339.0
55 Consumer credit	22.6	17.7	56.8	95.0	96.6	67.9	98.7	91.3	97.3	95.9	75.3	61.2
56 Bank loans n.e.c.	61.2	49.3	29.3	74.2	41.0	81.7	89.6	58.8	19.8	62.3	25.9	137.5
57 Open market paper	51.3	5.7	26.9	52.0	52.8	27.4	73.8	30.1	30.4	75.2	19.3	35.5
58 Other loans	68.0	27.6	24.8	67.6	41.0	46.7	67.1	68.1	44.8	37.3	37.5	55.8
	External corporate equity funds raised in United States											
59 **Total new share issues**	**-3.3**	**33.6**	**67.0**	**-31.1**	**37.5**	**115.3**	**-40.1**	**-22.2**	**33.3**	**41.6**	**149.6**	**81.1**
60 Mutual funds	6.0	16.8	32.1	38.0	103.4	187.6	39.3	36.6	93.6	113.1	201.5	173.6
61 All other	-9.3	16.8	34.9	-69.1	-65.9	-72.3	-79.4	-58.8	-60.4	-71.5	-52.0	-92.6
62 Nonfinancial corporations	-11.5	11.4	28.3	-77.0	-81.6	-80.8	-84.5	-69.4	-75.7	-87.5	-68.7	-92.7
63 Financial corporations	1.9	4.0	2.7	6.7	11.7	6.7	5.9	7.6	11.0	12.4	8.3	5.1
64 Foreign shares purchased in United States	.3	1.5	3.9	1.2	4.0	1.8	-.7	3.0	4.3	3.6	8.5	-4.9

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; half-yearly data are at seasonally adjusted annual rates.

Transaction category, or sector	1981	1982	1983	1984	1985	1986	1984 H1	1984 H2	1985 H1	1985 H2	1986 H1	1986 H2
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**375.8**	**387.4**	**548.8**	**756.3**	**869.3**	**827.7**	**727.8**	**784.8**	**732.6**	**1,006.1**	**705.2**	**950.7**
By public agencies and foreign												
2 Total net advances	104.4	115.4	115.3	154.6	203.3	313.0	132.5	176.6	201.8	204.9	261.3	364.6
3 U.S. government securities	17.1	22.7	27.6	36.0	47.2	85.5	26.8	45.2	53.1	41.3	77.4	93.5
4 Residential mortgages	23.5	61.0	76.1	56.5	94.6	156.5	52.7	60.2	85.6	103.7	121.0	191.9
5 FHLB advances to savings and loans	16.2	.8	−7.0	15.7	14.2	19.8	15.7	15.7	11.7	16.7	13.5	26.2
6 Other loans and securities	47.7	30.8	18.6	46.5	47.3	51.2	37.5	55.5	51.4	43.2	49.4	53.0
Total advanced, by sector												
7 U.S. government	24.0	15.9	9.7	17.4	17.8	14.2	9.0	25.7	28.8	6.7	14.6	13.8
8 Sponsored credit agencies	48.2	65.5	69.8	73.3	101.5	170.6	74.0	72.5	98.2	104.9	127.3	214.0
9 Monetary authorities	9.2	9.8	10.9	8.4	21.6	30.2	8.8	8.0	23.7	19.5	9.8	50.6
10 Foreign	23.0	24.1	24.9	55.5	62.4	98.0	40.7	70.4	51.0	73.8	109.7	86.2
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	47.4	64.9	67.8	74.9	101.5	171.1	69.8	80.0	92.9	110.2	129.5	212.7
12 Foreign	23.5	16.0	17.4	6.1	1.7	14.4	35.5	−23.3	−4.1	7.5	24.3	4.4
Private domestic funds advanced												
13 Total net advances	342.3	352.9	518.7	682.7	769.2	700.1	700.5	664.9	619.6	918.8	597.7	803.2
14 U.S. government securities	115.9	203.1	226.9	237.8	277.0	300.3	224.4	251.2	241.7	312.2	262.5	338.2
15 State and local obligations	23.4	44.2	53.7	50.4	152.4	48.5	42.8	58.0	67.5	237.3	15.9	81.1
16 Corporate and foreign bonds	19.8	14.8	14.6	32.6	41.2	75.3	25.6	39.6	49.7	32.7	96.4	54.3
17 Residential mortgages	53.5	−5.3	55.0	98.5	84.8	74.5	109.9	87.0	72.0	97.5	66.2	82.7
18 Other mortgages and loans	145.9	96.9	161.5	279.1	228.1	221.3	313.6	244.7	200.4	255.9	170.1	273.0
19 LESS: Federal Home Loan Bank advances	16.2	.8	−7.0	15.7	14.2	19.8	15.7	15.7	11.7	16.7	13.5	26.2
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	320.2	261.9	391.9	550.5	554.4	659.2	581.8	519.1	471.3	637.4	572.5	746.6
21 Commercial banking	106.5	110.2	144.3	168.9	186.3	203.2	184.2	153.5	133.8	238.8	106.9	299.8
22 Savings institutions	26.2	21.8	135.6	149.2	83.4	109.6	173.5	124.9	63.0	103.9	101.4	117.8
23 Insurance and pension funds	93.5	86.2	97.8	124.0	141.0	137.3	144.5	103.5	121.8	160.1	124.6	150.1
24 Other finance	94.0	43.7	14.1	108.3	143.6	209.1	79.5	137.2	152.7	134.5	239.6	178.8
25 Sources of funds	320.2	261.9	391.9	550.5	554.4	659.2	581.8	519.1	471.3	637.4	572.5	746.6
26 Private domestic deposits and RPs	214.5	195.2	212.2	317.6	204.8	253.3	300.2	334.9	203.0	206.6	224.5	282.3
27 Credit market borrowing	54.5	25.2	26.2	64.1	85.3	71.0	64.4	63.8	61.9	108.8	59.6	82.4
28 Other sources	51.2	41.5	153.4	168.8	264.2	334.9	217.2	120.4	206.5	322.0	288.4	381.9
29 Foreign funds	−23.7	−31.4	16.3	5.4	17.7	14.7	3.0	7.8	11.2	24.3	.9	28.6
30 Treasury balances	−1.1	6.1	−5.3	4.0	10.3	1.9	−.1	8.2	14.4	6.1	−5.5	9.4
31 Insurance and pension reserves	89.6	92.5	110.6	112.5	107.0	120.2	146.5	78.5	97.4	116.6	104.5	135.9
32 Other, net	−13.6	−25.7	31.8	46.8	129.2	198.1	67.8	25.9	83.5	175.0	188.5	208.1
Private domestic nonfinancial investors												
33 Direct lending in credit markets	76.6	116.3	153.0	196.4	300.2	111.9	183.1	209.6	210.2	390.2	84.8	139.0
34 U.S. government securities	37.1	69.9	95.5	132.9	150.9	65.7	142.2	123.6	130.8	171.0	53.4	78.2
35 State and local obligations	11.1	25.0	39.0	29.6	59.2	6.4	25.0	34.3	20.5	98.0	−24.5	37.3
36 Corporate and foreign bonds	−4.0	2.0	−12.7	−3.4	13.2	11.5	−26.8	19.9	25.4	1.0	44.6	−21.6
37 Open market paper	1.4	−1.3	15.1	8.9	51.8	7.0	15.7	2.2	7.3	96.3	−13.0	27.1
38 Other	31.0	20.6	16.2	28.3	25.1	21.3	26.9	29.7	26.3	24.0	24.3	18.0
39 Deposits and currency	222.4	204.5	229.7	321.1	215.1	274.9	311.3	330.9	215.9	214.3	241.6	308.3
40 Currency	9.5	9.7	14.3	8.6	12.4	14.4	13.1	4.1	15.8	9.0	10.9	18.0
41 Checkable deposits	18.5	18.6	28.8	27.8	42.0	99.2	29.4	26.3	18.2	65.8	83.9	114.6
42 Small time and savings accounts	47.3	135.7	215.3	150.7	137.5	117.9	136.4	164.9	167.1	108.0	117.5	118.3
43 Money market fund shares	107.5	24.7	−44.1	47.2	−2.2	20.8	30.2	64.2	4.2	−8.6	29.0	12.7
44 Large time deposits	36.0	5.2	−6.3	84.9	14.0	1.6	93.4	76.5	−.8	28.9	2.0	1.3
45 Security RPs	5.2	11.1	18.5	7.0	13.4	13.7	10.8	3.1	14.3	12.5	−7.9	35.3
46 Deposits in foreign countries	−1.7	−.4	3.1	−5.1	−2.1	7.1	−2.0	−8.2	−2.9	−1.3	6.2	8.1
47 **Total of credit market instruments, deposits and currency**	**299.0**	**320.7**	**382.7**	**517.4**	**515.3**	**386.7**	**494.4**	**540.5**	**426.0**	**604.5**	**326.4**	**447.3**
48 Public holdings as percent of total	26.2	28.6	20.4	20.3	23.3	37.2	17.4	23.2	27.7	20.2	35.8	38.2
49 Private financial intermediation (in percent)	93.6	74.2	75.5	80.6	72.1	94.2	83.1	78.1	76.1	69.4	95.8	93.0
50 Total foreign funds	−.7	−7.3	41.3	60.9	80.1	112.7	43.7	78.2	62.2	98.1	110.5	114.8
MEMO: Corporate equities not included above												
51 **Total net issues**	**−3.3**	**33.6**	**67.0**	**−31.1**	**37.5**	**115.3**	**−40.1**	**−22.2**	**33.3**	**41.6**	**149.6**	**81.1**
52 Mutual fund shares	6.0	16.8	32.1	38.0	103.4	187.6	39.3	36.6	93.6	113.1	201.5	173.6
53 Other equities	−9.3	16.8	34.9	−69.1	−65.9	−72.3	−79.4	−58.8	−60.4	−71.5	−52.0	−92.6
54 Acquisitions by financial institutions	19.9	27.6	46.8	8.2	33.3	27.8	−4.1	20.6	54.0	12.6	35.4	20.3
55 Other net purchases	−23.2	6.0	20.2	−39.4	4.1	87.5	−36.0	−42.7	−20.7	29.0	114.2	60.7

NOTES BY LINE NUMBER.

1. Line 1 of table 1.57.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
30. Demand deposits and note balances at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 13 less line 20 plus line 27.
34–38. Lines 14–18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 38 includes mortgages.
40. Mainly an offset to line 9.
47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.
51, 53. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures[1]

1977 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1984	1985	1986	1986					1987			
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.[r]	Apr.
1 **Industrial production**	**121.4**	**123.8**	**125.0**	**125.1**	**124.9**	**125.3**	**126.0**	**126.7**	**126.5**	**127.1**	**126.8**	**126.3**
Market groupings												
2 Products, total	126.7	130.8	133.2	133.8	133.3	134.0	134.5	135.0	134.9[r]	136.0	135.6	134.9
3 Final, total	127.3	131.1	132.3	132.6	132.2	132.7	133.1	133.7	133.6[r]	135.0	134.4	133.5
4 Consumer goods	118.0	120.2	124.4	125.1	124.2	124.7	125.6	127.2	126.8[r]	127.5	127.0	125.9
5 Equipment	139.6	145.4	142.7	142.5	142.8	143.3	143.1	142.2	142.8[r]	144.9	144.2	143.6
6 Intermediate	124.7	130.0	136.4	137.8	137.0	138.7	139.2	139.7	139.1[r]	139.3	139.7	139.5
7 Materials	114.2	114.2	113.9	113.2	113.5	113.3	114.3	115.2	115.2[r]	115.0	114.8	114.7
Industry groupings												
8 Manufacturing	123.4	126.4	129.1	129.5	129.5	129.9	130.3	131.1	131.1[r]	132.0	131.7	131.1
Capacity utilization (percent)[2]												
9 Manufacturing	80.5	80.1	79.8	79.7	79.6	79.6	79.8	80.0	80.0[r]	80.3	80.0	79.5
10 Industrial materials industries	82.0	80.2	78.5	77.9	78.1	77.8	78.4	78.9	78.8[r]	78.6	78.4	78.2
11 Construction contracts (1982 = 100)[3]	135.0	148.0	155.0	155.0	155.0	151.0	156.0	155.0	150.0	145.0	160.0	158.0
12 Nonagricultural employment, total[4]	114.6	118.4	121.5	121.6	121.9	122.3	122.6	122.9	123.2	123.5	123.7	124.1
13 Goods-producing, total	101.6	102.4	102.4	102.2	102.1	102.1	102.3	102.4	102.7	102.9	102.7	102.9
14 Manufacturing, total	98.4	98.1	97.5	97.1	97.0	97.1	97.3	97.5	97.4	97.6	97.6	97.6
15 Manufacturing, production-worker	94.1	92.9	92.1	91.7	91.7	91.8	92.1	92.3	92.2	92.4	92.5	92.6
16 Service-producing	120.0	125.0	129.4	129.7	130.2	130.7	131.1	131.4	131.8	132.2	132.5	133.0
17 Personal income, total	193.5	206.2	216.8	217.6	218.2	218.8	219.2	220.4	221.1	223.9	224.3	225.0
18 Wages and salary disbursements	184.8	197.8	208.6	209.6	210.1	211.5	212.5	212.8	214.2	215.9	216.7	217.4
19 Manufacturing	164.6	172.5	176.7	176.6	176.5	179.0	177.8	178.1	178.7	179.6	179.3	179.0
20 Disposable personal income[5]	193.6	205.0	215.5	215.9	216.4	216.7	216.8	217.5	218.7[r]	222.6	222.7	217.3
21 Retail sales[6]	179.0	190.6	199.9	201.7	213.0	201.9	200.9	211.8	196.8	206.3	207.9	208.1
Prices[7]												
22 Consumer (1967 = 100)	311.1	322.2	328.4	328.6	330.2	330.5	330.8	331.1	333.1	334.4	335.9	337.7
23 Producer finished goods (1967 = 100)	291.1	293.7	289.6	288.1	287.3	290.7[r]	290.7	290.4[r]	291.7	292.3	292.3	295.0

1. A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977 = 100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.
2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, Department of Commerce, and other sources.
3. Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.
4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).
6. Based on Bureau of Census data published in *Survey of Current Business*.
7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1984	1985	1986	1986				1987			
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**178,602**	**180,440**	**182,822**	**183,261**	**183,450**	**183,628**	**183,815**	**184,092**	**184,259**	**184,436**	**184,597**
2 Labor force (including Armed Forces)[1]	115,763	117,695	120,078	120,536	120,678	120,940	120,854	121,299	121,610	121,479	121,588
3 Civilian labor force	113,544	115,461	117,834	118,272	118,414	118,675	118,586	119,034	119,349	119,222	119,335
Employment											
4 Nonagricultural industries[2]	101,685	103,971	106,434	106,845	107,030	107,217	107,476	107,866	108,146	108,084	108,545
5 Agriculture	3,321	3,179	3,163	3,142	3,162	3,215	3,161	3,145	3,236	3,284	3,290
Unemployment											
6 Number	8,539	8,312	8,237	8,285	8,222	8,243	7,949	8,023	7,967	7,854	7,500
7 Rate (percent of civilian labor force)	7.5	7.2	7.0	7.0	6.9	6.9	6.7	6.7	6.7	6.6	6.3
8 Not in labor force	62,839	62,745	62,744	62,725	62,772	62,688	62,961	62,793	62,649	62,957	63,009
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**94,496**	**97,614**	**100,167**	**100,560**	**100,826**	**101,068**	**101,322**	**101,626**	**101,854**r	**102,009**r	**102,325**
10 *Manufacturing*	*19,378*	*19,314*	*19,186*	*19,105*	*19,118*	*19,156*	*19,186*	*19,168*	*19,211*r	*19,210*r	*19,224*
11 Mining	966	930	792	743	746	742	738	731	733r	735	740
12 Contract construction	4,383	4,687	4,960	5,010	5,001	4,993	4,996	5,109	5,094	5,059r	5,082
13 Transportation and public utilities	5,159	5,242	5,286	5,316	5,316	5,351	5,359	5,382	5,394r	5,412r	5,415
14 Trade	22,100	23,100	23,831	23,924	24,007	24,056	24,065	24,153	24,245r	24,279r	24,351
15 Finance	5,689	5,953	6,305	6,388	6,409	6,429	6,472	6,495	6,519r	6,544r	6,581
16 Service	20,797	21,974	23,072	23,300	23,359	23,451	23,578	23,670	23,752r	23,815r	23,918
17 Government	16,023	16,415	16,735	16,774	16,870	16,890	16,928	16,918	16,906r	16,955r	17,014

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2. Includes self-employed, unpaid family, and domestic service workers.

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1984 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1986 Q2	1986 Q3	1986 Q4r	1987 Q1r	1986 Q2	1986 Q3	1986 Q4	1987 Q1	1986 Q2	1986 Q3	1986 Q4	1987 Q1r
	Output (1977 = 100)				Capacity (percent of 1977 output)				Utilization rate (percent)			
1 **Total industry**	**124.4**	**125.0**	**126.0**	**126.8**	**157.1**	**157.9**	**158.7**	**159.6**	**79.2**	**79.1**	**79.3**	**79.5**
2 Mining	99.9	96.6	96.6	95.9	132.1	131.9	131.7	131.3	75.6	73.2	73.4	73.1
3 Utilities	108.9	108.8	110.4	109.8	136.9	137.5	138.1	138.7	79.5	79.1	79.8	79.2
4 **Manufacturing**	**128.4**	**129.4**	**130.4**	**131.6**	**161.4**	**162.4**	**163.4**	**164.4**	**79.5**	**79.7**	**79.8**	**80.1**
5 Primary processing	111.1	112.1	114.0	114.9	134.0	134.6	135.1	135.6	82.9	83.3	84.4	84.7
6 Advanced processing	138.9	139.7	140.4	141.6	177.9	179.1	180.4	181.7	78.0	78.0	77.8	78.0
7 **Materials**	**113.3**	**113.4**	**114.3**	**115.0**	**144.7**	**145.3**	**145.8**	**146.3**	**78.3**	**78.1**	**78.4**	**78.6**
8 Durable goods	118.8	118.8	120.1	120.9	160.7	161.5	162.2	163.0	73.9	73.6	74.0	74.2
9 Metal materials	75.1	73.1	75.7	75.5	114.5	114.0	113.4	112.7	65.6	64.2	66.7	67.0
10 Nondurable goods	116.9	119.7	121.2	123.0	139.5	139.9	140.4	141.0	83.8	85.6	86.4	87.2
11 Textile, paper, and chemical	117.0	120.4	122.4	124.6	138.8	139.2	139.6	140.4	84.3	86.5	87.6	88.8
12 Paper	130.1	135.1	136.0	136.6	138.1	138.9	139.7	140.8r	94.2	97.3	97.3r	97.0
13 Chemical	115.4	117.7	120.1	122.9	144.3	144.7	145.0	145.6r	80.0	81.4	82.8	84.5
14 Energy materials	100.6	98.6	98.2	97.7	121.3	121.4	121.6	121.6	82.9	81.2	80.7	80.4

Series	Previous cycle[1] High	Previous cycle[1] Low	Latest cycle[2] High	Latest cycle[2] Low	1986 Apr.	1986 Aug.	1986 Sept.	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.r	1987 Feb.r	1987 Mar.r	1987 Apr.
	Capacity utilization rate (percent)													
15 **Total industry**	**88.6**	**72.1**	**86.9**	**69.5**	**79.5**	**79.2**	**79.0**	**79.0**	**79.4**	**79.6**	**79.4**	**79.6**	**79.3**	**78.9**
16 Mining	92.8	87.8	95.2	76.9	76.4	73.1	72.9	72.5	73.9	73.8	73.9	72.8	72.5	72.8
17 Utilities	95.6	82.9	88.5	78.0	80.0	78.8	78.7	79.3	80.5	79.5	79.1	79.2	79.3	79.5
18 **Manufacturing**	**87.7**	**69.9**	**86.5**	**68.0**	**79.9**	**79.7**	**79.6**	**79.6**	**79.8**	**80.0**	**80.0**	**80.3**	**80.0**	**79.5**
19 Primary processing	91.9	68.3	89.1	65.1	83.2	83.2	83.7	83.8	84.4	85.0	84.9	84.7	84.6	84.2
20 Advanced processing	86.0	71.1	85.1	69.5	78.5	78.0	77.6	77.8	77.7	77.9	77.8	78.3	77.8	77.3
21 **Materials**	**92.0**	**70.5**	**89.1**	**68.4**	**78.7**	**77.9**	**78.1**	**77.8**	**78.4**	**78.9**	**78.8**	**78.6**	**78.4**	**78.2**
22 Durable goods	91.8	64.4	89.8	60.9	74.9	73.5	73.5	73.6	74.2	74.3	74.0	74.4	74.1	73.9
23 Metal materials	99.2	67.1	93.6	45.7	68.3	63.8	64.8	65.2	68.4	66.5	65.9	67.2	68.0	68.8
24 Nondurable goods	91.1	66.7	88.1	70.6	83.6	85.5	86.1	85.8	85.7	87.7	87.5	87.0	87.1	86.7
25 Textile, paper, and chemical	92.8	64.8	89.4	68.6	83.6	86.5	87.4	87.0	86.7	89.2	89.3	88.5	88.5	88.1
26 Paper	98.4	70.6	97.3	79.9	93.6	97.9	96.1	95.7	96.0	100.2	98.3	97.1	95.7	...
27 Chemical	92.5	64.4	87.9	63.3	79.4	81.2	82.6	82.5	81.7	84.3	84.9	84.2	84.2	...
28 Energy materials	94.6	86.9	94.0	82.2	82.8	80.6	80.7	79.7	81.2	81.2	81.3	80.0	79.8	79.9

1. Monthly high 1973; monthly low 1975.
2. Monthly highs 1978 through 1980; monthly lows 1982.

NOTE. These data also appear in the Board's G.3 (402) release. For address, see inside front cover.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value ▲

Monthly data are seasonally adjusted

Grouping	1977 proportion	1986 avg.	1986 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1987 Jan.r	Feb.	Mar.p	Apr.e
			Index (1977 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**125.0**	**124.7**	**124.2**	**124.2**	**124.9**	**125.1**	**124.9**	**125.3**	**126.0**	**126.7**	**126.5**	**127.1**	**126.8**	**126.3**
2 Products	57.72	133.2	132.7	132.4	132.4	133.2	133.8	133.3	134.0	134.5	135.0	134.9	136.0	135.6	134.9
3 Final products	44.77	132.3	132.1	131.6	131.1	132.0	132.6	132.2	132.7	133.1	133.7	133.6	135.0	134.4	133.5
4 Consumer goods	25.52	124.4	124.5	124.3	124.4	125.2	125.1	124.2	124.7	125.6	127.2	126.8	127.5	127.0	125.9
5 Equipment	19.25	142.7	142.3	141.2	140.0	141.0	142.5	142.8	143.3	143.1	142.2	142.8	144.9	144.2	143.6
6 *Intermediate products*	12.94	136.4	134.5	135.1	137.0	137.3	137.8	137.0	138.7	139.2	139.7	139.1	139.3	139.7	139.5
7 Materials	42.28	113.9	113.8	113.0	113.1	113.6	113.2	113.5	113.3	114.3	115.2	115.2	115.0	114.8	114.7
Consumer goods															
8 Durable consumer goods	6.89	116.2	115.9	113.8	114.3	116.3	115.7	117.4	116.3	118.4	121.5	120.0	122.3	121.3	118.3
9 Automotive products	2.98	115.1	116.4	113.2	113.7	116.4	114.5	117.0	112.7	114.6	117.7	117.6	123.3	121.3	115.0
10 Autos and trucks	1.79	112.9	115.1	110.3	112.2	114.5	110.4	116.8	107.7	107.6	115.6	117.9	125.2	121.6	111.5
11 Autos, consumer	1.16	97.3	100.8	94.8	99.3	95.3	87.8	96.2	91.9	92.3	99.5	94.3	105.3	100.9	91.8
12 Trucks, consumer	.63	141.8	141.5	139.1	136.1	150.3	152.4	155.1	137.1	136.0	145.6	161.9	162.1	.....	.....
13 Auto parts and allied goods	1.19	118.4	118.4	117.4	116.1	119.1	120.7	117.3	120.1	125.2	120.8	117.1	120.6	120.7	120.3
14 Home goods	3.91	117.1	115.5	114.3	114.8	116.3	116.7	117.7	119.0	121.2	124.4	121.9	121.6	121.3	120.7
15 Appliances, A/C and TV	1.24	139.5	138.8	133.9	137.5	138.9	139.4	141.2	142.6	148.1	153.2	146.9	145.2	144.1	143.9
16 Appliances and TV	1.19	141.6	140.6	135.8	139.1	141.6	142.5	143.5	144.3	150.0	155.1	148.9	146.7	145.0	.....
17 Carpeting and furniture	.96	125.8	121.8	123.3	122.5	126.6	125.8	126.2	128.8	131.1	132.0	129.1	129.4	130.4	.....
18 Miscellaneous home goods	1.71	96.0	95.0	95.0	94.1	94.1	95.1	96.0	96.5	96.3	99.4	99.8	100.2	99.7	.....
19 Nondurable consumer goods	18.63	127.5	127.7	128.1	128.1	128.4	128.6	126.7	127.8	128.3	129.4	129.2	129.4	129.1	128.7
20 Consumer staples	15.29	97.0	134.3	135.0	135.1	135.3	135.5	133.6	134.4	135.0	136.0	135.9	136.0	135.8	135.5
21 Consumer foods and tobacco	7.80	134.1	131.9	132.4	133.3	132.2	133.2	131.0	131.6	132.6	133.9	132.9	133.7	133.6	.....
22 Nonfood staples	7.49	131.9	136.7	137.7	137.0	138.5	137.9	136.3	137.2	137.4	138.2	139.0	138.4	138.1	138.2
23 Consumer chemical products	2.75	136.5	163.1	162.4	163.6	166.4	163.4	161.1	161.7	161.0	163.1	165.9	165.4	165.1	.....
24 Consumer paper products	1.88	161.2	145.1	148.6	147.1	146.4	147.7	145.7	150.3	151.5	150.1	149.4	148.6	148.2	.....
25 Consumer energy	2.86	147.4	106.0	106.8	104.8	106.6	107.1	106.3	105.2	105.5	106.4	106.3	105.7	105.6	.....
26 Consumer fuel	1.44	105.7	93.7	96.4	91.8	91.2	94.9	92.0	90.8	91.7	92.2	95.0	92.5	92.0	.....
27 Residential utilities	1.42	92.8	118.4	117.5	118.1	122.3	119.6	120.9	119.8	119.6	120.8	117.8	119.2	.....	.....
Equipment															
28 Business and defense equipment	18.01	147.1	146.6	146.0	145.1	146.4	147.8	148.0	148.4	148.1	147.0	147.7	150.0	149.2	148.7
29 Business equipment	14.34	138.6	138.6	137.9	136.6	137.9	139.3	139.3	139.1	138.6	137.1	138.1	140.7	139.6	139.0
30 Construction, mining, and farm	2.08	59.8	58.6	60.9	61.9	60.6	58.3	58.1	58.0	56.6	58.2	57.2	56.8	57.0	.....
31 Manufacturing	3.27	112.0	111.9	111.9	111.7	112.6	113.3	113.0	112.7	109.6	108.8	110.1	111.1	110.0	109.9
32 Power	1.27	81.6	83.0	82.9	83.5	81.7	81.7	80.3	80.5	79.5	80.2	79.6	80.1	79.1	78.8
33 Commercial	5.22	214.6	213.4	212.9	208.2	214.5	217.5	215.1	215.4	217.3	213.7	215.9	218.6	218.0	218.8
34 Transit	2.49	109.2	112.1	107.3	108.8	103.9	106.9	113.3	111.8	110.7	108.9	109.5	117.4	114.0	109.3
35 Defense and space equipment	3.67	180.3	178.0	178.0	178.4	179.5	181.0	182.0	184.6	184.9	185.8	185.2	186.5	186.7	186.6
Intermediate products															
36 Construction supplies	5.95	124.7	123.6	123.5	124.1	124.0	125.4	125.9	126.3	126.8	127.9	128.3	127.9	128.1	127.9
37 Business supplies	6.99	146.4	143.8	145.0	147.9	148.6	148.4	146.4	149.3	149.7	149.8	148.3	149.1	149.6	.....
38 General business supplies	5.67	150.6	148.0	148.3	151.6	153.3	152.5	151.2	154.1	153.7	154.3	153.3	153.8	154.4	.....
39 Commercial energy products	1.31	128.3	125.8	130.7	131.9	128.3	130.6	125.8	128.8	132.4	130.3	126.8	128.8	128.9	.....
Materials															
40 Durable goods materials	20.50	119.7	120.2	118.4	117.8	118.8	118.8	118.9	119.2	120.4	120.7	120.5	121.3	121.0	120.7
41 Durable consumer parts	4.92	98.5	99.3	96.4	96.3	96.7	95.2	95.3	97.0	98.0	98.8	99.0	99.9	98.5	97.2
42 Equipment parts	5.94	153.9	154.8	152.3	151.8	154.3	155.6	154.8	153.5	154.5	154.2	154.0	155.5	155.2	155.0
43 Durable materials n.e.c.	9.64	109.4	109.4	108.8	107.9	108.2	108.1	108.8	109.4	110.7	111.2	110.8	111.2	111.4	111.5
44 Basic metal materials	4.64	80.0	82.9	78.9	76.7	77.4	76.9	78.4	78.8	82.1	80.3	79.2	80.3	80.9	.....
45 *Nondurable goods materials*	10.09	118.3	116.5	116.5	117.7	118.9	119.7	120.6	120.3	120.2	123.2	123.2	122.8	123.1	122.8
46 Textile, paper, and chemical materials	7.53	118.9	115.9	116.9	118.2	119.0	120.5	121.8	121.3	121.0	124.7	125.0	124.3	124.5	124.3
47 Textile materials	1.52	110.6	106.7	108.4	109.5	111.2	113.4	116.0	114.3	115.6	116.1	116.5	116.6	118.5	.....
48 Pulp and paper materials	1.55	132.1	129.0	128.6	132.7	135.6	136.0	133.7	133.5	134.2	140.2	137.9	136.7	135.1	.....
49 Chemical materials	4.46	117.1	114.5	115.7	116.1	115.9	117.5	119.7	119.5	118.5	122.3	123.4	122.6	122.8	.....
50 *Miscellaneous nondurable materials*	2.57	116.5	118.2	115.3	116.4	118.3	117.2	117.1	117.5	117.6	118.5	118.0	118.3	.....	.....
51 Energy materials	11.69	99.9	100.4	100.5	100.8	99.9	97.9	98.0	96.9	98.7	98.8	98.9	97.2	96.9	97.1
52 Primary energy	7.57	105.5	106.2	106.7	106.5	104.8	103.7	103.8	102.7	104.8	105.1	104.1	101.8	101.1	.....
53 Converted fuel materials	4.12	89.6	89.7	89.2	90.4	90.9	87.3	87.4	86.2	87.6	87.3	89.4	88.9	89.3	.....

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value—Continued

Grouping	SIC code	1977 proportion	1986 avg.	1986 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1987 Jan.[r]	Feb.	Mar.[p]	Apr.[e]
				Index (1977 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	......	15.79	103.4	104.2	103.1	102.6	101.8	100.9	100.8	100.7	102.6	101.9	101.9	100.9	100.7	101.0
2 Mining	......	9.83	99.6	101.0	99.8	98.9	97.1	96.4	96.2	95.6	97.4	96.7	97.2	95.6	95.0	95.2
3 Utilities	......	5.96	109.6	109.4	108.5	108.6	109.7	108.3	108.3	109.3	111.2	110.6	109.5	109.8	110.2	110.5
4 Manufacturing	......	84.21	129.1	128.7	128.2	128.3	129.2	129.5	129.5	129.9	130.3	131.1	131.1	132.0	131.7	131.1
5 Nondurable	......	35.11	130.9	129.6	129.9	131.2	131.7	132.2	131.4	132.3	132.7	133.7	134.1	134.3	134.3	134.3
6 Durable	......	49.10	127.9	128.1	127.0	126.2	127.4	127.5	128.1	128.1	128.6	129.2	129.0	130.3	129.9	128.9
Mining																
7 Metal	10	.50	.....	76.0	72.0	65.9	69.2	70.9	70.7	68.5	68.3	73.5	72.1	71.9	.....	.....
8 Coal	11.12	1.60	124.2	124.4	124.0	127.3	120.2	122.2	120.8	117.6	130.1	124.3	133.5	127.7	121.8	121.1
9 Oil and gas extraction	13	7.07	94.7	96.2	95.1	93.3	92.4	90.7	91.0	90.5	90.4	90.9	89.9	88.6	89.0	89.5
10 Stone and earth minerals	14	.66	113.9	115.0	112.4	114.5	111.8	114.8	111.7	116.4	115.2	109.6	107.1	109.9	111.6	.....
Nondurable manufactures																
11 Foods	20	7.96	133.6	133.1	133.7	134.6	134.3	135.1	134.3	133.7	134.4	135.3	135.3	135.4	135.6	.....
12 Tobacco products	21	.62	96.6	100.3	101.6	97.6	97.9	97.1	89.8	100.1	96.8	92.9	89.1	98.7	.....	.....
13 Textile mill products	22	2.29	113.2	111.4	111.3	112.6	113.4	114.7	116.0	116.1	117.8	118.4	118.0	118.7	118.5	.....
14 Apparel products	23	2.79	103.6	103.1	102.6	101.7	102.5	102.5	102.7	104.2	105.1	.....	107.2	108.2	.....	.....
15 Paper and products	26	3.15	136.4	134.1	133.2	137.2	138.1	138.6	136.9	137.8	139.5	141.6	139.8	140.5	139.4	.....
16 Printing and publishing	27	4.54	163.4	161.6	161.9	164.0	165.4	164.6	163.0	167.8	168.5	167.7	168.1	166.6	168.1	169.0
17 Chemicals and products	28	8.05	133.0	132.8	131.5	134.2	134.1	134.4	133.9	133.9	132.3	134.6	137.4	138.0	138.5	.....
18 Petroleum products	29	2.40	92.1	91.3	95.7	91.8	90.6	94.0	93.3	91.1	92.0	92.5	94.7	91.9	90.5	92.0
19 Rubber and plastic products	30	2.80	153.3	146.8	150.1	152.2	155.5	155.5	154.9	157.6	159.0	160.7	158.1	158.4	159.1	.....
20 Leather and products	31	.53	61.3	61.5	59.5	57.9	61.9	62.0	59.4	60.2	61.3	59.4	58.3	59.7	59.1	.....
Durable manufactures																
21 Lumber and products	24	2.30	123.4	121.3	121.6	120.9	120.8	122.5	125.0	125.9	129.5	133.1	130.2	129.9	130.2	.....
22 Furniture and fixtures	25	1.27	146.7	145.9	146.2	147.1	149.5	148.3	147.7	149.2	148.6	150.5	148.7	151.2	152.8	.....
23 Clay, glass, stone products	32	2.72	120.2	121.6	120.2	120.8	119.6	119.7	121.6	118.1	120.6	121.7	122.8	121.0	120.9	.....
24 Primary metals	33	5.33	75.8	78.1	74.8	71.4	73.6	73.4	74.1	74.2	76.8	73.5	73.6	76.3	77.0	77.8
25 Iron and steel	331.2	3.49	63.4	65.6	60.2	58.3	61.7	60.8	61.1	62.2	64.8	60.5	60.2	63.1	64.7	.....
26 Fabricated metal products	34	6.46	107.4	108.2	106.5	106.6	105.7	105.9	107.3	108.3	107.1	108.3	108.0	107.5	108.0	107.0
27 Nonelectrical machinery	35	9.54	141.9	140.8	141.3	140.4	142.6	142.6	140.9	142.2	141.2	139.9	140.3	142.7	142.3	142.7
28 Electrical machinery	36	7.15	166.5	166.8	166.0	163.2	166.8	167.2	166.9	167.7	168.3	170.2	169.2	168.6	166.7	166.2
29 Transportation equipment	37	9.13	125.8	126.2	124.1	125.1	125.6	125.1	127.7	125.2	125.6	127.0	128.1	131.7	130.6	126.4
30 Motor vehicles and parts	371	5.25	110.9	112.6	108.7	110.6	111.2	108.2	112.2	107.1	107.9	111.2	112.2	117.8	115.5	108.9
31 Aerospace and miscellaneous transportation equipment	372–6.9	3.87	146.1	144.8	145.0	144.7	145.2	148.0	148.7	149.7	149.6	148.4	149.6	150.6	151.0	150.1
32 Instruments	38	2.66	141.3	142.4	140.3	139.9	141.7	142.0	141.7	140.3	141.1	142.4	142.5	143.0	142.0	141.5
33 Miscellaneous manufactures	39	1.46	99.3	99.2	101.0	98.3	97.5	98.3	97.7	99.0	98.9	103.1	101.8	101.6	102.0	.....
Utilities																
34 Electric	......	4.17	122.2	121.6	121.7	123.1	125.4	122.4	122.8	123.8	125.1	123.5	121.7	122.3	122.7	.....
				Gross value (billions of 1982 dollars, annual rates)												
MAJOR MARKET																
35 Products, total	......	**517.5**	**1,702.2**	**1,686.3**	**1,687.6**	**1,676.7**	**1,669.9**	**1,681.3**	**1,677.8**	**1,683.9**	**1,690.8**	**1,701.9**	**1,707.1**	**1,719.6**	**1,714.7**	**1,700.8**
36 Final	......	405.7	1,314.5	1,307.0	1,301.1	1,289.5	1,282.7	1,292.6	1,292.3	1,292.5	1,297.6	1,306.7	1,315.1	1,330.9	1,321.8	1,306.7
37 Consumer goods	......	272.7	853.8	852.3	852.4	843.8	842.4	846.9	839.8	839.3	847.2	860.5	865.5	869.4	864.4	854.4
38 Equipment	......	133.0	458.2	454.7	448.7	445.7	440.4	445.7	452.5	453.2	450.4	446.2	449.6	461.4	457.5	452.2
39 Intermediate	......	111.9	387.6	379.3	386.4	387.2	387.1	388.7	385.5	391.4	393.2	395.3	391.9	388.7	392.9	394.2

▲ A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

NOTE. These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1984	1985	1986	1986 June	1986 July	1986 Aug.	1986 Sept.	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.[r]	1987 Feb.[r]	1987 Mar.
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,682	1,733	1,750	1,793[r]	1,778[r]	1,728[r]	1,687[r]	1,664[r]	1,667[r]	1,862[r]	1,652	1,676	1,719
2 1-family	922	957	1,071	1,110[r]	1,098[r]	1,059[r]	1,071[r]	1,036[r]	1,028[r]	1,184[r]	1,085	1,204	1,150
3 2-or-more-family	759	777	679	683[r]	680[r]	669[r]	616[r]	628[r]	639[r]	678[r]	567	472	569
4 Started	1,749	1,742	1,805	1,842	1,786	1,800	1,689	1,657	1,637	1,813	1,816	1,838	1,749
5 1-family	1,084	1,072	1,179	1,212	1,147	1,180	1,123	1,114	1,129	1,233	1,253	1,303	1,226
6 2-or-more-family	665	669	626	630	639	620	566	543	508	580	563	535	523
7 Under construction, end of period[1]	1,051	1,063	1,074	1,147	1,154	1,163	1,154	1,142	1,125	1,104	1,089	1,097	1,090
8 1-family	556	539	583	609	620	628	627	625	619	610	609	622	620
9 2-or-more-family	494	524	490	537	534	534	527	518	506	494	480	476	470
10 Completed	1,652	1,703	1,756	1,644	1,750	1,757	1,740	1,745	1,774	1,894	1,956	1,725	1,668
11 1-family	1,025	1,072	1,120	1,068	1,074	1,124	1,113	1,165	1,158	1,184	1,217	1,106	1,126
12 2-or-more-family	627	631	637	576	676	633	627	580	616	710	739	619	542
13 Mobile homes shipped	296	284	244	232	238	231	243	241	237	251	242	231	228
Merchant builder activity in 1-family units													
14 Number sold	639	688	748	723	691	623	744	675	691	768[r]	701	725	699
15 Number for sale, end of period[1]	358	350	361[r]	340	350	352	355	357	353	357[r]	357	358	360
Price (thousands of dollars)[2]													
Median													
16 Units sold	80.0	84.3	92.2	91.2	94.1	91.5	95.0	96.4	94.0	95.0[r]	99.0	94.8	101.5
Average													
17 Units sold	97.5	101.0	112.2[r]	110.9	116.8	113.2	114.0	114.9	113.6	118.9[r]	123.1	120.5	122.4
EXISTING UNITS (1-family)													
18 Number sold	2,868	3,217	3,566	3,430[r]	3,460[r]	3,590[r]	3,710[r]	3,760[r]	3,850[r]	4,060[r]	3,470	3,690	3,680
Price of units sold (thousands of dollars)[2]													
19 Median	72.3	75.4	80.3[r]	82.6	79.9	82.0	80.3[r]	79.4	80.4	80.8	82.4	85.0	85.6
20 Average	85.9	90.6	98.3[r]	102.1	99.2	100.3	98.2[r]	97.3	99.1	100.6	100.3	104.3	104.7
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**327,209**	**355,570**	**377,903**	**375,397**	**380,722**	**382,603**	**382,581**	**388,471**	**383,142**	**378,527**	**381,084**	**383,934**	**378,987**
22 Private	271,973	292,792	306,697	304,567	309,003	310,155	308,617	315,267	311,668	305,489	307,199	309,109	305,109
23 Residential	155,148	158,818	175,597	174,478	178,821	178,761	178,480	186,962	185,716	181,514	185,373	183,031	183,786
24 Nonresidential, total	116,825	133,974	131,100	130,089	130,182	131,394	130,137	128,305	125,952	123,975	121,826	126,078	121,323
Buildings													
25 Industrial	13,746	15,769	13,653	13,027	12,866	12,543	13,180	12,948	13,532	12,582	12,155	12,640	11,730
26 Commercial	48,100	59,626	52,084	57,443	58,132	60,054	58,001	56,220	54,884	54,419	51,908	55,167	52,557
27 Other	12,547	12,619	13,433	13,263	13,277	13,315	14,001	14,324	13,937	13,880	14,100	14,617	14,512
28 Public utilities and other	42,432	45,960	51,930	46,356	45,907	45,482	44,955	44,813	43,599	43,094	43,663	43,654	42,524
29 Public	55,232	62,777	71,204	70,830	71,719	72,448	73,964	73,204	71,474	73,039	73,885	74,826	73,878
30 Military	2,839	3,283	3,893	3,761	3,553	4,132	5,050	3,540	3,980	4,295	4,025	3,616	4,156
31 Highway	16,343	19,998	21,260	22,001	21,603	21,607	20,552	20,480	18,425	18,989	22,895	21,898	21,558
32 Conservation and development	4,654	4,952	4,728	4,657	4,415	4,294	4,841	4,754	4,516	5,038	5,100	4,751	4,907
33 Other	31,396	34,544	41,323	40,411	42,148	42,415	43,521	44,430	44,553	44,717	41,865	44,561	43,257

1. Not at annual rates.
2. Not seasonally adjusted.
3. Value of new construction data in recent periods may not be strictly comparable with data in prior periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.

NOTE. Census Bureau estimates for all series except (a) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (b) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from originating agency. Permit authorizations are those reported to the Census Bureau from 16,000 jurisdictions beginning with 1978.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (at annual rate)				Change from 1 month earlier					Index level Apr. 1987 (1967 = 100)[1]
	1986 Apr.	1987 Apr.	1986			1987	1986	1987				
			June	Sept.	Dec.[r]	Mar.[r]	Dec.	Jan.	Feb.	Mar.	Apr.	
CONSUMER PRICES[2]												
1 **All items**	**1.6**	**3.8**	**1.6**	**2.0**	**2.5**	**6.2**	**.2**	**.7**	**.4**	**.4**	**.4**	**337.7**
2 Food	2.1	4.7	3.9	8.4	4.1	2.5	.2	.4	.3	−.1	.3	331.0
3 Energy items	−14.8	.2	−12.6	−21.0	−9.9	26.1	−.2	3.0	1.9	1.0	.3	362.4
4 All items less food and energy	4.2	4.2	3.3	3.7	3.7	5.2	.2	.5	.3	.5	.5	338.3
5 Commodities	.8	3.1	.3	2.6	1.4	5.1	.1	.6	.0	.7	.6	270.3
6 Services	6.2	4.7	4.9	4.3	5.1	5.3	.3	.5	.4	.4	.4	412.3
PRODUCER PRICES												
7 Finished goods	−2.0	2.7	.7	−.4	1.8	3.9	.1[r]	.4[r]	.1	.4	.7	295.0
8 Consumer foods	−.1	4.2	8.2	11.2	1.0	−6.7	−.5[r]	−1.8	−.5	.5	1.5	283.3
9 Consumer energy	−27.7	−1.1	−20.7	−42.7	−12.5	57.6	.7[r]	7.9[r]	4.0	−.2	2.1	511.5
10 Other consumer goods	2.5	2.6	.9	2.3	4.4	3.4	.2[r]	.4[r]	−.3	.8	.2	264.1
11 Capital equipment	1.9	2.0	2.4	2.0	3.4	.1	.1	.2	−.3	.1	.3	311.7
12 Intermediate materials[3]	−3.8	1.2	−5.1	−1.5	−1.2	8.0	.0	1.0	.5	.4	.3	316.8
13 Excluding energy	−.4	1.6	−1.2	1.5	1.2	3.3	.0	.4	.2	.3	.2	309.3
Crude materials												
14 Foods	−8.2	8.7	5.9	18.1	−2.7	−11.3	−1.3[r]	−3.3[r]	.0	.4	4.3	239.4
15 Energy	−23.0	2.4	−29.1	−19.6	−.5	41.2	−.7[r]	7.2[r]	2.6	−.9	1.7	590.9
16 Other	−3.2	3.4	6.6	−24.1	8.5	16.3	.3[r]	4.8[r]	.0	−.9	.7	257.6

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers and reflect a rental equivalence measure of homeownership after 1982.
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

Account	1984	1985	1986	1986				1987
				Q1	Q2	Q3	Q4	Q1[r]
GROSS NATIONAL PRODUCT								
1 **Total**	**3,765.0**	**3,998.1**	**4,206.1**	**4,149.2**	**4,175.6**	**4,240.7**	**4,258.7**	**4,348.4**
By source								
2 Personal consumption expenditures	2,428.2	2,600.5	2,762.5	2,697.9	2,732.0	2,799.8	2,820.4	2,850.7
3 Durable goods	331.2	359.3	388.1	360.8	373.9	414.5	403.1	384.6
4 Nondurable goods	870.1	905.1	932.7	929.7	928.4	932.8	940.1	961.7
5 Services	1,227.0	1,336.1	1,441.7	1,407.4	1,429.8	1,452.4	1,477.2	1,504.5
6 Gross private domestic investment	662.1	661.1	683.6	708.3	687.3	675.8	663.2	718.1
7 Fixed investment	598.0	650.0	677.0	664.4	672.8	680.3	690.3	678.1
8 Nonresidential	416.5	458.2	460.0	459.2	457.5	459.0	464.3	451.4
9 Structures	139.3	154.8	143.3	154.6	141.5	139.5	137.5	133.9
10 Producers' durable equipment	277.3	303.4	316.7	304.6	316.0	319.5	326.8	317.6
11 Residential structures	181.4	191.8	217.0	205.3	215.3	221.3	226.0	226.7
12 Change in business inventories	64.1	11.1	6.7	43.8	14.5	−4.5	−27.1	40.0
13 Nonfarm	56.6	12.2	7.7	41.2	10.5	−10.3	−10.8	37.1
14 Net exports of goods and services	−58.7	−78.9	−104.3	−93.7	−104.5	−108.9	−110.2	−111.9
15 Exports	382.7	369.8	373.0	374.8	363.0	370.8	383.5	391.6
16 Imports	441.4	448.6	477.3	468.5	467.5	479.7	493.7	503.4
17 *Government purchases of goods and services*	*733.4*	*815.4*	*864.2*	*836.7*	*860.8*	*874.0*	*885.3*	*891.4*
18 Federal	311.3	354.1	366.2	355.7	367.6	369.3	372.1	369.2
19 State and local	422.2	461.3	498.0	480.9	493.3	504.7	513.2	522.2
By major type of product								
20 Final sales, total	3,700.9	3,987.0	4,199.4	4,105.4	4,161.2	4,245.2	4,285.8	4,308.4
21 Goods	1,576.7	1,630.2	1,670.5	1,669.0	1,661.6	1,680.2	1,671.3	1,723.5
22 Durable	675.0	700.2	716.8	710.6	703.1	730.1	723.5	746.0
23 Nondurable	901.7	930.0	953.7	958.4	958.5	950.1	947.8	977.5
24 Services	1,813.1	1,959.8	2,105.6	2,057.7	2,087.4	2,125.2	2,152.1	2,190.7
25 Structures	375.1	408.1	430.0	422.6	426.7	435.3	435.3	434.2
26 Change in business inventories	64.1	11.1	6.7	43.8	14.5	−4.5	−27.1	40.0
27 Durable goods	39.2	6.6	−1.0	28.6	−.1	−15.6	−16.9	29.8
28 Nondurable goods	24.9	4.5	7.7	15.3	14.6	11.1	−10.2	10.2
29 MEMO: **Total GNP in 1982 dollars**	**3,489.9**	**3,585.2**	**3,674.9**	**3,655.9**	**3,661.4**	**3,686.4**	**3,696.1**	**3,735.9**
NATIONAL INCOME								
30 **Total**	**3,032.0**	**3,222.3**	**3,386.4**	**3,340.7**	**3,376.4**	**3,396.1**	**3,432.3**	**3,507.4**
31 Compensation of employees	2,214.7	2,368.2	2,498.0	2,461.5	2,480.2	2,507.4	2,542.8	2,578.1
32 Wages and salaries	1,837.0	1,965.8	2,073.5	2,044.1	2,058.8	2,081.1	2,109.8	2,142.7
33 Government and government enterprises	346.2	372.2	395.7	387.2	392.5	398.4	404.4	413.0
34 Other	1,490.6	1,593.9	1,677.8	1,656.8	1,666.3	1,682.7	1,705.4	1,729.7
35 Supplement to wages and salaries	377.7	402.4	424.5	417.4	421.3	426.3	433.0	435.4
36 Employer contributions for social insurance	193.1	205.5	215.7	212.9	214.1	215.9	220.1	220.0
37 Other labor income	184.5	196.9	208.8	204.5	207.3	210.4	213.0	215.4
38 Proprietors' income[1]	236.9	254.4	278.8	265.3	289.1	277.5	283.2	298.2
39 Business and professional[1]	205.3	225.2	252.7	240.9	249.6	258.0	262.2	269.7
40 Farm[1]	31.5	29.2	26.1	24.4	39.5	19.6	21.0	28.5
41 Rental income of persons[2]	8.3	7.6	15.0	12.8	16.3	16.2	14.8	15.3
42 Corporate profits[1]	264.7	280.7	299.7	296.4	293.1	302.0	311.2	333.5
43 Profits before tax[3]	235.7	223.2	237.5	222.5	227.7	240.4	259.6	266.5
44 Inventory valuation adjustment	−5.5	−.6	6.5	16.5	10.6	6.1	−7.2	−7.4
45 Capital consumption adjustment	34.5	58.1	56.6	57.3	54.8	55.5	58.8	74.4
46 Net interest	307.4	311.4	294.0	304.9	297.7	292.9	280.4	282.2

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. *Survey of Current Business* (Department of Commerce).

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1984	1985	1986	1986				1987
				Q1	Q2	Q3	Q4	Q1r
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**3,110.2**	**3,314.5**	**3,485.7**	**3,432.6**	**3,483.3**	**3,498.8**	**3,527.9**	**3,586.2**
2 Wage and salary disbursements	1,836.8	1,966.1	2,073.5	2,044.1	2,058.8	2,081.1	2,109.8	2,142.7
3 Commodity-producing industries	577.8	607.7	623.2	622.0	620.8	621.8	628.3	633.0
4 *Manufacturing*	439.1	460.1	471.2	470.5	468.8	470.0	475.4	478.0
5 Distributive industries	442.2	469.8	487.9	485.2	484.3	488.3	493.9	500.9
6 Service industries	470.6	516.4	566.7	549.6	561.3	572.6	583.2	595.9
7 Government and government enterprises	346.2	372.2	395.7	387.2	392.5	398.4	404.4	413.0
8 Other labor income	184.5	196.9	208.8	204.5	207.3	210.4	213.0	215.4
9 Proprietors' income[1]	236.9	254.4	278.8	265.3	289.1	277.5	283.2	298.2
10 Business and professional[1]	205.3	225.2	252.7	240.9	249.6	258.0	262.2	269.7
11 Farm[1]	31.5	29.2	26.1	24.4	39.5	19.6	21.0	28.5
12 Rental income of persons[2]	8.3	7.6	15.0	12.8	16.3	16.2	14.8	15.3
13 Dividends	74.7	76.4	81.2	79.1	81.1	82.0	82.7	84.1
14 Personal interest income	446.9	476.2	475.0	480.8	480.1	473.8	465.2	468.0
15 Transfer payments	455.6	487.1	513.8	504.7	510.1	518.5	521.8	530.2
16 Old-age survivors, disability, and health insurance benefits	235.7	253.4	266.8	263.2	264.1	269.6	270.2	273.7
17 LESS: Personal contributions for social insurance	133.5	150.2	160.3	158.6	159.5	160.8	162.4	167.7
18 EQUALS: Personal income	3,110.2	3,314.5	3,485.7	3,432.6	3,483.3	3,498.8	3,527.9	3,586.2
19 LESS: Personal tax and nontax payments	439.6	486.5	514.1	497.5	504.8	519.0	534.9	533.1
20 EQUALS: Disposable personal income	2,670.6	2,828.0	2,971.6	2,935.1	2,978.5	2,979.9	2,993.0	3,053.1
21 LESS: Personal outlays	2,501.9	2,684.7	2,857.4	2,789.4	2,825.5	2,895.8	2,918.8	2,949.1
22 EQUALS: Personal saving	168.7	143.3	114.2r	145.6	153.1	84.1	74.2	104.0
MEMO								
Per capita (1982 dollars)								
23 Gross national product	14,721.1	14,982.0	15,216.9	15,188.0	15,178.9	15,246.3	15,249.1	15,380.4
24 Personal consumption expenditures	9,475.4	9,713.7	10,015.3	9,857.1	9,984.4	10,124.0	10,089.9	10,040.7
25 Disposable personal income	10,421.0	10,563.0	10,773.0	10,723.0	10,886.0	10,776.0	10,708.0	10,755.0
26 Saving rate (percent)	6.3	5.1	3.8	5.0	5.1	2.8	2.5	3.4
GROSS SAVING								
27 **Gross saving**	**573.3**	**551.5**	**538.7**	**583.2**	**539.7**	**517.2**	**514.9**	**561.6**
28 Gross private saving	674.8	687.8	679.0	708.3	713.0	650.5	644.3	684.5
29 Personal saving	168.7	143.3	114.2r	145.6	153.1	84.1	74.2	104.0
30 Undistributed corporate profits[1]	91.0	107.3	109.4	115.5	106.6	108.8	106.4	112.2
31 Corporate inventory valuation adjustment	-5.5	-.6	6.5	16.5	10.6	6.1	-7.2	-7.4
Capital consumption allowances								
32 Corporate	253.9	268.2	280.3	275.3	278.9	281.6	285.5	287.5
33 Noncorporate	161.2	169.0	175.1	171.8	174.4	176.0	178.2	180.7
34 Government surplus, or deficit (-), national income and product accounts	-101.5	-136.3	-140.3	-125.1	-173.3	-133.3	-129.4	-122.9
35 Federal	-170.0	-198.0	-203.3	-195.0	-232.2	-197.4	-188.8	-174.4
36 State and local	68.5	61.7	63.1	69.9	58.9	64.0	59.4	51.5
37 **Gross investment**	**571.4**	**545.9**	**541.7**	**579.6**	**544.3**	**527.5**	**515.5**	**572.4**
38 Gross private domestic	662.1	661.1	683.6	708.3	687.3	675.8	663.2	718.1
39 Net foreign	-90.7	-115.2	-141.9	-128.6	-143.0	-148.3	-147.7	-145.7
40 **Statistical discrepancy**	**-1.9**	**-5.5**	**3.0**	**-3.6**	**4.6**	**10.3**	**.6**	**10.8**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. *Survey of Current Business* (Department of Commerce).

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.[1]

Item credits or debits	1984	1985	1986	1985	1986			
				Q4	Q1	Q2	Q3	Q4^p
1 Balance on current account	−106,466	−117,677	−140,569	−33,695	−34,040	−34,397	−35,299	−36,837
2 Not seasonally adjusted	....	....	....	−31,510	−31,020	−35,458	−39,245	−34,847
3 Merchandise trade balance[2]	−112,522	−124,439	−147,708	−37,352	−36,489	−35,700	−37,149	−38,370
4 Merchandise exports	219,900	214,424	221,753	52,727	53,588	55,075	55,764	57,326
5 Merchandise imports	−332,422	−338,863	−369,461	−90,079	−90,077	−90,775	−92,913	−95,696
6 Military transactions, net	−1,827	−2,917	−2,402	−1,322	−1,066	−695	−570	−71
7 Investment income, net[3]	18,751	25,188	22,865	9,255	6,500	5,328	6,146	4,890
8 Other service transactions, net	1,288	−525	1,821	−32	6	717	437	659
9 Remittances, pensions, and other transfers	−3,621	−3,787	−3,320	−937	−922	−802	−744	−853
10 U.S. government grants (excluding military)	−8,536	−11,196	−11,825	−3,307	−2,069	−3,245	−3,419	−3,092
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−5,523	−2,824	−1,978	−540	−250	−209	−1,429	−91
12 Change in U.S. official reserve assets (increase, −)	−3,130	−3,858	312	−3,148	−115	16	280	132
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−979	−897	−246	−189	−274	−104	163	−31
15 Reserve position in International Monetary Fund	−995	908	1,501	168	344	366	508	283
16 Foreign currencies	−1,156	−3,869	−942	−3,126	−185	−246	−391	−120
17 Change in U.S. private assets abroad (increase, −)[3]	−14,987	−25,754	−98,149	−19,579	−12,644	−25,468	−27,052	−32,985
18 Bank-reported claims	−11,127	−691	−57,312	−8,485	6,333	−14,387	−19,326	−29,932
19 Nonbank-reported claims	5,081	1,665	−4,150	418	−2,842	−1,220	−88	....
20 U.S. purchase of foreign securities, net	−5,082	−7,977	−4,765	−1,411	−6,133	−1,664	349	2,683
21 U.S. direct investments abroad, net[3]	−3,859	−18,752	−31,922	−10,101	−10,002	−8,197	−7,987	−5,736
22 *Change in foreign official assets in the United States (increase, +)*	3,037	−1,324	33,394	−1,322	2,469	14,704	15,448	774
23 U.S. Treasury securities	4,690	−546	34,495	−1,976	3,256	14,538	12,193	4,508
24 Other U.S. government obligations	13	−295	−1,214	−171	−177	−644	−276	−117
25 Other U.S. government liabilities[4]	436	483	1,067	263	288	679	900	−799
26 Other U.S. liabilities reported by U.S. banks	555	522	−126	722	−1,261	662	2,933	−2,460
27 Other foreign official assets[5]	−2,657	−1,488	−828	−160	363	−531	−302	−358
28 Change in foreign private assets in the United States (increase, +)[3]	99,730	128,430	179,900	53,158	34,151	32,822	54,075	58,851
29 U.S. bank-reported liabilities	33,849	40,387	77,435	20,427	8,434	3,553	30,128	35,320
30 U.S. nonbank-reported liabilities	4,704	−1,172	−3,112	2,232	−2,057	−1,644	589	....
31 Foreign private purchases of U.S. Treasury securities, net	23,059	20,500	9,334	5,676	7,666	3,807	541	−2,680
32 Foreign purchases of other U.S. securities, net	12,759	50,859	70,658	22,441	18,686	23,018	17,185	11,769
33 Foreign direct investments in the United States, net[3]	25,359	17,856	25,585	2,382	1,422	4,088	5,632	14,442
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	27,338	23,006	27,091	5,125	10,429	12,532	−6,023	10,156
36 Owing to seasonal adjustments	....	....	....	3,771	1,329	−1,410	−3,956	4,040
37 Statistical discrepancy in recorded data before seasonal *adjustment*	27,338	23,006	27,091	1,354	9,100	13,942	−2,068	6,116
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−3,130	−3,858	312	−3,148	−115	16	280	132
39 Foreign official assets in the United States (increase, +)	2,601	−1,807	32,327	−1,585	2,181	14,025	14,548	1,573
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	−4,304	−6,599	−8,649	−1,002	1,421	−1,938	−2,847	−5,285
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	190	64	73	28	22	12	19	19

1. Seasonal factors are not calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing; military exports are excluded from merchandise data and are included in line 6.
3. Includes reinvested earnings.
4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are not seasonally adjusted.

Item	1983	1984	1985	1986 Sept.	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid *shipments*	200,486	217,865	213,146	17,518	19,330	18,595	18,431	16,421	18,660	21,064
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	258,048	325,726	345,276	28,695	30,018	36,187	27,795	27,466	32,307	33,198
3 **Trade balance**	**−57,562**	**107,861**	**−132,129**	**−11,177**	**−10,688**	**−17,592**	**−9,364**	**−11,045**	**−13,647**	**−12,134**

NOTE. The data through 1981 in this table are reported by the Bureau of Census data of a free-alongside-ship (f.a.s.) value basis—that is, value at the port of export. Beginning in 1981, foreign trade of the U.S. Virgin Islands is included in the Census basis trade data; this adjustment has been made for all data shown in the table. Beginning with 1982 data, the value of imports are on a customs valuation basis.

The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustments are: (1) the addition of exports to Canada not covered in Census statistics, and (2) the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately as indicated above. As of Jan. 1, 1987 census data are released 45 days after the end of the month.

SOURCE. FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1983	1984	1985	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.[p]
1 **Total**	**33,747**	**34,934**	**43,186[r]**	**47,089**	**47,824**	**48,517[r]**	**49,386[r]**	**49,358**	**48,824**	**46,591**
2 Gold stock, including Exchange Stabilization Fund[1]	11,121	11,096	11,090	11,066	11,070	11,064	11,062	11,085	11,081	11,076
3 Special drawing rights[2,3]	5,025	5,641	7,293	8,090	8,310	8,395	8,470	8,615	8,740	8,879
4 Reserve position in International Monetary Fund[2]	11,312	11,541	11,947[r]	11,575	11,659	11,730	11,872	11,699	11,711	11,745
5 Foreign currencies[4]	6,289	6,656	12,856	16,358	16,785	17,328	17,982	17,959	17,292	14,891

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13. Gold stock is valued at $42.22 per fine troy ounce.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1983	1984	1985	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.
1 Deposits	190	267	480	303	224	287	226	255	268	342
Assets held in custody										
2 U.S. Treasury securities[1]	117,670	118,000	121,004	156,076	156,919	155,835	159,597	160,942	167,423	172,929
3 Earmarked gold[2]	14,414	14,242	14,245	14,110	14,057	14,048	14,041	14,046	14,036	14,031

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
2. Earmarked gold is valued at $42.22 per fine troy ounce.

NOTE. Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

Asset account	1983	1984	1985	1986				1987		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.p
				All foreign countries						
1 **Total, all currencies**	**477,090**	**453,656**	**458,012**	**474,567**	**446,581**	**446,618r**	**456,628r**	**458,305**	**457,819**	**456,522**
2 Claims on United States	115,542	113,393	119,706r	116,392	112,078	108,420	113,178r	115,273	113,815	111,864
3 Parent bank	82,026	78,109	87,201	82,302	79,999	76,280r	81,985r	83,185	81,953	78,475
4 Other banks in United States[2]	33,516	13,664	13,057	13,624	11,659	12,034	13,685	12,723	13,158	15,894
5 Nonbanks[2]		21,620	19,448r	20,466	20,420	20,106r	17,508	19,365	18,704	17,495
6 Claims on foreigners	342,689	320,162	315,676r	328,553	305,562	308,322r	314,340	311,411	312,096	311,600
7 Other branches of parent bank	96,004	95,184	91,399	103,278	90,412	91,576r	97,788	93,290	90,326	89,360
8 Banks	117,668	100,397	102,960	107,503	100,707	103,293	105,237	105,377	109,748	109,375
9 Public borrowers	24,517	23,343	23,478	23,505	24,215	23,314	23,584	23,337	23,192	23,579
10 Nonbank foreigners	107,785	101,238	97,839r	94,267	90,228	90,139	87,731	89,407	88,830	89,286
11 Other assets	18,859	20,101	22,630r	29,622	28,941	29,876	29,110	31,621	31,908	33,058
12 **Total payable in U.S. dollars**	**371,508**	**350,636**	**336,520r**	**330,597**	**309,087**	**306,683r**	**317,486**	**309,719**	**311,669**	**306,025**
13 Claims on United States	113,436	111,426	116,638r	112,133	107,612	104,281	109,234	110,596	109,341	107,015
14 Parent bank	80,909	77,229	85,971	80,753	78,335	74,762	80,575r	81,423	80,359	76,615
15 Other banks in United States[2]	32,527	13,500	12,454	12,802	10,544	10,986	12,830	11,531	12,102	14,757
16 Nonbanks[2]		20,697	18,213r	18,578	18,733	18,533	15,830	17,642	16,880	15,643
17 Claims on foreigners	247,406	228,600	210,129r	207,701	190,030	190,656r	196,448	187,296	189,875	185,364
18 Other branches of parent bank	78,431	78,746	72,727r	78,400	67,835	67,841r	73,704	67,479	65,220	64,006
19 Banks	93,332	76,940	71,868r	68,596	62,836	64,920	66,421	63,637	68,320	65,874
20 Public borrowers	17,890	17,626	17,260r	16,521	17,455	16,820	16,586	16,459	16,320	16,223
21 Nonbank foreigners	60,977	55,288	48,274r	44,184	41,904	41,075	39,737	39,721	40,015	39,261
22 Other assets	10,666	10,610	9,753r	10,763	11,445	11,746	11,804	11,827	12,453	13,646
				United Kingdom						
23 **Total, all currencies**	**158,732**	**144,385**	**148,599**	**151,596**	**142,398**	**143,806r**	**140,917**	**144,093**	**146,188**	**145,486**
24 Claims on United States	34,433	27,675	33,157	30,879	30,747	28,940	24,599	28,720	28,851	28,503
25 Parent bank	29,111	21,862	26,970	24,291	24,800	22,671	19,085	23,330	23,326	23,303
26 Other banks in United States[2]	5,322	1,429	1,106	2,092	1,314	1,534	1,612	1,220	1,258	1,288
27 Nonbanks[2]		4,384	5,081	4,496	4,633	4,735	3,902	4,170	4,267	3,912
28 Claims on foreigners	119,280	111,828	110,217	113,368	105,534	108,153r	109,508	108,720	110,274	109,297
29 Other branches of parent bank	36,565	37,953	31,576	34,678	31,268	29,966r	33,422	30,218	29,575	28,782
30 Banks	43,352	37,443	39,250	40,204	37,836	41,145	39,468	40,677	43,189	42,537
31 Public borrowers	5,898	5,334	5,644	5,086	5,157	5,038	4,990	4,942	4,983	4,897
32 Nonbank foreigners	33,465	31,098	33,747	33,400	31,273	32,004	31,628	32,883	32,527	33,081
33 Other assets	5,019	4,882	5,225	7,349	6,117	6,713	6,810	6,653	7,063	7,686
34 **Total payable in U.S. dollars**	**126,012**	**112,809**	**108,626**	**103,228**	**97,295**	**97,125r**	**95,028**	**95,359**	**97,568**	**95,319**
35 Claims on United States	33,756	26,868	32,092	29,512	29,312	27,564	23,193	27,070	27,290	26,665
36 Parent bank	28,756	21,495	26,568	23,826	24,323	22,106	18,526	22,673	22,749	22,662
37 Other banks in United States[2]	5,000	1,363	1,005	1,848	1,110	1,364	1,475	996	1,061	980
38 Nonbanks[2]		4,010	4,519	3,838	3,879	4,094	3,192	3,401	3,480	3,023
39 Claims on foreigners	88,917	82,945	73,475	70,325	64,873	66,304r	68,138	65,022	66,872	64,466
40 Other branches of parent bank	31,838	33,607	26,011	27,151	24,632	23,229r	26,361	22,720	22,578	21,785
41 Banks	32,188	26,805	26,139	22,917	21,011	24,020	23,251	23,656	25,685	24,225
42 Public borrowers	4,194	4,030	3,999	3,778	3,859	3,811	3,677	3,683	3,716	3,660
43 Nonbank foreigners	20,697	18,503	17,326	16,479	15,371	15,244	14,849	14,963	14,893	14,796
44 Other assets	3,339	2,996	3,059	3,391	3,110	3,257	3,697	3,267	3,406	4,188
				Bahamas and Caymans						
45 **Total, all currencies**	**152,083**	**146,811**	**142,055**	**143,082**	**134,060**	**131,363**	**142,592**	**135,627**	**133,229**	**133,837**
46 Claims on United States	75,309	77,296	74,864	71,918	68,624	66,078	76,663	72,643	68,238	67,356
47 Parent bank	48,720	49,449	50,553	46,635	44,476	42,223	53,068	48,036	44,124	41,290
48 Other banks in United States[2]	26,589	11,544	11,204	10,641	9,557	9,628	11,156	10,625	10,924	13,715
49 Nonbanks[2]		16,303	13,107	14,652	14,591	14,227	12,439	13,982	13,190	12,351
50 Claims on foreigners	72,868	65,598	63,882	66,610	59,612	59,436	61,390	57,825	59,671	60,644
51 Other branches of parent bank	20,626	17,661	19,042	22,763	16,985	18,139	18,803	16,258	16,151	16,529
52 Banks	36,842	30,246	28,192	27,779	26,205	25,743	27,476	26,366	28,139	28,574
53 Public borrowers	6,093	6,089	6,458	6,434	7,263	6,697	6,929	7,026	6,974	6,914
54 Nonbank foreigners	12,592	11,602	10,190	9,634	9,159	8,857	8,182	8,175	8,407	8,627
55 Other assets	3,906	3,917	3,309	4,544	5,824	5,849	4,539	5,159	5,320	5,837
56 **Total payable in U.S. dollars**	**145,641**	**141,562**	**136,794**	**136,615**	**127,361**	**124,801**	**136,813**	**129,474**	**126,605**	**126,808**

1. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

2. Data for assets vis-à-vis other banks in the United States and vis-à-vis nonbanks are combined for dates before June 1984.

3.14 Continued

Liability account	1983	1984	1985	1986				1987		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.p
	All foreign countries									
57 **Total, all currencies**	**477,090**	**453,656**	**458,012**	**474,567**	**446,581**	**446,618r**	**456,628r**	**458,305**	**457,819**	**456,522**
58 Negotiable CDs[3]	n.a.	37,725	34,607	33,642	32,444	32,926	31,629	33,395	36,074	34,873
59 To United States	188,070	147,583	155,538	151,281	141,126	137,029r	151,632r	140,089r	140,046	141,093
60 Parent bank	81,261	78,739	83,914	87,927	75,777	75,062	82,561r	70,047r	73,095	70,777
61 Other banks in United States	29,453	18,409	16,894	14,153	14,791	14,532r	15,646r	15,068	13,602	13,666
62 Nonbanks	77,356	50,435	54,730	49,201	50,558	47,435	53,425r	54,974	53,349	56,650
63 To foreigners	269,685	247,907	245,939r	269,322	253,202	256,611r	253,775	264,463r	261,944	260,736
64 Other branches of parent bank	90,615	93,909	89,529	102,245	87,883	87,993r	95,146	90,303r	88,524	87,897
65 Banks	92,889	78,203	76,814	81,953	80,709	83,784r	77,809r	89,199	86,474	84,875
66 Official institutions	18,896	20,281	19,520r	20,109	19,436	18,831	17,835	19,532	19,818	20,591
67 Nonbank foreigners	68,845	55,514	60,076	65,015	65,174	66,003r	62,985r	65,429	67,128	67,373
68 Other liabilities	19,335	20,441	21,928r	20,322	19,809	20,052	19,592r	20,358	19,755	19,820
69 **Total payable in U.S. dollars**	**388,291**	**367,145**	**353,712r**	**349,259**	**323,699**	**320,348r**	**336,406**	**323,900**	**325,951**	**321,349**
70 Negotiable CDs[3]	n.a.	35,227	31,063	30,560	29,206	29,752	28,466	29,921	32,407	31,148
71 To United States	184,305	143,571	150,162r	143,627	133,301	129,224r	143,650r	131,557r	131,617	132,258
72 Parent bank	79,035	76,254	80,888	83,790	71,858	71,017	78,472r	65,419r	68,540	65,755
73 Other banks in United States	28,936	17,935	16,264	13,173	13,768	13,679r	14,609r	14,047	12,505	12,564
74 Nonbanks	76,334	49,382	53,010r	46,664	47,675	44,528	50,569r	52,091	50,572	53,939
75 To foreigners	194,139	178,260	163,583r	167,356	153,536	153,972r	156,806	155,182r	154,343	150,091
76 Other branches of parent bank	73,522	77,770	71,078r	77,464	65,077	64,178r	71,181	64,380r	63,272	62,202
77 Banks	57,022	45,123	37,365r	35,358	33,802	35,306r	33,850r	37,159	37,253	35,111
78 Official institutions	13,855	15,773	14,359r	13,697	13,320	13,139	12,371	13,688	13,189	13,392
79 Nonbank foreigners	51,260	39,594	40,781r	40,837	41,337	41,349r	39,404r	39,955	40,629	39,386
80 Other liabilities	9,847	10,087	8,904r	7,716	7,656	7,400	7,484r	7,240	7,584	7,852
	United Kingdom									
81 **Total, all currencies**	**158,732**	**144,385**	**148,599**	**151,596**	**142,398**	**143,806r**	**140,917**	**144,093**	**146,188**	**145,486**
82 Negotiable CDs[3]	n.a.	34,413	31,260	30,352	28,847	28,984	27,781	29,432	32,233	30,968
83 To United States	55,799	25,250	29,422	26,540	24,610	22,585r	24,657	19,465	22,501	21,433
84 Parent bank	14,021	14,651	19,330	17,399	14,014	13,811	14,469	10,004	12,735	12,332
85 Other banks in United States	11,328	3,125	2,974	2,062	2,382	2,184r	2,649	2,154	2,154	1,816
86 Nonbanks	30,450	7,474	7,118	7,079	8,214	6,590	7,539	7,307	7,612	7,285
87 To foreigners	95,847	77,424	78,525	85,554	80,252	83,455r	79,498	86,229	82,418	83,723
88 Other branches of parent bank	19,038	21,631	23,389	28,272	24,194	23,739r	25,036	23,595	21,230	21,371
89 Banks	41,624	30,436	28,581	31,190	31,001	34,321r	30,877	36,479	35,434	35,971
90 Official institutions	10,151	10,154	9,676	8,652	8,068	7,875	6,836	8,484	7,832	7,827
91 Nonbank foreigners	25,034	15,203	16,879	17,440	16,989	17,520	16,749	17,671	17,922	18,554
92 Other liabilities	7,086	7,298	9,392	9,150	8,689	8,782	8,981	8,967	9,036	9,362
93 **Total payable in U.S. dollars**	**131,167**	**117,497**	**112,697**	**108,249**	**99,820**	**99,327r**	**99,707**	**98,741**	**101,603**	**98,967**
94 Negotiable CDs[3]	n.a.	33,070	29,337	28,490	26,927	27,166	26,169	27,701	30,175	28,868
95 To United States	54,691	24,105	27,756	24,039	21,960	20,055r	22,075	16,829	19,894	18,940
96 Parent bank	13,839	14,339	18,956	16,984	13,591	13,438	14,021	9,451	12,157	11,606
97 Other banks in United States	11,044	2,980	2,826	1,735	2,108	1,880r	2,325	1,887	1,926	1,602
98 Nonbanks	29,808	6,786	5,974	5,320	6,261	4,737	5,729	5,491	5,811	5,732
99 To foreigners	73,279	56,923	51,980	52,645	47,491	49,056r	48,138	51,174	48,242	47,531
100 Other branches of parent bank	15,403	18,294	18,493	21,305	17,289	16,695r	17,951	16,386	14,323	14,471
101 Banks	29,320	18,356	14,344	14,491	14,123	15,984r	15,203	18,626	18,207	18,027
102 Official institutions	8,279	8,871	7,661	6,015	5,685	5,655	4,934	6,096	5,176	4,924
103 Nonbank foreigners	20,277	11,402	11,482	10,834	10,394	10,722	10,050	10,066	10,536	10,109
104 Other liabilities	3,197	3,399	3,624	3,075	3,442	3,050	3,325	3,037	3,292	3,628
	Bahamas and Caymans									
105 **Total, all currencies**	**152,083**	**146,811**	**142,055**	**143,082**	**134,060**	**131,363**	**142,592**	**135,627**	**133,229**	**133,837**
106 Negotiable CDs[3]	n.a.	615	610	527	683	784	847	995	855	813
107 To United States	111,299	102,955	103,813	102,012	95,840	94,493	105,248r	98,733	95,221	98,401
108 Parent bank	50,980	47,162	44,811	49,981	43,470	43,572	48,648r	40,845	40,409	39,625
109 Other banks in United States	16,057	13,938	12,778	10,986	11,144	11,131	11,715r	11,687	10,151	10,539
110 Nonbanks	44,262	41,855	46,224	41,045	41,226	39,790	44,885r	46,201	44,661	48,237
111 To foreigners	38,445	40,320	35,053	38,447	35,427	33,841	34,400	33,831	35,053	32,652
112 Other branches of parent bank	14,936	16,782	14,075	15,918	13,574	12,661r	12,631	12,323	12,972	11,673
113 Banks	11,876	12,405	10,669	10,158	8,964	8,545	8,617r	8,402	8,507	8,169
114 Official institutions	1,919	2,054	1,776	2,834	2,665	2,577	2,719	2,808	3,013	2,836
115 Nonbank foreigners	11,274	9,079	8,533	9,537	10,224	10,058r	10,433r	10,298	10,561	9,974
116 Other liabilities	2,339	2,921	2,579	2,096	2,110	2,245	2,097r	2,068	2,100	1,971
117 ***Total payable in U.S. dollars***	***148,278***	***143,582***	***138,322***	***138,733***	***130,084***	***127,309***	***138,774***	***131,572***	***129,183***	***129,048***

3. Before June 1984, liabilities on negotiable CDs were included in liabilities to the United States or liabilities to foreigners, according to the address of the initial purchaser.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1984	1985	1986				1987		
			Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.	Mar.[p]
1 **Total**[1]	**180,552**	**178,385**	**209,743**	**211,297**	**211,121**	**211,356**	**213,369**	**214,865**	**225,845**
By type									
2 Liabilities reported by banks in the United States[2]	26,089	26,734	29,722	27,392	27,777	27,288	27,594	28,964	31,032
3 U.S. Treasury bills and certificates[3]	59,976	53,252	75,095	75,457	75,132	75,650	75,718	75,434	79,629
U.S. Treasury bonds and notes									
4 Marketable	69,019	77,154	87,503	91,092	91,225	91,521	93,019	93,701	98,707
5 Nonmarketable[4]	5,800	3,550	1,300	1,300	1,300	1,300	1,300	1,300	1,300
6 U.S. securities other than U.S. Treasury securities[5]	19,668	17,695	16,123	16,056	15,687	15,597	15,738	15,466	15,177
By area									
7 Western Europe[1]	69,776	74,418	87,314	88,658	87,725	87,859	89,570	90,367	98,764
8 Canada	1,528	1,314	1,626	1,699	1,891	2,004	3,382	3,761	5,111
9 Latin America and Caribbean	8,561	11,144	10,328	10,136	9,086	8,358	7,672	7,415	8,231
10 Asia	93,954	86,490	105,704	105,422	105,580	106,119	107,526	108,804	108,436
11 Africa	1,264	1,824	1,864	1,716	1,545	1,503	1,299	1,164	1,188
12 Other countries[6]	5,469	3,195	2,907	3,666	5,294	5,513	3,920	3,354	4,115

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies

Millions of dollars, end of period

Item	1983	1984	1985	1986			
				Mar.	June	Sept.	Dec.
1 Banks' own liabilities	5,219	8,586	15,368	21,264	24,130	29,353	29,481
2 Banks' own claims	7,231	11,984	16,294	19,728	21,264	24,567	25,441
3 Deposits	2,731	4,998	8,437	11,311	11,413	13,716	13,359
4 Other claims	4,501	6,986	7,857	8,417	9,851	10,851	12,083
5 Claims of banks' domestic customers[1]	1,059	569	580	1,426	1,385	1,659	2,613

1. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of their domestic customers.

NOTE. Data on claims exclude foreign currencies held by U.S. monetary authorities.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1983	1984	1985	1986				1987		
				Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.	Mar.[p]
1 **All foreigners**	**369,607**	**407,306**	**435,726**	**506,104**	**501,095**	**512,653**	**537,778**	**524,912**	**522,815**	**523,523**
2 Banks' own liabilities	279,087	306,898	341,070	372,533	365,956	378,023	404,395	391,417	388,315	388,307
3 Demand deposits	17,470	19,571	21,107	21,347	21,730	24,772	23,786	22,492	22,439	22,261
4 Time deposits[1]	90,632	110,413	117,278	125,241	123,752	125,618	131,281	125,010	127,112	124,522
5 Other[2]	25,874	26,268	29,305	37,795	36,332	35,915	40,545	39,373	39,967	42,041
6 Own foreign offices[3]	145,111	150,646	173,381	188,150	184,142	191,718	208,782	204,543	198,797	199,483
7 Banks' custody liabilities[4]	90,520	100,408	94,656	133,571	135,139	134,630	133,383	133,495	134,500	135,216
8 U.S. Treasury bills and certificates[5]	68,669	76,368	69,133	90,467	91,305	90,351	90,257	89,278	90,695	93,048
9 Other negotiable and readily transferable instruments[6]	17,467	18,747	17,964	15,303	15,649	15,343	16,523	14,656	13,839	14,881
10 Other	4,385	5,293	7,558	27,800	28,184	28,936	26,603	29,561	29,966	27,287
11 **Nonmonetary international and regional organizations**[7]	**5,957**	**4,454**	**5,821**	**3,038**	**3,902**	**4,315**	**4,826**	**5,081**	**4,520**	**3,739**
12 Banks' own liabilities	4,632	2,014	2,621	1,721	2,426	2,944	2,977	3,732	2,193	2,360
13 Demand deposits	297	254	85	180	175	135	199	183	157	246
14 Time deposits[1]	3,584	1,267	2,067	1,243	1,939	2,299	2,166	2,515	1,488	1,230
15 Other[2]	750	493	469	299	312	511	611	1,034	548	883
16 Banks' custody liabilities[4]	1,325	2,440	3,200	1,317	1,476	1,371	1,849	1,349	2,326	1,379
17 U.S. Treasury bills and certificates	463	916	1,736	218	308	262	259	86	1,213	154
18 Other negotiable and readily transferable instruments[6]	862	1,524	1,464	1,099	1,162	1,104	1,590	1,261	1,112	1,225
19 Other	0	0	0	0	6	5	0	2	1	0
20 **Official institutions**[8]	**79,876**	**86,065**	**79,985**	**104,818**	**102,849**	**102,909**	**102,938**	**103,311**	**104,398**	**110,662**
21 Banks' own liabilities	19,427	19,039	20,835	26,969	24,268	25,165	24,796	25,367	26,406	27,771
22 Demand deposits	1,837	1,823	2,077	1,895	1,840	2,188	2,267	1,487	1,513	1,923
23 Time deposits[1]	7,318	9,374	10,949	10,923	10,593	11,271	10,577	11,311	11,385	10,951
24 Other[2]	10,272	7,842	7,809	14,151	11,835	11,706	11,952	12,569	13,508	14,896
25 Banks' custody liabilities[4]	60,448	67,026	59,150	77,849	78,581	77,744	78,142	77,944	77,992	82,891
26 U.S. Treasury bills and certificates[5]	54,341	59,976	53,252	75,095	75,457	75,132	75,650	75,718	75,434	79,629
27 Other negotiable and readily transferable instruments[6]	6,082	6,966	5,824	2,554	2,920	2,480	2,347	2,158	2,418	3,129
28 Other	25	84	75	199	204	132	145	69	140	132
29 **Banks**[9]	**226,887**	**248,893**	**275,589**	**319,013**	**314,433**	**325,392**	**349,605**	**339,131**	**336,242**	**333,334**
30 Banks' own liabilities	205,347	225,368	252,723	276,511	271,790	282,785	309,792	296,436	293,834	294,186
31 Unaffiliated foreign banks	60,236	74,722	79,341	88,361	87,648	91,067	101,010	91,893	95,037	94,703
32 Demand deposits	8,759	10,556	10,271	9,254	9,714	11,626	10,301	10,432	10,097	9,502
33 Time deposits[1]	37,439	47,095	49,510	57,412	55,601	57,515	64,480	57,772	61,425	61,407
34 Other[2]	14,038	17,071	19,561	21,694	22,333	21,927	26,229	23,689	23,515	23,794
35 Own foreign offices[3]	145,111	150,646	173,381	188,150	184,142	191,718	208,782	204,543	198,797	199,483
36 Banks' custody liabilities[4]	21,540	23,525	22,866	42,502	42,643	42,607	39,812	42,695	42,408	39,147
37 U.S. Treasury bills and certificates	10,178	11,448	9,832	10,635	10,601	10,491	9,962	9,826	10,486	9,744
38 Other negotiable and readily transferable instruments[6]	7,485	7,236	6,040	5,803	5,600	5,550	5,513	5,433	4,340	4,377
39 Other	3,877	4,841	6,994	26,064	26,442	26,566	24,338	27,436	27,582	25,026
40 **Other foreigners**	**56,887**	**67,894**	**74,331**	**79,236**	**79,911**	**80,037**	**80,411**	**77,389**	**77,655**	**75,788**
41 Banks' own liabilities	49,680	60,477	64,892	67,333	67,472	67,129	66,830	65,882	65,881	63,990
42 Demand deposits	6,577	6,938	8,673	10,018	10,000	10,824	11,019	10,389	10,672	10,589
43 Time deposits	42,290	52,678	54,752	55,664	55,620	54,533	54,059	53,412	52,815	50,933
44 Other[2]	813	861	1,467	1,651	1,852	1,772	1,752	2,081	2,395	2,468
45 Banks' custody liabilities[4]	7,207	7,417	9,439	11,903	12,439	12,908	13,580	11,507	11,774	11,798
46 U.S. Treasury bills and certificates	3,686	4,029	4,314	4,519	4,939	4,465	4,387	3,648	3,563	3,520
47 Other negotiable and readily transferable instruments[6]	3,038	3,021	4,636	5,846	5,968	6,209	7,074	5,804	5,969	6,150
48 Other	483	367	489	1,537	1,532	2,234	2,120	2,055	2,242	2,128
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	10,346	10,476	9,845	6,584	6,759	6,609	7,343	7,191	7,722	7,674

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments, and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

3.17 Continued

Area and country	1983	1984	1985	1986				1987		
				Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.	Mar.[p]
1 **Total**	**369,607**	**407,306**	**435,726**	**506,104**	**501,095**	**512,653**	**537,778**	**524,912**	**522,815**	**523,523**
2 **Foreign countries**	**363,649**	**402,852**	**429,905**	**503,066**	**497,193**	**508,338**	**532,953**	**519,831**	**518,295**	**519,784**
3 Europe	138,072	153,145	164,114	173,702	173,578	176,077	180,521	179,104	180,833	181,897
4 Austria	585	615	693	1,073	972	1,197	1,186	972	944	976
5 Belgium-Luxembourg	2,709	4,114	5,243	6,165	6,070	6,863	6,788	6,729	7,591	7,024
6 Denmark	466	438	513	483	478	576	485	449	520	618
7 Finland	531	418	496	406	606	448	580	565	762	925
8 France	9,441	12,701	15,541	21,339	21,243	21,917	22,849	21,372	22,699	23,753
9 Germany	3,599	3,358	4,835	5,609	6,624	5,856	5,688	6,813	5,591	7,290
10 Greece	520	699	666	623	646	755	706	745	749	641
11 Italy	8,462	10,762	9,667	8,836	8,807	9,304	10,866	9,374	8,491	10,088
12 Netherlands	4,290	4,731	4,212	4,952	4,858	4,410	5,558	5,075	5,237	4,894
13 Norway	1,673	1,548	948	538	654	512	745	678	554	490
14 Portugal	373	597	652	758	738	685	700	657	709	688
15 Spain	1,603	2,082	2,114	2,082	2,297	2,197	2,393	2,238	2,345	2,192
16 Sweden	1,799	1,676	1,422	1,253	1,016	1,301	889	884	1,062	1,051
17 Switzerland	32,246	31,740	29,020	29,177	29,695	30,406	31,239	28,886	27,594	27,570
18 Turkey	467	584	429	448	401	418	454	375	359	412
19 United Kingdom	60,683	68,671	76,728	85,960	84,308	84,913	85,336	87,871	90,158	88,034
20 Yugoslavia	562	602	673	562	515	544	631	554	565	564
21 Other Western Europe[1]	7,403	7,192	9,635	2,809	3,141	3,308	2,705	4,309	4,332	3,982
22 U.S.S.R.	65	79	105	84	25	16	23	21	23	30
23 Other Eastern Europe[2]	596	537	523	545	484	452	702	535	546	674
24 Canada	16,026	16,059	17,427	24,150	24,340	25,753	26,256	26,072	25,146	26,523
25 Latin America and Caribbean	140,088	153,381	167,856	197,526	191,916	189,773	208,057	195,263	191,880	195,013
26 Argentina	4,038	4,394	6,032	6,069	5,718	5,202	4,754	4,497	4,668	4,869
27 Bahamas	55,818	56,897	57,657	69,173	64,106	62,613	72,347	64,945	63,159	62,082
28 Bermuda	2,266	2,370	2,765	2,209	1,918	2,549	2,965	2,295	2,392	2,392
29 Brazil	3,168	5,275	5,373	5,359	8,895	4,684	4,321	3,813	3,795	3,883
30 British West Indies	34,545	36,773	42,674	62,141	59,143	61,855	70,918	66,470	65,735	69,634
31 Chile	1,842	2,001	2,049	2,426	2,398	2,325	2,053	2,208	2,046	2,059
32 Colombia	1,689	2,514	3,104	3,373	3,775	3,873	4,281	4,293	4,267	4,270
33 Cuba	8	10	11	7	6	6	7	6	7	6
34 Ecuador	1,047	1,092	1,239	1,261	1,217	1,199	1,235	1,049	1,118	1,012
35 Guatemala	788	896	1,071	1,129	1,126	1,129	1,122	1,124	1,081	1,081
36 Jamaica	109	183	122	187	151	153	136	149	145	230
37 Mexico	10,392	12,303	14,060	13,137	13,209	13,488	13,631	13,484	13,362	13,093
38 Netherlands Antilles	3,879	4,220	4,875	5,045	4,645	4,706	4,903	5,570	5,629	5,643
39 Panama	5,924	6,951	7,514	6,415	6,524	6,729	6,865	7,361	6,509	6,670
40 Peru	1,166	1,266	1,167	1,256	1,167	1,146	1,163	1,110	1,130	1,062
41 Uruguay	1,244	1,394	1,552	1,589	1,608	1,610	1,537	1,609	1,583	1,630
42 Venezuela	8,632	10,545	11,922	11,709	11,392	11,592	10,452	10,494	10,361	10,364
43 Other Latin America and Caribbean	3,535	4,297	4,668	5,041	4,917	4,914	5,368	4,786	4,894	5,031
44 Asia	58,570	71,187	72,280	100,097	99,360	107,054	108,973	112,054	113,711	108,896
China										
45 Mainland	249	1,153	1,607	1,940	1,585	1,450	1,476	2,046	1,630	1,973
46 Taiwan	4,051	4,990	7,786	16,132	16,534	17,540	18,903	19,553	21,127	20,131
47 Hong Kong	6,657	6,581	8,067	9,349	8,663	9,347	9,517	9,383	9,538	9,159
48 India	464	507	712	651	755	701	673	664	686	501
49 Indonesia	997	1,033	1,466	1,611	1,530	1,528	1,548	1,410	1,591	1,379
50 Israel	1,722	1,268	1,601	2,109	1,986	2,380	1,890	1,761	1,892	1,666
51 Japan	18,079	21,640	23,077	39,986	41,340	46,184	47,436	49,997	50,920	48,934
52 Korea	1,648	1,730	1,665	1,282	1,446	1,128	1,146	1,063	1,022	1,179
53 Philippines	1,234	1,383	1,140	1,400	1,707	1,720	1,865	1,811	1,779	1,737
54 Thailand	747	1,257	1,358	1,100	1,115	1,083	1,120	1,282	1,224	1,235
55 Middle-East oil-exporting countries[3]	12,976	16,804	14,523	13,056	12,045	13,010	12,356	12,325	12,160	11,554
56 Other Asia	9,748	12,841	9,276	11,481	10,654	10,984	11,042	10,760	10,142	9,448
57 Africa	2,827	3,396	4,883	4,166	3,973	4,018	4,018	3,662	3,500	3,475
58 Egypt	671	647	1,363	843	640	710	706	608	791	753
59 Morocco	84	118	163	91	86	84	92	74	76	99
60 South Africa	449	328	388	325	347	264	271	341	200	196
61 Zaire	87	153	163	80	79	96	74	54	42	40
62 Oil-exporting countries[4]	620	1,189	1,494	1,625	1,623	1,593	1,518	1,336	1,156	1,108
63 Other Africa	917	961	1,312	1,203	1,199	1,272	1,358	1,249	1,233	1,278
64 Other countries	8,067	5,684	3,347	3,425	4,026	5,662	5,128	3,674	3,226	3,981
65 Australia	7,857	5,300	2,779	2,785	2,943	4,286	4,205	2,677	2,459	3,020
66 All other	210	384	568	639	1,083	1,376	922	997	767	960
67 Nonmonetary international and regional organizations	5,957	4,454	5,821	3,038	3,902	4,315	4,826	5,081	4,520	3,739
68 International	5,273	3,747	4,806	1,759	2,748	3,232	3,512	3,958	3,606	2,747
69 Latin American regional	419	587	894	972	957	927	1,033	960	762	788
70 Other regional[5]	265	120	121	307	197	157	281	164	152	204

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1983	1984	1985	1986 Sept.	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.[p]
1 **Total**	**391,312**	**400,162**	**401,608**	**416,601**	**407,832**	**418,485**	**444,458**	**420,632[r]**	**416,857**	**412,210**
2 **Foreign countries**	**391,148**	**399,363**	**400,577**	**416,401**	**407,460**	**418,313**	**441,475[r]**	**420,570[r]**	**416,679**	**411,661**
3 Europe	91,927	99,014	106,413	106,755	104,647	107,047	107,549	100,817[r]	102,399	99,199
4 Austria	401	433	598	654	595	748	738	654	559	655
5 Belgium-Luxembourg	5,639	4,794	5,772	6,574	7,712	8,149	7,511	7,571	8,882	8,030
6 Denmark	1,275	648	706	807	796	764	700	667	631	645
7 Finland	1,044	898	823	1,085	1,111	1,176	947	797	1,050	1,117
8 France	8,766	9,157	9,124	10,209	9,600	9,574	11,401	9,095[r]	10,001	9,693
9 Germany	1,284	1,306	1,267	1,609	1,432	1,769	1,826	2,277	1,736	1,639
10 Greece	476	817	991	706	626	792	648	635	634	525
11 Italy	9,018	9,119	8,848	6,795	7,713	8,391	9,051	7,916	7,339	6,985
12 Netherlands	1,267	1,356	1,258	2,040	2,592	2,427	3,314	2,087	2,063	2,391
13 Norway	690	675	706	732	711	712	654	741	766	662
14 Portugal	1,114	1,243	1,058	734	699	682	706	677[r]	679	737
15 Spain	3,573	2,884	1,908	1,995	1,922	1,722	1,459	1,479	1,637	1,767
16 Sweden	3,358	2,230	2,219	2,487	2,375	2,343	1,945	2,280	2,422	2,457
17 Switzerland	1,863	2,123	3,171	2,665	2,832	3,574	3,049	2,622	2,423	2,334
18 Turkey	812	1,130	1,200	1,586	1,612	1,539	1,541	1,469	1,436	1,568
19 United Kingdom	47,364	56,185	62,566	62,017	58,248	59,120	58,380	55,765[r]	56,467	53,969
20 Yugoslavia	1,718	1,886	1,964	1,871	1,886	1,813	1,833	1,775[r]	1,769	1,840
21 Other Western Europe[1]	477	596	998	791	799	600	556	536	491	801
22 U.S.S.R	192	142	130	405	296	225	345	396	401	364
23 Other Eastern Europe[2]	1,598	1,389	1,107	992	1,090	927	944	1,379[r]	1,009	1,020
24 Canada	16,341	16,109	16,482	18,112	19,532	20,338	20,957	20,749	19,192	19,701
25 Latin America and Caribbean	205,491	207,862	202,674	205,584	196,861	196,768	208,902	195,094[r]	195,776	198,431
26 Argentina	11,749	11,050	11,462	12,119	12,243	12,017	12,079	12,114[r]	12,211	12,162
27 Bahamas	59,633	58,009	58,258	61,705	53,557	54,196	59,877	51,694[r]	52,489	53,725
28 Bermuda	566	592	499	320	452	447	418	415	376	544
29 Brazil	24,667	26,315	25,283	24,856	24,740	25,882	25,586	25,766[r]	25,796	25,889
30 British West Indies	35,527	38,205	38,881	40,364	39,981	39,694	46,305	41,128[r]	41,063	42,368
31 Chile	6,072	6,839	6,603	6,489	6,514	6,526	6,533	6,472[r]	6,565	6,492
32 Colombia	3,745	3,499	3,249	2,633	2,674	2,665	2,819	2,801	2,743	2,692
33 Cuba	0	0	0	0	0	1	0	2	1	6
34 Ecuador	2,307	2,420	2,390	2,387	2,420	2,395	2,430	2,425[r]	2,422	2,339
35 Guatemala[3]	129	158	194	135	122	138	140	133	145	135
36 Jamaica[3]	215	252	224	224	209	216	198	199	199	192
37 Mexico	34,802	34,885	31,799	31,037	31,061	30,659	30,490	30,273[r]	29,857	29,755
38 Netherlands Antilles	1,154	1,350	1,340	1,133	967	931	1,039	960	1,072	992
39 Panama	7,848	7,707	6,645	6,377	6,094	5,354	5,423	5,270	5,204	5,454
40 Peru	2,536	2,384	1,947	1,600	1,625	1,618	1,637	1,624[r]	1,616	1,583
41 Uruguay	977	1,088	960	1,051	930	943	940	937	932	959
42 Venezuela	11,287	11,017	10,871	11,177	11,185	11,019	11,052	10,018[r]	11,175	11,276
43 Other Latin America and Caribbean	2,277	2,091	2,067	1,977	2,086	2,067	1,937	1,864[r]	1,910	1,868
44 Asia	67,837	66,316	66,212	78,073	78,631	86,236	96,148	95,988[r]	91,798	86,614
China										
45 Mainland	292	710	639	758	758	793	787	983	873	1,034
46 Taiwan	1,908	1,849	1,535	1,903	1,528	1,812	2,675	2,617	2,890	2,696
47 Hong Kong	8,489	7,293	6,797	8,883	8,337	7,575	8,250	8,443	9,225	8,248
48 India	330	425	450	355	316	327	321	333	325	485
49 Indonesia	805	724	698	689	694	722	718	699	679	652
50 Israel	1,832	2,088	1,991	1,622	1,630	1,615	1,645	1,611	1,531	1,526
51 Japan	30,354	29,066	31,249	42,751	45,240	53,351	59,852	58,315	55,623	51,817
52 Korea	9,943	9,285	9,226	7,846	7,023	6,533	7,155	6,783	6,161	5,941
53 Philippines	2,107	2,555	2,224	2,148	2,071	1,972	2,202	2,147[r]	2,120	2,269
54 Thailand	1,219	1,125	845	636	611	595	577	521	556	454
55 Middle East oil-exporting countries[4]	4,954	5,044	4,298	3,724	3,396	3,778	4,122	5,483	4,892	5,130
56 Other Asia	5,603	6,152	6,260	6,758	7,027	7,162	7,845	8,053	6,922	6,362
57 Africa	6,654	6,615	5,407	4,651	4,531	4,737	4,621	4,599	4,637	4,834
58 Egypt	747	728	721	593	577	560	567	577	593	618
59 Morocco	440	583	575	636	621	621	598	590	585	584
60 South Africa	2,634	2,795	1,942	1,607	1,549	1,586	1,531	1,516	1,507	1,531
61 Zaire	33	18	20	33	35	27	28	36	42	42
62 Oil-exporting countries[5]	1,073	842	630	512	545	690	688	725	743	856
63 Other	1,727	1,649	1,520	1,270	1,203	1,253	1,208	1,156	1,168	1,204
64 Other countries	2,898	3,447	3,390	3,225	3,259	3,187	3,297	3,323	2,878	2,882
65 Australia	2,256	2,769	2,413	2,221	2,143	1,980	1,952	2,081	1,906	1,991
66 All other	642	678	978	1,004	1,115	1,207	1,345	1,242	971	892
67 Nonmonetary international and regional organizations[6]	164	800	1,030	200	372	171	2,983	62	178	549

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1983	1984	1985	1986				1987		
				Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.	Mar.[p]
1 **Total**	**426,215**	**433,078**	**430,489**	**448,375**	....	....	**478,429**	....	....	**412,210**
2 Banks' own claims on foreigners	391,312	400,162	401,608	416,601	407,832	418,485	444,458	420,632	416,857	412,210
3 Foreign public borrowers	57,569	62,237	60,507	60,603	60,745	60,785	63,582	61,833	61,698	62,122
4 Own foreign offices[1]	146,393	156,216	174,261	193,350	182,548	189,732	212,023	192,120	190,529	189,745
5 Unaffiliated foreign banks	123,837	124,932	116,654	116,837	117,865	120,485	122,819	121,005	120,311	116,483
6 Deposits	47,126	49,226	48,372	52,178	53,546	53,300	57,349	54,266	55,493	53,487
7 Other	76,711	75,706	68,282	64,660	64,319	67,185	65,471	66,740	64,817	62,996
8 All other foreigners	63,514	56,777	50,185	45,811	46,675	47,483	46,034	45,674	44,319	43,859
9 Claims of banks' domestic customers[2]	34,903	32,916	28,881	31,774	....	....	33,971	....	....	....
10 Deposits	2,969	3,380	3,335	3,668	....	....	4,413	....	....	....
11 Negotiable and readily transferable instruments[3]	26,064	23,805	19,332	22,337	....	....	24,044	....	....	....
12 Outstanding collections and other claims	5,870	5,732	6,214	5,769	....	....	5,514	....	....	....
13 MEMO: Customer liability on acceptances	37,715	37,103	28,487	27,082	....	....	25,606	....	....	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[4]	46,337	40,714	37,780	43,753	42,771	44,772	43,597[r]	46,506	47,835	n.a.

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
3. Principally negotiable time certificates of deposit and bankers acceptances.
4. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1983	1984	1985	1986			
				Mar.	June	Sept.	Dec.[r]
1 **Total**	**243,715**	**243,952**	**227,903**	**221,294**	**222,597**	**224,693**	**230,897**
By borrower							
2 Maturity of 1 year or less[1]	176,158	167,858	160,824	152,782	152,589	155,116	159,414
3 Foreign public borrowers	24,039	23,912	26,302	23,883	23,171	22,527	24,920
4 All other foreigners	152,120	143,947	134,522	128,900	129,418	132,589	134,494
5 Maturity of over 1 year[1]	67,557	76,094	67,078	68,512	70,008	69,577	71,483
6 Foreign public borrowers	32,521	38,695	34,512	36,875	37,365	38,189	39,816
7 All other foreigners	35,036	37,399	32,567	31,637	32,643	31,388	31,667
By area							
Maturity of 1 year or less[1]							
8 Europe	56,117	58,498	56,585	53,432	57,948	59,383	61,057
9 Canada	6,211	6,028	6,401	6,013	6,074	6,160	5,794
10 Latin America and Caribbean	73,660	62,791	63,328	59,550	57,397	58,191	55,879
11 Asia	34,403	33,504	27,966	28,013	25,802	26,474	29,372
12 Africa	4,199	4,442	3,753	3,331	3,297	3,071	2,854
13 All other[2]	1,569	2,593	2,791	2,443	2,073	1,838	4,458
Maturity of over 1 year[1]							
14 Europe	13,576	9,605	7,634	7,812	7,934	7,297	6,796
15 Canada	1,857	1,882	1,805	1,925	2,256	1,930	1,930
16 Latin America and Caribbean	43,888	56,144	50,674	52,167	53,572	54,093	56,336
17 Asia	4,850	5,323	4,502	4,251	4,034	3,976	4,091
18 Africa	2,286	2,033	1,538	1,634	1,497	1,479	1,534
19 All other[2]	1,101	1,107	926	722	714	802	795

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1,2]

Billions of dollars, end of period

Area or country	1982	1983	1984	1985 Mar.	1985 June	1985 Sept.	1985 Dec.	1986 Mar.	1986 June	1986 Sept.	1986 Dec.p
1 **Total**	**436.1**	**433.9**	**405.7**	**405.5**	**396.8**	**394.9**	**391.9**	**394.4**	**391.0**	**391.3**	**395.5**
2 G-10 countries and Switzerland	179.6	167.8	148.1	153.0	146.7	152.0	148.5	156.3	159.9	158.9	159.6
3 Belgium-Luxembourg	13.1	12.4	8.7	9.3	8.9	9.5	9.3	8.3	9.0	8.5	8.5
4 France	17.1	16.2	14.1	14.5	13.5	14.8	12.3	13.8	15.1	14.6	13.8
5 Germany	12.7	11.3	9.0	8.9	9.6	9.8	10.5	11.2	11.5	12.5	11.2
6 Italy	10.3	11.4	10.1	10.0	8.6	8.4	9.8	8.5	9.3	8.1	9.2
7 Netherlands	3.6	3.5	3.9	3.8	3.7	3.4	3.7	3.5	3.4	3.9	4.6
8 Sweden	5.0	5.1	3.2	3.1	2.9	3.1	2.8	2.9	2.9	2.7	2.4
9 Switzerland	5.0	4.3	3.9	4.2	4.0	4.1	4.4	5.4	5.6	4.8	5.5
10 United Kingdom	72.1	65.3	60.3	65.4	65.7	67.1	64.6	68.5	68.9	70.0	72.0
11 Canada	10.4	8.3	7.9	9.1	8.1	7.6	7.0	6.2	6.8	6.1	5.4
12 Japan	30.2	29.9	27.1	24.7	21.7	24.3	24.2	28.1	27.4	27.7	26.9
13 Other developed countries	33.5	36.0	33.6	32.8	32.3	32.0	30.4	31.6	30.6	29.4	26.2
14 Austria	1.9	1.9	1.6	1.6	1.6	1.7	1.6	1.6	1.7	1.7	1.7
15 Denmark	2.4	3.4	2.2	2.1	1.9	2.1	2.4	2.5	2.4	2.3	1.7
16 Finland	2.2	2.4	1.9	1.8	1.8	1.8	1.6	1.9	1.6	1.7	1.4
17 Greece	3.0	2.8	2.9	2.9	2.9	2.8	2.6	2.5	2.6	2.3	2.3
18 Norway	3.3	3.3	3.0	2.9	2.9	3.4	2.9	2.7	3.0	2.7	2.4
19 Portugal	1.5	1.5	1.4	1.4	1.3	1.4	1.3	1.1	1.0	1.0	.9
20 Spain	7.5	7.1	6.5	6.4	5.9	6.1	5.8	6.4	6.4	6.7	5.8
21 Turkey	1.4	1.7	1.9	1.9	2.0	2.1	1.9	2.3	2.5	2.1	2.0
22 Other Western Europe	2.3	1.8	1.7	1.7	1.8	1.7	2.0	2.4	2.1	1.6	1.5
23 South Africa	3.7	4.7	4.5	4.2	3.9	3.3	3.2	3.2	3.1	3.1	3.1
24 Australia	4.3	5.4	6.0	6.1	6.2	5.6	5.0	4.9	4.2	4.1	3.5
25 OPEC countries[3]	26.9	28.4	24.9	24.5	22.8	22.7	21.6	20.7	20.6	20.0	19.6
26 Ecuador	2.2	2.2	2.2	2.2	2.2	2.2	2.1	2.2	2.1	2.1	2.2
27 Venezuela	10.5	9.9	9.3	9.3	9.3	9.0	8.9	8.7	8.8	8.7	8.6
28 Indonesia	2.9	3.4	3.3	3.3	3.1	3.1	3.0	3.3	3.0	2.8	2.6
29 Middle East countries	8.5	9.8	7.9	7.4	6.1	6.2	5.5	4.8	5.0	4.6	4.5
30 African countries	2.8	3.0	2.3	2.3	2.2	2.3	2.0	1.8	1.7	1.7	1.7
31 Non-OPEC developing countries	106.5	110.8	111.8	110.8	110.0	107.8	105.1	103.5	101.5	99.7	100.1
Latin America											
32 Argentina	8.9	9.5	8.7	8.6	8.6	8.9	8.9	8.9	9.2	9.3	9.5
33 Brazil	22.9	23.1	26.3	26.4	26.6	25.5	25.6	25.6	25.3	25.2	25.3
34 Chile	6.3	6.4	7.0	7.0	6.9	6.6	7.0	7.0	7.1	7.1	7.1
35 Colombia	3.1	3.2	2.9	2.8	2.7	2.6	2.7	2.3	2.2	2.0	2.1
36 Mexico	24.2	25.8	25.7	25.5	25.3	24.4	24.2	24.0	23.8	23.8	23.9
37 Peru	2.6	2.4	2.2	2.2	2.1	1.9	1.8	1.7	1.6	1.5	1.4
38 Other Latin America	4.0	4.2	3.9	3.8	3.7	3.5	3.4	3.3	3.3	3.3	3.7
Asia											
China											
39 Mainland	.2	.3	.7	.7	.3	1.1	.5	.6	.6	.6	.4
40 Taiwan	5.3	5.2	5.1	5.3	5.5	5.1	4.5	4.3	3.7	4.3	4.9
41 India	.5	.9	.9	.9	.9	1.1	1.2	1.2	1.3	1.3	1.2
42 Israel	2.3	1.9	1.8	1.7	2.3	1.5	1.6	1.3	1.6	1.4	1.6
43 Korea (South)	10.7	11.2	10.6	10.4	10.0	10.4	9.4	9.5	8.7	7.3	6.8
44 Malaysia	2.1	2.8	2.7	2.7	2.8	2.7	2.4	2.2	2.0	2.1	2.1
45 Philippines	6.3	6.1	6.0	6.1	6.0	6.0	5.7	5.6	5.7	5.4	5.4
46 Thailand	1.6	2.2	1.8	1.7	1.6	1.7r	1.4	1.3	1.1	1.0	.9
47 Other Asia	1.1	1.0	1.1	1.1	.9	.9	1.0	.9	.8	.7	.7
Africa											
48 Egypt	1.2	1.5	1.2	1.1	1.0	1.0	1.0	.9	.9	.7	.7
49 Morocco	.7	.8	.8	.8	.8	.9	.9	.9	.9	.9	.9
50 Zaire	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
51 Other Africa[4]	2.4	2.3	2.1	2.2	2.0	2.0	1.9	1.9	1.7	1.6	1.6
52 Eastern Europe	6.2	5.3	4.4	4.3	4.3	4.6	4.2	4.0	4.0	3.4	4.0
53 U.S.S.R.	.3	.2	.1	.2	.3	.2	.1	.3	.3	.1	.4
54 Yugoslavia	2.2	2.4	2.3	2.2	2.2	2.4	2.2	2.0	2.0	1.9	1.7
55 Other	3.7	2.8	2.0	1.9	1.8	1.9	1.8	1.7	1.7	1.4	1.9
56 Offshore banking centers	66.0	68.9	65.6	63.2	63.9	58.8	65.4	61.6	57.2	62.6	65.6
57 Bahamas	19.0	21.7	21.5	20.1	21.1	16.6	21.4	21.5	17.3	20.0	22.6
58 Bermuda	.9	.9	.9	.7	.9	.8	.7	.7	.4	.4	.7
59 Cayman Islands and other British West Indies	12.8	12.2	11.8	12.3	12.1	12.3	13.4	11.3	12.8	13.2	14.6
60 Netherlands Antilles	3.3	4.2	3.4	3.3	3.2	2.3	2.3	2.3	2.3	1.9	1.9
61 Panama[5]	7.5	5.8	6.7	5.5	5.4	6.1	6.0	5.9	5.5	6.8	5.1
62 Lebanon	.1	.1	.1	.1	.1	.0	.1	.1	.1	.1	.1
63 Hong Kong	13.3	13.8	11.4	11.4	11.4	11.4	11.5	11.4	9.4	10.4	11.2
64 Singapore	9.1	10.3	9.8	9.9	9.7	9.4	9.9	8.4	9.3	9.7	9.4
65 Others[6]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[7]	17.5	16.8	17.3	16.9	16.9	17.3	16.9	16.7	17.2	17.5	20.3

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).
2. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.
3. Besides the Organization of Petroleum Exporting Countries shown individually, this group includes other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates) as well as Bahrain and Oman (not formally members of OPEC).
4. Excludes Liberia.
5. Includes Canal Zone beginning December 1979.
6. Foreign branch claims only.
7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1982	1983	1984	1985	1986			
				Dec.	Mar.	June	Sept.	Dec.^{p}
1 **Total**	**27,512**	**25,346**	**29,357**	**27,741**	**26,301**	**24,698**	**24,460**	**25,336**
2 Payable in dollars	24,280	22,233	26,389	24,352	22,544	21,040	20,633	21,568
3 Payable in foreign currencies	3,232	3,113	2,968	3,389	3,757	3,657	3,827	3,768
By type								
4 Financial liabilities	11,066	10,572	14,509	13,516	12,971	11,578	11,700	12,070
5 Payable in dollars	8,858	8,700	12,553	11,313	10,705	9,515	9,418	9,705
6 Payable in foreign currencies	2,208	1,872	1,955	2,203	2,267	2,063	2,281	2,365
7 Commercial liabilities	16,446	14,774	14,849	14,225	13,329	13,120	12,760	13,267
8 Trade payables	9,438	7,765	7,005	6,685	5,618	5,472	5,592	6,306
9 Advance receipts and other liabilities	7,008	7,009	7,843	7,540	7,711	7,648	7,168	6,961
10 Payable in dollars	15,423	13,533	13,836	13,039	11,839	11,525	11,214	11,863
11 Payable in foreign currencies	1,023	1,241	1,013	1,186	1,490	1,595	1,546	1,404
By area or country								
Financial liabilities								
12 Europe	6,501	5,742	6,728	7,616	7,460	7,022	7,254	7,851
13 Belgium-Luxembourg	505	302	471	329	338	288	322	245
14 France	783	843	995	857	851	686	501	729
15 Germany	467	502	489	434	388	280	319	372
16 Netherlands	711	621	590	745	630	635	708	701
17 Switzerland	792	486	569	676	692	561	692	714
18 United Kingdom	3,102	2,839	3,297	4,254	4,217	4,274	4,272	4,790
19 Canada	746	764	863	839	832	367	362	403
20 Latin America and Caribbean	2,751	2,596	5,086	3,184	2,810	2,443	2,269	1,969
21 Bahamas	904	751	1,926	1,123	958	874	863	621
22 Bermuda	14	13	13	4	4	14	4	4
23 Brazil	28	32	35	29	26	27	28	32
24 British West Indies	1,027	1,041	2,103	1,843	1,639	1,386	1,256	1,160
25 Mexico	121	213	367	15	20	30	18	22
26 Venezuela	114	124	137	3	3	3	5	3
27 Asia	1,039	1,424	1,777	1,815	1,824	1,685	1,790	1,767
28 Japan	715	991	1,209	1,198	1,217	1,214	1,354	1,352
29 Middle East oil-exporting countries[2]	169	170	155	82	78	43	3	8
30 Africa	17	19	14	12	12	12	4	1
31 Oil-exporting countries[3]	0	0	0	0	0	0	2	1
32 All other[4]	12	27	41	50	32	49	21	79
Commercial liabilities								
33 Europe	3,831	3,245	4,001	4,074	3,925	3,826	4,337	4,422
34 Belgium-Luxembourg	52	62	48	62	66	58	75	99
35 France	598	437	438	453	382	358	369	314
36 Germany	468	427	622	607	546	561	628	693
37 Netherlands	346	268	245	364	545	586	613	493
38 Switzerland	367	241	257	379	261	284	360	384
39 United Kingdom	1,027	732	1,095	976	957	864	1,086	1,279
40 Canada	1,495	1,841	1,975	1,449	1,445	1,357	1,240	1,387
41 Latin America and Caribbean	1,570	1,473	1,871	1,088	1,107	1,242	843	856
42 Bahamas	16	1	7	12	26	10	37	19
43 Bermuda	117	67	114	77	218	294	172	132
44 Brazil	60	44	124	58	64	45	43	59
45 British West Indies	32	6	32	44	7	35	45	46
46 Mexico	436	585	586	430	256	235	196	211
47 Venezuela	642	432	636	212	364	488	207	215
48 Asia	8,144	6,741	5,285	6,046	5,384	5,075	4,781	5,018
49 Japan	1,226	1,247	1,256	1,799	2,039	2,100	2,114	2,046
50 Middle East oil-exporting countries[2,5]	5,503	4,178	2,372	2,829	2,171	1,787	1,490	1,668
51 Africa	753	553	588	587	486	567	578	622
52 Oil-exporting countries[3]	277	167	233	238	148	215	176	197
53 All other[4]	651	921	1,128	982	983	1,053	980	962

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1982	1983	1984	1985	1986			
					Dec.	Mar.	June	Sept.	Dec.^{p}
1	**Total**	**28,725**	**34,911**	**29,901**	**28,437**	**31,383**	**33,282**	**32,599**	**32,847**
2	Payable in dollars	26,085	31,815	27,304	26,135	29,196	31,100	30,123	30,244
3	Payable in foreign currencies	2,640	3,096	2,597	2,302	2,187	2,182	2,475	2,603
	By type								
4	Financial claims	17,684	23,780	19,254	18,451	21,996	24,139	23,503	23,277
5	Deposits	13,058	18,496	14,621	15,204	18,612	20,833	18,566	18,573
6	Payable in dollars	12,628	17,993	14,202	14,589	18,155	20,278	18,078	18,024
7	Payable in foreign currencies	430	503	420	615	457	555	488	549
8	Other financial claims	4,626	5,284	4,633	3,248	3,384	3,306	4,937	4,704
9	Payable in dollars	2,979	3,328	3,190	2,213	2,291	2,285	3,717	3,406
10	Payable in foreign currencies	1,647	1,956	1,442	1,035	1,093	1,021	1,220	1,298
11	Commercial claims	11,041	11,131	10,646	9,986	9,387	9,142	9,096	9,570
12	Trade receivables	9,994	9,721	9,177	8,696	8,087	7,802	7,924	8,424
13	Advance payments and other claims	1,047	1,410	1,470	1,290	1,300	1,341	1,172	1,146
14	Payable in dollars	10,478	10,494	9,912	9,333	8,750	8,537	8,329	8,814
15	Payable in foreign currencies	563	637	735	652	637	606	767	756
	By area or country								
	Financial claims								
16	Europe	4,873	6,488	5,762	6,530	7,183	9,626	9,548	8,466
17	Belgium-Luxembourg	15	37	15	10	10	11	67	41
18	France	134	150	126	184	217	257	418	131
19	Germany	178	163	224	223	174	148	129	86
20	Netherlands	97	71	66	61	61	17	44	87
21	Switzerland	107	38	66	74	166	177	138	134
22	United Kingdom	4,064	5,817	4,864	5,725	6,310	8,799	8,525	7,736
23	Canada	4,377	5,989	3,988	3,260	4,020	4,429	3,817	4,119
24	Latin America and Caribbean	7,546	10,234	8,216	7,841	10,073	9,253	9,300	9,245
25	Bahamas	3,279	4,771	3,306	2,698	3,516	3,310	2,912	2,574
26	Bermuda	32	102	6	6	2	17	19	13
27	Brazil	62	53	100	78	77	75	101	67
28	British West Indies	3,255	4,206	4,043	4,571	6,034	5,402	5,871	6,068
29	Mexico	274	293	215	180	178	176	173	173
30	Venezuela	139	134	125	48	43	42	40	24
31	Asia	698	764	961	696	619	723	673	1,335
32	Japan	153	297	353	475	350	499	387	1,003
33	Middle East oil-exporting countries[2]	15	4	13	4	2	2	2	11
34	Africa	158	147	210	103	87	89	84	85
35	Oil-exporting countries[3]	48	55	85	29	27	25	18	26
36	All other[4]	31	159	117	21	14	20	81	27
	Commercial claims								
37	Europe	3,826	3,670	3,801	3,533	3,390	3,304	3,344	3,530
38	Belgium-Luxembourg	151	135	165	175	148	131	123	129
39	France	474	459	440	426	384	391	412	386
40	Germany	357	349	374	346	399	418	397	429
41	Netherlands	350	334	335	284	221	230	183	199
42	Switzerland	360	317	271	284	247	228	232	213
43	United Kingdom	811	809	1,063	898	795	674	830	822
44	Canada	633	829	1,021	1,023	1,061	965	929	902
45	Latin America and Caribbean	2,526	2,695	2,052	1,753	1,592	1,611	1,665	1,827
46	Bahamas	21	8	8	13	27	24	29	29
47	Bermuda	261	190	115	93	82	148	132	157
48	Brazil	258	493	214	206	217	193	206	228
49	British West Indies	12	7	7	6	7	29	23	54
50	Mexico	775	884	583	510	388	323	299	385
51	Venezuela	351	272	206	157	172	181	190	219
52	Asia	3,050	3,063	3,073	2,982	2,609	2,574	2,471	2,630
53	Japan	1,047	1,114	1,191	1,016	801	845	788	842
54	Middle East oil-exporting countries[2]	751	737	668	638	630	622	597	507
55	Africa	588	588	470	437	491	450	456	463
56	Oil-exporting countries[3]	140	139	134	130	167	170	168	135
57	All other[4]	417	286	229	257	244	237	231	218

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1985	1986	1987 Jan.–Mar.	1986 Sept.	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	81,995	148,134	61,439	12,250	10,979	12,033	14,096	17,617	20,758	23,064
2 Foreign sales	77,054	129,436	51,605	10,991	12,300	12,086	12,320	15,956	17,651	17,998
3 Net purchases, or sales (−)	**4,941**	**18,698**	**9,833**	**1,259**	**−1,322**	**−52**	**1,776**	**1,661**	**3,107**	**5,066**
4 Foreign countries	**4,857**	**18,905**	**9,976**	**1,304**	**−1,179**	**−19**	**1,696**	**1,741**	**3,206**	**5,028**
5 Europe	2,057	9,559	4,682	573	−1,124	−485	557	1,061	1,778	1,843
6 France	−438	459	1,242	30	−92	−69	113	140	446	656
7 Germany	730	341	97	9	−104	−3	24	62	16	19
8 Netherlands	−123	936	213	36	−19	−50	14	53	91	69
9 Switzerland	−75	1,560	379	71	−405	−236	47	101	99	180
10 United Kingdom	1,665	4,826	2,419	448	−481	−114	363	647	989	783
11 Canada	356	807	327	106	−115	41	102	100	−116	343
12 Latin America and Caribbean	1,718	3,029	1,011	147	154	367	220	308	331	372
13 Middle East[1]	238	975	−270	58	−51	−92	267	136	−175	−230
14 Other Asia	296	3,865	3,886	346	16	80	450	88	1,159	2,639
15 Africa	24	297	15	13	39	23	17	−1	15	1
16 Other countries	168	373	324	86	−97	48	84	49	214	61
17 Nonmonetary international and regional organizations	**84**	**−208**	**−142**	**−45**	**−143**	**−34**	**80**	**−80**	**−100**	**37**
BONDS[2]										
18 Foreign purchases	86,587	122,743	29,449	10,235	9,752	9,277	11,879	9,308	8,022	12,120
19 Foreign sales	42,455	71,840	20,900	5,597	5,539	6,105	7,733	7,178	5,453	8,270
20 Net purchases, or sales (−)	**44,132**	**50,903**	**8,549**	**4,638**	**4,213**	**3,172**	**4,147**	**2,130**	**2,569**	**3,850**
21 Foreign countries	**44,227**	**50,056**	**8,410**	**4,934**	**4,455**	**2,853**	**4,251**	**2,218**	**2,183**	**4,008**
22 Europe	40,047	39,307	6,390	3,445	3,475	2,100	3,074	1,375	1,406	3,609
23 France	210	388	105	−29	0	328	32	6	17	81
24 Germany	2,001	−251	129	26	82	−108	−19	−213	145	198
25 Netherlands	222	387	33	51	−55	113	52	−7	−29	69
26 Switzerland	3,987	4,529	702	30	265	204	−117	66	78	558
27 United Kingdom	32,762	33,899	5,514	3,468	3,177	1,416	2,770	1,392	1,182	2,940
28 Canada	190	548	451	2	88	154	153	−103	364	190
29 Latin America and Caribbean	498	1,468	270	64	101	66	102	103	98	70
30 Middle East[1]	−2,648	−2,961	−207	−169	−33	−355	−258	57	−139	−11
31 Other Asia	6,091	11,539	1,555	1,590	817	902	1,174	917	469	169
32 Africa	11	16	5	6	−3	3	3	0	1	3
33 Other countries	38	139	−54	−4	11	−15	3	−16	−16	−22
34 Nonmonetary international and regional organizations	**−95**	**847**	**139**	**−296**	**−243**	**319**	**−104**	**−88**	**386**	**−159**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−3,941	−1,452	−1,324	679	1,311	391	65	−167[r]	−463	−693
36 Foreign purchases	20,861	50,292	19,449	5,120	6,426	4,190	4,709	5,001[r]	7,247	7,201
37 Foreign sales	24,803	51,744	20,773	4,440	5,115	3,799	4,644	5,169	7,710	7,894
38 Bonds, net purchases, or sales (−)	−3,999	−3,098	−413	−2,340	2,125	−683	−441	320[r]	−217	−516
39 Foreign purchases	81,216	166,700	43,856	15,239	16,274	12,663	16,316	11,427[r]	15,821	16,609
40 Foreign sales	85,214	169,798	44,269	17,578	14,149	13,346	16,756	11,107[r]	16,037	17,125
41 Net purchases, or sales (−), of stocks and bonds	**−7,940**	**−4,550**	**−1,737**	**−1,660**	**3,436**	**−292**	**−376**	**152[r]**	**−680**	**−1,209**
42 Foreign countries	**−9,003**	**−5,665**	**−2,293**	**−1,598**	**3,117**	**−294**	**−825**	**10[r]**	**−789**	**−1,514**
43 Europe	−9,887	−17,675	−2,123	−3,390	−657	−1,010	−1,369	−188[r]	−1,271	−665
44 Canada	−1,686	−875	−1,222	109	94	−106	−264	−396	−622	204
45 Latin America and Caribbean	1,797	3,469	84	351	502	16	203	389	124	−429
46 Asia	659	11,342	1,411	1,764	3,237	820	1,511	168	935	309
47 Africa	75	52	3	3	−1	4	3	4	0	−1
48 Other countries	38	−1,977	−446	−434	−59	−19	−909	33[r]	45	−524
49 Nonmonetary international and regional organizations	**1,063**	**1,115**	**556**	**−63**	**320**	**2**	**449**	**143**	**109**	**305**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1985	1986	1987	1986				1987		
			Jan.–Mar.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.p
	Transactions, net purchases or sales (−) during period[1]									
1 **Estimated total**[2]	**29,208**	**24,173**	**13,855**	**5,105**	**3,032**	**−2,259**	**991**	**−156r**	**7,782**	**6,229**
2 Foreign countries[2]	28,768	25,277	5,786	4,062	2,717	−301	−488	580r	1,818	3,388
3 Europe[2]	4,303	16,851	8,115	−722	3,046	−727	1,001	1,376	1,709	5,031
4 Belgium-Luxembourg	476	349	235	239	4	−53	75	59	211	−35
5 Germany[2]	1,917	7,531	3,353	1,098	2,497	700	−487	581	1,118	1,655
6 Netherlands	269	1,283	−607	−313	112	38	−58	−366	41	−283
7 Sweden	976	132	536	85	−6	−70	−236	−229	440	325
8 Switzerland[2]	773	310	1,721	−53	449	−498	−428	−135	473	1,383
9 United Kingdom	−1,810	4,648	1,530	−1,972	141	−335	1,036	1,227	−57	360
10 Other Western Europe	1,701	2,598	1,347	195	−149	−510	1,099	236	−518	1,628
11 Eastern Europe	0	0	0	0	0	0	0	3	0	−3
12 Canada	−188	881	1,145	−190	−230	19	297	846	−403	702
13 Latin America and Caribbean	4,315	878	−1,358	220	−219	75	97	−1,006r	−290	−62
14 Venezuela	248	−95	87	266	69	−139	29	−33	18	102
15 Other Latin America and Caribbean	2,336	1,131	−228	32	−314	6	96	−445r	374	−156
16 Netherlands Antilles	1,731	−159	−1,218	−78	26	208	−28	−528	−682	−8
17 Asia	19,919	5,466	−2,017	4,942	−30	−152	−2,067	−922	1,231	−2,327
18 Japan	17,909	4,048	−688	4,489	−450	188	−2,086	−76	1,776	−2,388
19 Africa	112	−54	−15	11	−13	2	−14	6	−34	12
20 All other	308	1,255	−83	−200	163	482	198	280	−396	32
21 Nonmonetary international and regional organizations	442	−1,105	8,070	1,043	315	−1,958	1,478	−736	5,966	−2,840
22 International	−436	−1,430	7,949	937	365	−2,010	1,412	−791	5,964	−2,776
23 Latin American regional	18	157	11	39	−5	0	0	0	0	11
MEMO										
24 Foreign countries[2]	28,768	25,277	5,786	4,062	2,717	−301	−488	580r	1,818	3,388
25 Official institutions	8,135	14,366	7,186	1,878	3,589	133	295	1,498r	682	5,007
26 Other foreign[2]	20,631	10,913	−1,400	2,183	−872	−434	−782	−918	1,135	−1,617
Oil-exporting countries										
27 Middle East[3]	−1,547	−1473	−1,456	−205	−377	−1,014	−21	−721	−962	226
28 Africa[4]	7	5	19	2	−1	1	0	1	1	17

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. Includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on Apr. 30, 1987		Country	Rate on Apr. 30, 1987		Country	Rate on Apr. 30, 1987	
	Per-cent	Month effective		Per-cent	Month effective		Per-cent	Month effective
Austria	3.5	Jan. 1987	France[1]	7.75	Mar. 1987	Norway	8.0	June 1983
Belgium	8.5	Jan. 1987	Germany, Fed. Rep. of	3.5	Mar. 1986	Switzerland	3.5	Jan. 1987
Brazil	49.0	Mar. 1981	Italy	11.5	Mar. 1987	United Kingdom[2]	.....	....
Canada	7.90	Apr. 1987	Japan	2.5	Feb. 1987	Venezuela	8.0	Oct. 1985
Denmark	7.0	Oct. 1983	Netherlands	4.5	Mar. 1986			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. Minimum lending rate suspended as of Aug. 20, 1981.

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1984	1985	1986	1986			1987			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 Eurodollars	10.75	8.27	6.70	5.88	5.96	6.23	6.10	6.32	6.37	6.73
2 United Kingdom	9.91	12.16	10.87	11.08	11.12	11.30	10.98	10.79	9.90	9.72
3 Canada	11.29	9.64	9.18	8.45	8.39	8.34	7.95	7.44	7.14	7.62
4 Germany	5.96	5.40	4.58	4.56	4.67	4.80	4.45	3.94	3.97	3.85
5 Switzerland	4.35	4.92	4.19	3.96	3.88	4.08	3.63	3.58	3.93	3.65
6 Netherlands	6.08	6.29	5.56	5.32	5.48	6.03	5.58	5.31	5.38	5.31
7 France	11.66	9.91	7.68	7.38	7.51	7.92	8.49	8.36	7.85	7.87
8 Italy	17.08	14.86	12.60	10.85	11.05	11.40	11.39	11.13	10.65	10.03
9 Belgium	11.41	9.60	8.04	7.29	7.38	7.39	7.88	7.75	7.49	7.21
10 Japan	6.32	6.47	4.96	4.75	4.39	4.40	4.23	3.98	4.00	3.92

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES

Currency units per dollar

Country/currency	1984	1985	1986	1986		1987			
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 Australia/dollar[1]	87.937	70.026	67.093	64.45	65.95	66.09	66.77	68.17	71.19
2 Austria/schilling	20.005	20.676	15.260	14.251	13.996	13.087	12.833	12.905	12.739
3 Belgium/franc	57.749	59.336	44.662	42.069	41.381	38.616	37.789	38.029	35.562
4 Brazil/cruzeiro	*1841.50*	*6205.10*	*13.051*	*14.10*	*14.54*	*15.58*	*18.08*	*20.56*	*22.59*
5 Canada/dollar	1.2953	1.3658	1.3896	1.3863	1.3801	1.3605	1.3340	1.3194	1.3183
6 China, P.R./yuan	2.3308	2.9434	3.4615	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314
7 Denmark/krone	10.354	10.598	8.0954	7.6444	7.5235	7.0591	6.8939	6.9166	6.8388
8 Finland/markka	6.0007	6.1971	5.0721	4.9576	4.8980	4.6419	4.5556	4.5102	4.4227
9 France/franc	8.7355	8.9799	6.9256	6.6206	6.5296	6.2007	6.0760	6.1091	6.0332
10 Germany/deutsche mark	2.8454	2.9419	2.1704	2.0243	1.9880	1.8596	1.8239	1.8355	1.8125
11 Greece/drachma	112.73	138.40	139.93	139.12	140.13	134.80	133.88	134.68	133.502
12 Hong Kong/dollar	7.8188	7.7911	7.8037	7.7974	7.7931	7.7698	7.7952	7.8017	7.8023
13 India/rupee	11.348	12.332	12.597	13.076	13.149	13.029	13.062	12.924	12.8224
14 Ireland/pound[1]	108.64	106.62	134.14	134.64	136.78	143.90	145.93	145.54	147.49
15 Italy/lira	1756.10	1908.90	1491.16	1401.08	1379.44	1317.17	1297.74	1305.90	1292.96
16 Japan/yen	237.45	238.47	168.35	162.85	162.05	154.83	153.41	151.43	143.00
17 Malaysia/ringgit	2.3448	2.4806	2.5830	2.6131	2.5966	2.5701	2.5418	2.5230	2.4861
18 Netherlands/guilder	3.2083	3.3184	2.4484	2.2870	2.2470	2.0978	2.0592	2.0731	2.0447
19 New Zealand/dollar[1]	57.837	49.752	52.456	51.382	51.339	53.605	54.815	56.333	57.751
20 Norway/krone	8.1596	8.5933	7.3984	7.5401	7.5294	7.1731	7.0067	6.9335	6.7781
21 Portugal/escudo	147.70	172.07	149.80	149.54	148.61	142.90	141.62	141.48	140.339
22 Singapore/dollar	2.1325	2.2008	2.1782	2.1922	2.1900	2.1510	2.1410	2.1418	2.1350
23 South Africa/rand[1]	69.534	45.57	43.952	44.37	44.94	47.70	47.97	48.21	49.55
24 South Korea/won	807.91	861.89	884.61	873.54	868.43	862.86	857.38	856.11	845.00
25 Spain/peseta	160.78	169.98	140.04	136.10	134.49	129.54	128.62	128.86	126.975
26 Sri Lanka/rupee	25.428	27.187	27.933	28.471	28.532	28.578	28.662	28.823	28.902
27 Sweden/krona	8.2706	8.6031	7.1272	6.9683	6.9081	6.6188	6.5016	6.4202	6.3210
28 Switzerland/franc	2.3500	2.4551	1.7979	1.6858	1.6647	1.5616	1.5403	1.5391	1.4968
29 Taiwan/dollar	39.633	39.889	37.837	36.438	36.001	35.304	35.056	34.681	33.863
30 Thailand/baht	23.582	27.193	26.314	26.278	26.239	26.037	25.933	25.881	25.695
31 United Kingdom/pound[1]	133.66	129.74	146.77	142.38	143.93	150.54	152.80	159.23	162.99
MEMO									
32 United States/dollar[2]	138.19	143.01	112.22	107.90	106.54	101.13	99.46	98.99	97.09

1. Value in U.S. cents.

2. Index of weighted-average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. March 1973 = 100. Weights are 1972–76 global trade of each of the 10 countries. Series revised as of August 1978. For description and back data, see "Index of the Weighted-Average Exchange Value of the U.S. Dollar: Revision" on p. 700 of the August 1978 BULLETIN.

3. Currency reform.

NOTE. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected	0	Calculated to be zero
e	Estimated	n.a.	Not available
p	Preliminary	n.e.c.	Not elsewhere classified
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)	REITs	Real estate investment trusts
		RPs	Repurchase agreements
		SMSAs	Standard metropolitan statistical areas
		. . . .	Cell not applicable

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

STATISTICAL RELEASES

List Published Semiannually, with Latest Bulletin Reference

SPECIAL TABLES

Published Irregularly, with Latest Bulletin Reference

Special tables begin on next page.

4.20 DOMESTIC AND FOREIGN OFFICES, Insured Commercial Bank Assets and Liabilities[1,2]
Consolidated Report of Condition, September 30, 1986

Millions of dollars

Item	Total	Banks with foreign offices[3,4]			Banks with domestic offices only[5]	
		Total	Foreign	Domestic	Over 100	Under 100
1 **Total assets[6]**	**2,772,938**	**1,612,911**	**423,841**	**1,244,421**	**731,739**	**428,288**
2 Cash and balances due from depository institutions	325,280	226,168	113,326	112,843	62,191	36,920
3 Cash items in process of collection, unposted debits, and currency	↑	74,225	1,969	72,257	25,005	↑
4 Cash items in process of collection and unposted debits and coin		n.a.	n.a.	61,552	17,432	
5 Currency and coin	n.a.	n.a.	n.a.	10,705	7,573	n.a.
6 Balances due from depository institutions in the United States		33,274	19,178	14,096	22,094	
7 Balances due from banks in foreign countries and foreign central banks		95,765	92,061	3,704	5,785	
8 Balances due from Federal Reserve Banks	↓	22,904	118	22,786	9,307	↓
MEMO						
9 Noninterest-bearing balances due from commercial banks in the United States (included in balances due from depository institutions in the U.S.)	n.a.	n.a.	n.a.	9,577	13,446	13,789
10 **Total securities, loans and lease financing receivables, net**	**2,234,431**	**1,223,405**	**n.a.**	**n.a.**	**638,776**	**372,250**
11 Total securities, book value	469,428	184,496	24,235	160,260	163,512	121,420
12 U.S. Treasury securities and U.S. government agency and corporation obligations	267,929	87,919	722	87,198	96,423	83,587
13 U.S. Treasury securities	n.a.	57,802	630	57,171	62,439	n.a.
14 U.S. government agency and corporation obligations	n.a.	30,118	91	30,027	33,984	n.a.
15 All holdings of U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages	39,088	21,266	76	21,189	10,119	7,704
16 All other	n.a.	8,852	15	8,837	23,865	n.a.
17 Securities issued by states and political subdivisions in the United States	151,397	63,238	773	62,465	55,387	32,771
18 Other securities	50,102	33,338	22,740	10,597	11,702	5,062
19 Other domestic securities	n.a.	9,182	427	8,755	11,236	...
20 All holdings of private certificates of participation in pools of residential mortgages	3,847	2,049	8	2,041	1,197	601
21 All other	21,632	7,133	418	6,714	10,039	4,461
22 Foreign securities	n.a.	24,156	22,314	1,842	467	...
23 Federal funds sold and securities purchased under agreements to resell	125,476	53,956	193	53,763	41,545	29,976
24 Total loans and lease financing receivables, gross	1,682,700	1,008,931	237,054	771,877	446,291	227,478
25 LESS: Unearned income on loans	16,216	7,007	2,020	4,988	5,913	3,296
26 Total loans and leases (net of unearned income)	1,666,478	1,001,917	235,020	766,897	440,379	224,182
27 LESS: Allowance for loan and lease losses	26,847	16,861	n.a.	n.a.	6,660	3,327
28 LESS: Allocated transfer risk reserves	103	102	n.a.	n.a.	0	1
29 EQUALS: Total loans and leases, net	1,639,527	984,954	n.a.	n.a.	433,719	220,854
Total loans, gross, by category						
30 Loans secured by real estate	482,701	229,425	16,341	213,084	159,833	93,442
31 Construction and land development	n.a.	n.a.	n.a.	67,300	25,850	8,520
32 Farmland	n.a.	n.a.	n.a.	1,478	3,182	7,798
33 1–4 family residential properties	n.a.	n.a.	n.a.	83,703	75,559	50,928
34 Multifamily (5 or more) residential properties	n.a.	n.a.	n.a.	7,293	5,120	1,905
35 Nonfarm nonresidential properties	n.a.	n.a.	n.a.	53,310	50,123	24,292
36 Loans to depository institutions	65,187	59,312	32,392	26,920	5,153	722
37 To commercial banks in the United States	n.a.	18,404	1,304	17,099	4,073	n.a.
38 To other depository institutions in the United States	n.a.	4,830	311	4,519	832	n.a.
39 To banks in foreign countries	n.a.	36,079	30,777	5,302	248	n.a.
40 Loans to finance agricultural production and other loans to farmers	34,142	6,098	420	5,678	7,056	20,987
41 Commercial and industrial loans	570,242	398,825	122,592	276,233	118,529	52,889
42 To U.S. addressees (domicile)	n.a.	289,792	18,035	271,757	118,124	n.a.
43 To non-U.S. addressees (domicile)	n.a.	109,033	104,557	4,476	404	n.a.
44 Acceptances of other banks	2,511	933	299	634	887	690
45 U.S. banks	n.a.	292	7	285	n.a.	n.a.
46 Foreign banks	n.a.	642	292	350	n.a.	n.a.
47 Loans to individuals for household, family and other personal expenditures (includes purchased paper)	315,907	141,851	11,063	130,788	122,355	51,701
48 Credit cards and related plans	79,824	44,120	n.a.	n.a.	33,318	2,386
49 Other (includes single payment and installment)	236,083	97,731	n.a.	n.a.	89,036	49,315
50 Obligations (other than securities) of states and political subdivisions in the U.S.	60,757	38,778	631	38,147	18,923	3,056
51 Nonrated industrial development obligations	45,926	28,634	107	28,526	15,274	2,019
52 Other obligations (excluding securities)	14,831	10,144	523	9,621	3,649	1,038
53 All other loans	125,449	112,313	48,949	63,363	9,760	3,376
54 Loans to foreign governments and official institutions	n.a.	38,913	35,761	3,152	236	n.a.
55 Other loans	n.a.	73,399	13,188	60,211	9,525	n.a.
56 Loans for purchasing and carrying securities	n.a.	n.a.	n.a.	17,541	2,171	n.a.
57 All other loans	n.a.	n.a.	n.a.	42,671	7,353	n.a.
58 Lease financing receivables	25,804	21,396	4,366	17,030	3,795	614
59 Assets held in trading accounts	44,294	43,169	16,181	26,988	900	225
60 Premises and fixed assets (including capitalized leases)	41,656	21,169	↑	n.a.	12,657	7,831
61 Other real estate owned	8,835	3,570		n.a.	2,703	2,562
62 Investments in unconsolidated subsidiaries and associated companies	2,160	1,811		n.a.	286	62
63 Customers' liability on acceptances outstanding	42,348	41,990	n.a.	n.a.	332	26
64 Net due from own foreign offices, Edge and Agreement subsidiaries and IBFs	n.a.	n.a.		47,420	n.a.	n.a.
65 Intangible assets	3,620	2,338		n.a.	1,119	163
66 Other assets	70,315	49,290	↓	n.a.	12,775	8,249

4.20 Continued

Item	Total	Banks with foreign offices[3,4]			Banks with domestic offices only[5]	
		Total	Foreign	Domestic	Over 100	Under 100
67 **Total liabilities, limited-life preferred stock and equity capital**	**2,772,938**	**1,612,911**	**n.a.**	**n.a.**	**731,739**	**428,288**
68 **Total liabilities**[7]	**2,595,682**	**1,524,999**	**421,566**	**1,158,784**	**679,408**	**391,275**
69 Limited-life preferred stock	74	62	n.a.	n.a.	12	0
70 Total deposits	2,137,457	1,147,308	324,022	823,286	609,369	380,780
71 Individuals, partnerships, and corporations			171,500	725,255	550,061	347,070
72 U.S. government				3,075	1,761	795
73 States and political subdivisions in the United States				34,923	38,227	26,925
74 Commercial banks in the United States	n.a.	n.a.	n.a.	35,380	11,205	1,817
75 Other depository institutions in the United States				4,987	2,650	1,345
76 Banks in foreign countries				7,436	175	n.a.
77 Foreign governments and official institutions		32,747	30,717	2,030	183	n.a.
78 Certified and official checks	18,718	10,817	619	10,198	5,107	2,794
79 All other[8]	n.a.	n.a.	121,186	...	...	35
80 Total transaction accounts				293,231	177,938	100,005
81 Individuals, partnerships, and corporations				235,032	154,718	89,013
82 U.S. government				2,323	1,260	607
83 States and political subdivisions in the United States				7,496	8,201	6,563
84 Commercial banks in the United States	n.a.	n.a.	n.a.	26,014	6,896	447
85 Other depository institutions in the United States				4,296	1,688	570
86 Banks in foreign countries				6,697	56	n.a.
87 Foreign governments and official institutions				1,173	11	n.a.
88 Certified and official checks				10,198	5,107	2,794
89 All other				...	...	11
90 Demand deposits (included in total transaction accounts)				240,852	122,365	59,147
91 Individuals, partnerships, and corporations				184,072	102,650	52,066
92 U.S. government				2,320	1,246	587
93 States and political subdivisions in the United States				6,083	4,727	2,681
94 Commercial banks in the United States				26,013	6,893	446
95 Other depository institutions in the United States				4,295	1,675	562
96 Banks in foreign countries				6,697	55	n.a.
97 Foreign governments and official institutions				1,172	10	n.a.
98 Certified and official checks				10,198	5,107	2,794
99 All other				...	...	11
100 Total nontransaction accounts				530,055	431,432	280,775
101 Individuals, partnerships, and corporations	n.a.	n.a.	n.a.	490,223	395,342	258,056
102 U.S. government				752	500	189
103 States and political subdivisions in the United States				27,428	30,026	20,362
104 Commercial banks in the United States				9,366	4,309	1,369
105 U.S. branches and agencies of foreign banks				337	730	n.a.
106 Other commercial banks in the United States				9,029	3,580	n.a.
107 Other depository institutions in the United States				691	961	775
108 Banks in foreign countries				739	120	n.a.
109 Foreign branches of other U.S. banks				24	5	n.a.
110 Other banks in foreign countries				715	115	n.a.
111 Foreign governments and official institutions				856	172	n.a.
112 All other				...	...	24
113 Federal funds purchased and securities sold under agreements to repurchase	231,895	188,388	775	187,614	40,073	3,434
114 Demand notes issued to the U.S. Treasury	n.a.	n.a.	n.a.	18,886	4,295	733
115 Other borrowed money	76,982	63,128	24,748	38,380	12,994	860
116 Banks liability on acceptances executed and outstanding	42,534	42,176	8,545	33,631	332	26
117 Notes and debentures subordinated to deposits	16,426	14,003		n.a.	2,041	382
118 Net due to own foreign offices, Edge and Agreement subsidiaries and IBFs	n.a.	n.a.		7,931	n.a.	n.a.
119 All other liabilities	66,475	51,111			10,304	5,061
120 Total equity capital[9]	177,181	87,850			52,319	37,013
121 Perpetual preferred stock	1,310	938	n.a.		251	121
122 Common stock	28,904	13,946		n.a.	7,872	7,086
123 Surplus	60,265	28,045			19,030	13,190
124 Undivided profits and capital reserves	87,204	45,243			25,166	16,615
125 Cumulative foreign currency translation adjustments	n.a.	322			...	...
MEMO						
126 Holdings of commercial paper included in total loans, gross		575	281	294	1,116	n.a.
127 Total individual retirement accounts (IRA) and Keogh plan accounts				28,749	27,314	15,373
128 Total brokered deposits				22,145	3,624	550
129 Total brokered retail deposits				5,125	2,494	406
130 Issued in denominations of $100,000 or less				1,209	1,079	293
131 Issued in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less				3,916	1,415	113
132 Nontransaction savings deposits				229,204	182,038	94,075
133 Total time deposits of less than $100,000				134,353	165,477	139,225
134 Time certificates of deposit of $100,000 or more	n.a.	n.a.	n.a.	138,439	79,606	45,653
135 Open-account time deposits of $100,000 or more				28,059	4,311	1,821
136 Super NOW accounts				48,123	52,677	38,171
137 Money market deposit accounts (MMDAs)				174,241	127,718	62,523
138 Total time and savings deposits				582,434	487,004	321,632
Quarterly averages						
139 Total loans				736,580	434,786	222,001
140 Obligations (other than securities) of states and political subdivisions in the United States				38,997	18,523	n.a.
141 Time certificates of deposit of $100,000 or more				137,563	80,230	45,657
142 Super NOW accounts, money market deposit accounts, and time deposits (other than certificates of deposits of $100,000 or more)				378,143	350,376	242,733
143 Number of banks	14,167	259		n.a.	2,202	11,706

Footnotes appear at the end of table 4.22

4.21 DOMESTIC OFFICES, Insured Commercial Banks with Assets of $100 Million or more or with foreign offices [1,2,3]
Consolidated Report of Condition, September 30, 1986
Millions of dollars

Item	Total	Members			Non-members
		Total	National	State	
1 **Total assets[6]**	**1,976,159**	**1,618,609**	**1,270,965**	**347,644**	**357,551**
2 Cash and balances due from depository institutions	175,034	146,197	114,849	31,348	28,837
3 Cash items in process of collection and unposted debits	78,984	72,510	55,960	16,550	6,474
4 Currency and coin	18,278	15,149	12,472	2,677	3,129
5 Balances due from depository institutions in the United States	36,190	23,813	19,861	3,952	12,377
6 Balances due from banks in foreign countries and foreign central banks	9,489	7,154	5,686	1,468	2,335
7 Balances due from Federal Reserve Banks	32,093	27,571	20,870	6,701	4,522
8 **Total securities, loans and lease financing receivables, (net of unearned income)**	**1,626,356**	**1,314,160**	**1,047,702**	**266,459**	**312,196**
9 Total securities, book value	323,772	247,264	193,749	53,515	76,508
10 U.S. Treasury securities	119,610	91,040	73,192	17,848	28,570
11 U.S. government agency and corporation obligations	64,011	48,336	40,492	7,844	15,675
12 All holdings of U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages	31,309	26,521	22,568	3,953	4,788
13 All other	32,702	21,815	17,924	3,891	10,887
14 Securities issued by states and political subdivisions in the United States	117,852	92,573	68,530	24,043	25,279
15 Other domestic securities	19,991	13,553	10,903	2,651	6,437
16 All holdings of private certificates of participation in pools of residential mortgages	3,238	2,679	1,973	707	558
17 All other	16,753	10,874	8,930	1,944	5,879
18 Foreign securities	2,309	1,762	633	1,129	547
19 Federal funds sold and securities purchased under agreements to resell	95,308	78,823	59,440	19,383	16,485
20 Total loans and lease financing receivables, gross	1,218,168	996,539	800,970	195,569	221,629
21 LESS: Unearned income on loans	10,900	8,474	6,466	2,009	2,426
22 Total loans and leases (net of unearned income)	1,207,276	988,073	794,512	193,561	219,203
Total loans, gross, by category					
23 Loans secured by real estate	372,918	288,899	246,257	42,642	84,019
24 Construction and land development	93,149	76,113	62,756	13,357	17,036
25 Farmland	4,660	3,166	2,815	351	1,494
26 1-4 family residential properties	159,263	122,282	105,825	16,457	36,981
27 Multifamily (5 or more) residential properties	12,413	9,597	8,226	1,371	2,816
28 Nonfarm nonresidential properties	103,433	77,741	66,635	11,106	25,692
29 Loans to commercial banks in the United States	21,172	17,353	12,963	4,390	3,819
30 Loans to other depository institutions in the United States	5,351	5,095	4,224	871	256
31 Loans to banks in foreign countries	5,549	5,399	3,274	2,125	150
32 Loans to finance agricultural production and other loans to farmers	12,734	10,257	9,014	1,243	2,477
33 Commercial and industrial loans	394,761	326,410	254,071	72,339	68,351
34 To U.S. addressees (domicile)	389,881	321,859	250,339	71,520	68,023
35 To non-U.S. addressees (domicile)	4,880	4,551	3,732	819	329
36 Acceptances of other banks[10]	1,521	1,190	1,099	91	332
37 Of U.S. banks	553	453	414	39	100
38 Of foreign banks	396	349	331	18	47
39 Loans to individuals for household, family and other personal expenditures (includes purchased paper)	253,143	207,120	172,178	34,942	46,022
40 Loans to foreign governments and official institutions	3,388	3,216	2,291	924	172
41 Obligations (other than securities) of states and political subdivisions in the United States	57,070	47,939	35,772	12,166	9,131
42 Nonrated industrial development obligations	43,800	36,088	26,329	9,758	7,712
43 Other obligations (excluding securities)	13,270	11,851	9,443	2,408	1,419
44 Other loans	69,736	65,015	44,807	20,208	4,721
45 Loans for purchasing and carrying securities	19,712	18,584	11,219	7,364	1,128
46 All other loans	50,024	46,432	33,588	12,844	3,592
47 Lease financing receivables	20,825	18,647	15,020	3,627	2,178
48 Customers' liability on acceptances outstanding	32,199	31,480	22,249	9,231	719
49 Net due from own foreign offices, Edge and Agreement subsidiaries and IBFs	47,420	43,743	30,149	13,595	3,676
50 Remaining assets	142,570	126,771	86,165	40,606	15,799

4.21 Continued

Item	Total	Members			Nonmembers
		Total	National	State	
51 **Total liabilities and equity capital**	**1,976,159**	**1,618,609**	**1,270,965**	**347,644**	**357,551**
52 **Total liabilities**[7]	**1,838,192**	**1,506,932**	**1,185,325**	**321,607**	**331,260**
53 Total deposits	1,432,655	1,135,073	915,239	219,834	297,582
54 Individuals, partnerships, and corporations	1,275,316	1,005,534	817,574	187,960	269,782
55 U.S. government	4,836	4,035	3,481	554	800
56 States and political subdivisions in the United States	73,151	55,051	45,918	9,133	18,100
57 *Commercial banks in the United States*	46,586	42,655	31,678	10,977	3,931
58 Other depository institutions in the United States	7,636	6,161	4,124	2,037	1,476
59 *Banks in foreign countries*	7,612	7,162	3,301	3,861	450
60 Foreign governments and official institutions	2,212	1,998	1,040	958	214
61 Certified and official checks	15,305	12,478	8,124	4,354	2,827
62 Total transaction accounts	471,168	387,954	303,642	84,312	83,215
63 Individuals, partnerships, and corporations	389,750	315,249	251,731	63,518	74,501
64 U.S. government	3,583	3,012	2,523	489	572
65 States and political subdivisions in the United States	15,697	12,759	10,321	2,438	2,937
66 Commercial banks in the United States	32,910	31,456	23,914	7,542	1,454
67 Other depository institutions in the United States	5,984	5,331	3,528	1,803	653
68 Banks in foreign countries	6,753	6,582	2,966	3,616	170
69 Foreign governments and official institutions	1,184	1,086	534	551	98
70 Certified and official checks	15,305	12,478	8,124	4,354	2,827
71 Demand deposits (included in total transaction accounts)	363,216	304,822	233,491	71,331	58,395
72 Individuals, partnerships, and corporations	286,722	235,805	184,583	51,223	50,917
73 U.S. government	3,566	2,997	2,508	489	569
74 States and political subdivisions in the United States	10,810	9,091	7,338	1,754	1,719
75 Commercial banks in the United States	32,907	31,456	23,914	7,542	1,451
76 Other depository institutions in the United States	5,971	5,328	3,526	1,802	642
77 Banks in foreign countries	6,752	6,582	2,966	3,616	170
78 Foreign governments and official institutions	1,181	1,084	532	551	98
79 Certified and official checks	15,305	12,478	8,124	4,354	2,827
80 Total nontransaction accounts	961,487	747,120	611,597	135,522	214,367
81 Individuals, partnerships, and corporations	885,565	690,285	565,843	124,442	195,281
82 U.S. government	1,252	1,024	958	65	229
83 States and political subdivisions in the United States	57,454	42,292	35,597	6,696	15,162
84 Commercial banks in the United States	13,676	11,198	7,764	3,435	2,477
85 U.S. branches and agencies of foreign banks	1,067	655	579	76	412
86 Other commercial banks in the United States	12,608	10,543	7,184	3,358	2,066
87 Other depository institutions in the United States	1,652	830	596	234	823
88 Banks in foreign countries	859	579	335	245	280
89 Foreign branches of other U.S. banks	29	28	23	5	1
90 Other banks in foreign countries	830	551	311	240	279
91 Foreign governments and official institutions	1,028	912	505	407	116
92 Federal funds purchased and securities sold under agreements to repurchase	227,687	208,949	155,435	53,514	18,737
93 Demand notes issued to the U.S. Treasury	23,181	21,257	16,525	4,732	1,924
94 Other borrowed money	51,373	46,505	30,677	15,828	4,869
95 Banks liability on acceptances executed and outstanding	33,963	33,244	23,303	9,941	719
96 Notes and debentures subordinated to deposits	2,041	1,362	1,192	170	679
97 Net due to own foreign offices, Edge and Agreement subsidiaries and IBFs	7,931	6,788	4,910	1,878	1,143
98 Remaining liabilities	67,292	60,542	42,955	17,588	6,750
99 **Total equity capital**[9]	**137,968**	**111,677**	**85,640**	**26,038**	**26,290**
MEMO					
100 Holdings of commercial paper included in total loans, gross	1,410	892	736	156	517
101 *Total individual retirement accounts (IRA) and Keogh plan accounts*	56,063	43,645	36,266	7,379	12,418
102 Total brokered deposits	25,769	21,528	18,088	3,440	4,241
103 Total brokered retail deposits	7,618	6,113	5,346	767	1,506
104 Issued in denominations of $100,000 or less	2,288	1,391	1,358	33	897
105 Issued in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less	5,331	4,722	3,988	734	609
106 Nontransaction savings deposits	411,242	323,133	262,037	61,096	88,109
107 Total time deposits of less than $100,000	299,830	225,835	192,563	33,273	73,995
108 Time certificates of deposit of $100,000 or more	218,045	169,554	137,971	31,584	48,491
109 Open-account time deposits of $100,000 or more	32,370	28,597	19,027	9,570	3,773
110 Super NOW accounts	100,800	77,584	65,012	12,572	23,216
111 Money market deposit accounts (MMDAs)	301,959	238,573	193,905	44,668	63,387
112 Total time and savings deposits	1,069,439	830,252	681,748	148,503	239,187
Quarterly averages					
113 Total loans	1,171,366	956,577	771,102	185,475	214,789
114 Obligations (other than securities) of states and political subdivisions in the United States	57,519	48,856	36,136	12,720	8,663
115 Time certificates of deposit of $100,000 or more	217,793	169,049	138,990	30,058	48,745
116 Super NOW accounts, money market deposit accounts, and time deposits (other than certificates of deposits of $100,000 or more)	728,520	565,433	468,003	97,430	163,087
117 Number of banks	2,461	1,426	1,214	212	1,035

Footnotes appear at the end of table 4.22

4.22 DOMESTIC OFFICES, Insured Commercial Bank Assets and Liabilities[1,2,3]
Consolidated Report of Condition, September 30, 1986
Millions of dollars

Item	Total	Members			Nonmembers
		Total	National	State	
1 **Total assets[6]**	**2,404,447**	**1,801,962**	**1,422,048**	**379,914**	**602,485**
2 Cash and balances due from depository institutions	211,954	162,810	128,751	34,060	49,143
3 Currency and coin	22,603	17,043	14,031	3,012	5,561
4 Noninterest-bearing balances due from commercial banks	36,811	20,450	16,989	3,462	16,361
5 Other	152,540	125,317	97,731	27,587	27,222
6 **Total securities, loans, and lease financing receivables (net of unearned income)**	**2,001,934**	**1,474,257**	**1,179,346**	**294,910**	**527,677**
7 Total securities, book value	445,193	296,497	233,867	62,630	148,696
8 U.S. Treasury securities and U.S. government agency and corporation obligations	267,207	172,714	140,639	32,075	94,494
9 Securities issued by states and political subdivisions in the United States	150,623	106,301	79,894	26,407	44,323
10 Other securities	27,362	17,482	13,335	4,148	9,880
11 All holdings of private certificates of participation in pools of residential mortgages	3,839	2,918	2,159	759	921
12 All other	23,523	14,564	11,175	3,389	8,959
13 Federal funds sold and securities purchased under agreements to resell	125,284	93,207	71,575	21,632	32,077
14 Total loans and lease financing receivables, gross	1,445,646	1,094,453	881,524	212,929	351,193
15 LESS: Unearned income on loans	14,196	9,908	7,628	2,280	4,288
16 Total loans and leases (net of unearned income)	1,431,458	1,084,553	873,904	210,649	346,905
Total loans, gross, by category					
17 Loans secured by real estate	466,360	328,946	279,021	49,925	137,414
18 Construction and land development	101,669	80,079	66,129	13,950	21,590
19 Farmland	12,459	5,864	4,981	882	6,595
20 1–4 family residential properties	210,190	144,394	123,662	20,732	65,796
21 Multifamily (5 or more) residential properties	14,317	10,417	8,895	1,523	3,900
22 Nonfarm nonresidential properties	127,724	88,192	75,354	12,838	39,532
23 Loans to depository institutions	32,795	28,247	20,820	7,427	4,547
24 Loans to finance agricultural production and other loans to farmers	33,721	17,860	15,068	2,793	15,861
25 Commercial and industrial loans	447,650	350,243	273,911	76,333	97,407
26 Acceptances of other banks	2,212	1,512	1,366	146	700
27 Loans to individuals for household, family and other personal expenditures (includes purchased paper)	304,844	229,791	190,909	38,882	75,053
28 Obligations (other than securities) of states and political subdivisions in the United States	60,126	49,218	36,881	12,337	10,908
29 Nonrated industrial development obligations	45,819	36,912	27,031	9,881	8,906
30 Other obligations (excluding securities)	14,307	12,306	9,850	2,456	2,001
31 All other loans	76,500	69,700	48,304	21,397	6,800
32 Lease financing receivables	21,439	18,934	15,245	3,689	2,505
33 Customers' liability on acceptances outstanding	32,225	31,495	22,258	9,237	730
34 Net due from own foreign offices, Edge and Agreement subsidiaries and IBFs	47,420	43,743	30,149	13,595	3,676
35 Remaining assets	158,334	133,399	91,693	41,707	24,935
36 **Total liabilities and equity capital**	**2,404,447**	**1,801,962**	**1,422,048**	**379,914**	**602,485**
37 **Total liabilities[7]**	**2,229,467**	**1,674,630**	**1,323,633**	**350,997**	**554,837**
38 Total deposits	1,813,435	1,297,836	1,049,590	248,246	515,599
39 Individuals, partnerships, and corporations	1,622,385	1,154,298	940,363	213,935	468,088
40 U.S. government	5,631	4,397	3,788	609	1,234
41 States and political subdivisions in the United States	100,076	65,628	54,702	10,926	34,447
42 Commercial banks in the United States	48,402	43,763	32,508	11,255	4,639
43 Other depository institutions in the United States	8,981	6,835	4,711	2,124	2,146
44 Certified and official checks	18,099	13,741	9,166	4,575	4,358
45 All other	9,859	9,174	4,353	4,821	685
46 Total transaction accounts	571,173	431,074	339,351	91,724	140,098
47 Individuals, partnerships, and corporations	478,764	353,673	283,616	70,057	125,091
48 U.S. government	4,190	3,292	2,763	530	898
49 States and political subdivisions in the United States	22,259	15,320	12,460	2,860	6,939
50 Commercial banks in the United States	33,357	31,770	24,071	7,699	1,587
51 Other depository institutions in the United States	6,554	5,606	3,772	1,833	948
52 Certified and official checks	18,099	13,741	9,166	4,575	4,358
53 All other	7,948	7,672	3,502	4,170	276
54 Demand deposits (included in total transaction accounts)	422,364	330,897	255,085	75,811	91,467
55 Individuals, partnerships, and corporations	338,788	258,707	203,624	55,083	80,081
56 U.S. government	4,153	3,267	2,740	528	885
57 States and political subdivisions in the United States	13,491	10,142	8,217	1,925	3,349
58 Commercial banks in the United States	33,353	31,770	24,071	7,699	1,583
59 Other depository institutions in the United States	6,533	5,600	3,767	1,832	933
60 Certified and official checks	18,099	13,741	9,166	4,575	4,358
61 All other	7,944	7,669	3,500	4,169	275
62 Total nontransaction accounts	1,242,262	866,762	710,240	156,522	375,500
63 Individuals, partnerships, and corporations	1,143,622	800,625	656,747	143,878	342,997
64 U.S. government	1,441	1,105	1,025	80	336
65 States and political subdivisions in the United States	77,816	50,308	42,242	8,066	27,508
66 Commercial banks in the United States	15,045	11,993	8,437	3,556	3,052
67 Other depository institutions in the United States	2,427	1,230	939	291	1,197
68 All other	1,911	1,502	851	652	409
69 Federal funds purchased and securities sold under agreements to repurchase	231,121	210,821	156,816	54,004	20,300
70 Demand notes issued to the U.S. Treasury	23,914	21,604	16,810	4,795	2,309
71 Other borrowed money	52,234	47,030	31,153	15,878	5,203
72 Banks liability on acceptances executed and outstanding	33,989	33,259	23,312	9,946	730
73 Notes and debentures subordinated to deposits	2,423	1,451	1,270	181	972
74 Net due to own foreign offices, Edge and Agreement subsidiaries and IBFs	7,931	6,788	4,910	1,878	1,143
75 Remaining liabilities	72,353	62,629	44,681	17,947	9,724

4.22 Continued

Item	Total	Members			Non-members
		Total	National	State	
76 **Total equity capital**[9]	**174,980**	**127,332**	**98,415**	**28,917**	**47,648**
MEMO					
77 Assets held in trading accounts[10]	28,113	27,743	17,545	10,198	370
78 U.S. Treasury securities	13,116	13,079	7,917	5,162	37
79 U.S. government agency corporation obligations	3,897	3,896	1,992	1,904	1
80 Securities issued by states and political subdivisions in the United States	5,132	5,090	3,478	1,612	41
81 Other bonds, notes and debentures	247	247	133	114	0
82 Certificates of deposit	1,427	1,417	1,195	222	10
83 Commercial paper	286	286	286	0	0
84 Bankers acceptances	2,559	2,544	1,754	790	15
85 Other	813	802	435	366	11
86 Total individual retirement accounts (IRA) and Keogh plan accounts	71,436	49,904	41,452	8,452	21,532
87 Total brokered deposits	26,319	21,796	18,315	3,481	4,523
88 Total brokered retail deposits	8,024	6,317	5,521	796	1,707
89 Issued in denominations of $100,000 or less	2,580	1,528	1,477	51	1,052
90 Issued in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less	5,444	4,789	4,044	745	655
91 Nontransaction savings deposits	505,318	364,626	296,040	68,586	140,692
92 Total time deposits of less than $100,000	439,055	281,555	238,055	43,500	157,500
93 Time certificates of deposit of $100,000 or more	263,698	191,223	156,474	34,749	72,475
94 Open-account time deposits of $100,000 or more	34,191	29,358	19,671	9,687	4,833
95 Super NOW accounts	138,971	93,616	78,387	15,228	45,355
96 Money market deposit accounts (MMDAs)	364,482	266,551	217,009	49,543	97,930
97 Total time and savings deposits	1,319,071	966,939	794,505	172,434	424,132
Quarterly averages					
98 Total loans	1,393,367	1,051,978	849,730	202,248	341,389
99 Time certificates of deposit of $100,000 or more	263,450	190,521	157,318	33,203	72,929
100 Super NOW accounts, money market deposit accounts, and time deposits (other than certificates of deposit of $100,000 or more)	971,253	666,141	551,014	115,127	305,112
101 Number of banks	14,167	5,960	4,867	1,093	8,207

1. Effective Mar. 31, 1984, the report of condition was substantially revised for commercial banks. Some of the changes are as follows: (1) Previously, banks with international banking facilities (IBFs) that had no other foreign offices were considered domestic reporters. Beginning with the Mar. 31, 1984 call report these banks are considered foreign and domestic reporters and must file the foreign and domestic report of condition; (2) banks with assets greater than $1 billion have additional items reported; (3) the domestic office detail for banks with foreign offices has been reduced considerably; and (4) banks with assets under $25 million have been excused from reporting certain detail items.

2. The "n.a." for some of the items is used to indicate the lesser detail available from banks without foreign offices, the inapplicability of certain items to banks that have only domestic offices and/or the absence of detail on a fully consolidated basis for banks with foreign offices.

3. All transactions between domestic and foreign offices of a bank are reported in "net due from" and "net due to." All other lines represent transactions with parties other than the domestic and foreign offices of each bank. Since these intraoffice transactions are nullified by consolidation, total assets and total liabilities for the entire bank may not equal the sum of assets and liabilities respectively, of the domestic and foreign offices.

4. Foreign offices include branches in foreign countries, Puerto Rico, and in U.S. territories and possessions; subsidiaries in foreign countries; all offices of Edge Act and Agreement corporations wherever located and IBFs.

5. The 'over 100' column refers to those respondents whose assets, as of June 30 of the previous calendar year, were equal to or exceeded $100 million. (These respondents file the FFIEC 032 or FFIEC 033 call report.) The 'under 100' column refers to those respondents whose assets, as of June 30 of the previous calendar year, were less than $100 million. (These respondents filed the FFIEC 034 call report.)

6. Since the domestic portion of allowances for loan and lease losses and allocated transfer risk reserve are not reported for banks with foreign offices, the components of total assets (domestic) will not add to the actual total (domestic).

7. Since the foreign portion of demand notes issued to the U.S. Treasury is not reported for banks with foreign offices, the components of total liabilities (foreign) will not add to the actual total (foreign).

8. *The definition of 'all other' varies by report form and therefore by column* in this table. See the instructions for more detail.

9. Equity capital is not allocated between the domestic and foreign offices of banks with foreign offices.

10. Components of assets held in trading accounts are only reported for banks with total assets of $1 billion or more; therefore the components will not add to the totals for this item.

4.20 DOMESTIC AND FOREIGN OFFICES, Insured Commercial Bank Assets and Liabilities[1,2]
Consolidated Report of Condition, December 31, 1986

Millions of dollars

Item	Total	Banks with foreign offices[3,4] Total	Banks with foreign offices[3,4] Foreign	Banks with foreign offices[3,4] Domestic	Banks with domestic offices only[5] Over 100	Banks with domestic offices only[5] Under 100
1 **Total assets[6]**	**2,904,857**	**1,688,566**	**421,468**	**1,334,748**	**774,879**	**441,412**
2 Cash and balances due from depository institutions	374,475	255,538	116,143	139,395	76,852	42,085
3 Cash items in process of collection, unposted debits, and currency		94,312	1,609	92,703	32,432	
4 Cash items in process of collection and unposted debits and coin		n.a.	n.a.	80,295	23,811	
5 Currency and coin		n.a.	n.a.	12,409	8,621	
6 Balances due from depository institutions in the United States	n.a.	35,665	20,882	14,784	25,155	n.a.
7 Balances due from banks in foreign countries and foreign central banks		97,053	93,470	3,583	6,859	
8 Balances due from Federal Reserve Banks		28,507	182	28,325	12,406	
MEMO						
9 Noninterest-bearing balances due from commercial banks in the United States (included in balances due from depository institutions in the U.S.)	n.a.	n.a.	n.a.	9,961	15,885	15,185
10 **Total securities, loans and lease financing receivables, net**	**2,322,155**	**1,274,846**	**n.a.**	**n.a.**	**666,838**	**380,472**
11 Total securities, book value	477,168	192,286	24,532	167,754	162,794	122,089
12 U.S. Treasury securities and U.S. government agency and corporation obligations	283,869	100,474	929	99,545	98,850	84,545
13 U.S. Treasury securities	n.a.	63,249	787	62,462	61,951	n.a.
14 U.S. government agency and corporation obligations	n.a.	37,224	142	37,082	36,899	n.a.
15 All holdings of U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages	49,775	28,004	126	27,877	12,853	8,918
16 All other	n.a.	9,221	16	9,205	24,046	n.a.
17 Securities issued by states and political subdivisions in the United States	138,623	57,266	798	56,468	50,365	30,992
18 Other securities	54,678	34,546	22,805	11,742	13,580	6,551
19 Other domestic securities	n.a.	10,601	336	10,266	13,199	...
20 All holdings of private certificates of participation in pools of residential mortgages	5,682	3,349	9	3,340	1,558	774
21 All other	24,669	7,252	327	6,925	11,641	5,777
22 Foreign securities	n.a.	23,945	22,469	1,476	382	...
23 Federal funds sold and securities purchased under agreements to resell	138,256	52,929	209	52,720	49,367	35,959
24 Total loans and lease financing receivables, gross	1,750,837	1,054,562	226,788	827,774	467,363	228,911
25 LESS: Unearned income on loans	15,853	7,041	2,123	4,918	5,737	3,075
26 Total loans and leases (net of unearned income)	1,734,987	1,047,524	224,668	822,856	461,626	225,837
27 LESS: Allowance for loan and lease losses	28,150	17,789	n.a.	n.a.	6,949	3,412
28 LESS: Allocated transfer risk reserves	105	105	n.a.	n.a.	0	0
29 EQUALS: Total loans and leases, net	1,706,731	1,029,631	n.a.	n.a.	454,676	222,424
Total loans, gross, by category						
30 Loans secured by real estate	509,535	242,835	17,241	225,595	169,910	96,790
31 Construction and land development	n.a.	n.a.	n.a.	71,035	27,131	8,625
32 Farmland	n.a.	n.a.	n.a.	1,429	3,362	7,921
33 1–4 family residential properties	n.a.	n.a.	n.a.	86,376	78,956	52,625
34 Multifamily (5 or more) residential properties	n.a.	n.a.	n.a.	8,237	5,567	2,014
35 Nonfarm nonresidential properties	n.a.	n.a.	n.a.	58,518	54,894	25,605
36 Loans to depository institutions	69,834	62,644	30,330	32,315	6,359	830
37 To commercial banks in the United States	n.a.	21,285	978	20,307	5,205	n.a.
38 To other depository institutions in the United States	n.a.	5,908	284	5,625	824	n.a.
39 To banks in foreign countries	n.a.	35,451	29,069	6,383	330	n.a.
40 Loans to finance agricultural production and other loans to farmers	31,640	5,988	399	5,589	6,534	19,118
41 Commercial and industrial loans	598,676	421,106	114,150	306,956	124,621	52,949
42 To U.S. addressees (domicile)	n.a.	319,009	15,998	303,011	124,229	n.a.
43 To non-U.S. addressees (domicile)	n.a.	102,096	98,152	3,944	392	n.a.
44 Acceptances of other banks	3,167	1,222	458	765	1,007	937
45 U.S. banks	n.a.	460	25	435	n.a.	n.a.
46 Foreign banks	n.a.	762	433	329	n.a.	n.a.
47 Loans to individuals for household, family and other personal expenditures (includes purchased paper)	323,670	146,087	11,233	134,854	126,013	51,570
48 Credit cards and related plans	84,836	46,148	n.a.	n.a.	35,675	3,013
49 Other (includes single payment and installment)	238,834	99,939	n.a.	n.a.	90,339	48,557
50 Obligations (other than securities) of states and political subdivisions in the U.S.	58,640	37,178	611	36,567	18,451	3,011
51 Nonrated industrial development obligations	44,265	27,258	111	27,146	15,038	1,969
52 Other obligations (excluding securities)	14,375	9,920	499	9,421	3,413	1,041
53 All other loans	128,253	114,540	47,826	66,714	10,609	3,104
54 Loans to foreign governments and official institutions	n.a.	39,051	35,783	3,269	233	n.a.
55 Other loans	n.a.	75,489	12,043	63,446	10,376	n.a.
56 Loans for purchasing and carrying securities	n.a.	n.a.	n.a.	16,158	2,143	n.a.
57 All other loans	n.a.	n.a.	n.a.	47,288	8,233	n.a.
58 Lease financing receivables	27,423	22,962	4,542	18,420	3,859	602
59 Assets held in trading accounts	42,775	41,496	15,630	25,866	964	315
60 Premises and fixed assets (including capitalized leases)	42,269	21,454		n.a.	12,934	7,881
61 Other real estate owned	9,055	3,578		n.a.	2,849	2,628
62 Investments in unconsolidated subsidiaries and associated companies	2,175	1,799		n.a.	320	56
63 Customers' liability on acceptances outstanding	40,161	39,820	n.a.	n.a.	324	18
64 Net due from own foreign offices, Edge and Agreement subsidiaries and IBFs	n.a.	n.a.		54,530	n.a.	n.a.
65 Intangible assets	4,227	2,776		n.a.	1,276	175
66 Other assets	67,564	47,262		n.a.	12,520	7,782

4.20 Continued

Item	Total	Banks with foreign offices[3,4]			Banks with domestic offices only[5]	
		Total	Foreign	Domestic	Over 100	Under 100
67 **Total liabilities, limited-life preferred stock and equity capital**	**2,904,857**	**1,688,566**	**n.a.**	**n.a.**	**774,879**	**441,412**
68 **Total liabilities**[7]	**2,724,926**	**1,598,413**	**421,797**	**1,244,266**	**721,727**	**404,786**
69 Limited-life preferred stock	82	64	n.a.	n.a.	15	2
70 Total deposits	2,255,200	1,213,663	313,174	900,489	647,119	394,418
71 Individuals, partnerships, and corporations			171,067	789,116	583,258	358,392
72 U.S. government				2,603	1,757	867
73 States and political subdivisions in the United States				36,895	38,925	27,472
74 Commercial banks in the United States	n.a.	n.a.	n.a.	39,961	11,921	2,038
75 Other depository institutions in the United States				5,932	2,928	1,461
76 Banks in foreign countries				8,428	147	n.a.
77 Foreign governments and official institutions		28,214	26,581	1,633	170	n.a.
78 Certified and official checks	28,892	16,724	801	15,922	8,013	4,156
79 All other[8]			114,725	...	...	33
80 Total transaction accounts				358,944	208,610	112,323
81 Individuals, partnerships, and corporations				288,492	180,316	99,100
82 U.S. government				1,824	1,294	689
83 States and political subdivisions in the United States				8,844	9,572	7,210
84 Commercial banks in the United States	n.a.	n.a.	n.a.	30,107	7,468	537
85 Other depository institutions in the United States				5,058	1,876	620
86 Banks in foreign countries				7,742	64	n.a.
87 Foreign governments and official institutions				956	8	n.a.
88 Certified and official checks				15,922	8,013	4,156
89 All other				...	...	12
90 Demand deposits (included in total transaction accounts)				295,819	143,930	66,882
91 Individuals, partnerships, and corporations				226,894	119,586	57,997
92 U.S. government				1,820	1,276	668
93 States and political subdivisions in the United States				7,322	5,651	2,905
94 Commercial banks in the United States				30,107	7,467	535
95 Other depository institutions in the United States				5,058	1,867	610
96 Banks in foreign countries				7,739	64	n.a.
97 Foreign governments and official institutions				954	7	n.a.
98 Certified and official checks				15,922	8,013	4,156
99 All other				...	...	12
100 Total nontransaction accounts				541,545	438,509	282,095
101 Individuals, partnerships, and corporations	n.a.	n.a.	n.a.	500,624	402,942	259,292
102 U.S. government				779	463	177
103 States and political subdivisions in the United States				28,052	29,354	20,262
104 Commercial banks in the United States				9,854	4,453	1,502
105 U.S. branches and agencies of foreign banks				388	726	n.a.
106 Other commercial banks in the United States				9,466	3,727	n.a.
107 Other depository institutions in the United States				874	1,052	841
108 Banks in foreign countries				687	83	n.a.
109 Foreign branches of other U.S. banks				23	0	n.a.
110 Other banks in foreign countries				663	83	n.a.
111 Foreign governments and official institutions				677	162	n.a.
112 All other				...	...	21
113 Federal funds purchased and securities sold under agreements to repurchase	246,214	200,031	881	199,150	42,934	3,250
114 Demand notes issued to the U.S. Treasury	n.a.	n.a.	n.a.	18,894	4,055	710
115 Other borrowed money	81,695	65,417	27,629	37,788	15,087	1,190
116 Banks liability on acceptances executed and outstanding	40,425	40,084	8,904	31,179	324	17
117 Notes and debentures subordinated to deposits	16,785	14,505		n.a.	1,893	387
118 Net due to own foreign offices, Edge and Agreement subsidiaries and IBFs	n.a.	n.a.		13,120	n.a.	n.a.
119 All other liabilities	60,949	45,820			10,315	4,814
120 Total equity capital[9]	179,849	90,089			53,136	36,624
121 Perpetual preferred stock	1,409	1,028	n.a.		255	126
122 Common stock	29,007	14,010		n.a.	7,886	7,111
123 Surplus	62,288	29,152			19,625	13,511
124 Undivided profits and capital reserves	87,463	46,217			25,369	15,877
125 Cumulative foreign currency translation adjustments		−318			...	...
MEMO						
126 Holdings of commercial paper included in total loans, gross		825	581	244	1,889	n.a.
127 Total individual retirement accounts (IRA) and Keogh plan accounts				35,571	28,247	15,527
128 Total brokered deposits				24,901	3,698	590
129 Total brokered retail deposits				5,434	2,645	411
130 Issued in denominations of $100,000 or less				1,103	1,351	318
131 Issued in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less				4,331	1,293	93
132 Nontransaction savings deposits	n.a.	n.a.	n.a.	241,138	191,706	98,109
133 Total time deposits of less than $100,000				132,185	163,228	136,312
134 Time certificates of deposit of $100,000 or more				140,888	79,558	45,944
135 Open-account time deposits of $100,000 or more				27,334	4,016	1,730
136 Super NOW accounts				57,754	61,663	42,756
137 Money market deposit accounts (MMDAs)				178,089	132,272	64,619
138 Total time and savings deposits				604,670	503,188	327,536
Quarterly averages						
139 Total loans				763,249	443,788	221,927
140 Obligations (other than securities) of states and political subdivisions in the United States	n.a.	n.a.	n.a.	37,616	18,235	n.a.
141 Time certificates of deposit of $100,000 or more				138,321	78,933	45,205
142 Super NOW accounts, money market deposit accounts, and time deposits (other than certificates of deposits of $100,000 or more)				382,647	358,907	244,684
143 Number of banks	14,040	258		n.a.	2,179	11,603

Footnotes appear at the end of table 4.22

4.21 DOMESTIC OFFICES, Insured Commercial Banks with Assets of $100 Million or more or with foreign offices [1,2,3]
Consolidated Report of Condition, December 31, 1986

Millions of dollars

	Item	Total	Members			Non-members
			Total	National	State	
1	**Total assets**[6]	**2,109,627**	**1,735,653**	**1,357,208**	**378,445**	**373,974**
2	*Cash and balances due from depository institutions*	216,247	181,871	139,406	42,465	34,376
3	Cash items in process of collection and unposted debits	104,105	94,807	72,697	22,111	9,298
4	Currency and coin	21,030	17,521	14,297	3,224	3,509
5	Balances due from depository institutions in the United States	39,939	26,396	21,581	4,815	13,543
6	Balances due from banks in foreign countries and foreign central banks	10,442	7,840	6,119	1,721	2,601
7	Balances due from Federal Reserve Banks	40,731	35,306	24,712	10,594	5,424
8	**Total securities, loans and lease financing receivables, (net of unearned income)**	**1,717,118**	**1,395,139**	**1,106,224**	**288,915**	**321,979**
9	*Total securities, book value*	330,548	255,327	198,985	56,342	75,221
10	U.S. Treasury securities	124,414	96,195	77,545	18,649	28,219
11	U.S. government agency and corporation obligations	73,981	56,649	45,454	11,195	17,333
12	All holdings of U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages	40,731	34,455	26,935	7,520	6,276
13	All other	33,251	22,194	18,519	3,675	11,057
14	Securities issued by states and political subdivisions in the United States	106,833	84,777	62,697	22,079	22,056
15	Other domestic securities	23,464	16,272	12,638	3,635	7,192
16	All holdings of private certificates of participation in pools of residential mortgages	4,899	4,187	2,671	1,515	712
17	All other	18,566	12,085	9,966	2,119	6,481
18	Foreign securities	1,858	1,437	651	786	420
19	Federal funds sold and securities purchased under agreements to resell	102,088	83,102	64,167	18,935	18,985
20	Total loans and lease financing receivables, gross	1,295,138	1,064,942	849,401	215,541	230,195
21	LESS: Unearned income on loans	10,655	8,233	6,330	1,903	2,423
22	Total loans and leases (net of unearned income)	1,284,482	1,056,709	843,071	213,638	227,773
	Total loans, gross, by category					
23	Loans secured by real estate	395,505	307,298	260,821	46,477	88,207
24	Construction and land development	98,166	80,282	65,915	14,367	17,884
25	Farmland	4,790	3,310	2,911	400	1,480
26	1-4 family residential properties	165,332	127,591	110,367	17,223	37,742
27	Multifamily (5 or more) residential properties	13,803	10,799	9,258	1,541	3,004
28	Nonfarm nonresidential properties	113,412	85,315	72,370	12,946	28,097
29	Loans to commercial banks in the United States	25,512	21,812	16,477	5,335	3,701
30	Loans to other depository institutions in the United States	6,449	6,185	4,793	1,391	264
31	Loans to banks in foreign countries	6,713	6,579	4,206	2,373	134
32	Loans to finance agricultural production and other loans to farmers	12,123	9,816	8,593	1,223	2,307
33	Commercial and industrial loans	431,577	359,949	278,787	81,162	71,627
34	To U.S. addressees (domicile)	427,241	355,961	275,464	80,497	71,279
35	To non-U.S. addressees (domicile)	4,336	3,988	3,323	665	348
36	Acceptances of other banks[10]	1,772	1,326	1,199	127	446
37	Of U.S. banks	734	601	533	69	133
38	Of foreign banks	394	312	307	5	82
39	Loans to individuals for household, family and other personal expenditures (includes purchased paper)	260,867	213,853	175,413	38,441	47,014
40	Loans to foreign governments and official institutions	3,502	3,330	2,408	921	172
41	Obligations (other than securities) of states and political subdivisions in the United States	55,018	46,409	34,417	11,992	8,610
42	Nonrated industrial development obligations	42,184	34,894	25,194	9,701	7,289
43	Other obligations (excluding securities)	12,834	11,514	9,223	2,291	1,320
44	Other loans	73,822	68,342	46,562	21,780	5,480
45	Loans for purchasing and carrying securities	18,301	17,082	10,691	6,392	1,219
46	All other loans	55,521	51,259	35,871	15,388	4,261
47	Lease financing receivables	22,279	20,045	15,725	4,320	2,234
48	Customers' liability on acceptances outstanding	30,608	29,760	21,241	8,518	848
49	Net due from own foreign offices, Edge and Agreement subsidiaries and IBFs	54,530	50,140	36,001	14,139	4,390
50	Remaining assets	145,655	128,884	90,337	38,547	16,771

4.21 Continued

Item	Total	Members			Non-members
		Total	National	State	
51 **Total liabilities and equity capital**	**2,109,627**	**1,735,653**	**1,357,208**	**378,445**	**373,974**
52 **Total liabilities**[7]	**1,965,992**	**1,618,876**	**1,267,685**	**351,191**	**347,117**
53 Total deposits	1,547,608	1,234,133	983,369	250,764	313,475
54 Individuals, partnerships, and corporations	1,372,374	1,089,458	875,628	213,830	282,916
55 U.S. government	4,360	3,664	3,200	464	696
56 States and political subdivisions in the United States	75,821	57,617	47,826	9,791	18,204
57 Commercial banks in the United States	51,881	47,006	33,631	13,375	4,875
58 Other depository institutions in the United States	8,861	7,208	5,123	2,084	1,653
59 Banks in foreign countries	8,575	8,144	4,123	4,021	431
60 Foreign governments and official institutions	1,803	1,599	823	776	205
61 Certified and official checks	23,935	19,440	13,018	6,422	4,495
62 Total transaction accounts	567,554	470,222	362,271	107,952	97,331
63 Individuals, partnerships, and corporations	468,808	382,531	300,366	82,165	86,277
64 U.S. government	3,117	2,603	2,192	412	514
65 States and political subdivisions in the United States	18,416	15,181	12,244	2,936	3,235
66 Commercial banks in the United States	37,574	35,751	25,852	9,899	1,824
67 Other depository institutions in the United States	6,934	6,194	4,339	1,854	741
68 Banks in foreign countries	7,806	7,634	3,790	3,843	172
69 Foreign governments and official institutions	964	890	469	421	74
70 Certified and official checks	23,935	19,440	13,018	6,422	4,495
71 Demand deposits (included in total transaction accounts)	439,749	370,919	279,076	91,842	68,831
72 Individuals, partnerships, and corporations	346,480	287,271	220,485	66,786	59,209
73 U.S. government	3,096	2,586	2,176	410	510
74 States and political subdivisions in the United States	12,973	11,162	8,952	2,209	1,812
75 Commercial banks in the United States	37,574	35,750	25,852	9,898	1,823
76 Other depository institutions in the United States	6,926	6,190	4,337	1,853	736
77 Banks in foreign countries	7,803	7,631	3,788	3,843	172
78 Foreign governments and official institutions	961	888	467	421	73
79 Certified and official checks	23,935	19,440	13,018	6,422	4,495
80 Total nontransaction accounts	980,054	763,911	621,099	142,812	216,143
81 Individuals, partnerships, and corporations	903,566	706,927	575,262	131,665	196,639
82 U.S. government	1,243	1,060	1,008	52	183
83 States and political subdivisions in the United States	57,405	42,437	35,582	6,855	14,969
84 Commercial banks in the United States	14,307	11,256	7,779	3,477	3,051
85 U.S. branches and agencies of foreign banks	1,114	661	598	63	453
86 Other commercial banks in the United States	13,193	10,595	7,181	3,414	2,598
87 Other depository institutions in the United States	1,926	1,014	784	230	912
88 Banks in foreign countries	770	510	333	178	259
89 Foreign branches of other U.S. banks	23	23	18	5	0
90 Other banks in foreign countries	746	487	314	173	259
91 Foreign governments and official institutions	839	709	353	355	131
92 Federal funds purchased and securities sold under agreements to repurchase	242,084	224,047	170,220	53,827	18,036
93 Demand notes issued to the U.S. Treasury	22,950	21,070	15,678	5,392	1,880
94 Other borrowed money	52,875	47,970	34,384	13,586	4,905
95 Banks liability on acceptances executed and outstanding	31,503	30,656	22,085	8,570	848
96 Notes and debentures subordinated to deposits	1,893	1,296	1,140	156	598
97 Net due to own foreign offices, Edge and Agreement subsidiaries and IBFs	13,120	11,587	6,207	5,380	1,533
98 Remaining liabilities	67,080	59,704	40,808	18,896	7,376
99 **Total equity capital**[9]	**143,635**	**116,778**	**89,523**	**27,255**	**26,857**
MEMO					
100 Holdings of commercial paper included in total loans, gross	2,133	1,525	1,279	246	608
101 Total individual retirement accounts (IRA) and Keogh plan accounts	63,819	51,442	37,579	13,863	12,376
102 Total brokered deposits	28,599	22,276	19,055	3,221	6,323
103 Total brokered retail deposits	8,079	5,776	4,954	821	2,303
104 Issued in denominations of $100,000 or less	2,454	1,272	1,232	39	1,183
105 Issued in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less	5,624	4,504	3,722	782	1,120
106 Nontransaction savings deposits	432,844	342,154	273,992	68,161	90,691
107 Total time deposits of less than $100,000	295,413	224,205	190,407	33,798	71,209
108 Time certificates of deposit of $100,000 or more	220,446	169,635	138,288	31,347	50,811
109 Open-account time deposits of $100,000 or more	31,350	27,917	18,412	9,505	3,433
110 Super NOW accounts	119,417	92,785	77,082	15,704	26,632
111 Money market deposit accounts (MMDAs)	310,361	246,592	199,783	46,809	63,769
112 Total time and savings deposits	1,107,858	863,214	704,292	158,921	244,644
Quarterly averages					
113 Total loans	1,207,038	988,721	790,685	198,036	218,317
114 Obligations (other than securities) of states and political subdivisions in the United States	55,851	47,583	35,033	12,550	8,268
115 Time certificates of deposit of $100,000 or more	217,254	168,157	136,809	31,348	49,097
116 Super NOW accounts, money market deposit accounts, and time deposits (other than certificates of deposits of $100,000 or more)	741,554	577,267	474,065	103,202	164,287
117 Number of banks	2,437	1,415	1,203	212	1,022

Footnotes appear at the end of table 4.22

4.22 DOMESTIC OFFICES, Insured Commercial Bank Assets and Liabilities[1,2,3]
Consolidated Report of Condition, December 31, 1986

Millions of dollars

Item	Total	Members			Nonmembers
		Total	National	State	
1 **Total assets[6]**	**2,551,039**	**1,925,460**	**1,512,997**	**412,463**	**625,579**
2 Cash and balances due from depository institutions	258,332	200,802	155,152	45,650	57,530
3 Currency and coin	25,646	19,518	15,940	3,578	6,128
4 Noninterest-bearing balances due from commercial banks	41,030	22,676	18,636	4,040	18,354
5 Other	191,656	158,608	120,576	38,031	33,048
6 **Total securities, loans, and lease financing receivables (net of unearned income)**	**2,101,002**	**1,559,512**	**1,240,852**	**318,660**	**541,490**
7 Total securities, book value	452,637	304,758	239,142	65,617	147,878
8 U.S. Treasury securities and U.S. government agency and corporation obligations	282,940	186,523	150,120	36,403	96,417
9 Securities issued by states and political subdivisions in the United States	137,825	97,681	73,327	24,354	40,145
10 Other securities	31,873	20,556	15,695	4,861	11,317
11 All holdings of private certificates of participation in pools of residential mortgages	5,673	4,537	2,938	1,599	1,136
12 All other	26,205	16,024	12,756	3,267	10,182
13 Federal funds sold and securities purchased under agreements to resell	138,047	100,188	78,565	21,623	37,859
14 Total loans and lease financing receivables, gross	1,524,049	1,164,148	930,567	233,582	359,901
15 LESS: Unearned income on loans	13,730	9,582	7,422	2,160	4,148
16 Total loans and leases (net of unearned income)	1,510,319	1,154,566	923,145	231,421	355,753
Total loans, gross, by category					
17 Loans secured by real estate	492,295	348,911	294,729	54,182	143,383
18 Construction and land development	106,792	84,277	69,268	15,009	22,515
19 Farmland	12,711	6,095	5,145	950	6,616
20 1–4 family residential properties	217,957	150,481	128,759	21,722	67,477
21 Multifamily (5 or more) residential properties	15,817	11,646	9,949	1,696	4,171
22 Nonfarm nonresidential properties	139,017	96,413	81,608	14,805	42,605
23 Loans to depository institutions	39,504	35,080	25,947	9,133	4,424
24 Loans to finance agricultural production and other loans to farmers	31,241	16,877	14,210	2,666	14,364
25 Commercial and industrial loans	484,525	383,879	298,534	85,345	100,646
26 Acceptances of other banks	2,709	1,754	1,547	207	955
27 Loans to individuals for household, family and other personal expenditures (includes purchased paper)	312,438	236,629	194,081	42,547	75,809
28 Obligations (other than securities) of states and political subdivisions in the United States	58,029	47,686	35,514	12,172	10,343
29 Nonrated industrial development obligations	44,153	35,706	25,878	9,827	8,447
30 Other obligations (excluding securities)	13,876	11,981	9,636	2,345	1,895
31 All other loans	80,428	73,012	50,061	22,952	7,415
32 Lease financing receivables	22,881	20,320	15,944	4,376	2,561
33 Customers' liability on acceptances outstanding	30,625	29,771	21,249	8,522	855
34 Net due from own foreign offices, Edge and Agreement subsidiaries and IBFs	54,530	50,140	36,001	14,139	4,390
35 Remaining assets	161,080	135,376	95,745	39,631	25,704
36 **Total liabilities and equity capital**	**2,551,039**	**1,925,460**	**1,512,997**	**412,463**	**625,579**
37 **Total liabilities[7]**	**2,370,779**	**1,793,191**	**1,410,873**	**382,319**	**577,588**
38 Total deposits	1,942,026	1,403,382	1,122,549	280,833	538,644
39 Individuals, partnerships, and corporations	1,730,766	1,243,641	1,002,485	241,156	487,125
40 U.S. government	5,227	4,037	3,516	521	1,190
41 States and political subdivisions in the United States	103,293	68,398	56,670	11,728	34,895
42 Commercial banks in the United States	53,920	48,283	34,614	13,669	5,636
43 Other depository institutions in the United States	10,321	7,921	5,735	2,186	2,400
44 Certified and official checks	28,091	21,343	14,570	6,774	6,747
45 All other	10,411	9,760	4,961	4,799	651
46 Total transaction accounts	679,877	518,715	402,119	116,596	161,162
47 Individuals, partnerships, and corporations	567,908	425,339	335,606	89,733	142,569
48 U.S. government	3,807	2,902	2,447	456	904
49 States and political subdivisions in the United States	25,625	17,973	14,559	3,414	7,652
50 Commercial banks in the United States	38,111	36,144	26,087	10,057	1,966
51 Other depository institutions in the United States	7,554	6,485	4,588	1,897	1,069
52 Certified and official checks	28,091	21,343	14,570	6,774	6,747
53 All other	8,781	8,529	4,263	4,266	253
54 Demand deposits (included in total transaction accounts)	506,631	400,499	303,364	97,135	106,133
55 Individuals, partnerships, and corporations	404,478	312,851	241,552	71,299	91,627
56 U.S. government	3,764	2,873	2,421	452	891
57 States and political subdivisions in the United States	15,879	12,285	9,893	2,392	3,594
58 Commercial banks in the United States	38,108	36,144	26,087	10,057	1,964
59 Other depository institutions in the United States	7,535	6,477	4,581	1,895	1,059
60 Certified and official checks	28,091	21,343	14,570	6,774	6,747
61 All other	8,776	8,525	4,259	4,266	252
62 Total nontransaction accounts	1,262,149	884,666	720,430	164,237	377,483
63 Individuals, partnerships, and corporations	1,162,858	818,302	666,879	151,423	344,556
64 U.S. government	1,420	1,135	1,070	65	285
65 States and political subdivisions in the United States	77,667	50,425	42,111	8,314	27,243
66 Commercial banks in the United States	15,809	12,139	8,527	3,612	3,670
67 Other depository institutions in the United States	2,767	1,436	1,147	290	1,331
68 All other	1,630	1,232	698	533	398
69 Federal funds purchased and securities sold under agreements to repurchase	245,333	225,842	171,586	54,256	19,492
70 Demand notes issued to the U.S. Treasury	23,660	21,400	15,944	5,456	2,260
71 Other borrowed money	54,065	48,833	35,039	13,794	5,232
72 Banks liability on acceptances executed and outstanding	31,520	30,666	22,093	8,574	854
73 Notes and debentures subordinated to deposits	2,280	1,385	1,219	166	895
74 Net due to own foreign offices, Edge and Agreement subsidiaries and IBFs	13,120	11,587	6,207	5,380	1,533
75 Remaining liabilities	71,894	61,684	42,444	19,240	10,210

4.22 Continued

Item	Total	Members Total	Members National	Members State	Non-members
76 **Total equity capital**[9]	**180,260**	**132,269**	**102,124**	**30,145**	**47,991**
MEMO					
77 Assets held in trading accounts[10]	27,145	26,723	16,211	10,512	423
78 U.S. Treasury securities	10,820	10,777	5,393	5,384	43
79 U.S. government agency corporation obligations	3,997	3,988	2,778	1,210	9
80 Securities issued by states and political subdivisions in the United States	5,874	5,845	3,647	2,198	28
81 Other bonds, notes and debentures	271	271	147	124	0
82 Certificates of deposit	1,502	1,502	1,343	158	0
83 Commercial paper	200	200	199	1	0
84 Bankers acceptances	2,454	2,445	1,730	715	9
85 Other	1,154	1,143	454	688	11
86 Total individual retirement accounts (IRA) and Keogh plan accounts	79,345	57,752	42,801	14,951	21,593
87 Total brokered deposits	29,190	22,551	19,287	3,265	6,638
88 Total brokered retail deposits	8,489	5,980	5,122	857	2,509
89 Issued in denominations of $100,000 or less	2,772	1,425	1,359	65	1,347
90 Issued in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less	5,717	4,555	3,763	792	1,162
91 Nontransaction savings deposits	530,953	385,541	309,372	76,169	145,412
92 Total time deposits of less than $100,000	431,726	278,853	235,013	43,840	152,872
93 Time certificates of deposit of $100,000 or more	266,390	191,689	157,084	34,605	74,701
94 Open-account time deposits of $100,000 or more	33,080	28,583	18,961	9,622	4,497
95 Super NOW accounts	162,174	110,671	91,872	18,798	51,503
96 Money market deposit accounts (MMDAs)	374,980	275,635	223,662	51,973	99,345
97 Total time and savings deposits	1,435,394	1,002,882	819,184	183,698	432,511
Quarterly averages					
98 Total loans	1,428,965	1,084,563	869,252	215,311	344,402
99 Time certificates of deposit of $100,000 or more	262,458	189,655	155,112	34,544	72,803
100 Super NOW accounts, money market deposit accounts, and time deposits (other than certificates of deposit of $100,000 or more)	986,238	678,755	557,580	121,175	307,483
101 Number of banks	14,040	5,907	4,812	1,095	8,133

1. Effective Mar. 31, 1984, the report of condition was substantially revised for commercial banks. Some of the changes are as follows: (1) Previously, banks with international banking facilities (IBFs) that had no other foreign offices were considered domestic reporters. Beginning with the Mar. 31, 1984 call report these banks are considered foreign and domestic reporters and must file the foreign and domestic report of condition; (2) banks with assets greater than $1 billion have additional items reported; (3) the domestic office detail for banks with foreign offices has been reduced considerably; and (4) banks with assets under $25 million have been excused from reporting certain detail items.

2. The "n.a." for some of the items is used to indicate the lesser detail available from banks without foreign offices, the inapplicability of certain items to banks that have only domestic offices and/or the absence of detail on a fully consolidated basis for banks with foreign offices.

3. All transactions between domestic and foreign offices of a bank are reported in "net due from" and "net due to." All other lines represent transactions with parties other than the domestic and foreign offices of each bank. Since these intraoffice transactions are nullified by consolidation, total assets and total liabilities for the entire bank may not equal the sum of assets and liabilities respectively, of the domestic and foreign offices.

4. Foreign offices include branches in foreign countries, Puerto Rico, and in U.S. territories and possessions; subsidiaries in foreign countries; all offices of Edge Act and Agreement corporations wherever located and IBFs.

5. The 'over 100' column refers to those respondents whose assets, as of June 30 of the previous calendar year, were equal to or exceeded $100 million. (These respondents file the FFIEC 032 or FFIEC 033 call report.) The 'under 100' column refers to those respondents whose assets, as of June 30 of the previous calendar year, were less than $100 million. (These respondents filed the FFIEC 034 call report.)

6. Since the domestic portion of allowances for loan and lease losses and allocated transfer risk reserve are not reported for banks with foreign offices, the components of total assets (domestic) will not add to the actual total (domestic).

7. Since the foreign portion of demand notes issued to the U.S. Treasury is not reported for banks with foreign offices, the components of total liabilities (foreign) will not add to the actual total (foreign).

8. The definition of 'all other' varies by report form and therefore by column in this table. See the instructions for more detail.

9. Equity capital is not allocated between the domestic and foreign offices of banks with foreign offices.

10. Components of assets held in trading accounts are only reported for banks with total assets of $1 billion or more; therefore the components will not add to the totals for this item.

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1. On loan from the Federal Reserve Bank of Chicago.

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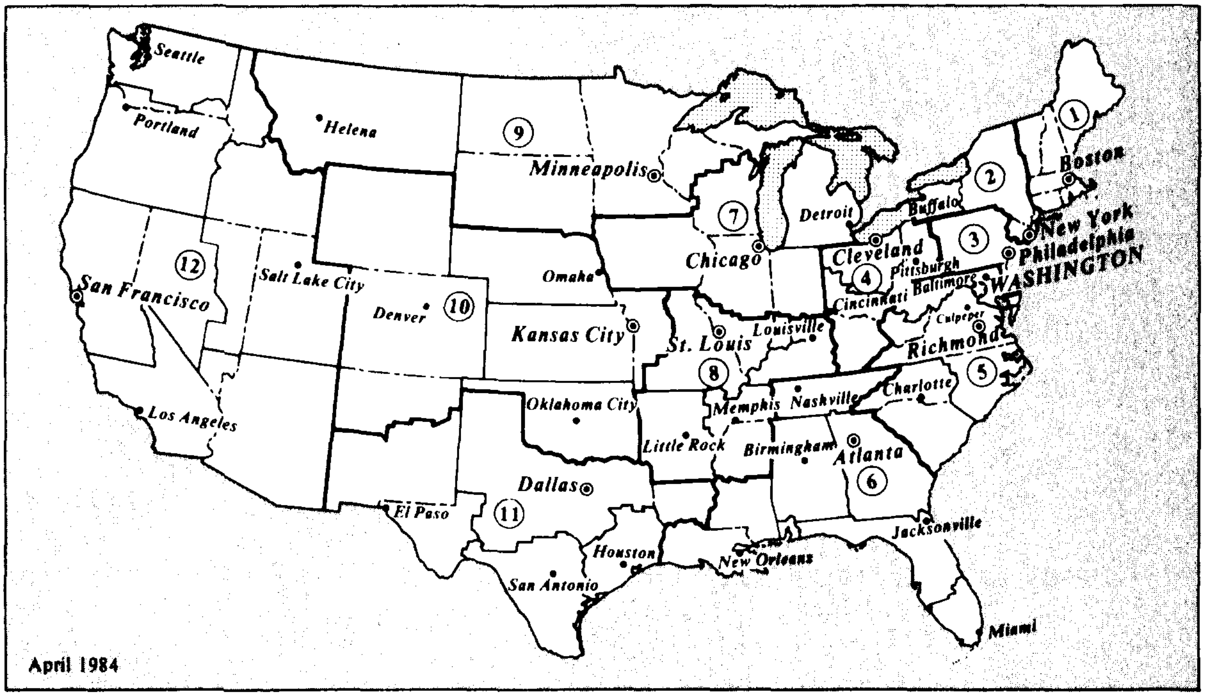

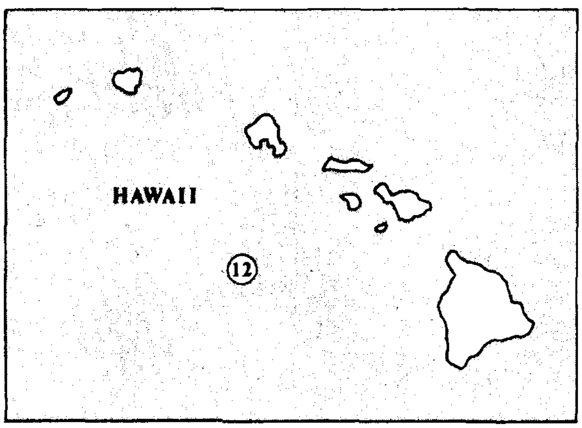

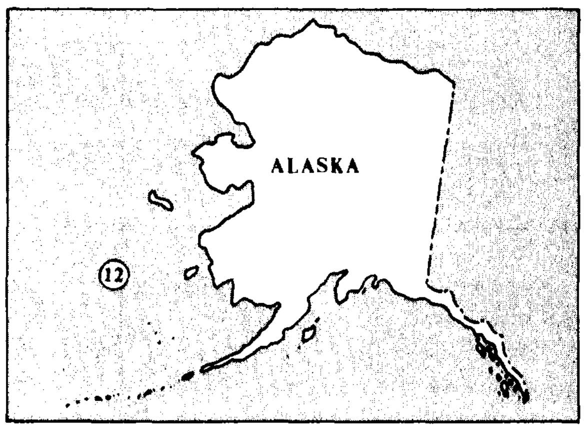

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