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over the intermeeting period, depending on indications of inflationary pressures, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. The reserve conditions contemplated by the Committee were expected to be consistent with growth of M2 and M3 at annual rates of around 2 percent and 3½ percent respectively over the three-month period from December to March. It was understood that operations would continue to be conducted with some flexibility in light of the persisting uncertainty in the relationship between the demand for borrowed reserves and the federal funds rate. The intermeeting range for the federal funds rate, which provides one mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, was left unchanged at 7 to 11 percent.

U.S. International Transactions in 1988

Peter Hooper and Ellen E. Meade of the Board's Division of International Finance prepared this article.

The U.S. merchandise trade and current account deficits narrowed substantially in 1988, marking the first year of improvement in either balance since 1981. The improvement reflected continued rapid growth in merchandise exports, coupled with significant slowing of the growth of imports from the pace recorded in recent years. Net services, other than capital gains on direct investment assets abroad, were roughly the same in 1988 as in 1987.

Most of the improvement in the U.S. external balances occurred during the first two quarters of 1988. Both the trade and current account deficits narrowed only moderately in the third quarter, and they widened somewhat in the fourth quarter. In view of the unusually rapid pace of improvement in the first half of the year, some slowing of U.S. external adjustment in the second half should have been expected. That slowing probably also reflected the ebbing of the influence of the decline in the dollar through 1987, particularly after the dollar strengthened during 1988.

The net inflow of capital from abroad declined in 1988 as the current account deficit narrowed, and the composition of net capital flows shifted somewhat. Official net capital inflows declined noticeably, and foreigners sold U.S. corporate stocks on balance. Private foreign purchases of U.S. Treasury securities, however, rebounded from the net sales recorded in 1987, and private purchases of corporate bonds remained strong.

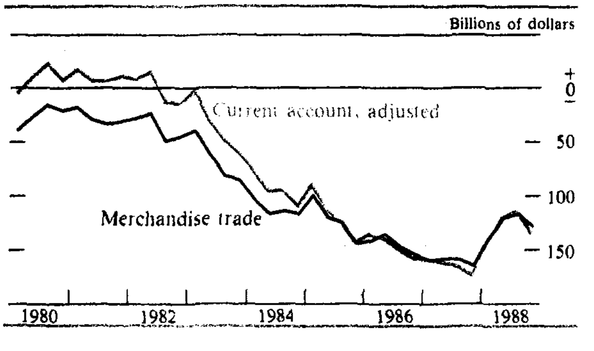
Economic Influences on U.S. International Transactions

Two factors that have influenced the developments in U.S. external balances that are depicted in chart 1 are the relative growth in income and demand at home and abroad and changes in the international price competitiveness of U.S. products.

Relative Growth Rates

During the years 1982–87, growth in U.S. gross national product and in domestic demand exceeded growth abroad, on average, and contributed importantly to the widening of the external deficit (chart 2). In 1988, however, relative growth probably had a net positive effect on the trade balance. Growth in output and domestic demand abroad, on average, exceeded that in the United States. While U.S. growth in 1988 was higher than the average growth over the previous five years, it did not match the rapid pace during 1987 (not shown in the chart); furthermore, demand in major foreign industrial countries, especially Japan and Germany, accelerated substantially. The growth of output in developing countries eased in 1988, but remained above its average level for the 1982–87 period.

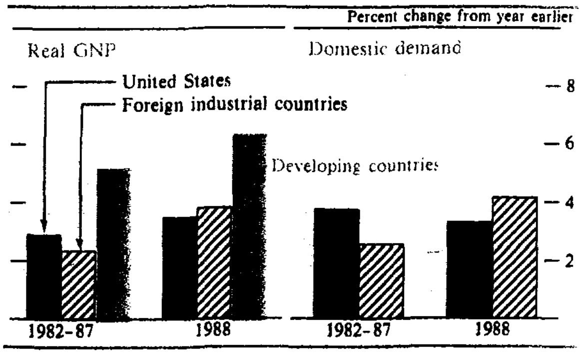
1. U.S. external balances, 1980–88



The data are seasonally adjusted annual rates. The current account is adjusted to exclude capital gains and losses.

SOURCE. Bureau of Economic Analysis, U.S. international transactions accounts.

2. Growth of real GNP and domestic demand, selected countries, 1982–88



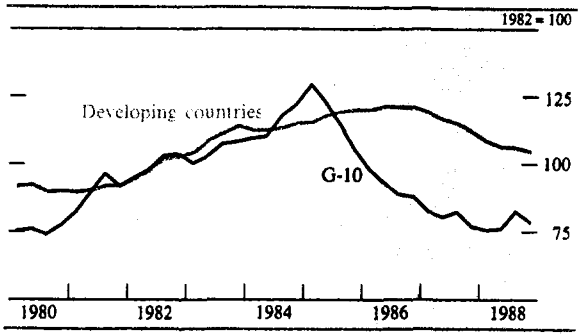
The 1988 figure for U.S. GNP excludes the effects of the drought estimated by the Department of Commerce and thus is 0.3 percentage point higher than the published figure.

The GNP of foreign industrial countries is the weighted average for the G-10 countries excluding the United States; they are Belgium–Luxembourg, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, and the United Kingdom. The GNP for developing countries is the weighted average GNP for Brazil, Hong Kong, Korea, Malaysia, Mexico, the Philippines, Singapore, and Taiwan.

The domestic demand in foreign industrial countries is the weighted average domestic demand for Canada, France, Germany, Italy, Japan, and the United Kingdom.

Data for the domestic demand of developing countries are not available. In all three cases of weighted data, the weights are proportional to each country's share in world exports plus imports during 1972–76. The figure for 1988 is an estimate.

3. Real exchange value of the dollar against currencies of selected countries, 1980–88



The real exchange value of the dollar is calculated using weighted nominal exchange rates adjusted with weighted consumer prices. The weights in the indexes are proportional to each country's share in world exports plus imports during 1972–76. See note to chart 2 for the G-10 countries.

Price Competitiveness

The primary stimulus to U.S. net exports during 1988 came from the improvement in U.S. price competitiveness associated mostly with the depreciation of the dollar during the preceding three years but also with improvements in the performance of U.S. prices, wages, and productivity relative to those abroad. By the end of 1987, the price-adjusted, or real, exchange value of the dollar in terms of the currencies of the foreign Group of Ten countries had fallen more than 40 percent from its peak in early 1985, so that almost all of its rise during the first half of the 1980s was reversed (chart 3). On the basis of this measure, in which the currencies of the G-10 countries are weighted by their shares in world trade, the dollar strengthened somewhat during 1988, particularly around midyear, and it finished the year about 2 percent above its level at the end of 1987.

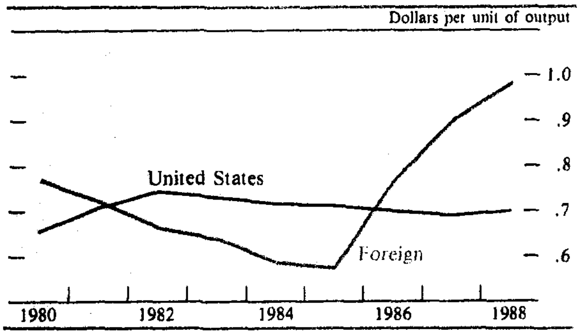
In terms of a more broadly based index of currencies weighted by shares in U.S. imports, by contrast, the dollar depreciated modestly on balance between the end of 1987 and the end of 1988 (table 1). The reason for the discrepancy is that most of the net appreciation for the year was against the currencies of major European countries, whose shares of world trade are relatively high but whose shares of U.S. imports are relatively low. Against the currencies of countries that weigh more heavily in U.S. imports, the dollar either showed little net change (the Japanese yen) or depreciated only moderately (the Canadian dollar, Mexican peso, and Korean won). The distinction between these measures of the dollar's exchange rate is important to the analysis of the elements of the U.S. external balance. The index weighted by import shares is more relevant to movements in import prices,

1. Change in the real exchange value of the dollar against selected currencies, 1985–88[1]

Weighting scheme and exchange rate	Two years ending 1987:4	Year ending 1988:4
Multilateral trade		
With the G-10 countries	−27.3	2.2
With the G-10 and 8 developing countries	−23.1	.3
Bilateral non-oil imports		
With the G-10 countries	−22.7	−2.5
With the G-10 and 8 developing countries	−18.5	−4.1

1. The changes are calculated using indexes weighted by each country's share in the specific trade. For the list of the G-10 countries and the 8 developing countries, see note to chart 2.

4. U.S. and foreign labor costs in manufacturing, 1980–88



The foreign index includes Canada, France, Germany, Japan, and the United Kingdom, and is constructed by weighting each country's unit labor costs by its share in total output.

SOURCE. Peter Hooper and Kathryn Larin, "International Comparison of Unit Labor Costs in Manufacturing," International Finance Discussion Papers 330 (Board of Governors of the Federal Reserve System, August 1988), forthcoming in *Review of Income and Wealth*. Measures of unit labor costs are based partly on data published by the Bureau of Labor Statistics.

whereas the index weighted by shares in world trade is more relevant to export volumes or to the global price competitiveness of U.S. goods.

The decline in the dollar since 1985 has contributed to a significant gain in U.S. international competitiveness in terms of labor costs in manufacturing. As indicated in chart 4, foreign unit labor costs in manufacturing, expressed in dollars, rose sharply relative to U.S. unit labor costs between 1985 and 1988. While the fall in the exchange value of the dollar accounted for most of this shift, increases in U.S. labor productivity relative to foreign productivity, and declines in U.S. wages relative to wages abroad, also helped. As a result of this improvement, U.S. unit labor costs in manufacturing were estimated to have been as much as 30 percent below the average level (in dollars) for other major industrial countries. Such estimates of the comparative levels of unit labor costs inevitably are crude, but they suggest that the adjustment of the U.S. external balance to the current level of exchange rates can continue for some time if output capacity is reallocated toward the United States to take advantage of relatively lower labor costs here.[1]

2. U.S. merchandise trade, 1985–88[1]

Billions of dollars

Type of trade	1985	1986	1987	1988
Merchandise exports	215.9	224.0	249.6	319.9
Agricultural	29.6	27.4	29.5	38.3
Computers	13.7	14.3	17.4	21.7
Other	172.7	182.3	202.7	259.9
Merchandise imports	338.1	368.5	409.9	446.4
Oil	51.3	34.4	42.9	39.3
Computers	8.4	11.0	14.9	18.4
Other	278.4	323.1	352.1	388.7
Trade balance	−122.2	−144.6	−160.3	−126.5

1. Components may not add to totals because of rounding.

SOURCE. Bureau of Economic Analysis, U.S. international transactions accounts.

3. Changes in U.S. merchandise exports and imports, 1987–88

Percent change, annual rate

Type of trade	1987:4 from 1986:4	1988:4 from 1987:4	1988:2 from 1987:4	1988:4 from 1988:2
Merchandise exports[1]				
Value	19	24	35	14
Volume	19	17	28	8
Merchandise imports				
Value	15	6	1	11
Volume	8	4	−1	10

1. Excludes gold shipments to Taiwan.

SOURCE. Bureau of Economic Analysis, U.S. international transactions accounts.

DEVELOPMENTS IN U.S. MERCHANDISE TRADE

The merchandise trade deficit narrowed more than $30 billion last year to $127 billion, marking the first year of improvement since 1980 (table 2). The value of exports rose 24 percent between the fourth quarter of 1987 and the fourth quarter of 1988, continuing the rapid expansion of the year before (table 3). Imports grew much more slowly, in sharp contrast to their strong growth in 1987. Most of the improvement in the deficit in 1988 came during the first half of the year, as exports grew at an extremely rapid rate and imports changed little. In the second half of the year, export growth slowed, while import growth

1. Evidence that relative rates of investment in manufacturing across countries have responded to international differences in labor costs is considered in Peter Hooper, "Exchange Rates and U.S. External Adjustment in the Short Run and the Long Run," International Finance Discussion Papers 346 (Board of Governors of the Federal Reserve System, March 1989).

4. Changes in the volume of U.S. nonagricultural exports, selected periods, 1981–88[1]

Percent change, annual rate

Type of export	1986:4 from 1980:4	1987:4 from 1986:4	1988:4 from 1987:4	1988:2 from 1987:4	1988:4 from 1988:2
Nonagricultural, total	2	23	19	28	12
Computers	26	55	23	30	17
All other	−2	16	18	27	10
Industrial supplies	0	8	11	13	−2
Capital goods (excluding computers)	0	17	21	28	14
Automotive	3	20	13	17	9
Consumer goods	0	18	31	37	26
Other	7	34	17	43	−4

1. Data exclude gold shipments to Taiwan.

SOURCE. Bureau of Economic Analysis. U.S. international transactions accounts.

picked up and actually exceeded the rate of expansion in exports in volume terms.

Growth in Exports

The expansion of the value of U.S. exports last year was spread across commodity categories. Two-thirds of the growth in the value of agricultural exports was due to increases in prices. Prices for major export crops (particularly wheat and soybeans) rose sharply in the wake of the severe drought in key sections of the country. The expansion in the value of nonagricultural exports, on the other hand, was largely real; the prices of these exports rose only moderately, about in line with the increase in domestic producer prices.

The volume of nonagricultural exports grew much faster than can be accounted for by growth abroad alone, so that much of the expansion of exports was probably a direct result of the improvement in the price competitiveness of U.S. products in foreign markets. However, the growth of exports (particularly of industrial supplies, capital goods, and automobiles) slowed substantially in the second half of the year (table 4). Nonagricultural exports expanded quite rapidly for 1988 as a whole and to most of the regions of the world (table 5). Exports to the newly industrializing economies of Asia (NIEs) were particularly strong, spurred both by rapid economic growth in those countries and by more recent gains in U.S. price competitiveness in those markets. Shipments to Canada, Western Europe, and Japan increased at a rapid pace during the first half of the year, and they slowed substantially in the second half.

Several factors may explain the shift in the growth of exports in the second half of 1988. One is timing: The slowdown represented a transitory pause following an unusual bunching of shipments in the first half of the year. The validity of this explanation cannot be assessed until more time has gone by. Nevertheless, in light of the phenomenal (and unexpected) growth of exports in the first half of the year, timing must have played some role.

A second possible explanation is the emergence of capacity constraints in U.S. manufacturing production, which is indicated by the relatively high and rising level of capacity utilization in a number of key U.S. industries. However, among industries that are important in U.S.

5. U.S. nonagricultural exports, by region, 1987–88

Importing region	Value, 1987:4 (billions of dollars)	Percent change, 1988[1]		
		1988:4 from 1987:4	1988:2 from 1987:4	1988:4 from 1988:2
All regions[2]	239	24	32	16
Canada	64	13	28	0
Western Europe	65	27	49	8
Japan	24	25	41	11
Asian NIEs[2,3]	21	41	47	35
Latin America	34	24	17	31
Other	19	22	8	38

1. Half-year changes are at annual rates.
2. Data exclude gold shipments to Taiwan.
3. Includes Hong Kong, Singapore, Taiwan, and Korea.

SOURCE. Bureau of Economic Analysis. U.S. international transactions accounts.

6. U.S. merchandise exports and manufacturing capacity utilization, selected industries, selected periods, 1978–88

Percent

Industry	Share in 1987		Capacity utilization rate	
	Total exports	Net shipments[1]	Average, 1978–80	1988:4
Total manufacturing[2]	82	...	86.5	84.4
Nonelectrical machinery	16	17	86.0	82.2
Chemicals	10	17	82.9	89.7
Motor vehicles	8	21	93.3	86.1
Electrical machinery	8	13	89.9	78.1
Food	5	5	85.1	80.9
Instruments	4	17	88.9	83.4
Primary metals	2	7	97.1	90.5
Lumber	2	8	87.9	84.7
Paper	2	7	92.7	94.5
Fabricated metals	1	5	87.4	84.6
All other manufacturing	20	...	...	...

1. Export share of total U.S. shipments net of intra-industry shipments.

2. Sectors are listed in order of importance to exports.

exports and that are shown in table 6 , only two, chemicals and paper, had reached record utilization rates at the end of 1988. Utilization rates for aircraft and certain nonferrous metals are also reported to have been relatively high. In most other industries, utilization rates were still somewhat below the peaks reached in 1978–80. Capacity constraints may have affected export growth in some areas, but they probably were not a major factor underlying the rapid deceleration of export growth after mid-1988. Had such constraints been binding, significant upward pressure on export prices would have emerged. Yet, overall nonagricultural export prices showed no signs of accelerating during the year.

A third possible explanation for the shift in export growth in mid-1988 is the erosion of the effects of the earlier decline in the dollar. However, the positive effects of gains in U.S. price competitiveness are unlikely to have disappeared so abruptly. Empirical models that relate changes in the trade balance to changes in exchange rates suggest that, although much of the adjustment comes within four to six quarters, the effects of a depreciation of the dollar are felt over two to three years. The predictions of a model that incorporates such adjustment lags suggest that the partial trade balance (that is, the trade balance excluding agricultural exports, oil imports, and both imports and exports of computers) adjusted more slowly than expected through 1987, and caught up to the model prediction by mid-1988 (see chart 5).[2] The actual balance dropped more sharply than the model predicted in the second half of the year. If the historical relationship between exchange rates and the trade balance has remained the same, the pattern of export growth and external adjustment during 1988 cannot be explained solely by the wearing off of the effects of the depreciation of the dollar.

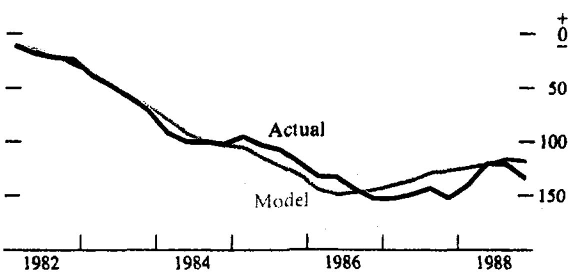
A final possible explanation is a slackening of economic growth abroad, particularly in Canada, Germany, Japan, and the United Kingdom, during the second half of 1988. While this slackening was evident in several major industrial countries, growth for all foreign countries (weighted by shares in U.S. exports) appears to have been about unchanged between the first and second halves of the year; thus growth abroad can account for little if any of the slowdown in export growth.

Some additional evidence on the scope for further stimulus to exports from the past depreciation of the dollar can be found in movements

2. Imports and exports of computers have been excluded because their unusual behavior during the 1980s (discussed below) has made them particularly difficult to model. The model used to produce these predictions is quite similar to one that has been documented and discussed in William L. Helkie and Peter Hooper, "The U.S. External Deficit in the 1980s: An Empirical Analysis," in Ralph C. Bryant, Gerald Holtham, and Peter Hooper, eds., *External Deficits and the Dollar: The Pit and the Pendulum* (Brookings Institution, 1988), and Ellen E. Meade, "Exchange Rates, Adjustment, and the J-Curve," FEDERAL RESERVE BULLETIN, vol. 74 (October 1988), pp. 633–44.

5. U.S. partial merchandise trade balance, 1982–88

Billions of dollars, seasonally adjusted annual rate

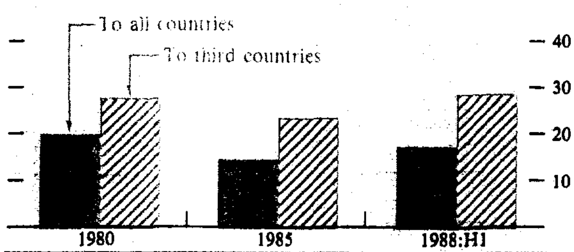


The data cover nonagricultural exports minus non-oil imports excluding imports and exports of computers. The model is estimated through 1986:4.

SOURCE. Bureau of Economic Analysis, U.S. international transactions accounts.

6. U.S. shares of exports by selected major industrial countries, 1980–88

Percent



The major industrial countries covered here are the United States, Japan, and the members of the European Community: Belgium Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom.

in U.S. shares of world trade. With the real exchange value of the dollar against the other G-10 currencies now back almost to its level at the beginning of the decade, U.S. exports may reasonably be expected to begin regaining their share in world markets at that time.[3] In the first half of 1988, the U.S. share in the total volume of exports from the United States, the European Community, and Japan to all countries was about midway between its level in 1980 and its low point in 1985 (chart 6). These data suggest that there is room for further gains in exports. However, overall export shares may be a misleading indicator of the effects of changes in price competitiveness, because they include U.S., Japanese, and EC exports to each other. It is not possible to distinguish between a decline in the overall U.S. export share due to reduced competitiveness of U.S. exports vis-à-vis Japanese and EC exports in foreign markets, and a decline in that share due to strong U.S. growth and demand for imports (from Japan, the European Community, and elsewhere). Examination of trade shares in third markets (that is, markets other than the United States, Japan, and the European Community) allows us to focus more directly on the effects of changes in the price competitiveness of U.S. exports against exports of the other two regions. In the first half of 1988, the United States regained the share of exports to third-country markets it had had in 1980. This measure suggests somewhat less scope for further adjustment at current exchange rates than is indicated by the overall shares.

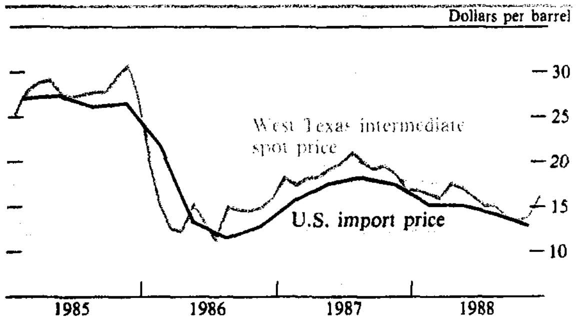
In sum, the increase in U.S. price competitiveness associated with the decline in the dollar during 1985–87 had had substantial benefits for U.S. exports by mid-1988. Some slackening of export growth was to be expected thereafter, as the effects of that depreciation began to wear off. Capacity constraints also may have impinged on export growth by midyear in some sectors. In addition, much of the slowing of export growth after midyear probably reflected a bunching of deliveries in the first half of the year.

Prices of Imports

Total import prices (as measured from the national income and product accounts fixed-weight price index) rose 3 percent during 1988, as a sharp drop in oil prices offset much of the rise in non-oil prices. The average price of imported oil fell 25 percent during 1988, to just under $13 per barrel in the fourth quarter. Overproduction by OPEC members, excess oil inventories, and continued disagreement about production quotas after the resolution of the Iran–Iraq war, depressed prices. The tensions among OPEC members

3. Of course, changes in other factors affecting U.S. trade flows since 1980 could prevent a restoration of the trade shares of that time. Nevertheless, several studies have suggested that the rise in the dollar between 1980 and early 1985 accounted for a large portion of the widening of the trade deficit. See, for example, Peter Hooper and Catherine L. Mann, *The Emergence and Persistence of the U.S. External Deficit: 1980–87*, Princeton Studies in International Finance, 1989.

7. Oil prices, 1985–88

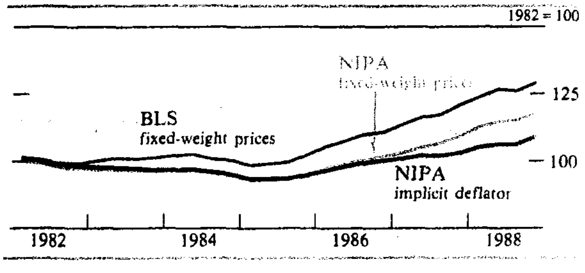


SOURCE. U.S. Department of Commerce and *Wall Street Journal.*

were resolved, at least temporarily, toward the end of 1988, and both spot prices and import prices increased significantly early this year (chart 7) .

Non-oil import prices appear to have responded sluggishly to the decline in the dollar since early 1985. However, different measures of import prices tell different stories about the amount of that adjustment. Chart 8 shows three measures of non-oil import prices: the implicit deflator from the national income and product accounts (NIPA), the fixed-weight price index published by the Bureau of Labor Statistics (BLS), and a NIPA price index that has been reconstructed with fixed weights. The fixed-weight price indexes hold the shares of the various products in the index constant at some base-period value. In contrast, the implicit deflator uses current-share weights, which are thus variable. The rise in the deflator since 1985 has been considerably smaller than those in the other two indexes. This difference arises because the former gives increasing weight over time to computers, and the price of computers has been falling rapidly (on a quality-adjusted basis). The BLS fixed-weight price index rose more than the fixed-weight NIPA index, partly because it uses a measure of computer prices that is not adjusted for quality and partly because it uses different measures of prices of raw and intermediate materials.

8. Prices of U.S. non-oil imports, 1982–88



SOURCES. Bureau of Labor Statistics and Bureau of Economic Analysis.

According to the fixed-weight NIPA price index, prices of non-oil imports rose in 1988 at about the same rate as they had on average over the previous two years (table 7). The most rapid increases were recorded for industrial supplies, particularly paper, chemicals, steel, and nonferrous metals (other than gold); the prices of other categories generally rose less than half as much. In most cases, prices increased more rapidly in the first half of the year than in the second half; the deceleration, particularly in the third quarter, may have reflected an unusually swift incorporation of the effects of the appreciation of the dollar at midyear.

Import Volumes

The volume of oil imports rose fairly strongly in 1988, partly in response to the sharp decline in oil prices and partly in anticipation of future price increases. Domestic oil consumption rose 3 percent, while domestic oil production declined nearly 2 percent. The growth of non-oil imports slowed significantly, however, as increases in the prices of imports relative to the prices of domestically produced goods finally began to depress the demand for imports (table 8). Nevertheless, the continued robust growth in total

7. Changes in the prices of U.S. imports, 1985–88[1]

Percent change, annual rate

Type of import	1987:4 from 1985:4	1988:4 from 1987:4	1988:2 from 1987:4	1988:4 from 1988:2
Total imports	2	3	5	1
Oil	−19	−26	−25	−27
Total non-oil	7	8	10	5
Computers	−13	−6	−9	−3
All other	7	8	10	5
Industrial supplies	5	14	21	7
Capital goods (excluding computers)	1	4	6	4
Automotive	7	6	6	6
Consumer goods	8	6	9	2
Foods and other	6	6	9	5

1. As measured by NIPA fixed-weight price indexes.

SOURCE. Bureau of Economic Analysis, U.S. international transactions accounts.

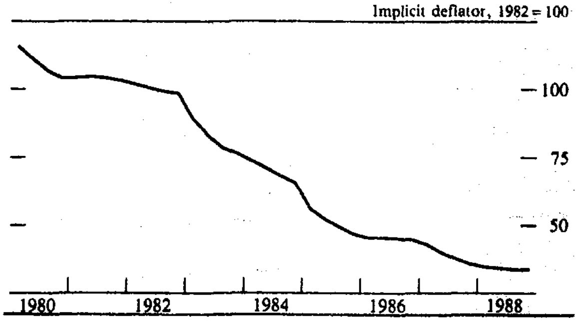
8. Growth in the volume of U.S. imports, 1986–88

Percent change, annual rate

Type of import	1987:4 from 1986:4	1988:4 from 1987:4	1988:2 from 1987:4	1988:4 from 1988:2
Total imports	8	4	−1	10
Oil	2	11	10	12
Total non-oil	9	3	−3	9
Computers	73	17	26	8
Other	4	2	−7	10
Capital goods (excluding computers)	10	10	10	10
Automotive	5	0	−14	15
Consumer goods	−1	6	−7	20
Industrial supplies	7	−2	−11	7
Foods and other	2	−5	−17	9
MEMO: Industrial supplies (excluding gold)	8	−1	−11	2

SOURCE. Bureau of Economic Analysis, U.S. international transactions accounts.

9. U.S. computer prices, 1980–88



The data are derived from the U.S. international transactions accounts.

domestic demand kept the quantity of non-oil imports growing for the year as a whole. With the exception of capital goods, most categories of imports declined in the first half of the year from the high levels that had been reached during an inventory build-up near the end of 1987. Strong domestic investment spending sustained the demand for imports of capital goods throughout the year. Imports of other goods, especially consumer goods and autos, rebounded during the second half of the year, partly in response to strength in domestic consumption. In addition, some of the pick-up in imports of consumer goods and autos late in the year may have reflected timing factors related to the Japanese voluntary-restraint agreement for autos and the impending removal of the Generalized System of Preferences privileges for certain Asian countries.

Trade in Computers

Since the early 1980s, both U.S. imports and U.S. exports of computers, computer accessories, peripherals, and related products have increased dramatically. Technological advances in the computer industry have been extremely rapid, so much so that the Commerce Department measures the domestic prices of these products with a quality-adjusted index. A quality-adjusted, or hedonic, price index for a product measures prices across time for a given basket of services derived from that product. When an industry is advancing as rapidly as computers have in the 1980s, unadjusted price indexes can overstate the true price change. Conventionally measured, prices of computers may well have risen during the 1980s. However, the services those computers provide have increased at a considerably faster rate, and the hedonic price index for computers has declined rapidly.

Unfortunately, quality-adjusted measures of prices for actual imports and exports of computers are not available. In their place the Commerce Department uses the quality-adjusted price for computers that is used to deflate the computer portion of domestic expenditures on producers' durable equipment.[4] On this basis, computer prices at the end of 1988 were almost 70 percent lower than they were in 1982 (chart 9). This decline in prices resulted in a rapid increase in the measured volumes of exports and imports of computers, even though the value of these imports and exports rose only moderately faster than the value of other imports and exports. In real terms, the share of computer exports in nonagricultural exports rose from about 5 percent in 1982 to 21 percent last year; the share of computers in real imports has risen equally sharply (table 9). These developments have important implications for the analysis of movements in overall import and export volumes and

4. See David W. Cartwright, "Improved Deflation of Purchases of Computers," *Survey of Current Business*, vol. 66 (March 1986), pp. 7–10; and Rosanne Cole and others, "Quality Adjusted Price Indexes for Computer Processors and Selected Peripheral Equipment," *Survey of Current Business*, vol. 66 (January 1986), pp. 41–50.

9. Computers as a share of U.S. merchandise trade, selected years, 1980–88
Percent

Item	1980	1982	1984	1986	1988
Value					
Nonagricultural exports	4.1	5.2	7.4	7.3	7.7
Non-oil imports	.9	1.4	3.0	3.3	4.5
Volume					
Nonagricultural exports	3.3	5.2	10.5	14.9	21.1
Non-oil imports	.8	1.4	4.2	7.2	14.2

SOURCE. Bureau of Economic Analysis, U.S. international transactions accounts.

price indexes (as noted above). Because both exports and imports of computers have grown rapidly in recent years, however, trade in computers did not contribute substantially to either the widening of the trade deficit through 1987 or the narrowing of the deficit last year.

NONTRADE CURRENT ACCOUNT TRANSACTIONS

In 1988, net services and transfers by the United States declined significantly and registered a small deficit for the first time in more than three decades (table 10). The decline was more than accounted for by a large swing from capital gains on U.S. direct investment abroad in 1987, when the dollar depreciated, to capital losses in 1988, when the dollar appreciated. These capital gains and losses result when the assets and liabilities of foreign affiliates of U.S. corporations, which are denominated in foreign currencies, are revalued in dollars at changed exchange rates.

Between 1980 and 1985, while the dollar was rising, capital losses reduced the current account (chart 10). Just the reverse occurred during 1985–87, when the dollar was falling. The effect that these changing currency-translation gains and losses have had on the current account has varied with changes in the currency composition of the assets and liabilities of foreign affiliates. Excluding capital gains and losses, net direct investment income rose significantly further last year, to well over $30 billion, reflecting the strong growth of economic activity abroad.

The net deficit on portfolio investment income, which has increased rapidly since 1985, rose to nearly $30 billion in 1988. Rapid growth in U.S. net portfolio liabilities to the rest of the world more than accounted for the increase. In fact, the decline in total net investment income flows (including portfolio and direct investment, exclusive of capital gains) has not nearly matched the growth in U.S. net foreign indebtedness. This discrepancy developed because the average rate of return on U.S. assets abroad exceeds by a

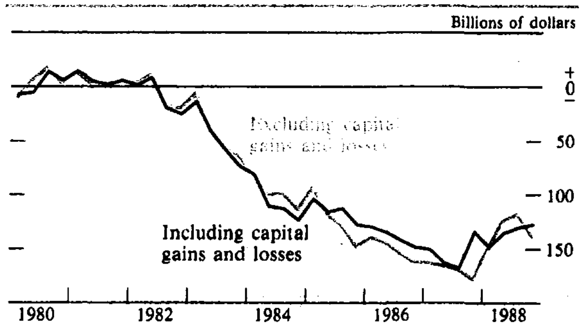
10. U.S. nontrade current account transactions, 1984–88[1]
Billions of dollars

Account	1984	1985	1986	1987	1988
Total, nontrade current account	5	7	6	6	−9
Capital gains and losses on direct investment, net	−9	7	12	16	−2
Nontrade current account excluding capital gains and losses	14	0	−6	−10	−7
Service transactions, net	26	15	9	4	7
Investment income, net	27	19	11	5	5
Direct investment income, net	21	20	21	26	33
Portfolio investment income, net	7	−1	−10	−21	−28
Military, net	−2	−3	−4	−2	−4
Other services, net	1	−1	2	2	6
Unilateral transfers	−12	−15	−15	−13	−14
Private transfers	−1	−2	−1	−1	−1
U.S. government grants and pensions	−11	−13	−14	−12	−13

1. Details may not add to totals because of rounding.

SOURCE. Bureau of Economic Analysis, U.S. international transactions accounts.

10. U.S. current account, 1980-88



SOURCE. Bureau of Economic Analysis, U.S. international transactions accounts.

significant margin the average rate of return that foreign residents earn on their holdings in the United States. The difference in rates of return reflects several factors. First, the stock of U.S. direct investment assets abroad is probably undervalued substantially relative to the flow of income that it produces, as discussed below. Second, a relatively large portion of U.S. portfolio liabilities to foreigners is in corporate stocks, for which a portion of income (capital gains) is not recorded in the international accounts. Third, a considerable portion of portfolio income is derived from the international activity of U.S. banks. The banks are intermediaries, which charge more on their loans to foreigners than they pay on their deposits and other liabilities to foreigners.

Other net service receipts increased fairly strongly last year, as tourism, travel, and transportation expenditures responded to earlier gains in U.S. price competitiveness.

CAPITAL ACCOUNT TRANSACTIONS

Both net official and net private capital inflows declined last year, reflecting the narrowing of the current account deficit (table 11). In 1987, the increase in foreign official holdings in the United States fell well short of the total increase in official holdings of dollar reserves by foreign authorities, a development that suggested that many of those dollar reserves were being invested outside the United States. In 1988, the increase in official holdings in the United States exceeded increases in dollar reserves reported by foreign authorities; this shift indicated that, in addition to dollar accumulation by some official monetary authorities, foreign official dollar reserves were being moved from the Eurodollar markets to the United States.

11. U.S. capital account transactions, 1984–88[1]

Billions of dollars

Type of transaction	1984	1985	1986	1987	1988
Official capital, net[2]	−6	−8	34	55	33
Private capital, net[2,3]	77	112	101	96	84
Inflows reported by U.S. banks, net[2]	23	40	20	47	28
Securities, net	33	60	65	27	36
Net purchases by private foreigners					
U.S. Treasuries	23	20	4	−8	20
U.S. corporate bonds	16	42	49	24	24
U.S. corporate stocks	−1	4	17	15	−1
U.S. net purchases of foreign securities[2,4]	−5	−8	−4	−5	−8
Direct investment, net[3]	12	12	23	16	23
Foreign direct investment[4] in the United States[3]	26	21	36	42	42
U.S. direct investment abroad[3,4]	−14	−9	−13	−26	−19
Other	10	1	−7	5	−3
Statistical discrepancy	27	18	16	19	17
MEMO: Current account[3]	−99	−122	−151	−170	−133

1. A minus sign indicates an outflow. Details may not add to totals because of rounding.

2. The refinancing of foreign governments' military sales debt through the sale of securities guaranteed by the U.S. government has been excluded from changes in U.S. government assets, changes in bank custody claims on foreigners, and U.S. purchases of foreign securities.

3. Excludes capital gains and losses on direct investment income.

4. Transactions between U.S. companies and their Netherlands Antilles finance affiliates have been excluded from direct investment outflows and added to foreign purchases of U.S. securities.

SOURCE. Bureau of Economic Analysis, U.S. international transactions accounts.

12. International investment position of the United States, 1984–88 [1]

Billions of dollars

Item	1984	1985	1986	1987	1988[e]
Total, net international investment position	4	-112	-269	-368	-487
Net direct investment	47	46	39	47	25
Other recorded portfolio investment, net	-54	-169	-319	-426	-523
Gold	11	11	11	11	11

1. Components may not add to totals because of rounding. Positive figures indicate U.S. investment abroad; negative figures indicate foreign investment in the United States. All data except those for 1988 include estimates by the Department of Commerce of changes in the value of stocks, bonds, and other assets, largely as the result of changes in interest rates and exchange rates. Direct investment assets remain at book value in all years.

e Estimate.

SOURCE. Bureau of Economic Analysis, U.S. international transactions accounts and U.S. international investment position.

Among private capital flows, net bank-reported inflows were off sharply in 1988 from the 1987 pace, when the inflows had reflected in part the substantial deposits in Euromarkets by foreign central banks. Foreigners sold U.S. corporate stocks on balance in 1988, reversing the net purchases of the previous year. However, foreign private purchases of Treasury securities rebounded from a decline in 1987. Despite highly publicized increases in foreign acquisitions of U.S. firms, foreign direct investment in the United States in 1988 did not exceed the high level recorded in 1987. Although a U.S. petroleum company sold significant amounts of assets, the level of U.S. direct investment abroad was also little changed in 1988 after an adjustment to exclude currency-translation gains and losses.

U.S. International Investment Position

As a result of the continued net inflow of capital last year, the official U.S. net foreign investment position is estimated to have declined $120 billion, to a deficit of nearly $500 billion at the end of 1988 (table 12). This estimate does not take into account capital gains and losses on nondirect investment assets and liabilities during 1988, as the official data will do when they are released by the Department of Commerce in June. Recent studies have suggested that the recorded investment position is substantially understated.[5] One reason for the understatement is that direct investment assets are recorded at book value rather than at current market value. Crude attempts to revalue direct investment claims and liabilities at current market prices suggest that the recorded direct investment position was undervalued more than $300 billion at the end of 1987. This undervaluation helps to explain why U.S. net direct investment receipts (exclusive of currency-translation gains and losses) are still significantly positive.[6] At the same time, the recorded investment position may be overstated because it does not take into account unrecorded capital inflows, and because the current market value of loans to some countries with debt problems is substantially below their book value. The U.S. international transaction accounts have shown large positive net errors and omissions cumulating to about $200 billion over the past three decades. To the extent that some of this cumulative statistical discrepancy in the accounts represented unrecorded net capital inflows, the net foreign investment position would be still more negative.

In brief, if adjustments were made for the valuation changes and statistical discrepancies just discussed, the U.S. net foreign investment

5. See Robert Eisner and Paul J. Pieper, "The World's Greatest Debtor Nation?" paper presented at the meetings of the American Economic Association, December 1988; Lois Stekler, "Adequacy of International Transactions and Position Data for Policy Coordination," International Finance Discussion Papers 337 (Board of Governors of the Federal Reserve System, November 1988); Michael Ulan and William G. Dewald, "The U.S. Net International Investment Position: The Numbers Are Misstated and Misunderstood," U.S. Department of State, February 1989.

6. It has been suggested by many that the international investment position would be raised further if official gold holdings were valued at the current market price rather than at the official price of $42.22 per ounce. However, the valuation of gold holdings has no bearing on the U.S. net investment income flows.

position would be substantially higher, on balance, than the official figure. In any event, that position would be continuing to fall rapidly, reflecting the deficit in the current account.

PROSPECTS FOR 1989

While the nominal merchandise trade and current account deficits improved substantially in 1988, much of the improvement occurred in the first two quarters of the year. The slowdown in the rate of improvement during the second half of 1988 has mixed and uncertain implications for further adjustment in 1989. On the one hand, this slowdown may be a transitory pause, with more adjustment to come. The net decline in the value of the dollar since early 1985, coupled with the productivity gains and only moderate increases in U.S. wages and other costs, has substantially improved U.S. price and cost competitiveness. Further adjustment may take place as investors take advantage of lower production costs in the United States relative to other industrial countries. On the other hand, much of the adjustment in the external deficit as a result of the dollar's nominal depreciation may have occurred already. Rapid growth in export volume over the past two years has gone a long way toward restoring U.S. shares in the total trade of industrial countries to their previous highs. Increases in import prices have tended to depress the demand for imports, but the continued strength of domestic demand limits the scope for significant reduction in real imports from their current high levels. Strong domestic demand also puts upward pressure on U.S. prices and interest rates, which could further hinder external adjustment by reducing U.S. price competitiveness and by increasing interest payments on the growing U.S. net external debt position.

Home Equity Lending

This article was prepared by Glenn B. Canner and Charles A. Luckett of the Board's Division of Research and Statistics, and Thomas A. Durkin of the Regulatory Planning and Review Section of the Office of the Secretary, with assistance from Nellie D. Middleton.

Personal borrowing secured by equity in residential property has become an increasingly important component of household liabilities. Growing equity in homes, aggressive promotions by financial institutions, and a revised tax code, which retains the deduction for interest on real-estate-secured debt but not on other consumer borrowing, all appear to have contributed to the increasing use of home equity loans. Such credit typically takes either of two forms.[1] The first of these, referred to here as a "traditional home equity loan," is a closed-end loan extended for a specified period of time and generally requiring repayment of interest and principal in equal monthly installments.[2] The second form is the newer "home equity line of credit," a revolving account secured by residential equity. These accounts permit borrowing from time to time at the account holder's discretion up to the amount of the credit line, and they typically have more flexible repayment schedules than those for the traditional home equity loans.

Until recently, relatively little statistical information has been available on home equity lending. Some information about uses and users of home equity lines of credit became available in 1988 with publication of consumer surveys sponsored in 1987 by the Federal Reserve Board and industry-sponsored surveys of financial institutions (see FEDERAL RESERVE BULLETIN, June 1988, pages 361–73). In addition, the Report of Condition for year-end 1987 made available for the first time comprehensive information about amounts outstanding under home equity lines of credit at commercial banks. None of these sources revealed much about traditional home equity loans, however. To learn more about traditional home equity loans and to relate trends in these closed-end loans to available information about home equity lines of credit, the Federal Reserve Board again participated in sponsoring consumer surveys in 1988 (appendix A). This article uses the new survey results to provide a more complete report on the market for consumer credit secured by home equity.

HOLDINGS OF HOME EQUITY LOANS

The Federal Reserve Board has for many years sponsored surveys of consumers to gather information about their overall financial situation and about their use of specific financial services. These surveys can be used to assess the use of home equity loans over time. Before the mid-1980s, nearly all home equity loans were of the traditional type. More recent surveys provide information on consumer use of both types of home equity credit.

Consumer surveys indicate that 5.4 percent of homeowners had a home equity loan in 1977.[3] By 1983, this proportion had risen only slightly,

1. Another way homeowners may access equity in their home is to refinance an existing mortgage. When the amount borrowed in a refinancing exceeds the amount of the debt represented by the original mortgage plus closing costs, then in effect equity-secured credit has been extended. Such "excess" funds may be used in the same manner as any other home equity type of loan. Refinancings are not discussed in this article.

2. Traditional home equity loans are sometimes called second mortgages, although legally they may involve a first lien.

3. Thomas A. Durkin and Gregory E. Elliehausen, *1977 Consumer Credit Survey* (Board of Governors of the Federal Reserve System, 1978).

to 6.8 percent.[4] However, surveys taken last year reveal substantial growth in the use of home equity loans since 1983.[5] These most recent surveys found that 11 percent of homeowners, or roughly 6.5 million families, had a home equity loan in the second half of 1988. Closer examination of the 1988 surveys shows that 5.6 percent of homeowners had a home equity line of credit, while a nearly equal proportion, 5.3 percent, had a traditional home equity loan.

Widespread consumer interest in home equity credit line plans dates to 1986, when extensive promotion of such plans by financial institutions began. In that year, the Tax Reform Act mandated the gradual removal of federal income tax deductions for interest paid on nonmortgage consumer credit, enhancing the attractiveness to consumers of using mortgage instruments to fund expenditures that typically have been financed by consumer loans. Favorable interest rates compared with those on many types of consumer credit, particularly credit cards, also have encouraged borrowing against home equity. These features of reduced interest expense and tax deductibility characterize both types of home equity loans. In addition, the convenience of being able to draw as needed against a line of credit has proved to be a particularly attractive feature of the credit line account.

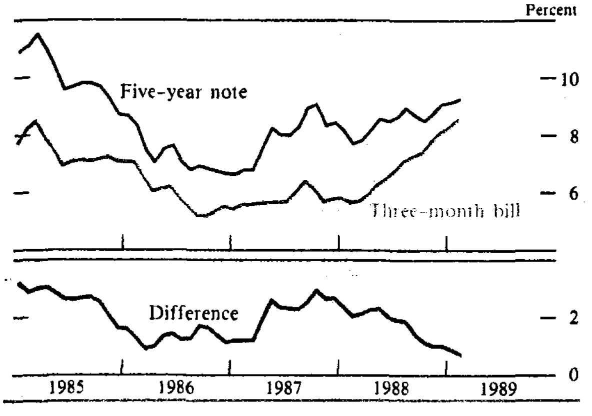
According to the 1988 Surveys of Consumer Attitudes, 31 percent of the families with a home equity line of credit obtained it in 1988, and 83 percent of families with accounts had opened them since 1986. In comparison, about one-fifth of the traditional home equity loans were established in 1988, and 64 percent had been granted since 1986. Looking at 1988 originations alone, 63 percent were credit lines and 37 percent were closed-end loans. Thus, in recent years home-equity-secured credit lines have been the more popular vehicle, but consumer demand for the traditional loan has by no means evaporated.

4. "1983 Survey of Consumer Finances," (Board of Governors of the Federal Reserve System, Division of Research and Statistics).

5. "Survey of Consumer Attitudes." July–December 1988 (University of Michigan, Institute for Social Research, Survey Research Center).

Moreover, whether the growth of credit line accounts will continue to outpace that of traditional home equity loans is open to question. Two basic factors seem likely to influence near-term developments. First, many creditors have aggressively promoted their credit line plans with discounted finance rates and waivers or rebates of closing costs and fees. If creditors reduce these promotions, home equity lines of credit will become relatively less attractive. Second, the recent flattening of the yield curve, so that short-term interest rates and longer-term rates are more nearly equal, means credit lines may no longer have a near-term price advantage over the closed-end loans. Typically, rates on traditional home equity loans are more in line with longer-term rates, while credit lines are indexed to shorter-term rates. Until recently, short-term interest rates were well below rates on longer-term instruments, as shown in the chart. As a result, credit line accounts have been priced favorably relative to fixed-rate, closed-end home equity loans for most of the past three years. If the flatter yield curve persists, the difference between the growth rates for the two home equity products should shrink.

Short- and medium-term interest rates on U.S. Treasury debt



SOURCES OF HOME EQUITY LOANS

Before the mid-1970s, home equity loans were in large part the province of consumer finance companies, second mortgage companies, and individuals. Today the home equity loan market is dominated by depository institutions, especially

1. Sources of home equity loans

Percent distribution, by type of loan[1]

Source	Home equity lines of credit	Traditional home equity loans
Commercial banks	54	33
Savings institutions[2]	31	27
Credit unions	11	8
Other creditors[3]	4	32
Total	**100**	**100**

1. Data have been weighted to ensure the representativeness of the sample.
2. Includes savings and loan associations and savings banks.
3. Includes finance and loan companies and brokerage firms.

SOURCE. Surveys of Consumer Attitudes, July–December 1988, Survey Research Center, University of Michigan.

commercial banks and to a lesser extent savings institutions (savings and loan associations and savings banks) (table 1). However, some relative specialization by type of home equity loan product is observable among creditors. In particular, finance companies have provided nearly a third of the traditional home equity loans while playing an insignificant role in the market for home equity lines of credit. Among depository institutions, commercial banks and savings institutions have roughly equal shares of the market for traditional home equity loans, but banks are the predominant source of credit lines, accounting for 54 percent of the total market.

The specialization of finance companies in the traditional home equity loan market may in part reflect long-time customer relationships as well as limits on the services available from finance companies. Because finance companies typically do not offer deposit services (except, in some cases, through banking affiliates), they are less well suited to offering credit accounts that can be accessed by check, a feature of virtually all home equity lines of credit. Also, finance companies tend to serve a somewhat lower-income homeowner clientele with smaller amounts of home equity.[6] Lenders often prefer to exercise tighter control over the credit use of such customers by granting them loans of specified amounts with predetermined payment schedules.

USERS AND USES OF HOME EQUITY CREDIT

In general, home equity credit users fit the profile of a financially sophisticated, "upscale" group of consumers. However, important differences exist between holders of credit lines and users of traditional home equity loans. Moreover, differences among customers of each product in demographic characteristics, in uses of the funds, and in the perceived attractiveness of the two credit products all suggest that they may not be close substitutes in the minds of many consumers.

Demographic Characteristics of Holders of Home Equity Loans

Families that have a home equity credit line typically have higher incomes and have built up substantially more equity in their homes than homeowners in general have, or those with a first mortgage only (table 2). Families with traditional home equity loans likewise have higher incomes and more equity than the average first mortgagee, but they have significantly smaller amounts of each than holders of credit line accounts have. In 1987, families with credit line accounts had median incomes of $51,000, and holders of traditional home equity loans had median incomes of $43,000. In comparison, the median income for those with a first mortgage only was $38,000. Median amounts of home equity were $83,000 for credit line holders, $43,000 for those with traditional home equity loans, and $35,000 for those who had a first mortgage only. Those borrowing against home equity also tend to be older than homeowners with a first mortgage only; in part their higher incomes and home equity may reflect the fact that older homeowners have probably progressed further in their careers and have owned their homes longer. Homeowners with no mortgage debt at all tend to have sizable equity and relatively low incomes; the median age for this group is 65, and many of them are on retirement

6. For example, the median incomes of traditional home equity loan borrowers at commercial banks and savings institutions were $55,000 and $40,000 respectively in 1988. In contrast, the median family income of persons borrowing from finance companies was $32,000. See memorandum, "Home Equity Loan Holding and Use: Results of 1988 Consumer Surveys," to the Consumer Advisory Council, January 24, 1989, table 4.

2. Characteristics of homeowners, by debt status[1]

Debt status	Home equity[2] (dollars)		1987 family income (dollars)		Age (median years)	Education (median grade completed)	Nonwhite and Hispanic (Percent)
	Mean	Median	Mean	Median			
No mortgage debt	84,925	60,000	25,920	23,000	65	12	10
First mortgage only	59,886	35,000	41,266	38,000	41	14	11
Home equity line of credit	139,779	83,000	56,537	51,000	47	15	9
Traditional home equity loan	93,163	43,000	49,453	43,000	46	14	13
MEMO: All homeowners	75,643	50,000	36,359	32,500	50	14	10

1. Data have been weighted to ensure the representativeness of the sample.
2. Home equity consists of the market value of the home less all debts secured by the home, including balances outstanding on equity lines of credit and traditional home equity loans.
SOURCE. Surveys of Consumer Attitudes, July–December 1988, Survey Research Center, University of Michigan.

incomes and have owned their homes for a long time.

The strong correlation between the use of home equity for loan collateral and levels of family income and equity is further illustrated in table 3, which groups homeowners by income and equity categories and shows the proportion of each group that has one or the other type of home equity product. The data reveal that home equity lines of credit in particular are an upscale product, with larger proportions of each of the higher-income groups ($35,000 or more in annual income) holding a credit line account rather than a traditional home equity loan. The other demographic characteristics in tables 2 and 3 do not show significant differences between holders of credit lines and users of traditional home equity loans, although the latter are somewhat more likely to be nonwhite or Hispanic and to have had somewhat fewer years of formal schooling than credit line holders.

3. Proportion of homeowners with home equity loans, by demographic characteristic[1]
Percent

Demographic characteristic	Home equity line of credit	Traditional home equity loan	Either type
Age			
18–34	4	4	8
35–44	6	7	13
45–54	9	10	18
55–64	8	6	14
65 or older	2	1	2
Family income			
Under $15,000	1	2	2
$15,000–24,999	3	4	7
$25,000–34,999	3	5	8
$35,000–44,999	7	5	12
$45,000–59,999	9	7	16
$60,000 or more	14	10	23
Home equity[2]			
Under $50,000	3	6	9
$50,000–99,999	6	3	9
$100,000 or more	11	6	16
Region			
West	4	6	10
North Central	4	5	9
Northeast	12	8	20
South	3	4	7
MEMO: All homeowners	5.6	5.3	11

1. Data have been weighted to ensure the representativeness of the sample.
2. Home equity consists of the market value of the home less all debts secured by the home, including balances outstanding on equity lines of credit and traditional home equity loans.
SOURCE. Surveys of Consumer Attitudes, July–December 1988, Survey Research Center, University of Michigan.

The geographic breakdown in table 3 illustrates the pronounced regional character of the market for home equity lines of credit. Twelve percent of homeowners in the Northeast have a credit line account, compared with an average of 4 percent for the other three major regions. A similar, though less pronounced, geographic pattern also characterizes the market for traditional home equity loans. The Northeast is, of course, a part of the country where incomes and real estate values have both grown rapidly, and it is also the home of many financial institutions that have aggressively promoted home equity loan products.

Amount of Borrowing

Users of credit line accounts and traditional home equity loans also differ considerably in the amounts they have borrowed (table 4). Survey data for 1988 reveal that, on average, credit line users (disregarding those with no outstanding balances) owe considerably less than users of

4. Outstanding balance on home equity loans

Percent distribution, by type of loan[1]

Outstanding balance (dollars)	Home equity line of credit	Traditional home equity loans
None[2]	41	...
1–9,999	27	34
10,000–24,999	23	41
25,000 or more	9	25
Total	**100**	**100**
MEMO:[3]		
Mean (dollars)	12,983	19,036
Median (dollars)	10,000	15,000

1. Data have been weighted to ensure the representativeness of the sample.
2. Includes respondents who reported that they had never used their accounts, plus respondents who had paid off outstanding debt.
3. Excludes accounts with no outstanding balance.
SOURCE. Surveys of Consumer Attitudes, July–December 1988, Survey Research Center, University of Michigan.

5. Purpose of home equity borrowing, by type of loan[1]

Proportion of debtors citing purpose

Purpose	Home equity line of credit[2]		Traditional home equity loan[2]
	Initial draw	All other draws[3]	
Home improvement	38	58	45
Repayment of other debts	40	28	35
Education	11	20	1
Real estate	10	2	16
Auto, truck	7	30	5
Medical	3	16	0
Business	4	7	6
Vacation	1	11	0
Other[4]	11	23	5

1. Data have been weighted to ensure the representativeness of the sample.
2. Proportions add to more than 100 percent because multiple uses could be cited for a single loan or drawdown and because a number of draws could be cited for one line of credit.
3. One-third of account users made no drawdown after the original one.
4. "Other" includes purchases of furniture or appliances, tax payments, personal financial investments, and purchases of boats or other recreational vehicles.
SOURCE. Surveys of Consumer Attitudes, July–December 1988, Survey Research Center, University of Michigan.

traditional home equity loans. For example, 9 percent of credit line holders owe $25,000 or more compared with 25 percent of those using closed-end home equity loans. The mean and median amounts owed by traditional home equity loan users in 1988 were $19,000 and $15,000 respectively, compared with $13,000 and $10,000 respectively for credit line users.

Thus far, consumer use of home equity lines of credit has been moderate; in particular, the amounts that consumers owe are typically well below the maximum amounts allowed under their plans. The median credit line available to survey respondents was $31,250, more than three times the median amount actually owed. In addition, the surveys reveal that many credit line holders (about 41 percent) have no balance outstanding (table 4). Of these, nearly 85 percent have never used their account, while the other 15 percent have paid off a previous obligation and currently carry no balance. Some of those who have never activated their credit line accounts are new account holders (they have had the account less than six months), but the majority are not. Most holders of these accounts appear to have established them as standby lines of credit.

Since many creditors offering home equity lines have either waived or rebated closing costs as a marketing device and since most creditors do not assess any fees to maintain an account, it is not surprising to find that some consumers have arranged for these lines of credit but have never drawn on them. Nevertheless, the high proportion of credit line holders who either have never drawn on their accounts or have repaid outstanding balances in full is surprising and appears inconsistent with information provided by creditors. Some industry estimates suggest that in 1987 the proportion of home equity credit lines without an outstanding balance was in the range of 15 to 20 percent.[7]

Purposes of Borrowing

Historically, surveys have found that consumers have used traditional home equity loans primarily to repay other debts and to finance home improvements.[8] The 1988 surveys show that these uses are the most prevalent ones for both types of home equity loans, although there are some differences. Outlays for education, medical expenses, and vacations are relatively more important uses of credit line borrowings than of closed-end debt. In contrast, financing purchases of real estate has been a somewhat more common use of closed-end loans. These differences

7. "Home Equity Credit Report" (American Bankers Association, no date), table 16, p. 36.
8. *1977 Consumer Credit Survey*, p. 92.

in use apparently stem from the differing features of the two products. The convenient availability of multiple draws on the credit lines suggests that they will be more attractive to consumers for relatively small purchases, such as home appliances, for unanticipated outlays, such as some medical expenses, or for outlays recurring over time, such as college tuition payments. On the other hand, real estate transactions often are large, one-time events that may be relatively better financed with a traditional home equity loan.

ADVANTAGES AND DISADVANTAGES OF HOME EQUITY PRODUCTS

Further differences emerge between users of credit lines and users of closed-end loans regarding their views of the advantages and disadvantages of their chosen loan type compared with other consumer credit products. For example, nearly 50 percent of credit line holders cited the convenience of obtaining money as needed as an important advantage; only 7 percent of traditional home equity loan users mentioned this factor (table 6). In addition, in comparing users of the two types of loans, a larger proportion of the credit line holders mentioned cost, principally a lack of fees, as an important advantage. Many observers have suggested that tax deductibility of interest payments likely is an important factor contributing to the recent growth of home equity credit lines, and the survey responses support this conclusion. Nearly 30 percent of credit line holders and 16 percent of traditional home equity loan users mentioned tax deductibility as an advantage of home equity loans compared with other types of consumer credit. Consumers also cited several potential disadvantages of home equity products. Roughly equal proportions of the users of each type of home equity product mentioned the risk of losing the home as a disadvantage, but credit line holders expressed concerns about possible debt overextension twice as frequently as users of traditional home equity loans. Likewise, a higher proportion of credit line users cited cost (interest rate) as a disadvantage of this type of credit, probably reflecting simultaneously the sensitivity to prices

6. Advantages and disadvantages cited by holders of home equity loans, by loan type

Percent[1]

Advantage or disadvantage	Home equity line of credit[2]		Traditional home equity loan[2]	
Advantages				
Convenience	76		40	
To obtain the loan		24		23
To access funds		48		7
Other		4		10
Cost	61		50	
Low interest rate		21		32
Tax deductibility		29		16
No fees		11		0
Other		0		2
Other advantages	8		7	
No special advantages	2		11	
Disadvantages				
Risks	40		29	
Lose home		13		16
Debt overextension		27		13
Costs	24		15	
Interest rates		23		15
To establish account		1		0
Other disadvantages	5		25	
No special disadvantages	27		22	

1. Data have been weighted to ensure the representativeness of the sample.
2. Adds to more than 100 percent due to multiple responses.
SOURCE. Surveys of Consumer Attitudes, July–December 1988, Survey Research Center, University of Michigan.

of this upscale group of borrowers and the variable rates on most of these accounts.[9]

In sum, survey evidence suggests that holders of credit lines and users of closed-end loans represent different market segments, albeit with some similarities and overlaps. Credit line holders have somewhat higher incomes and more equity in their homes, but, so far at least, have borrowed less. Debt repayment and home improvement are the main uses of both kinds of loan, but the credit lines are also used more broadly for other purposes. Credit line holders are more likely to mention convenience as an advantage, but they also more often mention the cost in terms of variable interest rates and the risk of possible debt overextension as disadvantages.

Significantly, lack of knowledge about alternatives does not appear to be associated with the selection of loan type. The 1988 surveys show

9. Virtually all credit line accounts have a variable interest rate feature, typically one that allows monthly adjustments that are indexed to changes in the prime rate or to some other short-term money market rate.

that 92 percent of all homeowners are aware of the availability of traditional home equity loans, and 75 percent are aware of home equity lines of credit. In comparing the two types of credit, about 90 percent of users of each type were aware of the availability of the other product. But, despite their high levels of awareness, most users of either a traditional home equity loan or of a credit line account did not seriously consider the other type of credit instrument before obtaining their current loan. Among homeowners with a traditional home equity loan, only 16 percent considered obtaining a line of credit instead. Similarly, among homeowners with a credit line, only 20 percent considered taking out a traditional home equity loan. This lack of cross-product shopping likely reflects factors such as the differences in loan purpose discussed earlier. For instance, as previously noted, many credit line holders seem to have established their accounts as standby lines with no immediate use intended, and roughly three-quarters of them mentioned convenience (in one form or another) as a key advantage of that loan product.

EFFECTS OF HOME EQUITY DEBT ON THE ECONOMIC BEHAVIOR OF HOUSEHOLDS

The growing importance of home equity debt in household balance sheets may have implications for the economic behavior of households. The June 1988 BULLETIN article, for instance, explored the question of how the availability of home equity credit lines might be affecting aggregate consumption and borrowing. That article concluded that home equity lines were primarily substituting for other types of debt and therefore had not expanded the total volume of household borrowing; likewise, it concluded that any effect on aggregate consumption was probably quite small. Another behavioral issue is whether the variable-rate structure of most home equity lines and some traditional home equity loans might affect the economic behavior of households in some way, particularly during periods when the general level of interest rates is rising. This question is addressed in the following sections.

Aggregate Home Equity Debt

Before examining the sensitivity of households to movements in interest rates, it might be useful to gauge the aggregate amount of home equity debt outstanding. Comprehensive statistics are not available, but rough estimates can be constructed from reports for some lender groups together with inferences from the household surveys. Debt outstanding under home equity credit lines can be estimated at about $75 billion at the end of 1988; a less precise estimate puts the amount of traditional home equity loans somewhere between $135 billion and $190 billion. The total market for home equity debt thus ranges from about $210 billion to $265 billion, or between 10 and 12 percent of all home mortgage debt on 1- to 4-family residential properties.

Commercial banks (since December 1987) and FSLIC-insured savings institutions (since June 1988) have been itemizing their receivables under credit lines on the Reports of Condition that they file quarterly with their respective supervisory agencies. These reports, which cover the two largest institutional segments of the market for home equity lines, provide a solid foundation for estimates of revolving home equity debt; a sample of commercial banks also supplies such data to the Federal Reserve on a weekly basis. However, because debt incurred through traditional home equity loans is not reported separately, it remains embedded in the total of home mortgage debt outstanding, with no means available to separate it out.

Responses to the consumer surveys indicated that commercial banks and savings institutions (including mutual savings banks) may have accounted for 85 percent of the credit line accounts in place during the second half of 1988. Compilations from the Reports of Condition establish that at the end of 1988, commercial banks had receivables under credit lines of $40 billion and FSLIC-insured savings institutions had $11 billion. In the absence of data for mutual savings banks (MSBs), an estimate of $10 billion is used here.[10] Adding the figures together gives an esti-

10. While MSBs have substantially fewer mortgage assets than commercial banks, their business is concentrated in the Northeast, which, as noted, has been a region of particularly

mated total of $61 billion in revolving home equity credit outstanding at these various depository institutions. If this total for depositories is inflated to account for the 15 percent of credit line accounts held by other lenders, then the year-end aggregate for all lenders approached $75 billion.[11]

In the absence of any direct means to isolate the amounts of traditional home equity credit on lenders' books, deriving an aggregate estimate for that type of lending is more problematic. Some inferences can be drawn from the survey data, however. For instance, the survey indicates that the mean balance outstanding on a traditional closed-end loan is about one and one-half times the average balance on an active home equity line of credit. Further, after subtracting out credit line accounts with no balances—about 40 percent of all accounts, according to the survey—the ratio of traditional loans to active credit line accounts is about 1.6 to 1. Multiplying together these ratios of size of balance and number of loans (accounts) suggests that outstanding debt on closed-end loans may be about two and one-half times the amount of debt under credit lines. If the estimate offered here of about $75 billion in revolving credit is accurate, then traditional home equity debt may have been as much as $190 billion at year-end.

If, however, inaccuracies exist in the mean amounts of debt outstanding or in the proportion of credit line accounts with no balance that was calculated from the survey, then the above estimate of traditional home equity credit could be off target. For example, if industry estimates of 15 to 20 percent for inactive credit line accounts are closer to the mark, then we would have to pare the estimate of traditional home equity loans outstanding (other things equal) to about $135 billion.

heavy use of home equity accounts. Several MSBs are known to have large portfolios of home equity credit lines.

11. Based on a similar methodology, but using less complete data on receivables and a less reliable estimate of market shares, an estimate of $75 billion outstanding at the end of 1987 was presented in the June 1988 BULLETIN article. It now appears that the year-end 1987 figure was closer to $60 billion.

Effects of Variable Rates

With the development of adjustable-rate mortgages early in the present decade, the interest obligation on the existing stock of household debt began to become more responsive to general movements in interest rates. This trend has continued with the advent of home equity lines of credit, virtually all of which have variable rates, insofar as these credit lines have substituted for consumer debt and for traditional home equity loans that have been largely fixed in rate. In recent years, even some of these types of debt have been made with adjustable rates, but not nearly to the extent that home equity lines have been.[12]

The prime rate has served as, by far, the most common index to which the variable rates on home equity lines have been pegged. About three-quarters of all providers of these credit lines use the prime rate for this purpose. Rates on Treasury bills, typically of 90-day or 6-month maturity, have been used by virtually all other institutions. Two-thirds of the providers adjust rates monthly, and most of the rest adjust quarterly. Moreover, few lenders at present provide any annual limit on rate increases. The use of market-sensitive indexes with frequent adjustments and little constraint on rate levels means that the average interest rate applied to the stock of credit line debt should move closely with money market rates.

How rate adjustments affect the payment obligation of the typical credit line holder can be estimated with the help of the survey statistics. As noted earlier, the mean outstanding balance on an equity-secured line of credit is about $13,000. For each percentage point of interest, a borrower would pay $10.83 a month. A common markup over prime is 1½ percentage points. With the prime rate at 8½ percent last spring, the typical borrower with a $13,000 balance and an interest rate of 10 percent would have paid $108 of interest each month. By December, when the prime rate had risen to 10½ percent and the rate on credit lines thus to 12 percent, this borrower

12. In the 1988 survey of households, 16 percent of the traditional home equity loans held by respondents had an adjustable rate of interest.

would have paid $130 in interest, assuming approximately the same balance outstanding.

Whether changes in interest obligations of this magnitude might stimulate some curtailment of current spending or a reduction of debt by consumers is difficult to say. At the margin, these changes presumably would have some effect, but its significance is open to question. One practical consideration is that a rise in the interest rate on a credit line balance need not increase the monthly payment. Only those borrowers faced with an "interest only" minimum payment requirement and who customarily pay the minimum would necessarily be obligated to make a higher payment. More commonly, lenders set minimum payments at some percentage of the outstanding balance (for instance, 1½ percent). A minimum payment of 1½ percent on the mean balance of $13,000 would be $195, more than enough to cover the interest payments calculated above. In these circumstances, of course, the loan balance would amortize more slowly. Borrowers who found this development undesirable might then adjust their behavior in some fashion.

Another consideration is that holders of credit line accounts have higher incomes than other homeowners or other households in general, as shown in table 2. They also have substantially more home equity than the average homeowner. The surveys did not obtain data on any assets of households other than home equity, but it seems clear that holders of home equity credit lines tend to be financially well situated. Therefore, higher interest payments would be unlikely to impose a serious constraint on their spending.

A broader examination of household sector behavior reveals that the cash flow of some households improves with rising interest rates because they hold variable-rate (or short-maturity) financial assets. In the aggregate, interest-paying assets of households exceed their interest-bearing liabilities by roughly 50 percent, and in 1987 households received interest of nearly $315 billion and paid out interest of about $255 billion, according to the latest available data. Many assets, like many liabilities, carry fixed rates, of course, and therefore the overall effect of rising interest rates on receipts and payments of consumers is hard to quantify. It appears likely, however, that the net cash flow to the sector as a whole would increase with a rise in interest rates.

If increased interest receipts outweigh higher interest payments when rates rise, consumer spending might increase. However, a rise in interest rates causes the current stock of wealth to be revalued downward, which is apt to exert some pressure on spending. Moreover, taking account of even broader economic effects, higher interest rates, by raising financing costs, tend to restrain aggregate economic activity and thus to reduce labor income. This chain of economic consequences also points toward lower consumer spending.

In sum, variable-rate debt makes the cash flow of consumer–debtors more vulnerable to constraint in times of rising interest rates, but, for the sector as a whole, increased interest receipts probably outweigh the higher interest payments. In any event, the positive effect on cash flow is just one way in which higher interest rates affect consumers. The negative effects of higher interest rates on consumer wealth and on aggregate demand operate to reduce consumer spending.

Developments in Public Policy

In recent months, legislative and regulatory actions have been taken that will influence the future development of the home equity loan market. Two statutes, the Competitive Equality Banking Act of 1987 (CEBA) and the Home Equity Loan Consumer Protection Act of 1988 (HELCPA), added new Truth-in-Lending requirements regarding credit linked to home equity.[13] Also, in late 1988, the Federal Reserve adopted new capital adequacy guidelines.[14] The guidelines establish a framework that makes regulatory capital requirements more sensitive to differences in credit-risk profiles among banking

13. The Competitive Equality Banking Act of 1987 was enacted on August 10, 1987; implementing requirements under Regulation Z were adopted on November 3, 1987. The Home Equity Loan Consumer Protection Act of 1988 was enacted November 23, 1988; proposed amendments to Regulation Z to implement the act were published by the Board for public comment on January 23, 1989.

14. Press release, "Risk-Based Capital Guidelines," Federal Reserve System, January 19, 1989.

organizations. The new guidelines assign all categories of housing-related credit to specific risk-weight categories and thereby, in effect, specify the amount of capital that creditors need to fund outstanding balances on home equity loans and on the undrawn portions of credit lines.

Competitive Equality Banking Act of 1987

The CEBA requires creditors to place a ceiling on the life-of-loan interest rate on adjustable-rate mortgages (ARMs). However, the statute does not specify any particular rate ceiling, leaving that choice to the discretion of the creditor, or, in some instances, to determination by the applicable state usury law. With respect to home purchase loans, the CEBA has had relatively little effect, since nearly all ARMs had life-of-loan ceilings before the statute's enactment. The situation for home equity loans is different. Virtually none of the credit line plans set up before the effective date of the CEBA included a ceiling on finance rates. Now any newly established home equity line with an adjustable interest rate must carry a rate ceiling.

It is difficult to assess whether the CEBA has had a meaningful influence on the market for home equity loans. However, at least some creditors have emphasized their relatively low ceiling rates when promoting their credit line accounts. Ultimately, competitive forces will determine the level of the rate ceiling a particular creditor needs to establish (given the other features of its product) to maintain its share of the market. Whether such ceiling rates will be low enough to significantly reduce the interest rate risk of borrowers is yet to be seen. Moreover, because creditors will find it more difficult to modify terms and conditions on home equity lines owing to the enactment of HELCPA, they may be reluctant to lock themselves into long-term contracts with relatively low rate ceilings.

[illegible]

Before the enactment of HELCPA, home equity credit plans were treated like other types of open-end credit plans for purposes of account disclosure and advertising rules under Regulation Z. For instance, as for other open-end loan products, disclosures for home equity lines of credit had to be provided to the consumer before the first transaction. However, borrowing limits on home equity lines typically are much larger than those on other types of open-end loan products, and home equity lines entail a security interest in the consumer's home. Thus, home equity lines tend to expose the consumer to more financial risk than other open-end products do. In addition, a perception existed among some industry observers that certain common features of contracts for home equity credit lines, such as the right to change unilaterally the terms and conditions of the plan at any time, were inherently unfair to consumers. In response to these concerns, rather than to any record of industry abuse of consumers, Congress enacted the HELCPA. The act expands the coverage of rules on disclosure and advertising for home equity lines, requires the distribution of an information brochure about them, and places a variety of substantive restrictions on contract terms and conditions.

The new disclosure rules, along with the information brochure that must be provided to loan applicants, may help consumers to better understand the potential benefits and risks of using home equity lines of credit. The timing of the distribution of the disclosure material to consumers, along with requirements for more complete advertising about the costs of credit line accounts, should facilitate credit shopping. Nonetheless, the extent of these benefits appears limited. First, as noted, consumers who obtain home equity credit lines tend to be financially well-endowed and better educated than most other consumers and thus are probably already better able to understand the potential benefits and risks.[15] Moreover, consumer surveys have consistently found that credit line holders believe they received adequate information about their accounts when they opened them. Second, surveys indicate that only about one-third of credit line holders considered applying for an account

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15. For example, as the consumer surveys reveal, holders of home equity lines are well aware that serious consequences (including the loss of their home) are associated with failing to repay loans as scheduled.

with a lender other than the one they ultimately selected and thus did not shop extensively for their accounts. Together, these findings suggest that if future holders of home equity credit lines are similar to those who have already established such accounts, then the new disclosure rules are likely to have limited effects.

As mentioned, HELCPA contains several substantive limitations on the way credit line plans can be structured. First, the act requires creditors offering plans with variable interest rates to select an index rate that is publicly available and beyond the control of the creditor. In effect, this requirement prohibits creditors from using an index such as an internal measure of cost-of-funds or their own prime rate, which roughly one-quarter of creditors have used in the past. Second, the statute prohibits creditors from terminating an account and accelerating payment of the outstanding balance before the scheduled expiration of the plan. However, the law protects creditors by providing three exceptions to this rule. A creditor may terminate a plan if (1) there has been fraud or material misrepresentation by the consumer in connection with the plan; (2) the consumer has failed to meet the repayment terms of the agreement; or (3) the consumer acts in a way that adversely affects the creditor's security interest. Whether the safeguards afforded creditors in the statute will prove adequate remains to be seen and may depend on future court decisions that will further clarify appropriate situations in which creditors may curtail operations of their home equity line programs.

The final substantive limitation provides that creditors may not unilaterally change the terms of a home equity line after an account has been opened.[16] However, the proposed regulation would allow the creditor and consumer to modify a plan after it starts by using a bilateral written agreement. Such agreements offer both parties an opportunity to make mutually beneficial changes to plans as circumstances change over time.

16. Unilateral changes that are unequivocally beneficial to the consumer, such as a reduction in an annual fee, would be permitted. Moreover, under certain circumstances creditors may freeze a consumer's access to an account or reduce the available credit line.

Capital Adequacy Guidelines

In recent years, federal banking supervisors have assessed the adequacy of the level of bank capital by comparing a bank's ratio of primary and total capital to total assets with minimum standard ratios. On December 16, 1988, the Federal Reserve Board approved new capital guidelines. The guidelines attempt to take explicit account of differences in credit risks among banking organizations' assets and off-balance-sheet items by assigning each type of asset and off-balance-sheet exposure to one of several broad risk categories.

Outstanding balances on both home equity lines of credit and traditional home equity loans that are not first liens will be assigned a 100 percent weight for purposes of calculating risk-weighted assets. Those that are first liens will be assigned a 50 percent weight, provided that such loans have been made with prudent underwriting standards, have sufficient homeowner equity, and are performing in accordance with their original terms. Undrawn portions of home equity credit lines will not be assessed a capital charge if two conditions are met: first, that the bank can terminate the account, prohibit additional draws on the line, or reduce the credit line in accordance with the provisions of applicable federal statutes (at this time, the HELCPA); and second, that the bank reviews the status of the account at least annually. If these conditions are not met, undrawn portions of home equity lines are effectively assigned a 50 percent weight for purposes of calculating the amount of risk-weighted assets. Given the large volume of undrawn credit lines available to consumers (roughly twice the current level of outstanding balances), significant capital charges could be incurred by creditors if they fail to conform to these conditions.

APPENDIX: SURVEY OF CONSUMER ATTITUDES

To obtain information on the prevalence of home equity accounts and their use by homeowners, the Federal Reserve Board helped to develop questions that were included in the Survey of Consumer Attitudes for July through December

1988, conducted by the Survey Research Center at the University of Michigan. Interviews were conducted by telephone, with telephone numbers chosen from a cluster sample of residential numbers. The sample was chosen to be broadly representative of the four major regions—Northeast, North Central, South, and West—in proportion to their populations (Alaska and Hawaii were not included). For each telephone number drawn, an adult from the family was randomly selected as the respondent.

The survey defines the family as any group of persons living together who are related by marriage, blood, or adoption, and any individual living alone or with persons to whom the individual is not related. The head of the family is defined as the individual living alone, the male of a married couple, or the adult in a family with more than one person and only one adult. Generally, when there is no married couple and more than one adult, the head is the person most familiar with the family's finances, or the one closest to age 45. Adults are persons aged 18 years or more.

Together the surveys sampled 3,010 families, 2,011 of whom were homeowners. Overall, 109 homeowners reported having a home equity line of credit, and 114 homeowners indicated they had a traditional home equity loan. The survey data have been weighted to be representative of the population, thereby correcting for differences among families in the probability of their being selected as survey respondents. Estimates of population characteristics derived from samples are subject to errors based on the degree to which the sample differs from the general population. Table A.1 indicates the sampling errors for proportions derived from samples of different sizes.

A.1 Approximate sampling errors of survey results, by size of sample[1]

Percentage points

Survey result (percent)	Size of sample		
	100	300	3,000
50	10.5	6.2	2.5
30 or 70	9.6	5.7	2.3
20 or 80	8.4	4.9	2.0
10 or 90	6.3	3.7	1.5
5 or 95	4.6	2.7	1.1

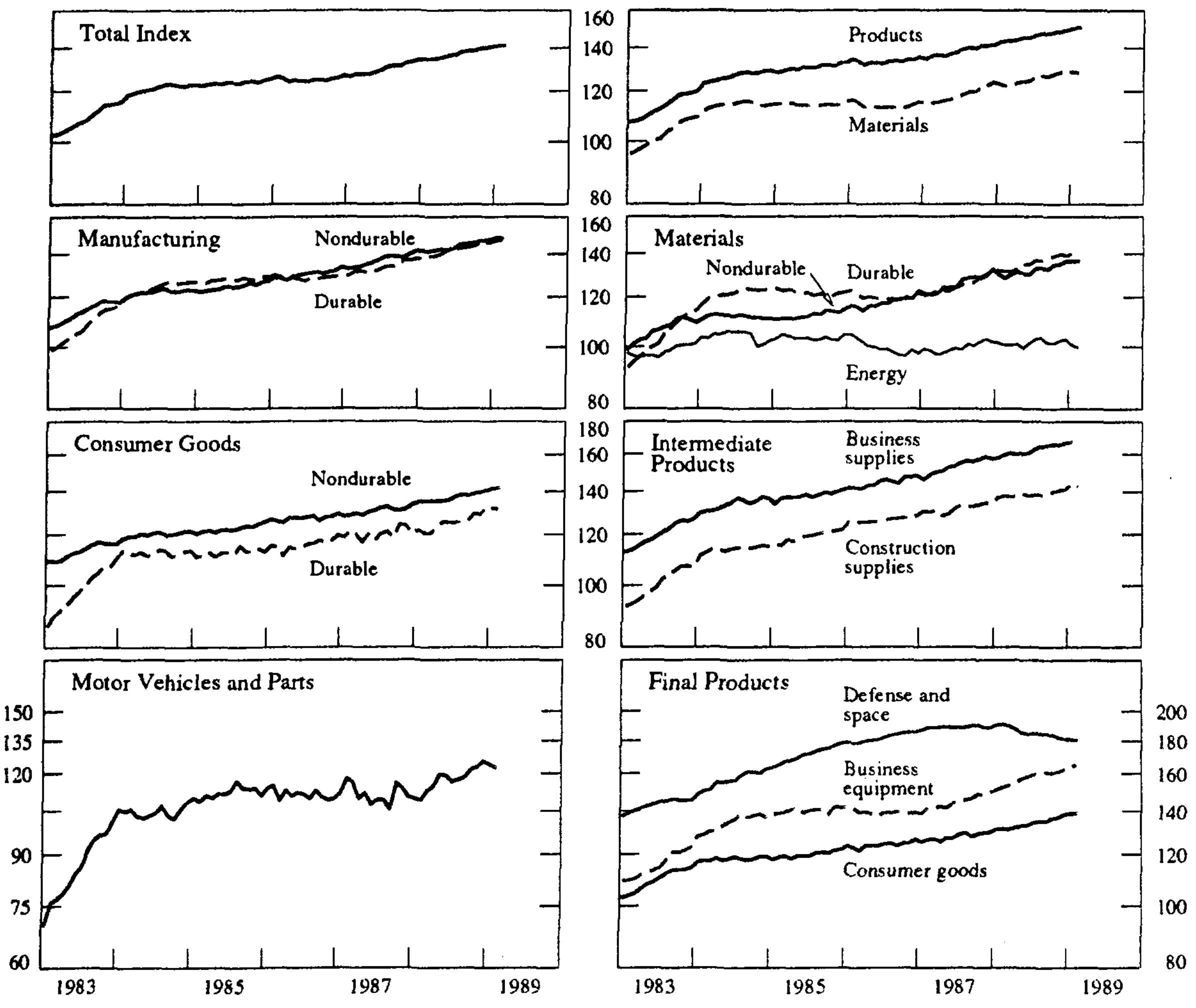
1. Ninety-five percent confidence level, 1.96 standard errors.

Industrial Production

Released for publication March 16

Industrial production was unchanged in February, after having risen 0.4 percent in January. In February, output of business equipment and home goods rose strongly; however, production of construction supplies, materials, and autos declined. At 141.1 percent of the 1977 average, the total index in February was 5.0 percent higher that it was a year earlier.

In market groups, production of consumer goods rose only slightly in February. Auto assemblies declined to an annual rate of 7.2 million units from a rate of 7.5 million units in January, and the output of light trucks for consumer use edged down. In contrast, production of home



All series are seasonally adjusted. Latest series: February.

Group	1977 = 100		Percentage change from preceding month					Percentage change, Feb. 1988 to Feb. 1989
	1989		1988			1989		
	Jan.	Feb.	Oct.	Nov.	Dec.	Jan.	Feb.	
	Major market groups							
Total industrial production	**141.1**	**141.1**	**.6**	**.4**	**.4**	**.4**	**.0**	**5.0**
Products, total	150.3	150.7	.5	.2	.6	.6	.2	5.1
Final products	148.5	149.0	.4	.2	.7	.5	.3	5.2
Consumer goods	138.8	139.0	1.2	.3	1.0	.4	.1	5.8
Durable	131.5	131.5	2.4	-.1	2.2	-.3	.0	9.1
Nondurable	141.5	141.8	.7	.5	.6	.7	.2	4.8
Business equipment	164.1	165.4	-.4	.6	.7	1.0	.8	8.5
Defense and space	180.9	180.6	-.3	-1.0	-.7	-.1	-.2	-5.4
Intermediate products	156.5	156.4	.7	.1	.5	1.0	.0	4.7
Construction supplies	143.7	142.7	1.2	.5	.4	1.8	-.7	3.6
Materials	128.5	128.0	.8	.6	.1	.0	-.4	4.8
	Major industry groups							
Manufacturing	147.4	147.4	.6	.4	.4	.7	.0	5.7
Durable	146.7	146.9	.6	.4	.3	.7	.1	6.1
Nondurable	148.3	148.2	.7	.3	.4	.6	-.1	5.0
Mining	103.4	101.5	-.6	1.5	.7	-1.9	-1.8	.0
Utilities	114.8	116.9	.8	-.2	1.5	-.5	1.9	1.2

NOTE. Indexes are seasonally adjusted.

goods, which includes appliances, increased further, and nondurable consumer goods rose slightly.

After having weakened briefly last fall, the output of business equipment has picked up considerably. Much of the recent strength has occurred in commercial equipment, mainly computers, and in manufacturing equipment. The production of construction supplies fell in February, retracing some of January's large gain. Materials production declined 0.4 percent in February, mainly reflecting large declines in the output of steel and coal. Nondurable materials, such as chemicals and textiles, were little changed, on balance, again in February.

Total industrial production—Revisions

Estimates as shown last month and current estimates

Month	Index (1977=100)		Percentage change from previous months	
	Previous	Current	Previous	Current
Nov.	139.9	139.9	.3	.4
Dec.	140.6	140.5	.5	.4
Jan.	141.1	141.1	.3	.4
Feb.	...	141.1	...	.0

In industry groups, manufacturing output was unchanged in February after having risen a revised 0.7 percent in January. Both durable and nondurable manufacturing were about unchanged in February. Outside manufacturing, mining output declined 1.8 percent, but production at utilities rose 1.9 percent.

Capacity utilization in total industry for February was estimated at 84.3 percent, down 0.2 percentage point from January. In manufacturing, capacity utilization for February was 84.6 percent, 0.2 percentage point lower than in January, and 2.0 percentage points higher than it was a year earlier. Detailed data for capacity utilization are shown separately in "Capacity Utilization," Federal Reserve monthly statistical release, G.3.

Statement to Congress

Statement by Alan Greenspan, Chairman, 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 of the U.S. House of Representatives, March 22, 1989.

I am pleased to appear today before this committee to outline the views of the Board of Governors on the legislation proposed by President Bush for the reform and recovery of the thrift industry. The Board supports this comprehensive package of proposals to strengthen the thrift industry, and depository institutions generally, as well as to prevent the serious problems of the thrift industry from recurring.

The proposals in the bill include the following: (1) greatly enhanced supervisory, regulatory, and enforcement authority; (2) a new framework for resolving insolvent thrift institutions; (3) a separate insurance fund for thrift institutions under the administration of the Federal Deposit Insurance Corporation (FDIC); and (4) a strengthening of this new thrift fund, as well as the FDIC fund, through higher premiums.

Besides this legislative program, a number of administrative measures have been taken or are planned. As a first step to limit losses in insolvent institutions, more than 160 of them have been brought under federal control to date, and approximately 60 more will be similarly addressed in the next few weeks. As part of this effort, we are contributing 170 Federal Reserve examiners to the overall task force.

Moreover, to help attract responsible buyers for troubled thrift institutions, and as a result of the important changes in the environment for interstate banking, the Federal Reserve Board intends to reconsider the tandem operations restrictions on applications brought to the Board for acquisitions of failed or failing savings and loan associations. In addition, under a joint lending program the Federal Reserve Banks and Federal Home Loan Banks will share in meeting the liquidity needs of thrift institutions that cannot be met by Federal Home Loan Bank advances under traditional collateral standards, or market sources of funds. This arrangement is consistent with Federal Reserve Bank practice of lending secured to troubled institutions until their difficulties can be resolved. Loans under this arrangement will be secured by assets of the Federal Savings and Loan Insurance Corporation (FSLIC) as well as those of the troubled institution.

I would like to focus my remarks today on the two major elements of the President's program: (1) the restructuring and reform proposals, and (2) the procedures for dealing with failed savings and loan associations as well as the funding required to cover losses incurred by these institutions. Before turning to this task, I believe it would be useful to recall why we are facing a thrift problem and to draw some lessons from its causes.

Today's thrift industry losses grew partly out of the vulnerability of a fixed rate, long-term, lender with relatively short-term liabilities, to changes in interest rates. As inflation, and interest rates, rose in the late 1970s and early 1980s, and as deposit rate ceilings were phased out, the resulting mismatch on the rising cost of deposit liabilities and the fixed return on mortgage assets produced substantial losses and a serious erosion of industry capital. Into this situation other elements were added. Expanded powers were mixed with inexperienced or dishonest management, brokered deposits that fed unchecked growth, lax accounting standards, and seriously inadequate supervision, all within the context of adverse economic conditions. It is sobering how these factors led so quickly to insolvencies. In a short period, the serious, but manageable, maturity-mismatch problem became the disastrous asset-quality problem that we face today.

In evaluating this situation, I would not limit my emphasis, as some have done, to focusing only on the decline in regional economies and, in particular, on the drop in oil prices. The regional economic problems were real, but in assessing responsibility it is important to recognize that the oversupply in the real estate market in certain areas was at least partially a result of the lending by the savings and loan associations themselves. During the period 1982 to 1985, in the face of declining oil prices, commercial real estate loans of savings and loan associations increased more than $57 billion (129 percent). In many cases these loans were made with an eye principally focused on front-end fees, and without any reasonable assurance of repayment.

A comparison with the banking industry is instructive. While the banks do not have real estate equity investment powers, nonrecourse lending by banks for commercial real estate development projects with thin borrower equity positions often puts the bank lenders in a position in which they are very close to equity investors. Taking this into account, it is all the more surprising that the estimated cost of resolving the thrift problems in Texas will run about $40 billion. In that state, in which the economic environment for banks and thrift institutions is identical, the costs for resolving the problems of the banking industry, with assets that are much larger than those of the thrift institutions, should amount to considerably less than $10 billion. Clearly, the large absolute difference in costs and the even larger difference in costs relative to assets is evidence that the thrift industry experienced a systems failure, that is, a major lapse in public and private prudential standards.

To deal with these problems, the new program focuses on the supervisory and regulatory reforms designed to ensure that the mistakes that have so adversely affected the thrift industry, its deposit insurance fund, and the taxpayers will not be repeated. A number of important steps have been proposed.

A new insurance fund for thrift institutions will be established to be administered by the FDIC, separately from the insurance fund for banks, but with special powers for the FDIC to approve applications by thrift institutions for insurance, to make examinations, to initiate enforcement actions, to terminate insurance on an expedited basis, and to prohibit thrift institutions from exercising powers that could cause undue risk to the FSLIC insurance fund.

Moreover, the proposal puts a new emphasis on adequate capital for the thrift industry as a cushion against losses and as a restraint on excessive risktaking. Accordingly, thrift institutions will be required to meet bank capital standards by June 1991, with the exception that they will be given 10 years to write off goodwill. For those institutions that do not meet this standard, growth can be restricted before the 1991 deadline, and must be prohibited after this time.

Our estimates indicate that more than a majority of the thrift institutions with positive tangible capital under generally accepted accounting principles (GAAP) standards could meet the existing bank primary capital requirements; on a risk-adjusted basis, we estimate that nearly two-thirds would meet bank standards due largely to the favorable risk-weight given to 1- to 4-family residential mortgages under the risk-based measure of capital.

If goodwill were to be immediately excluded from capital, the institutions falling below the standard would have to raise about $15 billion to $20 billion in capital to meet bank minimums. However, the proposed legislation, as noted, gives thrift institutions a 10-year period to write off the goodwill; thus, this major capital-raising effort can be spread over a number of years.

It should be emphasized that if losses continue or accelerate due to further credit deterioration or interest rate exposure, the industry's need for capital could be substantial. Those institutions that cannot meet bank capital standards as set forth in the proposed legislation would necessarily have their growth restricted or might be required to shrink their assets.

The administration's program also takes major steps toward restructuring the thrift supervisory and regulatory framework. Besides separating the insurance and regulatory functions, the proposal would create a new federal thrift regulator. The new regulator—the Chairman of the Federal Home Loan Bank System (FHLBS), who would be under the Secretary of the Treasury in the same relationship as the Comptroller of the Currency—should be more independent from the industry. Importantly, the FHLBS would be required to apply bank supervisory and accounting standards to the savings and loan associations.

Moreover, the boards of directors of the Federal Home Loan Banks will be reconstituted along the lines of Federal Reserve Bank boards. This should make them more responsive to the broader public interest. In contrast to present arrangements, most of the membership of the boards will be drawn from outside the industry, including the Chairman and Vice Chairman of the boards, who will be chosen by the new chief of the Federal Home Loan Bank System. Finally, the Chairman of the FHLBS, as the new regulator and supervisor, would carry a mandate emphasizing safety and soundness, and would appoint the head supervisory agent at the Home Loan Banks who would be directly responsible to the FHLBS in Washington. These are both necessary and important reforms.

Another step recommended by the President, to which we attach great importance, is the requirement that savings and loan associations that do not meet the qualified thrift lender (QTL) test (60 percent of assets in residential-related lending) in the Competitive Equality Banking Act of 1987 must, after an appropriate transition period, become banks and be subject to the entire regulatory and supervisory regime applicable to banks and their holding companies. We believe that it is fully appropriate to confine the benefits of thrift status, involving both access to subsidized long-term borrowing from Federal Home Loan Banks and tax benefits, to only those institutions that devote a major part of their assets to promoting homeownership.

Another important part of the reform package is the increase in insurance premiums for both thrift institutions and banks, as well as the authority for the FDIC to raise premiums for both types of institutions in the light of experience. For thrift institutions in which the fund is now insolvent and in need of rebuilding, premiums under the proposal will rise in 1990 from their present level of 20.8 basis points to 23 basis points in 1991, remain at that level for three years, and then fall to 18 basis points in 1994.

For banks the current premium of 8 basis points would increase 4 basis points in 1990, and another 3 basis points in 1991; and then would be held at that level. However, when the insurance funds reach the target for reserves of 1.25 percent of insured deposits, rebates would again be possible.

The level of FDIC insurance reserves as a percentage of insured deposits has dropped in recent years to the present ratio of 0.83 percent, and it is important that this trend be reversed. The proposed premium increase for banks thus stands on its own merits, quite apart from anything that might be done about thrift institutions, as a necessary step to maintain the integrity of the FDIC fund against future contingencies.

Another element of the President's program is a funding package designed to provide sufficient financial resources to resolve current and prospective insolvencies among FSLIC-insured institutions. This function would be assigned to a newly created Resolution Trust Corporation (RTC), which would be managed by the FDIC and operate under the direction of the Oversight Board composed of the Secretary of the Treasury, the Chairman of the Federal Reserve Board, and the Attorney General. To accomplish its task, the RTC would be provided with $50 billion of funding—the proceeds of bonds issued by an RTC Funding Corporation. These funds would be used to resolve insolvent thrift institutions that have not received assistance from FSLIC or that will become insolvent over the next three years. Principal would be repaid with the proceeds of zero coupon bonds purchased from thrift industry resources, and the interest on the bonds would be paid with thrift industry and, if necessary, Treasury funds.

Based on data for September 30, 1988, about 470 thrift institutions, with assets of about $250 billion, are tangible capital insolvent. It seems prudent to assume that all of these institutions will require RTC assistance. We cannot know exactly what the resolution costs will be for these institutions, but based on FSLIC's estimates of the costs of its 1988 resolutions we estimate that it will cost about $40 billion to take care of these 470 institutions. Of course, many other FSLIC-insured institutions are at present thinly capitalized, and some of these could well become insolvent during the three-year period for which RTC would be responsible for new insolvencies.

We have looked at the cost of resolving new and existing insolvencies under different scenarios, and under some, unlikely, circumstances the resolution costs could exceed $50 billion. However, in our judgment, all things considered, the $50 billion should be adequate. There is, of course, much that is unknown, and that is now unknowable, that will affect this judgment. Marginal adjustments may be necessary as experience is gained to take account of, for example, additional costs or recoveries. The critical point is that the fundamental approach is sound, and has the necessary flexibility to adapt to changes in circumstances.

Key to the RTC's ability to minimize costs is flexibility to pursue various resolution options. Such flexibility would permit the separate marketing of franchises and troubled real estate portfolios, which might broaden the market and thereby increase the values of both. In particular, in cases in which no franchise value remains in an organization, the least-cost option would likely be liquidation rather than purchase and assumption. To reduce overall costs, the RTC must have the resources necessary to pursue this course.

When so much money is needed to make up for such large losses, partly from mismanagement, and in no small part due to fraud, is it reasonable to ask the taxpayers to pay any part of these costs?

It is. The basis for my answer goes far beyond the congressional pledge of the full faith and credit of the United States behind insured deposits. The reason for public expenditure to support deposit insurance is the basic benefits to the economy as a whole that we derive from deposit insurance. The certainty and stability provided by deposit insurance benefit the nation as a whole, while they protect the individual from catastrophic loss. By giving the public confidence in the safety of its funds, we avoid the deposit withdrawal and the losses that disrupted the payments system and the savings and investment process in the 1930s. Losses of the kind that we face today should not happen, but with the gains to society as a whole that come with deposit insurance we must accept both the possibility and the reality that there will be losses to be borne by society as a whole.

Our job now is *not* to see to it that there are never any losses as a result of deposit insurance; to do so would require limitations and rules that would put depository institution lenders, and the economy they serve, in a straitjacket. Such a course would be costly to growth and efficiency. Our task is to see to it that the potential for losses is minimized to the extent possible, and that steps are taken to ensure that the preventable governmental, regulatory, supervisory, and human failures that were the cause of the thrift industry losses do not happen again.

The Board attaches considerable importance to the provision of the proposed legislation that calls for the Secretary of the Treasury, in conjunction with the federal financial regulators, to undertake a study of the nation's deposit insurance system. There are major areas of concern about the system, focusing on its apparent bias toward excessive risktaking, its tendency in the direction of differential treatment of small and large institutions, and the unintended expansion of insurance coverage through such techniques as brokering deposits that have been disaggregated into $100,000 segments.

A review, at both a conceptual and practical level, is needed of the consistency of an insurance system that evolved out of the Great Depression, on the one hand, with today's deposit-gathering industry of both small banks and giant modern financial services organizations that operate across markets and national boundaries, on the other. It will be no easy task. It must be done carefully and the recommendations implemented gradually to ensure a smooth transition to modified insurance arrangements.

I would like to close my testimony by stressing that it is vitally important for the Congress to move very promptly to consider and enact the President's proposals. We must make available the resources the regulators need to close insolvent thrift institutions. We must stop the continuing daily losses due to operating expenses that greatly exceed income, as well as to the higher-than-normal rates that they must offer to attract deposits. In operating in this way, they not only hurt themselves and the insurance funds, but, as they drive up rates, they also injure their competitors and the economy as a whole. Prompt action is essential to maintaining public confidence in thrift institutions and their insurance fund. □

Announcements

Statement on Policy on Debt of Developing Countries

Chairman Alan Greenspan of the Federal Reserve Board issued the following statement on March 16, 1989:

I fully support the principles put forward by Secretary Brady last Friday for helping the heavily indebted developing countries to resolve their economic and financial problems: continued economic reform in order to achieve sustained economic growth; timely and adequate external financial resources to support economic development; and for voluntary debt reduction supported by the international financial institutions. The challenge ahead for all of us is to reinvigorate the process and to ensure that it works.

Joint Statement on Community Reinvestment Act

The Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Home Loan Bank Board, and the Federal Deposit Insurance Corporation ("the agencies") jointly issued a Community Reinvestment Act (CRA) statement on March 21, 1989. This joint statement revises the 1980 CRA Information Statement issued by the agencies and reflects the experience of the agencies since 1977 in administering the CRA.

The statement is designed to provide federally insured financial institutions and the public with guidance regarding the requirements of the CRA and the policies and procedures the agencies will apply during the applications process.

The statement discusses the following topics: the basic components of an effective CRA policy; the role of examination reports on CRA performance in reviewing applications; the need for periodic review and documentation by financial institutions of their CRA performance; and the role of commitments to the agencies in the applications process.

The statement strongly encourages financial institutions to expand the CRA statements that are presently required to include information regarding the institution's past record of meeting its obligations under the CRA. The statement indicates that these expanded statements could form the basis for useful comment by and discussions with community groups regarding the institution's record well before an application is filed, at a time when any issues or problems can be addressed more effectively.

The statement also discusses the role of private meetings between financial institutions and community groups in the applications process, the policy of the agencies regarding private CRA agreements, and the views of the agencies regarding extensions of the public comment period for applications. Examples are provided in the statement of specific steps that have been taken by institutions with effective programs for meeting their CRA responsibilities.

Revised Prices for Federal Reserve Returned Check Services

The Federal Reserve Board announced on March 16, 1989, revised prices for Federal Reserve returned check services. The prices will become effective May 1, 1989, and remain in effect through 1989.

The Board's action at this time is in response to declining check recovery rates in the latter part of 1988, after Reserve Banks began offering new returned check services on September 1, 1988. The declining rates are primarily a function of returned check revenue that was lower than anticipated and higher-than-expected costs resulting from the poor quality of qualified check deposits. The Federal Reserve is actively addressing quality problems and is working directly with depository institutions to reduce operational costs and to improve the overall quality of returned check deposits.

Under the new fee schedules for returned checks, the Federal Reserve anticipates recovering 102.9 percent of total check costs during the time that the new prices are in effect, from May through December 1989, and 100.5 percent for the full year.

The proposed raw return fees are an average of $.19 more than current fees, which brings the System average price to $.72. The proposed qualified return prices have increased an average of $.14, resulting in a new System average price of $.212. Fine sort fees were adjusted in four Districts at an average increase of $.0022.

Copies of fee schedules and deadlines for Federal Reserve Bank priced services are available from District Federal Reserve Banks.

Revisions to Official Staff Commentaries on Regulations B, E, and Z

The Federal Reserve Board issued on March 3, 1989, revisions to the official staff commentaries for three of its consumer credit protection regulations: Regulation B (Equal Credit Opportunity), Regulation E (Electronic Fund Transfers), and Regulation Z (Truth in Lending).

The revision to the Regulation B commentary addresses a recent preemption determination by the Board regarding New York law.

The revisions to the staff commentary for Regulation E clarify the disclosure requirements applicable when consumers preauthorize direct deposit of social security and other federal government benefits.

Revisions to the Regulation Z staff commentary address disclosure questions raised by the emergence of reverse mortgages and questions concerning when a third-party fee may be a finance charge in a credit transaction. Additional commentary is included that interprets the Board's uniform rule for disclosures for adjustable-rate mortgages.

Meeting of Consumer Advisory Council

The Federal Reserve Board announced that its Consumer Advisory Council held a meeting on March 30 and March 31, 1989.

Proposed Actions

The Federal Reserve Board announced on March 10, 1989, that it had extended until June 2, 1989, the public comment period on a series of revised proposals regarding the finality accorded automated clearinghouse (ACH) credit and debit transactions processed by Federal Reserve Banks. (54 *Federal Register* 8822).

Change in Board Staff

The Board of Governors announced on April 5, 1989, the appointment of Patrick M. Parkinson to the official staff as Assistant Director in the Division of Research and Statistics.

Mr. Parkinson joined the Board's staff in 1980 as an economist in the Division of International Finance. In 1988, he became Chief of the Capital Markets Section in the Division of Research and Statistics. He holds a Ph.D. from the University of Wisconsin.

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON FEBRUARY 7–8, 1989

Domestic Policy Directive

The information reviewed at this meeting suggested that, apart from the direct effects of the drought, economic activity had continued to expand at a fairly vigorous pace. The latest information on prices indicated little change in the rate of inflation from recent trends, while labor costs had continued to accelerate.

After strong gains in the fourth quarter, total nonfarm payroll employment rose sharply in January. Although some of the strength may have reflected such temporary factors as unusually mild winter weather, job gains were widespread; in manufacturing, sizable increases were registered in nonelectrical machinery, transportation equipment, and food processing. The civilian unemployment rate, at 5.4 percent, remained in the lower part of the range that had prevailed since the early spring of last year.

Industrial production rose appreciably further in December and January, with gains continuing at about the robust pace experienced in 1988 as a whole. Output of consumer goods advanced strongly, despite a somewhat slower pace of automobile assemblies over the two months, and production of business equipment picked up a bit. Total industrial capacity utilization moved higher, owing to a sizable jump in the utilization of manufacturing capacity to the highest level since 1979. Housing starts declined somewhat in December but were up substantially on balance for the fourth quarter as a whole, largely because of a strengthening in single-family construction. Multifamily starts have remained relatively flat in recent months.

Consumer spending was up considerably in the fourth quarter, capping a strong year. Spending on household durables rose vigorously in the quarter; and outlays for services again advanced at a rapid pace, reflecting big increases in expenditures for medical care, airline travel, and recreation. Consumption of nondurables advanced further, after a steep rise the previous quarter, while purchases of motor vehicles were little changed over the quarter as a whole.

Indicators of business capital spending suggested some weakening in recent months from the rapid increases evident earlier in 1988. Real outlays for business fixed investment were estimated to have fallen somewhat in the fourth quarter. Softness was fairly widespread among various types of equipment, but the most pronounced weakness was in office and computing equipment. Nonresidential construction activity picked up in December but was estimated to have been about flat on balance for the quarter; oil drilling and expenditures on commercial buildings other than offices declined further. Inventory investment in the manufacturing sector in the fourth quarter was little changed from the third-quarter pace, with much of the accumulation continuing to occur in durable goods industries where demand had been strong. At the retail level, increases in nonautomobile inventories generally kept pace with the growth in sales.

Excluding food and energy, producer prices of finished goods rose sharply in December, the rise reflecting large increases for tobacco products, women's apparel, and passenger cars. Prices for intermediate materials again increased substantially in November and December. The most notable hikes occurred in industries such as metals, chemicals, and paper products in which capacity utilization has been high. Consumer prices, reflecting more favorable developments in the food, energy, and apparel components, rose at a somewhat slower pace in November and December. Excluding food and energy, consumer prices rose in the fourth quarter at about the rate observed over 1988 as a whole. Reflecting tighter market conditions, wages and salaries, and labor costs more generally, advanced at a faster pace in the fourth quarter than was observed a year earlier.

The nominal U.S. merchandise trade deficit was slightly larger on average in October and November than it was in the third quarter. The value of imports rose as a sharp rise in the value of non-oil imports, especially from industrial countries, outweighed a drop in the value of oil imports resulting from a decline in oil prices. Increases were widespread across trade categories but were paced by a rebound in imports of passenger cars from somewhat depressed levels in the third quarter. The value of exports was little changed as a decline in agricultural exports offset a rise in nonagricultural products.

In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies rose substantially over the intermeeting period and nearly reversed its decline of October and November. Despite the release of data indicating U.S. trade deficits that were larger than expected for October and November, the dollar climbed persistently from early December in response to perceptions of a relative tightening of monetary policy in the United States; short-term interest rate differentials moved in favor of the dollar relative to the yen.

At its meeting on December 13–14, the Committee adopted a directive calling for some immediate increase in the degree of pressure on reserve positions, with some further tightening to be implemented at the start of 1989 if economic and financial conditions remained consistent with the Committee's expectations. These reserve conditions were expected to be associated with growth of M2 and M3 at annual rates of about 3 percent and 6½ percent respectively over the period from November through March. The members agreed that somewhat greater reserve restraint would, or slightly lesser reserve restraint might, be acceptable depending on indications of inflationary pressures, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets.

In accordance with the Committee's instructions, a firming of reserve supply conditions was carried out in two stages over the intermeeting period, although operations were complicated by continuing uncertainty about the relationship between borrowing and money market conditions. In the circumstances, open market operations continued to be conducted with a special degree of flexibility. Adjustment plus seasonal borrowing averaged somewhat more than $500 million over the period, but such borrowing fluctuated over a wide range, including a typical bulge around the year-end. The federal funds rate rose from around 8½ percent to a little above 9 percent during the intermeeting period.

Changes in other short-term market rates were mixed over the intermeeting period. Treasury bill rates rose somewhat on balance, although less than the federal funds rate, while rates on private market instruments were generally unchanged to slightly lower. To some extent, the firming of monetary policy had been anticipated; in addition, private rates in particular were affected by the passing of year-end pressures. Bond yields declined somewhat, apparently influenced in part by the favorable effect of actual and anticipated monetary restraint on inflationary expectations. Major indexes of stock prices rose considerably over the intermeeting period.

Growth of the broader monetary aggregates weakened appreciably in January, especially M2, which apparently declined slightly after a moderate increase in December. The behavior of these aggregates appeared to reflect recent increases in short-term market rates, which in turn widened the opportunity costs of holding deposits. Those costs were accentuated by slower-than-usual adjustments in offering rates by depository institutions on most of their retail deposits. Also, needs for deposits to fund credit growth were damped in this period. On average in December and January, growth of M2 was slightly below Committee expectations and that of M3 considerably below. M1 changed little on balance over the two months. For the year 1988, M2 expanded at a rate a little below and M3 at a rate around the midpoint of the Committee's ranges. Growth of total domestic nonfinancial debt moderated in 1988 to a pace around the midpoint of the Committee's monitoring range.

The staff projections prepared for this meeting suggested that the expansion was likely to moderate in 1989 from the pace in 1988, although the adjustments related to the assumed end of the drought would be reflected in relatively strong measured growth in the first quarter. To the extent that expansion of final demand tended to remain at a pace that could foster higher inflation but was not accommodated by monetary policy, pressures would be generated in financial markets that would restrain domestic spending. The staff continued to project slower growth in consumer spending, sharply reduced expansion of business fixed investment, and some decline in housing construction. Foreign trade was expected to make a smaller contribution to growth in domestic output than in 1988. The staff anticipated somewhat faster increases in consumer prices and also some further cost pressures over the year ahead, especially because of reduced margins of unutilized labor and other production resources.

In the Committee's discussion of the economic situation and outlook, members commented that the expansion in business activity was generally well balanced and that continuing growth was a reasonable expectation for the year ahead. Nearly all the members believed that the risks remained on the side of greater inflation and that the Federal Reserve would need to stay especially alert to inflationary developments. However, views differed to some extent with regard to the likely strength of the expansion and the degree of inflationary risk. Several members stressed that, in the absence of some further monetary restraint, economic growth was likely to continue at a rate that would foster greater pressures on already strained production resources and induce more inflation. Other members gave more weight to indications of possible slowing in the expansion and to the possibility that the substantial restraint applied over the past year might be sufficient to foster substainable expansion without increased inflationary pressures. The members agreed that the chances for satisfactory economic performance over time would be greatly enhanced by progress in reducing the federal budget deficit in order to contain domestic demands and to facilitate the process of adjustment in the nation's external balance.

In conformance with the usual practice at meetings when the Committee considers its long-term objectives for monetary growth, the members of the Committee and the Federal Reserve Bank presidents not currently serving as members had prepared specific projections of economic activity, the rate of unemployment, and inflation for the year 1989. The central tendency of these forecasts pointed to somewhat slower expansion and somewhat greater inflation than had occurred in 1988. For the period from the fourth quarter of 1988 to the fourth quarter of 1989, the forecasts for growth of real GNP had a central tendency of 2½ to 3 percent and a full range of 1½ to 3¼ percent. Forecasts of nominal GNP centered on growth rates of 6½ to 7½ percent and ranged from 5½ to 8½ percent. Estimates of the civilian rate of unemployment in the fourth quarter of 1989 were concentrated in a range of 5¼ to 5½ percent with a full range of 5 to 6 percent. The projected increase in the consumer price index centered on rates of 4½ to 5 percent and had an overall range of 3½ to 5½ percent for the year. In making these forecasts, the members took account of the Committee's policy of continuing restraint on aggregate demand to resist any increase in inflation pressures and foster price stability over time. They also assumed that normal weather conditions and a rise in acreage under cultivation this year would increase farm output and add around ⅔ of a percentage point to the growth of GNP, an amount similar to the reduction in GNP that resulted from the drought in 1988. Excluding this swing in farm output, the central tendency of the forecasts implied considerably slower growth in output than in 1988. Finally, the forecasts assumed that fluctuations in the foreign exchange value of the dollar would not be of sufficient magnitude to have a significant effect on the economy or prices.

In the Committee's discussion of developments bearing on the economic outlook, a number of members stressed that the economy had a good deal of momentum and that there was little or no current evidence of a potential slowdown or downturn in the expansion. Indeed, some recent data, including those on employment and consumer spending, could be viewed as consistent with some strengthening of the expansion in recent months. Reports from around the country suggested a high level of business activity in gate measures of economic activity as too unpredictable to warrant reliance on this monetary measure as a guide for the conduct of monetary policy.

At the conclusion of the Committee's discussion, all but one of the members indicated that they favored or could accept the ranges for 1989 that had been established on a tentative basis in late June 1988. Against the background of the uncertainties that continued to surround the relationship between monetary growth and broad measures of economic performance, most of the members endorsed a proposal to make explicit in the directive the Committee's procedure in recent years of evaluating money growth in the conduct of policy in light of the behavior of other indicators, including inflationary pressures, the strength of the business expansion, and developments in domestic financial and foreign exchange markets.

At the conclusion of this discussion, the Committee approved for inclusion in the domestic policy directive the following paragraph relating to its longer-run policy for 1989:

> The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability, 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 this meeting reaffirmed its decision of late June to lower the ranges for growth of M2 and M3 to 3 to 7 percent and 3½ to 7½ percent, respectively, measured from the fourth quarter of 1988 to the fourth quarter of 1989. The monitoring range for growth of total domestic nonfinancial debt was set at 6½ to 10½ percent for the year. The behavior of the monetary aggregates will continue to be evaluated in the light of movements in their velocities, developments in the economy and financial markets, and progress toward price level stability.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Black, Forrestal, Heller, Johnson, Kelley, LaWare, Parry, and Ms. Seger. Vote against this action: Mr. Hoskins.

Mr. Hoskins dissented because he preferred lower ranges for the year. In his view satisfactory progress in reducing the underlying rate of inflation would require a degree of restraint over the year that would be likely to result in money growth at the low end of the tentative ranges, and he believed that the ranges adopted should be more closely centered on that possible outcome. He also felt that lower ranges were desirable at this time to underscore the System's determination to pursue an anti-inflationary policy.

In the Committee's discussion of policy implementation for the period until the next meeting, a majority of the members indicated a preference for maintaining unchanged conditions of reserve availability, at least initially, following today's meeting. Further monetary restraint might be desirable in the near future, perhaps during the intermeeting period. However, recent information had given a somewhat mixed picture of economic and price developments, and these members preferred to wait for further confirmation of inflationary pressures before additional firming of monetary policy was undertaken. Appreciable policy tightening had been implemented only recently and the impact would be felt only after a considerable lag. Monetary policy was now fairly restrictive, as evidenced for example by relatively high real rates of interest, a slightly inverted yield curve, and the slow growth of the monetary aggregates. The credibility of the System's anti-inflationary policy was quite high. Some members expressed concern that higher interest rates would exacerbate the financial difficulties of many thrift depository institutions, weaken heavily indebted firms, and in the context of a strong dollar possibly lead to an undesired upward ratcheting of interest rates in world financial markets. It also was noted that further tightening should be approached with special caution when the dollar was under upward pressure in the foreign exchange markets.

Other members indicated a preference for some immediate firming of monetary policy in light of their concerns about current and prospective inflationary pressures in the economy. In this view delaying further tightening would only worsen such pressures and could greatly increase the difficulty and ultimate cost of achieving the Committee's anti-inflationary objectives. Moreover, while higher interest rates could have adverse effects on interest-sensitive sectors of the economy, a failure to arrest and to reverse inflation would lead to even higher interest rates and greater damage over time. Some concern also was expressed that maintenance of steady reserve conditions might disappoint market expectations, with adverse repercussions in present circumstances on the credibility of the System's anti-inflationary policy and thus on inflationary expectations. Should too much restraint later prove to have been applied, it could be reversed more readily and with less lasting implications for economic performance than too little restraint, which would tend to embed inflation and inflationary expectations in the economic structure.

A number of members observed that the relatively slow monetary expansion that had been experienced in recent months—and indeed on balance for some two years—portended restraint on prices and was a welcome development. A staff forecast suggested that money growth was likely to remain damped over coming months, with both M2 and M3 growing at the lower end of the Committee's 1989 ranges. In the view of a number of members, this might be acceptable or even desirable depending on the extent of inflationary pressures being experienced in the economy. At the same time some members cautioned that a persistent shortfall from the ranges might be a cause for concern.

In the Committee's discussion of possible intermeeting adjustments in the degree of reserve restraint, members generally felt that there should be a clear presumption of some further firming if the incoming information tended to confirm expectations of growing inflationary pressures. Indeed, several members indicated that such a presumption would enable them to accept a directive that called for no immediate change in the degree of reserve pressure. Some members expressed the view that developments in foreign exchange markets might have an important bearing on the timing or even the desirability of any firming in the period ahead. More generally, the Committee agreed that consideration would need to be given to the usual range of factors that might call for a change in policy implementation, including the possibility that some easing might be warranted under certain conditions. For the immediate future, however, several stressed that any perceptions that monetary policy might be easing should be resisted.

At the conclusion of the Committee's discussion, all but two members indicated that they favored or could accept a directive that called for maintaining the current degree of pressure on reserve conditions and for remaining alert to potential developments that might require some firming during the intermeeting period. Accordingly, somewhat greater reserve restraint would be acceptable, or slightly lesser reserve restraint might be acceptable, over the intermeeting period depending on indications of inflationary pressures, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. The reserve conditions contemplated by the Committee were expected to be consistent with growth of M2 and M3 at annual rates of around 2 percent and 3½ percent respectively over the three-month period from December to March. It was understood that operations would continue to be conducted with some flexibility in light of the persisting uncertainty in the relationship between the demand for borrowed reserves and the federal funds rate. The intermeeting range for the federal funds rate, which provides one mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, was left unchanged at 7 to 11 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 that, apart from the direct effects of the drought, economic activity has continued to expand at a fairly vigorous pace. After strong gains in the fourth quarter, total nonfarm payroll employment rose sharply in January, including a sizable increase in manufacturing. The civilian unemployment rate, at 5.4 percent in January, remained in the lower part of the range that has prevailed since the early spring of last year. Industrial production rose appreciably further in December and January. Housing starts declined somewhat in December but were up substantially on balance in the fourth quarter. Consumer spending advanced considerably in the fourth quarter, in part reflecting stronger sales of durable goods. Indicators of business capital spending suggest some weakening in recent months. The nominal U.S. merchandise trade deficit was slightly larger on average in October and November than in the third quarter. The latest information on prices suggests little change from recent trends, while wages have tended to accelerate.

The federal funds rate and Treasury bill rates have risen since the Committee meeting in mid-December; other short-term interest rates are generally unchanged to somewhat lower. Bond yields have declined somewhat. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies rose substantially over the intermeeting period.

M2 and M3 weakened appreciably in January, especially M2. For the year 1988, M2 expanded at a rate a little below, and M3 at a rate around, the midpoint of the ranges established by the Committee. M1 has changed little on balance over the past several months; it grew about 4¼ percent in 1988. Expansion of total domestic nonfinancial debt appears to have moderated somewhat in 1988 to a pace around the midpoint of the Committee's monitoring range for the year.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability, 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 this meeting reaffirmed its decision of late June to lower the ranges for growth of M2 and M3 to 3 to 7 percent and 3½ to 7½ percent, respectively, measured from the fourth quarter of 1988 to the fourth quarter of 1989. The monitoring range for growth of total domestic nonfinancial debt was set at 6½ to 10½ percent for the year. The behavior of the monetary aggregates will continue to be evaluated in the light of movements in their velocities, developments in the economy and financial markets, and progress toward price level stability.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. Taking account of indications of inflationary pressures, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets, somewhat greater reserve restraint would, or slightly lesser reserve restraint might, be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with growth of M2 and M3 over the period from December through March at annual rates of about 2 and 3½ percent, respectively. 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 7 to 11 percent.

Votes for the paragraph on short-term policy implementation: Messrs. Greenspan, Corrigan, Angell, Black, Forrestal, Heller, Johnson, Kelley, LaWare, and Ms. Seger. Votes against this action: Messrs. Hoskins and Parry.

Messrs. Hoskins and Parry dissented because they believed that a prompt move to greater monetary restraint was needed. Mr Hoskins felt that additional restraint was desirable to put policy on a course that would lead toward longer-run price stability. Mr. Parry emphasized that inflationary pressures appeared to be intensifying as the economy had grown to a level in excess of its long-run, noninflationary potential. Both believed that any delay in implementing more restraint probably would aggravate inflationary pressures, thereby increasing the difficulty of achieving the Committee's anti-inflationary objectives and leading to even higher interest rates over time.

Legal Developments

AMENDMENT TO REGULATION A

The Board of Governors is amending 12 C.F.R. Part 201, its Regulation A (Extensions of Credit by Federal Reserve Banks), for the purpose of increasing discount rates. The Board took this action in light of inflationary pressures on the economy.

The Board acted on requests submitted by the Boards of Directors of the twelve Federal Reserve Banks. The discount rate is the interest rate that is charged depository institutions when they borrow from their district Federal Reserve Banks.

Effective March 6, 1989, 12 C.F.R. Part 201 is amended as follows:

1. The authority citation for 12 C.F.R. Part 201 continues to read as follows:

Authority: Sections 10(a), 10(b), 13, 13a, 14(d) and 19 of the Federal Reserve Act (12 U.S.C. 347a, 347b, 343 *et seq.*, 347c, 348 *et seq.*, 357, 374, 374a and 461); and section 7(b) of the International Banking Act of 1978 (12 U.S.C. 347d).

2. Section 201.51 is revised to read as follows:

Section 201.51—Short-term adjustment credit for depository institutions.

The rates for short-term adjustment credit provided to depository institutions under section 201.3(a) of Regulation A are:

Federal Reserve Bank	Rate	Effective
Boston	7.0	Feb. 24, 1989
New York	7.0	Feb. 24, 1989
Philadelphia	7.0	Feb. 24, 1989
Cleveland	7.0	Feb. 24, 1989
Richmond	7.0	Feb. 24, 1989
Atlanta	7.0	Feb. 24, 1989
Chicago	7.0	Feb. 24, 1989
St. Louis	7.0	Feb. 24, 1989
Minneapolis	7.0	Feb. 24, 1989
Kansas City	7.0	Feb. 24, 1989
Dallas	7.0	Feb. 27, 1989
San Francisco	7.0	Feb. 24, 1989

3. Section 201.52 is revised to read as follows:

Section 201.52—Extended credit for depository institutions.

(a) Seasonal credit. The rates for seasonal credit extended to depository institutions under section 201.3(b)(1) of Regulation A are:

Federal Reserve Bank	Rate	Effective
Boston	7.0	Feb. 24, 1989
New York	7.0	Feb. 24, 1989
Philadelphia	7.0	Feb. 24, 1989
Cleveland	7.0	Feb. 24, 1989
Richmond	7.0	Feb. 24, 1989
Atlanta	7.0	Feb. 24, 1989
Chicago	7.0	Feb. 24, 1989
St. Louis	7.0	Feb. 24, 1989
Minneapolis	7.0	Feb. 24, 1989
Kansas City	7.0	Feb. 24, 1989
Dallas	7.0	Feb. 27, 1989
San Francisco	7.0	Feb. 24, 1989

(b) Other extended credit. The rates for other extended credit provided to depository institutions under sustained liquidity pressures or where there are exceptional circumstances or practices involving a particular institution under section 201.3(b)(2) of Regulation A are:

Federal Reserve Bank	Rate	Effective
Boston	7.0	Feb. 24, 1989
New York	7.0	Feb. 24, 1989
Philadelphia	7.0	Feb. 24, 1989
Cleveland	7.0	Feb. 24, 1989
Richmond	7.0	Feb. 24, 1989
Atlanta	7.0	Feb. 24, 1989
Chicago	7.0	Feb. 24, 1989
St. Louis	7.0	Feb. 24, 1989
Minneapolis	7.0	Feb. 24, 1989
Kansas City	7.0	Feb. 24, 1989
Dallas	7.0	Feb. 27, 1989
San Francisco	7.0	Feb. 24, 1989

These rates apply for the first 30 days of borrowing. For credit outstanding for more than 30 days, a flexible rate will be charged which takes into account rates on market sources of funds, but in no case will the rate charged be less than the basic discount rate plus one-half 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 30-day time period may be lengthened or shortened.

Amendment to Regulation B

The Board of Governors is amending 12 C.F.R. Part 202, its Regulation B (Equal Credit Opportunity), by publishing in final form an addition to the official staff commentary to Regulation B. The commentary applies and interprets the requirements of Regulation B and is a substitute for individual staff interpretations of the regulation. The addition addresses a recent Board preemption determination regarding a provision of New York law.

Effective March 7, 1989, 12 C.F.R. Part 202 is amended as follows:

1. The authority citation for Part 202 continues to read:

Authority: 15 U.S.C. 1691 *et seq.*

2. The addition amends the commentary (12 C.F.R. Part 202, Supp. I) by adding comment 11(a) to read as follows:

* * * * *

Section 202.11—Relation to State Law

11(a) Inconsistent state laws

1. Preemption determination—New York. Effective November 11, 1988, the Board has determined that the following provisions in the state law of New York are preempted by the federal law:

- Article 15, Section 296a(1)(b)—Unlawful discriminatory practices in relation to credit on the basis of race, creed, color, national origin, age, sex, marital status, or disability. This provision is preempted to the extent that it bars taking a prohibited basis into account when establishing eligibility for certain special-purpose credit programs.
- Article 15, Section 296a(1)(c)—Unlawful discriminatory practice to make any record or inquiry based on race, creed, color, national origin, age, sex, marital status, or disability. This provision is preempted to the extent that it bars a creditor from requesting and considering information regarding the particular characteristics (for example, race, national origin, or sex) required for eligibility for special-purpose credit programs.

* * * * *

Amendment to Regulation E

The Board of Governors is amending 12 C.F.R. Part 205, its Regulation E (Electronic Fund Transfers), by publishing in final form revisions to the official staff commentary to Regulation E. The commentary applies and interprets the requirements of Regulation E and is a substitute for individual staff interpretations of the regulation. The revisions address questions that have arisen about the disclosure requirements of the regulation.

Effective April 1, 1989, 12 C.F.R. Part 205 continues to read as follows:

1. The authority citation for Part 205 continues to read:

Authority: Pub. L. 95–630, 92 Stat. 3730 (15 U.S.C. 1693b).

2. The official staff commentary to Regulation E, Supp. II to 12 C.F.R. Part 205, is amended by revising questions 7–1 and 7–2 for section 205.7 to read as follows:

Supplement II—Official Staff Interpretations

* * * * *

Section 205.7—Initial Disclosure of Terms and Conditions

Q 7–1: Timing of disclosures—early disclosure. An institution is required to give initial disclosures either (1) when the consumer contracts for an EFT service or (2) before the first electronic fund transfer to or from the consumer's account. If an institution provides initial disclosures when a consumer opens a checking account and the consumer does not sign up for an EFT service until a later time, has the institution satisfied the disclosure requirements?

A: Yes, if the EFT contract is between the consumer and a third party for preauthorized electronic transfers to be initiated by the third party to or from the consumer's account. In this case, the financial institution need not repeat disclosures previously given unless the terms and conditions required to be disclosed are different from those that were given.

If, on the other hand, the EFT contract is directly between the consumer and the financial institution — for the issuance of an access device, or for a telephone bill-payment plan, for example —the institution should provide the disclosures at the time of contracting.

Disclosures given before the time of contracting will satisfy the regulation only if they occurred in close proximity thereto. (Section 205.7(a))

Q 7-2: Timing of disclosures—Social Security and other federal government direct deposits. In the case of direct deposits by the federal government—Social Security payments, for example—how can the financial institution comply with the disclosure requirements absent prenotification, such as in cases where the government agency no longer uses Form 1199A?

A: Before direct deposit of payments such as Social Security takes place, usually the consumer and the institution both must complete a Form 1199A, and the institution can make disclosures at that time. However, if a Form 1199A (or a comparable form providing notice to the institution) is not used and there is no prenotification, the institution should provide the required disclosures as soon as reasonably possible after the first direct deposit is received, unless the institution has previously given the disclosures (see question 7-1). (Section 205.7(a))

Amendment to Regulation Z

The Board of Governors is amending 12 C.F.R. Part 226, its Regulation Z (Truth in Lending), by publishing revisions to the official staff commentary to Regulation Z. The commentary applies and interprets the requirements of Regulation Z and is a substitute for individual staff interpretations of the regulation. The revisions address a variety of questions that have arisen about the regulation, and include new material and changes in existing material. The comments address, for example, disclosure questions raised by the emergence of reverse mortgage products, questions concerning the amendments to Regulation Z affecting disclosures for adjustable-rate mortgages, and questions concerning when a third party fee may be a finance charge in a credit transaction.

Effective February 28, 1989, but compliance optional until October 1, 1989, 12 C.F.R. Part 226 is amended as follows:

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

Authority: Section 105, Truth in Lending Act, as amended by section 605, Pub. L. 96-221, 94 Stat. 170 (15 U.S.C. 1604 *et seq.*); section 1204(c), Competitive Equality Banking Act, Pub. L. 100-86, 101 Stat. 552.

2. The revisions amend the commentary (TIL-1, 12 C.F.R. Part 226 Supp.I) by adding comment 2(a)(25)-6; adding a sentence and a bullet at the end of comment 4(a)-3; revising the heading and text of comments 4(b)(7) and (8)-2; adding a bullet at the end of comments 17(a)(1)-5; adding two sentences after the first sentence, and revising the second and third sentences and the parenthetical material in comment 17(c)(1)-8; redesignating comments 17(c)(1)-14 and -15 to be comments 17(c)(1)-15 and -16, respectively; adding comment 17(c)(1)-14; adding parenthetical material at the end of comment 18(f)(2)-1; adding three sentences at the end of comment 19(b)-1; revising the first, third and fourth sentences, adding a sentence after the third sentence, and removing the last three sentences of comment 19(b)(2)-1; revising the second, third, and fifth sentences of comment 19(b)(2)-2 redesignating comments 19(b)(2)-3 and -4 to be comments 19(b)(2)-4 and -5, respectively; adding comment 19(b)(2)-3; adding three sentences after the second sentence in comment 19(b)(2)(iii)-1; adding a new sentence before the parenthetical material at the end of comment 19(b)(2)(v)-1; adding four sentences and parenthetical material at the end of comment 19(b)(2)(vi)-1; adding five sentences and parenthetical material at the end of comment 19(b)(2)(vii)-1; revising the third sentence in the parenthetical material after the first sentence in comment 19(b)(2)(viii)-1; adding comments 19(b)(2)-5, -6 and -7; adding a sentence after the second sentence in comment 19(b)(2)(ix)-1; adding comments 19(b)(2)(x)-2, -3 and -4; adding a sentence after the second sentence in comment 20(c)(4)-1; revising comment 20(c)(5)-1; changing the references to "comment 18(f)-8" in the first sentence and in the first bullet of comment 24(b)-5 to be "comment 17(c)(1)-10"; adding comment 25(a)-3; revising the first sentence of comment 30-8; revising the last sentence in comment 30-13; removing the word "most" and changing the reference to "section 226.18(f)(4)" in comment app. D-2 to be "section 226.18(f)(1)(iv)" to read as follows:

Subpart A—General

* * * * *

Section 226.2—Definitions and Rules of Construction

2(a) Definitions

* * * * *

2(a)(25) "Security Interest"

* * * * *

6. Specificity of disclosure. A creditor need not separately disclose multiple security interests that it may hold in the same collateral. The creditor need only disclose that the transaction is secured by the collat-

eral, even when security interests from prior transactions remain of record and a new security interest is taken in connection with the transactions.

Section 226.4—Finance Charge

4(a) Definition

* * * * *

3. Charges by third parties.
* * *

* * * * *

In contrast, charges imposed on the consumer by someone other than the creditor are finance charges (unless otherwise excluded) if the creditor requires the services of the third party. For example:

- A fee charged by a loan broker if the consumer cannot obtain the same credit terms from the creditor without using a broker.

* * * * *

4(b) Examples of Finance Charges

* * * * *

Paragraphs 4(b)(7) and (8)

* * * * *

2. Insurance written in connection with a transaction. Insurance sold after consummation in closed-end credit transactions or after the opening of a plan in open-end credit transactions is not "written in connection with" the credit transaction if the insurance is written because of the consumer's default (for example, by failing to obtain or maintain required property insurance) or because the consumer requests insurance after consummation or the opening of a plan (although credit sale disclosures may be required for the insurance sold after consummation if it is financed).

* * * * *

Subpart C—Closed-End Credit

Section 226.17 —General Disclosure Requirements

17(a) Form of Disclosures
Paragraph 17(a)(1)

* * * * *

5. Directly related.
* * *

- The disclosures set forth under section 226.18(f)(1) for variable-rate transactions subject to section 226.18(f)(2).

* * * * *

17(c) Basis of Disclosures and Use of Estimates
Paragraph 17(c)(1)

* * * * *

8. Basis of disclosures in variable-rate transactions.
* * *
Creditors should base the disclosures only on the initial rate and should not assume that this rate will increase. For example, in a loan with an initial rate of 10 percent and a 5 percentage points rate cap, creditors should base the disclosures on the initial rate and should not assume that this rate will increase 5 percentage points. However, in a variable-rate transaction with a seller buydown that is reflected in the credit contract, a consumer buydown, or a discounted or premium rate, disclosures should not be based solely on the initial terms. In those transactions, the disclosed annual percentage rate should be a composite rate based on the rate in effect during the initial period and the rate that is the basis of the variable-rate feature for the remainder of the term. (See the commentary to section 226.17(c) for a discussion of buydown, discounted, and premium transactions and the commentary to section 226.19(a)(2) for a discussion of the redisclosure in certain residential mortgage transactions with a variable-rate feature).

* * * * *

14. Reverse mortgages. Reverse mortgages, also known as reverse annuity or home equity conversion mortgages, typically involve the disbursement of monthly advances to the consumer for a fixed period or until the occurrence of an event such as the consumer's death. Repayment of the loan (generally a single payment of principal and accrued interest) may be required to be made at the end of the disbursements or, for example, upon the death of the consumer. In disclosing these transactions, creditors must apply the following rules, as applicable:

- If the reverse mortgage has a specified period for disbursements but repayment is due only upon the occurrence of a future event such as the death of the consumer, the creditor must assume that disbursements will be made until they are scheduled to end. The creditor must assume repayment will occur when disbursements end (or within a period following the final disbursement which is not longer than the regular interval between disbursements). This assumption should be used even though repayment may occur before or after the disbursements are scheduled to end. In such cases, the creditor may include a statement such as "The disclosures assume that you will repay the loan at the time our payments to you end. As provided in your agreement, your repayment may be required at a different time."

- If the reverse mortgage has neither a specified period for disbursements nor a specified repayment date and these terms will be determined solely by reference to future events including the consumer's death, the creditor must assume that the disbursements will end upon the consumer's death (by using actuarial tables, for example) and that repayment will be required at the same time (or within a period following the date of the final disbursement which is not longer than the regular interval for disbursements). Alternatively, the creditor may base the disclosures upon another future event it estimates will be most likely to occur first. (If terms will be determined by reference to future events which do not include the consumer's death, the creditor must base the disclosures upon the occurrence of the event estimated to be most likely to occur first.)
- In making the disclosures, the creditor must assume that all disbursements and accrued interest will be paid by the consumer. For example, if the note has a nonrecourse provision providing that the consumer is not obligated for an amount greater than the value of the house, the creditor must nonetheless assume that the full amount to be disbursed will be repaid. In this case, however, the creditor may include a statement such as "The disclosures assume full repayment of the amount advanced plus accrued interest, although the amount you may be required to pay is limited by your agreement."
- Some reverse mortgages provide that some or all of the appreciation in the value of the property will be shared between the consumer and the creditor. Such loans are considered variable-rate mortgages, as described in comment 17(c)(1)-11, and the appreciation feature must be disclosed in accordance with section 226.18(f)(1). If the reverse mortgage has a variable interest rate, is written for a term greater than one year, and is secured by the consumer's principal dwelling, the shared appreciation feature must be described under section 226.19(b)(2)(vii).

* * * * *

Section 226.18—Content of Disclosures

* * * * *

18(f) Variable Rate

* * * * *

Paragraph 18(f)(2)

1. Disclosure required.

* * *

(See the commentary to section 226.17(a)(1) regarding the disclosure of certain directly related information in addition to the variable-rate disclosures required under section 226.18(f)(2)).

* * * * *

Section 226.19—Certain Residential Mortgage Transactions

* * * * *

19(b) Certain Variable-Rate Transactions

1. Coverage.

* * *

In determining whether a construction loan that may be permanently financed by the same creditor is covered under this section, the creditor may treat the construction and the permanent phases as separate transactions with distinct terms to maturity or as a single combined transaction. For purposes of the disclosures required under section 226.18, the creditor may nevertheless treat the two phases either as separate transactions or as a single combined transaction in accordance with section 226.17(c)(6). Finally, in any assumption of a variable-rate transaction secured by the consumer's principal dwelling with a term greater than one year, disclosures need not be provided under sections 226.18(f)(2)(ii) or 226.19(b).

* * * * *

Paragraph 19(b)(2)

1. Disclosure for each variable-rate program. A creditor must provide disclosures to the consumer that fully describe each of the creditor's variable-rate loan programs in which the consumer expresses an interest.

* * *

Disclosures must be given at the time an application form is provided or before the consumer pays a nonrefundable fee, whichever is earlier. If program disclosures cannot be provided because a consumer expresses an interest in individually negotiating loan terms that are not generally offered, disclosures reflecting those terms may be provided as soon as reasonably possible after the terms have been decided upon, but not later than the time a non-refundable fee is paid. If a consumer who has received program disclosures subsequently expresses an interest in other available variable-rate programs subject to section 226.19(b)(2), or the creditor and consumer decide on a program for which the consumer has not received disclosures, the creditor must provide appropriate disclosures as soon as reasonably possible.

* * *

2. Variable-rate loan program defined.
* * *
For example, separate loan programs would exist based on differences in any of the following loan features:
* * *
In addition, if a loan feature must be taken into account in preparing the disclosures required by section 226.19(b)(2)(viii) and (x), variable-rate loans that differ as to that feature constitute separate programs under section 226.19(b)(2).
* * *
For example, separate programs would not exist based on differences in the following loan features:
* * *
3. Form of program disclosures. A creditor may provide separate program disclosure forms for each ARM program it offers or a single disclosure form that describes multiple programs. A disclosure form may consist of more than one page. For example, a creditor may attach a separate page containing the historical payment example for a particular program. A disclosure form describing more than one program need not repeat information applicable to each program that is described. For example, a form describing multiple programs may disclose the information applicable to all of the programs in one place with the various program features (such as options permitting conversion to a fixed rate) disclosed separately. The form, however, must state if any program feature that is described is available only in conjunction with certain other program features. Both the separate and multiple program disclosures may illustrate more than one loan maturity or payment amortization—for example, by including multiple payment and loan balance columns in the historical payment example. Disclosures may be inserted or printed in the Consumer Handbook (or a suitable substitute) as long as they are identified as the creditor's loan program disclosures.

* * * * *

Paragraph 19(b)(2)(iii)
1. Determination of interest rate and payment.
* * *
In transactions where paying the periodic payments will not fully amortize the outstanding balance at the end of the loan term and where the final payment will equal the periodic payment plus the remaining unpaid balance, the creditor must disclose this fact. For example, the disclosure might read, "Your periodic payments will not fully amortize your loan and you will be required to make a single payment of the periodic payment plus the remaining unpaid balance at the end of the loan term." The creditor, however, need not reflect any irregular final payment in the historical example or in the disclosure of the initial and maximum rates and payments.
* * *

* * * * *

Paragraph 19(b)(2)(v)
1. Discounted and premium interest rate.
*** * ***
In a transaction with a consumer buydown or with a third-party buydown that will be incorporated in the legal obligation, the creditor should disclose the program as a discounted variable-rate transaction, but need not disclose additional information regarding the buydown in its program disclosures.
*** * ***
Paragraph 19(b)(2)(vi)
1. Frequency.
* * *
In certain ARM transactions, the interval between loan closing and the initial adjustment is not known and may be different from the regular interval for adjustments. In such cases, the creditor may disclose the initial adjustment period as a range of the minimum and maximum amount of time from consummation or closing. For example, the creditor might state: "The first adjustment to your interest rate and payment may occur no sooner than 6 months and no later than 18 months after closing. Subsequent adjustments may occur once each year after the first adjustment." (See comments 19(b)(2)(viii)-7 and 19(b)(2)(x)-4 for guidance on other disclosures when this alternative disclosure rule is used.)
Paragraph 19(b)(2)(vii)
1. Rate and payment caps.
* * *
The creditor need not disclose each periodic or overall rate limitation that is currently available. As an alternative, the creditor may disclose the range of the lowest and highest periodic and overall rate limitations that may be applicable to the creditor's ARM transactions. For example, the creditor might state: "The limitation on increases to your interest rate at each adjustment will be set at an amount in the following range: between 1 and 2 percentage points at each adjustment. The limitation on increases to your interest rate over the term of the loan will be set at an amount in the following range: between 4 and 7 percentage points above the initial interest rate." A creditor using this alternative rule must include a statement in its program disclosures suggesting that the consumer ask about the overall rate limitations currently offered for the creditor's ARM programs. (See comments 19(b)(2)(viii)-6 and 19(b)(2)(x)-3 for an explanation of the additional requirements for a creditor using this alternative rule for disclosure of periodic and overall rate limitations.)
* * *

Paragraph 19(b)(2)(viii)
1. Index movement.
* * *
For the remaining ten years, 1982-1991, the creditor need only show the remaining index values, margin and interest rate and must continue to reflect all significant loan program terms such as rate limitations affecting them.)
* * *

* * * * *

5. Term of the loan. In calculating the payments and loan balances in the historical example, a creditor need not base the disclosures on each term to maturity or payment amortization that it offers. Instead, disclosures for ARMs may be based upon terms to maturity or payment amortizations of 5, 15 and 30 years, as follows: ARMs with terms or amortizations from over 1 year to 10 years may be based on a 5-year term or amortization; ARMs with terms or amortizations from over 10 years to 20 years may be based on a 15-year term or amortization; and ARMs with terms or amortizations over 20 years may be based on a 30-year term or amortization. Thus, disclosures for ARMs offered with any term from over 1 year to 40 years may be based solely on terms of 5, 15 and 30 years. Of course, a creditor may always base the disclosures on the actual terms or amortizations offered. If the creditor bases the disclosures on 5-, 15- or 30-year terms or payment amortizations as provided above, the term or payment amortization used in making the disclosure must be stated.
6. Rate caps. A creditor using the alternative rule described in comment 19(b)(2)(vii)-1 for disclosure of rate limitations must base the historical example upon the highest periodic and overall rate limitations disclosed under section 226.19(b)(2)(vii). In addition, the creditor must state the limitations used in the historical example. (See comment 19(b)(2)(x)-3 for an explanation of the use of the highest rate limitation in other disclosures.)
7. Frequency of adjustments. In certain transactions, creditors may use the alternative rule described in comment 19(b)(2)(vi)-1 for disclosure of the frequency of rate and payment adjustments. In such cases, the creditor may assume for purposes of the historical example that the first adjustment occurred at the end of the first full year in which the adjustment could occur. For example, in an ARM in which the first adjustment may occur between 6 and 18 months after closing and annually thereafter, the creditor may assume that the first adjustment occurred at the end of the first year in the historical example. (See comment 19(b)(2)(x)-4 for an explanation of how to compute the maximum interest rate and payment when the initial adjustment period is not known.)

Paragraph 19(b)(2)(ix)
1. Calculation of payments.
* * *
However, in transactions in which the latest payment shown in the historical example is not for the latest year of index values shown (such as in a five-year loan), a creditor may provide additional examples based on the initial and maximum payments disclosed under section 226.19(b)(x).
* * *
Paragraph 19(b)(2)(x)

* * * * *

2. Term of the loan. In calculating the initial and maximum payments, the creditor need not base the disclosures on each term to maturity or payment amortization offered under the program. Instead, the creditor may follow the rules set out in comment 19(b)(2)(viii)-5. In calculating the initial and maximum payment, the terms to maturity or payment amortizations selected for the purpose of making disclosures under section 226.19(b)(2)(viii) must be used. In addition, creditors must state the term or payment amortization used in making the disclosures under this section.
3. Rate caps. A creditor using the alternative rule for disclosure of interest rate limitations described in comment 19(b)(2)(vii)-1 must calculate the maximum interest rate and payment based upon the highest periodic and overall rate limitations disclosed under section 226.19(b)(2)(vii). In addition, the creditor must state the rate limitations used in calculating the maximum interest rate and payment. (See comment 19(b)(2)(viii)-6 for an explanation of the use of the highest rate limitation in other disclosures.)
4. Frequency of adjustments. In certain transactions, a creditor may use the alternative rule for disclosure of the frequency of rate and payment adjustments described in comment 19(b)(2)(vi)-1. In such cases, the creditor must base the calculations of the initial and maximum rates and payments upon the earliest possible first adjustment disclosed under section 226.19(b)(2)(vi). (See comment 19(b)(2)(viii)-7 for an explanation of how to disclose the historical example when the initial adjustment period is not known.)

* * * * *

Section 226.20—Subsequent Disclosure Requirements

* * * * *

20(c) Variable-Rate Adjustments

* * * * *

Paragraph 20(c)(4)
1. Contractual effects of the adjustment.
* * *
In transactions where paying the periodic payments will not fully amortize the outstanding balance at the end of the loan term and where the final payment will equal the periodic payment plus the remaining unpaid balance, the amount of the adjusted payment must be disclosed if such payment has changed as a result of the rate adjustment.
* * *
Paragraph 20(c)(5)
1. Fully-amortizing payment. This paragraph requires a disclosure only when negative amortization occurs as a result of the adjustment. A disclosure is not required simply because a loan calls for non-amortizing or partially amortizing payments. For example, in a transaction with a five-year term and payments based on a longer amortization schedule, and where the final payment will equal the periodic payment plus the remaining unpaid balance, the creditor would not have to disclose the payment necessary to fully amortize the loan in the remainder of the five-year term. A disclosure is required, however, if the payment disclosed under section 226.20(c)(4) is not sufficient to prevent negative amortization in the loan. The adjustment notice must state the payment required to prevent negative amortization. (This paragraph does not apply if the payment disclosed in section 226.20(c)(4) is sufficient to prevent negative amortization in the loan but the final payment will be a different amount due to rounding.)

* * * * *

Subpart D—Miscellaneous

Section 226.25—Record Retention

25(a) General Rule

* * * * *

3. Certain variable-rate transactions. In variable-rate transactions that are subject to the disclosure requirements of section 226.19(b), written procedures for compliance with those requirements as well as a sample disclosure form for each loan program represent adequate evidence of compliance. (See comment 25(a)-2 pertaining to permissible methods of retaining the required disclosures.)

* * * * *

Section 226.30—Limitation on Rates

* * * * *

8. Manner of stating the maximum interest rate. The maximum interest rate must be stated in the credit contract either as a specific amount or in any other manner that would allow the consumer to easily ascertain, at the time of entering into the obligation, what the rate ceiling will be over the term of the obligation.
* * *

* * * * *

13. Transition rules. * * * On or after that date, creditors must have the maximum rate set forth in their credit contracts and, where applicable, as part of their truth in lending disclosures in the manner prescribed in the applicable sections of the regulation.

Amendment to Regulation CC

The Board of Governors is amending 12 C.F.R. Part 229, its Regulation CC (Availability of Funds and Collection of Checks), with respect to the law of Wisconsin. The Expedited Funds Availability Act provides standards for determining whether state law governing funds availability supersedes or is preempted by federal law. Under Regulation CC, the Board will issue preemption determinations upon request.

Effective March 31, 1989, 12 C.F.R. Part 229 is amended as follows:

1. The authority citation for 12 C.F.R. Part 229 continues to read as follows:

Authority: Title VI of Pub. L. 100–86, 101 Stat. 552, 635, 12 U.S.C. §§ 4001 *et seq.*

2. Appendix F is amended by adding a preemption determination for the state of Wisconsin alphabetically to read as follows:

Appendix F—Official Board Interpretations

* * * * *

Wisconsin

Background

The Board has been requested, in accordance with section 229.20(d) of Regulation CC (12 C.F.R. Part 229), to determine whether the Expedited Funds

Availability Act (the Act) and Subpart B (and in connection therewith, Subpart A) of Regulation CC preempt the provisions of Wisconsin law concerning availability of funds. This preemption determination specifies those provisions of the Wisconsin funds availability law that are not preempted by the Act and Regulation CC. (See also the Board's preemption determination regarding the Uniform Commercial Code, section 4–213(5), pertaining to availability of cash deposits.)

Wisconsin Statutes §§ 404.213(4m), 215.136, and 186.117 require Wisconsin banks, savings and loan associations, and credit unions, respectively, to make funds deposited in accounts available for withdrawal within specified time frames. Generally, checks drawn on the U.S. Treasury, the State of Wisconsin, or on a local government located in Wisconsin must be made available for withdrawal by the second day following deposit. (The law governing commercial banks determines availability based on banking day; the laws governing savings and loan associations and credit unions determine availability based on business days.) In-state and out-of-state checks must be made available for withdrawal within five days and eight days following deposit, respectively. Exceptions are provided for new accounts and reason to doubt collectibility. In addition, Wisconsin Statutes § 404.103 permits commercial banks to vary these availability requirements by agreement.

Coverage

Wisconsin law defines "account", with respect to the rules governing commercial banks, as "any account with a bank and includes a checking, time, interest or savings account" [Wisconsin Statutes § 404.104(1)(a)]. The statutes relating to the funds availability requirements applicable to savings and loan associations and credit unions do not define the term "account." The federal preemption of state funds availability requirements applies only to "accounts" subject to Regulation CC, which generally consist of transaction accounts. Regulation CC does not affect the Wisconsin law to the extent that the state law applies to deposits in savings, time, and other accounts (including transaction accounts where the account holder is a bank, foreign bank, or the U.S. Treasury) that are not "accounts" under Regulation CC. (Note, however, that under § 229.19(e) of Regulation CC, Holds on Other Funds, the federal availability schedules may apply to savings, time, and other accounts not defined as "accounts" under Regulation CC in certain circumstances.)

The Wisconsin statute applies to "items" deposited in accounts. This term encompasses instruments that are not defined as "checks" in Regulation CC (§ 229.2(k)), such as nonnegotiable instruments, and are therefore not subject to Regulation CC's provisions governing funds availability. Those items that are subject to Wisconsin law but are not subject to Regulation CC will continue to be covered by the state availability schedules and exceptions.

Availability Schedules

Temporary schedule. The Wisconsin statute requires that in-state nonlocal checks be made available for withdrawal not later than the fifth day following deposit [Wisconsin Statutes §§ 404.213(4m)(b)(2); 215.136(2)(b); 186.117(2)(b)]. This time period is shorter than the seventh business day availability required for nonlocal checks under § 229.11(c) of Regulation CC, although it is not shorter than the schedules for nonlocal checks set forth in § 229.11(c)(2) and Appendix B-1 of Regulation CC. Thus, the state schedule for in-state nonlocal checks supersedes the federal schedule to the extent that it applies to an item payable by a Wisconsin bank that is defined as a nonlocal check under Regulation CC and is not subject to reduced schedules under § 229.11(c)(2) and Appendix B-1.

Permanent schedule. Under the federal permanent availability schedule, nonlocal checks must be made available for withdrawal not later than the fifth business day following deposit. The fifth day availability requirement for in-state items in the Wisconsin statute supersedes the Regulation CC time period adjustment for withdrawal by cash or similar means in the permanent schedule, to the extent that the in-state checks are defined as nonlocal under Regulation CC.

Next-day availability. Under the Wisconsin statute, the proceeds of state and local government checks must be made available for withdrawal by the second day following deposit, if the check is indorsed only by the person to whom it was issued [Wisconsin Statutes §§ 404.213(4m)(b)(1); 215.136(2)(b); and 186.117(2)(a)]. Regulation CC requires next-day availability for these checks if they are

(1) deposited in an account of a payee of the check,

(2) deposited in a depositary bank located in the same state as the state or local government that issued the check,

(3) deposited in person to an employee of the depositary bank, and

(4) deposited with a special deposit slip, if the depositary bank informed its customers that use of such a slip is a condition to next-day availability.

Under the federal law, if a state or local government check is not deposited in person to an employee of the depositary bank, but meets the other conditions set forth in § 229.10(c)(1)(iv), the funds must be made available for withdrawal not later than the second business day following deposit. The Wisconsin statute supersedes Regulation CC to the extent that the state law does not permit the use of a special deposit slip as a condition to receipt of second-day availability.

Exceptions to the schedules. Wisconsin law provides exceptions to the state availability schedules for new accounts (those opened less than 90 days) and reason to doubt collectibility [Wisconsin Statutes §§ 404.213(4m)(b); 215.136(2); and 186.117(2)]. The state availability law also permits commercial banks to vary the funds availability requirements by agreement [Wisconsin Statute § 404.103(1)]. In all cases where the federal schedule preempts the state schedule, only the federal exceptions apply. For deposits that are covered by the state availability schedule (e.g., in-state nonlocal checks), a state exception must apply in order to extend the state availability schedule up to the federal availability schedule. Once the deposit is held up to the federal availability limit under a state exception, the depositary bank may further extend the hold only if a federal exception can be applied to the deposit. Any time a depositary bank invokes an exception to extend a hold beyond the time periods otherwise permitted by law, it must give notice of the extended hold to its customer in accordance with § 229.13(g) of Regulation CC.

Business day/banking day. The definitions of "business day" and "banking day" in the Wisconsin statutes are preempted by the Regulation CC definition of those terms. For determining the permissible hold under the Wisconsin schedules that supersede the Regulation CC schedule, deposits are considered available for withdrawal on the specified number of "business days" following the "banking day" of deposit.

Wisconsin law considers funds to be deposited, for the purpose of determining when they must be made available for withdrawal, when an item is "received at the proof and transit facility of the depository." For the purposes of this preemption determination, funds are considered deposited under Wisconsin law in accordance with the rules set forth in § 229.19(a) of Regulation CC.

Disclosures

The Wisconsin statute does not require disclosure of a bank's funds availability policy. The state law does require, however, that a bank give notice to its customer if it extends the time within which funds will be available for withdrawal due to the bank's doubt as to the collectibility of the item [Wisconsin Statutes §§ 404.213(4m)(b); 215.136(2); and 186.117(2)].

Regulation CC preempts state disclosure requirements concerning funds availability that relate to "accounts" that are inconsistent with the federal requirements. The state requirement is different from, and therefore inconsistent with, the federal disclosure rules [§ 229.20(c)(2)]. Thus, the Wisconsin statute is preempted by Regulation CC to the extent that the state notice requirement applies to "accounts" as defined by Regulation CC. The Wisconsin requirement would continue to apply to accounts, such as savings and time accounts, not governed by the Regulation CC disclosure requirements.

AMENDMENT TO REGULATION CC

The Board of Governors is amending 12 C.F.R. Part 229, its Regulation CC (Availability of Funds and Collection of Checks) and its Commentary (Appendix E to Regulation CC). The regulation requires banks to make funds available to their customers within specified times, to disclose their funds availability policies to their customers, and to handle returned checks expeditiously. Since the publication of Regulation CC, the Board has received numerous requests from banks and others for clarification of various provisions of the regulation. The Board believes that the changes to Regulation CC and its Official Commentary (Appendix E) respond to many of these questions and will aid banks in understanding and complying with the regulation.

The effective date for the amendment to § 229.2(e) regarding agencies of foreign banks and the amendment to Appendix A is August 10, 1989. All other amendments are effective April 10, 1989. 12 C.F.R. Part 229 is amended as follows:

Part 229—Availability of Funds and Collection of Checks

1. The authority citation for 12 C.F.R. Part 229 continues to read as follows:

Authority: Title VI of Pub. L. 100–86, 101 Stat. 552, 635, 12 U.S.C. 4001 *et seq.*

2. In section 229.2, paragraphs (e)(7), (z)(5), and (cc) are revised to read as follows:

Section 229.2—Definitions.

* * * * *

(e) "Bank" means —

* * * * *

(7) An "agency" or a "branch" of a "foreign bank" as defined in section 1(b) of the International Banking Act (12 U.S.C. § 3101).

* * * * *

(z) "Paying bank" means —

* * * * *

(5) The state or unit of general local government on which a check is drawn and to which it is sent for payment or collection.

* * * * *

(cc) "Returning bank" means a bank (other than the paying or depositary bank) handling a returned check or notice in lieu of return. A returning bank is also a collecting bank for purposes of U.C.C. § 4-202(2).

* * * * *

3. In section 229.13, the last sentence of paragraph (e)(2) concluding text is revised to read as follows:

Section 229.13—Exceptions.

* * * * *

(e) * * *

(2) *Overdraft and returned check fees.*

* * *

The notice must state that the customer may be entitled to a refund of overdraft or returned check fees that are assessed if the check subject to the exception is paid and how to obtain a refund.

* * * * *

4. In section 229.16, the last sentence of paragraph (c)(3) concluding text is revised to read as follows:

Section 229.16—Specific availability policy disclosure.

* * * * *

(c) * * *

(3) *Overdraft and returned check fees.*

* * *

The notice must state that the customer may be entitled to a refund of overdraft or returned check fees that are assessed if the check subject to the delay is paid and how to obtain a refund.

* * * * *

5. In section 229.19, paragraph (e) is revised to read as follows:

Section 229.19—Miscellaneous.

* * * * *

(e) *Holds on other funds.*

(1) A depositary bank that receives a check for deposit in an account may not place a hold on any funds of the customer at the bank, where —

(i) The amount of funds that are held exceeds the amount of the check; or

(ii) The funds are not made available for withdrawal within the times specified in 229.10, 229.11, 229.12, and 229.13.

(2) A depositary bank that cashes a check for a customer over the counter, other than a check drawn on the depositary bank, may not place a hold on funds in an account of the customer at the bank, if —

(i) The amount of funds that are held exceeds the amount of the check; or

(ii) The funds are not made available for withdrawal within the times specified in 229.10, 229.11, 229.12, and 229.13.

* * * * *

6. In section 229.31, the last sentence of paragraph (b) is revised to read as follows:

Section 229.31—Returning bank's responsibility for return of checks.

* * * * *

(b) *Unidentifiable depositary bank.*

* * *

A returning bank that receives a returned check from a paying bank under § 229.30(b), or from a returning bank under this paragraph, but that is able to identify the depositary bank, must thereafter return the check expeditiously to the depositary bank.

* * * * *

7. In section 229.32, the word "or" is removed at the end of paragraph (a)(2)(ii), paragraph (a)(2)(iii) is redesignated as paragraph (a)(2)(iv), and a new paragraph (a)(2)(iii) is added to read as follows:

Section 229.32—Depositary bank's responsibility for returned checks.

(a) * * *

(2) * * *

(iii) If the address in the indorsement is not in the same check processing region as the address associated with the routing number of the bank in its indorsement on the check, at a location consistent with the address in the indorsement and at a branch or head office associated with the routing number in the bank's indorsement; or * * *

* * * * *

8. In section 229.34, paragraph (a)(1), the undesignated paragraph following paragraph (a)(4), paragraph (b), (b)(1), and the undesignated paragraph after paragraph (b)(3) are revised to read as follows:

Section 229.34—Warranties by paying and returning bank.

(a) *Warranties.*
* * *

(1) The paying bank, or in the case of a check payable by a bank and payable through another bank, the bank by which the check is payable, returned the check within its deadline under the U.C.C., Regulation J (12 C.F.R. Part 210), or § 229.30(c) of this part;
* * *

These warranties are not made with respect to checks drawn on the Treasury of the United States, U.S. Postal Service money orders, or checks drawn on a state or a unit of general local government that are not payable through or at a bank.

(b) *Warranty of notice of nonpayment.* Each paying bank that gives a notice of nonpayment warrants to the transferee bank, to any subsequent transferee bank, to the depositary bank, and to the owner of the check that —

(1) The paying bank, or in the case of a check payable by a bank and payable through another bank, the bank by which the check is payable, returned or will return the check within its deadline under the U.C.C., Regulation J (12 C.F.R. Part 210), or § 229.30(c) of this part; * * *

These warranties are not made with respect to checks drawn on a state or a unit of general local government that are not payable through or at a bank.

* * * * *

9. In section 229.38(d), the first sentence is revised to read as follows:

Section 229.38—Liability.

* * * * *

(d) *Responsibility for back of check.* A paying bank, or in the case of a check payable through the paying bank and payable by another bank, the bank by which the check is payable, is responsible for damages under paragraph (a) of this section to the extent that the condition of the check when issued by it or its customer adversely affects the ability of a bank to indorse the check legibly in accordance with § 229.35.
* * *

* * * * *

APPENDIX A —[AMENDED]

10. Appendix A is amended by adding a new routing number to the list, under the heading Federal Home Loan Banks, in numerical order, as follows:

* * * * *

1130 1750 8

* * * * *

APPENDIX E —[AMENDED]

Section 229.2—[Amended]

11. The Commentary to section 229.2 is amended as follows:

a. In paragraph (d), removing the last sentence of the second paragraph and replacing it with two new sentences.

(d) *Available for withdrawal.*
* * *

For purposes of this regulation, funds are considered available for withdrawal even though they are being held by the bank to satisfy an obligation of the customer other than the customer's potential liability for the return of the check. For example, funds are available for withdrawal even though they are being held by a bank to satisfy a garnishment, tax levy, or court order restricting disbursements from the account, or to satisfy the customer's liability arising from the certification of a check, sale of a cashier's or teller's check, guaranty or acceptance of a check, or similar transaction.

b. In paragraph (e), revising the second paragraph.

(e) *Bank.*
* * *

"Bank" is defined to include depository institutions, such as commercial banks, savings banks, savings and loan associations, and credit unions as defined in the Act, and U.S. branches and agencies of foreign banks. For purposes of subpart B, the term does not include corporations organized under section 25(a) of the Federal Reserve Act, 12 U.S.C. § 611–631 (Edge corporations) or corporations having an agreement or undertaking with the Board under section 25 of the

Federal Reserve Act, 12 U.S.C. § 601–604a (agreement corporations). For purposes of subpart C, and in connection therewith, subpart A, any Federal Reserve Bank, Federal Home Loan Bank, or any other person engaged in the business of banking is regarded as a bank. The phrase "any other person engaged in the business of banking" is derived from U.C.C. § 1-201(4), and is intended to cover entities that handle checks for collection and payment, such as Edge and agreement corporations, commercial lending companies under 12 U.S.C. § 3101, certain industrial banks, and private bankers, so that virtually all checks will be covered by the same rules for forward collection and return, even though they may not be covered by the requirements of subpart B. For the purposes of subpart C, and in connection therewith, subpart A, the term may also include a state or a unit of general local government to the extent that it pays warrants or other drafts drawn directly on the state or local government itself, and the warrants or other drafts are sent to the state or local government for payment or collection.

* * * * *

c. In paragraphs (f) and (g), revising the last paragraph.

(f) Banking day and

(g) Business day.

* * *

The definition of "banking day" is phrased in terms of when "an office of a bank is open" to indicate that a bank may observe a banking day on a per-branch basis. A deposit made at an ATM or off-premise facility (such as a remote depository or a lock box) is considered made at the branch holding the account into which the deposit is made for the purpose of determining the day of deposit. All other deposits are considered made at the branch at which the deposit is received. For example, under 229.19(a)(1), funds deposited at an ATM are considered deposited at the time they are received at the ATM. The day of deposit for such funds is determined by the banking day at the account-holding branch at the time the funds are received at the ATM. Similarly, under § 229.19(a)(3), funds deposited to a night depository, lock box, or similar facility are considered deposited when the funds are removed from the facility and are available for processing. If such a facility is not on the premises of a branch, the day of deposit is determined by the banking day at the account-holding branch. If such a facility is on branch premises, the day of deposit is determined by the banking day at the branch at which the deposit is received, whether or not it is the account-holding branch.

d. In paragraph (i), removing the second sentence and replacing it with two new sentences, and removing the last sentence and replacing it with four new sentences.

(i) *Cashier's check.*

* * *

The definition of cashier's check includes checks provided to a customer of the bank in connection with customer deposit account activity, such as account disbursements and interest payments. The definition also includes checks acquired from a bank by noncustomers for remittance purposes, including loan disbursement checks.

* * *

The definition excludes checks that a bank draws on itself for other purposes, such as to pay employees and vendors, and checks issued by the bank in connection with a payment service, such as a payroll or a bill-paying service. Cashier's checks are generally sold by banks to substitute the bank's credit for the customer's credit and thereby enhance the collectibility of the checks. A check issued in connection with a payment service is generally provided as a convenience to the customer rather than as a guarantee of the check's collectibility. In addition, such checks are often more difficult to distinguish from other types of checks than are cashier's checks as defined by this regulation.

e. In paragraph (k), revising the last paragraph.

(k) *Check*

* * *

The definition of check does not include an instrument payable in a foreign currency (i.e., other than in United States money as defined in 31 U.S.C. 5101) or a credit card draft (i.e., a sales draft used by a merchant or a draft generated by a bank as a result of a cash advance). The definition of check includes a check that a bank may supply to a customer as a means of accessing a credit line without the use of a credit card.

f. In paragraph (u), adding a new sentence to the end of the second paragraph.

(u) *Noncash item.*

* * *

(In the context of this definition, "paying bank" refers to the paying bank as defined for purposes of subpart C.)

* * * * *

g. In paragraph (cc), revising the last sentence and adding a new sentence immediately following.

(cc) *Returning bank*

* * *

A returning bank is also a collecting bank for the purpose of a collecting bank's duty to act seasonably under U.C.C. § 4–202(2) and is analogous to a collecting bank for purposes of final settlement. (See Commentary to § 229.35(b)).

h. In paragraph (gg), removing the fourth sentence and replacing it with seven new sentences.

(gg) *Teller's check*

* * *

The definition does not include checks that are drawn by a nonbank on a nonbank even if payable through or at a bank. The definition includes checks provided to a customer of the bank in connection with customer deposit account activity, such as account disbursements and interest payments. The definition also includes checks acquired from a bank by a noncustomer for remittance purposes, including loan disbursement checks. The definition excludes checks used by the bank to pay employees or vendors and checks issued by the bank in connection with a payment service, such as a payroll or a bill-paying service. Teller's checks are generally sold by banks to substitute the bank's credit for the customer's credit and thereby enhance the collectibility of the checks. A check issued in connection with a payment service is generally provided as a convenience to the customer rather than as a guarantee of the check's collectibility. In addition, such checks are often more difficult to distinguish from other types of checks than are teller's checks as defined by this regulation.

* * *

i. Adding a new paragraph (kk) immediately following paragraph (ii).

(kk) *Unit of general local government* is defined to include a city, county, parish, town, township, village, or other general purpose political subdivision of a state. The term does not include special purpose units, such as school districts, water districts, or Indian nations.

Section 229.10 —[Amended]

12. The Commentary to section 229.10(c) is amended as follows:

a. In paragraph (c) introductory text, revising the last sentence and adding two sentences to follow.

(c) *Certain check deposits.*

* * *

For the purposes of this section, all checks drawn on a Federal Reserve Bank or a Federal Home Loan Bank that contain in the MICR line a routing number that is listed in Appendix A are subject to the next-day availability requirement if they are deposited in an account held by a payee of the check and in person to an employee of the depositary bank, regardless of the purposes for which the checks were issued. For all new accounts, even if the new account exception is not invoked, traveler's checks must be included in the $5,000 aggregation of checks deposited on any one banking day that are subject to the next-day availability requirement. (See § 229.13(a)).

b. Revising the heading "Deposit at Staffed Teller Station" and the first paragraph under that heading.

Deposits Made to an Employee of the Depositary Bank

In most cases, next-day availability of the proceeds of checks subject to this section is conditioned on the deposit of these checks in person to an employee of the depositary bank. If the deposit is not made to an employee of the depositary bank on the premises of such bank, the proceeds of the deposit must be made available for withdrawal by the start of business on the second business day after deposit, under paragraph (c)(2) of this section. For example, second-day availability rather than next-day availability would be allowed for deposits of checks subject to this section made at a proprietary ATM (and at a nonproprietary ATM under the permanent schedule), night depository, through the mail or a lock box, or at a teller station staffed by a person that is not an employee of the depositary bank. Second-day availability may also be allowed for deposits picked up by an employee of the depositary bank at the customer's premises; such deposits would be considered made upon receipt at the branch or other location of the depositary bank.

* * * * *

c. Removing the heading "Fees for Withdrawals" and the paragraph appearing under it.

d. In the fifth paragraph under the heading "Special Deposit Slips," revising the second sentence.

Special Deposit Slips

* * * * *

* * *

If a bank only provides the special deposit slips upon the request of a depositor, however, the teller must advise the depositor of the availability of the special deposit slips, or the bank must post a notice advising customers that the slips are available upon request.

* * *

13. The Commentary to section 229.11(c) is amended by revising the first sentence to read as follows:

Section 229.11—Temporary Availability Schedule

* * * * *

(c) *Nonlocal checks.* Under the temporary schedule, funds deposited by nonlocal checks must be made

available for withdrawal not later than the seventh business day following the banking day the funds are deposited, except in the case of deposits in accounts of banks located outside the 48 contiguous states.
* * *

* * * * *

14. The Commentary to section 229.13(b) is amended by adding a new sentence after the second sentence in paragraph (b) introductory text to read as follows:

Section 229.13—Exceptions

* * * * *

(b) *Large Deposits.*
* * *
When the large deposit exception is applied to deposits composed of both local and nonlocal checks, the depositary bank has the discretion to choose the portion of the deposit to which it applies the exception.
* * *

* * * * *

15. The Commentary to section 229.16 is amended by adding two new paragraphs to paragraph (a) and adding a new paragraph at the end of paragraph (b) to read as follows:

Section 229.16—Specific Availability Policy Disclosure

(a) *General.*
* * *
The disclosure must reflect the policy and practice of the bank regarding availability as to most accounts and most deposits into those accounts. In disclosing the availability policy that it follows in most cases, a bank may provide a single disclosure that reflects one policy to all its transaction account customers, even though some of its customers may receive faster availability than that reflected in the policy disclosure. Thus, a bank need not disclose to some customers that they receive faster availability than indicated in the disclosure. If, however, a bank has a policy of imposing delays in availability on any customers longer than those specified in its disclosure, those customers must receive disclosures that reflect the longer applicable availability periods.

A bank may disclose that funds are "available for withdrawal" on a given day notwithstanding the fact that the bank uses the funds to pay checks received before that day. For example, a bank may disclose that its policy is to make funds available from deposits of local checks on the second business day following the day of deposit, even though it may use the deposited funds to pay checks prior to the second business day; the funds used to pay checks in this example are not available for withdrawal until the second business day after deposit because the funds are not available for all uses until the second business day. (See the definition of "available for withdrawal" in § 229.2(d).)

(b) *Content of Specific Policy Disclosure.*
* * *
A bank that provides availability based on when the bank generally receives credit for deposited checks need not disclose the time when a check drawn on a specific bank will be available for withdrawal. Instead, the bank may disclose the categories of deposits that must be available on the first business day after the day of deposit (deposits subject to § 229.10) and state the other categories of deposits and the time periods that will be applicable to those deposits. For example, a bank might disclose the four-digit Federal Reserve routing symbol for local checks and indicate that such checks as well as certain nonlocal checks will be available for withdrawal on the first or second business day following the day of deposit, depending on the location of the particular bank on which the check is drawn, and disclose that funds from all other checks will be available on the second or third business day. The bank must also disclose that the customer may request a copy of the bank's detailed schedule that would enable the customer to determine the availability of any check and must provide such schedule upon request. A change in the bank's detailed schedule would not trigger the change in policy disclosure requirement of § 229.18(e).

* * * * *

Section 229.19 —[Amended]

16. The Commentary to section 229.19 is amended as follows:

a. Adding a new sentence after the third sentence of paragraph (a) introductory text and removing the last sentence of the last paragraph and adding a new paragraph at the end thereof.

(a) *When Funds Are Considered Deposited.*
* * *
Funds deposited to a deposit box in a bank lobby that is accessible to customers only during regular business hours are generally considered deposited when placed in the lobby box; a bank may, however, treat deposits to lobby boxes the same as deposits to night depositories (as provided in § 229.19(a)(3)), provided a notice appears on the lobby box informing the customer when such deposits will be considered received.
* * *

* * * * *

A bank is not required to remain open until 2:00 p.m. If a bank closes before 2:00 p.m., deposits received after the closing may be considered received on the next banking day. Further, as § 229.2(f) defines the term "banking day" as the portion of a business day on which a bank is open to the public for substantially all of its banking functions, a day, or a portion of a day, is not necessarily a banking day merely because the bank is open for only limited functions, such as keeping drive-in or walk-up teller windows open, when the rest of the bank is closed to the public. For example, a banking office that usually provides a full range of banking services may close at 12:00 noon but leave a drive-in teller window open for the limited purpose of receiving deposits and making cash withdrawals. Under those circumstances, the bank is considered closed and may consider deposits received after 12:00 noon as having been received on the next banking day. The fact that a bank may reopen for substantially all of its banking functions after 2:00 p.m., or that it continues its back office operations throughout the day, would not affect this result. A bank may not, however, close individual teller stations and reopen them for next-day's business before 2:00 p.m. during a banking day.

b. In paragraph (e), revising the second paragraph and adding a third paragraph.

(e) *Holds on other funds.*

* * *

This paragraph clarifies that if a customer deposits a check in an account (as defined in § 229.2(a)), the bank may not place a hold on any of the customer's funds so that the funds that are held exceed the amount of the check deposited or the total amount of funds held are not made available for withdrawal within the times required in this subpart. For example, if a bank places a hold on funds in a customer's nontransaction account, rather than a transaction account, for deposits made to the customer's transaction account, the bank may place such a hold only to the extent that the funds held do not exceed the amount of the deposit and the length of the hold does not exceed the time periods permitted by this regulation.

These restrictions also apply to holds placed on funds in a customer's account (as defined in § 229.2(a)) if a customer cashes a check at a bank (other than a check drawn on that bank) over the counter. The regulation does not prohibit holds that may be placed on other funds of the customer for checks cashed over the counter, to the extent that the transaction does not involve a deposit to an account. A bank may not, however, place a hold on any account when an on us check is cashed over the counter. On us checks are considered finally paid when cashed (See U.C.C. § 4-213(1)(a)).

17. The Commentary to section 229.20(c) is revised to read as follows:

Section 229.20—Relation to State Law

* * * * *

(c) *Standards for preemption.* This section describes the standards the Board will use in making determinations on whether federal law will preempt state laws governing funds availability. A provision of state law is considered inconsistent with federal law if it permits a depositary bank to make funds available to a customer in a longer period of time than the maximum period permitted by the Act and this regulation. For example, a state law that permits a hold of four business days or longer for local checks permits a hold that is longer than that permitted under the Act and this regulation, and therefore is inconsistent and preempted. State availability schedules that provide for availability in a shorter period of time than required under Regulation CC supersede the federal schedule.

Under a state law, some categories of deposits could be available for withdrawal sooner or later than the time required by this subpart, depending on the composition of the deposit. For example, the Act and this regulation (§ 229.10(c)(1)(vii)) require next-day availability for the first $100 of the aggregate deposit of local or nonlocal checks on any day, and a state law could require next-day availability for any check of $100 or less that is deposited. Under the Act and this regulation, if either one $150 check or three $50 checks are deposited on a given day, $100 must be made available for withdrawal on the next business day, and $50 must be made available in accordance with the local or nonlocal schedule. Under the state law, however, the two deposits would be subject to different availability rules. In the first case, none of the proceeds of the deposit would be subject to next-day availability; in the second case, the entire proceeds of the deposit would be subject to next-day availability. In this example, because the state law would, in some situations, permit a hold longer than the maximum permitted by the Act, this provision of state law is inconsistent and preempted in its entirety.

In addition to the differences between state and federal availability schedules, a number of state laws contain exceptions to the state availability schedules that are different from those provided under the Act and this regulation. The state exceptions continue to apply only in those cases where the state schedule is shorter than or equal to the federal schedule, and then only up to the limit permitted by the Regulation CC schedule. Where a deposit is subject to a state exception under a state schedule that is not preempted by Regulation CC and is also subject to a federal exception, the hold on the deposit cannot exceed the hold permissible under the federal exception in accordance with Regulation CC. In such cases, only one exception notice is required, in accordance with § 229.13(g). This notice need only include the applicable federal exception as the reason the exception was invoked. For those categories of checks for which the state schedule is preempted by the federal schedule, only the federal exceptions may be used.

State laws that provide maximum availability periods for categories of deposits that are not covered by the Act would not be preempted. Thus, state funds availability laws that apply to funds in time and savings deposits are not affected by the Act or this regulation. In addition, the availability schedules of several states apply to "items" deposited to an account. The term "items" may encompass deposits, such as nonnegotiable instruments, that are not subject to the Regulation CC availability schedules. Deposits that are not covered by Regulation CC continue to be subject to the state availability schedules. State laws that provide maximum availability periods for categories of institutions that are not covered by the Act would also not be preempted. For example, a state law that governs money market mutual funds would not be affected by the Act or this regulation.

Generally, state rules governing the disclosure or notice of availability policies applicable to accounts are also preempted, if they are different from the federal rules. Nevertheless, a state law requiring disclosure of funds availability policies that apply to deposits other than "accounts," such as savings or time deposits, are not inconsistent with the Act and this subpart. Banks in these states would have to follow the state disclosure rules for these deposits.

* * * * *

Section 229.30—[Amended]

18. The Commentary to section 229.30 is amended as follows:

a. In paragraph (a), under the fourth numbered example, adding a new sentence to the end of the third paragraph and adding a new sentence to the end of the eighth paragraph.

(a) *Return of checks.*

* * *

Examples

* * * * *

4. * * *

* * *

If a paying bank returns a check on its banking day of receipt without paying for the check, as permitted under U.C.C. § 4–302(a), and receives settlement for the returned check from a returning bank, it must promptly pay the amount of the check to the collecting bank from which it received the check.

* * * * *

* * *

Also, a paying bank is not responsible for failure to make expeditious return to a party that has breached a presentment warranty under U.C.C. § 4–207(1), notwithstanding that the paying bank has returned the check. (See Commentary to section 229.30(a).)

* * * * *

b. In paragraph (b), revising the fourth sentence of the second paragraph and adding two new sentences to immediately follow, and revising the first sentence of the third paragraph.

(b) *Unidentifiable depositary bank.*

* * *

A paying bank returning a check under this paragraph to a bank that has not agreed to handle the check expeditiously must advise that bank that it is unable to identify the depositary bank. This advice must be conspicuous, such as a stamp on each check for which the depositary bank is unknown if such checks are commingled with other returned checks, or, if such checks are sent in a separate cash letter, by one notice on the cash letter. The returned check may not be prepared for automated return.

* * *

The sending of a check to a bank that handled the check for forward collection under this paragraph is not subject to the requirements for expeditious return by the paying bank.

* * *

* * * * *

c. Revising paragraph (f) introductory text.

(f) *Notice in Lieu of Return.* A check that is lost or otherwise unavailable for return may be returned by sending a legible copy of both sides of the check or, if such a copy is not available to the paying bank, a written notice of nonpayment containing the information specified in § 229.33(b). The copy or written notice must clearly indicate it is a notice in lieu of return and must be handled in the same manner as other returned checks. Notice by telephone, telegraph, or other electronic transmission, other than a legible facsimile or similar image transmission of both sides of the check, does not satisfy the requirements for a notice in lieu of return. The requirement for a writing and the indication that the notice is a substitute for the returned check is necessary so that the returning and depositary banks are informed that the notice carries value. Notice in lieu of return is permitted only when a bank does not have and cannot obtain possession of the check or must retain possession of the check for protest. A check is not unavailable for return if it is merely difficult to retrieve from a filing system or from storage by a keeper of checks in a truncation system. A notice in lieu of return may be used by a bank handling a returned check that has been lost or destroyed, including when the original returned check has been charged back as lost or destroyed as provided in § 229.35(b). A bank using a notice in lieu of return gives a warranty under § 229.34(a)(4) that the original check has not been and will not be returned.

* * * * *

Section 229.31—[Amended]

19. The Commentary to section 229.31 is amended as follows:

a. In paragraph (b), revising the last sentence of the introductory text and revising the last paragraph.

(b) *Unidentifiable depositary bank.*

* * *

In the limited cases where the returning bank cannot identify the depositary bank, the returning bank may send the returned check to a returning bank that agrees to handle the returned check for expeditious return under § 229.31(a), or it may send the returned check to a bank that handled the check for forward collection, even if that bank does not agree to handle the returned check expeditiously under § 229.31(a).

* * * * *

* * *

As in the case of a paying bank returning a check under § 229.30(b), a returning bank returning a check under this paragraph to a bank that has not agreed to handle the check expeditiously must advise that bank that it is unable to identify the depositary bank. This advice must be conspicuous, such as a stamp on each check for which the depositary bank is unknown if such checks are commingled with other returned checks, or, if such checks are sent in a separate cash letter, by one notice on the cash letter. The returned check may not be prepared for automated return.

b. In paragraph (c), revising the parenthetical at the end of the second paragraph.

(c) *Settlement.*

* * *

* * * (See section 229.36(d) and Commentary to section 229.35(b).)

* * * * *

c. In paragraph (f), adding a new sentence before the parenthetical phrase.

(f) *Notice in lieu of return.*

* * *

Notice in lieu of return is permitted only when a bank does not have and cannot obtain possession of the check or must retain possession of the check for protest. A check is not unavailable for return if it is merely difficult to retrieve from a filing system or from storage by a keeper of checks in a truncation system.

* * *

20. The Commentary to section 229.32(a) is amended by redesignating item 2(iii) as 2(iv), adding a new item 2(iii), and adding a new paragraph after the last paragraph to read as follows:

Section 229.32—Depository Bank's Responsibility for Returned Checks

(a) *Acceptance of returned checks.*

* * *

2. * * *

(iii) The depositary bank must accept returned checks at the address in its indorsement and at an address associated with its routing number in the indorsement if the written address in the indorsement and the address associated with the routing number in the indorsement are not in the same check processing region. Under §§ 229.30(g) and 229.31(g), a paying or returning bank may rely on the depositary bank's routing number in its indorsement in handling returned checks and is not required to send returned checks to an address in the depositary bank's indorsement that is not in the same check processing region as the address associated with the routing number in the indorsement.

* * * * *

Under section 229.33(d), a depositary bank receiving a returned check or notice of nonpayment must send notice to its customer by its midnight deadline or within a longer reasonable time.

* * * * *

Section 229.33—[Amended]

21. The Commentary to section 229.33 is amended as follows:

a. In paragraph (a), adding a new paragraph at the end thereof.

(a) *Requirement.*

* * *

Unless the returned check is used to satisfy the notice requirement, the requirement for notice is independent of and does not affect the requirements for timely and expeditious return of the check under § 229.30 and the U.C.C. (See § 229.30(a).) If a paying bank fails both to comply with this section and to comply with the requirements for timely and expeditious return under § 229.30 and the U.C.C. and Regulation J (12 C.F.R. Part 210), the paying bank shall be liable under either this section or such other requirements, but not both. (See § 229.38(b).) A paying bank is not responsible for failure to give notice of nonpayment to a party that has breached a presentment warranty under U.C.C. section 4–207(1), notwithstanding that the paying bank may have returned the check. (See U.C.C. §§ 4–207(1) and 4–302.)

b. In paragraph (d), revising the first sentence.

(d) *Notification to Customer.* This paragraph requires a depositary bank to notify its customer of nonpayment upon receipt of a returned check or notice of nonpayment, regardless of the amount of the check or notice.

* * *

22. The Commentary to section 229.34(a) is amended by revising the first and last sentence thereof to read as follows:

Section 229.34—Warranties by Paying Bank and Returning Bank

(a) *Warranty of returned checks.* This paragraph includes warranties that a returned check, including a notice in lieu of return, was returned by the paying bank, or in the case of a check payable by a bank and payable through another bank, the bank by which the check is payable, within the deadline under the U.C.C., Regulation J, or 229.30(c); that the paying or returning bank is authorized to return the check; that the returned check has not been materially altered; and that, in the case of notice in lieu of return, the original check has not and will not be returned (see Commentary to § 229.30(f)).

* * *

These warranties do not apply to checks drawn on the United States Treasury, to Postal Service money orders, or to checks drawn on a state or a unit of general local government that are not payable through or at a bank (see § 229.42).

* * * * *

Section 229.35—[Amended]

23. The Commentary to section 229.35 is amended as follows:

a. In paragraph (a), adding two sentences to the end of the fourth paragraph, revising the first two sentences in the fifth paragraph, and adding a sentence to the end of the last paragraph.

(a) *Indorsement Standards.*

* * *

* * * * *

* * *

Depositary banks should not include information that can be confused with required information. For example, a nine-digit zip code could be confused with the nine-digit routing number.

A depositary bank is not required to place a street address in its indorsement; however, a bank may want to put an address in its indorsement in order to limit the number of locations at which it must accept returned checks. In instances where this address is not consistent with the routing number in the indorsement, the depositary bank is required to accept returned checks at a branch or head office consistent with the routing number. Banks should note, however, that § 229.32 requires a depositary bank to accept returned checks at the location(s) it accepts forward collection checks.

* * *

* * * * *

* * *

The standard requires collecting and returning banks to indorse the check for tracing purposes.

b. In paragraph (b), adding four sentences to the end of the fifth paragraph and adding a new paragraph after the fifth paragraph.

(b) *Liability of bank handling check.*

* * *

* * * * *

* * *

Nor does this paragraph affect a collecting bank's accountability under U.C.C. §§ 4–211(2) and (3) and 4–213(3). A collecting bank becomes accountable upon receipt of final settlement as provided in the foregoing U.C.C. sections. The term "final settlement" in §§ 229.31(c), 229.32(b), and 229.36(d) is intended to be consistent with the use of the term "final settlement" in the U.C.C. (e.g., U.C.C. §§ 4–211, 4–212, and 4–213). (See also § 229.2(cc) and Commentary.)

This paragraph also provides that a bank may have the rights of a "holder" based on the handling of the check for collection or return. A bank may become a holder or a holder in due course regardless of whether prior banks have complied with the indorsement standard in § 229.35(a) and Appendix D.

* * * * *

24. The Commentary to section 229.37 is amended by revising the second sentence of the first paragraph and revising the second paragraph to read as follows:

Section 229.37—Variations by Agreement

* * *

To achieve consistency, the official comment to U.C.C. § 4-103(1) (which in turn follows U.C.C. § 1-201(3)) should be followed in construing this section.

* * *

The Board has not followed U.C.C. § 4-103(2), which permits Federal Reserve regulations and operating letters, clearinghouse rules, and the like to apply to parties that have not specifically assented. Nevertheless, this section does not affect the status of such agreements under the Uniform Commercial Code.

* * * * *

25. In the Commentary to section 229.38(d), the first two sentences of the second paragraph are revised to read as follows:

Section 229.38—Liability

* * * * *

(d) *Responsibility for back of check.*

* * *

The paying bank or, in the case of a check payable through the paying bank and payable by another bank, the bank by which the check is payable, is responsible for the condition of the check when it is issued by it or its customer. (It would not be responsible for a check issued by a person other than such a bank or customer.)

* * *

* * * * *

26. In the Commentary to Appendix C, under the heading "Models C-1 Through C-7 Generally," a new paragraph is added after the fifth paragraph to read as follows:

APPENDIX C

* * * * *

Models C-1 Through C-7 Generally

* * * * *

Banks that have used model forms C-1, C-2, or C-3 or have used forms C-4, C-5, C-6, or C-7 (which give social security benefits and payroll payments as examples of preauthorized credits available the day after deposit) and that at the same time follow Treasury regulations (31 C.F.R. Part 210) and ACH association rules requiring that these credits be made available on the day the bank receives the funds are protected from civil liability under § 229.21(e). Such banks are encouraged to disclose same-day availability for those electronic payments when reordering supplies of forms.

* * * * *

AMENDMENT TO RULES REGARDING DELEGATION OF AUTHORITY

The Board of Governors is amending 12 C.F.R. Part 265, its Rules Regarding Delegation of Authority to delegate to each Federal Reserve Bank, after consultation with the Board's General Counsel, the authority to decide not to disapprove requests for director interlocks pursuant to section 205(8) of the Depository Institution Management Interlocks Act (12 U.S.C. 3204(8)) for diversified savings and loan holding companies.

Effective March 10, 1989, 12 C.F.R. Part 265 is amended as follows:

Part 265—Rules Regarding Delegation of Authority

1. The authority citation for 12 C.F.R. Part 265 continues to read as follows:

Authority: Section 11(k), 38 Stat. 261 and 80 Stat. 1314; 12 U.S.C. 248(k).

2. A new paragraph (f)(49) is added to section 265.2 to read as follows:

Section 265.2—Specific functions delegated to Board employees and to Federal Reserve Banks.

* * * * *

(f) * * *

(49) Under the provisions of section 205(8) of the Depository Institution Management Interlocks Act (12 U.S.C. § 3204(8)), after consultation with the General Counsel of the Board, to decide not to disapprove notices to establish director interlocks with diversified savings and loan holding companies.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

CB&T Bancshares, Inc. Columbus, Georgia

Order Approving Acquisition of a Bank

CB&T Bancshares, Inc., Columbus, Georgia ("CB&T"), a bank holding company within the meaning of the Bank Holding Company Act ("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 Farmers and Merchants Bank of Russell County, Phenix City, Alabama ("Bank").

Notice of the application, affording opportunity for interested persons to submit comments, has been published (54 *Federal Register* 999 (1989)). 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.

Section 3(d) of the Act, 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 holding company's home state,[1] unless such acquisition is "specifically authorized by the statute laws of the State in which [the] bank is located, by language to that effect and not merely by implication." 12 U.S.C. § 1842(d). Alabama state law permits a bank holding company located in a region that includes Georgia to acquire an Alabama bank or bank holding company, provided that Alabama bank holding companies are permitted to acquire banks or bank holding companies in the home state of the acquiring bank holding company on a reciprocal basis.[2] Alabama law also requires that the banking organization to be acquired must have been in existence and continuously operating for more than five years prior to the acquisition, and that the Alabama Superintendent of Banks approve the acquisition.

Georgia law also permits a bank holding company located in a region that includes Alabama to acquire a Georgia bank or bank holding company.[3] Like Alabama, Georgia state law requires that the home state of the acquiring bank holding company permit acquisitions of banks and bank holding companies in that state by Georgia bank holding companies on a reciprocal basis.

Based on its review of the relevant Alabama and Georgia statutes, the Board has determined that the Georgia statute satisfies the conditions of the Alabama regional reciprocal banking statute and that Alabama has by statute expressly authorized a Georgia bank holding company, such as CB&T, to acquire an Alabama bank holding company or bank, such as Bank. In this regard, Bank satisfies the longevity requirement in the Alabama statute, and the Alabama Superintendent of Banks has approved Applicant's proposal pursuant to the Alabama statute. Based on the foregoing, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of Alabama and that Board approval of the proposal is not barred by the Douglas Amendment.

CB&T, a multi-bank holding company controlling 16 banking subsidiaries, is the sixth largest commercial banking organization in Georgia. CB&T controls 13 bank subsidiaries operating in Georgia with approximately $1.6 billion in deposits, representing approximately 3.7 percent of the total deposits in commercial banks in the state.[4] Applicant also currently owns two bank subsidiaries in Florida, with total deposits of approximately $75.9 million, and another bank subsidiary in Alabama, with total deposits of approximately $29.0 million. Based on the facts of this case, consummation of the proposal would have no significantly adverse effect on the concentration of resources in Alabama.

Applicant competes with Bank in the Columbus (Georgia) banking market ("Columbus market").[5] Applicant is the largest of eight commercial banking organizations in the market, controlling deposits of approximately $522.2 million, representing approximately 42.6 percent of total deposits in commercial banking organizations in the market ("market deposits").[6] Bank is the seventh largest commercial banking organization in the market, controlling deposits of approximately $29.6 million, representing approximately 2.4 percent of market deposits. Upon consummation, Applicant would remain the largest commercial banking organization in the market, controlling deposits of approximately $551.8 million, representing approximately 45.0 percent of total market deposits. The Columbus market is considered highly concentrated, with a Herfindahl-Hirschman Index

1. A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.
2. Ala. Code § 5-13A-3(1) (Supp. 1988).
3. Ga. Code Ann. § 7-1-621 (Supp. 1988).
4. Data are as of September 30, 1988.
5. The Columbus market is approximated by Muscogee and Chattahoochee counties in Georgia, Russell County in Alabama, and the city of Smiths in Lee County, Alabama.
6. Market data for commercial banks are as of June 30, 1987.

("HHI") of 2853, which would increase by 204 points to 3057 upon consummation of the proposal.[7]

Although consummation of this proposal would eliminate some existing competition in the Columbus market, seven commercial banks would continue to operate in the market after consummation of this proposal.[8] In addition, the Board has considered the presence of thrift institutions in this market. The Board has previously indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks.[9] In the Columbus market, thrift institutions account for a significant percentage of the total deposits.[10] Based upon the size and market share of thrift institutions, the Board has concluded that thrift institutions exert a significant competitive influence that mitigates the anticompetitive effects of this proposal in this banking market.[11]

Based on the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition in the Columbus market or in any other relevant market.

The financial and managerial resources of Applicant and its subsidiaries, and Bank, are consistent with approval. In addition, considerations relating to the convenience and needs of the communities to be served by CB&T and Bank are consistent with approval.

Accordingly, based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. The acquisition 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 March 15, 1989.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

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

8. In addition, a state charter was recently issued to a *de novo* bank in the Columbus market.

9. *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); and *First Tennessee National Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

10. Thrift institutions control approximately 30 percent of the combined deposits of banks and thrifts in the market. Market deposit data for thrift institutions are as of June 30, 1986.

11. If 50 percent of deposits held by thrift institutions in the Columbus market were included in the calculation of market concentration, Applicant's *pro forma* market share would be 37.2 percent. The HHI would increase by 140 points to 2177.

Crestar Financial Corporation
Richmond, Virginia

Order Approving Merger of Bank Holding Companies and Banks, and the Establishment of Branches

Crestar Financial Corporation, Richmond, Virginia ("Crestar"), has applied for the Board's approval under section 3(a)(5) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(5)) ("BHC Act"), to merge with Colonial American Bankshares Corporation, Roanoke, Virginia ("Colonial"). In addition, Crestar Bank, Richmond, Virginia, a state member bank, has applied to merge with Colonial American National Bank, Roanoke, Virginia ("Colonial Bank"), pursuant to section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)), and thereby to establish branches pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321).

Notice of the proposal, affording an opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the BHC Act (54 *Federal Register* 66 (1989)). As required by the Bank Merger Act, reports of the competitive effects of the merger 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 applications and all comments received in light of the factors set forth in section 3(c) of the BHC Act and in the Bank Merger Act (12 U.S.C. § 1828(c)(5)).

Crestar is the second largest banking organization in Virginia, controlling domestic deposits of approximately $7.2 billion, representing 15.5 percent of total deposits in commercial banks in the state.[1] Colonial is the eleventh largest banking organization in Virginia, controlling deposits of approximately $351.9 million, representing 0.8 percent of total deposits in commercial banks in the state. Crestar would remain the

1. Deposit data are as of June 30, 1988.

second largest banking organization in Virginia upon consummation of this proposal. Consummation of this proposal would not increase significantly the concentration of banking resources in Virginia.

Crestar competes directly with Colonial in the Roanoke, Virginia, banking market.[2] Crestar is the sixth largest banking organization in the market, with deposits of $199.5 million, representing approximately 8 percent of deposits in commercial banks in the market ("market deposits").[3] Colonial is the second largest banking organization in the market, with deposits of $293.3 million, representing approximately 11.9 percent of market deposits. Upon consummation of the proposal, Crestar would become the second largest banking organization in the market, with deposits of $492.8 million, representing 19.9 percent of market deposits. The Roanoke, Virginia, banking market is considered highly concentrated, with a Herfindahl–Hirschman Index ("HHI") of 2492.

The HHI for this market would increase by 190 points to 2682 upon consummation of the proposal, and the four-firm concentration ratio would increase from 77 percent to 85.1 percent.[4]

Although consummation of this proposal would eliminate existing competition between Crestar and Colonial in the Roanoke, Virginia, banking market, 10 banking institutions would continue to operate in the market following consummation of this proposal. In addition, the Board has considered the presence of thrift institutions in the market in its analysis of this proposal. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks.[5] Thrift institutions already exert a considerable competitive influence in the market as providers of NOW accounts and consumer loans, and many are engaged in the business of making commercial loans. Based upon the size, market share, and commercial lending activities of thrift institutions in the market, the Board has concluded that thrift institutions exert a significant influence upon existing competition in the Roanoke, Virginia, banking market.[6] In light of these factors and other facts of record, the Board concludes that consummation of this proposal would not have a significantly adverse effect on existing or potential competition in any relevant banking market.

In considering the convenience and needs of the communities to be served, the Board has taken into account the records of Crestar and Colonial under the Community Reinvestment Act ("CRA").[7] The CRA requires the federal bank supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they are chartered consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority, in connection with its examination of financial institutions, to "assess the record of banks under their supervision in meeting the credit needs of their entire communities, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution."[8] The CRA also requires the agencies to take these records into account when acting on certain applications involving the institutions.

The Board's experience over the years in examining bank performance under the CRA has indicated that institutions with effective programs to help meet community credit needs share a number of elements. These institutions maintain outreach programs that include procedures to permit effective communication between the bank and various segments of the community and formalized methods for incorporating findings regarding community credit needs into the development and delivery of products and services. They monitor institutional performance at the senior management or board of director level and periodically evaluate new opportunities for innovative lending programs, such as home mortgage and neighborhood residential rehabilitation lending and similar programs, designed to meet the credit needs of their designated community, including those of low- and moderate-income persons. An effective program also includes the use of specifically designed marketing and advertising plans to stimulate public awareness of the bank's

2. The Roanoke, Virginia, banking market is approximated by the Roanoke, Virginia, Ranally Metro Area plus the adjacent northern portion of Franklin County.

3. Market data are as of June 30, 1987.

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

5. *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743 (1984); *NCNB Bancorporation*, 70 FEDERAL RESERVE BULLETIN 225 (1984); *General Bancshares Corporation*, 69 FEDERAL RESERVE BULLETIN 802 (1983); and *First Tennessee National Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

6. If 50 percent of the deposits controlled by thrift institutions were included in the calculation of market concentration, Crestar and Colonial would control approximately 7 percent and 10.3 percent of total market deposits, respectively. Upon consummation of this proposal, the HHI would increase by 144 points to 2084, and the four-firm concentration ratio for the market would be 74.1 percent.

7. 12 U.S.C. § 2901 *et seq.*

8. 12 U.S.C. § 2903.

services throughout the community, including low- and moderate-income neighborhoods, as well as support of community development projects and programs.

In the Board's opinion, financial institutions that make meeting their responsibilities under the CRA an integral part of their management and operational structure are best able to accomplish the goals of the statute. In that light, the Board expects banking organizations to have addressed their CRA responsibilities before the submission of applications to the Board. This is in accord with the requirements of the CRA, under which an institution's record of performance in helping to meet the credit needs of its entire community is a critical factor in determining whether the institution has lived up to its responsibilities under the statute.

The Board has received comments filed jointly by The United Mine Workers of America ("UMWA") and the Metro Area Fair Banking Coalition ("MAFBC") (collectively "Protestants") regarding the CRA performance of Crestar and Colonial.[9] Crestar has submitted a detailed response to the comments made by the UMWA and MAFBC. In this regard, the Federal Reserve Bank of Richmond arranged a meeting among the parties in the context of earlier applications by Crestar Bank to establish three branch offices.[10] The parties were unable to come to a resolution of all of their differences.[11]

Protestants have raised several questions concerning Crestar's Home Mortgage Disclosure Act ("HMDA") recordkeeping, lending patterns, and responsiveness to and concern for the communities served by its subsidiaries. Many of these comments concerning Crestar's CRA record were raised and addressed in Crestar's previously approved branch applications.[12]

In addition, Protestants claim that Colonial Bank has reduced housing loans to urban areas; made more loans to upper-income white tracts than to low-income minority tracts; and originated fewer loans to minority low- and moderate-income customers than to white customers with the same income levels. Protestants have further alleged that Colonial Bank has failed to meet community credit needs for home improvement loans, multi-family mortgage loans, and federal government-insured loans.

The Board has carefully reviewed the CRA performance record of Crestar and its subsidiary banks, and the CRA record of Colonial and its subsidiary banks, as well as Protestants' comments and Crestar's response to those comments.

Initially, the Board notes that all of Crestar's subsidiary banks have received satisfactory ratings from their primary regulators in examinations of their CRA performance, and that Colonial's subsidiary banks, Colonial Bank and The Mountain National Bank of Clifton Forge, Clifton Forge, Virginia ("Mountain National Bank"), also received satisfactory CRA ratings from the Office of the Comptroller of the Currency.

In addition, the Board has considered Crestar's development of a comprehensive program that establishes standards that its subsidiary banks must meet in ascertaining community credit needs, responding to those needs through the development and delivery of products and services, and monitoring and evaluating the bank's success in meeting those needs and its responsibilities under the CRA. Recently, Crestar established four regional CRA plans covering all of its subsidiary banks. As part of these plans, Crestar appointed CRA officers at the subsidiary bank level, the regional level, and the corporate level responsible for developing, implementing, and overseeing Crestar's CRA efforts. To ensure that these regional plans address community credit needs, Crestar's regional CRA officers are required to meet at least annually with community leaders, government officials, community groups, and other individuals within their region to obtain feedback on Crestar's performance. Crestar implemented a similar plan in 1985 for the Washington, D.C. area.

Under the regional CRA plans, each regional CRA officer reports to Crestar's corporate Senior Vice President for Compliance, who has direct responsibility for coordinating Crestar's CRA efforts. To ensure that Crestar's board of directors is fully informed of

9. In addition, the Board has received a favorable comment from the Board Chair of S.R.O. Housing of Richmond, noting Crestar's commitment to housing and community development issues.

10. The applications were approved by the Federal Reserve Bank of Richmond, pursuant to authority delegated by the Board, on December 2, 1988.

11. Although the UMWA did not submit comments on those applications, a member of the UMWA was present at the meeting.

12. Protestants allege that: Crestar's HMDA data are inaccurate; Crestar Bank, N.A., Washington, D.C. ("Crestar-DC"), and Crestar Mortgage Company, Arlington, Virginia ("Crestar Mortgage"), are pursuing discriminatory lending patterns; Crestar is deemphasizing residential mortgages in low-income neighborhoods and is failing to meet the credit needs for co-operative housing loans; Crestar-DC and Crestar Mortgage originate few loans within the District of Columbia; Crestar Mortgage sells many of its mortgages on the secondary mortgage market, thus transferring ownership of the mortgages beyond the bounds of the community; Crestar has been unresponsive to the small business credit needs of the Washington, D.C. community and has made few Small Business Administration ("SBA") loans to minorities, females, and residents of Alexandria, Virginia, Washington, D.C., or Maryland; Crestar does not originate student loans in Washington, D.C., or in Virginia; Crestar Bank Maryland, Bethesda, Maryland ("Crestar-MD"), originated few mortgage loans between 1985–87; and Crestar-DC's branches and ATMs are not convenient to low- and moderate-income community residents.

Crestar's CRA activities, this officer makes periodic reports to the Audit Committee of Crestar's board of directors. This officer also reports directly to Crestar's corporate vice-chairman, who has ultimate management responsibility for Crestar's CRA matters.

In response to concerns raised in Crestar's previous branch applications, Crestar supplemented its 1985 CRA plan for the Washington, D.C. area with a "Greater Washington Area CRA Plan" on December 1, 1988. As required by this plan, Crestar will develop and implement a variety of advertising and marketing strategies to communicate the availability of credit and other bank products in all segments of the community. For example, Crestar will advertise the availability of its products and services in minority audience media and neighborhood newspapers, where available, targeting specific products appropriate to the area served.[13] In addition, Crestar will participate in local programs and seminars that offer community residents and small businesses technical assistance with respect to obtaining and utilizing credit. As noted, advertising and marketing are important elements in an effective CRA program, and the Board expects that Crestar's CRA program to promote its services throughout its communities will include such advertising and marketing efforts.

The HMDA data appear to reflect accurately the lending practices of Crestar's banking subsidiaries in the Washington, D.C. metropolitan area, and do not indicate a pattern of discriminatory lending. Moreover, under its Greater Washington Area CRA Plan, Crestar established an overall lending target of $25 million for real estate, small business, and student loans for low- and moderate-income residents of the greater Washington, D.C. metropolitan area, to be achieved within a five-year period.[14] Additionally, Crestar has hired a real estate cooperative and multifamily housing lending officer, as well as lending officers for student loans and small business lending.[15]

13. In 1987, Crestar sponsored a weekly radio program, entitled "Money Matters", for a six-month period on a station oriented towards serving minority residents of the Washington, D.C. area.

14. Pursuant to its previous Washington area CRA agreement with the D.C. Reinvestment Alliance, Crestar has been a participant in SBA lending programs. Moreover, Crestar has already exceeded its $10 million lending target under its previous agreement, providing $4.1 million in qualifying loans to minority- and women-owned small businesses, a $520,000 qualifying non-profit developer loan, and $15.3 million in qualifying multi-family and mixed-use commercial real estate loans.

15. Crestar has indicated that it will expand its student loan program in Washington, D.C. and Maryland. In addition, Crestar has established task forces dealing with residential mortgage lending, affirmative marketing, and small business lending, and has recently provided funds to groups promoting low-income housing and small business development in Washington, D.C., such as the Local Initiative Support Corporation and the Neighborhood Economic Development Corporation.

Furthermore, Crestar, in consultation with the D.C. Reinvestment Alliance, a local community group in Washington, D.C., is reviewing a study involving the feasibility of locating a branch of Crestar-DC in a low- and moderate-income neighborhood in Washington, D.C.

With regard to Colonial Bank, an analysis of HMDA data indicates that, in 1985 and 1987, Colonial Bank made the majority of its home mortgage loans within the city of Roanoke. Between 1985 and 1987, Colonial Bank increased the percentage of multi-family mortgage loans made in urban areas and provided approximately three times as many home improvement loans to urban areas as to suburban areas. HMDA data also indicate that in 1985 and 1987, Colonial Bank made approximately the same number of home purchase loans per owner-occupied unit in low- and moderate-income areas as in upper-income areas. In addition, an analysis of the HMDA data for 1985 through 1987 does not indicate any pattern of prohibited discriminatory lending by Colonial Bank. Moreover, while HMDA data show that Colonial Bank has not made many home improvement, multi-family, and federal government-insured loans in the last few years, the record indicates that loans that were made in these areas were distributed throughout all income level census tracts in Roanoke, and that a greater percentage of home improvement loans and multi-family loans originated by Colonial Bank per owner-occupied unit were made in low- and moderate-income areas than in upper-income areas.

Crestar has stated that it will implement its system-wide CRA monitoring mechanism and its Western Regional CRA Plan at Colonial Bank and Mountain National Bank upon consummation of this proposal. In addition, Crestar states that it will offer FHA and VA mortgages to Colonial Bank's customers through Crestar Mortgage. These steps should further improve the CRA performance of Colonial Bank and Mountain National Bank.

Based upon this record, the Board concludes that Crestar has a satisfactory program in place to ensure that its subsidiary banks carry out their responsibilities under the CRA to help meet the credit needs of their communities, including low- and moderate-income and minority neighborhoods, and that Crestar's subsidiary banks are performing in accordance with that program in a manner consistent with their statutory responsibilities. As noted above, Crestar has committed that it will implement this program at Colonial's subsidiary banks upon consummation of this proposal. For the foregoing reasons, and based upon the overall CRA records of Crestar and Colonial, as well as other facts of record, the Board concludes that convenience and needs considerations in this case are consistent with approval of the applications.[16] The Board has also determined that the financial and managerial resources and future prospects of Crestar and Colonial are consistent with approval of the proposal.[17]

Accordingly, based on all the facts of record in this case, the Board has determined that the applications should be, and hereby are, approved. The transactions shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective March 14, 1989.

Voting for this action: Vice Chairman Johnson and Governors Seger, Heller, Kelley, and LaWare. Absent and not voting: Chairman Greenspan and Governor Angell.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Midwest Financial Group
Peoria, Illinois

Order Approving the Acquisition of a Bank Holding Company

Midwest Financial Group, Inc., Peoria, Illinois ("Midwest"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), and its wholly owned subsidiary, PMI Acquisitions Corporation, Peoria, Illinois ("PMI"), have applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all of the voting shares of Peoples Mid-Illinois Corporation, Bloomington, Illinois ("Peoples"), and thereby indirectly acquire Peoples Bank, Bloomington, Illinois ("Bank").[1]

Notice of the applications, affording an opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the BHC Act (53 *Federal Register* 51,164 (1988)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

Midwest is the seventh largest commercial banking organization in Illinois, controlling total deposits of approximately $1.7 billion, representing 1.6 percent of total deposits in commercial banking organizations ("total bank deposits") in the state.[2] Peoples is the 59th largest commercial banking organization in Illinois, controlling total deposits of $236.3 million, representing 0.2 percent of total bank deposits in the state. Upon consummation of this proposal, Midwest would become the fifth largest commercial banking organization in Illinois, controlling total deposits of $1.9 billion, representing 1.8 percent of total bank deposits in the state. Based on the facts of record, consummation of this proposal would not have a significantly adverse effect on the concentration of banking resources in Illinois.

Midwest and Peoples compete directly in the Bloomington-Normal, Illinois, banking market.[3] In this market, Midwest is the second largest commercial banking organization, with deposits of $158.7 million, representing 18.2 percent of the market's total bank deposits. Peoples is the largest commercial banking organization in the market, with deposits of $236.3 million, representing 27.1 percent of the market's total bank deposits. Upon consummation of this proposal, Midwest would become the largest commercial banking organization in the market, controlling 45.3 percent of the market's total bank deposits. The four-firm concentration ratio would rise from 65.6 percent to 71.9 percent, and the Herfindahl–Hirschman Index

16. Protestants have also requested that the Board order a public meeting or hearing to receive public testimony on the issues presented by these applications. Although section 3(b) of the BHC Act does not require a public meeting or hearing in this instance, the Board may, in its discretion, order a public meeting or hearing. *See* 12 C.F.R. 262.3(e). In that regard, the Board's Rules of Procedure provide that a public meeting may be held to clarify factual issues related to an application or to provide an opportunity for interested persons to testify. 12 C.F.R. 262.25(d). In addition, under the provisions of the Board's Regulation Y, 12 C.F.R. 225.23(g), the Board shall order a hearing only if there are disputed issues of material fact that cannot be resolved in some other manner.

In the Board's view, the parties have had ample opportunity to present their arguments in writing and to respond to one another's submissions. Moreover, Crestar and Protestants have met privately in the context of Crestar's recent branch application, involving many of the CRA issues raised here. In light of these facts, the Board has determined that the record has been developed through these proceedings and that a public meeting or hearing would serve no useful purpose in this case. Accordingly, Protestants' request for a public meeting and hearing is hereby denied.

17. Protestants also allege that Crestar has inadequate financial and managerial resources. Protestants allege that Crestar's lending policies, including loans to specific companies, speculative construction loans, loans to Mexico, and Crestar-MD's loan-to-asset ratio, raise general safety and soundness concerns. The Board has examined these contentions in the context of its evaluation of the capital and overall financial condition of Crestar and the effects of this acquisition on these factors. Based upon this review, the Board has concluded that Protestants' allegations do not support an adverse finding regarding Crestar's financial or managerial resources.

1. In connection with this application, PMI has applied to become a bank holding company.

2. Banking data are as of June 30, 1987.

3. The Bloomington-Normal banking market is approximated by McLean County, and Kansas, El Paso, Panola, and Minonk Townships in Woodford County, Illinois.

("HHI") of the market would increase from 1389 to 2375.[4]

Consummation of this proposal would eliminate some existing competition in the Bloomington-Normal banking market. The Board believes, however, that certain factors mitigate the anticompetitive effects associated with the proposal. First, numerous banks would continue to operate in the market after consummation of this proposal.[5] In addition, the Board has considered the presence of thrift institutions in the market in its analysis of this proposal. The Board has previously indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks.[6] The Bloomington-Normal banking market has seven thrift institutions, representing 48.8 percent of total deposits in thrifts and commercial banking organizations in the market ("total market deposits"). Three of the five largest depository institutions, including the largest depository institution, in the market are currently thrifts. Upon consummation of this proposal, three of the four largest depository institutions would be thrifts, with deposits representing 44.2 percent of total market deposits. The largest depository institution in the market upon consummation of this proposal would continue to be a thrift, with deposits representing 29.5 percent of total market deposits. Thrifts in the market offer transaction accounts and make commercial as well as consumer loans. Based on the size and market share of thrift institutions, the Board has concluded that thrift institutions exert a significant competitive influence that mitigates the anticompetitive effects of this proposal in the Bloomington-Normal banking market.[7] Based on these and other facts of record in this case, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition in the Bloomington-Normal banking market.

Midwest and Peoples also compete in the provision of discount brokerage services within the relevant banking market. The relevant product market for discount brokerage services is retail securities brokerage, which includes both discount and full-service brokerage services.[8] Although consummation of this proposal would eliminate some existing competition in the provision of retail brokerage services, the Bloomington-Normal banking market has fourteen local sources of retail brokerage services, and a substantial number of firms outside the Bloomington-Normal banking market offer this service to customers in the banking market. In addition, Bank provides retail securities brokerage services for only a small number of customers, and Bank is not actively soliciting new customers for this service. Accordingly, consummation of this proposal would not have a significantly adverse effect on existing competition for discount brokerage services in any relevant market.

The financial and managerial resources and future prospects of Midwest and Peoples are consistent with approval. Considerations relating to convenience and needs of the communities to be served are also consistent with approval of the applications.

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

By order of the Board of Governors, effective March 20, 1989.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

First Bank System, Inc.
Minneapolis, Minnesota

Order Approving Application to Engage in the Activity of Making and Servicing Loans

4. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is above 1800 is considered highly concentrated. In such markets, the Justice Department is likely to challenge a merger that increases the HHI by more than 50 points. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognizes the competitive effect of limited-purpose lenders and other non-depository financial entities.

5. Twenty commercial banks currently compete in the Bloomington-Normal market.

6. *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743 (1984); *First National of Nebraska, Inc.*, 75 FEDERAL RESERVE BULLETIN 27 (1989).

7. If 50 percent of deposits held by thrift institutions in the Bloomington-Normal banking market were included in the calculation of market concentration, Midwest's *pro forma* market share would be 30.6 percent. The market would be considered moderately concentrated after consummation of the proposed transaction, with the HHI increasing by 450 points to 1513 and the four-firm concentration ratio rising by 6.8 percent to 63.8 percent.

8. *BankAmerica Corporation*, 69 FEDERAL RESERVE BULLETIN 105, 110 (1983).

First Bank System, Inc., Minneapolis, Minnesota, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to engage through its subsidiary, FBS Credit Services, Inc. ("FBSCS"), Minneapolis, Minnesota, in making extensions of credit in connection with the administration, management, collection, and liquidation of low-quality assets acquired from subsidiary banks of First Bank System.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (53 *Federal Register* 51,164 (1988)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.

First Bank System is the largest commercial banking organization in Minnesota, with total consolidated assets of $24 billion.[1] It operates subsidiary banks in Minnesota, Colorado, Montana, North Dakota, South Dakota, Washington, and Wisconsin and engages in a variety of nonbanking activities.

First Bank System proposes to engage through FBSCS in making extensions of credit in connection with the administration, management, collection, and liquidation of low-quality assets acquired by FBSCS from some of the subsidiary banks of First Bank System's direct subsidiary, Central Bancorporation, Inc., Denver, Colorado. These activities are permissible for bank holding companies under section 225.25(b)(1) of the Board's Regulation Y (12 C.F.R. 225.25(b)(1)).[2]

In every case involving an acquisition by a bank holding company under section 4 of the Act, the Board considers the effect of the acquisition on the financial condition and resources of the applicant. In this connection, the Board has taken into consideration that the subsidiary would be capitalized at a level commensurate with the quality of the specific low-quality assets. Further, the Board also considered that funding would be provided by sophisticated investors and would be on terms which do not expose the subsidiary to liquidity or interest rate risks. After reviewing all the facts of record relating to the overall financial condition of First Bank System, the Board has determined that the financial factors relating to this application are consistent with approval, particularly in light of certain commitments made by First Bank System in connection with this proposal. In reaching this conclusion, the Board has taken into consideration the steps First Bank System intends to take to further improve its capital position.

Consummation of the proposal will have no adverse effect on competition, as this proposal is viewed as an internal reorganization. The Board believes that the proposal is not likely to result in conflicts of interests, unsound banking practices, concentration of resources, or other adverse effects. Based upon the facts of record, the Board concludes that performance of the proposed activities by First Bank System can reasonably be expected to provide benefits to the public that outweigh any adverse effects.

Based upon the foregoing and all the facts of record, the Board has determined that the balance of public interest factors it is required to consider under section 4(c)(8) is favorable. Accordingly, the application is hereby approved. This determination is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b)(3) (12 C.F.R. 225.4(d) and 225.23(b)(3)), and to the Board's authority to require 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.

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

By order of the Board of Governors, effective March 13, 1989.

Voting for this action: Vice Chairman Johnson and Governors Seger, Heller, Kelley, and LaWare. Absent and not voting: Chairman Greenspan and Governor Angell.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Merchants National Corporation
Indianapolis, Indiana

Order Granting Relief From Commitments Regarding Insurance Agency Activities of Subsidiary Banks

Merchants National Corporation, Indianapolis, Indiana ("Merchants"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act" or "Act"), has applied under section 4(c)(8)(D) of the BHC Act (12 U.S.C. § 1843(c)(8)(D)) and section 225.25(b)(8)(iv) of the Board's Regulation Y (12 C.F.R. § 225.25(b)(8)(iv)) for approval for its

1. All banking data are as of December 31, 1988.
2. *See First Bank System, Inc.*, 72 FEDERAL RESERVE BULLETIN 660 (1986).

wholly owned subsidiary, Anderson Banking Company, Anderson, Indiana ("Anderson Bank"), to resume the conduct of certain insurance agency activities authorized for state banks under Indiana law. Alternatively, Merchants seeks a Board determination that the nonbanking prohibitions of section 4 of the BHC Act do not apply to activities conducted directly by subsidiary banks of a bank holding company, thereby permitting Anderson Bank and another of Merchants's state bank subsidiaries, Mid State Bank of Hendricks County, Danville, Indiana ("Mid State Bank"), to resume insurance agency activities. In both cases the insurance agency activities would be conducted directly by the banks and not through subsidiaries of the banks.

1. Background

The record shows that Anderson Bank, prior to its acquisition by Merchants, engaged directly in insurance agency activities since the bank's incorporation in 1916 and that Mid State Bank acquired an insurance agency in 1985.[1] The banks are authorized to sell insurance directly pursuant to state law.[2]

On October 29, 1986, the Board approved applications by Merchants under section 3 of the BHC Act to acquire Anderson Bank and Mid State Bank. 72 FEDERAL RESERVE BULLETIN 838 (1986). The applications had been protested by various insurance industry trade groups on the ground that, as subsidiaries of a bank holding company, the insurance agency activities then being conducted by the banks pursuant to Indiana law would be prohibited by section 4 of the BHC Act, as amended by Title VI of the Garn–St Germain Depository Institutions Act of 1982.[3] As discussed below, the Garn–St Germain Act amended section 4(c)(8) of the BHC Act to provide that, with seven specific exceptions, insurance activities are not closely related to banking. This amendment removed the Board's discretion to authorize insurance activities as a permissible nonbanking activity for bank holding companies under the closely related to banking standard of section 4(c)(8) of the Act.

In response to the protests, Merchants committed that, unless it received Board approval in the meantime for the banks to retain their insurance activities, it would cause the banks to divest the insurance agency activities within two years and, in the interim, to refrain from the sale of insurance except for the renewal of existing policies.

Merchants subsequently sought relief from these commitments. On September 10, 1987, the Board granted the requested relief on the grounds that the insurance activities would be conducted directly by the banks and, thus, would not be prohibited by section 4 of the BHC Act or consequently the insurance provisions of the Garn–St Germain Act. 73 FEDERAL RESERVE BULLETIN 876 (1987). The Board's Order noted that the relief did not violate the moratorium provisions of the Competitive Equality Banking Act of 1987 ("CEBA")[4] because Merchants had acquired the banks involved before the moratorium. The Board also noted that the grant of relief would not increase the banks' insurance powers since the banks already had the powers by virtue of state law and those powers were not and never had been limited by the BHC Act.

Protestants sought review of the Board's decision in the United States Court of Appeals for the Second Circuit, which, on January 25, 1988, vacated the Board's Order.[5] The court ruled that the Board's decision fell within the moratorium provisions of CEBA and, thus, that the Board should not have granted Merchants's request to conduct the insurance activities while the moratorium was effective. The court did not address the question of whether insurance activities conducted directly by the banks would be prohibited by the nonbanking provisions of section 4 of the BHC Act. The moratorium provisions have now expired, and Merchants has requested that the Board reissue the vacated Order.[6]

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, was published (52 *Federal Register* 8966 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received, including those of various insurance trade associations ("Protestants").[7]

1. Prior to consummation of this proposal, Mid State Bank will transfer the insurance activities of the subsidiary to the bank itself, which will thereafter conduct the activities directly. Anderson Bank and Mid State Bank would act as agent for a full line of property and casualty coverage, but would not sell life insurance.

2. Ind. Code § 28-1-11-2 provides that "any bank or trust company shall have power . . . to solicit and write insurance as agent or broker for any insurance company authorized to do business in this state, other than a life insurance company."

3. Pub. L. No. 97-320, codified at 12 U.S.C. § 1843(c)(8).

4. Pub. L. No. 100-86, 101 Stat. 552 (1987).

5. *Independent Insurance Agents of America, Inc. v. Board of Governors*, 838 F.2d 627 (2nd Cir. 1988).

6. By letter dated December 8, 1988, the Board granted a request by Merchants for an extension of time to divest the insurance agency activities of Anderson Bank and Mid State Bank until such time as the Board acts on the request of Merchants to reissue its earlier Order.

7. The Board has received comments protesting the application and the request to reissue the earlier Order from the Independent Insurance Agents of America, Inc., Independent Insurance Agents of New York, Inc., National Association of Casualty and Surety Agents, National Association of Life Underwriters, National Association of Professional Insurance Agents, National Association of Surety Bond Producers, New York Association of Life Underwriters, and Professional Insurance Agents of New York, Inc.

Protestants contend that the banks do not qualify under any of the seven exemptions to the insurance provisions in the Garn–St Germain Act and that, therefore, they may not resume their insurance agency activities. With respect to Merchants's alternative argument, protestants contend that the terms and legislative history of the BHC Act and the Board's regulations indicate that the nonbanking and insurance provisions of section 4 of the BHC Act apply to all bank holding company activities, including activities conducted by a subsidiary bank of the holding company. In protestants' view, a bank holding company's activities, whether conducted directly by the holding company or by any of its subsidiaries, including subsidiary banks, are limited by the terms of section 4 of the Act to "banking" activities and activities permitted under the closely related to banking standard in section 4(c)(8) of the Act (or one of the other specific exemptions in the Act, none of which are relevant here). Protestants argue that because Anderson Bank's and Mid State Bank's insurance activities are not "banking" and do not qualify under any of the insurance exemptions in section 4(c)(8), Merchants may not engage in the activities through the banks.[8]

After considering the comments of all interested parties and for the reasons set forth below, the Board has determined to grant Merchants's request for relief from its earlier commitments on the alternative grounds advanced by Merchants, thereby permitting Anderson Bank and Mid State Bank to resume the insurance agency activities they terminated when they were acquired by Merchants in 1986.

II. Inapplicability of Exemption D of the Garn–St Germain Act

Initially, the Board has determined that Anderson Bank and Mid State Bank do not qualify under section 4(c)(8)(D), the grandfather provision of the Garn–St Germain Act (hereinafter "exemption D"), to engage in insurance agency activities. Exemption D permits a bank holding company or any of its subsidiaries to engage in any insurance agency activity in which the bank holding company or subsidiary was engaged on May 1, 1982, subject to certain geographic and functional limitations. Exemption D, however, applies only to entities that were bank holding companies or subsidiaries of bank holding companies on May 1, 1982. The record shows that on May 1, 1982, Anderson Bank was not a subsidiary of a bank holding company and, therefore, does not qualify under Exemption D. Similarly, Mid State Bank does not qualify under Exemption D because it did not commence selling insurance until after the May 1, 1982, grandfather date.[9]

III. Inapplicability of the Nonbanking Provisions of the BHC Act to the Direct Activities of Holding Company Banks

Accordingly, the Board has considered Merchants's alternative ground for relief. On the basis of the record before it and the comments received, the Board has determined that the direct insurance activities of Anderson Bank and Mid State Bank are not limited by the nonbanking provisions of section 4 of the BHC Act or, consequently, the insurance provisions of the Garn–St Germain Act.[10] In the Board's view, the nonbanking provisions of section 4 do not limit the *direct* activities of holding company banks, except where the record demonstrates the type of evasion described in the *Citicorp (South Dakota)* case,[11] a situation not present

8. Protestants also argue that Merchants should be bound by its earlier commitments to divest the banks' insurance activities because Merchants voluntarily offered the commitments with full knowledge of their limitations and that, in any event, the commitments preclude Merchants from arguing that the provisions of section 4 of the BHC Act do not apply to the direct activities of the banks.

In the Board's view, however, the commitments contemplated that Merchants could request Board relief from the commitments. While couched in terms of seeking Board approval on the Board's application Form Y-4, the commitments did not represent a concession by Merchants that section 4 applies to the direct activities of the banks. Rather, the commitments contemplated that the application would provide a forum for evaluating the issues and arguments raised by the proposal apart from Merchants' earlier application to acquire the banks. Accordingly, the Board does not consider that the commitments limit either the right of Merchants to request relief or the arguments Merchants may put forward in support of that relief.

9. Mid State Bank appears to qualify for the exemption provided in section 4(c)(8)(C) of the BHC Act for insurance agency activities conducted in a town of less than 5,000 inhabitants. In this application, Merchants initially had proposed that Mid State Bank conduct the insurance agency activities through a wholly owned subsidiary under exemption C. Merchants, however, subsequently withdrew that request and amended the proposal to conduct the insurance activities directly by Mid State Bank on the basis discussed below that the nonbanking provisions of the BHC Act do not apply to the direct activities of holding company banks.

10. As noted, Title VI of the Garn–St Germain Act does not establish a prohibition on the conduct of insurance activities by bank holding companies separate from or in addition to the general nonbanking prohibitions of section 4 of the BHC Act. Rather, Title VI limits the Board's discretion to authorize bank holding companies to conduct these activities under the closely related to banking exception (in section 4(c)(8) of the Act) to the general nonbanking provisions of the Act (in section 4(a)). Thus, the provisions of the Garn–St Germain Act have no applicability to situations, such as this, where the nonbanking provisions of section 4 of the Act do not apply.

11. 71 FEDERAL RESERVE BULLETIN 789 (1985). In that case, the Board found, based on the structure of the South Dakota statute, the operating plans of Citicorp, and the fact that the bank would serve primarily as an insurance subsidiary of Citicorp and would conduct only insignificant banking activities, that the acquisition of the bank was primarily, if not solely, for the purpose of enabling Citicorp to engage through the bank in various insurance activities. The Board did not address the question raised in this case regarding whether the prohibitions of section 4 of the Act apply to the direct activities of holding company banks where no evidence of evasion is presented.

in the instant case.[12] The Board believes this view is consistent with the terms, purposes, and legislative history of the BHC Act and the Board's regulations, prior interpretations, and longstanding practice.

A. Terms and Structure of the BHC Act

Section 4 of the BHC Act contains two provisions that together limit the nonbanking activities and investments of bank holding companies. First, section 4 prohibits, with certain specific exceptions, a bank holding company from acquiring or retaining, directly or indirectly, voting shares of any company except a bank.[13] The principal exception to this prohibition is for the shares of companies engaged in activities that the Board has determined are closely related to banking. By its terms, this restriction in section 4 does not apply to shares of a company that is itself a bank. Thus, a bank holding company that controls an institution that qualifies as a "bank" under the definition in the Act[14] is not required, in order to acquire or retain the shares of the institution, to limit the institution's activities to those permitted under the closely related to banking standard of section 4 (or one of the other limited exceptions in the Act), except where the record demonstrates an evasion of the Act, such as presented in the *Citicorp (South Dakota)* case. It is only companies that do not qualify as "banks" under the Act that must limit their nonbanking activities to those permitted under the closely related to banking standard in section 4(c)(8) of the Act (or qualify under some other exception in section 4) in order to be acquired or retained directly or indirectly by a bank holding company.

In addition to the above limitation, section 4 of the Act provides that a bank holding company may not "engage in any activities other than . . . those of banking or of managing or controlling banks and other subsidiaries authorized under the Act or of furnishing services to or performing services for its subsidiaries" and activities the Board has determined to be closely related to banking. 12 U.S.C. § 1843(a)(2). Protestants contend that this provision applies not only to activities conducted directly by a bank holding company, but also to activities conducted indirectly through any subsidiary of the bank holding company, including a subsidiary bank. This interpretation, however, cannot be squared with the words or structure of the statute.

The language of the activities limitation in section 4(a)(2) forbids "bank holding companies" —not "banks" —from engaging in activities other than those specified in that provision. The BHC Act defines "bank holding company" to mean any company that has control over any bank,[15] a definition that clearly refers only to the parent holding company itself, not to the system as a whole or to any "subsidiary," a term that is separately defined.[16]

The structure of the BHC Act indicates that this provision of section 4(a)(2) of the Act was intended to apply to the activities of bank holding companies themselves, many of which are operating companies engaged directly in nonbanking activities as well as in controlling banks and companies engaged in permissible nonbanking activities.[17] This reading harmonizes the provisions of section 4 of the Act, with one provision limiting the types of companies the shares of which a bank holding company may acquire and retain (banks and other companies authorized under the Act), and the second limiting in a similar manner the activities in which the bank holding company itself may engage to

(1) banking,

(2) managing and controlling banks and authorized nonbank companies, and

(3) activities closely related to banking.

Furthermore, section 4(a) of the Act distinguishes between a bank holding company's acquiring and retaining "direct or indirect" ownership or control of any company that is not a bank, on the one hand, and the holding company's engaging in activities itself, on the other. The use of the words "direct or indirect" in the investment limitation of the Act makes clear that neither a bank holding company nor any of its subsidiaries may own or control a nonbank company (unless exempted). In the activities limitation of section 4(a)(2), however, Congress did not use the words "directly or indirectly" to modify the word "engage". This demonstrates, in the Board's view, Congress'

12. In this case, the record does not show, nor is there any allegation, that the banks would be operated by Merchants predominantly as insurance agencies or that the acquisition of the banks is a device to enable the applicant to engage in insurance activities. Rather, the record shows that the insurance activities of the banks are incidental and small relative to their banking operations.

13. Section 4(a) of the Act provides: Except as otherwise provided in this Act, no bank holding company shall

(1) . . . acquire direct or indirect ownership or control of any voting shares of any company *which is not a bank*, or

(2) . . . retain direct or indirect ownership or control of any voting shares of any company *which is not a bank* or bank holding company or engage in any activities other than (A) those of banking or of managing or controlling banks and other subsidiaries authorized under this Act or of furnishing services to or performing services for its subsidiaries, and (B) those permitted under paragraph (8) of subsection (c) of this section [the closely related to banking exception] . . . (emphasis supplied) 12 U.S.C. § 1843(a).

14. 12 U.S.C. § 1841(c).

15. 12 U.S.C. § 1841(a)(1).

16. 12 U.S.C. § 1841(d).

17. The portion of section 4 that authorizes a bank holding company to engage in "banking" is intended to provide for those few situations that existed in 1956 in which the bank holding company was itself a bank. *See* Heller, *Federal Bank Holding Company Law*, § 4.02(1).

intent to apply the activities limitation in section 4(a)(2) to the holding company only and not to its subsidiaries.[18]

The reading suggested by protestants would make superfluous the provision in section 4(a)(2) restricting the types of companies that may be controlled by bank holding companies to banks and authorized nonbanks. If a bank holding company is deemed to be engaged in each activity in which a company it controls is engaged, as protestants suggest, the other provision of section 4 prohibiting a bank holding company from controlling nonbank companies unless engaged in permissible activities would be unnecessary.[19] Accordingly, the Board believes that the provision of section 4(a)(2) of the Act limiting the activities in which a bank holding company may "engage" applies only to the activities of the bank holding company itself, and that activities of subsidiaries of the bank holding company are regulated through provisions limiting the companies that a bank holding company may hold the shares of or control to banks and other companies engaged in activities permitted for bank holding companies under the Act.

Protestants point to the fact that a bank may be a "subsidiary" of a bank holding company under the Act's definition as evidence that the Act does not distinguish between banking and nonbanking subsidiaries.[20] That conclusion simply does not follow, however. The Act clearly distinguishes between banking and nonbanking subsidiaries in section 4(a) when it permits a bank holding company to control banks without any limitation on their activities, but provides that a bank holding company may control a "company which is not a bank" only if its activities are authorized under the closely related to banking or other nonbanking exceptions in the Act.[21]

B. Prior Board Interpretations

Since enactment of the BHC Act, the Board has not read the nonbanking prohibitions of section 4 as applying to the direct activities of holding company banks. On the contrary, the Board's actions and regulations over the years have consistently interpreted section 4 as *not* applying to such bank activities.[22] Protestants contend otherwise, pointing to section 225.21(a) of Regulation Y, which provides that "a bank holding company or a subsidiary may not engage in . . . any activity other than . . . an activity {permitted by section 4(c)(8)}." The Board has never interpreted the provisions of Regulation Y relating to nonbanking activities as applicable to direct activities of banks, however.[23] For example, the Board has never required bank holding companies that seek to acquire a bank to obtain prior approval under section 4(c)(8) for any nonbanking activities that might be engaged in directly by the bank, as would be required under protestants' construction of the statute. In addition, the section upon which protestants rely appears in a subpart of the Board's rules that pertains to the "*nonbanking* acquisitions and activities of bank holding companies." Thus, in context and consistent with the terms of section 4(a) of the Act, the reference in section 225.21(a) of Regulation Y to subsidiaries means subsidiaries other than banks.[24]

18. Protestants look to 12 U.S.C. § 1850, which establishes a competitor's standing to challenge adverse Board action regarding applications by bank holding companies to engage directly or indirectly in nonbanking activities, to demonstrate that the term "engage" in the BHC Act necessarily applies to the activities of a bank holding company and all its subsidiaries. In that section, however, the word "engage" is modified by the words "directly or indirectly." The activities limitation in section 4(a)(2), however, is not modified by the words "directly or indirectly."

19. Protestants suggest that Congress intentionally included a superfluous provision in order to establish a "catch-all" provision. The Board cannot accept this explanation, however, when the clear terms of the statute can be interpreted so as to give meaning to every word. *See Reiter v. Sonotone Corp.*, 442 U.S. 330, 339 (1979).

20. 12 U.S.C. § 1841(d); *also see* 12 C.F.R. 225.2(j).

21. With respect to the Board's definition of "subsidiary" in Regulation Y, the regulation makes clear that the definition does not apply where the context otherwise requires. 12 C.F.R. 225.2.

Protestants also point to the fact that the insurance provisions in section 4(c)(8) begin by using the term "bank holding company" but then state in Exemption D that this limitation applies also to a bank holding company *and* its subsidiaries. On this basis, protestants argue, the reference in section 4(a)(2) to activities engaged in by a "bank holding company" must also refer to activities conducted by its subsidiaries, banking and nonbanking alike. As noted, however, section 4(c)(8) sets forth an exemption to the general prohibition found in section 4(a) against a bank holding company owning shares of a nonbank company.

Because this general prohibition does not apply to shares of a bank, section 4(c)(8) must necessarily apply only to nonbank companies. Thus, in context and consistent with the prohibition in section 4, the reference in the insurance provisions to subsidiaries must mean subsidiaries to which the prohibition applies.

22. *See, e.g.*, 12 C.F.R. 225.118(c); *American Bancorp, Inc.*, 39 *Federal Register* 22,468 (June 24, 1974); *Piedmont Carolina Financial Services, Inc.*, 59 FEDERAL RESERVE BULLETIN 766, 767–68 (1973); *Cameron Financial Corp. v. Board of Governors*, 497 F.2d 841, 845 (4th Cir. 1974); *Board of Governors v. Investment Company Institute*, 450 U.S. 46, 59 n.25 (1981); Fed. Res. Reg. Serv. 4–591 (Staff Op. January 12, 1982).

The Board notes that, contrary to protestants' implication, *Cameron* was not questioned by the Ninth Circuit ruling in *Patagonia Corp. v. Board of Governors*, 517 F.2d 803 (9th Cir. 1975), which distinguished *Cameron* and did not address the banking/nonbanking subsidiary issue. *See* 517 F.2d at 810–11 n.10.

23. The original Regulation Y implementing the Act's provisions, adopted immediately after passage of the Act, contained no provision restricting the activities conducted directly by banks controlled by holding companies. 21 *Federal Register* 5686 (1956).

24. Protestants cite several isolated phrases from various regulations to argue that the Board has "repeatedly affirmed that bank holding companies and *all* of their subsidiaries are subject to section 4." None of the examples cited, however, are persuasive. First, the Board's requirement that courier services not be conducted through a servicing arm of the bank (12 C.F.R. 225.129) was imposed to eliminate possible unfair competition and supports the view that the

C. Legislative History and Purposes of the Statute

The Board's reading of the scope of the section 4(a) prohibitions is fully consistent with the Act's legislative history. When the nonbanking prohibitions in section 4 were adopted in 1956 as part of the original Act, Congress gave no indication that the statute was meant to affect in any way the activities engaged in directly by holding company subsidiary banks, whose powers traditionally were determined by the authority that issued the bank's charter.[25]

The 1970 amendment to section 4(c)(8) reinforced the view that section 4 does not reach the direct activities of banks controlled by holding companies. During proceedings on this amendment, Congress specifically considered and rejected a proposed amendment to section 4 that would have prohibited certain specified activities, including providing insurance, and that arguably applied to subsidiary banks as well as bank holding companies and their nonbank subsidiaries.[26]

There is also no indication that when in 1982 Congress incorporated the general prohibition on approving insurance activities into section 4(c)(8), Congress meant to expand the general nonbanking prohibitions in section 4(a). The relevant history instead indicates that Congress intended to retain the existing regulatory framework contained in section 4. The Board has found no legislative history expressly stating that the Garn–St Germain Act was intended to limit the direct insurance activities of holding company banks.[27] To the contrary, the Board explicitly advised Congress during Congressional hearings in 1980 that the draft legislation (containing substantially the same language as ultimately enacted) would not limit the insurance activities of subsidiary banks. In response to a question concerning whether "a bank owned by a bank holding company [would] be allowed to sell automobile casualty or collision insurance" under the proposed bill, the Board stated that the answer would depend on the state or federal chartering authority.[28] It is clear from the legislative reports that the Garn–St Germain Act was intended to address certain Board decisions under section 4(c)(8) that allowed bank holding companies to sell credit related property and

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Board has no authority to authorize activities for banks under the BHC Act.

Second, the Board's now-repealed interpretive rule on insurance services (12 C.F.R. 225.128) referred to bank subsidiaries of bank holding companies because bank holding companies were authorized to sell credit insurance in connection with loans made by both their bank and nonbank subsidiaries.

Third, soon after enactment of the Act, the Board issued an opinion making clear that the exemption provided by section 4(c)(6) of the Act (providing that the section 4(a) prohibitions shall not apply to the acquisition of less than five percent of the voting shares of a nonbanking company) applies to shares held by banking subsidiaries of a bank holding company as well as shares held directly by the bank holding company itself. 12 C.F.R. 225.101. This position is consistent with section 4(a)'s prohibition against the direct and indirect ownership or control of shares of a nonbanking company. It says nothing about the application of the activities limitation of section 4(a)(2).

Finally, with respect to the Board's regulation relating to investment company advisory activities (12 C.F.R. 225.125), the Board has made clear that while that regulation did define bank holding company to include both bank and nonbank subsidiaries, "the restrictions contained in the interpretation on operations of banking subsidiaries were only intended to apply where the investment advisory function was being conducted by a nonbanking subsidiary of the bank holding company." Letter denying petition of Investment Company Institute, March 8, 1974.

25. *See* S. Rep. No. 1095, Part 2, 84th Cong., 2d Sess. 5 (1956). The BHC Act does, however, provide the Board with certain supervisory authority over holding company banks. For example, the Board may examine any bank that is a subsidiary of a bank holding company (12 U.S.C. § 1844(c)) and is required to evaluate the management and financial condition of any bank that a bank holding company proposes to acquire (12 U.S.C. § 1842(c)).

Protestants argue that the Board's original *Merchants* decision is suspect because, according to protestants, the decision rested essentially on the premise that state banks are regulated exclusively by state law. Protestants have misread the Board's decision. As noted above, the Board recognizes that Congress intended for the OCC and the state banking authorities to remain as the *primary* (not exclusive) regulatory authorities responsible for their respective institutions. At the same time, the Board recognizes that the BHC Act provides the Board with certain supervisory authority over holding company banks. Second, the original decision, as well as the present one, rests on an interpretation of the explicit language of section 4 of the BHC Act.

26. *See* 115 Cong. Rec. 33,133–34 (November 5, 1969); H.R. Rep. No. 387, 91st Cong., 1st Sess. 15 (1969); 115 Cong. Rec., E 9016–17 (daily ed. October 28, 1969) (statement of Rep. Brown); 115 Cong. Rec., H 10503 (daily ed. November 4, 1969)(statement of Rep. Stanton). *Bills to Amend the Bank Holding Company Act of 1956: Hearings on S. 1052, S. 1211, S. 1664, S. 3823, and H.R. 6778 Before the Senate Comm. on Banking and Currency*, 91st Cong., 2nd Sess. 144, 157–158 (1970) (statement of Arthur Burns, Chairman of the Federal Reserve Board) (hereinafter cited as 1970 Senate hearings); 1970 Senate Hearings at 179–81 (Colloquy between Senator Packwood and Frank Wille, Chairman of the FDIC).

27. The Board has considered protestants' references to language from the Senate Conference Report on Title VI of the Garn–St Germain Act (S. Rep. No. 97-641, 97th Cong. 2d Sess. 91 (1982), which states that Title VI would prohibit "bank holding companies and their subsidiaries" from selling and underwriting insurance. In the Board's view, in the context of the terms of the Act, the purpose of the Garn–St Germain Act, and the longstanding practice of not applying the nonbanking provisions of the Act to the direct activities of holding company banks, the reference in the report to subsidiaries was meant to refer to nonbanking subsidiaries.

The Board notes that references in earlier reports on the Title VI legislation indicate that section 4 and thus the proposed legislation would apply to bank holding companies and their "nonbank subsidiaries." S. Rep. No. 96-923, 96th Cong., 2d Sess. 2 (1980); S. Rep. No. 97-536, 97th Cong., 2d Sess 36, 38–40 (1982). *See also*, H.R. Rep. No. 96-845, 96th Cong., 2d Sess. 2–3 (1980) ("the BHC Act generally prohibits a bank holding company from owning the shares of any company that is not a bank.") There is no indication of any Congressional intent in the Title VI amendments to section 4(c)(8) of the Act to extend the coverage of the nonbanking prohibitions of section 4(a) of the Act to the direct activities of holding company banks.

28. *Competition in Banking Act of 1980, Hearings Before the Senate Comm. on Banking, Housing and Urban Affairs*, 96th Cong., 2d Sess. 22 (1980).

casualty insurance.[29] These Board decisions clearly did not authorize any activities for the subsidiary banks of the companies involved.

The Board believes that reading the Garn–St Germain Act as inapplicable to the direct insurance activities of banks does not frustrate the basic remedial purposes of the Act, which were to address what Congress believed to be potential unfair competitive practices associated with provision of insurance by banking organizations. In this regard, the Board notes that prior to 1982 insurance activities conducted directly by banks were not extensive, since banks were authorized to engage in these activities only in a few states and the acquisition of banks by out of state bank holding companies was not permitted. In contrast, under the Board's section 4(c)(8) decisions, on which Congress specifically focused in enacting the Garn–St Germain Act, insurance activities could be conducted by nonbank companies in a holding company system on a nationwide basis.[30]

In any event, the Supreme Court has held that the purpose of legislation is determined in the first instance with reference to the plain language of the statute and that the broad purposes of legislation cannot be relied upon to overcome the terms of the statute itself.[31] As noted, in this instance, the terms of the BHC Act are clear that the direct activities of holding company banks are not restricted by section 4 of the Act.

Protestants argue that failing to interpret section 4's activities limitation to apply to banking subsidiaries of a bank holding company will permit states to "nullify the effect" of the Act by permitting state banks to engage in nonbanking activities that are forbidden by section 4. In establishing the BHC Act framework, however, Congress was required to draw the line between banking and nonbanking activities in the Act in some manner. As the terms of the Act demonstrate, Congress rationally did so on the basis of whether the entity conducting the activity is a bank or a nonbank.[32] Thus, where the company is chartered and operated as a bank under the definition in the BHC Act, it is outside the scope of the nonbanking provisions of the Act. But where the company is not a bank, it is, consistent with the line drawn by Congress in section 4, subject to the nonbanking provisions of the Act, and in order for these activities to be permissible, they must fit within one of the Act's authorizing provisions.

Protestants also rely on section 101(d) of CEBA, which amends section 3 of the BHC Act to permit qualified state-chartered savings banks to engage in any activity permitted by state law, but prohibits such savings banks from violating section 4(c)(8)'s insurance restrictions. 12 U.S.C. § 1842(f). Protestants assert that, if section 4 did not restrict the nonbanking activities of banks, an exemption for savings bank would not have been necessary, nor would Congress have had any reason to apply the insurance restrictions uniquely to savings banks. Section 101(d), however, applies only to savings banks, which are not involved in this case, and does not extend the reach of section 4 of the BHC Act.

Moreover, it does not necessarily follow that this amendment to section 3 is an indication that Congress believed the restrictions in section 4 apply to all holding company banks. This amendment may have been intended merely to confirm, for this category of "banks," the Board's longstanding view that banks may engage in state-authorized activities in the face of contrary arguments advanced by insurance trade associations that the section 4 limitations apply to the direct activities of holding company banks. Congress' decision expressly to limit the insurance activities of these savings banks (in contrast to other types of holding company banks) is merely a part of a "special rule" adopted for those institutions under the BHC

29. *See, e.g.*, S. Rep. No. 97-536, 97th Cong., 2d Sess. 36–37 (1982). The Board, of course, has no authority to authorize state or national banks to conduct nonbanking activities. That authorization must come from the state banking authorities or the Comptroller of the Currency, respectively.

30. After passage of the Garn–St Germain Act, in light of developments Congress could not necessarily have foreseen in 1982, the direct insurance activities of banks began to expand. The growth of interstate banking after the Supreme Court's decision in *Northeast Bancorp, Inc. v. Board of Governors*, 472 U.S. 159 (1985), resulted in the establishment by bank holding companies of interstate networks of banks that could sell insurance. During this period there also was a general expansion in the powers of banks. Since 1982, Congress has repeatedly considered proposed legislation that would restrain the direct insurance functions of banks on a permanent basis, but no such legislation has been enacted.

31. *Board of Governors v. Dimension Financial Corporation*, 474 U.S. 361, 368, 373–374, (1986) ("If the statute is clear and unambiguous, 'that is the end of the matter, for the court, as well as the agency, must give effect to the unambiguously expressed intent of Congress.' " (citations omitted)). *See also, Independent Insurance Agents of America, Inc. v. Board of Governors*, 835 F.2d 1452, 1456–1457 (D.C. Cir. 1987). As the Supreme Court recognized, the process of legislative compromise may result in the adoption of express exceptions that run counter to the general remedial purpose of the legislation. 474 U.S. at 374. The legislative history of the Garn–St Germain Act reveals some disagreement among members of Congress as to whether banking organizations should be prohibited completely from engaging in insurance activities. 128 Cong. Rec. S 12,220–24, 12,230 (1982).

32. Protestants point to several general references in the legislative history of the Act, as well as the 1966 and 1970 Amendments to the Act, to suggest that Congress intended to separate banking from nonbanking interests wherever the nonbanking interests were held, and that Congress intended for banks to divest themselves of their nonbanking interests. The Board agrees that one of the purposes of the BHC Act is to separate banking from commerce. As is evident in the terms and legislative history of the Act, Congress achieved this purpose by prohibiting banks from being affiliated within a bank holding company system with commercial companies.

Act.[33] In fact, as noted, the 100th Congress actively considered (although it did not adopt) legislation expressly to extend these limitations to holding company banks —action that is inconsistent with protestants' interpretation of the Garn–St Germain Act.[34]

For the foregoing reasons, the Board has determined that section 4 of the BHC Act does not limit the sale of insurance directly by Anderson Bank and Mid State Bank within the banks as proposed, and that the banks may, therefore, insofar as the BHC Act is concerned, resume within the banks the sale of insurance as permitted under Indiana law.[35]

IV. Operating Subsidiaries of State Banks

The Board emphasizes that its views regarding the coverage of section 4 in this Order pertain only where the activities are conducted directly by banks. The Order does not address the situation where the insurance activities are conducted by nonbank companies controlled by holding company banks. Under the Act, shares of a company held by a holding company bank are deemed to be indirectly held by the parent holding company (12 U.S.C. § 1841(g)) and, therefore, under the terms of the Act, their ownership or control by a bank holding company must qualify under the closely related to banking exception or one of the other exceptions in section 4 of the Act.[36]

In this regard, in 1971 the Board adopted section 225.22(d)(2) of Regulation Y (formerly section 225.4(e)), which authorizes a state bank owned by a bank holding company to acquire and retain all (but not less than all) of the voting shares of a company, without Board approval under the Act, so long as the company engages solely in activities the parent bank may conduct directly and at locations at which the bank could conduct the activities. 12 C.F.R. § 225.22(d)(2).[37] The Board adopted this regulation in order to permit holding company state banks to compete on equal footing with state banks that are not in a holding company system and in the absence of evidence that such acquisitions were resulting in evasions of the Act.[38] At that time, however, the Board stated that it would review the merits of the decision from time to time in light of its experience in administering the Act.[39]

In December 1988, in light of a number of developments, the Board asked for comment on whether to rescind this regulation, thereby requiring bank holding companies to obtain approval under section 4(c)(8) of the BHC Act prior to establishing or acquiring, through their subsidiary state banks, shares of companies engaged in activities that the bank is permitted to conduct under state law, unless the transaction is otherwise authorized under the Act. 53 *Federal Register* 48,915 (1988). The comment period on the proposal ends April 28, 1989.[40]

V. Legislation Regarding Direct Activities of Holding Company Banks

The Board notes that the 100th Congress had under active consideration legislation that would have applied the insurance prohibitions of the Garn–St Ger-

33. *See* H.R. Rep. No. 100–261, 100th Cong., 1st Sess. 130 (1987); S. Rep. No. 100–19, 100th Cong., 1st Sess. 33 (1987).

34. Protestants' reliance on the nonbank bank provisions of CEBA also is misplaced. 12 U.S.C. § 1843(f). Such provisions were enacted in order to minimize the potential for unfair competition and adverse effects associated with the grandfather provisions applied to nonbank banks and their parent holding companies, not to expand the scope of the general prohibitions in section 4.

35. Protestants request that the Board take cognizance of the public interest questions involved in the issue of whether section 4 applies to activities conducted directly by state banks. The Board is required by section 4(c)(8), in determining whether a particular activity is closely related to banking, to consider whether its performance by a bank holding company affiliate can reasonably be expected to produce public benefits that outweigh possible adverse effects. Because the Board has determined that section 4's prohibitions do not apply to activities conducted by Merchants' state bank subsidiaries, the Board need not decide whether these activities are closely related to banking or that their performance meets the net public benefits test of section 4(c)(8). The Board notes, however, that the insurance activities of the banks will be subject to the anti-tying restrictions of the 1970 Amendments to the BHC Act, which unlike section 4(a) explicitly apply to "banks." 12 U.S.C. § 1972(1).

36. Similarly, a bank holding company is deemed to control any company that is controlled by the holding company's subsidiaries. 12 U.S.C. § 1841(a)(2). Under section 4(a)(2) of the Act, in order for the holding company to maintain control of such a company, the company must be a "bank" or a company whose activities qualify under one of the Act's nonbanking exceptions. 12 U.S.C. § 1843(a)(2).

37. Section 225.22(d)(1) of Regulation Y authorizes a national bank to acquire and retain voting shares of a company in accordance with the rules of the Comptroller of the Currency. 12 C.F.R. 225.22(d)(1).

38. The regulation does not, as protestants assert, rest on the Board's "belief" that it has the authority to regulate the activities of subsidiary banks of bank holding companies.

39. The Board stated:

> The Board should not at this time apply the [nonbanking] restrictions [of the BHC Act] to subsidiaries of banks. This decision is believed warranted by considerations of equity between banks that are and are not members of bank holding companies and by the absence of evidence that acquisition by holding company banks are resulting in evasions of the purpose of the Act. The merits of this decision will be reviewed by the Board from time to time in light of its experience in administering the Act. (36 *Federal Register* 9292 (May 22, 1971)).

40. In December 1986, the Board asked for comment on whether to amend 12 C.F.R. 225.22(d)(2) to prohibit bank holding companies from acquiring or retaining voting shares or control of companies engaged in real estate development activities or to limit such acquisitions to those situations that the Board proposed to permit for bank holding companies. 52 *Federal Register* 543, 551 (1987). The Board indicated that it would consider whether to apply the proposed restrictions to a wholly owned subsidiary of a holding company state bank. Contrary to protestants' implication, the proposed regulation would not bar state banks themselves that are owned by a holding company from engaging in state-authorized real estate activities within the bank.

main Act to the activities of holding company banks except where the bank was located in the same state as the bank holding company, the insurance activities were permissible under state law, and sales were limited to within the state. The insurance activities to be conducted by Merchants's subsidiary banks would not have been prohibited under these provisions. While this legislation was passed by the U.S. Senate and favorably reported by committees of the U.S. House of Representatives,[41] no legislation was enacted into law. The Board calls to Merchants's attention, however, that subsequent Congressional action may modify the Board's Order granting Merchants's request for relief without providing so-called grandfather rights to continue the insurance activities. The Board retains jurisdiction over the application to act to carry out the requirements of any legislation adopted by Congress that would affect the conduct of insurance activities by Merchants's subsidiary banks under the BHC Act.

VI. Request for a Hearing

Protestants have requested that the Board grant discovery rights and conduct a hearing under section 5(f) of the Act (12 U.S.C. § 1844(f)) on the application in order to determine whether Merchants is attempting to evade the BHC Act, as forbidden by the *Citicorp (South Dakota)* decision. However, section 5(f) does not itself require that a hearing be conducted in any case; this section merely sets forth the powers the Board may exercise in any hearing or other proceeding undertaken under another provision of the Act.

Section 4(c)(8) does provide that in approving activities under that provision the Board must provide notice and opportunity for hearing. However, because the Board has determined that section 4 does not apply to the direct activities of Merchants's subsidiary state banks, the Board by this Order is not approving an application under section 4(c)(8). Accordingly, protestants do not have the right to a hearing or discovery in this case, and the Board does not believe such a proceeding would be appropriate under the facts and circumstances of this case.[42]

41. S. 1886, Title VIII, § 802, 100th Cong., 2d Sess., 134 Cong. Rec. S3437 (daily ed. March 30, 1988); H.R. 5094, Title III, § 302, 100th Cong., 2d Sess., 134 Cong. Rec. H6453 (daily ed. August 4, 1988), 134 Cong. Rec. H8470 (Sept. 27, 1988). *See also* S. Rep. No. 305, 100th Cong., 2d Sess., 108 (1988); H.R. Rep. No. 822 (Part 1), 100th Cong., 2d Sess., 166 (1988); H.R. Rep. No. 822 (Part 2), 100th Cong., 2d Sess., 80–81 (1988).

42. Even where the applicable provision requires an opportunity for a hearing, such as under section 4(c)(8), a protestant is not entitled to discovery and a hearing on every application, but only when there are material issues of fact in dispute. *Connecticut Bankers Assn. v. Board of Governors*, 627 F.2d 245 (D.C. Cir. 1980). In this case, there are no material issues of fact in dispute. Protestants present no specific allegations; rather, they assert that any evidence that might prove an evasive intent is in the hands of Merchants. Such a bare allegation is insufficient to show that material facts are in dispute. In any event, as noted above, the Board has determined that the factual basis for such evasion is not present in this case. Moreover, the Board retains supervisory authority to act under the BHC Act to prevent any evasion of the requirements of the Act or this Order should that situation arise in the future.

By order of the Board of Governors, effective March 3, 1989.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

PNC Financial Corp
Pittsburgh, Pennsylvania

Order Approving Applications to Underwrite and Deal in Certain Securities to a Limited Extent and to Offer Full-Service Brokerage Services

PNC Financial Corp, Pittsburgh, Pennsylvania ("PNC"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), for its subsidiary, PNC Securities Corp, Pittsburgh, Pennsylvania ("PNCSC"), to provide investment advisory and brokerage services on a combined basis ("full-service brokerage") to institutional and retail customers, and to engage, to a limited extent, in underwriting and dealing in 1–4 family mortgage-related securities and consumer-receivable-related securities (collectively "ineligible securities").

PNC has previously received approval under the BHC Act to:

(1) engage in discount brokerage activities pursuant to section 225.25(b)(15) of Regulation Y (12 C.F.R. 225.25(b)(15));

(2) underwrite and deal in U.S. government and other bank-eligible securities pursuant to section 225.25(b)(16) of Regulation Y (12 C.F.R. 225.25(b)(16)); and

(3) underwrite and deal in, to a limited extent, commercial paper and municipal revenue bonds.[1]

PNC, with approximately $25.0 billion in domestic deposits, is the twelfth largest commercial banking organization in the United States, with full-service banks in Delaware, Indiana, Kentucky, New Jersey,

1. *See PNC Financial Corp*, 73 FEDERAL RESERVE BULLETIN 742 (1987).

Ohio, and Pennsylvania.[2] PNC engages directly and through subsidiaries in a broad range of permissible nonbanking activities in the United States.

Notice of the applications, affording interested persons an opportunity to submit comments on the proposal, has been published (54 *Federal Register* 3850, 6028 (1989)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

The Board has previously determined that the conduct of the proposed ineligible securities underwriting and dealing activities is consistent with section 20 of the Glass–Steagall Act, provided the underwriting subsidiary derives no more than 5 percent of its total gross revenue from underwriting and dealing in the approved securities over any two-year period.[3] 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. PNC has committed to conduct its ineligible securities underwriting and dealing activities subject to the 5 percent revenue test and the prudential limitations established by the Board in its *Citicorp/Morgan/Bankers Trust* and *Chemical* Orders.[4]

The Board has previously determined that full-service brokerage for both institutional and retail customers is closely related and a proper incident to banking under section 4(c)(8) of the BHC Act, and does not violate the Glass–Steagall Act. *Bank of New England Corporation*, 74 FEDERAL RESERVE BULLETIN 700 (1988) ("*Bank of New England*"). *See also National Westminster Bank PLC, et al.*, 72 FEDERAL RESERVE BULLETIN 584 (1986).[5]

PNC's proposal differs from prior cases in that PNCSC will provide full-service brokerage to retail customers with respect to ineligible securities that PNCSC may hold as principal in connection with its authorized underwriting and dealing activities. PNCSC will provide full and appropriate disclosure of its interest in the transaction, as required by the securities laws, the National Association of Securities Dealers and fiduciary principles.

The Board has previously authorized an underwriting subsidiary to provide full-service brokerage with respect to ineligible securities that it holds as principal, but only to institutional customers. *See Bankers Trust New York Company*, 74 FEDERAL RESERVE BULLETIN 695 (1988) ("*Bankers Trust*"). PNC has made the same commitments regarding disclosure as in *Bankers Trust*. Specifically, PNCSC will inform its customers at the commencement of the relationship that, as a general matter, PNCSC may be a principal or may be engaged in underwriting with respect to, or may purchase from an affiliate, those securities for which brokerage and advisory services are provided. At the time any brokerage order is taken, the customer will be informed (usually orally) whether PNCSC is acting as agent or principal with respect to a security.

Confirmations sent to customers also will state whether PNCSC is acting as agent or principal.

The Board also notes that in its orders permitting ineligible securities underwriting and dealing, the Board has prohibited banks and thrift institutions from offering advice to customers on the purchase or sale of ineligible securities underwritten or dealt in by an underwriting subsidiary, unless adequate disclosure is given. The Board concluded that full disclosure would address the conflicts of interest potential that could arise in this situation. For the same reason, the Board believes that such disclosure is sufficient to address the conflicts of interest issue raised where the underwriting subsidiary provides advice on securities it holds as principal.

In this regard, the Board notes that in performing the full-service brokerage activity, the underwriting subsidiary would operate under a more extensive framework of prudential limitations than would be the case if the full-service brokerage activity were conducted by a bank, a subsidiary of a bank, or by another holding company subsidiary. These limitations require a marked operational and managerial separation of the underwriting subsidiary from its banking affiliates.

Moreover, as noted, PNCSC will conduct its brokerage and advisory activities within the same framework approved by the Board in *Bank of New England*. Thus, PNC has committed that, before providing any brokerage or advisory services to retail customers, PNCSC will prominently disclose in writing to each such customer that PNCSC is not a bank and is separate from any affiliated bank, and that the securities sold, offered, or recommended by PNCSC are not deposits, are not insured by the FDIC, are not guar-

2. Banking data are as of September 30, 1988.

3. *Citicorp, J.P. Morgan & Co. Incorporated and Bankers Trust New York Corporation*, 73 FEDERAL RESERVE BULLETIN 473 (1987) ("*Citicorp/Morgan/Bankers Trust*"), *aff'd sub nom., Securities Industry Association v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir. 1988), *cert. denied*, 108 S. Ct. 2830 (1988) ("*SIA v. Board*"); and *Chemical New York Corporation, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp, Manufacturers Hanover Corporation and Security Pacific Corporation*, 73 FEDERAL RESERVE BULLETIN 731 (1987) ("*Chemical*").

4. In light of the decision in *SIA v. Board*, the Board has determined not to require PNC to comply with a market share limitation.

5. *Aff'd sub nom. Security Industry Ass'n v. Board of Governors*, 821 F.2d 810 (D.C. Cir. 1987), *cert. den.*, 108 S. Ct. 697 (1988).

anteed by an affiliated bank, and are not otherwise an obligation of an affiliated bank, unless such is in fact the case.

Consummation of the proposal would provide added convenience to PNC's customers. In addition, the Board expects that the *de novo* entry of PNC into the market for these services would increase the level of competition among providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by PNC can reasonably be expected to produce public benefits that would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the above, the Board has determined to approve the proposed activities subject to all of the terms and conditions established in the *Bank of New England, Citicorp/Morgan/Bankers Trust* and *Chemical* Orders, except the market share limitation and as provided above.[6]

Accordingly, PNC's proposed activities are hereby approved.[7] 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.

The 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 Cleveland, pursuant to delegated authority.

6. The industrial development bonds approved in those applications and for PNC 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, PNCSC may underwrite or deal in only these types of industrial development bonds.

The Board's approval of the proposed underwriting and dealing activities extends only to PNCSC. The activities may not be conducted by PNC in any other subsidiary without prior Board review. Pursuant to Regulation Y, no corporate reorganization of PNCSC, such as the establishment of subsidiaries of PNCSC to conduct the activities, may be consummated without prior Board approval.

7. PNCSC may also provide services that are necessary incidents to these approved activities. Any activity conducted as a necessary incident to the ineligible securities underwriting and dealing activity must be treated as part of the ineligible securities activity unless PNCSC has received specific approval under section 4(c)(8) of the BHC Act to conduct the activity independently. Until such approval is obtained, any revenues from the incidental activity must be counted as ineligible revenue subject to the 5 percent gross revenue limit set forth in *Citicorp/Morgan/Bankers Trust*.

This 5 percent gross revenue limit should be calculated in accordance with the method stated in *J.P. Morgan & Co. Incorporated, et al.*, 75 FEDERAL RESERVE BULLETIN 192.

By order of the Board of Governors, effective March 14, 1989.

Voting for this action: Vice Chairman Johnson and Governors Seger, Heller, Kelley, and LaWare. Absent and not voting: Chairman Greenspan and Governor Angell.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Westpac Banking Corporation
Sydney, Australia

Order Approving Application to Engage in Underwriting and Dealing in Certain Securities to a Limited Extent

Westpac Banking Corporation, Sydney, Australia, a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) for its subsidiary, Westpac Pollock Government Securities, Inc., New York, New York ("Company"), to engage *de novo* on a limited basis, in underwriting and dealing in:

(1) municipal revenue bonds, including certain industrial development bonds;

(2) 1–4 family mortgage-related securities;

(3) commercial paper; and

(4) consumer-receivable-related securities ("CRRs") (collectively "ineligible securities").

Applicant, with consolidated assets of $62.5 billion, is the 75th largest banking organization in the world. It operates four branches in the United States in New York, Chicago, San Francisco, and Los Angeles and engages directly and through subsidiaries in a broad range of permissible nonbanking activities.[1]

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (53 *Federal Register* 44,124 (1988)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

The Board has previously determined that the conduct of the proposed ineligible securities underwriting and dealing activity is consistent with section 20 of the Glass–Steagall Act, provided the underwriting subsidiary derives no more than 5 percent of its total gross revenue from underwriting and dealing in the ap-

1. Ranking is as of September 30, 1987. All other data are as of September 30, 1988.

proved securities over any two-year period.[2] 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. Applicant has committed to conduct its ineligible underwriting and dealing activities subject to the 5 percent revenue test and the prudential limitations established by the Board in its *Citicorp/Morgan/Bankers Trust* and *Chemical* Orders, including those relating to the treatment of Applicant's capital investment in Company.[3]

Consummation of the proposal would provide added convenience to Applicant's customers. In addition, the Board expects that the *de novo* entry of Applicant into the market for these services would increase the level of competition among providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by Applicant can reasonably be expected to produce public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.[4]

Based on the above, the Board has determined to approve the application subject to all of the terms and conditions established in the *Citicorp/Morgan/Bankers Trust* and *Chemical* Orders, except the market share limitation.[5]

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 March 1, 1989.

Voting for this action: Chairman Greenspan and Governors Johnson, Kelley, and LaWare. Absent and not voting: Governors Seger, Angell, and Heller.

JENNIFER J. JOHNSON
Associate Secretary of the Board

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

Norwest Corporation
Minneapolis, Minnesota

Order Approving Acquisition of a Bank Holding Company and its Banking and Nonbanking Subsidiaries

Norwest Corporation, Minneapolis, Minnesota ("Norwest"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3(a)(5) of the BHC Act to acquire by merger The Bank Group, Inc., Wayzata, Minnesota ("BGI"), and thereby acquire its bank subsidiaries: The Bank Wayzata, Wayzata, Minnesota; The Bank North, Crystal, Minnesota; and The Bank Excelsior, Excelsior, Minnesota. Norwest has also applied under section 4(c)(8) of the BHC Act to acquire BGI's two nonbanking subsidiaries: Wayzata Mortgage Com-

2. *Citicorp, J.P. Morgan & Co. Incorporated and Bankers Trust New York Corporation*, 73 FEDERAL RESERVE BULLETIN 473 (1987) ("*Citicorp/Morgan/Bankers Trust*"), *aff'd sub nom., Securities Industry Association v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir. 1988), *cert. denied*, 108 S. Ct. 2830 (1988) ("*SIA v. Board*"); and *Chemical New York Corporation, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp, Manufacturers Hanover Corporation and Security Pacific Corporation*, 73 FEDERAL RESERVE BULLETIN 731 (1987) ("*Chemical*").

3. Applicant has not proposed a market share limitation. Accordingly, and in light of the decision in *SIA v. Board*, the Board has determined not to require Applicant to comply with a market share limitation.

4. Company may also provide services that are necessary incidents to these approved activities. Any activity conducted as a necessary incident to the ineligible securities activity must be treated as part of the ineligible securities activity unless Company has received specific approval under section 4(c)(8) of the BHC Act to conduct the activity independently. Until such approval is obtained, any revenues from the incidental activity must be counted as ineligible revenue subject to the 5 percent gross revenue limit set forth in *Citicorp/Morgan/Bankers Trust*. This 5 percent gross revenue limit should be calculated in accordance with the method stated in *J.P. Morgan & Co. Incorporated, et al.*, 75 FEDERAL RESERVE BULLETIN 192 (Order dated January 18, 1989).

5. 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.

The Board's approval of the proposed underwriting and dealing activities extends only to Company. The activities may not be conducted by Applicant in any other subsidiary without prior Board review. Pursuant to Regulation Y, no corporate reorganization of Company, such as the establishment of subsidiaries of Company to conduct the activities, may be consummated without prior Board approval.

pany, Plymouth, Minnesota, and The I.M.F. Group, Inc., Wayzata, Minnesota, and thereby engage in certain mortgage banking activities and certain insurance agency activities.[1]

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (53 *Federal Register* 50,095 (December 13, 1988)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3(c) and 4(c)(8) of the BHC Act.

Norwest is the second largest commercial banking organization in Minnesota, controlling deposits of $7.4 billion, representing approximately 18.4 percent of total deposits in commercial banking organizations in the state.[2] BGI, the seventh largest commercial banking organization in Minnesota, controls deposits of $327 million, representing approximately 0.8 percent of total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Norwest would remain the second largest banking organization in Minnesota, controlling deposits of $7.7 billion, representing approximately 19.3 percent of total deposits in commercial banks in the state. Consummation of this proposal would not increase significantly the concentration of banking resources in Minnesota.

Norwest competes directly with BGI in the Minneapolis-St. Paul banking market.[3] Norwest is the second largest commercial banking organization in this market, with deposits of $5.6 billion, representing 22.6 percent of the market's total deposits in commercial banks. BGI is the seventh largest commercial banking organization in this market, with $327 million in deposits, representing 1.3 percent of the market's total deposits in commercial banks. The Minneapolis-St. Paul banking market is considered to be highly concentrated, with a four-firm concentration ratio of 74.6 percent. Upon consummation of this proposal, Norwest would remain the second largest commercial banking organization, controlling $5.9 billion in deposits, representing 23.9 percent of the total deposits in commercial banks in the market. The four-firm concentration ratio would rise from 74.6 percent to 75.8 percent and the Herfindahl–Hirschman Index ("HHI") would increase by 56 points to 2575.[4]

Although consummation of this proposal would eliminate existing competition between Norwest and BGI in the Minneapolis-St. Paul banking market, 107 banking institutions would continue to operate in the market. In addition, the Board has considered the presence of thrift institutions in the banking market in its analysis of this proposal. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks.[5] Thrift institutions already exert a considerable competitive influence in the market as providers of NOW accounts and consumer loans, and many are engaged in the business of making commercial loans. Based upon the size, market share, and commercial lending activities of thrift institutions in the market, the Board has concluded that thrift institutions exert a significant influence upon existing competition in the Minneapolis-St. Paul banking market.[6] Accordingly, in view of all the facts of record, including the small increase in concentration in the market, the Board has determined that consummation of this proposal would not have a significant adverse effect on existing competition in the Minneapolis-St. Paul banking market.

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

Norwest has also applied, pursuant to section 4(c)(8) of the BHC Act, to acquire the two nonbanking subsidiaries of BGI. Norwest operates mortgage banking and insurance subsidiaries that directly compete with BGI's subsidiaries in these activities. Consum-

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1. Norwest intends to merge these subsidiaries into its existing mortgage subsidiary (Norwest Mortgage, Inc., Des Moines, Iowa) and insurance subsidiary (Norwest Insurance, Inc., Minneapolis, Minnesota). Mortgage banking activities are authorized for bank holding companies pursuant to section 225.25(b)(1) of the Board's Regulation Y. Norwest's general insurance activities are conducted pursuant to section 4(c)(8)(G) of the BHC Act and section 225.25(b)(8)(vii) of Regulation Y.

2. State deposit and market deposit data are as of March 31, 1988. Thrift data are as of June 30, 1987.

3. The Minneapolis-St. Paul banking market is defined as the Minneapolis-St. Paul RMA adjusted to include all of Scott and Carver Counties and Lanesburgh Township in Le Sueur County, Minnesota.

4. 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 to be 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 is not likely to be challenged (in the absence of other factors indicating an anti-competitive effect) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points. The Justice Department has stated that the higher than normal anti-competitive effects implicitly recognizes the competitive effects of limited-purpose lenders and other non-depository financial entities.

5. *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743 (1984); *NCNB Bancorporation*, 70 FEDERAL RESERVE BULLETIN 225 (1984); *General Bancshares Corporation*, 69 FEDERAL RESERVE BULLETIN 802 (1983); and *First Tennessee National Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

6. If 50 percent of the deposits controlled by thrift institutions were included in the calculation of market concentration, Norwest and BGI would control 19.9 percent and 1.2 percent of total market deposits, respectively. The HHI would increase by 46 points to 2051 upon consummation of this proposal.

mation of the proposal, however, would have a *de minimis* effect on existing competition in this market and there are numerous competitors for these services. Accordingly, the Board concludes that the proposal would not have any significant adverse effect on existing or probable future competition in the relevant market. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of public interest factors that it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of the application to acquire the nonbanking subsidiaries of BGI.

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved. The acquisition shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months following the effective date of this Order unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Minneapolis, acting pursuant to delegated authority. The determinations as to Norwest's nonbanking activities are subject to all of the conditions contained in Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective March 6, 1989.

Voting for this action: Chairman Greenspan and Governors Johnson, Angell, Kelley, and LaWare. Absent and not voting: Governors Seger and Heller.

JENNIFER J. JOHNSON
Associate Secretary of the Board

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT

By Federal Reserve Banks

Recent applications have been approved by the Federal Reserve Banks as listed below. Copies are available upon request to the Reserve Banks.

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
Alabama National Bancorporation, Shoal Creek, Alabama	Bank of Alabama, Fultondale, Alabama	Atlanta	March 1, 1989
Annapolis Bancshares, Inc., Annapolis, Maryland	Bank of Annapolis, Annapolis, Maryland	Richmond	March 23, 1989
Bridge Bancorp, Inc., Bridgehampton, New York	The Bridgehampton National Bank, Bridgehampton. New York	New York	February 24, 1989
CB&T Bancshares, Inc., Columbus, Georgia	International City Bancorp, Inc., Warner Robins, Georgia	Atlanta	March 20, 1989
Citizens Bancorp, Riverdale, Maryland	Arlington Bank, Arlington, Virginia	Richmond	March 21, 1989
CMJR Investments, Inc., Lyndon. Kansas	Lyndon State Bank, Lyndon, Kansas	Kansas City	March 1, 1989
Colwich Financial Corporation, Colwich, Kansas	State Bank of Colwich, Colwich, Kansas	Kansas City	March 8, 1989
Conrad Company, Minneapolis, Minnesota	First Galleria Bank, Houston, Texas	Minneapolis	February 16, 1989
Dickinson Bancorporation, Inc., Dickinson, North Dakota	Liberty National Bank and Trust Company, Dickinson, North Dakota	Minneapolis	March 2, 1989
Eastchester Financial Corporation, White Plains, New York	Eastchester Savings Bank, White Plains, New York	New York	March 10, 1989
Enterprise Bancorp, Inc., Raleigh, North Carolina	Enterprise Bank, National Association, Raleigh, North Carolina	Richmond	March 22, 1989
Financial Future Corporation, Ceredo, West Virginia	First Bancorp of Wayne, Inc., Sprague, West Virginia	Richmond	February 28, 1989
Financial Services Corporation of the Midwest, Rock Island, Illinois	Henry County Bank, Green Rock, Illinois	Chicago	March 15, 1989
First Banks, Inc., St. Louis, Missouri	The Salem National Bank, Salem, Illinois	St. Louis	March 10, 1989
First Kansas Holding Company, Junction City, Kansas	Valley Holdings, Inc., Junction City, Kansas	Kansas City	March 10, 1989
First National Bancshares, Inc., Hollywood, Florida	First National Bank of Hollywood, Hollywood, Florida	Atlanta	March 16, 1989
First National Bankshares, Inc., Logansport, Indiana	First Bank of America, Inc., Monticello, Indiana	Chicago	February 24, 1989

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
First National Bowie Bancorp, Inc., Bowie, Texas	The First National Bank of Bowie, Bowie, Texas	Dallas	March 16, 1989
First State Bancshares, Inc., St. Charles, Missouri	First State Bank of St. Charles, Missouri, St. Charles, Missouri	St. Louis	February 22, 1989
1st United Bancorp, Boca Raton, Florida	1st United Bank, Boca Raton, Florida	Atlanta	March 7, 1989
FNB Bancshares, Inc., Iron Mountain, Michigan	The First National Bank of Iron Mountain, Iron Mountain, Michigan	Minneapolis	March 23, 1989
Foresight Financial Group, Inc., Freeport, Illinois	Northwest Funding Co., Inc., Rockford, Illinois	Chicago	March 17, 1989
Fostoria Bankshares, Inc., Fostoria, Iowa	Farmers Savings Bank, Fostoria, Iowa	Chicago	March 1, 1989
The Frankford Corporation, Horsham, Pennsylvania	Dime Financial Corp., West Chester, Pennsylvania	Philadelphia	February 27, 1989
Lanier Bankshares, Inc., Gainesville, Georgia	Lanier National Bank, Gainesville, Georgia	Atlanta	March 20, 1989
Madison Bancshares Group, Ltd., Blue Bell, Pennsylvania	The Madison Bank, Blue Bell, Pennsylvania	Philadelphia	February 24, 1989
Magna Group, Inc., Belleville, Illinois	Sesser Bancorporation, Inc., Sesser, Illinois	St. Louis	March 1, 1989
Michael Bancorporation, Inc., Minneapolis, Minnesota	Summit National Bank of St. Paul, St. Paul, Minnesota	Minneapolis	March 1, 1989
Mid Am, Inc., Bowling Green, Ohio	FBC Bancshares, Inc., Lakeview, Ohio	Cleveland	February 28, 1989
Mission-Valley Bancorp, Pleasanton, California	The Bank of Milpitas, N.A., Milpitas, California	San Francisco	February 21, 1989
Missouri Valley Financial Services, Inc., Missouri Valley, Iowa	First Bank N.A., Council Bluffs, Iowa	Chicago	March 14, 1989
Northern New York Bancorp, Inc., Alexandria Bay, New York	The Redwood National Bank, Alexandria Bay, New York	New York	March 10, 1989
Peoples Community Bancorporation, Inc., Bloomsdale, Missouri	Bank of Bloomsdale, Bloomsdale, Missouri	St. Louis	March 3, 1989
PNB Bankshares, Inc., Peachtree City, Georgia	Peachtree National Bank, Peachtree City, Georgia	Atlanta	March 20, 1989
Reliable Community Bancshares, Inc., Perryville, Missouri	Bank of Perryville, Perryville, Missouri	St. Louis	March 9, 1989

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Sleepy Hollow Bancorp, Inc., North Tarrytown, New York	The First National Bank of North Tarrytown, North Tarrytown, New York	New York	February 24, 1989
South Gasconade Investment Corporation, Owensville, Missouri	Eagle Bank of Gasconade County, Owensville, Missouri	St. Louis	March 10, 1989
Texop Bancshares, Inc., Dallas, Texas	North Texas Bank, Lewisville, Texas	Dallas	March 1, 1989
Texop Bancshares II, Inc., Wilmington, Delaware	American National Bank of Plano, Plano, Texas		
Tompkins Bancorp, Inc., Avon, Illinois	Tompkins State Bank, Avon, Illinois	Chicago	February 27, 1989
Trenton Bancshares, Inc., Trenton, Tennessee	Bank of Commerce, Trenton, Tennessee	St. Louis	March 7, 1989

Section 4

Applicant	Nonbanking Activity/Company	Reserve Bank	Effective date
First Commonwealth Financial Corporation, Indiana, Pennsylvania	Commonwealth Trust Credit Life Insurance Co., Indiana, Pennsylvania	Cleveland	March 3, 1989
S&T Bancorp, Inc., Indiana, Pennsylvania			
Fleet/Norstar Financial Group, Inc., Providence, Rhode Island	Fleet Real Estate Funding Corp., Columbia, South Carolina	Boston	February 24, 1989
U.S. Bancorp, Portland, Oregon	Colorado Division of Far West Federal Mortgage, Portland, Oregon	San Francisco	March 9, 1989

Applications Approved Under Bank Merger Act

By Federal Reserve Banks

Recent applications have been approved by the Federal Reserve Banks as listed below. Copies are available upon request to the Reserve Banks.

Applicant	Bank(s)	Reserve Bank	Effective date
The Bank of Mid-Jersey, Bordentown Township, New Jersey	Howard Savings Bank, Livingston, New Jersey	Philadelphia	March 17, 1989
Citizens Bank of Virginia, Arlington, Virginia	Arlington Bank, Arlington, Virginia	Richmond	March 21, 1989
1st United Interim Bank, Boca Raton, Florida	1st United Bank, Boca Raton, Florida	Atlanta	March 7, 1989

Pending Cases Involving The Board of Governors

This list of pending cases does not include suits against the Federal Reserve Banks in which the Board of Governors is not named a party.

Independent Insurance Agents of America, Inc. v. Board of Governors, No. 89-4030 (2d Cir., filed March 9, 1989).
Securities Industry Association v. Board of Governors, No. 89-1127 (D.C. Cir. filed February 16, 1989).
American Land Title Association v. Board of Governors, No. 88-1872 (D.C. Cir., filed December 16, 1988).
MCorp v. Board of Governors, No. CA3-88-2693-F (N.D. Tex., filed October 28, 1988).
White v. Board of Governors, No. CU-S-88-623-RDF (D. Nev., filed July 29, 1988).
VanDyke v. Board of Governors, No. 88-5280 (8th Cir., filed July 13, 1988).
Whitney v. United States, et al., No. CA3-88-1596-H (N.D. Tex., filed July 7, 1988).
Baugh v. Board of Governors, No. C88-3037 (N.D. Iowa, filed April 8, 1988).
Bonilla v. Board of Governors, No. 88-1464 (7th Cir., filed March 11, 1988).
Cohen v. Board of Governors, No. 88-1061 (D.N.J., filed March 7, 1988).
Stoddard v. Board of Governors, No. 88-1148 (D.C. Cir., filed February 25, 1988).
Independent Insurance Agents of America, Inc. v. Board of Governors, No. 87-1686 (D.C. Cir., filed November 19, 1987).
National Association of Casualty and Surety Agents, et al., v. Board of Governors, Nos. 87-1644, 87-1801, 88-1001, 88-1206, 88-1245, 88-1270 (D.C. Cir., filed Nov. 4, Dec. 21, 1987, Jan. 4, March 18, March 30, April 7, 1988).
Teichgraeber v. Board of Governors, No. 87-2505-0 (D. Kan., filed Oct. 16, 1987).
National Association of Casualty & Insurance Agents v. Board of Governors, Nos. 87-1354, 87-1355 (D.C. Cir., filed July 29, 1987).
The Chase Manhattan Corporation v. Board of Governors, No. 87-1333 (D.C. Cir., filed July 20, 1987).
Lewis v. Board of Governors, Nos. 87-3455, 87-3545 (11th Cir., filed June 25, Aug. 3, 1987).

Directors of Federal Reserve Banks and Branches

Regional decentralization and a combination of governmental and private characteristics are important hallmarks of the uniqueness of the Federal Reserve System. Under the Federal Reserve Act, decentralization was achieved by division of the country into 12 Federal Reserve Districts and the establishment in each District of a separately incorporated Federal Reserve Bank with its own board of directors. The member banks in each District own the stock of their Reserve Bank and elect a majority of the board of directors of that Bank. The Board of Governors, an agency of the federal government, exercises general supervision over the Reserve Banks and appoints a minority of each board of directors of the Reserve Banks and their Branches. Thus, the Federal Reserve relies importantly in the conduct of the System's affairs on the regional participation and counsel of the directors of the Federal Reserve Banks and Branches.

The following list of directors of Federal Reserve Banks and Branches shows for each director the class of directorship, the principal business affiliation, and the date the current term expires. Each Federal Reserve Bank has nine members on its board of directors: the member banks elect the three Class A and three Class B directors, and the Board of Governors appoints the three directors in Class C. Directors are chosen without discrimination as to race, creed, color, sex, or national origin.

Class A directors of each Reserve Bank represent the stockholding member banks of the Federal Reserve District. Class B and Class C directors represent the public and are chosen with due, but not exclusive, consideration to the interests of agriculture, commerce, industry, services, labor, and consumers; they may not be officers, directors, or employees of any bank. In addition, Class C directors may not be stockholders of any bank. The Board of Governors designates annually one Class C director as chairman of the board of directors of each District Bank and designates another Class C director as deputy chairman.

Each of the 25 Branches of the Federal Reserve Banks has a board of either seven or five directors, a majority of whom are appointed by the parent Federal Reserve Bank; the others are appointed by the Board of Governors. One of the Board's appointees is designated annually as chairman of the board of that Branch in a manner prescribed by the parent Federal Reserve Bank.

The names of the chairman and deputy chairman of the Board of directors of each Reserve Bank and of the chairman of each Branch are published monthly in the FEDERAL RESERVE BULLETIN.[1]

1. The current list appears on page A85 of this BULLETIN.

DISTRICT 1—BOSTON

Class A

		Term expires Dec. 31
Joel B. Alvord	Chairman and Chief Executive Officer, Shawmut National Corporation, Hartford, Connecticut	1989
Richard D. Wardell	President and Chief Executive Officer, National Iron Bank of Salisbury, Salisbury, Connecticut	1990
William H. Chadwick	President and Chief Executive Officer, The Howard Bank, N.A., Burlington, Vermont	1991

DISTRICT 1—Continued

Class B

		Term expires Dec. 31
Richard M. Oster	President and Chief Executive Officer, Cookson America, Inc., Providence, Rhode Island	1989
Stephen R. Levy	Chairman and Chief Executive Officer, Bolt Beranek and Newman, Inc., Cambridge, Massachusetts	1990
Edward H. Ladd	President and Chief Executive Officer, Standish, Ayer and Wood, Inc., Boston, Massachusetts	1991

Class C

Richard N. Cooper	Maurits C. Boas Professor of International Economics, Harvard University, Cambridge, Massachusetts	1989
Richard L. Taylor	President, Taylor Properties, Inc., Boston, Massachusetts	1990
George N. Hatsopoulos	Chairman of the Board and President, Thermo Electron Corporation, Waltham, Massachusetts	1991

DISTRICT 2—NEW YORK

Class A

Alberto M. Paracchini	Chairman of the Board and President, Banco de Ponce, Ponce, Puerto Rico	1989
J. Kirby Fowler	President and Chief Executive Officer, The Flemington National Bank and Trust Company, Flemington, New Jersey	1990
John F. McGillicuddy	Chairman of the Board and Chief Executive Officer, Manufacturers Hanover Trust Company, New York, New York	1991

Class B

John A. Georges	Chairman and Chief Executive Officer, International Paper, New York, New York	1989
John F. Welch, Jr.	Chairman and Chief Executive Officer, GE, Fairfield, Connecticut	1990
Richard L. Gelb	Chairman and Chief Executive Officer, Bristol-Myers Company, New York, New York	1991

Class C

Cyrus R. Vance	Presiding Partner, Simpson Thacher and Bartlett, New York, New York	1989
Ellen V. Futter	President, Barnard College, Columbia University, New York, New York	1990
Maurice R. Greenberg	President and Chief Executive Officer, American International Group, Inc., New York, New York	1991

—BUFFALO BRANCH

Appointed by the Federal Reserve Bank

Harry J. Sullivan	President, Salamanca Trust Company, Salamanca, New York	1989
Norman W. Sinclair	Chairman and Chief Executive Officer, Lockport Savings Bank, Lockport, New York	1990
Richard H. Popp	Operating Partner, Southview Farm, Castile, New York	1991
Robert G. Wilmers	Chairman and Chief Executive Officer, Manufacturers and Traders Trust Company, Buffalo, New York	1991

DISTRICT 2—Continued

BUFFALO BRANCH—Continued

Appointed by the Board of Governors

		Term expires Dec. 31
Matthew Augustine	President and Chief Executive Officer, Eltrex Industries, Inc., Rochester, New York	1989
Paul E. McSweeney	Executive Vice President, United Food and Commercial Workers, District Union Local One, AFL-CIO, Amherst, New York	1990
Mary Ann Lambertsen	Vice President, Human Resources, The Quaker Oats Company, Fisher-Price Division, East Aurora, New York	1991

DISTRICT 3—PHILADELPHIA

Class A

George A. Butler	Chairman and Chief Executive Officer, First Pennsylvania Bank, N.A., Philadelphia, Pennsylvania	1989
Constantinos I. Costalas	Chairman, President, and Chief Executive Officer, Glendale National Bank of New Jersey, Voorhees, New Jersey	1990
Gary E. Burl	President, Delaware National Bank, Georgetown, Delaware	1991

Class B

Carl E. Singley	Partner, White, McClelland and Singley, Philadelphia, Pennsylvania	1989
Charles F. Seymour	Chairman, Jackson-Cross Company, Philadelphia, Pennsylvania	1990
Nicholas Riso	Executive Vice President, AHOLD, U.S.A., Harrisburg, Pennsylvania	1991

Class C

Peter A. Benoliel	Chairman of the Board, Quaker Chemical Corporation, Conshohocken, Pennsylvania	1989
Jane G. Pepper	President, The Pennsylvania Horticultural Society, Philadelphia, Pennsylvania	1990
Gunnar E. Sarsten	Chairman, President, and Chief Executive Officer, United Engineers and Constructors, Inc., Philadelphia, Pennsylvania	1991

DISTRICT 4—CLEVELAND

Class A

Frank Wobst	Chairman and Chief Executive Officer, Huntington Bancshares Incorporated, Columbus, Ohio	1989
William H. May	Chairman and President, First National Bank of Nelsonville, Nelsonville, Ohio	1990
William T. McConnell	President, The Park National Bank, Newark, Ohio	1991

Class B

Laban P. Jackson, Jr.	Chairman of the Board, Clearcreek Properties, Lexington, Kentucky	1989
Verna K. Gibson	President, The Limited Stores, Inc., Columbus, Ohio	1990
Daniel M. Galbreath	President, John W. Galbreath and Company, Columbus, Ohio	1991

DISTRICT 4—Continued

Class C

		Term expires Dec. 31
Charles W. Parry	Director and Retired Chairman and Chief Executive Officer, Aluminum Company of America, Pittsburgh, Pennsylvania	1989
Robert D. Storey	Partner, Burke, Haber and Berick, Cleveland, Ohio	1990
John R. Miller	Former President and Chief Operating Officer, The Standard Oil Company (Ohio), Cleveland, Ohio	1991

—CINCINNATI BRANCH

Appointed by the Federal Reserve Bank

Robert M. Duncan	President, First National Bank of Louisa, Louisa, Kentucky	1989
Jack W. Buchanan	President, Sphar and Company, Inc., Winchester, Kentucky	1990
Jerry L. Kirby	Chairman of the Board, President, and Chief Executive Officer, Citizens Federal Savings and Loan Association, Dayton, Ohio	1990
Allen L. Davis	President and Chief Executive Officer, The Provident Bank, Cincinnati, Ohio	1991

Appointed by the Board of Governors

Owen B. Butler	Chairman of the Board (Retired), The Procter and Gamble Company, Cincinnati, Ohio	1989
Marvin Rosenberg	Partner, Towne Properties, Ltd., Cincinnati, Ohio	1990
Kate Ireland	National Chairman, Frontier Nursing Service, Wendover, Kentucky	1991

—PITTSBURGH BRANCH

Appointed by the Federal Reserve Bank

Thomas G. Dove	Chairman of the Executive Committee and Chief Executive Officer, Wheeling Dollar Bank, Wheeling, West Virginia	1989
George A. Davidson, Jr.	Chairman and Chief Executive Officer, Consolidated Natural Gas Company, Pittsburgh, Pennsylvania	1990
Stephen C. Hansen	President and Chief Executive Officer, Dollar Bank, F.S.B., Pittsburgh, Pennsylvania	1990
E. James Trimarchi	President and Chief Executive Officer, First Commonwealth Financial Corporation, Indiana, Pennsylvania	1991

Appointed by the Board of Governors

Karl M. von der Heyden	Senior Vice President-Finance, and Chief Financial Officer, H. J. Heinz Company, Pittsburgh, Pennsylvania	1989
Milton A. Washington	President and Chief Executive Officer, Allegheny Housing Rehabilitation Corporation, Pittsburgh, Pennsylvania	1990
James E. Haas	Chairman and Chief Executive Officer, Braishfield Associates, Inc., New York, New York	1991

DISTRICT 5—RICHMOND

Class A

Chester A. Duke	President and Chief Executive Officer, Marion National Bank, Marion, South Carolina	1989
John F. McNair III	President and Chief Executive Officer, Wachovia Bank and Trust Company, N.A. and The Wachovia Corporation, Winston-Salem, North Carolina	1990
C. R. Hill, Jr.	Chairman and President, M & M Financial Corporation and Merchants & Miners National Bank, Oak Hill, West Virginia	1991

DISTRICT 5—Continued

Class B

		Term expires Dec. 31
Thomas B. Cookerly	President, Broadcast Division, Allbritton Communications, Washington, D.C.	1989
Jack C. Smith	Chairman of the Board and Chief Executive Officer, K-VA-T Food Stores, Inc., Grundy, Virginia	1990
Edward H. Covell	President, The Covell Company, Easton, Maryland	1991

Class C

Leroy T. Canoles, Jr.	President, Kaufman & Canoles, Norfolk, Virginia	1989
Hanne Merriman	President and Chief Executive Officer, Honeybee, Inc., New York, New York	1990
Anne Marie Whittemore	Partner, McGuire, Woods, Battle, and Boothe, Richmond, Virginia	1991

—BALTIMORE BRANCH

Appointed by the Federal Reserve Bank

Charles W. Hoff III	President and Chief Executive Officer, Farmers and Mechanics National Bank, Frederick, Maryland	1989
Raymond V. Haysbert, Sr.	President and Chief Executive Officer, Parks Sausage Company, Baltimore, Maryland	1990
H. Grant Hathaway	Chairman of the Board, Equitable Bank, N.A., Baltimore, Maryland	1991
Joseph W. Mosmiller	Chairman of the Board, Loyola Federal Savings and Loan Association, Baltimore, Maryland	1991

Appointed by the Board of Governors

John R. Hardesty, Jr.	President, Preston Energy, Inc., Kingwood, West Virginia	1989
Gloria L. Johnson	Deputy Director of Administration, The Baltimore Museum of Art, Baltimore, Maryland	1990
Thomas R. Shelton	President, Case Foods, Inc., Salisbury, Maryland	1991

—CHARLOTTE BRANCH

Appointed by the Federal Reserve Bank

William McKay	President, First Federal Savings Bank, Hendersonville, North Carolina	1989
James M. Culberson, Jr.	Chairman and President, The First National Bank of Randolph County, Asheboro, North Carolina	1990
Crandall C. Bowles	President, The Springs Company, Lancaster, South Carolina	1991
James G. Lindley	Chairman and Chief Executive Officer, South Carolina National Corporation, and Chairman, President and Chief Executive Officer, The South Carolina National Bank, Columbia, South Carolina	1991

Appointed by the Board of Governors

Anne M. Allen	Vice President, Allen Construction Company, Greensboro, North Carolina	1989
William E. Masters	President, Perception, Inc., Easley, South Carolina	1990
Harold D. Kingsmore	President and Chief Operating Officer, Graniteville Company, Graniteville, South Carolina	1991

DISTRICT 6—ATLANTA

		Term expires Dec. 31
Class A		
Mary W. Walker	Vice Chairman, The National Bank of Walton County, Monroe, Georgia	1989
E.B. Robinson, Jr.	Chairman and Chief Executive Officer, Deposit Guaranty National Bank and Deposit Guaranty Corporation, Jackson, Mississippi	1990
Virgil H. Moore, Jr.	Chairman and Chief Executive Officer, First Farmers and Merchants National Bank, Columbia, Tennessee	1991
Class B		
Paul W. Green	President and Chief Executive Officer, American Cast Iron Pipe Company, Birmingham, Alabama	1989
Gary J. Chouest	President and Chief Executive Officer, Edison Chouest Offshore, Inc., Galliano, Louisiana	1990
Saundra H. Gray	Co-Owner, Gemini Springs Farm, DeBary, Florida	1991
Class C		
Bradley Currey, Jr.	President, Rock-Tenn Company, Norcross, Georgia	1989
Edwin A. Huston	Senior Executive Vice President-Finance, Ryder System, Inc., Miami, Florida	1990
Larry L. Prince	President and Chief Operating Officer, Genuine Parts Company, Atlanta, Georgia	1991

—BIRMINGHAM BRANCH

Appointed by the Federal Reserve Bank		
John H. Newman, Jr.	President and Chief Executive Officer, First National Bank of Scottsboro, Scottsboro, Alabama	1989
Harry B. Brock, Jr.	Chairman and Chief Executive Officer, Central Bank of the South, Birmingham, Alabama	1990
Shelton E. Allred	Chairman, President, and Chief Executive Officer, Frit Industries, Inc., Ozark, Alabama	1991
William F. Childress	President, First American Federal Savings and Loan Association, Huntsville, Alabama	1991
Appointed by the Board of Governors		
Nelda P. Stephenson	President, Nelda Stephenson Chevrolet, Inc., Florence, Alabama	1989
A.G. Trammell	President, Alabama Labor Council, AFL-CIO, Birmingham, Alabama	1990
Roy D. Terry	President and Chief Executive Officer, Terry Manufacturing Company, Inc., Roanoke, Alabama	1991

—JACKSONVILLE BRANCH

Appointed by the Federal Reserve Bank		
A. Bronson Thayer	Chairman and Chief Executive Officer, First Florida Banks, Inc., Tampa, Florida	1989
Charles K. Cross, Sr.	Chairman and President, Barnett Bank of Central Florida, N.A., Orlando, Florida	1990
Perry M. Dawson	President and Chief Executive Officer, Suncoast Schools Federal Credit Union, Tampa, Florida	1991
Samuel H. Vickers	Chairman, President, and Chief Executive Officer, Design Containers, Inc., Jacksonville, Florida	1991

DISTRICT 6—Continued

JACKSONVILLE BRANCH—Continued

		Term expires Dec. 31
Appointed by the Board of Governors		
Lana Jane Lewis-Brent	Vice Chairman, President, and Chief Executive Officer, Sunshine Jr. Stores, Inc., Panama City, Florida	1989
Winnie F. Taylor	Professor of Law, University of Florida, Gainesville, Florida	1990
Hugh M. Brown	President and Chief Executive Officer, BAMSI, Inc., Titusville, Florida	1991

—MIAMI BRANCH

Appointed by the Federal Reserve Bank		
James H. Robinson	President, Sun Bank/South Florida, N.A., Fort Lauderdale, Florida	1989
Robert M. Taylor	Chairman and Chief Executive Officer, The Mariner Group, Inc., Fort Myers, Florida	1990
Frederick A. Teed	President and Chief Executive Officer, Community Savings, F.A., Riviera Beach, Florida	1990
Roberto G. Blanco	Vice Chairman and Chief Financial Officer, Republic National Bank of Miami, Miami, Florida	1991
Appointed by the Board of Governors		
Jose L. Saumat	Chairman, Kaufman and Roberts, Inc., Miami, Florida	1989
Robert D. Apelgren	President, Apelgren Corporation, Pahokee, Florida	1990
Dorothy C. Weaver	Vice President, Intercap Investments, Inc., Miami, Florida	1991

—NASHVILLE BRANCH

Appointed by the Federal Reserve Bank		
James A. Rainey	Chairman, Sovran Financial Corporation/Central South, Nashville, Tennessee	1989
Lawrence A. Roseberry	Chairman, First National Bank & Trust Company, and Chairman and Chief Executive Officer, First Franklin Bancshares, Inc., Athens, Tennessee	1990
William Baxter Lee III	Chairman and President, Southeast Services Corporation, Knoxville, Tennessee	1991
Edwin W. Moats, Jr.	Chairman and Chief Executive Officer, Metropolitan Federal Savings and Loan Association, Nashville, Tennessee	1991
Appointed by the Board of Governors		
Patsy R. Williams	Partner, Rhyne Lumber Company, Newport, Tennessee	1989
Victoria B. Jackson	President and Chief Executive Officer, Diesel Sales and Service, Inc. and Prodiesel, Inc., Nashville, Tennessee	1990
Shirley A. Zeitlin	President, Shirley Zeitlin and Co., Realtors, Nashville, Tennessee	1991

—NEW ORLEANS BRANCH

Appointed by the Federal Reserve Bank		
Robert S. Gaddis	President and Chief Executive Officer, Trustmark National Bank, Laurel, Mississippi	1989
Ronald M. Boudreaux	President and Chief Executive Officer, First National Bank of St. Landry Parish, Opelousas, Louisiana	1990
A.F. Delchamps, Jr.	Chairman, President, and Chief Executive Officer, Delchamps, Inc., Mobile, Alabama	1991
Stanley S. Scott	President, Crescent Distributing Company, Harahan, Louisiana	1991

DISTRICT 6—Continued

Appointed by the Board of Governors

		Term expires Dec. 31
James A. Hefner	President, Jackson State University, Jackson, Mississippi	1989
Caroline G. Theus	President, Inglewood Land and Development Company, Alexandria, Louisiana	1990
Andre M. Rubenstein	Chairman, President, and Chief Executive Officer, Rubenstein Brothers, Inc., New Orleans, Louisiana	1991

DISTRICT 7—CHICAGO

Class A

B.F. Backlund	Chairman and Chief Executive Officer, Bartonville Bank, Bartonville, Illinois	1989
Barry F. Sullivan	Chairman of the Board, First Chicago Corporation, Chicago, Illinois	1990
John W. Gabbert	President and Chief Executive Officer, First of America Bank-LaPorte, N.A., LaPorte, Indiana	1991

Class B

Paul J. Schierl	Chairman of the Board and Chief Executive Officer, Fort Howard Corporation, Green Bay, Wisconsin	1989
Edward D. Powers	President, Fire Brick Engineers, Milwaukee, Wisconsin	1990
Max J. Naylor	President, Naylor Farms, Inc., Jefferson, Iowa	1991

Class C

Robert J. Day	Chairman and Chief Executive Officer, USG Corporation, Chicago, Illinois	1989
Marcus Alexis	Dean, College of Business Administration, University of Illinois at Chicago, Chicago, Illinois	1990
Charles S. McNeer	Chairman of the Board and Chief Executive Officer, Wisconsin Energy Corporation, Milwaukee, Wisconsin	1991

—DETROIT BRANCH

Appointed by the Federal Reserve Bank

Ronald D. Story	Chairman and President, The Ionia County National Bank of Ionia, Ionia, Michigan	1989
James A. Aliber	Chairman of the Board and Chief Executive Officer, First Federal of Michigan, Detroit, Michigan	1990
Frederik G.H. Meijer	Chairman of the Board, Meijer, Incorporated, Grand Rapids, Michigan	1990
Robert J. Mylod	Chairman, President, and Chief Executive Officer, Michigan National Corporation, Farmington Hills, Michigan	1991

Appointed by the Board of Governors

Richard T. Lindgren	Birmingham, Michigan	1989
Beverly Beltaire	President, P R Associates, Inc., Detroit, Michigan	1990
Phyllis E. Peters	Director, Professional Standards Review, Touche Ross and Company, Detroit, Michigan	1991

DISTRICT 8—ST. LOUIS

		Term expires Dec. 31
Class A		
David W. Kemper II	Chairman and Chief Executive Officer, Commerce Bank of St. Louis, N.A., Clayton, Missouri, and President and Chief Executive Officer, Commerce Bancshares, Inc., Kansas City, Missouri	1989
H.L. Hembree III	Chairman of the Executive Committee, Merchants National Bank, Fort Smith, Arkansas	1990
Henry G. River	President and Chief Executive Officer, First National Bank of Pinckneyville, Pinckneyville, Illinois	1991
Class B		
Frank M. Mitchener, Jr.	President, Mitchener Farms, Inc., Sumner, Mississippi	1989
Roger W. Schipke	Senior Vice President, GE Appliances, General Electric Company, Louisville, Kentucky	1990
Thomas F. McLarty III	Chairman and Chief Executive Officer, Arkla, Inc., Little Rock, Arkansas	1991
Class C		
H. Edwin Trusheim	Chairman and Chief Executive Officer, General American Life Insurance Company, St. Louis, Missouri	1989
Janet McAfee Weakley	President, Janet McAfee, Inc., Clayton, Missouri	1990
Robert L. Virgil, Jr.	Dean, John M. Olin School of Business, Washington University in St. Louis, St. Louis, Missouri	1991

—LITTLE ROCK BRANCH

Appointed by the Federal Reserve Bank		
Patricia M. Townsend	President, Townsend Company, Stuttgart, Arkansas	1989
David Armbruster	President, First America Federal Savings Bank, Fort Smith, Arkansas	1990
W. Wayne Hartsfield	President and Chief Executive Officer, First National Bank, Searcy, Arkansas	1990
Barnett Grace	President and Chief Executive Officer, First Commercial Bank, N.A., Little Rock, Arkansas	1991
Appointed by the Board of Governors		
L. Dickson Flake	President, Barnes, Quinn, Flake & Anderson, Inc., Little Rock, Arkansas	1989
William E. Love	President, Sound-Craft Systems, Inc., Morrilton, Arkansas	1990
James R. Rodgers	Airport Manager, Little Rock Regional Airport, Little Rock, Arkansas	1991

—LOUISVILLE BRANCH

Appointed by the Federal Reserve Bank		
Morton Boyd	President, First Kentucky National Corporation, Louisville, Kentucky	1989
Irving W. Bailey II	Chairman, President, and Chief Executive Officer, Capital Holding Corporation, Louisville, Kentucky	1990
Wayne G. Overall, Jr.	President, First Federal Savings Bank, Elizabethtown, Kentucky	1990
Douglas M. Lester	Chairman, President, and Chief Executive Officer, Trans Financial Bancorp, Inc., Bowling Green, Kentucky	1991
Appointed by the Board of Governors		
Thomas A. Alvey	Delegate, Owensboro Council of Labor, Owensboro, Kentucky	1989
Raymond M. Burse	President, Kentucky State University, Frankfort, Kentucky	1990
Lois H. Gray	Chairman of the Board, James N. Gray Construction Company, Inc., Glasgow, Kentucky	1991

DISTRICT 8—Continued

—MEMPHIS BRANCH

Appointed by the Federal Reserve Bank

		Term expires Dec. 31
Michael J. Hennessey	President, Munro and Company, Inc., Wynne, Arkansas	1989
Thomas M. Garrott	President and Chief Operating Officer, National Bank of Commerce and National Commerce Bancorporation, Memphis, Tennessee	1990
Larry A. Watson	Chairman of the Board and President, Liberty Federal Savings Bank, Paris, Tennessee	1990
Ray U. Tanner	Chairman and Chief Executive Officer, Jackson National Bank and Volunteer Bancshares, Inc., Jackson, Tennessee	1991

Appointed by the Board of Governors

Sandra B. Sanderson	President and Chief Executive Officer, Sanderson Plumbing Products, Inc., Columbus, Mississippi	1989
Seymour B. Johnson	Owner, Kay Planting Company, Indianola, Mississippi	1990
Katherine Hinds Smythe	President, Memorial Park, Inc., Memphis, Tennessee	1991

DISTRICT 9—MINNEAPOLIS

Class A

Charles W. Ekstrum	President and Chief Executive Officer, First National Bank, Philip, South Dakota	1989
Joel S. Harris	President, Yellowstone Holding Company, Columbus, Montana	1990
James H. Hearon III	Chairman of the Board and Chief Executive Officer, National City Bank, Minneapolis, Minnesota	1991

Class B

Bruce C. Adams	Partner, Triple Adams Farms, Lansford, North Dakota	1989
Earl R. St. John, Jr.	President and Owner, St. John Forest Products, Inc., Spalding, Michigan	1990
Duane E. Dingmann	President, Trubilt Auto Body, Inc., Eau Claire, Wisconsin	1991

Class C

Michael W. Wright	Chairman, President, and Chief Executive Officer, Super Valu Stores, Inc., Minneapolis, Minnesota	1989
Delbert W. Johnson	President and Chief Executive Officer, Pioneer/Norelkote, Minneapolis, Minnesota	1990
John A. Rollwagen	Chairman and Chief Executive Officer, Cray Research Inc., Minneapolis, Minnesota	1991

—HELENA BRANCH

Appointed by the Federal Reserve Bank

F. Charles Mercord	President and Managing Officer, First Federal Savings Bank of Montana, Kalispell, Montana	1989
Noble E. Vosburg	President and Chief Executive Officer, Pacific Hide and Fur Corporation, Great Falls, Montana	1990
Robert H. Waller	President and Chief Executive Officer, First Interstate Bank of Billings, N.A., Billings, Montana	1990

DISTRICT 9—Continued

HELENA BRANCH—Continued

Appointed by the Board of Governors

		Term expires Dec. 31
Warren H. Ross	President, Ross 8-7 Ranch, Inc., Chinook, Montana	1989
John F. Gardner	President, Montana Resources, Inc., Butte, Montana	1990

DISTRICT 10—KANSAS CITY

Class A

Harold L. Gerhart, Jr.	President and Chief Executive Officer, First National Bank, Newman Grove, Nebraska	1989
Roger L. Reisher	Co-Chairman, FirstBank Holding Company of Colorado, Lakewood, Colorado	1990
Robert L. Hollis	Chairman of the Board and Chief Executive Officer, First National Bank and Trust Co., Okmulgee, Oklahoma	1991

Class B

Richard D. Harrison	Chairman and Chief Executive Officer, Fleming Companies, Inc., Oklahoma City, Oklahoma	1989
S. Dean Evans, Sr.	Partner, Evans Grain Company, Salina, Kansas	1990
Frank J. Yaklich, Jr.	President, CF & I Steel Corporation, Pueblo, Colorado	1991

Class C

Fred W. Lyons, Jr.	President and Chief Executive Officer, Marion Laboratories, Inc., Kansas City, Missouri	1989
Thomas E. Rodriguez	President and General Manager, Thomas E. Rodriguez & Associates, P.C., Aurora, Colorado	1990
Burton A. Dole, Jr.	Chairman and President, Puritan-Bennett Corporation, Overland Park, Kansas	1991

—DENVER BRANCH

Appointed by the Federal Reserve Bank

Henry A. True III	Partner, True Companies, Casper, Wyoming	1989
Junius F. Baxter	Chairman of the Board and Chief Executive Officer, Bank Western, a Federal Savings Bank, Denver, Colorado	1990
Norman R. Corzine	President and Chief Executive Officer, First National Bank in Albuquerque and First National Financial Corporation, Albuquerque, New Mexico	1991
W. Richard Scarlett III	Chairman and Chief Executive Officer, Jackson State Bank, Jackson Hole, Wyoming	1991

Appointed by the Board of Governors

James C. Wilson	Management Consultant, Longmont, Colorado	1989
Gilbert Sanchez	President, New Mexico Highlands University, Las Vegas, New Mexico	1990
Barbara B. Grogan	President, Western Industrial Contractors, Inc., Denver, Colorado	1991

DISTRICT 10—Continued

—OKLAHOMA CITY BRANCH

Appointed by the Federal Reserve Bank

		Term expires Dec. 31
William H. Crawford	Chairman and Chief Executive Officer, First National Bank and Trust Company, Frederick, Oklahoma	1989
W. Dean Hidy	Chairman of the Board, Triad Bank, N.A., Tulsa, Oklahoma	1990
John Wm. Laisle	President, MidFirst Savings and Loan Association, Oklahoma City, Oklahoma	1990

Appointed by the Board of Governors

Patience S. Latting	Oklahoma City, Oklahoma	1989
John F. Snodgrass	President and Trustee, The Samuel Roberts Noble Foundation, Inc., Ardmore, Oklahoma	1990

—OMAHA BRANCH

Appointed by the Federal Reserve Bank

John T. Selzer	President, Scottsbluff National Bank and Trust Company, Scottsbluff, Nebraska	1989
Charles H. Thorne	Chairman of the Board, First Federal Savings and Loan Association of Lincoln, Lincoln, Nebraska	1989
John R. Cochran	President and Chief Executive Officer, Norwest Bank Nebraska, N.A., Omaha, Nebraska	1990

Appointed by the Board of Governors

Kenneth L. Morrison	President, Morrison Enterprises, Hastings, Nebraska	1989
Herman Cain	President and Chief Executive Officer, Godfather's Pizza, Inc., Omaha, Nebraska	1990

DISTRICT 11—DALLAS

Class A

Robert G. Greer	Chairman of the Board, Tanglewood Bank, N.A., Houston, Texas	1989
T. C. Frost	Chairman of the Board, The Frost National Bank, San Antonio, Texas	1990
Charles T. Doyle	Chairman and Chief Executive Officer, Gulf National Bank, Texas City, Texas	1991

Class B

Gary E. Wood	President, Texas Research League, Austin, Texas	1989
Robert L. Pfluger	Rancher, San Angelo, Texas	1990
Charles Dickie Williamson	Chairman of the Board and Chief Executive Officer, Williamson-Dickie Manufacturing Company, Fort Worth, Texas	1991

Class C

Leo E. Linbeck, Jr.	Chairman and Chief Executive Officer, Linbeck Construction Corporation, Houston, Texas	1989
Bobby R. Inman	Chairman of the Board and Chief Executive Officer, Westmark Systems Inc., Austin, Texas	1990
Hugh G. Robinson	President, Cityplace Development Corporation, Dallas, Texas	1991

DISTRICT 11—Continued

—EL PASO BRANCH

		Term expires Dec. 31
Appointed by the Federal Reserve Bank		
David L. Stone	President, The Portales National Bank, Portales, New Mexico	1989
Henry B. Ellis	President and Chief Credit Officer, MBank El Paso, N.A., El Paso, Texas	1990
Ethel Ortega Olson	Owner, NAMBE of Ruidoso, Ruidoso, New Mexico	1990
Humberto F. Sambrano	President, SamCorp General Contractors, El Paso, Texas	1991
Appointed by the Board of Governors		
W. Thomas Beard III	President, Leoncita Cattle Company, Alpine, Texas	1989
Diana S. Natalicio	President, The University of Texas at El Paso, El Paso, Texas	1990
Donald G. Stevens	Owner, Stevens Oil Company, Roswell, New Mexico	1991

—HOUSTON BRANCH

Appointed by the Federal Reserve Bank		
Jenard M. Gross	President, Gross Builders, Inc., Houston, Texas	1989
Clive Runnells	President and Director, Runnells Cattle Company, Bay City, Texas	1990
David E. Sheffield	Vice Chairman, Texas National Bank of Victoria, Victoria, Texas	1990
Jeff Austin, Jr.	President, First National Bank of Jacksonville, Jacksonville, Texas	1991
Appointed by the Board of Governors		
Walter M. Mischer, Jr.	President and Chief Operating Officer, The Mischer Corporation, Houston, Texas	1989
Andrew L. Jefferson, Jr.	Attorney, Jefferson and Mims, Houston, Texas	1990
Gilbert D. Gaedcke, Jr.	Chairman of the Board and Chief Executive Officer, Gaedcke Equipment Company, Houston, Texas	1991

—SAN ANTONIO BRANCH

Appointed by the Federal Reserve Bank		
C. Ivan Wilson	Chairman of the Board and Chief Executive Officer, First City Bank of Corpus Christi, Corpus Christi, Texas	1989
Javier Garza	Executive Vice President, The Laredo National Bank, Laredo, Texas	1990
Sam R. Sparks	President, Sam R. Sparks, Inc., Progreso, Texas	1990
Jane Flato Smith	Investor and Rancher, San Antonio, Texas	1991
Appointed by the Board of Governors		
Lawrence E. Jenkins	Vice President (Retired), Austin Division, Lockheed Missiles and Space Co., Inc., Austin, Texas	1989
Vacancy		1990
Roger R. Hemminghaus	Chairman and Chief Executive Officer, Diamond Shamrock R&M, Inc., San Antonio, Texas	1991

DISTRICT 12—SAN FRANCISCO

Class A		
Rayburn S. Dezember	Chairman of the Board and Chief Executive Officer, Central Pacific Corporation, and Chairman, American National Bank, Bakersfield, California	1989
R. Blair Hawkes	President and Chief Executive Officer, Ireland Bank, Malad City, Idaho	1990
William E.B. Siart	Chairman of the Board, President, and Chief Executive Officer, First Interstate Bank of California, Los Angeles, California	1991

DISTRICT 12—Continued

Class B

		Term expires Dec. 31
John C. Hampton	President and Chief Executive Officer, Willamina Lumber Company, Portland, Oregon	1989
John N. Nordstrom	Co-Chairman of the Board, Nordstrom, Inc., Seattle, Washington	1990
William L. Tooley	Chairman, Tooley & Company, Investment Builders, Los Angeles, California	1991

Class C

Robert F. Erburu	Chairman of the Board and Chief Executive Officer, The Times Mirror Company, Los Angeles, California	1989
Cordell W. Hull	Executive Vice President and Director, Bechtel Group, Inc., San Francisco, California	1990
Carolyn S. Chambers	President and Chief Executive Officer, Chambers Communications Corp., Eugene, Oregon	1991

—LOS ANGELES BRANCH

Appointed by the Federal Reserve Bank

Fred D. Jensen	Chairman of the Board, President, and Chief Executive Officer, National Bank of Long Beach, Long Beach, California	1989
Ross M. Blakely	Chairman of the Executive Committee of the Board, Coast Savings and Loan, Los Angeles, California	1990
Ignacio E. Lozano, Jr.	Editor-in-Chief, *La Opinion*, Los Angeles, California	1991
Howard C. McCrady	Vice Chairman, Valley National Corporation, Phoenix, Arizona	1991

Appointed by the Board of Governors

Yvonne Brathwaite Burke	Partner, Jones, Day, Reavis and Pogue, Los Angeles, California	1989
Richard C. Seaver	Chairman, Hydril Company, Los Angeles, California	1990
Harry W. Todd	Chairman and Chief Executive Officer, Rohr Industries, Inc., Chula Vista, California	1991

—PORTLAND BRANCH

Appointed by the Federal Reserve Bank

Wayne E. Phillips, Jr.	Vice President, Phillips Ranch, Inc., Baker, Oregon	1989
Stephen G. Kimball	President and Chief Executive Officer, Baker Boyer Bancorp, Walla Walla, Washington	1990
G. Dale Weight	Chairman of the Board and Chief Executive Officer, Benjamin Franklin Savings and Loan Association, Portland, Oregon	1990
Stuart H. Compton	Chairman and Chief Executive Officer, Pioneer Trust Bank, N.A., Salem, Oregon	1991

Appointed by the Board of Governors

Paul E. Bragdon	Assistant to the Governor for Education, Office of the Governor, Salem, Oregon	1989
Sandra A. Suran	Small Business Advocate, State of Oregon, Salem, Oregon	1990
William A. Hilliard	Editor, *The Oregonian*, Portland, Oregon	1991

DISTRICT 12—Continued

—SALT LAKE CITY BRANCH

Appointed by the Federal Reserve Bank

		Term expires Dec. 31
Ronald S. Hanson	President, Zions First National Bank, Salt Lake City, Utah	1989
Curtis H. Eaton	President and Vice Chairman of the Board, Twin Falls Bank and Trust Company, Twin Falls, Idaho	1990
Virginia P. Kelson	Associate, Ralston and Associates, Salt Lake City, Utah	1990
Gerald R. Christensen	President and Chairman, First Federal Savings and Loan Association, Salt Lake City, Utah	1991

Appointed by the Board of Governors

Robert N. Pratt	President and Chief Operating Officer, Bonneville Pacific Corporation, Salt Lake City, Utah	1989
Don M. Wheeler	President, Wheeler Machinery Company, Salt Lake City, Utah	1990
D.N. Rose	President and Chief Executive Officer, Mountain Fuel Supply Company, Salt Lake City, Utah	1991

—SEATTLE BRANCH

Appointed by the Federal Reserve Bank

H.H. Larison	President, Columbia Paint and Coatings, Spokane, Washington	1989
B.R. Beeksma	Chairman of the Board, InterWest Savings Bank, Oak Harbor, Washington	1990
William S. Randall	Chairman, President, and Chief Executive Officer, First Interstate Bank of Washington, N.A., Seattle, Washington	1990
Robert P. Gray	President, National Bank of Alaska, Anchorage, Alaska	1991

Appointed by the Board of Governors

Carol A. Nygren	Partner, Laventhol and Horwath, Seattle, Washington	1989
Irma Goertzen	Hospital Administrator, University Hospital, University of Washington, Seattle, Washington	1990
Bruce R. Kennedy	Chairman and Chief Executive Officer, Alaska Air Group, Inc., Seattle, Washington	1991

Financial and Business Statistics

NOTE. *The following tables may have some discontinuities in historical data for some series beginning with the March 1989 issue: 1.10, 1.17, 1.20, 1.21, 1.22, 1.23, 1.24, 1.25, 1.26, 1.28, 1.30, 1.31, 1.32, 1.35, 1.36, 1.37, 1.39, 1.40, 1.41, 1.42, 1.43, 1.45, 1.46, 1.47, 1.48, 1.50, 1.53, 1.54, 1.55, 1.56, 2.11, 2.14, 2.15, 2.16, 2.17, 3.14, and 3.21. For a more detailed explanation of the changes, see the announcement on pages 288–89 of the April 1989* BULLETIN.

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

Annual rates of change, seasonally adjusted in percent[1]

Monetary and credit aggregates	1988				1988			1989	
	Q1	Q2	Q3r	Q4r	Oct.	Nov.r	Dec.r	Jan.r	Feb.
Reserves of depository institutions[2]									
1 Total	3.5	5.8	4.3	−.7	−.8	2.0	−1.5	−8.5	−1.2
2 Required	2.9	7.2	4.0	−1.4	−2.6	.8	.1	−10.8	−1.4
3 Nonborrowed	1.5	−6.5	2.5	5.3	10.3	−9.5	22.1	−7.7	2.4
4 Monetary base[3]	8.1	7.4	6.7	5.0	5.7	3.9	5.0	4.0	4.4
Concepts of money, liquid assets, and debt[4]									
5 M1	3.2	6.4	5.2	2.3	2.7	1.8	5.5	−6.1	1.7
6 M2	6.1	6.9	3.8	3.6	2.8	6.7	4.0	−1.3	1.7
7 M3	6.7r	7.2	5.8	5.1	5.3r	6.4	5.4	1.6	3.1
8 L	6.6	8.5	7.4	6.1	5.8r	8.0	10.3	.6	n.a.
9 Debt	8.0r	8.6r	8.4	8.8	8.1r	9.9	7.7	6.9	n.a.
Nontransaction components									
10 In M2[5]	7.1r	7.1	3.3	4.1	2.9	8.4	3.5	.3	1.7
11 In M3 only[6]	9.1	8.3	13.3	10.5	14.2r	5.1	10.4	12.3	8.0
Time and savings deposits									
Commercial banks									
12 Savings[7]	7.1	10.4	7.9	4.0	−2.2	18.9	−1.9	−10.2	−2.9
13 Small-denomination time[8]	13.4	12.9	11.6	18.0	20.6	15.3	18.3	21.8	26.9
14 Large-denomination time[9,10]	6.3	9.1	18.2	12.9	14.3	6.6	12.1	18.9	24.2
Thrift institutions									
15 Savings[7]	−1.3	2.6	2.1	−2.5	−4.7	−1.7	−1.2	−9.2	−13.6
16 Small-denomination time	20.5	12.5	5.4	6.6	7.7	5.4	1.7	5.4	5.1
17 Large-denomination time[9]	13.0	9.2	3.9	7.9	7.7	2.7	−2.4	5.9	−2.3
Debt components[4]									
18 Federal	8.0	8.3r	7.1	8.0	5.3r	7.1	7.5	4.2	n.a.
19 Nonfederal	8.0r	8.7r	8.8	9.0	9.0r	10.7	7.8	7.7	n.a.
20 Total loans and securities at commercial banks[11]	5.6r	9.8r	7.5	5.7	9.8r	4.7	3.7	2.4	14.4

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 depository institutions; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to depository institutions, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (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.

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.

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 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						
	1988	1989		1989						
	Dec.	Jan.	Feb.	Jan. 11	Jan. 18	Jan. 25	Feb. 1	Feb. 8	Feb. 15	Feb. 22
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**263,823**	**264,482**	**254,480**	**268,011**	**261,033**	**261,033**	**262,127**	**253,083**	**254,680**	**253,396**
2 U.S. government securities[1]	234,567	235,128	225,591	236,983	233,808	233,420	234,149	223,424	225,367	225,143
3 Bought outright	233,606	233,851	225,591	234,526	233,808	232,989	234,149	223,424	225,367	225,143
4 Held under repurchase agreements	961	1,277	0	2,457	0	431	0	0	0	0
5 Federal agency obligations	7,565	7,702	6,792	8,736	6,966	7,084	6,819	6,819	6,785	6,779
6 Bought outright	7,041	6,923	6,792	6,966	6,966	6,903	6,819	6,819	6,785	6,779
7 Held under repurchase agreements	524	779	0	1,770	0	181	0	0	0	0
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	1,749	1,570	1,487	1,816	1,879	1,174	956	1,588	1,220	1,733
10 Float	1,436	877	1,254	1,816	933	68	308	1,569	1,155	1,215
11 Other Federal Reserve assets	18,507	19,205	19,357	18,659	19,225	19,286	19,895	19,683	20,153	18,526
12 Gold stock[2]	11,061	11,057	11,060	11,057	11,057	11,056	11,057	11,057	11,061	11,061
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	18,769	18,831	18,890	18,815	18,829	18,843	18,857	18,871	18,885	18,899
ABSORBING RESERVE FUNDS										
15 Currency in circulation	244,540	243,398	240,493	245,887	243,652	241,475	239,570	240,056	240,656	240,785
16 Treasury cash holdings[2]	399	406	428	400	408	409	413	420	429	432
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,364	8,303	5,713	6,242	4,368	9,360	13,304	6,079	5,001	5,075
18 Foreign	248	257	264	251	247	281	222	226	256	246
19 Service-related balances and adjustments	2,014	1,999	1,967	2,183	1,884	1,950	1,989	1,983	1,846	2,158
20 Other	369	402	349	332	330	381	510	324	319	340
21 Other Federal Reserve liabilities and capital	8,040	7,913	7,744	7,975	7,847	8,025	7,835	7,519	7,710	7,869
22 Reserve balances with Federal Reserve Banks[3]	37,697	36,710	32,489	39,632	38,981	34,068	33,215	31,422	33,425	31,469
	End-of-month figures			Wednesday figures						
	1988	1989		1989						
	Dec.	Jan.	Feb.	Jan. 11	Jan. 18	Jan. 25	Feb. 1	Feb. 8	Feb. 15	Feb. 22
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**269,748**	**261,056**	**258,429**	**269,463**	**262,485**	**266,298**	**261,057**	**251,236**	**254,421**	**254,443**
24 U.S. government securities[1]	238,422	232,933	229,499	237,875	233,131	235,988	232,874	219,033	226,274	224,659
25 Bought outright	233,662	232,933	229,499	234,916	233,131	232,974	232,874	219,033	226,274	224,659
26 Held under repurchase agreements	4,760	0	0	2,959	0	3,014	0	0	0	0
27 Federal agency obligations	9,067	6,819	6,779	8,637	6,966	8,087	6,819	6,819	6,779	6,779
28 Bought outright	6,966	6,819	6,779	6,966	6,966	6,819	6,819	6,819	6,779	6,779
29 Held under repurchase agreements	2,101	0	0	1,671	0	1,268	0	0	0	0
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	2,170	863	1,602	1,814	1,314	2,018	903	4,539	1,409	2,007
32 Float	1,286	798	1,296	1,955	1,914	569	575	762	1,163	2,203
33 Other Federal Reserve assets	18,803	19,643	19,253	19,182	19,160	19,636	19,886	20,083	18,796	18,795
34 Gold stock[2]	11,060	11,056	11,061	11,057	11,056	11,056	11,056	11,058	11,061	11,061
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	18,799	18,855	18,911	18,827	18,841	18,855	18,869	18,883	18,897	18,911
ABSORBING RESERVE FUNDS										
37 Currency in circulation	247,649	239,581	240,733	244,862	243,191	240,425	239,624	240,627	240,847	241,007
38 Treasury cash holdings[2]	395	412	432	408	408	412	417	421	432	432
Deposits, other than reserve balances, with Federal Reserve Banks										
39 Treasury	8,656	11,766	6,298	4,806	3,650	13,769	8,984	5,586	4,825	6,296
40 Foreign	347	279	326	177	245	204	240	184	308	307
41 Service-related balances and adjustments	1,605	1,589	1,595	1,606	1,591	1,594	1,589	1,588	1,602	1,603
42 Other	548	390	517	578	365	749	376	311	396	324
43 Other Federal Reserve liabilities and capital	7,683	7,746	8,127	7,828	7,634	7,961	7,416	7,497	7,452	7,704
44 Reserve balances with Federal Reserve Banks[3]	37,742	34,221	35,390	44,101	40,316	36,113	37,354	29,981	33,534	31,760

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[1]

Millions of dollars

Reserve classification	Monthly averages[9]									
	1986	1987	1988	1988					1989	
	Dec.	Dec.	Dec.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 Reserve balances with Reserve Banks[2]	37,360	37,673	37,830	36,911	37,213	36,421	36,997	37,830	36,475	32,834
2 Total vault cash[3]	24,077r	26,185r	27,197	26,895	26,727r	27,198r	26,745r	27,197	28,376	29,776
3 Vault[4]	22,199	24,449	25,909	25,054	24,940	25,494	25,410	25,909	26,993	27,859
4 Surplus[5]	1,878r	1,736r	1,288	1,841	1,787r	1,705r	1,335	1,288r	1,383	1,917
5 Total reserves[6]	59,560	62,123	63,739	61,965	62,153	61,915	62,407	63,739r	63,468	60,693
6 Required reserves	58,191	61,094	62,699	61,012	61,181	60,853	61,287	62,699r	62,323	59,539
7 Excess reserve balances at Reserve Banks[7]	1,369	1,029	1,040	953	972	1,062	1,119	1,040	1,145	1,154
8 Total borrowings at Reserve Banks	827	777	1,716	3,241	2,839	2,299	2,861	1,716	1,662	1,487
9 Seasonal borrowings at Reserve Banks	38	93	130	423	421	332	186	130	76	97
10 Extended credit at Reserve Banks[8]	303	483	1,244	2,653	2,059	1,781	2,322	1,244	1,046	1,050
	Biweekly averages of daily figures for weeks ending									
	1988				1989					
	Nov. 16	Nov. 30	Dec. 14	Dec. 28	Jan. 11	Jan. 25	Feb. 8	Feb. 22	Mar. 8	Mar. 22
11 Reserve balances with Reserve Banks[2]	38,143	35,981	38,363	37,106	38,724	36,514	32,260	32,455	34,485	34,720
12 Total vault cash[3]	26,219r	27,259	26,316	27,927	27,904	27,414	31,488	29,739	27,581	26,738
13 Vault[4]	25,022	25,814	25,128	26,525	26,679	26,243	29,318	27,838	25,962	25,335
14 Surplus[5]	1,198r	1,446	1,188	1,403	1,225	1,171	2,170	1,901	1,620	1,403
15 Total reserves[6]	63,165	61,795	63,491	63,631	65,403	62,757	61,578	60,293	60,446	60,055
16 Required reserves	61,562	61,160	62,515	62,550	64,256	61,786	60,035	59,278	59,490	59,304
17 Excess reserve balances at Reserve Banks[7]	1,603	635	976	1,081	1,147	972	1,543	1,016	957	751
18 Total borrowings at Reserve Banks	3,233	2,562	2,014	1,347	2,048	1,527	1,270	1,477	1,800	1,586
19 Seasonal borrowings at Reserve Banks	180	178	131	137	94	61	78	99	116	136
20 Extended credit at Reserve Banks[8]	2,838	1,863	1,529	968	1,208	1,028	792	1,111	1,250	1,164

1. These data also appear in the Board's H.3 (502) release. For address, see inside front cover.
2. Excludes required clearing balances and adjustments to compensate for float.
3. 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.
4. 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.
5. 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.
6. 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.
7. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements less required reserves.
8. 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.
9. Data are prorated monthly averages of biweekly averages.

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Member Banks[1]

Averages of daily figures, in millions of dollars

Maturity and source	1988 week ending Monday								
	May 9	May 16	May 23	May 30	June 6	June 13	June 20	June 27	July 4
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	66,700	63,447	63,088	64,248	71,726	70,428	70,096	66,210	75,686
2 For all other maturities	10,857	11,208	9,894	10,388	10,816	11,780	11,008	10,981	10,101
From other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies									
3 For one day or under continuing contract	32,399	33,207	34,265	32,706	33,220	34,264	31,159	29,594	29,279
4 For all other maturities	8,146	8,205	7,486	7,534	7,130	7,740	7,176	6,487	6,326
Repurchase agreements on U.S. government and federal agency securities in immediately available funds									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	15,256	16,394	16,467	17,941	17,697	17,216	15,705	14,676	14,746
6 For all other maturities	17,652	17,513	15,092	15,342	14,767	15,953	15,692	15,319	13,027
All other customers									
7 For one day or under continuing contract	24,271	25,333	25,536	25,573	25,070	25,553	25,348	25,741	24,921
8 For all other maturities	9,238	9,444	9,348	10,648	10,049	10,136	10,794	10,766	9,658
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	34,480	32,915	31,181	33,269	37,361	34,293	36,889	33,377	38,379
10 To all other specified customers[2]	14,540	13,607	13,154	13,410	15,880	16,959	16,479	13,030	15,731

1. Banks with assets of $1 billion or more as of Dec. 31, 1977. These data also appear in the Board's H.5 (507) release. For address, see inside front cover.

2. Brokers and nonbank dealers in securities; other depository institutions; foreign banks and official institutions; and United States government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit and Seasonal credit[1]			Extended credit[2]						
				First 30 days of borrowing			After 30 days of borrowing[3]			
	On 3/29/89	Effective date	Previous rate	On 3/29/89	Effective date	Previous rate	On 3/29/89	Effective date	Previous rate	Effective date
Boston	7	2/24/89	6½	7	2/24/89	6½	10.50	3/23/89	10.35	3/9/89
New York		2/24/89			2/24/89			3/23/89		3/9/89
Philadelphia		2/24/89			2/24/89			3/23/89		3/9/89
Cleveland		2/24/89			2/24/89			3/23/89		3/9/89
Richmond		2/24/89			2/24/89			3/23/89		3/9/89
Atlanta		2/24/89			2/24/89			3/23/89		3/9/89
Chicago		2/24/89			2/24/89			3/23/89		3/9/89
St. Louis		2/24/89			2/24/89			3/23/89		3/9/89
Minneapolis		2/24/89			2/24/89			3/23/89		3/9/89
Kansas City		2/24/89			2/24/89			3/23/89		3/9/89
Dallas		2/27/89			2/27/89			3/23/89		3/9/89
San Francisco	7	2/24/89	6½	7	2/24/89	6½	10.50	3/23/89	10.35	3/9/89

Range of rates for adjustment credit in recent years[4]

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7–7¼	7¼
10	7¼	7¼
Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
1979—July 20	10	10
Aug. 17	10–10½	10½
20	10½	10½
Sept. 19	10½–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1980—July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
1981—May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11½–12	11½
23	11½	11½
Aug. 2	11–11½	11
3	11	11
16	10½	10½
27	10–10½	10
30	10	10
Oct. 12	9½–10	9½
13	9½	9½
Nov. 22	9–9½	9
26	9	9
Dec. 14	8½–9	9
15	8½–9	8½
17	8½	8½

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
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
July 11	6	6
Aug. 21	5½–6	5½
22	5½	5½
1987—Sept. 4	5½–6	6
11	6	6
1988—Aug. 9	6–6½	6½
11	6½	6½
1989—Feb. 24	6½–7	7
27	7	7
In effect March 29, 1989	7	7

1. Adjustment credit is available on a short-term basis to help depository institutions meet temporary needs for funds that cannot be met through reasonable alternative sources. After May 19, 1986, the highest rate established for loans to depository institutions may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

Seasonal credit is available to help smaller depository institutions meet regular, seasonal needs for funds that cannot be met through special industry lenders and that arise from a combination of expected patterns of movement in their deposits and loans. 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 reestablished for 1986 and 1987; but was not renewed for 1988.

2. Extended credit is available to depository institutions, when similar assistance is not reasonably available from other sources, when exceptional circumstances or practices involve only a particular institution or when an institution is experiencing difficulties adjusting to changing market conditions over a longer period of time.

3. For extended-credit loans outstanding more than 30 days, a flexible rate somewhat above rates on market sources of funds ordinarily will be charged, but in no case will the rate charged be less than the basic discount rate plus 50 basis points. The flexible rate is reestablished on the first business day of each two-week reserve maintenance period. At the discretion of the Federal Reserve Bank, the time period for which the basic discount rate is applied may be shortened.

4. For 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*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980 through May 7, 1980. 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, 1981. As of Oct. 1, 1981 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–$41.5 million	3	12/20/88
More than $41.5 million	12	12/20/88
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, 1988. 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 liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 20, 1988, the exemption was raised from $3.2 million to $3.4 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. 20, 1988 for institutions reporting quarterly and Dec. 27, 1988 for institutions reporting weekly, the amount was increased from $40.5 million to $41.5 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	1986	1987	1988	1988						1989
					July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
	U.S. TREASURY SECURITIES										
	Outright transactions (excluding matched transactions)										
	Treasury bills										
1	Gross purchases	22,604	18,983	8,223	515	0	1,280	375	3,599	1,125	0
2	Gross sales	2,502	6,051	587	0	0	0	0	0	0	154
3	Exchange	0	0	0	0	0	0	0	0	0	0
4	Redemptions	1,000	9,029	2,200	0	0	0	0	0	0	600
	Others within 1 year										
5	Gross purchases	190	3,659	2,176	0	0	0	0	0	1,084	0
6	Gross sales	0	300	0	0	0	0	0	0	0	0
7	Maturity shift	18,674	21,504	23,854	1,033	3,932	1,368	1,669	5,264	1,750	620
8	Exchange	-20,180	-20,388	-24,588	-87	-4,296	-1,646	-916	-2,391	-1,703	-2,703
9	Redemptions	0	70	0	0	0	0	0	0	0	0
	1 to 5 years										
10	Gross purchases	893	10,231	5,485	0	0	0	0	0	1,824	0
11	Gross sales	0	452	800	0	0	0	0	0	0	3
12	Maturity shift	-17,058	-17,975	-17,720	-997	-1,821	-1,368	-1,544	-3,088	-1,750	-541
13	Exchange	16,985	18,938	22,515	0	3,971	1,646	639	2,091	1,703	2,492
	5 to 10 years										
14	Gross purchases	236	2,441	1,579	0	0	0	0	0	562	0
15	Gross sales	0	0	175	0	0	0	0	0	0	20
16	Maturity shift	-1,620	-3,529	-5,946	-36	-2,111	0	-125	-2,145	0	-79
17	Exchange	2,050	950	1,797	87	325	0	276	300	0	212
	Over 10 years										
18	Gross purchases	158	1,858	1,398	0	0	0	0	0	432	0
19	Gross sales	0	0	0	0	0	0	0	0	0	0
20	Maturity shift	0	0	-188	0	0	0	0	-31	0	0
21	Exchange	1,150	500	275	0	0	0	0	0	0	0
	All maturities										
22	Gross purchases	24,081	37,170	18,863	515	0	1,280	375	3,599	5,028	0
23	Gross sales	2,502	6,803	1,562	0	0	0	0	0	0	177
24	Redemptions	1,000	9,099	2,200	0	0	0	0	0	0	600
	Matched transactions										
25	Gross sales	927,999	950,923	1,168,484	81,979	124,875	113,886	98,804	98,618	93,650	94,204
26	Gross purchases	927,247	950,935	1,168,142	83,464	123,220	113,384	97,897	100,680	93,584	94,252
	Repurchase agreements[2]										
27	Gross purchases	170,431	314,621	152,613	22,978	0	35,800	4,715	17,867	15,575	17,208
28	Gross sales	160,268	324,666	151,497	28,164	0	30,191	7,727	16,463	14,815	21,969
29	Net change in U.S. government securities	29,988	11,234	15,872	-3,186	-1,655	6,386	-3,544	7,064	5,721	-5,489
	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	398	276	587	67	10	0	75	14	135	148
	Repurchase agreements[2]										
33	Gross purchases	31,142	80,353	57,259	12,355	0	12,107	2,223	4,763	7,672	8,980
34	Gross sales	30,521	81,350	56,471	14,594	0	8,225	4,454	5,132	6,853	11,081
35	Net change in federal agency obligations	222	-1,274	198	-2,306	-10	3,882	-2,306	-383	683	-2,249
36	**Total net change in System Open Market Account**	**30,212**	**9,961**	**16,070**	**-5,492**	**-1,665**	**10,268**	**-5,850**	**6,681**	**6,404**	**-7,738**

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[1]

Millions of dollars

Account	Wednesday 1989 Jan. 25	Wednesday 1989 Feb. 1	Wednesday 1989 Feb. 8	Wednesday 1989 Feb. 15	Wednesday 1989 Feb. 22	End of month 1988 Dec.	End of month 1989 Jan.	End of month 1989 Feb.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,056	11,056	11,058	11,061	11,061	11,060	11,057	11,061
2 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
3 Coin	457	483	499	512	512	395	480	514
Loans								
4 To depository institutions	2,018	903	4,539	1,409	2,007	2,170	863	1,602
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	6,819	6,819	6,819	6,779	6,779	6,966	6,819	6,779
8 Held under repurchase agreements	1,268	0	0	0	0	2,101	0	0
U.S. Treasury securities								
Bought outright								
9 Bills	112,094	112,017	98,176	105,642	104,027	112,782	112,076	108,867
10 Notes	90,950	90,928	90,928	90,603	90,603	90,950	90,928	90,603
11 Bonds	29,930	29,929	29,929	30,029	30,029	29,930	29,929	30,029
12 Total bought outright[2]	232,974	232,874	219,033	226,274	224,659	233,662	232,933	229,499
13 Held under repurchase agreements	3,014	0	0	0	0	4,760	0	0
14 Total U.S. Treasury securities	235,988	232,874	219,033	226,274	224,659	238,422	232,933	229,499
15 **Total loans and securities**	**246,093**	**240,596**	**230,391**	**234,462**	**233,445**	**249,659**	**240,615**	**237,880**
16 Items in process of collection	6,605	7,225	6,942	7,199	11,156	8,739	9,959	10,856
17 Bank premises	752	754	754	756	755	750	754	755
Other assets								
18 Denominated in foreign currencies[3]	9,860	9,824	10,008	10,017	10,026	9,129	9,824	10,154
19 All other[4]	9,024	9,308	9,321	8,023	8,014	8,924	9,065	8,344
20 **Total assets**	**288,865**	**284,264**	**273,991**	**277,048**	**279,987**	**293,674**	**286,771**	**284,582**
LIABILITIES								
21 Federal Reserve notes	222,439	221,655	222,664	222,895	223,040	229,640	221,619	222,769
Deposits								
22 To depository institutions	37,707	38,943	31,569	35,136	33,363	39,347	35,810	36,985
23 U.S. Treasury—General account	13,769	8,984	5,586	4,825	6,296	8,656	11,766	6,298
24 Foreign—Official accounts	204	240	184	308	307	347	279	326
25 Other	749	376	311	396	324	548	390	517
26 **Total deposits**	**52,429**	**48,543**	**37,650**	**40,665**	**40,290**	**48,898**	**48,245**	**44,126**
27 Deferred credit items	6,036	6,650	6,180	6,036	8,953	7,453	9,161	9,560
28 Other liabilities and accrued dividends[5]	3,349	3,043	2,877	2,816	3,055	3,457	3,079	3,048
29 **Total liabilities**	**284,253**	**279,891**	**269,371**	**272,412**	**275,338**	**289,448**	**282,104**	**279,503**
CAPITAL ACCOUNTS								
30 Capital paid in	2,117	2,119	2,123	2,129	2,144	2,113	2,117	2,144
31 Surplus	2,113	2,112	2,112	2,112	2,112	2,113	2,112	2,112
32 Other capital accounts	382	142	385	395	393	0	438	823
33 **Total liabilities and capital accounts**	**288,865**	**284,264**	**273,991**	**277,048**	**279,987**	**293,674**	**286,771**	**284,582**
34 MEMO: Marketable U.S. Treasury securities held in custody for foreign and international accounts	228,413	228,431	228,246	231,297	230,770	234,733	229,817	232,507
	Federal Reserve note statement							
35 Federal Reserve notes outstanding issued to bank	270,349	269,855	269,124	268,636	268,549	271,492	269,942	268,215
36 LESS: Held by bank	47,910	48,200	46,460	45,741	45,509	41,852	48,323	45,446
37 Federal Reserve notes, net	222,439	221,655	222,664	222,895	223,040	228,640	221,619	222,769
Collateral held against notes net:								
38 Gold certificate account	11,056	11,056	11,058	11,061	11,061	11,060	11,057	11,061
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. Treasury and agency securities	206,365	205,581	206,588	206,816	206,961	213,562	205,544	206,690
42 **Total collateral**	**222,439**	**221,655**	**222,664**	**222,895**	**223,040**	**229,640**	**221,619**	**222,769**

1. Some of these data also appear in the Board's H.4.1 (503) release. For address, see inside front cover.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale-purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within 90 days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1989					1988	1989	
	Jan. 25	Feb. 1	Feb. 8	Feb. 15	Feb. 22	Dec. 30	Jan. 31	Feb. 28
1 Loans—Total	2,018	903	4,539	1,409	2,007	2,170	863	1,602
2 Within 15 days	2,017	888	4,517	1,400	1,997	2,152	854	1,594
3 16 days to 90 days	1	15	22	9	10	18	9	8
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. Treasury securities—Total	235,988	232,874	219,033	226,274	224,659	238,422	232,933	229,499
10 Within 15 days[1]	10,213	12,614	8,192	17,550	10,120	9,935	5,457	6,220
11 16 days to 90 days	56,994	51,770	44,929	46,600	49,465	58,448	58,957	57,336
12 91 days to 1 year	73,894	73,376	70,798	70,329	73,280	75,236	73,405	74,164
13 Over 1 year to 5 years	55,277	55,524	55,524	52,004	52,004	55,326	55,524	51,989
14 Over 5 years to 10 years	12,701	12,681	12,681	12,781	12,781	12,568	12,681	12,781
15 Over 10 years	26,909	26,909	26,909	27,010	27,009	26,909	26,909	27,009
16 Federal agency obligations—Total	8,087	6,819	6,819	6,779	6,779	9,067	6,819	6,779
17 Within 15 days[1]	1,364	0	40	305	305	2,271	136	235
18 16 days to 90 days	825	910	870	565	565	697	835	626
19 91 days to 1 year	1,353	1,378	1,378	1,378	1,378	1,492	1,303	1,347
20 Over 1 year to 5 years	3,359	3,345	3,345	3,345	3,345	3,418	3,359	3,412
21 Over 5 years to 10 years	997	997	997	997	997	1,000	997	970
22 Over 10 years	189	189	189	189	189	189	189	189

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[1]

Billions of dollars, averages of daily figures

Item	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.	1988 July	Aug.	Sept.	Oct.	Nov.	Dec.	1989 Jan.	Feb.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 **Total reserves**[3]	**47.26**	**57.46**	**58.72**	**60.98**	**61.24**	**61.09**	**61.00**	**60.96**	**61.06**	**60.98**	**60.55**	**60.49**
2 Nonborrowed reserves	45.94	56.63	57.94	59.26	57.80	57.85	58.16	58.66	58.19	59.26	58.88r	59.00
3 Nonborrowed reserves plus extended credit[4]	46.44	56.93	58.43	60.51	60.34	60.50	60.21	60.44	60.52	60.51	59.93	60.05
4 Required reserves	46.20	56.09	57.69	59.94	60.23	60.14	60.02	59.89	59.94	59.94	59.40	59.33
5 Monetary base[5]	218.29	240.82	258.06	275.81	270.50	271.14	272.47	273.77	274.66	275.81	276.74r	277.76
	Not seasonally adjusted											
6 **Total reserves**[3]	**48.27**	**58.70**	**60.02**	**62.43**	**61.47**	**60.59**	**60.65**	**60.54**	**61.15**	**62.43**	**62.28**	**59.56**
7 Nonborrowed reserves	46.95	57.87	59.25	60.71	58.03	57.35	57.82	58.24	58.29	60.71	60.62	58.07
8 Nonborrowed reserves plus extended credit[4]	47.45	58.18	59.73	61.96	60.57	60.00	59.87	60.02	60.62	61.96	61.66r	59.12
9 Required reserves	47.21	57.33	58.99	61.39	60.46	59.64	59.68	59.48	60.04	61.39	61.13	58.40
10 Monetary base[5]	221.49	244.55	262.05	279.89	272.41	271.73	271.57	272.44	275.48	279.89	278.09r	274.51
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[6]												
11 **Total reserves**[3]	**48.14**	**59.56**	**62.12**	**63.74**	**62.76**	**61.97**	**62.15**	**61.92**	**62.41**	**63.74**	**63.47**	**60.69**
12 Nonborrowed reserves	46.82	58.73	61.35	62.02	59.32	58.72	59.31	59.62	59.55	62.02	61.81	59.21
13 Nonborrowed reserves plus extended credit[4]	47.32	59.04	61.83	63.27	61.85	61.38	61.37	61.40	61.87	63.27	62.85r	60.26
14 Required reserves	47.08	58.19	61.09	62.70	61.75	61.01	61.18	60.85	61.29	62.70	62.32r	59.54
15 Monetary base[5]	223.53	247.71	266.16	283.18	275.59	275.03	274.87	275.78	278.65	283.18	281.31r	277.66

1. 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 Monetary and Reserves Projections Section. Division of Monetary Affairs. Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

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. 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 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. 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.

5. 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 plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. Currency and vault cash figures are measured over the weekly computation period ending Monday.

The seasonally adjusted monetary base 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.

6. 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.

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item[2]	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.
	Seasonally adjusted							
1 M1	620.5	725.9	752.3	790.2	786.6	790.2	786.2r	787.4
2 M2	2,567.4	2,811.2	2,909.9r	3,069.4r	3,059.1	3,069.4r	3,066.0r	3,070.3
3 M3	3,201.7	3,494.9	3,677.6r	3,917.9r	3,900.5r	3,917.9r	3,923.2r	3,933.5
4 L	3,830.6	4,137.1	4,340.5r	4,689.3r	4,649.6r	4,689.3r	4,691.6	n.a.
5 Debt	6,719.9	7,576.8	8,283.9r	9,001.0r	8,943.4r	9,001.0r	9,052.7	n.a.
M1 components								
6 Currency[3]	167.8	180.5	196.4	211.8	210.5	211.8	213.4	214.3
7 Travelers checks[4]	5.9	6.5	7.1	7.6	7.5	7.6	7.6	7.5
8 Demand deposits[5]	267.3	303.2	288.3	288.6	287.7	288.6	284.0	284.8
9 Other checkable deposits[6]	179.5	235.8	260.4	282.3	281.0r	282.3	281.2r	280.8
Nontransactions components								
10 In M2[7]	1,946.9	2,085.3	2,157.7r	2,279.2r	2,272.5	2,279.2r	2,279.7r	2,282.9
11 In M3 only[8]	634.3	683.7	767.6	848.5r	841.3r	848.5r	857.3r	863.2
Savings deposits[9]								
12 Commercial Banks	125.0	155.8	178.5	192.5	192.8	192.5	190.8	190.4
13 Thrift institutions	176.6	215.2	237.8	238.8	239.0	238.8	237.0	234.3
Small-denomination time deposits[10]								
14 Commercial Banks	383.3	364.6	385.3	443.0	436.4	443.0	451.1	461.2
15 Thrift institutions	499.2	489.3	528.8	582.2	581.4	582.2	584.8r	587.3
Money market mutual funds								
16 General purpose and broker-dealer	176.5	208.0	221.1	239.6	237.4	239.6	242.0	247.9
17 Institution-only	64.5	84.4	89.6	87.6	87.4	87.6	89.3	89.6
Large-denomination time deposits[11]								
18 Commercial Banks[12]	285.1	288.8	325.4	364.9r	361.2	364.9r	370.6r	378.1
19 Thrift institutions	151.5	150.1	162.0	172.9	173.2	172.9	173.7r	173.4
Debt components								
20 Federal debt	1,585.3	1,805.8	1,957.5r	2,114.7r	2,101.5r	2,114.7r	2,122.1	n.a.
21 Nonfederal debt	5,134.6	5,771.1	6,326.3r	6,886.3r	6,841.9r	6,886.3r	6,930.6	n.a.
	Not seasonally adjusted							
22 M1	633.5	740.4	766.4	804.3	788.3	804.3	793.0	772.3
23 M2	2,576.2	2,821.1	2,918.7r	3,077.1r	3,057.6r	3,077.1r	3,076.3r	3,057.8
24 M3	3,213.3	3,507.4	3,688.5r	3,927.7r	3,905.6r	3,927.7r	3,930.7r	3,921.5
25 L	3,843.7	4,152.0	4,354.9r	4,703.1r	4,657.6r	4,703.1r	4,708.3	n.a.
26 Debt	6,710.2	7,561.0	8,266.0r	8,981.3r	8,906.3r	8,981.3r	9,031.8	n.a.
M1 components								
27 Currency[3]	170.2	183.0	199.3	214.9	211.3	214.9	211.8	211.9
28 Travelers checks[4]	5.5	6.0	6.5	6.9	7.1	6.9	7.0	7.1
29 Demand deposits[5]	276.9	314.0	298.6	298.8	290.0	298.8	290.5	275.7
30 Other checkable deposits[6]	180.9	237.4	262.0	283.7	279.8	283.7	283.7	277.6
Nontransactions components								
31 M2[7]	1,942.7	2,080.7	2,152.3r	2,272.8r	2,269.4	2,272.8r	2,283.3r	2,285.5
32 M3 only[8]	637.1	686.3	769.8	850.6r	848.0r	850.6r	854.5r	863.7
Money market deposit accounts								
33 Commercial Banks	332.8	379.6	358.8	352.4	354.1	352.4	348.3	342.3
34 Thrift institutions	180.7	192.9	167.5	150.3	152.6	150.3	146.8	142.8
Savings deposits[9]								
35 Commercial Banks	123.7	154.2	176.6	190.3	192.2	190.3	189.3r	188.3
36 Thrift institutions	174.8	212.7	234.8	235.6	238.2	235.6	233.5	230.4
Small-denomination time deposits[10]								
37 Commercial Banks	384.0	365.3	386.1	444.1	437.7	444.1	453.1	463.0
38 Thrift institutions	499.9	489.8	529.1	582.4	581.8	582.4	588.7r	591.6
Money market mutual funds								
39 General purpose and broker-dealer	176.5	208.0	221.1	239.6	237.4	239.6	242.0	247.9
40 Institution-only	64.5	84.4	89.6	87.6	87.4	87.6	89.3	89.6
Large-denomination time deposits[11]								
41 Commercial Banks[12]	285.4	289.1	325.8	365.5r	362.3	365.5r	370.2r	377.9
42 Thrift institutions	151.8	150.7	163.0	174.0	174.9	174.0	174.9	174.2
Debt components								
43 Federal debt	1,583.7	1,803.9	1,955.6r	2,112.5r	2,090.9r	2,112.5r	2,121.4	n.a.
44 Nonfederal debt	5,126.4	5,757.2	6,310.4r	6,868.8r	6,815.4r	6,868.8r	6,910.5	n.a.

For notes see following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) release. Historical data are available from the Monetary and Reserves Projection section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

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

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of depository institutions; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to depository institutions, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (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.

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.

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 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.

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

4. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

5. Demand deposits at commercial banks and foreign-related institutions other than those due to depository institutions, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float.

6. Consists of NOW and ATS balances at all depository institutions, credit union share draft balances, and demand deposits at thrift institutions.

7. Sum of overnight RPs and overnight Eurodollars, money market fund balances (general purpose and broker-dealer), MMDAs, and savings and small time deposits.

8. Sum of large time deposits, term RPs, and term Eurodollars of U.S. residents, money market fund balances (institution-only), less the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.

9. *Savings deposits exclude MMDAs.*

10. 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.

11. Large-denomination time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

12. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

1.22 BANK DEBITS AND DEPOSIT TURNOVER[1]

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	1986	1987	1988	1988 July	Aug.	Sept.	Oct.	Nov.	Dec.
DEBITS TO	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	188,346.0	217,116.2	226,888.4	224,512.7	228,898.2	227,617.3	235,980.5	238,497.5	245,617.5
2 Major New York City banks	91,397.3	104,496.3	107,547.3	107,336.7	110,150.0	108,741.8	114,876.4	112,071.8	111,115.5
3 Other banks	96,948.8	112,619.8	119,341.2	117,176.0	118,748.2	118,875.5	121,104.1	126,425.7	134,502.0
4 ATS-NOW accounts[4]	2,182.5	2,402.7	2,757.7	2,570.4	2,963.6	2,871.2	2,820.2	2,897.2	3,020.8
5 Savings deposits[5]	403.5	526.5	583.0	583.3	609.6	578.6	521.3	574.9	640.7
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	556.5	612.1	641.2	622.7	645.8	651.0	659.7	676.6	698.5
7 Major New York City banks	2,498.2	2,670.6	2,903.5	2,789.6	2,939.3	3,102.4	3,086.1	3,034.6	3,140.7
8 Other banks	321.2	357.0	376.8	363.8	374.6	377.9	377.9	400.6	425.3
9 ATS-NOW accounts[4]	15.6	13.8	14.7	13.5	15.6	15.1	14.8	15.1	15.8
10 Savings deposits[5]	3.0	3.1	3.1	2.9	3.2	3.1	2.8	3.1	3.4
DEBITS TO	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	188,506.7	217,125.1	227,010.7	217,350.7	237,459.0	224,089.2	227,485.2	228,743.0	258,119.4
12 Major New York City banks	91,500.1	104,518.8	91,242.6	103,561.2	112,654.6	107,115.7	111,019.4	108,689.1	117,470.7
13 Other banks	97,006.7	112,606.2	119,445.7	113,789.6	124,804.4	116,973.5	116,465.8	120,053.9	140,648.8
14 ATS-NOW accounts[4]	2,184.6	2,404.8	2,754.7	2,536.6	2,828.0	2,951.1	2,805.4	2,714.1	3,163.8
15 MMDA[6]	1,609.4	1,954.2	2,430.1	2,399.0	2,530.0	2,409.4	2,325.8	2,539.7	2,940.5
16 Savings deposits[5]	404.1	526.8	578.0	566.2	615.9	570.1	540.9	523.7	655.6
DEPOSIT TURNOVER									
Demand deposits[3]									
17 All insured banks	556.7	612.3	591.7	599.9	681.6	642.9	39.8	643.3	699.1
18 Major New York City banks	2,499.1	2,674.9	2,901.4	2,660.7	3,170.3	3,046.4	3,059.1	2,998.6	3,058.1
19 Other banks	321.2	356.9	377.1	351.9	398.9	373.3	364.8	375.9	425.2
20 ATS-NOW accounts[4]	15.6	13.8	14.7	13.4	15.1	15.6	14.9	14.3	16.3
21 MMDA[6]	4.5	5.3	6.9	6.7	7.2	6.9	6.7	7.3	8.4
22 Savings deposits[5]	3.0	3.1	3.1	3.0	3.3	3.1	2.9	2.8	3.5

1. Historical tables containing revised data for earlier periods may be obtained from the Monetary and Reserves Projections Section, Division of Monetary Affairs, 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.

2. Annual averages of monthly figures.
3. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.
4. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data are available beginning December 1978.
5. Excludes ATS and NOW accounts, MMDA and special club accounts, such as Christmas and vacation clubs.
6. Money market deposit accounts.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1988[r]										1989	
	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.
	Seasonally adjusted											
1 **Total loans and securities[2]**	**2,284.3**	**2,303.5**	**2,325.5**	**2,343.5**	**2,358.5**	**2,371.4**	**2,373.5**	**2,392.6**	**2,400.6**	**2,408.0**	**2,412.8**	**2,441.8**
2 U.S. government securities	341.3	343.9	346.4	348.8	349.3	350.9	353.2	356.0	358.5	362.4	361.8	363.4
3 Other securities	196.2	196.5	196.4	196.7	196.9	196.7	195.4	196.6	195.3	192.9	188.0	188.5
4 Total loans and leases[2]	1,746.8	1,763.1	1,782.7	1,797.9	1,812.3	1,823.9	1,825.0	1,839.9	1,846.8	1,852.7	1,863.0	1,889.9
5 Commercial and industrial	570.4	577.4	584.5	589.3	594.9	595.3	594.3	597.8	598.9	599.7	604.5	616.6
6 Bankers acceptances held[3]	4.7	4.7	4.4	4.3	4.3	4.2	4.1	4.1	4.3	4.1	4.3	4.1
7 Other commercial and industrial	565.6	572.7	580.1	584.9	590.6	591.0	590.3	593.8	594.6	595.6	600.2	612.5
8 U.S. addressees[4]	557.6	565.2	573.2	578.1	583.7	584.4	583.5	587.3	588.5	589.6	594.5	607.5
9 Non-U.S. addressees[4]	8.0	7.5	6.9	6.8	6.9	6.7	6.8	6.5	6.2	6.0	5.7	5.0
10 Real estate	606.2	613.1	620.5	626.9	633.3	640.3	646.9	654.7	659.3	664.8	671.2	678.3
11 Individual	336.9	339.9	341.9	343.4	344.6	346.5	348.9	350.8	352.3	355.1	357.0	357.9
12 Security	40.2	39.5	39.7	39.5	38.9	39.7	36.7	38.4	37.9	37.9	37.0	44.0
13 Nonbank financial institutions	31.0	30.5	30.6	30.6	31.0	31.0	30.5	30.2	30.0	29.9	30.4	30.8
14 Agricultural	29.4	29.4	29.5	29.6	29.6	29.6	29.6	29.8	30.3	30.7	30.7	30.7
15 State and political subdivisions	50.3	49.7	49.4	49.2	48.8	48.2	48.0	48.7	47.9	47.1	44.7	44.9
16 Foreign banks	7.9	8.3	8.0	8.1	8.2	8.2	7.5	7.8	8.2	7.5	7.6	8.2
17 Foreign official institutions	5.1	5.1	5.1	5.0	5.0	5.2	5.2	5.1	5.4	5.6	5.6	5.5
18 Lease financing receivables	25.6	25.9	26.2	26.8	27.5	27.6	27.8	27.9	28.0	28.1	28.3	28.4
19 All other loans	44.0	44.4	47.2	49.6	50.4	52.3	49.4	48.7	48.7	46.4	45.9	44.5
	Not seasonally adjusted											
20 **Total loans and securities[2]**	**2,281.5**	**2,306.2**	**2,326.5**	**2,346.6**	**2,352.6**	**2,364.4**	**2,370.9**	**2,383.8**	**2,399.6**	**2,420.3**	**2,420.7**	**2,443.6**
21 U.S. government securities	342.7	344.0	345.6	347.8	347.9	351.1	353.0	352.9	357.2	362.7	363.6	367.9
22 Other securities	195.4	196.4	196.7	196.9	196.4	197.0	195.2	195.4	195.4	192.7	190.1	188.3
23 Total loans and leases[2]	1,743.5	1,765.8	1,784.2	1,801.9	1,808.2	1,816.3	1,822.7	1,835.5	1,847.0	1,865.0	1,867.0	1,887.4
24 Commercial and industrial	573.4	581.6	588.3	593.1	593.9	591.0	589.5	593.2	596.5	602.8	603.8	615.9
25 Bankers acceptances held[3]	4.7	4.6	4.4	4.5	4.4	4.3	4.2	4.1	4.2	4.0	4.1	4.0
26 Other commercial and industrial	568.7	577.0	583.9	588.5	589.5	586.7	585.4	589.1	592.2	598.8	599.7	611.9
27 U.S. addressees[4]	560.8	569.2	576.8	581.7	582.6	580.1	578.8	583.0	586.2	592.6	594.4	606.5
28 Non-U.S. addressees[4]	7.9	7.9	7.1	6.9	6.9	6.6	6.5	6.1	6.1	6.1	5.4	5.4
29 Real estate	604.2	611.1	619.5	626.8	633.7	641.5	648.6	655.6	661.1	666.1	671.2	676.4
30 Individual	334.2	337.6	339.9	342.0	343.5	346.7	350.5	351.8	353.3	359.0	359.8	357.2
31 Security	40.6	41.5	40.7	41.2	38.6	38.5	35.3	36.9	37.3	38.3	37.4	43.1
32 Nonbank financial institutions	30.2	30.3	30.8	30.8	31.0	30.9	30.4	29.8	30.1	30.9	30.9	30.2
33 Agricultural	28.3	28.6	29.3	29.9	30.3	30.4	30.5	30.6	30.5	30.5	30.1	29.8
34 State and political subdivisions	51.0	50.0	49.3	48.9	48.2	47.7	47.4	48.2	47.3	46.9	46.2	45.9
35 Foreign banks	7.7	7.9	7.7	7.9	8.4	8.1	7.7	7.9	8.2	7.8	7.8	8.3
36 Foreign official institutions	5.1	5.1	5.1	5.0	5.0	5.2	5.2	5.1	5.4	5.6	5.6	5.5
37 Lease financing receivables	25.6	25.9	26.2	26.8	27.4	27.5	27.7	27.8	27.9	28.3	28.6	28.5
38 All other loans	43.2	46.1	47.5	49.5	48.3	49.0	49.9	48.6	49.3	48.8	45.6	46.7

1. These data also appear in the Board's G.7 (407) release. For address, see inside front cover.
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	1988										1989	
	Mar.[r]	Apr.	May	June	July[r]	Aug.	Sept.	Oct.[r]	Nov.	Dec.	Jan.	Feb.
Seasonally adjusted												
1 Total nondeposit funds[2]	193.3	203.5[r]	210.2[r]	212.3[r]	214.7	219.3[r]	209.3[r]	211.6	217.4[r]	213.5[r]	208.0	212.8
2 Net balances due to related foreign offices[3]	708.0	716.3[r]	726.1[r]	729.9[r]	733.5	735.4[r]	735.5[r]	741.8	745.0[r]	753.8[r]	763.5	779.2
3 Borrowings from other than commercial banks in United States[4]	195.9	199.1[r]	203.0[r]	204.1[r]	200.9	200.3[r]	201.2[r]	206.1	208.2[r]	206.9[r]	200.1	202.2
4 Domestically chartered banks	166.2	167.0[r]	170.4[r]	170.3[r]	166.5	165.8[r]	165.3[r]	167.9	168.9[r]	168.0[r]	163.2	163.1
5 Foreign-related banks	29.6	32.1	32.6	33.8	34.4	34.5	35.9	38.2	39.3	38.9	36.9	39.1
Not seasonally adjusted												
6 Total nondeposit funds[2]	198.7	205.8[r]	217.7[r]	215.5[r]	210.3	218.2[r]	205.9[r]	205.5	214.1[r]	207.9[r]	207.2	217.7
7 Net balances due to related foreign offices[3]	−3.2	2.0	9.7	8.7	10.7	18.6	9.1	5.1	10.2	9.1	7.5[r]	10.3
8 Domestically chartered banks	−25.3	−22.2	−16.5	−16.3	−14.1	−7.3	−15.7	−20.5	−19.2	−20.7	−20.5[r]	−17.9
9 Foreign-related banks	22.1	24.2	26.2	25.0	24.8	25.9	24.7	25.5	29.4	29.8	28.1	28.2
10 Borrowings from other than commercial banks in United States[4]	201.9	203.9[r]	208.0[r]	206.8[r]	199.6	199.6[r]	196.8[r]	200.4	203.9[r]	198.9[r]	199.6	207.3
11 Domestically chartered banks	171.0	171.0[r]	175.0[r]	171.6[r]	164.7	165.4[r]	161.5[r]	163.6	167.6[r]	162.0[r]	161.6	166.9
12 Federal funds and security RP borrowings[5]	167.6	166.3[r]	170.4[r]	166.8[r]	159.3	160.3[r]	157.1[r]	159.6	163.0[r]	158.5[r]	158.2	163.7
13 Other[6]	3.4	4.8	4.6	4.8	5.4	5.0	4.4	4.1	4.6	3.5	3.4	3.2
14 Foreign-related banks[6]	30.8	32.8	33.0	35.2	34.9	34.2	35.3	36.8	36.3	36.9	38.0	40.4
MEMO												
Gross large time deposits[7]												
15 Seasonally adjusted	398.0	397.1	399.8	403.2	408.4	414.6	419.7	423.2	424.5	429.1	434.9	440.4
16 Not seasonally adjusted	399.5	395.4	398.9	401.8	405.9	415.1	421.7	424.7	425.6	429.8	434.5	440.3
U.S. Treasury demand balances at commercial banks[8]												
17 Seasonally adjusted	25.2	22.4	23.9	22.0	21.3	17.1	23.5	27.2	23.0	24.9	20.3	20.3
18 Not seasonally adjusted	22.3	21.7	30.4	21.0	22.0	11.9	24.6	27.7	16.3	22.9	25.0	25.9

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.

These data also appear in the Board's G.10 (411) release. For address, see inside front cover.

2. Includes federal funds, RPs, and other borrowing from nonbanks and net balances due to related foreign offices.

3. Reflects net positions of U.S. chartered banks, Edge Act corporations, and U.S. branches and agencies of foreign banks with related foreign offices plus net positions with own IBFs.

4. Other borrowings are borrowings through any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, loan RPs, and sales of participations in pooled loans.

5. Based on daily average data reported weekly by approximately 120 large banks and quarterly or annual data reported by other banks.

6. Figures are partly daily averages and partly averages of Wednesday data.

7. Time deposits in denominations of $100,000 or more. Estimated averages of daily data.

8. U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series[1]

Billions of dollars

Account	1988									1989	
	Apr.r	May	June	Julyr	Aug.r	Sept.r	Oct.r	Nov.r	Dec.r	Jan.r	Feb.
ALL COMMERCIAL BANKING INSTITUTIONS[2]											
1 Loans and securities	2,467.6	2,475.4	2,514.5	2,512.1	2,526.3	2,524.9	2,541.5	2,581.3	2,592.0	2,576.7	2,613.5
2 Investment securities	520.7	523.0	520.4	523.5	526.7	527.0	525.0	531.3	533.0	533.3	535.5
3 U.S. government securities	329.5	331.4	328.8	332.6	335.1	336.5	334.7	340.8	345.9	348.8	352.9
4 Other	191.2	191.6	191.6	190.8	191.6	190.5	190.4	190.5	187.1	184.5	182.6
5 Trading account assets	19.5	20.3	22.0	23.9	22.7	21.2	24.9	24.8	19.2	21.5	20.1
6 Total loans	1,927.4	1,932.1	1,972.1	1,964.8	1,977.0	1,976.7	1,991.6	2,025.2	2,039.7	2,022.0	2,057.9
7 Interbank loans	158.4	152.9	164.8	159.7	156.8	153.2	160.0	170.6	165.4	159.9	173.0
8 Loans excluding interbank	1,769.0	1,779.2	1,807.3	1,805.1	1,820.1	1,823.5	1,831.6	1,854.6	1,874.3	1,862.1	1,884.9
9 Commercial and industrial	582.9	587.5	596.4	591.0	589.0	589.2	591.6	598.5	606.1	602.2	615.2
10 Real estate	613.4	621.0	630.2	635.2	645.1	651.0	656.3	663.1	669.3	672.2	677.0
11 Individual	339.2	339.9	342.4	343.8	348.9	351.6	352.5	354.7	361.3	359.9	357.3
12 All other	233.5	230.9	238.3	235.0	237.2	231.8	231.2	238.3	237.5	227.9	235.4
13 Total cash assets	214.4	200.5	221.6	217.1	222.1	215.0	208.5	235.1	244.4	214.7	226.0
14 Reserves with Federal Reserve Banks	32.2	26.0	34.4	30.7	33.0	31.1	31.7	33.8	34.5	31.6	27.8
15 Cash in vault	25.5	25.5	26.6	26.0	26.6	26.3	26.4	28.8	30.5	27.6	26.7
16 Cash items in process of collection	76.5	71.3	77.0	75.5	79.7	76.2	72.8	89.6	92.0	76.2	88.8
17 Demand balances at U.S. depository institutions	30.3	29.2	31.6	31.3	31.5	29.4	29.2	32.1	34.3	27.8	32.5
18 Other cash assets	50.0	48.5	52.0	53.5	51.3	52.0	48.4	50.8	53.2	51.5	50.1
19 Other assets	192.2	187.9	195.0	189.3	188.4	193.4	201.4	201.2	199.4	195.0	191.4
20 Total assets/total liabilities and capital	**2,874.2**	**2,863.7**	**2,931.1**	**2,918.5**	**2,936.8**	**2,933.3**	**2,951.3**	**3,017.7**	**3,035.8**	**2,986.4**	**3,030.8**
21 Deposits	2,012.5	2,009.7	2,044.4	2,052.1	2,075.1	2,060.0	2,069.4	2,122.8	2,142.9	2,093.9	2,121.8
22 Transaction deposits	596.1	579.3	603.8	598.9	609.9	588.5	587.4	627.7	641.5	585.5	601.4
23 Savings deposits	536.4	542.4	544.7	545.5	542.4	536.8	538.4	542.2	537.0	530.2	528.7
24 Time deposits	880.0	887.9	895.9	907.6	922.7	934.7	943.6	952.9	964.4	978.2	991.7
25 Borrowings	467.3	458.1	486.6	469.2	448.7	468.3	479.5	476.7	470.9	491.8	500.9
26 Other liabilities	210.0	209.6	211.3	209.9	222.4	215.5	211.9	224.2	229.0	204.8	212.3
27 Residual (assets less liabilities)	184.4	186.3	188.8	187.3	190.6	189.5	190.6	193.9	193.1	195.8	195.8
MEMO											
28 U.S. government securities (including trading account)	344.1	347.1	345.4	350.2	352.0	352.7	354.5	360.3	359.9	365.9	367.8
29 Other securities (including trading account)	196.2	196.2	197.1	197.1	197.4	195.5	195.3	195.8	192.3	188.9	187.8
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	2,283.6	2,289.1	2,318.4	2,322.9	2,334.5	2,332.7	2,347.3	2,382.9	2,385.5	2,378.3	2,399.0
31 Investment securities	495.3	496.5	493.8	496.3	499.7	501.2	499.2	505.7	508.0	507.5	509.4
32 U.S. Treasury securities	318.2	319.2	317.0	320.2	323.2	324.9	323.4	329.6	334.9	336.3	340.0
33 Other	177.0	177.3	176.8	176.1	176.4	176.3	175.8	176.1	173.0	171.2	169.3
34 Trading account assets	19.5	20.3	22.0	23.9	22.7	21.2	24.9	24.8	19.2	21.5	20.1
35 Total loans	1,768.8	1,772.3	1,802.5	1,802.7	1,812.1	1,810.2	1,823.3	1,852.4	1,858.3	1,849.4	1,869.5
36 Interbank loans	129.2	126.0	135.0	132.1	127.8	124.2	129.6	139.4	132.2	130.6	138.2
37 Loans excluding interbank	1,639.6	1,646.4	1,667.5	1,670.6	1,684.3	1,686.0	1,693.6	1,713.1	1,726.1	1,718.7	1,731.3
38 Commercial and industrial	488.5	490.6	493.9	492.6	490.6	489.9	492.4	498.1	499.5	498.7	503.0
39 Real estate	597.0	603.8	612.5	618.0	626.1	631.8	636.6	642.3	648.5	651.3	655.6
40 Individual	338.9	339.5	342.1	343.5	348.5	351.2	352.2	354.4	361.0	359.6	357.0
41 All other	215.2	212.4	219.0	216.6	219.0	213.1	212.4	218.3	217.1	209.2	215.8
42 Total cash assets	197.0	183.6	202.4	197.1	203.5	194.2	190.4	216.0	223.2	193.7	206.6
43 Reserves with Federal Reserve Banks	30.8	23.6	32.9	29.6	31.4	29.0	29.9	32.6	33.1	30.1	26.6
44 Cash in vault	25.4	25.4	26.6	26.0	26.6	26.3	26.4	28.8	30.4	27.6	26.7
45 Cash items in process of collection	75.9	71.1	76.6	75.2	79.4	75.8	72.0	88.8	91.2	75.4	87.8
46 Demand balances at U.S. depository institutions	28.7	27.5	29.8	29.5	29.8	27.4	27.3	30.2	32.2	25.9	30.5
47 Other cash assets	36.2	35.9	36.4	36.9	36.4	35.7	34.8	35.5	36.2	34.8	35.1
48 Other assets	121.6	118.3	125.5	121.5	123.6	126.7	131.9	132.9	134.9	127.8	129.1
49 Total assets/liabilities and capital	**2,602.2**	**2,591.0**	**2,646.2**	**2,641.5**	**2,661.5**	**2,653.6**	**2,669.6**	**2,731.7**	**2,743.6**	**2,699.8**	**2,734.7**
50 Deposits	1,949.0	1,946.4	1,979.2	1,986.8	2,009.0	1,992.7	2,001.0	2,053.0	2,069.9	2,022.6	2,049.1
51 Transaction deposits	587.3	571.1	595.0	590.2	601.1	579.4	577.6	617.5	631.5	576.0	591.9
52 Savings deposits	534.0	540.0	542.0	543.0	539.9	534.3	535.8	539.7	534.5	527.8	526.3
53 Time deposits	827.8	835.3	842.2	853.6	868.0	879.0	887.6	895.8	903.9	918.8	930.9
54 Borrowings	360.5	353.2	371.8	359.9	345.3	359.0	364.7	365.6	363.1	376.2	378.1
55 Other liabilities	111.6	108.6	109.8	111.0	120.1	115.8	116.7	122.6	120.9	108.6	115.2
56 Residual (assets less liabilities)	181.1	182.9	185.4	183.9	187.2	186.1	187.2	190.5	189.7	192.4	192.4
MEMO											
57 Real estate loans, revolving	33.0	33.7	34.9	35.4	36.3	37.4	38.4	39.5	40.1	40.6	41.4
58 Real estate loans, other	564.0	570.1	577.6	582.6	589.8	594.4	598.2	602.8	608.4	610.7	614.2

1. Back data are available from the Banking and Monetary Statistics section, Board of Governors of the Federal Reserve System, Washington, D.C., 20551. These data also appear in the Board's weekly H.8 (510) release.

Data have been revised because of benchmarking to new Call reports beginning October 1987.

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 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS[1]

Millions of dollars, Wednesday figures

Account	1988	1989							
	Dec. 28[2]	Jan. 4	Jan. 11	Jan. 18	Jan. 25	Feb. 1	Feb. 8	Feb. 15	Feb. 22
1 Cash and balances due from depository institutions	125,023	140,505	115,869	130,199	106,823	125,598	97,931	113,862	114,148
2 **Total loans, leases, and securities, net**	**1,154,340**	**1,177,194**	**1,172,696**	**1,176,749**	**1,175,383r**	**1,183,422**	**1,188,823**	**1,196,182**	**1,189,414**
3 U.S. Treasury and government agency	128,584	131,352	132,175	134,266	135,361	133,155	134,537	136,184	135,158
4 Trading account	14,371	14,619	15,367	17,292	17,121	15,015	15,765	16,925	14,871
5 Investment account	114,214	116,733	116,808	116,974	118,240	118,140	118,772	119,259	120,287
6 Mortgage-backed securities[3]	46,306	47,211	47,154	47,338	47,766	48,266	48,195	48,713	49,022
All other maturing in									
7 One year or less	20,458	21,048	21,074	21,072	21,761	21,969	22,070	22,750	23,297
8 Over one through five years	39,527	40,465	40,600	40,704	40,868	40,391	40,933	40,180	40,302
9 Over five years	7,923	8,010	7,979	7,860	7,844	7,514	7,574	7,616	7,666
10 Other securities	72,315	73,358	72,989	72,937	72,688	73,112	72,578	72,429	72,311
11 Trading account	1,713	1,535	1,334	1,273	1,299	1,578	1,388	1,391	1,400
12 Investment account	70,602	71,823	71,655	71,664	71,388	71,534	71,189	71,038	70,911
13 States and political subdivisions, by maturity	44,653	45,216	45,206	45,192	45,159	44,997	44,885	44,757	44,778
14 One year or less	4,865	4,948	4,911	4,902	4,893	4,890	4,908	4,885	4,891
15 Over one year	39,788	40,268	40,295	40,291	40,266	40,107	39,977	39,872	39,888
16 *Other bonds, corporate stocks, and securities*	25,949	26,607	26,449	26,472	26,229	26,538	26,304	26,281	26,132
17 Other trading account assets	3,596	3,693	3,700	3,524	3,041	3,705	3,677	4,350	3,807
18 Federal funds sold[4]	74,401	77,259	76,387	74,237	75,321	82,219	84,013	85,865	82,909
19 To commercial banks	49,135	52,820	50,946	49,351	50,565	51,451	55,281	54,956	52,849
20 To nonbank brokers and dealers in securities	16,707	16,343	16,616	16,734	16,934	20,999	20,441	20,519	21,776
21 To others	8,558	8,096	8,825	8,152	7,822	9,768	8,291	10,390	8,284
22 Other loans and leases, gross	915,695	931,160	926,724	930,980	928,357r	930,943	933,818	937,197	935,076
23 Other loans, gross	891,942	907,061	902,576	906,762	904,058r	906,717	909,635	913,034	910,842
24 Commercial and industrial	301,530r	305,987r	303,778r	303,808r	305,134r	306,213	310,029	310,968	310,051
25 Bankers acceptances and commercial paper	1,780	1,930	1,733	1,693	1,626	1,703	1,666	1,831	1,693
26 All other	299,750r	304,057r	302,046r	302,116r	303,509r	304,510	308,363	309,137	308,358
27 U.S. addressees	297,391r	301,805r	299,857r	300,226r	301,570r	302,617	306,473	307,192	306,438
28 Non-U.S. addressees	2,359	2,252	2,188	1,890	1,938	1,893	1,889	1,945	1,918
29 Real estate loans	300,067r	308,906r	309,781r	310,569r	310,582	311,024	311,433	312,656	312,623
30 Revolving, home equity	21,792	22,085	22,210	22,258	22,335	22,430	22,459	22,535	22,583
31 All other	278,275r	286,821r	287,571r	288,312r	288,247	288,594	288,973	290,121	290,040
32 To individuals for personal expenditures	169,179	173,078	172,696	172,362	172,148r	170,936	170,387	170,233	170,115
33 To depository and financial institutions	48,728	47,404	48,199	48,973	47,205	48,437	48,528	48,413	48,013
34 Commercial banks in the United States	22,185	21,044	22,246	22,852	22,289	22,204	22,855	23,358	22,980
35 Banks in foreign countries	3,685	3,890	4,017	4,277	3,445	4,167	3,996	3,476	4,305
36 Nonbank depository and other financial institutions	22,858	22,470	21,937	21,844	21,472	22,067	21,677	21,578	20,728
37 For purchasing and carrying securities	13,926	12,237	11,520	12,915	12,455	12,728	13,193	14,056	13,480
38 To finance agricultural production	5,508	5,809	5,777	5,740	5,682	5,692	5,669	5,661	5,601
39 To states and political subdivisions	28,648	28,392r	28,268r	28,269r	28,222r	28,151	28,143	28,083	28,099
40 To foreign governments and official institutions	1,964	1,910	1,861	1,828	1,888	1,963	1,940	1,771	1,848
41 All other	22,390	23,338r	20,695r	22,296r	20,742r	21,571	20,313	21,193	21,012
42 Lease financing receivables	23,753	24,098	24,148	24,218	24,299	24,226	24,183	24,163	24,234
43 LESS: Unearned income	4,889	4,990	5,023	5,028	5,039r	4,986	4,998	5,011	5,027
44 Loan and lease reserve[5]	35,362	34,638	34,256	34,167	34,346r	34,725	34,802	34,832	34,820
45 Other loans and leases, net	875,444	891,531	887,445	891,784	888,972r	891,232	894,018	897,354	895,229
46 *All other assets*	132,924r	134,664r	131,357r	132,548r	127,310r	131,358	128,766	130,800	130,454
47 **Total assets**	**1,412,288r**	**1,452,362r**	**1,419,922r**	**1,439,496r**	**1,409,516r**	**1,440,379**	**1,415,520**	**1,440,844**	**1,434,016**
48 Demand deposits	247,195	270,603	235,299	248,581	219,368r	245,610	215,502	237,955	228,985
49 *Individuals, partnerships, and corporations*	195,382	214,182	187,645	194,618	175,066r	189,453	171,483	186,891	181,031
50 States and political subdivisions	6,993	8,144	6,207	6,385	6,770	7,405	5,571	6,164	5,868
51 U.S. government	2,711	2,626	3,484	3,172	2,531	1,767	3,460	4,169	1,709
52 Depository institutions in the United States	24,187	28,284	22,032	27,294	19,413	27,658	19,253	24,080	23,360
53 Banks in *foreign countries*	6,662	7,244	6,127	7,076	6,006	6,847	6,157	6,255	7,471
54 Foreign governments and official institutions	985	754	959	869	787	781	756	908	1,080
55 Certified and officers' checks	10,274	9,369	8,844	9,167	8,795	11,698	8,822	9,488	8,466
56 Transaction balances other than demand deposits	75,412	82,675	79,506	78,750	75,237	77,228	77,257	76,798	75,988
57 Nontransaction balances	623,960	651,710	652,082	652,718	651,113	653,019	657,113	657,302	657,407
58 Individuals, partnerships, and corporations	585,172	610,601	610,725	611,569	609,460	611,529	615,160	614,815	614,973
59 States and political subdivisions	29,480	31,102	31,439	31,345	31,469	31,478	32,158	32,584	32,594
60 U.S. government	928	885	858	845	855	853	853	861	854
61 Depository institutions in the United States	7,702	8,444	8,350	8,254	8,623	8,460	8,239	8,347	8,296
62 Foreign governments, official institutions, and banks	677	678	710	705	705	699	703	696	694
63 Liabilities for borrowed money	278,192	264,645	270,226r	277,782	282,216	282,918	282,951	284,336	285,158
64 Borrowings from Federal Reserve Banks	1,035	1,655	1,462	1,015	1,574	559	4,242	1,005	1,677
65 Treasury tax-and-loan notes	21,053	3,155	9,825	20,625	24,107	22,775	16,236	15,812	16,768
66 All other liabilities for borrowed money[6]	256,103	259,834	258,939r	256,143	256,535	259,584	262,472	267,518	266,713
67 Other liabilities and subordinated notes and debentures	93,536	87,316	86,299r	85,274	85,262r	85,449	86,075	87,791	89,469
68 ***Total liabilities***	**1,318,294**	**1,356,949**	**1,323,412r**	**1,343,107**	**1,313,196r**	**1,344,224**	**1,318,898**	**1,344,182**	**1,337,007**
69 Residual (total assets minus total liabilities)[7]	93,993r	95,413r	96,510r	96,389r	96,320r	96,154	96,622	96,662	97,009
MEMO									
70 Total loans and leases (gross) and *investments adjusted*[8]	1,123,271	1,142,958	1,138,784	1,143,741	1,141,914r	1,149,478	1,150,488	1,157,710	1,153,432
71 Total loans and leases (gross) adjusted[8]	918,776	934,555	929,920	933,013	930,824r	939,507	939,696	944,748	942,155
72 *Time deposits in amounts of $100,000 or more*	196,083	204,475	206,249	206,332	206,798r	205,761	208,105	209,008	209,264
73 U.S. Treasury securities maturing in one year or less	18,560	18,503	18,965	18,835	19,531	19,310	19,344	20,825	20,770
74 Loans sold outright to affiliates—total[9]	1,380	1,461	1,521	1,520	1,555	1,491	1,533	1,526	1,544
75 Commercial and industrial	1,029	1,115	1,176	1,195	1,240	1,194	1,230	1,236	1,251
76 Other	350	346	345	325	315	297	303	290	293
77 Nontransaction savings deposits (including MMDAs)	250,402	259,084	256,923	256,479	253,433	255,350	256,264	254,860	253,710

1. Beginning Jan. 6, 1988, the "Large bank" reporting group was revised somewhat, eliminating some former reporters with less than $2 billion of assets and adding some new reporters with *assets greater than $3 billion.*
2. For adjustment bank data see this table in the March 1989 Bulletin. The adjustment data for 1988 should be added to the reported data for 1988 to establish comparability with data reported for 1989.
3. Includes U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages.
4. Includes securities purchased under agreements to resell.
5. Includes allocated transfer risk reserve.
6. 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.
7. This is not a measure of equity capital for use in capital-adequacy analysis or for other analytic uses.
8. Exclusive of loans and federal funds transactions with domestic commercial banks.
9. 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 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY[1]

Millions of dollars, Wednesday figures

Account	1988	1989							
	Dec. 28	Jan. 4	Jan. 11	Jan. 18	Jan. 25	Feb. 1	Feb. 8	Feb. 15	Feb. 22
1 Cash balances due from depository institutions	26,940	29,826	25,318	27,633	24,996	33,916	19,634	27,913	24,559
2 **Total loans, leases and securities, net[2]**	**221,039**	**216,341**	**215,771**	**215,823**	**218,381**	**220,482**	**226,048**	**225,203**	**222,797**
Securities									
3 U.S. Treasury and government agency[3]	0	0	0	0	0	0	0	0	0
4 Trading account[3]	0	0	0	0	0	0	0	0	0
5 Investment account	15,689	15,800	15,595	16,069	16,032	15,937	15,914	15,931	15,920
6 Mortgage-backed securities[4]	6,782	6,913	6,910	6,977	6,948	6,966	6,966	6,918	6,924
All other maturing in									
7 One year or less	2,225	2,276	2,268	2,672	2,663	2,666	2,664	3,507	3,519
8 Over one through five years	4,617	4,563	4,509	4,510	4,495	4,452	4,449	3,635	3,595
9 Over five years	2,066	2,048	1,908	1,911	1,925	1,852	1,834	1,870	1,882
10 Other securities[3]	0	0	0	0	0	0	0	0	0
11 Trading account[3]	0	0	0	0	0	0	0	0	0
12 Investment account	17,468	17,834	17,761	17,817	17,646	17,652	17,471	17,348	17,341
13 States and political subdivisions, by maturity	12,205	12,198	12,198	12,198	12,190	12,138	12,092	12,046	12,052
14 One year or less	969	1,033	1,038	1,049	1,053	1,052	1,056	1,063	1,070
15 Over one year	11,236	11,165	11,160	11,149	11,137	11,085	11,036	10,983	10,982
16 Other bonds, corporate stocks, and securities	5,262	5,636	5,563	5,618	5,456	5,514	5,378	5,302	5,289
17 Other trading account assets[3]	0	0	0	0	0	0	0	0	0
Loans and leases									
18 Federal funds sold[5]	29,229	26,613	28,214	25,878	29,830	31,988	35,164	33,827	32,264
19 To commercial banks	14,683	13,640	14,043	11,882	15,804	13,123	17,583	15,823	14,529
20 To nonbank brokers and dealers in securities	8,970	8,276	8,666	8,871	9,266	12,306	12,215	11,340	12,569
21 To others	5,576	4,698	5,505	5,125	4,760	6,559	5,366	6,665	5,166
22 Other loans and leases, gross	173,521	170,542	168,847	170,705	169,587	169,621	172,238	172,859	172,054
23 Other loans, gross	167,825	164,848	163,174	165,016	163,910	163,948	166,624	167,244	166,327
24 Commercial and industrial	55,398	55,590	55,190	54,878	55,675	55,389	57,936	57,910	57,511
25 Bankers acceptances and commercial paper	389	353	343	301	289	322	316	362	352
26 All other	55,009	55,237	54,847	54,577	55,386	55,067	57,620	57,548	57,158
27 U.S. addressees	54,487	54,874	54,474	54,166	54,947	54,658	57,240	57,103	56,685
28 Non-U.S. addressees	522	363	372	412	438	409	380	445	473
29 Real estate loans	50,600	50,318	50,362	50,500	50,306	50,296	50,402	50,763	50,389
30 Revolving, home equity	3,271	3,285	3,282	3,288	3,282	3,296	3,292	3,308	3,310
31 All other	47,328	47,033	47,080	47,213	47,023	47,000	47,110	47,456	47,079
32 To individuals for personal expenditures	20,923	20,901	20,827	20,809	20,788	20,723	20,459	20,477	20,286
33 To depository and financial institutions	21,851	20,530	20,956	21,086	20,048	20,326	20,604	20,328	20,021
34 Commercial banks in the United States	12,310	11,355	11,717	11,855	11,260	10,768	11,038	11,338	10,594
35 Banks in foreign countries	2,061	2,261	2,470	2,553	2,007	2,561	2,443	1,922	2,648
36 Nonbank depository and other financial institutions	7,479	6,914	6,769	6,678	6,780	6,997	7,123	7,068	6,780
37 For purchasing and carrying securities	5,874	4,305	3,896	4,855	4,751	4,599	4,814	5,382	5,458
38 To finance agricultural production	159	149	172	164	158	211	212	195	196
39 To states and political subdivisions	6,362	6,160	6,142	6,132	6,146	6,147	6,138	6,134	6,104
40 To foreign governments and official institutions	517	500	455	427	474	561	538	384	464
41 All other	6,142	6,395	5,173	6,163	5,564	5,696	5,519	5,670	5,898
42 Lease financing receivables	5,696	5,693	5,673	5,689	5,678	5,673	5,614	5,615	5,727
43 LESS: Unearned income	1,646	1,627	1,642	1,651	1,654	1,628	1,635	1,650	1,661
44 Loan and lease reserve	13,221	12,820	13,003	12,995	13,060	13,089	13,104	13,112	13,121
45 Other loans and leases, net[6]	158,654	156,095	154,201	156,059	154,873	154,904	157,499	158,097	157,272
46 All other assets[7]	58,804	61,787	59,831	63,838	58,760	61,310	59,482	62,098	61,418
47 **Total assets**	**306,783**	**307,954**	**300,920**	**307,294**	**302,137**	**315,708**	**305,164**	**315,214**	**308,775**
Deposits									
48 Demand deposits	59,274	62,132	53,603	57,492	52,045	63,180	48,330	57,580	53,276
49 Individuals, partnerships, and corporations	41,640	45,280	38,046	39,950	36,748	40,239	33,392	39,016	37,637
50 States and political subdivisions	593	909	650	641	822	985	628	656	597
51 U.S. government	458	287	630	436	454	190	705	722	176
52 Depository institutions in the United States	5,848	6,303	5,340	6,578	5,069	10,393	4,329	7,562	4,646
53 Banks in foreign countries	5,481	6,018	4,976	5,784	4,691	5,637	4,955	5,043	6,270
54 Foreign governments and official institutions	831	582	788	672	647	606	601	736	930
55 Certified and officers' checks	4,423	2,755	3,172	3,430	3,615	5,129	3,719	3,845	3,020
56 Transaction balances other than demand deposits (ATS, NOW, Super NOW, telephone transfers)	9,110	9,540	9,161	9,004	8,605	8,850	8,886	8,746	8,684
57 Nontransaction balances	110,517	113,046	112,688	113,638	112,383	112,967	113,880	112,919	112,697
58 Individuals, partnerships, and corporations	100,417	103,166	102,687	103,534	101,840	102,433	103,228	102,016	101,836
59 States and political subdivisions	8,014	7,796	7,917	8,034	8,201	8,221	8,336	8,512	8,469
60 U.S. government	33	32	23	24	32	35	30	32	29
61 Depository institutions in the United States	1,797	1,793	1,802	1,786	2,047	2,028	2,024	2,102	2,104
62 Foreign governments, official institutions, and banks	257	258	260	259	262	250	262	257	259
63 Liabilities for borrowed money	65,301	65,526	66,669	69,269	70,186	72,856	74,078	75,464	72,604
64 Borrowings from Federal Reserve Banks	0	0	0	0	875	0	2,525	0	0
65 Treasury tax-and-loan notes	5,392	625	2,509	5,410	6,404	5,690	3,936	4,218	4,290
66 All other liabilities for borrowed money[8]	59,909	64,901	64,160	63,859	62,907	67,165	67,617	71,246	68,314
67 Other liabilities and subordinated notes and debentures	35,359	30,174	30,698	29,900	30,968	30,032	31,984	32,384	33,391
68 **Total liabilities**	**279,562**	**280,418**	**272,820**	**279,303**	**274,187**	**287,885**	**277,158**	**287,092**	**280,653**
69 Residual (total assets minus total liabilities)[9]	27,221	27,536	28,100	27,991	27,951	27,823	28,006	28,122	28,122
MEMO									
70 Total loans and leases (gross) and investments adjusted[2,10]	208,913	205,793	204,656	206,732	206,032	211,308	212,165	212,804	212,457
71 Total loans and leases (gross) adjusted[10]	175,756	172,160	171,300	172,846	172,354	177,718	178,780	179,524	179,195
72 Time deposits in amounts of $100,000 or more	41,246	41,924	42,316	42,982	42,260	41,855	41,759	41,905	41,942
73 U.S. Treasury securities maturing in one year or less	2,984	2,751	2,836	3,288	3,277	3,180	2,905	4,199	3,870

1. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.
2. Excludes trading account securities.
3. Not available due to confidentiality.
4. Includes U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages.
5. Includes securities purchased under agreements to resell.
6. Includes allocated transfer risk reserve.
7. Includes trading account securities.
8. Includes federal funds purchased and securities sold under agreements to repurchase.
9. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
10. Exclusive of loans and federal funds transactions with domestic commercial banks.

1.30 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS[1] Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1988	1989							
	Dec. 28	Jan. 4	Jan. 11	Jan. 18	Jan. 25	Feb. 1	Feb. 8	Feb. 15	Feb. 22
1 Cash and due from depository institutions	12,181	11,424	11,386	11,304	11,706	11,461	11,806	10,330	10,661
2 Total loans and securities	118,172r	126,252r	122,531r	123,037r	121,752	122,036	128,022	129,364	131,593
3 U.S. Treasury and government agency securities	7,640r	8,159r	7,970r	8,297r	8,542	8,894	8,897	9,095	8,732
4 Other securities	7,008r	7,273r	7,294r	7,245r	7,147	7,138	7,088	7,026	7,063
5 Federal funds sold[2]	9,290	8,298	7,106	6,446	6,319	5,993	6,364	6,540	9,656
6 *To commercial banks in the United States*	7,282	7,445	6,349	5,272	5,385	4,929	5,313	5,390	8,586
7 To others	2,008	853	757	1,174	934	1,064	1,051	1,150	1,070
8 Other loans, gross	94,234r	102,522	100,161	101,049	99,744	100,011	105,673	106,703	106,142
9 Commercial and industrial	59,505r	67,318	65,604	66,061	64,582	65,237	70,381	70,724	70,237
10 Bankers acceptances and commercial paper	1,420	1,651	1,648	1,786	1,703	1,680	1,732	1,692	1,674
11 All other	58,085r	65,667	63,956	64,275	62,879	63,557	68,649	69,032	68,563
12 U.S. addressees	56,416r	64,215	62,474	62,771	61,340	61,998	67,108	67,521	67,000
13 Non-U.S. addressees	1,669	1,452	1,482	1,504	1,539	1,559	1,541	1,511	1,563
14 Loans secured by real estate[3]	n.a.	13,108	13,285	13,458	13,630	13,466	13,775	13,812	13,662
15 *To financial institutions*	18,666	18,206	17,581	17,410	17,929	17,673	17,446	17,902	18,079
16 Commercial banks in the United States	14,098	13,517	13,020	12,715	13,188	12,788	12,538	12,677	13,052
17 Banks in foreign countries	1,269	1,225	1,126	1,198	1,214	1,415	1,328	1,667	1,440
18 Nonbank financial institutions	3,299	3,464	3,435	3,497	3,527	3,470	3,580	3,558	3,587
19 To foreign governments and official institutions	857	756	811	754	746	746	772	773	758
20 For purchasing and carrying securities	2,317	1,772	1,664	2,053	1,642	1,592	2,041	2,132	1,971
21 All other[3]	12,889r	1,362	1,216	1,313	1,215	1,297	1,258	1,360	1,435
22 Other assets (claims on nonrelated parties)	32,511	32,727	32,206	31,341	31,401	31,256	31,492	31,406	30,881
23 Net due from related institutions	13,002	14,573	16,154	14,452	16,286	14,986	16,706	16,905	14,187
24 Total assets	175,865	184,976	182,280	180,134	181,146	179,740	188,026	188,004	187,324
25 Deposits or credit balances due to other than directly related institutions	46,765r	43,774r	43,036r	43,491r	43,415r	43,495	43,533	44,089	44,241
26 Transaction accounts and credit balances[4]	4,183	3,747	3,516	3,463	3,451	3,445	3,256	3,369	3,386
27 Individuals, partnerships, and corporations	2,453	2,436	2,316	2,325	2,140	2,099	2,070	2,311	2,209
28 Other	1,730	1,311	1,200	1,138	1,311	1,346	1,186	1,058	1,177
29 *Nontransaction accounts*[5]	42,582r	40,027r	39,520r	40,028r	39,964r	40,050	40,277	40,720	40,855
30 Individuals, partnerships, and corporations	36,436	33,186	32,630	33,148	33,408	33,505	33,337	33,794	33,993
31 Other	6,146r	6,841r	6,890r	6,880r	6,556r	6,545	6,940	6,926	6,862
32 Borrowings from other than directly related institutions	66,000r	78,492r	79,921r	74,145r	76,813r	79,003	85,158	84,355	81,664
33 Federal funds purchased[6]	27,492	36,769	37,577	32,285	34,756	35,564	43,482	37,521	36,477
34 From commercial banks in the United States	14,188	21,548	23,006	15,838	18,974	18,277	25,322	21,117	18,769
35 From others	13,304	15,221	14,571	16,447	15,782	17,287	18,160	16,404	17,708
36 Other liabilities for borrowed money	38,508r	41,723r	42,344r	41,860r	42,057r	43,439	41,676	46,834	45,187
37 To commercial banks in the United States	25,576r	27,894r	28,352r	28,081r	27,886r	28,873	27,260	30,618	29,930
38 To others	12,932	13,829	13,992	13,779	14,171	14,566	14,416	16,216	15,257
39 Other liabilities to nonrelated parties	34,088	33,697	33,189	32,446	32,546	32,392	32,441	32,564	32,111
40 Net due to related institutions	29,011	29,013	26,134	30,051	28,373	24,851	26,895	26,995	29,307
41 Total liabilities	175,865	184,976	182,280	180,134	181,146	179,740	188,026	188,004	187,324
MEMO									
42 Total loans (gross) and securities adjusted[7]	96,791r	105,290r	103,162r	105,050r	103,179	104,319	110,171	111,297	109,955
43 Total loans (gross) adjusted[7]	82,144r	89,858	87,898	89,508	87,490	88,287	94,186	95,176	94,160

1. Effective Jan. 4, 1989, the reporting panel includes a new group of large U.S. branches and agencies of foreign banks. Earlier data included 65 U.S. branches and agencies of foreign banks that included 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. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.
2. Includes securities purchased under agreements to resell.
3. Effective Jan. 4, 1989, loans secured by real estate are being reported as a separate component of Other loans, gross. Formerly, these loans were included in "All other", line 21.
4. Includes credit balances, demand deposits, and other checkable deposits.
5. Includes savings deposits, money market deposit accounts, and time deposits.
6. Includes securities sold under agreements to repurchase.
7. 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	Commercial banks									
	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1987 Sept.	1987 Dec.	1988 Mar.	1988 June	1988 Sept.	1988 Dec.
1 **All holders—Individuals, partnerships, and corporations**	**302.7**	**321.0**	**363.6**	**343.5**	**339.0**	**343.5**	**328.6**	**346.5**	**337.8**	n.a.
2 Financial business	31.7	32.3	41.4	36.3	36.5	36.3	33.9	37.2	34.8	n.a.
3 Nonfinancial business	166.3	178.5	202.0	191.9	188.2	191.9	184.1	194.3	190.3	n.a.
4 Consumer	81.5	85.5	91.1	90.0	88.7	90.0	86.9	89.8	87.8	n.a.
5 Foreign	3.6	3.5	3.3	3.4	3.2	3.4	3.5	3.4	3.2	n.a.
6 Other	19.7	21.2	25.8	21.9	22.4	21.9	20.3	21.9	21.7	n.a.
	Weekly reporting banks									
	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1987 Sept.	1987 Dec.	1988 Mar.	1988 June	1988 Sept.	1988 Dec.
7 **All holders—Individuals, partnerships, and corporations**	**157.1**	**168.6**	**195.1**	**183.8**	**179.1**	**183.8**	**181.8**	**191.5**	**185.3**	**198.3**
8 Financial business	25.3	25.9	32.5	28.6	29.3	28.6	27.0	30.0	27.2	30.5
9 Nonfinancial business	87.1	94.5	106.4	100.0	96.0	100.0	98.2	103.1	101.5	108.7
10 Consumer	30.5	33.2	37.5	39.1	37.2	39.1	41.7	42.3	41.8	42.6
11 Foreign	3.4	3.1	3.3	3.3	3.1	3.3	3.4	3.4	3.1	3.6
12 Other	10.9	12.0	15.4	12.7	13.5	12.7	11.4	12.8	11.7	12.9

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.

5. Beginning March 1988, 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 1987 based on the new weekly reporting panel are: financial business, 29.4; nonfinancial business, 105.1; consumer, 41.1; foreign, 3.4; other, 13.1.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.	1988 Aug.	1988 Sept.	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**237,586**	**298,779**	**329,991**	**357,129**	**455,017**	**424,504**	**421,383**	**426,216**	**443,531**	**455,017**	**471,066**
Financial companies[1]											
Dealer-placed paper[2]											
2 Total	56,485	78,443	101,072	101,958	159,947	146,592	149,995	149,845	157,042	159,947	162,884
3 Bank-related (not seasonally adjusted)[3]	2,035	1,602	2,265	1,428	1,248	911	901	840	995	1,248	n.a.
Directly placed paper[4]											
4 Total	110,543	135,320	151,820	173,939	192,442	187,031	180,905	184,044	192,220	192,442	199,828
5 Bank-related (not seasonally adjusted)[3]	42,105	44,778	40,860	43,173	43,155	46,224	43,887	42,204	43,729	43,155	n.a.
6 Nonfinancial companies[5]	70,558	85,016	77,099	81,232	102,628	90,881	90,483	92,327	94,269	102,628	108,354
	Bankers dollar acceptances (not seasonally adjusted)[6]										
7 **Total**	**78,364**	**68,413**	**64,974**	**70,565**	**66,631r**	**64,036**	**63,452**	**62,253**	**65,961**	**66,631r**	**62,212**
Holder											
8 Accepting banks	9,811	11,197	13,423	10,943	9,086r	9,551r	9,334	9,083	9,483	9,086r	9,719
9 Own bills	8,621	9,471	11,707	9,464	8,022r	8,664	8,400	8,026	8,768	8,022r	8,489
10 Bills bought	1,191	1,726	1,716	1,479	1,064	888	934	1,057	715	1,064	1,230
Federal Reserve Banks											
11 Own account	0	0	0	0	0	0	0	0	0	0	0
12 Foreign correspondents	671	937	1,317	965	1,493	9,915	963	1,166	1,393	1,493	1,596
13 Others	67,881	56,279	50,234	58,658	56,052r	53,493	53,154	52,004	55,086	56,052r	50,898
Basis											
14 Imports into United States	17,845	15,147	14,670	16,483	14,984r	14,608	14,622	14,064	14,959	14,984r	14,901
15 Exports from United States	16,305	13,204	12,960	15,227	14,410r	14,345	13,946	14,067	14,578	14,410r	13,705
16 All other	44,214	40,062	37,344	38,855	37,237r	35,083	34,884	34,122	36,424	37,237r	33,605

1. 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.
2. Includes all financial company paper sold by dealers in the open market.
3. Beginning January 1989, bank-related series have been discontinued.
4. As reported by financial companies that place their paper directly with investors.
5. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
6. Beginning January 1988, the number of respondents in the bankers acceptance survey were reduced from 155 to 111 institutions—those with $100 million or more in total acceptances. The new reporting group accounts for over 90 percent of total acceptances activity.

1.33 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1986—Mar. 7	9.00	1986	8.33	1987—Jan.	7.50	1988—Jan.	8.75
Apr. 21	8.50	1987	8.21	Feb.	7.50	Feb.	8.51
July 11	8.00	1988	9.32	Mar.	7.50	Mar.	8.50
Aug. 26	7.50			Apr.	7.75	Apr.	8.50
		1986—Jan.	9.50	May	8.14	May	8.84
1987—Apr. 1	7.75	Feb.	9.50	June	8.25	June	9.00
May 1	8.00	Mar.	9.10	July	8.25	July	9.29
15	8.25	Apr.	8.83	Aug.	8.25	Aug.	9.84
Sept. 4	8.75	May	8.50	Sept.	8.70	Sept.	10.00
Oct. 7	9.25	June	8.50	Oct.	9.07	Oct.	10.00
22	9.00	July	8.16	Nov.	8.78	Nov.	10.05
Nov. 5	8.75	Aug.	7.90	Dec.	8.75	Dec.	10.50
		Sept.	7.50				
1988—Feb. 2	8.50	Oct.	7.50			1989—Jan.	10.50
May 11	9.00	Nov.	7.50			Feb.	10.93
July 14	9.50	Dec.	7.50				
Aug. 11	10.00						
Nov. 28	10.50						
1989—Feb. 10	11.00						
24	11.50						

NOTE. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Averages, percent per year; weekly, monthly and annual figures are averages of business day data unless otherwise noted.

Instrument	1986	1987	1988	1988		1989		1989, week ending				
				Nov.	Dec.	Jan.	Feb.	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 24
MONEY MARKET RATES												
1 Federal funds[1,2]	6.80	6.66	7.57	8.35	8.76	9.12	9.36	9.06	9.16	9.10	9.27	9.39
2 Discount window borrowing[1,2,3]	6.32	5.66	6.20	6.50	6.50	6.50	6.59	6.50	6.50	6.50	6.50	6.50
Commercial paper[4,5]												
3 1-month	6.61	6.74	7.58	8.38	9.31	9.03	9.29	9.00	9.04	9.14	9.28	9.41
4 3-month	6.49	6.82	7.66	8.66	9.11	9.04	9.37	9.04	9.08	9.21	9.37	9.52
5 6-month	6.39	6.85	7.68	8.55	8.97	9.02	9.35	9.02	9.05	9.18	9.35	9.53
Finance paper, directly placed[4,5]												
6 1-month	6.57	6.61	7.44	8.29	9.00	8.90	9.21	8.84	8.96	9.05	9.21	9.32
7 3-month	6.38	6.54	7.38	8.20	8.50	8.78	9.11	8.73	8.90	9.02	9.07	9.22
8 6-month	6.31	6.37	7.14	7.94	8.24	8.44	8.65	8.41	8.50	8.58	8.63	8.68
Bankers acceptances[5,6]												
9 3-month	6.38	6.75	7.56	8.55	8.96	8.93	9.27	8.92	8.95	9.09	9.29	9.47
10 6-month	6.28	6.78	7.60	8.46	8.83	8.92	9.26	8.91	8.94	9.07	9.26	9.48
Certificates of deposit, secondary market[7]												
11 1-month	6.61	6.75	7.59	8.43	9.37	9.06	9.33	9.02	9.05	9.19	9.33	9.44
12 3-month	6.51	6.87	7.73	8.78	9.25	9.20	9.51	9.17	9.19	9.34	9.53	9.66
13 6-month	6.50	7.01	7.91	8.81	9.28	9.36	9.71	9.34	9.35	9.51	9.72	9.90
14 Eurodollar deposits, 3-month[8]	6.71	7.06	7.85	8.91	9.30	9.28	9.61	9.26	9.26	9.34	9.58	9.68
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	5.97	5.78	6.67	7.76	8.07	8.27	8.53	8.29	8.38	8.52	8.52	8.57
16 6-month	6.02	6.03	6.91	7.86	8.22	8.36	8.55	8.32	8.42	8.50	8.57	8.59
17 1-year	6.07	6.33	7.13	7.87	8.32	8.37	8.55	8.30	8.38	8.46	8.56	8.67
Auction average[10]												
18 3-month	5.98	5.82	6.68	7.68	8.09	8.29	8.48	8.26	8.33	8.57	8.49	8.51
19 6-month	6.03	6.05	6.92	7.76	8.24	8.38	8.49	8.31	8.39	8.53	8.54	8.50
20 1-year	6.18	6.33	7.17	7.92	8.49	8.45	8.59	n.a.	n.a.	n.a.	8.59	n.a.
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	6.45	6.77	7.65	8.48	8.99	9.05	9.25	8.97	9.05	9.15	9.27	9.41
22 2-year	6.86	7.42	8.10	8.67	9.09	9.18	9.37	9.10	9.14	9.26	9.39	9.54
23 3-year	7.06	7.68	8.26	8.72	9.11	9.20	9.32	9.11	9.14	9.24	9.36	9.42
24 5-year	7.30	7.94	8.47	8.79	9.09	9.15	9.27	9.04	9.07	9.14	9.32	9.43
25 7-year	7.54	8.23	8.71	8.89	9.13	9.14	9.23	9.02	9.04	9.11	9.28	9.38
26 10-year	7.67	8.39	8.85	8.96	9.11	9.09	9.17	8.97	9.00	9.05	9.21	9.31
27 20-year	7.84	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 30-year	7.78	8.59	8.96	9.02	9.01	8.93	9.01	8.81	8.83	8.90	9.07	9.13
Composite[13]												
29 Over 10 years (long-term)	8.14	8.64	8.98	9.07	9.13	9.07	9.16	8.96	8.97	9.04	9.23	9.29
State and local notes and bonds												
Moody's series[14]												
30 Aaa	6.95	7.14	7.36	7.35	7.35	7.23	7.23	7.10	7.10	7.20	7.28	7.33
31 Baa	7.76	8.17	7.83	7.78	7.76	7.67	7.59	7.60	7.60	7.60	7.55	7.60
32 *Bond Buyer* series[15]	7.32	7.63	7.68	7.46	7.61	7.35	7.44	7.27	7.29	7.38	7.54	7.55
Corporate bonds												
Seasoned issues[16]												
33 All industries	9.71	9.91	10.18	9.91	10.03	10.05	10.05	9.99	9.98	9.98	10.08	10.12
34 Aaa	9.02	9.38	9.71	9.45	9.57	9.62	9.64	9.56	9.56	9.56	9.65	9.70
35 Aa	9.47	9.68	n.a.	9.72	9.81	9.81	9.83	9.75	9.75	9.77	9.85	9.89
36 A	9.95	9.99	10.24	9.99	10.11	10.10	10.13	10.04	10.04	10.04	10.15	10.21
37 Baa	10.39	10.58	10.83	10.48	10.65	10.65	10.61	10.61	10.56	10.53	10.64	10.68
38 A-rated, recently offered utility bonds[17]	9.61	9.95	n.a.	10.12	10.08	10.09	10.25	10.00	10.10	10.27	10.24	10.37
MEMO: *Dividend/price ratio*[18]												
39 Preferred stocks	8.76	8.37	9.23	9.29	9.38	9.31	9.31	9.23	9.25	9.27	9.34	9.37
40 Common stocks	3.48	3.08	3.64	3.70	3.68	3.64	3.64	3.61	3.53	3.52	3.62	3.67

1. Weekly, monthly and annual 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 in 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	1986	1987	1988	1988 June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1989 Jan.	Feb.
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	136.00	161.70	149.91	152.72	152.12	149.25	151.47	156.36	152.67	155.35	160.40	165.08
2 Industrial	155.85	195.31	180.83	184.92	184.09	179.72	182.18	188.58	182.25	187.75	194.62	200.00
3 Transportation	119.87	140.39	134.01	136.02	136.49	132.52	136.27	141.83	137.51	144.06	153.09	162.66
4 Utility	71.36	74.29	72.22	72.25	71.49	70.67	71.83	74.19	79.28	74.81	75.87	77.84
5 Finance	147.19	146.48	127.41	129.04	129.99	130.77	133.15	136.09	130.05	128.83	132.26	137.19
6 Standard & Poor's Corporation (1941–43 = 10)[1]	236.34	286.83	n.a.	270.68	269.05	263.73	267.97	277.40	271.02	281.28	285.41	294.01
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	264.38	316.61	294.90	306.13	307.48	297.76	297.86	302.83	292.25	298.59	316.14	323.96
Volume of trading (thousands of shares)												
8 New York Stock Exchange	141,385	188,647	161,450	195,772	166,916	144,668	145,702	162,631	134,427	135,473	168,204	169,321
9 American Stock Exchange	11,846	13,832	9,955	11,348	9,938	9,307	8,198	9,051	8,497	11,227	10,797	11,780
	Customer financing (end-of-period balances, in millions of dollars)											
10 Margin credit at broker-dealers[3]	**36,840**	**31,990**	**32,740**	**32,300**	**31,770**	**31,930**	**32,770**	**33,410**	**33,640**	**32,740**	**32,530**	**31,480**
Free credit balances at brokers[4]												
11 Margin-account[5]	4,880	4,750	5,660	4,580	4,485	4,655	4,725	5,065	4,920	5,660	5,790	5,605
12 Cash-account	19,000	15,640	16,595	14,460	14,340	14,045	14,175	14,880	15,185	16,595	15,705	16,195

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. These regulations, adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market-value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission. Effective Jan. 31, 1986, the SEC approved new maintenance margin rules, permitting margins to be the price of the option plus 15 percent of the market value of the stock underlying the option.

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1986	1987	1988 Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	FSLIC-insured institutions											
1 **Assets**	**1,163,851**	**1,250,855**	**1,261,581**	**1,274,482**	**1,285,338**	**1,289,979**	**1,299,408**	**1,311,704**	**1,323,934r**	**1,332,952r**	**1,332,978r**	**1,351,494**
2 Mortgages	697,451	721,593	725,625	728,984	733,547	736,893	743,128	751,468	754,441r	760,923r	763,093r	764,964
3 Mortgage-backed securities	158,193	201,828	197,889	202,767	205,053	207,744	208,532	210,596	211,841r	211,841r	212,344r	213,743
4 Contra-assets to mortgage assets[1]	41,799	42,344	41,268	39,358	39,764	40,251	40,308	39,113	38,450r	38,266r	37,696r	37,369
5 Commercial loans	23,683	23,163	24,004	24,243	24,201	24,672	24,959	25,094	24,791r	25,251r	25,391	33,008
6 Consumer loans	51,622	57,902	58,390	59,121	60,250	61,151	61,568	62,412	61,556r	61,311r	61,780r	62,043
7 Contra-assets to non-mortgage loans[2]	3,041	3,467	3,628	3,513	3,395	3,513	3,389	3,156	3,073r	2,929r	2,958r	2,996
8 Cash and investment securities	164,844	169,717	176,386	177,955	179,506	177,533	178,446	176,099	183,204r	184,797r	180,162r	187,345
9 Other[3]	112,898	122,462	124,184	124,284	125,939	125,751	126,471r	128,304r	130,303r	130,025r	130,863r	130,755
10 **Liabilities and net worth**	**1,163,851**	**1,250,855**	**1,261,581**	**1,274,482**	**1,285,338**	**1,289,979**	**1,299,408**	**1,311,704**	**1,323,934r**	**1,332,952r**	**1,332,978r**	**1,351,494**
11 Savings capital	890,664	932,616	958,471	962,304	963,761	966,750	968,213	968,293	973,742r	976,163r	971,490r	971,500
12 Borrowed money	196,929	249,917	237,663	244,990	250,697	257,134	262,745	266,787	273,666	278,243r	281,028r	299,241
13 FHLBB	100,025	116,363	112,389	113,029	114,994	117,287	118,213	120,677	123,436	124,368	127,547	134,143
14 Other	96,904	133,554	125,274	131,961	135,703	139,847	144,532	146,110	150,230	153,875r	153,481r	165,098
15 Other	23,975	21,941	22,555	24,618	27,160	24,563	27,111	28,905	26,014	27,544	29,166r	24,333
16 Net worth	52,282	46,382	42,892	42,570	43,720	41,531	41,339	47,719	50,511r	51,002r	51,294r	56,420
	FSLIC-insured federal savings banks											
17 **Assets**	**210,562**	**284,270**	**307,756**	**311,434**	**323,028**	**329,736**	**333,609r**	**357,912r**	**367,949r**	**369,711r**	**374,957r**	**410,097**
18 Mortgages	113,638	161,926	176,090	178,394	184,575	190,647r	193,155r	204,357r	207,990r	209,721r	213,378r	224,584
19 Mortgage-backed securities	29,766	45,826	47,979	49,075	51,290	52,648	53,049	55,710	56,405r	56,778r	57,619r	64,772
20 Contra-assets to mortgage assets[1]	...	9,100	9,460	9,347	9,735	10,089	10,135r	10,916r	10,988r	10,907r	10,908r	12,034
21 Commercial loans	...	6,504	7,376	7,531	7,639	7,904	7,916r	8,568r	8,694r	8,886r	9,051r	8,916
22 Consumer loans	13,180	17,696	19,141	19,616	20,426	21,142	21,444	22,520	22,412r	22,414r	22,671r	23,962
23 Contra-assets to non-mortgage loans[2]	...	678	800	724	707	738	699	772	785r	789	803r	867
24 Finance leases plus interest	...	591	611	615	652	708	735	791	804r	805	833r	881
25 Cash and investment	...	35,347	38,224	38,259	39,889	40,286	40,825	45,167r	48,986r	48,681r	48,222r	59,424
26 Other	19,034	24,069	26,424	25,822	26,758	27,230	27,319r	32,487r	34,430r	34,121r	34,895r	40,459
27 **Liabilities and net worth**	**210,562**	**284,270**	**307,756**	**311,434**	**323,028**	**329,736**	**333,609r**	**357,912r**	**367,949r**	**369,711r**	**374,957r**	**410,097**
28 Savings capital	157,872	203,196	224,169	226,544	232,656	236,759	239,591	256,224	261,863r	262,924r	263,984r	284,822
29 Borrowed money	37,329	60,716	61,552	62,566	66,816	69,356	70,015	75,759r	80,690r	80,782	83,628r	97,850
30 FHLBB	19,897	29,617	30,456	30,075	31,682	32,177	31,941	35,357	37,245	37,510	39,630r	44,994
31 Other	17,432	31,099	31,096	32,491	35,134	37,179	38,074	40,402r	43,445r	43,272	43,998r	52,856
32 Other	4,263	5,324	6,089	6,390	7,118	6,639	7,057r	8,059r	7,370r	7,679r	8,334r	7,843
33 Net worth	11,098	15,034	15,946	16,086	16,589	16,886	16,849r	17,668r	17,894r	18,206r	18,893r	19,472
	Savings banks											
34 **Assets**	**236,866**	**259,643**	**262,100**	**262,269**	**264,507**	**249,927**	**252,875**	**253,453**	**255,510**	**257,127**	**258,537**	**261,361**
Loans												
35 Mortgage	118,323	138,494	140,835	139,691	143,235	138,148	139,844	141,316	143,626	145,398	146,501	147,597
36 Other	35,167	33,871	36,476	37,471	35,927	32,399	32,941	32,799	32,879	33,234	33,791	31,269
Securities												
37 U.S. government	14,209	13,510	12,225	13,203	12,490	11,597	11,563	11,353	11,182	10,896	10,804	11,457
38 Mortgage-backed securities	25,836	32,772	32,272	31,072	31,861	29,735	30,064	30,006	29,190	29,893	29,372	29,751
39 State and local government	2,185	2,003	2,033	2,013	1,933	1,849	1,840	1,901	1,878	1,872	1,887	1,848
40 Corporate and other	20,459	18,772	18,336	18,549	18,298	17,492	17,527	17,301	17,234	16,886	16,773	17,822
41 Cash	6,894	5,864	4,881	5,237	5,383	4,831	5,186	4,950	5,463	4,825	5,093	7,050
42 Other assets	13,793	14,357	15,042	15,033	15,380	13,876	13,910	13,827	14,058	14,123	14,316	14,567
43 **Liabilities**	**236,866**	**259,643**	**262,100**	**262,269**	**264,507**	**249,927**	**252,875**	**253,453**	**255,510**	**257,127**	**258,537**	**261,361**
44 Deposits	192,194	201,497	203,407	203,273	205,692	194,018	195,537	195,907	197,665	197,925	199,092	202,058
45 Regular[4]	186,345	196,037	198,273	197,801	200,098	188,571	189,993	190,716	192,228	192,663	194,095	196,407
46 Ordinary savings	37,717	41,959	41,867	41,741	42,403	40,179	40,124	39,738	39,618	39,375	39,482	39,750
47 Time	100,809	112,429	115,529	115,887	117,297	110,738	112,272	114,255	116,387	117,712	119,026	121,148
48 Other	5,849	5,460	5,134	5,472	5,594	5,447	5,544	5,191	5,427	5,262	4,997	5,651
49 Other liabilities	25,274	35,720	35,737	35,827	35,836	34,038	34,686	34,776	35,001	35,997	36,012	36,169
50 General reserve accounts	18,105	20,633	21,024	21,109	21,179	19,875	20,069	20,018	20,151	20,324	20,462	20,337

1.37—Continued

Account	1986	1987	1988 Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Credit unions[5]											
51 **Total assets/liabilities and capital**	**147,726**	n.a.	**169,111**	**169,175**	**172,456**	**172,345**	**173,276**	**173,044**	**174,649**	**174,722**	**174,406**	**174,593**
52 Federal	95,483	n.a.	109,797	109,913	112,595	112,573	113,068	112,686	113,383	113,474	113,717	114,566
53 State	52,243	n.a.	59,314	59,262	59,855	59,772	60,208	60,358	61,266	61,248	61,135	60,027
54 Loans outstanding	86,137	n.a.	101,965	103,271	105,704	105,800	107,065	108,974	110,939	111,624	112,452	113,191
55 Federal	55,304	n.a.	65,732	66,431	68,213	68,658	69,626	70,944	72,200	72,551	73,100	73,766
56 State	30,833	n.a.	36,233	36,840	37,491	37,142	37,439	38,030	38,739	39,073	39,352	39,425
57 Savings	134,327	n.a.	156,045	155,105	157,764	158,186	159,314	158,731	157,944	160,174	159,021	159,010
58 Federal	87,954	n.a.	101,847	101,048	103,129	103,347	104,256	103,657	103,698	104,184	103,223	104,431
59 State	46,373	n.a.	54,198	54,057	54,635	54,839	55,058	55,074	54,246	55,990	55,798	n.a.
	Life insurance companies											
60 **Assets**	**937,551**	**1,044,459**	**1,065,549**	**1,075,541**	**1,094,827**	**1,105,546**	**1,113,547**	**1,121,337**	**1,131,179**	**1,139,490**	n.a.	n.a.
Securities												
61 Government	84,640	84,426	92,408	93,946	86,711	87,160	88,218	88,362	87,588	88,883	n.a.	n.a.
62 United States[6]	59,033	57,078	65,218	66,749	58,988	59,351	60,244	60,407	59,874	60,621	n.a.	n.a.
63 State and local	11,659	10,681	12,033	11,976	11,016	11,114	11,102	11,190	11,054	11,069	n.a.	n.a.
64 Foreign[7]	13,948	16,667	15,157	15,221	16,707	16,695	16,872	16,765	16,660	17,193	n.a.	n.a.
65 Business	492,807	569,199	580,392	587,846	606,445	614,052	618,742	624,917	630,086	633,390	n.a.	n.a.
66 Bonds	401,943	472,684	484,403	490,285	503,728	509,105	514,926	520,796	525,336	527,419	n.a.	n.a.
67 Stocks	90,864	96,515	95,989	97,561	102,717	104,947	103,816	104,121	104,750	105,971	n.a.	n.a.
68 Mortgages	193,842	203,545	214,815	215,383	219,012	220,870	221,990	233,438	225,627	227,342	n.a.	n.a.
69 Real estate	31,615	34,172	34,845	34,964	35,484	35,545	35,737	35,920	35,892	36,892	n.a.	n.a.
70 Policy loans	54,055	53,626	52,604	52,568	53,013	53,107	53,142	53,194	53,149	53,157	n.a.	n.a.
71 Other assets	80,592	89,586	90,499	90,834	94,162	94,812	95,718	95,505	98,837	99,826	n.a.	n.a.

1. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to mortgage loans, contracts, and pass-through securities include loans in process, unearned discounts and deferred loan fees, valuation allowances for mortgages "held for sale," and specific reserves and other valuation allowances.

2. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to nonmortgage loans include loans in process, unearned discounts and deferred loan fees, and specific reserves and valuation allowances.

3. Holding of stock in Federal Home Loan Bank and Finance leases plus interest are included in "Other" (line 9).

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. *FSLIC-insured institutions:* Estimates by the FHLBB for all institutions insured by the FSLIC and based on the FHLBB thrift Financial Report.

FSLIC-insured federal savings banks: Estimates by the FHLBB for federal savings banks insured by the FSLIC and based on the FHLBB thrift Financial Report.

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 1986	Fiscal year 1987	Fiscal year 1988	Calendar year					
				1988				1989	
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
U.S. budget[1]									
1 Receipts, total	769,091	854,143	908,953	97,803	63,646	64,408	93,795	89,369	61,978
2 On-budget	568,862	640,741	667,462	75,586	45,847	47,023	74,682	65,250	38,473
3 Off-budget	200,228	213,402	241,491	22,217	17,799	17,385	19,114	24,119	23,505
4 Outlays, total	990,258	1,003,830	1,064,044	87,588	90,655	93,541	105,241	86,563	89,850
5 On-budget	806,760	809,998	861,352	70,071	73,514	75,542	91,610	68,999	71,324
6 Off-budget	183,498	193,832	202,691	17,518	17,141	17,999	13,632	17,564	18,526
7 Surplus, or deficit (−), total	−221,167	−149,687	−155,090	10,214	−27,009	−29,133	−11,446	2,806	−27,871
8 On-budget	−237,898	−169,257	−193,890	5,515	−27,667	−28,518	−16,928	−3,749	−32,851
9 Off-budget	16,731	19,570	38,800	4,699	658	−614	5,482	6,555	4,979
Source of financing (total)									
10 Borrowing from the public	236,187	150,070	162,062	14,665	10,716	31,520	12,036	7,359	17,190
11 Operating cash (decrease, or increase (−))	−14,324	−5,052	−7,963	−31,444	13,748	9,218	−12,268	−8,135	17,009
12 Other[2]	−696	4,669	991	6,564	2,545	−11,605	11,678	−2,030	−6,328
MEMO									
13 Treasury operating balance (level, end of period)	31,384	36,436	44,398	44,398	30,650	21,432	33,700	41,835	24,826
14 Federal Reserve Banks	7,514	9,120	13,024	13,024	6,151	5,198	8,657	11,766	6,298
15 Tax and loan accounts	23,870	27,316	31,375	31,375	24,499	16,234	25,044	30,069	18,528

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 SDRs; reserve position on the U.S. quota in the IMF; loans to international monetary fund; other cash and monetary assets; accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

SOURCE. *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government* and the *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year 1987	Fiscal year 1988	Calendar year						
			1987		1988		1988	1989	
			H1	H2	H1	H2	Dec.	Jan.	Feb.
RECEIPTS									
1 **All sources**	**854,143**	**908,954**	**447,282**	**421,712**	**476,115**	**449,821**	**93,795**	**89,369**	**61,978**
2 Individual income taxes, net	392,557	401,181	205,157	192,575	207,659	200,299	39,673	48,627	23,427
3 Withheld	322,463	341,435	156,760	170,203	169,300	179,600	37,578	28,049	26,021
4 Presidential Election Campaign Fund	33	33	30	4	28	4	0	0	3
5 Nonwithheld	142,957	132,199	112,421	31,223	101,614	29,880	3,034	20,993	930
6 Refunds	72,896	72,487	64,052	8,853	63,283	9,187	939	415	3,528
Corporation income taxes									
7 Gross receipts	102,859	109,683	52,396	52,821	58,002	56,409	23,100	4,003	2,277
8 Refunds	18,933	15,487	10,881	7,119	8,706	7,384	940	822	1,370
9 Social insurance taxes and contributions, net	303,318	334,335	163,519	143,755	181,058	157,603	24,698	31,652	32,086
10 Employment taxes and contributions[2]	273,028	305,093	146,696	130,388	164,412	144,983	24,100	30,351	29,854
11 Self-employment taxes and contributions[3]	13,987	17,691	12,020	1,889	14,839	3,032	0	1,181	1,439
12 Unemployment insurance	25,575	24,584	14,514	10,977	14,363	10,359	189	949	1,882
13 Other net receipts[4]	4,715	4,659	2,310	2,390	2,284	2,262	410	351	349
14 Excise taxes	32,457	35,540	15,845	17,680	16,440	19,434	3,155	2,597	2,303
15 Customs deposits	15,085	16,198	7,494	7,993	7,913	8,535	1,391	1,316	1,347
16 Estate and gift taxes	7,493	7,594	3,818	3,610	3,863	4,054	673	687	498
17 Miscellaneous receipts[5]	19,307	19,909	10,299	10,399	9,950	10,873	2,046	1,309	1,411
OUTLAYS									
18 **All types**	**1,004,586**	**1,064,054**	**503,267**	**532,839**	**513,210**	**553,220**	**105,241**	**86,563**	**89,850**
19 National defense	281,999	290,349	142,886	146,995	143,080	150,496	28,934	19,916	23,167
20 International affairs	11,649	10,469	4,374	4,487	7,150	2,636	805	938	274
21 General science, space, and technology	9,216	10,876	4,324	5,469	5,361	5,852	1,007	946	864
22 Energy	4,115	2,342	2,335	1,468	555	1,966	406	234	358
23 Natural resources and environment	13,363	14,538	6,175	7,590	6,776	8,330	1,480	932	1,056
24 Agriculture	26,606	17,210	11,824	14,640	7,872	7,725	1,712	2,141	2,175
25 Commerce and housing credit	6,156	19,064	4,893	3,852	5,951	20,274	7,217	836	−413
26 Transportation	26,221	27,196	12,113	14,096	12,700	14,922	2,249	2,293	1,810
27 Community and regional development	5,051	5,577	3,108	2,075	2,765	2,690	536	425	317
28 Education, training, employment, and social services	29,724	30,856	14,182	15,592	15,451	16,152	2,849	3,463	3,114
29 Health	39,968	44,482	20,318	20,750	22,643	23,360	4,102	3,922	3,523
30 Social security and medicare	282,472	297,828	142,864	158,469	135,322	149,017	25,374	25,641	25,402
31 Income security	123,255	130,174	62,248	61,201	65,555	64,978	12,355	10,701	12,234
32 Veterans benefits and services	26,782	29,248	12,264	14,956	13,241	15,797	3,539	1,188	2,287
33 Administration of justice	7,548	9,205	3,626	4,291	4,761	4,778	765	884	677
34 General government	7,564	9,506	3,344	3,560	4,337	5,137	1,600	389	558
35 General-purpose fiscal assistance	0	0	337	1,175	448	0	0	0	0
36 Net interest[6]	138,570	151,711	70,110	71,933	76,098	78,317	12,972	14,780	15,241
37 Undistributed offsetting receipts[7]	−36,455	−36,576	−19,102	−17,684	−17,766	−18,771	−2,537	−3,068	−2,792

1. Functional details do not add to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for outlays does not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Old-age, disability, and hospital insurance.
4. Federal employee retirement contributions and civil service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Net interest function includes interest received by trust funds.
7. Consists of rents and royalties on the outer continental shelf and U.S. government contributions for employee retirement.

SOURCES. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*, and the U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1988*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1986	1987				1988			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	**2,218.9**	**2,250.7**	**2,313.1**	**2,354.3**	**2,435.2**	**2,493.2**	**2,555.1**	**2,614.6**	n.a.
2 Public debt securities	2,214.8	2,246.7	2,309.3	2,350.3	2,431.7	2,487.6	2,547.7	2,602.3	2,684.4
3 Held by public	1,811.7	1,839.3	1,871.1	1,893.1	1,954.1	1,996.7	2,013.4	2,051.7	2,095.2
4 Held by agencies	403.1	407.5	438.1	457.2	477.6	490.8	534.2	550.4	
5 Agency securities	4.0	4.0	3.8	4.0	3.5	5.6	7.4	12.4	
6 Held by public	3.0	2.9	2.8	3.0	2.7	5.1	7.0	12.2	
7 Held by agencies	1.1	1.1	1.0	1.0	.8	.6	.5	.2	n.a.
8 **Debt subject to statutory limit**	**2,200.5**	**2,232.4**	**2,295.0**	**2,336.0**	**2,417.4**	**2,472.6**	**2,532.2**	**2,586.9**	
9 Public debt securities	2,199.3	2,231.1	2,293.7	2,334.7	2,416.3	2,472.1	2,532.1	2,586.7	
10 Other debt[1]	1.3	1.3	1.3	1.3	1.1	.5	.1	.1	
11 MEMO: Statutory debt limit	2,300.0	2,300.0	2,320.0	2,800.0	2,800.0	2,800.0	2,800.0	2,800.0	

1. Includes guaranteed debt of Treasury and other federal 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	1985	1986	1987	1988	1988			
					Q1	Q2	Q3	Q4
1 **Total gross public debt**	**1,945.9**	**2,214.8**	**2,431.7**	**2,684.4**	**2,487.6**	**2,547.7**	**2,602.3**	**2,684.4**
By type								
2 Interest-bearing debt	1,943.4	2,212.0	2,428.9	2,663.1	2,484.9	2,545.0	2,599.9	2,663.1
3 Marketable	1,437.7	1,619.0	1,724.7	1,821.3	1,758.7	1,769.9	1,802.9	1,821.3
4 Bills	399.9	426.7	389.5	414.0	392.6	382.3	398.5	414.0
5 Notes	812.5	927.5	1,037.9	1,083.6	1,059.9	1,072.7	1,089.6	1,083.6
6 Bonds	211.1	249.8	282.5	308.9	291.3	299.9	299.9	308.9
7 Nonmarketable[1]	505.7	593.1	704.2	841.8	726.2	775.1	797.0	841.8
8 State and local government series	87.5	110.5	139.3	151.5	142.9	146.9	147.6	151.5
9 Foreign issues[2]	7.5	4.7	4.0	6.6	6.1	5.7	6.3	6.6
10 Government	7.5	4.7	4.0	6.6	6.1	5.7	6.3	6.6
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	78.1	90.6	99.2	107.6	102.3	104.5	106.2	107.6
13 Government account series[3]	332.2	386.9	461.3	575.6	474.4	517.5	536.5	575.6
14 Non-interest-bearing debt	2.5	2.8	2.8	21.3	2.6	2.7	2.5	21.3
By holder[4]								
15 U.S. government agencies and trust funds	348.9	403.1	477.6		490.8	534.2	550.4	
16 Federal Reserve Banks	181.3	211.3	222.6		217.5	227.6	229.2	
17 Private investors	1,417.2	1,602.0	1,745.2		1,778.2	1,784.9	1,819.0	
18 Commercial banks	198.2	203.5	201.2		201.0	202.5	203.0	
19 Money market funds	25.1	28.0	14.3		14.9	13.1	10.8	
20 Insurance companies	78.5	105.6	120.6		125.5	132.2	135.0	
21 Other companies	59.0	68.8	84.6	n.a.	83.0	86.5	86.0	n.a.
22 State and local Treasurys	226.7	262.8	282.6		285.8	n.a.	n.a.	
Individuals								
23 Savings bonds	79.8	92.3	101.1		104.0	106.2	107.8	
24 Other securities	75.0	70.5	72.3		69.8	71.7	72.0	
25 Foreign and international[5]	212.5	251.6	287.3		321.0	333.8	334.3	
26 Other miscellaneous investors[6]	462.4	518.9	581.2		573.2	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. Treasury agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. Treasury 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. Treasury deposit accounts, and federally-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	1986	1987	1988	1988	1989		1989					
					Dec.	Jan.r	Feb.	Jan. 18	Jan. 25r	Feb. 1	Feb. 8	Feb. 15	Feb. 22
	Immediate delivery[2]												
1	**U.S. Treasury securities**	**95,444**	**110,050**	**101,624r**	**89,961r**	**107,119**	**121,453**	**122,490r**	**107,993**	**105,739**	**117,072**	**141,801**	**106,559**
	By maturity												
2	Bills	34,247	37,924	29,388	28,533	31,917	33,869	36,732r	29,872	27,346	30,005	42,354	29,500
3	Other within 1 year	2,115	3,271	3,426	2,925	3,778	3,636	3,984r	3,562	3,627	2,691	4,055	3,202
4	1–5 years	24,667	27,918	27,777	23,380r	28,254	38,136	28,291	31,132	29,246	37,427	40,686	39,240
5	5–10 years	20,455	24,014	24,939	21,480	27,316	27,949	33,775	26,374	29,037	27,471	31,256	21,029
6	Over 10 years	13,961	16,923	16,093	13,643	15,854	17,862	19,708	17,054	16,483	19,478	23,450	13,589
	By type of customer												
7	U.S. government securities dealers	3,669	2,936	2,761	2,810	2,425	3,913	2,937	2,403	2,400	4,507	4,587	2,957
8	U.S. government securities brokers	49,558	61,539	59,844	51,787	63,245	70,265	71,840	65,400	61,874	67,273	82,665	61,625
9	All others[3]	42,217	45,575	39,019	35,364	41,449	47,274	47,712r	40,190	41,465	45,291	54,550	41,977
10	Federal agency securities	16,747	18,084	15,903	14,801	19,425	17,196	20,376	18,496	18,277	17,903	18,492	14,873
11	Certificates of deposit	4,355	4,112	3,369	2,759	3,779	3,701	4,167	3,745	3,474	2,758	3,942	3,405
12	Bankers acceptances	3,272	2,965	2,316	1,898	2,608	2,368	2,943	2,338	2,122	2,121	2,246	2,543
13	Commercial paper	16,660	17,135	22,927	28,156	35,573	32,131	36,787	34,323	32,828	32,833	31,623	30,638
	Futures contracts[4]												
14	Treasury bills	3,311	3,233	2,627	2,643	2,924	3,948	2,968	2,814	3,643	2,258	4,212	4,089
15	Treasury coupons	7,175	8,963	9,695	9,490	9,834	10,655	12,481	10,104	10,381	9,701	12,173	9,433
16	Federal agency securities	16	5	1	0	0	0	0	0	0	0	0	0
	Forward transactions[5]												
17	U.S. Treasury securities	1,876	2,029	2,095	1,748r	1,677	3,062	1,260r	1,636	1,643	4,143	1,428	3,450
18	Federal agency securities	7,830	9,290	8,008	9,217	8,211	7,644	9,723	6,921	6,469	8,560	9,593	5,847

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. Treasury 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 Treasury securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Averages of daily figures, in millions of dollars

Item	1986	1987	1988	1988	1989		1989				
				Dec.	Jan.[r]	Feb.	Jan. 25[r]	Feb. 1	Feb. 8	Feb. 15	Feb. 22
	Positions										
Net immediate[2]											
1 **U.S. Treasury securities**	12,912	**−6,216**	**−22,754**	**−32,980**	**−32,251**	**−31,729**	**−29,661**	**−29,052**	**−30,699**	**−29,408**	**−34,653**
2 Bills	12,761	4,317	2,247	−1,524	−3,517	−3,718	−1,664	−2,261	−2,706	−3,380	−5,882
3 Other within 1 year	3,705	1,557	−2,233	−1,938[r]	−1,845	−3,548	−1,979	−2,647	−2,708	−3,299	−4,418
4 1–5 years	9,146	649	−3,019	−10,021	−10,073	−8,827	−11,192	−9,511	−9,817	−7,708	−9,151
5 5–10 years	−9,505	−6,564	−9,666	−7,116[r]	−8,502	−8,251	−7,460	−6,981	−7,222	−8,515	−8,978
6 Over 10 years	−3,197	−6,174	−10,082	−12,380	−8,313	−7,385	−7,367	−7,651	−8,246	−6,505	−6,225
7 Federal agency securities	32,984	31,911	28,230	27,284[r]	26,690	30,055	27,191	27,356	27,669	31,829	30,936
8 Certificates of deposit	10,485	8,188	7,300	8,767	6,831	6,306	6,124	6,276	6,519	6,037	6,142
9 Bankers acceptances	5,526	3,660	2,486	2,128	2,236	2,152	2,122	2,219	2,317	2,336	2,023
10 Commercial paper	8,089	7,496	6,152	9,363	8,618	6,471	8,112	8,041	6,434	5,913	5,880
Futures positions											
11 Treasury bills	−18,059	−3,373	−2,210	1,014	−1,609	4,593	−2,822	906	3,080	4,600	6,380
12 Treasury coupons	3,473	5,988	6,224	6,611	3,320	2,872	1,737	1,387	1,936	2,533	3,064
13 Federal agency securities	−153	−95	0	0	0	0	0	0	0	0	0
Forward positions											
14 U.S. Treasury securities	−2,144	−1,211	346[r]	−451	108	850	447	666	393	802	1,506
15 Federal agency securities	−11,840	−18,817	−16,348	−12,847	−12,787	−14,829	−12,451	−12,035	−13,233	−16,786	−15,136
	Financing[3]										
Reverse repurchase agreements[4]											
16 Overnight and continuing	98,913	126,709	136,327	147,712	150,515	127,409	151,458	158,967	150,815	170,181	156,846
17 Term	108,607	148,288	177,477	202,052	198,845	172,632	208,025	214,930	226,093	207,184	214,265
Repurchase agreements[5]											
18 Overnight and continuing	141,823	170,763	172,695	183,081	193,411	163,773	191,920	207,736	197,002	216,564	199,980
19 Term	102,397	121,270	137,056	145,045	139,465	125,989	154,157	153,939	168,965	148,827	155,378

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. Treasury 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. Treasury 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	1984	1985	1986	1987	1988 Sept.	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.
1 **Federal and federally sponsored agencies**	**271,220**	**293,905**	**307,361**	**341,386**	**363,894**	**364,491**	**370,639r**	n.a.	n.a.
2 Federal agencies	35,145	36,390	36,958	37,981	35,448	35,070	35,209	35,668	35,727
3 Defense Department[1]	142	71	33	13	11	8	8	8	8
4 Export-Import Bank[2,3]	15,882	15,678	14,211	11,978	10,964	10,964	10,964	11,033	11,033
5 Federal Housing Administration[4]	133	115	138	183	120	118	139	150	143
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	2,165	1,615	0	0	0	0	0
7 Postal Service[6]	1,337	1,940	3,104	6,103	5,842	5,842	5,842	6,142	6,142
8 Tennessee Valley Authority	15,435	16,347	17,222	18,089	18,511	18,138	18,256	18,335	18,401
9 United States Railway Association[6]	51	74	85	0	0	0	0	0	0
10 Federally sponsored agencies[7]	237,012	257,515	270,553	303,405	328,446	329,421	335,430r	n.a.	n.a.
11 Federal Home Loan Banks	65,085	74,447	88,752	115,725	126,011	127,113	130,630	135,834	139,802
12 Federal Home Loan Mortgage Corporation	10,270	11,926	13,589	17,645	18,368	17,384	19,500	n.a.	n.a.
13 Federal National Mortgage Association	83,720	93,896	93,563	97,057	105,986	105,698	105,337	105,459r	104,834
14 Farm Credit Banks[8]	72,192	68,851	62,478	55,275	53,764	53,923	53,420	53,127r	n.a.
15 Student Loan Marketing Association[9]	5,745	8,395	12,171	16,503	20,117	21,112	21,403	22,073	n.a.
16 Financing Corporation[10]	n.a.	n.a.	n.a.	1,200	3,750	3,750	4,450	5,850	5,850
17 Farm Credit Financial Assistance Corporation[11]	n.a.	n.a.	n.a.	n.a.	450	450	690	690	690
MEMO									
18 **Federal Financing Bank debt**[12]	**145,217**	**153,373**	**157,510**	**152,417**	**146,151**	**145,529**	**143,321**	**142,850**	**142,447**
Lending to federal and federally sponsored agencies									
19 Export-Import Bank[3]	15,852	15,670	14,205	11,972	10,958	10,958	10,958	11,027	11,027
20 Postal Service[6]	1,087	1,690	2,854	5,853	5,592	5,592	5,592	5,892	5,892
21 Student Loan Marketing Association	5,000	5,000	4,970	4,940	4,910	4,910	4,910	4,910	4,910
22 Tennessee Valley Authority	13,710	14,622	15,797	16,709	17,131	16,758	16,876	16,955	17,021
23 United States Railway Association[6]	51	74	85	0	0	0	0	0	0
Other Lending[13]									
24 Farmers Home Administration	58,971	64,234	65,374	59,674	58,496	58,496	58,496	58,496	58,496
25 Rural Electrification Administration	20,693	20,654	21,680	21,191	19,205	19,222	19,220	19,246	19,225
26 Other	29,853	31,429	32,545	32,078	29,859	29,593	27,269	26,324	25,876

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. Excludes borrowing by the Farm Credit Financial Assistance Corporation, shown in line 17.
9. Before late 1981, the Association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 21.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation (established in January 1988 to provide assistance to the Farm Credit System) undertook its first borrowing in July 1988.
12. The 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.
13. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1986	1987	1988	1988						1989	
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.r	Feb.
1 **All issues, new and refunding**[1]	**147,011**	**102,407**	**108,078**	**9,746**	**6,966**	**9,669**	**10,455**	**8,551**	**11,268**	**6,640**	**7,960**
Type of issue											
2 General obligation	46,346	30,589	29,662	1,959	2,472	2,370	2,058	2,368	2,491	1,784	4,217
3 Revenue	100,664	71,818	78,417	7,788	4,494	7,299	8,397	6,183	8,777	4,856	3,743
Type of issuer											
4 State	14,474	10,102	9,254	140	576	1,206	734	525	1,011	280	1,846
5 Special district and statutory authority[2]	89,997	65,460	69,447	6,752	3,749	6,407	7,283	5,550	7,690	4,882	3,573
6 Municipalities, counties, and townships	42,541	26,845	29,377	2,854	2,641	2,056	2,438	2,476	2,567	1,478	2,541
7 **Issues for new capital, total**	**83,492**	**56,789**	**75,064**	**8,386**	**5,317**	**7,076**	**6,965**	**5,830**	**8,738**	**4,141**	**6,171**
Use of proceeds											
8 Education	12,307	9,524	13,722	1,699	694	1,351	512	827	2,564	827	750
9 Transportation	7,246	3,677	6,974	1,446	265	732	559	237	636	344	736
10 Utilities and conservation	14,594	7,912	7,929	225	613	694	1,238	1,055	463	1,335	1,219
11 Social welfare	11,353	11,106	17,824	1,222	1,242	2,358	2,478	1,991	2,072	509	753
12 Industrial aid	6,190	7,474	6,276	128	460	280	393	294	1,010	293	87
13 Other purposes	31,802	18,020	22,339	3,666	2,043	1,661	1,785	1,426	1,993	834	2,626

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts beginning 1986.

SOURCES. Securities Data/Bond Buyer Municipal Data Base beginning 1986. Public Securities Association for earlier data.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue or issuer, or use	1986	1987	1988	1988							1989
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 **All issues**[1]	**423,726**	**392,156**	**264,987r**	**30,043**	**18,037**	**19,305**	**23,933**	**21,688r**	**24,489r**	**12,186**	**17,361**
2 **Bonds**[2]	**355,293**	**325,648**	**222,531r**	**25,748**	**12,899**	**15,970**	**20,928**	**18,901r**	**21,054r**	**10,135**	**14,200**
Type of offering											
3 Public, domestic	231,936	209,279	199,203r	22,753	10,905	14,631	18,240	17,389r	16,756	10,000	11,500
4 Private placement, domestic[3]	80,760	92,070	90,000	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5. Sold abroad	42,596	24,299	23,328r	2,995	1,994	1,339	2,688	1,512	4,298	135r	2,700
Industry group											
6 Manufacturing	91,548	61,666	40,836r	5,305	2,205	3,476	3,750	3,552	2,890	1,446	764
7 Commercial and miscellaneous	40,124	49,327	18,614	2,281	1,530	2,226	1,035	764	3,260	722	1,875
8 Transportation	9,971	11,974	3,771	580	100	0	150	605	45	0	0
9 Public utility	31,426	23,004	13,775	1,707	540	298	856	1,346	672	138	650
10 Communication	16,659	7,340	4,044	925	577	29	1,064	100	289	158	0
11 Real estate and financial	165,564	172,343	141,491r	14,949	7,948	9,940	14,072	12,534r	13,899	7,671r	8,211
12 **Stocks**[3]	**68,433**	**66,508**	**42,456**	**4,295**	**5,138**	**3,335**	**3,005**	**2,787**	**3,435r**	**2,051**	**3,161**
Type											
13 Preferred	11,514	10,123	6,544	501	407	498	385	865	478	495	275
14 Common	50,316	43,225	35,911	3,794	4,731	2,837	2,620	1,922	2,957	1,556	2,886
15 Private placement[3]	6,603	13,157	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
16 Manufacturing	15,027	13,880	6,115	1,676	296	538	244	288	430	425	33
17 Commercial and miscellaneous	10,617	12,888	4,766	522	2,073	347	525	222	52	89	32
18 Transportation	2,427	2,439	845	51	0	72	5	25	20	0	220
19 Public utility	4,020	4,322	1,581	207	20	135	215	282	70	20	1,960
20 Communication	1,825	1,458	448	13	20	3	23	0	20	59	5
21 Real estate and financial	34,517	31,521	28,701	1,826	2,729	2,240	1,993	1,970	2,843	1,459	911

1. Figures which represent gross proceeds of issues maturing in more than one year, are principal amount or number of units multiplied by offering price. Excludes secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data include only public offerings.
3. Data are not available on a monthly basis. Before 1987, annual totals include underwritten issues only.

SOURCES. IDD Information Services, Inc., the Board of Governors of the Federal Reserve System, and before 1989, the U.S. Securities and Exchange Commission.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1987	1988	1988							1989
			June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
INVESTMENT COMPANIES[1]										
1 **Sales of own shares**[2]	**381,260**	**271,237**	**22,503**	**20,728**	**20,595**	**19,872**	**20,494**	**20,327**	**25,780**	**29,015**
2 Redemptions of own shares[3]	314,252	267,451	23,168	20,561	22,837	21,330	19,362	20,599	25,976	24,494
3 Net sales	67,008	3,786	−665	167	−2,242	−1,458	1,132	−272	−196	4,521
4 **Assets**[4]	**453,842**	**472,297**	**481,120**	**477,076**	**465,822**	**474,662**	**481,571**	**470,660**	**472,297**	**487,204**
5 Cash position[5]	38,006	45,090	43,229	44,015	45,229	46,706	45,976	43,488	45,090	48,144
6 Other	415,836	427,207	437,891	433,061	420,595	427,956	435,595	427,172	427,207	439,060

1. Data on sales and redemptions exclude money market mutual funds but include limited maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited maturity municipal bond funds.
2. Includes reinvestment of 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.

SOURCE. *Survey of Current Business* (Department of Commerce).

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1986	1987	1988r	1987				1988			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1 Corporate profits with inventory valuation and capital consumption adjustment	298.9	310.4	328.1	298.3	305.2	322.0	316.1	316.2	326.5	330.0	339.9
2 Profits before tax	236.4	276.7	306.4	261.8	273.7	289.4	281.9	286.2	305.9	313.9	319.5
3 Profits tax liability	106.6	133.8	142.6	126.3	132.6	140.0	136.2	136.9	143.2	144.8	145.6
4 Profits after tax	129.8	142.9	163.8	135.5	141.1	149.5	145.7	149.4	162.7	169.1	173.9
5 Dividends	88.2	95.5	104.5	91.7	94.0	97.0	99.3	101.3	103.1	105.7	108.0
6 Undistributed profits	41.6	47.4	59.2	43.8	47.0	52.4	46.4	48.1	59.6	63.4	65.9
7 Inventory valuation	8.3	−18.0	−23.8	−14.4	−20.0	−19.5	−18.2	−19.4	−27.4	−29.3	−19.2r
8 Capital consumption adjustment	54.2	51.7	45.6	50.8	51.5	52.1	52.4	49.4	48.0	45.4	39.6r

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry	1986	1987	1988	1987			1988				1989
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
1 **Total nonfarm business**	**379.47**	**389.67**	**430.95**	**380.66**	**394.54**	**406.82**	**412.02**	**426.94**	**436.01**	**445.73**	**466.76**
Manufacturing											
2 Durable goods industries	69.14	71.01	78.06	69.05	71.96	72.28	75.70	76.87	79.48	78.97	84.25
3 Nondurable goods industries	73.56	74.88	85.50	72.66	76.24	79.92	82.90	84.82	89.43	90.00	93.56
Nonmanufacturing											
4 Mining	11.22	11.39	12.62	11.02	11.81	12.32	12.59	13.26	12.47	11.97	11.62
Transportation											
5 Railroad	6.66	5.92	7.05	5.84	6.07	6.12	6.92	7.01	6.84	8.07	9.26
6 Air	6.26	6.53	7.61	6.02	6.15	6.94	6.43	6.66	8.06	6.84	10.07
7 Other	5.89	6.40	6.91	6.26	6.97	6.28	7.08	7.05	7.26	7.20	7.58
Public utilities											
8 Electric	33.91	31.63	32.20	31.47	31.57	32.28	30.31	30.95	32.20	33.54	32.69
9 Gas and other	12.47	13.25	14.27	12.47	13.73	14.11	14.30	14.48	14.50	15.25	16.66
10 Commercial and other[2]	160.38	168.65	186.74	165.86	170.05	176.56	175.79	185.83	185.76	193.87	201.07

▲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[1]

Billions of dollars, end of period

Account	1983	1984	1985	1986 Q2	1986 Q3	1986 Q4	1987 Q1	1987 Q2	1987 Q3	1987 Q4
ASSETS										
Accounts receivable, gross										
1 Consumer	83.3	89.9	111.9	123.4	135.3	134.7	131.1	134.7	141.6	141.1
2 Business	113.4	137.8	157.5	166.8	159.7	173.4	181.4	188.1	188.3	207.6
3 Real estate	20.5	23.8	28.0	29.8	31.0	32.6	34.7	36.5	38.0	39.5
4 Total	217.3	251.5	297.4	320.0	326.0	340.6	347.2	359.3	367.9	388.2
Less:										
5 Reserves for unearned income	30.3	33.8	39.2	40.7	42.4	41.5	40.4	41.2	42.5	45.3
6 Reserves for losses	3.7	4.2	4.9	5.1	5.4	5.8	5.9	6.2	6.5	6.8
7 Accounts receivable, net	183.2	213.5	253.3	274.2	278.2	293.3	300.9	311.9	318.9	336.1
8 All other	34.4	35.7	45.3	49.5	60.0	58.6	59.0	57.7	64.5	58.2
9 **Total assets**	**217.6**	**249.2**	**298.6**	**323.7**	**338.2**	**351.9**	**359.9**	**369.6**	**383.4**	**394.3**
LIABILITIES										
10 Bank loans	18.3	20.0	18.0	16.3	16.8	18.6	17.2	17.3	15.9	16.4
11 Commercial paper	60.5	73.1	99.2	108.4	112.8	117.8	119.1	120.4	124.2	128.4
Debt										
12 Other short-term	11.1	12.9	12.7	15.8	16.4	17.5	21.8	24.8	26.9	28.0
13 Long-term	67.7	77.2	94.4	106.9	111.7	117.5	118.7	121.8	128.2	137.1
14 All other liabilities	31.2	34.5	41.5	40.9	45.0	44.1	46.5	49.1	48.6	52.8
15 Capital, surplus, and undivided profits	28.9	31.5	32.8	35.4	35.6	36.4	36.6	36.3	39.5	31.5
16 **Total liabilities and capital**	**217.6**	**249.2**	**298.6**	**323.7**	**338.2**	**351.9**	**359.9**	**369.6**	**383.4**	**394.3**

1. NOTE. Components may not add to totals because of rounding.

Data after 1987:4 are currently unavailable. It is anticipated that these data will be available later this year.

1.52 DOMESTIC FINANCE COMPANIES Business Credit Outstanding and Net Change[1]

Millions of dollars, seasonally adjusted

Type	1985	1986	1987	1988 Aug.	1988 Sept.	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.
1 **Total**	**156,297**	**171,966**	**205,869**	**223,958**	**230,474**	**231,807**	**234,059**	**234,808**	**235,738**
Retail financing of installment sales									
2 Automotive (commercial vehicles)	20,660	25,952	35,674	37,519	37,120	37,359	36,984	37,067	38,030
3 Business, industrial, and farm equipment	22,483	22,950	24,987	27,603	27,569	27,841	28,160	27,919	28,278
Wholesale financing									
4 Automotive	23,988	23,419	31,059	27,721	32,732	32,523	32,523	33,879	33,808
5 Equipment	4,568	5,423	5,693	5,803	5,949	5,888	6,045	6,083	6,196
6 All other	6,809	7,079	8,408	8,531	8,738	8,867	9,025	9,278	9,547
Leasing									
7 Automotive	16,275	19,783	21,943	24,370	23,861	24,186	24,623	24,639	24,660
8 Equipment	34,768	37,833	43,002	53,671	55,400	55,786	56,294	58,147	58,444
9 Loans on commercial accounts receivable and factored commercial accounts receivable	15,765	15,959	18,024	19,132	19,386	19,239	19,616	18,133	17,066
10 All other business credit	10,981	13,568	17,079	19,609	19,719	20,117	20,790	19,664	19,708
	Net change (during period)								
11 **Total**	**19,607**	**15,669**	**3,040**	**252**	**6,515**	**1,333**	**2,252**	**749**	**930**
Retail financing of installment sales									
12 Automotive (commercial vehicles)	5,067	5,292	1,220	−163	−399	239	−375	83	963
13 Business, industrial, and farm equipment	−363	467	223	175	−35	272	319	−240	359
Wholesale financing									
14 Automotive	5,423	−569	158	−728	5,011	−208	0	1,355	−71
15 Equipment	−867	855	−101	149	146	−60	157	38	114
16 All other	1,069	270	257	73	207	129	158	253	270
Leasing									
17 Automotive	3,896	3,508	−70	−30	−509	325	436	16	21
18 Equipment	2,685	3,065	1,038	867	1,729	386	508	1,853	297
19 Loans on commercial accounts receivable and factored commercial accounts receivable	2,161	194	−477	37	255	−148	377	−1,483	−1,067
20 All other business credit	536	2,587	792	−127	110	398	673	−1,126	44

1. These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1986	1987	1988	1988 Aug.	1988 Sept.	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	118.1	137.0	150.0	154.2	148.3	153.8	155.3	150.0	165.2[r]	154.9
2 Amount of loan (thousands of dollars)	86.2	100.5	110.5	114.9	109.8	114.0	115.6	110.8	121.3[r]	112.8
3 Loan/price ratio (percent)	75.2	75.2	75.5	76.7	75.4	75.8	76.1	75.6	75.2[r]	73.6
4 Maturity (years)	26.6	27.8	28.0	28.5	27.6	28.4	28.4	28.3	28.8	28.4
5 Fees and charges (percent of loan amount)[2]	2.48	2.26	2.19	2.35	2.14	1.98	2.28	2.08	1.90[r]	2.12
6 Contract rate (percent per year)	9.82	8.94	8.81	8.68	8.90	8.77	9.05	9.04	9.20[r]	9.45
Yield (percent per year)										
7 FHLBB series[3]	10.26	9.31	9.18	9.06	9.26	9.10	9.43	9.39	9.52[r]	9.81
8 HUD series[4]	10.07	10.17	10.30	10.55	10.39	10.21	10.37	10.67	10.55	n.a.
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series)[5]	9.91	10.16	10.49	10.74	10.58	10.23	10.63	10.81	10.69	n.a.
10 GNMA securities[6]	9.30	9.43	9.83	10.09	9.93	9.77	9.85	10.07	10.02	10.07
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	98,048	95,030	101,329	102,540	102,453	102,493	102,696	103,013	102,370	101,922
12 FHA/VA-insured	29,683	21,660	19,762	19,586	19,526	19,464	19,467	19,415	19,354	19,275
13 Conventional	68,365	73,370	81,567	82,954	82,927	83,032	83,228	83,598	83,016	82,647
Mortgage transactions (during period)										
14 Purchases	30,826	20,531	23,110	1,638	1,111	1,488	1,596	1,726	1,037	905
Mortgage commitments[7]										
15 Contracted (during period)	32,987	25,415	23,435	1,041	1,439	1,740	1,289	1,350	1,087	3,557
16 Outstanding (end of period)	3,386	4,886	2,148	3,135	3,257	3,165	2,740	2,148	2,081	4,520
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	13,517	12,802	15,105	15,142	15,442	15,669	15,419	17,425	n.a.	n.a.
18 FHA/VA	746	686	620	611	606	601	595	590	n.a.	n.a.
19 Conventional	12,771	12,116	14,485	14,531	14,836	15,068	14,824	16,834	n.a.	n.a.
Mortgage transactions (during period)										
20 Purchases	103,474	76,845	44,077	3,858	4,192	4,037	4,109	5,843	n.a.	n.a.
21 Sales	100,236	75,082	39,780[r]	3,719	3,728	3,674	4,231	5,510[r]	n.a.	n.a.
Mortgage commitments[9]										
22 Contracted (during period)	110,855	71,467	66,026	3,480	6,209	4,406	5,419	10,101	n.a.	n.a.

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	1985	1986	1987	1987		1988		
				Q3	Q4	Q1	Q2	Q3
1 **All holders**	**2,289,843**	**2,597,175**	**2,943,144**	**2,864,736**	**2,943,144**	**2,988,100**	**3,067,566**	**3,151,956**
2 1- to 4-family	1,488,009	1,698,524	1,925,197	1,870,635	1,925,197	1,955,770	2,015,646	2,079,706
3 Multifamily	214,470	247,831	273,830	268,911	273,830	277,622	282,511	286,918
4 Commercial	481,514	555,039	655,249	635,230	655,249	666,521	681,478	697,919
5 Farm	105,850	95,781	88,868	89,960	88,868	88,187	87,931	87,413
6 Selected financial institutions	1,390,394	1,507,289	1,700,820	1,648,328	1,700,820	1,723,737	1,773,444	1,827,383
7 Commercial banks[2]	429,196	502,534	591,151	567,000	591,151	604,403	628,132	653,288
8 1- to 4-family	213,434	235,814	275,761	263,762	275,761	280,439	291,767	304,029
9 Multifamily	23,373	31,173	33,296	32,114	33,296	33,640	34,672	35,936
10 Commercial	181,032	222,799	267,663	256,981	267,663	275,535	286,366	297,880
11 Farm	11,357	12,748	14,431	14,143	14,431	14,789	15,327	15,443
12 Savings institutions[3]	760,499	777,312	856,945	838,737	856,945	863,110	881,924	905,372
13 1- to 4-family	554,301	558,412	598,886	583,432	598,886	603,532	622,863	644,676
14 Multifamily	89,739	97,059	106,359	104,609	106,359	107,687	109,108	109,800
15 Commercial	115,771	121,236	150,943	149,938	150,943	151,136	149,201	150,144
16 Farm	688	605	....	....	....	....	....	....
17 Life insurance companies	171,797	193,842	212,375	204,263	212,375	214,815	220,870	225,245
18 1- to 4-family	12,381	12,827	13,226	12,742	13,226	13,653	14,172	14,892
19 Multifamily	19,894	20,952	22,524	21,968	22,524	22,723	23,021	23,100
20 Commercial	127,670	149,111	166,722	159,464	166,722	168,774	174,086	178,012
21 Farm	11,852	10,952	9,903	10,089	9,903	9,665	9,591	9,241
22 Finance companies[4]	28,902	33,601	40,349	38,328	40,349	41,409	42,518	43,478
23 Federal and related agencies	166,928	203,800	192,721	191,520	192,721	196,909	199,474	197,885
24 Government National Mortgage Association	1,473	889	444	458	444	434	42	43
25 1- to 4-family	539	47	25	25	25	25	24	24
26 Multifamily	934	842	419	433	419	409	18	19
27 Farmers Home Administration[5]	733	48,421	43,051	42,978	43,051	43,076	42,767	41,836
28 1- to 4-family	183	21,625	18,169	18,111	18,169	18,185	18,248	18,268
29 Multifamily	113	7,608	8,044	7,903	8,044	8,115	8,213	8,349
30 Commercial	159	8,446	6,603	6,592	6,603	6,640	6,288	5,300
31 Farm	278	10,742	10,235	10,372	10,235	10,136	10,018	9,919
32 Federal Housing and Veterans Administration	4,920	5,047	5,574	5,330	5,574	5,660	5,673	5,545
33 1- to 4-family	2,254	2,386	2,557	2,452	2,557	2,608	2,564	2,445
34 Multifamily	2,666	2,661	3,017	2,878	3,017	3,052	3,109	3,100
35 Federal National Mortgage Association	98,282	97,895	96,649	94,884	96,649	99,787	102,368	102,453
36 1- to 4-family	91,966	90,718	89,666	87,901	89,666	92,828	95,404	95,417
37 Multifamily	6,316	7,177	6,983	6,983	6,983	6,959	6,964	7,036
38 Federal Land Banks	47,498	39,984	34,131	34,930	34,131	33,566	33,048	32,566
39 1- to 4-family	2,798	2,353	2,008	2,055	2,008	1,975	1,945	1,917
40 Farm	44,700	37,631	32,123	32,875	32,123	31,591	31,103	30,649
41 Federal Home Loan Mortgage Corporation	14,022	11,564	12,872	12,940	12,872	14,386	15,576	15,442
42 1- to 4-family	11,881	10,010	11,430	11,570	11,430	12,749	13,631	13,589
43 Multifamily	2,141	1,554	1,442	1,370	1,442	1,637	1,945	1,853
44 Mortgage pools or trusts[6]	439,058	565,428	718,297	692,944	718,297	736,344	754,045	782,093
45 Government National Mortgage Association	212,145	262,697	317,555	308,339	317,555	322,976	322,616	332,926
46 1- to 4-family	207,198	256,920	309,806	300,815	309,806	315,095	314,728	324,469
47 Multifamily	4,947	5,777	7,749	7,524	7,749	7,881	7,888	8,457
48 Federal Home Loan Mortgage Corporation	100,387	171,372	212,634	208,872	212,634	214,724	216,155	220,683
49 1- to 4-family	99,515	166,667	205,977	202,308	205,977	208,138	209,702	214,063
50 Multifamily	872	4,705	6,657	6,564	6,657	6,586	6,453	6,620
51 Federal National Mortgage Association	54,987	97,174	139,960	130,540	139,960	145,242	157,438	167,170
52 1- to 4-family	54,036	95,791	137,988	128,770	137,988	142,330	153,253	162,228
53 Multifamily	951	1,383	1,972	1,770	1,972	2,912	4,185	4,942
54 Farmers Home Administration[5]	47,523	348	245	333	245	172	106	106
55 1- to 4-family	22,186	142	121	144	121	65	23	27
56 Multifamily	6,675	....	....	....	....	....	....	....
57 Commercial	8,190	132	63	124	63	58	41	38
58 Farm	10,472	74	61	65	61	49	42	41
59 Individuals and others[7]	293,463	320,658	331,306	331,944	331,306	331,110	340,603	344,595
60 1- to 4-family	162,419	177,374	171,325	173,360	171,325	169,509	177,074	178,976
61 Multifamily	55,849	66,940	75,368	74,795	75,368	76,021	76,935	77,706
62 Commercial	48,692	53,315	63,255	62,131	63,255	64,378	65,496	66,545
63 Farm	26,503	23,029	21,358	21,658	21,358	21,202	21,098	21,368

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. Includes savings banks and savings and loan associations. Beginning 1987:1, data reported by FSLIC-insured institutions include loans in process and other contra assets (credit balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels).
4. Assumed to be entirely 1- to 4-family loans.
5. 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.
6. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated.
7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and other U.S. agencies.

1.55 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change, seasonally adjusted

Millions of dollars

Holder, and type of credit	1987	1988ʳ	1988 May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.ʳ	1989 Jan.
	Amounts outstanding (end of period)										
1 **Total**	**613,022**	**666,191**	**636,318**	**644,372**	**647,993**	**653,317**	**653,319**	**657,226**	**661,889**	**666,191**	**670,551**
By major holder											
2 Commercial banks	281,564	319,130	295,546	300,275	303,189	307,119	308,960	312,968	317,128	319,130	320,600
3 Finance companies[2]	140,072	143,523	144,454	144,748	143,812	143,962	142,723	142,480	142,226	143,523	145,186
4 Credit unions	81,065	86,214	83,881	84,912	85,468	85,881	85,553	86,024	86,102	86,214	86,864
5 Retailers[3]	42,782	45,370	43,162	43,450	43,634	43,712	43,956	44,250	44,644	45,370	45,131
6 Savings institutions	63,949	68,298	65,509	67,274	68,182	68,909	68,462	67,845	68,140	68,298	69,153
7 Gasoline companies	3,590	3,657	3,765	3,713	3,707	3,735	3,665	3,658	3,648	3,657	3,616
By major type of credit											
8 Automobile	267,180	289,823	279,418	282,254	283,359	285,560	284,782	286,107	287,474	289,823	292,041
9 Commercial banks	108,438	126,054	115,951	117,322	118,650	120,380	121,450	122,995	124,583	126,054	126,913
10 Credit unions	43,474	48,324	45,831	46,565	47,043	47,444	47,436	47,870	48,088	48,324	48,864
11 Finance companies	98,026	96,368	99,708	99,900	98,896	98,711	96,939	96,400	95,825	96,368	96,890
12 Savings institutions	17,242	19,078	17,928	18,465	18,770	19,026	18,958	18,842	18,979	19,078	19,374
13 Revolving	159,307	185,755	169,154	172,809	174,927	177,568	178,675	181,277	184,467	185,755	186,578
14 Commercial banks	98,808	117,050	105,742	108,309	109,645	111,623	112,341	114,404	116,824	117,050	117,393
15 Retailers	36,959	39,095	37,259	37,526	37,671	37,708	37,914	38,169	38,481	39,095	38,945
16 Gasoline companies	3,590	3,657	3,765	3,713	3,707	3,735	3,665	3,658	3,648	3,657	3,616
17 Savings institutions	13,279	16,472	14,518	15,098	15,492	15,850	15,938	15,984	16,244	16,472	16,871
18 Credit unions	6,671	9,481	7,870	8,162	8,413	8,652	8,816	9,063	9,270	9,481	9,754
19 Mobile home	25,957	25,552	25,703	25,852	25,882	25,915	25,746	25,776	25,830	25,552	25,634
20 Commercial banks	9,101	8,793	8,966	8,933	8,913	8,893	8,833	9,048	9,079	8,793	8,826
21 Finance companies	7,771	7,210	7,578	7,513	7,436	7,387	7,341	7,243	7,224	7,210	7,141
22 Savings institutions	9,085	9,549	9,159	9,406	9,533	9,634	9,572	9,485	9,527	9,549	9,667
23 Other	160,578	165,061	162,043	163,456	163,825	164,274	164,116	164,066	164,117	165,061	166,298
24 Commercial banks	65,217	67,233	64,887	65,710	65,981	66,222	66,335	66,522	66,642	67,233	67,470
25 Finance companies	34,275	39,945	37,168	37,335	37,480	37,863	38,443	38,837	39,177	39,945	41,155
26 Credit unions	30,920	28,409	30,180	30,184	30,012	29,785	29,302	29,091	28,745	28,409	28,247
27 Retailers	5,823	6,275	5,903	5,923	5,964	6,004	6,041	6,081	6,163	6,275	6,187
28 Savings institutions	24,343	23,199	23,904	24,305	24,388	24,399	23,995	23,534	23,390	23,199	23,240
	Net change (during period)										
29 **Total**	**41,189**	**53,169**	**2,982**	**8,054**	**3,621**	**5,324**	**2**	**3,907**	**4,663**	**4,302**	**4,360**
By major holder											
30 Commercial banks	19,425	37,566	2,380	4,729	2,914	3,930	1,841	4,008	4,160	2,002	1,470
31 Finance companies[2]	6,374	3,451	−62	294	−936	150	−1,239	−243	−254	1,297	1,663
32 Credit unions	4,874	5,149	677	1,031	556	413	−328	471	78	112	650
33 Retailers[3]	3,122	2,588	−133	288	184	78	244	294	394	726	−239
34 Savings institutions	7,068	4,349	122	1,765	908	727	−447	−617	295	158	855
35 Gasoline companies	326	67	−4	−52	−6	28	−70	−7	−10	9	−41
By major type of credit											
36 Automobile	21,071	22,643	851	2,836	1,105	2,201	−778	1,325	1,367	2,349	2,218
37 Commercial banks	7,531	17,616	1,083	1,371	1,328	1,730	1,070	1,545	1,588	1,471	859
38 Credit unions	5,061	4,850	538	734	478	401	−8	434	218	236	540
39 Finance companies	5,676	−1,658	−856	192	−1,004	−185	−1,772	−539	−575	543	522
40 Savings institutions	2,803	1,836	87	537	305	256	−68	−116	137	99	296
41 Revolving	22,926	26,448	1,798	3,655	2,118	2,641	1,107	2,602	3,190	1,288	823
42 Commercial banks	12,051	18,242	1,492	2,567	1,336	1,978	718	2,063	2,420	226	343
43 Retailers	2,639	2,136	−155	267	145	37	206	255	312	614	−150
44 Gasoline companies	326	67	−4	−52	−6	28	−70	−7	−10	9	−41
45 Savings institutions	4,913	3,193	209	580	394	358	88	46	260	228	399
46 Credit unions	2,997	2,810	256	292	251	239	164	247	207	211	273
47 Mobile home	−926	−405	−61	149	30	33	−169	30	54	−278	82
48 Commercial banks	175	−308	−81	−33	−20	−20	−60	215	31	−286	33
49 Finance companies	−1,051	−561	3	−65	−77	−49	−46	−98	−19	−14	−69
50 Savings institutions	−50	464	17	247	127	101	−62	−87	42	22	118
51 Other	−1,882	4,483	394	1,413	369	449	−158	−50	51	944	1,237
52 Commercial banks	−332	2,016	−114	823	271	241	113	187	120	591	237
53 Finance companies	1,749	5,670	792	167	145	383	580	394	340	768	1,210
54 Credit unions	−3,184	−2,511	−117	4	−172	−227	−483	−211	−346	−336	−162
55 Retailers	483	452	23	20	41	40	37	40	82	112	−88
56 Savings institutions	−598	−1,144	−191	401	83	11	−404	−461	−144	−191	41

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.

These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

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.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent unless noted otherwise

Item	1986	1987	1988	1988 July	1988 Aug.	1988 Sept.	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car[3]	11.33	10.45	10.85[r]	n.a.	10.93	n.a.	n.a.	11.22	n.a.	n.a.
2 24-month personal	14.82[r]	14.22[r]	14.68	n.a.	14.81	n.a.	n.a.	15.06	n.a.	n.a.
3 120-month mobile home[3]	13.99	13.38	13.54	n.a.	13.62	n.a.	n.a.	13.61	n.a.	n.a.
4 Credit card	18.26	17.92	17.78	n.a.	17.79	n.a.	n.a.	17.77	n.a.	n.a.
Auto finance companies										
5 New car	9.44	10.73	12.60	12.44	12.64	12.93	13.10	13.20	13.25	13.27
6 Used car	15.95	14.60	15.11	14.99	15.16	15.46	15.67	15.75	15.80	15.57
OTHER TERMS[4]										
Maturity (months)										
7 New car	50.0	53.5	56.2	56.4	56.5	56.3	56.3	56.2	56.3	56.2
8 Used car	42.6	45.2	46.7	46.8	46.8	46.5	46.3	46.2	46.0	47.8
Loan-to-value ratio										
9 New car	91	93	94	94	94	94	94	94	94	94
10 Used car	97	98	98	99	98	98	99	98	98	97
Amount financed (dollars)										
11 New car	10,665	11,203	11,663	11,663	11,593	11,530	11,845	11,975	12,068	11,956
12 Used car	6,555	7,420	7,824	7,947	7,918	7,903	7,944	7,991	8,022	8,006

1. These data also appear in the Board's G.19 (421) release. For address, see inside front cover.
2. Data for midmonth of quarter only.
3. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
4. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Transaction category, sector	1984	1985	1986	1987	1988	1987			1988			
						Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**750.8**	**846.3**	**830.6**	**682.0**	**712.8**	**753.2**	**653.6**	**769.4**	**713.9**	**687.8**	**748.8**	**700.7**
By sector and instrument												
2 U.S. government	198.8	223.6	215.0	144.9	157.5	146.8	103.1	168.2	227.7	89.2	188.6	124.4
3 Treasury securities	199.0	223.7	214.7	143.4	140.0	148.7	104.0	163.2	228.2	81.5	167.7	82.8
4 Agency issues and mortgages	−.2	−.1	.4	1.5	17.4	−1.9	−.9	5.0	−.5	7.7	20.9	41.6
5 Private domestic nonfinancial sectors	552.0	622.7	615.6	537.1	555.3	606.4	550.5	601.2	486.3	598.6	560.2	576.3
6 Debt capital instruments	319.3	452.3	460.7	446.0	400.8	466.7	428.3	415.8	351.2	445.8	424.9	381.4
7 Tax-exempt obligations	50.4	136.4	30.8	34.5	36.3	33.1	32.7	33.5	24.8	32.6	44.4	43.5
8 Corporate bonds	46.1	73.8	121.3	99.9	97.4	88.5	100.7	81.6	101.4	118.4	90.3	79.3
9 Mortgages	222.8	242.2	308.6	311.6	267.1	345.1	294.9	300.8	225.0	294.8	290.1	258.5
10 Home mortgages	136.7	156.8	210.9	221.7	196.4	243.5	212.1	206.9	162.4	240.3	206.5	176.6
11 Multifamily residential	25.2	29.8	33.5	24.4	15.1	30.9	23.3	15.9	23.6	2.6	13.5	20.6
12 Commercial	62.2	62.2	73.6	72.0	57.9	77.2	64.2	79.9	44.9	53.5	71.8	61.5
13 Farm	−1.2	−6.6	−9.5	−6.4	−2.3	−6.6	−4.7	−1.9	−6.0	−1.7	−1.6	−.1
14 Other debt instruments	232.7	170.3	154.9	91.1	154.6	139.7	122.2	185.4	135.1	152.8	135.4	194.9
15 Consumer credit	81.6	82.5	54.4	40.7	49.3	52.4	61.4	49.4	34.8	59.5	34.9	67.9
16 Bank loans n.e.c.	67.1	38.6	69.3	8.8	42.5	36.6	21.0	85.3	36.1	76.0	9.5	48.4
17 Open market paper	21.7	14.6	−9.3	2.3	11.6	4.7	1.0	3.9	−3.8	4.0	11.1	35.1
18 Other	62.2	34.6	40.5	39.3	51.2	46.1	38.7	46.9	67.9	13.4	79.9	43.5
19 By borrowing sector	552.0	622.7	615.6	537.1	555.3	606.4	550.5	601.2	486.3	598.6	560.2	576.3
20 State and local governments	27.4	91.8	44.3	34.0	34.9	31.4	34.8	32.9	19.5	29.2	46.1	44.6
21 Households	231.5	283.6	282.2	260.3	248.9	302.7	281.1	264.9	203.0	304.6	258.3	229.9
22 Nonfinancial business	293.1	247.3	289.0	242.7	271.6	272.4	234.5	303.4	263.7	264.8	255.8	301.7
23 Farm	−.4	−14.5	−16.3	−10.6	−3.4	−12.7	−9.4	3.3	−15.6	−3.6	−1.8	7.5
24 Nonfarm noncorporate	123.2	129.3	103.2	107.9	82.1	117.7	97.4	116.3	86.4	70.9	99.7	71.6
25 Corporate	170.3	132.4	202.1	145.4	192.9	167.4	146.6	183.8	192.9	197.6	158.0	222.7
26 Foreign net borrowing in United States	8.4	1.2	9.6	4.3	9.3	−.1	12.3	13.9	−1.0	5.2	4.6	28.5
27 Bonds	3.8	3.8	3.0	6.8	9.4	−4.1	6.7	21.6	16.8	−2.7	6.5	17.2
28 Bank loans n.e.c.	−6.6	−2.8	−1.0	−3.6	−.8	−3.5	−3.7	−6.1	.7	−3.5	2.9	−3.2
29 Open market paper	6.2	6.2	11.5	2.1	9.6	−6.4	21.6	−2.5	1.5	6.4	10.7	20.0
30 U.S. government loans	5.0	−5.9	−3.9	−1.0	−9.0	13.9	−12.3	.8	−19.9	5.1	−15.6	−5.5
31 **Total domestic plus foreign**	**759.2**	**847.5**	**840.2**	**686.4**	**722.1**	**753.1**	**665.8**	**783.2**	**713.0**	**693.0**	**753.4**	**729.1**
	Financial sectors											
32 **Total net borrowing by financial sectors**	**148.7**	**198.3**	**297.2**	**303.3**	**240.0**	**316.7**	**306.4**	**250.2**	**134.4**	**262.9**	**235.5**	**327.0**
By instrument												
33 U.S. government related	74.9	101.5	178.1	185.8	136.1	196.8	185.5	167.5	120.3	101.8	150.6	171.7
34 Sponsored credit agency securities	30.4	20.6	15.2	30.2	44.9	21.5	32.0	71.6	56.8	9.4	42.8	70.8
35 Mortgage pool securities	44.4	79.9	163.3	156.4	91.2	175.4	153.5	95.9	63.4	92.4	107.8	100.9
36 Loans from U.S. government	.....	1.1	−.4	−.8	.....	−.1	.....	.....	.....	.....	.....	.....
37 Private financial sectors	73.8	96.7	119.1	117.5	103.9	119.9	120.8	82.7	14.1	161.1	84.9	155.3
38 Corporate bonds	33.0	47.9	70.9	67.2	37.3	45.6	77.7	42.4	11.1	60.1	40.9	37.0
39 Mortgages	.4	.1	.1	.4	−.1	.1	.2	.8	−.1	*	*	−.2
40 Bank loans n.e.c.	.7	2.6	4.0	−3.3	−6.2	.6	6.3	−10.7	−26.8	8.7	−8.6	2.1
41 Open market paper	24.1	32.0	24.2	28.8	53.1	54.0	14.3	5.4	24.6	82.2	26.1	79.6
42 Loans from Federal Home Loan Banks	15.7	14.2	19.8	24.4	19.7	19.6	22.2	44.9	5.4	10.1	26.6	36.8
By sector												
43 **Total**	148.7	198.3	297.2	303.3	240.0	316.7	306.4	250.2	134.4	262.9	235.5	327.0
44 Sponsored credit agencies	30.4	21.7	14.9	29.5	44.9	21.4	32.0	71.6	56.8	9.4	42.8	70.8
45 Mortgage pools	44.4	79.9	163.3	156.4	91.2	175.4	153.5	95.9	63.4	92.4	107.8	100.9
46 Private financial sectors	73.8	96.7	119.1	117.5	103.9	119.9	120.8	82.7	14.1	161.1	84.9	155.3
47 Commercial banks	7.3	−4.9	−3.6	7.1	−4.5	20.0	−13.1	15.0	−22.4	6.2	−8.3	6.3
48 Bank affiliates	15.6	14.5	4.6	2.9	−12.8	−2.7	11.3	−22.6	−67.4	11.3	9.7	−4.5
49 Savings and loan associations	22.7	22.3	29.8	36.0	29.2	22.2	41.9	51.9	9.1	16.6	54.3	37.0
50 Finance companies	18.2	52.7	48.4	31.6	58.4	40.7	35.5	30.2	50.9	94.2	9.4	79.2
51 REITs	.8	.5	1.0	.8	1.6	−1.3	2.5	2.2	1.0	1.7	−1.4	5.2
52 CMO Issuers	9.3	11.5	39.0	39.1	31.9	41.0	42.7	6.0	43.0	31.2	21.3	32.2

1.57—Continued

Transaction category, sector	1984	1985	1986	1987	1988	1987			1988			
						Q2	Q3	Q4	Q1	Q2	Q3	Q4
	All sectors											
53 **Total net borrowing**	**907.9**	**1,045.7**	**1,137.4**	**989.7**	**962.1**	**1,069.8**	**972.2**	**1,033.4**	**847.4**	**955.9**	**988.9**	**1,056.1**
54 U.S. government securities	273.8	324.2	393.5	331.5	293.6	343.7	288.6	335.7	347.9	191.0	339.2	296.1
55 State and local obligations	50.4	136.4	30.8	34.5	36.3	33.1	32.7	33.5	24.8	32.6	44.4	43.5
56 Corporate and foreign bonds	83.0	125.4	195.2	174.0	144.1	130.0	185.1	145.6	129.3	175.9	137.7	133.4
57 Mortgages	223.1	242.2	308.6	312.0	267.0	345.2	295.1	301.6	224.8	294.8	290.1	258.3
58 Consumer credit	81.6	82.5	54.4	40.7	49.3	52.4	61.4	49.4	34.8	59.5	34.9	67.9
59 Bank loans n.e.c.	61.1	38.3	72.3	1.9	35.6	33.8	23.6	68.5	10.0	81.1	3.7	47.4
60 Open market paper	52.0	52.8	26.4	33.2	74.3	52.3	36.9	6.7	22.3	92.5	48.0	134.7
61 Other loans	82.9	44.0	56.1	62.0	61.9	79.4	48.7	92.5	53.5	28.6	90.9	74.8
62 MEMO: U.S. government, cash balance	6.3	14.4	*	−7.9	4.6	77.7	−19.6	−54.7	60.9	3.3	16.2	−61.9
Totals net of changes in U.S. government cash balances												
63 Net borrowing by domestic nonfinancial	744.5	831.9	830.6	689.9	708.2	675.5	673.2	824.0	653.0	684.5	732.7	762.6
64 Net borrowing by U.S. government	192.5	209.3	215.0	152.8	152.9	69.1	122.7	222.8	166.8	86.0	172.4	186.3
	External corporate equity funds raised in United States											
65 **Total net share issues**	**−36.0**	**20.1**	**93.9**	**13.5**	**−114.4**	**13.9**	**−47.1**	**−82.7**	**−75.6**	**−131.1**	**−76.2**	**−174.5**
66 Mutual funds	29.3	84.4	161.8	72.3	−2.0	79.1	13.8	−9.1	5.0	−8.0	0.3	−5.2
67 All other	−65.3	−64.3	−68.0	−58.8	−112.4	−65.2	−60.9	−73.6	−80.5	−123.1	−76.5	−169.3
68 Nonfinancial corporations	−74.5	−81.5	−80.8	−76.5	−130.5	−83.0	−78.0	−88.0	−95.0	−140.0	−92.0	−195.0
69 Financial corporations	8.2	13.5	11.5	20.1	17.2	16.5	18.4	26.4	15.2	23.4	14.4	16.0
70 Foreign shares purchased in United States	.9	3.7	1.3	−2.4	0.9	1.2	−1.3	−12.0	−.7	−6.5	1.1	9.7

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; quarterly data are at seasonally adjusted annual rates.

Transaction category, or sector	1985	1986	1987	1988	1987				1988			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1 Total funds advanced in credit markets to domestic nonfinancial sectors	**846.3**	**830.6**	**682.0**	**712.8**	**552.0**	**753.2**	**653.6**	**769.4**	**713.9**	**687.8**	**748.8**	**700.7**
By public agencies and foreign												
2 Total net advances	193.1	304.2	256.7	233.1	270.9	279.3	211.1	265.4	261.7	168.0	229.1	273.7
3 U.S. government securities	37.9	69.4	68.2	77.6	59.0	55.3	35.1	123.3	148.6	42.4	21.1	98.4
4 Residential mortgages	94.6	160.3	153.2	100.6	194.8	169.4	146.0	102.7	83.6	106.7	108.3	103.7
5 FHLB advances to savings and loans	14.2	19.8	24.4	19.7	11.0	19.6	22.2	44.9	5.4	10.1	26.6	36.8
6 Other loans and securities	46.3	54.6	10.9	35.2	6.1	35.1	7.8	-5.5	24.1	8.7	73.2	34.8
Total advanced, by sector												
7 U.S. government	16.8	9.7	-11.9	-4.1	-8.5	-12.3	-24.1	-2.6	-8.8	-21.8	8.4	5.8
8 Sponsored credit agencies	95.5	177.3	181.4	120.8	204.9	177.0	187.0	156.6	103.1	103.4	129.9	146.9
9 Monetary authorities	18.4	19.4	24.7	10.5	9.4	29.8	29.0	30.4	-5.5	4.1	17.1	26.5
10 Foreign	62.3	97.8	62.5	105.9	65.1	84.8	19.1	81.0	172.9	82.4	73.8	94.6
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	101.5	178.1	185.8	136.1	193.5	196.8	185.5	167.5	120.3	101.8	150.6	171.7
12 Foreign	1.2	9.6	4.3	9.3	-8.7	-.1	12.3	13.9	-1.0	5.2	4.6	28.5
Private domestic funds advanced												
13 Total net advances	756.0	714.1	615.5	625.1	465.9	670.6	640.3	685.3	571.5	626.8	674.9	627.2
14 U.S. government securities	286.2	324.1	263.3	215.9	299.0	288.5	253.5	212.4	199.3	148.6	318.1	197.7
15 State and local obligations	136.4	30.8	34.5	36.3	38.7	33.1	32.7	33.5	24.8	32.6	44.4	43.5
16 Corporate and foreign bonds	40.8	84.1	86.5	87.1	100.4	58.8	83.7	102.9	115.7	90.7	63.4	78.5
17 Residential mortgages	91.8	84.1	92.8	110.9	56.7	105.0	89.4	120.1	102.4	136.2	111.7	93.5
18 Other mortgages and loans	214.9	210.8	162.8	194.5	-18.0	204.8	203.2	261.4	134.7	228.9	163.9	250.7
19 LESS: Federal Home Loan Bank advances	14.2	19.8	24.4	19.7	11.0	19.6	22.2	44.9	5.4	10.1	26.6	36.8
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	569.8	746.5	566.0	577.7	521.5	551.2	641.3	550.1	652.3	567.8	489.2	601.7
21 Commercial banking	186.3	194.8	136.3	149.1	-56.2	198.0	150.9	252.6	56.2	213.1	140.6	186.4
22 Savings institutions	83.0	105.5	140.4	101.7	89.9	132.0	188.7	151.0	82.4	66.0	159.7	98.7
23 Insurance and pension funds	148.9	181.9	211.9	231.5	266.3	179.5	247.5	154.3	279.3	230.5	175.3	240.8
24 Other finance	151.6	264.3	77.4	95.5	221.6	41.7	54.1	-7.8	234.4	58.2	13.6	75.7
25 Sources of funds	569.8	746.5	566.0	577.7	521.5	551.2	641.3	550.1	652.3	567.8	489.2	601.7
26 Private domestic deposits and RPs	210.6	264.7	146.2	187.7	-17.1	141.1	193.9	267.0	292.4	53.1	209.7	195.6
27 Credit market borrowing	96.7	119.1	117.5	103.9	146.5	119.9	120.8	82.7	14.1	161.1	84.9	155.3
28 Other sources	262.5	362.7	302.3	286.2	392.1	290.2	326.6	200.4	345.7	353.5	194.6	250.8
29 Foreign funds	19.7	12.9	43.7	5.9	14.9	35.1	99.5	25.2	-80.1	106.6	-50.4	47.5
30 Treasury balances	10.3	1.7	-5.8	1.3	-36.9	43.6	6.1	-36.1	53.3	-17.5	8.7	-39.1
31 Insurance and pension reserves	131.9	144.3	176.1	215.5	195.1	192.6	196.1	120.3	244.5	223.5	137.4	256.8
32 Other, net	100.7	203.8	88.4	63.4	219.0	18.9	24.8	90.9	128.1	40.9	98.9	-14.3
Private domestic nonfinancial investors												
33 Direct lending in credit markets	282.9	86.7	167.0	151.2	90.9	239.3	119.8	217.9	-66.6	220.2	270.6	180.7
34 U.S. government securities	175.7	50.1	103.2	137.7	52.1	170.1	70.9	119.6	115.2	93.9	230.0	111.7
35 State and local obligations	39.6	-13.6	46.1	21.1	27.8	58.1	42.4	56.0	1.5	20.3	28.8	33.7
36 Corporate and foreign bonds	2.4	32.6	5.3	-18.7	9.3	-58.6	28.3	42.1	-97.9	36.0	-18.7	6.0
37 Open market paper	45.6	-3.0	7.9	13.1	-1.9	64.2	-23.3	-7.5	-68.7	77.4	35.3	8.3
38 Other	19.6	20.7	4.6	-2.0	3.6	5.6	1.6	7.7	-16.7	-7.4	-4.8	21.1
39 Deposits and currency	220.9	285.0	162.4	199.3	-46.6	149.2	229.3	317.8	287.4	83.8	232.7	193.2
40 Currency	12.4	14.4	19.0	15.9	9.4	12.5	17.3	36.8	8.2	11.9	28.6	14.7
41 Checkable deposits	40.9	93.2	-2.2	13.5	-98.4	40.0	35.3	14.2	4.4	18.3	-23.9	55.1
42 Small time and savings accounts	138.5	120.6	76.7	104.2	30.8	70.0	80.2	125.7	190.0	63.1	98.3	65.4
43 Money market fund shares	8.9	41.5	28.2	25.1	14.4	2.4	32.7	63.3	59.1	-34.8	13.0	63.0
44 Large time deposits	7.7	-11.4	26.7	26.9	14.0	4.4	-1.0	89.4	11.7	-16.2	122.7	-10.5
45 Security RPs	14.6	20.8	16.9	18.1	22.1	24.3	46.6	-25.6	27.3	22.7	-.4	22.6
46 Deposits in foreign countries	-2.1	5.9	-2.8	-4.3	-38.9	-4.4	18.1	13.9	-13.2	18.8	-5.6	-17.1
47 Total of credit market instruments, deposits, and currency	**503.7**	**371.8**	**329.4**	**350.5**	**44.3**	**388.5**	**349.1**	**535.7**	**220.9**	**304.0**	**503.3**	**374.0**
48 Public holdings as percent of total	22.7	36.2	37.3	32.2	49.8	37.0	31.7	33.8	36.7	24.2	30.4	37.5
49 Private financial intermediation (in percent)	75.3	104.5	91.9	92.4	111.9	82.1	100.1	80.2	114.1	90.5	72.4	95.9
50 Total foreign funds	82.0	110.7	106.2	111.8	80.0	119.9	118.7	106.2	92.8	189.0	23.4	142.1
MEMO: Corporate equities not included above												
51 Total net issues	**20.1**	**93.9**	**13.5**	**-114.4**	**170.1**	**13.9**	**-47.1**	**-82.7**	**-75.6**	**-131.1**	**-76.2**	**-174.5**
52 Mutual fund shares	84.4	161.8	72.3	-2.0	205.4	79.1	13.8	-9.1	5.0	-8.0	.3	-5.2
53 Other equities	-64.3	-68.0	-58.8	-112.4	-35.3	-65.2	-60.9	-73.6	-80.5	-123.1	-76.5	-169.3
54 Acquisitions by financial institutions	45.6	48.5	22.6	-3.3	29.2	72.6	5.2	-16.5	-35.4	-5.4	16.1	11.3
55 Other net purchases	-25.5	45.4	-9.1	-111.0	140.9	-58.7	-52.4	-66.2	-40.2	-125.8	-92.3	-185.8

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.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING

Billions of dollars; period-end levels.

Transaction category, sector	1983	1984	1985	1986	1987 Q2	1987 Q3	1987 Q4	1988 Q1r	1988 Q2r	1988 Q3r	1988 Q4
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**5,204.3**	**5,953.7**	**6,797.0**	**7,618.1**	**7,917.8r**	**8,074.9r**	**8,302.7r**	**8,441.2**	**8,618.5**	**8,797.7**	**9,002.8**
By sector and instrument											
2 U.S. government	1,177.9	1,376.8	1,600.4	1,815.4	1,875.7r	1,897.8r	1,960.3r	2,003.2	2,022.3	2,063.9	2,117.8
3 Treasury securities	1,174.4	1,373.4	1,597.1	1,811.7	1,871.5r	1,893.8r	1,955.2r	1,998.1	2,015.3	2,051.7	2,095.2
4 Agency issues and mortgages	3.6	3.4	3.3	3.6	4.2	3.9	5.2	5.0	7.0	12.2	22.6
5 Private domestic nonfinancial sectors	4,026.4	4,577.0	5,196.6	5,802.7	6,042.1	6,177.2r	6,342.4	6,438.0	6,596.2	6,733.7	6,885.1
6 Debt capital instruments	2,717.8	3,040.0	3,488.4	3,946.4	4,189.4	4,297.0r	4,404.5	4,476.2	4,587.9	4,698.1	4,798.0
7 Tax-exempt obligations	471.7	522.1	658.4	689.2	705.2	715.5	723.7	728.0	735.8	749.4	760.1
8 Corporate bonds	423.0	469.2	542.9	664.2	718.5	743.7	764.1	789.5	819.1	841.7	861.5
9 Mortgages	1,823.1	2,048.8	2,287.1	2,593.0	2,765.7	2,837.7	2,916.6	2,958.8	3,033.0	3,107.1	3,176.4
10 Home mortgages	1,200.2	1,336.2	1,490.2	1,699.6	1,800.7	1,853.8	1,908.7	1,935.8	1,996.7	2,052.0	2,100.1
11 Multifamily residential	158.8	183.6	213.0	246.3	259.9	265.0r	270.0	274.4	275.2	277.8	284.1
12 Commercial	350.4	416.5	478.1	551.4	613.8	629.0	649.1	660.6	673.3	690.1	705.7
13 Farm	113.7	112.4	105.9	95.8	91.3	90.0	88.9	88.0	87.8	87.2	86.5
14 Other debt instruments	1,308.6	1,536.9	1,708.2	1,856.3	1,852.7	1,880.2	1,937.9	1,961.8	2,008.3	2,035.6	2,087.1
15 Consumer credit	437.7	519.3	601.8	656.2	658.7	680.9	696.9	692.2	709.6	725.7	746.2
16 Bank loans n.e.c.	490.2	552.9	592.6	658.6	636.3	637.5	656.7	668.4	689.3	689.8	699.2
17 Open market paper	36.8	58.5	72.2	62.9	67.9	68.1	73.8	73.5	77.8	80.3	85.4
18 Other	344.0	406.2	441.6	478.6	489.9	493.7	510.5	527.7	531.6	539.8	556.3
19 By borrowing sector	4,026.4	4,577.0	5,196.6	5,802.7	6,042.1	6,177.2r	6,342.4	6,438.0	6,596.2	6,733.7	6,885.1
20 State and local governments	357.7	385.1	476.9	520.2	535.3	546.2	554.2	557.2	564.1	577.5	588.5
21 Households	1,811.6	2,038.2	2,314.5	2,594.2	2,691.2	2,762.8	2,836.5	2,862.0	2,942.8	3,012.6	3,079.4
22 Nonfinancial business	1,857.1	2,153.7	2,405.2	2,688.3	2,815.7	2,868.2r	2,951.6	3,018.9	3,089.3	3,143.6	3,217.2
23 Farm	188.4	187.9	173.4	156.6	150.2	148.5	145.5	141.3	143.9	143.7	141.7
24 Nonfarm noncorporate	645.8	769.0	898.3	1,001.6r	1,055.9r	1,076.4r	1,109.5	1,131.8	1,148.6	1,167.9	1,190.2
25 Corporate	1,022.9	1,196.8	1,333.5	1,530.1r	1,609.6r	1,643.3r	1,696.6	1,745.8	1,796.8	1,832.0	1,885.3
26 Foreign credit market debt held in United States	227.3	235.1	236.7	238.2	236.8	238.9	244.3	245.1	246.4	246.6	253.6
27 Bonds	64.2	68.0	71.8	74.8	74.6	75.9	81.6	85.4	85.2	86.5	91.1
28 Bank loans n.e.c.	37.4	30.8	27.9	26.9	25.4	24.2	23.3	22.8	22.4	22.7	22.5
29 Open market paper	21.5	27.7	33.9	37.4	35.6	40.6	41.2	42.5	44.0	46.3	50.9
30 U.S. government loans	104.1	108.6	103.0	99.1	101.2	98.2	98.1	94.4	94.7	91.1	89.1
31 **Total domestic plus foreign**	**5,431.6**	**6,188.8**	**7,033.7**	**7,856.3**	**8,154.6r**	**8,313.9r**	**8,547.0r**	**8,686.4**	**8,864.8**	**9,044.3**	**9,256.4**
	Financial sectors										
32 **Total credit market debt owed by financial sectors**	**857.9**	**1,006.2**	**1,206.2**	**1,510.8**	**1,710.0**	**1,783.8**	**1,862.8r**	**1,882.9**	**1,954.9**	**2,014.6**	**2,102.8**
By instrument											
33 U.S. government related	456.7	531.2	632.7	810.3	937.1	981.6	1,026.5	1,050.6	1,076.9	1,116.3	1,162.6
34 Sponsored credit agency securities	206.8	237.2	257.8	273.0	275.8	283.7	303.2	313.5	317.9	328.5	348.2
35 Mortgage pool securities	244.9	289.0	368.9	531.6	656.4	692.9	718.3	732.1	754.0	782.8	809.4
36 Loans from U.S. government	5.0	5.0	6.1	5.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0
37 Private financial sectors	401.2	475.0	573.4	700.5	772.9	802.1	836.3r	832.4	878.0	898.3	940.2
38 Corporate bonds	115.8	148.9	197.5	268.4	304.6	324.2	335.6r	337.5	352.3	362.8	372.9
39 Mortgages	2.1	2.5	2.7	2.7	2.9	2.9	3.1r	3.1	3.1	3.1	3.0
40 Bank loans n.e.c.	28.9	29.5	32.1	36.1	40.1	42.2	40.8	31.7	34.3	32.9	34.6
41 Open market paper	195.5	219.5	252.4	284.6	311.1	312.7	323.8	330.6	353.4	358.0	376.9
42 Loans from Federal Home Loan Banks	59.0	74.6	88.8	108.6	114.3	120.1	133.1	129.5	134.8	141.6	152.8
43 **Total, by sector**	**857.9**	**1,006.2**	**1,206.2**	**1,510.8**	**1,710.0**	**1,783.8**	**1,862.8r**	**1,882.9**	**1,954.9**	**2,014.6**	**2,102.8**
44 Sponsored credit agencies	211.8	242.2	263.9	278.7	280.7	288.7	308.2	318.5	322.9	333.5	353.1
45 Mortgage pools	244.9	289.0	368.9	531.6	656.4	692.9	718.3	732.1	754.0	782.8	809.4
46 Private financial sectors	401.2	475.0	573.4	700.5	772.9	802.1	836.3r	832.4	878.0	898.3	940.2
47 Commercial banks	76.8	84.1	79.2	75.6	80.7	78.6	82.7	76.4	77.2	76.6	78.1
48 Bank affiliates	71.0	86.6	101.2	101.3	108.7	109.5	104.2	88.8	91.8	92.2	91.4
49 Savings and loan associations	73.9	93.2	115.5	145.1	157.0	165.4	181.1	177.4	186.9	197.9	210.3
50 Finance companies	171.7	193.2	246.9	308.1	329.5r	340.4r	358.0r	368.4	392.4	397.1	416.4
51 REITs	3.5	4.3	5.6	6.5	6.1r	6.8r	7.3r	7.6	8.0	7.6	8.9
52 CMO issuers	4.2	13.5	25.0	64.0	90.9	101.6	103.1	113.9	121.7	127.0	135.1
	All sectors										
53 **Total credit market debt**	**6,289.5**	**7,195.0**	**8,239.8**	**9,367.2**	**9864.6r**	**10,097.6r**	**10,409.8r**	**10,569.3**	**10,819.7**	**11,058.9**	**11,359.2**
54 U.S. government securities	1,629.4	1,902.8	2,227.0	2,620.0	2,807.8r	2,874.4r	2,981.8r	3,048.8	3,094.2	3,175.2	3,275.4
55 State and local obligations	471.7	522.1	658.4	689.2	705.2	715.5	723.7	728.0	735.8	749.4	760.1
56 Corporate and foreign bonds	603.0	686.0	812.1	1,007.4	1,097.7	1,143.9	1,181.4r	1,212.3	1,256.6	1,291.0	1,325.4
57 Mortgages	1,825.4	2,051.4	2,289.8	2,595.8	2,768.6	2,840.7r	2,919.8r	2,961.9	3,036.1	3,110.2	3,179.5
58 Consumer credit	437.7	519.3	601.8	656.2	658.7	680.9	696.6	692.2	709.6	725.7	746.2
59 Bank loans n.e.c.	556.5	613.2	652.6	721.6	701.7	703.8	720.8	722.9	746.0	745.4	756.4
60 Open market paper	253.8	305.7	358.5	384.9	414.6	421.4	438.8	446.7	475.3	484.6	513.1
61 Other loans	512.1	594.4	639.5	692.0	710.4	717.0	746.6r	756.6	766.1	777.4	803.1

1.60 SUMMARY OF CREDIT MARKET CLAIMS, BY HOLDER

Billions of dollars, except as noted; period-end levels.

Transaction category, or sector	1983	1984	1985	1986	1987			1988[r]			
					Q2	Q3	Q4[r]	Q1	Q2	Q3	Q4
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**5,204.3**	**5,953.7**	**6,797.0**	**7,618.1**	**7,917.8[r]**	**8,074.9[r]**	**8,302.7**	**8,441.2**	**8,618.5**	**8,797.7**	**9,002.8**
By public agencies and foreign											
2 Total held	1,101.7	1,259.2	1,459.4	1,759.3	1,918.0	1,967.0	2,038.2	2,093.9	2,141.1	2,192.2	2,265.9
3 U.S. government securities	339.0	377.9	421.8	491.2	519.5	525.6	559.4	592.7	607.1	609.1	637.0
4 Residential mortgages	367.0	423.5	518.2	678.5	800.0	834.6	862.0	880.6	906.1	934.9	962.6
5 FHLB advances to savings and loans	59.0	74.6	88.8	108.6	114.3	120.1	133.1	129.5	134.8	141.6	152.8
6 Other loans and securities	336.8	383.1	430.6	481.0	484.3	486.8	483.7	491.1	493.0	506.6	513.5
7 Total held, by type of lender	1,101.7	1,259.2	1,459.4	1,759.3	1,918.0	1,967.0	2,038.2	2,093.9	2,141.1	2,192.2	2,265.9
8 U.S. government	212.8	229.7	247.6	254.3	242.9	237.1	235.0	233.3	228.6	225.6	225.4
9 Sponsored credit agencies and mortgage pools	482.0	556.3	657.8	833.9	957.9	1,003.7	1,044.9	1,064.0	1,091.6	1,126.7	1,165.7
10 Monetary authority	159.2	167.6	186.0	205.5	214.9	219.6	230.1	224.9	229.7	230.8	240.6
11 Foreign	247.7	305.6	367.9	465.7	502.3	506.7	528.2	571.8	591.1	609.2	634.1
Agency and foreign debt not in line 1											
12 Sponsored credit agencies and mortgage pools	456.7	531.2	632.7	810.3	937.1	981.6	1,026.5	1,050.6	1,076.9	1,116.3	1,162.6
13 *Foreign*	227.3	235.1	236.7	238.2	236.8	238.9	244.3	245.1	246.4	246.6	253.6
Private domestic holdings											
14 Total private holdings	4,786.6	5,460.8	6,207.0	6,907.3	7,173.6[r]	7,328.5[r]	7,535.3	7,643.0	7,800.7	7,968.3	8,153.1
15 U.S. government securities	1,290.4	1,524.9	1,805.2	2,128.7	2,288.3[r]	2,348.8[r]	2,422.4	2,456.0	2,487.0	2,566.1	2,638.3
16 State and local obligations	471.7	522.1	658.4	689.2	705.2	715.5	723.7	728.0	735.8	749.4	760.1
17 *Corporate and foreign bonds*	441.7	476.8	517.6	601.7	642.4	663.4	688.1	716.3	740.7	756.6	775.2
18 Residential mortgages	992.2	1,096.5	1,185.1	1,267.4	1,260.6	1,284.2	1,316.7	1,329.6	1,365.9	1,394.9	1,421.7
19 Other mortgages and loans	1,649.6	1,915.2	2,129.5	2,328.9	2,391.5	2,436.6	2,517.4	2,542.5	2,606.0	2,642.9	2,710.6
20 LESS: *Federal Home Loan Bank advances*	59.0	74.6	88.8	108.6	114.3	120.1	133.1	129.5	134.8	141.6	152.8
Private financial intermediation											
21 *Credit market claims held by private financial institutions*	4,111.2	4,691.0	5,264.4	6,009.5	6,277.9[r]	6,434.3[r]	6,593.7	6,725.8	6,879.2	7,000.0	7,164.1
22 Commercial banking	1,622.1	1,791.1	1,978.5	2,173.2	2,207.9	2,248.7	2,309.6	2,322.2	2,377.5	2,416.4	2,458.6
23 *Savings institutions*	944.0	1,092.8	1,178.4	1,283.0	1,355.4	1,396.5	1,434.2	1,438.9	1,467.6	1,502.5	1,528.6
24 Insurance and pension funds	1,093.5	1,215.3	1,364.2	1,546.0	1,653.0[r]	1,716.0[r]	1,758.0	1,823.3	1,880.0	1,925.8	1,989.4
25 Other finance	451.6	591.7	743.4	1,007.3	1,061.5	1,073.1[r]	1,091.9	1,141.4	1,154.2	1,155.3	1,187.4
26 Sources of funds	4,111.2	4,691.0	5,264.4	6,009.5	6,277.9[r]	6,434.3[r]	6,593.7	6,725.8	6,879.2	7,000.0	7,164.1
27 Private domestic deposits and RPs	2,389.8	2,711.5	2,922.1	3,182.6	3,198.6	3,234.4	3,328.4	3,386.5	3,399.3	3,438.3	3,516.1
28 Credit market debt	401.2	475.0	573.4	700.5	772.9	802.1	836.3	832.4	878.0	898.3	940.2
29 Other sources	1,320.2	1,504.5	1,768.9	2,126.4	2,306.3[r]	2,397.7[r]	2,428.9	2,506.9	2,601.9	2,663.4	2,707.8
30 Foreign funds	−23.0	−14.1	5.6	18.6	26.1	52.7	62.2	45.9	62.3	51.9	68.1
31 Treasury balances	11.5	15.5	25.8	27.5	30.9	33.0	21.6	23.5	32.6	34.2	23.0
32 Insurance and pension reserves	1,036.1	1,160.8	1,289.5	1,427.9	1,507.9[r]	1,553.5[r]	1,593.3	1,653.0	1,704.9	1,741.2	1,795.5
33 Other, net	295.6	342.2	448.0	652.5	741.4	758.6[r]	751.7	784.6	802.1	836.0	821.2
Private domestic nonfinancial investors											
34 Credit market claims	1,076.6	1,244.8	1,516.0	1,598.3	1,668.7	1,696.3	1,777.9	1,749.6	1,799.4	1,866.7	1,929.1
35 U.S. government securities	548.6	663.6	830.7	881.2	950.4	969.4	1,011.1	1,021.4	1,040.3	1,102.2	1,148.8
36 Tax-exempt obligations	170.0	196.3	235.9	222.3	243.1	255.9	268.3	265.6	272.9	282.4	289.4
37 Corporate and foreign bonds	45.4	44.5	47.6	80.1	71.4	80.6	84.8	67.9	74.0	71.3	66.1
38 Open market paper	68.4	72.4	118.0	115.0	132.6	118.7	140.5	124.0	144.6	144.5	153.6
39 Other	244.3	268.0	283.8	299.7	271.2	271.9	273.2	270.6	267.6	266.3	271.2
40 Deposits and currency	2,566.4	2,891.7	3,112.5	3,393.4	3,405.6	3,444.5	3,555.4	3,608.3	3,634.5	3,672.8	3,754.7
41 Currency	150.9	159.6	171.9	186.3	191.3	192.4	205.4	204.0	209.9	213.4	221.2
42 Checkable deposits	350.9	378.8	419.7	512.9	488.0	487.4[r]	510.3	490.9	505.8	490.5	523.8
43 Small time and savings accounts	1,542.9	1,693.4[r]	1,831.9	1,948.3	1,977.8[r]	1,990.9[r]	2,025.0	2,078.8	2,091.7	2,109.7	2,129.2
44 Money market fund shares	169.5	218.5	227.3	268.9	279.5	286.4	297.1	322.1	310.4	311.1	322.1
45 Large time deposits	247.7	332.1	339.8	328.4	322.4[r]	326.0[r]	355.1	350.0	343.0	377.0	382.0
46 Security RPs	78.8	88.7	103.3	124.1	130.9	143.6	141.0	144.6	148.4	149.9	159.1
47 Deposits in foreign countries	25.7	20.6	18.5	24.5	15.7	17.8	21.6	17.8	25.2	21.2	17.4
48 **Total of credit market instruments, deposits, and *currency***	**3,643.0**	**4,136.5**	**4,628.5**	**4,991.7**	**5,074.2**	**5,140.8**	**5,333.3**	**5,357.9**	**5,433.9**	**5,539.5**	**5,683.9**
49 Public holdings as percent of total	20.2[r]	20.3	20.7	22.4	23.5	23.6[r]	23.8	24.1	24.1	24.2	24.4
50 *Private financial intermediation (in percent)*	85.8[r]	85.9	84.8	87.0	87.5	87.7[r]	87.5	87.9	88.1	87.8	87.8
51 Total foreign funds	224.7	291.5	373.5	484.2	528.4	559.4	590.5	617.6	653.5	661.1	702.2
MEMO: *Corporate equities not included above*											
52 **Total market value**	**2,134.0**	**2,158.2**	**2,824.5**	**3,362.0**	**4,110.0**	**4,300.8**	**3,313.4**	**3,494.7**	**3,614.1**	**3,568.8**	**3,594.3**
53 *Mutual fund shares*	112.1	136.7	240.2	413.5	520.7	525.1	460.1	479.2	486.8	478.1	475.2
54 Other equities	2,021.9	2,021.5	2,584.3	2,948.5	3,589.3	3,775.7	2,853.2	3,015.6	3,127.3	3,090.8	3,119.1
55 Holdings by *financial institutions*	612.0	615.6	800.0	972.2	1,238.9	1,312.5	1,021.7	1,090.7	1,142.0	1,135.4	1,153.2
56 Other holdings	1,522.0	1,542.6	2,024.5	2,389.8	2,871.1	2,988.4	2,291.7	2,404.0	2,472.1	2,433.4	2,441.1

NOTES BY LINE NUMBER.
1. Line 1 of table 1.59.
2. *Sum of lines 3–6 or 7–10.*
6. Includes farm and commercial mortgages.
12. Credit market debt of federally sponsored agencies, and net issues of *federally related mortgage pool* securities.
14. Line 1 less line 2 plus line 12 and 13. Also line 21 less line 28 plus line 34. Also sum of lines 29 and 48 less lines 41 and 47.
19. *Includes farm and commercial mortgages.*
27. Line 40 less lines 41 and 47.
28. Excludes equity issues and investment company shares. Includes line 20.
30. Foreign deposits at *commercial banks plus bank* borrowings from foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
31. Demand deposits and note balances at commercial banks.
32. Excludes net investment of these reserves in *corporate equities.*
33. Mainly retained earnings and net miscellaneous liabilities.
34. Line 14 less line 21 plus line 28.
35–39. Lines 15–19 less amounts acquired by private finance plus amounts borrowed by private finance. Line 39 includes mortgages.
41. Mainly an offset to line 10.
48. Lines 34 plus 40, or line 14 less line 29 plus 41 and 47.
49. Line 2/line 1 and 13.
50. Line 21/line 14.
51. Sum of lines 11 and 30.
52–54. 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, Stop 95, 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	1986	1987	1988	1988							1989	
				June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[r]	Jan.[r]	Feb.
1 **Industrial production**	**125.1**	**129.8**	**137.2**	**136.5**	**138.0**	**138.5**	**138.6**	**139.4**	**139.9**	**140.5**	**141.1**	**141.1**
Market groupings												
2 Products, total	133.3	138.3	145.9	145.3	146.5	147.3	147.4	148.1	148.4	149.4	150.3	150.7
3 Final, total	132.5	136.8	144.3	144.0	145.0	145.8	145.8	146.4	146.8	147.7	148.5	149.0
4 Consumer goods	124.0	127.7	133.9	133.0	134.2	135.0	134.8	136.4	136.8	138.2	138.8	139.0
5 Equipment	143.6	148.8	158.2	158.5	159.4	160.1	160.4	154.0	159.9	160.3	161.5	162.3
6 Intermediate	136.2	143.5	151.5	150.0	151.6	152.3	152.9	154.0	154.2	155.0	156.5	156.4
7 Materials	113.8	118.2	125.3	124.5	126.4	126.5	126.5	127.5	128.3	128.5	128.5	128.0
Industry groupings												
8 Manufacturing	129.1	134.6	142.8	142.1	143.6	144.0	144.4	145.3	145.8	146.4	147.4	147.4
Capacity utilization (percent)[2]												
9 Manufacturing	79.7	81.1	83.5	83.3	84.0	84.0	84.0	84.3	84.4	84.5	84.8	84.6
10 Industrial materials industries	78.6	80.5	83.7	83.2	84.4	84.3	84.1	84.7	85.1	85.1	84.9	84.4
11 Construction contracts (1982 = 100)[3]	158.0	164.0	161.0	169.0	160.0	162.0	157.0	164.0	158.0	163.0	155.0	148.0
12 Nonagricultural employment, total[4]	120.7	124.1	128.6	128.6	128.9	129.1	129.4	129.7	130.3	130.5	131.0	131.4
13 Goods-producing, total	100.9	101.8	105.0	105.1	105.4	105.3	105.4	105.8	106.2	106.4	107.0	106.9
14 Manufacturing, total	96.3	96.8	99.2	99.3	99.5	99.4	99.3	99.8	100.1	100.3	100.5	100.5
15 Manufacturing, production-worker	91.1[r]	91.9[r]	94.3	94.4	94.6	94.4	94.3	94.9	95.2	95.3	95.7	95.7
16 Service-producing	129.0	133.4	138.5	138.4	138.7	139.0	139.5	139.8	140.3	140.6	141.1	141.6
17 Personal income, total	219.7	235.1	252.8	251.6	253.5	254.5	256.0	259.8[r]	259.1	261.3	265.8	268.4
18 Wages and salary disbursements	210.7	226.2	245.2	244.2	246.7	247.4	249.0	252.2[r]	253.0	254.5	257.4	258.8
19 Manufacturing	177.4	183.8	195.9[r]	195.4	196.6	196.8	198.1	202.2[r]	201.1	200.8	202.5	203.4
20 Disposable personal income[5]	218.9	232.7	251.7	251.2	253.1	254.2	255.6	259.6[r]	258.7	261.0	265.3	268.2
21 Retail sales[6]	199.3[r]	210.8[r]	225.2[r]	224.9[r]	225.9[r]	226.6[r]	226.1[r]	229.6[r]	232.4	231.8	233.3	232.4
Prices[7]												
22 Consumer (1982–84 = 100)	109.6	113.6	118.3	118.0	118.5	119.0	119.8	120.2	120.3	120.5	121.1	121.6
23 Producer finished goods (1982 = 100)	103.2	105.4	108.0	107.7	108.6	108.7	108.6	109.3	109.7	110.0	111.0	111.7

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	1986	1987	1988	1988						1989	
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**182,822**	**185,010**	**186,837**	**186,911**	**187,033**	**187,178**	**187,333**	**187,471**	**187,618**	**187,859**	**187,979**
2 Labor force (including Armed Forces)[1]	120,078	122,122	123,893	123,840	124,203	124,200	124,310	124,737	124,779	125,643	125,383
3 Civilian labor force	117,834	119,865	121,669	121,658	122,000	121,984	122,091	122,510	122,563	123,428	123,181
Employment											
4 Nonagricultural industries[2]	106,434	109,232	111,800	111,974	112,061	112,194	112,335	112,709	112,816	113,411	113,630
5 Agriculture	3,163	3,208	3,169	3,060	3,142	3,176	3,238	3,238	3,193	3,300	3,223
Unemployment											
6 Number	8,237	7,425	6,701	6,624	6,797	6,614	6,518	6,563	6,554	6,716	6,328
7 Rate (percent of civilian labor force)	7.0	6.2	5.5	5.4	5.6	5.4	5.3	5.4	5.3	5.4	5.1
8 Not in labor force	62,744	62,888	62,944	63,071	62,830	62,978	63,023	62,734	62,839	62,216	62,596
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**99,525**	**102,310**	**106,039**	**106,271**	**106,425**	**106,737**	**106,973**	**107,419**	**107,641r**	**108,056r**	**108,345**
10 Manufacturing	18,965	19,065	19,536	19,593	19,560	19,549	19,648	19,714	19,740r	19,793r	19,785
11 Mining	777	721	733	740	739	734	729	722	719	716r	714
12 Contract construction	4,816	4,998	5,294	5,330	5,340	5,365	5,366	5,413	5,430r	5,535r	5,513
13 Transportation and public utilities	5,255	5,385	5,584	5,598	5,605	5,618	5,631	5,658	5,670r	5,711r	5,723
14 Trade	23,683	24,381	25,362	25,435	25,471	25,510	25,573	25,676	25,730r	25,889r	25,993
15 Finance	6,283	6,549	6,679	6,684	6,689	6,692	6,708	6,725	6,741r	6,732r	6,743
16 Service	23,053	24,196	25,464	25,561	25,662	25,737	25,826	25,947	26,070r	26,139	26,268
17 Government	16,693	17,015	17,387	17,330	17,359	17,532	17,492	17,564	17,541r	17,541r	17,606

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[1]

Seasonally adjusted

Series	1988				1988				1988			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4[r]
	Output (1977 = 100)				Capacity (percent of 1977 output)				Utilization rate (percent)			
1 **Total industry**	**134.5**	**136.0**	**138.2**	**139.8**	**163.1**	**164.2**	**165.2**	**166.2**	**82.4**	**82.8**	**83.8**	**84.2**
2 Mining	102.5	103.3	104.8	103.9	127.7	127.0	126.2	125.5	80.3	81.5	82.3	83.1
3 Utilities	114.7	111.7	114.9	114.6	139.8	140.1	140.4	140.7	82.0	79.9	81.9	81.3
4 **Manufacturing**	**139.6**	**141.6**	**143.7**	**145.7**	**168.9**	**170.2**	**171.5**	**172.7**	**82.7**	**83.2**	**84.0**	**84.4**
5 Primary processing	123.0	123.9	125.7	127.9	141.6	142.7	143.9	145.1	86.9	86.8	87.5	88.0
6 Advanced processing	149.7	152.3	154.5	156.4	185.6	186.7	188.1	189.4	80.7	81.5	82.4	82.7
7 **Materials**	**122.5**	**124.0**	**126.6**	**128.1**	**148.5**	**149.3**	**150.1**	**150.9**	**82.5**	**83.0**	**84.3**	**84.9**
8 Durable goods	131.5	134.2	136.9	139.3	165.7	166.8	167.9	169.0	79.4	80.4	81.6	82.4
9 Metal materials	86.2	88.1	92.4	94.8	108.8	109.1	109.4	109.7	79.2	80.8	84.8	86.2
10 Nondurable goods	129.4	130.5	132.4	135.5	146.8	148.3	149.8	151.4	88.1	87.9	88.7	89.6
11 Textile, paper, and chemical	131.6	132.6	135.1	138.3	146.7	148.5	150.2	152.0	89.7	89.2	90.0	91.1
12 Paper	145.7	145.9	......	......	147.6	149.2	......	......	98.7	97.8	98.8	97.6
13 Chemical	133.5	135.7	......	......	153.5	155.4	......	......	87.0	87.3	88.6	90.7
14 Energy materials	100.9	100.4	103.5	102.0	119.7	119.4	119.1	118.8	84.3	84.2	86.0	86.1

	Previous cycle[2]		Latest cycle[3]		1988	1988							1989	
	High	Low	High	Low	Feb.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.[r]	Feb.
	Capacity utilization rate (percent)													
15 **Total industry**	**88.6**	**72.1**	**86.9**	**69.5**	**82.4**	**83.0**	**83.7**	**83.8**	**83.7**	**84.0**	**84.1**	**84.3**	**84.5**	**84.3**
16 Mining	92.8	87.8	95.2	76.9	79.5	81.2	82.5	82.2	82.3	81.9	83.3	84.0	82.5	81.1
17 Utilities	95.6	82.9	88.5	78.0	82.6	80.8	81.5	83.9	80.4	81.0	80.8	82.0	81.5	82.9
18 **Manufacturing**	**87.7**	**69.9**	**86.5**	**68.0**	**82.6**	**83.3**	**84.0**	**84.0**	**84.0**	**84.3**	**84.4**	**84.5**	**84.8**	**84.6**
19 Primary processing	91.9	68.3	89.1	65.0	86.6	86.6	87.8	87.4	87.2	87.9	88.1	88.0	88.4	88.0
20 Advanced processing	86.0	71.1	85.1	69.5	80.7	81.7	82.2	82.4	82.4	82.6	82.6	82.8	83.1	83.0
21 **Materials**	**92.0**	**70.5**	**89.1**	**68.5**	**82.3**	**83.2**	**84.4**	**84.3**	**84.1**	**84.7**	**85.1[r]**	**85.1**	**84.9**	**84.4**
22 Durable goods	91.8	64.4	89.8	60.9	79.3	80.7	81.7	81.4	81.9	82.4	82.7	82.1	82.6	82.2
23 Metal materials	99.2	67.1	93.6	45.7	79.3	80.8	84.9	83.4	86.0	87.3	86.9[r]	84.5	86.8	85.0
24 Nondurable goods	91.1	66.7	88.1	70.7	87.3	87.4	88.9	88.8	88.2	89.3	89.4	90.0	89.8	89.4
25 Textile, paper, and chemical	92.8	64.8	89.4	68.8	88.5	88.9	90.4	90.3	89.4	90.9	90.9	91.6	91.3	90.8
26 Paper	98.4	70.6	97.3	79.9	97.8	97.1	100.0	98.4	97.9	97.8	96.7[r]	98.4	97.3	......
27 Chemical	92.5	64.4	87.9	63.5	85.7	87.0	88.8	89.0	88.0	90.2	90.5	91.3	90.9	......
28 Energy materials	94.6	86.9	94.0	82.3	84.1	84.4	86.2	86.6	85.3	85.3	86.2[r]	86.9	85.2	84.4

1. These data also appear in the Board's G.3 (402) release. For address, see inside front cover.

2. Monthly high 1973; monthly low 1975.

3. Monthly highs 1978 through 1980; monthly lows 1982.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data are seasonally adjusted

Groups	1977 proportion	1988 avg.	1988 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.	1989 Jan.[p]	Feb.[e]
			Index (1977 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**137.2**	**134.4**	**134.7**	**135.4**	**136.1**	**136.5**	**138.0**	**138.5**	**138.6**	**139.4**	**139.9**	**140.5**	**141.1**	**141.1**
2 Products	57.72	145.9	143.4	143.6	144.1	145.0	145.3	146.5	147.3	147.4	148.1	148.4	149.4	150.3	150.7
3 Final products	44.77	144.3	141.6	141.8	142.5	143.5	144.0	145.0	145.8	145.8	146.4	146.8	147.7	148.5	149.0
4 Consumer goods	25.52	133.9	131.3	131.2	131.9	132.7	133.0	134.2	135.0	134.8	136.4	136.8	138.2	138.8	139.0
5 Equipment	19.25	158.2	155.3	155.9	156.5	157.7	158.5	159.4	160.1	160.4	159.7	159.9	160.3	161.5	162.3
6 Intermediate products	12.94	151.5	149.4	149.9	149.6	150.4	150.0	151.6	152.3	152.9	154.0	154.2	155.0	156.5	156.4
7 Materials	42.28	125.2	122.1	122.5	123.6	123.9	124.5	126.4	126.5	126.5	127.5	128.3	128.5	128.5	128.0
Consumer goods															
8 Durable consumer goods	6.89	125.3	120.6	120.4	123.3	125.6	125.3	125.3	125.7	126.3	129.3	129.2	132.0	131.5	131.5
9 Automotive products	2.98	124.9	117.6	120.6	121.9	127.1	127.1	124.4	124.2	126.4	128.9	129.5	134.5	132.7	131.7
10 Autos and trucks	1.79	122.7	111.8	116.4	118.0	126.9	125.3	120.8	123.1	124.8	128.3	129.5	138.0	135.6	133.1
11 Autos, consumer	1.16	93.4	79.5	86.3	91.0	98.9	99.0	93.8	93.0	97.7	101.3	101.0	105.1	99.6	96.0
12 Trucks, consumer	.63	177.0	171.6	172.2	168.2	178.9	174.1	170.8	179.0	175.3	178.4	182.4	199.1	202.3	....
13 Auto parts and allied goods	1.19	128.1	126.4	126.9	127.8	127.4	129.7	129.9	125.9	128.8	129.8	129.5	129.3	128.3	129.5
14 Home goods	3.91	125.6	122.8	120.2	124.3	124.4	123.9	125.9	126.8	126.2	129.7	128.9	130.0	130.7	131.4
15 Appliances, A/C and TV	1.24	144.1	140.6	132.8	143.2	142.2	138.0	143.3	146.5	144.9	154.4	150.4	151.0	151.1	151.7
16 Appliances and TV	1.19	143.6	141.4	132.7	142.2	143.0	137.1	143.8	146.1	143.7	151.9	148.9	150.0	148.7	....
17 Carpeting and furniture	.96	136.2	132.3	133.1	133.1	135.8	135.9	136.6	137.2	137.1	138.8	139.8	140.7	139.9	....
18 Miscellaneous home goods	1.71	106.3	104.7	103.9	105.7	105.2	107.0	107.4	106.8	106.6	106.7	107.3	108.9	110.8	....
19 Nondurable consumer goods	18.63	137.1	135.3	135.1	135.1	135.4	135.8	137.5	138.5	138.0	139.0	139.7	140.6	141.5	141.8
20 Consumer staples	15.29	144.9	142.9	142.5	142.5	143.1	143.5	145.3	146.6	145.8	147.0	147.9	149.1	149.9	150.3
21 Consumer foods and tobacco	7.80	140.9	140.8	139.4	138.3	139.2	139.3	141.1	141.3	141.1	142.4	143.7	144.5	145.1	....
22 Nonfood staples	7.49	149.1	145.0	145.7	146.8	147.0	147.9	149.6	152.1	150.7	151.8	152.2	153.8	155.0	155.6
23 Consumer chemical products	2.75	180.0	171.7	172.7	175.6	177.9	179.5	181.8	183.8	185.0	186.1	185.7	187.0	188.4	....
24 Consumer paper products	1.88	163.4	157.5	159.1	161.4	162.4	162.8	164.0	165.3	166.3	167.1	167.8	169.7	171.2	....
25 Consumer energy	2.86	110.0	111.3	111.0	109.6	107.3	107.7	109.3	113.0	107.6	108.9	109.8	111.6	112.3	....
26 Consumer fuel	1.44	95.4	97.0	97.9	98.9	94.3	93.0	94.6	95.5	92.7	95.3	94.1	96.3	99.0	....
27 Residential utilities	1.42	124.8	125.8	124.5	120.5	120.6	122.6	124.4	130.9	122.8	122.7	125.8	127.1	....	....
Equipment															
28 Business and defense equipment	18.01	163.3	160.3	160.8	161.4	162.7	163.5	164.6	165.2	165.6	165.1	165.5	166.2	167.5	168.5
29 Business equipment	14.34	157.6	152.4	153.3	154.6	156.9	158.1	159.3	160.2	160.8	160.2	161.2	162.4	164.1	165.4
30 Construction, mining, and farm	2.08	71.9	67.6	68.3	70.8	71.8	72.4	73.6	73.1	74.3	74.2	74.5	75.3	74.9	74.8
31 Manufacturing	3.27	131.3	124.9	127.0	127.7	128.3	130.3	132.4	134.0	135.8	136.2	136.2	137.0	138.4	139.3
32 Power	1.27	89.4	88.3	87.8	87.0	87.4	88.3	89.8	90.9	92.2	91.5	92.1	91.9	92.2	92.2
33 Commercial	5.22	245.2	240.3	239.9	241.5	245.7	247.1	248.2	249.8	248.7	245.4	247.0	248.9	253.4	256.6
34 Transit	2.49	114.9	108.2	111.1	112.3	115.3	115.7	115.9	115.2	116.8	120.3	122.3	123.3	122.0	121.9
35 Defense and space equipment	3.67	185.9	191.0	189.9	187.9	185.5	184.6	184.9	184.9	184.5	184.0	182.2	181.0	180.9	180.6
Intermediate products															
36 Construction supplies	5.95	138.6	137.7	137.3	137.6	138.8	137.6	138.4	138.1	138.4	140.0	140.7	141.2	143.7	142.7
37 Business supplies	6.99	162.5	159.4	160.7	159.9	160.3	160.6	162.8	164.4	165.2	165.9	165.7	166.7	167.4	....
38 General business supplies	5.67	168.5	165.0	166.6	165.7	165.5	165.9	168.6	170.6	171.8	172.3	172.9	173.9	174.8	....
39 Commercial energy products	1.31	136.3	135.3	135.3	134.6	137.8	137.5	137.6	137.7	136.7	138.2	134.3	135.8	135.3	....
Materials															
40 Durable goods materials	20.50	135.4	131.4	131.3	132.7	134.8	134.9	136.8	136.6	137.8	138.9	139.8	139.1	140.3	139.9
41 Durable consumer parts	4.92	108.9	104.4	103.5	106.2	110.0	110.3	110.1	109.8	111.0	111.4	113.9	112.6	113.2	111.7
42 Equipment parts	5.94	171.7	167.6	167.3	168.9	170.8	171.6	174.1	173.5	174.0	174.9	175.0	174.3	175.1	175.8
43 Durable materials n.e.c.	9.64	126.7	123.0	123.4	124.0	125.3	124.8	127.5	127.6	129.2	130.8	131.3	130.9	132.6	132.1
44 Basic metal materials	4.64	95.9	91.4	90.5	91.6	94.8	93.7	98.4	97.3	100.3	101.1	101.4	99.7	101.6	100.0
45 Nondurable goods materials	10.09	132.0	128.1	130.1	131.1	130.1	130.1	132.8	133.1	132.6	134.7	135.1	136.5	136.6	136.5
46 Textile, paper, and chemical materials	7.53	134.4	129.9	132.4	133.3	131.9	132.1	135.3	135.7	134.9	137.4	137.9	139.5	139.5	139.3
47 Textile materials	1.52	109.9	110.2	112.7	111.9	107.5	107.5	108.5	110.1	109.2	109.5	110.1	109.3	110.6	....
48 Pulp and paper materials	1.55	147.3	144.4	144.8	145.8	146.4	145.4	150.3	148.3	148.1	148.4	147.2	150.3	149.3	....
49 Chemical materials	4.46	138.3	131.5	134.8	136.2	135.1	135.8	139.2	140.0	139.0	143.1	144.2	146.1	146.0	....
50 Miscellaneous nondurable materials	2.57	124.9	123.0	123.2	124.6	125.1	124.2	125.6	125.6	125.9	126.6	127.0	127.6	....	....
51 Energy materials	11.69	101.5	100.6	100.6	101.0	99.5	101.3	102.7	103.2	101.5	101.3	102.3	103.0	100.9	99.9
52 Primary energy	7.57	106.3	104.8	105.0	106.7	104.0	105.6	106.8	106.2	106.8	106.0	108.6	108.2	105.5	....
53 Converted fuel materials	4.12	92.8	93.0	92.6	90.5	91.2	93.5	95.3	97.7	91.8	92.6	90.7	93.4	92.4	....

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Groups	SIC code	1977 proportion	1988 avg.	1988 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.	1989 Jan.[p]	Feb.[e]
				Index (1977 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	.....	15.79	107.6	106.8	106.7	107.1	106.0	106.8	108.1	109.0	107.2	107.2	108.1	109.2	107.7	107.3
2 Mining	.....	9.83	103.5	101.5	102.7	104.7	102.6	103.0	104.3	103.8	103.7	103.1	104.7	105.4	103.4	101.5
3 Utilities	.....	5.96	114.3	115.6	113.3	111.0	111.6	113.2	114.4	117.8	113.0	113.9	113.7	115.4	114.8	116.9
4 Manufacturing	.....	84.21	142.7	139.5	140.0	140.8	141.8	142.1	143.6	144.0	144.4	145.3	145.8	146.4	147.4	147.4
5 Nondurable	.....	35.11	143.9	141.1	141.7	142.3	142.1	142.6	144.6	145.1	145.3	146.3	146.7	147.3	148.3	148.2
6 Durable	.....	49.10	141.9	138.4	138.8	139.7	141.5	141.7	142.9	143.2	143.8	144.6	145.2	145.7	146.7	146.9
Mining																
7 Metal	10	.50	93.1	83.9	84.9	86.9	86.0	82.2	94.0	96.6	99.1	101.6	104.6	111.4	......	......
8 Coal	11.12	1.60	137.9	133.7	129.1	136.0	127.8	126.9	141.5	137.2	142.2	138.5	149.7	155.1	144.7	134.0
9 Oil and gas extraction	13	7.07	93.0	92.4	94.8	95.5	94.6	95.8	93.3	93.2	92.0	91.5	90.8	89.6	89.0	......
10 Stone and earth minerals	14	.66	139.9	134.3	136.9	141.2	140.1	137.4	140.2	141.3	139.7	142.8	144.0	149.5	153.1	......
Nondurable manufactures																
11 Foods	20	7.96	142.6	141.9	141.1	140.3	141.0	141.3	143.3	143.3	143.2	144.0	145.7	145.6	146.4	......
12 Tobacco products	21	.62	105.1	107.0	107.2	107.2	107.2	104.5	100.6	105.1	105.0	105.4	102.4	105.7	......	......
13 Textile mill products	22	2.29	116.3	115.3	117.0	117.3	114.6	114.3	117.1	116.4	116.2	117.0	117.2	117.5	118.7	......
14 Apparel products	23	2.79	109.1	108.5	108.7	109.2	108.6	109.3	109.4	108.9	109.9	109.5	110.1	108.5	......	......
15 Paper and products	26	3.15	150.3	148.0	149.1	149.2	149.5	148.6	152.3	151.0	150.9	151.8	150.7	151.7	152.0	......
16 Printing and publishing	27	4.54	184.2	178.7	180.4	181.8	180.7	182.3	184.9	186.7	188.0	188.1	188.5	188.4	191.4	191.9
17 Chemicals and products	28	8.05	152.0	145.4	146.4	148.9	149.1	150.5	153.4	154.8	155.3	156.7	157.5	159.0	159.1	......
18 Petroleum products	29	2.40	96.0	95.9	98.4	98.5	95.2	94.1	95.0	96.0	93.7	96.3	95.0	98.0	99.7	98.1
19 Rubber and plastic products	30	2.80	174.4	172.3	172.2	172.3	173.4	174.4	175.4	175.3	175.3	176.9	177.5	178.0	178.5	......
20 Leather and products	31	.53	59.5	59.7	59.5	58.0	57.1	58.9	59.1	59.4	59.9	61.0	61.5	60.2	61.6	......
Durable manufactures																
21 Lumber and products	24	2.30	137.3	139.0	137.8	138.0	139.8	136.4	136.6	133.8	133.5	137.5	139.4	142.6	142.7	......
22 Furniture and fixtures	25	1.27	162.1	158.3	159.4	159.2	160.5	161.2	162.9	164.9	164.9	164.5	165.4	166.0	167.0	......
23 Clay, glass, and stone products	32	2.72	122.6	121.6	122.5	121.4	121.5	123.4	122.2	122.6	122.6	123.3	124.7	125.2	127.0	......
24 Primary metals	33	5.33	89.2	86.4	85.1	85.3	89.2	87.5	91.5	90.8	93.1	94.2	92.7	90.1	93.8	92.9
25 Iron and steel	331.2	3.49	78.1	77.4	74.2	74.5	78.6	74.2	80.2	78.9	81.4	83.1	80.8	77.7	83.1	......
26 Fabricated metal products	34	6.46	120.9	117.6	118.8	118.8	119.8	120.4	121.7	122.1	122.5	122.6	124.6	124.9	124.9	125.0
27 Nonelectrical machinery	35	9.54	170.8	163.6	164.6	167.2	170.3	171.2	173.1	174.1	174.8	173.8	175.4	177.9	179.7	181.8
28 Electrical machinery	36	7.15	180.1	177.8	176.6	178.7	179.1	179.5	181.5	182.2	181.8	183.0	182.2	181.4	181.3	181.8
29 Transportation equipment	37	9.13	132.1	128.4	130.0	130.4	133.1	132.8	131.9	131.8	132.7	134.8	135.2	136.4	136.1	135.4
30 Motor vehicles and parts	371	5.25	117.2	109.3	113.0	114.8	119.6	119.1	116.6	117.5	118.5	121.7	122.9	125.5	124.1	122.6
31 Aerospace and miscellaneous transportation equipment	372–6.9	3.87	152.3	154.5	153.0	151.5	151.5	151.4	152.7	151.3	151.9	152.7	151.9	151.2	152.4	152.7
32 Instruments	38	2.66	154.3	149.2	149.7	150.5	151.3	153.0	156.4	156.8	157.8	159.9	160.4	159.0	161.5	162.2
33 Miscellaneous manufactures	39	1.46	107.1	104.4	105.1	105.9	106.0	107.6	107.8	108.3	108.5	107.7	109.0	110.9	112.5	......
Utilities																
34 Electric	.....	4.17	132.0	130.7	129.0	127.6	129.7	132.1	134.6	138.8	132.2	132.8	131.6	132.9	131.8	......
		Gross value (billions of 1982 dollars, annual rates)														
MAJOR MARKET																
35 Products, total	.....	**517.5**	**1,824.5**	**1,797.5**	**1,807.5**	**1,812.2**	**1,820.1**	**1,813.9**	**1,822.3**	**1,828.6**	**1,828.9**	**1,853.4**	**1,855.5**	**1,875.3**	**1,890.3**	**1,889.7**
36 Final	.....	405.7	1,401.2	1,381.1	1,385.9	1,393.9	1,397.1	1,394.3	1,398.9	1,404.2	1,404.3	1,423.5	1,426.3	1,442.2	1,452.7	1,456.4
37 Consumer goods	.....	272.7	902.5	893.7	893.2	899.1	898.9	893.6	895.6	900.4	897.2	915.0	918.4	935.2	941.4	940.9
38 Equipment	.....	133.0	498.8	487.3	492.7	494.7	498.3	500.7	503.2	503.8	507.1	508.4	507.9	507.0	511.3	515.5
39 Intermediate	.....	111.9	423.3	416.5	421.6	418.4	423.0	419.6	423.4	424.3	424.5	430.0	429.3	433.1	437.6	433.3

1. These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.

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.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1986	1987	1988r	1988 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.r	Dec.r	1989 Jan.
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,750	1,535	1,451	1,449	1,436	1,493	1,420	1,464	1,394	1,516	1,516	1,566	1,507
2 1-family	1,071	1,024	1,000	960	982	1,002	984	1,022	974	1,027	1,046	1,082	1,064
3 2-or-more-family	679	511	452	489	454	491	436	442	420	489	470	484	443
4 Started	1,805	1,621	1,488	1,576	1,392	1,463	1,478	1,459	1,463	1,532	1,567	1,577	1,690
5 1-family	1,179	1,146	1,081	1,087	1,001	1,088	1,067	1,076	1,039	1,136	1,138	1,141	1,202
6 2-or-more-family	626	474	407	489	391	375	411	383	424	396	429	436	488
7 Under construction, end of period[1]	1,074	987	923	999	985r	979r	973r	962r	955	951r	959	957	968
8 1-family	583	591	573	621r	610	608r	605r	601r	596	597r	603	604	611
9 2-or-more-family	490	397	350	378r	375r	371r	368	361r	359	354	356	353	357
10 Completed	1,756	1,669	1,529	1,661r	1,461r	1,517r	1,528r	1,539r	1,536r	1,516	1,429	1,526	1,491
11 1-family	1,120	1,123	1,084	1,058r	1,096r	1,105r	1,077	1,074r	1,092r	1,088r	1,037	1,097	1,104
12 2-or-more-family	636	546	445	603r	365r	412	451r	465r	444	428r	392	429	387
13 Mobile homes shipped	244	233	218	215	221	227	207	223	224	216	227	225	232
Merchant builder activity in 1-family units													
14 Number sold	748	672	675	677r	679r	716r	701r	712r	691	718r	650	674	691
15 Number for sale, end of period[1]	357	365	366	367	370	367	365	363	361	353r	364	366	369
Price (thousands of dollars)[2]													
Median													
16 Units sold	92.2	104.7	113.3	111.0	110.0	111.5	118.0	110.0	116.6	112.9r	110.4	121.0	113.0
Average													
17 Units sold	112.2	127.9	139.0	135.6	133.5	136.5	141.3	140.6	142.7	137.3r	137.3	148.3	137.5
EXISTING UNITS (1-family)													
18 Number sold	3,566	3,530	3,594	3,510r	3,620r	3,800r	3,650r	3,690r	3,650r	3,680r	3,710	3,920	3,550
Price of units sold (thousands of dollars)[2]													
19 Median	80.3	85.6	89.2	88.0r	89.6r	90.2	90.7	91.5r	88.5r	88.9r	88.5	88.7	89.7
20 Average	98.3	106.2	112.5	109.6r	113.3r	115.4	114.7r	115.4r	112.6r	112.3r	112.4	112.0	113.0
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**386,093**	**398,848**	**403,434**	**396,238**	**398,473**	**395,714**	**404,164**	**403,172**	**406,906**	**408,184**	**413,562**	**422,286**	**424,032**
22 Private	314,651	323,819	325,200	318,515	320,194	317,708	324,658	326,763	327,164	330,291	333,286	336,403	342,296
23 Residential	187,147	194,772	195,403	192,026	190,374	188,071	194,215	195,393	196,945	199,567	201,768	202,314	204,576
24 Nonresidential, total	127,504	129,047	129,797	126,489	129,820	129,637	130,443	131,370	130,219	130,724	131,518	134,089	137,720
Buildings													
25 Industrial	13,747	13,707	14,239	13,849	13,907	13,676	13,928	14,006	13,546	15,234	15,898	15,060	16,242
26 Commercial	56,762	55,448	55,588	56,169	57,447	56,585	56,687	56,404	55,815	54,706	53,857	55,918	57,878
27 Other	13,216	15,464	16,761	16,382	16,847	16,757	16,166	16,613	16,600	17,132	16,775	17,119	17,463
28 Public utilities and other	43,779	44,428	43,209	40,089	41,619	42,619	43,662	44,347	44,258	43,652	44,988	45,992	46,137
29 Public	71,437	75,028	78,233	77,723	78,278	78,007	79,506	76,409	79,742	77,893	80,276	85,884	81,736
30 Military	3,868	4,327	4,077	3,872	3,547	4,844	4,350	3,984	4,897	3,659	3,932	4,147	3,750
31 Highway	22,681	22,758	25,721	26,912	25,254	24,822	27,673	23,491	23,841	25,997	26,433	30,907	27,841
32 Conservation and development	4,646	5,162	4,513	4,226	4,460	4,596	4,861	4,793	5,045	3,927	3,805	4,312	4,065
33 Other	40,242	42,781	43,922	42,713	45,017	43,745	42,622	44,141	45,959	44,310	46,106	46,518	46,080

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 previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.

NOTE. Census Bureau estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 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 Feb. 1989[1]
	1988 Feb.	1989 Feb.	1988				1988			1989[r]		
			Mar.	June	Sept.	Dec.	Oct.[r]	Nov.	Dec.	Jan.	Feb.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**3.9**	**4.8**	**3.9**	**4.9**	**4.8**	**4.1**	**.4**	**.3**	**.3**	**.6**	**.4**	**121.6**
2 Food	2.8	6.2	2.5	6.4	8.8	3.0	.2	.2	.3	.7	.4	122.9
3 Energy items	1.6	2.6	−4.0	3.7	2.7	−.4	−.1	.3	−.3	.8	.6	89.3
4 *All items less food and energy*	4.3	4.8	5.4	4.3	4.3	4.9	.5	.3	.4	.5	.4	126.9
5 Commodities	3.4	4.2	4.7	3.9	3.1	4.2	.5	.3	.3	.5	.2	118.1
6 Services	4.8	5.0	5.6	4.5	4.8	5.4	.5	.4	.5	.5	.5	132.0
PRODUCER PRICES (1982=100)												
7 Finished goods	1.9	5.3	4.2	3.0	5.7	3.0	.1	.2[r]	.5	1.0	1.0	111.7
8 Consumer foods	1.0	7.2	6.8	5.5	9.2	2.1	.1	.3	.1	1.1	1.2	117.3
9 *Consumer energy*	−1.7	5.8	−7.0	−5.2	−2.7	2.1	.0	.5	.0	4.9	2.4	61.9
10 Other consumer goods	3.4	5.0	5.3	3.5	5.9	4.4	.2	.2[r]	.7	.4	.7	122.6
11 Capital equipment	1.8	3.7	3.6	2.9	6.1	1.4	−.1	.1[r]	.3	.6	.4	117.4
12 Intermediate materials[3]	4.7	6.1	5.1	7.4	4.6	4.5	.1	.6	.5	.9	.6	110.8
13 Excluding energy	5.9	6.9	8.2	6.9	7.2	6.7	.4	.8[r]	.4	.6	.5	119.9
Crude materials												
14 Foods	7.4	11.3	18.5	21.3	29.1	−7.9	.3	−4.3[r]	2.1	2.2	−1.3	111.0
15 Energy	−3.4	2.3	−24.1	7.8	−27.0	12.9	−2.2	−1.1[r]	6.5	6.7	1.1	72.0
16 Other	23.9	5.2	17.3	−6.5	8.5	5.8	.2	.4[r]	.7	2.2	.0	138.5

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	1986	1987	1988r	1987	1988			
				Q4	Q1	Q2	Q3	Q4r
GROSS NATIONAL PRODUCT								
1 **Total**	**4,240.3**	**4,526.7**	**4,864.3**	**4,662.8**	**4,724.5**	**4,823.8**	**4,909.0**	**4,999.7**
By source								
2 Personal consumption expenditures	2,807.5	3,012.1	3,227.5	3,076.3	3,128.1	3,194.6	3,261.2	3,326.4
3 Durable goods	406.5	421.9	451.1	422.0	437.8	449.8	452.9	464.0
4 Nondurable goods	943.6	997.9	1,046.9	1,012.4	1,016.2	1,036.6	1,060.8	1,073.9
5 Services	1,457.3	1,592.3	1,729.6	1,641.9	1,674.1	1,708.2	1,747.5	1,788.5
6 Gross private domestic investment	665.9	712.9	766.5	764.9	763.4	758.1	772.5	772.0
7 Fixed investment	650.4	673.7	718.1	692.9	698.1	714.4	722.8	737.2
8 Nonresidential	433.9	446.8	488.4	464.1	471.5	487.8	493.7	500.6
9 Structures	138.5	139.5	142.8	147.7	140.1	142.3	143.8	145.0
10 Producers' durable equipment	295.4	307.3	345.6	316.3	331.3	345.5	349.9	355.6
11 Residential structures	216.6	226.9	229.7	228.8	226.6	226.5	229.1	236.6
12 Change in business inventories	15.5	39.2	48.4	72.0	65.3	43.7	49.7	34.7
13 Nonfarm	17.4	40.7	42.2	72.8	49.4	33.1	41.9	44.6
14 Net exports of goods and services	-104.4	-123.0	-94.6	-125.7	-112.1	-90.4	-80.0	-96.1
15 Exports	378.4	428.0	519.7	459.7	487.8	507.1	536.1	548.0
16 Imports	482.8	551.1	614.4	585.4	599.9	597.5	616.0	644.0
17 Government purchases of goods and services	871.2	924.7	964.9	947.3	945.2	961.6	955.3	997.5
18 Federal	366.2	382.0	381.0	391.4	377.7	382.2	367.7	396.3
19 State and local	505.0	542.8	583.9	555.9	567.5	579.4	587.6	601.2
By major type of product								
20 Final sales, total	4,224.7	4,487.5	4,815.9	4,590.7	4,659.2	4,780.1	4,859.3	4,965.0
21 Goods	1,697.9	1,792.5	1,938.7	1,849.3	1,879.5	1,928.0	1,960.1	1,987.1
22 Durable	725.3	776.3	858.3	808.7	819.3	849.5	881.6	882.7
23 Nondurable	972.6	1,016.3	1,080.4	1,040.7	1,060.1	1,078.5	1,078.5	1,104.4
24 Services	2,118.3	2,295.7	2,478.0	2,363.9	2,405.2	2,451.5	2,501.6	2,553.5
25 Structures	424.0	438.4	447.7	449.5	439.9	444.3	447.3	459.1
26 *Change in business inventories*	15.5	39.2	48.4	72.0	65.3	43.7	49.7	34.7
27 Durable goods	4.3	26.6	30.9	50.5	26.6	17.8	45.1	34.1
28 Nondurable goods	11.3	12.6	17.4	21.6	38.6	25.9	4.6	0.6
MEMO								
29 **Total GNP in 1982 dollars**	**3,721.7**	**3,847.0**	**3,996.1**	**3,923.0**	**3,956.1**	**3,985.2**	**4,009.4**	**4,033.4**
NATIONAL INCOME								
30 **Total**	**3,437.1**	**3,678.7**	**3,968.2**	**3,802.0**	**3,850.8**	**3,928.8**	**4,000.7**	**4,092.4**
31 Compensation of employees	2,507.1	2,683.4	2,904.7	2,769.9	2,816.4	2,874.0	2,933.2	2,995.3
32 Wages and salaries	2,094.0	2,248.4	2,436.9	2,324.8	2,358.7	2,410.0	2,462.0	2,516.8
33 Government and government enterprises	393.7	420.1	446.1	429.2	437.1	442.9	449.1	455.4
34 Other	1,700.3	1,828.3	1,990.7	1,895.6	1,921.6	1,967.1	2,012.9	2,061.4
35 Supplement to wages and salaries	413.1	435.0	467.8	445.1	457.7	464.0	471.1	478.5
36 Employer contributions for social insurance	217.0	227.1	249.6	232.7	243.1	247.5	251.7	256.0
37 Other labor income	196.1	207.9	218.3	212.4	214.6	216.5	219.5	222.5
38 Proprietors' income[1]	286.7	312.9	324.5	326.0	323.9	328.8	321.6	323.8
39 Business and professional[1]	250.3	270.0	288.2	279.0	279.2	285.3	290.7	297.7
40 Farm[1]	36.4	43.0	36.3	47.0	44.7	43.4	30.9	26.0
41 Rental income of persons[2]	12.4	18.4	19.3	20.5	20.5	19.1	19.7	18.1
42 Corporate profits[1]	296.9	310.4	328.1	316.1	316.2	326.5	330.0	339.9
43 Profits before tax[3]	236.4	276.7	306.4	281.9	286.2	305.9	313.9	319.5
44 Inventory valuation adjustment	6.3	-18.0	-23.8	-18.2	-19.4	-27.4	-29.3	-19.2
45 Capital consumption adjustment	54.2	51.7	45.6	52.4	49.4	48.0	45.4	39.6
46 Net interest	331.9	353.6	391.5	369.5	373.9	380.6	396.2	415.4

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. *Survey of Current Business* (Department of Commerce).

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1986	1987	1988[r]	1987	1988			
				Q4	Q1	Q2	Q3	Q4[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**3,531.1**	**3,780.0**	**4,062.1**	**3,906.8**	**3,951.4**	**4,022.4**	**4,094.0**	**4,180.5**
2 Wage and salary disbursements	2,094.0	2,248.4	2,436.9	2,325.1	2,358.7	2,410.0	2,462.0	2,516.8
3 Commodity-producing industries	625.5	649.8	695.4	665.5	676.0	689.1	701.3	715.4
4 Manufacturing	473.1	490.3	522.5	501.3	509.6	517.4	525.9	537.1
5 Distributive industries	498.9	531.7	578.7	547.3	558.2	572.1	585.8	598.6
6 Service industries	575.9	646.8	716.6	682.8	687.4	705.9	725.8	747.4
7 Government and government enterprises	393.7	420.1	446.1	429.5	437.1	442.9	449.1	455.4
8 Other labor income	196.1	207.9	218.3	212.4	214.6	216.5	219.5	222.5
9 Proprietors' income[1]	286.7	312.9	324.5	326.0	323.9	328.8	321.6	323.8
10 Business and professional[1]	250.3	270.0	288.2	279.0	279.2	285.3	290.7	297.7
11 Farm[1]	36.4	43.0	36.3	47.0	44.7	43.4	30.9	26.0
12 Rental income of persons[2]	12.4	18.4	19.3	20.5	20.5	19.1	19.7	18.1
13 Dividends	82.8	88.6	96.3	91.9	93.5	95.0	97.3	99.4
14 Personal interest income	499.1	527.0	575.9	550.0	554.2	563.7	581.9	603.7
15 Transfer payments	521.1	548.8	586.0	556.8	576.3	582.8	588.6	596.4
16 Old-age survivors, disability, and health insurance benefits	269.3	282.9	301.8	286.5	298.1	300.4	303.1	305.7
17 LESS: Personal contributions for social insurance	161.1	172.0	195.1	175.9	190.2	193.5	196.7	200.1
18 EQUALS: Personal income	3,531.1	3,780.0	4,062.1	3,906.8	3,951.4	4,022.4	4,094.0	4,180.5
19 LESS: Personal tax and nontax payments	511.4	570.3	590.3	591.0	575.8	601.0	586.5	598.0
20 EQUALS: Disposable personal income	3,019.6	3,209.7	3,471.8	3,315.8	3,375.6	3,421.5	3,507.5	3,582.5
21 LESS: Personal outlays	2,898.0	3,105.5	3,327.5	3,171.8	3,225.7	3,293.6	3,361.8	3,428.7
22 EQUALS: Personal saving	121.7	104.2	144.3	144.0	149.9	127.8	145.7	153.8
MEMO								
Per capita (1982 dollars)								
23 Gross national product	15,401.2	15,772.9	16,231.1	16,031.9	16,127.6	16,213.2	16,265.3	16,322.9
24 Personal consumption expenditures	10,160.1	10,336.2	10,528.8	10,346.1	10,435.4	10,492.3	10,563.1	10,628.1
25 Disposable personal income	10,929.0	11,012.0	11,326.0	11,145.0	11,260.0	11,237.0	11,362.0	11,445.0
26 Saving rate (percent)	4.0	3.2	4.2	4.3	4.4	3.7	4.2	4.3
GROSS SAVING								
27 **Gross saving**	**537.2**	**560.4**	**644.4**	**603.4**	**627.0**	**634.1**	**665.4**	**650.9**
28 Gross private saving	681.6	665.3	731.6	714.1	726.3	711.2	732.9	756.2
29 Personal saving	121.7	104.2	144.3	144.0	149.9	127.8	145.7	153.8
30 Undistributed corporate profits[1]	104.1	81.1	81.0	80.5	78.1	80.1	79.5	86.2
31 Corporate inventory valuation adjustment	8.3	−18.0	−23.8	−18.2	−19.4	−27.4	−29.3	−19.2
Capital consumption allowances								
32 Corporate	282.4	297.5	315.7	303.7	309.8	313.3	316.8	323.0
33 Noncorporate	173.5	182.5	190.6	185.8	188.5	189.9	190.9	193.1
34 Government surplus, or deficit (−), national income and product accounts	−144.4	−104.9	−87.3	−110.7	−99.2	−77.1	−67.5	−105.3
35 Federal	−205.6	−157.8	−142.4	−160.4	−155.1	−133.3	−123.5	−157.8
36 State and local	61.2	52.9	55.1	49.7	55.8	56.2	56.0	52.5
37 **Gross investment**	**523.6**	**552.3**	**630.3**	**597.0**	**612.0**	**629.0**	**651.4**	**628.7**
38 Gross private domestic	665.9	712.9	766.5	764.9	763.4	758.1	772.5	772.0
39 Net foreign	−142.4	−160.6	−136.2	−167.8	−151.3	−129.1	−121.1	−143.3
40 **Statistical discrepancy**	**−13.6**	**−8.1**	**−14.1**	**−6.4**	**−15.0**	**−5.1**	**−14.0**	**−22.2**

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	1986	1987	1988	1987	1988			
				Q4	Q1	Q2	Q3	Q4[p]
1 Balance on current account	−138,827	−153,964	−135,332	−33,523	−36,998[r]	−33,814[r]	−32,607	−31,912
2 Not seasonally adjusted	....	....	....	−31,802	−32,179[r]	−34,606	−38,560	−29,986
3 Merchandise trade balance[2]	−144,547	−160,280	−126,525	−41,192	−35,187[r]	−30,152[r]	−29,170	−32,016
4 Merchandise exports	223,969	249,570	319,905	68,013	75,140[r]	79,443[r]	81,674	83,648
5 Merchandise imports	−368,516	−409,850	−446,430	−109,205	−110,327[r]	−109,595[r]	−110,844	−115,664
6 Military transactions, net	−4,372	−2,369	−4,229	−1,261	−1,033	−914	−857	−1,425
7 Investment income, net	23,143	20,374	2,602	12,539	1,128[r]	−1,986[r]	−1,234	4,694
8 Other service transactions, net	2,257	1,755	6,404	764[r]	1,241	2,015[r]	1,869	1,279
9 Remittances, pensions, and other transfers	−3,571	−3,434	−3,531	−828	−908[r]	−819[r]	−872	−932
10 U.S. government grants (excluding military)	−11,738	−10,011	−10,052	−3,545	−2,239	−1,958	−2,343	−3,512
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−2,000	1,162	3,641	1,012	−814	−801	1,990	3,266
12 Change in U.S. official reserve assets (increase, −)	312[r]	9,149[r]	3,566	3,741	1,503	39	−7,380	2,272
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−246	−509[r]	474	−205	155	180	−35	173
15 Reserve position in International Monetary Fund	1,500[r]	2,070	1,025	722	446	69	202	307
16 Foreign currencies	−942	7,588[r]	−5,064	3,225	901	−210	−7,547	1,791
17 Change in U.S. private assets abroad (increase, −)	−96,303	−86,297	−92,029	−43,645	5,817[r]	−18,295[r]	−33,833	−45,718
18 Bank-reported claims[3]	−59,975	−40,531	−57,493	−23,460	17,108	−13,274	−27,832	−33,495
19 Nonbank-reported claims	−4,220	3,145	−6,627	1,248	−315	−7,061	749	....
20 U.S. purchase of foreign securities, net	−4,297	−4,456	−7,474	−1,757	−4,467	1,529	−1,554	−2,982
21 U.S. direct investments abroad, net	−27,811	−44,455	−20,435	−19,676	−6,509[r]	511[r]	−5,196	−9,241
22 Change in foreign official assets in United States (increase, +)	35,507	44,968[r]	39,012	20,047	24,670	5,946	−2,534	10,930
23 U.S. Treasury securities	34,364	43,361	41,703	19,243	27,701	5,863	−3,769	11,908
24 Other U.S. government obligations	−1,214	1,570	1,351	662	−121	202	572	698
25 Other U.S. government liabilities[4]	2,054	−2,824[r]	−1,278	108	−123	−570	−292	−293
26 Other U.S. liabilities reported by U.S. banks[3]	1,187	3,901	−269	−223	−1,954	868	1,463	−646
27 Other foreign official assets[5]	−884	−1,040	−2,495	257	−833	−417	−508	−737
28 Change in foreign private assets in United States (increase, +)	185,746	166,522	171,726	36,025	1,395	59,549	50,631	60,150
29 U.S. bank-reported liabilities[3]	79,783	87,778	78,877	29,764	−17,233	31,121	29,226	35,763
30 U.S. nonbank-reported liabilities	−2,906	2,150	3,778	−1,000	2,015	113	1,650	....
31 Foreign private purchases of U.S. Treasury securities, net	3,809	−7,596	19,886	496	6,887	5,457	3,412	4,130
32 Foreign purchases of other U.S. securities, net	70,969	42,213	26,961	−4,977	2,379	9,797	7,948	6,837
33 Foreign direct investments in United States, net	34,091	41,977	42,224	11,742	7,347	13,061	8,395	13,420
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	15,566	18,461	16,548	16,342	4,428[r]	−12,624	23,733	1,013
36 Owing to seasonal adjustments	....	....	....	3,138	3,893[r]	−3,425[r]	−5,119	4,653
37 Statistical discrepancy in recorded data before seasonal adjustment	15,566	18,461	16,548	13,204	535	−9,199	28,852	−3,640
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	312[r]	9,149[r]	−3,566	3,741	1,503	39	−7,380	2,272
39 Foreign official assets in United States (increase, +) excluding line 25	33,453	47,792	40,290	19,939	24,793	6,516	−2,242	11,223
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22 above)	−9,327	−9,956[r]	−2,909	−2,750	−1,375	−1,783	−466	715
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	101	58	86	12	45	4	7	30

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. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
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[1]

Millions of dollars; monthly data are seasonally adjusted.

Item	1986	1987	1988	1988						1989
				July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments, f.a.s. value	227,159	254,122	322,225	26,516	27,493	27,989	27,816	27,542	29,062	27,802
GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses										
2 Customs value	365,438	406,241	440,940	34,533	38,140	37,178	36,600	38,200	40,052	37,290
Trade balance										
3 **Customs value**	**−138,279**	**−152,119**	**−118,716**	**−8,017**	**−10,647**	**−9,189**	**−8,784**	**−10,658**	**−10,991**	**−9,488**

1. 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 adjustment is 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; the previous month is revised to reflect late documents. Total exports and the trade balance reflect adjustments for undocumented exports to Canada.

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	1985	1986	1987	1988					1989	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[p]
1 **Total**	**43,186**	**48,511**	**45,798**	**47,778**	**47,788**	**50,204**	**48,944**	**47,802**	**48,190**	**49,373**
2 Gold stock, including Exchange Stabilization Fund[1]	11,090	11,064	11,078	11,061	11,062	11,062	11,059	11,057	11,056	11,061
3 Special drawing rights[2,3]	7,293	8,395	10,283	9,058	9,074	9,464	9,785	9,637	9,388	9,653
4 Reserve position in International Monetary Fund[2]	11,947	11,730	11,349	9,642	9,637	10,075	10,103	9,745	9,422	9,353
5 Foreign currencies[4]	12,856	17,322	13,088	18,017	18,015	19,603	17,997	17,363	18,324	19,306

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[1]

Millions of dollars, end of period

Assets	1985	1986	1987	1988					1989	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[p]
1 *Deposits*	480	287	244	230	338	301	251	347	279	325
Assets held in custody										
2 U.S. Treasury securities[2]	121,004	155,835	195,126	221,715	221,119	226,533	229,926	232,547	228,399	230,860
3 Earmarked gold[3]	14,245	14,048	13,919	13,658	13,653	13,637	13,640	13,636	13,635	13,609

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
3. Earmarked gold and the gold stock are valued at $42.22 per fine troy ounce. 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	1985	1986	1987	1988 July[r]	1988 Aug.[r]	1988 Sept.	1988 Oct.[r]	1988 Nov.	1988 Dec.[r]	1989 Jan.
	All foreign countries									
1 **Total, all currencies**	**458,012**	**456,628**	**518,618**	**488,774**	**488,372**	**489,896[r]**	**494,289**	**512,854[r]**	**505,037**	**496,506**
2 Claims on United States	119,706	114,563	138,034	147,730	157,150	155,397[r]	155,491	169,487[r]	168,443	167,143
3 Parent bank	87,201	83,492	105,845	109,989	117,636	115,286	115,963	129,105[r]	130,146	127,403
4 Other banks in United States	13,057	13,685	16,416	15,954	16,176	16,121	14,744	16,075	14,918	14,338
5 Nonbanks	19,448	17,386	15,773	21,787	23,338	23,990[r]	24,784	24,307[r]	23,379	25,402
6 Claims on foreigners	315,676	312,955	342,520	305,979	295,617	297,976[r]	301,456	305,359[r]	300,116	291,650
7 Other branches of parent bank	91,399	96,281	122,155	103,753	98,393	102,355	100,738	105,220[r]	107,667	102,478
8 Banks	102,960	105,237	108,859	99,712	99,040	98,356[r]	102,198	100,696[r]	96,968	93,760
9 Public borrowers	23,478	23,706	21,832	19,276	18,709	18,415[r]	18,205	18,169[r]	17,138	16,751
10 Nonbank foreigners	97,839	87,731	89,674	83,238	79,475	78,850[r]	80,315	81,274[r]	78,343	78,661
11 Other assets	22,630	29,110	38,064	35,065	35,605	36,523[r]	37,342	38,008	36,478	37,713
12 **Total payable in U.S. dollars**	**336,520**	**317,487**	**350,107**	**336,724**	**343,383**	**340,795[r]**	**337,907**	**352,146[r]**	**357,461**	**345,506**
13 Claims on United States	116,638	110,620	132,023	141,483	151,710	149,775[r]	149,772	162,997[r]	162,788	160,520
14 Parent bank	85,971	82,082	103,251	106,852	115,054	112,621	113,578	125,963[r]	127,219	124,496
15 Other banks in United States	12,454	12,830	14,657	14,434	14,901	14,687	13,265	14,771	14,167	12,976
16 Nonbanks	18,213	15,708	14,115	20,197	21,755	22,467[r]	22,929	22,263	21,402	23,048
17 Claims on foreigners	210,129	195,063	202,428	179,499	174,780	174,154[r]	172,068	172,345[r]	178,276	167,271
18 Other branches of parent bank	72,727	72,197	88,284	78,177	73,886	76,506	73,637	75,965[r]	81,227	76,221
19 Banks	71,868	66,421	63,707	54,241	54,897	52,397[r]	54,783	53,570[r]	54,986	49,544
20 Public borrowers	17,260	16,708	14,730	13,247	12,933	12,770	12,616	12,233[r]	11,964	11,596
21 Nonbank foreigners	48,274	39,737	35,707	33,834	33,064	32,481[r]	31,032	30,577[r]	30,099	29,910
22 Other assets	9,753	11,804	15,656	15,742	16,893	16,866	16,067	16,804	16,397	17,715
	United Kingdom									
23 **Total, all currencies**	**148,599**	**140,917**	**158,695**	**151,017**	**149,646**	**147,329**	**155,580**	**159,556**	**156,085**	**156,529**
24 Claims on United States	33,157	24,599	32,518	35,716	36,325	32,059[r]	36,260	39,242[r]	40,089	40,954
25 Parent bank	26,970	19,085	27,350	30,615	30,767	26,661	30,569	33,138	34,243	34,928
26 Other banks in United States	1,106	1,612	1,259	1,064	1,197	1,238	994	1,343	1,123	1,128
27 Nonbanks	5,081	3,902	3,909	4,037	4,361	4,160[r]	4,697	4,761[r]	4,723	4,898
28 Claims on foreigners	110,217	109,508	115,700	105,586	103,509	105,813[r]	109,743	110,336[r]	106,407	104,668
29 Other branches of parent bank	31,576	33,422	39,903	30,228	29,656	31,758	33,103	33,243	35,625	35,322
30 Banks	39,250	39,468	36,735	37,805	38,259	38,848	40,236	40,875	36,765	34,907
31 Public borrowers	5,644	4,990	4,752	4,665	4,543	4,250	4,190	4,276	4,019	4,090
32 Nonbank foreigners	33,747	31,628	34,310	32,888	31,051	30,957[r]	32,214	31,942[r]	29,998	30,349
33 Other assets	5,225	6,810	10,477	9,715	9,812	9,457	9,577	9,978	9,589	10,907
34 **Total payable in U.S. dollars**	**108,626**	**95,028**	**100,574**	**94,492**	**96,767**	**93,790**	**99,868**	**101,341**	**102,937**	**102,873**
35 Claims on United States	32,092	23,193	30,439	33,803	34,553	30,127[r]	34,184	36,881	38,012	38,591
36 Parent bank	26,568	18,526	26,304	29,706	29,837	25,692	29,667	32,115	33,252	33,925
37 Other banks in United States	1,005	1,475	1,044	870	1,039	910	606	849	964	678
38 Nonbanks	4,519	3,192	3,091	3,227	3,677	3,525[r]	3,911	3,917	3,796	3,988
39 Claims on foreigners	73,475	68,138	64,560	55,824	57,019	58,463[r]	60,984	59,405	60,483	58,798
40 Other branches of parent bank	26,011	26,361	28,635	22,549	22,465	24,472	25,703	25,574	28,474	27,939
41 Banks	26,139	23,251	19,188	18,025	19,165	19,066	20,488	19,452	18,494	16,778
42 Public borrowers	3,999	3,677	3,313	3,133	3,105	3,022	2,984	2,898	2,840	2,869
43 Nonbank foreigners	17,326	14,849	13,424	12,117	12,284	11,903[r]	11,809	11,481	10,675	11,212
44 Other assets	3,059	3,697	5,575	4,865	5,195	5,200	4,700	5,055	4,442	5,484
	Bahamas and Caymans									
45 **Total, all currencies**	**142,055**	**142,592**	**160,321**	**161,024**	**166,290**	**164,313**	**155,922**	**165,528[r]**	**170,639**	**162,352**
46 Claims on United States	74,864	78,048	85,318	92,368	99,201	99,541	94,461	104,220[r]	104,652	103,016
47 Parent bank	50,553	54,575	60,048	61,457	67,145	66,607	62,718	71,925[r]	73,699	71,065
48 Other banks in United States	11,204	11,156	14,277	13,863	13,907	13,878	12,504	13,774	13,145	12,521
49 Nonbanks	13,107	12,317	10,993	17,048	18,149	19,056	19,239	18,521	17,808	19,430
50 Claims on foreigners	63,882	60,005	70,162	62,956	61,229	57,887	55,127	54,647[r]	58,986	52,503
51 Other branches of parent bank	19,042	17,296	21,277	22,904	20,883	20,320	17,460	17,115[r]	18,445	15,982
52 Banks	28,192	27,476	33,751	26,189	26,966	24,545	25,549	25,487[r]	28,370	24,755
53 Public borrowers	6,458	7,051	7,428	6,457	6,185	6,219	6,045	5,861[r]	5,830	5,422
54 Nonbank foreigners	10,190	8,182	7,706	7,406	7,195	6,803	6,073	6,184[r]	6,341	6,344
55 Other assets	3,309	4,539	4,841	5,700	5,860	6,885	6,334	6,661	7,001	6,833
56 **Total payable in U.S. dollars**	**136,794**	**136,813**	**151,434**	**153,193**	**158,494**	**156,409**	**148,138**	**157,732[r]**	**163,518**	**154,981**

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.

3.14—Continued

Liability account	1985	1986	1987	1988 July r	1988 Aug. r	1988 Sept.	1988 Oct. r	1988 Nov.	1988 Dec. r	1989 Jan.
					All foreign countries					
57 **Total, all currencies**	**458,012**	**456,628**	**518,618**	**488,774**	**488,372**	**489,896r**	**494,289**	**512,854r**	**505,037**	**496,506**
58 Negotiable CDs	34,607	31,629	30,929	30,159	31,203	28,953	27,969	30,734	28,511	28,538
59 To United States	156,281	152,465	161,390	159,068	164,512	165,495r	161,792	172,654r	185,379	172,095
60 Parent bank	84,657	83,394	87,606	84,227	88,848	94,906r	95,371	104,427r	114,655	100,742
61 Other banks in United States	16,894	15,646	20,559	15,310	16,356	14,272	14,029	13,584r	14,960	15,358
62 Nonbanks	54,730	53,425	53,225	59,531	59,308	56,317r	52,392	54,643r	55,764	55,995
63 To foreigners	245,939	253,775	304,803	278,225	271,086	274,237r	281,791	286,036r	270,731	273,735
64 Other branches of parent bank	89,529	95,146	124,601	107,191	100,632	106,284	106,139	110,735r	110,968	109,116
65 Banks	76,814	77,809	87,274	83,156	80,707	79,797r	82,184	82,488r	72,972	72,299
66 Official institutions	19,520	17,835	19,564	16,628	17,232	16,911	18,786	17,743	15,183	18,506
67 Nonbank foreigners	60,076	62,985	73,364	71,250	72,515	71,245	74,682	75,070r	71,608	73,814
68 Other liabilities	21,185	18,759	21,496	21,322	21,571	21,211r	22,737	23,430r	20,416	22,138
69 **Total payable in U.S. dollars**	**353,712**	**336,406**	**361,438**	**342,030**	**346,662**	**348,151r**	**343,794**	**359,919r**	**366,506**	**353,661**
70 Negotiable CDs	31,063	28,466	26,768	24,870	26,128	24,353	23,218	26,130	24,045	23,696
71 To United States	150,905	144,483	148,442	147,610	152,856	154,646r	150,506	159,297r	172,951	159,651
72 Parent bank	81,631	79,305	81,783	77,534	81,739	88,362r	88,391	96,118r	107,105	92,772
73 Other banks in United States	16,264	14,609	19,155	14,011	15,153	13,153	12,868	12,230	13,629	14,173
74 Nonbanks	53,010	50,569	47,504	56,065	55,964	53,131r	49,247	50,949r	52,217	52,706
75 To foreigners	163,583	156,806	177,711	159,350	156,766	158,325	159,162	163,094r	160,476	160,615
76 Other branches of parent bank	71,078	71,181	90,469	81,251	75,108	79,450	78,552	81,235r	83,727	82,145
77 Banks	37,365	33,850	35,065	28,565	30,142	29,341	29,069	30,985r	28,891	27,220
78 Official institutions	14,359	12,371	12,409	9,354	9,938	9,207	10,624	9,121	8,224	10,879
79 Nonbank foreigners	40,781	39,404	39,768	40,180	41,578	40,327	40,917	41,753r	39,634	40,371
80 Other liabilities	8,161	6,651	8,517	10,200	10,912	10,827r	10,908	11,398r	9,034	9,699
					United Kingdom					
81 **Total, all currencies**	**148,599**	**140,917**	**158,695**	**151,017**	**149,646**	**147,329**	**155,580**	**159,556**	**156,085**	**156,529**
82 Negotiable CDs	31,260	27,781	26,988	25,750	26,998	24,311	23,345	26,013	24,528	24,253
83 To United States	29,422	24,657	23,470	26,859	25,013	25,657	31,575	32,420	36,734	34,535
84 Parent bank	19,330	14,469	13,223	16,844	15,100	17,115	22,800	23,226	27,799	24,130
85 Other banks in United States	2,974	2,649	1,740	2,051	1,878	2,021	2,192	1,768	2,197	2,568
86 Nonbanks	7,118	7,539	8,507	7,964	8,035	6,521	6,583	7,426	6,738	7,837
87 To foreigners	78,525	79,498	98,689	88,489	87,504	87,212	89,934	90,404	86,026	87,519
88 Other branches of parent bank	23,389	25,036	33,078	26,948	25,570	26,837	25,743	26,268	26,812	26,815
89 Banks	28,581	30,877	34,290	32,763	31,829	31,701	32,385	33,029	30,609	29,329
90 Official institutions	9,676	6,836	11,015	9,034	9,982	8,570	10,656	9,542	7,873	10,010
91 Nonbank foreigners	16,879	16,749	20,306	19,744	20,123	20,104	21,150	21,565	20,732	21,365
92 Other liabilities	9,392	8,981	9,548	9,919	10,131	10,149	10,726	10,719	8,797	10,222
93 **Total payable in U.S. dollars**	**112,697**	**99,707**	**102,550**	**96,908**	**97,926**	**96,970**	**101,689**	**102,933**	**104,948**	**104,462**
94 Negotiable CDs	29,337	26,169	24,926	22,846	24,229	22,043	20,864	23,543	22,063	21,500
95 To United States	27,756	22,075	17,752	23,105	20,993	22,177	28,063	27,123	32,538	30,032
96 Parent bank	18,956	14,021	12,026	15,729	13,745	16,031	21,665	21,003	26,354	22,069
97 Other banks in United States	2,826	2,325	1,512	1,817	1,655	1,819	1,978	1,366	1,912	2,362
98 Nonbanks	5,974	5,729	4,214	5,559	5,593	4,327	4,420	4,754	4,272	5,601
99 To foreigners	51,980	48,138	55,919	46,083	47,227	47,149	47,278	46,843	46,690	48,421
100 Other branches of parent bank	18,493	17,951	22,334	18,539	17,550	18,696	17,384	17,443	18,561	18,936
101 Banks	14,344	15,203	15,580	12,240	13,501	13,417	13,436	14,029	13,407	13,090
102 Official institutions	7,661	4,934	7,530	5,036	5,781	4,519	6,186	4,713	4,348	5,897
103 Nonbank foreigners	11,482	10,050	10,475	10,268	10,395	10,517	10,272	10,658	10,374	10,498
104 Other liabilities	3,624	3,325	3,953	4,874	5,477	5,601	5,484	5,424	3,657	4,509
					Bahamas and Caymans					
105 **Total, all currencies**	**142,055**	**142,592**	**160,321**	**161,024**	**166,290**	**164,313**	**155,922**	**165,528r**	**170,639**	**162,352**
106 Negotiable CDs	610	847	885	940	731	924	1,092	1,361	953	1,118
107 To United States	104,556	106,081	113,950	112,599	117,876	116,687	107,124	115,169r	122,206	113,622
108 Parent bank	45,554	49,481	53,239	49,927	54,203	56,768r	51,466	58,103r	62,899	54,884
109 Other banks in United States	12,778	11,715	17,224	12,069	13,412	11,106	10,824	10,823	11,556	11,709
110 Nonbanks	46,224	44,885	43,487	50,603	50,261	48,813r	44,834	46,243r	47,751	47,029
111 To foreigners	35,053	34,400	43,815	45,442	45,470	44,478	45,284	46,390r	45,216	45,543
112 Other branches of parent bank	14,075	12,631	19,185	22,395	21,315	22,872	23,412	22,933r	23,392	24,973
113 Banks	10,669	8,617	10,769	10,225	9,708	8,405	8,392	9,887r	8,685	7,120
114 Official institutions	1,776	2,719	1,504	1,015	1,099	1,067	972	1,060	1,074	1,337
115 Nonbank foreigners	8,533	10,433	12,357	11,807	13,348	12,134	12,508	12,510r	12,065	12,113
116 Other liabilities	1,836	1,264	1,671	2,043	2,213	2,224	2,422	2,608	2,264	2,069
117 **Total payable in U.S. dollars**	**138,322**	**138,774**	**152,927**	**152,743**	**158,031**	**156,215**	**148,375**	**157,280r**	**162,950**	**154,663**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1986	1987	1988						1989
			July	Aug.	Sept.	Oct.	Nov.[r]	Dec.	Jan.[p]
1 **Total**[1]	**211,834**	**259,556**	**290,944**	**290,263**	**288,601**	**295,017**	**300,926**	**299,699**	**301,423**
By type									
2 Liabilities reported by banks in the United States[2]	27,920	31,838	32,070	32,813	32,224	34,594	35,059	31,457	36,459
3 U.S. Treasury bills and certificates[3]	75,650	88,829	96,715	96,698	96,812	100,814	103,841	103,722	98,457
U.S. Treasury bonds and notes									
4 Marketable	91,368	122,432	146,971	145,521	144,040	144,617	146,813	149,025	151,018
5 Nonmarketable[4]	1,300	300	506	509	513	516	520	523	527
6 U.S. securities other than U.S. Treasury securities[5]	15,596	16,157	14,682	14,722	15,012	14,476	14,693	14,972	14,962
By area									
7 Western Europe[1]	88,629	124,620	125,195	123,428	121,206	125,204	128,655	125,089	125,666
8 Canada	2,004	4,961	10,725	9,981	10,054	11,014	10,066	9,584	9,668
9 Latin America and Caribbean	8,417	8,328	9,888	11,336	10,136	9,840	10,496	10,046	9,929
10 Asia	105,868	116,098	135,657	136,165	137,513	139,447	142,777	145,587	147,371
11 Africa	1,503	1,402	1,179	1,196	1,130	1,094	993	1,369	1,093
12 Other countries[6]	5,412	4,147	7,793	7,646	8,049	7,903	7,418	7,501	7,169

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[1]

Millions of dollars, end of period

Item	1985	1986	1987	1988			
				Mar.	June	Sept.	Dec.
1 Banks' own liabilities	15,368	29,702	55,438	55,818	55,110	61,243	71,044
2 Banks' own claims	16,294	26,180	51,271	52,221	51,183	60,957	66,085
3 Deposits	8,437	14,129	18,861	18,407	17,785	22,139	23,739
4 Other claims	7,857	12,052	32,410	33,814	33,398	38,818	42,346
5 Claims of banks' domestic customers[2]	580	2,507	551	810	1,004	392	364

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1985	1986	1987	1988						1989
				July	Aug.	Sept.	Oct.	Nov.[r]	Dec.	Jan.[p]
1 **All foreigners**	**435,726**	**540,996**	**618,874**	**654,809**	**658,039**	**657,404**	**651,776**	**677,870**	**684,830**	**659,432**
2 Banks' own liabilities	341,070	406,485	470,070	490,856	493,988	491,108	482,560	503,333	512,913	491,075
3 Demand deposits	21,107	23,789	22,383	21,983	20,314	21,375	21,830	22,052	21,797	20,544
4 Time deposits[2]	117,278	130,891	148,374	142,551	145,123	148,747	141,948	149,227	150,887	146,137
5 Other[3]	29,305	42,705	51,677	50,747	52,630	53,840	57,199	53,899	51,890	50,873
6 Own foreign offices[4]	173,381	209,100	247,635	275,575	275,920	267,145	261,583	278,156	288,339	273,521
7 Banks' custody liabilities[5]	94,656	134,511	148,804	163,953	164,050	166,296	169,215	174,537	171,916	168,358
8 U.S. Treasury bills and certificates[6]	69,133	90,398	101,743	109,555	109,106	109,768	112,267	116,860	114,976	111,141
9 Other negotiable and readily transferable instruments[7]	17,964	15,417	16,776	16,231	15,971	15,555	16,397	16,644	16,339	17,137
10 Other	7,558	28,696	30,285	38,167	38,973	40,973	40,551	41,033	40,601	40,080
11 **Nonmonetary international and regional organizations[8]**	**5,821**	**5,807**	**4,464**	**7,061**	**4,749**	**7,764**	**5,879**	**4,752**	**3,102**	**2,703**
12 Banks' own liabilities	2,621	3,958	2,702	4,882	2,925	5,104	4,067	3,496	2,405	1,908
13 Demand deposits	85	199	124	92	85	104	143	76	71	67
14 Time deposits[2]	2,067	2,065	1,538	1,857	966	1,688	1,101	1,384	1,183	565
15 Other[3]	469	1,693	1,040	2,933	1,874	3,311	2,823	2,036	1,150	1,277
16 Banks' custody liabilities[5]	3,200	1,849	1,761	2,179	1,824	2,660	1,812	1,256	698	795
17 U.S. Treasury bills and certificates[6]	1,736	259	265	286	43	755	62	83	57	69
18 Other negotiable and readily transferable instruments[7]	1,464	1,590	1,497	1,861	1,769	1,899	1,750	1,163	641	711
19 Other	0	0	0	32	12	5	0	10	0	15
20 **Official institutions[9]**	**79,985**	**103,569**	**120,667**	**128,786**	**129,511**	**129,036**	**135,408**	**138,900**	**135,178**	**134,916**
21 Banks' own liabilities	20,835	25,427	28,703	28,486	29,079	28,725	30,820	31,087	27,057	31,969
22 Demand deposits	2,077	2,267	1,757	1,696	1,405	1,756	1,781	1,584	1,915	1,627
23 Time deposits[2]	10,949	10,497	12,843	11,520	12,289	11,573	11,209	12,156	9,744	13,618
24 Other[3]	7,809	12,663	14,103	15,270	15,385	15,396	17,830	17,348	15,398	16,725
25 Banks' custody liabilities[5]	59,150	78,142	91,965	100,300	100,432	100,311	104,589	107,813	108,122	102,947
26 U.S. Treasury bills and certificates[6]	53,252	75,650	88,829	96,715	96,698	96,812	100,814	103,841	103,722	98,457
27 Other negotiable and readily transferable instruments[7]	5,824	2,347	2,990	3,368	3,450	3,221	3,612	3,758	4,120	4,367
28 Other	75	145	146	217	284	279	163	214	279	124
29 ***Banks[10]***	***275,589***	***351,745***	***414,280***	***436,443***	***439,532***	***436,310***	***425,242***	***447,255***	***460,077***	***435,745***
30 Banks' own liabilities	252,723	310,166	371,665	387,578	390,416	385,217	374,639	395,436	408,761	383,829
31 Unaffiliated foreign banks	79,341	101,066	124,030	112,003	114,495	118,072	113,056	117,281	120,421	110,308
32 Demand deposits	10,271	10,303	10,898	10,217	9,258	9,349	10,228	10,401	9,979	9,451
33 Time deposits[2]	49,510	64,232	79,717	73,000	73,826	77,713	71,096	76,453	80,363	73,025
34 Other[3]	19,561	26,531	33,415	28,787	31,412	31,010	31,733	30,427	30,079	27,833
35 Own foreign offices[4]	173,381	209,100	247,635	275,575	275,920	267,145	261,583	278,156	288,339	273,521
36 Banks' custody liabilities[5]	22,866	41,579	42,615	48,865	49,116	51,093	50,603	51,819	51,316	51,916
37 U.S. Treasury bills and certificates[6]	9,832	9,984	9,134	9,324	9,299	8,969	7,976	8,087	7,602	7,819
38 Other negotiable and readily transferable instruments[7]	6,040	5,165	5,392	4,625	4,090	4,230	5,265	5,712	5,682	6,475
39 Other	6,994	26,431	28,089	34,916	35,727	37,893	37,362	38,020	38,033	37,623
40 ***Other foreigners***	***74,331***	***79,875***	***79,463***	***82,520***	***84,247***	***84,294***	***85,247***	***86,963***	***86,472***	***86,068***
41 Banks' own liabilities	64,892	66,934	67,000	69,910	71,568	72,061	73,035	73,313	74,691	73,368
42 Demand deposits	8,673	11,019	9,604	9,979	9,566	10,166	9,678	9,991	9,832	9,399
43 Time deposits[2]	54,752	54,097	54,277	56,174	58,042	57,772	58,542	59,234	59,596	58,930
44 Other[3]	1,467	1,818	3,119	3,757	3,960	4,123	4,814	4,088	5,263	5,039
45 Banks' custody liabilities[5]	9,439	12,941	12,463	12,610	12,678	12,233	12,212	13,650	11,780	12,700
46 U.S. Treasury bills and certificates[6]	4,314	4,506	3,515	3,231	3,066	3,231	3,415	4,849	3,595	4,797
47 Other negotiable and readily transferable instruments[7]	4,636	6,315	6,898	6,378	6,663	6,205	5,771	6,011	5,896	5,584
48 Other	489	2,120	2,050	3,002	2,950	2,797	3,026	2,789	2,290	2,319
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	9,845	7,496	7,314	6,975	6,792	6,121	6,123	6,128	6,357	6,416

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. 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.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks. Data exclude "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17—Continued

Area and country	1985	1986	1987	1988 July	1988 Aug.	1988 Sept.	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.p
1 **Total**	**435,726**	**540,996**	**618,874**	**654,809**	**658,039**	**657,404**	**651,776**	**677,870r**	**684,830**	**659,432**
2 **Foreign countries**	**429,905**	**535,189**	**614,411**	**647,749**	**653,289**	**649,640**	**645,896**	**673,118r**	**681,727**	**656,729**
3 Europe	164,114	180,556	234,641	231,218	232,797	224,663	227,308	233,943	236,272	223,520
4 Austria	693	1,181	920	1,425	1,245	1,072	1,271	1,604	1,156	1,134
5 Belgium-Luxembourg	5,243	6,729	9,347	9,531	10,051	9,937	10,247	11,111r	10,043	8,995
6 Denmark	513	482	760	1,474	2,078	1,402	2,362	3,089	2,180	1,833
7 Finland	496	580	377	549	417	447	339	339	284	380
8 France	15,541	22,862	29,835	26,005	24,237	24,295	23,285	24,564	24,758	22,256
9 Germany	4,835	5,762	7,022	5,211	6,226	5,085	5,898	7,981	6,774	5,666
10 Greece	666	700	689	620	694	633	675	683	675	919
11 Italy	9,667	10,875	12,073	9,921	9,766	8,550	12,512	13,337	14,609	11,309
12 Netherlands	4,212	5,600	5,014	5,007	5,647	6,167	6,377	5,939	5,311	5,154
13 Norway	948	735	1,362	1,322	900	1,060	1,143	1,342	1,558	1,502
14 Portugal	652	699	801	859	848	858	915	738	903	870
15 Spain	2,114	2,407	2,621	5,011	5,570	6,248	6,838	5,976	5,507	5,745
16 Sweden	1,422	884	1,379	1,926	2,011	2,196	1,579	1,815r	1,276	1,289
17 Switzerland	29,020	30,534	33,766	30,416	29,043	31,330	31,333	31,929r	34,230	33,390
18 Turkey	429	454	703	537	709	706	878	793	1,017	990
19 United Kingdom	76,728	85,334	116,852	121,895	122,620	113,287	109,996	111,733	116,111	110,792
20 Yugoslavia	673	630	710	614	629	579	655	569	529	489
21 Other Western Europe[1]	9,635	3,326	9,798	8,215	9,463	10,207	10,240	9,617r	8,623	9,949
22 U.S.S.R	105	80	32	80	99	45	100	74	138	161
23 Other Eastern Europe[2]	523	702	582	598	544	558	667	711	589	699
24 Canada	17,427	26,345	30,095	29,944	28,128	28,247	26,697	26,188	21,029	19,342
25 Latin America and Caribbean	167,856	210,318	220,372	242,719	246,723	246,743	240,074	257,306r	266,903	257,160
26 Argentina	6,032	4,757	5,006	5,975	6,775	7,106	7,065	7,307	7,751	7,568
27 Bahamas	57,657	73,619	74,767	76,002	78,889	77,921	76,805	83,615r	86,499	82,013
28 Bermuda	2,765	2,922	2,344	2,413	2,394	2,389	2,577	2,820r	2,622	2,381
29 Brazil	5,373	4,325	4,005	4,489	4,524	4,475	4,726	5,137r	5,133	4,567
30 British West Indies	42,674	72,263	81,494	101,332	99,907	101,711	95,828	105,016r	110,611	106,921
31 Chile	2,049	2,054	2,210	2,323	2,463	2,467	2,727	2,653	2,918	2,942
32 Colombia	3,104	4,285	4,204	4,441	4,403	4,171	4,136	4,221	4,315	4,264
33 Cuba	11	7	12	9	8	9	12	9	10	10
34 Ecuador	1,239	1,236	1,082	1,216	1,224	1,244	1,265	1,360	1,360	1,345
35 Guatemala	1,071	1,123	1,082	1,183	1,182	1,177	1,150	1,178	1,186	1,229
36 Jamaica	122	136	160	154	149	166	177	164	186	176
37 Mexico	14,060	13,745	14,480	16,334	17,260	15,842	15,636r	15,457	15,116	15,261
38 Netherlands Antilles	4,875	4,970	4,975	4,798	5,011	5,252	5,354	5,907	6,659	5,917
39 Panama	7,514	6,886	7,414	4,251	4,262	4,128	4,114	4,046	4,231	4,122
40 Peru	1,167	1,163	1,275	1,514	1,539	1,584	1,605	1,650	1,626	1,673
41 Uruguay	1,552	1,537	1,582	1,828	1,898	1,884	1,788	1,887r	1,876	1,986
42 Venezuela	11,922	10,171	9,048	9,116	9,330	9,752	9,547	9,301	9,144	9,098
43 Other	4,668	5,119	5,234	5,343	5,504	5,462	5,560	5,578r	5,662	5,687
44 Asia	72,280	108,831	121,288	133,933	135,851	139,845	142,062	145,756r	147,378	146,726
China										
45 Mainland	1,607	1,476	1,162	1,564	1,757	1,608	1,479	1,401	1,892	1,566
46 Taiwan	7,786	18,902	21,503	24,023	23,422	22,334	23,377	24,791	26,041	26,178
47 Hong Kong	8,067	9,393	10,180	9,951	10,417	10,875	11,532	12,386	11,731	10,951
48 India	712	674	582	858	845	1,013	793	761	695	689
49 Indonesia	1,466	1,547	1,404	1,036	1,254	1,121	1,286	995	1,189	1,189
50 Israel	1,601	1,892	1,292	1,244	1,194	1,130	2,323	1,063	1,472	1,215
51 Japan	23,077	47,410	54,322	63,460	64,559	70,188	70,594	73,100r	74,072	75,553
52 Korea	1,665	1,141	1,637	1,459	1,720	2,091	2,440	2,681r	2,540	2,647
53 Philippines	1,140	1,866	1,085	1,085	1,001	971	1,140	1,150	1,151	976
54 Thailand	1,358	1,119	1,345	1,650	1,422	1,369	1,363	1,205	1,236	1,373
55 Middle-East oil-exporting countries[3]	14,523	12,352	13,988	14,298	12,787	14,091	13,232	12,871	12,061	12,060
56 Other	9,276	11,058	12,788	13,306	15,472	13,053	12,503	13,352	13,298	12,330
57 Africa	4,883	4,021	3,945	3,837	3,846	3,659	3,702	3,530	3,974	3,677
58 Egypt	1,363	706	1,151	1,039	969	813	850	757	912	770
59 Morocco	163	92	194	80	70	111	66	64	68	90
60 South Africa	388	270	202	200	204	247	245	267	437	250
61 Zaire	163	74	67	63	67	71	71	72	71	67
62 Oil-exporting countries[4]	1,494	1,519	1,014	1,052	1,039	1,015	993	952	1,017	1,024
63 Other	1,312	1,360	1,316	1,403	1,498	1,402	1,477	1,418	1,470	1,475
64 Other countries	3,347	5,118	4,070	6,098	5,945	6,484	6,054	6,396	6,171	6,305
65 Australia	2,779	4,196	3,327	5,329	5,170	5,639	5,199	5,426	5,302	5,510
66 All other	568	922	744	769	775	845	854	970	870	795
67 Nonmonetary international and regional organizations	5,821	5,807	4,464	7,061	4,749	7,764	5,879	4,752	3,102	2,703
68 International[5]	4,806	4,620	2,830	5,130	2,979	5,721	3,912	3,265	2,381	1,724
69 Latin American regional	894	1,033	1,272	1,651	1,614	1,762	1,662	1,276	589	747
70 Other regional[6]	121	154	362	279	156	281	306	211	133	232

1. Includes the Bank for International Settlements and Eastern European countries that are not listed in line 23.
2. 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. Excludes "holdings of dollars" of the International Monetary Fund.
6. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1985	1986	1987	1988						1989
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.^{p}
1 **Total**	**401,608**	**444,745**	**459,877**	**470,241**	**469,243**	**477,149**	**465,916**	**485,745^{r}**	**489,749**	**480,221**
2 ***Foreign countries***	**400,577**	**441,724**	**456,472**	**467,427**	**466,799**	**471,566**	**462,814**	**481,094^{r}**	**487,742**	**477,949**
3 Europe	106,413	107,823	102,348	99,751	99,284	102,409	105,855	108,199^{r}	116,696	107,741
4 Austria	598	728	793	888	743	808	812	721	485	544
5 Belgium-Luxembourg	5,772	7,498	9,397	8,530	8,419	8,786	8,902	8,954^{r}	8,473	8,356
6 Denmark	706	688	717	742	608	582	631	599	480	410
7 Finland	823	987	1,010	1,325	1,231	1,195	912	1,157	1,065	901
8 France	9,124	11,356	13,548	11,861	11,965	12,164	12,327	12,478	13,082	13,340
9 Germany	1,267	1,816	2,039	2,169	2,000	1,728	2,315	2,305	2,324	2,381
10 Greece	991	648	462	562	523	506	493	601	433	448
11 Italy	8,848	9,043	7,460	6,607	6,626	6,118	6,027	7,097^{r}	7,945	5,555
12 Netherlands	1,258	3,296	2,619	3,017	2,933	3,202	2,666	2,763	2,548	2,514
13 Norway	706	672	934	484	534	510	534	478	455	472
14 Portugal	1,058	739	477	333	321	333	265^{r}	253	374	339
15 Spain	1,908	1,492	1,853	1,973	2,011	1,969	1,800	2,054	1,823	2,182
16 Sweden	2,219	1,964	2,254	1,958	2,256	1,983	1,852	2,083^{r}	1,977	2,613
17 Switzerland	3,171	3,352	2,718	2,491	2,569	2,559	2,918	2,983	3,895	3,555
18 Turkey	1,200	1,543	1,680	1,432	1,397	1,396	1,344	1,265	1,222	1,169
19 United Kingdom	62,566	58,335	50,823	51,918	51,789	54,669	57,906	58,025^{r}	65,562	58,174
20 Yugoslavia	1,964	1,835	1,700	1,559	1,537	1,476	1,472	1,450	1,390	1,370
21 Other Western Europe[2]	998	539	619	671	524	889	1,125	916^{r}	1,152	1,290
22 U.S.S.R.	130	345	389	431	466	473	754	1,218^{r}	1,255	1,286
23 Other Eastern Europe[3]	1,107	948	852	800	831	1,065	800	801	757	842
24 Canada	16,482	21,006	25,368	23,937	24,137	23,804	22,482	23,274	18,965	16,740
25 Latin America and Caribbean	202,674	208,825	214,789	205,268	206,798	212,897	201,049	211,037^{r}	213,172	209,265
26 Argentina	11,462	12,091	11,996	12,342	12,238	12,235	12,077	12,023	11,804	11,852
27 Bahamas	58,258	59,342	64,587	60,350	63,305	64,253	59,322	67,218^{r}	67,003	68,768
28 Bermuda	499	418	471	460	430	688	596	511	483	472
29 Brazil	25,283	25,716	25,897	26,023	25,909	25,610	25,461	26,399	25,723	26,071
30 British West Indies	38,881	46,284	50,042	50,483	49,641	55,262	48,881	50,646^{r}	54,667	49,496
31 Chile	6,603	6,558	6,308	5,771	5,677	5,656	5,459	5,319^{r}	5,401	5,148
32 Colombia	3,249	2,821	2,740	3,127	3,029	3,023	3,016	2,978^{r}	2,938	2,859
33 Cuba	0	0	1	0	0	0	0	0	1	1
34 Ecuador	2,390	2,439	2,286	2,143	2,156	2,185	2,168	2,162	2,075	2,046
35 Guatemala[4]	194	140	144	157	148	150	175	167	198	185
36 Jamaica[4]	224	198	188	214	184	185	201	205	268	232
37 Mexico	31,799	30,698	29,532	26,022	25,885	25,971	25,645	25,366	24,564	24,239
38 Netherlands Antilles	1,340	1,041	980	1,055	1,269	1,079	1,491	1,427	1,309	1,259
39 Panama	6,645	5,436	4,744	2,400	2,370	2,238	2,214	2,350	2,506	2,503
40 Peru	1,947	1,661	1,329	1,137	1,192	1,080	1,065	1,012	1,012	1,010
41 Uruguay	960	940	963	878	889	891	850	888	910	880
42 Venezuela	10,871	11,108	10,843	11,021	10,862	10,754	10,803	10,735	10,731	10,702
43 Other Latin America and Caribbean	2,067	1,936	1,738	1,684	1,612	1,636	1,626	1,628	1,580	1,544
44 Asia	66,212	96,126	106,096	130,573	128,787	124,835	125,067	130,309^{r}	130,778	135,566
China										
Mainland	639	787	968	1,033	1,017	888	756	777	762	830
46 Taiwan	1,535	2,681	4,592	3,562	3,241	3,121	3,040	3,845	4,184	3,852
47 Hong Kong	6,797	8,307	8,218	8,342	7,451	8,389	9,495	10,826	9,893	8,801
48 India	450	321	510	508	548	540	634	568	560	645
49 Indonesia	698	723	580	765	786	778	808	767	730	669
50 Israel	1,991	1,634	1,363	1,206	1,174	1,180	1,174	1,230	1,135	1,096
51 Japan	31,249	59,674	68,658	93,140	92,840	87,246	87,626	89,549^{r}	90,416	98,995
52 Korea	9,226	7,182	5,148	4,889	4,909	5,137	5,192	5,395	5,155	4,772
53 Philippines	2,224	2,217	2,071	2,029	2,030	2,009	1,912	1,900	1,875	1,848
54 Thailand	845	578	496	668	683	759	766	778	850	887
55 Middle East oil-exporting countries[5]	4,298	4,122	4,858	6,400	6,216	6,401	5,412	6,657	6,130	5,344
56 Other Asia	6,260	7,901	8,635	8,031	7,891	8,389	8,253	8,018	9,086	7,829
57 Africa	5,407	4,650	4,742	5,493	5,462	5,454	5,633	5,629	5,720	5,917
58 Egypt	721	567	521	539	530	535	540	532	509	494
59 Morocco	575	598	542	481	478	478	476	488	511	522
60 South Africa	1,942	1,550	1,507	1,726	1,711	1,693	1,707	1,698	1,681	1,672
61 Zaire	20	28	15	38	36	16	17	18	17	16
62 Oil-exporting countries[6]	630	694	1,003	1,340	1,359	1,388	1,483	1,491	1,523	1,533
63 Other	1,520	1,213	1,153	1,369	1,348	1,343	1,410	1,402	1,479	1,681
64 Other countries	3,390	3,294	3,129	2,404	2,331	2,167	2,728	2,645^{r}	2,410	2,720
65 Australia	2,413	1,949	2,100	1,554	1,499	1,392	1,879	1,586^{r}	1,532	1,731
66 All other	978	1,345	1,029	850	832	775	849	1,059	879	989
67 Nonmonetary international and regional organizations[7]	1,030	3,021	3,404	2,814	2,445	5,583	3,101	4,651^{r}	2,006	2,272

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
3. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
4. Included in "Other Latin America and Caribbean" through March 1978.
5. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
6. Comprises Algeria, Gabon, Libya, and Nigeria.
7. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1985	1986	1987	1988						1989
				July	Aug.	Sept.	Oct.	Nov.[r]	Dec.	Jan.[p]
1 **Total**	**430,489**	**478,650**	**497,635**	....	....	**512,950**	....	....	**536,945**	....
2 Banks' own claims on foreigners	401,608	444,745	459,877	470,241	469,243	477,149	465,916	485,745	489,749	480,221
3 *Foreign public borrowers*	60,507	64,095	64,605	62,825	61,696	63,736	60,649	64,791	61,577	63,437
4 Own foreign offices[2]	174,261	211,533	224,727	239,112	237,012	245,397	237,414	254,980	256,183	256,044
5 Unaffiliated foreign banks	116,654	122,946	127,609	127,298	128,447	124,852	121,950	123,213	129,421	118,681
6 *Deposits*	48,372	57,484	60,687	60,184	60,558	61,521	54,180	55,925	65,735	58,738
7 Other	68,282	65,462	66,922	67,114	67,889	63,330	67,771	67,287	63,686	59,944
8 All other foreigners	50,185	46,171	42,936	41,006	42,089	43,164	45,902	42,761	42,568	42,058
9 Claims of banks' domestic customers[3]	28,881	33,905	37,758	....	....	35,801	....	....	47,196	....
10 Deposits	3,335	4,413	3,692	....	....	5,391	....	....	8,289	....
11 *Negotiable and readily transferable* instruments[4]	19,332	24,044	26,696	....	....	20,916	....	....	25,372	....
12 Outstanding collections and other claims	6,214	5,448	7,370	....	....	9,494	....	....	13,535	....
13 MEMO: Customer liability on acceptances	28,487	25,706	23,107	....	....	18,730	....	....	19,484	....
Dollar deposits in banks abroad, *reported by nonbanking business* enterprises in the United States[5]	38,102	43,984	40,087	46,837	49,732	42,720	41,862[r]	48,614	41,513	n.a.

1. 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.

Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.

2. *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.

3. 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.

4. Principally negotiable time certificates of deposit and bankers acceptances.

5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1985	1986	1987	1988			
				Mar.	June	Sept.	Dec.[p]
1 **Total**	**227,903**	**232,295**	**235,130**	**219,323**	**227,589**	**228,887**	**231,858**
By borrower							
2 Maturity of 1 year or less[2]	160,824	160,555	163,997	152,658	162,912	166,342	171,275
3 Foreign public borrowers	26,302	24,842	25,889	24,488	25,608	27,721	25,402
4 *All other foreigners*	134,522	135,714	138,108	128,171	137,304	138,622	145,873
5 Maturity over 1 year[2]	67,078	71,740	71,133	66,664	64,677	62,545	60,583
6 Foreign public borrowers	34,512	39,103	38,625	35,879	35,613	35,101	34,982
7 *All other foreigners*	32,567	32,637	32,507	30,785	29,064	27,445	25,601
By area							
Maturity of 1 year or less[2]							
8 Europe	56,585	61,784	59,027	51,552	55,242	53,859	55,501
9 Canada	6,401	5,895	5,680	4,978	6,426	5,913	6,223
10 Latin America and Caribbean	63,328	56,271	56,535	55,544	56,333	55,661	57,809
11 Asia	27,966	29,457	35,919	35,579	38,893	41,909	46,397
12 Africa	3,753	2,882	2,833	2,596	2,914	3,112	3,338
13 All other[3]	2,791	4,267	4,003	2,410	3,103	5,888	2,006
Maturity of over 1 year[2]							
14 Europe	7,634	6,737	6,696	5,914	5,420	5,323	4,818
15 Canada	1,805	1,925	2,661	2,213	2,337	2,075	1,818
16 Latin America and Caribbean	50,674	56,719	53,817	51,541	49,775	48,293	47,493
17 Asia	4,502	4,043	3,830	3,680	3,711	3,954	3,661
Africa	1,538	1,539	1,747	2,201	2,429	2,265	2,292
19 All other[3]	926	777	2,381	1,114	1,006	635	501

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.

2. Remaining time to maturity.

3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1,2]

Billions of dollars, end of period

Area or country	1984	1985	1986	1987				1988			
			Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.[p]
1 **Total**	**405.7**	**385.4**	**385.1**	**395.4**	**384.6**	**387.7**	**381.4**	**373.1**	**352.6**	**356.9**	**349.0**
2 G-10 countries and Switzerland	148.1	146.0	156.6	162.7	158.1	155.2	160.0	156.7	150.5	149.5	154.6
3 Belgium-Luxembourg	8.7	9.2	8.3	9.1	8.3	8.2	10.1	9.3	9.2	9.5	9.0
4 France	14.1	12.1	13.7	13.3	12.5	13.7	13.8	11.5	10.8	10.0	10.7
5 Germany	9.0	10.5	11.6	12.7	11.2	10.5	12.6	11.8	10.6	8.9	9.9
6 Italy	10.1	9.6	9.0	8.7	7.5	6.6	7.3	7.4	6.1	5.9	6.4
7 Netherlands	3.9	3.7	4.6	4.4	7.3	4.8	4.0	3.3	3.3	3.0	2.8
8 Sweden	3.2	2.7	2.4	3.0	2.4	2.6	2.1	2.1	1.9	2.0	2.0
9 Switzerland	3.9	4.4	5.8	5.8	5.7	5.4	5.6	5.1	5.6	5.2	5.7
10 United Kingdom	60.3	63.0	71.0	73.7	72.0	72.1	69.1	71.4	69.8	68.0	66.8
11 Canada	7.9	6.8	5.3	5.3	4.7	4.7	5.6	4.9	5.4	5.2	5.5
12 Japan	27.1	23.9	24.9	26.9	26.3	26.5	29.8	29.9	27.9	31.7	35.9
13 Other developed countries	33.6	29.9	25.7	25.7	25.2	25.9	26.2	26.2	23.7	22.7	20.9
14 Austria	1.6	1.5	1.7	1.9	1.8	1.9	1.9	1.6	1.6	1.6	1.6
15 Denmark	2.2	2.3	1.7	1.7	1.5	1.6	1.7	1.4	1.0	1.1	.9
16 Finland	1.9	1.6	1.4	1.4	1.4	1.4	1.3	1.0	1.2	1.3	1.2
17 Greece	2.9	2.6	2.3	2.1	2.0	1.9	2.0	2.3	2.2	2.1	1.9
18 Norway	3.0	2.9	2.4	2.2	2.1	2.0	2.3	2.0	2.0	2.0	1.8
19 Portugal	1.4	1.2	.8	.9	.8	.8	.5	.4	.4	.4	.5
20 Spain	6.5	5.8	5.8	6.3	6.1	7.4	8.0	9.0	7.2	6.3	6.2
21 Turkey	1.9	1.8	1.8	1.7	1.7	1.5	1.6	1.6	1.5	1.3	1.2
22 Other Western Europe	1.7	2.0	1.4	1.4	1.5	1.6	1.6	1.9	1.6	1.9	1.3
23 South Africa	4.5	3.2	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.4
24 Australia	6.0	5.0	3.5	3.2	3.1	2.9	2.4	2.1	2.2	1.8	1.8
25 OPEC countries[3]	24.9	21.3	19.3	20.0	18.8	19.0	17.1	17.2	16.4	17.6	16.5
26 Ecuador	2.2	2.1	2.2	2.1	2.1	2.1	1.9	1.9	1.8	1.8	1.7
27 Venezuela	9.3	8.9	8.6	8.5	8.4	8.3	8.1	8.1	8.0	7.9	7.9
28 Indonesia	3.3	3.0	2.5	2.4	2.2	2.0	1.9	1.9	1.9	1.9	1.9
29 Middle East countries	7.9	5.3	4.3	5.4	4.4	5.0	3.6	3.6	3.1	4.3	3.2
30 African countries	2.3	2.0	1.7	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7
31 Non-OPEC developing countries	111.8	104.2	99.1	100.7	100.4	97.7	97.7	94.0	91.3	87.0	85.4
Latin America											
32 Argentina	8.7	8.8	9.5	9.5	9.5	9.3	9.4	9.5	9.4	9.2	8.9
33 Brazil	26.3	25.4	25.2	26.2	25.1	25.1	24.7	23.9	23.7	22.4	22.5
34 Chile	7.0	6.9	7.1	7.3	7.2	7.0	6.9	6.6	6.4	6.2	5.7
35 Colombia	2.9	2.6	2.1	2.0	1.9	1.9	2.0	1.9	2.1	2.1	2.0
36 Mexico	25.7	23.9	23.8	24.1	25.3	24.8	23.7	22.5	21.1	20.6	18.9
37 Peru	2.2	1.8	1.4	1.4	1.3	1.2	1.1	1.1	.9	.8	.8
38 Other Latin America	3.9	3.4	3.1	3.0	2.9	2.8	2.7	2.8	2.6	2.5	2.7
Asia											
China											
39 Mainland	.7	.5	.4	.9	.6	.3	.3	.4	.3	.2	.3
40 Taiwan	5.1	4.5	4.9	5.5	6.6	6.0	8.2	6.1	4.9	3.2	3.6
41 India	.9	1.2	1.2	1.8	1.7	1.9	1.9	2.1	2.3	2.0	2.1
42 Israel	1.8	1.6	1.5	1.4	1.3	1.3	1.0	1.0	1.0	1.0	1.2
43 Korea (South)	10.6	9.2	6.6	6.2	5.6	4.9	5.0	5.7	5.9	6.0	6.1
44 Malaysia	2.7	2.4	2.1	1.9	1.7	1.6	1.5	1.5	1.5	1.6	1.6
45 Philippines	6.0	5.7	5.4	5.4	5.4	5.4	5.1	5.1	4.9	4.5	4.5
46 Thailand	1.8	1.4	.9	.9	.8	.7	.7	1.0	1.1	1.2	1.1
47 Other Asia	1.1	1.0	.7	.6	.7	.7	.7	.7	.8	.8	.9
Africa											
48 Egypt	1.2	1.0	.7	.6	.6	.6	.5	.5	.6	.5	.4
49 Morocco	.8	.9	.9	.9	.9	.8	.9	.9	.9	.8	.9
50 Zaire	.1	.1	.1	.1	.1	.1	.0	.1	.1	.0	.0
51 Other Africa[4]	2.1	1.9	1.6	1.4	1.3	1.3	1.3	1.0	1.2	1.2	1.1
52 Eastern Europe	4.4	4.1	3.2	3.0	3.3	3.3	3.0	2.9	3.1	3.0	3.7
53 U.S.S.R.	.1	.1	.1	.1	.3	.5	.4	.3	.4	.4	.7
54 Yugoslavia	2.3	2.2	1.7	1.6	1.7	1.7	1.6	1.7	1.7	1.7	1.8
55 Other	2.0	1.8	1.4	1.3	1.3	1.2	1.0	.9	1.0	1.0	1.2
56 Offshore banking centers	65.6	62.9	61.3	63.1	60.7	64.3	54.3	54.6	45.3	49.8	45.7
57 Bahamas	21.5	21.2	22.0	23.9	19.9	25.5	17.1	18.3	11.0	15.8	11.8
58 Bermuda	.9	.7	.7	.8	.6	.6	.6	.8	1.0	.9	.8
59 Cayman Islands and other British West Indies	11.8	11.6	12.4	12.2	14.0	12.8	13.3	12.2	10.6	11.6r	13.1
60 Netherlands Antilles	3.4	2.2	1.8	1.7	1.3	1.2	1.2	1.3	1.2	1.2	1.0
61 Panama[5]	6.7	6.0	4.0	4.3	3.9	3.7	3.7	3.2	3.0	2.7	2.6
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	11.4	11.4	11.1	11.4	12.5	12.3	11.3	11.3	11.7	10.6	10.2
64 Singapore	9.8	9.8	9.2	8.6	8.3	8.1	7.0	7.4	6.8	7.0	6.2
65 Others[6]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[7]	17.3	16.9	19.8	20.1	18.1	22.3	23.2	21.5	22.2	27.0	21.8

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. This group comprises the Organization of Petroleum Exporting Countries shown individually, other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates), and Bahrain and Oman (not formally members of OPEC).

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	1984	1985	1986	1987		1988		
					Sept.	Dec.	Mar.	June	Sept.
1	**Total**	**29,357**	**27,825**	**25,587**	**28,571**	**27,852**	**28,877**	**29,387**	**31,096r**
2	Payable in dollars	26,389	24,296	21,749	24,006	22,468	23,293	24,136	25,911r
3	Payable in foreign currencies	2,968	3,529	3,838	4,565	5,384	5,584	5,251	5,185r
	By type								
4	Financial liabilities	14,509	13,600	12,133	12,936	11,828	13,134	13,112	13,616r
5	Payable in dollars	12,553	11,257	9,609	9,945	8,303	9,459	9,607	10,243r
6	Payable in foreign currencies	1,955	2,343	2,524	2,991	3,525	3,675	3,505	3,374r
7	Commercial liabilities	14,849	14,225	13,454	15,635	16,025	15,743	16,275	17,480r
8	Trade payables	7,005	6,685	6,450	7,548	7,425	6,560	6,867	6,589r
9	Advance receipts and other liabilities	7,843	7,540	7,004	8,086	8,600	9,183	9,409	10,891
10	Payable in dollars	13,836	13,039	12,140	14,061	14,165	13,834	14,529	15,669r
11	Payable in foreign currencies	1,013	1,186	1,314	1,574	1,859	1,909	1,746	1,811r
	By area or country								
	Financial liabilities								
12	Europe	6,728	7,700	7,917	9,162	8,065	8,983	8,758	9,645r
13	Belgium-Luxembourg	471	349	270	230	202	241	269	326
14	France	995	857	661	615	364	365	332	329
15	Germany	489	376	368	505	583	586	626	709
16	Netherlands	590	861	542	505	884	883	880	889r
17	Switzerland	569	610	646	685	493	652	707	697
18	United Kingdom	3,297	4,305	5,140	6,357	5,346	6,074	5,772	6,524r
19	Canada	863	839	399	397	400	467	461	439
20	Latin America and Caribbean	5,086	3,184	1,944	998	829	1,178	1,175	862r
21	Bahamas	1,926	1,123	614	280	278	249	211	213r
22	Bermuda	13	4	4	0	0	0	0	0
23	Brazil	35	29	32	22	25	23	20	35
24	British West Indies	2,103	1,843	1,146	618	459	807	878	581
25	Mexico	367	15	22	17	13	15	26	2
26	Venezuela	137	3	0	3	0	2	0	0
27	Asia	1,777	1,815	1,805	2,300	2,429	2,426	2,641	2,665r
28	Japan	1,209	1,198	1,398	1,830	2,042	1,987	2,066	2,076
29	Middle East oil-exporting countries[2]	155	82	8	7	8	11	11	4r
30	Africa	14	12	1	2	4	5	2	3
31	Oil-exporting countries[3]	0	0	1	0	1	3	1	1
32	All other[4]	41	50	67	76	100	75	74	3r
	Commercial liabilities								
33	Europe	4,001	4,074	4,446	4,951	5,635	5,738	5,836	6,855
34	Belgium-Luxembourg	48	62	101	59	134	156	150	208r
35	France	438	453	352	437	451	441	433	470
36	Germany	622	607	715	674	916	818	798	1,203
37	Netherlands	245	364	424	336	428	463	535	653
38	Switzerland	257	379	385	556	559	527	482	510
39	United Kingdom	1,095	976	1,341	1,473	1,668	1,798	1,848	2,186
40	Canada	1,975	1,449	1,405	1,399	1,301	1,392	1,168	1,109r
41	Latin America and Caribbean	1,871	1,088	924	1,082	865	938	996	995
42	Bahamas	7	12	32	22	19	15	58	20
43	Bermuda	114	77	156	252	168	325	272	222
44	Brazil	124	58	61	40	46	59	53	58
45	British West Indies	32	44	49	47	19	14	28	30
46	Mexico	586	430	217	231	189	164	233	178
47	Venezuela	636	212	216	176	162	85	111	204
48	Asia	5,285	6,046	5,080	6,511	6,573	5,888	6,262	6,644
49	Japan	1,256	1,799	2,042	2,422	2,580	2,510	2,659	2,767
50	Middle East oil-exporting countries[2,5]	2,372	2,829	1,679	2,104	1,964	1,062	1,318	1,312
51	Africa	588	587	619	572	574	575	624	463r
52	Oil-exporting countries[3]	233	238	197	151	135	139	115	106
53	All other[4]	1,128	982	980	1,119	1,078	1,211	1,390	1,414

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	1984	1985	1986	1987		1988		
				Sept.	Dec.	Mar.	June	Sept.
1 **Total**	**29,901**	**28,876**	**36,265**	**33,265**	**31,967**	**31,445**	**38,716**	**37,524r**
2 Payable in dollars	27,304	26,574	33,867	30,705	29,114	29,368	36,637	34,877r
3 Payable in foreign currencies	2,597	2,302	2,399	2,561	2,854	2,077	2,078	2,648r
By type								
4 Financial claims	19,254	18,891	26,273	22,847	21,338	20,612	27,102	26,548r
5 Deposits	14,621	15,526	19,916	17,274	15,214	13,257	20,037	19,759r
6 Payable in dollars	14,202	14,911	19,331	16,366	13,997	12,604	19,195	18,559r
7 Payable in foreign currencies	420	615	585	908	1,217	654	842	1,200
8 Other financial claims	4,633	3,364	6,357	5,572	6,124	7,355	7,064	6,789r
9 Payable in dollars	3,190	2,330	5,005	4,448	5,020	6,301	6,238	5,911r
10 Payable in foreign currencies	1,442	1,035	1,352	1,124	1,104	1,054	826	878r
11 Commercial claims	10,646	9,986	9,992	10,419	10,630	10,832	11,614	10,977r
12 Trade receivables	9,177	8,696	8,783	9,420	9,565	9,719	10,558	9,992r
13 Advance payments and other claims	1,470	1,290	1,209	999	1,065	1,113	1,056	985
14 Payable in dollars	9,912	9,333	9,530	9,891	10,097	10,464	11,204	10,407r
15 Payable in foreign currencies	735	652	462	528	533	369	410	570
By area or country								
Financial claims								
16 Europe	5,762	6,929	10,744	10,785	10,182	10,314	12,577	11,129r
17 Belgium-Luxembourg	15	10	41	26	7	15	16	49
18 France	126	184	138	171	360	335	185	212
19 Germany	224	223	116	103	122	112	181	119
20 Netherlands	66	161	151	157	351	336	337	364
21 Switzerland	66	74	185	44	84	57	82	84
22 United Kingdom	4,864	6,007	9,855	10,074	9,008	9,210	11,407	9,729r
23 Canada	3,988	3,260	4,808	3,295	3,293	2,777	3,074	3,523r
24 Latin America and Caribbean	8,216	7,846	9,291	7,568	6,817	6,572	10,898	11,165r
25 Bahamas	3,306	2,698	2,628	3,299	1,804	2,349	4,145	4,103r
26 Bermuda	6	6	6	2	7	43	126	138
27 Brazil	100	78	86	113	63	86	46	45r
28 British West Indies	4,043	4,571	6,078	3,705	4,427	3,561	6,077	6,412r
29 Mexico	215	180	174	174	172	154	147	133
30 Venezuela	125	48	21	18	19	35	28	27
31 Asia	961	731	1,317	1,105	908	874	446	610
32 Japan	353	475	999	737	628	708	211	425
33 Middle East oil-exporting countries[2]	13	4	7	10	10	7	6	6
34 Africa	210	103	85	71	65	53	60	96
35 Oil-exporting countries[3]	85	29	28	14	7	7	10	9
36 All other[4]	117	21	28	24	72	23	47	26
Commercial claims								
37 Europe	3,801	3,533	3,725	4,166	4,190	4,201	4,901	4,263r
38 Belgium-Luxembourg	165	175	133	169	179	192	159	171
39 France	440	426	431	462	652	554	686	535
40 Germany	374	346	444	551	562	637	770	604
41 Netherlands	335	284	164	190	135	151	173	146
42 Switzerland	271	284	217	206	185	172	262	182
43 United Kingdom	1,063	898	999	1,228	1,086	1,084	1,300	1,187
44 Canada	1,021	1,023	934	1,051	931	1,155	946	933
45 Latin America and Caribbean	2,052	1,753	1,857	1,732	1,947	1,973	2,090	2,100r
46 Bahamas	8	13	28	12	19	14	13	12
47 Bermuda	115	93	193	143	170	171	174	161
48 Brazil	214	206	234	231	227	214	234	237r
49 British West Indies	7	6	39	20	26	24	25	22
50 Mexico	583	510	412	369	368	374	399	462
51 Venezuela	206	157	237	192	298	314	343	264r
52 Asia	3,073	2,982	2,755	2,800	2,919	2,857	3,002	2,987r
53 Japan	1,191	1,016	881	1,027	1,160	1,109	1,169	956
54 Middle East oil-exporting countries[2]	668	638	563	434	450	408	445	411r
55 Africa	470	437	500	407	401	419	422	420r
56 Oil-exporting countries[3]	134	130	139	124	144	126	136	137r
57 All other[4]	229	257	222	262	241	227	253	272

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	1987	1988	1989 Jan.–Jan.	1988 July	1988 Aug.	1988 Sept.	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.p
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	249,122	180,960r	11,923	19,207	17,275	11,971	13,232	11,973	11,224	11,923
2 Foreign sales	232,849	183,017r	11,789	18,383	16,704	12,552	14,852	11,861	12,467	11,789
3 Net purchases, or sales (–)	**16,272**	**–2,056r**	**134**	**824**	**572**	**–581**	**–1,620**	**112**	**–1,243**	**134**
4 Foreign countries	**16,321**	**–1,881r**	**167**	**793**	**548**	**–554**	**–1,507**	**89**	**–1,198**	**167**
5 Europe	1,932	–3,423r	–98	227	287	–616	–128	–901	–771	–98
6 France	905	–281	38	–34	–21	–37	89	–49	–64	38
7 Germany	–70	229r	30	–3	9	–14	107	–20	–53	30
8 Netherlands	892	–535	128	20	–5	–56	17	–30	–1	128
9 Switzerland	–1,123	–2,242	–345	–90	–37	–506	–217	–268	–273	–345
10 United Kingdom	631	–1,035r	75	253	234	245	–41	–579	–424	75
11 Canada	1,048	1,087r	320	58	162	44	–116	576	274	320
12 Latin America and Caribbean	1,318	1,249r	599	58	159	310	374	98	–21	599
13 Middle East[1]	–1,360	–2,466	–100	–159	91	–188	–846	151	–132	–100
14 Other Asia	12,896	1,362	–603	518	–228	–127	–693	138	–567	–603
15 Japan	11,365	1,923	–563	475	–282	24	–626	133	–407	–563
16 Africa	123	188	29	78	41	5	5	21	–1	29
17 Other countries	365	121	21	13	36	19	–102	6	19	21
18 Nonmonetary international and regional organizations	**–48**	**–175**	**–33**	**31**	**23**	**–28**	**–112**	**23**	**–45**	**–33**
BONDS[2]										
19 Foreign purchases	105,856	86,362	6,137	8,277	5,966	7,450	7,552	7,650	8,423	6,137
20 Foreign sales	78,312	57,715r	4,593	5,064	4,144	5.048	4,674	4,795r	4,441	4,593
21 Net purchases, or sales (–)	**27,544**	**28,647r**	**1,544**	**3,213**	**1,822**	**2.401**	**2,878**	**2,856**	**3,982**	**1,544**
22 Foreign countries	**26,804**	**29,193r**	**1,524**	**3,190**	**1,837**	**2,337**	**3,002**	**2,825**	**3,978**	**1,524**
23 Europe	21,989	17,892r	663	1,744	1,482	1,611	2,341	1,240	2,560	663
24 France	194	143	107	–7	5	90	45	13	–130	107
25 Germany	33	1,344	15	8	166	160	34	–122	75	15
26 Netherlands	269	1,514	30	17	41	415	545	171	17	30
27 Switzerland	1,587	513	130	–139	84	97	175	–13	273	130
28 United Kingdom	19,770	13,642	313	1,685	1,188	793	1,339	1,141	2,468	313
29 Canada	1,296	711	180	130	27	–155	20	5	178	180
30 Latin America and Caribbean	2,857	1,930	229	254	193	45	198	58	240	229
31 Middle East[1]	–1,314	–174	–128	–101	–87	–14	–45	143	159	–128
32 Other Asia	2,021	8,900	552	1,152	254	916	485	1,353	840	552
33 Japan	1,622	7,686	392	1,035	178	575	381	1,210	746	392
34 Africa	16	–8	3	0	1	1	4	–1	0	3
35 Other countries	–61	–58	24	10	–33	–67	–1	26	2	24
36 Nonmonetary international and regional organizations	**740**	**–547**	**20**	**23**	**–14**	**64**	**–124**	**31**	**3**	**20**
	Foreign securities									
37 Stocks, net purchases, or sales (–)	1,081	–1,779r	–890	–126	–257	–57	–126	–222r	–1,103	–890
38 Foreign purchases	95,458	74,774r	6,856	7,052	5,904	5,054	6,070	7,625	7,468	6,856
39 Foreign sales	94,377	76,553r	7,747	7,178	6,161	5,111	6,196	7,846r	8,571	7,747
40 Bonds, net purchases, or sales (–)	–7,946	–10,167r	–217	–659	–363	–509	–3,407	433r	–1,720	–217
41 Foreign purchases	199,089	216,456r	14,864	19,224	17,038	25,271	20,525	20,873	20,508	14,864
42 Foreign sales	207,035	226,624r	15,080	19,882	17,401	25,780	23,932	20,440r	22,228	15,080
43 Net purchases, or sales (–), of stocks and bonds	**–6,865**	**–11,946r**	**–1,107**	**–785**	**–620**	**–566**	**–3,533**	**211r**	**–2,823**	**–1,107**
44 Foreign countries	**–6,757**	**–12,422r**	**–1,083**	**–759**	**–650**	**–547**	**–3,582**	**175r**	**–2,918**	**–1,083**
45 Europe	–12,101	–10,313r	–46	–488	–897	–446	–2,881	–476r	–1,545	–46
46 Canada	–4,072	–3,799	–380	–319	216	–730	–273	392	–658	–380
47 Latin America and Caribbean	828	1,441r	68	–48	–34	290	–120	23r	–32	68
48 Asia	9,299	869r	–872	237	–114	189	112	166	–189	–872
49 Africa	89	–54	6	11	37	28	–189	18	–33	6
50 Other countries	–800	–567r	139	–153	143	121	–230	52	–461	139
51 Nonmonetary international and regional organizations	**–108**	**476**	**–23**	**–26**	**30**	**–19**	**49**	**36**	**94**	**–23**

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	1987	1988	1989	1988						1989
			Jan.–Jan.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
	Transactions, net purchases or sales (–) during period[1]									
1 **Estimated total**[2]	**25,587**	**48,529**	**2,942**	**905**	**–383**	**–1,937**	**2,193**[r]	**8,582**	**134**	**2,942**
2 Foreign countries[2]	30,889	47,843[r]	2,156	2,156	–149	–2,259	–244	8,247	2,145	2,156
3 Europe[2]	23,716	14,255	2,239	–1,460	–836	–1,233	–175	1,719	299	2,239
4 Belgium-Luxembourg	653	923	–1	122	–209	–333	–3	133	–90	–1
5 Germany[2]	13,330	–5,348	828	–4,240	–2,020	–720	277	–1,015	–406	828
6 Netherlands	–913	–356	258	312	–346	–58	41	135	–114	258
7 Sweden	210	–323	–115	–187	175	–121	–162	355	118	–115
8 Switzerland[2]	1,917	–1,074	271	–51	344	–1,355	87	–411	–18	271
9 United Kingdom	3,975	9,667	–157	837	416	2,023	–1,019	1,945	–231	–157
10 Other Western Europe	4,563	10,776	1,154	1,755	803	–663	615	577	1,054	1,154
11 Eastern Europe	–19	–10	0	–9	0	–7	–10	–2	–15	0
12 Canada	4,526	3,761	43	–314	–315	–167	633	–368	788	43
13 Latin America and Caribbean	–2,192	696[r]	–86	0	–312	269	–574	582	–104	–86
14 Venezuela	150	–109	–37	–2	–128	–17	1	0	0	–37
15 Other Latin America and Caribbean	–1,142	1,113[r]	–145	57	–292	285	–331	506	140	–145
16 Netherlands Antilles	–1,200	–308	96	–55	108	1	–244	77	–244	96
17 Asia	4,488	27,357	637	3,246	919	–1,351	–107	6,870	812	637
18 Japan	868	21,753	73	3,006	1,540	–2,841	220	4,224	–157	73
19 Africa	–56	–13	–1	–10	5	31	0	–8	–7	–1
20 All other	407	1,786	–676	694	391	193	–21	–548	358	–676
21 Nonmonetary international and regional organizations	–5,300	689	785	–1,251	–234	323	2,438	335	–2,011	785
22 International	–4,387	1,142	777	–1,137	–282	294	2,365	489	–2,019	777
23 Latin America regional	3	–31	0	–14	–8	0	0	10	10	0
Memo										
24 Foreign countries[2]	30,889	47,843[r]	2,156	2,156	–149	–2,259	–244	8,247	2,145	2,156
25 Official institutions	31,064	26,593	1,993	–2,362	–1,450	–1,481	577	2,196	2,212	1,993
26 Other foreign[2]	–181	21,247[r]	163	4,518	1,301	–779	–821	6,050	–67	163
Oil-exporting countries										
27 Middle East[3]	–3,142	1,715	132	295	449	–182	–1,023	2,121	881	132
28 Africa[4]	16	1	0	0	0	0	0	0	0	0

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 year

Country	Rate on Mar. 31, 1989		Country	Rate on Mar. 31, 1989		Country	Rate on Mar. 31, 1989	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	4.5	Jan. 1989	France[1]	8.25	Jan. 1989	Norway	8.0	June 1983
Belgium	8.25	Jan. 1989	Germany, Fed. Rep. of	4.0	Jan. 1989	Switzerland	4.0	Jan. 1989
Brazil	49.0	Mar. 1981	Italy	13.5	Mar. 1989	United Kingdom[2]	......	....
Canada	12.39	Mar. 1989	Japan	2.5	Feb. 1987	Venezuela	8.0	Oct. 1985
Denmark	7.0	Oct. 1983	Netherlands	5.0	Jan. 1989			

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 year, averages of daily figures

Country, or type	*1986*	*1987*	*1988*	1988				1989		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1 Eurodollars	6.70	7.07	7.86	8.31	8.51	8.91	9.30	9.28	9.61	10.18
2 United Kingdom	10.87	9.65	10.28	12.09	11.94	12.23	13.07	13.06	12.97	13.00
3 Canada	9.18	8.38	9.63	10.48	10.48	10.86	11.15	11.34	11.69	12.22
4 Germany	4.58	3.97	4.28	4.93	5.03	4.91	5.32	5.63	6.36	6.57
5 Switzerland	4.19	3.67	2.94	3.34	3.62	4.10	4.77	5.31	5.69	5.75
6 Netherlands	5.56	5.24	4.72	5.51	5.35	5.30	5.60	5.99	6.75	6.88
7 France	7.68	8.14	7.80	7.86	7.87	8.03	8.36	8.55	9.11	9.07
8 Italy	12.60	11.15	11.04	11.27	11.30	11.48	11.96	11.84	12.26	12.88
9 Belgium	8.04	7.01	6.69	7.39	7.24	7.18	7.38	7.59	8.04	8.28
10 Japan	4.96	3.87	3.96	4.15	4.26	4.22	4.16	4.24	4.21	4.21

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[1]

Currency units per dollar

Country/currency	1986	1987	1988	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.
1 Australia/dollar[2]	67.093	70.136	78.408	80.96	85.07	85.73	87.05	85.64	81.69
2 Austria/schilling	15.260	12.649	12.357	12.777	12.307	12.359	12.904	13.022	13.148
3 Belgium/franc	44.662	37.357	36.783	38.077	36.670	36.815	38.441	38.792	39.136
4 Canada/dollar	1.3896	1.3259	1.2306	1.2055	1.2186	1.1962	1.1913	1.1891	1.1954
5 China, P.R./yuan	3.4615	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314
6 Denmark/krone	8.0954	6.8477	6.7411	7.0055	6.7547	6.7891	7.1143	7.2094	7.2912
7 Finland/markka	5.0721	4.4036	4.1933	4.3041	4.1522	4.1408	4.2553	4.3006	4.2994
8 France/franc	6.9256	6.0121	5.9594	6.1975	5.9746	5.9994	6.2538	6.3004	6.3321
9 Germany/deutsche mark	2.1704	1.7981	1.7569	1.8165	1.7491	1.7563	1.8356	1.8505	1.8686
10 Greece/drachma	139.93	135.47	142.00	148.71	145.22	146.10	152.25	154.72	157.34
11 Hong Kong/dollar	7.8037	7.7985	7.8071	7.8133	7.8095	7.8062	7.8047	7.8009	7.7969
12 India/rupee	12.597	12.943	13.899	14.720	14.966	15.019	15.092	15.240	15.467
13 Ireland/punt[2]	134.14	148.79	152.49	147.30	152.70	152.29	145.82	144.10	142.84
14 Italy/lira	1491.16	1297.03	1302.39	1353.36	1300.22	1295.61	1345.12	1355.28	1372.50
15 Japan/yen	168.35	144.60	128.17	128.68	123.20	123.61	127.36	127.74	130.55
16 Malaysia/ringgit	2.5830	2.5185	2.6189	2.6785	2.6779	2.6935	2.7221	2.7307	2.7535
17 Netherlands/guilder	2.4484	2.0263	1.9778	2.0486	1.9729	1.9824	2.0723	2.0895	2.1085
18 New Zealand/dollar[2]	52.456	59.327	65.558	62.113	64.067	63.621	62.412	61.629	61.547
19 Norway/krone	7.3984	6.7408	6.5242	6.7400	6.5796	6.5234	6.6808	6.7254	6.8059
20 Portugal/escudo	149.80	141.20	144.26	150.13	145.57	145.56	150.74	152.10	154.05
21 Singapore/dollar	2.1782	2.1059	2.0132	2.0202	1.9616	1.9442	1.9404	1.9285	1.9407
22 South Africa/rand	2.2918	2.0385	2.1900	2.4662	2.3943	2.3487	2.3847	2.4570	2.5393
23 South Korea/won	884.61	825.93	734.51	712.72	696.08	687.89	685.28	680.28	675.68
24 Spain/peseta	140.04	123.54	116.52	120.02	115.17	113.73	114.78	115.67	116.40
25 Sri Lanka/rupee	27.933	29.471	31.847	32.989	32.989	33.016	33.132	33.115	33.416
26 Sweden/krona	7.1272	6.3468	6.1369	6.2694	6.0968	6.0888	6.2725	6.3238	6.3933
27 Switzerland/franc	1.7979	1.4918	1.4642	1.5372	1.4675	1.4799	1.5619	1.5740	1.6110
28 Taiwan/dollar	37.837	31.756	28.636	28.880	28.170	28.199	27.821	27.716	27.591
29 Thailand/baht	26.314	25.774	25.312	25.365	25.146	25.146	25.322	25.386	25.542
30 United Kingdom/pound[2]	146.77	163.98	178.13	173.87	180.85	182.58	177.37	175.34	171.34
MEMO									
31 United States/dollar[3]	112.22	96.94	92.72	95.10	91.91	91.88	95.12	95.77	96.99

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.
2. Value in U.S. cents.
3. Index of weighted-average exchange value of U.S. dollar against the currencies of 10 industrial countries. The weight for each of the 10 countries is the 1972–76 average world trade of that country divided by the average world trade of all 10 countries combined. Series revised as of August 1978 (see FEDERAL RESERVE BULLETIN, vol. 64, August 1978, p. 700).

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.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, September 30, 1988

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]
1 **Total assets[4]**	**490,766**	**240,234**	**357,553**	**188,467**	**74,985**	**33,945**	**33,966**	**10,786**
2 Claims on nonrelated parties	442,034	196,118	322,144	154,851	67,471	27,485	33,950	10,284
3 Cash and balances due from depository institutions	120,786	102,104	98,747	83,162	12,256	11,414	8,086	6,575
4 Cash items in process of collection and unposted debits	629	0	573	0	43	0	6	0
5 Currency and coin (U.S. and foreign)	24	n.a.	17	n.a.	2	n.a.	2	n.a.
6 Balances with depository institutions in United States	66,680	50,293	53,522	39,883	7,200	6,450	4,989	3,584
7 U.S. branches and agencies of other foreign banks (including their IBFs)	59,026	47,349	47,318	37,149	6,687	6,345	4,291	3,491
8 Other depository institutions in United States (including their IBFs)	7,654	2,944	6,204	2,735	513	105	699	93
9 Balances with banks in foreign countries and with foreign central banks	52,333	51,812	43,719	43,278	4,972	4,964	3,007	2,991
10 Foreign branches of U.S. banks	1,394	1,256	1,179	1,053	152	152	52	48
11 Other banks in foreign countries and foreign central banks	50,939	50,555	42,540	42,225	4,820	4,813	2,955	2,943
12 Balances with Federal Reserve Banks	1,120	n.a.	915	n.a.	39	n.a.	82	n.a.
13 **Total securities and loans**	**261,213**	**85,693**	**175,962**	**65,422**	**45,664**	**14,620**	**23,950**	**3,305**
14 Total securities, book value	34,534	9,993	27,918	7,605	4,301	1,805	1,288	412
15 U.S. Treasury	6,682	n.a.	6,195	n.a.	264	n.a.	156	n.a.
16 Obligations of U.S. government agencies and corporations	4,385	n.a.	4,346	n.a.	35	n.a.	0	n.a.
17 Other bonds, notes, debentures and corporate stock (including state and local securities)	23,467	9,993	17,376	7,605	4,002	1,805	1,132	412
18 Federal funds sold and securities purchased under agreements to resell	14,479	1,702	12,924	1,224	853	212	264	125
19 U.S branches and agencies of other foreign banks	7,947	1,067	6,768	688	742	193	236	125
20 Commercial banks in United States	2,608	31	2,351	31	88	0	13	0
21 Other	3,924	603	3,804	505	23	19	14	0
22 Total loans, gross	226,935	75,812	148,162	57,854	41,484	12,890	22,669	2,893
23 Less: Unearned income on loans	256	112	119	36	121	75	7	0
24 Equals: Loans, net	226,679	75,700	148,043	57,818	41,362	12,815	22,662	2,893
Total loans, gross, by category								
25 Real estate loans	19,815	211	10,471	184	4,550	19	2,627	0
26 Loans to depository institutions	61,049	41,689	43,964	28,624	11,968	9,553	3,507	2,291
27 Commercial banks in United States (including IBFs)	33,303	15,847	23,198	9,476	7,430	5,073	2,375	1,197
28 U.S. branches and agencies of other foreign banks	30,107	15,169	20,407	8,981	7,115	4,906	2,330	1,181
29 Other commercial banks in United States	3,195	678	2,791	495	315	167	45	16
30 Other depository institutions in United States (including IBFs)	154	82	104	82	25	0	25	0
31 Banks in foreign countries	27,593	25,760	20,662	19,066	4,514	4,480	1,107	1,094
32 Foreign branches of U.S. banks	731	693	639	600	67	67	25	25
33 Other banks in foreign countries	26,861	25,067	20,024	18,466	4,447	4,414	1,082	1,069
34 Other financial institutions	5,408	439	3,328	336	802	51	730	33
35 Commercial and industrial loans	117,513	17,294	70,634	14,404	22,234	2,203	15,458	368
36 U.S. addressees (domicile)	95,805	290	53,399	255	19,341	34	14,935	0
37 Non-U.S. addressees (domicile)	21,708	17,004	17,235	14,149	2,893	2,169	523	368
38 Acceptances of other banks	826	13	562	8	233	0	6	5
39 U.S. banks	201	0	153	0	37	0	1	0
40 Foreign banks	626	13	409	8	196	0	5	5
41 Loans to foreign governments and official institutions (including foreign central banks)	17,919	15,951	15,773	14,098	1,116	1,061	216	197
42 Loans for purchasing or carrying securities (secured and unsecured)	2,051	37	1,505	34	504	0	0	0
43 All other loans	2,354	176	1,924	165	77	3	126	0
44 All other assets	45,556	6,619	34,512	5,044	8,698	1,240	1,650	280
45 Customers' liability on acceptances outstanding	28,380	n.a.	20,815	n.a.	6,364	n.a.	863	n.a.
46 U.S. addressees (domicile)	18,837	n.a.	11,988	n.a.	5,880	n.a.	857	n.a.
47 Non-U.S. addressees (domicile)	9,544	n.a.	8,827	n.a.	485	n.a.	6	n.a.
48 Other assets including other claims on nonrelated parties	17,176	6,619	13,696	5,044	2,334	1,240	786	280
49 Net due from related depository institutions[5]	48,732	44,116	35,409	33,616	7,514	6,460	16	502
50 Net due from head office and other related depository institutions[5]	48,732	n.a.	35,409	n.a.	7,514	n.a.	16	n.a.
51 Net due from establishing entity, head offices, and other related depository institutions[5]	n.a.	44,116	n.a.	33,616	n.a.	6,460	n.a.	502
52 **Total liabilities[4]**	**490,766**	**240,234**	**357,553**	**188,467**	**74,985**	**33,945**	**33,966**	**10,786**
53 Liabilities to nonrelated parties	427,227	213,488	326,268	169,538	67,623	31,064	18,534	6,367

4.30—Continued

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]
54 Total deposits and credit balances	63,528	170,925	52,199	149,996	2,378	11,945	3,160	3,665
55 Individuals, partnerships, and corporations	49,889	14,108	39,682	9,347	2,215	420	2,491	44
56 U.S. addressees (domicile)	38,048	285	32,048	266	679	0	2,120	18
57 Non-U.S. addressees (domicile)	11,841	13,823	7,634	9,081	1,536	420	371	26
58 Commercial banks in United States (including IBFs)	9,364	60,407	8,659	52,231	31	5,687	645	2,219
59 U.S. branches and agencies of other foreign banks	3,411	53,002	2,867	45,690	6	5,155	527	1,971
60 Other commercial banks in United States	5,953	7,405	5,792	6,541	25	532	118	248
61 Banks in foreign countries	1,914	85,182	1,789	77,484	38	5,697	2	1,384
62 Foreign branches of U.S. banks	227	8,496	207	7,118	20	1,072	0	221
63 Other banks in foreign countries	1,686	76,685	1,582	70,366	18	4,624	2	1,163
64 Foreign governments and official institutions (including foreign central banks)	1,040	11,194	891	10,901	20	142	3	18
65 All other deposits and credit balances	800	34	747	34	40	0	2	0
66 Certified and official checks	521	n.a.	431	n.a.	35	n.a.	17	n.a.
67 Transaction accounts and credit balances (excluding IBFs)	6,825		5,678		291		223	
68 Individuals, partnerships, and corporations	4,353		3,457		244		200	
69 U.S. addressees (domicile)	3,024		2,498		194		196	
70 Non-U.S. addressees (domicile)	1,329		959		50		4	
71 Commercial banks in United States (including IBFs)	327		321		0		0	
72 U.S. branches and agencies of other foreign banks	110		109		0		0	
73 Other commercial banks in United States	217	n.a.	212	n.a.	0	n.a.	0	n.a.
74 Banks in foreign countries	827		762		7		2	
75 Foreign branches of U.S. banks	44		44		0		0	
76 Other banks in foreign countries	783		718		7		2	
77 Foreign governments and official institutions (including foreign central banks)	519		441		2		3	
78 All other deposits and credit balances	278		267		1		1	
79 Certified and official checks	521		431		35		17	
80 Demand deposits (included in transaction accounts and credit balances)	5,801		4,910		204		207	
81 Individuals, partnerships, and corporations	3,784		3,135		159		184	
82 U.S. addressees (domicile)	2,639		2,261		127		180	
83 Non-U.S. addressees (domicile)	1,145		874		32		4	
84 Commercial banks in United States (including IBFs)	133		129		0		0	
85 U.S. branches and agencies of other foreign banks	10		9		0		0	
86 Other commercial banks in United States	123	n.a.	120	n.a.	0	n.a.	0	n.a.
87 Banks in foreign countries	686		626		7		2	
88 Foreign branches of U.S. banks	44		44		0		0	
89 Other banks in foreign countries	642		583		7		2	
90 Foreign governments and official institutions (including foreign central banks)	443		365		2		3	
91 All other deposits and credit balances	233		224		0		1	
92 Certified and official checks	521		431		35		17	
93 Non-transaction accounts (including MMDAs, excluding IBFs)	56,703		46,521		2,088		2,937	
94 Individuals, partnerships, and corporations	45,536		36,225		1,970		2,292	
95 U.S. addressees (domicile)	35,024		29,551		484		1,924	
96 Non-U.S. addressees (domicile)	10,513		6,675		1,486		367	
97 Commercial banks in United States (including IBFs)	9,038		8,338		31		644	
98 U.S. branches and agencies of other foreign banks	3,302		2,758		6		527	
99 Other commercial banks in United States	5,736	n.a.	5,580	n.a.	25	n.a.	118	n.a.
100 Banks in foreign countries	1,087		1,028		30		0	
101 Foreign branches of U.S. banks	184		164		20		0	
102 Other banks in foreign countries	903		864		10		0	
103 Foreign governments and official institutions (including foreign central banks)	521		450		18		0	
104 All other deposits and credit balances	521		480		39		1	
105 IBF deposit liabilities		170,925		149,996		11,945		3,665
106 Individuals, partnerships, and corporations		14,108		9,347		420		44
107 U.S. addressees (domicile)		285		266		0		18
108 Non-U.S. addressees (domicile)		13,823		9,081		420		26
109 Commercial banks in United States (including IBFs)		60,407		52,231		5,687		2,219
110 U.S. branches and agencies of other foreign banks		53,002		45,690		5,155		1,971
111 Other commercial banks in United States	n.a.	7,405	n.a.	6,541	n.a.	532	n.a.	248
112 Banks in foreign countries		85,182		77,484		5,697		1,384
113 Foreign branches of U.S. banks		8,496		7,118		1,072		221
114 Other banks in foreign countries		76,685		70,366		4,624		1,163
115 Foreign governments and official institutions (including foreign central banks)		11,194		10,901		142		18
116 All other deposits and credit balances		34		34		0		0

For notes see end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, September 30, 1988[1]—Continued
Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]
117 Federal funds purchased and securities sold under agreements to repurchase	48,867	2,463	37,513	1,272	8,422	777	2,297	146
118 U.S. branches and agencies of other foreign banks	11,577	767	7,939	141	2,559	449	836	65
119 Other commercial banks in United States	17,008	93	11,211	7	4,488	81	1,158	0
120 Other	20,281	1,603	18,362	1,125	1,375	247	302	81
121 Other borrowed money	98,483	34,570	52,889	13,966	35,294	17,361	7,963	2,377
122 Owed to nonrelated commercial banks in United States (including IBFs)	63,747	14,682	32,465	3,604	23,946	9,503	5,465	959
123 Owed to U.S. offices of nonrelated U.S. banks	27,672	2,480	16,417	796	7,334	1,367	3,292	77
124 Owed to U.S. branches and agencies of nonrelated foreign banks	36,075	12,202	16,048	2,808	16,611	8,136	2,173	882
125 Owed to nonrelated banks in foreign countries	18,424	17,803	8,800	8,292	7,854	7,843	1,441	1,418
126 Owed to foreign branches of nonrelated U.S. banks	2,716	2,550	1,131	970	1,323	1,323	182	182
127 Owed to foreign offices of nonrelated foreign banks	15,708	15,254	7,670	7,322	6,532	6,520	1,259	1,236
128 Owed to others	16,312	2,085	11,624	2,070	3,495	15	1,057	0
129 All other liabilities	45,424	5,529	33,671	4,304	9,582	980	1,449	179
130 Branch or agency liability on acceptances executed and outstanding	31,449	n.a.	22,194	n.a.	7,873	n.a.	889	n.a.
131 Other liabilities to nonrelated parties	13,975	5,529	11,477	4,304	1,709	980	560	179
132 Net due to related depository institutions[5]	63,539	26,746	31,285	18,929	7,362	2,881	15,432	4,420
133 Net due to head office and other related depository institutions[5]	63,539	n.a.	31,285	n.a.	7,362	n.a.	15,432	n.a.
134 Net due to establishing entity, head office, and other related depository institutions[5]	n.a.	26,746	n.a.	18,929	n.a.	2,881	n.a.	4,420
MEMO								
135 Non-interest bearing balances with commercial banks in United States	1,881	80	1,641	80	117	0	54	0
136 Holding of commercial paper included in total loans	571		373		132		55	
137 Holding of own acceptances included in commercial and industrial loans	2,653		1,335		1,011		174	
138 Commercial and industrial loans with remaining maturity of one year or less	61,411		33,521		12,134		9,728	
139 Predetermined interest rates	41,316	n.a.	22,119	n.a.	9,018	n.a.	6,185	n.a.
140 Floating interest rates	20,095		11,402		3,116		3,542	
141 Commercial and industrial loans with remaining maturity of more than one year	56,102		37,114		10,100		5,730	
142 Predetermined interest rates	17,027		10,830		3,818		1,926	
143 Floating interest rates	39,074		26,284		6,282		3,804	

4.30—Continued

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]
144 Components of total nontransaction accounts, included in total deposits and credit balances of nontransactional accounts, including IBFs	75,627		65,424		1,894		3,235	
145 Time CDs in denominations of $100,000 or more	41,892		34,773		1,168		2,122	
146 Other time deposits in denominations of $100,000 or more	10,510	n.a.	9,144	n.a.	600	n.a.	574	n.a.
147 Time CDs in denominations of $100,000 or more with remaining maturity of more than 12 months	23,225		21,507		126		539	
	All states[2]		New York		California		Illinois	
	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]
148 Market value of securities held	43,181	18,216	37,045	16,119	3,998	1,658	1,121	268
149 Immediately available funds with a maturity greater than one day included in other borrowed money	57,651	n.a.	28,890	n.a.	24,115	n.a.	3,160	n.a.
150 Number of reports filed[6]	512	....	234	....	124	....	53	....

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks." Details may not add to totals because of rounding. This form was first used for reporting data as of June 30, 1980, and was revised as of December 31, 1985. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items.

2. Includes the District of Columbia.

3. Effective December 1981, the Federal Reserve Board amended Regulations D and Q to permit banking offices located in the United States to operate International Banking Facilities (IBFs). As of December 31, 1985, data for IBFs are reported in a separate column. These data are either included in or excluded from the total columns as indicated in the headings. The notation "n.a." indicates that no IBF data are reported for that item, either because the item is not an eligible IBF asset or liability or because that level of detail is not reported for IBFs. From December 1981 through September 1985, IBF data were included in all applicable items reported.

4. Total assets and total liabilities include *net* balances, if any, due from or due to related banking institutions in the United States and in foreign countries (see footnote 5). On the former monthly branch and agency report, available through the G.11 statistical release, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.

5. "Related banking institutions" includes the foreign head office and other U.S. and foreign branches and agencies of the bank, the bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly).

6. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

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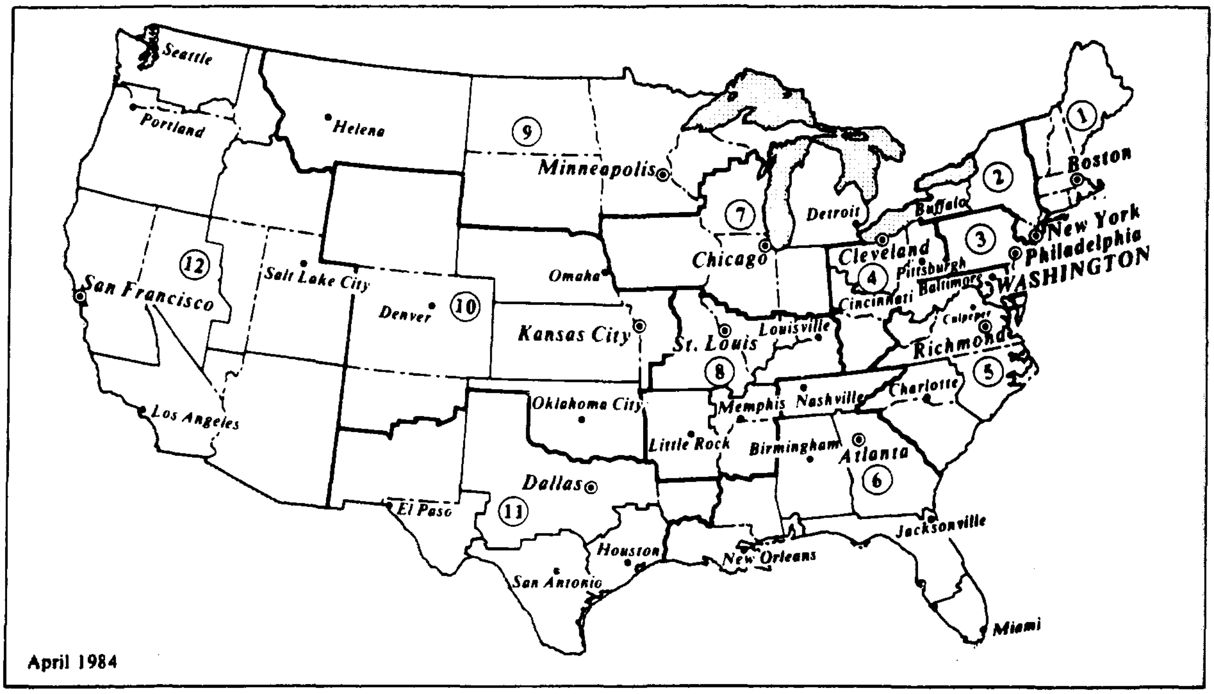

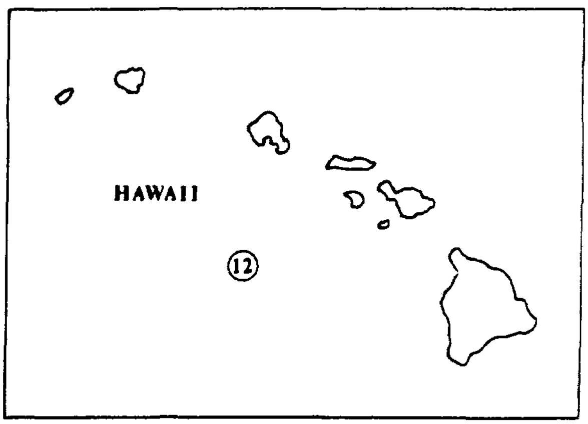

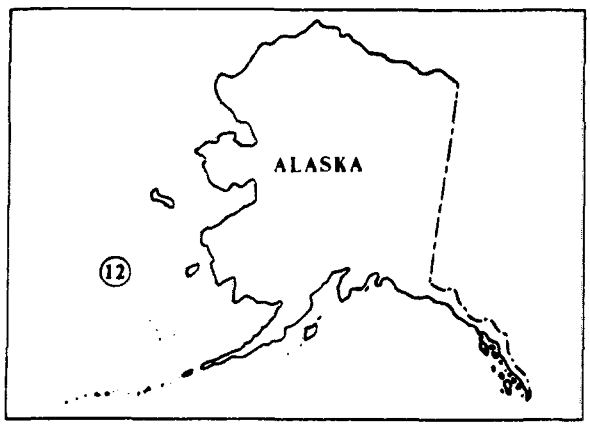

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