VOLUME 68 □ NUMBER 10 □ OCTOBER 1982

FEDERAL RESERVE BULLETIN

Board of Governors of the Federal Reserve System
Washington, D.C.

The FEDERAL RESERVE BULLETIN is issued monthly under the direction of the staff publications committee. This committee is responsible for opinions expressed except in official statements and signed articles. It is assisted by the Economic Editing Unit headed by Mendelle T. Berenson, the Graphic Communications Section under the direction of Peter G. Thomas, and Publications Services supervised by Helen L. Hulen.

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International Banking Facilities

This article was prepared by Sydney J. Key of the Board's Division of International Finance. Footnotes appear at the end of the article.

The Federal Reserve Board permitted banking offices in the United States to establish international banking facilities (IBFs) beginning in early December 1981. The purpose was to allow these banking offices to conduct a deposit and loan business with foreign residents, including foreign banks, without being subject to reserve requirements or interest rate ceilings. IBFs are also exempt from the insurance coverage and assessments imposed by the Federal Deposit Insurance Corporation. In addition, nine states have encouraged banking institutions to establish IBFs by granting favorable tax treatment under state or local law for IBF operations. As a result, banking offices located in the United States can, through their IBFs, conduct transactions with foreign residents in a regulatory environment broadly similar to that of the Eurocurrency market without having to use an offshore facility.

By early September 1982, nearly 400 banking institutions—including U.S.-chartered banks, U.S. agencies and branches of foreign banks, and U.S. offices of Edge corporations—had established IBFs. Total assets at IBFs amounted to more than $150 billion, of which IBFs in New York accounted for more than three-quarters. Chart 1 shows that IBF assets grew rapidly during December 1981 as IBFs were opened in large numbers and as assets were shifted to IBFs from their establishing entities and from foreign offices of those entities. Growth has continued in 1982 but at a more moderate pace. A considerable proportion of IBF activity is interbank, and the bulk of IBF deposits have maturities of fourteen days or more.

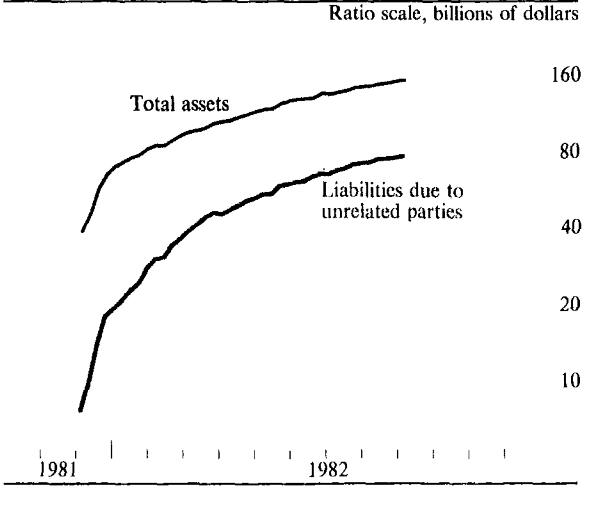
This article reviews the history of the IBF proposal, summarizes the legal framework for IBF operations, and then discusses the activities of IBFs during the first nine months of their existence.

History of the IBF Proposal

During the 1960s, the Eurocurrency market grew rapidly, as did participation in that market by foreign branches of U.S.-chartered banks. This development was in part a result of interest rate ceilings, maturity limitations, and reserve requirements on deposits at banks in the United States. U.S. measures to reduce net capital outflows from the United States—the Interest Equalization Tax and Voluntary Foreign Credit Restraint program, which were in effect from the mid-1960s until January 1974—also contributed to the growth of the offshore banking market.

By 1982, total deposits in the Eurocurrency market amounted to an estimated $900 billion, net of deposits between banks within the market. Claims on nonbanks amounted to about $500 billion. Although dollar-denominated assets and liabilities predominate, Euromarket activity includes all major currencies and is conducted in international financial centers around the world. The conventional definition of the Eurocurrency market includes deposits and loans booked outside the country in whose currency they are denominated. IBFs are domiciled in the United

1. IBF assets and liabilities



States; but, because their regulatory environment is broadly similar to that of the Euromarket, IBF deposits and loans, including those that are denominated in dollars, can, for most purposes, be considered part of the Euromarket.

IBF-type proposals were first put forward in the early 1970s to allow U.S. banks more flexibility under the Voluntary Foreign Credit Restraint (VFCR) program, which set ceilings on claims on foreigners held by U.S. banking offices. After the removal of the VFCR and other U.S. capital controls in January 1974, the idea of IBFs reemerged as a possible method of reducing the burden of domestic reserve requirements and interest rate limitations. Proposals for a "foreign window" or a "free-trade banking zone" were studied within the government as a way of granting regulatory relief. The Federal Reserve Board was, however, concerned about the effect that the adoption of such proposals would have on the conduct of monetary policy and on competition among groups of U.S. banks.

The proposal that culminated in the final IBF regulations was submitted to the Board by the New York Clearing House Association in July 1978. The month before, the New York state legislature had enacted a statute granting favorable tax treatment to IBFs under New York State and City law, subject to the condition that the Federal Reserve Board take action to exempt IBF activities from reserve requirements and interest rate limitations.

The Board considered the IBF proposal in December 1978, and decided to request comment on a number of its features and to analyze further the issues involved. After passage of the Monetary Control Act of 1980, which broadened the Federal Reserve Board's authority to impose reserve requirements and explicitly confirmed the Board's authority to exempt IBFs from such requirements, the Board again considered IBFs and issued proposed regulations for comment. In June 1981 the Board adopted final regulations, which became effective December 3, 1981.

Federal Reserve Board Regulations

Although IBFs are often regarded as engaging in loan and deposit transactions, in reality an IBF is not an institution but rather a set of asset and liability accounts segregated on the books of its establishing entity. Under Federal Reserve Board regulations, IBFs may be established by a U.S.-chartered depository institution, a U.S. branch or agency of a foreign bank, or a U.S. office of an Edge or Agreement corporation.[1] No formal application is required to open an IBF, but an entity must notify its Federal Reserve Bank before doing so and agree to comply with the Federal Reserve Board's regulations, including recordkeeping, accounting, and reporting requirements.[2]

Permissible IBF Activities

Transactions that may be booked at an IBF are specified in the June 1981 amendments to Regulations D (Reserve Requirements of Depository Institutions) and Q (Interest on Deposits) of the Federal Reserve Board. In adopting these amendments the Board intended to facilitate the provision of international banking services to foreign customers at banking offices in the United States. However, to avoid complicating the conduct of domestic monetary policy, the Board wanted to insulate U.S. economic activity from IBF transactions. Among the Board's principal concerns was the possibility that IBF accounts might be substituted for transaction accounts included in M1 or be used to circumvent reserve requirements or interest rate ceilings. Consequently, the amendments to Regulations D and Q impose a number of limitations on IBF activities that do not apply to foreign branches of U.S.-chartered banks.

First, IBF loan and deposit customers are restricted to foreign residents (including banks), other IBFs, and the entity establishing the IBF. Lending to or accepting deposits from any other U.S. resident is prohibited. Funds advanced to a U.S. banking office from its own IBF are subject to Eurocurrency reserve requirements in the same manner as funds advanced from a bank's foreign offices to its U.S. offices.

Second, limitations are placed on the maturity of "IBF time deposits," which may be in the form of deposits, borrowings, placements, or similar instruments. An IBF may offer such deposits with an overnight maturity to banks in foreign countries, to other IBFs, and to domestic and foreign offices of its establishing entity;[3] but IBF time deposits of nonbank foreign residents are subject to a minimum maturity or notice requirement of two business days.

Third, transactions of nonbank customers at IBFs are subject to a minimum amount of $100,000; a withdrawal of less than this amount is permitted only to close out an account or to withdraw accumulated interest. Deposits and withdrawals of banks at IBFs are not subject to any minimum amount.

Fourth, IBFs are prohibited from issuing negotiable instruments because such instruments could be transferred by the original holder to U.S. residents who are not eligible deposit customers of IBFs.

Fifth, an IBF may extend credit to a foreign nonbank customer only if the proceeds are used to finance operations of the borrower (or its affiliates) outside the United States. Similarly, under the Board's regulations, an IBF may accept a deposit from a foreign nonbank customer only if the funds are used to support operations of the depositor (or its affiliates) outside the United States.[4]

Sixth, IBFs may engage in limited kinds of secondary market transactions; in particular, they may purchase (or sell) IBF-eligible assets such as loans, loan participations, securities, certificates of deposit, and bankers acceptances from (or to) any domestic or foreign customer, except domestic affiliates of the establishing entity.[5]

Permissible Activities of Foreign Branches of U.S. Banks

The limitations on IBFs are more restrictive than those on foreign branches of U.S.-chartered banks. In contrast to IBFs, such branches are not prohibited from accepting deposits from and making loans to U.S. residents. There are no limitations on the maturities of deposits at such branches provided that they are payable only outside the United States. In addition, unlike IBFs, foreign branches of U.S. banks may issue negotiable instruments, such as certificates of deposit and bankers acceptances, and they may purchase or sell assets in secondary market transactions without restriction.

However, for purposes of reserve requirements and interest rate ceilings, foreign branches and IBFs are treated in a similar manner. Deposits at foreign branches of U.S. banks that are payable only outside the United States are not subject to reserve requirements or interest rate ceilings. Net advances by a branch to its U.S. parent bank, purchases of assets from its parent bank, and branch loans to U.S. residents are included in the calculation of the parent bank's required Eurocurrency reserves.[6]

Other Banking Laws and Regulations

In addition to the Federal Reserve Board's regulations, IBFs are governed by state and other federal banking laws and regulations. An entity that establishes an IBF does not obtain any new powers by doing so, because an IBF is simply a segregated set of books. Thus an establishing entity may not engage in any type of business through its IBF that it is not already permitted to engage in under its federal or state charter or license. For example, as a depository institution, a federal savings and loan association could establish an IBF, but as of this writing, it could not make unsecured commercial loans through the IBF because federal law does not permit the association itself to make such loans.

Similarly, in meeting loan limitation requirements, establishing entities must include loans made by the IBF. For example, IBFs established by U.S. offices of an Edge corporation are subject to the lending limits and the leveraging restrictions of the Edge corporation.[7]

One example of the application of state banking laws and regulations to IBF activities involves U.S. offices of foreign banks. Some states impose asset-pledge or asset-maintenance requirements based on the liabilities of state-licensed offices of foreign banks. Without special action, these requirements would apply to liabilities of IBFs operated at such offices; however, New York, California, and Florida have exempted IBF liabilities from these requirements.

Without special legislation, federal law would have subjected deposits at IBFs established by federally insured depository institutions to the insurance coverage and concomitant assessments of the Federal Deposit Insurance Corporation. However, federal legislation enacted in late 1981 exempted deposits at IBFs from such coverage and assessments.

TAX LAWS AND REGULATIONS

Favorable tax treatment under state and local statutes has been an important factor for banks in assessing the attractiveness of establishing an IBF. Where favorable tax treatment for IBFs has been granted, there are usually tax advantages in booking loans at an IBF rather than at a domestic office. For some U.S.-chartered banks, there are also tax advantages to booking loans at an IBF rather than at a shell branch because, in some instances, state tax authorities have attempted to apply state tax laws so that certain income from shell branches would, in effect, be treated as income of the domestic bank itself. In such a situation, a bank may use an IBF instead of a shell branch in order to rely on specific statutory provisions granting tax relief to IBFs.

Nine states, including New York, California, Illinois, and Florida, have enacted special tax legislation for IBFs.[8] The provisions for tax relief differ considerably, reflecting differences in both the underlying state tax structures and the amount and timing of the tax relief provided for IBF operations. There have been no modifications to federal tax statutes for IBFs; as a result, income arising from IBF activities is subject to U.S. federal income taxation in the same manner as other income of the domestic office of the establishing entity.

New York was the first state to grant favorable tax treatment to IBFs, but it limited that relief in a number of ways. The statute established a complex formula for determining an IBF's "adjusted eligible net income," which is the amount that is deductible from New York taxable income in computing New York State and City income taxes.[9] Because the bulk of IBF activity is located in that state, a summary of the New York formula may be useful.

First, an IBF's "eligible net income" must be calculated by subtracting its "applicable expenses" from its "eligible gross income." Eligible gross income consists of gross income from making, arranging for, placing, or servicing loans to foreign persons; the income derived from deposits and placements with foreign banks or other IBFs; and gains and losses on certain foreign exchange transactions. Under regulations issued by the New York State Department of Taxation and Finance, applicable expenses include interest expenses, bad-debt deductions, and other direct and indirect expenses.

Two adjustments must be made to a New York IBF's eligible net income. The first is a deduction for the "ineligible funding amount," which reflects the decision to give an IBF a tax benefit only to the extent that the IBF is funded by foreign persons, including other IBFs.

The second adjustment is a deduction for the "floor amount." The purpose is to avoid an abrupt decrease in tax revenues by reducing the tax benefit granted to an IBF in proportion to the decline in foreign lending activity on the domestic books of its establishing entity since 1975–77, the base period. The floor amount is phased out, but is not reduced to zero until the beginning of the tenth taxable year of an IBF's existence.

In Illinois, the portion of a bank's adjusted federal taxable income subject to state taxation is determined by using a one-factor formula: the ratio of a bank's gross income from Illinois sources to its gross income from all sources. Tax relief for IBFs was granted by allowing a bank to exclude the "adjusted income" of its IBF from its Illinois gross income for purposes of this formula. However, like New York, Illinois requires that a floor amount be used to adjust an IBF's income.[10] Illinois does not use the concept of ineligible funding.

In California, a bank is taxed on the basis of the worldwide activities of its "unitary" group—that is, a group of affiliated corporations having interrelated operations, including any that do business in California. The amount of income subject to California taxation is determined by an apportionment formula that takes into account the ratio of California to worldwide assets, revenues, and payroll. Tax relief for IBFs was granted by treating IBF assets and revenues as if they were located outside California for purposes of this formula.

In some states, special legislation for IBFs is considered unnecessary; Texas, for example, does not impose a tax on corporate income.

1. Number of IBFs, by state and type of establishing entity, September 8, 1982

State	U.S.-chartered banks[1]	Agencies and branches[2]	Offices of Edge corporations	Total
New York	36	125	15	176
California	12	48	10	70
Florida	21	19	20	60
Illinois	6	13	4	23
Texas	12	(3)	3	15
Pennsylvania	6	2	0	8
District of Columbia	7	1	0	8
Washington	3	4	0	7
Georgia	4	1	1	6
Massachusetts	3	1	1	5
Others[4]	17	0	0	17
Total	**127**	**214**	**54**	**395**

1. Only one thrift institution, a savings and loan association located in Florida, has established an IBF; it is included with U.S.-chartered banks in this table.
2. U.S. agencies and branches of foreign banks.
3. Under the Texas constitution, foreign banks are prohibited from establishing agencies or branches in that state.
4. Connecticut, Kentucky, Louisiana, Michigan, New Jersey, North Carolina, Ohio, and Rhode Island.

Although income from foreign sources is not subject to Florida income taxes, that state enacted special IBF legislation to ensure that all IBF operations would be exempt from Florida income and other taxation.

IBF Activities: The First Nine Months

As noted earlier, nearly 400 banking institutions had established IBFs by September 8, 1982. Almost half are located in New York; another one-third are located in California and Florida. (See table 1.) U.S. agencies and branches of foreign banks account for more than half of the total number of institutions establishing IBFs.[11]

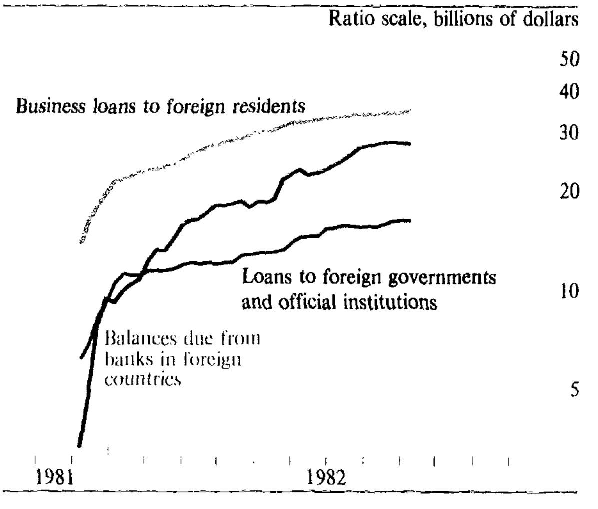
Of all the IBFs established by September 8, only 219—or 55 percent—had total assets or liabilities of $50 million or more and were therefore required to file a weekly report of their activities with the Federal Reserve; of these, 38 had total assets or total liabilities of $1 billion or more.

IBF Assets

As of September 8, total IBF assets were $152 billion. IBFs in New York accounted for about 78 percent of this total; in California, for about 13 percent; in Illinois, for nearly 6 percent; and in Florida, for 2 percent.

IBF claims on unrelated parties amounted to $131 billion (table 2). Claims on foreign banks were the largest component of IBF assets: taken together, balances due from banks in foreign countries and loans to banks in foreign countries accounted for more than two-fifths of claims on unrelated parties. Business loans to foreign residents accounted for slightly more than one-quarter of such claims; and loans to foreign governments and official institutions accounted for an additional 12 percent. (The growth of these assets is shown in chart 2.)

2. Selected types of IBF assets



IBFs of large U.S.-chartered banks and U.S. agencies and branches of foreign banks had similar asset structures—that is, they had approximately the same proportion of claims on unrelated parties in most major asset categories. The only notable difference between the two groups involved claims on other IBFs, which were more important for agencies and branches than for large U.S. banks.

As of early September, IBFs at U.S. agencies and branches of foreign banks accounted for a substantial portion of IBF activity: 52 percent of IBF claims on unrelated parties. Large U.S.-chartered banks accounted for 42 percent of such claims. By contrast, U.S. offices of Edge corporations accounted for only 5 percent of IBF claims on unrelated parties; and smaller U.S.-chartered banks accounted for the remaining 1 percent.

Of the approximately $68 billion in claims on unrelated parties at IBFs of U.S. agencies and branches of foreign banks, nearly three-fifths, or $39 billion, was accounted for by U.S. agencies and branches of Japanese banks. The amount of IBF activity being conducted at agencies and branches of Japanese banks is not surprising because almost none of the Japanese banks have Caribbean shell branches.[12]

IBF loans and deposits may be denominated in

2. Assets and liabilities of international banking facilities, by type of establishing entity, September 8, 1982[1]

Billions of dollars

Balance sheet item	Large U.S.-chartered banks[2]	Agencies and branches[3]	All other entities[4]	Total, all entities
ASSETS				
1. **Total claims on unrelated parties[5]**	**54.8**	**68.0**	**8.5**	**131.3**
2. Loans and balances due from other IBFs	2.4	10.8	2.0	15.2
Balances due from				
3. Banks in foreign countries	11.1	12.4	4.2	27.7
4. Foreign governments and official institutions	.2	0	0	.2
5. Securities of foreign residents	.1	1.0	0	1.1
Loans to foreign residents				
6. Business (commercial and industrial) loans	16.8	17.0	.7	34.5
7. Banks in foreign countries	13.2	14.7	1.0	28.9
8. Foreign governments and official institutions	6.8	9.1	.3	16.2
9. Other loans	.9	.3	.1	1.2
10. Other assets in IBF accounts	1.8	1.7	.2	3.8
11. **Gross claims on foreign offices of establishing entity[5]**	**6.1**	**13.7**	**.4**	**20.2**
12. **Total assets other than claims on U.S. offices of establishing entity[5]**	**60.9**	**81.6**	**8.9**	**151.5**
LIABILITIES				
13. **Total liabilities due to unrelated parties[5]**	**22.9**	**48.1**	**6.5**	**77.6**
14. Liabilities due to other IBFs	2.4	12.3	.7	15.4
15. Overnight maturity or notice	.1	.6	.1	.9
16. Liabilities due to banks in foreign countries	9.7	25.7	1.8	37.3
17. Overnight maturity or notice	.9	1.2	.3	2.3
18. 2–13 days maturity or notice	.1	1.3	.2	1.5
19. 14 days or more maturity or notice	8.8	23.3	1.4	33.4
20. Liabilities due to foreign governments and official institutions	3.6	2.7	.2	6.5
21. Overnight maturity or notice	1.6	.5	0	2.1
22. 2–13 days maturity or notice	.2	.1	0	.3
23. 14 days or more maturity or notice	1.8	2.1	.2	4.1
24. Liabilities due to other foreign residents	5.6	4.9	3.4	13.8
25. 2–13 days maturity or notice	.2	.2	.1	.4
26. 14 days or more maturity or notice	5.4	4.8	3.3	13.4
27. Other liabilities in IBF accounts	1.0	1.3	.4	2.7
28. **Gross liabilities due to foreign offices of establishing entity[5]**	**34.6**	**22.2**	**1.3**	**58.1**
29. **Total liabilities other than those due to U.S. offices of establishing entity[5]**	**57.6**	**70.3**	**7.8**	**135.7**
RESIDUAL				
30. Net due from or net due to (−) U.S. offices of establishing entity (item 29 minus item 12)[5]	−3.4	−11.3	−1.1	−15.8
MEMO: Net due from or net due to (−) foreign offices of establishing entity (item 11 minus item 28)[5]	−28.5	−8.6	−.9	−38.0
Number of reporters	37	149	33	219

1. Includes data only for entities whose IBFs had assets or liabilities of at least $50 million on September 8, 1982, or on any earlier weekly IBF report date. (Details may not add to totals because of rounding.)

2. Banks with domestic assets of $750 million or more on December 31, 1977.

3. U.S. agencies and branches of foreign banks.

4. U.S.-chartered banks with domestic assets of less than $750 million on December 31, 1977, and U.S. offices of Edge and Agreement corporations.

5. Includes amounts denominated in both U.S. dollars and other currencies; unless noted, figures on all other lines include only amounts denominated in U.S. dollars.

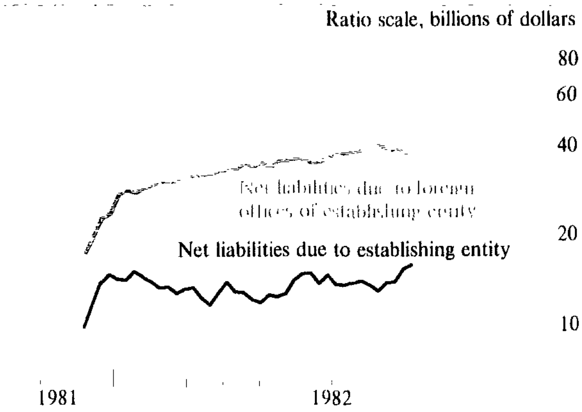
either U.S. dollars or foreign currencies. Although U.S. banks had sought this ability, to date the volume of IBF business denominated in foreign currencies has been very small, accounting for only 2 to 3 percent of total assets or total liabilities at IBFs of both large U.S.-chartered banks and U.S. agencies and branches of foreign banks. This compares with a share of business denominated in foreign currencies of approximately 4 percent of total assets at Caribbean branches of U.S. banks and about 25 percent of total assets at London branches of U.S. banks.

IBF Funding

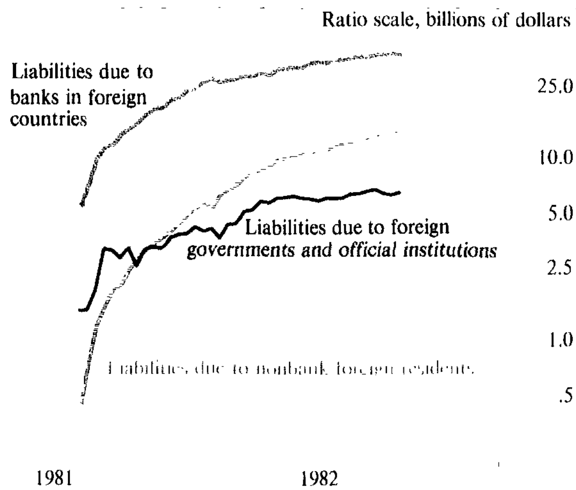
IBFs have obtained most of their funding from banks, including their establishing entities and foreign offices of those entities. At first, IBFs were funded primarily by net advances from establishing entities and foreign offices of those entities. As of the end of December 1981, IBF liabilities due to unrelated parties were equal to only one-third of IBF claims on unrelated parties and amounted to about $18 billion. But, as chart 3 shows, the pattern of IBF funding has been changing. In the aggregate, as of September 8, 1982, IBF liabilities due to unrelated parties had increased to about 60 percent of IBF claims on unrelated parties and amounted to $78 billion.

About half of these liabilities due to unrelated parties represented deposits of banks in foreign countries. Foreign banks accounted for approximately the same proportion of liabilities

3. Composition of IBF liabilities



4. Selected types of IBF liabilities



due to unrelated foreign residents at London and Caribbean branches of U.S. banks. However, relative to the size of the Eurocurrency market, the volume of deposits of foreign banks at IBFs was small. Such deposits amounted to $26 billion at IBFs established by U.S. agencies and branches of foreign banks and only $10 billion at IBFs established by large U.S.-chartered banks. In comparison, foreign branches of U.S.-chartered banks alone had $106 billion of liabilities due to unrelated foreign banks as of July 30.

The maturity structure of IBF liabilities due to foreign banks is typical of the maturity structure of the Euromarket rather than that of the domestic interbank market. Although IBFs may offer deposits with an overnight maturity to banks, about 90 percent of the deposits of banks in foreign countries on the IBF books as of early September had maturities of fourteen days or more. Bankers report that typical maturities are from one to three months, a pattern similar to that of the Euromarket, as contrasted with a predominance of overnight maturities in the domestic interbank market.

The inter-IBF market is still quite small, but it is growing. IBF liabilities due to other IBFs increased from $1¼ billion at the end of December 1981 to $15½ billion in early September (chart 4). Of this total, U.S. agencies and branches of foreign banks accounted for more than $12 billion; these entities appear to use the inter-IBF market as a substitute for the term federal funds market, and so far, there has been little trading of overnight funds among IBFs.

To date, rates paid on IBF deposits have been virtually the same as rates on Eurodollar deposits of comparable size and maturity. Bankers report only isolated instances of IBF deposit rates below Eurodollar rates; a typical example involves a bank located in a foreign country acting in a fiduciary role for a customer with a strong preference for an IBF deposit in the United States. Bankers also report that rates on deposits transferred to IBFs during times of international crisis have not differed significantly from Eurodollar rates.

The pattern of IBF funding of U.S.-chartered banks has consistently differed from that of U.S. agencies and branches of foreign banks. Agencies and branches have been funding a much larger portion of their IBF claims on unrelated parties with IBF liabilities due to unrelated parties. As of early September, they funded 71 percent of such claims with liabilities due to unrelated parties; the comparable figure for large U.S.-chartered banks was 42 percent.

This difference in the extent of direct funding from unrelated foreign residents is reflected in a difference in the reliance on net advances to IBFs from foreign offices of the establishing entity. As of early September, large U.S.-chartered banks funded 52 percent of their IBF claims on unrelated parties with net advances from their foreign offices to their IBFs; the comparable figure for U.S. agencies and branches of foreign banks was only 13 percent. In the aggregate, large U.S.-chartered banks are advancing funds to their foreign branches; thus some portion of IBF funding from such branches may be funding from the establishing entity that is being channeled through its foreign branches.

The net position of an IBF vis-à-vis its establishing entity is a residual that balances the IBF books. If IBF claims on unrelated parties and related foreign offices exceed comparable IBF liabilities, the establishing entity is advancing funds to its IBF. If liabilities of an IBF exceed its assets, the IBF is advancing funds to its establishing entity.

Under the New York State tax statute, funding by the establishing entity is not funding by a "foreign person" and therefore constitutes "ineligible funding," which reduces the tax benefit allowed to an IBF. As expected, funding of New York IBFs by large U.S.-chartered banks has become very small; as already noted, funding from the establishing entity appears to be channeled through foreign branches. However, despite this tax provision, funding of New York IBFs by agency or branch establishing entities amounted to more than $6½ billion in the aggregate in early September.

Most of the other states with IBF tax statutes do not use the concept of ineligible funding. Outside New York, both large U.S.-chartered banks and agencies and branches are, in the aggregate, advancing funds to their IBFs. Of course, both in New York and elsewhere, some individual establishing entities are receiving funds from their IBFs. As noted earlier, funds acquired from an IBF are included in the calculation of an establishing entity's required reserves against Eurocurrency liabilities.

Shifting of Assets and Liabilities to IBFs from U.S. Books of Establishing Entities

As expected, some of the assets and liabilities on the IBF books were shifted there from establishing entities and foreign offices of those entities. In order to measure the effect of shifts of assets and deposits to IBFs from banking offices in the United States on domestic bank credit and the monetary aggregates, the Federal Reserve has collected data for amounts that were shifted from U.S. books of establishing entities during the first four weeks of each IBF's existence.[13]

These data indicate that shifts of claims on unrelated parties in initial four-week periods amounted to about $34 billion by January 27, 1982. U.S. agencies and branches of foreign banks accounted for nearly 85 percent of these shifts. This is not surprising because, compared with U.S.-chartered banks, the agencies and branches had more IBF-eligible assets on their U.S. books in the first place. As expected, shifts from U.S. books of agencies and branches of Japanese and Italian banks were particularly large because, as noted earlier, almost none of the Japanese and Italian banks have Caribbean shell branches. The $16 billion in claims on unrelated parties shifted from U.S. books of agencies and branches of Japanese banks was equal to more than a fifth of total assets at all U.S. agencies and branches of Japanese banks.

Initial four-week transfers to IBFs from U.S. books of establishing entities of liabilities due to unrelated parties, including those occurring at maturity, have been relatively small. Agencies and branches accounted for nearly 90 percent of the approximately $6 billion in such transfers that occurred through January 27, the bulk of which was in liabilities due to foreign banks and to foreign governments and official institutions. Because deposits of foreign banks and official institutions are excluded from the U.S. monetary aggregates, the impact of such liability shifts on the monetary aggregates was negligible.[14]

Reports filed by additional establishing entities from the end of January through early September show that these institutions shifted about $3 billion in claims on unrelated parties to their IBFs during the first four weeks of the IBF's existence. Of this amount, about $2 billion was accounted for by agencies and branches. These reports also show that during this period initial four-week transfers to IBFs of liabilities due to unrelated parties amounted to about $¾ billion.

The excess of assets over liabilities shifted from domestic books to IBFs during the initial four-week periods was not surprising for several reasons: first, a significant portion of domestic office liabilities due to foreign residents comprises negotiable certificates of deposit, which may not be offered by IBFs; second, Regulation Q penalties for early withdrawal of certain time deposits probably inhibited shifting, because a deposit could be transferred to an IBF before maturity without incurring such penalties only if the maturity were not shortened and if the rate were not changed; and, third, unlike shifting a loan, shifting the booking of a deposit to an IBF may involve renegotiation with the customer, because the characteristics of IBF time deposits are somewhat different from those of most domestic office liabilities.

A number of U.S. banking institutions still have some loans to foreign residents and deposits of foreign residents on their U.S. books. For example, as of September 8, large U.S.-chartered banks had about $7½ billion in loans to foreign banks, $7⅓ billion in business loans to foreign residents, and $5 billion in time deposits of foreign banks and foreign governments and official institutions on their domestic books. Although it is not known whether such loans and deposits are IBF-eligible, some further shifting to IBFs from U.S. offices may occur.

Shifting of Assets and Liabilities to IBFs from Foreign Offices of Establishing Entities

No data are available for shifting to IBFs from foreign offices of either U.S. or foreign banks. However, the amounts of such shifts through January 27 were estimated by subtracting the amounts shifted to IBFs from U.S. books of establishing entities from the amounts on the IBF balance sheets. This calculation assumes that all amounts on the IBF books at the end of January were shifted from establishing entities or foreign offices of those entities, and does not take into account other business booked at IBFs or amounts shifted from U.S. books of an establishing entity after the filing of its four-week domestic shift report. As a result, these estimates represent an upper limit on amounts shifted to IBFs from foreign offices of establishing entities through the end of January.

As of January 27, IBFs established by U.S.-chartered banks had about $25 billion in claims on unrelated foreign residents and about $6 billion in liabilities due to unrelated foreign residents that were *not* shifted from U.S. offices of these banks during the first four weeks after establishment of an IBF (table 3). The comparable figures for IBFs established by U.S. agencies and branches of foreign banks were about $5½ billion for claims on unrelated foreign residents and $9 billion for liabilities due to unrelated foreign residents.

That non-U.S. offices of foreign banks have shifted much smaller amounts of assets to IBFs than have non-U.S. offices of U.S. banks can be explained in part by differences in tax incentives. U.S. banks are subject to U.S. federal income taxation on their worldwide income, which includes income of both their IBFs and their foreign offices. Therefore, shifting assets from a foreign office to an IBF would not, in general, increase a U.S. bank's federal income tax liability. Income arising from the activities of an IBF at a U.S. agency or branch of a foreign bank is, like that of an IBF of a U.S. bank, subject to U.S. federal income taxation in the same manner as income arising from the activities of the agency or branch itself. By contrast, income associated with activities at non-U.S. offices of foreign banks is not subject to U.S. federal taxation, provided that the income is not "effectively connected" with the activities of a U.S. agency or branch. As a result, a foreign bank would, in general, increase its U.S. federal income tax liability by shifting assets from a foreign office to an IBF.

The estimates of potential shifting to IBFs from foreign branches of U.S. banks are consistent with data from the monthly reports filed by these branches. Although it is impossible to determine what changes in branch activity would have occurred in the absence of IBFs, shifting to IBFs appears to have been associated with a decline in transactions with unrelated foreign residents at foreign branches of U.S. banks. As table 3 shows, from the end of November to the end of January, claims on and liabilities due to unrelated foreign residents at Caribbean branches of U.S. banks that had established IBFs declined by amounts roughly similar to the estimated shifts to IBFs from foreign offices of U.S. banks. Moreover, bankers indicate that the bulk of shifts to IBFs from foreign branches of U.S. banks were from branches in Nassau and the Caymans. Claims on and liabilities due to unrelated foreign residents, particularly banks, at London branches of U.S. banks also declined from the end of November to the end of January, but it is not clear to what extent these declines were caused by shifting to IBFs.

The excess of estimated assets over estimated liabilities shifted to IBFs from foreign branches of U.S. banks implicitly involves advances from the foreign branches to the IBFs, and is consistent with the change in the net position of the Caribbean branches vis-à-vis their parent banks in the United States, which include IBFs.

The decline in transactions with unrelated foreign residents at Caribbean branches that appears to have been associated with shifts to IBFs during December and January continued through

3. Potential shifting to IBFs from foreign branches of U.S. chartered banks through January 27, 1982

Billions of dollars

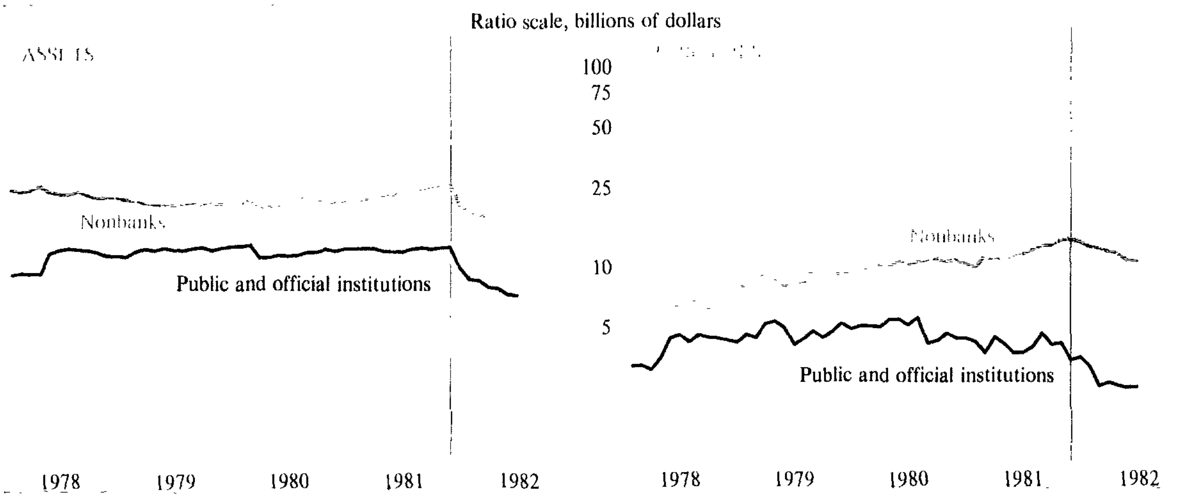
Item	Amounts outstanding at IBFs, 1/27/82[1]	Shifts to IBFs from domestic books[2]	Potential shifts to IBFs from foreign branches, (2) – (1)	Changes at Caribbean branches, 11/30/81–1/29/82[3]	Changes at London branches, 11/30/81–1/29/82[3]
	(1)	(2)	(3)	(4)	(5)
Claims on unrelated foreign residents					
1. Banks	13.5	1.2	12.3	−11.5	−7.1
2. Nonbanks	10.9	2.2	8.7	−7.8	−.6
3. Public and official institutions	4.7	.9	3.8	−4.0	−.2
4. Total, lines 1–3[4]	29.1	4.3	24.8	−23.3	−7.9
Liabilities due to unrelated foreign residents					
5. Banks	3.9	0	3.9	−5.5	−6.5
6. Nonbanks	1.4	.1	1.3	−1.2	−2.8
7. Public and official institutions	.9	0	.9	−.1	1.0
8. Total, lines 5–7[4]	6.2	.1	6.1	−6.8	−8.3
MEMO					
Excess of assets shifted to IBFs over liabilities shifted to IBFs (line 4 minus line 8)	...	4.2	18.7	...	...
Net liabilities due to U.S. offices (including IBFs) on books of foreign branches	...	...	...	−16.7	−3.0

1. Includes only IBFs that were established by U.S.-chartered banks on or before January 6, 1982, and that had assets or liabilities of at least $50 million on January 27, 1982. Figures include amounts denominated in U.S. dollars only.

2. Includes shifting through January 27, 1982, to IBFs that were established on or before January 6, 1982, and that had assets or liabilities of at least $50 million on January 27, 1982. Figures include amounts denominated in U.S. dollars only.

3. Includes only branches that reported on form FR 2502 as of November 30, 1981, and as of January 29, 1982 (the last business day of the month), *and* whose U.S.-chartered parent banks had established IBFs.

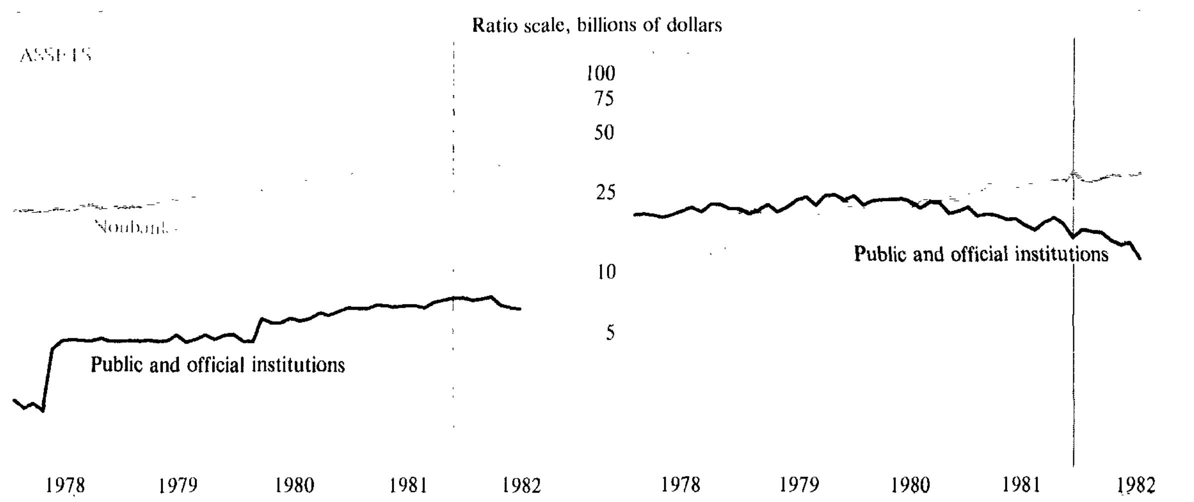
4. Does not include claims on (other liabilities due to) other IBFs because IBFs are not foreign residents. Securities of non-U.S. addressees and "other assets" ("other liabilities") in IBF accounts are also excluded because the equivalent categories for foreign branches of U.S. banks are not allocated between domestic and foreign residents.



mid-1982. This trend suggests that IBFs are being used instead of shell branches to book business that is IBF-eligible. As chart 5 shows, Caribbean branch claims on three categories of foreign residents—banks, nonbanks, and public and official institutions—continued to decline through the first half of 1982, although at a less rapid rate than in December and January. Liabilities due to foreign banks at the Caribbean branches continued to decline rather sharply.

As shown in table 4, despite the relatively large decline in Caribbean branch transactions with unrelated foreign residents over the entire period from the end of November through the end of July, considerable amounts of claims on and liabilities due to unrelated foreign residents remain on the Caribbean branch books.

At London branches of U.S.-chartered banks, the pattern of activity since the end of January appears to have been affected only slightly, if at all, by the existence of IBFs. For example, although claims on unrelated foreign banks at the London branches declined in December and January, a time when many IBFs were established, such claims remained approximately constant from the end of January through July (chart 6).



4. Selected assets and liabilities of foreign branches of U.S.-chartered banks[1]

Billions of dollars

Item	All branches			Caribbean branches			London branches		
	11/30/81	7/30/82	Percentage change[2]	11/30/81	7/30/82	Percentage change[2]	11/30/81	7/30/82	Percentage change[2]
Total assets/liabilities	463	465	.5	149	141	−5.2	162	164	−1.5
Claims on unrelated parties[3]	347	321	−7.5	117	93	−20.4	115	107	−6.7
Foreign residents	309	274	−11.1	100	67	−32.9	104	97	−7.4
U.S. residents	18	27	52.0	12	22	81.3	4	4	3.0
Liabilities due to unrelated parties[3]	326	318	−2.5	89	85	−4.8	141	139	−1.7
Foreign residents	228	195	−14.7	41	25	−40.1	102	91	−10.8
U.S. residents	79	103	30.9	44	58	30.4	32	40	23.1

1. Data include all branches with total assets of at least $150 million—or "shell" branches with total assets of at least $50 million—on the report date or on any previous report date in the same calendar year.

2. Percentage changes were computed using unrounded numbers.

3. Claims on (liabilities due to) unrelated U.S. residents plus claims on (liabilities due to) unrelated foreign residents do not equal total claims on (liabilities due to) unrelated parties because an "other assets" ("other liabilities") category is not allocated between domestic and foreign residents on the FR 2502 report form.

CONCLUSION

Claims on unrelated parties at IBFs amounted to $57 billion on December 30, 1981, the end of the first month of IBF operations. Since then, IBF activity has continued to grow, and, as of September 8, 1982, such claims amounted to $131 billion. Although IBFs have been in operation for less than a year, some definite patterns of activity have emerged. For example, on the liability side, IBF business consists primarily of interbank and intrabank transactions. However, this pattern may change over time as IBFs develop a nonbank customer base.

Both U.S.-chartered banks and U.S. agencies and branches of foreign banks that have established IBFs are continuing to develop ways to use IBFs more effectively. New York State tax regulations for IBFs were not issued until the end of March 1982, and the prolonged uncertainty regarding these regulations may partially explain why some banking institutions have moved slowly in shifting assets to their IBFs.

The consensus in the banking community is that, to date, IBFs have not attracted a substantial amount of new business. Rather, the business now on the IBF books either was shifted there from establishing entities and foreign offices of those entities or would, in the absence of IBFs, have been booked at the establishing entities or foreign offices of those entities.

Beyond the general forces underlying the growth of the Eurocurrency market as a whole, a number of factors are involved in the future growth of IBFs. For example, the ability of IBFs to attract deposits from foreign residents will depend, among other things, on depositors' perceptions of advantages regarding the sovereign risk associated with deposits subject to U.S. law and on the extent to which banks actively market IBF deposits.

Just how competitive IBFs will be with other banking centers remains to be seen. Further growth in IBF activity in the near future seems likely as experience is gained with this innovation. And in the long term, IBFs have the potential to become a significant center of Euromarket activity. □

FOOTNOTES

1. In general, each branch or agency of a foreign bank may establish an IBF. However, for regulatory and reporting purposes IBF activities at a foreign bank's branches and agencies in the same state and same Federal Reserve District are regarded as activities of a single IBF.

A U.S.-chartered bank may engage in IBF activities at any of its branch offices; since virtually all U.S.-chartered banks may operate branches in only one state, for regulatory and reporting purposes a U.S. bank is regarded as establishing only one IBF. However, through its subsidiary Edge corporation, a U.S. banking organization may have IBFs in more than one state.

In general, IBFs may be established at each U.S. office of a subsidiary Edge corporation of a domestic or foreign bank. However, as in the case of agencies and branches, for regulatory and reporting purposes, IBF activities at offices of Edge corporations in the same state and same Federal Reserve District are regarded as activities of a single IBF.

2. Such notice must be filed two weeks before opening an IBF. The basic accounting requirement is that an establishing entity must segregate on its books and records the asset and liability accounts of its IBF. At present the Board requires entities whose IBFs have assets or liabilities of $50 million or more to file weekly reports of their IBF accounts. All entities with IBFs are required to file a quarterly report of their IBF accounts as a supplement to their quarterly report of condition.

3. IBF transactions with foreign governments and official institutions are treated in the same manner as IBF transactions with foreign banks. Deposits of foreign governments and official institutions, like those of foreign banks, are not included in the U.S. monetary aggregates.

4. This policy must be communicated in writing to IBF nonbank customers when a credit or deposit relationship is first established; foreign affiliates of U.S. entities must supply a written acknowledgment.

5. The transactions must be at arm's length and without recourse, and the assets involved must satisfy the use-of-proceeds requirement. In addition, an establishing entity and its affiliates may not endorse or in any way guarantee a negotiable instrument sold by its IBF in a secondary market transaction.

6. In the calculation of such reserves, any amounts that the foreign branches are, on a net basis, receiving from their parent bank may be used to offset branch loans to U.S. residents and purchases of assets from the parent bank.

7. Some banking organizations have requested that the Board consider permitting lending limits and leveraging restrictions for an IBF established by a U.S. office of an Edge corporation to be based on the capital of the parent bank, rather than that of the Edge corporation.

8. The others are Connecticut, Maryland, Georgia, North Carolina, and Washington; the District of Columbia has also enacted IBF tax legislation.

9. Under New York law, New York taxable income may be computed according to one of two methods: a separate accounting basis; or a formula allocation basis under which a portion of adjusted federal taxable income is allocated to New York on the basis of a one-factor formula, the ratio of gross income from New York sources to gross income from all sources. Many New York banks use the separate accounting basis.

10. The adjustment for the floor amount in Illinois is similar to that in New York except that the base year is 1980, and the floor amount is not phased out.

11. Some multistate networks of related IBFs have been established, particularly by foreign banks. Of the 126 U.S.-chartered banks that have themselves established IBFs, 23 have related IBFs in at least one other state established by offices of their subsidiary Edge corporations. Of the 138 foreign banks with U.S. agencies and branches that have established IBFs, 87 have IBFs at agencies or branches in only one state (in almost all cases, New York), while the remaining 51 have IBFs at agencies or branches in at least two states.

12. Like the Japanese banks, almost none of the major Italian banks have Caribbean shell branches. As of September 8, IBFs established by agencies and branches of Italian banks had about $7½ billion in claims on unrelated parties, the largest figure for a European country. In the aggregate, IBFs established by U.S. agencies and branches of European banks had about $22 billion in such claims.

13. Asset sales from a U.S. banking office to its IBF are subject to Eurocurrency reserve requirements; however, the Federal Reserve Board's regulations permit assets to be transferred from a U.S. office to its IBF on a reserve-free basis during the first four weeks after the institution has established its IBF. This rule appears to provide an incentive for a banking office to make such transfers during that period. However, some large U.S.-chartered banks were substantial net lenders of funds to their foreign branches, so that even after taking into account such asset sales (and also loans to U.S. residents at their foreign branches), these banks would have had no incentive arising from Eurocurrency reserve requirements to make such transfers during the four-week period.

14. Shifting of assets and liabilities to IBFs had a relatively small impact on required reserves. From December 3, 1981, through January 1982, the period during which the bulk of shifting from domestic books to IBFs occurred, the estimated reduction in required reserves attributable to IBFs was only about $180 million to $230 million compared with total required reserves of about $41 billion for the week ending December 2, 1981. Most of the impact was attributable to a decline in Eurocurrency reserves, which are estimated to have decreased between $140 million and $160 million compared with total Eurocurrency reserves of $550 million for the week ending December 2. The reduction in Eurocurrency reserves resulted principally from the transfer to IBFs of an excess of claims on unrelated foreigners over liabilities due to unrelated foreigners from the U.S. books of establishing entities. These transfers created a "due from IBF" on the books of the domestic office, which, because IBFs are included with foreign branches for reserve requirement purposes, reduced U.S. offices' net liabilities due to foreign branches and IBFs—one of the components used in calculating Eurocurrency reserve requirements.

Treasury and Federal Reserve Foreign Exchange Operations

This 41st joint report reflects the Treasury–Federal Reserve policy of making available additional information on foreign exchange operations from time to time. The Federal Reserve Bank of New York acts as agent for both the Treasury and the Federal Open Market Committee of the Federal Reserve System in the conduct of foreign exchange operations.

This report was prepared by Sam Y. Cross, Manager of Foreign Operations for the System Open Market Account and Executive Vice President in charge of the Foreign Group of the Federal Reserve Bank of New York. It covers the period January through July 1982. Previous reports have been published in the March and September BULLETINS of each year beginning with September 1962.

The dollar was generally strong during the February-through-July period of this review. It climbed irregularly through the first half of the year, and by early July reached levels against several currencies not seen in many years. Although the dollar eased back from its highs during the last weeks of July, it closed on balance between 4 and 16 percent higher against major foreign currencies.

For much of the period, market participants focused on monetary policy developments here and abroad though the movement of interest rate differentials had less impact on dollar exchange rates than in many earlier periods. In the United States, money growth was strong even as the economy contracted, and an unexpectedly large bulge in the monetary aggregates in January pushed growth in M1 above its targeted range. Market participants anticipated that the Federal Reserve would tighten up on the availability of banks' reserves, thereby restraining the growth of money and credit even though concern was mounting over recession in the United States. Also, the prospect of continued large U.S. fiscal deficits, even after the economy was projected to emerge from recession, put pressures on the financial markets.

Abroad, monetary authorities faced even more prolonged weakness of their domestic economies than experienced in the United States as well as persistent inflationary pressures and structurally large fiscal deficits. Pressures to stimulate demand and to lower record or near-record rates of unemployment were intense. Expectations developed in the market that foreign authorities not only would be reluctant to raise their interest rates, but would also take advantage of opportunities to relax their financial policies, at least in some measure.

In general, interest rate developments tended to confirm these expectations through the first half of the year. With the Federal Reserve restraining the growth of bank reserves, short-term U.S. interest rates were bid up sharply in March and again in June in anticipation of a renewed expansion in the monetary aggregates. When dollar interest rates rose, interest rates for assets denominated in other currencies barely increased.

On those occasions when the demand for money and credit subsided and U.S. interest rates eased, such as in late February and late April and early May, interest rates abroad also tended to soften and some foreign central banks reduced official lending rates. Moreover, in view of improvements in inflation and balance of payments performances, some countries, notably Germany and the Netherlands, were prepared at times to see a lowering in their domestic interest rates even without comparable declines in U.S. interest rates. As a result, there was a tendency through June for actual and expected interest rate differentials favoring the dollar to widen when U.S. interest rates moved higher by more than the differentials narrowed when U.S. rates moved lower.

Meanwhile, several other factors supported the demand for dollars. Underpinning the dollar was growing evidence that inflation was receding in the United States. To be sure, market participants had concerns about the stance of fiscal policy, including fears that pressures would arise on the Federal Reserve to relax monetary policy prematurely and thereby dissipate the hard-won gains in the anti-inflation fight. But, for the time being, market participants were generally impressed by the commitment to reduce the role of government in the private sector, by the steadfastness of the U.S. monetary authorities in sticking with restrictive policies, and by the results achieved so far. Wage settlements proved surprisingly moderate, with some unions accepting pay cuts to prevent or cushion declines in employment, and many union settlements actually suspended or otherwise modified even the principle of cost-of-living increases. Forecasters anticipated that, even if food and energy prices were to increase again, the overall U.S. inflation rate would decelerate substantially for the year as a whole. Inflation in this country was therefore moving well below that of most U.S. trading partners and was rapidly converging toward the performance of traditionally "low inflation" countries, such as Germany, Japan, and Switzerland.

Also, the deepening international recession, an abrupt stagnation in the volume of world trade, and a buildup of pressures for protectionist measures affected the United States less adversely than many other countries. Confounding expectations of a swing into deficit, this country's current account remained in surplus. Import volumes, particularly of crude oil, declined sharply in response to the recession in the economy and continued reaction to previous oil price increases, while agricultural exports and the performance of services, most notably net investment income earnings, remained strong. Also, a softening of most commodity prices and the strengthening of the dollar led to an improvement in the terms of trade, which helped hold down the total cost of imports. At the same time, further improvements in the current accounts of Germany and Japan were stalled by the weakening global demand for manufactured goods, as well as the slowdown of previously buoyant markets in Asia and in Organization of Petroleum Exporting Countries (OPEC) member states. Indeed, the more pessimistic outlook for growth of world trade heightened competitive pressures, particularly for those countries in which trade is a major component of gross national product.

In addition, the United States continued to prove attractive to foreign investors. For one thing, economic policies of the United States embodied a clear antiregulatory posture and a strong commitment to private enterprise that, combined with a relatively flexible structure of management-worker relations, served as an inducement to foreign direct investment in the United States. The domestic political and economic climate in many other parts of the world, including continental Europe and Canada, was often more uncertain for business and financial investment.

In the first six months of 1982, foreign direct investment in the United States continued to exceed U.S. direct investment abroad. For another, the United States increasingly came to be viewed as a safe haven for investors seeking outlets for funds at a time of mounting international insecurity. Instability in Eastern Europe and open hostilities in the Middle East were thought to have more serious economic and political implications for many countries abroad than for the United States. These international tensions posed difficult policy issues for authorities already grappling with divisive domestic problems, underlining in the market's view the difficulties foreign leaders confronted in dealing with the numerous challenges before them. These uncertainties therefore prompted sizable net flows of long-term portfolio capital into the United States that, to some extent, had their counterpart in outflows from Germany and Japan.

Several of the factors underpinning the dollar coalesced in early June. Hostilities in Lebanon intensified, other developments in the Middle East were temporarily unsettling, the financial markets in the United States were wary of a renewed bulge in the monetary aggregates, and market speculation built up that competitive pressures would soon force a realignment of the European Monetary System (EMS). In the event, the EMS was realigned over the June 12–13 weekend, following an earlier adjustment of parities in February. This time intense bidding

1. Drawings and repayments under reciprocal currency arrangements, January 1, 1982–July 31, 1982[1]

Millions of dollars equivalent; drawings, or repayments ( )

Bank drawing on System	Outstanding, Jan. 1, 1982	Activity by foreign central banks 1982 Q1	Q2	July	Outstanding, July 31, 1982
Bank of Mexico	0	0	800.0 -800.0	700.0 200.0	700.0
Transactions with	**Commitments, Jan. 1, 1981**	**Activity by the Federal Reserve System 1982 Q1**	**Q2**	**July**	**Commitments, July 31, 1982**
Public series					
German Federal Bank	3,622.3	0	−451.0	−580.6	2,610.6
Swiss National Bank	458.5	0	0	0	458.5
Total	**4,080.8**	**0**	**−451.0**	**−580.6**	**3,069.1**

1. Because of rounding, figures may not add to totals. Data are on a value-date basis.

pushed the dollar up, not only against the currencies that had been devalued in the joint float, but also and unexpectedly against the German mark, which had just been revalued, and against non-EMS currencies as well. With the dollar rising sharply in unsettled markets, the U.S. authorities intervened on June 14 in an effort to restore orderly trading conditions. Operating through the Trading Desk, they bought $21 million equivalent of German marks and $9 million equivalent of Japanese yen. This operation provided resistance to the rapid run-up in dollar rates and helped restore more orderly trading conditions.

In July dollar interest rates dropped sharply. The domestic economy was proving far weaker than expected, with worrisome declines in production and with increases in unemployment. Though corporate balance sheets remained generally strained by the burden of short-term debt, overall credit demands slackened in response to the continuing stagnation in demand and output. Moreover, the growth of the monetary aggregates, for the first time in 1982, slowed sufficiently to bring M1 into target range, and with short-term interest rates softening, the Federal Reserve twice announced cuts in its discount rate of ½ percentage point from 12 to 11 percent by the end of July. Abroad, interest rates did not decline nearly so much. The process of winding down inflationary pressures had stalled. Although economic conditions generally had deteriorated further as the recession deepened, only in a few countries, such as Great Britain and France, did the authorities continue the earlier trend toward an easing of monetary policy, and short-term interest rates in most foreign industrial countries were either unchanged or moved somewhat higher. Thus, interest rate differentials narrowed dramatically, for example, from 7½ to 4 percentage points vis-à-vis the German mark and from 9½ to 5¾ percentage points against the Japanese yen.

The dollar weakened only slightly, however. Market participants recognized that there continued to be important reasons other than interest rates for buying and holding dollars. In addition, by this time, market participants were shoring up their liquidity positions in dollars as a precaution against any funding difficulties that might arise in the wake of the deteriorating financial positions of major private and public-sector borrowers. Some problems had arisen affecting U.S. banks and other financial concerns, as in the cases of Drysdale Securities and Penn Square Bank, as well as private institutions abroad. Still other difficulties related to the sovereign debts of various countries including major borrowers in Eastern Europe and Latin America. Among market participants the feeling prevailed that, while individual U.S. institutions were vulnerable to serious financial strains, they were as a group in a better position to cope with international financial pressures than nondollar-based institutions.

By the end of July the dollar was off the highest levels of the period. Compared with levels at the end of January, it was still about 4½ percent higher on balance against the Canadian dollar and the German mark, nearly 7 percent higher against pound sterling, and about 11 percent higher against the Japanese yen and the Swiss franc. Against the currencies within the EMS that had been devalued, the dollar rose on balance between 9 percent and 16 percent. On a trade-weighted basis the dollar rose nearly 10 percent.

2. U.S. Treasury and Federal Reserve foreign exchange operations[1]

Net profits or losses (−), in millions of dollars

Period	Federal Reserve[1]	U.S. Treasury	
		Exchange Stabilization Fund	General account
1982: 1	0	16.9	−4.2
2	0	1.5	78.5
July	0	1.7	58.8
Valuation profits and losses on outstanding assets and liabilities as of July 31, 1982	−617.4	−1,382.2	722.2

1. Data are on a value-date basis.

During the period, the Bank of Mexico requested and was granted three drawings on its swap line under the Federal Reserve's reciprocal currency arrangements. The drawings were made at the end of April, June, and July, each for one-day maturity.

On May 12 and July 26 the U.S. Treasury redeemed further maturing German mark-denominated securities equivalent to $1,011.6 million. After these redemptions, the Treasury had outstanding $3,069.1 million equivalent of the foreign currency notes, public series, which had been issued in the German and Swiss markets with the cooperation of the respective authorities in connection with the dollar-support program of November 1978. Of the notes outstanding as of July 31, 1982, a total of $2,610.6 million was denominated in German marks and $458.5 million was denominated in Swiss francs. The maturity dates for those securities range between September 1, 1982, and July 26, 1983.

In the seven months through July 1982, the Federal Reserve had no gains or losses on its foreign currency transactions. The Exchange Stabilization Fund (ESF) gained $15.7 million net in connection with sales of foreign currencies to the Treasury general account, which the Treasury used to finance interest and principal payments on foreign currency-denominated securities. The Treasury general account gained $133.1 million net, reflecting $137.3 million of profits on the redemption of German mark-denominated securities, which was partially offset by $4.2 million of losses as a result of annual renewals at current market rates of the agreement to warehouse Swiss-franc proceeds of Treasury securities with the Federal Reserve. As of July 31, 1982, valuation losses on outstanding balances were $617.4 million for the Federal Reserve and $1,382.2 million for the ESF. The Treasury general account had valuation gains of $722.2 million related to outstanding issues of securities denominated in foreign currencies.

GERMAN MARK

By late 1981 through early 1982 Germany's economic situation had improved in major respects. Germany's export sector was enjoying boom conditions aided by improved competitiveness, which partly reflected the mark's prolonged depreciation against the dollar, and by exceptional buoyancy in OPEC markets. Meanwhile, import demand was sluggish, reflecting stagnation in the domestic economy. This combination generated a surplus in the current account in the fourth quarter of 1981 and, for the year as a whole, produced a dramatic narrowing of the deficit from DM 30 billion to DM 17 billion. Inflation, after peaking at an annual rate of 6.7 percent in October 1981, slowed markedly in response to softer international commodities prices, a flattening-out of unit labor costs, and the impact of economic slack on wage–price behavior. Greater progress by Germany than by most other countries in gaining balance of payments equilibrium and in the fight against inflation had for some time kept the mark strong within the EMS. Therefore, even as the German currency declined against the dollar to trade around DM 2.3420 at the end of January, it tended to stabilize in effective terms. The authorities felt able to begin a cautious easing of monetary policy without incurring highly adverse exchange rate consequences and, beginning October 1981, lowered the Lombard rate three times from 12 percent to 10 percent by late January. Looking ahead, many exchange market participants expected the authorities would gain more room for maneuver, particularly once U.S. interest rates dropped from their high levels and large interest differentials adverse to the mark began to narrow.

Despite these achievements, however, major economic problems persisted and were reflected to a large extent in the weak performance of the capital account. Domestically, nonwage labor costs remained high and the role of the government in the economy expanded despite efforts to consolidate the fiscal deficit. These trends were thought to imply a loss of private initiative and decisionmaking. They also generated worries in the private sector about Germany's medium-term growth prospects in view of the potential need for future increases in taxes and the growing burden of social benefit programs. Internationally, there were heightened tensions in Poland, especially after the imposition of martial law, a general deterioration in East–West relations, and renewed hostilities in the Middle East as well as in some of the world's other trouble spots. Many of these developments generated important disagreements at the policy level and drew attention to divisions within the ruling coalition government.

In an environment of political and economic uncertainty, large net flows of private direct investment and long-term portfolio capital moved from Germany to other countries, particularly the United States. The pressure of long-term capital outflows intensified when, contrary to expectations, U.S. money growth accelerated early in the year even as the U.S. domestic economy was contracting. As short-term U.S. interest rates moved higher, opening up interest differentials adverse to the mark to about 6½ percentage points by mid-February, capital flowed out of Germany more heavily than before.

Meanwhile, Germany's current account performance in January and February suffered a serious setback. The services balance reverted to sizable deficit, partly as the result of growing outflows of investment income and mounting interest payments on public-sector borrowings. Also, the trade surplus narrowed substantially, underscoring the many risks to sustained, rapid export growth that had begun to develop. There were constraints presented by the financing problems of Eastern European countries, the decline of the OPEC surplus and oil revenues placed limits on previously expanding markets, and many large industrial economies were becoming locked into a pattern of domestic stagnation. By comparison, in the United States, recession-induced declines in import demand kept the current account in surplus when a deficit was expected, and forecasters began to assess the outlook for U.S. balance of payments performance more favorably. In view of the unexpected deterioration relative to the United States in both current and long-term private capital accounts of Germany's, the mark declined against the dollar, moving lower almost without interruption through mid-April.

Within the EMS, however, the mark remained firm. In fact, after the realignment of the joint float on February 21, in which the central rates of the Belgian franc and the Danish krone were adjusted downward 8½ and 3 percent respectively, the mark was quick to move to the top of the newly aligned band. Germany's superior inflation performance in relation to other EMS member states and the authorities' established policy record of combating inflationary pressures brought the mark into renewed demand, as traders and investors accelerated the shift of short-term funds into the mark at the expense of other EMS currencies whose prospects were less promising.

The renewed strength of the mark within the EMS served to mitigate conflicting pressures on domestic monetary and exchange rate policies. To be sure, outflows of long-term capital from Germany to the United States showed no signs of abating and the mark continued to weaken against the dollar. But, with the German currency firm within the EMS, the effective exchange rate held steady, thereby tempering the rise in Germany's import prices. In addition, oil and other dollar-denominated commodities that loomed large in Germany's import bill and that had contributed previously to the phenomenon of imported inflation were declining in price. Furthermore, the outlook for domestically generated price rises improved when, early in the wage round, the pace-setting metals industry agreed on annual wage increases of only 4.2 percent, compared with about 5 percent a year earlier.

Altogether, these considerations provided greater insulation than before between developments in U.S. and German markets. The authorities were concerned, however, about the magnitude of the long-term outflows of funds. While resisting calls for the imposition of capital controls, the German Federal Bank reached a new gentleman's agreement late in February, with large commercial banks limiting the size of individual foreign mark-denominated bond and note issues. On March 19 the central bank lowered the special Lombard rate ½ percentage point to 9½ percent. The German Federal Bank also provided additional liquidity to the domestic markets, but proceeded with considerable caution. The authorities feared that too abrupt or rapid an easing of monetary restrictiveness would undermine the progress achieved in reducing inflation and inflationary expectations. They also wished to avoid pushing the growth of central bank money beyond the top of the annual growth target of 4 to 7 percent.

The reduction of German interest rates was followed immediately by interest rate cuts in several other European centers, so that interest rate relationships within Europe were largely unchanged. By this time, interest differentials among EMS states were widely seen as inadequate compensation for divergent inflation prospects and performance, so that the pressure of large money flows into Germany persisted and kept the mark pinned to the top of a fully stretched EMS band. The German Federal Bank and other EMS central banks absorbed part of the pressure through purchases of EMS currencies against the sale of marks. Meanwhile, unlike interest rates in Europe, those in the United States had begun to rise again, ahead of the anticipated bulge in money growth in April and against the background of large U.S. budget deficits overhanging the credit markets. In these circumstances, the mark continued to decline against the dollar, falling to DM 2.4225 by April 15, a drop of 3½ percent from late-January levels.

The German Federal Bank provided little intervention resistance to the mark's descent, partly not to aggravate strains within the EMS and partly because the authorities felt unable to provide through the mechanism of intervention a lasting and effective counterweight to the pressure of long-term capital outflows. Between the end of January and the end of March, Germany's foreign currency reserves declined only moderately from $37.5 billion to $37.1 billion.

After mid-April, market sentiment shifted for a time in favor of the mark, as traders reacted to Germany's record monthly trade surplus announced for March and to evidence of continued moderate pay settlements in the 1982 wage round. Moreover, U.S. interest rates turned suddenly downward as prolonged weakness of the U.S. economy encouraged expectations of a rapid unwinding of the April money bulge. Thus, the mark rose against the dollar in the exchanges. The German Federal Bank, while welcoming the advance of the mark particularly for its favorable implications for inflation, remained concerned about the weakness of the domestic economy.

Hopes for an improvement in domestic demand were disappointed by the continued slump in capital investment, the lack of consumer confidence, and the persistent rise in unemployment. In these circumstances, the authorities acted further to lower domestic interest rates. The German Federal Bank on May 6 closed the special Lombard facility and reintroduced regular Lombard credit at 9 percent, ½ percentage point lower than the special lending rate. German Federal Bank President Poehl stated that the abolition of the special Lombard had symbolic meaning: it signified success in decoupling monetary policy in Germany from that of other countries and signaled generally easier credit conditions that would foster economic recovery. Following the reduction of the Lombard rate, German money market rates moved lower, but comparable U.S. rates declined even more, so that the adverse interest differential against the mark narrowed to 5½ percentage points. The mark thus continued to rise against the dollar and reached DM 2.2770 by mid-May, up 6 percent from the lows touched a month before.

However, the mark was unable to consolidate these gains, because again U.S. interest rates rebounded and market participants found reason to question the strength of the underlying fundamentals of the German economy. For example, Germany's trade surplus declined in April while the U.S. trade account registered impressive gains, raising new questions about the extent to which current account trends would benefit the mark. In addition, Germany's governing coalition was seen increasingly as threatened by protracted difficulties in reaching agreement on proposed spending cuts to reduce the 1983 federal budget deficit and financing requirement. Unsettling geopolitical developments, such as the Israeli invasion of Lebanon and the conflict between Iran and Iraq, were also thought to have more serious adverse consequences for Germany than for the United States and to a lesser extent the United Kingdom, considered less vulnerable to a disruption of internationally traded oil.

The mark's weakening tendency against the dollar contrasted with continued strength within the EMS, where speculation of another realignment kept the German currency in heavy demand throughout the spring against weaker currencies, particularly the French and the Belgian francs. In the event, shortly after the Versailles economic summit the EMS was again realigned. Over the June 12–13 weekend the mark and the Dutch guilder parities were adjusted upward by about 7 percent and 10 percent against the Italian lira and French franc respectively, and 4¼ percent against other participating currencies. That same weekend, international concerns, which for some time had supported the dollar in the exchanges, intensified with the death of King Khaled of Saudi Arabia and the extension of fighting in Lebanon among Israel, Syria, and the Palestine Liberation Organization.

When trading resumed after the realignment on Monday, June 14, the mark emerged at the bottom of the newly aligned band and funds flowed as anticipated from the revalued EMS currencies into the currencies of the joint float that had been devalued. But a portion of the unwinding of long EMS currency positions was reflected in heavy bidding for dollars in unsettled trading conditions. The mark declined sharply and unexpectedly against the dollar first in Europe and then in New York. At this time the U.S. authorities intervened to purchase modest amounts of German marks, as well as Japanese yen. Operating on behalf of the Federal Reserve and the U.S. Treasury, the Desk acquired $21 million equivalent of marks. It was publicly announced that the U.S. authorities had conducted some intervention, the first since March 1981, in accordance with stated U.S. policy of intervening to counter disorderly conditions. In subsequent days and weeks, talk spread in the market that concerted action was likely by the U.S., European, and Japanese authorities to halt the continuing run-up in dollar rates. While the European authorities did on occasion operate in a concerted fashion to restrain the decline of their currencies against the dollar, the intervention operations were relatively modest in amount. For their part the U.S. authorities did not again intervene during the period under review.

Between mid-June and mid-July the mark was pushed downward against the dollar, as exchange market participants grappled with several sources of concern that worked in the direction of further undermining confidence in the German currency. One such concern centered on the budget. Within the governing coalition, public disagreement over the persistence of large budgetary deficits was often intense and each party suffered heavy losses in local elections early in the summer. A compromise on the 1983 budget was finally reached in July, reducing the federal government's projected net borrowing DM 6 billion to DM 28.5 billion. But, partly because the budget rested on economic growth assumptions, which private analysts generally regarded as highly optimistic, many questioned whether the actual budget outcome would conform to the compromise.

Financial concerns, too, worked against the German currency. West German banks, of all Western banks, were the most heavily committed in Eastern Europe and therefore had the most to lose if Polish debt-rescheduling negotiations, which had already dragged on for months, failed to reach a successful conclusion. Unease about the risks to the German economy of its deep international involvement was also underscored by the U.S. decision to ban the sale of U.S. goods and technology, even if produced abroad under license, to the Soviet Union's gas pipeline project. Furthermore, the combination of restrictive monetary policy and slack demand generated liquidity strains in the private sector in Germany, as in several other countries.

These various problems dragged the mark sharply lower, particularly as demands for dollar liquidity accelerated in late June and early July. At that time, banks bid aggressively in the money markets to lock in their funding to finance the heavy rollover of six-month credit coming due in the Euromarkets and to meet precautionary demands on the part of financial market participants laboring under the awareness of increased risk in international lending. On July 7 the mark dropped to as low as DM 2.52 in European trading, a decline of about 10½ percent from the high reached in May.

Subsequently, U.S. interest rates began to decline rapidly, narrowing the dollar's interest rate advantage over the mark. The growth of the U.S. monetary aggregates had slowed sufficiently to bring M1 back into target range (for the first time in 1982), and with short-term interest rates softening, the Federal Reserve twice announced cuts in its discount rate of ½ percentage point, thereby reducing the rate from 12 to 11 percent by the end of July. But, even as interest differentials adverse to the mark narrowed to 4 percentage points, demand for the mark in the exchanges was muted. This lack of enthusiasm in part reflected uncertainty in the exchange markets that the downtrend in U.S. interest rates would be sustained. Participants were mindful of frequent reversals in the past and focused on the threat of significantly higher interest rates posed by uncommonly large U.S. government deficits projected for fiscal year 1983 and beyond. In addition, sentiment toward the mark remained adversely affected by the numerous challenges to German policy and leaders presented by financial, trade, and political problems and by worries that policies might not be adopted to deal with these problems effectively.

By midsummer the weakness of the mark against the dollar had become more of a constraint on the German authorities' policy options, even though on a trade-weighted effective basis the German currency remained steady. German policymakers hoped to lower domestic interest rates further to support the economy, which was stagnating far longer than expected. With foreign orders trending sharply downward and compounding persistently slack domestic demand, industrial production dropped sharply and unemployment climbed over 7 percent. But the authorities were reluctant to take action that would risk further undermining the mark in the exchanges. The nation's inflation rate, after decelerating to 5 percent year on year in March, was headed higher, in part owing to the continuing weakness of the mark against the dollar and to administrative price increases. Moreover, the outflows of capital in the long-term sector—which reached nearly DM 13 billion in the first five months of the year—were being augmented by short-term outflows, as previous speculative inflows were for the most part unwound following the EMS realignment. There was concern lest these outflows gain momentum, particularly since the mark was trading at or near the bottom of the joint float, and following up on the February agreement with the commercial banks to limit the volume of individual mark Eurobond issues, the German Federal Bank asked to be notified of any direct foreign credits of DM 50 million or more. At the same time, the authorities pointed to an erosion of confidence in the domestic bond markets in which large financial requirements of the public sector appeared to hamper further reductions of long-term rates. For these reasons the German Federal Bank did not further relax domestic monetary conditions as U.S. interest rates declined, but left its credit policies unchanged at its council meeting late in July.

At the end of July the mark was trading at DM 2.4430, up about 3 percent from its lows, but down about 4¼ percent from levels at the end of January. Between April and July, Germany's foreign currency reserves were subject to diverse tendencies. At times, particularly in June, the German Federal Bank was active in the market as a seller of dollars in support of the mark. The German authorities, along with others in the EMS, acted as sellers of marks to alleviate strains within the joint float. After the June realignment of the EMS, some of these mark sales were reversed. On balance, therefore, Germany's reserves showed little further change to stand at $36.5 billion at the end of July, down about $1 billion over the six months under review. During the period, the U.S. Treasury paid off $1,011.6 million equivalent of its German mark-denominated securities. These redemptions, which occurred on May 12 and July 26, left the Treasury with $2,610.6 million equivalent of mark-denominated notes (public series) outstanding.

SWISS FRANC

Early in 1982 the Swiss economy, while lagging behind the downturn in demand and output in most industrialized countries, was showing clear signs of weakness. Domestic consumption was declining, while previously buoyant investment in plant and equipment leveled off and construction activity slackened in response to the higher cost of credit. The stagnation in the economy was cushioned to some extent by resiliency in the export sector despite the strong appreciation of the franc, as export contracts received last year when foreign demand was stronger were filled. But the sluggishness of demand on the part of Switzerland's major customers, Germany in particular, coupled with the lagged effect of the rise in the franc, was expected to cause export volumes to stagnate in the months ahead. At the same time, inflation decelerated to about 6 percent at an annual rate from peaks of some 11 percent in the autumn. The improved price performance stemmed from the slowdown in domestic economic activity, a substantially tighter stance of monetary policy in 1981, and lower import costs—reflecting both the weakness of international commodities prices and the sharp rise of the franc in the exchanges.

Switzerland's encouraging progress on the inflation front, combined with its climate of political and social stability, made the franc an attractive asset, especially at a time when serious economic problems and political uncertainties undermined investor confidence in several other European currencies. Indeed, short-term funds flowed into the Swiss franc, keeping it relatively firm against other European currencies even as it weakened against the dollar. By the end of January the franc was trading at SF 0.80 against the German mark, not far below its historical peaks, even as it had fallen back to SF 1.8680 against the dollar. In the weeks surrounding the late-February realignment of the EMS joint float, these inflows intensified. The inflows, together with the demand for the franc arising from Switzerland's current account surplus, more than offset the impact of longer term, interest-sensitive capital outflows, as international borrowers took advantage of relatively lower interest rates in Switzerland than in most other industrial countries. As a result, the franc declined less rapidly than other currencies against the dollar in late February and early March to trade around SF 1.88 against the U.S. currency and as high as SF 0.7855 against the German mark.

With inflation moderating, the authorities hoped to maintain a relatively neutral monetary policy, pursuing the anti-inflation fight while at the same time providing sufficient liquidity to avoid exacerbating the developing weakness of the economy. Accordingly, the Swiss National Bank aimed to keep central bank money on its targeted average growth of 3 percent for 1982. The authorities made use of foreign currency swaps to provide the domestic market with temporary liquidity, while also working in various ways to add liquidity on a permanent basis. Foreign currency swaps would necessarily remain the principal means of regulating liquidity in the short run. But, over the longer run, the authorities planned to expand open market operations in domestic assets. As the markets in Switzerland responded to the increase in liquidity, domestic interest rates in both the money and the capital markets moved progressively lower, falling more rapidly than interest rates in other European centers. The Swiss National Bank confirmed this trend on March 19 by reducing the discount rate ½ percentage point to 5½ percent. Almost immediately thereafter, four major Swiss banks cut their interest rates further on large time deposits.

The drop in Swiss interest rates was considerable, shifting out three-month interest differentials adverse to franc-denominated assets to 3½ percentage points against the German mark and 9½ percentage points against the dollar. Consequently, foreign official and corporate borrowers placed heavier demands on Switzerland's capital market and converted the proceeds of their Swiss franc-denominated borrowings in the exchanges. At the same time, market participants reportedly unwound speculative positions assumed earlier against weaker currencies within the EMS. The buildup of capital outflows was such that new foreign Swiss-franc bond issues in the first quarter of 1982 increased 50 percent over the corresponding months of 1981. The pressure of these and other capital outflows offset demand for the franc arising from the current account surplus, which itself was proving unexpectedly large. Tourism receipts and investment income remained strong. Moreover, the traditional deficit on trade actually narrowed, principally reflecting the impact on imports of declining world oil prices and weakening domestic demand. But, in addition, exports slackened only moderately because exporters accepted declining profit margins to maintain market shares and because less price-sensitive, high-technology goods, which figure large in Switzerland's export basket, continued to find outlets in major foreign markets. Even so, exporters were thought to be facing the limits of their ability to compensate through decreasing profitability for the recent strong appreciation of the franc, and there were concerns that any further erosion in competitiveness would begin to cause problems.

In the event, however, declining Swiss interest rates induced large and rising net capital outflows, which brought the franc under selling pressure in the exchange markets during the spring. Market participants sensed that the Swiss authorities were not intervening or otherwise taking measures to support the exchange rate and were not uncomfortable with a gradual decline of the currency. When the Swiss central bank continued, as planned, supplying generous amounts of liquidity to the domestic markets, Swiss interest rates and the exchange rate fell rapidly lower.

On May 6, however, the Swiss authorities did not join other European authorities in reducing official interest rates. At that time, the German Federal Bank suspended its special Lombard loan facility while the Netherlands Bank lowered its rate on discount borrowings and the rate on special advances. The Swiss authorities stated that, in leaving the discount and Lombard rates unchanged, they wished to discourage the view from developing in the domestic markets that monetary policy was directed toward interest rates rather than toward the monetary aggregates. The authorities also found it desirable to keep official lending rates at relatively high levels, compared with market interest rates, to discourage excessive commercial bank borrowing from the central bank, particularly at the month-end. But, even as official rates held steady, market rates continued to ease so by late May three-month interest differentials adverse to assets denominated in Swiss francs widened to about 10½ and nearly 5 percentage points vis-à-vis the dollar and the mark respectively. In the exchange markets, the franc declined to around SF 1.9960 against the dollar and SF 0.8501 against the German mark at the end of May.

By June, market participants sensed that the Swiss authorities might have less leeway than before to continue as forcefully with the comparatively easier monetary policy approach adopted early in the year. The rate of inflation had begun to move back up, largely owing to the rapid depreciation of the franc in the spring. There was concern also that if the increase in prices went too far, it might reignite inflationary expectations, while also becoming embedded in domestic costs through the process of wage indexation. Moreover, the growth of central bank money, which in May grew at 2.4 percent year over year, began to approach the authorities' target. Thus, when the liquidity provided through foreign exchange swaps was not fully replaced, expectations developed that conditions in the domestic money market would be less liquid than before.

At the same time, broader concerns weighed on many other European currencies and worked to the advantage of the Swiss franc. The Swiss government continued to exercise tight control over federal finances, particularly on the expenditure side, and the budget deficit was expected to remain under 1 percent of GNP in 1982 even as economic activity stalled. Equilibrium in Swiss public finances stood in contrast to developments in other countries, most of which were experiencing serious difficulties in trying to hold their deficits to levels that, relative to GNP, already far exceeded that in Switzerland. Growing worries internationally about the risks of sovereign lending and concerns over developing liquidity strains posed less of a threat to the financial health of major institutions in Switzerland than to institutions elsewhere. In addition, political tensions, particularly the dangers of expanding warfare in the Middle East, underscored the role of the Swiss franc as a safe haven for international investors attracted by Switzerland's political stability.

For all these reasons, the franc became increasingly attractive to traders and investors during June and July. The spot rate steadied against the German mark, rather than weakening as before, and the franc moved in line with stronger EMS currencies against the dollar. At the end of July the franc was trading at SF 2.08 against the dollar for a decline of about 11 percent since the end of January and at SF 0.85 against the German mark, for a decline of about 6½ percent over the six months under review.

Between the end of January and the end of July, Switzerland's foreign exchange reserves rose from $10.5 billion to $11.8 billion, principally in response to foreign currency swap operations and interest earnings on outstanding reserves. Intervention operations in the exchanges were both infrequent and limited in scale.

JAPANESE YEN

By early 1982, Japan had succeeded in reducing its inflation rate to the lowest among the major industrial countries and had recorded a huge swing in its current account back into solid surplus. Economic growth, however, was falling short of the targeted rate of 4 percent for the year ended March 1982, and there were but limited choices available to the authorities to generate economic recovery. Though stimulative measures had been taken in 1981, domestic demand remained stagnant and gains in output were almost entirely concentrated in the foreign sector. Looking ahead, the contribution of exports to further growth appeared problematic. Further increases in Japan's penetration of foreign markets in a recessionary environment threatened to exacerbate tensions between Japan and its trading partners. Also, with slackening demand abroad, it began to appear that export growth might well be much weaker than expected in 1982 even if heightened trade tensions were avoided. On the domestic front, a relatively restrictive government budget had been announced in December for the fiscal year to start in April 1982, in pursuit not of short-run expansion but of the medium-term goal of further reducing the government's deficit as a proportion of GNP. As a result, monetary policy was left with the burden of providing stimulus to the economy—a decision that had taken account of Japan's success in curbing inflation and of its strong current account position. The Bank of Japan had reduced its discount rate and relaxed its "window guidance" for commercial bank lending in order to spur demand and announced that first-quarter growth of its main monetary aggregate (M2 plus certificates of deposit) was expected to continue at the relatively expansive rate of about 11 percent.

Following this shift in Japan's economic policy, interest rates in Japan eased when yields on dollar investments were rising once more. The further widening of rate differentials already unfavorable to the yen prompted Japanese investors to step up the flow of long-term capital abroad and encouraged foreigners to float Samurai bonds. The yen was thus under downward pressure in the exchange markets in December, and even more so after the new year. Despite the authorities' expressed determination to limit the easing of Japanese interest rates to protect the yen, market participants saw little scope for action to counter a sharp upward trend in foreign interest rates given the weakness of the Japanese economy and the policies then in force. Although the Bank of Japan sold dollars in the exchange markets to moderate the yen's decline, the exchange rate by the end of January 1982 had fallen to ¥ 230.00, 8 percent below the high reached at the end of November. In relation to the German mark the yen's decline was smaller, at about 1½ percent, bringing the cross rate on January 29 to ¥ 98.21. At that point, Japanese foreign exchange reserves stood at $24.6 billion, down about $400 million from levels at the the end of November.

The yen declined further during the first half of February, as interest rate differentials favoring dollar over yen investments widened more than 2 percentage points to more than 10 percentage points. Long-term investment overseas by Japanese residents continued large while short-term capital inflows tapered off. Japanese individuals purchased nearly $1 billion of the innovative "zero-coupon" bonds being offered in the Euromarkets during January and February, reflecting the attraction of these issues partly due to a proposed tightening in Japan of tax reporting of interest income on domestic bank deposits. Under these conditions the yen fell below ¥ 242 per dollar by February 15. Then, from mid-February to early March the yen gyrated widely with some net upward trend largely in response to reports that the Japanese authorities had intervened aggressively in the Tokyo market and were considering actions to limit the export of capital overseas. By early March the Bank of Japan permitted a slight rise in interest rates for call money to defend the exchange rate. The authorities asked Japanese securities companies to refrain temporarily from selling zero-coupon bonds from March 4, while the Ministry of Finance made public its intention to establish reporting requirements for holders of these securities to limit Japanese income tax avoidance. These developments lent support to the yen in the exchanges and by March 8 the yen had recovered to ¥ 232.25 in the Far East, almost 4 percent above the level of three weeks earlier.

From that time through the middle of April the yen drifted lower in the exchanges. Foreign interest rates, especially those in the United States, failed to decline as expected and at home new indications of weakness appeared in the domestic economy. Publication of Japan's fourth-quarter GNP figures made a particularly strong impression because they showed a sharp decline in net exports and resulted in the first quarterly decline in Japanese real GNP in nearly seven years. Prices began to drop sharply on the Tokyo stock exchange, partly in response to foreign sales of Japanese securities, reportedly including sales by important OPEC investors. These events in combination served to focus market attention once again on the difficult choices facing the Japanese authorities. In this climate, debate intensified over ways through which the government might help the domestic economy. With inflation running about 3 percent and the annual spring wage settlements promising to come out at a relatively moderate 7 percent average increase, it seemed that domestic considerations argued in favor of reductions of Japanese interest rates. Also depressing sentiment toward the yen were trade disputes with both the United States and the European Community countries, as the latter announced their intention to file a formal General Agreement on Tariffs and Trade complaint against Japan's export practices. Trade figures for February showed that exports had declined by enough to turn that month's current account back into deficit.

In early April, some fiscal measures were taken to boost the domestic economy, but they were milder than had been anticipated. While not increasing the government's overall net expenditures planned for the fiscal year just beginning, the government announced that it would accelerate the schedule of public works expenditures and housing loan approvals as it had done in the previous fiscal year. A shortfall of about 10 percent in the previous year's government tax revenues was also announced, adding to the government's borrowing requirement for the 1982–83 fiscal year. At the same time, the monetary authorities announced that yields on the government's current issue of long-term bonds would be lowered about ¼ percentage point—less than had been anticipated. They also acted to keep money market rates firm and to dispel expectations of a seasonal easing of rates, in part through a program of large-scale sales of Treasury bills, with a view toward preventing any further widening of the adverse interest rate differentials and containing the effects on domestic prices of the recent decline of the yen. Furthermore, the Bank of Japan approved a scaling back of second-quarter lending plans of commercial banks to an overall increase of 17.6 percent, and later announced its expectation that this would support a somewhat slower monetary growth rate of 10 percent. These announcements alleviated concern in the exchange markets that Japanese interest rates might ease, and trading in the yen came into better balance in the exchanges.

In the two weeks after these measures, the yen declined only slightly, reaching a low on April 15 of ¥ 248.15 against the dollar and ¥ 102.44 in terms of the German mark. The Bank of Japan, as in earlier months, sold substantial amounts of dollars at times when the yen was dropping most rapidly in the exchange markets. These sales were reflected in a decline of $900 million in foreign exchange reserves during March. When, in addition, U.S. and Eurodollar interest rates eased in mid-April, the yen briefly recovered. Also at this time, actions were taken to postpone foreigners' access to the Japanese capital market and to tighten approval procedures for yen-syndicated loans to foreign borrowers. The authorities regarded these actions as temporary departures from their longer-term policy of liberalizing capital flows.

By mid-May the yen had moved back up to about midwinter levels. Several times thereafter, Bank of Japan Governor Mayekawa reaffirmed the authorities' determination to keep interest rates high in order to support the yen, and the central bank backed that announcement with large-scale Treasury bill sales. Yet market participants still worried that long-term interest rates would have to be held down to assist the government's coming bond flotation. Speculation also arose that the Japanese authorities might be moving to facilitate, rather than contain, capital outflows following the announcement in May of long-term liberalization measures affecting the purposes for which Japanese banks could grant syndicated loans in yen to foreigners. In addition, U.S. interest rates were firming once more and interest differentials favoring dollar investments widened.

In this atmosphere, the yen declined steadily after mid-May. Expectations of an agreement at the Versailles summit to lower dollar interest rates were widespread in the Tokyo market, and the yen came under renewed selling pressure after that meeting ended in early June without any such announcement. The outbreak of fighting in Lebanon also made the dollar seem more attractive as an investment medium, compared with the yen and other currencies. Then, when the U.S. dollar rose strongly against all currencies following the EMS realignment during the June 12–13 weekend, the yen once again came on offer. The rate dropped rapidly during the New York trading session on Monday, June 14, falling below ¥ 250 before the New York Desk entered the market to buy $9 million equivalent of Japanese yen to restore more orderly conditions. Nevertheless, the currency resumed its fall, despite support from the Bank of Japan. By June 28, the rate had reached a 27-month low of more than ¥ 259 per dollar and ¥ 104 in terms of the German mark, and Japanese reserves had declined more than $1 billion since the end of May to stand at $21.7 billion.

In early July, the yen began to rise in response to declining U.S. interest rates. The yen climbed above ¥ 250 on July 23, just before the Federal Reserve cut its official discount rate ½ percentage point, but its tenuous recovery soon faded. Abroad, the better-than-expected current account performance of the United States and the deceleration of inflation globally tended to erode some of the benefits of Japan's earlier and superior economic performance. Within Japan, public criticism of the government's economic policies focused on the failure to reduce the government deficit as quickly as planned, and interest rates rose on the government's long-term bonds trading in the secondary market. In these circumstances, difficulties in setting an attractive enough yield for the government's own flotation of long-term bonds resulted in cancellation of the issue scheduled for July. The yen's decline, once started, received an additional push when participants on the International Monetary Market (IMM) rushed to liquidate large long yen positions, producing some of the busiest trading ever of yen futures contracts and bringing large offers of yen into the forward interbank market. The yen thus fell back nearly to the ¥ 259 level before recovering some of its lost ground after the announcement on July 30 of a second Federal Reserve discount rate reduction.

The yen closed on July 30 at ¥ 255.60, down 10 percent from six months earlier and ¾ percent below the low point reached nearly a year earlier. The yen also declined against the German mark, to close at ¥ 104.63, nearly equal to the lowest level reached in the previous year although still far above the cross rates prevailing before 1981. The Bank of Japan's periodic sales of dollars while the currency was declining reduced foreign exchange reserves a total of $2.8 billion for the six-month period so that reserves stood at $21.8 billion at the end of July.

STERLING

Early in 1982 sterling held steady in the exchange markets, trading on January 29 at $1.8670 and 91.8 on the trade-weighted, effective index. The authorities in the United Kingdom were generally seen as adhering to policies of monetary and fiscal restraint, despite the pressures of large-scale unemployment. Public-sector borrowing had gone down as a percentage of GNP through both increased taxes and the containment of expenditures, as the public-sector wage bill was brought under control. While the actual growth of sterling M3 exceeded the annual growth range of 7 to 11 percent, innovations in financial institutions and behavior appeared to have diminished the usefulness of the targeted aggregate as a guide to monetary conditions. Other indicators such as short-term interest rates, as well as the substantial decline in inflation itself, suggested continued monetary stringency.

Meanwhile, however, developments in the U.K. economy generated discussion about the desirability of some easing in the restrictiveness of policy. To be sure, the economy showed signs of recovery from the prolonged recession, as the previously rapid reduction of inventories slowed and as some types of investment began to revive. But unemployment continued rising, and there was reason to question whether the upturn in investment was sustainable without some policy stimulus to demand, a reduction of taxes, or other action to improve company profitability. At the same time, rapid gains in productivity, moderate wage settlements, and the earlier depreciation of sterling in 1981 improved the ability of British industry to compete internationally. The gains in competitiveness, however, only partially reversed the severe losses of the previous two years, so that the level of costs remained high in relation to Britain's major trading partners. Consequently, the surpluses on the trade and current accounts were expected to be eroded, even without a pickup in the economy.

Within the United Kingdom, several types of stimuli came under scrutiny. Lower interest rates, for example, would be expected to boost investment, particularly stock building and construction. A depreciation of the exchange rate would improve competitiveness and enhance exporters' profit margins. Public works measures would provide the greatest number of jobs. A cut in indirect taxes would reduce costs. Among exchange market participants it was feared that, whatever the specific measures, any significant policy change aimed at restoring economic growth would jeopardize the hard-won progress already made in controlling inflation and inflationary expectations. As a result, sterling came under downward pressure during February amid market nervousness ahead of the government's statement of policy in the forthcoming 1982–83 budget.

At this time, also, U.K. short-term interest rates eased lower, extending the softening trend established in autumn 1981, and major clearing banks lowered their base lending rates ½ percentage point to 13½ percent. These cuts coincided with a softening of interest rates in the United States, but were not matched, as in previous months, by lower interest rates elsewhere in Europe, so that selected interest differentials moved against sterling-denominated assets. Moreover, against the background of weakening world oil prices the British National Oil Corporation cut its price for North Sea oil, thereby reducing projected domestic government revenues as well as the contribution of oil earnings to the balance of payments. Sterling therefore eased back to $1.83 and 90.4 in effective terms in early March.

On March 9 the government presented its 1982–83 budget, addressing the two principal elements of its medium-term financial strategy: the public-sector borrowing requirement and the growth of money. Personal tax allowances and excise taxes were increased about in line with inflation, while the national insurance surcharge paid by employers was reduced 1 percentage point to 2½ percent. On the expenditure side the share of resources claimed by the public sector was cut back. Altogether, the public-sector borrowing requirement was projected to decline from £ 10½ billion to £ 9½ billion, or from about 4½ percent to 3½ percent of GNP. With respect to the broad monetary aggregates, the government noted several factors boosting the growth of sterling M3 above target. The civil service dispute had postponed tax payments; the public had increased its demand for liquid assets as a medium for saving; other structural changes, such as a shift in housing finance away from the building societies, had enhanced the role of the banks in financial transactions. Taking account of these developments in the budget, the authorities raised the target range for sterling M3 growth to 8 to 12 percent and also applied this growth range both to the narrow money supply (M1) and to broad private-sector liquidity. In restating its financial strategy, the government recognized explicitly the usefulness of the exchange rate as an indicator of financial ease or stringency.

The budget was well received and was seen by the markets as compatible with a slowing of inflation to below 10 percent per year and with a continued easing in short-term interest rates. On March 11, in fact, the clearing banks announced another reduction of ½ percentage point in their base lending rates to 13 percent. Meanwhile, heavy official sales of public-sector debt to the nonbank public continued to be larger than needed to fund the public-sector borrowing requirement. The program of debt sales, begun in the winter, aimed at reducing the banks' cash holdings and thereby restraining the growth of broadly defined money. In effect, the authorities sought to reverse a part of the increased intermediation through the banking system that had swollen the growth of sterling M3. The combination of heavy sales of debt and massive tax payments—reflecting the normal tax-gathering season as well as the ongoing reflux of revenue delayed earlier by the civil service dispute—put pressure on the domestic market's cash position. To relieve the shortages, the authorities acquired sizable amounts of commercial bills, mainly through outright purchases. Even so, Britain's money markets remained comparatively tight at a time when many interest rates on the Continent were falling. With market sentiment also encouraged by the government's steadfast policy stance, sterling traded firmly in the exchange markets. Thus, the strong rise in the dollar at this time was reflected less in movements of sterling than in other currencies so that, even as the pound fell to as low as $1.7780 in late March, it remained quite stable around 91.0 to 91.4 in effective terms.

On April 2, Argentina invaded the Falkland Islands, initiating a crisis that in varying degrees kept the sterling money and exchange markets off balance through mid-June. At first, the pound came under severe selling pressure, dropping to as low as $1.7465 and in effective terms to 89.5 amid fears that the crisis could force the resignation of the Thatcher government and end its conservative economic policies. But the Bank of England reacted quickly, supporting sterling in the exchanges to prevent sharp, disorderly movements from cumulating and acting to stabilize the gilt-edge market as well. Thereafter, the authorities continued to stabilize the markets, which alternated between fears of prolonged fighting and hopes of an early peaceful settlement. Sterling traded mostly within an effective range between 89 and 91, and for the most part between 90 and 91, despite the markets' vulnerability to news and rumors concerning the Falklands. Against the dollar, the pound fluctuated more widely, rising to as high as $1.8360 in early May when U.S. interest rates dropped back sharply, but falling again to around $1.77 by mid-June.

Meanwhile, during the Falklands crisis, underlying sentiment toward the pound improved. There was evidence of subdued monetary growth, with recent statistics showing that the monetary aggregates, including sterling M3, were growing within the government's target range of 8 to 12 percent. Inflation decelerated both on the wholesale and on the retail levels. Manufacturing pay settlements averaged about 7 percent in the current wage round, compared with more than 20 percent only two years previously, improving prospects for inflation to remain below double-digit rates. Moreover, public-sector borrowing in 1981–82 unexpectedly turned out to be nearly £ 2 billion less than the official target, and preliminary indications suggested that the public-sector borrowing requirement would fall short of the £ 9½ billion projection for fiscal 1982–83. In addition, data on the balance of payments showed that, while the current account surplus was shrinking, the deterioration was less rapid than anticipated. To be sure, imports, particularly of semimanufactured goods, posted large increases, but the volume of U.K. non-oil exports registered sizable growth as well.

After mid-June, when the United Kingdom regained military control of the Falkland Islands and the pressures of the crisis passed, favorable developments within the U.K. economy showed through decisively and benefited sterling in several respects. Domestically, optimism that progress on inflation would endure helped short-term interest rates resume their decline and lent support to the rally that had earlier developed in common stocks and gilt-edge instruments. In the exchange markets, participants expressed confidence in the resolve of the authorities to maintain steady and stringent financial policies over an extended period. Moreover, the perceived ability of British policy to meet stated goals stood in contrast to market doubts about policy coherence and credibility in many other industrial countries.

At the same time, other aspects of the international environment favored the pound. There were growing worries over potential disruptions to the flow of oil from the Middle East as the result of fighting in Lebanon and between Iran and Iraq. In an environment in which large banks and nonfinancial institutions in other countries were experiencing severe liquidity problems, traders and investors became increasingly concerned about the creditworthiness of counterparts and the safety of their assets. In these circumstances, both Britain's oil self-sufficiency and the favorable reputation of London's financial system made sterling a relatively attractive and secure asset. As funds flowed into the United Kingdom, sterling held up better than most other major currencies against the surge of the dollar in the exchanges. Although the pound declined to as low as $1.7065 early in July, it nonetheless remained steady on an effective basis, trading around 91.2.

During July, attention turned decisively to the state of the economy. Growing evidence confirmed that after bottoming out in mid-1981 the economy had shown little growth. In key areas of British industry the outlook for a sustained recovery deteriorated badly. Private forecasters and major international organizations, such as the Organization for Economic Cooperation and Development, revised downward their growth forecasts for 1983. Deep disappointment about the prospects for expansion in the economy and the continued rise in unemployment prompted renewed calls for some easing in government policies.

By this time, however, the feeling had developed in the exchange markets that declines in inflation, in the public-sector borrowing requirement, and in the growth of the monetary aggregates were all consistent with some easing in interest rate policy and should not damage confidence in the pound. In the event, the Bank of England steadily lowered its money market intervention rates, and U.K. interest rates fell more rapidly than those in the United States. By the end of July, U.K. bank rates reached the lowest level since November 1978 and interest rate differentials moved against sterling-denominated assets. Even so, the pound gave up comparatively little ground in the exchange markets.

At the month-end the pound traded at $1.7475 against the dollar for a decline of 7 percent over the six months under review. On an effective basis, the pound closed the period at 91.5, down about ¼ percent. Between the end of January and the end of July the foreign exchange reserves of the United Kingdom declined from $12.6 billion to $10.9 billion. The loss of reserves reflected only in small part the authorities' intervention operations in the exchange market, particularly in the wake of the Falkland Islands crisis. For the most part, the decline in reserves reflected the revaluation losses of gold and dollar swaps against European currency units (ECUs) done with the European Fund for Monetary Cooperation (FECOM) and other factors, such as the repayments and accruals of external public-sector borrowings.

FRENCH FRANC

Early in 1982 the French franc traded comfortably in the exchanges even as market sentiment remained skeptical about the currency's longer-term outlook. Supporting the franc was a combination of foreign exchange controls, conversions of public-sector foreign borrowings, and short-term capital inflows by investors taking advantage of higher nominal interest rates in France than in many other EMS countries. The franc therefore remained in the upper portion of the joint float in the early weeks of 1982, while trading against the dollar at FF 5.9600 at the end of January.

In the background, however, market participants expressed worry that French policies had placed insufficient emphasis on curbing inflation since the October 1981 realignment, thereby allowing the benefits of the franc's depreciation to erode. The government appeared committed to its original strategy of economic expansion aimed at boosting jobs and absorbing the rapidly growing labor force. However, the stimulus provided to consumption had not been accompanied by a pickup in domestic investment and employment. Rather, the boost to demand was reflected primarily in higher domestic prices, burgeoning imports, and a worrisome increase in the government's budget deficit. At the same time, export growth was hampered by depressed economic conditions in most foreign markets. As a result, France's trade and inflation performance deteriorated in relation both to earlier trends and to several other industrial countries, particularly those like Germany that had chosen to follow economic policies of greater restraint.

These concerns found little reflection in exchange rate movements so long as official parities within the EMS could be expected to hold. But, unexpectedly, on February 21 the Belgian franc and the Danish krone were devalued 8½ percent and 3 percent respectively, vis-à-vis the French franc and all other EMS currencies.

Almost immediately, market participants began to question the durability of the new parities in view of concern, in private as well as official circles, that the exchange rate relationships for the franc did not accurately reflect the relative competitiveness of the French economy and the divergence of French economic policy from that of other EMS countries. Speculation thus developed that the French currency would soon be devalued in the context of another and more extensive realignment of the EMS and, amid heavy outflows of capital, the franc dropped to the bottom of the joint float arrangement by the end of February.

The French authorities were concerned about the weakness of the French franc, but the top priority remained providing stimulus to the domestic economy—particularly to avert heavy social and political costs of growing unemployment. Consequently, the authorities sought to stem the selling pressures on the franc without major revisions in domestic economic programs. They also urged other countries to begin relaxing their policies of restraint, believing that policy stimulus elsewhere, particularly in the monetary sphere, was important to promote a general decline in international interest rates, a recovery of the sagging world economy, and some improvement in the overall employment situation. Meanwhile, to defend the franc the Bank of France during March raised domestic interest rates, moving call money rates for example to some 18 percent from about 14 percent. These actions reversed the previously easier tendency in domestic interest rates, while also moving counter to the downtrend in interest rates in most other European centers.

The central bank also intervened heavily in the exchanges as a seller of foreign currencies to keep the franc trading within the required 2¼ percent band against the German mark and Dutch guilder. Moreover, the government tightened exchange controls. Henceforth, exporters were required to repatriate the proceeds of sales abroad within two weeks rather than one month as previously. French investments abroad in excess of FF 1 million were to be financed totally abroad rather than up to 75 percent from foreign sources as before. Approval from the Bank of France was required in more cases than before for financial transfers of funds abroad. At the same time, Finance Minister Delors spoke out strongly against a devaluation of the franc.

These actions were seen in the market as strong signals of the government's determination to avoid a devaluation of the franc and prompted nonresidents to begin covering their short currency positions. The purchases of franc balances coincided with a tapering-off of special factors that had also weighed on the franc, such as compensation payments to nonresidents for their ownership share in nationalized industries. Selling pressures on the franc therefore abated, particularly once the long Easter weekend passed without a realignment of the EMS. As a result, the French currency moved from the bottom to the middle of the joint float even as it weakened further against the dollar, declining to FF 6.2950 around mid-April.

But, otherwise, with respect to objectives for the domestic economy, the French government experienced difficulties. Heavier spending in the public sector, enlarged by the nationalization of twelve industrial groups, did not lead as expected to an improvement in business conditions. In fact, investment activity remained weak, particularly in the private sector where industry faced increased payments for imported materials and had to shoulder the growing costs of domestic reforms. The introduction of a shorter workweek and in some sectors a longer vacation period, with no accompanying decrease in compensation, together with higher taxes to finance additional social benefits, exerted a considerable squeeze on corporate profit margins. Meanwhile, consumer demand—the main factor sustaining the economy in the latter part of 1981—began to falter, further removing incentives to capital expenditure. Consequently, in the first quarter of 1982, industrial production and real GNP declined, and unemployment rose further, approaching the two million level.

Disappointment over the economy's performance prompted the French authorities to introduce several measures in the spring. For selected investments, the government provided loans at below-market interest rates. It also reduced employers' social security contributions in hard-hit industries as well as in those pledged to maintain a certain level of investment or employment. In May the government proposed a supplementary 1982 budget, authorizing FF 5 billion in expenditures for the purpose of supporting nationalized companies, reducing selected business taxes, and extending tax incentives to the agricultural sector.

To contain the rise in the budget deficit, the government reduced certain expenditures and raised taxes. Specifically, expenditures by the Social and Economic Development Fund were cut back. With respect to revenues, effective July 1 the authorities boosted the value-added tax 1 percentage point to 18.6 percent, increased taxes on banks and other public-sector and financial institutions, and requested banks to provide equity financing and participation loans of about FF 6 billion to nationalized firms to strengthen their capital base. Meanwhile, to minimize the monetary impact of these measures and to help keep the monetary aggregates from growing beyond the targeted annual range of 12½ to 13½ percent, the government began selling floating-rate Treasury bills. The new bills were designed to attract institutional investors, such as insurance companies and pension funds, previously reluctant to invest in paper with fixed interest rates.

Exchange market participants welcomed the authorities' move toward some tax relief for business, but worried that, unless basic elements of the overall strategy were changed, France would move increasingly out of step with its competitors regarding inflation, balance of payments, and budgetary developments. They noted that France's inflation rate had accelerated to 14 percent, compared with only 5 percent in Germany. The cumulative trade deficit widened to FF 81 billion at an annual rate in the first four months of the year, compared with a deficit of FF 50.8 billion for all of 1981 and FF 62.4 billion in 1980. And the budget deficit, officially projected to rise to FF 95 billion, about 3 percent of GNP, was privately forecast to exceed FF 100 billion. Moreover, differing views among industrial countries about the appropriate policy approach to deal with stagflation in the world economy persisted, and thus few market participants counted on policy convergence at the international level to bring France into closer alignment with its competitors.

Speculation therefore mounted that the franc would be devalued as part of an EMS realignment or would be withdrawn from the joint float altogether—perhaps even before the seven-nation economic summit in Versailles. Between late April and early June the franc came under repeated bouts of selling pressure, particularly before weekends. The Bank of France again raised domestic interest rates and intervened heavily in the exchanges. But market participants, sensing the magnitude of the support operations, viewed the authorities as having only limited resources to maintain the franc within the mandatory EMS limits, and so the selling pressures remained intense.

Over the June 12–13 weekend the French franc was devalued within the EMS. Against the German mark and Dutch guilder, which were revalued against all other currencies within the EMS, the franc was in effect devalued about 10 percent. Against currencies whose official parities were unchanged, the franc was adjusted downward 5¾ percent. Against the Italian lira, itself adjusted downward by 2¾ percent against all participating currencies, the franc was in effect depreciated about 3 percent. To support the devaluation and to help promote a convergence of inflation rates between France and other EMS countries, the government introduced a four-month wage–price freeze to be followed by a system of guidelines designed to slow inflation to 10 percent in 1982 and to 8 percent in 1983. The French government also pledged to restrain the growth of the government budget deficit to no more than 3 percent of GNP this year and next, largely through cutbacks in current expenditure.

In the exchange markets the French stabilization plan was seen as a compromise between the desired policy of stimulus to respond to the unemployment problem and the pressures for restraint to deal with mounting inflation and the weakness of the franc. Participants adopted a cautious attitude, wondering whether the government would gain acceptance for its program which in some respects, for example stiff wage controls, appeared tougher than anti-inflation measures imposed by its more conservative predecessors. Initially, at least, French unions—a major source of political support for the Socialist government—objected to the loss of purchasing power implicit in the wage freeze and were reluctant to give up the nearly automatic system of wage indexing that for years had helped wages keep pace with inflation. Industry, for its part, objected to the price freeze. For, despite the government's move after the devaluation to lower domestic interest rates, the rebuilding of profit margins was still thought to be difficult, all the more so without improvements in productivity.

As a result of the wait-and-see attitude in the exchange markets, international investors were hesitant to reconstitute franc-denominated assets, and the reflux of funds that developed immediately after the realignment soon tapered off. Nonetheless, in the six weeks to the end of July the franc traded comfortably in the upper part of the EMS and the Bank of France was able to enter the market as a purchaser of currencies in order to begin repaying debt and rebuilding reserves. Against the dollar the franc weakened along with other major currencies, falling to FF 7.00 on July 8 before recovering somewhat to trade at FF 6.8025 in the New York market at the end of July. At this level, the franc was about 14 percent lower on balance over the six-month period under review. France's foreign exchange reserves declined from \$18.3 billion at the end of January to \$13.3 billion at the end of July. In part, the decline reflected intervention support for the franc by the Bank of France, financed through reserve holdings and very short-term borrowings within the EMS. The drop in reserves also reflected revaluation losses on gold and dollar swaps against ECUs done with FECOM.

ITALIAN LIRA

The Italian lira was trading firmly at the top of the EMS early in 1982, although it had fallen back to LIT 1,250 against the rising U.S. dollar. The lira's strength in the EMS partly reflected its two devaluations within that currency arrangement during 1981. Also, some recent improvement had occurred in the Italian external balance and domestic inflation rate, and substantial inflows of capital had been attracted by high Italian interest rates. The Bank of Italy had taken advantage of the lira's relative strength to rebuild its foreign currency reserves to a level of \$17.8 billion at the end of January 1982.

The Italian inflation rate had begun to slow in 1981 and moderated further in January 1982. In part, this progress reflected falling world prices of oil and other raw materials, those price movements stemming from deepening recession in most industrial economies. Moreover, price increases were slowing in Italy as the restrictive monetary policy of the Bank of Italy began to dampen domestic inflationary pressures. The lira was also supported at this point by improvement in the Italian current account deficit, which had contracted from a \$10 billion annual rate early in 1981 to a \$3 billion rate by the year-end. The improvement derived from both strong growth of export volume and declines in imports. The gains in exports reflected the 1981 devaluations of the lira within the EMS and a surge in orders from those OPEC nations that developed large current account surpluses after the 1979–80 oil price increases. At the same time, Italian imports had declined due to the weak domestic economy and the import deposit scheme, which had been adopted in May 1981. (The deposit scheme required that a percentage of the foreign exchange value of imports be placed in a non-interest-bearing account with the Italian central bank. Initially the deposit was set at 30 percent, but the ratio had been gradually reduced to 15 percent by the end of January 1982.)

The markets remained concerned that the recent Italian improvement in inflation and the external account would be difficult to sustain. OPEC current account surpluses had begun to contract, threatening to limit further expansion of Italian exports, while failure to make additional gains on domestic inflation and wage increases was thought likely to result in declining competitiveness of Italian exports to industrial economies. Moreover, any upturn in domestic incomes would be likely to spur imports. In contrast to the favorable performance of the trade balance, the surplus on the invisibles account deteriorated during 1981, as increased borrowing abroad and the high level of international interest rates sharply pushed up the cost of servicing Italy's external debt—a drain on the current account not likely to be substantially relieved in 1982.

The inflation outlook was also clouded by the long-standing problems of the huge government deficit and steeply rising wage costs. The government had proposed an official ceiling of LIT 50 trillion for the 1982 public-sector borrowing requirement, slightly below last year's actual result. But, in 1981 the outcome had exceeded the original ceiling of LIT 37.5 trillion by some LIT 17 trillion. Thus, market participants were skeptical that such an ambitious goal for 1982 was feasible and worried that fiscal stimulus would contribute to renewed inflationary pressures. On the wage front, the government had begun negotiations with business and labor in the middle of 1981 to modify Italy's *scala mobile,* which provides for automatic quarterly adjustments in pay to offset inflation. Into 1982, however, no significant progress had been made in these negotiations.

Finally, the Italian economy had weakened in the second half of 1981, with real GNP declining for the year as a whole for only the second time since World War II. The softening of the domestic economy had contributed to slower price increases in the short run, but had led to calls for an easing of the strong anti-inflation stance of monetary policy, which had held nominal Italian interest rates well above those of Italy's major trading partners into 1982. Many market participants remained concerned that any easing of monetary policy would quickly release new inflationary pressures in the domestic economy and also tend to reduce capital inflows.

Despite these concerns about the future, the lira remained firm within the EMS into February 1982. The Italian authorities took advantage of the lira's strength to suspend the import deposit scheme in early February, about a month ahead of its scheduled termination. This action was taken to minimize speculative pressures in the exchange markets that otherwise were expected to result from the markets' anticipation of the change at the end of the month. Although some selling pressure emerged on the day of the announcement, the Bank of Italy was quick to intervene and the lira soon steadied.

In the EMS realignment on February 21, the lira, like the French franc, was left unchanged. The realignment focused on the market's attention on the question of the future competitiveness of Italian exports and domestic economic problems. In addition, Italian market interest rates were easing, fostering rumors that the Bank of Italy would lower its discount rate either independently or in cooperation with the monetary authorities in Germany and France. In these circumstances, the lira became caught up in speculation over another EMS realignment, and residents scrambled to purchase foreign currencies and to repay mark-denominated debt. As a result, the lira, which had traded around the middle of the new EMS band immediately after the realignment, declined faster than other continental currencies against the dollar during March. At times, it traded at or near the bottom of the joint float despite heavy intervention by the Bank of Italy, including its first sales of marks in six months. Italian foreign currency reserves declined $4.5 million during February and March.

During April and the first part of May, the lira generally remained under downward pressure in the exchanges. The latest balance of payments data, including the report of a record February trade deficit of LIT 2.9 trillion, confirmed the market's worry that export growth might stagnate, mainly as a result of the dwindling OPEC surplus and the increased financing difficulties of certain less developed countries, which limited the scale of their imports. Also, Italian imports had surged in the wake of the elimination of the import deposit scheme, mostly to rebuild domestic inventories. At home, inflation remained considerably higher than that of Italy's major trading partners, despite having slowed somewhat further, while market concern increased over the deepening crisis within the government. Sharp divisions over economic policy, particularly between the Christian Democrats and the Socialists, threatened to impede parliamentary adoption of a proposed austerity budget and to bring down the Spadolini coalition government.

The market thus came to view the lira as a candidate for devaluation within the EMS, generating adverse movements in leads and lags and prompting Italian residents to repay foreign currency loans and to borrow lire. In order to curb the leading and lagging of payments, the Foreign Trade Ministry moved to tighten foreign exchange controls. In addition, residents were no longer permitted to repay foreign currency loans borrowed from Italian banks before maturity. Subsequently, the Bank of Italy announced it would increase its progressive penalties on lira credit extensions in excess of its established ceilings to counteract the widespread substitution by Italian borrowers of home currency for foreign currency financing. In addition, the Bank of Italy intervened frequently in the exchanges to resist the decline in the rate, and it kept Italian interest rates high and steady even though rates abroad tended to ease. Nonetheless, the selling pressures on the lira persisted, and late in April it slipped below the 2¼ percent limit required for its partner currencies in the EMS, even though it remained well within the broader 6 percent band applying to the lira.

By late May, however, foreign currency inflows from the start of the tourist season, together with the earlier exchange control measures, helped bring trading into better balance. In these circumstances the view developed in the market that a devaluation of the lira might be put off at least until after the Versailles summit in June and perhaps through the summer. The Bank of Italy was able to scale back its support operations considerably and, on occasion, even purchase dollars to rebuild reserves. Nonetheless, foreign currency reserves fell another $1.8 billion during the two months.

Over the June 12–13 weekend the lira's central rate within the EMS was adjusted downward 2¾ percent against those currencies in the system whose central rates remained unchanged, as part of a realignment involving the French franc. In effect, the lira was devalued about 7 percent against the German mark and Dutch guilder, each of which was revalued 4¼ percent. In public statements after the realignment, Prime Minister Spadolini asserted that the lira was devalued solely to protect the competitiveness of Italian exports in the face of the devaluation of the French franc and not because the move was necessary in the short run. At that point, Italy expected an influx of funds during the tourist season, by then well under way. The government also announced the devaluation would be followed up with a package of austerity measures.

After the realignment, the lira traded above the 2¼ percent limit required for other participating currencies. The Bank of Italy took advantage of the lira's comfortable position within the EMS to rebuild reserves and to ease short-term domestic interest rates. Nonetheless, Italian rates remained high in relation to interest rates abroad and continued to attract capital inflows, particularly with a lira devaluation no longer a near-term prospect. The relative strength of the lira also enabled the Italian authorities to relax foreign exchange controls on export-related credit. Against the strong dollar, however, the lira fell back to a record low of LIT 1,401.50 in European trading.

Despite the firmness of the lira within the EMS, the market remained concerned over several issues. Impatience over the lack of progress in negotiating ways to modify the *scala mobile* had prompted employers' associations in first the private and then the public sector to announce they would withdraw from the 1975 agreement with labor unions on wage indexation when it expires in February 1983. Employers were seeking a number of reforms to the system, including the exclusion of indirect taxes and externally generated cost increases from the calculation of wage increases, a more flexible escalator that would allow firms to differentiate among various wage and salary categories, and adjustments in wages every four or six months rather than every three months. Although many labor leaders accepted the need for some modification of the agreement, the unions were sharply divided over the nature and extent of any changes. The breakdown of negotiations to change the wage indexation system was a serious setback to the government's efforts to forge a social pact and to limit wage increases in 1982 to 16 percent, and it raised the possibility of protracted strikes by the unions. Also, the outcome of the three-year wage contract negotiations, which had not yet begun in earnest even though some of the contracts had expired the previous December, had been thrown into greater doubt.

Meanwhile, after months of fractious debate, the Italian cabinet finally approved a major stabilization program designed to hold the increase in the state borrowing requirements in 1982 to a level well beyond the original proposed ceiling of LIT 50 trillion but lower than the estimated LIT 70 trillion that would result if no action were taken. However, even after this action, the state borrowing requirement would exceed that of most other industrial countries and pose a threat to the progress already made on the inflation front. Furthermore, the program still awaited final parliamentary approval.

By the end of July the lira was trading at LIT 1,367.00 against the dollar, down 9¼ percent over the six-month period under review and down 5 percent against the German mark. Meanwhile, Italy's foreign exchange reserves stood at $13.9 billion, an increase of $3.9 billion over the period.

European Monetary System

In early 1982 most countries participating in the EMS joint float arrangement had been pursuing generally restrictive macroeconomic policies for about two years to counter inflationary pressures arising from the second round of international oil price increases. Some had made considerable progress in reducing inflation and in limiting the impact of higher oil prices and depreciating exchange rates on domestic wages and costs. Meanwhile, the dramatic softening of previously tight conditions in the world oil market and the weakening of economic activity in the EMS (and among industrial countries more generally) helped erode many of the larger payments imbalances that had emerged in the aftermath of the oil shock. But there were major problems as well. Rigidities in economic and social structures—which in varying degrees characterize all industrial countries—hampered the implementation of restrictive policies in individual EMS member states or meant that success in the battle against inflation was achieved only at considerable cost. Restrictive policies proved costly in terms of output losses and unemployment, and the prospects for growth appeared more pessimistic than expected earlier, even for countries that had chosen to adopt policies of greater stimulus.

Also, while the progress on inflation was achieved through tight monetary policies and high interest rates, the outlook for maintaining a durable reduction of inflation was being undermined by the persistence of unacceptably high government deficits. Within individual countries the listless state of domestic demand generated efforts by domestic firms to sell in external markets, competitive pressures among member states were strong, and protectionist tendencies were growing. Moreover, underlying the more balanced pattern of payments positions were substantial disparities in competitiveness.

Within the joint float arrangement, the Netherlands guilder, French franc, and Italian lira traded at the top while the German mark, the Belgian franc, Danish krone, and Irish pound traded in the middle and lower portions of the band. The upper group contained currencies that were vulnerable on fundamental economic grounds, but nonetheless remained firm, benefiting from a combination of relatively high interest rates, exchange controls, and expectations in the market that official parities established in October 1981 would hold at least in the near term. At the bottom, requiring persistent intervention support, was the Belgian franc. Structural problems in the Belgian economy were reflected in mounting public-sector fiscal deficits, in excess of 15 percent of GNP, and current account deficits, which for some years had been financed through government-arranged loans in dollars and in other currencies. The external public debt, which was practically nil in 1977, had risen by the end of 1981 to more than 10 percent of GNP.

Like governments in other small, open economies, the government of Belgium had for some time rejected devaluation of its currency, arguing that the benefits of such action would be quickly eroded in view of the large role of international trade in total GNP and the high degree of domestic wage indexation. But, because of the mounting gravity of the situation, the new government that came to office after the November 1981 election had been granted special powers by Parliament, including authority to constrain the growth of wage increases. Consequently, a change in the official parity of the Belgian franc seemed more likely than before. Meanwhile, Denmark and Ireland, which had also relied heavily on foreign borrowings to finance large fiscal and current account deficits, found the inflows of private capital had slowed. To maintain balance in the foreign exchange market, Ireland continued to place reliance on foreign exchange controls. In Denmark, concern developed that the exchange rate for the krone did not reflect the deterioration that had occurred in the economy's external competitive position.

On February 21, the Belgian franc was devalued 8½ percent and the Danish krone 3 percent against all other participating currencies. In connection with the realignment, the Belgian authorities introduced measures aimed at stimulating private investment while reducing the government borrowing requirement. The measures included a limited price freeze, the temporary suspension of wage indexation, and selected tax reductions for business and industry. Immediately after the realignment, the Belgian franc and Danish krone rose to the top of the newly aligned band, the Netherlands guilder traded around the middle, and the German mark, French franc, Italian lira, and Irish pound moved to the lower portion of the EMS band.

Exchange market participants were skeptical that the new parities would stick, citing concerns about relative competitiveness, unresolved structural problems, and continued policy divergences. It was known in the market that the governments of Belgium and Denmark had requested larger depreciations of their currencies than had been agreed to by other member states, and participants therefore questioned whether the realignment was sufficient to rectify the various imbalances that had already emerged. At the same time, the realignment appeared too narrow in scope. It was seen in the market as failing to address differences between currencies of countries benefiting from improving current account and inflation performances, such as the German mark and the Netherlands guilder, and currencies of countries where the outlook was decidedly less favorable, such as the French franc and the Italian lira.

With respect to structural issues, Belgium and Denmark were not alone in facing problems of large and growing budget deficits and rigid wage bargaining systems. In general, market participants felt that there was additional need in those and other countries—France and Italy in particular—to contain wage demands, to reduce government expenditures, and to alleviate the pressures of deficit financing on the financial markets and ultimately on the growth of money. Looking ahead, participants expressed worry that divergences in economic policy would compound existing differences in economic performance. They noted that not all countries maintained equal vigilance in the fight against inflation. In the case of France, emphasis continued to be placed on expansionary programs to curtail unemployment.

These concerns generated renewed tension within the joint float and, as speculation mounted that another realignment was inevitable, the German mark and the Dutch guilder moved to the top of the system, while the Danish krone weakened, falling for a time to the middle of the band. Meanwhile, the Belgian franc dropped to the bottom of the joint float where it alternated with the French franc. The Irish pound traded in the lower portion of the band. The Italian lira, trading in its wider, 6 percent margin, fell below the currencies in the narrow 2¼ percent band. On March 19 and again on May 6—with the EMS fully stretched—the central banks of Germany and the Netherlands reduced their official lending rates. The authorities in the Netherlands had room to provide some stimulus to stagnant domestic demand, owing to the favorable external position of the Netherlands. Indeed, with domestic demand weaker than in most other EMS countries, competitiveness improving, and natural gas export revenues boosted by earlier price hikes, the Dutch current account posted a surplus estimated at around 4½ percent of GNP.

The reduction of interest rates in Germany and the Netherlands provided only temporary relief to the weaker currencies. The psychology of the market grew increasingly pessimistic, as skepticism intensified about the willingness and ability of the authorities in the weaker currency countries to correct imbalances in their economies. Adverse social reaction within Belgium provoked by the post-February devaluation program and by specific problems in the steel sector (including demonstrations and strikes) cast doubt on the durability of the government's austerity measures. Elsewhere, institutional arrangements, coupled with the pressures of high and rising unemployment, appeared to make a tightening of financial policies very nearly untenable, particularly in Denmark and Ireland where domestic budget deficits widened sharply. To defend existing parities, the authorities of Belgium, Ireland, and France raised official interest rates while money market rates in Denmark moved higher. France and Italy also tightened exchange controls. And in all cases, intervention sales of dollars and of stronger EMS currencies became heavier and more frequent.

Over the weekend of June 12–13, the EMS was again realigned. The central parities of the German mark and Dutch guilder were revalued by 4¼ percent, while those of the French franc and Italian lira were devalued by 5¾ percent and 2¾ percent respectively against the other participating currencies. The bilateral central rates of the

Belgian franc, Irish pound, and Danish krone were otherwise left unchanged. In subsequent days and weeks, the Italian lira and Franch franc traded at the top of the newly aligned band, and the Irish pound and Danish krone moved near the top while the Belgian franc traded in the middle. The German mark and Netherlands guilder traded at the bottom of the new alignment. The new exchange rate structure and the relaxation of tensions enabled several EMS countries previously constrained from easing monetary conditions to reduce domestic interest rates. France, Denmark, and Ireland permitted money market rates to ease, while Belgium lowered official lending rates. The tendency of interest rates to ease occurred largely during July, when U.S. interest rates were registering sharp declines from the high levels that had prevailed in previous months.

However, the reduction of European interest rates lagged behind the cuts in the United States. The weakness of the EMS currency bloc as a whole against the rising dollar made the authorities reluctant to take actions that could contribute to a further depreciation of their currencies. In addition, within the EMS the reflux of funds from revalued currencies into those that were devalued was comparatively modest both in scale and in duration, owing to the cautious reaction of the market to the newly established parities. To be sure, participants appreciated that greater efforts than earlier in the year were being made to harmonize economic policies, particularly in view of restrictive policy measures in France and Italy that accompanied the realignment.

Nonetheless, participants awaited the evolution within various EMS countries of the proposed austerity and budget-tightening programs, sensing that political and institutional difficulties would make it hard for many governments to carry out intended remedial measures. In these circumstances, part of the unwinding of speculative positions occurred not within the EMS between revalued and devalued currencies but vis-à-vis the dollar instead. This meant that, while the EMS mechanism operated free of strains during the balance of June and July, individual member states had less leeway than after previous realignments to relax monetary policy or to enter the exchange market as buyers of currency in order to repay debt or to rebuild international reserve positions.

Canadian Dollar

The Canadian dollar was declining against the U.S. currency at the end of January 1982, having fallen nearly 2 percent since November to U.S.$0.8342 (Can.$1.1988), a level about 3 percent above its fifty-year low of August 1981. The Canadian economy was in a deepening slump in early 1982, but little apparent progress had yet been made on Canada's persistent double-digit inflation rate or the high rate of new wage settlements. Because of the inflation problem and the risk it would be worsened by further declines in the exchange rate, Canadian monetary and fiscal policy remained anti-inflationary. But the policy had been widely criticized in Canada in a debate that appeared to intensify each time new evidence appeared of declining productive activity and worsening unemployment. The Canadian dollar tended to weaken in the exchanges at such points, mainly reflecting concern that interest rates would be lowered to stimulate the economy and would trigger additional capital outflows. In fact, Canadian interest rates had lagged behind the rapid rise of U.S. rates during December and January, and by the end of the month the favorable differential had narrowed by as much as 5 percentage points and had been reversed for some maturities.

Downward pressure on the Canadian dollar also reflected the earlier worsening of Canada's external position and the closely related controversy over energy policy. Despite the weakening domestic economy, Canada's balance of payments position had deteriorated progressively through the first three quarters of 1981, mainly because of climbing external debt-service costs but also because declining demand abroad cut into Canadian exports. The deficit on current account widened just as massive net investment outflows developed in connection with the "Canadianization" of ownership in energy-related industries. If anything, Canadian energy policy became even more controversial because of the deteriorating financial position of Canadian energy companies. Falling world energy prices and declining demand stretched the cash flows of those companies at the same time that debt-service costs were climbing as a result of buyouts of foreign equity interests. Moreover, the ownership goals of the national energy program had not been reached, raising the specter of further large capital outflows even though the Canadian government was thought prepared to accept a further slowing of the rate of buyout because of financing difficulties and pressure on the exchange rate.

Reflecting this background, sentiment toward the Canadian dollar was decidedly bearish as the period opened. Large sales on Chicago's IMM pushed the rate through the psychologically important level of U.S.$0.83 (equivalent to Can.$1.2057 in the interbank market) on the first day of February, and the rate declined through most of the month as interest rate differentials adverse to the Canadian currency opened up. Highly publicized criticism of the government's anti-inflation policies during a conference of the ten provincial premiers contributed to nervousness in the exchanges, despite Prime Minister Trudeau's strong reaffirmation of the government's policy stance. Then, three major private participants withdrew from the Alsands development project in Alberta, drawing attention to the problems being encountered in the government's long-term program for Canada's energy development. In all, the Canadian dollar fell an additional 2½ percent during February to U.S.$0.81 (Can.$1.2346). Official operations moderated pressures in the exchanges, and Canadian foreign currency reserves declined nearly $800 million during the month.

From late February through early May, the Canadian dollar fluctuated in a range between about U.S.$0.81 (Can.$1.2346) and U.S.$0.825 (Can.$1.2121). During early March the Canadian dollar firmed in the exchanges, following actions by the Bank of Canada to push interest rates sharply higher and reestablish an interest rate differential favorable to the Canadian dollar. Market participants were reassured by these actions and the accompanying statement by the Bank of Canada that reaffirmed the policy of maintaining a positive interest rate spread, relative to the United States, sufficient to attract needed capital inflows. Also, Canada's trade surplus had increased significantly in late 1981 and had jumped to a U.S.$1.3 billion surplus in January, the largest in a year. In fact, the Canadian trade surplus remained large, subsequently underpinning the currency for the remainder of the period under review.

This recovery for the Canadian dollar proved brief, as selling pressure against the Canadian dollar reemerged by the middle of March. U.S. interest rate increases outpaced those in Canada, partly eroding the positive interest differentials that had opened up, while evidence of the Canadian economy's weakness continued to cumulate. The Canadian currency thus declined during the rest of March, but met resistance when it approached the technically important U.S.$0.81 (Can.$1.2346) level. Through early May, the exchange rate fluctuated just above this level, responding mainly to modest variations in Canadian-U.S. interest rate differentials and participating only slightly in the general rise and fall of foreign currencies against the U.S. dollar that took place.

Market participants remained preoccupied with the state of Canadian economic policy. Their concerns gained new emphasis from the news that unemployment had risen to 9 percent in March, while consumer prices had registered their second consecutive monthly increase of more than 1 percent. Rumors developed in the market, and were confirmed by an announcement on May 1, that the Alberta oil sands development project would be abandoned after withdrawal by all its private participants. The Bank of Canada was a net seller of U.S. dollars during March, recording a drop of approximately $500 million in reserves, but during April its net reserve position remained about unchanged as the central bank drew $500 million on its credit lines with U.S. commercial banks to bolster reserves.

The Canadian currency's relative steadiness since late February ended abruptly in early May, and a sustained slide began, which took the Canadian dollar to record levels below $0.77 (Can.$1.30) by the third week of June. In a sudden wave of selling, the exchange rate plummeted through the U.S.$0.81 level on May 12 for the first time since August 1981. While market participants were encouraged by another large trade surplus in March, this good news was swamped by an April jump in the unemployment rate to 9.6 percent and by an article published in a leading Toronto newspaper, which suggested that the Canadian authorities might be considering a shift in policy toward stimulating the economy and allowing the currency to depreciate. Government officials were quick to refute this suggestion. Still, the Canadian dollar dropped nearly 1 percent that day to close at U.S.$0.8059 (Can.$1.2408). The Bank of Canada provided exchange market support and acted to tighten cash reserves of the banking system. After a rise of ¼ percentage point in the central bank's discount rate and the Prime Minister's statement assuring Parliament that there would be no devaluation or imposition of exchange controls, market participants were reassured that, for the moment, policy would not be changed. Announcement of modification to the export licensing criteria on natural gas also helped the Canadian currency.

Market sentiment deteriorated further in June, however, on news of another decline in industrial production and a record 10.2 percent unemployment rate in May, prompting more public calls for lower interest rates. In addition, greater concern developed about the financial strains affecting Canadian corporations and even some large Canadian banks. In this environment, news that otherwise might have been favorable to the exchange rate, such as better trade figures and a higher discount rate for the Bank of Canada, only served to confirm the likelihood of further weakening of the economy and thereby deepened the mood of pessimism about prospects for the Canadian currency. Then, after the close of the Versailles summit meeting, Prime Minister Trudeau indicated that Canada might take independent action if U.S. interest rates did not fall by mid-July, suggesting to the market the possibility of a change of heart by the authorities about accepting the consequences of currency depreciation. Heavy speculative sales occurred in an increasingly bearish atmosphere, particularly after the announcements of a further acceleration of consumer price inflation during May and an 8 percent quarterly decline at an annual rate in real GNP for the first three months of the year. The exchange rate thus fell to a historic low of U.S.$0.7683 (Can.$1.3016) on June 22.

At these levels, the Canadian dollar met resistance to further declines, steadied through early July, and began a recovery that coincided with the rapid declines in U.S. interest rates and a softening of the U.S. dollar through the end of the period. Corporations took advantage of the historic low rates to meet their needs for Canadian currency, while professionals began taking profits on their very large short positions. A new budget was announced on June 28, and the main feature was a proposal for a two-year national effort to brake inflation. The program included a cap on salary increases of government employees, limits on price increases in federally regulated sectors of the economy, some temporary deindexation of personal income taxes and social security payments, and new measures to assist those most severely affected by the recession. Market reaction to the budget announcement was primarily negative, focusing on the Can.$9 billion increase to nearly Can.$20 billion in the government's estimated total deficit for the current fiscal year, a change that resulted from the low level of actual economic activity compared with what had been assumed in the previous budget. On the positive side, market participants were relieved that government policy remained firmly anti-inflationary. Thus, the exchange rate fluctuated without significant gains. Canadian gross foreign exchange holdings declined about $500 million through May and June, even after additional drawings on the credit lines with Canadian and foreign banks that amounted to $300 million in May and $1.4 billion in June.

The Canadian dollar firmed in the exchanges in July, initially supported by technical factors, as some widely used statistical models gave strong "buy" signals and participants on the IMM began turning their large short positions. U.S. interest rates also began a decline, which was not immediately matched by equivalent cuts in Canadian rates, and speculation arose in the market that the authorities planned to tap foreign credit markets again to bolster official reserves. These supporting factors were reinforced by a continued strong trade performance, seasonal inflows from tourism, and an unusually heavy schedule of foreign borrowing conversions, which in combination appeared to swamp any negative impact on sentiment from the report of yet another increase in June unemployment to 10.9 percent and the downgrading of some major Canadian borrowers' debt issues by an American bond-rating service. Some selling emerged later in the month when wage talks between Prime Minister Trudeau and the Canadian Labor Congress ended in disagreement, but this pressure soon abated and the Canadian currency continued to firm despite a temporary rise in U.S. interest rates toward the end of the month.

The Canadian dollar thus closed the period at U.S.\$0.7987 (Can.\$1.2520) on July 30, 4½ percent lower than six months earlier, but still nearly 4 percent higher than its lowest level reached in June. As the Canadian dollar reversed strongly during July, the Bank of Canada made substantial net purchases of U.S. dollars and repaid \$750 million of its drawings on commercial banks, while adding about \$400 million to official foreign exchange reserves. During the six months as a whole, Canada's official foreign exchange reserves fell about \$800 million to \$2.1 billion, and \$1.65 billion of the borrowings on commercial bank credit lines remained outstanding as of the end of July.

Mexican Peso

By early 1982, the Mexican peso was widely seen by market participants as significantly overvalued in the exchange markets, reflecting the accumulated effects of a high and accelerating domestic inflation rate, a nearly fixed exchange rate against the U.S. dollar over a period of several years, and to an extent the appreciation of the U.S. dollar after the middle of 1980. Dating from early 1977 and increasingly after 1979, the Mexican authorities had followed an aggressive policy of industrialization and expansion of domestic employment, based on rapidly expanding oil production and exports, and a program of borrowing abroad to finance the import of industrial capital goods. These policies succeeded in their major objectives, with real output expanding in Mexico at an annual rate of more than 8 percent in the four years through 1981 and with commensurate effects on employment.

At the same time, however, signs of strain appeared on both the domestic and the international fronts. Domestically, fiscal deficits had climbed to approximately 15 percent of gross domestic product by 1981, expansion of the money supply had held steady at about 33 percent per annum for four consecutive years, wage increases climbed, and in consequence, the rate of inflation accelerated in 1980 and 1981 to nearly 30 percent. On the international front, the relatively stable peso exchange rate and rising domestic prices combined to spur imports of consumer goods, to depress Mexican non-oil exports, and to worsen a trade deficit already deepened by expanding capital goods imports and recession in the industrial world.

Meanwhile, the rapid growth of external indebtedness and historically high international interest rates led to rapidly climbing debt service costs. Indeed, by the end of 1981, Mexican public and private foreign currency debt reached an estimated \$75 billion, with debt-service costs virtually absorbing total oil revenues in that year. The oil price jump of 1979–80 had worked initially to increase Mexican foreign currency earnings sharply, but the high prices by 1981 produced an opposite effect, cutting deeply into world oil demand and thereby halting the rapid rise in Mexican oil production as well as lowering export earnings below what had been expected. Moreover, late in 1981, the Mexican authorities announced a 1982 public-sector budget clearly intended to continue the rapid expansion of the economy—a policy that intensified fears of even more inflation and a peso devaluation, particularly in view of the deterioration in the external account. Despite these developments, the peso late in 1981 was trading at about Mex.\$26 (\$0.038), in nominal terms only about 15 percent below its level five years earlier, but in real terms substantially higher.

The authorities initially responded to the growing pressure on the peso by accelerating the gradual depreciation of the currency in the exchanges to an annual rate of about 17 percent by the end of 1981. Nevertheless, there were frequent rumors of an impending maxi-devaluation—such as had occurred in 1976—prompting bursts of foreign currency purchases by Mexican residents and an erosion of Mexico's foreign currency reserves, which at the end of 1981 were reported at \$3.7 billion. Then, on February 17, 1982, the Banco de Mexico announced that, in view of the external situation, it would temporarily withdraw intervention support from the peso, so that the peso could find an equilibrium level in the market. The Mexican authorities saw the problem primarily as one of external balance and stated that an exchange rate adjustment would make it possible to continue efforts to industrialize Mexico and to expand employment. Accordingly, such corrective measures as were announced to go along with the floating exchange rate were addressed mainly to external considerations and to cushioning the domestic effects of the devaluation. Public spending was to be reduced, with the savings used to cushion the incomes of the workers from the effect of currency devaluation and to cover the increased peso costs of servicing the public-sector external debt. Price controls were announced, and domestic interest rates were to be kept high, but measures were also taken to ensure adequate credit flows to critical sectors of the economy.

On the external side, the Mexican authorities expected that the decline in the peso exchange rate would substantially restore Mexico's competitive position in non-oil exports, sharply reduce nonessential imports, and halt the capital flight. The expected swing in the Mexican trade account was in turn thought likely to reduce Mexico's need for external borrowing through 1982. In addition, import licensing was to be tightened. Immediately after the announcement, the peso dropped in the exchanges from Mex.$26.74 to Mex.$38 and in the next two weeks fell to about Mex.$45, a devaluation of about 40 percent from the February 17 level. Once trading settled down, some capital reflows occurred, enabling Mexico to buy back some of the reserves lost earlier. Through March and much of April, an uneasy peace existed in the exchange markets. The peso first climbed somewhat and then drifted lower amid some resident selling, with market participants increasingly concerned whether the February policy actions were sufficient to correct the external imbalance.

But it soon became clear that much if not all of the potential benefit of the devaluation would be lost in a burst of inflation brought on by government actions aimed at cushioning the domestic impacts of the devaluation. The main issue concerned wages. The government agreed in late March with the trade unions for increases ranging from 10 to 30 percent, increases that followed a 34 percent boost in the minimum wage on January 1, 1982. Employers then contended that the wage increases could not be absorbed without adjustments on the price front, leading the government to announce a number of tax concessions, and promises of a sympathetic review of requests for increases of controlled prices. In the wake of these developments, market estimates of 1982 Mexican inflation were revised sharply higher, some predicting a rate near 60 percent. In consequence, the peso again came under sustained downward pressure in the exchanges and capital flowed out of Mexico. The terms of Mexico's new international borrowings, which had begun to harden even before the February devaluation, hardened further. In mid-April the peso stood at about Mex.$46, and was being allowed to decline in the exchanges at an annual rate of about 22 percent.

Then, on April 21, the government of Mexico announced a stabilization program, prompted by the deteriorating external situation, but in this instance including a major domestic austerity program designed to facilitate improvement in the external account. The seventeen-point program was aimed at sharp reduction of government spending and the fiscal deficit, largely through increases in prices of public-sector goods and services, a tightening of monetary policy, and substantial further reductions of imports, which in turn would reduce the need to borrow abroad. This program, if implemented as announced, was thought by market participants likely to result in a virtual cessation of Mexican economic expansion in 1982 and thus was taken as a more concerted attempt to deal with the external situation than the February program. The announcement of such a program only about two months before national elections was also taken by the market as an indication that the Mexican authorities viewed the situation as increasingly serious. At the end of April, the Federal Reserve received and granted a request from the Banco de Mexico for a $600 million drawing on the swap facility to meet month-end liquidity needs.

In the weeks that followed, market concerns focused on two closely linked issues. First, whether the stabilization program would be implemented aggressively enough to redress the serious internal and external imbalances and, second, whether Mexico would be able to borrow enough on the international capital markets to bridge the gap until the program had time to work. With respect to the first issue, concern arose that political pressures ahead of and even after the July 4 national elections would force postponement of key program elements, particularly the sharp price increases in domestic energy and critical foodstuffs.

Through the late spring and early summer, it became increasingly clear that Mexico was encountering considerable difficulty in rolling over maturing foreign currency credits and raising needed new cash. A "jumbo loan" of $2½ billion was floated in late May, about half of which was new cash used to bolster foreign exchange reserves. The terms of the loan called for higher interest rate spreads above the London interbank offer rate (LIBOR) than had existed only a few months before, but loan participations were slow to sell outside the lead underwriting syndicate despite the higher interest yield. A few weeks later, Mexico successfully floated a Eurobond issue, but only by offering a record interest yield on such issues of 18½ percent. At the same time, private-sector borrowers also were experiencing difficulties, particularly Grupo Industrial Alfa, the large Mexican industrial conglomerate, which earlier had suspended payments on its international obligations. And again, at the end of June, the Banco de Mexico requested and was granted a $200 million drawing on its swap line with the Federal Reserve to meet a temporary liquidity need, with the funds taken down on June 30 and repaid on July 1.

As the period drew to a close, signs appeared that the April economic program was beginning to take effect, although at the same time many came to question whether the program was sufficient to restore external and internal balance even if fully implemented. Imports had come down sharply, partly in consequence of the February devaluation, but also reflecting the April import control program. While non-oil exports had been sluggish to respond, oil exports on a daily basis had rebounded to nearly the levels originally targeted for all of 1982. On the domestic side, limitations on peso credit were showing up in continuing interest rate increases. By late July, rates on most short-term deposits had climbed from just over 30 percent in February to about 50 percent, high by historical standards in Mexico but still well below the expected rate of inflation. But the government expenditure reductions and price increases were proceeding less rapidly than called for in the April program, suggesting that the reduction of the fiscal deficit in 1982 would be at best only about two-thirds of the amount targeted in April.

Capital flight apparently tapered off somewhat through late June and July, although downward pressure on the peso in the exchanges continued. However, with estimates of the inflation rate progressively revised upward, market participants came to expect an acceleration in the gradual peso depreciation or another major devaluation, and concern remained over the possibility of a renewal of significant speculative pressure. Thus, it was clear that more time and continued forceful government action would be required before economic balance could be restored, with the implication that liquidity pressures would continue to be serious for some time. At the end of July the peso had declined to about Mex.$49 to the U.S. dollar. And, on the final day of the period, Mexico again drew on its swap line with the Federal Reserve to finance a short-run liquidity need, taking down $700 million on July 30 and repaying the amount in full the following business day. □

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STUDY SUMMARIES

FOREIGN SUBSIDIARIES OF U.S. BANKING ORGANIZATIONS

James V. Houpt and Michael G. Martinson—Staff, Board of Governors

Prepared as a staff paper in mid-1982.

Whereas much attention has been given to the recent increase in foreign ownership of U.S. banks, the U.S. ownership of foreign banks and financial institutions has gone largely unnoticed. Indeed, many bank analysts ignore the role of subsidiaries altogether and point solely to the operations of foreign branches of U.S. banks to indicate the level of the banks' foreign activity. The data on foreign branches do, in fact, account for most of the foreign assets of U.S. banks, but they exclude the assets of the banks' subsidiaries, which by one measure exceed $83 billion.

This study discusses the growth trends and activities of foreign subsidiaries of U.S. banks, bank holding companies, and Edge corporations; the roles these subsidiaries perform in the international operations of the parent organizations; and the way they are supervised and regulated by the Federal Reserve. The study is based on annual financial data supplied by the foreign subsidiaries, supplemented by information obtained from examinations, on-site visits, applications, and other sources. Much of this type of information is confidential for individual companies, but it has been sufficiently aggregated or generalized to permit disclosure. Because many of these statistics have not been previously released to the public, they should improve the understanding of the structure and overseas activities of U.S. banks.

The study demonstrates that subsidiaries are engaged in financial, bank-related activities, with about two-thirds of the assets in foreign companies that are themselves basically commercial banks. Other major activities of subsidiaries are merchant banking, consumer finance, commercial finance, and leasing. Most subsidiaries are located in Western Europe and offshore financial centers, and 90 percent of the assets of foreign subsidiaries are owned by ten large U.S. banking organizations. The study identifies the major subsidiaries by their principal functions and discusses both the banking and the nonbanking companies. It shows that subsidiaries are an integral part of the international financial networks of large U.S. banks, that their assets have increased tenfold during the last decade, and that they are likely to continue to be a useful vehicle for U.S. banks seeking to expand their international banking capabilities. □

REDLINING: RESEARCH AND FEDERAL LEGISLATIVE RESPONSE

Glenn B. Canner—Staff, Board of Governors
Prepared as a staff paper in mid-1982

Since 1975, the Congress has passed two legislative acts designed to encourage institutional mortgage lenders—commercial banks, savings and loan associations, credit unions, and mutual savings banks—to help meet the housing credit needs of the communities in which they are chartered. The first, the Home Mortgage Disclosure Act (HMDA) of 1975, was enacted during a ground swell of opposition to the alleged redlining activities of institutional mortgage lenders. The second, the Community Reinvestment Act (CRA), was passed in 1977. The CRA directed four of the federal financial supervisory agencies—the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Home Loan Bank Board, and the Federal Deposit Insurance Corporation—to use their examinations and their reviews of applications by financial institutions to encourage these institutions to help meet the credit needs of their communities, including low- and moderate-income neighborhoods, in ways that are consistent with safe and sound operation of the institution. Whereas the HMDA relied on the force of public disclosure to influence the loan policies of financial institutions toward certain sections of their communities, the CRA placed responsibility for promoting bank activity in these neighborhoods on the regulatory agencies.

This paper focuses on the widespread research that has analyzed the redlining issue. The review describes the research methodologies, findings, and limitations of each statistical approach. In addition to the research, the paper discusses the federal legislative response to redlining and examines issues related to the HMDA and the CRA.

Studies of alleged redlining activities by depository institutions have shown wide disparities in the number and dollar volume of conventional mortgage loans extended to borrowers in different geographic areas. They also have shown that in some neighborhoods mortgage finance is dominated by government-insured or government-guaranteed contracts, and in others conventional loans are predominant. In general the redlining studies have found that variations in lender behavior toward borrowers in different geographic areas can be traced to factors associated with income variations, mortgage contract characteristics, lender specialization, property characteristics, neighborhood factors, and regulatory influences such as usury laws and mortgage portfolio constraints. Anecdotal evidence and information obtained from CRA analysis of bank applications suggest that at times some lenders have adopted mortgage loan policies that may have restricted the flow of credit to certain neighborhoods. However, the empirical studies offer little evidence to indicate that any neighborhood has been simultaneously redlined by all lenders, although some discrimination by individual institutions may exist.

The HMDA requires public disclosure of the geographic distribution of home mortgage and improvement loan extensions by federal depository institutions. Research indicates that the HMDA data is useful both to banking regulators in fair housing and CRA enforcement and to community groups in supporting allegations of unequal neighborhood treatment by lenders.

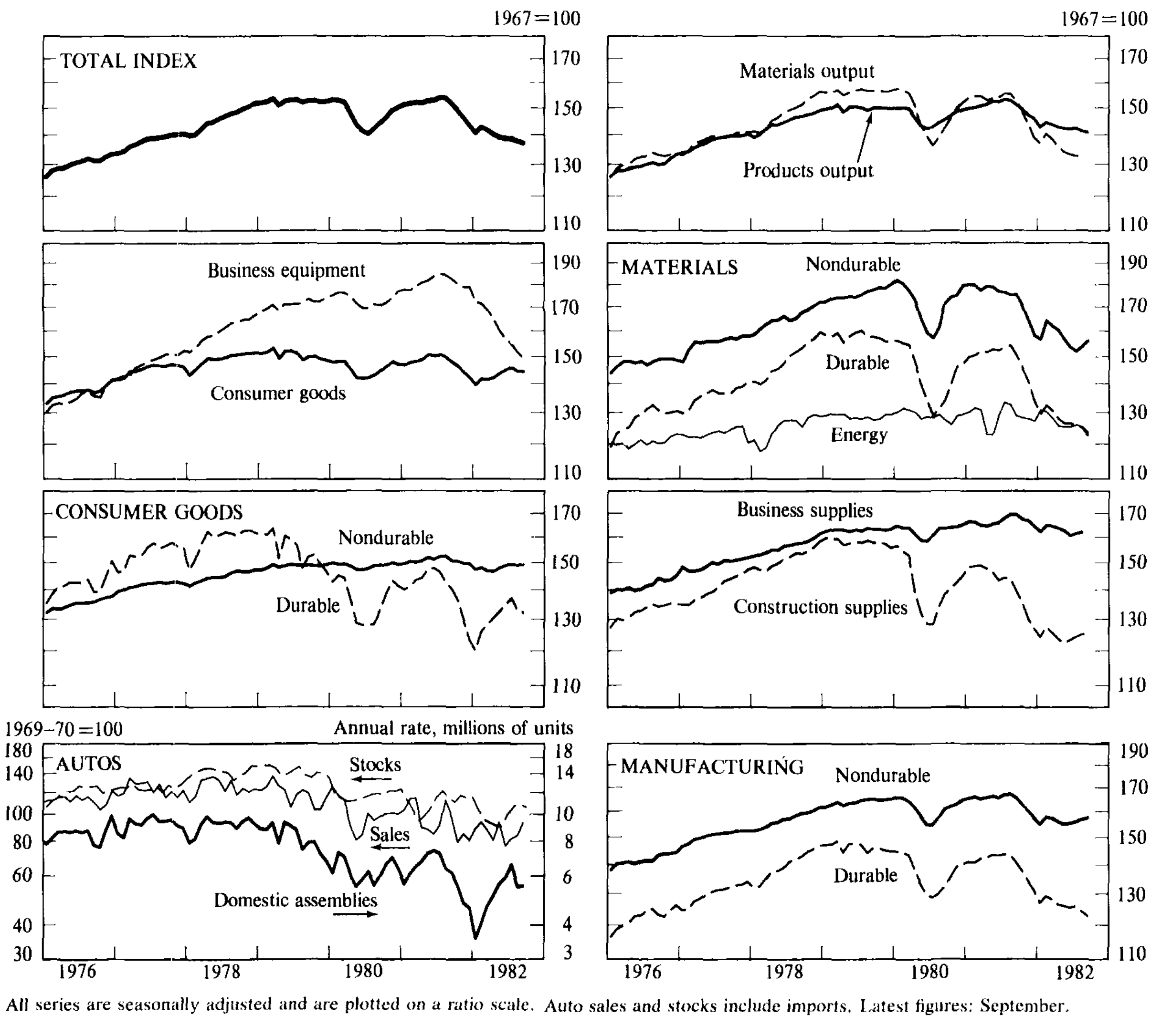
The CRA empowers the federal banking regulators to encourage the depository institutions to serve the credit needs of their entire communities and to assess the degree to which they are doing so. The act was not intended to impose bureaucratic credit allocation on the banking system, a position the Federal Reserve Board has reiterated on numerous occasions. However, it may have that effect in practice because lenders, to avoid lengthy delays and possible denials of bank applications, may choose to negotiate a settlement with a particular community group. The Federal Reserve has taken the position that it will scrutinize carefully such agreements to ensure that they are consistent with the safety and soundness of the bank and that they do not establish a preference for credit extensions that is inconsistent with evenhanded treatment of borrowers throughout the community. □

Industrial Production

Released for publication October 15

Industrial production declined an estimated 0.6 percent in September, following a roughly similar drop in August. The decline in September was concentrated in business equipment and in durable materials, while output of consumer goods was unchanged on balance. Output of nondurable materials rose more than 1 percent for the second month, and output of defense and space equipment continued to expand. At 137.3 percent of the 1967 average, the index for September is 10.8 percent below its recent peak in July 1981.

In market groupings in September, output of consumer goods remained at its level in August, as production of home goods and nondurable consumer goods edged upward. Autos continued



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

Grouping	1967 = 100		Percentage change from preceding month					Percentage change, Sept. 1981 to Sept. 1982
	1982		1982					
	Aug.p	Sept.e	May	June	July	Aug.	Sept.	
	Major market groupings							
Total industrial production	**138.1**	**137.3**	**-.7**	**-.4**	**.1**	**-.5**	**-.6**	**-9.4**
Products, total	141.4	140.9	-.4	.1	.3	.8	-.4	6.7
Final products	140.8	140.3	-.3	-.1	.2	1.1	-.4	-6.5
Consumer goods	144.4	144.4	1.1	.8	.8	1.0	.0	-2.3
Durable	132.8	132.2	1.5	1.5	1.9	-3.2	-.5	-5.8
Nondurable	149.1	149.2	.9	.6	.4	-.2	.1	-1.1
Business equipment	151.6	149.2	-3.0	-2.0	1.3	-1.9	-1.6	-18.3
Defense and space	109.3	110.2	.5	-.1	1.4	.2	.8	7.0
Intermediate products	143.6	143.4	-.8	-.5	.7	.5	-.1	-7.2
Construction supplies	125.0	125.2	-1.1	.7	.9	.6	.2	-10.4
Materials	132.9	131.8	-1.4	-.6	-.5	.0	-.8	-13.6
	Major industry groupings							
Manufacturing	137.7	136.9	-.6	-.1	.4	.4	-.6	-9.4
Durable	124.3	122.8	-.5	.5	.3	1.3	-1.2	-12.8
Nondurable	156.9	157.4	-.7	.2	.4	.6	.3	-5.1
Mining	118.2	115.7	-3.9	4.2	-2.6	-1.7	2.1	20.2
Utilities	168.4	168.9	-.1	-.9	-1.1	.5	.3	.7

p Preliminary. e Estimated. NOTE. Indexes are seasonally adjusted.

to be assembled at the annual rate that had prevailed in August—5.5 million units—but output of lightweight trucks for consumer use declined. Production of business equipment fell 1.6 percent in September, close to the average monthly decline since the end of 1981. In September large declines occurred in production of building and mining, manufacturing, and transit equipment. Output of construction supplies edged up in September, although somewhat less than in each of the preceding three months.

Production of materials was curtailed 0.8 percent, reflecting a sharp reduction in durable materials, particularly in parts for consumer goods and for equipment. Output of energy materials declined 1.5 percent as output of coal was reduced mainly because of the rail strike. However, output of nondurable materials, such as textiles, paper, and chemicals, increased 1.4 percent following a similarly large increase in August.

In industry groupings, manufacturing output was reduced 0.6 percent further in September because of sharp cutbacks in durable goods industries. Production in nondurable manufacturing continued to increase slightly as did utility output. Mining output, however, was again reduced sharply.

Statements to Congress

Statement by Lyle E. Gramley, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Forests, Family Farms, and Energy of the Committee on Agriculture, U.S. House of Representatives, September 16, 1982.

I am pleased to discuss with you the present state of the housing and forest products industries and the outlook for the future. My testimony will review briefly the current economic and financial situation, discuss the origins of the problems facing housing and related industries, and indicate what I believe to be the appropriate course for government policy in the period ahead.

The problems of the housing industry and those that supply it are part of a broader economic malady. We must keep that carefully in mind as we look for solutions. Quick fixes tailored to specific industries could prove illusory, and counterproductive over the longer term, if they diverted us from attending to the broader policy needs of the national economy.

We are now in the process of reversing an inflation that began in the mid-1960s and that steadily worsened until it threatened to bring serious harm to our economic institutions. This effort has imposed substantial costs in terms of reduced output and employment, economic hardships for individuals and families, and declining sales and profits for many businesses. The credit-dependent housing industry and the industries related to it clearly have suffered disproportionately. However, these industries clearly have as much to gain as others—if not more—from a successful effort to restore price stability. We have made substantial progress during the past two and a half years in reducing inflation. Price stability, lower interest rates, and a healthy economic recovery are all achievable. We in the Federal Reserve will persist in our policy of monetary discipline, and if the Congress and the administration are successful in their efforts to reduce the deficit in the federal budget, fiscal and monetary policy will be working together to defeat inflation.

The Current Economic Situation

The nation has been in the grip of an economic slowdown for some time. The recession began in the housing and heavy durable goods industries, but it has since become widespread among industries and geographic regions. Nevertheless, those components of the economy most heavily dependent on credit have been affected the longest and the most severely. By late last year, housing starts had fallen to the lowest level since World War II, and output in sectors closely related to housing—such as the forest products industry—has contracted sharply. The auto industry and producers of business capital equipment also have been hit hard.

The hardships resulting from high interest rates have not stopped at our national borders. High interest rates have had substantial adverse effects on borrowers abroad, reflecting the increased economic interdependence of nations and the growing integration of international capital markets.

The human costs of the recession have been serious. The overall unemployment rate has reached a post-World-War-II high of nearly 10 percent, or more than 10 million people. The fact that the recession has been most severe in the construction and durable goods industries means that the burden of rising unemployment has been relatively heavy on adult men, although joblessness among young and inexperienced workers also is relatively high. In addition to those officially recorded as unemployed, hundreds of thousands of discouraged workers who want work have given up looking for jobs.

Economic and personal hardship has been particularly severe in those areas of the country where the most depressed industries are concentrated. Employment in the auto industry—which is facing both cyclical and structural problems—has fallen nearly a third during the past several years; in July, the unemployment rate in Michigan was almost 15 percent. Because of the massive downswing in national housing activity, scores of lumber mills have been closed or have curtailed operations, and many thousands of employees in the west and south—the areas in which most of the nation's forest products are produced—have been laid off or had their workweeks cut. In Washington and Oregon, for example, the number of persons employed in the lumber industry during the second quarter of this year was almost 30 percent below the level four years earlier.

Economic and financial market developments have taken a heavy toll on individuals and institutions in a wide range of other industries as well. We have seen bankruptcy or reorganization of a significant number of major corporations and a large number of small businesses. Business failures, in fact, have climbed to the highest levels since the 1930s; even when measured relative to the total number of concerns in operation, business failures are the highest in several decades. And the substantial rise in market interest rates since 1978 has placed serious strains on many financial institutions, particularly those that traditionally have supplied the lion's share of housing credit. Many thrift institutions that relied on short-term deposit funds and made long-term, fixed-rate mortgage loans have encountered severe earnings and net worth problems. Strenuous efforts by the regulatory agencies have been required to support capital positions and to help arrange appropriate mergers and acquisitions of financially troubled firms. About 300 mergers took place in the savings and loan industry during 1981 and roughly 250 have occurred so far this year, quite a few of which were arranged or assisted by the regulators.

There is some evidence suggesting that the recession of 1981–82 is now behind us. Real gross national product increased somewhat in the second quarter, when the rate of inventory liquidation exercised less drag on the economy than it had in the first three months of the year. Moreover, the index of leading economic indicators has moved up for several months in a row.

Yet, there is little evidence so far that recovery is under way. Labor markets continue to be unusually weak; consumer spending remains sluggish; and business fixed investment is declining substantially.

My judgment is that a pickup in activity is likely to develop in the months ahead, bolstered to a degree by the midyear tax cut and the effects of the recent drop in market interest rates. History suggests, moreover, that some momentum will develop once an upturn is in process. But the toll of three years of financial and economic stress will limit the pace of recovery for a while. Business capital investment is perhaps the major point of vulnerability. Current and planned outlays for plant and equipment have continued to decline substantially; both domestic and export markets are weak; capacity utilization is low; temporary overbuilding of offices and stores has appeared; operating profits of nonfinancial corporations have fallen to a postwar low; and the illiquidity of many firms is likely to discourage businesses from making long-term investment commitments. Housing is not apt to contribute to cyclical recovery to the extent that it has in past upswings, at least not until long-term interest rates decline considerably further. The overall pace of expansion during the first several quarters of recovery, therefore, is apt to be a good deal weaker than has been typical of other postwar recoveries from recession.

SOURCES OF THE PROBLEMS

Two factors are primarily responsible for the current condition of the general economy and the credit-dependent sectors such as housing. The first is the strong inflationary momentum that built up over the past 15 years or so. The second is the mix of public policies that has been in place during much of the past several years.

Toward the end of the last decade, there was fairly general recognition that inflation had been allowed to get out of hand and that it was seriously damaging our economy. Fighting inflation came to be recognized as the top priority for economic policy. In late 1979, the Federal Reserve moved to ensure the monetary discipline that was needed if inflationary pressures were to be contained. Unfortunately, for a time the System carried on that battle largely alone. Large and growing budget deficits created a serious imbalance in fiscal policy, contributing to extraordinarily heavy pressures on financial markets and record interest rates.

Let me remind you of the serious state of the federal budget at midyear 1982. Leaders from the administration and the Congress agreed that, under current law and assuming the President's proposed defense buildup, the deficit in fiscal 1985 would exceed $230 billion if the economy grew reasonably well—that is, at an average rate of 4 percent a year—over the 1983–85 period. The deficit in fiscal 1985 would then be about 5½ percent of GNP, by far the largest of any postwar year. Since net private saving historically averages about 7 to 8 percent of GNP, a deficit of this size would absorb roughly three-fourths of net private saving, leaving precious little to finance net private investment in business capital and housing.

Even under the best of circumstances, bringing an end to an inflation that had gone on largely unchecked for a decade and a half was bound to be painful. But the threat that monetary and fiscal policies might collide head on made it doubly so.

Since midyear, interest rates on short-term securities have come down dramatically, and improvement has also occurred in those interest rates that have such an important bearing on the pace of economic activity—that is, on corporate bond rates, mortgage rates, and the rates paid by business borrowers at banks.

These developments reflect, in part, a recognition by financial market participants that the recovery in economic activity likely to develop over the rest of 1982 and on into 1983 will be comparatively weak. They also stem, however, from the improved prospects for budgetary discipline and a growing realization that monetary restraint has contributed importantly to reduced inflation.

In 1979 and 1980, the long-term trend rate of price increase was probably in the neighborhood of 10 percent. With food and energy prices rising rapidly at that time, actual inflation rates were above 12 percent. Since then, the underlying trend rate of price rise has, I believe, been cut nearly in half—largely because some moderation has occurred in the rise of wages and salaries. Improvements in productivity introduced by business firms may also be helping to moderate inflation. Moreover, we are benefiting on the inflation front from the continued glut in world oil markets, from the improvement in the value of the dollar abroad, and from harvests of major grain crops that will apparently be very abundant.

Slower inflation has helped to take pressure off financial markets, by reducing demands for money and credit and by lowering the inflation premium contained in nominal interest rates. The longer that improved price performance is maintained, the greater will be the confidence of private market participants that a decisive downtrend in inflation is being achieved.

Sentiment in financial markets has also been improved by evidence of the breakup of the political logjam that appeared last spring to be holding up progress on the budget. Passage of the tax bill has not ended the need for concern about federal deficits and the threat they contain for financial markets and for private industries most heavily dependent on credit. But its passage does suggest that the clear and present danger of a burgeoning deficit is widely recognized, and that the process of reducing the government's absorption of credit is now under way.

Future Prospects and Policies

Let me turn, next, to the policies that are most likely to be successful in helping to restore health to all major segments of our nation's economy.

The fight against inflation has been long and arduous. A temptation exists, therefore, to become impatient, and to adopt a course of economic policies designed to encourage greater strength of recovery in the near term. Declaring the battle against inflation won would be premature. Inflationary expectations remain powerful, despite recent progress on the price front, and downgrading of the inflation problem as our top priority could mean that the costs borne to this point would have been largely wasted.

Indeed, I would argue that the single most important thing government can do for the benefit of housing and related industries is to pursue policies that will get rid of inflation once and for all. Inflation produces the high interest rates that cause ratios of monthly payments to borrower income to rise to prohibitive levels during the early years of the home mortgage contract. Expectations of inflation also cause prices of houses to shoot up faster than prices of consumer goods and services, making it more difficult for first-time home buyers to meet monthly payment and downpayment requirements. During the latter part of the 1970s, for example, average home prices were rising at rates of nearly 20 percent per year, roughly twice the pace for goods and services generally or for personal income.

Inflation can be disastrous for rental housing, a particularly important alternative for our less affluent citizens. The production of apartment structures for rent has been depressed for many years, even as vacancy rates have fallen to historic lows. Investors have been unwilling or unable to take on the risks of rental projects for which predicting returns is quite difficult, especially when local governments might abruptly impose controls on the rents that can be charged.

We must have a sensible, coherent, and unambiguous set of federal policies to achieve a sustained economic recovery unhampered by resurgent inflation and heightened financial pressures. The Federal Reserve is fully cognizant of the need to follow policies that will permit a healthy and sustained economic recovery. But we have no intention of abandoning the basic monetary discipline that is needed if we are to achieve that goal. We recognize that excessive monetary growth would simply embed inflation and inflationary expectations more deeply in the economic system, ultimately pushing long-term interest rates to levels that would exacerbate the problems of housing and housing-related industries.

Our nation also badly needs actions to achieve smaller "structural" federal deficits—that is, to assure that deficits will decline as the economy recovers. The congressional budget resolution was a welcome show of determination to achieve a sounder fiscal policy, and the recent tax bill was a concrete step toward implementing the needed budgetary restraint. But a great deal more needs to be done as the economy expands. Indeed, even if the objectives of the budget resolution are fully reached, the deficit appears likely to be higher in the next several fiscal years than in the current year, despite the fact that the economy will be expanding. Of course, some of the deficit in fiscal year 1983 will reflect the economic weakness this year and the time required merely to regain lost ground. But abstracting from those factors, a structural deficit problem would remain to be dealt with, even if all the deficit-reducing measures in the budget resolution were enacted.

If we do not take strong steps to deal with this budget problem, continuing federal deficits will preempt an excessive share of net saving generated by the private sector and, in the process, place renewed pressures on credit markets when the economy starts expanding. This prospect, of course, also influences the attitudes of both borrowers and lenders, limiting the decline in long-term rates of interest needed now by credit-dependent sectors such as homebuilding. A credibly firmer budget posture is needed to promote confidence that fiscal and monetary policies are working together in fighting the battle against inflation. □

Statement by Henry C. Wallich, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Commerce, Consumer and Monetary Affairs of the Committee on Government Operations, U.S. House of Representatives, September 30, 1982.

This is the third time I have been privileged to appear before this subcommittee to present the views of the Board of Governors on the subject of foreign investment in U.S. banks. On those previous occasions in 1979 and 1980, some especially large acquisitions had drawn public attention to the growing tide of foreign interest in investing in our banking system. That interest, as I mentioned then, reflected the growing internationalization of banking, which had been manifested earlier by the movement abroad by U.S. banks. In the past two years, foreign investment has continued at significant levels, though perhaps not so intensely. By the middle of this year, 134 banks were controlled by foreign banking organizations and other foreign investors, or about 35 more than when I last testified. These 134 banks account for approximately 5½ percent of domestic banking assets.

The invitation for the Board to be represented at these hearings asked that the testimony treat several specific points: first, the performance of foreign-owned banking institutions; second, Federal Reserve policy on the supervision of foreign bank holding companies; third, the procedures followed by the Board in processing applications by foreigners to invest in U.S. banks; and finally, the issues that were present in recent, specific applications.

The Performance of Foreign-Owned Banking Institutions

In the past two years, there has been an increase in foreign acquisitions of large U.S. banking organizations such as Crocker National Corporation, Financial General Bankshares, and LITCO Bancorporation. I shall come back to these acquisitions later. Significant interest has also been shown in smaller institutions, notably in Florida and California.

These acquisitions and investments have occurred recently and, indeed, some are currently in process. It is yet too soon, therefore, to attempt to draw any firm conclusions about the performance of these banking organizations under their new owners. As the subcommittee is aware, the Board and the other bank regulatory agencies have been monitoring on a continuous basis the behavior and performance of foreign-owned banking organizations. The most recent overall review by the Board staff was completed last year, and I have attached it to this statement for the subcommittee's information.[1]

The principal conclusions of the review may be summarized as follows:

1. Before their acquisition, the banks generally had lower earnings and lower equity ratios than other banks in their peer group.
2. After acquisition, earnings generally improved, though not fully to peer-group levels, while equity ratios were raised to peer levels as a result of infusions of capital by the new owners.
3. The business orientation of the acquired banks did not change materially. Somewhat less emphasis on retail lending as a proportion of the total was evident as a result of greater diversification of the lending portfolio.
4. Within the total group, the greatest improvement in earnings and the largest increases in capital took place at banks acquired by foreign individuals; however, the earnings base of these banks was low before acquisition.

These generalizations are based on a review of banks *acquired* by foreign interests and not those established *de novo* by foreigners. They are also based on information through 1980. However, partial data for 1981 support these findings.

Supervisory experience forms another aspect of the performance of foreign-owned banking organizations. As you know, direct supervisory responsibility is shared at the federal level among the Office of the Comptroller of the Currency, with responsibility for national banks; the Federal Reserve, with responsibility for state member banks and bank holding companies; and the Federal Deposit Insurance Corporation, with responsibility for all other insured banks. The Federal Reserve has supervisory responsibility for 12 state member banks that are owned by foreigners and for 67 foreign-owned bank holding companies. We have direct knowledge of and experience only with these foreign-owned institutions. However, we do keep in close touch with the other banking agencies about their supervisory experience with foreign-owned banks under their jurisdictions. Specific material on the supervisory experience has been filed by the three agencies with the subcommittee. Here, I should like to confine my remarks to some general observations about that experience.

Supervisory experience may be judged in several ways. One way is according to the condition of the banking institution because the ultimate objective of bank supervision is the promotion of sound and healthy banks. Another way is the record of compliance by the banking institution with the laws and regulations to which it is subject.

On the first measure, evidence has already been cited that the equity ratios and earnings of banks acquired by foreigners generally showed improvement. Further evidence is available from the ratings assigned by the supervisory agencies on the basis of examination reports. In response

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

to your request, the three banking agencies prepared and transmitted to the subcommittee a summary table of the ratings of a sample of banks. Of the 52 banks in the sample, 40 had strong composite ratings for financial soundness of one or two. Only 5 were rated unsatisfactory, and some of these had been weak when acquired by foreign investors.

The record of compliance is more difficult to measure. There is probably not a bank in the United States whose examination report does not cite violations of law and regulations. Most of these violations are technical and most are immediately corrected, usually during the examination itself. Foreign-owned banks have proved no different in this regard. A supervisory problem exists only when serious violations occur or when a pattern of violations is recurring. This situation may be cause for a cease-and-desist order or some other supervisory action. On this basis, our experience has been—and I believe this is shared by the other agencies—that the compliance record of foreign-owned banks equals that of similar domestically owned banks.

Supervision of Foreign Bank Holding Companies

Under the law, responsibility for the supervision of bank holding companies has been assigned to the Board. That responsibility includes all bank holding companies whether domestically or foreign owned.

Of the 134 U.S. banks controlled by foreign interests, 84 are held through corporations. These corporations are required to become bank holding companies and fall under the direct supervisory jurisdiction of the Board. Within this group of 84 banks, 60 are owned by foreign banking organizations and the remainder by individual investors.

The Board outlined its approach to the supervision of foreign bank holding companies in a policy statement issued in February 1979. The central theme of that statement is that the Board's primary concerns are with the operations and activities conducted in the United States and that our supervisory efforts would be so directed. The Board's interest in the foreign parent organization or in the foreign owners lies principally in their capability to be a continuing source of strength to the banking operations in the United States.

Since that statement appeared three and a half years ago, the Board has implemented it in several ways. First, before approving the establishment of a foreign bank holding company, the Board assures itself about the financial and managerial resources of the foreign organization. Applicants are required to furnish extensive information so as to enable the Board to render a judgment that those resources are sufficient to provide support to the U.S. subsidiary bank. The same requirements apply to domestic applicants. Also, foreign supervisory authorities are contacted about the financial condition and the reputation of the applicant.

Second, the Board has established annual reporting requirements through which foreign bank holding companies submit information permitting an appraisal of the financial condition of the foreign organization on a continuing basis. The requirements also serve for assessing compliance with regulations governing U.S. operations of foreign banking organizations.

Third, a reporting system has been put in place that monitors transactions between the U.S. bank and the foreign parent organization on a quarterly basis.

Fourth, foreign bank holding companies are required to report any nonbank activities commenced in the United States and the authority under which they are undertaken. The committee staff has seen copies of the reports that have been filed with the Board.

A primary supervisory tool in the case of domestic bank holding companies is the examination or inspection process. The examination process is also an important supervisory tool in the case of foreign bank holding companies, although the ways in which this tool is employed necessarily differ. The foreign organization itself is not inspected, because it is located outside the jurisdiction of the United States. For information about the foreign organization, reliance is placed on the reports just mentioned and on relationships with foreign supervisory authorities. Nor is there a system of regular inspections of nonfinancial subsidiaries in the United States. As you know, under the law, foreign banking organizations may have indirect subsidiaries in the United States that engage in nonfinancial activities of kinds not permitted domestic bank holding companies, provided certain conditions are met. Because the Board is not responsible for the condition of the foreign banking organization and its activities, financial and nonfinancial, outside the United States, interest in any indirect nonfinancial activities in the United States is limited to compliance with regulation. When the U.S. bank is held by an intermediate U.S. holding company, that company and its nonbank subsidiaries will be inspected, as necessary, on the same terms as a domestic bank holding company. The subsidiary banks are, of course, examined by the relevant bank supervisory agency, and the Board relies on the examination reports prepared by those agencies to monitor the condition of those institutions.

For the most part, foreign bank holding companies are foreign banking organizations. As such, they are usually the major banks in their home countries; they are supervised by foreign banking authorities; and they have a recognized reputation in the international marketplace. These banks acknowledge that they are guests in this country and are anxious to remain in good standing by adherence to the rules and regulations to which they are subject. For these reasons, the Board has not been confronted with serious problems in supervising the U.S. activities of these companies.

By contrast, when U.S. banks are controlled by foreign individuals, certain supervisory problems do arise. One relates to the initial entry of the foreign investors in seeking to acquire or establish a bank. Another relates to the supervision of the continuing operations of those banks, once they have been acquired. However, these problems also exist when domestic individuals acquire banks.

On the question of entry, the principal problem is ascertaining the financial strength and reputation of the would-be foreign owners. This is a problem faced by the Office of the Comptroller of the Currency when foreign investors seek to charter a national bank and by the various state authorities when a state banking charter is sought. The problem is also encountered in all three federal banking agencies under the Change in Bank Control Act when a foreign investor seeks approval to acquire more than 10 percent of an existing bank and becomes the largest single shareholder. The relevant banking agency has to determine the investor's condition and status. The ability to make such a determination is necessarily complicated by distance and differences in foreign conditions and standards.

On the question of continuing supervision, there is the problem of assuring that the bank is managed well and that it is not used for the benefit of the foreign owners to the detriment of the condition of the bank. Individual investors, by comparison with banking organizations, may not have the same interest in preserving their banking reputations. The first line of defense on this point is to limit entry to persons of undoubted integrity and banking experience. On the whole, as described earlier, the banks owned by foreign individuals have been managed well and have posed few supervisory problems. However, there have been exceptions, one being the American Bank and Trust Company situation in New York several years ago, when a foreign investor abused the bank to his own benefit. The subcommittee is familiar with that unfortunate experience, which illustrates the need for vigilance in the examination process when dealing with banks owned by individuals, whether domestic or foreign.

Federal Reserve Procedures on Application Acquisitions

I should now like to turn to a description of how the Board handles applications by foreigners to acquire U.S. banking organizations.

The Bank Holding Company Act provides several criteria that the Board is required to consider in judging applications to form bank holding companies: (1) the financial and managerial resources of the acquiring company and the bank to be acquired; (2) the future prospects of each; (3) the convenience and needs of the community to be served; and (4) the effects of the proposal on competition. Similar criteria are to be considered by the banking agencies under the Change in Bank Control Act. These criteria apply to both foreign and domestic acquirers.

When an application is received by the Federal Reserve from foreign banking organizations or foreign individuals to form a bank holding company, the same general procedures are followed and the same general information is required as if domestic organizations or domestic individuals were involved. Also, a concerted effort is made to obtain additional information that will permit an evaluation of the foreign banking organization viewed against the environment in which it operates in its home country. Foreign individuals are required to submit financial statements and other information sufficient to assess their ability to manage a banking organization and to stand behind the acquired bank. Contact is usually made with the appropriate foreign supervisory authority about the condition and reputation of the foreign applicant. When a foreign banking organization is involved, this procedure is in keeping with the broad agreement reached among the central banks and bank supervisory authorities of the Group of Ten countries and Switzerland that foreign banks operating within their territories should be adequately supervised institutions in their home countries and that the home country supervisors shall supervise the activities of their banks on a consolidated basis.

Some Recent Major Acquisitions

I propose now to comment on three recent major acquisitions as requested in your letter to testify. The cases are the following: (1) the acquisition of Crocker National Corporation by Midland Bank Limited; (2) the acquisition of Financial General Bankshares by a group of Middle Eastern investors; and (3) the acquisition of LITCO Bancorporation by Banca Commerciale Italiana. My remarks will be confined to the highlights of each case. More details are contained in the Federal Reserve Board's orders approving the acquisitions, which I should like to submit for inclusion in the record.

Crocker National Corporation

In early 1981, Midland Bank Limited, one of the major London clearing banks, applied to acquire a majority interest in Crocker National Corporation, whose principal subsidiary bank and principal asset is Crocker National Bank. At the time, Midland Bank had total deposits of $55 billion and was the third largest bank in the United Kingdom. Crocker National Bank had total assets of $19 billion and was the fourth largest bank in California and the twelfth largest in the United States.

Under the proposal, Midland Bank would immediately acquire 51 percent of the stock of Crocker National Corporation with the intention of ultimately acquiring 57 percent. The end result of the acquisition would be an infusion of $495 million in new capital into the Crocker National Corporation. At the time of the application, Midland Bank had no operating banking presence in the United States. Its only representation was as a part owner of European American Bank and Trust Company, a consortium bank in New York owned by six banks from different European countries.

Although the acquisition of a large U.S. bank was involved, virtually no issues were presented by the application under the criteria specified in the Bank Holding Company Act. The application indicated no adverse competitive factors because Midland Bank had no direct banking operations in California or elsewhere in the United States. Midland Bank was in strong financial condition, and its reputation as an international bank was undoubted. The proposed capital infusion was regarded as a factor that weighed in favor of approval.

In approving the bank acquisition, the Board also had to consider the other activities of the Midland Bank organization in the United States and their consistency with the requirements of the Bank Holding Company Act. As a result, the Board order approving the bank holding company formation required that Midland divest its 20 percent interest in European American Bank on the grounds that retention would be inconsistent with the policy underlying section 3(d) of the act. Under that section, bank holding companies are effectively barred from acquiring more than 5 percent of the shares of a bank in another state. The Board also denied an exemption from the prohibitions of section 4 of the act for the activities of the U.S. subsidiary of Thomas Cook Limited. That company provides retail and wholesale travel services in the United States, an activity that the Board has found to be not closely related to banking.

Financial General Bankshares

Financial General Bankshares is a multistate bank holding company with 12 banks located in the District of Columbia and the states of Maryland, New York, Tennessee, and Virginia. In November 1978, the first applications to acquire this holding company were made by Credit and Commerce American Holdings of the Netherlands Antilles and Credit and Commerce American Investment of the Netherlands. The two applicant companies were formed by a group of individual investors from several Middle Eastern countries for the purpose of the acquisition. A protracted process ensued. The proposed acquisition was at first opposed by existing management of Financial General and its subsidiary banks. Moreover, two of the state banking supervisors involved (Virginia and Tennessee) recommended denial on the grounds that the acquisition would be detrimental to the convenience and needs of the communities served. In addition, the Attorney General of the state of Maryland issued an opinion that Maryland state law precluded a Maryland banking institution from being subject to an "unfriendly" affiliation. In these circumstances, the Board dismissed the first applications on the grounds that it was prohibited from approving a proposal that would violate state law.

These complications were subsequently resolved, and a new application was filed in November 1980. Whereas a number of technical issues remained, the principal issue for the Board then became the identity of the purchasers, their reputation and their financial strength, and what those attributes meant for the future operations of the bank holding company.

The Middle Eastern investor group consisted of fourteen individuals and companies from Saudi Arabia, the United Arab Emirates, and Kuwait. The group included eight individuals, three personal holding companies, two government-owned companies, and one private company. In the course of processing the application, a meeting was held at the Board's offices, which was attended by representatives of the investor group, counsel for the applicants, representatives of the state banking departments involved, and the Comptroller of the Currency. The information developed at this meeting became part of the record on which the Board based its decision. In making that decision, the Board took special care to review the financial resources of all the investors. The information submitted demonstrated that all the investors possessed sufficient financial resources to make the acquisition and to provide future support if needed.

The financial factors relating to the acquisition of Financial General were considered to be consistent with approval. So far as management was concerned, the investors did not propose to take an active role themselves. Rather, they proposed to have all the director and top management positions filled by qualified Americans. The Board carefully reviewed the composition of the proposed board of directors of Financial General and the proposed senior management and was satisfied about their qualifications.

The Board approved the acquisition on August 25, 1981. The transaction was consummated in April 1982, and the name of the organization was subsequently changed to First American Bankshares.

LITCO Bancorporation

In December 1981, Banca Commerciale Italiana (BCI) applied to the Board to acquire LITCO Bancorporation of New York, a bank holding company owning all of the shares of Long Island Trust Company. Long Island Trust Company had about $1.1 billion in assets, and its business orientation was primarily directed toward domestic business in the metropolitan New York area. BCI was the second largest bank in Italy and had consolidated assets of about $34.5 billion. BCI conducted a wholesale banking business in the United States through branches in New York and Chicago and an agency in Los Angeles. BCI is indirectly owned by the Italian government through a government holding company, Istituto per la Ricostruzione Industriale.

In this case, as with the Midland–Crocker acquisition, there were few issues under the statutory factors prescribed in the Bank Holding Company Act. The Board found that the acquisition would have no significantly adverse effects on the concentration of banking resources or on existing or potential competition. BCI had made a commitment to inject $20 million of foreign capital into LITCO and to maintain LITCO among the more strongly capitalized institutions in the United States. As for BCI itself, the Board made its evaluation on the basis of its policy statement on supervision of foreign bank holding companies that takes a number of factors into account in judging the financial and managerial resources of a foreign banking organization. In addition to its financial condition, these factors included the record and integrity of management, the bank's standing and role in its home country, and the opinion of the home country regulators. Having considered these factors, the Board concluded that the financial and managerial resources of BCI were satisfactory.

During the Board's consideration of this case, several issues emerged that stemmed from the fact that BCI is indirectly owned by the government of Italy. The four largest banks in Italy are nationalized institutions. All conduct banking operations in several states in the United States. The Italian government also operates a number of nationalized industries and commercial enterprises, many of which have subsidiaries in the United States.

The specific question that arose in these circumstances was how foreign governments or governmental entities should be treated under the Bank Holding Company Act. Should they be subject to the same provisions as a private company, or is a different treatment warranted?

The principle of national treatment is the basic government policy toward foreign banks and is embodied in the International Banking Act of 1978. The essence of that principle is that foreign banking organizations and their owners be treated the same as their domestic counterparts. The Bank Holding Company Act, which governs the activities of domestic banking organizations, has among its purposes the prevention of conflicts of interest and undue concentration of resources. These objectives are intended to help ensure that banks in the United States serve as effective and impartial credit intermediaries. To this end, the act provides that a private company cannot own a U.S. bank and also own companies in the United States that engage in industrial and commercial activities. Also, a private company cannot, as a general rule, own and operate banks in more than one state. These rules apply to all private companies, domestic or foreign, although for foreign private companies exceptions are allowed for indirect interests in the U.S. operations of foreign commercial and industrial companies. Application of these rules would mean that a foreign government could not indirectly own banks in more than one state. Similarly, a foreign government that indirectly owned a bank in the United States would have to conform its nonbanking activities in the United States to those permissible to a privately owned foreign banking organization. Failure to apply these rules to foreign government-owned banks, it can be argued, would give those organizations advantages over their privately owned counterparts and thus would be inconsistent with the principle of national treatment.

Distinctions can be drawn between private and government ownership, and these distinctions may form a basis for differences in treatment. The Bank Holding Company Act presumes that all banks and nonbank companies under common ownership and control are operated as an integrated whole. That presumption stems from the act's objectives of avoiding conflicts of interest and undue concentration of resources when banking and nonbanking activities are combined under common control and management. This presumption also reflects experience, especially in the United States, that private companies do operate in this way.

Foreign countries that have nationalized banks and other enterprises have done so for a variety of historical and policy reasons. Some foreign governments do operate, and in fact have good policy reasons for so operating, the nationalized banks and nationalized businesses as separate entities. However, conditions vary from country to country and may change over time within a country with changes in political philosophy or in other circumstances. This diversity highlights the difficulty of establishing a policy suitable to all situations that avoids making arbitrary distinctions among countries.

The act provides little guidance on these questions. It expressly exempts from its application organizations owned by the federal government or state governments. However, it is silent on the status of foreign governments.

The question of applying the act to foreign governments is not concerned with the activities they conduct within their own territories or outside the United States. It is solely concerned with those activities that extend into the United States. Applying the act to foreign governments even in that more limited sense has broad implications that extend beyond the purely regulatory issues. For example, strict application of the limitation on nonbanking activities could preclude banks owned by foreign governments from engaging in banking activities in the United States. This could raise important questions in the fields of U.S. foreign relations and U.S. foreign investment and economic policy.

Before the BCI case, the Board had approved a number of applications to form bank holding companies by foreign banks that were government owned and when the foreign government indirectly had commercial and industrial activities in the United States. In those cases, the Board did not apply the act to the applicant's government owners. After careful consideration, and pending further examination of the issues outlined here, the Board decided to continue the previous practice in the BCI case.

In approving the application, the Board recognized that the act is concerned not only with problems of actual conflicts of interest or concentration of resources but also with the potential for those problems. For this reason, the Board in its order highlighted its belief that the issues associated with foreign government ownership should be brought to the attention of the public for further discussion and debate. Because of the complexity and far-reaching implications of these issues, some of which I have tried to convey, the Board stated in its order that they should be resolved in a congressional framework in which all the relevant considerations could be examined and weighed.

In recognition of the potential conflicts in the BCI case, the Board decided that the banking and nonbanking organizations owned by the Italian government were affiliates of LITCO. As a consequence, the limitations on the amount and the collateral requirements of section 23A of the Federal Reserve Act would apply to extensions of credit by LITCO to these affiliates. The Board believed that the application of section 23A to this situation would help limit the potential for practices conflicting with the purposes of the Bank Holding Company Act.

CONCLUSION

To sum up, foreign interest in establishing and expanding banking operations in the United States continues unabated. Most of those operations will continue to be conducted through branches and agencies, but a reasonable expectation is that foreigners will also seek to acquire or establish subsidiary banks. The involvement of foreign banks in our banking system and foreign investment in U.S. banks have benefited the United States, and I believe that they will continue to do so.

In this statement I have tried to identify the problems associated with foreign investments in U.S. banks and to place these problems in perspective. On the whole, the performance of foreign-owned banks has been satisfactory, and supervisory problems have not been serious. As foreign involvement in the banking system increases, new problems and new issues will surely emerge. This calls for continuous monitoring of developments and the adaptation of supervisory requirements to them.

In discussing the BCI case, I devoted a large amount of time to the issue of the treatment of foreign governments and of entities owned by foreign governments under the Bank Holding Company Act. This issue is extremely complex, and the questions that arise in evaluating the issue are very difficult. The Board has not reached any firm conclusions on these issues and is not prepared to make legislative recommendations at this time. For this reason, the Board welcomes these hearings as contributing to the public discussion of these issues that it believes desirable. We hope that the discussion will evoke thoughtful and constructive consideration by the Congress, other government agencies, foreign banking authorities, and the banking community both here and abroad. □

Announcements

REGULATION D: AMENDMENTS

The Federal Reserve Board has announced final approval of a change—from lagged to contemporaneous reserve requirements (CRR)—in the way depository institutions maintain reserves.

The change, which will be made as amendments to Regulation D (Reserve Requirements of Depository Institutions), are effective February 2, 1984. At that time, medium-sized and larger depository institutions will begin posting reserves on transaction accounts with a two-day rather than the current two-week accounting delay. [Transaction accounts include checking, negotiable order of withdrawal (NOW), automatic transfer, and share draft accounts.] Reserve requirements on nontransaction liabilities will be met on a lagged basis.

The Board acted after consideration of comment received on proposals published in November 1981, and after extensive staff study during the past several years. The Board decided in principle on June 28, 1982, to adopt contemporaneous reserve requirements on transaction deposits, but left open for later decision the questions of an effective date and whether reserve periods for different sets of institutions should be placed on a staggered basis, with half the institutions settling every other week. The Board has decided against staggering settlement periods.

Contemporaneous reserve requirements are expected to improve the implementation of monetary policy to a degree by strengthening the linkage between reserves held by depository institutions and the money supply. The Board noted that sizable slippages will remain between reserves and money, because short-run flows are inherently volatile.

Under the present lagged reserve system, depository institutions must post their required reserves in any given week based on their deposit levels two weeks earlier.

The effective date was placed 16 months ahead to give both Reserve Banks and the depository institutions that will maintain reserves on the new basis enough time to make the adjustments required in their administrative and data processing procedures.

As adopted by the Board, the principal features of CRR, set forth below, are for the most part those proposed in November 1981:

1. Contemporaneous reserve requirements will apply only to institutions reporting their deposits on a weekly basis. (Certain institutions with $15 million or less in total deposits report deposits and calculate required reserves quarterly, and certain others, with reservable liabilities under $2 million, will be exempt from reserve requirements on enactment of legislation now awaiting the President's signature [H.R. 6267]).
2. Reserves will be maintained over two-week periods that will continue to end on a Wednesday.
3. All institutions subject to CRR will settle their reserve accounts on the same day.
4. Required reserves will be *computed* on the basis of average deposits over a two-week computation period ending on Monday. Reserves required to be posted against transaction accounts will be *maintained* in the two-week period ending on Wednesday, two days after the end of the computation period. The two-day interval provides time for calculation of required reserves.
5. Required reserves for other liabilities against which reserves must be held—such as certain kinds of time deposits—will also be computed on the basis of average deposits over a two-week period ending on Monday, but the reserves required will be posted in the 2-week maintenance period beginning 17 days later, on a Thursday.
6. Vault cash eligible to be counted as reserves will be equal to vault cash holdings during the computation period ending 17 days before the beginning of the maintenance period.
7. To assist depository institutions in implementing CRR the Board adopted transition peri-

ods for the carryover of reserve balance deficiencies or surpluses. During the first six months following the start of CRR, reserve surpluses or deficiencies that may be carried over into the next reserve period will equal the greater of 3 percent of the daily average level of required reserves (including required clearing balances), or $25,000. During the next six months, the permissible carryover will equal the greater of 2½ percent of daily average required reserves, or $25,000. Thereafter, the carryover is the greater of 2 percent of daily average required reserves, or $25,000.

The Board approved two other amendments to Regulation D as follows:

1. The dates on which nonmember depository institutions phasing in to the reserve requirements of the Monetary Control Act over an eight-year period will be moved back one week, so as to avoid falling in the middle of a reserve maintenance period under the CRR schedule.

2. Depository institutions with less than $15 million in deposits and that are not subject to CRR will continue to have a one-week maintenance period, with settlement day on Wednesday. Their computation week each quarter will be shifted back two days from Wednesday to Monday to align with the computation period of institutions subject to CRR.

Regulation E: Amendments

The Federal Reserve Board has announced adoption of amendments to its Regulation E (Electronic Fund Transfer), effective October 12, 1982. The Board acted after consideration of comment received on proposals published in March.

The amendments, which are intended to reduce regulatory burdens without giving up significant consumer protection, call for the following:

1. An exemption from the regulation, for financial institutions whose assets do not exceed $25 million, of preauthorized transfers by government agencies and private corporations.

2. An exemption from the need to disclose, on terminal receipts, the type of account involved in an automated teller machine transaction, when only a single account can be accessed.

3. An exemption from the requirement to provide a periodic statement for each account when a transfer is made between accounts of the same consumer in the same institution.

4. Modifications to the requirements for documentation and error resolution procedures for transfers initiated outside the United States.

Revised Capital Adequacy Criteria

The Federal Reserve Board has reaffirmed, with one substantial change, its criteria adopted in May (see Bulletin, June 1982, pages 361–62) for determining whether debt securities with a mandatory requirement for future conversion to equity can qualify as part of the primary capital of state member banks and bank holding companies.

The Board began applying the criteria immediately after adoption, but invited comment from the public. The amendment of the criteria was adopted after consideration of comment received. It applies only to securities issued after September 27, 1982. The Comptroller of the Currency is announcing similar amendment of these criteria, for national banks.

The amendment limits the issue of equity commitment notes to 10 percent of primary capital, exclusive of mandatory convertible issues. The Board left unchanged the requirement that equity notes and equity commitment notes together may not make up more than 20 percent of such primary capital of a banking organization. Certain technical revisions were also made.

Equity commitment notes and equity notes are the two forms in which mandatory convertible debt has been issued recently by banking organizations.

The Board placed a cap on equity commitment notes to encourage banking institutions to rely more on equity notes in issuing mandatory convertible securities. The Board's view is that there is greater assurance that equity notes will be transformed into equity by the time of maturity than is the case with equity commitment notes.

Equity commitment notes are issued with an undertaking by the issuer to sell sufficient equity during the life of the notes—up to 12 years—to build up a fund to liquidate the notes at maturity. Their transformation into stock may thus depend on circumstances over a considerable period.

In contrast, the contract attached to issues of equity notes obligates the holder of the notes to buy common or perpetual preferred stock of the issuer at a specified price at or before maturity of the notes, thus making conversion of the debt to equity almost certain.

In view of its desire to encourage the growth of equity in the primary capital of banking organizations, the Board therefore views equity notes as a more desirable form of primary capital.

The Board's revised criteria are as follows:

Provisions Applicable to Both Types of Mandatory Convertible Securities

1. The securities must mature in 12 years or less.
2. The aggregate amount of mandatory convertible securities that will be included for regulatory purposes for evaluating capital adequacy cannot exceed 20 percent of primary capital other than mandatory convertible securities.[1]
3. The issuer may redeem securities prior to maturity only with the proceeds of the sale of common or perpetual preferred stock of the bank or bank holding company or with the approval of its primary supervisor.
4. The holder of the security cannot accelerate the payment of principal except in the event of bankruptcy, insolvency, or reorganization.
5. The security must be subordinate in right of payment to all senior indebtedness of the issuer. In the event that the proceeds of the security are reloaned to an affiliate, the loan must be subordinated to the same degree as the original issue.

Provisions Applicable Only to Securities with Mandatory Stock Purchase Contracts

1. The stock purchase contract can be separated from a security and held separately only if the holder of the contract provides sufficient collateral to the issuer, or to an independent trustee for the benefit of the issuer, to assure performance under the contract.[2]
2. The stock purchase contract must require the purchase of either common or perpetual preferred stock.

Provisions Applicable Only to Securities Payable from the Sale of Common or Perpetual Preferred Stock

1. The securities indenture must contain the following two provisions:
   - The issuer will establish an identifiable and segregated fund solely from the sale of common or perpetual preferred stock, the proceeds of which will be the sole source of repayment for the securities.
   - By the time that one-third of the life of the securities has run, the issuer must have paid into the fund an amount equal to one-third of the original principal of the securities. By the time that two-thirds of the life of the securities has run, the issuer must have paid into the fund an amount equal to two-thirds of the original principal of the securities. At least 60 days prior to the maturity of the securities, the issuer must have paid into the fund an amount equal to the entire original principal of the securities. Payments into the fund must come only from the sale of common or perpetual preferred stock.[3]
2. If the issuer fails to meet any of these periodic funding requirements, its supervisor immediately will cease to treat the unfunded securities as primary capital.
3. If a security is issued by a subsidiary of a bank or bank holding company, any guarantee of the principal by that subsidiary's parent bank or bank holding company must be subordinate to the same degree as the security issued by the subsidiary and limited to repayment of the principal amount of the security at its final maturity.
4. For regulatory analysis of capital adequacy, the aggregate amount of securities payable from the sale of common or perpetual preferred stock cannot exceed 10 percent of primary capital other than mandatory convertible securities.

Regulation Z: Revised Commentary

The Federal Reserve Board has made public a revision of its official staff commentary on Regulation Z (Truth in Lending).

The revision of the staff commentary, which applies to and interprets the requirements of Regulation Z, was effective September 17, 1982. However, creditors have the option of continuing to rely on the existing Regulation Z commen-

1. In addition, for regulatory analysis of capital adequacy the aggregate amount of securities payable from the sale of common or perpetual preferred stock cannot exceed 10 percent of primary capital other than mandatory convertible securities. See last paragraph of these criteria.

2. Collateral is defined as cash or certificates of deposit; U.S. government securities that will mature prior to or simultaneously with the maturity of the equity contract and that have a par or maturity value at least equal to the amount of the holder's obligation under the stock purchase contract; standby letters of credit issued by a U.S. bank that is not an affiliate of the issuer; or other collateral as may be designated from time to time by the regulators.

3. The funded portions of the securities will be deducted from primary capital to avoid double counting.

tary until April 1, 1983, when reliance on the revised commentary becomes mandatory. The new commentary is based on Regulation Z as revised April 1, 1981, under the Truth in Lending Simplification Act of 1980.

The commentary was revised after consideration of comment received on proposals in May of this year. This is the first of expected periodic revisions of the commentary to update it as significant new questions arise about the application of the regulation to specific transactions. The commentary is intended to substitute for individual Board and staff interpretations. Reliance upon it is a defense against suit.

Changes in the commentary are generally in the direction of providing more flexibility, while preserving basic consumer protection. Changes generally have been made only when necessary to respond to significant questions that have arisen since the commentary was first issued, or to clarify language.

Issues dealt with in the revised commentary include the following:

1. The use of the creditor's commercial lending rate as the base rate in variable-rate open-end credit plans.
2. Application of the finance charge rules to the offering of cash discounts in the sale of motor vehicle fuel.
3. Prepayment disclosures in transactions involving prepaid finance charges.
4. Disclosures for several types of mortgage financing plans, including growth equity mortgages and graduated-payment adjustable-rate mortgages.

Regulation L: Amendment

The Federal Reserve Board on September 29, 1982, announced adoption of an amendment to its Regulation L (Management Official Interlocks) that implements the Depository Institutions Management Interlocks Act, to reflect changes in the act recently adopted by the Congress.

The Interlocks Act prohibits certain interlocking relationships among officials of financial institutions, including depository holding companies and their affiliates.

The amendment permits—under a grandfather clause of the act—a management official to continue in an interlocking relationship for the entire 10-year grandfathered period provided by the act, despite certain changes in circumstances, such as a merger of an institution involved in an interlock. The amendment also permits a management official serving both a depository and a nondepository institution to continue in both positions although the nondepository institution becomes a savings and loan holding company.

Data on Past-Due Loans

The three federal bank regulatory agencies—the Federal Deposit Insurance Corporation, the Federal Reserve Board, and the Office of the Comptroller of the Currency—announced on September 15, 1982, that all FDIC-insured commercial banks will begin reporting data on past-due and other nonperforming loans at the end of the year. For national banks, the new report will replace a past-due loan schedule that has been submitted to the Comptroller's Office for some years.

The Office of Management and Budget has granted the agencies approval to collect data in the form of a new supervisory supplement to the reports of condition and income (call reports) filed by all federally insured banks with federal regulators. The new information will be collected quarterly beginning with the December 31, 1982, reports and will be made available to the public beginning with the June 30, 1983, reports.

The agencies originally had hoped to institute the new supplement beginning September 30, 1982. However, the delay until December is needed to give reporting banks more time to prepare for the new requirements. The delay until the mid-1983 reports in making the information available to the public will permit time to resolve problems that may arise in the reporting and processing of the data.

The agencies said reports such as the new supplement are critically important to their efforts to upgrade their off-site computerized monitoring systems and thus reduce the burden placed on banks in on-site examinations. Improvements in such systems, the regulators said, not only will help improve their surveillance of banks but will also lower their costs and reduce the overall burden on banks.

In addition to providing better current data to bank regulators, the information should be of benefit to the depositing public and to other bank creditors and to bank investors. The agencies noted that public disclosure of this type is in line with an increased emphasis on marketplace discipline and bank deregulation. They also noted that, under the securities laws, registered bank holding companies already disclose similar types of information.

In commenting on this and other changes in the call report mandated by the Federal Financial Institutions Examination Council, a number of banks and banking organizations said they recognized the regulators' need for additional information but they objected to the structure of some of the revisions. In response, the agencies indicated that they are prepared to meet with representatives of the banking industry to explore structural alternatives.

MEETING OF CONSUMER ADVISORY COUNCIL

The Federal Reserve Board has announced that its Consumer Advisory Council met on October 27 and 28, 1982.

The Council, with 30 members who represent a broad range of consumer and creditor interests, advises the Board on its responsibilities regarding consumer credit protection legislation and regulation at quarterly meetings.

TRUTH IN LENDING EXEMPTIONS

The Federal Reserve Board has granted exemptions, effective October 1, 1982, from certain parts of the federal Truth in Lending Act to the states of Massachusetts, Oklahoma, and Wyoming.

Exemptions from certain requirements of the Truth in Lending Act were granted on the grounds that consumer credit protection laws and enforcement in these states met the standards of the act for exemptions. All three states sought and received exemption from chapter 2 of the act, which pertains to credit transactions. Massachusetts and Oklahoma requested and received additional exemptions from chapters 4 and 5, dealing respectively with credit billing and consumer leases.

NEW PUBLICATION

The *Annual Statistical Digest, 1981*, is now available. This one-year *Digest* is designed as a compact source of economic—and especially financial—data. The object is to lighten the burden of assembling time series by providing a single source of historical continuations of the statistics carried regularly in the FEDERAL RESERVE BULLETIN. The *Digest* also offers a continuation of series that formerly appeared regularly in the BULLETIN, as well as certain special, irregular tables that the BULLETIN also once carried. The domestic nonfinancial series included are those for which the Board of Governors is the primary source.

This issue of the *Digest* covers only 1981 unless data were revised for earlier years. It serves to maintain the historical series first published in *Banking and Monetary Statistics, 1941–70*, and the *Digest, 1970–1979* and *1980*. A *Concordance of Statistics* will be included with all orders. It serves as a guide to tables that cover the same material in the current and the most recent annual *Digest*, the ten-year *Digest* for 1970–79, and the BULLETIN.

Copies of the *Digest* are available from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. The price is $6.50 per copy.

REVISED OTC STOCK LIST

The Federal Reserve Board has published a supplement to its list of over-the-counter (OTC) stocks that are subject to its margin regulations, effective October 18, 1982. The supplement should be used in conjunction with the list of OTC margin stocks that was effective July 26, 1982.

Changes that have been made in the list, which now includes 1,577 OTC stocks, are as follows: 73 stocks have been included for the first time; 10 stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing; and 21 stocks have been removed for reasons such as the companies being listed on a national securities exchange or being acquired by another firm. The supplement is available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Proposed Actions

The Federal Reserve Board has proposed for public comment an amendment to Regulation T (Credit by Brokers and Dealers) that would specify the characteristics of private mortgage-backed securities that may be used as collateral for margin credit at securities brokers. Comment should be received by October 29, 1982.

The Federal Reserve has also proposed changes in Regulation L (Management Official Interlocks) that would accomplish the following:

1. Simplify procedures for obtaining exceptions to the act and extensions of time to permit compliance with the act.
2. Ease the burden of the act on depository institution holding companies by redefining certain terms.
3. Entirely exclude from the prohibitions of the act management officials whose functions relate exclusively to retail merchandising and manufacturing.
4. Broaden the circumstances under which the exception to the prohibitions of the act is available on grounds of disruptive management loss.
5. Clarify the circumstances that require termination of nongrandfathered management official interlocks.

The Board will receive comment on the proposed changes in Regulation L for at least 30 days after their publication in the *Federal Register*.

The Federal Reserve Board has also determined that time deposits linked to a line of credit on which checks or similar third-party transfers can be drawn are subject to the reserve requirements of transaction accounts.

The Board made the rule—a temporary amendment to Regulation D (Reserve Requirements of Depository Institutions)—effective October 7, 1982, but requested comment by December 3, 1982, on its technical aspects pending adoption on a permanent basis.

Petition Regarding Sweep Arrangements

The Federal Reserve Board has announced that it is scheduling an informal hearing before the Board's staff to gather information and give interested parties an opportunity to express their views in connection with a petition to the Board by the Securities Industry Association to prohibit the operation of sweep accounts by member banks. The hearing is scheduled for November 3 and 4, 1982, at the Board's offices in Washington, D.C. Comment may also be submitted in writing.

System Membership: Admission of State Banks

The following banks were admitted to membership in the Federal Reserve System during the period September 11 through October 10, 1982:

Delaware

Wilmington ...... Chemical Bank (Delaware)

Texas

Arlington .... Commonwealth Bank of Arlington

Canton .... Traders State Bank

Record of Policy Actions of the Federal Open Market Committee

Meeting Held on August 24, 1982

1. Domestic Policy Directive

The information reviewed at this meeting suggested that real GNP would advance only a little further in the current quarter, following an increase at an annual rate of about 1¼ percent in the second quarter. Average prices, as measured by the fixed-weight price index for gross domestic business product, were continuing to rise more slowly than in 1981.

The nominal value of retail sales rose 1 percent in July, according to the advance report, recovering only part of the 3¼ percent decline recorded in June. Sales of new domestic automobiles, which had dropped to an annual rate of 4.8 million units in June, rose a little in July and early August.

The index of industrial production was about unchanged in July, following a cumulative decline of more than 10 percent from the prerecession level in July 1981. Production of business equipment continued to drop at its recent pace of 2 to 3 percent per month, while output of defense and space equipment continued to expand. Output of consumer goods picked up, reflecting mainly an increase in automobile assemblies, but automobile output in July was at a rate substantially above the sales pace of June and July, and production schedules for August were cut back.

Nonfarm payroll employment, after declining sharply in June, was essentially unchanged in July, as continued job losses in manufacturing were about offset by gains in trade and service industries. The unemployment rate rose 0.3 percentage point to 9.8 percent, as the civilian labor force expanded and total civilian employment was unchanged.

Private housing starts rose 34 percent in July, more than reversing the decline in June; but at an annual rate of 1.2 million units, starts remained low by historical standards. All of the July increase was in multifamily units; starts of such units more than doubled, in part because of an upsurge in those qualifying for rental subsidies under a federal government program terminating on September 30. That impending termination also apparently contributed to a substantial rise in July in newly issued permits for multifamily units; permits for single-family dwellings declined slightly and were at about the same pace as in the second quarter as a whole. Combined sales of new and existing homes in June continued about 25 percent below those of a year earlier.

The producer price index for finished goods and the consumer price index both rose 0.6 percent in July, following increases of 1.0 percent in June. At the producer level, prices of energy-related items increased sharply in both months and in July accounted for nearly all of the rise in the index; prices of food and food materials fell substantially in July. At the consumer level, food prices edged down in July, while increases in energy prices and homeownership costs moderated from the rapid rates recorded in June. Over the first seven months of the year, the producer price index for finished goods and the consumer price index rose at annual rates of about 3 percent and 5½ percent respectively, compared with increases of about 7 percent and 9 percent in 1981. The advance in the index of average hourly earnings also was considerably less rapid through July than during 1981.

In foreign exchange markets the trade-weighted value of the dollar against major currencies, while fluctuating over a wide range, had changed little on balance since late June despite a sharp decline in U.S. interest rates relative to foreign rates. The strength of the dollar in the face of narrowing interest rate differentials apparently reflected concerns of market participants about economic and financial difficulties abroad. The U.S. foreign trade deficit in the second quarter was somewhat below the first-quarter deficit, reflecting primarily a substantial drop in petroleum imports; the total of other imports rose somewhat and exports were about unchanged.

At its meeting on June 30–July 1, the Committee had agreed to seek behavior of reserve aggregates associated with growth of M1 and M2 from June to September at annual rates of about 5 percent and about 9 percent respectively. It had also decided that somewhat more rapid growth would be acceptable depending on evidence that economic and financial uncertainties were leading to exceptional liquidity demands. Moreover, the Committee had noted that seasonal uncertainties, together with increased social security payments and the initial impact of the tax cut on cash balances, might lead to a temporary bulge in the monetary aggregates, particularly M1. The intermeeting range for the federal funds rate, which provides a mechanism for initiating further consultation of the Committee, was set at 10 to 15 percent.

M1 in fact declined slightly in July, following declines in May and June, as demand deposits continued to contract and growth in currency slowed further. Growth of M2, after moderating in June from a rapid pace in previous months, accelerated again in July. Small-denomination time deposits increased sharply during the month, and shares in money market mutual funds continued to expand at a relatively strong pace; in contrast, savings deposits at all depository institutions declined substantially after growing moderately during earlier months of the year.

Total credit outstanding at U.S. commercial banks grew at an annual rate of about 6½ percent in July, well below the pace in the first half of the year. Growth in business loans slowed in July, but generally strong business demands for short-term credit were reflected in an increase in loans booked at foreign branches of U.S. banks and in a sharp acceleration in issuance of commercial paper by nonfinancial businesses. Issuance of publicly offered bonds rose in July.

Nonborrowed reserves expanded relatively rapidly in July. However, with the demand for reserves weak, in part reflecting the sluggishness of M1, adjustment borrowing by depository institutions (including seasonal borrowing) declined from an average of about $1.1 billion in June to about $330 million in the two statement weeks ending August 18.

Market interest rates had declined sharply over the period since the last Committee meeting. Short-term market rates fell 4 to 6 percentage points. The federal funds rate, for example, declined from around 14½ percent at the end of June to about 10 percent in the statement week ending August 18 and to around 9 percent in the days immediately preceding this Committee meeting. Bond yields declined about 1¾ to 2 percentage points. A substantial part of the decline in long-term rates occurred in an unusually strong rally in debt markets around mid-August, when record price increases also occurred in the stock market. The strength of the downward movement in interest rates apparently reflected a shift in market sentiment about the outlook for interest rates against the background of strains in financial markets, relatively weak economic indicators, and legislative action on the federal budget. Over the intermeeting interval, the prime rate charged by commercial banks on short-term business loans was lowered from 16½ percent to 13½ percent. In conjunction with the decline in short-term market rates, the Federal Reserve discount rate was reduced in three steps from 12 percent to 10½ percent over the period. In home mortgage markets, average rates on new commitments for fixed-rate conventional loans at savings and loan associations declined about ½ percentage point on balance.

The staff projections presented at this meeting suggested that real GNP would grow at a moderate pace over the year ahead but that the unemployment rate would remain near its recent high level. Inflation, as measured by the fixed-weight price index for gross domestic business product, was expected to pick up somewhat over the months ahead from the substantially reduced pace in the first half of 1982, but continued improvement in the underlying trend was anticipated.

In the Committee's discussion of the economic situation and outlook, several members commented that the timing of an economic recovery was subject to considerable uncertainty, but no member expressed disagreement with the general character of the staff projection. As at other recent meetings, some Committee members suggested that the principal risks of a deviation from the projection were on the down side. Reference was made to the growing expressions of concern in the business community and to financial strains being experienced by many business firms, financial institutions, and others. In this situation, spending might well remain weak in key sectors of the economy. Business capital spending was cited as especially vulnerable to remaining depressed, particularly in the event of renewed upward pressure on long-term interest rates. On the other hand, it was observed, continued success in the fight against inflation would over time ease pressures in long-term debt markets, improve business confidence, and strengthen business capital spending.

Some members commented that to date the midyear reduction in federal income taxes and the concurrent cost-of-living increase in social security payments appeared to have had little impact on consumer spending. The view was expressed, however, that the midyear tax actions were likely to exert a positive influence on a delayed basis. It was also noted that the recently reduced levels of interest rates, if they were sustained, would help to relieve financial pressures throughout the economy and thereby contribute to improvement in economic activity over the months ahead.

At its meeting on June 30–July 1, the Committee had begun a review of the monetary growth objectives for the period from the fourth quarter of 1981 to the fourth quarter of 1982 that it had set in early February. Subsequently, at a meeting on July 15, the Committee had reaffirmed those objectives, which included ranges of 2½ to 5½ percent for M1, 6 to 9 percent for M2, and 6½ to 9½ percent for M3. The associated range for bank credit was 6 to 9 percent. At the same time the Committee agreed that growth in the monetary and credit aggregates around the top of the indicated ranges would be acceptable in the light of the relatively low base period for the M1 target and other factors, and that it would tolerate for some period of time growth somewhat above the target range should unusual precautionary demands for money and liquidity be evident in the light of current economic uncertainties. The Committee also indicated that it was tentatively planning to continue the current ranges for 1983 but that it would review that decision carefully in the light of developments over the remainder of 1982.

At this meeting the Committee reviewed the short-run objectives that it had established at the previous meeting calling for expansion at annual rates of about 5 percent for M1 and about 9 percent for M2 over the three months from June to September. Data available through mid-August indicated that growth in M1 was running below the Committee's objective, while partial data suggested that growth in M2 had moved above the objective for the three-month period. In relation to the Committee's objectives for the year as a whole, the latest staff estimates indicated that the expansion of M1 was within its longer-run range, while that of M2 was somewhat above its 1982 range.

During the Committee's discussion, most of the members agreed that the short-run growth objectives adopted at the previous meeting remained appropriate under current economic and financial conditions and should be retained. The view was expressed that the substantial recent decline in interest rates, which in part reflected growing public awareness of the progress that had been made in curbing inflation, provided welcome relief in easing financial strains throughout the economy. A number of members expressed concern, however, about the volatility of interest rates and some commented that further sharp movements in either direction over the near term might have damaging consequences. Some members emphasized that a pronounced increase from current levels would aggravate financial strains and inhibit recovery in interest-sensitive sectors of the economy. Some members also suggested that a large further decline might foster a resurgence of inflationary expectations and could prove to be unsustainable and therefore unsettling to financial markets. Several members expressed the view that the Committee should review its policy if reserve provision to meet monetary growth objectives was fostering a substantial change in pressures on bank reserve positions and in credit markets.

Reference was made to the relative strength in M2 over the course of recent weeks that appeared to be related in part to unusual demands for liquid investments, such as money market funds, at comparatively attractive yields. The members agreed that under prevailing circumstances, growth in M2 somewhat above its short-run target would be acceptable over the period immediately ahead.

At the conclusion of the discussion the Committee agreed to reaffirm the objectives for monetary growth established at the June 30–July 1 meeting for the June to September period. The Committee decided that somewhat more rapid growth in the monetary aggregates would be acceptable depending upon evidence that economic and financial uncertainties were fostering unusual liquidity demands for monetary assets and were contributing to substantial volatility in interest rates. The intermeeting range for the federal funds rate, which provides a mechanism for initiating further consultation of the Committee, was set at 7 to 11 percent.

The following domestic policy directive was issued to the Federal Reserve Bank of New York:

The information reviewed at this meeting suggests only a little further advance in real GNP in the current quarter, following a relatively small increase in the second quarter, while prices on the average are continuing to rise more slowly than in 1981. In July the nominal value of retail sales rose somewhat from a sharply reduced June level; housing starts increased substantially, though from a relatively low rate; and industrial production and nonfarm payroll employment were essentially unchanged. The unemployment rate rose 0.3 percentage point to 9.8 percent. Over the first seven months of the year the advance in the index of average hourly earnings was considerably less rapid than during 1981.

The weighted average value of the dollar against major foreign currencies, while fluctuating over a wide range, has changed little on balance since late June despite a sharp decline in U.S. interest rates relative to foreign rates. Demand for dollars appeared to reflect concern about economic and financial difficulties abroad. The U.S. foreign trade deficit in the second quarter was somewhat below the first-quarter deficit, with petroleum imports down substantially.

M1 declined slightly in June and July, while growth of M2 moderated somewhat from its average pace earlier in the year. Business demands for credit, especially short-term credit, remained generally strong. Market interest rates have declined sharply since around midyear, reflecting a shift in market sentiment about the outlook for interest rates against the background of strains in financial markets, relatively weak economic indicators, and legislative action on the federal budget. The Federal Reserve discount rate was reduced in three steps from 12 percent to 10½ percent during the period.

The Federal Open Market Committee seeks to foster monetary and financial conditions that will help to reduce inflation, promote a resumption of growth in output on a sustainable basis, and contribute to a sustainable pattern of international transactions. At its meeting in early February, the Committee had agreed that its objectives would be furthered by growth of M1, M2, and M3 from the fourth quarter of 1981 to the fourth quarter of 1982 within ranges of 2½ to 5½ percent, 6 to 9 percent, and 6½ to 9½ percent respectively. The associated range for bank credit was 6 to 9 percent. The Committee began a review of these ranges at its meeting on June 30–July 1, and at a meeting on July 15, it reaffirmed the targets for the year set in February. At the same time the Committee agreed that growth in the monetary and credit aggregates around the top of the indicated ranges would be acceptable in the light of the relatively low base period for the M1 target and other factors, and that it would tolerate for some period of time growth somewhat above the target range should unusual precautionary demands for money and liquidity be evident in the light of current economic uncertainties. The Committee also indicated that it was tentatively planning to continue the current ranges for 1983 but that it would review that decision carefully in the light of developments over the remainder of 1982.

In the short run, the Committee continues to seek behavior of reserve aggregates consistent with growth of M1 and M2 from June to September at annual rates of about 5 percent and about 9 percent respectively. Somewhat more rapid growth would be acceptable depending on evidence that economic and financial uncertainties are leading to exceptional liquidity demands and changes in financial asset holdings. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that pursuit of the monetary objectives and related reserve paths during the period before the next meeting is likely to be associated with a federal funds rate persistently outside a range of 7 to 11 percent.

Votes for this action: Messrs. Volcker, Solomon, Balles, Black, Ford, Mrs. Horn, Messrs. Martin, Partee, Rice, and Mrs. Teeters. Vote against this action: Mr. Wallich. Absent and not voting: Mr. Gramley.

Mr. Wallich dissented from this action because he favored an approach to operations early in the period that would lessen the chances of short-term interest rates remaining below the prevailing discount rate or falling further below it. He was concerned that such interest rate behavior would tend to accelerate monetary expansion and that the necessary restraint of reserve growth to curb such expansion might lead to a sizable rebound in short-term rates with adverse implications for business and consumer confidence.

2. Authorization for Foreign Currency Operations

At this meeting Committee members were apprised of the status of ongoing discussions with the Government of Mexico regarding short-term financing arrangements to support Mexico's efforts to strengthen its economic and financial position. At its meeting on June 30–July 1, the Committee had agreed, in response to a request by officials of the Bank of Mexico, that it would stand ready to provide to the Bank of Mexico up to the full $700 million available under the Federal Reserve System's existing swap arrangement with that Bank. Subsequently, on August 4, 1982, the Bank of Mexico, which had drawn on its swap line on an overnight basis on a few occasions in recent months, drew $700 million for a period of three months.

At the time of this meeting, negotiations were under way among Mexico, the U.S. Treasury, major central banks, and other lenders to provide multilateral financial support to Mexico. The purpose of the support was to effect an orderly transition to an economic stabilization program that the Government of Mexico had announced was being developed. The Committee authorized Federal Reserve participation in the proposed multilateral financing package through the temporary establishment of a special swap arrangement of $325 million with the Bank of Mexico in addition to the regular arrangement of $700 million. Accordingly, paragraph 2 of the Committee's authorization for foreign currency operations was amended, effective August 28, 1982, for the period through August 23, 1983, to read as follows:

2. The Federal Open Market Committee directs the Federal Reserve Bank of New York to maintain reciprocal currency arrangements ("swap" arrangements) for the System Open Market Account for periods up to a maximum of 12 months with the following foreign banks, which are among those designated by the Board of Governors of the Federal Reserve System under Section 214.5 of Regulation N, Relations with Foreign Banks and Bankers, and with the approval of the Committee to renew such arrangements on maturity:

Foreign bank	Amount of arrangement (millions of dollars equivalent)
Austrian National Bank	250
National Bank of Belgium	1,000
Bank of Canada	2,000
National Bank of Denmark	250
Bank of England	3,000
Bank of France	2,000
German Federal Bank	6,000
Bank of Italy	3,000
Bank of Japan	5,000
Bank of Mexico	
Regular	700
Special	325
Netherlands Bank	500
Bank of Norway	250
Bank of Sweden	300
Swiss National Bank	4,000
Bank for International Settlements	
Dollars against Swiss francs	600
Dollars against authorized European currencies other than Swiss francs	1,250

Any changes in the terms of existing swap arrangements, and the proposed terms of any new arrangements that may be authorized, shall be referred for review and approval to the Committee.

Votes for this action: Messrs. Volcker, Solomon, Balles, Black, Ford, Mrs. Horn, Messrs. Martin, Partee, Rice, Mrs. Teeters, and Mr. Wallich. Votes against this action: None. Absent and not voting: Mr. Gramley.

On August 30, 1982, the U.S. Treasury and the Federal Reserve announced that they were participating with central banks of other Group of Ten countries, Spain, and Switzerland, under the aegis of the Bank for International Settlements, in making available to the Bank of Mexico short-term financing totaling $1.85 billion. The Treasury would provide $600 million though the Exchange Stabilization Fund, in conjunction with the $325 million that the Federal Reserve was making available through its additional swap arrangement. The multilateral financing program provided that drawings by Mexico would be made in line with progress toward agreement between the Mexican Government and the International Monetary Fund (IMF) on an economic adjustment program that will permit Mexico to qualify for drawings under the IMF's Extended Fund Facility.

Legal Developments

Amendments to Regulation A

The Board of Governors has amended its Regulation A, Extensions of Credit by Federal Reserve Banks (12 CFR Part 201), for the purpose of adjusting discount rates with a view to accommodating commerce and business in accordance with other related rates and the general credit situation of the country. The action was taken to bring the discount rate into better alignment with short-term market interest rates.

Effective on the dates specified in the text of the regulation, sections 201.51 and 201.52 of Regulation A are amended as set forth below:

Part 201—Extensions of Credit by Federal Reserve Banks

Section 201.51—Short Term Adjustment Credit for Depository Institutions.

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

Federal Reserve Bank of—	Rate	Effective
Boston	10	Aug. 27, 1982.
New York	10	Aug. 27, 1982.
Philadelphia	10	Aug. 27, 1982.
Cleveland	10	Aug. 30, 1982.
Richmond	10	Aug. 27, 1982.
Atlanta	10	Aug. 27, 1982.
Chicago	10	Aug. 27, 1982.
St. Louis	10	Aug. 27, 1982.
Minneapolis	10	Aug. 27, 1982.
Kansas City	10	Aug. 27, 1982.
Dallas	10	Aug. 27, 1982.
San Francisco	10	Aug. 27, 1982.

Section 201.52—Extended Credit to Depository Institutions.

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

Federal Reserve Bank of—	Rate	Effective
Boston	10	Aug. 27, 1982.
New York	10	Aug. 27, 1982.
Philadelphia	10	Aug. 27, 1982.
Cleveland	10	Aug. 30, 1982.
Richmond	10	Aug. 27, 1982.
Atlanta	10	Aug. 27, 1982.
Chicago	10	Aug. 27, 1982.
St. Louis	10	Aug. 27, 1982.
Minneapolis	10	Aug. 27, 1982.
Kansas City	10	Aug. 27, 1982.
Dallas	10	Aug. 27, 1982.
San Francisco	10	Aug. 27, 1982.

(b) 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 § 201.3(b)(2) of Regulation A are:

Federal Reserve Bank of—	Rate	Effective
Boston	10	Aug. 27, 1982.
New York	10	Aug. 27, 1982.
Philadelphia	10	Aug. 27, 1982.
Cleveland	10	Aug. 30, 1982.
Richmond	10	Aug. 27, 1982.
Atlanta	10	Aug. 27, 1982.
Chicago	10	Aug. 27, 1982.
St. Louis	10	Aug. 27, 1982.
Minneapolis	10	Aug. 27, 1982.
Kansas City	10	Aug. 27, 1982.
Dallas	10	Aug. 27, 1982.
San Francisco	10	Aug. 27, 1982.

Note. These rates apply for the first 60 days of borrowing. A 1 percent surcharge applies for borrowing during the next 90 days, and a 2 percent surcharge applies for borrowing thereafter.

Amendments to Regulation Q

The Board of Governors has amended Regulation Q—Interest on Deposits (12 CFR Part 217) to permit member banks to issue all time deposits in book-entry form as an alternative to issuing certificates of deposit in definitive form. The Board also adopted technical amendments to conform Regulation Q to actions taken by the Depository Institutions Deregulation Committee.

Effective September 1, 1982, the Board amends Regulation Q (12 CFR Part 217) as follows:

Part 217—Interest on Deposits

1. Section 217.1 is amended by revising paragraph (b), by removing paragraphs (c) and (d) and reserving them, by removing footnotes 2 and 3 and renumbering the remaining footnotes accordingly, and by revising paragraph (h) to read as follows:

Section 217.1—Definitions.

* * * * *

(b)(1) *"Time deposit"* means

(i) a deposit that the depositor does not have a right to withdraw for a period of 14 days or more after the date of deposit. "Time deposit" includes funds:

(A) Payable on a specified date not less than 14 days after the date of deposit;

(B) Payable at the expiration of a specified time not less than 14 days after the date of deposit;

(C) Payable upon written notice which actually is required to be given by the depositor not less than 14 days before the date of repayment;[1] or

(D) Such as "Christmas club" accounts and "vacation club" accounts, that are deposited under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than three months even though some of the deposits may be made within 14 days from the end of the period;

(ii) An "international banking facility time deposit;" and

(iii) A deposit or account issued pursuant to *12 CFR 217.7(1) or 1204.121, including* those with an original maturity or notice period of seven to 13 days.

(2) A time deposit may be represented by a transferable or nontransferable, or a negotiable or nonnegotiable, certificate, instrument, passbook, statement or otherwise. A time deposit evidenced by a certificate or instrument is payable only upon presentation of the certificate or instrument. A time deposit established in statement, book-entry, or other form must be evidenced by a written agreement and deposits must be confirmed by issuance of a receipt or advice.

(c) [Reserved].

(d) [Reserved].

* * * * *

(h) *Obligations issued by the parent bank holding company of a member bank.*

(1) For the purposes of this part, the "deposits" of a member bank also include an obligation that is (i) issued in a denomination of less than $100,000; (ii) required to be registered with the Securities and Exchange Commission under the Securities Act of 1933; (iii) issued or guaranteed in whole or in part as to principal or interest by the member bank's parent which is a bank holding company under the Bank Holding Company Act of 1956, as amended (12 U.S.C. 1841–1850), regardless of the use of the proceeds; and (iv) issued with a stated maturity, notice period or redemption period of less than 3½ years.

(2)(i) Effective April 1, 1983, this paragraph is amended by striking the term "3½ years" wherever it appears and inserting in its place the term "2½ years". (ii) Effective April 1, 1984, this paragraph is amended by striking the term "2½ years" wherever it appears and inserting in its place "1½ years". (iii) Effective April 1, 1985, this paragraph is amended by striking the term "1½ years" wherever it appears and inserting in its place "6 months". (iv) Effective March 31, 1986, this paragraph is amended by striking the term "6 months" wherever it appears and inserting in its place "14 days".

(3) The term "deposits" does not include those obligations of a bank holding company that are subject to interest rate limitations imposed pursuant to Pub. L. 89-597.

* * * * *

2. Section 217.3 is amended by revising paragraph (f) to read as follows:

Section 217.3—Interest on time and savings deposits.

* * * * *

(f) *No interest after maturity or expiration of notice.* After the date of maturity of any time deposit, such deposit is a demand deposit, and no interest may be paid on such deposit for any period subsequent to such date. After the expiration of the period of notice given with respect to the repayment of any time deposit or savings deposit, such deposit is a demand deposit and no interest may be paid on such deposit for any period subsequent to the expiration of such notice, except that, if the owner of such deposit advises the bank in writing that the deposit will not be withdrawn pursuant to such notice or that the deposit will thereafter again

[1]A deposit with respect to which the bank merely reserves the right to require notice of not less than 14 days before any withdrawal is made is not a "time deposit" within the meaning of the above definition.

be subject to the contract or requirements applicable to such deposit, the deposit will again constitute a time deposit or savings deposit, as the case may be, after the date upon which such advice is received by the bank. On each certificate, passbook, or other document representing a time deposit, the bank shall have printed or stamped a conspicuous statement indicating that no interest will be paid on the deposit after the maturity date or, in the case of a time deposit that is automatically renewable, a conspicuous statement indicating that the contract will be renewed automatically upon maturity, and indicating the terms of such renewal, *Provided*, however, that a member bank may provide in any time deposit contract that if the deposit, or any portion thereof, is withdrawn not more than seven calendar days after a maturity date (one business day for deposits authorized by section 217.7(l)), interest will be paid thereon at the originally specified contract rate. A member bank may specify in the time deposit contract that interest will be paid at any other lower rate. However, in no event may the rate specified be less than the current rate paid on savings deposits by the member bank.

* * * * *

3. Section 217.4 is amended by revising the first sentence in subparagraph (1)(iii) of paragraph (d), by revising subparagraphs (5) and (6) of paragraph (d), and by revising paragraph (f) to read as follows:

Section 217.4—Payment of time deposits before maturity.

* * * * *

(d) * * *

(1) * * *

(iii) Except as provided in § 217.7 (j) and (l), the following minimum early withdrawal penalty shall apply to time deposit contracts entered into, renewed, or extended on or after June 2, 1980: * * *

* * * * *

(5) Except for time deposits on which no maximum interest rate limitation is prescribed, any amendment of a time deposit contract that results in an increase in the rate of interest paid or in a reduction in the maturity of the deposit constitutes a payment of the time deposit before maturity.

(6) For purposes of computing the penalty required to be imposed under this paragraph, under a time deposit agreement that provides that subsequent deposits reset the maturity of the entire account, each deposit maintained in the account for at least a period equal to the original maturity of the deposit may be regarded as having matured individually and been redeposited at intervals equal to such period. Except as provided in § 217.7(l)(4), when a time deposit is payable only after notice, for funds on deposit for at least the notice period, the penalty for early withdrawal shall be imposed for at least the notice period.

* * * * *

(f) *Loans upon security of time deposits*. Except as provided in § 217.7(l)(3), a member bank may make a loan to the depositor upon the security of his time deposit provided that the rate of interest on such loan shall be not less than 1 per cent per annum in excess of the rate of interest on the time deposit.

4. Section 217.6 is amended by revising paragraph (i) to read as follows:

Section 217.6—Advertising of interest on deposits.

* * * * *

(i) Any advertisement, announcement, or solicitation relating to interest paid by a member bank on a time deposit issued pursuant to § 217.7(f) or 217.7(j) shall include a clear and conspicuous notice that federal regulations prohibit the compounding of interest during the term of the deposit.

5. Section 217.7 is amended by revising paragraphs (a), (b), (d), (e), (f), (g), and (h), and by adding new paragraphs (j), (k), and (l).

Section 217.7—Maximum rates of interest payable by member banks on time and savings deposits.

Pursuant to the provisions of section 19 of the Federal Reserve Act and § 217.3 of this part, the Board of Governors of the Federal Reserve System hereby prescribes the following maximum rates[1] of interest per annum payable by member banks of the Federal Reserve System on time and savings deposits:

(a) *Time deposits of \$100,000 or more and IBF time deposits*. Except for a time deposit issued subject to all the conditions of paragraph (l) or 12 CFR 1204.121, there is no maximum rate of interest presently prescribed on any time deposit of \$100,000 or more with a maturity of 14 days or more or on IBF time deposits issued under § 217.1(l).

(b) *Fixed-ceiling time deposits*. Except as provided in paragraphs (a), (d), (e), (f), (g), (i), (j), (k), and (l), of this section, no member bank shall pay interest on any time deposit at a rate in excess of the applicable rate under the following schedule:

Maturity	Maximum percent
14 days or more but less than 90 days	5¼
90 days or more but less than 1 year	5¼
1 year or more but less than 2½ years	6
2½ years or more but less than 4 years	6½
4 years or more but less than 6 years	7¼
6 years or more but less than 8 years	7½
8 years or more	7¼

* * * * *

(d) *Governmental unit time deposits*. Except as provided in paragraphs (a), (f), (g), (j), (k), and (l) of this section, and notwithstanding paragraph (b), no member bank shall pay interest on any time deposit which consists of funds deposited to the credit of, or in which the entire beneficial interest is held by, the United States, any State of the United States, or any county, municipality or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, American Samoa, Guam, or political subdivision thereof, at a rate in excess of 8 per cent.[2]

(e) *Individual Retirement Account and Keogh (H.R. 10) plan deposits*. Notwithstanding paragraphs (b) and (g) of this section, a member bank may pay interest at any rate as agreed to by the depositor on any time deposit with a maturity of one and one-half years or more, that consists of funds deposited to the credit of, or in which the entire beneficial interest is held by, an individual pursuant to an Individual Retirement Account agreement or Keogh (H.R. 10) Plan established pursuant to 26 U.S.C. (I.R.C. 1954) 219, 401, 404, 408, and related provisions. A member bank may permit additional deposits to be made to such a time deposit at any time prior to its maturity without extending the maturity of all or a portion of the entire balance in the account.

(f) *26-week money market time deposits*. Except as provided in paragraph (a) of this section and notwithstanding paragraphs (b) and (d) of this section, a member bank may pay interest on any nonnegotiable time deposit of $10,000 or more, with a maturity of 26 weeks, at a rate not to exceed the ceiling rate set forth below. The ceiling rate shall be based on the higher of either (1) The rate established and announced (auction average on a discount basis) for U.S. Treasury bills with maturities of 26 weeks at the auction held immediately prior to the date of deposit ("bill rate"), or (2) the average of the four rates established and announced (auction average on a discount basis) for U.S. Treasury bills with maturities of 26 weeks at the four auctions held immediately prior to the date of deposit ("four-week average bill rate"). Rounding any rate to the next higher rate is not permitted and interest may not be compounded during the term of this deposit.

Bill rate or 4-week average bill rate	Interest rate ceiling
7.50 percent or below	7.75 percent
Above 7.50 percent	One-quarter of 1 percentage point plus the higher of the bill rate or 4-week average bill rate.

A member bank may offer this category of time deposit to all depositors. However, a member bank may pay interest on any nonnegotiable time deposit of $10,000 or more with a maturity of 26 weeks which consists of funds deposited to the credit of, or in which the entire beneficial interest is held by:

(3) The United States, any State of the United States, or any county, municipality or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, American Samoa, Guam, or political subdivision thereof; or

(4) An individual pursuant to an Individual Retirement Account agreement or Keogh (H.R. 10) Plan established pursuant to 26 U.S.C. (I.R.C. 1954) 219, 401, 404, 408 and related provisions at a rate not to exceed the ceiling rate payable on the same category of deposit by any federally insured savings and loan association or mutual savings bank.[3]

(g) *Time deposits with maturities of 2½ years to less than 3½ years*.

(1) Except as provided in paragraphs (a) and (e) of this section and notwithstanding paragraphs (b) and (d) of this section, a member bank may pay interest on any nonnegotiable time deposit with an original maturity of 2½ years to less than 3½ years at a rate

[2] * * *

[3] The ceiling rate of interest payable for this category of deposit by federally insured savings and loan associations and mutual savings banks is 7.75 percent when the bill rate or four-week average bill rate is 7.25 percent or lower, one-half of one percent above the bill rate or four-week average bill rate when the bill rate or four-week average bill rate is above 7.25 percent but below 8.50 percent, 9.00 percent when the bill rate is above 7.25 percent but below 8.50 percent or above but below 8.75 percent, and one-quarter of one percent above the bill rate or four-week average bill rate when the bill rate or four-week average bill rate is 8.75 percent or above.

not to exceed the higher of one-quarter of 1 per cent below the average 2½-year yield for U.S. Treasury securities as determined and announced by the U.S. Department of the Treasury immediately prior to the date of deposit, or 9.25 per cent. Such announcement is made by the U.S. Department of the Treasury every two weeks. The average 2½-year yield will be rounded by the U.S. Department of the Treasury to the nearest 5 basis points. The rate paid on any such deposit cannot exceed the ceiling rate in effect on the date of deposit. A member bank may offer this category of time deposit to all depositors. However, a member bank may pay interest on any nonnegotiable time deposit with a maturity of 2½ years to less than 3½ years which consists of funds deposited to the credit of, or in which the entire beneficial interest is held by the United States, any State of the United States, or any county, municipality or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, American Samoa, Guam, or political subdivision thereof at a rate not to exceed the ceiling rate payable on the same category of deposit by any federally insured savings and loan association or mutual savings bank.[4]

(2) Effective April 1, 1983, this paragraph is amended by striking the term "2½ years to less than 3½ years" wherever it appears and inserting in its place "1½ years to less than 2½ years", and by striking the term "average 2½-year yield" wherever it appears and inserting in its place "average 1½-year yield".

(h) *Obligations of the parent bank holding company of a member bank.* Interest may be paid on a deposit as defined in section 217.1(h) at a rate not to exceed the maximum rate payable by a member bank on a deposit of equal maturity and denomination. For purposes of this paragraph, the maturity of an obligation of a parent bank holding company is the lesser of the stated maturity period, notice period, or redemption period.

* * * * *

(j) *91-day time deposits.* (1) Except as provided in paragraph (a) of this section and notwithstanding paragraphs (b) and (d) of this section, a member bank may pay interest on any negotiable or nonnegotiable time deposit of $7,500 or more, with a maturity of 91 days, at a rate not to exceed the ceiling rates set forth below. Rounding any rate upward is not permitted, and interest may not be compounded during the term of this deposit.

(2)(i) Except as provided in paragraphs (j)(2)(ii) and (iii) of this section the ceiling rate of interest payable by a member bank shall be the rate established and announced (auction average on a discount basis) for U.S. Treasury bills with maturities of 91 days at the auction held immediately prior to the date of deposit ("bill rate") minus one-quarter of one percentage point (25 basis points).

(ii) If the bill rate is 9 per cent or below at the four most recent auctions of U.S. Treasury bills with maturities of 91 days held immediately prior to the date of deposit, the ceiling rate of interest payable by a member bank shall be the bill rate.

(iii) Effective May 1, 1983, the ceiling rate of interest payable by a member bank on this category of deposit for deposits issued or renewed on or after that date shall be the bill rate.

(3) Where all or any part of a time deposit issued under this paragraph is paid before maturity, a depositor shall forfeit an amount equal to at least all interest earned on the amount withdrawn.

(k) *Time deposits with original maturities of 3½ years or more.*

(1) Notwithstanding paragraphs (b) and (d) of this section, a member bank may pay interest at any rate as agreed to by the depositor on any time deposit with an original maturity of 3½ years or more that has no minimum denomination but is made available in a denomination of $500.

(2) Any time deposit with an original maturity of 1½ years or more issued pursuant to this paragraph may provide by contract that additional deposits may be made to the account for a period of one year from the date that it is established without extending the original maturity date of the account. Deposits made to the account more than one year after the date that it is established shall extend the maturity of the entire account for a period of time at least equal to the original term of the account.

(3) Any time deposit offered pursuant to this paragraph may be issued in a negotiable or nonnegotiable form.

(4)(i) Effective April 1, 1983, this paragraph is amended by striking the term "3½ years" wherever it appears and inserting in its place the term "2½ years".

(ii) Effective April 1, 1984, this paragraph is amended by striking the term "2½ years" wherever it appears and inserting in its place "1½ years".

(iii) Effective April 1, 1985, this paragraph is amended by striking the term "1½ years" wherever it appears in subparagraph (1) and inserting in its place "6 months".

4\. * * *

(l) *Seven-to-31 day time deposits of $20,000 or more.*

(1) Notwithstanding paragraphs (b) and (d) of this section, a member bank may pay interest on any nonnegotiable time deposit of $20,000 or more, with a maturity or required notice period of not less than seven days nor more than 31 days, at a rate not to exceed the ceiling rates set forth below. However, a member bank shall not pay interest in excess of the ceiling rate for regular savings deposits or accounts on any day the balance in a time deposit issued under this paragraph is less than $20,000. Rounding any rate upward is not permitted.

(2)(i) For fixed interest rate, fixed maturity time deposits issued under this paragraph, the ceiling rate of interest payable by a member bank shall be the rate established and announced (auction average on a discount basis) for U.S. Treasury bills with maturities of 91 days at the auction held immediately prior to the date of deposit or renewal ("bill rate") minus one-quarter of one percentage point (25 basis points).

(ii) For variable interest rate, fixed maturity time deposits and for all notice accounts issued under this paragraph, the ceiling rate of interest payable by a member bank shall be the bill rate in effect on the date of opening or renewal of the account minus one-quarter of one percentage point (25 basis points). The interest rate on the account then may be adjusted to be not in excess of the bill rate, minus 25 basis points, established and announced at the most recent subsequent auction during the life of the deposit but not less often than every 31 days.

(iii) Notwithstanding subparagraphs (2)(i) and 2(ii) of this paragraph, a member bank may pay interest at a rate not to exceed the bill rate on any time deposit issued under this paragraph which consists of funds deposited to the credit of, or in which the entire beneficial interest is held by:

(A) The United States, any State of the United States, or any county, municipality or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, American Samoa, Guam, or political subdivision thereof; or

(B) An individual pursuant to an Individual Retirement Account agreement or Keogh (H.R. 10) Plan established pursuant to 26 U.S.C. (IRC 1954) 219, 401, 404, 408, and related provisions.

(iv) The ceiling rates in paragraphs (l)(2)(i), (2)(ii) and (2)(iii) of this section shall not apply.

(A) If the bill rate is 9 per cent or below at the four most recent auctions of U.S. Treasury bills with maturities of 91 days held prior to the date of deposit or renewal. A member bank may pay interest at any rate as agreed to by the depositor on this category of deposit for deposits issued or renewed during such period; or

(B) Effective May 1, 1983. A member bank may pay interest at any rate as agreed to by the depositor on this category of deposit for deposits issued or renewed on or after May 1, 1983.

(3)(i) A member bank is not permitted

(A) To lend funds to a depositor upon the security of a time deposit that it has issued under this paragraph, or

(B) To lend funds to a depositor to meet or maintain the minimum denomination requirement of a time deposit issued under this paragraph.

(ii) The rate of interest and any other charges imposed on an overdraft credit arrangement to which withdrawals are paid or to which payments upon maturity or expiration of a required notice period are made from an account issued under this paragraph must be not less than those imposed on such overdrafts for customers that do not possess an account issued under this paragraph at the same institution.

(4)(i) Where all or any part of a time deposit issued under this paragraph is paid before maturity or expiration of the required notice period, a depositor shall forfeit an amount at least equal to the greater of

(A) All interest earned on the amount withdrawn from the most recent of the date of deposit, date of maturity, or date on which notice was given, or

(B) All interest that could have been earned on the amount withdrawn during a period equal to one-half the maturity period or required notice period.

(ii) Where all or any part of a time deposit issued under this paragraph is withdrawn within one business day after the maturity date of the deposit or the date of expiration of notice of withdrawal, no early withdrawal penalty is required to be applied on the amount withdrawn.

(5) Additional deposits to an account issued under this paragraph with a fixed maturity must be maintained in the account for a period at least equal to the original term of the account and may be regarded as having matured individually and having been redeposited at intervals equal to such period. For accounts issued under this paragraph that are subject to a notice period, additional deposits must remain in the account for a period equal to at least the notice period before such funds may be withdrawn without the imposition of an early withdrawal penalty.

(6) Deposits to any account issued under this paragraph may not be made by automatically transferring funds from another account of the depositor at the same institution where the transfer is initiated by the level of the balance in any account.

(7)(i) Withdrawals from any account issued under this paragraph may not be made (A) by check, draft, or other third party payment instrument or instruction drawn or issued by the depositor, or (B) by automatically transferring funds to another account of the depositor where the transfer is initiated by the level of balance in any account held by the depositor.

(ii) Payments at maturity or withdrawals may be paid by (A) check or cash to the depositor, (B) cash, draft, or electronic transfer issued by the institution to a third party, or (C) transfer to any other account held by the depositor.

(iii) Notice of withdrawal of an account issued under this paragraph may be delivered by the depositor to the institution by telephone or other telecommunication, mail, messenger, standing order, or by appearance in person at the offices or premises of the institution.

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

Orders Under Section 3 of Bank Holding Company Act

Statement by the Board of Governors of the Federal Reserve System Regarding the Application of First American Bank Corporation to Acquire Huron County Bank

By Order dated August 30, 1982, the Board approved the application of First American Bank Corporation, Kalamazoo, Michigan, under section 3(a)(3) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(3)) to acquire 100 percent of the voting shares of Huron County Bank, Harbor Beach, Michigan ("Bank").[1] In this Statement, the Board sets forth its reasons for approving the application.

Applicant, the fifth largest banking organization in Michigan, controls 27 subsidiary banks with aggregate deposits of $3.06 billion, representing 7.04 percent of the total deposits in commercial banks in the state.[2] Upon acquisition of Bank (deposits of $20.6 million), Applicant's share of deposits in commercial banks in Michigan would increase by .05 percent, and Applicant would remain the fifth largest banking organization in the state.[3] Accordingly, consummation of this proposal would not have an appreciable effect on concentration of commercial banking resources in Michigan.

Bank is the fourth largest banking organization in the Huron County banking market, controlling approximately 8.7 percent of total deposits in commercial banks in the market.[4] Applicant, through a branch office of a banking subsidiary in the Huron County banking market, is the ninth largest banking organization in the relevant market and controls about 0.5 percent of the total deposits in the market. Upon consummation, Applicant would become the fourth largest banking organization in the market with 9.2 percent of the market's commercial banking deposits. Although consummation of the proposal would eliminate some existing competition between Applicant and Bank, the Board does not regard the effects on existing competition to be so serious as to warrant denial of the application. The four-firm concentration ratio will increase by only 0.5 percent and there will remain several other market competitors that could serve as entry vehicles for banking organizations not currently represented in the market. Accordingly, the Board concludes that consummation of the proposal would not have significantly adverse effects on existing or potential competition, and would not increase the concentration of banking resources in any relevant area.

The financial and managerial resources of Applicant, its subsidiaries and Bank are regarded as generally satisfactory and their future prospects appear favorable. Accordingly, considerations relating to banking factors are consistent with approval of the application. Following consummation of the proposal, Applicant intends to provide Bank with assistance in marketing its NOW account program, and in establishing expand-

1. In conjunction with this application, Applicant requested prior approval to merge HC State Bank, Harbor Beach, Michigan, a new bank formed for the purpose of effecting the transaction, with Huron County Bank under the charter of the former and with the title of Huron County Bank pursuant to section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)). After consideration of the statutory factors in light of all the facts of record, the Board determined that the proposed merger is consistent with the public interest and approved the merger application on August 30, 1982.

2. All banking data are as of June 30, 1981.

3. On August 30, 1982, the Board approved the application of First American Bank Corporation to merge with Mid-Michigan Bank Corporation, Gladwin, Michigan. Upon consummation of that transaction, Applicant's share of deposits in commercial banks in Michigan will increase by 0.15 percent.

4. The Huron County banking market consists of all but the extreme southwestern portion of Huron County, Michigan, plus the community of Minden in adjacent Sanilac County, Michigan.

ed credit card services, ATMs, trust services and a commercial leasing program, services that are not currently offered by Bank, thus increasing Bank's ability to serve its customers. In light of this proposed expansion in services, the Board concludes that considerations relating to the convenience and needs of the community to be served lend some weight toward approval of the acquisition and outweigh any adverse competitive effects that may result from consummation of the proposal. Accordingly, the Board concludes that consummation of the proposed transaction would be in the public interest and that the application should be approved.

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

Board of Governors of the Federal Reserve System, September 15, 1982.

(Signed) JAMES MCAFEE,
[SEAL] *Associate Secretary of the Board.*

InterFirst Corporation, Dallas, Texas

Order Approving Acquisition of Bank Holding Company

InterFirst Corporation, Dallas, Texas, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1841 et seq.), has applied for the Board's approval under section 3 of the act (12 U.S.C. § 1842) to acquire indirect control of Fannin Bank, Houston, Texas, through the acquisition of its parent, Fannin Bancshares, Inc., Houston, Texas.

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

InterFirst, the largest banking organization in Texas, controls 54 banking subsidiaries with aggregate statewide deposits of $10.3 billion, representing 11 percent of the total deposits in commercial banking organizations in the state.[1] Fannin Bank, the only banking subsidiary of Fannin Bancshares, holds total deposits of $373 million, representing 0.4 percent of statewide deposits. Fannin Bancshares ranks 21st among all commercial banking organizations in Texas. Upon consummation of the proposed merger, InterFirst would remain the largest banking organization in the state, and the percentage of statewide deposits controlled by InterFirst would increase to 11.4 percent. The Board's view is that consummation of the proposed merger would not have an appreciable effect on the concentration of commercial banking resources in Texas.

Fannin Bank operates in the Houston banking market,[2] where it holds 1.64 percent of market deposits and ranks as the tenth largest of 110 commercial banking organizations in the market. InterFirst is the fifth largest commercial banking organization in the Houston banking market with 11 banking subsidiaries, and holds $1.48 billion in deposits, representing 6.51 percent of market deposits. Following consummation of the proposed transaction, InterFirst would become the fourth largest commercial banking organization in the Houston market. Although the proposed acquisition will eliminate some competition between Fannin Bank and InterFirst's banking subsidiaries in the Houston banking market, the Board notes that the market is not highly concentrated. Moreover, in recent years the Houston banking market has experienced rapid population and commercial growth, leading to substantial expansion in banking in the market. In view of these and other facts of record, the Board's judgment is that the effects of the proposed transaction on competition in the Houston banking market are not so serious as to warrant denial of the application.

The financial and managerial resources of InterFirst, Fannin Bancshares, and their subsidiary banks are regarded as generally satisfactory, and their future prospects appear favorable. Accordingly, banking factors are consistent with approval of the proposal.

Although the proposed transaction will not bring new services to the Houston banking market, the present customers of Fannin Bank will benefit from access to the InterFirst ATM network, and from the intitiation or expansion of specialized lending services, and international banking activities. Thus, considerations relating to the convenience and needs of the community to be served are consistent with approval. Accordingly, the Board's judgment is that consumma-

1. All deposit data as of June 30, 1981, reflecting acquisitions approved as of June 30, 1982.

2. The relevant geographic banking market is the Houston RMA, which consists of the majority of Harris County, and portions of Waller, Fort Bend, Brazoria, Galveston, Chambers, Liberty, and Montgomery Counties.

tion of the proposal would be consistent with the public interest.

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

By order of the Board of Governors, effective September 16, 1982.

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

(Signed) JAMES MCAFEE,
[SEAL] *Associate Secretary of the Board.*

Dissenting Statement of Governor Teeters

I would deny the application of InterFirst Corporation to acquire Fannin Bancshares, Inc. In this case, the largest banking organization in Texas, operating the fifth largest banking organization in the Houston banking market, is seeking to acquire the tenth largest commercial banking organization in that market. In my view, the acquisition would represent the elimination of a significant competitor from the Houston market and would contribute to concentration of banking resources in a market that has been experiencing concentration among its larger financial institutions. Moreover, Fannin Bancshares, with total deposits of $373 million, is of sufficient size and possesses sufficient resources to independently expand its operations in the Houston banking market, as well as into other markets in Texas. Thus, the acquisition of Fannin by InterFirst would foreclose the possibility of future expansion by a viable potential competitor in the state. Accordingly, consummation of the transaction would, in my view, have an adverse effect on competition without offering any offsetting benefits or outweighing convenience and needs considerations.

In light of the above, I would deny this application.

September 16, 1982

Milford Bancorporation, Milford, Iowa

Order Denying Acquisition of Bank

Milford Bancorporation, Milford, Iowa, a bank holding company within the meaning of the Bank Holding Company 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 San Bancorp, Sanborn, Iowa ("Company"), a registered one-bank holding company, and to acquire indirectly its commercial bank subsidiary, Sanborn Savings Bank, Sanborn, Iowa ("Bank").

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

The proposed transaction is essentially a reorganization whereby the shareholder who presently controls Bank through Company will control Bank through Applicant. Applicant, a one-bank holding company, is the 320th largest banking organization in Iowa, controlling $19.1 million in deposits.[1] Upon acquisition of Bank ($14.7 million in deposits) Applicant would control the 396th largest commercial bank in Iowa and would hold approximately .17 percent of the total deposits of commercial banks in the state.

Bank is the third largest of six commercial banking organizations in the O'Brien County banking market, and holds approximately 16 percent of the total deposits in commercial banks in the market.[2] Applicant's banking subsidiary does not compete in the relevant banking market. The facts of record indicate that consummation of the proposal would not result in any adverse effects upon competition or increase the concentration of banking resources in any relevant area. Accordingly, the Board concludes that competitive considerations are consistent with approval of the application.

The Board has indicated on previous occasions that a holding company should serve as a source of financial and managerial strength to its subsidiary bank(s), and that the Board will closely examine the condition of an applicant in each case with this consideration in mind. Moreover, the Board has stated that in acting upon future applications by an applicant, it will assess the applicant's managerial resources in light of its compliance with prior commitments to the Board.[3] In this case, the Board concludes that the record presents adverse considerations as they relate to the applicant

1. All banking data are as of December 31, 1981.
2. The O'Brien County banking market is approximated by all of O'Brien County, Iowa, except the westernmost portion.
3. "First City Bancorporation of Texas, Inc. (Central Bank and Trust Company), 61 FEDERAL RESERVE BULLETIN 591 (1975)," "Bank Shares Incorporated," 62 FEDERAL RESERVE BULLETIN 626 (1976), see also "American National Sidney Corp.", 66 FEDERAL RESERVE BULLETIN 159 (1980).

bank holding company, that these considerations warrant denial of its proposed acquisition of Company and Bank.

The Board's approval on January 20, 1978, of the formation of Company and acquisition of Bank relied, in part, upon a commitment made by the principal shareholder of Company and Applicant, who also serves as chairman and president of Applicant and Dickinson Bank, chairman of Company, and president of Bank, to inject by June 30, 1978, $200,000 of equity capital into Applicant's subsidiary commercial bank, Dickinson County Savings Bank, Milford, Iowa ("Dickinson Bank"). The capital injection was to have been accomplished by principal's purchase with personal funds of 200 shares of unissued stock. To date, Applicant's principal has not complied with this commitment. In view of the fact that Dickinson Bank's overall condition has declined since its acquisition by Applicant, the Board regards the continuing noncompliance with the commitment by Applicant's principal as a factor reflecting adversely upon the financial and managerial resources of Applicant, and as providing sufficient grounds for denial of the present proposal.

In addition, the Board notes that Applicant would incur a sizeable additional debt in connection with this proposal. The amount of Applicant's original debt upon formation in 1974 was limited to the maximum amount Applicant demonstrated that it could retire within the then-requisite 12–year period. However, Applicant has not met its debt servicing projections, nor has it significantly reduced its original acquisition debt. Based upon this record, the Board is unable to conclude that Applicant's projections will be fulfilled. Accordingly, based upon the above and other facts of record, the Board concludes that considerations relating to financial resources and future prospects of Applicant, Dickinson Bank, and Bank weigh against approval of this application.

No significant changes in Bank's operations or in the services offered to customers are anticipated to follow from consummation of the proposed acquisition. Consequently, convenience and needs factors lend no weight toward approval of this proposal.

On the basis of the circumstances concerning this application, the Board concludes that the banking considerations involved in this proposal present adverse factors bearing upon the financial and managerial resources and future prospects of Applicant and Bank. Such adverse factors are not outweighed by any procompetitive effects of by benefits that would result in better serving the convenience and needs of the community. Accordingly, the Board's judgment is that approval of the application would not be in the public interest and that the application should be denied.

On the basis of the facts of record, the application is denied for the reasons summarized above.

By order of the Board of Governors, effective September 27, 1982.

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

(Signed) JAMES MCAFEE,
[SEAL] *Associate Secretary of the Board.*

Transworld Corporation, Lake Forest, Illinois

Order Approving Acquisition of Bank

Transworld Corporation, Lake Forest, Illinois, a bank holding company within the meaning of the Bank Holding Company 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 shares of Dempster Plaza State Bank, Niles, Illinois ("Bank").

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

Applicant is a one bank holding company by virtue of its control of The Northlake Bank, Northlake, Illinois ("Northlake Bank") (deposits of $11.6 million). Both Northlake Bank and Bank, with deposits of $21.7 million, are among the smaller commercial banks in the state.[1] Upon consummation of the proposed transaction, Applicant will become the 483rd largest commercial banking organization in Illinois, and will control 0.03 percent of the deposits in commercial banks in that state. In light of the small share of the state's commercial bank deposits that will be controlled by Applicant, the Board concludes that consummation of the transaction will not have any serious adverse effects on the concentration of banking resources in Illinois.

The proposal represents a reorganization whereby Applicant will acquire shares of Bank now held by its principal. Because both Northlake Bank and Bank compete in the Chicago banking market,[2] the 1977 acquisition of Bank by Applicant's principal eliminated some existing competition in the market. However, consummation of the proposed transaction will in-

1. All banking data are as of December 31, 1981.
2. The Chicago banking market is approximated by Cook, DuPage, and Lake Counties, Illinois.

crease Applicant's share of deposits in commercial banks in the market to only 0.05 percent. In light of the small absolute and relative size of Northlake Bank and Bank and the fact that numerous banking alternatives will remain in the market after consummation, the Board concludes that consummation will have no significant effect on existing competition in any relevant market.

The financial and managerial resources of Applicant, Northlake Bank and Bank are generally satisfactory and the future prospects for each appear favorable especially in light of the additional capital that Applicant will provide Bank. Thus, banking factors are consistent with approval of the application. With respect to the convenience and needs of the communities to be served, the Board notes that Bank's record of serving its community has improved significantly since its acquisition by Applicant's principal. Thus, although no immediate changes in Bank's services are contemplated, considerations relating to convenience and needs of the community lend weight toward approval of the application. Accordingly, the Board's judgment is that the proposed acquisition is in the public interest and that the application should be approved.[3]

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

By order of the Board of Governors, effective September 1, 1982.

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

(Signed) JAMES MCAFEE,
[SEAL] *Associate Secretary of the Board.*

3. The Board notes that, pursuant to section 4(a)(2) of the Act (12 U.S.C. § 1843(a)(2)), Applicant has indefinite grandfather privileges with respect to certain real estate activities. In this regard, there is no evidence in the record that Applicant's continued performance of these activities would result in any undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices or other adverse effects that would warrant termination of these activities. Accordingly, the Board concludes termination of these real estate activities is not warranted at this time. This determination is subject to later review by the Board or by the Reserve Bank. Moreover, this determination is not an authorization to expand these activities.

Orders Under Section 4 of Bank Holding Company Act

BankAmerica Corporation, San Francisco, California

Order Approving Application to Engage in Equity Financing Activities

BankAmerica Corporation, San Francisco, California, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval, under section 4(c)(8) of the act (12 U.S.C. § 1843(c)(8)) and section 225.4(a) of the Board's Regulation Y (12 C.F.R. § 225.4(a)), to engage through its subsidiary, BA Mortgage and International Realty Company, San Francisco, California ("BAMIRCO"), in the activity of arranging equity financing for certain types of income-producing properties.

Notice of the application, affording interested persons an opportunity to submit comments and views on the relatedness of the proposed activity to banking and on the balance of public interest factors regarding the application has been duly published (46 *Federal Register* 61297 (1981)). The time for filing comments and views 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.

Applicant is a bank holding company by virtue of its control of Bank of America NT & SA, San Francisco, California (domestic deposits of $51.2 billion), the largest banking organization in California. Bank of America controls 36.1 percent of total deposits in commercial banks in that state.[1] Applicant also engages in certain nonbanking activities, including mortgage banking, commercial lending and leasing, credit related insurance activities, investment advisory activities, and management consulting to depository institutions.

Applicant, through BAMIRCO, currently engages in mortgage banking and servicing activities for which it received Board approval under section 4(c)(8) of the act and sections 225.4(a)(1) and (3) of Regulation Y. BAMIRCO also is authorized to provide investment advisory services under section 225.4(a)(5) of Regulation Y, including advice with respect to commercial or industrial real estate.

BAMIRCO currently provides to persons seeking financing for commercial or industrial income producing property a variety of financing services, including the provision or arrangement of traditional mortgage loans. In this application, BAMIRCO seeks authority to provide these persons equity financing as an alter-

1. Banking data are as of June 30, 1981.

native to an extension of credit made or arranged by BAMIRCO.[2] The equity financing activity will be performed only by BAMIRCO, Applicant's mortgage banking subsidiary, and will be offered only as an alternative to traditional financing arrangements. BAMIRCO will not solicit for properties to be sold, list or advertise properties for sale, or hold itself out or advertise as a real estate broker or syndicator.

In order to approve an application submitted pursuant to section 4(c)(8) of the act to engage in a nonbank activity, the Board is required to find that the activity is closely related to banking or managing or controlling banks. In determining whether an activity is closely related to banking under section 4(c)(8) of the act, the Board has used the following guidelines recognized by the courts: (1) whether banks have generally provided the proposed service; (2) whether banks generally provide services that are operationally or functionally so similar to the proposed service as to equip them particularly well to provide the proposed service; or (3) whether banks generally provide services that are so integrally related to the proposed service as to require their provision in specialized form.[3] In addition, the Board may consider other factors in deciding what activities are closely related to banking.[4]

Upon consideration of the entire record on this application, including all public comments submitted, the Board has determined, for the reasons explained below, that Applicant's proposed equity financing activity as conditioned by this Order is closely related to banking.

Equity financing, as proposed by BankAmerica, involves arranging for the financing of commercial or industrial income-producing real estate through the transfer of the title, control and risk of the project from the owner/developer to one or more investors. BAMIRCO would represent the owner/developer and would be paid a fee by the owner/developer for this service. Neither BAMIRCO nor any of its affiliates will provide financing to the investors in connection with an equity financing arrangement. BAMIRCO will arrange equity financing only in the case of commercial or industrial income-producing real property, only where the financing arranged exceeds $1 million, and will place equity financing only with institutional or wealthy, professional individual investors.

The evidence of record shows that, in performing the equity financing activity for commercial or industrial income-producing real estate, BAMIRCO needs and will utilize the type of expertise and analysis developed by financial institutions in evaluating and arranging mortgage financing for such property. For example, Applicant states that BAMIRCO would consult with the developer/owner to determine the nature, objectives and financing requirements of a project; would consider the project's concept, architectural design, building layout, suitability for purpose and prospects; would analyze traffic flow, competing projects, source of customers, the nature of the market; would calculate projected rentals and income flows; and would review the developer/owner's timetable for the project; and availability of construction financing and long term financing for the property. Based upon its review, BAMIRCO would prepare a written analysis of the project and, in view of this analysis and its knowledge of the current real estate financing market, BAMIRCO would formulate financing alternatives, which might include equity financing. According to Applicant, in presenting a project to an investor this analysis is the same, whether the ultimate financing is in the form of a mortgage or equity financing.

The Board finds that the particular expertise and analysis required to provide equity financing for large commercial or industrial income-producing properties is functionally and operationally similar to the analysis and expertise that is required when a bank provides traditional mortgage financing services for such properties. Banking organizations have historically provided financing for commercial and industrial properties and thus are particularly well equipped to provide the proposed service. The Board's judgment is that the functional and operational similarity between mortgage banking and equity financing is further supported by the fact that equity financing can be viewed as an economic substitute for long-term mortgage financing. Evidence in the record shows that investors have increasingly turned to equity participations in projects as a means of increasing their yields and protecting themselves against inflation and interest rate fluctuations.

Moreover, the Board's view is that equity financing as proposed by Applicant and as conditioned by this Order bears a functional relationship to investment advisory services traditionally and lawfully performed by commercial banks with respect to commercial and industrial real estate. Accordingly, on these bases and based upon the evidence of record and subject to the

2. A staff opinion issued on January 16, 1981, informed BAMIRCO that, as an incident to its lending authority under section 225.4(a)(1), it could place equity interests in connection with lending transactions in which BAMIRCO was a participant or as part of a package where a permanent mortgage loan was being made in connection with the equity placement. The Board will review this staff opinion in light of the limitations and conditions in this Order.

3. "National Courier Association" v. "Board of Governors," 516 F.2d 1229 (D.C. Cir. 1975).

4. "Alabama Association of Insurance Agents" v. "Board of Governors," 553 F.2d 224, 241 (5th Cir. 1976), rehearing denied 558 F.2d 729 (1977), cert. denied, 435 U.S. 904 (1978). See "Board of Governors" v. "Investment Company Institute," 450 U.S. 46, 55 (1981).

conditions and limitations set forth in this Order, the Board finds that equity financing by Applicant is closely related to banking.[5]

The Board has imposed the conditions in this Order to confine the activity proposed by Applicant to equity financing and to prevent Applicant from engaging in real estate development or syndication. In equity financing, BAMIRCO's function is limited to acting as intermediary between developers and investors to arrange financing. Neither BAMIRCO nor any affiliate may acquire an interest in the real estate project for which BAMIRCO arranges equity financing nor have any role in the development of the project. Neither BAMIRCO nor any of its affiliates shall participate in managing, developing or syndicating property for which BAMIRCO arranges equity financing, nor promote or sponsor the development or syndication of such property. The fee BAMIRCO receives for arranging equity financing for a project shall not be based on profits derived, or to be derived, from the property and should not be larger than the fee that would be charged by an unaffiliated intermediary. The Board finds that Applicant's proposed equity financing activity will not constitute either real estate development or real estate syndication, provided the above-mentioned conditions and limitations are observed by Applicant and BAMIRCO.

Before approving a bank holding company's application to engage in an activity that the Board determines is closely related to banking, the Board must also find that consummation of the proposal can reasonably be expected to produce benefits to the public that outweigh possible adverse effects. With respect to the proposed equity financing activity, it appears from the record that authorizing the activity for bank holding companies would enhance competition and provide greater convenience, increased efficiencies, and lower costs, without resulting in any adverse consequences. Greater convenience and increased competition would result by providing a broader range of long-term financing alternatives and by aiding the flow of funds between investors and developers. This should also tend to produce lower costs and increased efficiencies. Moreover, competition would be enhanced since mortgage company subsidiaries of bank holding companies could better compete with independent mortgage companies, which may engage in both traditional mortgage banking and equity financing. Some concern was expressed by commenters on the application that consummation of the proposal might result in unfair competition by allowing bank holding companies to engage in real estate brokerage and might result in conflicts of interests with respect to subsidiary banks. As noted, the Board has limited the proposed activity to exclude general real estate brokerage. Moreover, in view of the commitments and representations furnished by Applicant, including the prohibition against the financing by BAMIRCO's affiliates of investors in an equity financing arrangement, the Board believes that approval of the activity is not likely to result in any conflicts of interest.

There is no evidence in the record to indicate that Applicant's engaging in the proposed activity would lead to any undue concentration of resources, decreased or unfair competition, unsound banking practices, or other adverse effects. The Board's view is that the subject application to engage in the proposed equity financing activity as limited by this Order would produce benefits to the public that outweigh any potential adverse effects.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of the public interest factors that the Board is required to consider under section 4(c)(8) of the act is favorable. This determination is conditioned upon Applicant's strictly limiting its activities as described in information provided in connection with this application and as provided in this Order.

Accordingly, the application is hereby approved. This determination is subject to the limitations set forth in this Order, the conditions set forth in section 225.4(c) of Regulation Y, and 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 of and purposes of the act, and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

The proposed activity shall be commenced not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco.

5. In a 1972 decision, the Board required an applicant to divest a general real estate brokerage subsidiary because the applicant had not demonstrated that the proposed activity was closely related to banking. "Boatmen's Bancshares, Inc," 58 FEDERAL RESERVE BULLETIN 427 (1972). Some comments on BankAmerica's proposal suggested that equity financing should be regarded as real estate brokerage and impermissible under the Board's "Boatmen's" decision. However, equity financing for incomeproducing properties was not an activity considered in the "Boatmen's" case. Moreover, economic conditions have changed significantly since 1972 when that determination was made, and, as noted below, equity financing has become an economic substitute for long-term mortgage financing. Because the particular expertise and analysis required for equity financing are not involved in general real estate borkerage, the Board's conclusion with respect to BAMIRCO's proposed activities does not represent a departure from the Board's position concerning the impermissibility of general real estate brokerage.

By order of the Board of Governors, effective September 1, 1982.

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

(Signed) WILLIAM W. WILES,
Secretary of the Board.

[SEAL]

BankEast Corporation, Manchester, New Hampshire

Order Conditionally Approving Establishment of de novo branch of Guaranty Savings Bank

BankEast Corporation, Manchester, New Hampshire, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 4(c)(8) of the act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)) to establish a de novo branch office in Pelham, New Hampshire, of its existing subsidiary, BankEast Guaranty Savings Bank, Salem, New Hampshire ("Guaranty Bank"), an organization engaged pursuant to the laws of New Hampshire in the activities of a guaranty savings bank.[1]

The Board by order approved the acquisition of Guaranty Bank by BankEast (formerly First Financial Group) and determined that the operation of such an institution was closely related to banking in New Hampshire.[2]

Notice of the application, affording opportunity for interested persons to submit comments and views, has been duly published. The time for filing comments and views has expired and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the act (12 U.S.C. § 1843(c)(8)).[3]

BankEast (consolidated deposits of $417.6 million) operates four commercial banks, three guaranty savings banks, and a mortgage company.[4] Guaranty Bank currently operates a single office in Salem, New Hampshire.[5] This application involves the establishment of a de novo branch of Guaranty Bank. There are no other subsidiaries of Applicant operating in the Boston banking market. Accordingly, it does not appear that consummation of the proposed transaction, as conditioned in this Order, would result in any adverse effects on competition in any relevant market.

The Board has previously determined that because of the unique structural and competitive situation between commercial banks and guaranty savings banks in New Hampshire, the operation of a New Hampshire guaranty savings bank by a New Hampshire bank holding company is so closely related to banking as to be a proper incident thereto.[6] No evidence has been presented to indicate that banking conditions have substantially changed in New Hampshire since the Board's consideration of this issue earlier this year, and BankEast must limit Guaranty Bank's deposit-taking or commercial lending activities to remain under the nonbanking provisions of the act. The Board, therefore, confirms its finding that the operation of a guaranty savings bank may be so closely related to banking in New Hampshire as to be a proper incident thereto.

Notwithstanding this general finding, the Board must also consider the particular facts of this case to determine whether the proposed acquisition is a proper incident to banking, that is, whether it "can reasonably be expected to produce benefits to the public such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices."

In considering previous applications under the act involving the affiliation of commercial banks and guaranty savings banks in New Hampshire in 1980 and 1982, the Board noted the potential for serious conflicts of interests, unfair competition, and circumvention of the Regulation Q interest rate differential that might arise from the operation of these two types of institutions at nearby locations or in close mutual

1. A guaranty savings bank is essentially the same as a mutual savings bank except that the former is a stock institution. That is, the ownership of the equity interest in a guaranty savings bank is vested in the holders of the capital stock or special deposits. Under the current laws of New Hampshire, guaranty savings banks may engage not only in typical savings bank activities, such as accepting time and savings deposits, acting as fiduciary and dealing in real estate mortgage financing, but also in typical commercial bank activities (including accepting demand deposits and making commercial loans) that exceed those permissible for thrifts under federal statutes.

2. "First Financial Group of New Hampshire, Inc.", 66 FEDERAL RESERVE BULLETIN 594 (1980). However, the Board has not added the operation of a guaranty savings bank to the list of permissible activities in section 225.4(a) of Regulation Y.

3. This application has been accepted and processed under section 4 of the act, and is approved only on the condition that Guaranty Bank limit its commercial lending activity to that currently permissible to thrift institutions under federal statute law.

4. All financial data are as of March 31, 1982, and include acquisitions as of June 30, 1982.

5. Salem, New Hampshire, is located in the Boston banking market, which is approximated by the Boston RMA.

6. "Profile Bankshares, Inc.", 61 FEDERAL RESERVE BULLETIN 901 (1975); "First Financial Group of New Hampshire, Inc.", 66 FEDERAL RESERVE BULLETIN 594 (1980); "Heritage Banks Inc.", 66 FEDERAL RESERVE BULLETIN 590 (1980); "BankEast Corporation", 68 FEDERAL RESERVE BULLETIN 379 (1982), and; "BankEast Corporation", 68 FEDERAL RESERVE BULLETIN 116 (1982).

support of each other ("tandem operations").[7] In order to limit the potential for these adverse effects the Board approved those previous cases upon certain conditions barring the two types of institutions from conducting tandem operations. The Regulation Q interest rate differential on account categories in existence in December 1975 remains in effect until the Depository Institutions Deregulation Committee eliminates rate ceilings or until March 31, 1986. In addition, it does not appear that relevant considerations have changed since May 1982, when the Board last reiterated its policy against tandem operations of thrifts and commercial banks. Accordingly, the Board believes that the following conditions must remain in effect and must be extended in connection with its approval of this application: (1) that BankEast will not establish any commercial bank facility within the service area of any office of Guaranty Bank without Board consent; and (2) that BankEast will not shift assets or liabilities from Guaranty Bank to any other subsidiary or from any other subsidiary to Guaranty Bank.[8]

Financial and managerial considerations and future prospects concerning Applicant and its subsidiaries, including Guaranty Bank, are generally satisfactory. Except as discussed above, the Board has found that no other adverse effects are likely to result from consummation of this proposal. Also, it appears that the proposed affiliation would produce several public benefits including the introduction of a new source of services in Pelham, New Hampshire, where there is currently only one banking facility. In addition, Guaranty Bank's de novo branch office will introduce NOW accounts, drive-up facilities, and automated teller machines to Pelham.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of public interest factors the Board is required to consider under section 4(c)(8) is favorable provided that BankEast and Guaranty Bank abide by the conditions set forth herein. Accordingly, the application is hereby conditionally approved, subject to the limitations described above relating to the commercial lending activities of Guaranty Bank and restrictions relating to tandem operations between BankEast's commercial and guaranty savings bank subsidiaries. This determination is further subject to the conditions set forth in section 225.4(c) of Regulation Y and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

The transaction shall be made not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Boston.

By order of the Board of Governors, effective September 2, 1982.

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

(Signed) WILLIAM W. WILES,
[SEAL] *Secretary of the Board.*

7. "BankEast Corporation", 68 FEDERAL RESERVE BULLETIN 116 and 379 (1982); "First Financial Group of New Hampshire, Inc.", 66 FEDERAL RESERVE BULLETIN 594 (1980).

8. These conditions would remain effective so long as these institutions, or their successors remain affiliated. However, BankEast may apply for relief from these conditions when the Regulation Q interest rate differential has been eliminated, or if the Board changes its policy generally regarding tandem operations.

Bankers Trust New York Corporation, New York, New York

Order Approving Application to Engage in Certain Futures Commission Merchant Activities

Bankers Trust New York Corporation, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (12 U.S.C. §§ 1841–1849), has applied for the Board's approval, under section 4(c)(8) of the act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to engage through a de novo subsidiary, BT Capital Markets Corp., New York, New York ("BTCM"), in acting as a futures commission merchant (an "FCM") for nonaffiliated persons, in the execution and clearance of certain futures contracts on major commodity exchanges. Such contracts would cover U.S. Government securities (including Government National Mortgage Association, or "GNMA" securities), negotiable money market instruments (including, in particular, domestic and Eurodollar certificates of deposit ("CDs")), foreign exchange, and bullion.

Notice of the application, affording interested persons an opportunity to submit comments and views on the relation of the proposed activity to banking and on the balance of public interest factors regarding the application, has been duly published (47 *Federal Register* 18180 (1982)). The time for filing comments and views 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.

Applicant is a bank holding company by virtue of its control of Bankers Trust Company, New York, New York ("Bank") and several other banks. Applicant holds total consolidated deposits of $24.9 billion, and is the sixth largest commercial banking organization in New York State.[1] Applicant, through certain of its subsidiaries, engages in various permissible nonbanking activities.

The Board recently approved an application by J. P. Morgan & Co. Incorporated, New York, New York ("Morgan"), another bank holding company within the meaning of the act, to engage in FCM activities.[2] Applicant's proposal closely parallels that submitted by Morgan, and the characteristics of Morgan on which the Board relied in considering Morgan's application are shared by Applicant. Accordingly, the Board considers it appropriate to examine Applicant's proposal within the same framework the Board used to consider Morgan's application.

Closely Related to Banking

In order to approve an application submitted pursuant to section 4(c)(8) of the act, the Board is first required to determine that the proposed activity is closely related to banking or managing or controlling banks. In approving Morgan's application, the Board determined that Morgan's proposed activities as an FCM, with respect to the contracts involved in its application, would be closely related to banking.[3] Upon consideration of all the facts of record, the Board has determined, for the reasons explained below, that BTCM's proposed activities as an FCM, with respect to the contracts involved in this application, would also be closely related to banking.

Bullion and Foreign Exchange. In the Board's Order approving Morgan's application, it was noted that the Board had determined previously that FCM activities or their equivalent, with respect to bullion and foreign exchange, were closely related to banking. The Board made these earlier determinations in connection with applications submitted by Republic New York Corporation, New York, New York,[4] and Standard and Chartered Banking Group Ltd., London, England.[5] In deciding that Morgan's activities with respect to bullion and foreign exchange were closely related to banking, the Board applied the same factors it employed in reaching these two earlier determinations to Morgan's proposal.

Upon examination of the record, it appears that Applicant's situation is substantially similar to that of Morgan. Bank is a New York State bank, and New York law grants it the authority to buy and sell bullion and foreign exchange.[6] Bank presently trades bullion in London and, since the resumption of gold trading in the United States, Bank has been trading bullion in the New York market. FCM activities in bullion on the part of BTCM would thus appear to complement Bank's trading in the cash bullion markets. In addition, because Bank already trades in the cash and forward markets in bullion and foreign exchange for its customers, acting as an FCM in futures markets for the same commodities would appear to be an "integral adjunct" to these present services. Finally, it is reasonable to assume that market participants for whom Bank trades would regard futures contracts in bullion and foreign exchange as the functional equivalent of forward contracts for some purposes. Accordingly, Applicant's proposed activity could be considered fundamentally a substitute for other services Bank already provides. On this basis, the board concludes that Applicant's proposal to act as an FCM for bullion and foreign exchange is closely related to banking.

Government Securities and Money Market Instruments. Applicant's proposal also involves the execution and clearance of futures contracts covering U.S. bonds, Treasury bills, GNMA securities, and negotiable money market instruments, particularly domestic and Eurodollar CDs.

As with the Morgan application, the Board has examined the portion of the record for this proposal that concerns FCM activities for U.S. bonds, Treasury bills, GNMA securities, and negotiable money market instruments, in light of Applicant's experience in related markets for these instruments. Bank already trades in futures contracts covering various U.S. Government and GNMA securities for its own account. Bank has long been a major participant, for the account of customers as well as its own account, in the U.S. Government securities cash market. Indeed, Bank is a member of the Association of Primary Dealers, and among the members of the Association, Bank has been consistently one of the

1. Banking data as of June 30, 1982.
2. "J. P. Morgan & Co. Incorporated", 68 FEDERAL RESERVE BULLETIN 514 (1982).
3. *Id.* at 514.
4. "Republic New York Corporation", 63 FEDERAL RESERVE BULLETIN 951 (1977).
5. "Standard and Chartered Banking Group, Ltd.", 38 *Federal Register* 27552 (1973).
6. New York Banking Law § 96.1 (McKinney 1971).

top five dealers in terms of volume over the last five years. In addition, Bank is already providing a forward market for the account of customers in GNMA securities. Applicant's experience in these activities has provided it with useful expertise in areas that are operationally or functionally similar to FCM activities for nonaffiliated persons in U.S. bonds, Treasury bills, and GNMA securities. Accordingly, the Board concludes that the proposed FCM activities for these instruments would be closely related to banking.

The Board has also determined, in the circumstances of this case, that BTCM's proposed activities as an FCM with respect to futures contracts in negotiable money market instruments would be closely related to banking. Bank is an active participant in the cash markets for various money market instruments, and this experience has provided Applicant with useful expertise in trading the underlying commodity involved in these futures contracts. Like futures contracts in U.S. Government securities, futures contracts in these instruments are used in large part to hedge against interest-rate risk associated with holding and trading financial assets and liabilities. There appears to be little basis for distinguishing between the operational or functional characteristics of FCM activities with respect to contracts in these money market instruments and those of FCM activities with respect to contracts in Government securities.

Balance of Public Benefits and Adverse Effects

In order to approve this application, the Board is also required to determine that the performance of the proposed activities by BTCM, "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." (12 U.S.C. § 1843(c)(8)).

Public Benefits

Consummation of the proposal would provide added convenience to those clients of Bank who trade in the cash, forward, and futures markets for the commodities involved in this application. The Board expects that the de novo entry of BTCM into the market for FCM services would increase the level of competition among FCMs already in operation. Accordingly, the Board has concluded that the performance of the proposed activities by BTCM can reasonably be expected to produce benefits to the public.

Adverse Effects

In its Order approving Morgan's application, the Board recognized that the activity of trading futures contracts involves various types of financial risks and potential conflicts of interest, and is susceptible to anticompetitive and manipulative practices. The Board noted, however, that Congress has addressed those types of possible adverse effects through the passage of the Commodity Exchange Act, as amended,[7] and the creation of the Commodity Futures Trading Commission ("CFTC"). The Board also noted that the CFTC has promulgated regulations to effectuate the provisions of the Commodity Exchange Act.[8] Applicant has chosen to conduct the proposed activities through a separately incorporated subsidiary that would be subject to the Commodity Exchange Act and CFTC regulation. The Board has considered the impact of the applicable statutes and regulations in its evaluation of the likelihood that significant adverse effects regarding conflicts of interests, unsound banking practices, decreased or unfair competition, or undue concentration of resources would develop in this case.

Conflicts of Interests. Conflicts of interest that could be associated with this proposal fall into two broad categories: those arising out of the general business of engaging in FCM activities, and those arising out of the particular circumstances of an FCM that is a subsidiary of a bank holding company. Rules and regulations promulgated and enforced by the CFTC and the relevant futures exchanges substantially reduce the possibility for significant conflicts of the first category. In addition, BTCM has committed that it will, in addition to time-stamping orders of all customers to the nearest minute, execute all orders, to the extent consistent with customers' specifications, in strictly chronological sequence, and that BTCM will execute each order with reasonable promptness with due regard to market conditions. The Board concludes that the risk of conflicts of interest arising from the general business of an FCM that may result from consummation of the proposal as submitted is not inconsistent with approval.

7. U.S.C. §§ 1–24.

8. For example, CFTC regulations require FCMs to keep detailed records on many aspects of FCM activities, such as segregation of funds and investments made on behalf of customers; (17 C.F.R. §§ 1.20, .25); prescribe protective procedures for such activities as buying and selling contracts of two customers on opposite sides of the same transaction; (17 C.F.R. § 1.39); and impose minimum financial and related reporting requirements; (17 C.F.R. §§ 1.10–.18).

With respect to the second category of conflicts, the Board believes that existing statutory and supervisory safeguards, together with Applicant's internal control procedures, will substantially reduce the possibility of significant adverse effects. For example, section 23A of the Federal Reserve Act[9] would require any extension of credit by Bank to BTCM to be secured by collateral of a value at least 20 percent greater than the amount of the credit, or at least 10 percent greater than the amount of the credit if secured by the obligations of any state or political subdivision of a state. Any loans from Bank to BTCM's customers would be subject to examination by the Board and appropriate state authorities.

Furthermore, Applicant maintains internal procedures that generally prohibit disclosure among employees of Applicant and its subsidiaries of confidential information pertaining to customers, whether received from customers or derived from internal sources. Finally, as discussed below, the circumstances of this application alleviate any substantial concern regarding the possibility of voluntary tying. There thus appears to be no significant danger that conflicts associated with the fact that BTCM would be a bank holding company subsidiary will develop under this proposal.

Unsound Banking Practices. An FCM clearing and executing contracts for nonaffiliated persons is generally exposed to several types of financial risks. However, the Board believes that Applicant's competence, experience, and resources sufficiently equip BTCM to deal with these risks. Furthermore, the Board believes that the Commodity Exchange Act and CFTC regulations are significant factors in ameliorating the general hazards of the FCM activities proposed in the application.[10]

As an FCM for nonaffiliated persons, BTCM would be contractually liable for nonperformance by a customer of BTCM on each futures contract traded by BTCM for that customer. Similarly, in some circumstances, BTCM could be obligated to meet a margin call delivered to a customer of BTCM. Applicant and its subsidiaries appear well prepared to deal with these potential obligations. The risks that a customer of BTCM would default on a contract or fail to meet a margin call are essentially credit risks of a type Bank has significant expertise in evaluating. In addition, the record indicates that BTCM would employ a high degree of credit selectivity in choosing its customers, who will include institutional and commercial clients of Bank.

Applicant's proposal differs from Morgan's proposal in that Applicant does not initially anticipate that BTCM will be a member of the exchanges with which it deals. Accordingly, BTCM would not initially be exposed to contingent liability that exists through the assessment provisions of clearing association guaranty funds. Applicant has indicated that BTCM may in future stages of its proposed operations become a clearing member of the exchanges it deals with.

Should BTCM become a member of an exchange or clearing association, the degree of risk to Applicant associated with providing BTCM's services could be increased through the practice of certain exchanges or clearing associations of requiring the parent corporation of a clearing member to also become a member of that exchange or clearing association. Applicant has committed that BTCM would not, without the prior consent of the Board, become a clearing member of any exchange whose rules impose such a requirement that has not waived that requirement for Applicant.

On the basis of all the facts of record, the Board has concluded that the inherent risks of providing FCM services for nonaffiliated persons under the circumstances of this proposal are manageable in view of the expertise and resources of Applicant and its subsidiaries, the commitments entered into by Applicant and BTCM, and the regulatory environment in which the FCM activities would be conducted.

Decreased or Unfair Competition. It is conceivable that a commercial bank in Bank's position could exert pressure on its customers to use the services of the bank's affiliated FCM, or that a borrower could perceive that its use of an affiliated FCM could secure more favorable terms for the borrower in the borrower's banking business. As the Board noted in its Order approving the Morgan application, compulsory tying arrangements are prohibited by the Bank Holding Company Act, and voluntary tying can only take place when a firm possesses significant market power.[11] However, as was the case with Morgan, it appears that Applicant lacks the requisite market power for voluntary tying to occur, in view of the substantial competition among FCMs and in commercial lending. In addition, Ap-

9. 12 U.S.C. § 371c.

10. Among the provisions the Board has considered in this regard are the CFTC's net capital requirements, (17 C.F.R. §§ 1.17(a), .17(c)(2), .17(c)(3), .52(a)), and the sections of the Commodity Exchange Act granting the CFTC the authority to establish position limits and approve or disapprove daily price movement limits on futures contracts, (7 U.S.C. §§ 6a, 7a(12)).

11. "Citicorp" (Citicorp Person-to-Person Financial Center of Connecticut, Inc.), 67 FEDERAL RESERVE BULLETIN 443, 446 (1981).

plicant has committed that BTCM will advise each of BTCM's customers in writing that doing business with BTCM will not in any way affect any provision of credit to that customer from Bank or any other subsidiary of Applicant.

Conclusion

On the basis of all the facts of record, the Board has determined that in the circumstances of this case, the provision by BTCM of the proposed FCM services to nonaffiliated persons would not result in decreased or unfair competition, conflicts of interests, unsound banking practices, or undue concentration of resources in either commercial banking or the market for FCM services. In considering this application, the Board has taken all the relevant facts of record into account. In the circumstances of Applicant's proposal, the Board believes it is appropriate to give special consideration to the following features of the application:

1. BTCM will not trade for its own account.
2. The instruments and precious metals upon which the proposed futures contracts are based are essentially financial in character and the contracts are of a type that a bank may execute for its own account.
3. BTCM has an initial capitalization that is in substantial excess of that required by CFTC regulations, and will maintain fully adequate capitalization.
4. BTCM and Bank have entered into a formal service agreement that specifies the services that Bank will supply to BTCM. These services include the assessment of customer credit risk and continuous monitoring of customer positions and monitoring the status of customer margin accounts.
5. Through its proposed service agreement with Bank, BTCM will be able to assess customer credit risks, and will take such assessments into consideration in establishing appropriate position limits for each customer, both with respect to each type of contract and with respect to the customer's aggregate position for all contracts.
6. Applicant has committed that BTCM would not, without the prior consent of the Board, become a clearing member of any exchange whose rules require the parent corporation of a clearing member to also become a clearing member, unless the requirement is waived with respect to Applicant.
7. BTCM has committed that it will, in addition to time-stamping orders of all customers to the nearest minute, execute all orders, to the extent consistent with customers' specifications, in strictly chronological sequence, and that it will execute all orders with reasonable promptness with due regard to market conditions.
8. Applicant and its subsidiaries have demonstrated expertise and established capability in the cash, forward, or futures markets for each of the contracts involved.
9. Applicant will require BTCM to advise each of its customers in writing that doing business with BTCM will not in any way affect any provision of credit to that customer by Bank or any other subsidiary of Applicant.
10. Applicant is adequately capitalized to engage in additional nonbanking activities.
11. BTCM will not extend credit to customers for the purpose of meeting initial or maintenance margin required of customers, subject to the limited exception of posting margin on behalf of customers in advance of prompt reimbursement.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the public benefits associated with consummation of this proposal can reasonably be expected to outweigh possible adverse effects, and that the balance of the public interest factors, which the Board is required to consider under section 4(c)(8) of the act, is favorable. Accordingly, the application is hereby approved.[12]

This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y and the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

The proposed activities shall not commence 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.

By order of the Board of Governors, effective September 20, 1982.

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

(Signed) JAMES MCAFEE,

[SEAL] *Associate Secretary of the Board.*

12. The Board notes that the circumstances of this application differ from those of a recent application submitted pursuant to section 25(a) of the Federal Reserve Act. "Bankers International Corporation", 67 FEDERAL RESERVE BULLETIN 364 (1981). That application involved brokerage activities with respect to futures contracts covering greasy wool, live cattle, and boneless beef. In addition, the regulatory environment in which the activities proposed in the earlier application would have taken place differs in key respects from that involved in this application.

Citicorp, New York, New York

Order Approving Acquisition of Savings and Loan Association

Citicorp, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 4(c)(8) of the act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to acquire 100 percent of the voting shares of Fidelity Federal Savings and Loan Association of San Francisco, San Francisco, California ("Fidelity"), and its wholly-owned service corporation. Fidelity is a federally chartered and insured savings and loan association and is the successor by supervisory conversion of Fidelity Savings and Loan Association, San Francisco, California, a California guarantee stock savings and loan association, that was closed by the State of California on April 13, 1982, and placed under the receivership of the Federal Savings and Loan Insurance Corporation ("FSLIC").[1]

By letters, dated August 13 and September 8, 1982, the Federal Home Loan Bank Board ("FHLBB") requested that the Board act expeditiously upon this application in light of the emergency nature of the situation at Fidelity and its deteriorating financial condition. In light of this request, the Board promptly published notice of the application in the *Federal Register*, providing twenty-one days for interested persons to comment on the application. In addition, in order to provide a full opportunity for public comment, the Board ordered informal hearings on the application in both Washington, D.C., and San Francisco, California, to receive comments and testimony from interested persons on the application and to allow interested persons to question Citicorp concerning its proposal.

In response to its request for comment on this application, the Board received thirty-five written comments opposing the acquisition ("protestants") and eleven favoring the acquisition. Ten general comments were received that did not take a position on the proposal. In addition, the Board received sworn testimony from twenty-three persons who appeared at the two hearings, as well as statements and other documents submitted by the participants at the hearings. As discussed below, a number of protestants requested that the Board order a formal hearing on the application.

The Board has carefully considered the issues raised by the protestants in writing or in oral testimony and, in the Appendix attached to this Order, which is an integral part hereof, the Board has analyzed these comments and evaluated their relevance to the Board's conclusions in light of the factors set forth in section 4(c)(8) of the act. In addition, the findings of the Board pursuant to section 4(c)(8) of the act are elaborated in the Appendix. Based upon the record before the Board in this matter, the Board makes the following findings.

Citicorp, with total consolidated assets of $120.1 billion and deposits of $74.5 billion, is the second largest banking organization in the United States.[2] Citicorp operates three subsidiary banks: Citibank, N.A., New York, New York ("Citibank"), the second largest commercial bank in New York with $21.9 billion in domestic deposits, representing 12.3 percent of the deposits in commercial banks in New York (as of June 30, 1981); Citibank (New York State), N.A., Buffalo, New York; and Citibank (South Dakota), N.A., Sioux Falls, South Dakota.[3] Citicorp also controls numerous nonbanking subsidiaries located throughout the United States, including subsidiaries engaged in consumer lending, mortgage lending, mortgage servicing, industrial banking, and commercial lending in California.

Fidelity is a savings and loan association headquartered in San Francisco, California, which operates eighty-one offices in California, primarily in the San Francisco area, and has regulatory approval for three additional offices. Fidelity, with total assets of $2.9 billion, is the 16th largest savings and loan association in California and the 42nd largest in the United States. Fidelity is primarily engaged in taking savings deposits and making loans to individuals secured by mortgages on real property. Fidelity also owns a service corporation that operates in the States of Hawaii and Nevada and that engages in the activities of mortgage brokering, loan servicing, mortgage lending, real estate development, and the sale and leasing of equipment to Fidelity.

Citicorp's banking subsidiaries and Fidelity operate in separate markets. Fidelity operates in ten California SMSAs, where it controls from .24 percent to 3.7 percent of the total deposits in commercial banks and savings and loan associations in those markets.[4] Citi-

1. Fidelity is currently operated as a mutual association. In order to effect consummation of the proposal, Fidelity will be converted from a mutual association and issued a charter as a stock federal savings and loan association.

2. Unless otherwise indicated, all financial data are as of June 30, 1982.

3. Citicorp received Board approval on July 21, 1982, to acquire Citibank (Delaware), Wilmington, Delaware, a proposed new bank. "Citicorp", 68 FEDERAL RESERVE BULLETIN 499 (1982).

4. Fidelity's highest market share of 3.7 percent is in the Vallejo-Fairfield-Napa SMSA, where it ranks as the sixth largest depository institution.

corp operates approximately twenty offices of its nonbank subsidiaries in California, including industrial loan company offices that engage in limited deposit-taking activities. Those offices that engage in the same activities as Fidelity have only insignificant market shares and are located primarily in southern California, whereas Fidelity is located primarily in northern California. For example, in originating first mortgages, Citicorp and Fidelity together account for less than 1.5 percent of the total volume of mortgages originated in California. Citicorp's share of deposits among all deposit-taking institutions in California is also insignificant.

Citicorp's application to acquire Fidelity was filed and has been considered by the Board under section 4(c)(8) of the Bank Holding Company Act, which deals with the permissible nonbanking activities of a bank holding company. As explained in the Appendix to this Order, the Board believes that a federally insured savings and loan association that offers NOW accounts and that exercises no greater commercial lending powers than are now permitted to federal savings and loan associations under the Home Owners' Loan Act ("HOLA") is not a bank for purposes of the act. In this connection, the Board also notes that the acquisition and ownership of Fidelity is subject to the Savings and Loan Holding Company Act Amendments of 1967 ("S&LHC Act").[5] Thus, the Board concludes that Fidelity is not a "bank" under the act, that Citicorp's application is properly filed under section 4 of the act, and that the interstate banking prohibition of section 3(d) of the act[6] does not bar Board approval of this application.

Section 4(c)(8) of the act authorizes a bank holding company to acquire a nonbank company if the activities of the nonbank company are determined by the Board to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto."[7] The Board has determined previously that the operation of a savings and loan association is closely related to banking[8] and reaffirms that determination in this Order.

With respect to the "proper incident" requirement, section 4(c)(8) of the act requires the Board to consider whether the performance of the activity by an affiliate of a bank holding company "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."

In 1977, the Board considered the general question whether savings and loan association ("S&L") activities are a proper incident to banking. At that time, the Board determined that, as a general matter, S&L activities were not a proper incident to banking because the potential adverse effects of generally allowing affiliations of banks and savings and loan associations were then sufficiently strong to outweigh such public benefits as might result in individual cases. "D. H. Baldwin & Co.", 63 FEDERAL RESERVE BULLETIN 280 (1977).

Because of the considerations elaborated in D. H. Baldwin & Co., the Board has not been prepared to permit bank holding companies to acquire thrift institutions on a general basis. However, the Board has consistently regarded the Bank Holding Company Act as authorizing the Board to permit such an acquisition. As the problems of the thrift industry began to become more acute in 1981, the Board advised Congress that, in the absence of enactment of emergency thrift acquisition legislation, the public interest might dictate that the Board use its existing authority under the act to approve interindustry acquisitions on a case by case basis. The Board indicated that, in the case of a failing thrift institution, any adverse effects of a bank holding company affiliation with a thrift might be overcome by the public benefits associated with preserving the failing institution. In April of this year, the Board approved such an application in order to prevent the failure of a thrift institution.[9]

In a letter, dated August 13, 1982, FHLBB Chairman Richard Pratt informed the Board that the FHLBB had selected Citicorp as the winning bidder for Fidelity and urged the Board to act promptly on the Citicorp application in view of the deteriorating financial condition of Fidelity and its continued deposit outflows, earnings losses and continued and increasing need for assistance. In a further letter of September 8, 1982, Chairman Pratt advised the Board that there is no evidence that the rate of decline in Fidelity's position will slow or that its condition can improve unless it is acquired by an institution with greatly superior resources that can rebuild public confidence in the institution.

Fidelity's predecessor was placed in receivership on April 13, 1982, more than five months ago, and Fidelity's condition has steadily deteriorated since that time.

5. 12 U.S.C. § 1730a.
6. 12 U.S.C. § 1842(d).
7. 12 U.S.C. § 1843(c)(8).
8. "American Fletcher Corporation", 60 FEDERAL RESERVE BULLETIN 868 (1974); "D. H. Baldwin & Co.", 63 FEDERAL RESERVE BULLETIN 280 (1977); "Interstate Financial Corp.", 68 FEDERAL RESERVE BULLETIN 316 (1982). A recent Board staff study of thrift institutions supports the view that operating a thrift institution is closely related to banking. "Bank Holding Company Acquisitions of Thrift Institutions", September 1981.

9. "Interstate Financial Corporation", supra note 8.

Fidelity continues to lose deposits at a rate in excess of $1 million per day and to experience operating losses, estimated at over $200,000 per day. Fidelity has now exhausted its net worth and, as contemplated at the time the FHLBB authorized the FSLIC to transfer the assets and liabilities of Fidelity's predecessor to Fidelity, Fidelity's net worth will be maintained by advances from the FSLIC, absent consummation of Citicorp's proposal.

In view of the determination by the FHLBB, the primary supervisory authority for Fidelity, with respect to the emergency financial condition at Fidelity, the substantial savings to the FSLIC through the Citicorp proposal, the present circumstances of the thrift industry and the financial condition of a large number of its members, and the other favorable public benefit considerations listed in the Appendix, the Board has determined that consummation of the Citicorp proposal, as specifically conditioned in this Order, may reasonably be expected to result in substantial public benefits. These benefits include increased competition and greater convenience to the public through the restoration of Fidelity as an effective competitor and through Citicorp's stated commitments to meet the credit needs of Fidelity's communities. In its evaluation of the public benefits in this case, the Board also has taken into account the beneficial effect on the financial community as a whole of implementing an additional mechanism for the solution of the difficult problems for the thrift industry and the federal insurance funds posed by the poor earnings situation of this industry.

In the exercise of its responsibility under the act, the Board has carefully considered whether Citicorp's financial and managerial resources are adequate to effect the proposed acquisition of Fidelity. The Board notes that Citicorp has extensive experience in both the consumer banking and consumer finance areas and appears fully capable of revitalizing a consumer oriented depository institution such as Fidelity. In its evaluation of Citicorp's financial resources, the Board has reviewed relevant data from Citicorp's inspection reports and the examination reports of its subsidiaries as well as official reports and filings with the Board, including data on Citicorp's loan portfolio. Based upon this review, the Board concludes that the proposed acquisition would not represent a significant additional burden on Citicorp's financial resources, particularly in view of Fidelity's size in relation to that of Citicorp. Although the Board has noted, with respect to both Citicorp and other large multinational banks, a long term trend toward lower capital ratios, the Board also has taken into account as a favorable factor the improvement in Citicorp's capital over the past one and one-half years and the recent improvement in its earnings. The Board expects that Citicorp will continue its efforts to improve its capital position and will take such efforts into consideration in acting on applications for further expansion of Citicorp's activities. On balance, the Board concludes that Citicorp has both the financial and managerial resources needed to acquire Fidelity and make it a viable competitor without significant adverse effects on Citicorp.

As explained in the Appendix, the Board has reexamined, in the context of this application, the general adverse factors cited in the Board's D. H. Baldwin decision, including regulatory conflict, erosion of institutional rivalry and the potential for undermining interstate banking prohibitions, and has determined that these adverse effects are outweighed by the substantial public benefits that are expected to result from the restoration of Fidelity as an effective competitor.

In addition, the Board has considered other possible adverse effects that might be associated with this particular application, including the potential for decreased or unfair competition, conflicts of interests, financial risks, diversion of funds, participation in impermissible activities, evasion of interest rate limitations, unsound banking practices, and undue concentration of resources.

In view of Citicorp's limited presence in the relevant California markets served by Fidelity, the number and size of financial organizations operating in these California markets, the legal prohibitions against Citicorp's expansion of its bank subsidiaries into California, and the fact that Fidelity is a failing institution with limited competitive vigor, the Board concludes that this proposal would not have any significant adverse effects on existing or potential competition in any relevant market. Indeed, the proposed acquisition will have a substantial beneficial impact on competition by ensuring the continued operation of Fidelity as a viable institution through access to the financial and managerial resources of Citicorp.

The affiliation of Citicorp and Fidelity also is not likely to result in unfair competition in view of the various conditions imposed by the Board that require Fidelity to be operated independently and not utilized to further or enhance the activities of Citicorp's other subsidiaries. In addition, Fidelity's activities will be limited to those permissible under the act and its offices will be limited to locations at which banks located in California may establish branches.

To guard against possible adverse effects of affiliation in this case between a banking organization and a savings and loan association, including the potential for unfair competition and diversion of funds, the Board has established the following as conditions for its approval of the application:

1. Citicorp shall operate Fidelity as a federal savings and loan association having as its primary purpose the provision of residential housing credit. Fidelity shall limit its activities to those permitted to federal savings and loan associations currently under the Home Owners' Loan Act and to bank holding companies and their subsidiaries under section 4(c)(8) of the Bank Holding Company Act. These limitations shall apply to Fidelity's wholly-owned service corporation, Fidelity Subsidiary Corporation, which shall have two years from the date of this Order to complete the divestiture of its impermissible real estate development projects.
2. Fidelity shall not establish or operate a remote service unit at any location outside California.
3. Fidelity shall not establish or operate branches at locations not permissible for national or state banks located in California.[10]
4. Fidelity shall be operated as a separate, independent, profit-oriented corporate entity and shall not be operated in tandem with any other subsidiary of Citicorp. Citicorp and Fidelity shall limit their operations to effect this condition, and shall observe the following conditions: (a) No banking or other subsidiary of Citicorp shall link its deposit-taking activities to accounts at Fidelity in a sweeping arrangement or similar arrangement. (b) Neither Citicorp nor any of its subsidiaries shall solicit deposits or loans for Fidelity; nor shall Fidelity, directly or indirectly, solicit deposits or loans for any other subsidiary of Citicorp.
5. To the extent necessary to ensure independent operation of Fidelity and prevent the improper diversion of funds, there shall be no transactions between Fidelity and Citicorp or any of its subsidiaries without the prior approval of the Federal Reserve Bank of New York. This limitation encompasses the transfer, purchase, sale or loan of any assets or liabilities, but does not include infusions of capital from Citicorp or the payment of dividends by Fidelity to Citicorp.[11]
6. Citicorp shall not change Fidelity's name to include the word "bank" or any other term that might confuse the public regarding Fidelity's status as a nonbank thrift institution.
7. Fidelity shall not convert its charter to that of a state savings and loan association or other state chartered thrift institution or to a national or state commercial bank without the Board's prior approval.

The Board concludes that consummation of the proposal, subject to the conditions set out in this Order and the Appendix thereto, may not reasonably be expected to result in conflicts of interests, unsound banking practices, undue concentration of resources, or other adverse effects.

The Board also has considered the contention that the FSLIC erred in not accepting a bid from one of the California savings and loan associations that bid for Fidelity. The selection of the most favorable bid for Fidelity is a matter committed to the jurisdiction of the FSLIC and the Board concludes that proper administration of the law requires that there should be only one administrative decision on this issue. The law assigns to the Board the responsibility under section 4(c)(8) of the Bank Holding Company act for a determination of the public benefits and adverse effects of the application before it—the Citicorp application—and the Board has discharged that responsibility in this Order.

Based upon the foregoing and other facts and circumstances reflected in the record and as more fully set forth in the Appendix, the Board has determined that the acquisition of Fidelity by Citicorp would result in substantial and compelling public benefits that are sufficient to outweigh any adverse effects that may reasonably be expected to result from this proposal, including any potential adverse effects of the affiliation of a commercial banking organization with a thrift institution. Accordingly, the application is approved subject to the conditions and limitations described in this Order, the Appendix hereto, and the record of this application.

The Board has also considered the requests of a number of commenters that the Board delay action on the application in order to allow for Congressional action on bills now pending before Congress that, if enacted, would establish specific procedures for acquisition of a failing thrift institution by a bank holding company.[12] The Board notes that the proposed legislation would not prohibit Board approval of this application, but rather would facilitate the acquisition of failing thrifts by bank holding companies across state lines. Moreover, the FHLBB has advised that the procedures utilized in the Fidelity bidding process generally complied with the terms of these bills; that an extensive attempt, over a long period of time, was made to find interested and capable bidders from within the industry; that a broad range of bidders, including banks and savings and loan associations,

10. The Federal Reserve Bank of New York is hereby delegated authority to act on applications by Citicorp to open additional offices of Fidelity under section 225.4(b)(1) of Regulation Y. (12 C.F.R. § 225.4(b)(1)).

11. The Board does not consider any extension of credit by Citicorp to Fidelity that is necessary to maintain Fidelity's liquidity or general financial integrity to be covered by this limitation.

12. H.R. 4603, 97th Cong., 1st Sess. (1981); S. 2879, 97th Cong., 2d Sess. (1982).

were initially invited to bid; that a rebidding was organized at which California financial institutions were given an opportunity to better or equal Citicorp's bid; and that, accordingly, the basic concepts contained in both versions of these bills were embodied in the procedure by which the FSLIC decided to accept the Citicorp proposal.

In view of these considerations, the Board's established legal authority to authorize the acquisition, the request of the FHLBB for expedited treatment of the application in view of the emergency situation of Fidelity, the clear public benefits of the application, and the costs and uncertainties of delay, the Board has determined that it would not be in the public interest to delay a decision on the application.

The Board has also carefully considered the requests of several protestants that the Board hold a formal hearing regarding Citicorp's proposal. For the reasons specified in the Appendix to this Order, the Board does not believe a formal hearing is required or appropriate in this case and, accordingly, denies the requests of the protestants for a formal hearing.

Several protestants have requested that, in the event the Board approves the proposed acquisition, the Board stay the effective date of the approval pending judicial review of the Board's action. The Board has reviewed these requests in light of the factors generally applied by the courts on stay requests and, based upon that review as explained in the Appendix to this Order, does not believe that a stay of the Board's Order in this case is appropriate or in the public interest. Accordingly, the Board hereby denies protestants' request for a stay of the Board's Order.

By Order of the Board of Governors, effective September 28, 1982.

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

(Signed) JAMES MCAFEE,
[SEAL] *Associate Secretary of the Board.*

Appendix

In connection with its decision on the application of Citicorp, New York, New York, under section 4(c)(8) of the Bank Holding Company Act to acquire Fidelity Federal Savings and Loan Association of San Francisco, San Francisco, California ("Fidelity"), the Board issues the following statement containing additional findings of fact and conclusions of law with respect to, and the Board's analysis of the issues raised by, the application and the comments received.[1]

Fidelity's Status as a Nonbank under the Bank Holding Company Act

In its evaluation of the application, the Board considered the objections of a number of the protestants that Fidelity should be regarded as a "bank" for purposes of the act; that Citicorp's application to acquire Fidelity was, therefore, improperly filed under the nonbank provisions of section 4(c)(8) of the act and should have been filed, and should be considered by the Board, under section 3 of the act, which requires prior Board approval before a bank holding company such as Citicorp may acquire control of a bank; and that, because Fidelity is a bank, Board approval of its acquisition by an out-of-state bank holding company such as Citicorp is barred by section 3(d) of the act.[2] Section 3(d) prohibits the Board from approving an application by a bank holding company to acquire an interest in a bank located outside of the state in which the operations of the bank holding company's subsidiary banks are principally conducted (in Citicorp's case, the state of New York), unless such an acquisition is expressly permitted by the law of the state in which the acquiree bank is located.

The act defines a bank as an institution that accepts deposits that the depositor has a legal right to withdraw on demand and that is engaged in the business of making commercial loans.[3] As a federal savings and loan association, Fidelity is authorized to offer NOW accounts and to engage in certain limited commercial lending activities.[4] Based on the terms and legislative history of the act, the Board has previously determined that, because of the check-like powers of NOW accounts and because they generally perform the same function as demand deposits, NOW accounts satisfy the demand deposit test in the definition of "bank" in the act.[5]

As indicated, the Board believes that a federally insured savings and loan association that offers NOW accounts and exercises no greater commercial lending powers than are now permitted to a federal savings

1. Among the protestants to the application were the Independent Bankers Association of America ("IBAA"), the U.S. League of Savings Associations ("U.S. League"), the California Bankers Association, the California Savings and Loan League, and the Conference of State Bank Supervisors.

The California financial institutions supervisory authorities also appeared at the informal hearing in San Francisco to express their concerns with the application and to urge delay of any Board decision pending Congressional action on emergency thrift acquisition legislation. The state representatives expressed concern over the interstate nature of the acquisition as well as the impact it might have on California financial institutions and indicated that the Board should hold a formal hearing to explore and evaluate these questions.

2. 12 U.S.C. § 1842(d).

3. 12 U.S.C. § 1841(c).

4. 12 U.S.C. §§ 1464(b) and (c) and 1832. Fidelity offers NOW accounts and has outstanding about $190 million in commercial real estate loans, representing about 6 percent of Fidelity's total assets.

5. "First Bancorporation", 68 FEDERAL RESERVE BULLETIN 253 (1982).

and loan association under the Home Owners' Loan Act of 1933, as amended ("HOLA") is not a "bank" for purposes of the act.[6] In reaching this decision, the Board has relied on the fact that the lending activities of federal savings and loan associations have historically been highly specialized and, under current statutory and regulatory provisions, continue to be concentrated in home mortgages. HOLA expressly provides that the primary purpose of a federally chartered savings and loan association is the provision of residential credit.[7]

In this regard, the Board also notes that Congress has designed a separate and independent statutory structure for the regulation of federally insured savings and loan associations and their holding companies. While Congress has recently permitted federal savings and loan associations to engage in limited non-residential mortgage lending, Congress has left intact a separate statutory and regulatory framework for the operation and ownership of federally insured savings and loan associations and banks. In the Board's view, this provides a strong indication of Congressional intent that a federally insured savings and loan association not be subject to the act as a bank. Federal savings and loan associations are included within the definition of "thrift institution" under section 2(i) of the act (12 U.S.C. § 1841(i)). This differentiation between banks and thrift institutions in the definitional sections of the act provides additional support for the conclusion that federal savings and loan associations that engage in activities no broader than permitted by the terms of the HOLA are not "banks" within the meaning of the act.[8]

For these reasons, the Board concludes that Fidelity is not a bank under the act and its acquisition by Citicorp is not barred by section 3(d) of the act.[9] As noted, the Board has required, as a condition of its approval, that Citicorp maintain Fidelity as a federal savings and loan association subject to the restrictions of HOLA. An expansion of Fidelity's activities beyond that now permitted to a federal savings and loan association would represent a significant alteration of Fidelity's activities and would require prior Board approval under section 225.4(c) of Regulation Y (12 C.F.R. § 225.4(c)).

The Operation of a Savings and Loan Association is Closely Related to Banking

Section 4 of the Bank Holding Company Act generally prohibits a bank holding company from engaging, either directly or through a subsidiary, in nonbanking activities, that is, in activities other than those of banking or managing or controlling banks.[10] The principal exception to this prohibition is contained in section 4(c)(8) of the act, which authorizes a bank holding company to acquire a company engaged in activities that "the Board after due notice and opportunity for hearing has determined (by order or regulation) to be so closely related to banking . . . as to be a proper incident thereto."[11] In making the determination whether an activity is a proper incident to banking, section 4(c)(8) requires that:

> the Board shall consider whether its performance by an affiliate of a holding company can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.[12]

Section 4(c)(8) thus requires the Board to make two separate findings in order for a nonbanking activity to

6. "First Bancorporation", 68 FEDERAL RESERVE BULLETIN 253 (1982); "Interstate Financial Corp.", 68 FEDERAL RESERVE BULLETIN 316 (1982). The industrial loan company involved in First Bancorporation offered NOW accounts and made commercial loans in excess of the amount permitted to a federal thrift. Consequently, the Board concluded that it was "bank" for purposes of the act. On the other hand, the state chartered and insured savings and loan association in Interstate did not make commercial loans and committed to secure FSLIC insurance, and thus the Board determined that it was not a "bank."

7. 12 U.S.C. § 1464. Under the HOLA, a Federal savings and loan association is not permitted to engage in general commercial lending. It may, however, invest up to 20 percent of its assets in commercial real estate loans and may invest an additional 20 percent of its assets in commercial paper. (12 U.S.C. § 1464(c)(2)(A) and (B)). Fidelity's current loan portfolio appears permissible under the HOLA.

8. The Board notes that Congress has under consideration legislation that would expand the commercial lending authority of federal savings and loan associations and that would specifically exempt an association exercising such expanded commercial lending authority from the definition of bank in the act. S.2879, 97th Cong., 2d Sess. § 333 (1982).

9. The nonbank provisions of section 4 of the act do not have an interstate prohibition similar to that in section 3(d) of the act. *Lewis v. BT Investment Managers, Inc.*, 447 U.S. 27 (1980). There is a provision in the S&LHC Act that prevents a savings and loan holding company from acquiring an interest in an insured institution that would result in the formation of a multiple savings and loan holding company controlling an "insured institution" in more than one state (12 U.S.C. § 1730a(e)(3)). Because none of Citicorp's currently-owned bank or nonbank subsidiaries is included within the definition of "insured institution" under the S&LHC Act, the proposed acquisition does not violate this prohibition.

Several protestants have claimed that Fidelity will be operated as a branch of Citicorp's subsidiary banks and thereby violate the McFadden Act prohibitions against interstate branching (12 U.S.C. § 36). The Board has considered this claim and finds that Fidelity will not take deposits nor solicit or make loans on behalf of any Citicorp subsidiary bank. In addition, Fidelity will be operated separately and independently from Citicorp's bank subsidiaries and, as noted in the Order, the Board has imposed conditions to ensure such separate operation and to prevent tandem operations. On this basis, the Board concludes that Fidelity will not be operated as a branch of any Citicorp subsidiary bank, and its operation as a subsidiary of Citicorp will not contravene the McFadden Act.

10. 12 U.S.C. § 1843(a)(2).

11. 12 U.S.C. § 1843(c)(8).

12. *Id.*

be permissible for a bank holding company.[13] First, the Board must determine whether the activity is "closely related to banking," that is, whether as a general matter the activity is permissible for bank holding companies. Second, the Board must determine whether the performance of the proposed activity by an applicant bank holding company may reasonably be expected to produce public benefits that outweigh possible adverse effects.

On a number of occasions over the past ten years, the Board has considered, both in the context of a rulemaking proceeding and specific applications, whether the operation of a savings and loan association by a bank holding company is a permissible activity for a bank holding company under the closely related and proper incident tests in section 4(c)(8) of the act.[14] In 1974, the Board concluded, on the basis of a record compiled after notice and a rulemaking hearing in which numerous parties participated, that the operation of a savings and loan association is closely related to banking within the meaning of section 4(c)(8) of the act.[15] The Board, however, denied the application because the applicant failed to demonstrate that it could satisfy the proper incident to banking test, that is, that the reasonably expected public benefits of the proposal outweighed possible adverse effects.[16] In a number of cases decided since that time, the Board has consistently held to the position that the operation of a savings and loan association is closely related to banking.[17]

In this case, the Board reaffirms its view as expressed in American Fletcher Corp., and in other decisions, that the operation of a savings and loan association is an activity that is closely related to banking. Both banks and savings and loan associations are financial intermediaries with liability structures dominated by deposits and asset structures dominated by loans. The traditional deposit-taking and lending activities of a savings and loan association are functionally and operationally similar to activities performed by banks and require the same type of analysis and expertise.

While the Board believes that the operation of a savings and loan association is an activity that is closely related to banking, in order to approve such an activity for a bank holding company, the Board must also find that the proposal meets the proper incident to banking test of section 4(c)(8) of the act.

The Operation of a Savings and Loan Association as a Proper Incident to Banking

In 1977, the Board considered the general question whether the operation of a savings and loan association is a proper incident to banking. At that time and on the basis of the factual record presented in that case, the Board determined that, as a general matter, such an activity is not a proper incident to banking because the potential adverse effects of allowing affiliations between banks and savings and loan associations on a general basis were sufficiently strong to outweigh the public benefits that might result in individual cases. "D. H. Baldwin & Co.," (63 FEDERAL RESERVE BULLETIN 280 (1977)). In the Baldwin case, the Board identified three potential adverse effects that could be expected to result from the affiliation of a bank and a savings and loan association: the conflict between the statutory and regulatory frameworks within which banks and savings and loans operate; the erosion of institutional rivalry between banks and savings and loans; and the potential for undermining federal prohibitions against interstate banking. Based upon competitive considerations and these generalized adverse effects, and in the absence of any compelling public benefits, the Board denied the application. In subsequent years, the Board approved a number of applications by bank holding companies in New Hampshire to acquire thrift associations, but only on the basis of the historical affiliations between banks and thrifts in that state and certain structural and competitive considerations of that affiliation.[18]

In 1982, in "Interstate Financial Corporation," (68 FEDERAL RESERVE BULLETIN 316 (1982)), the Board was called upon for the first time to determine whether the adverse effects identified in the Baldwin decision could be offset by the benefits to the public associated with preserving a financially troubled savings and loan association. In Interstate, the Ohio Superintendent of Building and Loan Associations requested the Board to consider the application on an expedited basis in view of the facts that the association had nearly depleted its capital and under Ohio law its liquidation would have been required in the near future. While

13. *National Courier Association* v. *Board of Governors*, 516 F.2d 1229, 1232–1233 (D.C. Cir. 1975).

14. E.g., "Newport Savings and Loan Association", 58 FEDERAL RESERVE BULLETIN 313 (1972); "American Fletcher Corp.", 60 FEDERAL RESERVE BULLETIN 868 (1974).

15. "American Fletcher Corp.", supra note 14.

16. In American Fletcher Corp., the Board denied on the basis of adverse financial considerations.

17. E.g., "Memphis Trust Company", 61 FEDERAL RESERVE BULLETIN 327 (1975); "D. H. Baldwin & Co.", 63 FEDERAL RESERVE BULLETIN 280 (1977); "Interstate Financial Corp.", 68 FEDERAL RESERVE BULLETIN 316 (1982).

18. E.g., "First Financial Group of New Hampshire", (66 FEDERAL RESERVE BULLETIN 594 (1980)). On this same basis, the Board had earlier approved applications by bank holding companies to acquire thrifts in the state of Rhode Island. See, e.g., "Old Colony Cooperative Bank", (58 FEDERAL RESERVE BULLETIN 417 (1972)).

specifically stating that it did not overrule its conclusion in Baldwin that, as a general matter, the operation of a savings and loan association by a bank holding company is not a proper incident to banking, the Board concluded, on the basis of the specific facts in the Interstate case, that the public benefits of preserving the savings and loan association as a viable competitor were so substantial as to outweigh the adverse effects of the interindustry affiliation. In analyzing the public benefits of the proposal, the Board considered the financial conditions facing the thrift industry generally, the financial condition of a number of its members, the lack of any other viable alternatives to address the association's financial condition, the request of the Ohio supervisory authorities for prompt action, and the potential ramifications of a liquidation of the association on the association's customers, the depositing public, the state of Ohio, and the Ohio Deposit Guarantee Fund.

Generalized Adverse Effects Identified in the D. H. Baldwin Case

In its consideration of the proper incident test in connection with this application, the Board has reexamined each of the potential adverse factors found in Baldwin.

With regard to the potential for regulatory conflict, Citicorp is currently a bank holding company and is therefore subject to the provisions of the Bank Holding Company Act. Fidelity, as a federal savings and loan association, is subject to the provisions of the HOLA. In order to reduce the potential for conflict between the Bank Holding Company Act and HOLA, the Board conditions approval of this application upon Fidelity's activities being limited to those that are permitted both to federal thrift institutions currently under the HOLA and to bank holding companies and their nonbank subsidiaries under section 4(c)(8) of the act.[19] This condition does not limit the performance of the traditional deposit-taking and lending activities of federal savings and loan associations by Fidelity.[20]

Upon consummation of the proposal, Citicorp will become a savings and loan holding company under the S&LHC Act.[21] As a savings and loan holding company and a bank holding company, Citicorp will be required to conform its activities to the requirements of both statutes. As a unitary savings and loan holding company, Citicorp is prohibited from engaging in any activity that would have the effect of evading a law or regulation applicable to an insured savings and loan association (12 U.S.C. § 1730a(c)(1)).[22] In the Board's view, Citicorp will be able to continue its bank holding company and commercial bank operations without conflict with the S&LHC Act or the HOLA.

In view of the above, the Board concludes that while some adverse consequences may result because of regulatory conflicts between the Bank Holding Company Act, the HOLA, and the S&LHC Act, these adverse effects are mitigated by the conditions imposed in this Order to require Citicorp's compliance with the terms of each statute and, as discussed below, to prevent any unfair competitive advantage accruing to Citicorp or Fidelity by reason of the affiliation.

The Board also continues to believe that, as a general matter, the affiliation between banks and thrifts may produce possible adverse effects by diminishing the interindustry rivalry that has produced price and service benefits to the public and by undermining the prohibition of the act against interstate banking.[23] However, these adverse effects, in the context of this case, are substantially mitigated by the fact that Fidelity is a failing institution that has lost its competitive vigor and is able to continue operations only through substantial federal financial assistance. As discussed below, the Board believes that the revitilization of and restoration of public confidence in Fidelity is a public benefit that, along with other public benefits, outweighs any adverse effects that may result from consummation of the proposal.

19. See note 25, below. In the event Fidelity intends to engage, directly or through a service corporation, in any additional nonbanking activity not covered by this application, Citicorp and Fidelity would be required to obtain the Board's approval under section 4(c)(8) of the act and section 225.4 of Regulation Y. This application covers the traditional deposit-taking and lending activities of federal savings and loan associations as currently authorized under HOLA, mortgage brokering, loan servicing, and mortgage lending.

20. In its D. H. Baldwin decision, the Board expressed concern that a condition that limited the activities of a savings and loan association owned by a bank holding company would place the association at a competitive disadvantage and prevent the full realization of public benefits that are expected from the operation of the association. Indeed, the FHLBB had opposed the acquisition of a savings and loan by a bank holding company on this basis. While the Board recognizes that Fidelity's affiliation with Citicorp will limit Fidelity's ability to offer all services authorized under HOLA, the affiliation will restore Fidelity to a viable competitive position and allow it to continue to offer most authorized services. These benefits are, in the Board's judgment, more than sufficient to outweigh the fact that Fidelity may no longer engage in real estate development and similar impermissible activities under the act, activities that represent only a small fraction of Fidelity's overall operations. In this regard, Citicorp has indicated it has no desire to engage in such activities, but intends to promote Fidelity's basic consumer oriented services. The Board also notes that the FHLBB has urged approval of the application as providing substantial public benefits through the restoration of Fidelity as an active competitor that outweigh any possible adverse effects.

21. 12 U.S.C. § 1730a.

22. The FHLBB has granted a waiver to Citicorp of the restrictions on the amount of debt that can be incurred by a nondiversified savings and loan holding company (12 U.S.C. § 1730a(g)).

23. See "D. H. Baldwin & Co.", (63 FEDERAL RESERVE BULLETIN 280 (1977)).

Moreover, to ameliorate further the possible adverse effects of affiliation in this case between a banking organization and a thrift association, the Board has conditioned approval of the proposal to require that Fidelity continue to be operated as a savings and loan association having as its primary purpose the provision of residential credit, that its offices be confined to California, and that Fidelity and Citicorp's subsidiaries be operated separately and independently of one another. The Board believes that such restrictions will minimize the potential for erosion of statutory prohibitions against interstate banking and maintain the independence and specialized function of the savings and loan industry.

Other Possible Adverse Effects

As discussed below, the Board in its evaluation of the application has also considered the potential for additional adverse effects that might result from consummation of Citicorp's particular proposal, including the potential for decreased or unfair competition, conflicts of interest, financial risks, diversion of funds, participation in impermissible nonbanking activities, evasion of interest rate limitations, and undue concentration of resources.

In this connection, the Board considered the contentions of the protestants that, in addition to the general effects cited by the Board in Baldwin, the following adverse effects may result from consummation of the Citicorp proposal: (1) the acquisition would result in a major restructuring of the financial services industry and Citicorp would obtain an unfair competitive advantage over commercial banks and thrift organizations that are not afforded the combination in one organization of thrift and commercial banking powers; (2) decreased or unfair competition would result because Citicorp's substantial resources would enable it to strengthen the competitive position of Fidelity to the detriment of the already weakened thrift industry in California; (3) Citicorp would operate Fidelity in tandem with its banking and other subsidiaries through the use of Fidelity's deposits to fund Citicorp's other activities or through the use of Citicorp's other subsidiaries to attract deposits to Fidelity; (4) Citicorp may not have the financial ability and resources to operate and revitalize Fidelity; and (5) the transaction would result in an undue concentration of resources.

Protestants also allege that other adverse considerations warrant denial of Citicorp's proposal, namely, (1) the procedures utilized by FSLIC in the bidding process for Fidelity were unfair and the Citicorp offer for Fidelity was not the offer most favorable to the FSLIC and the public; (2) no emergency situation exists at Fidelity in that it is no longer a failing institution now that it is under FSLIC receivership; and (3) the Citicorp proposal is not the only available alternative to address Fidelity's situation and thus does not qualify for approval under the criteria cited by the Board in its Interstate decision.

Unfair competition. The Board does not believe that the evidence of record in this case supports the proposition that the acquisition would result in a major restructuring of the financial services industry. On the contrary, the Board believes that the proposed acquisition, in light of Citicorp's commitments and the conditions imposed by the Board in this Order, will result in the operation of two independent and different types of depository institutions supported by the financial and managerial strength of a parent holding company that will permit these organizations to provide substantial public benefits in their respective product and geographic markets.

Citicorp has filed an application to acquire and operate a savings and loan association in California and has stated that it will operate Fidelity independently of its commercial banking activities. The Board has considered the application only on this basis and its approval as conditioned by this Order is designed to ensure that Fidelity will be operated as a savings and loan association and will continue to serve the specialized purpose for which it was organized and will not be utilized to further or enhance the activities of Citicorp's subsidiary banks.

Participation in non-permissable activities. The Board has given careful consideration to the contention that Citicorp will obtain an unfair competitive advantage over commercial banks through affiliation with a savings and loan association that may engage in activities that are not authorized for banks, for example, certain service corporation activities. To address these concerns, the Board has limited Fidelity's activities to those permissible for bank holding companies under the act and to locations at which banks located in California could establish branches. As the Board has previously held, the act requires that the activities of a thrift institution that is acquired by a bank holding company must be limited to those permissible under the act.[24] In conformance with that holding, the Board's approval of this application does not authorize Citicorp to

24. "Central Pacific Corporation", 68 FEDERAL RESERVE BULLETIN 382 (1982). See "Interstate Financial Corporation", supra note 17.

engage in any activity through Fidelity that is not permissible under section 4(c)(8) of the act.[25]

In addition, this Order does not authorize Fidelity to perform any activity that is not permitted to a federal savings and loan association under the HOLA. As a condition of this Order, Fidelity may not, without specific approval by the Board, exercise any deposit-taking or commercial lending powers not currently authorized by statute for a federal savings and loan association.

In order to prevent Citicorp from securing any competitive advantage with regard to geographic location over commercial banking organizations operating in California, the Board's approval is conditioned upon Applicant not establishing branches of Fidelity at locations not permissible for national or state banks located in California. In order to prevent any unfair competitive advantage that might result from Fidelity's ability to establish remote service units in other states, the Board also conditions approval upon Applicant not establishing or operating a remote service unit at any location outside of California. The Board believes that these restrictions are consistent with Citicorp's statements to the Board that Citicorp intends to operate Fidelity as a savings and loan association in California and does not intend to use Fidelity to achieve interstate branching or interstate acquisitions or to attract deposits from Citicorp's New York customers or from anywhere else in the country outside of California.

Diversion of funds. As noted in the Order, to further ensure that Fidelity is operated as a savings and loan association and not utilized to further or enhance the activities of any Citicorp subsidiary, the Board has imposed the conditions that require Fidelity to be operated as a separate, independent, profit-oriented corporate entity and has prohibited Fidelity from being operated in tandem with any other subsidiary of Citicorp.[26] The Board has also prohibited certain transactions between Fidelity and Citicorp or any of its subsidiaries without the Board's prior approval. While the Board has prohibited Citicorp from changing Fidelity's name to include the word "bank" or any other term that might confuse the public regarding Fidelity's status as a nonbank thrift institution, the Board does not regard as unfair competition Applicant's use of the "Citi" prefix or the name "Citicorp" in Fidelity's name.

The Board believes these conditions also address the concerns raised by several of the protestants regarding the potential for diversion of Fidelity's funds by Citicorp. The potential adverse effects that might result from shifting assets and liabilities between Fidelity and Citicorp's other subsidiaries to take advantage of differing interest rates[27] and costs is further protected against through the restrictions on interaffiliate transactions imposed by the Federal Reserve Act (12 U.S.C. § 371c) and the S&LHC Act (12 U.S.C. § 1730a(d)).

The Board has also considered the contention that Citicorp's financial support for Fidelity will give Fidelity an unfair competitive advantage over its thrift competitors. In the Board's opinion, the restoration of Fidelity as a viable competitor and the increased competition and improved and expanded services that are expected of Fidelity through access to the financial and managerial resources of Citicorp may only be viewed as a public benefit.[28] The fact that a particular depository institution is owned by an organization that is able to provide it with financial and managerial assistance may provide the institution with a competitive advantage, but there is nothing unfair about such an advantage.[29] Indeed, one of the principal concerns of the Board under the act is that a bank holding company should serve as a source of financial strength and support for its subsidiaries. Finally, the restrictions imposed in this

25. This requirement is also applicable to activities performed by Fidelity through a service corporation. The Board has previously held that, under the act, a bank holding company subsidiary may not perform indirectly through a service corporation an activity that is impermissible for the bank holding company. Central Pacific Corp., supra note 24. Fidelity's service corporation, therefore, must terminate all activities that are not permissible under the act.

Fidelity currently is engaged, through its service corporation, in a number of real estate development projects, an activity that is not permissible for a bank holding company. In accordance with Citicorp's commitments and the terms of this Order, Fidelity may not engage in any additional real estate development projects either directly or through a service corporation. In order to afford Fidelity a reasonable period of time to divest currently held impermissible assets and in view of the fact that such assets consist primarily of real estate projects, the Board has provided a two-year divestiture period for such assets.

26. The Board has previously indicated that serious adverse effects, including the potential for conflicts of interest, unfair competition and evasion of federal interest rate limitations, may result from the tandem operations of a bank and a thrift association. "First Financial Group of New Hampshire, Inc.", 66 FEDERAL RESERVE BULLETIN 594 (1980); "Heritage Banks, Inc.", 66 FEDERAL RESERVE BULLETIN 590 (1980).

27. Fidelity is subject to interest rate ceilings under 12 C.F.R. Part 526.

28. The fact that Citicorp will receive assistance from the FSLIC also will not result in unfair competition. According to the FSLIC, the Citicorp proposal in fact entails less financial assistance than the proposal of any other bidder. However, even if this were not the case, the FSLIC assistance merely remedies the severe competitive disadvantage now affecting Fidelity as a result of its weak financial condition.

29. The Board also notes that a number of other thrift institutions in California are owned by parent organizations that are able to provide their subsidiaries with substantial financial support.

Order that Fidelity be operated as a separate, profit-oriented savings and loan association will also protect against unfair competition by Fidelity through its affiliation with Citicorp.

The Board also has considered the contention that the Board's limitation of thrift acquisitions by bank holding companies to situations involving a failing institution and its case-by-case approach to such situations creates an unfair competitive situation.[30] The Board's approach to the question of thrift acquisitions by bank holding companies is mandated by the act. Where the Board finds adverse effects associated with a bank holding company proposal, the Board is precluded from approving the proposal in the absence of countervailing public benefits. Because of the adverse effects associated with the affiliation of banks and thrifts that were identified by the Board in Baldwin, the Board may only approve such an application where public benefits based on the facts in a particular case outweigh adverse effects. Such compelling public benefits have only been found where the thrift institution is failing.

Undue Concentration of Resources. The Board has considered whether the proposal will result in an undue concentration of resources. Citicorp is the second largest banking organization in the country on the basis of total assets. Citicorp controls 1.29 percent of domestic deposits in commercial banks, savings banks, and savings and loan associations in the United States. On this basis, Citicorp is the third largest financial institution in the United States. Upon consummation, Citicorp would control approximately 1.37 percent of deposits in such institutions and would remain the third largest institution on this basis. The acquisition would increase Citicorp's total assets by 2.5 percent.

Fidelity is the 42nd largest savings and loan association in the United States, and is not viewed by the Board as a dominant firm in its industry or in any geographic market. On the basis of these facts and in view of Fidelity's financial condition, the Board concludes that consummation of the proposal will not result in any undue concentration of resources.

The Board concludes that consummation of the proposal, subject to the conditions set out in this Order, may not reasonably be expected to result in conflicts of interests, unsound banking practices, or other adverse effects.[31]

Reasonably Expected Public Benefits

The Board has also examined the record to determine whether consummation of the proposal may reasonably be expected to produce public benefits. The Board believes that Citicorp's acquisition of Fidelity will provide a substantial and compelling public benefit in that Citicorp will provide Fidelity with sufficient new capital funds and managerial assistance to restore Fidelity as a viable competitor and to restore public confidence in Fidelity. Fidelity is a substantial organization, serving thousands of customers in numerous communities. In the Board's opinion, the public benefits generally associated with revitalization of a failing financial institution are magnified in this case in view of Fidelity's size and the number of its customers.

The record establishes that Citicorp has the financial and managerial resources and the commitment to serving the convenience and needs of the public to achieve this result. The acquisition will restore an active and effective competitor to, and increase competition in, numerous California markets, presents the potential for expansion and increased competition in other California markets, ensures the continuation of services by Fidelity to its customers and the public, and protects the interests of Fidelity's depositors, the public, the savings and loan industry generally, and the FSLIC.[32]

The Board has considered as a substantial public benefit the savings to the FSLIC that will result from the proposal. The FHLBB has advised the Board that the Citicorp bid was $143 million more favorable to

30. The Board notes that none of the protestants stated that it had been prevented from submitting an offer to acquire Fidelity. Those California institutions that did submit offers to acquire Fidelity were afforded a second opportunity to meet or exceed the Citicorp bid. In any event, the federal deposit insurance agencies have traditionally limited the group of institutions from which bids are solicited to ensure an orderly and prompt resolution of an emergency situation, and this matter is appropriately reserved to the discretion of these agencies.

31. In reaching the conclusion that consummation of the proposal would not have a substantial impact on Citicorp's overall financial position and that Citicorp has both the financial and managerial resources needed to acquire Fidelity and make it a viable competitor without any significant adverse effects to Citicorp, the Board has considered the comments of the IBAA, the U.S. League, and others regarding Citicorp's foreign loan portfolio.

32. In this connection, the U.S. Department of Justice stated that the acquisition of thrift institutions by bank holding companies is procompetitive and will provide enhanced services at competitive prices. Similarly, the Comptroller of the Currency urged approval of the proposed acquisition on the basis that it would be procompetitive and would provide significant public benefits. The Comptroller also expressed the view that the cost savings to the FSLIC would be a public benefit to other FSLIC-insured institutions and their depositors in view of the potentially large liabilities of the FSLIC as a result of the financial condition of the thrift industry. The Federal Deposit Insurance Corporation took no position on this particular application, but stated its belief that the Board has discretion under the Bank Holding Company Act to approve the acquisition by a bank holding company of a thrift and that such an acquisition would provide an additional alternative for resolving situations involving financially troubled financial institutions and would be in the public interest.

FSLIC than any other bid received and $303 million less than the cost of maintaining a phoenix association. The FHLBB has also advised the Board that, using an optimistic projection of interest rates, Citicorp's bid was $56 million more favorable than the next lowest second round bid and $35 million less than the cost of maintaining a phoenix association.

Citicorp's commitment to the introduction of new products and services and the expansion of current services of Fidelity through access to Citicorp's financial and managerial resources also lends weight toward approval. In addition to the substantial public benefits associated with the revitalization of Fidelity that have already been cited, Citicorp has stated that it intends not only to restore Fidelity as a competitor but to enhance its competitive position and to promote its services to the public by providing Fidelity with access to resources for the expansion of services in the areas of NOW accounts, consumer loans, credit cards, education loans, trust activities, and automated teller facilities. This expansion of Fidelity's services and operations also will provide greater convenience to the public. Citicorp's experience and expertise, particularly in managing large scale operations and in the design and implementation of electronic banking and financial data processing, also should provide gains in efficiency at Fidelity.

Finally, Citicorp has a good record of service to the convenience and needs of the public, and has stated that it intends to use its resources to promote and expand Fidelity's service to its communities, including services directed to the credit needs of low- and moderate-income neighborhoods in those communities.[33] In this connection, Citicorp representatives testified at the informal hearings that Fidelity would consult with community groups to determine the credit needs of the community and would study complaints with respect to Fidelity's lending and correct any deficiencies. The Board expects that Citicorp will adhere strictly to these commitments.

Fidelity's Financial Condition

As stated above, protestants have asserted that Fidelity should not be regarded as a failing institution because its condition has stabilized as a result of the FSLIC receivership. According to protestants, this FSLIC assistance could continue for some time without significant deterioration in Fidelity's condition. Similarly, protestants state that declining interest rates have reduced funding costs for Fidelity and this also has served to relieve pressure on the institution.

The Board concludes that any realistic assessment of Fidelity's condition compels the conclusion that Fidelity is a failing institution. It is undisputed that, on April 13, 1982, following a period of substantial deposit losses and substantial borrowings from the Federal Home Loan Bank of San Francisco ("Home Loan Bank") of approximately $1.4 billion to maintain liquidity, the California Savings and Loan Commissioner closed Fidelity's predecessor and appointed the FSLIC as receiver for the state on the basis that Fidelity's predecessor was in an unsafe condition and conducting its business in an unsafe and injurious manner. Substantial operating losses have continued at Fidelity since the receivership was announced and Fidelity's approximately $2.9 billion in assets is now supported by loans from the Home Loan Bank of over $1.7 billion. Deposit withdrawals at Fidelity have also been steady and substantial since appointment of the FSLIC as receiver and have forced the FSLIC to guarantee an advance of an additional $325 million to Fidelity from the Home Loan Bank since April 13. The FHLBB has provided the Board with data indicating that deposit outflows at Fidelity have increased during the first twenty-one days of September. The FHLBB has also advised that Fidelity's operating losses continue substantially unabated and that Fidelity has exhausted its net worth.

Much of the market value of a depository institution such as Fidelity is derived from its deposit base. More than 20 percent of Fidelity's deposit base has dissipated since March 31, and thus, the assets held by the FSLIC as receiver must be regarded as wasting. In addition, advances from the Home Loan Bank have grown to the point that they exceed Fidelity's deposits by a considerable margin. The FHLBB has informed the Board that these advances now represent by far the greatest ratio of advances to savings of any federally insured thrift institution.

The lack of public confidence in Fidelity even after the creation of the FSLIC receivership supports, in the Board's view, the statement of the FHLBB that there is no evidence that the rate of decline in Fidelity's position will slow or that its condition can improve unless it is acquired by an entity with greatly superior resources that can ensure Fidelity's revitalization and rebuild public confidence in Fidelity.[34] In this regard, the FHLBB has advised the Board that Fidelity's

33. Although the Board does not believe that the Community Reinvestment Act is applicable in the case of section 4 applications, the Board has considered Citicorp's record under that statute in acting upon this application.

34. Such an acquisition is also necessary to prevent the loss of employees that Fidelity is experiencing. The current receivership cannot provide the stability needed to retain key employees. Delay in resolving Fidelity's problems would mean that even greater efforts would be required to rebuild both employee morale and public confidence.

acquisition by Citicorp would make Fidelity viable again and remove any future risk that extraordinary assistance by the FSLIC would be needed.

For these reasons, the Board concludes that Fidelity's continuing and unresolved financial problems require prompt action to minimize the loss to the FSLIC and provide Fidelity with a strong parent organization capable of restoring public confidence in that institution.

In the Board's judgment and in light of the commitments made by Citicorp and the conditions imposed in this Order, the public benefits expected from the restoration of public confidence in Fidelity and in the savings and loan industry, the substantial savings to the FSLIC, and reasonably expected gains in efficiency, increased competition and greater convenience to the public, outweigh any adverse effects that are associated with this proposal.

FSLIC Bid Procedures

Protestants have also asserted that, contrary to the determination by the FSLIC, Citicorp's bid to acquire Fidelity would not in fact result in the lowest cost to the FSLIC and that the FSLIC erred in not accepting a bid from one of the savings and loan associations that bid for Fidelity. The Board does not believe that this is a proper issue for resolution by the Board under section 4(c)(8) of the act.[35] Section 4(c)(8) of the act does not require a determination that a given proposal is the most desirable that could be presented. Rather, the statute directs the Board to determine whether reasonably expected public benefits from any given proposal outweigh possible adverse effects. The fact that alternative purchasers may be available is not determinative.

Even if the Board were to conclude that another bid should have been accepted by the FSLIC, this decision would have little meaning because the Board has no authority to award the right to acquire Fidelity to another bidder. The decision as to which bid to accept is committed to the exclusive discretion of the FSLIC. An orderly administrative process dictates that the Board not substitute its judgment for that of the FSLIC. The Board does, however, note that the procedures followed by the FSLIC generally complied with the procedures now under consideration by Congress for acquisition of failing federally insured thrift institutions and that FSLIC's decision to allow a second round of bidding for Fidelity in order to provide California financial organizations with an opportunity to match the bid of Citicorp adhered to the spirit of these proposals. The FSLIC also published the procedures it followed in the second round bidding in the *Federal Register* (47 *Federal Register* 31322 (1982)).

Available Alternatives to the Citicorp Proposal

A number of the protestants argue that the Board's authority to approve a failing thrift acquisition under the act is limited to the situation presented in the Interstate case, where the Board found that one of the factors in favor of approval was the fact that the bank holding company's proposed acquisition was the only available means by which the thrift institution could be maintained as a competitor and its liquidation prevented.

The fact that the proposed bank holding company acquisition of the thrift association in Interstate was the only available means of dealing with its condition was only one of the considerations that the Board took into account in approving the Interstate application. There is no legal requirement under the act that there be no other viable alternative to a bank holding company acquisition of a failing thrift, and there is no indication in its Interstate decision that the Board intended that this factor must be present in every bank holding company application to acquire a failing thrift.[36] As was the case in Interstate, the primary regulator for Fidelity has explored all of the alternatives and has determined that the Citicorp proposal is substantially more favorable to Fidelity, its depositors and creditors, and the FSLIC than any other bid and substantially reduces the insurance liability and risk to the FSLIC, including the potential cost, as compared to any other bid. The presence or absence of alternatives is but one factor in the evaluation of public benefits. As indicated, the Board's responsibility under the act is to balance public benefits against possible adverse effects. In this case, the Board believes that the balance of public benefits is favorable and that the application may be approved.

35. The Board has considered the contention that the FSLIC is not authorized to sell the assets held by Fidelity because of litigation pending regarding the appointment by the FHLBB of the FSLIC as federal receiver. *Fidelity Savings and Loan Association* v. *FHLBB, et al.*, No. 82-4337 and 82-4354 (N.D. Calif.). The Board notes that the appointment of the FSLIC as receiver has not been stayed or otherwise enjoined and its appointment as receiver is, therefore, valid at this time. Nor has the Court enjoined the FSLIC from transferring Fidelity to Citicorp.

36. The approval of the primary regulatory authority for an acquisition of a failing thrift association is also not a requirement under section 4(c)(8) of the act. In any event, in this case, the primary regulator, the FHLBB, has urged Board approval of the application as a means of restoring Fidelity to a viable condition.

Requests for Formal Hearing

Several protestants (including the IBAA, the U.S. League, the California Bankers, Crocker National Bank, Fidelity Federal Savings and Loan Association, Glendale, California, the California supervisory authorities, and Option Advisory Services, Inc.) have requested that the Board hold a formal hearing regarding Citicorp's proposal. They raise as the basis for a hearing the following: (1) discovery is necessary so that all relevant facts associated with the application, including the complete record of the FSLIC's consideration of various bids, may be provided to protestants; (2) the need to "probe" or "examine" whether Citicorp has the financial resources to operate Fidelity in light of current international economic conditions; (3) the need to assess the policy implications of Citicorp's application and the competitive effects of the proposal on banks and thrifts in California and the nation; (4) whether Fidelity is or will be operated as a bank and whether its acquisition violates section 3(d) of the BHC Act; (5) whether Citicorp's bid was more favorable than any other bid; and (6) whether Fidelity's financial condition is so serious as to warrant Board approval of this application.

Both the Board's Rules of Procedure[37] and the *Federal Register* notice regarding this application state that any request for a formal hearing must indicate why a written proceeding would not suffice in lieu of a formal hearing and identify the disputed issues of fact that would be resolved at the formal hearing. The persons requesting a hearing did not comply with this procedure. Rather, the hearing requests were conclusory in nature, did not delineate specific disputed facts, and were based on issues derived from conclusions drawn from undisputed facts.

Apart from the fact that the protestants did not comply with the Board's regulations and its notice, the protestants also failed to raise any factual issues that would warrant a hearing. With respect to the FSLIC bid procedures, the Board believes that the issue of which bid was the more favorable and the fairness of FSLIC's procedures are not relevant to this proceeding and, thus, a hearing on these issues is not warranted. The question raised concerning Fidelity's status under the act involves an issue of law that also does not require a hearing. There is no dispute that Fidelity offers NOW accounts and makes commercial real estate loans in accordance with the provisions of the HOLA.

Assessment of the quality of Citicorp's or Citibank's loan portfolio and Citicorp's financial ability to operate Fidelity is a responsibility that is vested in the federal bank regulatory agencies, and public participation in this process would be inconsistent with the entire scheme of federal bank regulation. The Board's assessment under the Bank Holding Company Act of Citicorp's financial resources, including its overseas loan portfolio, is based upon detailed examination of the operations of Citicorp's subsidiaries.[38] Protestants have alleged no dispute as to the facts regarding Citicorp's financial resources or its foreign loans, but rather have merely advanced conjectural and conclusory statements to support their hearing request on this point. Indeed, the hearing requests are framed in terms of a need to probe or examine rather than on any specific or supported allegation of financial weakness.

In the Board's opinion, protestants' questions regarding Citicorp's financial resources and the conclusions to be drawn therefrom do not require a formal hearing. Protestants were afforded ample opportunity to present their testimony on these points and to question Citicorp. To warrant a hearing, the Board believes tht protestants must raise more than generalized claims and requests to "probe" an applicant's financial resources. In the Board's opinion, the hearing requirement in the act, as it has been interpreted by the courts, does not require the Board to hold a hearing on the basis of conjecture or unsupported allegations and the Board is not required "to investigate every potential adverse contingency which a contestant hypothesizes."[39]

The essential element of protestants' claim of unfair competition is a request that the Board evaluate the competitive impact of the proposal based on the allegation that Citicorp would be an effective and aggressive competitor with advantages not available to its banking and thrift competitors. As explained above, the Board believes it has addressed these concerns through the imposition of appropriate conditions that eliminate the unfair competitive advantage that the protestants claim may result, and in any event material facts are not in issue regarding the allegation of unfair competition.

The Board believes that the procedures it used to solicit and explore the various policy and legislative-type concerns raised by protestants were appropriate under the circumstances and fully adequate under the act. The Board imposed no limitation on the length or nature of the written comments. In addition, the Board held informal hearings in Washington, D.C. and San Francisco, California that were attended by a total of

37. 12 C.F.R. § 262.3(e) (1982).

38. Trial-type hearings are not required when examination or testing is a better way to find the facts. 2 K. Davis, "Administrative Law Treatise" § 12.12 at 455 (1979).

39. *Connecticut Bankers Association* v. *Board of Governors*, 627 F.2d 245, 254 (D.C. Cir. 1980).

approximately 200 people. All persons that wished to speak at these hearings were given an opportunity to do so, and all persons that spoke at the informal hearings were given an opportunity to submit questions to Citicorp regarding the application. A number of such questions were received and Citicorp responded to all of them.[40]

In addition, the Board has explored the policy issues raised by protestants on a number of occasions over the last ten years, including in a rulemaking proceeding and oral presentation to the Board. Last year, the Board's staff completed a detailed study of the implications of thrift acquisitions by bank holding companies. The Board solicited public comment on the general issue of such acquisitions in conjunction with this study, and reviewed some 379 written comments on that study.

Based on the foregoing considerations, the Board does not believe that a formal hearing is required or appropriate in this case and denies the requests of the protestants for a formal hearing.[41]

Request for a Stay of the Board's Order

Several protestants, including the IBAA, have requested that, in the event the Board approves the proposed acquisition, the Board stay the effectiveness of the approval pending judicial review of the Board's action. The Board has reviewed these requests in light of the factors generally applied by the courts on stay requests,[42] and, based upon that review, does not believe that a stay of the Board's Order in this case is appropriate.

First, as explained in detail above, the Board believes that its approval of Citicorp's acquisition of Fidelity, subject to the conditions imposed in the Order, complies with all applicable procedural and substantive requirements and is supported by substantial evidence. Accordingly, it is unlikely, in the Board's opinion, that any protestants will be successful in overturning the Board's approval on judicial review.

Second, the Board has expressly found that Citicorp's acquisition of Fidelity is not likely, under the conditions imposed by the Board, to result in any significant unfair competitive advantage or other competitive harm to depository institutions that compete with Fidelity or Citicorp or to their depositors or the public generally. Moreover, in this case, there is little likelihood that consummation of the acquisition would prevent a reversal of the transaction should such action subsequently become necessary because Fidelity will be maintained as a separate corporate entity. Thus, in the Board's view, there is no likelihood of any irreparable harm to any protestant if a stay is not granted.

Third, the Board has found that, in light of Fidelity's significant continuing daily net loss of deposits and its operating losses, a delay in consummation of this proposal would permit continued significant financial harm to Fidelity that would otherwise be remedied by consummation of the proposal. Moreover, delay would continue to encourage the departure of employees and to exacerbate the adverse publicity regarding Fidelity since its closing by supervisory authorities. Because of these facts, the Board is concerned that it may be more difficult to restore Fidelity to a viable condition if a stay is granted.

The loss of Fidelity's important competitive presence would harm the customers for financial services in its market areas. Citicorp would also be harmed by a stay pending review since delay would increase significantly the amount of funds Citicorp would be required to expend to revitalize Fidelity. Finally, during the pendency of any stay, the FSLIC, as receiver of Fidelity, may be required to extend funds to Fidelity to cover its continuing operating losses and to assure maintenance of some minimal net worth, funds that could be used to assist other financially troubled insured institutions. The Board finds, therefore, that the granting of a stay would cause significant harm to third parties.

Finally, the Board believes that a stay in this case is clearly not in the public interest. A stay would leave unresolved for a lengthy time the ultimate control and ownership of a failing thrift institution, would prevent the restoration of Fidelity as an active competitive force in its market area, and could result in substantial losses to the FSLIC.

For these reasons, the Board hereby denies protestants' request for a stay of the Board's Order.

Conditions of Approval

The Board's approval of this application is further subject to the conditions set forth in section 225.4(c) of Regulation Y and to the Board's authority to require such modification or termination of the activities of a

40. The hearing officer declined to present one series of questions to Citicorp on the basis that the questions were unrelated to the application to acquire Fidelity.

41. The Board provided 21 days notice in the *Federal Register* of receipt of Citicorp's application to acquire Fidelity. Because the Federal Register Act states that a statutory requirement of notice and opportunity for hearing is satisfied by a notice period of fifteen days (44 U.S.C. § 1508), the Board believes that the notice provided in this case is legally sufficient. The Board also believes that the twenty-one day comment period was appropriate in view of the request of the FHLBB that the Board act expeditiously and the fact that the Board also held two informal hearings at which interested persons could provide comments on the application and question Citicorp concerning the proposal. The Board believes that interested persons have been afforded ample opportunity under the circumstances to submit their views on the proposal.

42. *Virginia Petroleum Jobbers Association* v. *Federal Power Commission*, 259 F.2d 921, 925 (D.C. Cir. 1958).

holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof. The transaction shall be made not later than three months after the effective date of this Order, unless that period is extended for good cause by the Board or by the Federal Reserve Bank of New York acting pursuant to authority hereby delegated.

By order of the Board of Governors, effective September 28, 1982.

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

(Signed) JAMES MCAFEE,
[SEAL] *Associate Secretary of the Board.*

Order Under Section 25(a) Federal Reserve Act

Citibank Overseas Investment Corporation, Wilmington, Delaware

Order Approving Application to Engage in Certain Futures Commission Merchant Activities

Citibank Overseas Investment Corporation ("COIC"), Wilmington, Delaware, has applied for the Board's approval under section 25(a) of the Federal Reserve Act (12 U.S.C. § 615) and section 211.5 of the Board's Regulation K (12 C.F.R. § 211.5) to engage, through its subsidiary, Citifutures Limited, London, England, in the activity of acting as a broker with respect to gold bullion on the London Gold Futures Market ("LGFM") and with respect to United Kingdom government bonds, and Eurodollar and sterling deposit interest rate futures on the London International Financial Futures Exchange ("LIFFE").

COIC is a corporation organized under section 25(a) of the Federal Reserve Act (an "Edge Corporation") and is wholly-owned by Citibank, N.A., New York, New York. Citibank is a subsidiary of Citicorp, New York, New York, which is the second largest commercial banking organization in the United States with consolidated assets of $120.1 billion as of June 30, 1982.

Edge Corporations are organized for the purpose of engaging in international or foreign banking or other international or foreign operations and are authorized to invest in foreign companies that engage in activities that are usual in connection with the transaction of banking or other financial operations abroad. Regulation K lists activities determined by the Board to be usual in connection with foreign banking or financial operations and therefore permissible for a foreign subsidiary of a United States banking organization (12 C.F.R. § 211.5(d)). Included on this list, in section 211.5(d)(14) of Regulation K, are any activities that the Board has determined by regulation or order are closely related to banking under section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8)). By order dated July 1, 1982, the Board determined that the activity of acting as a futures commission merchant ("FCM") in the execution and clearance of certain futures contracts is, in the circumstances described in that order, closely related to banking under section 4(c)(8). "J. P. Morgan & Co., Incorporated", 68 FEDERAL RESERVE BULLETIN 514 (1982) ("Morgan"). Therefore, absent action of the Board to remove the activity from coverage of section 211.5(d)(14) of Regulation K, the activity of acting as a broker or an FCM for contracts based on precious metals and certain financial instruments would be a permissible activity for a foreign subsidiary of a United States banking organization.

An investor bank holding company, Edge Corporation or member bank would ordinarily be entitled to engage in any permissible activity under the general consent or notification procedures of Regulation K (12 C.F.R. §§ 211.5(c)(1), (2)). However, in acting on the Morgan application, the Board noted that the activity of trading futures contracts involves various types of financial risks to the FCM. In light of the potential risks to the organization resulting from the conduct of this activity, the Board has determined under section 211.5(c) of Regulation K that it is appropriate in all cases to suspend the operation of the general consent procedures with respect to FCM activities conducted on exchanges outside the United States and to require all investors that wish to engage in these activities to obtain the prior approval of the Board.[1] A requirement of prior approval will enable the Board to assess the financial condition of the applicant in light of the activities to be commenced and the rules of the exchange on which the activity is to be conducted, and to ensure that such activities will be conducted in accordance with high standards of financial prudence.

In the Morgan application, the Board identified certain risks to which an organization is exposed by engaging in FCM activities. As an FCM in the London futures markets, Citifutures would be contractually liable for nonperformance by a customer on each futures contract traded by Citifutures for that custom-

1. The Board has determined that the prior notification, rather than the specific consent, procedures of section 211.5(c) of Regulation K shall apply to any investor that seeks to engage in this activity on the LGFM or the LIFFE through a foreign subsidiary.

er. In addition, it appears that Citifutures may be obligated to meet special variation margin calls made of customers. However, these risks are essentially credit risks of the type that a large and sophisticated international banking organization such as Citicorp has significant expertise in evaluating. Citifutures has comprehensive written procedures for evaluating the credit risk of potential customers, many of whom will be clients of Citicorp/Citibank entities worldwide.

Other risks identified in the Morgan order related to the risk associated with membership on certain commodity exchange clearing associations where the member is exposed to a contingent liability for the contractual obligations due the association by all clearing members. This potential liability exists through the assessment provisions of certain clearing association guaranty funds to which all clearing members must contribute. Some exchanges could also require the parent corporation of a clearing member to become a member of the exchange or clearing association. In this regard, the Board notes that the London exchanges involved in this application differ significantly in a number of respects from the exchanges and clearing associations considered by the Board in the Morgan application. Neither the LGFM nor the LIFFE is a "mutual market" in which members mutually guarantee each other's liability either directly or through mandatory assessments by a guaranty fund. On the London exchanges, clearing of contracts is done by the International Commodities Clearing House Ltd. ("ICCH"), an independent clearing house that is jointly owned by the London clearing banks and that assures the integrity of the LGFM and the LIFFE. In effect, ICCH substitutes itself as the counterparty in all floor executions. ICCH's performance guaranty is supported by its share capital, by the implied support of its bank ownership and by a requirement that members post initial and variation margin payments.

In considering this application, the Board has placed particular reliance on the following factors associated with COIC's proposal:

1. Citifutures, which is organized exclusively to perform a brokerage function, will not trade for its own account.
2. The instruments and precious metals upon which the proposed futures contracts are based are essentially financial in character and are of a type that a bank may execute for its own account.
3. Citifutures has and will maintain capitalization that is fully adequate to conduct these activities in a safe and sound manner.
4. Citifutures and Citibank have established a credit approval process that specifies the services that Citibank will supply to Citifutures, including the assessment of customer credit risk, the continuous monitoring of customer positions, and monitoring the status of customer margin accounts.
5. By means of its credit approval process with Citibank, Citifutures will assess customer credit risks, and will take such assessments into consideration in establishing appropriate position limits for each customer, both with respect to each type of contract and with respect to the customer's aggregate position for all contracts.
6. Citifutures has stated that it will, in addition to time-stamping orders of all customers to the nearest minute, execute all orders, to the extent consistent with customers' specifications, in chronological sequence, and that it will execute all orders with reasonable promptness with due regard to market conditions.
7. Citicorp and its subsidiaries have demonstrated expertise and established capability in the cash, forward and futures markets for the type of contracts involved.
8. The provisions of FCM services by Citifutures to a customer will not in any way affect the provision of credit or other services to that customer by the Citicorp organization.
9. Citifutures will not extend credit to customers for the purpose of meeting initial or maintenance margin required of customers, subject to the limited exception of posting margin on behalf of customers in advance of prompt reimbursement.

The Board will consider these and similar factors in acting on future proposals under Regulation K by investors to engage in the activity of acting as an FCM on the LGFM and the LIFFE.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the application should be and hereby is approved. This determination is subject to such modification as the Board finds necessary to assure compliance with the provisions and purposes of the Federal Reserve Act and the Board's regulations thereunder. In this regard, the Board expects that COIC will notify the Board of any substantial changes in the activities or regulations of LIFFE, LGFM, or ICCH that would materially increase the liability of the Citibank organization in conducting these activities.

In considering this application, the Board recognized that a member bank may seek to conduct these activities through a foreign branch, rather than through a subsidiary. The Board is concerned that such activities should be conducted by all U.S. banking organizations in accordance with high standards of banking and financial prudence. In this regard, the Board is considering the issuance of a statement of policy guidelines or regulations governing the participation of U.S. banking organizations in such activities.

By order of the Board of Governors, effective September 29, 1981.

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

(Signed) JAMES MCAFEE,
[SEAL] *Associate Secretary of the Board.*

Order Under Bank Merger Act

St. Joseph Valley Bank, Elkhart, Indiana

Order Approving Merger of Banks

St. Joseph Valley Bank, Elkhart, Indiana ("Applicant"), a subsidiary of SJV Corporation, Elkhart, Indiana, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under the Bank Merger Act (12 U.S.C. § 1828(c)) to merge with the First National Bank of Goshen, Goshen, Indiana ("Bank"), under the charter and title of Applicant. St. Joseph Valley Bank has concurrently applied for membership in the Federal Reserve System.[1]

Notice of this application, affording interested persons an opportunity to submit comments and views, has been given in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. § 262.3(b)). As required by the Bank Merger Act, reports 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. Comments were received from the Office of the United States Attorney General, Mr. C. Gerald Pressler and Mr. Howard Young.[2]

Applicant is the 14th largest commercial banking organization in Indiana, with total deposits of $269.8 million, representing 1.02 percent of the total deposits in commercial banks in the state.[3] Bank is the 89th largest commercial bank in the state with total deposits of $70.5 million, representing less than one percent of the total deposits in commercial banks in the state. Upon consummation of the proposed merger, Applicant would become the 10th largest commercial banking institution in the state and would control approximately 1.29 percent of the total deposits in commercial banking institutions in the state. Accordingly, consummation of this proposal would not have an appreciable effect upon the concentration of commercial banking resources in Indiana.

Applicant is located in Elkhart County and operates 14 banking offices: 12 located in Elkhart City, one located in Nappanee, Indiana, and one located in Bristol, Indiana. Bank is also located in Elkhart County and operates five offices, all located in Goshen, Indiana. All offices of Applicant are at least 5 miles from any offices of Bank. Elkhart County is a growing population center adjacent to South Bend, Indiana, and is included in the South Bend-Elkhart Ranally Metro Area. The Board has previously determined that Elkhart County is part of a banking market that closely approximates the South Bend-Elkhart Ranally Metro Area, which includes Elkhart County and St. Joseph County.[4]

In connection with this application, the Board has considered comments submitted by the Office of the Deputy Assistant Attorney General for the United States, Antitrust Division ("Antitrust Division"), concerning the relevant market. The Antitrust Division claims that the relevant banking market in this case consists of the Elkhart County SMSA, which consists of Elkhart County alone. On the basis of this definition of the relevant banking merger, the Antitrust Division has concluded that the merger of Applicant and Bank would have a significantly adverse effect on competition.[5]

The Antitrust Division makes several assertions in support of its definition of the relevant banking market. First, the Antitrust Division asserts that commuting patterns and patterns of industrial and commercial development and interaction between Elkhart County and the surrounding counties, do not justify inclusion of the adjacent counties in the Elkhart banking market.

1. The application for membership is being processed by the Federal Reserve Bank of Chicago under delegated authority.

2. Mr. Pressler's remarks relate to matters of private negotiation between shareholders and Applicant, and do not present grounds for denial of this application. Mr. Young, the second protestant, expressed concerns regarding the administration of individual trust accounts by Applicant, and the managerial strengths of Applicant. After review of Mr. Young's remarks, Applicant's response, and a report of an investigation into Mr. Young's allegations conducted by the Indiana Department of Financial Institutions, it has been determined that Mr. Young's protest does not present grounds for denial of this application.

3. All banking data are as of June 30, 1981.

4. See, e.g., "American National Bancorp, Inc.", Board Order dated April 13, 1979. The relevant market as defined by the Board includes all of Elkhart County, Indiana, and St. Joseph County, Indiana (including South Bend but excluding Warren and Olive townships) as well as Cass County, Michigan, and five townships in Berrien County, Michigan (Oronke, Berrien, Buchanan, Niles, and Bertrand).

5. Letter from Mr. Ronald G. Carr, Deputy Assistant Attorney General, Antitrust Division, Department of Justice, to the Chairman of the Board of Governors, dated May 14, 1982.

Second, the Antitrust Division asserts that, because banks in Indiana are restricted to operations within a single county by state branching laws and by a state prohibition on multi-bank holding companies, banks in Elkhart County do not have the opportunity to compete with banks in adjacent counties by establishing branch offices or affiliates in those counties.[6]

As the Board has previously indicated, the Board believes that the relevant banking market must reflect the commercial and banking realities and should consist of the localized area where the banks involved offer their services and where local customers can practicably turn for alternatives.[7] The key question to be considered in making this selection "is not where the parties to the merger do business or even where they compete, but where, within the area of competitive overlap, the effect of the merger on competition will be direct and immediate."[8]

Applying these principles to the facts of this case, the Board concludes that the relevant banking market within which to evaluate the competitive effects of this proposal includes Elkhart County, Indiana, St. Joseph County, Indiana (including South Bend and excluding Warren and Olive townships), Cass County, Michigan, and five townships in Berrien County, Michigan (Oronke, Berrien, Buchanan, Niles and Bertrand). This area closely approximates the South Bend-Elkhart RMA, and includes the two major population centers in Northern Indiana, South Bend and Elkhart City, which are approximately 12 miles apart and connected by extensive highway systems.

The Board believes that the Antitrust Division's narrow definition of the relevant banking market as Elkhart County alone unduly emphasizes the specific locations at which banks are permitted to do business in Indiana. The close proximity of Elkhart and South Bend and the surrounding commercial and industrial area has resulted in a substantial amount of commuting across counties in this area. A study of commuting patterns conducted by the Indiana Employment Security Division in 1972 revealed that approximately one out of nine workers in this area commutes to work outside of the workers' home county. Nearly 20 percent of the labor force employed in Elkhart County commuted into Elkhart County from adjacent counties, with the vast majority of those commuters coming from counties within the South Bend-Elkhart RMA. In addition, over six percent of the work force residing in Elkhart County commuted to other counties to work, with St. Joseph County and townships in Michigan as the final destination of over three-quarters of these commuters.

These commuting patterns are corroborated by inclusion of Elkhart County and St. Joseph County in a single Ranally Metro Area. An RMA is defined generally as a compact area with relatively high population density that is linked by commuting, retail, and wholesale trade patterns.[9] By definition, an RMA includes a central city or cities and all adjacent continuously built up areas as well as certain other areas. These other areas are included in a given RMA if a minimum of 20 percent of the labor force of that area or 8 percent of the total population of that area commutes to the central city and its adjacent built-up areas. The Board's judgement is that an RMA usually designates a defined geographic locality that is demographically and commercially integrated. On this basis, the Board has in many cases used RMA's as guides in defining relevant geographic banking markets.[10]

The Board believes that the fact that banks in Indiana are legally restricted in their ability to branch does not preclude them from competing for business outside of their home county or preclude customers from seeking the services of out-of-county banks. For example, during 1980, 1981 and the first half of 1982, Applicant spent approximately 29 percent of its total advertising budget in efforts to reach customers in St. Joseph County.[11] In addition, Applicant regularly targets over 20 percent of its banking solicitation calls to potential customers in the South Bend-Elkhart area outside of its home county of Elkhart County, and has experienced a higher success rate from calls made through this program to potential customers located outside of its home county than from calls made to potential customers within Elkhart County.

The record also indicates that non-residents of Elkhart County view banks in Elkhart County as practicable alternatives to banks in their home counties. For example, during 1980, 1981 and the first half of 1982, over 25 percent of the home improvement loans made by Applicant (measured both by number and principal amount) were sought by and made to residents of the South Bend-Elkhart area living outside of Elkhart County, Applicant's home county.

6. Indiana Code Annotated §§ 28-1-17-1 & 28-8-2-1 (Burns 1981).

7. See "Wyoming Bancorporation", 68 FEDERAL RESERVE BULLETIN 313, 314 (1982).

8. *United States* v. *Philadelphia National Bank*, 374 U.S. 321, 357 (1963); *United States* v. *Phillipsburg National Bank*, 399 U.S. 350, 364–65 (1970).

9. Rand McNally and Company, "1981 *Commercial Atlas & Marketing Guide*," p. 2 (1981).

10. See, e.g., "Ellis Banking Corporation," 64 FEDERAL RESERVE BULLETIN 884 (1978).

11. While South Bend may be regarded as the media center in the South Bend-Elkhart area, Elkhart city is served by three local radio stations, two local television stations, and several local newspapers and magazines. As a result, use of competing media in South Bend evidences a conscious choice by banks located in Elkhart City to reach potential customers in South Bend and the surrounding area.

The Antitrust Division contends that the high unemployment rate presently being experienced by both Elkhart and St. Joseph Counties (approximately 12 percent) has substantially reduced commuting in the South Bend-Elkhart area. The record in this case does not support this conclusion, and the Antitrust Division has not provided any data showing that the unemployment rate has affected commuters in the Elkhart area in any greater proportion than non-commuters. Further, while the unemployment rate at a given time may affect the demand for banking services in the short term, the relevant geographic market for a given product is shaped by long-term employment patterns and commercial development.

Accordingly, on the basis of the facts of record, including the demographic and commercial integration of the South Bend-Elkhart area, the substantial commuting patterns throughout the area, the significant employment of area-wide marketing techniques, and the recognition and active use by customers throughout the area of banks outside their home county as practicable alternatives to banks within their home county, the Board has determined that the relevant geographic market in this case is the South Bend-Elkhart area and is not, as the Antitrust Division suggests, limited to Elkhart County alone.

Within the relevant banking market, Applicant is the fourth largest of 22 commercial banking organizations, controlling 11.0 percent of total deposits in commercial banks in the market. Bank ranks as the market's 12th largest commercial banking organization and holds 2.9 percent of the total deposits in commercial banks in the market. Upon consummation of the proposed merger, Applicant would become the market's second largest commercial banking organization and would control 13.9 percent of the total deposits in commercial banks in the market.

Consummation of the proposed merger would eliminate some existing competition in the relevant banking market. However, in view of all of the facts of record, including the relatively low level of market concentration,[12] Bank's small size, and the existence of numerous remaining banking alternatives in the market, the Board does not regard the elimination of competition in this case to be so significant as to warrant denial of the application. Accordingly, the Board concludes that consummation of the proposed merger would not have a significant adverse effect upon existing or potential competition. Thus, competitive effects are consistent with approval.

The financial and managerial resources of Applicant, its parent, and Bank are regarded as generally satisfactory and their future prospects appear favorable. As a result, considerations relating to banking factors are consistent with approval. Although no new banking services would be introduced to the relevant banking market as a result of the proposed transaction, the customers of Bank would benefit from the addition of new services, including access to Applicant's Automatic Teller Machine network, the addition of VA and FHA lending programs, and the addition of data processing services. Thus, considerations relating to the convenience and needs of the community to be served are consistent with approval and tend to outweigh any adverse competitive effects of the transaction. Based upon the foregoing and other considerations reflected in the record, the Board's judgment is that consummation of the transaction would be consistent with the public interest.

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

By order of the Board of Governors, effective September 28, 1982.

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

(Signed) JAMES MCAFEE,
[SEAL] *Associate Secretary of the Board.*

12. The four firm concentration ratio is 53.4 percent, and upon consummation, would increase to 56.3 percent.

Legal Developments continued on next page.

ORDERS APPROVING APPLICATIONS UNDER THE BANK HOLDING COMPANY ACT AND BANK MERGER ACT

By the Board of Governors

During September 1982, the Board of Governors approved the applications listed below. Copies are available upon request to Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant	Bank(s)	Board action (effective date)
Cripple Creek Bancorporation, Inc., Cripple Creek, Colorado	Bank of Cripple Creek, Cripple Creek, Colorado	September 27, 1982
First City Bancorporation of Texas, Inc., Houston, Texas	First City Bank — East, N.A., El Paso, Texas	September 7, 1982
Mercantile Texas Corporation, Dallas, Texas	Ashford Bank, Houston, Texas	September 17, 1982
Texas Commerce Bancshares, Inc., Houston, Texas	Texas Commerce Bank-Greens Crossing, N.A., Houston, Texas	September 15, 1982

By Federal Reserve Banks

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

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
Affiliated Bankshares of Colorado, Inc., Boulder, Colorado	Alameda National Bank, Lakewood, Colorado	Kansas City	August 27, 1982
American Heritage Bancorp, Inc., El Reno, Oklahoma	American Heritage Bank, El Reno, Oklahoma	Kansas City	August 23, 1982
Ashby Bancshares, Inc., Ashby, Minnesota	First State Bank of Ashby, Ashby, Minnesota	Minneapolis	August 31, 1982
Belfield Bancshares, Inc., Belfield, North Dakota	First National Bank of Belfield, Belfield, North Dakota	Minneapolis	September 1, 1982
B.O.A. Bancshares, Inc., Houston, Texas	Bank of Almeda, Houston, Texas	Dallas	September 8, 1982
Cedar Valley Bankshares, Ltd., Charles City, Iowa	First Security Bank & Trust Company, Charles City, Iowa	Chicago	September 1, 1982
Central Bancorporation, Inc., Denver, Colorado Central Colorado Company, Denver, Colorado C.C.B., Inc., Denver, Colorado	Central Bank of Chatfield, N.A., Littleton, Colorado	Kansas City	August 30, 1982

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Central Fidelity Banks, Inc., Richmond, Virginia	The Washington County National Bank of Abingdon, Abingdon, Virginia	Richmond	August 30, 1982
Century Bank Shares, Lyman, Wyoming	First State Bank of Lyman, Lyman, Wyoming	Kansas City	September 22, 1982
Citizens Bank Holding Company, Finley, North Dakota	Citizens State Bank of Finley, Finley, North Dakota	Minneapolis	August 27, 1982
Columbia Bancshares, Inc., Columbia, Illinois	Columbia National Bank, Columbia, Illinois	St. Louis	September 15, 1982
Dallas Guaranty Bancshares, Inc., Dallas, Texas	Guaranty Bank, Dallas, Texas	Dallas	September 9, 1982
First & Merchants Corporation, Richmond, Virginia	The Wise County National Bank, Wise, Virginia	Richmond	September 7, 1982
First Banc Group, Inc., Centralia, Illinois	Ashley State Bank, Ashley, Illinois The First State Bank of Centralia, Centralia, Illinois Hoyleton State and Savings Bank, Hoyleton, Illinois	St. Louis	September 10, 1982
First Bancorporation of Ohio, Akron, Ohio	The Twinsburg Banking Company, Twinsburg, Ohio	Cleveland	September 8, 1982
First Comanche Bancshares, Inc., Comanche, Texas	First Comanche Bank, Comanche, Texas	Dallas	September 3, 1982
First National Columbus Bancorp, Columbus, Nebraska	First National Bank and Trust Company, Columbus, Nebraska	Kansas City	September 2, 1982
First Port Allen Bancshares, Inc., Port Allen, Louisiana	First National Bank of Port Allen, Port Allen, Louisiana	Atlanta	August 27, 1982
First Republic Bancshares, Inc., Rayville, Louisiana	First Republic Bank, Rayville, Louisiana	Dallas	September 16, 1982
Essex Iowa Bancorporation, Inc., Essex, Iowa	The First National Bank of Essex, Essex, Iowa	Chicago	September 3, 1982
Follett Bancshares, Inc., Follett, Texas	The Follett National Bank, Follett, Texas	Dallas	September 2, 1982
Glendive Bancorporation, Inc., Glendive, Montana	First Fidelity Bank, Glendive, Montana	Minneapolis	August 30, 1982
Haskell Bancorporation, Inc., Haskell, Oklahoma	The First Bank of Haskell, Haskell, Oklahoma	Kansas City	September 10, 1982
Humble Bancshares, Inc., Humble, Texas	Humble National Bank, Humble, Texas	Dallas	September 20, 1982
Kersey Bancorp, Inc., Kersey, Colorado	Kersey State Bank, Kersey, Colorado	Kansas City	September 1, 1982
The Magnolia State Corporation, Bay Springs, Mississippi	Jasper County Bank, Bay Springs, Mississippi	Atlanta	August 27, 1982
Manchester Bancorp, Inc., Manchester, Kentucky	First State Bank, Manchester, Kentucky	Cleveland	September 3, 1982

Section 3 Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Maple Hill Bancshares, Inc., Maple Hill, Kansas	The Stockgrowers State Bank, Maple Hill, Kansas	Kansas City	September 8, 1982
Nacogdoches Commercial Bancshares, Inc., Nacogdoches, Texas	Commercial National Bank in Nacogdoches, Nacogdoches, Texas	Dallas	September 17, 1982
Nicol Bankshares Corp., Olathe, Kansas	First Citibank of Olathe, Olathe, Kansas	Kansas City	August 24, 1982
Noble Bank Holding Company, Inc., Red Wing, Minnesota	First State Bank of Red Wing, Red Wing, Minnesota	Minneapolis	September 1, 1982
Northeast Bancorporation, Inc., Minneapolis, Minnesota	First American State Bank of Sargeant, Sargeant, Minnesota	Minneapolis	September 10, 1982
North Side Bancorp, Inc., Racine, Wisconsin	North Side Bank, Racine, Wisconsin North Side Bank of Caledonia, Caledonia, Wisconsin	Chicago	September 16, 1982
Palm Bancorp, Palmerton, Pennsylvania	The First National Bank of Palmerton, Palmerton, Pennsylvania	Philadelphia	September 3, 1982
Peoples Bancshares, Ltd., Waterloo, Iowa	K-S Banco, Inc., Waterloo, Iowa	Chicago	August 31, 1982
Plainview First National Bancshares, Inc., Plainview, Texas	First National Bancshares, Inc., Plainview, Texas	Texas	September 2, 1982
Schreiner Bancshares, Inc., Kerrville, Texas	Southwest National Bank, Austin, Texas	Dallas	September 7, 1982
Security Bancshares, Inc., Dunseith, North Dakota	Security State Bank of Dunseith, Dunseith, North Dakota	Minneapolis	September 2, 1982
71 Corporation, Tampa, Florida First Florida Banks, Inc., Tampa, Florida	Clearwater Beach Bank, Clearwater, Florida Northeast Bank of Clearwater, Clearwater, Florida	Atlanta	September 7, 1982
Union Bancshares, Inc., Livingston, Tennessee	Union Bank & Trust Company, Livingston, Tennessee	Atlanta	September 10, 1982
Union Illinois Company, East St. Louis, Illinois	Columbia National Bank, Columbia, Illinois	St. Louis	September 15, 1982
Union National Corporation, Mt. Lebanon, Pennsylvania	Keystone National Bank, Punxsutawney, Pennsylvania	Cleveland	August 27, 1982
United Bancorporation, Inc., Rockford, Illinois	United Bank of Illinois, N.A., Rockford, Illinois United Bank of Belvidere, Belvidere, Illinois United Bank of Southgate, Rockford, Illinois United Bancorporation, Inc., Rockford, Illinois S.B.A. Company, Rockford, Illinois	Chicago	September 15, 1982

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
	Oregon Corporation, Rockford, Illinois East Riverside Inc., Rockford, Illinois		
Valley Bancorp, Inc., Hopkins, Missouri	Thirty-Three Venturers, Inc., Hopkins, Missouri	Kansas City	September 2, 1982
Webbers Falls Bancorp, Inc., Webbers Falls, Oklahoma	Webbers Falls State Bank, Webbers Falls, Oklahoma	Kansas City	August 27, 1982
Western National Bancorporation, Inc., Tulsa, Oklahoma	Western National Bank of Tulsa, Tulsa, Oklahoma	Kansas City	August 26, 1982

Section 4

Applicant	Nonbanking company (or activity)	Reserve Bank	Effective date
First National Bancshares, Inc., East Lansing, Michigan	Le Ann Corporation, East Lansing, Michigan	Chicago	September 13, 1982
Citizens and Southern Georgia Corporation, Atlanta, Georgia	Oglethorpe Loan Company, Savannah, Georgia	Atlanta	August 31, 1982
Puget Sound Bancorp, Tacoma, Washington	Washington Mortgage Company, Inc., Seattle, Washington Washington Leasing Corporation and Affiliated Escrow, Inc., Seattle, Washington	San Francisco	September 17, 1982

Sections 3 and 4

Applicant	Bank(s)	Nonbanking company (or activity)	Reserve Bank	Effective date
GL & ML Limited, Aplington, Iowa	State Savings Bank, Aplington, Iowa	Aplington Insurance, Inc., Aplington, Iowa	Chicago	September 17, 1982
Panora Financial Corp., Panora, Iowa	Mid Iowa, Inc., Panora, Iowa Panora State Bank, Panora, Iowa	to engage in general insurance activities in a town with a population of less than 5,000	Chicago	September 24, 1982

Orders Approved Under Bank Merger Act

By the Board of Governors

Applicant	Bank(s)	Reserve Bank	Effective date
United Virginia Bank, Richmond, Virginia	The First National Bank of Martinsville and Henry County, Fieldale, Virginia Citizens National Bank, New Market, Virginia	Richmond	September 7, 1982

*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.*

Association of Data Processing Service Organizations, Inc., et al. v. *Board of Governors*, filed August 1982, U.S.C.A. for the District of Columbia.

The Philadelphia Clearing House Association, et al. v. *Board of Governors*, filed July 1982, U.S.D.C. for the Eastern District of Pennsylvania.

Richter v. *Board of Governors, et al.*, filed May 1982, U.S.D.C. for the Northern District of Illinois.

Montgomery v. *Utah, et al.*, filed May 1982, U.S.D.C. for the District of Utah.

Wyoming Bancorporation v. *Board of Governors*, filed May 1982, U.S.C.A. for the Tenth Circuit.

First Bancorporation v. *Board of Governors*, filed April 1982, U.S.C.A. for the Tenth Circuit.

Charles G. Vick v. *Paul A. Volcker, et al.*, filed March 1982, U.S.D.C. for the District of Columbia.

Jolene Gustafson v. *Board of Governors*, filed March 1982, U.S.C.A. for the Fifth Circuit.

Christian Educational Association, Inc. v. *Federal Reserve System*, filed January 1982, U.S.D.C. for the Middle District of Florida.

Option Advisory Service, Inc. v. *Board of Governors*, filed December 1981, U.S.C.A. for the Second Circuit.

Edwin F. Gordon v. *Board of Governors, et al.*, filed October 1981, U.S.C.A. for the Eleventh Circuit (two consolidated cases).

Wendall Hall v. *Board Governors, et al.*, filed September 1981, U.S.D.C. for the Northern District of Georgia.

Allen Wolfson v. *Board of Governors*, filed September 1981, U.S.D.C. for the Middle District of Florida.

Option Advisory Service, Inc. v. *Board of Governors*, filed September 1981, U.S.C.A. for the Second Circuit (two cases).

Bank Stationers Association, Inc., et al. v. *Board of Governors*, filed July 1981, U.S.D.C. for the Northern District of Georgia.

Public Interest Bounty Hunters v. *Board of Governors, et al.*, filed June 1981, U.S.D.C. for the Northern District of Georgia.

Edwin F. Gordon v. *John Heimann, et al.*, filed May 1981, U.S.C.A. for the Fifth Circuit.

First Bank & Trust Company v. *Board of Governors*, filed February 1981, U.S.D.C. for the Eastern District of Kentucky.

9 to 5 Organization for Women Office Workers v. *Board of Governors*, filed December 1980, U.S.D.C. for the District of Massachusetts.

Securities Industry Association v. *Board of Governors, et al.*, filed October 1980, U.S.D.C. for the District of Columbia.

Securities Industry Association v. *Board of Governors, et al.*, filed October 1980, U.S.C.A. for the District of Columbia.

A. G. Becker, Inc. v. *Board of Governors, et al.*, filed October 1980, U.S.D.C. for the District of Columbia.

A. G. Becker, Inc. v. *Board of Governors, et al.*, filed October 1980, U.S.C.A. for the District of Columbia.

A. G. Becker, Inc. v. *Board of Governors, et al.*, filed August 1980, U.S.D.C. for the District of Columbia.

Berkovitz, et al. v. *Government of Iran, et al.*, filed June 1980, U.S.D.C. for the Northern District of California.

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1.10 MONETARY AGGREGATES AND INTEREST RATES

Item	1981 Q3	1981 Q4	1982 Q1	1982 Q2	1982 Apr.	1982 May	1982 June	1982 July	1982 Aug.
	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
Reserves of depository institutions									
1 Total	3.4	3.1	7.5	.6	2.4	2.2	2.2	1.6	8.8
2 Required	2.4	3.5	7.1	1.1	5.2	.5	3.8	1.8	8.9
3 Nonborrowed	7.5	10.9	-.9	4.2	2.1	17.0	.5	14.8	14.5
4 Monetary base[2]	4.1r	3.8r	7.8	7.1	9.2r	8.6	7.7	2.8	6.8
Concepts of money and liquid assets[3]									
5 M1	.3	5.7	10.4	3.3	11.0	2.4	.3	3r	10.4
6 M2	8.3	8.9	9.8	9.5	10.0	10.7	6.6	9.7	14.2
7 M3	11.2	9.3	8.7	10.7	12.0	11.3	8.8r	12.6r	18.4
8 L	11.9	10.7	10.3	11.9	11.9r	13.0	10.6	n.a.	n.a.
Time and savings deposits									
Commercial banks									
9 Total	18.4	8.3	7.5	17.1r	15.7	18.1	17.3r	22.9	16.3
10 Savings[4]	-22.7	-11.9	8.7	2.0	.7	1.5	3.7r	-22.5r	8.4
11 Small-denomination time[5]	24.3	20.8	9.7	23.8	28.8	20.8	15.8	29.1	20.3
12 Large-denomination time[6]	36.0	5.4	4.6	17.0r	8.7	24.0	29.6r	36.4r	22.7
13 Thrift institutions[7]	2.6	2.7	3.1	6.6	5.3	9.9	3.8	10.4r	5.8
14 Total loans and securities at commercial banks[8]	8.7	3.6	2.6	8.6	8.8	8.2	5.6	6.4	6.2

Item	1981 Q4	1982 Q1	1982 Q2	1982 Q3	1982 May	1982 June	1982 July	1982 Aug.	1982 Sept.
	Interest rates (levels, percent per annum)								
Short-term rates									
15 Federal funds[9]	13.59	14.23	14.52	11.01	14.45	14.15	12.59	10.12	10.31
16 Discount window borrowing[10]	13.04	12.00	12.00	10.83	12.00	12.00	11.81	10.68	10.00
17 Treasury bills (3-month market yield)[11]	11.75	12.81	12.42	9.32	12.09	12.47	11.35	8.68	7.92
18 Commercial paper (3-month)[11,12]	13.04	13.81	13.81	11.15	13.42	13.96	12.94	10.15	10.36
Long-term rates									
Bonds									
19 U.S. government[13]	14.14	14.27	13.74	12.94	13.46	14.18	13.76	12.91	12.16
20 State and local government[14]	12.54	13.02	12.33	11.39	11.95	12.45	12.28	11.23	10.66
21 Aaa utility (new issue)[15]	15.67	15.71	15.73	14.25	15.22	15.92	15.61	13.95	13.50
22 Conventional mortgages[16]	17.33	17.10	16.63	n.a.	16.50	16.75	16.50	15.40	n.a.

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

2. Includes reserve balances at Federal Reserve Banks in the current week plus vault cash held two weeks earlier used to satisfy reserve requirements at all depository institutions plus currency outside the U.S. Treasury, Federal Reserve Banks, the vaults of depository institutions, and surplus vault cash at depository institutions.

3. M1: Averages of daily figures for (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) traveler's checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at banks and thrift institutions, credit union share draft (CUSD) accounts, and demand deposits at mutual savings banks.

M2: M1 plus savings and small-denomination time deposits at all depository institutions, overnight repurchase agreements at commercial banks, overnight Eurodollars held by U.S. residents other than banks at Caribbean branches of member banks, and balances of money market mutual funds (general purpose and broker/dealer).

M3: M2 plus large-denomination time deposits at all depository institutions and term RPs at commercial banks and savings and loan associations and balances of institution-only money market mutual funds.

L: M3 plus other liquid assets such as term Eurodollars held by U.S. residents other than banks, bankers acceptances, commercial paper, Treasury bills and other liquid Treasury securities, and U.S. savings bonds.

4. Savings deposits exclude NOW and ATS accounts at commercial banks and thrifts and CUSD accounts at credit unions.

5. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than $100,000.

6. Large-denomination time deposits are those issued in amounts of $100,000 or more.

7. Savings and loan associations, mutual savings banks, and credit unions.

8. Changes calculated from figures shown in table 1.23. Beginning December 1981, growth rates reflect shifts of foreign loans and securities from U.S. banking offices to international banking facilities.

9. Averages of daily effective rates (average of the rates on a given date weighted by the volume of transactions at those rates).

10. Rate for the Federal Reserve Bank of New York.

11. Quoted on a bank-discount basis.

12. Unweighted average of offering rates quoted by at least five dealers.

13. Market yields adjusted to a 20-year maturity by the U.S. Treasury.

14. *Bond Buyer* series for 20 issues of mixed quality.

15. Weighted averages of new publicly offered bonds rated Aaa, Aa, and A by Moody's Investors Service and adjusted to an Aaa basis. Federal Reserve compilations.

16. Average rates on new commitments for conventional first mortgages on new homes in primary markets, unweighted and rounded to nearest 5 basis points, from Dept. of Housing and Urban Development.

NOTE. Revisions in reserves of depository institutions reflect the transitional phase-in of reserve requirements as specified in the Monetary Control Act of 1980.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS, RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1982			1982						
	July	Aug.	Sept.	Aug. 18	Aug. 25	Sept. 1	Sept. 8	Sept. 15	Sept. 22	Sept. 29
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit outstanding**	**153,468**	**153,903**	**152,834**	**154,854**	**153,804**	**153,195**	**152,702**	**153,044**	**153,823**	**152,755**
2 U.S. government securities[1]	132,400	132,787	131,920	133,776	133,282	132,991	132,092	131,273	132,089	131,736
3 Bought outright	131,540	132,666	131,436	133,607	133,282	132,821	132,092	131,020	131,319	131,226
4 Held under repurchase agreements	860	121	484	169	0	170	0	253	770	510
5 Federal agency securities	9,223	9,004	9,042	9,006	8,955	8,988	8,954	8,973	9,109	9,014
6 Bought outright	9,001	8,969	8,951	8,955	8,955	8,955	8,954	8,950	8,949	8,949
7 Held under repurchase agreements	222	35	91	51	0	33	0	23	160	65
8 Acceptances	300	56	159	66	0	81	0	94	330	142
9 Loans	669	506	976	482	609	507	948	1,330	810	749
10 Float	1,972	2,056	1,633	1,909	1,858	1,556	1,918	2,292	2,282	1,764
11 Other Federal Reserve assets	8,904	9,494	9,104	9,615	9,100	9,073	8,791	9,084	9,203	9,350
12 Gold stock	11,149	11,148	11,148	11,148	11,148	11,148	11,148	11,148	11,148	11,148
13 Special drawing rights certificate account	3,895	4,018	4,118	4,018	4,018	4,018	4,018	4,018	4,218	4,218
14 Treasury currency outstanding	13,785	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786
ABSORBING RESERVE FUNDS										
15 Currency in circulation	147,850	148,218	148,631	148,763	148,098	147,783	149,070	149,471	148,425	147,642
16 Treasury cash holdings	429	416	415	414	416	417	413	413	413	419
Deposits, other than reserves, with Federal Reserve Banks										
17 Treasury	3,319	3,310	4,062	2,973	2,872	3,157	3,776	3,468	3,611	4,489
18 Foreign	311	314	264	283	295	346	247	242	248	287
19 Other	615	646	509	623	576	552	520	582	547	392
20 Required clearing balances	220	234	275	234	236	247	268	275	291	296
21 Other Federal Reserve liabilities and capital	5,280	5,246	4,836	5,284	5,210	5,030	4,630	4,952	4,897	4,882
22 Reserve accounts[2]	24,273	24,471	22,894	25,233	25,052	24,614	22,729	22,592	24,543	23,501

Factors	End-of-month figures			Wednesday figures						
	1982			1982						
	July	Aug.	Sept.	Aug. 18	Aug. 25	Sept. 1	Sept. 8	Sept. 15	Sept. 22	Sept. 29
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit outstanding**	**153,768**	**153,643**	**156,519**	**154,669**	**156,689**	**155,223**	**152,659**	**154,865**	**153,665**	**151,850**
24 U.S. government securities[1]	132,640	132,858	134,393	133,189	134,738	132,883	130,683	129,645	131,205	130,305
25 Bought outright	132,640	131,669	130,591	133,189	134,738	132,883	130,683	129,645	131,205	130,305
26 Held under repurchase agreements	0	1,189	3,802	0	0	0	0	0	0	0
27 Federal agency securities	9,001	9,184	9,950	8,955	8,955	8,954	8,954	8,949	8,949	8,949
28 Bought outright	9,001	8,955	8,949	8,955	8,955	8,954	8,954	8,949	8,949	8,949
29 Held under repurchase agreements	0	229	1,001	0	0	0	0	0	0	0
30 Acceptances	0	565	813	0	0	0	0	0	0	0
31 Loans	458	449	1,123	935	1,637	1,356	482	3,798	1,965	1,154
32 Float	1,713	1,446	567	2,477	2,156	3,201	3,170	3,315	2,110	1,937
33 Other Federal Reserve assets	9,956	9,141	9,673	9,113	9,203	8,829	9,370	9,158	9,436	9,505
34 Gold stock	11,149	11,148	11,148	11,148	11,148	11,148	11,148	11,148	11,148	11,148
35 Special drawing rights certificate account	4,018	4,018	4,218	4,018	4,018	4,018	4,018	4,018	4,218	4,218
36 Treasury currency outstanding	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786
ABSORBING RESERVE FUNDS										
37 Currency in circulation	147,051	148,310	148,110	148,824	148,132	148,578	150,064	149,343	148,241	148,178
38 Treasury cash holdings	418	418	423	414	416	415	410	413	413	421
Deposits, other than reserves, with Federal Reserve Banks										
39 Treasury	3,275	3,234	10,975	3,147	3,541	3,460	4,041	3,565	3,648	8,320
40 Foreign	982	348	396	310	319	344	226	305	235	295
41 Other	663	502	405	587	598	563	534	573	410	386
42 Required clearing balances	221	247	300	234	237	247	259	268	279	296
43 Other Federal Reserve liabilities and capital	5,359	4,791	5,047	5,084	5,042	4,531	4,673	4,716	4,725	4,669
44 Reserve accounts[2]	24,752	24,745	20,015	25,021	27,356	26,037	21,404	24,634	24,866	18,437

1. *Includes* securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and *excludes* (if any) securities sold and scheduled to be bought back under matched sale-purchase transactions.

2. Excludes required clearing balances.

NOTE. For amounts of currency and coin held as reserves, see table 1.12.

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	Monthly averages of daily figures									
	1981	1982								
	Dec	Jan.	Feb	Mar.	Apr.	May	June	July	Aug	Sept [p]
1 Reserve balances with Reserve Banks[1]	26,163	26,721	25,963	24,254	24,565	24,207	24,031	24,273	24,471	22,852
2 Total vault cash (estimated)	19,538	20,284	19,251	18,749	18,577	19,048	19,318	19,448	19,500	19,914
3 Vault cash at institutions with required reserve balances[2]	13,577	14,199	13,082	12,663	12,709	12,972	13,048	13,105	13,188	13,754
4 Vault cash equal to required reserves at other institutions	2,178	2,290	2,235	2,313	2,284	2,373	2,488	2,486	2,518	2,832
5 Surplus vault cash at other institutions[3]	3,783	3,795	3,934	3,773	3,584	3,703	3,782	3,857	3,794	3,328
6 Reserve balances + total vault cash[4]	45,701	47,005	45,214	43,003	43,142	43,255	43,349	43,721	43,971	42,766
7 Reserve balances + total vault cash used to satisfy reserve requirements[4,5]	41,918	43,210	41,280	39,230	39,558	39,552	39,567	39,864	40,177	39,438
8 Required reserves (estimated)	41,606	42,785	40,981	38,873	39,284	39,192	39,257	39,573	39,866	39,574
9 Excess reserve balances at Reserve Banks[4,6]	312	425	299	357	274	360	310	291	311	-136
10 Total borrowings at Reserve Banks	642	1,526	1,713	1,611	1,581	1,105	1,205	669	510	976
11 Seasonal borrowings at Reserve Banks	53	75	132	174	167	237	239	225	119	102
12 Extended credit at Reserve Banks	149	197	232	309	245	177	103	46	94	118
	Weekly averages of daily figures for week ending									
	1982									
	July 28	Aug. 4	Aug. 11	Aug. 18	Aug. 25	Sept. 1	Sept. 8	Sept. 15	Sept. 22[p]	Sept 29[p]
13 Reserve balances with Reserve Banks[1]	24,148	23,955	23,302	25,233	25,052	24,614	22,729	22,592	24,542	23,512
14 Total vault cash (estimated)	20,252	19,846	20,172	19,227	18,834	19,579	20,006	20,541	18,745	20,418
15 Vault cash at institutions with required reserve balances[2]	13,623	13,520	13,372	13,003	12,822	13,397	13,476	13,734	13,320	14,200
16 Vault cash equal to required reserves at other institutions	2,597	2,520	2,814	2,397	2,429	2,417	3,179	3,229	2,404	2,879
17 Surplus vault cash at other institutions[3]	4,032	3,806	3,986	3,827	3,583	3,765	3,351	3,578	3,021	3,339
18 Reserve balances + total vault cash[4]	44,400	43,801	43,474	44,460	43,886	44,193	42,735	43,133	43,287	43,930
19 Reserve balances + total vault cash used to satisfy reserve requirements[4,5]	40,368	39,995	39,488	40,633	40,303	40,428	39,384	39,555	40,266	40,591
20 Required reserves (estimated)	40,057	39,701	39,162	40,314	40,043	40,066	38,719	39,235	40,002	40,279
21 Excess reserve balances at Reserve Banks[4,6]	311	294	326	319	260	362	665	320	264	312
22 Total borrowings at Reserve Banks	548	679	369	482	609	507	948	1,330	809	749
23 Seasonal borrowings at Reserve Banks	188	166	133	131	94	95	106	89	100	112
24 Extended credit at Reserve Banks	24	20	64	123	118	116	116	116	118	124

1. As of Aug. 13, 1981, excludes required clearing balances of all depository institutions.

2. Before Nov. 13, 1980, the figures shown reflect only the vault cash held by member banks.

3. Total vault cash at institutions without required reserve balances less vault cash equal to their required reserves.

4. Adjusted to include waivers of penalties for reserve deficiencies in accordance with Board policy, effective Nov. 19, 1975, of permitting transitional relief on a graduated basis over a 24-month period when a nonmember bank merged into an existing member bank, or when a nonmember bank joins the Federal Reserve System. For weeks for which figures are preliminary, figures by class of bank do not add to total because adjusted data by class are not available.

5. Reserve balances with Federal Reserve Banks, which exclude required clearing balances plus vault cash at institutions with required reserve balances plus vault cash equal to required reserves at other institutions.

6. Reserve balances with Federal Reserve Banks, which exclude required clearing balances plus vault cash used to satisfy reserve requirements less required reserves. (This measure of excess reserves is comparable to the old excess reserve concept published historically.)

1.13 FEDERAL FUNDS AND REPURCHASE AGREEMENTS Large Member Banks[1]

Averages of daily figures, in millions of dollars

By maturity and source	1982, week ending Wednesday								
	Aug. 4	Aug. 11	Aug. 18	Aug. 25	Sept. 1	Sept 8	Sept. 15	Sept. 22	Sept. 29
One day and continuing contract									
1 Commercial banks in United States	56,000	57,841	55,543	53,587	52,371	58,495	60,900	54,117	50,972
2 Other depository institutions, foreign banks and foreign official institutions, and U.S government agencies	22,651r	22,494r	22,172	22,720	22,401	21,308	22,967	24,836	24,267
3 Nonbank securities dealers	5,023	5,932	4,996	4,800	4,989	5,125	4,886	5,655	4,713
4 All other	22,441	21,577	22,031	22,766	21,586	22,192	21,615	21,240	20,731
All other maturities									
5 Commercial banks in United States	4,730	4,448	4,549	4,622	4,833	5,020	5,126	4,454	4,390
6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	8,432	8,718	8,761	8,573	8,491	8,354	8,515	8,480	8,171
7 Nonbank securities dealers	4,306	4,567	4,486	4,620	4,938	4,281	4,634	5,025	5,616
8 All other	9,924	9,672	10,274	9,574	9,064	8,879	9,068	9,059	9,284
MEMO: Federal funds and resale agreement loans in maturities of one day or continuing contract									
9 Commercial banks in United States	24,491	23,906	23,823	25,607	26,070	26,378	27,210	25,451	24,214
10 Nonbank securities dealers	4,724	4,408r	4,520r	5,100	4,908	4,796	5,257	4,681	4,576

1. Banks with assets of $1 billion or more as of Dec 31, 1977.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per annum

Current and previous levels

Federal Reserve Bank	Short-term adjustment credit and seasonal credit			Extended credit[1]						
				First 60 days of borrowing		Next 90 days of borrowing		After 150 days		Effective date for current rates
	Rate on 9/30/82	Effective date	Previous rate	Rate on 9/30/82	Previous rate	Rate on 9/30/82	Previous rate	Rate on 9/30/82	Previous rate	
Boston	10	8/27/82	10.5	10	10.5	11	11.5	12	12.5	8/27/82
New York		8/27/82								8/27/82
Philadelphia		8/27/82								8/27/82
Cleveland		8/30/82								8/30/82
Richmond		8/27/82								8/27/82
Atlanta		8/27/82								8/27/82
Chicago		8/27/82								8/27/82
St. Louis		8/27/82								8/27/82
Minneapolis		8/27/82								8/27/82
Kansas City		8/27/82								8/27/82
Dallas		8/27/82								8/27/82
San Francisco	10	8/27/82	10.5	10	10.5	11	11.5	12	12.5	8/27/82

Range of rates in recent years[2]

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1973	7½	7½
1974— Apr. 25	7½–8	8
30	8	8
Dec. 9	7¾–8	7¾
16	7¾	7¾
1975— Jan. 6	7¼–7¾	7¾
10	7¼–7¾	7¼
24	7¼	7¼
Feb. 5	6¾–7¼	6¾
7	6¾	6¾
Mar. 10	6¼–6¾	6¼
14	6¼	6¼
May 16	6–6¼	6
23	6	6
1976— Jan. 19	5½–6	5½
23	5½	5½
Nov. 22	5¼–5½	5¼
26	5¼	5¼
1977— Aug. 30	5¼–5¾	5¼
31	5¼–5¾	5¾
Sept. 2	5¾	5¾
Oct. 26	6	6

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1980— June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981— May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982— July 20	11.5–12	11.5
23	11.5	11.5
Aug. 2	11–11.5	11
3	11	11
16	10.5	10.5
27	10–10.5	10
30	10	10
In effect Sept. 30, 1982	10	10

1. Applicable to advances when exceptional circumstances or practices involve only a particular depository institution and to advances when an institution is under sustained liquidity pressures. See section 201.3(b)(2) of Regulation A.

2. Rates for short-term adjustment credit. For description and earlier data see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941* and *1941–1970; Annual Statistical Digest, 1970–1979, and 1980*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than 4 weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. There was no surcharge until Nov. 17, 1980, when a 2 percent surcharge was adopted; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12. As of Oct. 1, the formula for applying the surcharge was changed from a calendar quarter to a moving 13-week period. The surcharge was eliminated on Nov. 17, 1981

1.15 DEPOSITORY INSTITUTIONS RESERVE REQUIREMENTS[1]

Percent of deposits

Type of deposit, and deposit interval in millions of dollars	Member bank requirements before implementation of the Monetary Control Act: Percent	Member bank requirements before implementation of the Monetary Control Act: Effective date	Type of deposit, and deposit interval	Depository institution requirements after implementation of the Monetary Control Act[5]: Percent	Depository institution requirements after implementation of the Monetary Control Act[5]: Effective date
Net demand[2]			*Net transaction accounts*[6,7]		
0–2	7	12/30/76	$0–$26 million	3	11/13/80
2–10	9½	12/30/76	Over $26 million	12	11/13/80
10–100	11¾	12/30/76			
100–400	12¾	12/30/76	*Nonpersonal time deposits*[8]		
Over 400	16¼	12/30/76	By original maturity		
			Less than 3½ years	3	4/29/82
Time and savings[2,3]			3½ years or more	0	4/29/82
Savings	3	3/16/67			
			Eurocurrency liabilities		
Time[4]			All types	3	11/13/80
0–5, by maturity					
30–179 days	3	3/16/67			
180 days to 4 years	2½	1/8/76			
4 years or more	1	10/30/75			
Over 5, by maturity					
30–179 days	6	12/12/74			
180 days to 4 years	2½	1/8/76			
4 years or more	1	10/30/75			

1. For changes in reserve requirements beginning 1963, see Board's *Annual Statistical Digest, 1971–1975* and for prior changes, see Board's *Annual Report* for 1976, table 13. Under provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. Requirement schedules are graduated, and each deposit interval applies to that part of the deposits of each bank. Demand deposits subject to reserve requirements were gross demand deposits minus cash items in process of collection and demand balances due from domestic banks.

The Federal Reserve Act as amended through 1978 specified different ranges of requirements for reserve city banks and for other banks. Reserve cities were designated under a criterion adopted effective Nov. 9, 1972, by which a bank having net demand deposits of more than $400 million was considered to have the character of business of a reserve city bank. The presence of the head office of such a bank constituted designation of that place as a reserve city. Cities in which there were Federal Reserve Banks or branches were also reserve cities. Any banks having net demand deposits of $400 million or less were considered to have the character of business of banks outside of reserve cities and were permitted to maintain reserves at ratios set for banks not in reserve cities.

Effective Aug. 24, 1978, the Regulation M reserve requirements on net balances due from domestic banks to their foreign branches and on deposits that foreign branches lend to U.S. residents were reduced to zero from 4 percent and 1 percent respectively. The Regulation D reserve requirement on borrowings from unrelated banks abroad was also reduced to zero from 4 percent.

Effective with the reserve computation period beginning Nov. 16, 1978, domestic deposits of Edge corporations were subject to the same reserve requirements as deposits of member banks.

3. Negotiable order of withdrawal (NOW) accounts and time deposits such as Christmas and vacation club accounts were subject to the same requirements as savings deposits.

The average reserve requirement on savings and other time deposits before implementation of the Monetary Control Act had to be at least 3 percent, the minimum specified by law.

4. Effective Nov. 2, 1978, a supplementary reserve requirement of 2 percent was imposed on large time deposits of $100,000 or more, obligations of affiliates, and ineligible acceptances. This supplementary requirement was eliminated with the maintenance period beginning July 24, 1980.

Effective with the reserve maintenance period beginning Oct. 25, 1979, a marginal reserve requirement of 8 percent was added to managed liabilities in excess of a base amount. This marginal requirement was increased to 10 percent beginning Apr. 3, 1980, was decreased to 5 percent beginning June 12, 1980, and was reduced to zero beginning July 24, 1980. Managed liabilities are defined as large time deposits, Eurodollar borrowings, repurchase agreements against U.S. government and federal agency securities, federal funds borrowings from nonmember institutions, and certain other obligations. In general, the base for the marginal reserve requirement was originally the greater of (a) $100 million or (b) the average amount of the managed liabilities held by a member bank, Edge corporation, or family of U.S. branches and agencies of a foreign bank for the two statement weeks ending Sept. 26, 1979. For the computation period beginning Mar. 20, 1980, the base was lowered by (a) 7 percent or (b) the decrease in an institution's U.S. office gross loans to foreigners and gross balances due from foreign offices of other institutions between the base period (Sept. 13–26, 1979) and the week ending Mar. 12, 1980, whichever was greater. For the computation period beginning May 29, 1980, the base was increased by 7½ percent above the base used to calculate the marginal reserve in the statement week of May 14–21, 1980. In addition, beginning Mar. 19, 1980, the base was reduced to the extent that foreign loans and balances declined.

5. For existing nonmember banks and thrift institutions at the time of implementation of the Monetary Control Act, the phase-in period ends Sept. 3, 1987. For existing member banks the phase-in period is about three years, depending on whether their new reserve requirements are greater or less than the old requirements. For existing agencies and branches of foreign banks, the phase-in ended Aug. 12, 1982. New institutions have a two-year phase-in beginning with the date that they open for business, except for those institutions having total reservable liabilities of $50 million or more.

6. 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.

7. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement will apply be modified annually to 80 percent of the percentage increase in transaction accounts held by all depository institutions on the previous June 30. At the beginning of 1982 the amount was accordingly increased from $25 million to $26 million.

8. In general, nonpersonal time deposits are time deposits, including savings deposits, that are not transaction accounts and in which the 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.

The category of time deposit authorized by the Depository Institutions Deregulation Committee (DIDC), effective Sept. 1, 1982 (original maturity or required notice period of 7 to 31 days, required minimum deposit balance of $20,000, and ceiling rate tied to the 91-day Treasury bill rate), is classified as a time deposit for reserve requirement purposes.

NOTE. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. After implementation of the Monetary Control Act, nonmembers may maintain reserves on a pass-through basis with certain approved institutions.

~~NOTES TO TABLE 1.16~~

18. Between Jan. 1, 1980, and Aug. 1, 1981, commercial banks, and thrifts were authorized to offer variable ceiling nonnegotiable time deposits with no required minimum denomination and with maturities of 2½ years or more. Effective Jan. 1, 1980, the maximum rate for commercial banks was ¾ percentage point below the average yield on 2½ year U.S. Treasury securities; the ceiling rate for thrifts was ¼ percentage point higher than that for commercial banks. Effective Mar. 1, 1980, a temporary ceiling of 11¾ percent was placed on these accounts at commercial banks and 12 percent on these accounts at savings and loans. Effective June 2, 1980, the ceiling rates for these deposits at commercial banks and savings and loans was increased ½ percentage point. The temporary ceiling was retained, and a minimum ceiling of 9.25 percent for commercial banks and 9.50 percent for thrifts was established.

19. Effective Dec. 1, 1981, depository institutions were authorized to offer time deposits not subject to interest rate ceilings when the funds are deposited to the credit of, or in which the entire beneficial interest is held by, an individual pursuant to an IRA agreement or Keogh (H.R. 10) plan. Such time deposits must have a minimum maturity of 18 months, and additions may be made to the time deposit at any time before its maturity without extending the maturity of all or a portion of the balance of the account.

20. Effective May 1, 1982, depository institutions were authorized to offer negotiable or nonnegotiable time deposits with a minimum original maturity of 3½ years or more that are not subject to interest rate ceilings. Such time deposits have no minimum denomination, but must be made available in a $500 denomination. Additional deposits may be made to the account during the first year without extending its maturity.

NOTE. Before Mar. 31, 1980, the maximum rates that could be paid by federally insured commercial banks, mutual savings banks, and savings and loan associations were established by the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board under the provisions of 12 CFR 217, 329, and 526 respectively. Title II of the Depository Institutions Deregulation and Monetary Control Act of 1980 (P.L. 96–221) transferred the authority of the agencies to establish maximum rates of interest payable on deposits to the Depository Institutions Deregulation Committee. The maximum rates on time deposits in denominations of $100,000 or more with maturities of 30–89 days were suspended in June 1970; such deposits maturing in 90 days or more were suspended in May 1973. For information regarding previous interest rate ceilings on all types of accounts, see earlier issues of the FEDERAL RESERVE BULLETIN, the *Federal Home Loan Bank Board Journal*, and the *Annual Report of the Federal Deposit Insurance Corporation*.

1.16 MAXIMUM INTEREST RATES PAYABLE on Time and Savings Deposits at Federally Insured Institutions

Percent per annum

Type and maturity of deposit	Commercial banks				Savings and loan associations and mutual savings banks (thrift institutions)			
	In effect September 30, 1982		Previous maximum		In effect September 30, 1982		Previous maximum	
	Percent	Effective date	Percent	Effective date	Percent	Effective date	Percent	Effective date
1 Savings	5¼	7/1/79	5	7/1/73	5½	7/1/79	5¼	(1)
2 Negotiable order of withdrawal accounts [2]	5¼	12/31/80	5	1/1/74	5¼	12/31/80	5	1/1/74
Time accounts [3]								
Fixed ceiling rates by maturity [4]								
3 14–89 days [5]	5¼	8/1/79	5	7/1/73	(6)	....	(6)	....
4 90 days to 1 year	5¾	1/1/80	5½	7/1/73	6	1/1/80	5¼	(1)
5 1 to 2 years [7]	6	7/1/73	5½	1/21/70	6½	(1)	5¾	1/21/70
6 2 to 2½ years [7]			5¾	1/21/70			6	1/21/70
7 2½ to 4 years [7]	6½	7/1/73	5¾	1/21/70	6¾	(1)	6	1/21/70
8 4 to 6 years [8]	7¼	11/1/73	(9)	....	7½	11/1/73	(9)	....
9 6 to 8 years [8]	7½	12/23/74	7¼	11/1/73	7¾	12/23/74	7½	11/1/73
10 8 years or more [8]	7¾	6/1/78	(6)	....	8	6/1/78	(6)	....
11 Issued to governmental units (all maturities) [10]	8	6/1/78	7¾	12/23/74	8	6/1/78	7¾	12/23/74
12 IRAs and Keogh (H.R. 10) plans (3 years or more) [10,11]	8	6/1/78	7¾	7/6/77	8	6/1/78	7¾	7/6/77
Special variable ceiling rates by maturity								
13 7-to 31-day time deposits [12]	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)
14 91-day time deposits [13]	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)
15 6-month money market time deposits [14]	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)
16 12-month all savers certificates [16]	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)
17 2½ years to less than 3½ years [17]	(17)	(17)	(18)	(18)	(17)	(17)	(18)	(18)
Accounts with no ceiling rates								
18 IRAs and Keogh (H.R. 10) plans (18 months or more) [19]	(19)	(19)	(19)	(19)	(19)	(19)	(19)	(19)
19 3½ years or more time deposits [20]	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)

1. July 1, 1973, for mutual savings banks; July 6, 1973, for savings and loans.

2. For authorized states only. Federally insured commercial banks, savings and loan associations, cooperative banks, and mutual savings banks in Massachusetts and New Hampshire were first permitted to offer negotiable order of withdrawal (NOW) accounts on Jan. 1, 1974. Authorization to issue NOW accounts was extended to similar institutions throughout New England on Feb. 27, 1976, in New York State on Nov. 10, 1978, and in New Jersey on Dec. 28, 1979 and to similar institutions nationwide effective Dec. 31, 1980.

3. For exceptions with respect to certain foreign time deposits see the BULLETIN for October 1962 (p. 1279), August 1965 (p. 1084), and February 1968 (p. 167).

4. Effective Nov. 10, 1980, the minimum notice period for public unit accounts at savings and loan associations was decreased to 14 days and the minimum maturity period for time deposits at savings and loan associations in excess of $100,000 was decreased to 14 days. Effective Oct. 30, 1980, the minimum maturity or notice period for time deposits was decreased from 30 to 14 days at mutual savings banks.

5. Effective Oct. 30, 1980, the minimum maturity or notice period for time deposits was decreased from 30 to 14 days at commercial banks.

6. No separate account category.

7. No minimum denomination. Until July 1, 1979, a minimum of $1,000 was required for savings and loan associations, except in areas where mutual savings banks permitted lower minimum denominations. This restriction was removed for deposits maturing in less than 1 year, effective Nov. 1, 1973.

8. No minimum denomination. Until July 1, 1979, the minimum denomination was $1,000 except for deposits representing funds contributed to an individual retirement account (IRA) or a Keogh (H.R. 10) plan established pursuant to the Internal Revenue Code. The $1,000 minimum requirement was removed for such accounts in December 1975 and November 1976 respectively.

9. Between July 1, 1973, and Oct. 31, 1973, certificates maturing in 4 years or more with minimum denominations of $1,000 had no ceiling; however, the amount of such certificates that an institution could issue was limited to 5 percent of its total time and savings deposits. Sales in excess of that amount, as well as certificates of less than $1,000, were limited to the 6½ percent ceiling on time deposits maturing in 2½ years or more. Effective Nov. 1, 1973, ceilings were reimposed on certificates maturing in 4 years or more with minimum denomination of $1,000. There is no limitation on the amount of these certificates that banks can issue.

10. Accounts subject to fixed-rate ceilings. See footnote 8 for minimum denomination requirements.

11. Effective Jan. 1, 1980, commercial banks are permitted to pay the same rate as thrifts on IRA and Keogh accounts and accounts of governmental units when such deposits are placed in the new 2½-year or more variable-ceiling certificates or in 26-week money market certificates regardless of the level of the Treasury bill rate.

12. Effective Sept. 1, 1982, depository institutions are authorized to issue nonnegotiable time deposits of $20,000 or more with a maturity or required notice period of 7 to 31 days. The maximum rate of interest payable by thrift institutions is the rate established and announced (auction average on a discount basis) for U.S. Treasury bills with maturities of 91 days at the auction held immediately before the date of deposit or renewal ("bill rate"). Commercial banks may pay the bill minus 25 basis points. The interest rate ceiling is suspended when the bill rate is 9 per cent or below for the four most recent auctions held before the date of deposit or renewal. The maximum allowable rate from Sept. 1 through Sept. 7 was 8.604 for commercial banks and 8.354 for thrifts. The interest rate ceiling was suspended for the remaining weeks in September.

13. Effective May 1, 1982, depository institutions were authorized to offer time deposits that have a minimum denomination of $7,500 and a maturity of 91 days. The ceiling rate of interest on these deposits is indexed to the discount rate (auction average) on most recently issued 91-day Treasury bills for thrift institutions and the discount rate minus 25 basis points for commercial banks. The rate differential ends 1 year from the effective date of these instruments and is suspended at any time the Treasury bill discount rate is 9 percent or below for four consecutive auctions. The maximum allowable rates in Sept. (in percent) for commercial banks were as follows: Sept. 8, 8.565; Sept. 14, 8.161; Sept. 21, 7.849; Sept. 28, 7.801; and for thrifts Sept. 8, 8.565; Sept. 14, 8.161; Sept. 21, 7.849; Sept. 28, 7.80.

14. Must have a maturity of exactly 26 weeks and a minimum denomination of $10,000, and must be nonnegotiable.

15. Commercial banks and thrift institutions were authorized to offer money market time deposits effective June 1, 1978. These deposits have a minimum denomination requirement of $10,000 and a maturity of 26 weeks. The ceiling rate of interest on these deposits is indexed to the discount rate (auction average) on most recently issued 26-week U.S. Treasury bills. Interest on these certificates may not be compounded. Effective for all 6-month money market certificates issued beginning Nov. 1, 1981, depository institutions may pay rates of interest on these deposits indexed to the higher of (1) the rate for 26-week Treasury bills established immediately before the date of deposit (bill rate) or (2) the average of the four rates for 26-week Tresury bills established for the 4 weeks immediately before the date of deposit (4-week average bill rate). Ceilings are determined as follows:

Bill rate or 4-week average bill rate	*Commercial bank ceiling*
7.50 percent or below	7.75 percent
Above 7.50 percent	¼ of 1 percentage point plus the higher of the bill rate or 4-week average bill rate
	Thrift ceiling
7.25 percent or below	7.75 percent
Above 7.25 percent, but below 8.50 percent	½ of 1 percentage point plus the higher of the bill rate or 4-week average bill rate
8.50 percent or above, but below 8.75 percent	9 percent
8.75 percent or above	¼ of 1 percentage point plus the higher of the bill rate or 4-week average bill rate

The maximum allowable rates in Sept. for commercial banks and thrifts based on the bill rate were as follows: Sept. 8, 9.855; Sept. 14, 9.954; Sept. 21, 9.693; Sept. 28, 9.446; and based on the 4-week average bill rate were as follows: Sept. 8, 9.79; Sept. 14, 9.76; Sept. 21, 9.874; Sept. 28, 9.737

16. Effective Oct. 1, 1981, depository institutions are authorized to issue all savers certificates (ASCs) with a 1-year maturity and an annual investment yield equal to 70 percent of the average investment yield for 52-week U.S. Treasury bills as determined by the auction of 52-week Treasury bills held immediately before the calendar week in which the certificate is issued. A maximum lifetime exclusion of $1,000 ($2,000 on a joint return) from gross income is generally authorized for interest income from ASCs. The annual investment yield for ASCs issued in Sept. (in percent) was as follows: Sept.5, 8.15.

17. Effective Aug. 1, 1981, commercial banks may pay interest on any variable ceiling nonnegotiable time deposit with an original maturity of 2½ years to less than 4 years at a rate not to exceed ¼ of 1 percent below the average 2½-year yield for U.S. Treasury securities as determined and announced by the Treasury Department immediately before the date of deposit. Effective May 1, 1982, the maximum maturity for this category of deposits was reduced to less than 3½ years. Thrift institutions may pay interest on these certificates at a rate not to exceed the average 2½-year yield for Treasury securities as determined and announced by the Treasury Department immediately before the date of deposit. If the announced average 2½-year yield for Treasury securities is less than 9.50 percent, commercial banks may pay 9.25 percent and thrift institutions 9.50 percent for these deposits. These deposits have no required minimum denomination, and interest may be compounded on them. The ceiling rates of interest at which they may be offered vary biweekly. The maximum allowable rates in Sept. (in percent) for commercial banks were as follows: Sept. 14, 11.80; Sept. 28, 11.55; and for thrifts: Sept. 14, 12.05; Sept. 28, 11.80.

NOTES are continued on opposite page.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

Type of transaction	1979	1980	1981	1982						
				Feb.	Mar	Apr.	May	June	July	Aug.
U.S. GOVERNMENT SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	15,998	7,668	13,899	1,017	474	4,149	595	1,559	1,905	1,721
2 Gross sales	6,855	7,331	6,746	868	995	0	519	0	1,175	651
3 Exchange	0	0	0	0	0	0	0	200	−200	0
4 Redemptions	2,900	3,389	1,816	0	600	0	400	0	200	600
Others within 1 year[1]										
5 Gross purchases	3,203	912	317	20	0	132	0	0	71	0
6 Gross sales	0	0	23	0	0	0	0	0	0	0
7 Maturity shift	17,339	12,427	13,794	2,633	900	333	1,498	988	382	4,938
8 Exchange	−11,308	−18,251	−12,869	−940	−1,479	−525	−2,541	−1,249	0	−3,914
9 Redemptions	2,600	0	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	2,148	2,138	1,702	50	0	570	0	0	691	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shift	−12,693	−8,909	−10,299	−974	−900	−333	−1,000	−988	−382	−4,938
13 Exchange	7,508	13,412	10,117	765	1,479	525	1,600	1,049	200	3,078
5 to 10 years										
14 Gross purchases	523	703	393	0	0	81	0	0	113	0
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shift	−4,646	−3,092	−3,495	−1,659	0	0	−498	0	0	601
17 Exchange	2,181	2,970	1,500	100	0	0	941	0	0	837
Over 10 years										
18 Gross purchases	454	811	379	0	0	52	0	0	123	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	0	−426	0	0	0	0	0	0	0	−601
21 Exchange	1,619	1,869	1,253	75	0	0	0	0	0	0
All maturities[1]										
22 Gross purchases	22,325	12,232	16,690	1,087	474	4,984	595	1,559	2,903	1,721
23 Gross sales	6,855	7,331	6,769	868	995	0	519	0	1,175	651
24 Redemptions	5,500	3,389	1,816	0	600	0	400	0	200	600
Matched transactions										
25 Gross sales	627,350	674,000	589,312	28,033	38,946	44,748	36,047	41,509	54,646	39,403
26 Gross purchases	624,192	675,496	589,647	28,258	38,650	44,759	36,790	37,548	58,753	37,962
Repurchase agreements										
27 Gross purchases	107,051	113,902	79,920	18,656	8,595	18,396	10,155	5,332	18,267	3,755
28 Gross sales	106,968	113,040	78,733	21,919	6,998	14,724	15,424	5,332	18,267	2,567
29 Net change in U.S. government securities	6,896	3,869	9,626	−2,820	179	8,667	−4,850	−2,402	5,636	217
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	853	668	494	0	0	0	0	0	0	0
31 Gross sales	399	0	0	0	0	0	0	0	0	0
32 Redemptions	134	145	108	32	13	5	1	6	1	46
Repurchase agreements										
33 Gross purchases	37,321	28,895	13,320	872	554	2,033	1,305	831	4,389	1,095
34 Gross sales	36,960	28,863	13,576	1,006	471	1,119	2,301	831	4,389	866
35 Net change in federal agency obligations	681	555	130	−166	70	909	−997	−6	−1	183
BANKERS ACCEPTANCES										
36 Repurchase agreements, net	116	73	−582	−597	488	280	−768	0	0	565
37 Total net change in System Open Market Account	**7,693**	**4,497**	**9,175**	**−3,583**	**737**	**9,856**	**−6,615**	**−2,408**	**5,634**	**966**

1. Both gross purchases and redemptions include special certificates created when the Treasury borrows directly from the Federal Reserve, as follows (millions of dollars): March 1979, 2,600.

NOTE. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings. Details may not add to totals because of rounding.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements

Millions of dollars

Account	Wednesday 1982					End of month 1982		
	Sept. 1	Sept. 8	Sept. 15	Sept. 22	Sept. 29	July	Aug.	Sept.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,148	11,148	11,148	11,148	11,148	11,149	11,148	11,148
2 Special drawing rights certificate account	4,018	4,018	4,018	4,218	4,218	4,018	4,018	4,218
3 Coin	429	415	420	438	446	432	432	450
Loans								
4 To depository institutions	1,356	482	3,798	1,965	1,154	458	449	1,123
5 Other	0	0	0	0	0	0	0	0
Acceptances								
6 Held under repurchase agreements	0	0	0	0	0	0	565	813
Federal agency obligations								
7 Bought outright	8,954	8,954	8,949	8,949	8,949	9,001	8,955	8,949
8 Held under repurchase agreements	0	0	0	0	0	0	229	1,001
U.S. government securities								
Bought outright								
9 Bills	52,601	50,401	49,363	50,923	50,023	52,358	51,387	50,309
10 Notes	62,018	62,018	62,018	62,018	62,018	62,018	62,018	62,018
11 Bonds	18,264	18,264	18,264	18,264	18,264	18,264	18,264	18,264
12 Total[1]	132,883	130,683	129,645	131,205	130,305	132,640	131,669	130,591
13 Held under repurchase agreements	0	0	0	0	0	0	1,189	3,802
14 Total U.S. government securities	132,883	130,683	129,645	131,205	130,305	132,640	132,858	134,393
15 **Total loans and securities**	**143,193**	**140,119**	**142,392**	**142,119**	**140,408**	**142,099**	**143,056**	**146,279**
16 Cash items in process of collection	10,161	10,958	10,671	8,903	7,985	8,220	9,680	6,779
17 Bank premises	535	536	536	538	539	528	534	541
Other assets								
18 Denominated in foreign currencies[2]	4,963	4,993	5,008	5,037	5,041	5,405	4,959	5,116
19 All other[3]	3,331	3,841	3,614	3,861	3,925	4,023	3,648	4,016
20 **Total assets**	**177,778**	**176,028**	**177,807**	**176,262**	**173,710**	**175,874**	**177,475**	**178,547**
LIABILITIES								
21 Federal Reserve notes	135,636	137,103	136,390	135,306	135,259	134,115	135,374	135,197
Deposits								
22 Depository institutions	26,284	21,663	24,902	25,145	18,734	24,974	24,993	20,318
23 U.S. Treasury—General account	3,460	4,041	3,565	3,648	8,320	3,275	3,234	10,975
24 Foreign—Official accounts	344	226	305	235	295	982	348	396
25 Other	563	534	573	410	385	662	501	394
26 **Total deposits**	**30,651**	**26,464**	**29,345**	**29,438**	**27,734**	**29,893**	**29,076**	**32,083**
27 Deferred availability cash items	6,960	7,788	7,356	6,793	6,048	6,507	8,234	6,220
28 Other liabilities and accrued dividends[4]	1,808	1,711	1,749	1,747	1,696	2,197	1,805	2,027
29 **Total liabilities**	**175,055**	**173,066**	**174,840**	**173,284**	**170,737**	**172,712**	**174,489**	**175,527**
CAPITAL ACCOUNTS								
30 Capital paid in	1,339	1,339	1,340	1,341	1,340	1,336	1,337	1,341
31 Surplus	1,278	1,278	1,278	1,278	1,278	1,278	1,278	1,278
32 Other capital accounts	106	345	349	359	355	548	371	401
33 ***Total liabilities and capital accounts***	**177,778**	**176,028**	**177,807**	**176,262**	**173,710**	**175,874**	**177,475**	**178,547**
34 MEMO: Marketable U.S. government securities held in custody for foreign and international account	93,985	97,442	99,391	96,486	97,939	95,684	94,780	98,192
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to bank)	155,840	155,975	156,342	156,519	156,405	155,017	155,800	156,412
36 LESS: Held by bank[5]	*20,204*	*18,872*	*19,952*	*21,213*	*21,146*	*20,902*	*20,426*	*21,215*
37 Federal Reserve notes, net	135,636	137,103	136,390	135,306	135,259	134,115	135,374	135,197
Collateral for Federal Reserve notes								
38 Gold certificate account	11,148	11,148	11,148	11,148	11,148	11,149	11,148	11,148
39 Special drawing rights certificate account	4,018	4,018	4,018	4,218	4,218	4,018	4,018	4,218
40 Other eligible assets	0	0	17	0	11	0	0	0
41 U.S. government and agency securities	120,470	121,937	121,207	119,940	119,882	118,948	120,208	119,831
42 **Total collateral**	**135,636**	**137,103**	**136,390**	**135,306**	**135,259**	**134,115**	**135,374**	**135,197**

1. *Includes* securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and *excludes* (if any) securities sold and scheduled to be bought back under matched sale-purchase transactions.
2. Includes U.S. government securities held under repurchase agreement against receipt of foreign currencies and foreign currencies warehoused for the U.S. Treasury. Assets shown in this line are revalued monthly at market exchange rates.
3. Includes special investment account at Chicago of Treasury bills maturing within 90 days.
4. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.
5. Beginning September 1980, Federal Reserve notes held by the Reserve Bank are exempt from the collateral requirement.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday 1982					End of month 1982		
	Sept. 1	Sept. 8	Sept. 15	Sept. 22	Sept. 29	July 31	Aug. 31	Sept. 30
1 Loans—Total	1,356	482	3,798	1,965	1,154	458	449	1,123
2 Within 15 days	1,294	438	3,761	1,835	1,110	383	411	1,076
3 16 days to 90 days	62	44	37	130	44	75	38	47
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	0	565	813
6 Within 15 days	0	0	0	0	0	0	565	813
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. government securities—Total	132,883	130,683	129,645	131,205	130,305	132,640	132,858	134,393
10 Within 15 days[1]	6,625	5,370	5,534	5,508	4,211	4,374	3,911	5,743
11 16 days to 90 days	23,603	24,449	22,190	23,877	24,429	27,562	25,870	24,429
12 91 days to 1 year	38,132	36,341	37,398	37,297	37,142	34,775	38,554	39,781
13 Over 1 year to 5 years	35,974	35,974	35,974	35,974	35,974	38,216	35,974	35,891
14 Over 5 years to 10 years	12,267	12,267	12,267	12,267	12,267	10,830	12,267	12,267
15 Over 10 years	16,282	16,282	16,282	16,282	16,282	16,883	16,282	16,282
16 Federal agency obligations—Total	8,954	8,954	8,949	8,949	8,949	9,001	9,184	9,950
17 Within 15 days[1]	35	35	1	131	207	174	345	1,208
18 16 days to 90 days	407	503	568	438	407	524	407	407
19 91 days to 1 year	1,900	1,804	1,838	1,838	1,863	1,593	1,829	1,863
20 Over 1 year to 5 years	5,227	5,227	5,157	5,157	5,087	5,305	5,228	5,087
21 Over 5 years to 10 years	882	882	882	882	882	902	872	882
22 Over 10 years	503	503	503	503	503	503	503	503

1. Holdings under repurchase agreements are classified as maturing within 15 days in accordance with maximum maturity of the agreements.

1.20 BANK DEBITS AND DEPOSIT TURNOVER

Debits are shown in billions of dollars, turnover as ratio of debits to deposit. Monthly data are at annual rates.

Bank group, or type of customer	1979	1980	1981	1982				
				Feb.	Mar.	Apr.	May	June
	Debits to demand deposits[1] (seasonally adjusted)							
1 All commercial banks	49,775.0	63,013.4	80,059.7	85,274.3	83,617.4	83,404.1	87,488.1	88,259.6
2 Major New York City banks	18,512.7	25,192.5	33,642.7	35,983.8	34,218.3	35,238.0	37,379.7	37,016.6
3 Other banks	31,262.3	37,820.9	46,417.0	49,290.5	49,399.1	48,166.1	50,108.4	51,243.0
	Debits to savings deposits[2] (not seasonally adjusted)							
4 ATS/NOW[3]	83.3	158.4	741.3	836.7	935.4	1,072.5	929.0	1,069.9
5 Business[4]	77.3	93.4	112.1	95.2	115.4	103.0	90.2	107.6
6 Others[5]	515.2	605.3	582.2	534.8	586.9	609.6	570.4	593.4
7 All accounts	675.8	857.2	1,435.6	1,466.7	1,637.6	1,785.1	1,589.6	1,770.9
	Demand deposit turnover[1] (seasonally adjusted)							
8 All commercial banks	163.5	201.6	281.4	307.1	304.7	301.3	315.8	322.7
9 Major New York City banks	646.2	813.7	1,100.5	1,252.1	1,211.7	1,255.3	1,292.8	1,326.4
10 Other banks	113.3	134.3	182.8	198.0	200.7	193.7	202.0	208.6
	Savings deposit turnover[2] (not seasonally adjusted)							
11 ATS/NOW[3]	7.8	9.7	14.2	13.0	14.2	15.4	14.0	15.8
12 Business[4]	7.2	9.3	12.3	12.1	14.6	13.2	11.4	13.5
13 Others[5]	2.7	3.4	3.7	3.6	3.9	4.0	3.8	3.9
14 All accounts	3.1	4.2	6.6	6.6	7.3	7.8	7.1	7.8

1. Represents accounts of individuals, partnerships, and corporations, and of states and political subdivisions.
2. Excludes special club accounts, such as Christmas and vacation clubs.
3. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data availability starts with December 1978.
4. Represents corporations and other profit-seeking organizations (excluding commercial banks but including savings and loan associations, mutual savings banks, credit unions, the Export-Import Bank, and federally sponsored lending agencies).
5. Savings accounts other than NOW; business; and, from December 1978, ATS.

NOTE. Historical data for the period 1970 through June 1977 have been estimated; these estimates are based in part on the debits series for 233 SMSAs, which were available through June 1977. Back data are available from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Debits and turnover data for savings deposits are not available before July 1977.

1.21 MONEY STOCK MEASURES AND COMPONENTS

Billions of dollars, averages of daily figures

Item	1978 Dec.	1979 Dec.	1980 Dec.	1981 Dec.	1982 Apr.	1982 May	1982 June	1982 July	1982 Aug.
	Seasonally adjusted								
MEASURES[1]									
1 M1	363.2	389.0	414.5	440.9	452.4	451.5	451.4	451.3r	455.2
2 M2	1,403.9	1,518.9	1,656.2	1,822.7	1,880.7	1,897.5	1,907.9	1,923.4r	1,946.2
3 M3	1,629.0	1,779.4	1,963.1	2,188.1	2,258.1	2,279.3	2,296.0r	2,320.2	2,355.7
4 L[2]	1,938.9	2,153.9	2,370.4	2,642.8	2,743.5r	2,773.2	2,797.8	n.a.	n.a.
SELECTED COMPONENTS									
5 Currency	97.4	106.1	116.2	123.1	126.3	127.4	128.4	128.8	129.5
6 Traveler's checks[3]	3.5	3.7	4.2	4.3	4.4	4.5	4.5	4.4	4.4
7 Demand deposits	253.9	262.2	267.2	236.4	233.0	232.7	231.0	230.6	231.1
8 Other checkable deposits[7]	8.4	16.9	26.9	77.0	88.6	87.0	87.5	87.4	90.2
9 Savings deposits[4]	479.9	421.7	398.9	343.6	350.5	350.9	349.9	344.0	342.1
10 Small-denomination time deposits[5]	533.9	652.6	751.7	854.7	881.6	894.1	900.9	919.7	930.2
11 Large-denomination time deposits[6]	194.6	221.8	257.9	300.3	317.2	321.6	328.3	335.8r	339.4
	Not seasonally adjusted								
MEASURES[1]									
12 M1	372.5	398.8	424.6	451.2	455.5	445.1	450.5	454.0	454.0
13 M2	1,408.5	1,524.7	1,662.5	1,829.4	1,887.9	1,888.9	1,906.4r	1,924.8r	1,938.7
14 M3	1,637.5	1,789.2	1,973.9	2,199.9	2,266.1	2,269.3	2,290.0	2,314.1	2,342.3
15 L[2]	1,946.6	2,162.8	2,380.2	2,653.8	2,754.1r	2,766.3	2,792.9	n.a.	n.a.
SELECTED COMPONENTS									
16 Currency	99.4	108.2	118.3	125.4	125.6	127.2	128.3	129.8	130.0
17 Traveler's checks[3]	3.3	3.5	3.9	4.1	4.2	4.3	4.7	4.9	4.9
18 Demand deposits	261.5	270.1	275.1	243.3	236.1	228.3	230.4	231.5	229.3
19 Other checkable deposits[7]	8.4	17.0	27.2	78.4	89.5	85.4	87.2	87.9	89.8
20 Overnight RPs and Eurodollars[8]	24.1	26.3	35.0	38.1	40.4	42.8	43.0	43.5r	44.7
21 Savings deposits[4]	478.0	420.5	398.0	343.0	348.1r	347.4	348.0r	348.3	346.2
22 Small-denomination time deposits[5]	531.1	649.7	748.9	851.7	888.1	895.3	902.3	914.1	919.9
Money market mutual funds									
23 General purpose and broker/dealer	7.1	34.4	61.9	151.2	161.9	164.3	168.6	171.3	180.0
24 Institution only	3.1	9.3	13.9	33.7	31.5	32.8	33.7	36.7	43.1
25 Large-denomination time deposits[6]	198.6	226.0	262.3	305.4	317.9	320.3	323.9r	328.3r	333.5

1. Composition of the money stock measures is as follows:

M1: Averages of daily figures for (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) traveler's checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at banks and thrift institutions, credit union share draft (CUSD) accounts, and demand deposits at mutual savings banks.

M2: M1 plus savings and small-denomination time deposits at all depository institutions, overnight repurchase agreements at commercial banks, overnight Eurodollars held by U.S. residents other than banks at Caribbean branches of member banks, and balances of money market mutual funds (general purpose and broker/dealer).

M3: M2 plus large-denomination time deposits at all depository institutions, term RPs at commercial banks and savings and loan associations, and balances of institution-only money market mutual funds.

2. L: M3 plus other liquid assets such as term Eurodollars held by U.S. residents other than banks, bankers acceptances, commercial paper, Treasury bills and other liquid Treasury securities, and U.S. savings bonds.

3. Outstanding amount of U.S. dollar-denominated traveler's checks of nonbank issuers.

4. Savings deposits exclude NOW and ATS accounts at commercial banks and thrift institutions and CUSDs at credit unions.

5. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than $100,000.

6. Large-denomination time deposits are those issued in amounts of $100,000 or more and are net of the holdings of domestic banks, thrift institutions, the U.S. government, money market mutual funds, and foreign banks and official institutions.

7. Includes ATS and NOW balances at all institutions, credit union share draft balances, and demand deposits at mutual savings banks.

8. Overnight (and continuing contract) RPs are those issued by commercial banks to other than depository institutions and money market mutual funds (general purpose and broker/dealer), and overnight Eurodollars are those issued by Caribbean branches of member banks to U.S. residents other than depository institutions and money market mutual funds (general purpose and broker/dealer).

NOTE. Latest monthly and weekly figures are available from the Board's H.6 (508) release. Back data are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.22 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1978 Dec.r	1979 Dec.r	1980 Dec.r	1981 Dec.r	1982r Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 **Total reserves[3]**	**32.82**	**34.26**	**36.46**	**37.99**	**38.26**	**38.36**	**38.43**	**38.50**	**38.58**	**38.52**	**38.80**	**39.55**
2 Nonborrowed reserves	31.95	32.79	34.77	37.35	36.47	36.80	36.87	37.39	37.37	37.83	38.29	38.62
3 Required reserves	32.59	33.93	35.95	37.67	37.96	37.99	38.16	38.15	38.27	38.21	38.49	39.19
4 Monetary base[4]	132.2	142.5	155.0	162.7	164.7	165.2	166.5	167.7	168.8	169.2	170.1	171.9
	Not seasonally adjusted											
5 **Total reserves[3]**	**33.37**	**34.83**	**37.11**	**38.66**	**38.05**	**37.80**	**38.33**	**38.19**	**38.07**	**38.43**	**38.51**	**39.34**
6 Nonborrowed reserves	32.50	33.35	35.42	38.03	36.26	36.24	36.76	37.07	36.86	37.74	38.00	38.41
7 Required reserves	33.13	34.50	36.59	38.34	37.75	37.44	38.06	37.83	37.76	38.12	38.20	38.97
8 Monetary base[4]	134.8	145.4	158.0	165.8	162.9	163.3	165.6	167.1	168.2	170.0	170.4	171.4
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[5]												
9 **Total reserves[3]**	**41.68**	**43.91**	**40.66**	**41.92**	**41.29**	**39.24**	**39.56**	**39.55**	**39.57**	**39.97**	**40.18**	**39.95**
10 Nonborrowed reserves	40.81	42.43	38.97	41.29	39.50	37.68	37.99	38.43	38.36	39.28	39.66	39.02
11 Required reserves	41.45	43.58	40.15	41.60	40.98	38.87	39.28	39.19	39.26	39.65	39.87	39.58
12 Monetary base[4]	144.6	156.2	162.4	169.7	166.8	165.4	167.6	169.2	170.4	172.3	172.8	172.3

1. Reserve aggregates include required reserves of member banks and Edge Act corporations and other depository institutions. Discontinuities associated with the *implementation of the Monetary Control Act*, the inclusion of Edge Act corporation reserves, and other changes in Regulation D, have been removed. Beginning with the week ended December 23, 1981, reserves aggregates have been reduced by shifts of reservable liabilities to international banking facilities (IBFs). On the basis of reports of liabilities transferred to IBFs by U.S. commercial banks and U.S agencies and branches of foreign banks, it is estimated that required reserves were lowered on average by $10 million to $20 million in December 1981 and $40 million to $70 million in January 1982.

2. Reserve balances with Federal Reserve Banks (which exclude required clearing balances) plus vault cash at institutions with required reserve balances plus vault cash equal to required reserves at other institutions.

3. Includes reserve balances and required clearing balances at Federal Reserve Banks in the current week plus vault cash held two weeks earlier used to satisfy reserve requirements at all depository institutions plus currency outside the U.S. Treasury, Federal Reserve Banks, the vaults of depository institutions, and surplus vault cash at depository institutions.

4. Reserves of depository institutions series reflect actual reserve requirement percentages with no adjustments to eliminate the effect of changes in Regulation D, including changes associated with the implementation of the Monetary Control Act. Includes required reserves of member banks and Edge Act corporations and beginning November 13, 1980, other depository institutions. Under the transitional phase-in program of the Monetary Control Act of 1980, the net changes in required reserves of depository institutions have been as follows: Effective Nov. 13, 1980, a reduction of $2.9 billion; Feb. 12, 1981, an increase of $245 million; Mar. 12, 1981, an increase of $75 million; May 14, 1981, an increase of $245 million; Aug. 13, 1981, an increase of $230 million; Sept. 3, 1981, a reduction of $1.1 billion; Nov 12, 1981, an increase of $210 million; Jan 14, 1982, a reduction of $60 million; Feb. 11, 1982 an increase of $170 million; Mar. 4, 1982, an estimated reduction of $2.0 billion, May 13, 1982, an estimated increase of $150 million; Aug. 12, 1982 an estimated increase of $140 million; and Sept. 2, 1982, an estimated reduction of $1.2 billion. Beginning with the week ended December 23, 1981, reserve aggregates have been reduced by shifts of reservable liabilities to IBFs. On the basis of reports of liabilities transferred to IBFs by U.S. commercial banks and U.S. agencies and branches of foreign banks, *it is estimated that required reserves were* lowered on average by $60 million to $90 million in December 1981 and $180 million to $230 million in January 1982, mostly reflecting a reduction in reservable Eurocurrency transactions.

NOTE. Latest monthly and weekly figures are available from the Board's H.3(502) statistical release. Back data and estimates of the impact on required reserves and changes in reserve requirements are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1981	1982					1981	1982				
	Dec.[2]	Apr.[2]	May[2]	June[2]	July[2]	Aug.[2]	Dec.[2]	Apr.[2]	May[2]	June[2]	July[2]	Aug.[2]
	Seasonally adjusted						Not seasonally adjusted					
1 **Total loans and securities[3]**	**1,316.3**	**1,352.6**	**1,361.9**	**1,368.7**	**1,376.1**	**1,383.2**	**1,326.1**	**1,351.4**	**1,355.9**	**1,366.3**	**1,370.4**	**1,377.8**
2 U.S. Treasury asecurities	111.0	116.6	116.3	115.8	116.5	117.8	111.4	118.7	115.8	116.1	115.6	116.4
3 Other securities	231.4	234.0	234.9	235.8	235.9	237.1	232.8	234.0	235.1	235.6	234.7	236.4
4 Total loans and leases[3]	973.9	1,002.0	1,010 7	1,017.1	1,023.7	1,028.4	981.8	998.7	1,005.0	1,014.6	1,020.1	1,025.0
5 Commercial and industrial loans	358.0	373.1	378.8	383.4	386.7	387.8	360.1	375.2	378.9	382.6	385.5	385.5
6 Real estate loans	285.7	293.9	295.5	297.3	297.5	298.6	286.8	293.0	294.4	295.8	296.6	298.3
7 Loans to individuals	185.1	186.9	187.4	188.3	189.2	189.6	186.4	185.6	186.2	187.5	188.3	189.8
8 Security loans	21.9	20.9	20 6	19.5	21.0	21.4	22.7	20.9	19.8	20.5	20.5	22.0
9 Loans to nonbank financial institutions	30.2	33.3	33.2	33.6	33.9	33.2	31.2	33.0	32.8	33.1	33.3	33.1
10 Agricultural loans	33.0	34.4	34.6	35.4	35.7	36.1	33.0	33.8	34.4	35 5	36.1	36.6
11 Lease financing receivables	12.7	13.1	13.1	13.1	13.2	13.1	12.7	13.1	13.1	13.1	13.2	13.1
12 All other loans	47.2	46.5	47.4	46.6	46.4	48.6	49.2	44.1	45.4	46.3	46.7	46.7
MEMO:												
13 **Total loans and securities plus loans sold[3,7]**	**1,319.1**	**1,355.4**	**1,364.7**	**1,371.6**	**1,378.9**	**1,386.1**	**1,328.9**	**1,354.2**	**1,358.7**	**1,369.2**	**1,373.2**	**1,380.6**
14 Total loans plus loans sold[3,7]	976 7	1,004.8	1,013.5	1,020.0	1,026.5	1,031.2	984.7	1,001.5	1,007.8	1,017.5	1,023.0	1,027.8
15 Total loans sold to affiliates[7]	2.8	2.8	2.8	3.0	2.8	2.8	2.8	2.8	2.8	2.8	3.0	2.8
16 Commercial and industrial loans plus loans sold[7]	360.2	375.3	381.1	385.7	389.0	390.1	362.3	377.5	381.1	385.0	387.8	387.7
17 Commercial and industrial loans sold[7]	2.2	2.3	2.2	2.4	2.3	2.3	2.2	2.3	2.2	2.4	2.3	2.3
18 Acceptances held	8.9	10.3	10.1	9.1	8.7	9.1	9.8	9.5	9.5	9.2	8.6	8.8
19 Other commercial and industrial loans	349.1	362.8	368.8	374.2	378.0	378.7	350.3	365 7	369.4	373.5	376.8	376.7
20 To U.S. addressees[8]	334.9	350.1	355.2	360.1	364.7	365.7	334.3	352 9	356.7	360.5	363.9	363.9
21 To non-U.S. addressees	14.2	12.7	13.5	14.2	13.3	13.1	16.1	12.8	12.7	13.0	13.0	12.8
22 Loans to foreign banks	19.0	15 2	15.0	14.7	14.8	14.6	20.0	14.6	14.4	14.2	14.5	14.1

1. Includes domestically chartered banks; U.S. branches and agencies of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.
2. Beginning December 1981, shifts of foreign loans and securities from U S banking offices to international banking facilities (IBFs) reduced the levels of several items. Seasonally adjusted data that include adjustments for the amounts shifted from domestic offices to IBFs are available in the Board's G.7 (407) statistical release (available from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551)
3. Excludes loans to commercial banks in the United States.
4. The merger of a commercial bank with a mutual savings bank beginning Feb. 24, 1982, increased total loans and securities $1.0 billion; U.S. Treasury securities, $0.1 billion; other securities, $0.1 billion; total loans and leases, $0.8 billion; and real estate loans, $0.7 billion.
5. The merger of a commercial bank with a mutual savings bank beginning Mar. 17, 1982, increased total loans and securities $0.6 billion; U.S. Treasury securities, $0.1 billion; other securities $0.1 billion; total loans and leases, $0.4 billion; and real estate loans, $0.4 billion.
6. Beginning June 2, 1982, total loans and securities, total loans and leases, and loans to individuals were increased $0.5 billion due to acquisition of loans by a commercial bank from a nonbank institution.
7. 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.
8. United States includes the 50 states and the District of Columbia.

NOTE. Data are prorated averages of Wednesday estimates for domestically chartered banks, based on weekly reports of a sample of domestically chartered banks and quarterly reports of all domestically chartered banks. For foreign-related institutions, data are averages of month-end estimates based on weekly reports from large agencies and branches and quarterly reports from all agencies, branches, investment companies, and Edge Act corporations engaged in banking.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1980	1981			1982							
	Dec.	Oct.	Nov	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
Total nondeposit funds												
1 Seasonally adjusted[2]	122.0	116.3	116.2	98.5	89.5	88.0	83.8	83.5	82.1	84.4	80.0	78.4
2 Not seasonally adjusted	122.6	118.2	120.7	98.9	87.9	88.5	84.8	84.3	85.6	86.5	82.1	82.8
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	111.1	109.0	110.0	114.2	116.2	113.8	113.6	113.1	113.2	113.8	114.3	116.7
4 Not seasonally adjusted	111.6	111.1	114.6	114.6	114.6	114.3	114.6	113.9	116.6	115.9	116.3	121.1
5 Net balances due to foreign-related institutions, not seasonally adjusted	8.2	4.5	3.4	-18.6	-29.6	28.6	-32.6	-32.5	-33.9	-32.4	-37.1	-41.1
6 Loans sold to affiliates, not seasonally adjusted[4]	2.7	2.7	2.7	2.8	2.8	2.8	2.8	2.8	2.8	3.0	2.8	2.8
MEMO												
7 *Domestically chartered banks net positions with own foreign branches, not seasonally adjusted*[5]	-14.7	-15.4	-14.9	-22.5	-27.1	-25.9	28.8	-29.8	-29.8	-29.1	-32.7	-34.1
8 Gross due from balances	37.5	45.5	47.9	54.9	55.1	55.0	56.7	57.4	58.1	57.6	60.3	64.7
9 Gross due to balances	22.8	30.1	32.9	32.4	28.0	29.1	27.9	27.6	28.3	28.5	27.6	30.6
10 Foreign-related institutions net positions with directly related institutions, not seasonally adjusted[6]	22.9	19.9	18.4	3.9	-2.5	-2.7	-3.8	-2.7	-4.1	-3.3	-4.4	-7.0
11 Gross due from balances	32.5	38.3	39.1	48.1	50.0	50.5	50.0	49.1	49.4	50.2	52.7	53.4
12 Gross due to balances	55.4	58.2	57.4	52.0	47.5	47.9	46.2	46.4	45.4	46.9	48.3	46.4
Security RP borrowings												
13 Seasonally adjusted[7]	64.0	64.9	65.0	70.0	73.0	71.0	71.4	71.9	69.0	69.1	69.3	71.9
14 Not seasonally adjusted	62.3	64.7	67.3	68.2	69.2	69.1	70.0	70.4	70.0	68.7	68.9	73.9
U.S. Treasury demand balances[8]												
15 Seasonally adjusted	9.5	11.1	12.1	11.8	13.4	22.1	17.5	13.6	15.3	9.9	8.4	9.2
16 Not seasonally adjusted	9.0	13.3	9.7	11.2	14.5	20.0	15.5	13.8	15.4	10.8	8.3	8.2
Time deposits, $100,000 or more[9]												
17 Seasonally adjusted	267.0	324.8	323.4	324.0	324.3	327.2	332.0	334.4	341.1	349.4	360.1	366.8
18 Not seasonally adjusted	272.4	322.6	324.6	330.3	330.6	335.3	337.2	335.6	340.0	344.6	350.4	359.0

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.
2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars and loans to affiliates. Includes averages of Wednesday data for domestically chartered banks and averages of current and previous month-end data for foreign-related institutions.
3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans. Includes averages of daily figures for member banks and averages of current and previous month-end data for foreign-related institutions.
4. Loans initially booked by the bank and later sold to affiliates that are still held by affiliates. Averages of Wednesday data.
5. Averages of daily figures for member and nonmember banks.
6. Averages of daily data.
7. Based on daily average data reported by 122 large banks.
8. Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.
9. Averages of Wednesday figures.

NOTE. Beginning December 1981, shifts of foreign assets and liabilities from U.S. banking offices to international banking facilities (IBFs) reduced levels of several items as follows: lines 1 and 2, $22.4 billion; lines 3 and 4, $1.7 billion; line 5, $20.7 billion; line 7, $3.1 billion; and line 10, $17.6 billion.

For January 1982, the levels were reduced as follows: lines 1 and 2, $29.6 billion; lines 3 and 4, $2.4 billion; line 5, $27.2 billion, line 7, $4.8 billion; and line 10, $22.5 billion. For February the levels were reduced as follows: lines 1 and 2, $30.4 billion; lines 3 and 4, $2.4 billion; line 5, $28.0 billion; line 7, $4.9 billion; and line 10, $23.1 billion. For March the levels were reduced as follows: lines 1 and 2, $30.9 billion; lines 3 and 4, $2.4 billion; line 5, $28.5 billion; line 7, $4.9 billion; and line 10, $23.6 billion. For April the levels were reduced as follows: lines 1 and 2, $31.3 billion; lines 3 and 4, $2.4 billion; line 5, $29.0 billion; line 7, $5.0 billion; and line 10, $24.0 billion For May the levels were reduced as follows: lines 1 and 2, $31.7 billion; lines 3 and 4, $2.4 billion; line 5, $29.3 billion; line 7, $5.0 billion; and line 10, $24.3 billion For June the levels were reduced as follows: lines 1 and 2, $31.9 billion; lines 3 and 4, $2.4 billion; line 5, $29.5 billion; line 7, $5.0 billion; and line 10, $24 5 billion.

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series

Billions of dollars except for number of banks

	1981		1982								
	Nov.	Dec.	Jan.	Feb	Mar	Apr	May	June	July	Aug	Sept
DOMESTICALLY CHARTERED COMMERCIAL BANKS[1]											
1 Loans and securities, excluding interbank	1,249.4	1,267.4	1,261.2	1,271.2	1,285.8	1,292.6	1,300.7	1,315.4	1,313.2	1,318.8	1,337.3
2 Loans, excluding interbank	912.8	926.4	920.1	929.1	939.9	947.2	954.3	969.1	966.6	970.6	986.1
3 Commercial and industrial	312.6	320.3	321.0	325.6	332.4	336.7	341.9	348.7	346.4	346.2	355.0
4 Other	600.2	606.0	599.1	603.5	607.5	610.5	612.4	620.4	620.3	624.3	631.2
5 U.S. Treasury securities	106.7	109.8	111.5	112.3	114.5	113.0	111.5	113.4	113.4	113.7	115.0
6 Other securities	229.9	231.3	229.6	229.8	231.4	232.4	234.9	232.9	233.2	234.5	236.2
7 Cash assets, total	162.8	173.1	155.3	151.6	164.5	153.6	153.0	165.4	154.5	160.8	157.4
8 Currency and coin	18.3	22.0	19.8	19.7	18.9	19.9	20.0	20.1	20.5	20.3	20.4
9 Reserves with Federal Reserve Banks	26.1	28.0	30.2	24.8	25.7	25.5	21.7	18.2	25.1	26.1	17.0
10 Balances with depository institutions	52.0	54.5	50.3	51.0	55.9	52.4	54.9	59.6	55.4	58.8	60.4
11 Cash items in process of collection	66.4	68.6	55.0	56.1	64.0	55.8	56.3	67.4	53.6	55.5	59.6
12 Other assets[2]	194.4	211.2	197.0	201.9	219.3	206.6	209.9	223.2	224.2	231.4	234.9
13 **Total assets/total liabilities and capital**	**1,606.7**	**1,651.8**	**1,613.5**	**1,624.7**	**1,669.5**	**1,652.9**	**1,663.6**	**1,704.0**	**1,692.0**	**1,711.0**	**1,729.6**
14 Deposits	1,206.0	1,240.3	1,205.8	1,213.7	1,250.8	1,231.0	1,244.0	1,284.8	1,266.4	1,279.2	1,290.7
15 Demand	339.2	363.9	322.3	316.7	338.3	315.5	315.4	345.2	314.4	315.5	323.0
16 Savings	217.9	222.4	223.0	222.5	229.9	226.6	227.6	228.9	227.1	229.5	230.9
17 Time	648.9	654.0	660.5	674.4	682.6	688.9	701.0	710.7	724.8	734.2	736.9
18 Borrowings	179.3	190.2	191.9	191.0	196.4	201.1	195.1	189.7	195.4	196.0	202.8
19 Other liabilities	95.2	91.7	89.7	92.5	94.4	92.4	93.9	96.6	99.1	103.9	103.4
20 Residual (assets less liabilities)	126.2	129.6	126.1	127.5	128.0	128.4	130.6	133.0	131.1	131.9	132.6
MEMO:											
21 U.S. Treasury note balances included in borrowing	5.6	13.6	16.7	17.1	10.9	16.6	7.1	7.5	8.0	5.9	17.1
22 Number of banks	14,743	14,744	14,690	14,702	14,709	14,710	14,722	14,736	14,752	14,770	14,785
ALL COMMERCIAL BANKING INSTITUTIONS[3]											
23 Loans and securities, excluding interbank	1,335.5	1,330.0	1,321.6	1,331.5	1,345.8	1,350.7	1,358.5	1,374.3	1,370.5	1,376.6	1,397.5
24 Loans, excluding interbank	994.7	984.5	975.8	984.4	995.1	1,000.6	1,007.6	1,023.7	1,020.0	1,024.6	1,042.6
25 Commercial and industrial	365.5	360.8	360.3	364.6	372.4	374.7	379.3	386.7	383.8	384.5	395.6
26 Other	629.2	623.7	615.5	619.7	622.7	625.8	628.3	636.9	636.3	640.0	647.1
27 U.S. Treasury securities	108.8	112.5	114.5	115.5	117.6	116.1	114.3	116.2	115.8	115.9	117.2
28 Other securities	232.0	233.0	231.4	231.6	233.1	234.1	236.6	234.4	234.7	236.1	237.7
29 Cash assets, total	179.3	188.1	170.0	165.8	178.8	168.1	167.7	180.3	169.4	176.2	173.7
30 Currency and coin	18.3	22.0	19.8	19.7	18.9	19.9	20.0	20.2	20.5	20.4	20.4
31 Reserves with Federal Reserve Banks	27.5	29.3	31.3	26.1	26.9	26.8	23.0	19.6	26.4	27.5	18.4
32 Balances with depository institutions	66.0	67.1	62.7	63.0	68.0	64.6	67.3	72.2	68.0	71.9	74.2
33 Cash items in process of collection	67.4	69.6	56.1	57.1	65.0	56.8	57.3	68.4	54.6	56.5	60.6
34 Other assets[2]	267.0	288.7	274.2	278.1	295.2	280.3	285.9	300.1	299.6	306.9	310.3
35 **Total assets/total liabilities and capital**	**1,781.7**	**1,806.8**	**1,765.8**	**1,775.5**	**1,819.9**	**1,799.1**	**1,812.1**	**1,854.7**	**1,839.6**	**1,859.7**	**1,881.5**
36 Deposits	1,254.1	1,288.7	1,251.5	1,258.3	1,295.0	1,272.7	1,286.2	1,325.8	1,307.4	1,321.8	1,335.6
37 Demand	352.6	377.7	335.1	329.4	350.8	327.9	327.9	357.4	326.7	327.8	335.1
38 Savings	218.1	222.6	223.2	222.8	230.2	226.9	227.8	229.1	227.4	229.8	231.1
39 Time	683.4	688.3	693.1	706.2	714.0	717.9	730.4	739.3	753.3	764.3	769.3
40 Borrowings	246.2	250.8	253.5	255.9	260.0	260.8	255.3	253.2	258.3	260.0	267.6
41 Other liabilities	153.3	135.6	132.8	131.8	135.0	135.3	138.2	140.8	140.9	144.1	143.9
42 Residual (assets less liabilities)	128.1	131.5	128.1	129.4	129.9	130.3	132.5	134.9	133.0	133.8	134.5
MEMO:											
43 U.S. Treasury note balances included in borrowing	5.6	13.6	16.7	17.1	10.9	16.6	7.1	7.5	8.0	5.9	17.1
44 Number of banks	15,212	15,213	15,185	15,201	15,214	15,215	15,235	15,235	15,271	15,289	15,311

1. Domestically chartered commercial banks include all commercial banks in the United States except branches of foreign banks; included are member and nonmember banks, stock savings banks, and nondeposit trust companies.
2. Other assets include loans to U.S. commercial banks.
3. Commercial banking institutions include domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.

NOTE Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Data for domestically chartered commercial banks are for the last Wednesday of the month. Data for other banking institutions are for the last day of the quarter until June 1981; beginning July 1981, these data are estimates made on the last Wednesday of the month based on a weekly reporting sample of foreign-related institutions and quarter-end condition report data.

1.26 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $750 Million or More on December 31, 1977, Assets and Liabilities, 1982

Millions of dollars, Wednesday figures

Account	Aug. 4	Aug. 11	Aug. 18	Aug. 25	Sept. 1p	Sept. 8p	Sept. 15p	Sept. 22p	Sept. 29p
1 Cash items in process of collection	48,793	43,068	45,076	44,471	58,086	53,080	56,356	46,116	47,974
2 Demand deposits due from banks in the United States	6,804	6,470	6,296	6,616	7,707	7,485	7,777	7,381	7,118
3 All other cash and due from depository institutions	32,537	34,505	34,204	36,778	34,258	31,974	34,659	34,154	28,728
4 Total loans and securities	**633,119**	**628,446**	**631,097**	**627,061**	**636,201**	**638,989**	**641,507**	**635,520**	**638,786**
Securities									
5 U.S. Treasury securities	38,662	39,148	38,752	37,399	37,113	38,740	38,811	38,018	38,019
6 Trading account	9,348	9,485	8,764	7,685	6,952	8,056	7,733	7,173	7,203
7 Investment account, by maturity	29,314	29,663	29,988	29,714	30,161	30,684	31,078	30,845	30,816
8 One year or less	9,656	9,935	10,574	10,180	10,375	10,411	10,734	10,714	10,352
9 Over one through five years	17,356	17,452	17,185	17,444	17,684	18,031	18,186	18,041	18,304
10 Over five years	2,303	2,276	2,228	2,090	2,101	2,243	2,159	2,090	2,159
11 Other securities	78,226	79,603	77,970	78,074	78,718	80,204	78,103	78,035	78,504
12 Trading account	3,906	5,402	3,495	3,519	4,152	5,884	3,872	3,655	3,967
13 Investment account	74,320	74,201	74,475	74,555	74,566	74,320	74,231	74,380	74,537
14 U.S. government agencies	15,444	15,397	15,563	15,613	15,596	15,454	15,410	15,434	15,530
15 States and political subdivisions, by maturity	55,842	55,734	55,841	55,851	55,831	55,713	55,708	55,823	55,936
16 One year or less	7,340	7,171	7,142	7,073	7,066	7,075	7,177	7,032	7,052
17 Over one year	48,502	48,562	48,699	48,779	48,765	48,638	48,531	48,791	48,884
18 Other bonds, corporate stocks and securities	3,034	3,070	3,071	3,091	3,139	3,153	3,113	3,123	3,071
Loans									
19 Federal funds sold[1]	42,224	37,842	40,033	39,512	41,585	41,641	43,975	39,315	39,499
20 To commercial banks	30,461	27,269	28,859	28,286	31,062	31,005	33,186	28,491	28,778
21 To nonbank brokers and dealers in securities	8,737	7,663	8,164	8,690	7,986	8,294	8,643	8,695	8,767
22 To others	3,026	2,909	3,010	2,536	2,537	2,341	2,146	2,129	1,954
23 Other loans, gross	487,244	485,143	487,656	485,351	492,114	491,779	493,984	493,497	496,030
24 Commercial and industrial	210,958	211,324	211,082	210,271	212,757	213,043	216,076	216,927	217,415
25 Bankers acceptances and commercial paper	4,143	4,457	3,996	4,241	5,138	4,657	4,990	4,696	4,812
26 All other	206,815	206,867	207,086	206,030	207,619	208,386	211,087	212,231	212,603
27 U.S. addressees	199,863	199,989	200,218	198,990	200,611	201,096	203,846	204,986	205,198
28 Non-U.S. addressees	6,952	6,878	6,868	7,040	7,008	7,290	7,241	7,245	7,405
29 Real estate	130,236	130,419	130,611	130,943	131,052	131,087	131,291	131,627	131,660
30 To individuals for personal expenditures	72,792	72,688	72,836	73,028	73,374	73,268	73,449	73,488	73,652
To financial institutions									
31 Commercial banks in the United States	6,687	6,970	7,059	6,991	7,206	8,456	7,059	6,708	6,780
32 Banks in foreign countries	7,278	7,169	7,047	6,884	7,277	7,479	7,498	7,255	6,905
33 Sales finance, personal finance companies, etc	11,375	11,253	11,156	11,294	11,627	11,010	11,028	10,805	11,120
34 Other financial institutions	16,138	16,224	16,351	16,098	16,486	16,186	16,456	16,242	16,171
35 To nonbank brokers and dealers in securities	8,060	5,931	7,939	6,409	7,690	7,167	7,068	6,736	7,892
36 To others for purchasing and carrying securities[2]	2,573	2,578	2,598	2,573	2,567	2,591	2,530	2,538	2,604
37 To finance agricultural production	6,549	6,544	6,549	6,496	6,567	6,504	6,480	6,516	6,571
38 All other	14,599	14,043	14,428	14,363	15,510	14,988	15,048	14,655	15,261
39 LESS: Unearned income	5,826	5,855	5,856	5,833	5,792	5,788	5,797	5,763	5,764
40 Loan loss reserve	7,413	7,434	7,458	7,442	7,537	7,587	5,569	7,582	7,504
41 Other loans, net	474,006	471,853	474,342	472,076	478,785	478,404	780,618	480,152	482,763
42 Lease financing receivables	11,053	11,045	11,046	11,028	11,067	11,087	11,111	11,089	11,097
43 All other assets	125,294	124,723	125,781	126,078	129,941	130,130	131,821	128,550	128,871
44 Total assets	**857,601**	**848,258**	**853,501**	**852,033**	**877,260**	**872,744**	**883,231**	**862,811**	**862,574**
Deposits									
45 Demand deposits	167,617	160,863	160,990	160,153	182,564	176,419	182,465	162,924	164,712
46 Mutual savings banks	640	592	552	503	654	666	606	521	534
47 Individuals, partnerships, and corporations	123,784	122,536	122,154	120,755	136,351	132,570	135,420	123,045	124,189
48 States and political subdivisions	4,952	4,844	4,350	4,519	4,850	4,632	5,575	4,883	4,487
49 U.S. government	3,290	1,851	2,556	1,444	900	1,233	6,132	2,347	1,875
50 Commercial banks in the United States	18,619	17,375	17,714	17,951	20,735	21,356	19,751	17,896	17,983
51 Banks in foreign countries	6,993	6,235	6,026	5,846	5,875	6,771	5,918	6,006	5,800
52 Foreign governments and official institutions	1,029	870	1,004	1,091	1,244	1,022	861	959	957
53 Certified and officers' checks	8,310	6,558	6,633	8,043	11,954	8,168	8,201	7,266	8,885
54 Time and savings deposits	397,362	395,572	399,508	400,998	401,576	401,611	401,109	402,652	401,822
55 Savings	80,658	80,183	79,956	79,820	80,977	81,970	82,011	80,344	80,043
56 Individuals and nonprofit organizations	77,360	76,855	76,656	76,478	77,596	78,554	78,610	77,043	76,700
57 Partnerships and corporations operated for profit	2,748	2,739	2,733	2,791	2,812	2,856	2,806	2,757	2,780
58 Domestic governmental units	525	565	542	533	548	539	578	524	546
59 All Other	24	24	25	19	20	21	18	20	17
60 Time	316,704	315,389	319,552	321,177	320,599	319,641	319,098	322,308	321,780
61 Individuals, partnerships, and corporations	278,272	277,046	279,874	281,180	280,606	279,709	279,104	282,175	281,658
62 States and political subdivisions	20,631	20,849	21,059	21,429	21,854	21,786	21,700	f21,767	21,676
63 U.S. government	444	427	451	583	618	592	573	583	558
64 Commercial banks in the United States	12,423	12,242	13,104	12,912	12,561	12,651	12,836	12,796	12,951
65 Foreign governments, official institutions, and banks	4,934	4,824	5,063	5,073	4,961	4,903	4,885	4,987	4,936
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	1,869	60	575	1,240	843	45	3,304	1,356	575
67 Treasury tax-and-loan notes	1,531	2,971	3,105	4,022	2,281	2,121	3,956	9,432	13,168
68 All other liabilities for borrowed money[3]	150,384	149,715	148,572	144,822	146,642	153,448	151,289	144,169	141,958
69 Other liabilities and subordinated notes and debentures	82,434	82,570	84,326	84,320	86,462	82,088	84,196	85,532	83,620
70 Total liabilities	**801,196**	**791,751**	**797,076**	**795,556**	**820,369**	**815,731**	**826,319**	**806,064**	**805,855**
71 Residual (total assets minus total liabilities)[4]	56,405	56,507	56,425	56,476	56,892	57,013	56,912	56,746	56,719

1. Includes securities purchased under agreements to resell.
2. Other than financial institutions and brokers and dealers.
3. *Includes federal funds purchased and securities sold under agreements to* repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1.13
4. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

NOTE. Beginning in the week ending Dec. 9, 1981, shifts of assets and liabilities to international banking facilities (IBFs) reduced the amounts reported in some *items, especially in loans to foreigners and to a lesser extent in time deposits.* Based on preliminary reports, the large weekly reporting banks shifted $4.7 billion of assets to their IBFs in the five weeks ending Jan. 13, 1982. Domestic offices net positions with IBFs are now included in net due from or net due to related institutions. More detail will be available later.

1.27 LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $1 Billion or More on December 31, 1977, Assets and Liabilities

Millions of dollars, Wednesday figures, 1982

Account	Aug. 4	Aug. 11	Aug. 18	Aug. 25	Sept. 1[p]	Sept. 8[p]	Sept. 15[p]	Sept. 22[p]	Sept. 29[p]
1 Cash items in process of collection	45,901	40,624	42,539	42,098	55,244	49,974	53,266	43,412	45,528
2 Demand deposits due from banks in the United States	6,179	5,824	5,695	6,015	7,037	6,750	7,071	6,742	6,441
3 All other cash and due from depository institutions	30,075	31,997	31,658	34,038	31,606	29,654	32,065	31,338	26,255
4 Total loans and securities	**593,054**	**588,594**	**591,301**	**587,596**	**596,218**	**598,503**	**600,967**	**595,027**	**598,385**
Securities									
5 U.S. Treasury securities	35,558	35,963	35,567	34,186	33,978	35,590	35,498	34,696	34,643
6 Trading account	9,238	9,378	8,629	7,525	6,854	7,965	7,627	7,064	7,108
7 Investment account, by maturity	26,320	26,585	26,938	26,660	27,124	27,625	27,870	27,632	27,535
8 One year or less	8,629	8,914	9,520	9,111	9,300	9,335	9,591	9,560	9,181
9 Over one through five years	15,651	15,658	15,452	15,720	15,983	16,306	16,385	16,246	16,459
10 Over five years	2,040	2,013	1,966	1,830	1,840	1,984	1,894	1,826	1,895
11 Other securities	71,874	73,279	71,576	71,677	72,320	73,746	71,670	71,611	72,116
12 Trading account	3,778	5,290	3,345	3,378	4,004	5,666	3,711	3,539	3,839
13 Investment account	68,096	67,989	68,231	68,299	68,316	68,080	67,960	68,072	68,278
14 U.S. government agencies	14,249	14,216	14,380	14,436	14,424	14,280	14,231	14,246	14,357
15 States and political subdivision, by maturity	51,025	50,913	50,996	50,994	50,985	50,879	50,827	50,913	51,059
16 One year or less	6,619	6,451	6,402	6,343	6,334	6,348	6,390	6,232	6,289
17 Over one year	44,406	44,462	44,593	44,651	44,650	44,532	44,437	44,680	44,770
18 Other bonds, corporate stocks and securities	2,821	2,860	2,856	2,869	2,907	2,921	2,901	2,913	2,861
Loans									
19 Federal funds sold[1]	37,748	33,606	36,041	35,830	37,510	37,161	39,810	35,272	35,762
20 To commercial banks	26,682	23,710	25,601	25,177	27,496	26,947	29,417	25,313	25,592
21 To nonbank brokers and dealers in securities	8,127	7,072	7,510	8,159	7,513	7,909	8,284	7,868	8,250
22 To others	2,938	2,824	2,929	2,493	2,500	2,305	2,109	2,091	1,920
23 Other loans, gross	460,083	458,001	460,396	458,144	464,706	464,346	466 317	465,752	468,097
24 Commercial and industrial	200,444	200,826	200,516	199,712	202,156	202,388	205,248	206,015	206,424
25 Bankers acceptances and commercial paper	3,962	4,253	3,783	4,020	4,913	4,423	4 703	4,324	4,494
26 All other	196,482	196,573	196,733	195,692	197,243	197,966	200,546	201,691	201,929
27 U.S. addressees	189,669	189,822	190,003	188,777	190,363	190,809	193 434	194,578	194,651
28 Non-U.S. addressees	6,813	6,752	6,731	6,916	6,880	7,157	7,112	7,113	7,278
29 Real estate	122,958	123,163	123,328	123,635	123,731	123,787	123,973	124,266	124,266
30 To individuals for personal expenditures	65,442	65,293	65,444	65,632	65,922	65,835	65,996	66,014	66,141
To financial institutions									
31 Commercial banks in the United States	6,549	6,829	6,925	6,844	7,028	8,290	6,875	6,555	6,615
32 Banks in foreign countries	7,204	7,082	6,973	6,807	7,193	7,358	7,416	7,168	6,821
33 Sales finance, personal finance companies, etc	11,178	11,069	10,972	11,118	11,452	10,843	10,851	10,629	10 950
34 Other financial institutions	15,723	15,798	15,923	15,687	16,066	15,776	16,041	15,830	15,773
35 To nonbank brokers and dealers in securities	8,019	5,894	7,903	6,380	7,662	7,134	7,033	6,700	7,850
36 To others for purchasing and carrying securities[2]	2,342	2,348	2,362	2,338	2,338	2,361	2,301	2,309	2,371
37 To finance agricultural production	6,368	6,354	6,360	6,311	6,382	6,319	6,297	6,335	6,390
38 All other	13,853	13,345	13,688	13,680	14,774	14,254	14,286	13,931	14,495
39 LESS: Unearned income	5,182	5,209	5,207	5,186	5,150	5,145	5,152	5,113	5,115
40 Loan loss reserve	7,027	7,048	7,071	7,056	7,146	7,195	7,176	7,192	7,119
41 Other loans, net	447,874	445,745	448,118	445,903	452,411	452,006	453,989	453,448	455,863
42 Lease financing receivables	10,722	10,715	10,716	10,700	10,738	10,753	10,780	10,758	10,760
43 All other assets	121,447	120,908	121,884	122,186	126,044	126,316	128,045	124,809	125,054
44 Total assets	**807,378**	**798,663**	**803,795**	**802,633**	**826,888**	**821,960**	**832,195**	**812,086**	**812,423**
Deposits									
45 Demand deposits	155,947	149,875	149,985	149,259	170,515	164,286	170,048	151,413	153,241
46 Mutual savings banks	616	574	535	489	636	640	589	506	518
47 Individuals, partnerships, and corporations	114,842	113,907	113,530	112,150	126,934	123,203	126,134	114,542	115,199
48 States and political subdivisions	4,454	4,405	3,891	4,018	4,324	4,057	5,059	4,249	3,974
49 U.S. government	3,020	1,678	2,319	1,305	804	1,068	5,470	1,921	1,688
50 Commercial banks in the United States	17,065	15,986	16,375	16,623	19,147	19,691	18,205	16,538	16,608
51 Banks in foreign countries	6,931	6,184	5,977	5,794	5,815	6,726	5,856	5,954	5,719
52 Foreign governments and official institutions	1,024	865	1,003	1,087	1,239	1,020	847	951	935
53 Certified and officers' checks	7,994	6,277	6,354	7,792	11,616	7,881	7,889	6,751	8,599
54 Time and savings deposits	373,049	371,279	375,302	376,786	377,142	377,088	376,455	378,084	377,051
55 Savings	74,432	73,997	73,769	73,658	74,730	75,629	75,653	74,148	73,856
56 Individuals and nonprofit organizations	71,395	70,933	70,722	70,581	71,611	72,481	72,571	71,111	70,776
57 Partnerships and corporations operated for profit	2,528	2,519	2,516	2,574	2,589	2,632	2,570	2,535	2,556
58 Domestic governmental units	485	521	506	484	509	495	494	482	507
59 All other	24	24	25	19	20	21	18	20	17
60 Time	298,616	297,282	301,533	303,129	302,412	301,458	300,802	303,936	303,195
61 Individuals, partnerships, and corporations	262,356	261,179	264,083	265,331	264,676	263,776	263,027	266,008	265,294
62 States and political subdivisions	18,861	18,987	19,174	19,551	19,915	19,808	19,754	19,845	19,754
63 U.S. government	393	371	393	524	549	524	506	516	496
64 Commercial banks in the United States	12,072	11,920	12,819	12,650	12,310	12,447	12,629	12,580	12,715
65 Foreign governments, official institutions, and banks	4,934	4,824	5,063	5,073	4,961	4,903	4,885	4,987	4,936
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	1,865	5	525	1,103	836	...	3,239	1,297	535
67 Treasury tax-and-loan notes	1,388	2,756	2,858	3,745	2,101	1,952	3,678	8,806	12,393
68 All other liabilities for borrowed money[3]	141,962	141,355	140,121	136,694	138,704	145,244	143,324	135,863	134,561
69 Other liabilities and subordinated notes and debentures	80,274	80,377	82,049	82,054	84,220	79,914	82,061	83,394	81,450
70 Total liabilities	**754,483**	**745,647**	**750,839**	**749,642**	**773,518**	**768,484**	**778,806**	**758,858**	**759,231**
71 Residual (total assets minus total liabilities)[4]	52,895	53,016	52,955	52,989	53,370	53,476	53,388	53,228	53,192

1. Includes securities purchased under agreements to resell
2. Other than financial institutions and brokers and dealers
3. Includes federal funds purchased and securities sold under agreement to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1 13
4. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.28 LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY Assets and Liabilities

Millions of dollars, Wednesday figures, 1982

Account	Aug. 4	Aug. 11	Aug. 18	Aug. 25	Sept. 1p	Sept. 8p	Sept. 15p	Sept. 22p	Sept. 29p
1 Cash items in process of collection	14,644	12,759	13,494	14,923	22,531	16,109	18,914	14,156	16,655
2 Demand deposits due from banks in the United States	1,336	1,160	1,302	1,248	1,567	1,200	1,587	1,773	1,191
3 All other cash and due from depository institutions	6,262	6,877	5,953	6,812	5,726	5,468	8,967	5,110	4,522
4 Total loans and securities[1]	**139,746**	**136,605**	**138,920**	**140,826**	**144,483**	**142,458**	**143,435**	**142,802**	**142,266**
Securities									
5 U.S. Treasury securities[2]	...	...	...	...	...	...	...	...	...
6 Trading account[2]	...	...	...	...	...	...	...	...	...
7 Investment account, by maturity	6,428	6,313	6,447	6,374	6,437	6,678	6,708	6,602	6,556
8 One year or less	1,064	1,047	1,222	1,096	1,109	1,016	1,138	1,117	991
9 Over one through five years	4,776	4,703	4,672	4,790	4,839	5,094	5,052	4,982	4,989
10 Over five years	587	563	553	488	488	568	518	503	576
11 Other securities[2]	...	...	...	...	...	...	...	...	...
12 Trading account[2]	...	...	...	...	...	...	...	...	...
13 Investment account	14,245	14,123	14,116	14,168	14,191	14,108	13,939	13,908	13,928
14 U.S. government agencies	2,003	2,003	2,010	2,059	2,054	2,042	2,022	2,015	2,084
15 States and political subdivision, by maturity	11,314	11,199	11,169	11,172	11,160	11,081	10,951	10,931	10,920
16 One year or less	1,664	1,514	1,470	1,454	1,422	1,431	1,411	1,271	1,253
17 Over one year	9,650	9,685	9,698	9,717	9,738	9,650	9,540	9,660	9,666
18 Other bonds, corporate stocks and securities	928	922	937	938	977	984	966	962	924
Loans									
19 Federal funds sold[3]	9,400	8,087	8,850	11,467	11,690	9,989	10,524	10,687	8,982
20 To commercial banks	4,314	3,709	4,004	6,150	6,946	4,955	5,321	5,812	4,045
21 To nonbank brokers and dealers in securities	3,664	3,163	3,619	4,347	3,783	4,084	4,300	3,824	4,067
22 To others	1,421	1,215	1,227	969	961	950	902	1,051	869
23 Other loans, gross	113,425	111,855	113,283	112,599	115,956	115,477	116,088	115,418	116,578
24 Commercial and industrial	59,412	59,291	59,249	59,057	59,963	59,890	61,381	61,575	61,222
25 Bankers acceptances and commercial paper	1,139	1,314	1,305	1,250	1,683	1,381	1,482	1,311	1,197
26 All other	58,273	57,977	57,944	57,807	58,280	58,508	59,899	60,264	60,025
27 U.S. addressees	56,899	56,663	56,642	56,399	56,912	57,117	58,528	58,749	58,410
28 Non-U.S. addressees	1,374	1,314	1,302	1,408	1,368	1,391	1,371	1,516	1,615
29 Real estate	18,463	18,462	18,507	18,769	18,812	18,823	18,919	18,969	18,941
30 To individuals for personal expenditures	11,364	11,386	11,434	11,460	11,524	11,535	11,531	11,590	11,594
31 To financial institutions Commercial banks in the United States	1,842	2,068	1,946	1,928	2,019	2,835	1,961	1,879	1,986
32 Banks in foreign countries	2,884	2,775	2,748	2,501	2,848	3,109	3,002	2,764	2,544
33 Sales finance, personal finance companies, etc.	4,911	4,777	4,674	4,851	5,146	4,734	4,781	4,560	4,723
34 Other financial institutions	4,720	4,794	4,863	4,829	5,098	4,849	4,966	4,914	4,902
35 To nonbank brokers and dealers in securities	4,929	3,548	5,001	4,262	5,148	4,750	4,725	4,415	5,516
36 To others for purchasing and carrying securities[4]	620	625	644	612	616	642	618	621	649
37 To finance agricultural production	440	432	432	426	491	428	416	413	424
38 All other	3,838	3,696	3,783	3,902	4,290	3,881	3,786	3,718	4,074
39 LESS: Unearned income	1,496	1,511	1,513	1,510	1,500	1,484	1,491	1,490	1,490
40 Loan loss reserve	2,255	2,262	2,263	2,270	2,292	2,309	2,333	2,325	2,289
41 Other loans, net	109,673	108,082	109,507	108,818	112,164	111,683	112,264	111,604	112,799
42 Lease financing receivables	2,119	2,118	2,119	2,104	2,091	2,090	2,112	2,092	2,093
43 All other assets[5]	51,020	50,739	50,169	50,111	52,305	52,015	51,595	50,572	50,615
44 Total assets	**215,128**	**210,259**	**211,957**	**216,025**	**228,703**	**219,340**	**226,610**	**216,504**	**217,342**
Deposits									
45 Demand deposits	43,804	42,555	42,244	44,762	54,114	48,304	51,336	43,974	45,781
46 Mutual savings banks	320	323	283	231	300	306	300	260	249
47 Individuals, partnerships, and corporations	27,589	28,529	28,319	29,311	34,783	31,976	34,330	29,440	30,407
48 States and political subdivisions	679	848	432	452	602	751	1,233	607	519
49 U.S. government	830	496	662	381	140	318	1,612	508	474
50 Commercial banks in the United States	3,669	3,858	4,011	4,740	5,529	4,828	4,491	4,495	3,915
51 Banks in foreign countries	5,499	4,813	4,637	4,398	4,395	5,197	4,613	4,573	4,491
52 Foreign governments and official institutions	788	627	754	806	950	759	595	665	686
53 Certified and officers' checks	4,431	3,060	3,146	4,443	7,416	4,171	4,162	3,426	5,042
54 Time and savings deposits	73,775	73,437	75,063	75,469	76,005	75,260	74,528	74,310	72,705
55 Savings	9,633	9,626	9,599	9,560	9,671	9,812	9,834	9,664	9,645
56 Individuals and nonprofit organizations	9,293	9,259	9,246	9,228	9,342	9,475	9,498	9,332	9,311
57 Partnerships and corporations operated for profit	232	231	231	235	241	246	237	231	228
58 Domestic governmental units	105	134	120	96	85	88	97	99	105
59 All other	2	2	2	2	2	3	2	1	1
60 Time	64,143	63,811	65,464	65,909	66,333	65,447	64,694	64,646	63,060
61 Individuals, partnerships, and corporations	54,188	54,024	55,071	55,429	55,851	55,173	54,487	54,692	53,183
62 States and political subdivisions	2,289	2,330	2,386	2,350	2,442	2,384	2,372	2,333	2,300
63 U.S. government	78	77	94	190	224	211	197	206	195
64 Commercial banks in the United States	5,255	5,148	5,659	5,688	5,583	5,526	5,533	5,352	5,376
65 Foreign governments, official institutions, and banks	2,333	2,232	2,254	2,252	2,234	2,153	2,105	2,063	2,006
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	400	...	525	175	670	...	1,855	891	28
67 Treasury tax-and-loan notes	280	947	837	1,268	620	702	1,103	2,805	3,134
68 All other liabilities for borrowed money[6]	49,005	45,742	44,704	46,017	46,156	47,430	48,651	45,339	47,864
69 Other liabilities and subordinated notes and debentures	30,034	29,673	30,686	30,517	32,992	29,446	30,835	31,002	29,857
70 Total liabilities	**197,298**	**192,354**	**194,061**	**198,209**	**210,557**	**201,142**	**208,309**	**198,321**	**199,369**
71 Residual (total assets minus total liabilities)[7]	17,829	17,905	17,896	17,816	18,146	18,198	18,301	18,182	17,973

1. Excludes trading account securities.
2. Not available due to confidentiality.
3. Includes securities purchased under agreements to resell.
4. Other than financial institutions and brokers and dealers.
5. Includes trading account securities.
6. Includes federal funds purchased and securities sold under agreements to repurchase.
7. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.29 LARGE WEEKLY REPORTING COMMERCIAL BANKS Balance Sheet Memoranda

Millions of dollars, Wednesday figures, 1982

Account	Aug. 4	Aug. 11	Aug. 18	Aug. 25	Sept. 1[p]	Sept. 8[p]	Sept. 15[p]	Sept. 22[p]	Sept. 29[p]
BANKS WITH ASSETS OF $750 MILLION OR MORE									
1 Total loans (gross) and securities adjusted[1]	609,209	607,496	608,492	605,059	611,261	612,903	614,628	613,665	616,495
2 Total loans (gross) adjusted[1]	492,321	488,746	491,770	489,586	495,430	493,959	497,714	497,612	499,972
3 Demand deposits adjusted[2]	96,915	98,568	95,642	96,287	102,844	100,750	100,226	96,564	96,880
4 Time deposits in accounts of $100,000 or more	202,763	201,316	205,141	206,667	205,841	204,620	203,854	206,555	205,787
5 Negotiable CDs	146,289	144,794	148,642	149,800	148,434	147,276	146,755	148,887	148,230
6 Other time deposits	56,474	56,522	56,499	56,867	57,408	57,344	57,100	57,667	57,556
7 Loans sold outright to affiliates[3]	2,804	2,795	2,822	2,881	2,833	2,835	2,820	2,855	2,861
8 Commercial and industrial	2,261	2,256	2,278	2,318	2,272	2,280	2,260	2,274	2,281
9 Other	542	540	544	563	561	555	560	582	580
BANKS WITH ASSETS OF $1 BILLION OR MORE									
10 Total loans (gross) and securities adjusted[1]	572,031	570,312	571,053	567,816	573,989	575,606	577,003	575,464	578,411
11 Total loans (gross) adjusted[1]	464,599	461,069	463,910	461,953	467,692	466,270	469,835	469,157	471,651
12 Demand deposits adjusted[2]	89,960	91,587	88,752	89,233	95,319	93,552	93,107	89,541	89,416
13 Time deposits in accounts of $100,000 or more	193,765	192,325	196,177	197,694	196,749	195,547	194,672	197,328	196,368
14 Negotiable CDs	140,752	139,294	143,275	144,505	143,045	141,951	141,356	143,482	142,656
15 Other time deposits	53,013	53,031	52,899	53,190	53,704	53,596	53,316	53,846	53,713
16 Loans sold outright to affiliates[3]	2,714	2,708	2,736	2,800	2,754	2,751	2,741	2,787	2,784
17 Commercial and industrial	2,194	2,191	2,215	2,260	2,214	2,214	2,196	2,220	2,218
18 Other	520	516	521	540	539	537	545	567	566
BANKS IN NEW YORK CITY									
19 Total loans (gross) and securities adjusted[1,4]	137,341	134,601	136,746	136,528	139,310	138,462	139,976	138,925	140,013
20 Total loans (gross) adjusted[1]	116,668	114,165	116,183	115,986	118,682	117,676	119,328	118,414	119,528
21 Demand deposits adjusted[2]	24,661	25,442	24,078	24,719	25,915	27,050	26,319	24,815	24,738
22 Time deposits in accounts of $100,000 or more	49,601	49,264	50,831	51,250	51,591	50,613	49,866	49,801	48,155
23 Negotiable CDs	38,358	37,938	39,772	40,227	40,411	39,650	39,095	38,798	37,157
24 Other time deposits	11,244	11,325	11,059	11,023	11,180	10,963	10,771	11,003	10,998

1. Exclusive of loans and federal funds transactions with domestic commercial banks.
2. All demand deposits except U.S. government and domestic banks less cash items in process of collection.
3. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.
4. Excludes trading account securities.

1.291 LARGE WEEKLY REPORTING BRANCHES AND AGENCIES OF FOREIGN BANKS Assets and Liabilities

Millions of dollars, Wednesday figures, 1982

Account	Aug. 4	Aug. 11	Aug. 18	Aug. 25	Sept. 1p	Sept. 8p	Sept. 15p	Sept. 22p	Sept. 29p
1 Cash and due from depository institutions	6,416	6,589	6,788	6,644	6,946	7,112	6,865	7,265	7,253
2 Total loans and securities	45,352	45,170	45,855	45,330	46,072	45,792	46,556	46,164	47,712
3 U.S. Treasury securities	1,851	1,878	1,776	1,735	1,565	1,573	1,743	1,856	1,757
4 Other securities	849	847	849	856	859	854	841	840	840
5 Federal funds sold[1]	2,658	3,187	3,270	2,631	3,344	3,005	3,760	2,884	4,042
6 To commercial banks in United States	2,490	3,098	3,048	2,508	3,115	2,546	3,554	2,824	3,758
7 To others	168	89	222	123	229	459	207	60	283
8 Other loans, gross	39,994	39,258	39,959	40,108	40,304	40,360	40,212	40,584	41,074
9 Commercial and industrial	18,877	18,664	18,648	19,054	19,369	19,579	19,601	19,543	20,136
10 Bankers acceptances and commercial paper	3,047	3,077	2,893	3,099	3,105	3,158	3,145	3,097	3,286
11 All other	15,830	15,587	15,755	15,954	16,264	16,421	16,456	16,447	16,849
12 U.S. addressees	13,816	13,542	13,793	13,780	14,060	14,279	14,455	14,459	14,896
13 Non-U.S. addressees	2,013	2,045	1,962	2,174	2,204	2,142	2,001	1,988	1,953
14 To financial institutions	16,242	15,865	16,214	16,162	15,905	15,948	15,884	16,298	16,169
15 Commercial banks in United States	13,197	12,831	13,116	13,180	12,868	13,050	13,072	13,264	13,166
16 Banks in foreign countries	2,413	2,426	2,488	2,368	2,417	2,292	2,198	2,391	2,308
17 Nonbank financial institutions	631	608	611	614	619	606	614	643	694
18 For purchasing and carrying securities	582	455	557	413	477	233	352	316	433
19 All other	4,293	4,274	4,540	4,480	4,553	4,600	4,374	4,426	4,336
20 Other assets (claims on nonrelated parties)	12,898	12,941	13,030	12,712	12,606	12,421	12,361	12,068	11,859
21 Net due from related institutions	11,582	11,956	12,405	12,197	12,459	12,514	12,220	12,063	11,153
22 Total assets	76,247	76,655	78,078	76,884	78,083	77,839	78,003	77,560	77,977
23 Deposits or credit balances[2]	21,425	21,448	22,568	22,226	23,030	22,592	22,454	23,462	23,771
24 Credit balances	201	192	230	214	245	239	249	178	212
25 Demand deposits	1,913	1,760	1,940	1,813	2,048	1,988	2,064	2,081	1,906
26 Individuals, partnerships, and corporations	811	710	770	763	731	721	937	860	771
27 Other	1,102	1,050	1,170	1,050	1,317	1,267	1,126	1,221	1,135
28 Total time and savings	19,311	19,496	20,398	20,199	20,736	20,365	20,141	21,203	21,653
29 Individuals, partnerships, and corporations	16,224	16,352	17,010	16,808	17,303	17,111	16,871	17,930	18,609
30 Other	3,087	3,145	3,388	3,391	3,433	3,254	3,269	3,274	3,044
31 Borrowings[3]	33,756	33,707	34,448	32,934	34,340	34,360	34,192	33,316	32,624
32 Federal funds purchased[4]	8,684	8,621	9,447	7,910	9,451	9,690	9,735	8,499	8,058
33 From commercial banks in United States	7,747	7,746	8,625	7,045	8,612	8,758	8,559	7,440	7,227
34 From others	937	875	822	865	839	933	1,176	1,059	831
35 Other liabilities for borrowed money	25,073	25,086	25,001	25,024	24,889	24,669	24,457	24,817	24,565
36 To commercial banks in United States	22,643	22,595	22,600	22,564	22,518	22,358	22,158	22,376	22,333
37 To others	2,430	2,491	2,401	2,460	2,371	2,311	2,300	2,440	2,232
38 Other liabilities to nonrelated parties	13,033	12,829	12,857	12,518	12,428	12,159	12,141	11,800	11,629
39 Net due to related institutions	8,033	8,671	8,205	9,206	8,285	8,728	9,216	8,981	9,954
40 Total liabilities	76,247	76,655	78,078	76,884	78,083	77,839	78,003	77,560	77,977
MEMO									
41 Total loans (gross) and securities adjusted[5]	29,664	29,241	29,691	29,642	30,088	30,197	29,931	30,076	30,788
42 Total loans (gross) adjusted[5]	26,965	26,516	27,065	27,051	27,664	27,770	27,346	27,380	28,190

1. Includes securities purchased under agreements to resell.
2. Balances due to other than directly related institutions.
3. Borrowings from other than directly related institutions.
4. Includes securities sold under agreements to repurchase.
5. Excludes loans and federal funds transactions with commercial banks in United States.

NOTE. Beginning in the week ending Dec. 9, 1981, shifts of assets and liabilities to international banking facilities (IBFs) reduced the amounts reported in some items, especially in loans to foreigners and to a lesser extent in time deposits. Based on preliminary reports, the large weekly reporting branches and agencies shifted \$22.2 billion of assets to their IBFs in the six weeks ending Jan. 13, 1982. Domestic offices net positions with IBFs are now included in net due from or net due to related institutions. More detail will be available later.

1.30 LARGE WEEKLY REPORTING COMMERCIAL BANKS Domestic Classified Commercial and Industrial Loans

Millions of dollars

Industry classification	Outstanding					Net change during				
	1982					1982				
	May 26	June 30	July 28	Aug. 25	Sept. 29[p]	Q2	Q3	July	Aug.	Sept.[p]
1 Durable goods manufacturing	28,842	29,104	28,543	29,155	31,469	465	2,367	560	611	2,328
2 Nondurable goods manufacturing	23,998	25,297	24,819	24,890	25,809	2,135	506	-478	71	939
3 Food, liquor, and tobacco	4,784	4,807	4,681	4,584	4,840	256	34	126	-96	243
4 Textiles, apparel, and leather	4,722	4,864	5,068	5,064	4,856	329	-7	204	-4	-209
5 Petroleum refining	4,677	5,087	4,840	4,717	5,316	638	220	247	123	598
6 Chemicals and rubber	5,232	5,551	5,198	5,548	5,811	795	260	353	350	292
7 Other nondurable goods	4,581	4,988	5,032	4,976	4,987	498	1	44	-56	14
8 Mining (including crude petroleum and natural gas)	28,246	28,257	27,987	27,330	28,248	2,406	-7	-270	-657	931
9 Trade	28,704	29,166	28,580	28,304	29,010	345	-187	586	276	680
10 Commodity dealers	1,873	1,861	1,648	1,788	1,945	-460	84	214	140	158
11 Other wholesale	13,489	13,775	13,634	13,482	13,974	249	198	141	-152	483
12 Retail	13,342	13,529	13,298	13,035	13,091	556	469	-231	-263	38
13 Transportation, communication, and other public utilities	23,703	25,015	24,964	24,752	24,908	1,372	105	-51	-211	155
14 Transportation	9,070	9,228	8,868	8,961	8,981	74	-246	-360	93	16
15 Communication	4,559	4,779	4,832	4,904	5,140	538	361	52	72	235
16 Other public utilities	10,074	11,008	11,263	10,887	10,786	760	220	256	-376	-95
17 Construction	7,690	7,765	7,926	7,835	7,893	513	128	161	-91	63
18 Services	27,956	28,780	28,863	28,987	29,332	1,639	564	83	124	357
19 All other[1]	17,133	17,301	17,362	17,572	17,982	40	719	61	210	420
20 **Total domestic loans**	**186,271**	**190,684**	**189,044**	**188,825**	**194,651**	**8,914**	**3,986**	**-1,640**	**-219**	**5,874**
21 MEMO: Term loans (original maturity more than 1 year) included in domestic loans	89,282	89,849	87,247	87,050	89,290	2,646	559	2,602	-196	2,240

1. Includes commercial and industrial loans at a few banks with assets of $1 billion or more that do not classify their loans.

NOTE. New series. The 134 large weekly reporting commercial banks with domestic assets of $1 billion or more as of Dec. 31, 1977, are included in this series. The series is on a last-Wednesday-of-the-month basis. Partly estimated historical data are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.31 GROSS DEMAND DEPOSITS of Individuals, Partnerships, and Corporations[1]

Billions of dollars, estimated daily-average balances

Type of holder	1978 Dec.	1979[2] Dec.	1980 Dec.	1981 Mar.[3]	1981 June[4]	1981 Sept.	1981 Dec.	1982 Mar.	1982 June
	Commercial banks								
1 **All holders—Individuals, partnerships, and corporations**	**294.6**	**302.2**	**315.5**	**280.8**	n.a.	**277.5**	**288.9**	**268.9**	**271.5**
2 Financial business	27.8	27.1	29.8	30.8	n.a.	28.2	28.0	27.8	28.6
3 Nonfinancial business	152.7	157.7	162.3	144.3	n.a.	148.6	154.8	138.7	141.4
4 Consumer	97.4	99 2	102.4	86.7	n.a.	82.1	86.6	84.6	83.7
5 Foreign	2.7	3.1	3.3	3.4	n.a.	3 1	2.9	3.1	2.9
6 Other	14.1	15.1	17.2	15.6	n.a.	15.5	16.7	14.6	15.0

Type of holder	1978 Dec.	1979[5] Dec.	1980 Dec.	1981 Mar.[3]	1981 June[4]	1981 Sept.	1981 Dec.	1982 Mar.	1982 June
	Weekly reporting banks								
7 **All holders—Individuals, partnerships, and corporations**	**147.0**	**139.3**	**147.4**	**133.2**	n.a.	**131.3**	**137.5**	**126.8**	**127.9**
8 Financial business	19.8	20.1	21.8	21.9	n.a.	20.7	21.0	20 2	20.2
9 Nonfinancial business	79.0	74 1	78.3	69.8	n.a.	71 2	75.2	67.1	67.7
10 Consumer	38.2	34.3	35.6	30.6	n.a.	28.7	30.4	29.2	29.7
11 Foreign	2.5	3.0	3.1	3 2	n.a.	2.9	2.8	2.9	2.8
12 Other	7.5	7.8	8.6	7.7	n.a.	7.9	8.0	7.3	7 5

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466.

2. Beginning with the March 1979 survey, the demand deposit ownership survey sample was reduced to 232 banks from 349 banks, and the estimation procedure was modified slightly. To aid in comparing estimates based on the old and new reporting sample, the following estimates in billions of dollars for December 1978 have been constructed using the new smaller sample; financial business, 27.0; nonfinancial business, 146.9; consumer, 98.3; foreign, 2.8; and other, 15.1.

3. Demand deposit ownership data for March 1981 are subject to greater than normal errors reflecting unusual reporting difficulties associated with funds shifted to negotiable order of withdrawal (NOW) accounts authorized at year-end 1980. For the household category, the $15.7 billion decline in demand deposits at all commercial banks between December 1980 and March 1981 has an estimated standard error of $4.8 billion.

4. Demand deposit ownership survey estimates for June 1981 are not yet available due to unresolved reporting errors

5. After the end of 1978 the large weekly reporting bank panel was changed to 170 large commercial banks, each of which had total assets in domestic offices exceeding $750 million as of Dec. 31, 1977. See "Announcements," p. 408 in the May 1978 BULLETIN. Beginning in March 1979, demand deposit ownership estimates for these large banks are constructed quarterly on the basis of 97 sample banks and are not comparable with earlier data. The following estimates in billions of dollars for December 1978 have been constructed for the new large-bank panel; financial business, 18.2; nonfinancial business, 67 2; consumer, 32.8; foreign, 2.5; other, 6.8.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1977 Dec.	1978 Dec.	1979[1] Dec.	1980 Dec.	1981 Dec.	1982 Mar.	1982 Apr.	1982 May	1982 June	1982 July	1982 Aug.
	Commercial paper (seasonally adjusted)										
1 **All issuers**	**65,051**	**83,438**	**112,803**	**124,524**	**165,508**	**166,726**	**171,866**	**176,210**	**178,842**	**180,669**	**177,182**
Financial companies[2]											
Dealer-placed paper[3]											
2 Total	8,796	12,181	17,359	19,790	30 188	31,574	32,848	34,683	36,685	37,961	38,066
3 Bank-related (not seasonally adjusted)	2,132	3,521	2,784	3,561	6,045	7,055	7,905	8,003	7,188	6,427	6,038
Directly placed paper[4]											
4 Total	40,574	51,647	64,757	67,854	81,660	78,322	81,585	82,390	84,774	85,684	81,707
5 Bank-related (not seasonally adjusted)	7,102	12,314	17,598	22,382	26,914	27,579	29,434	30,576	30,828	31,141	28,901
6 Nonfinancial companies[5]	15,681	19,610	30,687	36,880	53,660	56,830	57,433	59,137	57,383	57,024	57,409
	Bankers dollar acceptances (not seasonally adjusted unless noted otherwise)										
7 **Total**	**25,450**	**33,700**	**45,321**	**54,744**	**69,226**	**71,619**	**71,128**	**71,601**	**71,765**	**72,559**	n.a.
Holder											
8 Accepting banks	10,434	8,579	9,865	10,564	10,857	12,964	12,675	11,104	10,362	11,164	
9 Own bills	8,915	7,653	8,327	8,963	9,743	11,139	11,409	9,879	9,175	9,734	
10 Bills bought	1,519	927	1,538	1,601	1,115	1,825	1,266	1,225	1,188	1,431	
Federal Reserve Banks											
11 Own account	954	1	704	776	0	0	0	0	0	0	
12 Foreign correspondents	362	664	1,382	1,791	1,442	1,379	1,329	1,234	1,348	1,250	
13 Others	13,700	24,456	33,370	41,614	56,926	57,276	57,124	59,262	60,054	60,145	
Basis											
14 Imports into United States	6,378	8,574	10,270	11,776	14,765	14,877	15,303	14,979	15,213	15,094	
15 Exports from United States	5,863	7,586	9,640	12,712	15,400	16,835	16,887	16,255	15,649	16,167	
16 All other	13,209	17,540	25,411	30,257	39,061	39,907	38,937	40,458	40,842	41,298	

1. A change in reporting instructions results in offsetting shifts in the dealer-placed and directly placed financial company paper in October 1979.
2. 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.
3. Includes all financial company paper sold by dealers in the open market.
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.

1.33 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans

Percent per annum

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1981—Sept. 15	20.00	1982—Feb. 2	16.50	1981—Jan.	20.16	1982—Jan.	15.75
22	19.50	18	17.00	Feb.	19.43	Feb	16.56
Oct. 5	19.00	23	16.50	Mar.	18.05	Mar.	16.50
13	18.00	July 20	16.00	Apr.	17.15	Apr.	16.50
Nov. 3	17.50	29	15.50	May	19.61	May	16.50
9	17.00	Aug. 2	15.00	June	20.03	June	16.50
	16.50–	16	14.50	July	20.39	July	16.26
17	17.00	18	14.00	Aug.	20.50	Aug.	14.39
20	16.50	23	13.50	Sept.	20.08	Sept.	13.50
24	16.00			Oct.	18.45		
Dec. 1	15.75			Nov	16.84		
				Dec	15.75		

1.34 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 3–8, 1982

Item	All sizes	Size of loan (in thousands of dollars)					
		1–24	25–49	50–99	100–499	500–999	1,000 and over
SHORT-TERM COMMERCIAL AND INDUSTRIAL LOANS							
1 Amount of loans (thousands of dollars)	36,600,259	885,940	501,046	707,807	2,349,121	1,198,641	30,957,703
2 Number of loans	161,197	115,667	14,935	11,137	13,022	1,848	4,588
3 Weighted-average maturity (months)	1.2	3.4	3.8	3.4	3.6	2.4	.9
4 Weighted-average interest rate (percent per annum)	17.11	18.51	18.56	18.06	17.77	17.98	16.94
5 Interquartile range[1]	16.58–17.51	17.42–19.51	17.55–19.25	17.62–18.50	17.00–18.67	17.00–18.97	16.57–17.30
Percentage of amount of loans							
6 With floating rate	29.8	39.2	48.4	44.8	52.3	50.8	26.3
7 Made under commitment	51.7	36 2	40.3	49.3	63.7	51.2	51.5
8 With no stated maturity	14.4	12 8	14.8	24.9	19.9	24.0	13.4
LONG-TERM COMMERCIAL AND INDUSTRIAL LOANS		1-99					
9 Amount of loans (thousands of dollars)	3,705,382	253,640			410,817	164,045	2,876,880
10 Number of loans	20,575	18,222			1,547	244	562
11 Weighted-average maturity (months)	49.8	29.9			50.1	43.3	51.8
12 Weighted-average interest rate (percent per annum)	16.96	18.80			17 59	17.29	16.69
13 Interquartile range[1]	16.50–17.51	17.79–19.56			17.50–17.81	16.50–18.00	16.00–17.32
Percentage of amount of loans							
14 With floating rate	71.7	38.6			45.9	83.5	77.7
15 Made under commitment	72 1	28.9			36.2	82.8	80.4
CONSTRUCTION AND LAND DEVELOPMENT LOANS		1-24	25-49	50–99		500 and over	
16 Amount of loans (thousands of dollars)	1,921,308	182,396	228,405	166,690	427,520	916,297	
17 Number of loans	31,454	18,881	6,446	2,273	3,050	805	
18 Weighted-average maturity (months)	11.1	7.2	12.3	8.3	14.1	10.6	
19 Weighted-average interest rate (percent per annum)	17.80	19.13	18.81	17 97	18.45	16.96	
20 Interquartile range[1]	16.07–19.10	18.54–20.15	17 00–19.82	16.72–19.25	18.13–19.59	16.07–17.88	
Percentage of amount of loans							
21 With floating rate	28.8	37.7	22 5	47.1	20.7	29.0	
22 Secured by real estate	85.0	74.1	82.1	80.6	97.9	82.8	
23 Made under commitment	32.9	55.5	65 6	19.3	18 4	29.6	
24 With no stated maturity	9	1.9	1.1	2.7	1.4	.0	
Type of construction							
25 1- to 4-family	30.0	40.0	54.0	40.8	26.0	21.9	
26 Multifamily	4.8	3.2	1.1	4.9	2.7	7.1	
27 Nonresidential	65.2	56.8	44.9	54.3	71.3	71.0	
LOANS TO FARMERS	All sizes	1–9	10–24	25–49	50–99	100–249	250 and over
28 Amount of loans (thousands of dollars)	1,224,054	172,901	214,006	167,333	190,019	193,183	286,611
29 Number of loans	70,983	46,365	15,091	4,919	2,781	1,363	465
30 Weighted-average maturity (months)	7.6	6.6	6 4	7.6	5 3	9.3	9.4
31 Weighted-average interest rate (percent per annum)	17.76	17.63	17.59	17.59	18.01	17.76	17.91
32 Interquartile range[1]	17 18–18 39	17.00–18.39	17.18–18.27	17.06–18.13	17 25–18.68	17.17–18.27	17.25–18.77
By purpose of loan							
33 Feeder livestock	17.81	17.89	17 73	17.69	18.56	17.84	17.56
34 Other livestock	17.51	17.75	17.57	17.34	17.42	17.97	*
35 Other current operating expenses	17.66	17.46	17.61	17.57	17.83	17.65	17 59
36 Farm machinery and equipment	18.19	18.14	17.31	17.30	*	*	*
37 Other	17.85	18.21	17.70	17.68	17.76	17.85	17.98

1. Interest rate range that covers the middle 50 percent of the total dollar amount of loans made.
2. Fewer than 10 sample loans.

NOTE. For more detail, see the Board's E.2 (111) statistical release.

1.35 INTEREST RATES Money and Capital Markets

Averages, percent per annum; weekly and monthly figures are averages of business day data unless otherwise noted.

Instrument	1979	1980	1981	1982				1982, week ending				
				June	July	Aug.	Sept.	Sept. 3	Sept. 10	Sept. 17	Sept 24	Oct. 1
MONEY MARKET RATES												
1 Federal funds[1,2]	11.19	13.36	16.38	14.15	12.59	10.12	10.31	10.15	10.14	10.27	10.31	10.12
Commercial paper[3,4]												
2 1-month	10.86	12.76	15.69	13.95	12.62	9.50	9.96	9.58	9.99	10.17	9 88	9.86
3 3-month	10.97	12.66	15.32	13.96	12.94	10.15	10.36	10.10	10.29	10.64	10.37	10.17
4 6-month	10.91	12.29	14.76	13.79	13.00	10.80	10.86	10.84	10.95	11.20	10.76	10 45
Finance paper, directly placed[3,4]												
5 1-month	10.78	12.44	15.30	13.79	12.42	9.32	9.89	9.52	9.97	9.79	10 79	9.77
6 3-month	10.47	11.49	14.08	13.09	12.24	9.62	9.65	9.44	9.70	9.79	9.67	9.42
7 6-month	10.25	11.28	13.73	12.69	12.15	9.93	9.63	9.47	9.65	9.74	9.67	9 42
Bankers acceptances[4,5]												
8 3-month	11.04	12.78	15.32	14.00	12.90	10.34	10.40	10.12	10.33	10.68	10.47	10.16
9 6-month	n.a.	n.a.	14.66	13.76	12.91	10.90	10.82	10 99	10.96	11.11	10.68	10.33
Certificates of deposit, secondary market[6]												
10 1-month	11.03	12 91	15.91	14 18	12.88	10.07	10.23	9.98	10 15	10.53	10.21	10.08
11 3-month	11.22	13.07	15.91	14 46	13.44	10.61	11.66	10.42	10.58	10.94	10.73	10.43
12 6-month	11.44	12.99	15.77	14 66	13.80	11.53	11.46	11.64	11.64	11.81	11.31	10.86
13 *Eurodollar deposits, 3-month*[2]	*11.96*	*14.00*	*16.79*	*15 45*	*14.37*	*11.57*	*11.74*	*11.26*	*11.53*	*11.94*	*11.93*	*11 61*
U.S. Treasury bills[4]												
Secondary market[7]												
14 3-month	10.07	11.43	14.03	12.47	11.35	8.68	7.92	8.31	8.34	8.03	7.53	7 52
15 6-month	10.06	11.37	13.80	12.70	11.88	9.88	9.37	9.59	9.63	9.57	9.21	8.85
16 1-year	9.75	10.89	13.14	12 57	11.90	10.37	9.92	10.12	10.09	10.12	9.77	9.51
Auction average[8]												
17 3-month	10.041	11.506	14.077	12.108	11.914	9.006	8.196	8.604	8.565	8.161	7.849	7.801
18 6-month	10.017	11 374	13 811	12.310	12.236	10 105	9.539	9.746	9.605	9.704	9.443	9 196
19 1-year	9.817	10.748	13.159	12.173	12.318	11.195	10.286	......	10.286	......	......	......
CAPITAL MARKET RATES												
U.S Treasury notes and bonds[9]												
Constant maturities[10]												
20 1-year	10 67	12.05	14.78	14.07	13 24	11.43	10.85	11.12	11.05	11.10	10 67	10.34
21 2-year	10.12	11.77	14.56	14.47	13.80	12.32	11.78	11.93	11.90	12.01	11.68	11.37
22 2-1/2-year[11]	......	......	......	......	......	......	......	......	12.05	......	11 80	......
23 3-year	9 71	11.55	14.44	14.48	14.00	12.62	12.03	12.25	12.16	12.23	11.96	11.60
24 5-year	9.52	11.48	14.24	14.43	14.07	13.00	12.25	12.54	12.43	12.47	12.11	11.74
25 7-year	9.48	11 43	14.06	14.47	14.07	13.14	12.36	12.77	12.63	12.60	12.13	11.77
26 10-year	9.44	11.46	13.91	14.30	13.95	13.06	12.34	12 69	12 58	12.58	12.14	11.78
27 20-year	9.33	11.39	13.72	14.18	13.76	12.91	12.16	12.48	12.39	12.42	11.95	11.65
28 30-year	9 29	11.30	13.44	13.92	13.55	12.77	12.07	12.38	12.25	12.21	11.86	11.76
Composite[12]												
29 Over 10 years (long-term)	8.74	10.81	12.87	13.32	12 97	12.15	11.48	11 76	11.63	11.62	11.30	11.18
State and local notes and bonds												
Moody's series[13]												
30 Aaa	5.92	7.85	10.43	11.55	11.47	10.68	9.76	9 40	9.40	10.00	10.00	10 00
31 Baa	6.73	9.01	11 76	12.74[c]	13 17	12.36	11.75	12.00	12.00	12.00	11.50	11.25
32 *Bond Buyer* series[14]	6.52	8.59	11.33	12.45	12.28	11.23	10.66	10.74	10.75	10.74	10.58	10.48
Corporate bonds												
Seasoned issues[15]												
33 All industries	10.12	12.75	15.06	15.77	15.70	15.06	14.34	14.56	14.43	14.43	14.25	14.09
34 Aaa	9.63	11.94	14.17	14.81	14.61	13.71	12.94	13.20	13.03	13.08	12.83	12.66
35 Aa	9 94	12.50	14.75	15.26	15.21	14 48	13.72	14.00	13.87	13.80	13.57	13.44
36 A	10 20	12.89	15.29	16.07	16.20	15.70	15.07	15 32	15.18	15.13	14.95	14.84
37 Baa	10.69	13.67	16.04	16.92	16 80	16.32	15.63	15.73	15.63	15.72	15.65	15.40
Aaa utility bonds[16]												
38 New issue	10.03	12.74	15.56	15.92	15.61	13.95	13.50	......	13.93	13 60	13.14	13.31
39 Recently offered issues	10 02	12.70	15.56	15.84	15.61	14.47	13.57	13.88	13.87	13.67	13.28	13.30
MEMO: Dividend/price ratio[17]												
40 Preferred stocks	9.07	10.57	12 36	12.96	13.24	12.78	12.41	12.38	12.42	12 44	12.47	12 35
41 Common stocks	5.46	5.25	5 41	5.97	6.31	6.32	5.63	5.80	5.61	5.52	5.54	5.66

1. Weekly and monthly figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
2. Weekly figures are statement week averages—that is, averages for the week ending Wednesday.
3. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper) Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper
4. Yields are quoted on a bank-discount basis, rather than an investment yield basis (which would give a higher figure).
5. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
6. Unweighted average of offered rates quoted by at least five dealers early in the day.
7. Unweighted average of closing bid rates quoted by at least five dealers.
8. Rates are recorded in the week in which bills are issued.
9. Yields are based on closing bid prices quoted by at least five dealers.
10. 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.
11. Each weekly figure is calculated on a biweekly basis and is the average of five business days ending on the Monday following the calendar week The biweekly rate is used to determine the maximum interest rate payable in the following two-week period on small saver certificates (See table 1.16.)
12. Unweighted averages of yields (to maturity or call) for all outstanding notes and bonds neither due nor callable in less than 10 years, including several very low yielding "flower" bonds.
13. General obligations only, based on figures for Thursday, from Moody's Investors Service.
14. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality Based on figures for Thursday.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. Issues included are long-term (20 years or more). New-issue yields are based on quotations on date of offering; those on recently offered issues (included only for first 4 weeks after termination of underwriter price restrictions), on Friday close-of-business quotations.
17. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

1.36 STOCK MARKET Selected Statistics

Indicator	1979	1980	1981	1982 Jan	Feb	Mar	Apr	May	June	July	Aug.	Sept.
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	55.67	68.06	74.02	67.91	66 16	63.86	66 97	67.07	63.10	62.82	62.91	70 21
2 Industrial	61.82	78 64	85 44	76 85	74.78	71 51	75.59	75.97	71.59	71.37	70.98	80.08
3 Transportation	45.20	60 52	72.61	62 04	59.09	55.19	57.91	56.84	53.07	53.40	53.98	61.39
4 Utility	36 46	37.35	38 90	39.30	38.32	38 57	39.20	39.40	37 34	37.20	38.19	40.36
5 Finance	58 65	64.28	73.52	70.99	70 50	69 08	71.44	69.16	63.19	61 59	62.84	69.66
6 Standard & Poor's Corporation (1941-43 = 10)[1]	107.94	118.71	128.05	117.41	114.50	110.84	116 31	116.35	109 70	109 38	109.65	122.43
7 American Stock Exchange (Aug. 31, 1973 = 100)	186.56	300.94	343.58	296.49	275 10	255 08	271.15	272.88	254.72	250.63	253.54	286.22
Volume of trading (thousands of shares)												
8 New York Stock Exchange	32,233	44,867	46,967	48,419	51,169	55,227	54,116	51,328	50,481	54,530r	76,031	73,710
9 American Stock Exchange	4,182	6,377	5,346	4,497	4,400	4,329	3,937	4,292	3,720	3,611	5,567	5,064
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Regulated margin credit at brokers–dealers**[2]	**11,619**	**14,721**	**14,411**	**13,441**	**13,023**	**12,095**	**12,202**	**12,237**	**11,783**	**11,729**	**11,396**	
11 Margin stock[3]	11,450	14,500	14,150	13,190	12,770	11,840	11,950	11,990	11,540	11,470	11,150	
12 Convertible bonds	167	219	259	249	251	249	251	246	242	258	245	
13 Subscription issues	2	2	2	2	2	6	1	1	1	1	1	n.a.
Free credit balances at brokers[4]												
14 Margin-account	1,105	2,105	3,515	3,455	3,755	3,895	4,145	4,175	4,215	4,410	4,470	
15 Cash-account	4,060	6,070	7,150	6,575	6,595	6,510	6,270	6,355	6,345	6,730	7,550	
	Margin-account debt at brokers (percentage distribution, end of period)											
16 **Total**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	
By equity class (in percent)[5]												
17 Under 40	16 0	14.0	37.0	37.0	44.0	39.0	34.0	40.0	43.0	44.0	30.0	
18 40–49	29.0	30.0	21 0	24.0	22.0	24.0	25.0	24.0	21 0	23 0	26 0	
19 50–59	27.0	25.0	22.0	16.0	15.0	16.0	18.0	15.0	16.0	13.0	18.0	n.a.
20 60–69	14.0	14.0	10.0	10.0	8.0	10.0	10.0	9.0	9.0	9.0	12.0	
21 70–79	8.0	9.0	6.0	7.0	6.0	6.0	7.0	6.0	6.0	6 0	8.0	
22 80 or more	7.0	8.0	6 0	6.0	5 0	5.0	6.0	5.0	5.0	5.0	6.0	
	Special miscellaneous-account balances at brokers (end of period)											
23 **Total balances (millions of dollars)**[6]	**16,150**	**21,690**	**25,870**	**26,080**	**26,850**	**28,030**	**28,252**	**28,521**	**29,798**	**29,773**	**31,102**	
Distribution by equity status (percent)												
24 Net credit status	44 2	47.8	58 0	58.0	58.0	59 0	57 0	58.0	59.0	59.0	60.0	n.a
Debt status, equity of												
25 60 percent or more	47.0	44.4	31.0	31.0	30.0	28.0	29.0	29.0	28.0	26.0	28.0	
26 Less than 60 percent	8.8	7.7	11.0	11.0	12.0	13.0	13 0	13 0	13 0	14 0	12 0	

Margin requirements (percent of market value and effective date)[7]

	Mar 11, 1968	June 8, 1968	May 6, 1970	Dec 6, 1971	Nov 24, 1972	Jan 3, 1974
27 Margin stocks	70	80	65	55	65	50
28 Convertible bonds	50	60	50	50	50	50
29 Short sales	70	80	65	55	65	50

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2. Margin credit includes all credit extended to purchase or carry stocks or related equity instruments and secured at least in part by stock. Credit extended is end-of-month data for member firms of the New York Stock Exchange.

In addition to assigning a current loan value to margin stock generally, Regulations T and U permit special loan values for convertible bonds and stock acquired through exercise of subscription rights

3. A distribution of this total by equity class is shown on lines 17–22.

4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.

5. Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.

6. Balances that may be used by customers as the margin deposit required for additional purchases Balances may arise as transfers based on loan values of other collateral in the customer's margin account or deposits of cash (usually sales proceeds) occur

7. Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 percent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1979	1980	1981		1982							
			Nov.	Dec.	Jan.	Feb.	Mar	Apr	May	June	July[r]	Aug.
	Savings and loan associations											
1 **Assets**	**578,962**	**630,712**	**660,326**	**663,844**	**667,600**	**671,895**	**678,039**	**681,368**	**686,942**	**692,245**	**697,354**	**702,413**
2 Mortgages	475,688	503,192	519,146	518,350	517,493	516,284	515,896	514,475	513,807	512,746	510,413	509,291
3 Cash and investment securities[1]	46,341	57,928	61,369	62,756	64,089	66,585	67,758	67,859	69,931	70,451	72,477	73,676
4 Other	56,933	69,592	79,811	82,738	86,018	89,026	94,835	99,034	103,204	109,228	114,464	119,446
5 **Liabilities and net worth**	**578,962**	**630,712**	**660,326**	**663,844**	**667,600**	**671,895**	**678,039**	**681,368**	**686,942**	**692,425**	**697,354**	**702,413**
6 Savings capital	470,004	511,636	519,777	524,374	526,382	529,064	535,566	532,899	534,517	537,965	539,127	541,490
7 Borrowed money	55,232	64,586	86,255	89,097	89,099	89,465	91,013	93,883	94,440	97,177	98,762	99,139
8 FHLBB	40,441	47,045	61,922	62,794	62,581	62,690	63,639	65,347	65,216	66,925	67,019	66,417
9 Other	14,791	17,541	24,333	26,303	26,518	26,775	27,374	28,536	29,224	30,252	31,743	32,722
10 Loans in process	9,582	8,767	6,451	6,369	6,249	6,144	6,399	6,550	6,748	7,087	7,231	7,446
11 Other	11,506	12,394	19,101	15,612	18,356	20,145	18,574	22,012	25,819	24,732	27,433	29,889
12 Net worth[2]	32,638	33,329	28,742	28,392	27,514	27,077	26,487	26,024	25,418	25,454	24,801	24,449
13 MEMO: Mortgage loan commitments outstanding[3]	16,007	16,102	15,758	15,225	15,131	15,397	15,582	16,375	16,622	16,828	15,924	16,728
	Mutual savings banks[4]											
14 **Assets**	**163,405**	**171,564**	**175,258**	**175,728**	**175,938**	**175,763**	**174,776**	**174,813**	**174,952**	**175,091**	**175,563**	
Loans												
15 Mortgage	98,908	99,865	99,879	99,997	99,788	98,838	97,464	97,160	96,334	96,346	96,231	
16 Other	9,253	11,733	15,073	14,753	15,029	15,604	16,514	16,424	17,409	16,546	17,104	
Securities												
17 U.S. government[5]	7,658	8,949	9,508	9,810	9,991	9,966	10,072	10,146	9,968	10,112	10,036	
18 State and local government	2,930	2,390	2,271	2,288	2,290	2,293	2,276	2,269	2,259	2,253	2,247	
19 Corporate and other[6]	37,086	39,282	37,874	37,791	37,849	37,781	37,379	37,473	37,486	36,958	36,670	
20 Cash	3,156	4,334	5,039	5,442	5,210	5,412	5,219	5,494	5,469	6,040	6,167	
21 Other assets	4,412	5,011	5,615	5,649	5,781	5,869	5,852	5,846	6,027	6,836	7,109	n.a.
22 **Liabilities**	**163,405**	**171,564**	**175,258**	**175,728**	**175,938**	**175,763**	**174,776**	**174,813**	**174,952**	**175,091**	**175,563**	
23 Deposits	146,006	154,805	153,809	155,110	154,843	154,626	154,022	153,187	153,354	154,273	154,204	
24 Regular[7]	144,070	151,416	151,787	153,003	152,801	152,616	151,979	151,021	151,253	152,030	151,845	
25 Ordinary savings	61,123	53,971	48,456	49,425	48,898	48,297	48,412	47,733	47,895	47,942	47,534	
26 Time	82,947	97,445	103,331	103,578	103,903	104,318	103,567	103,288	103,358	104,088	104,310	
27 Other	1,936	2,086	2,023	2,108	2,042	2,010	2,043	2,166	2,101	2,243	2,359	
28 Other liabilities	5,873	6,695	11,434	10,632	11,280	11,464	11,132	12,141	12,246	11,230	11,940	
29 General reserve accounts	11,525	11,368	10,015	9,986	9,814	9,672	9,622	9,485	9,352	9,588	9,419	
30 MEMO: Mortgage loan commitments outstanding[8]	3,182	1,476	1,207	1,293	916	950	978	953	998	1,010	992	
	Life insurance companies											
31 **Assets**	**432,282**	**479,210**	**523,866**	**525,803**	**529,094**	**531,166**	**535,402**	**539,801**	**543,470**	**547,075**	**551,124**	
Securities												
32 Government	338	21,378	25,147	25,209	25,916	26,208	26,958	27,346	27,835	28,243	28,694	
33 United States[9]	4,888	5,345	8,105	8,167	8,771	9,019	9,576	9,832	10,187	10,403	10,774	
34 State and local	6,428	6,701	7,172	7,151	7,247	7,302	7,369	7,467	7,543	7,643	7,705	
35 Foreign[10]	9,022	9,332	9,870	9,891	9,898	9,887	10,013	10,045	10,105	10,197	10,215	n.a.
36 Business	222,332	238,113	256,881	255,769	259,279	259,449	259,770	262,599	264,107	265,080	267,627	
37 Bonds	178,171	190,747	209,639	208,098	211,917	213,180	213,683	215,586	217,594	219,006	221,503	
38 Stocks	48,757	47,366	47,242	47,670	47,362	46,269	46,087	47,013	46,513	46,074	46,124	
39 Mortgages	119,421	131,030	137,275	137,747	138,210	138,372	138,762	139,206	139,455	139,539	140,044	
40 Real estate	13,007	15,063	17,819	18,278	18,409	18,702	19,167	19,516	19,713	19,959	20,198	
41 Policy loans	44,825	41,411	48,246	48,706	49,059	49,490	50,052	50,573	50,992	51,438	51,867	
42 Other assets	27,563	31,702	38,499	40,094	38,121	38,945	40,696	40,561	41,368	42,816	42,694	
	Credit unions											
43 **Total assets/liabilities and capital**	**65,854**	**71,709**	**76,830**	**77,682**	**78,012**	**78,986**	**81,055**	**81,351**	**82,858**	**84,107**	**84,423**	**85,102**
44 Federal	35,934	39,801	42,025	42,382	42,512	43,111	44,263	44,371	45,077	45,705	45,931	46,310
45 State	29,920	31,908	34,805	35,300	35,500	35,875	36,792	36,980	37,781	38,402	38,492	38,792
46 Loans outstanding	53,125	47,774	50,631	50,448	49,949	49,610	49,668	49,533	49,556	49,919	50,133	50,733
47 Federal	28,698	25,627	27,508	27,458	27,204	27,051	27,119	27,064	27,073	27,295	27,351	27,659
48 State	24,426	22,147	23,123	22,990	22,745	22,559	22,549	22,469	22,483	22,624	22,782	23,074
49 Savings	56,232	64,399	67,981	68,871	69,432	70,227	72,218	72,569	73,602	74,834	75,088	75,331
50 Federal (shares)	35,530	36,348	37,261	37,574	37,875	38,331	39,431	39,688	40,213	40,710	40,969	41,178
51 State (shares and deposits)	25,702	28,051	30,720	31,297	31,557	31,896	32,787	32,881	33,389	34,124	34,119	34,153

For notes see bottom of page A30.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1979	Fiscal year 1980	Fiscal year 1981	Calendar year					
				1981		1982	1982		
				H1	H2	H1	June	July	Aug.
U.S. budget									
1 Receipts[1]	463,302	517,112	599,272	317,304	301,777	322,478	66,353	44,675	44,924
2 Outlays[1,2]	490,997	576,675	657,204	333,115	358,558	348,678	59,629	64,506	59,628
3 Surplus, or deficit (−)	−27,694	−59,563	−57,932	−15,811	−56,780	−26,200	6,724	−19,831	−14,704
4 Trust funds	18,335	8,801	6,817	5,797	−8,085	−17,690	5,192	−6,171	−1,997
5 Federal funds[3]	−46,030	−68,364	−64,749	−21,608	−48,697	−43,889	1,532	−13,660	−12,707
Off-budget entities (surplus, or deficit (−))									
6 Federal Financing Bank outlays	−13,261	−14,549	−20,769	−11,046	−8,728	−7,942	−2,052	−939	−1,336
7 Other[4]	793	303	−236	−900	−1,752	227	−216	−192	−711
U.S. budget plus off-budget, including Federal Financing Bank									
8 Surplus, or deficit (−)	−40,162	−73,808	−78,936	−27,757	−67,260	−33,914	4,457	−20,962	−16,751
Source or financing									
9 Borrowing from the public	33,641	70,515	79,329	33,213	54,081	41,728	3,260	14,348	21,086
10 Cash and monetary assets (decrease, or increase (−))[5]	−408	−355	−1,878	2,873	−1,111	−408	3,489	1,061	2,338
11 Other[6]	6,929	3,648	1,485	−8,328	14,290	−7,405	−4,228	5,553	−6,673
MEMO:									
12 Treasury operating balance (level, end of period)	24,176	20,990	18,670	16,389	12,046	10,999	10,999	10,398	8,019
13 Federal Reserve Banks	6,489	4,102	3,520	2,923	4,301	4,099	4,099	3,275	3,234
14 Tax and loan accounts	17,687	16,888	15,150	13,466	7,745	6,900	6,900	7,123	4,785

1. The *Budget of the U.S. Government, Fiscal Year 1983*, has reclassified supplemental medical insurance premiums and voluntary hospital insurance premiums, previously included in other social insurance receipts, as offsetting receipts in the health function.
2. Effective Oct. 1, 1980, the Pension Benefit Guaranty Corporation was reclassified from an off-budget agency to an on-budget agency in the Department of Labor.
3. Half-year figures are calculated as a residual (total surplus/deficit less trust fund surplus/deficit).
4. Other off-budget includes Postal Service Fund; Rural Electrification and Telephone Revolving Fund; and Rural Telephone Bank; it also includes petroleum acquisition and transportation and strategic petroleum reserve effective November 1981.
5. Includes U.S. Treasury operating cash accounts; special drawing rights; gold tranche drawing rights; loans to International Monetary Fund; and other cash and monetary assets.
6. Includes accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," *Treasury Bulletin*, and the *Budget of the United States Government, Fiscal Year 1983*.

NOTES TO TABLE 1.37

1. Holdings of stock of the Federal Home Loan Banks are included in "other assets."
2. Includes net undistributed income, which is accrued by most, but not all, associations.
3. Excludes figures for loans in process, which are shown as a liability.
4. The NAMSB reports that, effective April 1979, balance sheet data are not strictly comparable with previous months. Beginning April 1979, data are reported on a net-of-valuation-reserves basis. Before that date, data were reported on a gross-of-valuation-reserves basis.
5. Beginning April 1979, includes obligations of U.S. government agencies. Before that date, this item was included in "Corporate and other."
6. Includes securities of foreign governments and international organizations and, before April 1979, nonguaranteed issues of U.S. government agencies.
7. Excludes checking, club, and school accounts.
8. Commitments outstanding (including loans in process) of banks in New York State as reported to the Savings Banks Association of the state of New York.
9. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
10. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE. *Savings and loan associations:* Estimates by the FHLBB for all associations in the United States. Data are based on monthly reports of federally insured associations and annual reports of other associations. Even when revised, data for current and preceding year are subject to further revision.

Mutual savings banks: Estimates of National Association of Mutual Savings Banks for all savings banks in the United States.

Life insurance companies: Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

Credit unions: Estimates by the National Credit Union Administration for a group of federal and state-chartered credit unions that account for about 30 percent of credit union assets. Figures are preliminary and revised annually to incorporate recent benchmark data.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1979	Fiscal year 1980	Fiscal year 1981	Calendar year 1981 H1	Calendar year 1981 H2	Calendar year 1982 H1	Calendar year 1982 June	Calendar year 1982 July	Calendar year 1982 Aug.
RECEIPTS									
1 **All sources**[1]	**463,302**	**517,112**	**599,272**	**317,304**	**301,777**	**322,478**	**66,353**	**44,675**	**44,924**
2 Individual income taxes, net	217,841	244,069	285,917	142,889	147,035	150,565	32,273	23,987	20,867
3 Withheld	195,295	223,763	256,332	126,101	134,199	133,575	21,912	23,769	20,521
4 Presidential Election Campaign Fund	36	39	41	36	5	34	4	4	1
5 Nonwithheld	56,215	63,746	76,844	59,907	17,391	66,174	11,774	2,233	1,529
6 Refunds	33,705	43,479	47,299	43,155	4,559	49,217	1,417	2,019	1,185
Corporation income taxes									
7 Gross receipts	71,448	72,380	73,733	44,048	31,056	37,836	11,943	2,445	1,694
8 Refunds	5,771	7,780	12,596	6,565	738	8,028	1,354	1,844	1,271
9 Social insurance taxes and contributions, net	138,939	157,803	182,720	101,316	91,592	108,079	17,572	14,874	17,961
10 Payroll employment taxes and contributions[2]	115,041	133,042	156,953	83,851	82,984	88,795	16,189	13,860	14,823
11 Self-employment taxes and contributions[3]	5,034	5,723	6,041	6,240	244	7,357	828	−649	0
12 Unemployment insurance	15,387	15,336	16,129	9,205	6,355	9,809	217	1,292	2,743
13 Other net receipts[1,4]	3,477	3,702	3,598	2,020	2,009	2,119	336	370	396
14 Excise taxes	18,745	24,329	40,839	21,945	22,097	17,525	2,768	2,774	2,828
15 Customs deposits	7,439	7,174	8,083	3,926	4,661	4,310	771	773	747
16 Estate and gift taxes	5,411	6,389	6,787	3,259	3,742	4,208	745	624	681
17 Miscellaneous receipts[5]	9,252	12,748	13,790	6,487	8,441	7,984	1,634	1,042	1,418
OUTLAYS									
18 **All types**[1,6]	**490,997**	**576,675**	**657,204**	**333,115**	**358,558**	**346,286**	**59,629**	**64,506**	**59,628**
19 National defense	117,681	135,856	159,765	80,005	87,421	93,154	16,419	16,757	15,318
20 International affairs	6,091	10,733	11,130	5,999	4,655	5,183	402	460	395
21 General science, space, and technology	5,041	5,722	6,359	3,314	3,388	3,370	543	552	620
22 Energy	6,856	6,313	10,277	5,677	4,394	2,814	601	171	256
23 Natural resources and environment	12,091	13,812	13,525	6,476	7,296	5,636	1,041	1,161	1,172
24 Agriculture	6,238	4,762	5,572	3,101	5,181	7,087	53	831	707
25 Commerce and housing credit	2,579	7,788	3,946	2,073	1,825	1,410	4	996	−385
26 Transportation	17,459	21,120	23,381	11,991	10,753	9,915	1,752	1,608	1,836
27 Community and regional development	9,542	10,068	9,394	4,621	4,269	3,193	557	502	675
28 Education, training, employment, social services	29,685	30,767	31,402	15,928	13,878	12,595	1,997	1,838	2,408
29 Health[1]	46,962	55,220	65,982	33,113	35,322	37,213	6,772	6,275	6,356
30 Income security[6]	160,159	193,100	225,099	113,490	129,269	112,782	20,812	22,385	20,346
31 Veterans benefits and services	19,928	21,183	22,988	10,531	12,880	10,865	1,927	3,099	997
32 Administration of justice	4,153	4,570	4,698	2,344	2,290	2,334	353	376	427
33 General government	4,093	4,505	4,614	2,692	2,311	2,410	393	207	630
34 General-purpose fiscal assistance	8,372	8,584	6,856	3,015	3,043	3,325	204	1,165	38
35 Interest	52,566	64,504	82,537	41,178	47,667	50,070	13,787	7,158	8,871
36 Undistributed offsetting receipts[7]	−18,488	−21,933	−30,320	−12,432	−17,281	14,680	−7,989	−1,036	−1,038

1. The *Budget of the U.S. Government, Fiscal Year 1983* has reclassified supplemental medical insurance premiums and voluntary hospital insurance premiums, previously included in other social insurance receipts, as offsetting receipts in the health function.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Old-age, disability, and hospital insurance.
4. Federal employee retirement contributions and civil service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Effective Oct. 1, 1980, the Pension Benefit Guaranty Corporation was reclassified from an off-budget agency to an on-budget agency in the Department of Labor.
7. Consists of interest received by trust funds, rents and royalties on the outer continental shelf, and U.S. government contributions for employee retirement.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" and the *Budget of the U.S. Government, Fiscal Year 1983.*

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1980 June 30	1980 Sept. 30	1980 Dec. 31	1981 Mar. 31	1981 June 30	1981 Sept. 30	1981 Dec. 31	1982 Mar. 31	1982 June 30
1 **Federal debt outstanding**	**884.4**	**914.3**	**936.7**	**970.9**	**977.4**	**1,003.9**	**1,034.7**	**1,066.4**	**1,084.7**
2 Public debt securities	877.6	907.7	930.2	964.5	971.2	997.9	1,028.7	1,061.3	1,079.6
3 Held by public	682.7	710.0	737.7	773.7	771.3	789.8	825.5	858.9	867.9
4 Held by agencies	194.9	197.7	192.5	190.9	199.9	208.1	203.2	202.4	211.7
5 Agency securities	6.8	6.6	6.5	6.4	6.2	6.1	6.0	5.1	5.0
6 Held by public	5.3	5.1	5.0	4.9	4.7	4.6	4.6	3.9	3.9
7 Held by agencies	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.2	1.1
8 **Debt subject to statutory limit**	**878.7**	**908.7**	**931.2**	**965.5**	**972.2**	**998.8**	**1,029.7**	**1,062.2**	**1,080.5**
9 Public debt securities	877.0	907.1	929.6	963.9	970.6	997.2	1,028.1	1,060.7	1,079.0
10 Other debt[1]	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.5	1.5
11 MEMO: Statutory debt limit	925.0	925.0	935.1	985.0	985.0	999.8	1,079.8	1,079.8	1,143.1

1. Includes guaranteed debt of government agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds

NOTE. Data from *Treasury Bulletin* (U.S. Treasury Department).

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1978	1979	1980	1981	1982 May	1982 June	1982 July	1982 Aug.	1982 Sept.
1 **Total gross public debt**	**789.2**	**845.1**	**930.2**	**1,028.7**	**1,071.7**	**1,079.6**	**1,089.6**	**1,109.2**	**1,142.0**
By type									
2 Interest-bearing debt	782.4	844.0	928.9	1,027.3	1,066.4	1,078.4	1,083.3	1,108.1	1,140.9
3 Marketable	487.5	530.7	623.2	720.3	755.7	764.0	774.1	801.4	824.4
4 Bills	161.7	172.6	216.1	245.0	256.1	256.0	262.0	273.1	277.9
5 Notes	265.8	283.4	321.6	375.3	398.4	406.9	411.1	427.4	
6 Bonds	60.0	74.7	85.4	99.9	101.2	101.1	101.0	100.9	103.6
7 Nonmarketable[1]	294.8	313.2	305.7	307.0	310.7	314.4	309.2	306.7	316.4
8 Convertible bonds[2]	2.2	2.2	....	....	....	....	....	....	....
9 State and local government series	24.3	24.6	23.8	23.0	23.4	23.4	23.4	23.5	23.6
10 Foreign issues[3]	29.6	28.8	24.0	19.0	18.4	17.5	16.6	15.6	14.7
11 Government	28.0	23.6	17.6	14.9	14.8	13.8	13.6	12.5	12.2
12 Public	1.6	5.3	6.4	4.1	3.6	3.6	3.1	3.1	2.4
13 Savings bonds and notes	80.9	79.9	72.5	68.1	67.3	67.4	67.4	67.4	67.5
14 Government account series[4]	157.5	177.5	185.1	196.7	201.3	206.0	201.5	119.9	210.5
15 Non-interest-bearing debt	6.8	1.2	1.3	1.4	5.3	1.2	1.1	1.1	1.2
By holder[5]									
16 U.S. government agencies and trust funds	170.0	187.1	192.5	203.3	206.7	211.7	n.a.	n.a.	n.a.
17 Federal Reserve Banks	109.6	117.5	121.3	131.0	129.4	127.0	n.a.	n.a.	n.a.
18 Private investors	508.6	540.5	616.4	694.5	735.2	740.9	n.a.	n.a.	n.a.
19 Commercial banks	93.2	96.4	116.0	109.4	109.4	117.0	n.a.	n.a.	n.a.
20 Mutual savings banks	5.0	4.7	5.4	5.2	5.7	5.7	n.a.	n.a.	n.a.
21 Insurance companies	15.7	16.7	20.1	19.1	21.5[r]	22.2	n.a.	n.a.	n.a.
22 Other companies	19.6	22.9	25.7	37.8	38.8	38.9	n.a.	n.a.	n.a.
23 State and local governments	64.4	69.9	78.8	85.6	91.8	91.2	n.a.	n.a.	n.a.
Individuals									
24 Savings bonds	80.7	79.9	72.5	68.0	67.4	67.4	n.a.	n.a.	n.a.
25 Other securities	30.3	36.2	56.7	75.6	78.8	78.8	n.a.	n.a.	n.a.
26 Foreign and international[6]	137.8	124.4	127.7	141.4	138.9	141.9	n.a.	n.a.	n.a.
27 Other miscellaneous investors[7]	58.9	90.1	106.9	152.3	182.9	177.8	n.a.	n.a.	n.a.

1. Includes (not shown separately). Securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.

2. These nonmarketable bonds, also known as Investment Series B Bonds, may be exchanged (or converted) at the owner's option for 1½ percent, 5-year marketable Treasury notes. Convertible bonds that have been so exchanged are removed from this category and recorded in the notes category (line 5)

3. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.

4. Held almost entirely by U.S. government agencies and trust funds.

5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

6. Consists of investments of foreign balances and international accounts in the United States.

7. Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, certain government deposit accounts, and government sponsored agencies.

NOTE. Gross public debt excludes guaranteed agency securities.

Data by type of security from *Monthly Statement of the Public Debt of the United States* (U.S. Treasury Department); data by holder from *Treasury Bulletin*.

1.42 U.S. GOVERNMENT MARKETABLE SECURITIES Ownership, by maturity

Par value; millions of dollars, end of period

Type of holder	1980	1981	1982 June	1982 July	1980	1981	1982 June	1982 July
	All maturities				1 to 5 years			
1 **All holders**	**623,186**	**720,293**	**763,995**	**774,077**	**197,409**	**228,550**	**249,021**	**245,985**
2 U.S. government agencies and trust funds	9,564	8,669	7,994	7,988	1,990	1,906	1,775	1,770
3 Federal Reserve Banks	121,328	130,954	127,005	131,533	35,835	38,223	37,484	37,834
4 Private investors	492,294	580,671	628,997	634,556	159,585	188,422	209,762	206,381
5 Commercial banks	77,868	74,618	82,431	74,707	44,482	39,021	41,479	38,662
6 Mutual savings banks	3,917	3,971	4,415	4,335	1,925	1,870	2,063	2,010
7 Insurance companies	11,930	12,090	13,453	13,708	4,504	5,596	6,342	6,265
8 Nonfinancial corporations	7,758	4,214	3,710	3,497	2,203	1,146	929	803
9 Savings and loan associations	4,225	4,1227	5,062	4,896	2,289	2,260	2,852	2,733
10 State and local governments	21,058	18,991	22,631	21,703	4,595	4,278	4,696	4,552
11 All others	365,539	462,663	497,294	511,711	99,577	134,251	151,401	151,355
	Total, within 1 year				5 to 10 years			
12 **All holders**	**297,385**	**340,082**	**355,611**	**361,264**	**56,037**	**63,483**	**67,108**	**74,631**
13 U.S. government agencies and trust funds	830	647	144	145	1,404	779	779	779
14 Federal Reserve Banks	56,858	64,113	62,202	65,986	13,548	11,854	10,559	10,830
15 Private investors	239,697	275,322	293,264	295,116	41,175	50,851	55,770	63,022
16 Commercial banks	25,197	29,480	33,944	29,877	5,793	4,496	3,978	3,161
17 Mutual savings banks	1,246	1,569	1,794	1,794	455	238	220	199
18 Insurance companies	1,940	2,201	2,244	2,402	3,037	2,507	2,682	2,879
19 Nonfinancial corporations	4,281	2,421	1,694	1,582	357	344	277	280
20 Savings and loan associations	1,646	1,731	1,927	1,784	216	98	141	255
21 State and local governments	7,750	7,536	7,622	6,289	2,030	2,365	2,606	2,885
22 All others	197,636	230,383	244,040	251,388	29,287	40,804	45,867	53,363
	Bills, within 1 year				10 to 20 years			
23 **All holders**	**216,104**	**245,015**	**256,007**	**262,009**	**36,854**	**44,744**	**46,246**	**46,205**
24 U.S. government agencies and trust funds	1	*	1	2	3,686	3,996	3,952	3,952
25 Federal Reserve Banks	43,971	49,679	47,921	52,358	5,919	6,692	6,642	6,669
26 Private investors	172,132	195,335	208,085	209,650	27,250	34,055	35,651	35,583
27 *Commercial banks*	9,856	9,667	13,556	10,062	1,071	873	1,351	1,336
28 Mutual savings banks	394	423	586	604	181	151	182	181
29 Insurance companies	672	760	762	925	1,718	1,119	1,367	1,361
30 Nonfinancial corporations	2,363	1,173	998	1,010	431	131	481	511
31 Savings and loan associations	818	363	760	681	52	16	29	29
32 State and local governments	5,413	5,126	4,789	3,746	3,597	2,824	4,814	4,858
33 All others	152,616	177,824	186,634	192,622	20,200	28,940	27,428	27,208
	Other, within 1 year				*Over 20 years*			
34 **All holders**	**81,281**	**95,068**	**99,604**	**99,237**	**35,500**	**43,434**	**46,010**	**46,010**
35 U.S. government agencies and trust funds	829	647	143	143	1,656	1,340	1,343	1,343
36 Federal Reserve Banks	12,888	14,433	14,281	13,627	9,258	10,073	10,118	10,214
37 Private investors	67,565	79,987	85,180	85,467	24,587	32,020	34,549	34,453
38 Commercial banks	15,341	19,814	20,388	19,815	1,325	749	1,679	1,670
39 Mutual savings banks	852	1,146	1,208	1,190	110	144	156	151
40 Insurance companies	1,268	1,442	1,481	1,476	730	666	819	801
41 Nonfinancial corporations	1,918	1,248	696	573	476	172	329	321
42 Savings and loan associations	828	1,368	1,167	1,103	21	17	114	96
43 State and local governments	2,337	2,410	2,833	2,542	3,086	1,988	2,893	3,019
44 All others	45,020	52,560	57,406	58,767	18,838	28,285	28,559	28,397

NOTE. Direct public issues only. Based on Treasury Survey of Ownership from *Treasury Bulletin* (U.S. Treasury Department).

Data complete for U.S. government agencies and trust funds and Federal Reserve Banks, but data for other groups include only holdings of those institutions that report. The following figures show, for each category, the number and proportion reporting as of July 31, 1982: (1) 5,279 commercial banks, 439 mutual savings banks, and 726 insurance companies, each about 80 percent; (2) 405 nonfinancial corporations and 457 savings and loan associations, each about 50 percent; and (3) 488 state and local governments, about 40 percent.

"All others," a residual, includes holdings of all those not reporting in the Treasury Survey, including investor groups not listed separately.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Transactions

Par value; averages of daily figures, in millions of dollars

	Item	1979	1980	1981	1982			1982, week ending Wednesday				
					June	July	Aug.	Aug. 25	Sept. 1	Sept. 8	Sept. 15	Sept. 22
	Immediate delivery[1]											
1	U.S. government securities	13,183	18,331	24,728	27,136	33,328	41,041	40,165	37,643	36,644	33,605	42,358
	By maturity											
2	Bills	7,915	11,413	14,768	16,831	20,675	23,655	24,169	20,155	24,297	20,343	22,374
3	Other within 1 year	454	421	621	646	1,011	1,094	1,037	867	894	1,379	1,323
4	1-5 years	2,417	3,330	4,360	4,438	5,899	8,784	8,175	8,854	5,058	5,144	11,233
5	5-10 years	1,121	1,464	2,451	2,821	3,558	4,186	3,426	4,928	3,909	3,952	3,905
6	Over 10 years	1,276	1,704	2,528	2,400	2,186	3,323	3,359	2,838	2,486	2,788	3,523
	By type of customer											
7	U.S. government securities dealers	1,448	1,484	1,640	1,693	2,095	1,997	2,293	1,765	2,127	1,712	1,970
8	U.S. government securities brokers	5,170	7,610	11,750	13,061	16,106	19,616	19,327	17,139	16,732	15,661	19,210
9	All others[2]	6,564	9,237	11,337	12,382	15,127	19,429	18,545	18,739	17,785	16,232	21,179
10	Federal agency securities	2,723	3,258	3,306	3,237	4,011	5,000	5,778	4,336	3,722	4,274	4,958
11	Certificates of deposit	1,764	2,472	4,477	5,518	6,068	5,391	5,662	3,893	3,983	4,479	4,801
12	Bankers acceptances			1,807	2,250	2,915	2,781	2,399	2,267	2,415	2,356	2,317
13	Commercial paper			6,128	8,131	7,308	7,686	7,754	7,460	7,709	7,966	7,703
	Futures transactions[3]											
14	Treasury bills			3,523	4,629	4,969	6,404	6,564	5,798	4,934	6,856	6,382
15	Treasury coupons			1,330	1,215	1,033	1,573	1,455	1,593	1,688	1,432	3,357
16	Federal agency securities	n.a.	n.a.	234	267	285	331	348	294	262	263	311
	Forward transactions[4]											
17	U.S. government securities			365	692	482	743	437	554	594	1,014	1,323
18	Federal agency securities			1,370	537	610	787	856	720	721	1,221	1,107

1. Before 1981, data for immediate transactions include forward transactions.
2. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.
3. Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.
4. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for government securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

NOTE. Averages for transactions are based on number of trading days in the period.

Transactions are market purchases and sales of U.S. government securities dealers reporting to the Federal Reserve Bank of New York. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

1.44 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing

Averages of daily figures, in millions of dollars

	Item	1979	1980	1981	1982			1982, week ending Wednesday				
					June	July	Aug.	Aug. 4	Aug. 11	Aug. 18	Aug. 25	Sept. 1
							Positions					
	Net immediate[1]											
1	U.S. government securities	3,223	4,306	9,033	11,075	9,161	4,893	7,258	8,928	6,432	1,578	418
2	Bills	3,813	4,103	6,485	7,284	7,163	1,265	3,510	4,672	2,393	−1,493	−2,426
3	Other within 1 year	−325	−1,062	−1,526	−462	−2,027	−632	−506	−527	−688	−747	−655
4	1-5 years	−455	434	1,488	2,206	2,552	2,269	3,075	3,092	2,692	2,043	2,005
5	5-10 years	160	166	292	−254	−417	−248	−827	−264	−73	−38	−25
6	Over 10 years	30	665	2,294	2,301	1,890	1,880	2,005	1,955	2,108	1,813	1,517
7	Federal agency securities	1,471	797	2,277	2,976	2,878	3,578	3,522	3,460	3,769	3,599	3,454
8	Certificates of deposit	2,794	3,115	3,435	5,580	7,728	7,834	8,529	7,904	8,382	7,850	6,539
9	Bankers acceptances			1,746	2,666	3,023	3,207	3,668	3,343	3,394	2,909	2,988
10	Commercial paper			2,658	3,503	3,779	3,658	4,015	3,542	3,502	3,791	3,448
	Futures positions											
11	Treasury bills			−8,934	−6,067	−1,542	6,185	4,069	4,448	6,540	7,944	7,512
12	Treasury coupons	n.a.	n.a.	−2,733	−2,045	−2,878	−2,915	−3,103	−3,406	−3,628	−2,332	−1,862
13	Federal agency securities			522	73	295	−11	341	236	270	−405	−438
	Forward positions											
14	U.S. government securities			−603	−760	−444	−612	−376	−228	−676	−860	−1,204
15	Federal agency securities			−451	−1,452	−1,227	−1,241	−1,132	−1,187	−1,148	−1,396	−1,320
							Financing[2]					
	Reverse repurchase agreements[3]											
16	Overnight and continuing			14,568	25,655	27,391	29,374	26,411	29,554	30,204	31,327	32,046
17	Term agreements			32,048	39,795	44,136	50,497	53,984	47,881	49,642	50,482	49,411
	Repurchase agreements[4]	n.a.	n.a.									
18	Overnight and continuing			35,919	42,038	54,660	50,318	53,397	51,382	49,094	47,399	47,107
19	Term agreements			29,449	35,525	37,821	48,692	46,621	47,753	48,854	51,538	50,409

For notes see opposite page.

1.45 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1978	1979	1980	1981	1982					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 **Federal and federally sponsored agencies**[1]	**137,063**	**163,290**	**193,229**	**227,210**	**226,418**	**226,539**	**228,749**	**232,274**	**234,593**	**238,787**
2 Federal agencies	23,488	24,715	28,606	31,806	31,053	30,806	31,408	31,613	31,551	32,274
3 Defense Department[2]	968	738	610	484	470	460	454	447	434	419
4 Export-Import Bank[3,4]	8,711	9,191	11,250	13,339	13,135	12,861	13,421	13,475	13,416	13,939
5 Federal Housing Administration[5]	588	537	477	413	406	397	382	376	363	358
6 Government National Mortgage Association participation certificates[6]	3,141	2,979	2,817	2,715	2,191	2,165	2,165	2,165	2,165	2,165
7 Postal Service[7]	2,364	1,837	1,770	1,538	1,538	1,538	1,538	1,538	1,471	1,471
8 Tennessee Valley Authority	7,460	8,997	11,190	13,115	13,115	13,187	13,250	13,410	13,500	13,715
9 United States Railway Association[7]	356	436	492	202	198	198	198	202	202	207
10 Federally sponsored agencies[1]	113,575	138,575	164,623	195,404	195,365	195,733	197,341	200,661	203,042	206,513
11 Federal Home Loan Banks	27,563	33,330	41,258	58,090	57,387	57,743	58,839	59,937	60,772	61,883
12 Federal Home Loan Mortgage Corporation	2,262	2,771	2,536	2,604	2,604	2,604	2,500	2,500	2,500	3,099
13 Federal National Mortgage Association	41,080	48,486	55,185	58,749	58,860	59,018	59,270	60,478	61,996	62,660
14 Federal Land Banks	20,360	16,006	12,365	9,717	8,717	8,717	8,717	8,217	8,217	8,217
15 Federal Intermediate Credit Banks	11,469	2,676	1,821	1,388	1,388	1,388	1,388	926	926	926
16 Banks for Cooperatives	4,843	584	584	220	220	220	220	220	220	220
17 Farm Credit Banks[1]	5,081	33,216	48,153	60,034	61,187	61,041	61,405	63,381	63,409	64,506
18 Student Loan Marketing Association[8]	915	1,505	2,720	4,600	5,000	5,000	5,000	5,000	5,000	5,000
19 Other	2	1	1	2	2	2	2	2	2	2
MEMO:										
20 **Federal Financing Bank debt**[1,9]	**51,298**	**67,383**	**87,460**	**110,698**	**111,965**	**112,367**	**113,567**	**114,961**	**117,475**	**120,241**
Lending to federal and federally sponsored agencies										
21 Export-Import Bank[4]	6,898	8,353	10,654	12,741	12,741	12,741	13,305	13,305	13,305	13,829
22 Postal Service[7]	2,114	1,587	1,520	1,288	1,288	1,288	1,288	1,288	1,221	1,221
23 Student Loan Marketing Association[8]	915	1,505	2,720	4,600	5,000	5,000	5,000	5,000	5,000	5,000
24 Tennessee Valley Authority	5,635	7,272	9,465	11,390	11,435	11,462	11,525	11,685	11,775	11,990
25 United States Railway Association[7]	356	436	492	202	198	198	198	202	202	207
Other Lending[10]										
26 Farmers Home Administration	23,825	32,050	39,431	48,821	49,026	49,081	48,681	49,356	51,056	52,346
27 Rural Electrification Administration	4,604	6,484	9,196	13,516	13,836	13,989	14,452	14,716	15,046	15,454
28 Other	6,951	9,696	13,982	18,140	18,441	18,608	19,118	19,409	19,870	20,194

1. In September 1977 the Farm Credit Banks issued their first consolidated bonds, and in January 1979 they began issuing these bonds on a regular basis to replace the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks, and the Banks for Cooperatives. Line 17 represents those consolidated bonds outstanding, as well as any discount notes that have been issued. Lines 1 and 10 reflect the addition of this item.

2. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.

3. Includes participation certificates reclassified as debt beginning Oct 1, 1976.

4. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.

5. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.

6. Certificates of participation issued prior to 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.

7. Off-budget.

8. Unlike other federally sponsored agencies, the Student Loan Marketing Association may borrow from the Federal Financing Bank (FFB) since its obligations are guaranteed by the Department of Health, Education, and Welfare.

9. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.

10. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

NOTES TO TABLE 1.44

1. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs). The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Securities owned, and hence dealer positions, do not include securities to resell (reverse RPs). Before 1981, data for immediate positions include forward positions.

2. Figures cover financing involving U.S. government and federal agency securities, negotiable CDs, bankers acceptances, and commercial paper.

3. Includes all reverse repurchase agreements, including those that have been arranged to make delivery on short sales and those for which the securities obtained have been used as collateral on borrowings, i.e., matched agreements.

4. Includes both repurchase agreements undertaken to finance positions and "matched book" repurchase agreements.

NOTE. Data for positions are averages of daily figures, in terms of par value, based on the number of trading days in the period. Positions are shown net and are on a commitment basis. Data for financing are based on Wednesday figures, in terms of actual money borrowed or lent.

1.46 NEW SECURITY ISSUES of State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1979	1980	1981	1982 Jan.[r]	Feb.	Mar.[r]	Apr.[r]	May[r]	June[r]	July
1 **All issues, new and refunding**[1]	**43,365**	**48,367**	**47,732**	**3,911**	**3,720**	**5,661**	**6,708**	**5,619**	**5,813**	**5,823**
Type of issue										
2 General obligation	12,109	14,100	12,394	1,038	1,054	1,733	2,222	1,506	1,811	967
3 U.S. government loans[2]	53	38	34	2	0	9	10	10	16	22
4 Revenue	31,256	34,267	35,338	2,873	2,666	3,928	4,486	4,113	4,002	4,856
5 U.S. government loans[2]	67	57	55	4	6	5	32	38	45	49
Type of issuer										
6 State	4,314	5,304	5,288	514	234	432	1,061	601	1,074	257
7 Special district and statutory authority	23,434	26,972	27,499	2,135	2,187	2,993	3,880	2,975	2,899	3,987
8 Municipalities, counties, townships, school districts	15,617	16,090	14,945	1,262	1,299	2,236	1,767	2,043	1,840	1,579
9 **Issues for new capital, total**	**41,505**	**46,736**	**46,530**	**3,754**	**3,679**	**4,798**	**6,682**	**5,489**	**5,723**	**5,637**
Use of proceeds										
10 Education	5,130	4,572	4,547	236	266	405	460	483	724	288
11 Transportation	2,441	2,621	3,447	144	207	363	284	292	300	117
12 Utilities and conservation	8,594	8,149	10,037	1,189	1,284	754	1,333	1,363	830	1,269
13 Social welfare	15,968	19,958	12,729	927	837	1,773	2,339	2,026	2,292	3,033
14 Industrial aid	3,836	3,974	7,651	468	501	636	667	350	397	493
15 Other purposes	5,536	7,462	8,119	790	584	867	1,599	975	1,180	437

1. Par amounts of long-term issues based on date of sale.
2. Consists of tax-exempt issues guaranteed by the Farmers Home Administration.

SOURCE. Public Securities Association.

1.47 NEW SECURITY ISSUES of Corporations

Millions of dollars

Type of issue or issuer, or use	1979	1980	1981	1982 Jan.	Feb.	Mar.	Apr.[r]	May[r]	June	July
1 **All issues**[1]	**51,533**	**73,694**	**69,283**	**2,954**	**3,294**	**6,436**	**4,622**	**6,675**	**4,030**	**5,264**
2 **Bonds**	**40,208**	**53,206**	**44,643**	**1,278**	**1,879**	**4,512**	**2,575**	**4,420**	**2,836**	**3,337**
Type of offering										
3 Public	25,814	41,587	37,653	614	1,464	3,540	2,100	3,973	2,398	2,868
4 Private placement	14,394	11,619	6,989	664	415	972	475	447	438	469
Industry group										
5 Manufacturing	9,678	15,409	12,325	283	262	708	497	608	211	1,290
6 Commercial and miscellaneous	3,948	6,693	5,229	230	59	691	139	490	329	492
7 Transportation	3,119	3,329	2,054	43	3	224	26	74	79	40
8 Public utility	8,153	9,557	8,963	493	345	1,568	888	1,186	699	536
9 Communication	4,219	6,683	4,280	8	364	84	16	315	174	75
10 Real estate and financial	11,094	11,534	11,793	221	845	1,236	1,010	1,748	1,344	905
11 **Stocks**	**11,325**	**20,489**	**24,642**	**1,676**	**1,415**	**1,924**	**2,047**	**2,255**	**1,194**	**1,927**
Type										
12 Preferred	3,574	3,631	1,796	199	185	199	172	888	67	645
13 Common	7,751	16,858	22,846	1,477	1,230	1,725	1,875	1,367	1,127	1,282
Industry group										
14 Manufacturing	1,679	4,839	4,838	129	67	394	102	162	53	105
15 Commercial and miscellaneous	2,623	5,245	7,436	723	426	653	770	569	339	615
16 Transportation	255	549	735	25	73	27	15	35	52	5
17 Public utility	5,171	6,230	5,486	449	743	547	756	401	242	267
18 Communication	303	567	1,778	58	2	3	3	30	8	96
19 Real estate and financial	1,293	3,059	4,371	292	104	301	401	1,058	499	839

1. Figures, which represent gross proceeds of issues maturing in more than one year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.

SOURCE. Securities and Exchange Commission.

1.48 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1980	1981	1982 Jan	Feb	Mar	Apr	May	June	July	Aug.
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	15,266	20,596	2,049	2,049	3,325	2,754	2,345	3,061	3,304	4,322
2 Redemptions of own shares[3]	12,012	15,866	1,475	1,456	2,056	2,293	1,854	2,038	2,145	2,336
3 Net sales	3,254	4,730	1,557	593	1,269	461	491	1,023	1,159	1,986
4 Assets[4]	58,400	55,207	54,347	52,695	53,001	56,026	54,889	54,238	54,592	62,214
5 Cash position[5]	5,321	5,277	5,424	5,540	5,752	6,083	5,992	6,298	5,992	6,042
6 Other	53,079	49,930	48,923	47,155	47,249	49,943	48,896	47,940	48,600	56,172

1. Excluding money market funds.
2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short-term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.49 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1979	1980	1981	1980 Q4	1981 Q1	1981 Q2	1981 Q3	1981 Q4	1982 Q1	1982 Q2
1 Corporate profits with inventory valuation and capital consumption adjustment	194.8	181.6	190.6	181.2	200.3	185.1	193.1	183.9	157.1	155.4
2 Profits before tax	252.7	242.4	232.1	245.9	253.1	225.4	233.3	216.5	171.6	171.7
3 Profits tax liability	87.6	84.6	81.2	87.8	91.5	79.2	82.4	71.6	56.7	55.3
4 Profits after tax	165.1	157.8	150.9	158.1	161.6	146.2	150.9	144.9	114.9	116.4
5 Dividends	52.7	58.1	65.1	59.6	61.5	64.0	66.8	68.1	68.8	69.3
6 Undistributed profits	112.4	99.7	85.8	98.5	100.1	82.2	84.1	76.8	46.1	47.1
7 Inventory valuation	43.1	43.0	-24.6	45.5	35.5	22.8	23.0	17.1	4.4	9.4
8 Capital consumption adjustment	14.8	17.8	-16.8	-19.2	-17.3	17.5	-17.1	15.5	10.1	6.9

SOURCE. *Survey of Current Business* (U.S. Department of Commerce).

1.50 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, except for ratio

Account	1976	1977	1978	1979	1980	1981 Q1	1981 Q2	1981 Q3	1981 Q4	1982 Q1
1 **Current assets**	**827.4**	**912.7**	**1,043.7**	**1,218.2**	**1,336.1**	**1,374.6**	**1,385.9**	**1,405.7**	**1,419.3**	**1,413.2**
2 Cash	88.2	97.2	105.5	118.0	127 3	126.9	126.7	125.7	132.1	122.0
3 U.S. government securities	23.5	18.2	17 3	17.0	19.9	19.8	20.5	18.6	18.6	17.6
4 Notes and accounts receivable	292.9	330.3	388.0	461.1	509.0	524.2	528.3	535.4	527.9	526.0
5 Inventories	342.5	376.9	431.6	505.5	540.2	555.4	559 3	569 8	578.5	584.4
6 Other	80.3	90.1	101.3	116 7	139.6	148.4	151 0	156.3	162 2	163.1
7 **Current liabilities**	**495.1**	**557.1**	**669.3**	**807.8**	**886.8**	**916.1**	**921.6**	**954.1**	**964.1**	**966.3**
8 Notes and accounts payable	282.1	317.6	382 9	461.2	508.3	510.3	513 1	533.6	544.2	533.4
9 Other	213.0	239.6	286 4	346.6	378.5	405.8	408.4	420.5	419.9	432.8
10 **Net working capital**	**332.4**	**355.5**	**374.4**	**410.5**	**449.3**	**458.5**	**464.3**	**451.7**	**455.1**	**446.9**
11 MEMO: Current ratio [1]	1.671	1.638	1 559	1.508	1.507	1.500	1.504	1.473	1.472	1.463

1. Ratio of total current assets to total current liabilities.

NOTE. For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533–37.

All data in this table reflect the most current benchmarks. Complete data are available upon request from the Flow of Funds Section, Division of Research and Statistics.

SOURCE. Federal Trade Commission.

1.51 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry[1]	1980	1981	1982[1]	1981 Q2	1981 Q3	1981 Q4	1982 Q1	1982 Q2	1982 Q3[1]	1982 Q4[1]
1 **Total nonfarm business**	**295.63**	**321.49**	**323.66**	**316.73**	**328.25**	**327.83**	**327.72**	**323.22**	**320.24**	**324.47**
Manufacturing										
2 Durable goods industries	58.91	61.84	59.50	63.10	62.58	60.78	60.84	59.03	59.98	58.80
3 Nondurable goods industries	56.90	64.95	64.74	62.40	67.53	66 14	67 48	64.74	63.10	64.09
Nonmanufacturing										
4 Mining	13.51	16.86	16.48	16.80	17.55	16.81	17.60	16.56	15.66	16.02
Transportation										
5 Railroad	4.25	4.24	4.51	4.38	4.18	4.18	4.56	4.73	4.10	4.64
6 Air	4.01	3.81	3.86	3.29	3.34	4.82	3.20	3.54	3.79	4.85
7 Other	3.82	4.00	3.95	4.04	4.09	4.12	4.23	4.06	3.50	4.07
Public utilities										
8 Electric	28.12	29.74	32.29	29.32	30.54	31 14	30.95	32.26	32.67	33.15
9 Gas and other	7.32	8.65	8 61	8.53	9.01	8.60	9 17	9 14	7.87	8.50
10 Trade and services	81.79	86.33	87.40	85.88	87.55	88.33	87.80	88.85	86.71	86.07
11 Communication and other[2]	36.99	41.06	42.33	39.02	41.89	42.92	41.89	40.33	42.85	44.09

1. Anticipated by business.
2. "Other" consists of construction; social services and membership organizations; and forestry, fisheries, and agricultural services.

SOURCE. *Survey of Current Business* (U.S. Dept. of Commerce).

1.52 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1977	1978	1979	1980	1981				1982	
					Q1	Q2	Q3	Q4	Q1	Q2
ASSETS										
Accounts receivable, gross										
1 Consumer	44.0	52.6	65.7	73.6	76.1	79.0	84.5	85.5	85.1	88.0
2 Business	55.2	63.3	70.3	72.3	72.7	78.2	76.9	80.6	80.9	82.6
3 Total	99.2	116.0	136.0	145.9	148.7	157.2	161.3	166.1	166.0	170.6
4 LESS: Reserves for unearned income and losses	12.7	15.6	20.0	23.3	24.3	25.7	27.7	28.9	29.1	30.2
5 Accounts receivable, net	86.5	100.4	116.0	122.6	124.5	131.4	133.6	137.2	136.9	140.4
6 Cash and bank deposits	2.6	3.5								
7 Securities	.9	1.3	24.9[1]	27.5	30.8	31.6	34.5	34.2	35.0	37.3
8 All other	14.3	17.3								
9 **Total assets**	**104.3**	**122.4**	**140.9**	**150.1**	**155.3**	**163.0**	**168.1**	**171.4**	**171.9**	**177.8**
LIABILITIES										
10 Bank loans	5.9	6.5	8.5	13.2	13.1	14.4	14.7	15.4	15.4	14.5
11 Commercial paper	29.6	34.5	43.3	43.4	44.2	49.0	51.2	51.2	46.2	50.3
Debt										
12 Short-term, n.e.c.	6.2	8.1	8.2	7.5	8.2	8.5	11.9	9.6	9.0	9.3
13 Long-term, n.e.c.	36.0	43.6	46.7	52.4	51.6	52.6	50.7	54.8	59.0	60.3
14 Other	11.5	12.6	14.2	14.3	17.3	17.0	17.1	17.8	19.0	18.9
15 Capital, surplus, and undivided profits	15.1	17.2	19.9	19.4	20.9	21.5	22.4	22.8	23.3	24.5
16 **Total liabilities and capital**	**104.3**	**122.4**	**140.9**	**150.1**	**155.3**	**163.0**	**168.1**	**171.4**	**171.9**	**177.8**

1. Beginning Q1 1979, asset items on lines 6, 7, and 8 are combined.

NOTE. Components may not add to totals due to rounding.

1.53 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding July 31, 1982[1]	Changes in accounts receivable			Extensions			Repayments		
		1982			1982			1982		
		May	June	July	May	June	July	May	June	July
1 **Total**	**82,649**	**50**	**1,064**	**868**	**20,033**	**21,355**	**20,284**	**19,983**	**20,271**	**19,416**
2 Retail automotive (commercial vehicles)	12,303	362	149	118	1,235	1,056	802	873	907	920
3 Wholesale automotive	13,762	-199	1,020	1,035	5,269	6,364	5,878	5,468	5,344	4,843
4 Retail paper on business, industrial, and farm equipment	27,820	-74	-184	-11	1,503	1,331	1,365	1,577	1,515	1,376
5 Loans on commercial accounts receivable and factored commercial accounts receivable	9,329	171	-111	85	10,151	10,611	10,571	9,980	10,722	10,486
6 All other business credit	19,433	-210	190	-123	1,875	1,973	1,668	2,085	1,783	1,791

1. Not seasonally adjusted.

1.54 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1979	1980	1981	1982 Feb.	Mar.	Apr.	May	June	July	Aug.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	74.4	83.4	90.4	97.3	90.0	95.7	86.4	89.4	98.4r	91.4
2 Amount of loan (thousands of dollars)	53.3	59.2	65.3	71.1	65.4	70.4	64.8	66.2	73.1r	66.5
3 Loan/price ratio (percent)	73.9	73.2	74.8	76.5	75.7	77.2	77.4	77.0	77.3	74.1
4 Maturity (years)	28.5	28.2	27.7	28.1	27.4	28.6	25.9	27.4	28.4r	26.4
5 Fees and charges (percent of loan amount)[2]	1.66	2.09	2.67	3.01	2.90	3.28	3.16	3.00	3.15r	2.87
6 Contract rate (percent per annum)	10.48	12.25	14.16	14.44	14.93	15.13	15.11	14.74	15.01r	15.05
Yield (percent per annum)										
7 FHLBB series[3]	10.77	12.65	14.74	15.12	15.67	15.84	15.89	15.40	15.70r	15.68
8 HUD series[4]	11.15	13.95	16.52	17.20	16.80	16.65	16.50	16.75	16.50	15.40
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series)[5]	10.92	13.44	16.29	17.10	16.41	16.31	16.19	16.73	16.29	14.61
10 GNMA securities[6]	10.22	12.55	15.29	16.21	15.54	15.40	15.30	15.84	15.56	14.74
FNMA auctions[7]										
11 Government-underwritten loans	11.17	14.11	16.70	18.00	17.29	....	16.27	16.22	....	15.78
12 Conventional loans	11.77	14.43	16.64	17.91	17.09	16.66	16.33	16.73	16.85	15.78
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
13 Total	48,050	55,104	58,675	62,112	62,544	63,132	63,951	65,008	66,158	67,810
14 FHA/VA-insured	33,673	37,365	39,341	39,926	39,893	39,834	39,808	39,829	39,853	39,922
15 Conventional	14,377	17,725	19,334	22,185	22,654	23,298	24,143	25,179	26,305	27,888
Mortgage transactions (during period)										
16 Purchases	10,812	8,099	6,112	519	604	755	1,006	1,223	1,354	1,931
17 Sales	0	0	2	0	0	0	0	0	0	0
Mortgage commitments[8]										
18 Contracted (during period)	10,179	8,083	9,331	1,174	1,903	2,482	1,550	1,583	2,016	1,820
19 Outstanding (end of period)	6,409	3,278	3,717	3,857	4,990	6,586	7,016	7,206	7,674	6,900
Auction of 4-month commitments to buy										
Government-underwritten loans										
20 Offered	8,860.4	8,605.4	2,487.2	41.7	45.7	7.0	35.7	33.1	8.9	43.3
21 Accepted	3,920.9	4,002.0	1,478.0	23.4	29.6	0.0	7.4	7.4	0.0	5.7
Conventional loans										
22 Offered	4,495.3	3,639.2	2,524.7	28.6	65.0	29.5	37.8	59.0	37.2	70.1
23 Accepted	2,343.6	1,748.5	1,392.3	19.6	32.3	22.0	23.0	33.1	23.6	42.9
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[9]										
24 Total	3,543	4,362	5,245	5,342	5,320	5,274	5,279	5,295	5,309	5,201
25 FHA/VA	1,995	2,116	2,236	2,218	2,227	2,226	2,232	2,225	2,232	2,216
26 Conventional	1,549	2,246	3,010	3,124	3,094	3,048	3,047	3,069	3,017	2,985
Mortgage transactions (during period)										
27 Purchases	5,717	3,723	3,789	1,228	1,479	2,143	1,214	1,581	2,237	2,529
28 Sales	4,544	2,527	3,531	1,115	1,564	2,177	1,194	1,562	2,204	2,619
Mortgage commitments[10]										
29 Contracted (during period)	5,542	3,859	6,974	565	2,523	2,824	2,692	3,166	2,189	2,768
30 Outstanding (end of period)	797	447	3,518	4,336	5,461	6,041	7,420	8,970	8,544	9,318

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, rounded to the nearest 5 basis points; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are unweighted averages of Monday quotations for the month.
7. Average gross yields (before deduction of 38 basis points for mortgage servicing) on accepted bids in Federal National Mortgage Association's auctions of 4-month commitments to purchase home mortgages, assuming prepayment in 12 years for 30-year mortgages. No adjustments are made for FNMA commitment fees or stock related requirements. Monthly figures are unweighted averages for auctions conducted within the month.
8. 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.
9. Includes participation as well as whole loans.
10. Includes conventional and government-underwritten loans.

1.55 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

Type of holder, and type of property	1979	1980	1981	1981			1982	
				Q2	Q3	Q4	Q1	Q2r
1 **All holders**	**1,337,797**	**1,471,835**	**1,583,690r**	**1,533,254r**	**1,561,669r**	**1,583,690r**	**1,603,057r**	**1,625,886**
2 1- to 4-family	891,115	987,028	1,060,517r	1,028,355r	1,047,689r	1,060,517r	1,071,647r	1,085,540
3 Multifamily	128,433	137,134	141,481r	139,280r	140,228r	141,481r	142,672r	143,962
4 Commercial	235,572	255,655	279,968r	268,095r	273,746r	279,968r	284,829r	290,772
5 Farm	82,677	92,018	101,724r	97,524r	100,006r	101,724r	103,909r	105,612
6 Major financial institutions	938,567	997,168	1,040,630r	1,023,133r	1,033,825r	1,040,630r	1,041,487r	1,042,663
7 Commercial banks[1]	245,187	263,030	284,536r	273,225	279,017r	284,536r	289,365r	294,022
8 1- to 4-family	149,460	160,326	170,013r	164,873	167,550r	170,013r	171,350r	172,596
9 Multifamily	11,180	12,924	15,132r	13,800	14,481r	15,132r	15,338r	15,431
10 Commercial	75,957	81,081	91,026r	86,091	88,588r	91,026r	94,256r	97,522
11 Farm	8,590	8,699	8,365r	8,461	8,398r	8,365r	8,421r	8,473
12 Mutual savings banks	98,908	99,865	99,997	99,993	99,994	99,997	97,464	96,357
13 1- to 4-family	66,140	67,489	68,187	68,035	68,116	68,187	66,305r	65,381
14 Multifamily	16,557	16,058	15,960	15,909	15,939	15,960	15,536r	15,338
15 Commercial	16,162	16,278	15,810	15,999	15,909	15,810	15,594	15,598
16 Farm	49	40	40	50	30	40	29r	40
17 Savings and loan associations	475,688	503,192	518,350	515,256	518,778	518,350	515,896	512,745
18 1- to 4-family	394,345	419,763	432,978	430,702	433,750	432,978	430,928	428,194
19 Multifamily	37,579	38,142	37,684	38,077	37,975	37,684	37,506	36,866
20 Commercial	43,764	45,287	47,688	46,477	47,053	47,688	47,462	47,685
21 Life insurance companies	118,784	131,081	137,747r	134,659r	136,036r	137,747r	138,762r	139,539
22 1- to 4-family	16,193	17,943	17,201r	17,549r	17,376r	17,201r	17,086r	16,451
23 Multifamily	19,274	19,514	19,283r	19,495r	19,441r	19,283r	19,199r	18,982
24 Commercial	71,137	80,666	88,163r	84,571r	86,070r	88,163r	89,529r	91,113
25 Farm	12,180	12,958	13,100r	13,044r	13,149r	13,100r	12,948r	12,993
26 Federal and related agencies	97,084	114,300	126,112	119,124	121,772	126,112	128,721	132,240
27 Government National Mortgage Association	3,852	4,642	4,765	4,972	4,382	4,765	4,438	4,669
28 1- to 4-family	763	704	693	698	696	693	689	688
29 Multifamily	3,089	3,938	4,072	4,274	3,686	4,072	3,749	3,981
30 Farmers Home Administration	1,274	3,492	2,235	2,662	1,562	2,235	2,469	2,038
31 1- to 4-family	417	916	914	1,151	500	914	715	792
32 Multifamily	71	610	473	464	242	473	615	198
33 Commercial	174	411	506	357	325	506	499	444
34 Farm	612	1,555	342	690	495	342	640	604
35 Federal Housing and Veterans Administration	5,555	5,640	5,999	5,895	6,005	5,999	6,003	5,960
36 1- to 4-family	1,955	2,051	2,289	2,172	2,240	2,289	2,266	2,210
37 Multifamily	3,600	3,589	3,710	3,723	3,765	3,710	3,737	3,750
38 Federal National Mortgage Association	51,091	57,327	61,412	57,657	59,682	61,412	62,544	65,008
39 1- to 4-family	45,488	51,775	55,986	52,181	54,227	55,986	57,142	59,631
40 Multifamily	5,603	5,552	5,426	5,476	5,455	5,426	5,402	5,377
41 Federal Land Banks	31,277	38,131	46,446	42,681	44,708	46,446	47,947	49,270
42 1- to 4-family	1,552	2,099	2,788	2,401	2,605	2,788	2,874	2,954
43 Farm	29,725	36,032	43,658	40,280	42,103	43,658	45,073	46,316
44 Federal Home Loan Mortgage Corporation	4,035	5,068	5,255	5,257	5,433	5,255	5,320	5,295
45 1- to 4-family	3,059	3,873	4,018	4,025	4,166	4,018	4,075	4,042
46 Multifamily	976	1,195	1,237	1,232	1,267	1,237	1,245	1,253
47 Mortgage pools or trusts[2]	118,664	142,258	162,990	152,308	158,140	162,990	172,292	182,945
48 *Government National Mortgage Association*	75,787	93,874	105,790	100,558	103,750	105,790	108,592	111,459
49 1- to 4-family	73,853	91,602	103,007	98,057	101,068	103,007	105,701	108,487
50 Multifamily	1,934	2,272	2,783	2,501	2,682	2,783	2,891	2,972
51 Federal Home Loan Mortgage Corporation	15,180	16,854	19,843r	17,565	17,936	19,843r	23,959r	28,693
52 1- to 4-family	12,149	13,471	15,888r	14,115	14,401	15,888r	18,995r	22,637
53 Multifamily	3,031	3,383	3,955	3,450	3,535	3,955	4,964	6,056
54 Federal National Mortgage Association[3]	n.a.	n.a.	717	n.a.	n.a.	717	2,786	4,556
55 1- to 4-family	n.a.	n.a.	717	n.a.	n.a.	717	2,786	4,556
56 Farmers Home Administration	27,697	31,530	36,640	34,185	36,454	36,640	36,955	38,273
57 1- to 4-family	14,884	16,683	18,378	17,165	18,407	18,378	18,740	19,056
58 Multifamily	2,163	2,612	3,426	3,097	3,488	3,426	3,447	4,026
59 Commercial	4,328	5,271	6,161	5,750	6,040	6,161	6,351	6,574
60 Farm	6,322	6,964	8,675	8,173	8,519	8,675	8,417	8,581
61 Individual and others[4]	183,482	218,109	253,958	238,689	247,932	253,958	260,557	268,038
62 1- to 4-family[5]	110,857	138,333	167,460	155,231	162,587	167,460	171,995	177,865
63 Multifamily	23,376	27,345	28,340	27,782	28,272	28,340	29,043	29,732
64 Commercial	24,050	26,661	30,614	28,850	29,761	30,614	31,138	31,836
65 Farm	25,199	25,770	27,544	26,826	27,312	27,544	28,381	28,605

1. Includes loans held by nondeposit trust companies but not bank trust departments.
2. Outstanding principal balances of mortgages backing securities insured or guaranteed by the agency indicated.
3. Outstanding balances on FNMA's issues of securities backed by pools of conventional mortgages held in trust. The program was implemented by FNMA in October 1981.
4. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and U.S. agencies for which amounts are small or for which separate data are not readily available.
5. Includes a new estimate of residential mortgage credit provided by individuals.

NOTE. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Department of Commerce. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations when required, are estimated mainly by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

1.56 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change

Millions of dollars

Holder, and type of credit	1979	1980	1981	1982 Feb.	1982 Mar.	1982 Apr.	1982 May	1982 June	1982 July	1982 Aug.
	Amounts outstanding (end of period)									
1 **Total**	**312,024**	**313,472**	**333,375**	**327,435**	**327,131**	**328,363**	**329,338**	**331,851**	**332,471**	**333,808**
By major holder										
2 Commercial banks	154,177	147,013	149,300	146,922	146,454	146,616	146,147	146,775	146,745	147,275
3 Finance companies	68,318	76,756	89,818	89,009	89,591	90,674	91,958	93,009	93,353	93,207
4 Credit unions	46,517	44,041	45,954	45,586	45,632	45,450	45,472	45,882	45,698	46,154
5 Retailers[2]	28,119	28,448	29,551	27,013	26,530	26,537	26,536	26,645	26,710	26,751
6 Savings and loans	8,424	9,911	11,598	11,738	11,926	12,081	12,202	12,312	12,520	12,833
7 Gasoline companies	3,729	4,468	4,403	4,433	4,229	4,227	4,218	4,398	4,600	4,714
8 Mutual savings banks	2,740	2,835	2,751	2,734	2,769	2,778	2,805	2,830	2,845	2,874
By major type of credit										
9 Automobile	116,362	116,838	126,431	125,294	125,559	126,201	127,220	128,415	128,359	128,281
10 Commercial banks	67,367	61,536	59,181	58,604	58,510	58,458	58,099	58,140	58,131	58,222
11 Indirect paper	38,338	35,233	35,097	34,920	34,888	34,920	34,791	34,903	34,979	34,996
12 Direct loans	29,029	26,303	24,084	23,684	23,622	23,538	23,308	23,237	23,152	23,226
13 Credit unions	22,244	21,060	21,975	21,799	21,821	21,733	21,744	21,940	21,852	22,071
14 Finance companies	26,751	34,242	45,275	44,891	45,228	46,010	47,377	48,335	48,376	47,988
15 Revolving	56,937	58,352	63,049	59,514	58,491	58,641	58,647	59,302	59,824	60,475
16 Commercial banks	29,862	29,765	33,110	31,923	31,532	31,638	31,619	31,974	32,205	32,691
17 Retailers	23,346	24,119	25,536	23,158	22,730	22,776	22,810	22,930	23,019	23,070
18 Gasoline companies	3,729	4,468	4,403	4,433	4,229	4,227	4,218	4,398	4,600	4,714
19 Mobile home	16,838	17,322	18,486	18,343	18,363	18,402	18,479	18,543	18,601	18,741
20 Commercial banks	10,647	10,371	10,300	10,111	10,037	9,974	9,960	9,924	9,857	9,790
21 Finance companies	3,390	3,745	4,494	4,506	4,548	4,608	4,666	4,731	4,801	4,916
22 Savings and loans	2,307	2,737	3,203	3,241	3,293	3,336	3,369	3,400	3,458	3,544
23 Credit unions	494	469	489	485	486	484	484	488	486	491
24 Other	121,887	120,960	125,409	124,284	124,718	125,119	124,992	125,591	125,687	126,311
25 Commercial banks	46,301	45,341	46,709	46,284	46,375	46,546	46,469	46,737	46,552	46,572
26 Finance companies	38,177	38,769	40,049	39,612	39,815	40,056	39,915	39,943	40,176	40,303
27 Credit unions	23,779	22,512	23,490	23,302	23,326	23,233	23,244	23,454	23,360	23,592
28 Retailers	4,773	4,329	4,015	3,855	3,800	3,761	3,726	3,715	3,691	3,681
29 Savings and loans	6,117	7,174	8,395	8,497	8,633	8,745	8,833	8,912	9,063	9,289
30 Mutual savings banks	2,740	2,835	2,751	2,734	2,769	2,778	2,805	2,830	2,845	2,874
	Net change (during period)[3]									
31 **Total**	**38,381**	**1,448**	**19,894**	**75**	**990**	**1,175**	**1,399**	**1,349**	**570**	**66**
By major holder										
32 Commercial banks	18,161	-7,163	2,284	-171	166	96	-13	-100	-66	-252
33 Finance companies	14,020	8,438	13,062	307	673	544	1,126	874	195	-142
34 Credit unions	2,185	-2,475	1,913	-135	-122	132	w39	38	-69	179
35 Retailers[2]	2,132	329	1,103	-124	171	181	68	304	297	-109
36 Savings and loans	1,327	1,485	1,682	173	251	205	221	187	196	268
37 Gasoline companies	509	739	-65	36	-150	-6	-20	38	3	65
38 Mutual savings banks	47	95	-85	-11	1	23	56	8	14	57
By major type of credit										
39 Automobile	14,715	477	9,595	-56	-28	233	959	655	61	-402
40 Commercial banks	6,857	-5,830	-2,355	-180	-248	-159	-305	-240	101	-146
41 Indirect paper	4,488	-3,104	-136	-141	-130	2	-52	-52	225	-129
42 Direct loans	2,369	-2,726	-2,219	-39	-118	-161	-253	-188	-124	-17
43 Credit unions	1,044	-1,184	914	-59	-55	54	-34	28	-26	65
44 Finance companies	6,814	7,491	11,033	183	275	338	1,298	867	-14	-321
45 Revolving	8,628	1,415	4,697	-155	307	499	537	507	612	143
46 Commercial banks	5,521	-97	3,345	-65	296	285	436	219	266	162
47 Retailers	2,598	773	1,417	126	161	220	121	250	343	-84
48 Gasoline companies	509	739	-65	36	-150	-6	-20	38	3	65
49 Mobile home	1,603	483	1,161	-44	15	51	70	67	63	141
50 Commercial banks	1,102	-276	-74	-110	-82	-48	-41	-58	-57	-62
51 Finance companies	238	355	749	56	52	53	44	64	73	108
52 Savings and loans	240	430	466	14	47	43	67	60	47	94
53 Credit unions	23	-25	20	-4	-2	3	0	1	0	1
54 Other	13,435	-927	4,441	330	696	392	-167	120	-166	184
55 Commercial banks	4,681	-960	1,368	184	200	18	-103	-21	-376	-206
56 Finance companies	6,968	592	1,280	68	346	153	-216	-57	136	71
57 Credit unions	1,118	-1,266	975	-72	-65	75	-5	9	-43	113
58 Retailers	-466	-444	-314	2	10	-39	-53	54	-46	-25
59 Savings and loans	1,087	1,056	1,217	159	204	162	154	127	149	174
60 Mutual savings banks	47	95	-85	-11	1	23	56	8	14	57

1. The Board's series cover most short- and intermediate-term credit extended to individuals through regular business channels, usually to finance the purchase of consumer goods and services or to refinance debts incurred for such purposes, and scheduled to be repaid (or with the option of repayment) in two or more installments.
2. Includes auto dealers and excludes 30-day charge credit held by travel and entertainment companies.
3. Net change equals extensions minus liquidations (repayments, charge-offs and other credit); figures for all months are seasonally adjusted.

NOTE: Total consumer noninstallment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to, not seasonally adjusted $71.3 billion at the end of 1979, $74.8 billion at the end of 1980, and $80.2 billion at the end of 1981.

1.57 CONSUMER INSTALLMENT CREDIT Extensions and Liquidations

Millions of dollars; monthly data are seasonally adjusted.

Holder, and type of credit	1979	1980	1981	1982						
				Feb.	Mar.	Apr.	May	June	July	Aug.
	Extensions									
1 **Total**	**324,777**	**306,076**	**336,341**	**27,150**	**27,462**	**28,648**	**29,197**	**29,737**	**27,514**	**27,579**
By major holder										
2 Commercial banks	154,733	134,960	146,186	12,431	12,519	12,790	12,765	13,460	12,485	12,499
3 Finance companies	61,518	60,801	66,344	4,857	5,002	5,343	6,135	5,700	4,607	4,685
4 Credit unions	34,926	29,594	35,444	2,695	2,631	3,010	2,902	2,887	2,711	2,904
5 Retailers[1]	47,676	49,942	53,430	4,254	4,536	4,618	4,449	4,762	4,785	4,396
6 Savings and loans	5,901	6,621	8,142	754	788	823	841	785	803	863
7 Gasoline companies	18,005	22,253	24,902	2,007	1,835	1,915	1,880	1,969	1,944	2,021
8 Mutual savings banks	2,018	1,905	1,893	152	151	185	225	174	179	211
By major type of credit										
9 Automobile	93,901	83,454	94,404	7,283	7,183	7,871	8,429	8,182	7,332	7,112
10 Commercial banks	53,554	41,109	42,792	3,415	3,393	3,499	3,317	3,404	3,687	3,454
11 Indirect paper	29,623	22,558	24,941	1,875	1,875	2,079	1,954	2,036	2,324	1,957
12 Direct loans	23,931	18,551	17,851	1,540	1,518	1,420	1,363	1,368	1,363	1,497
13 Credit unions	17,397	15,294	18,084	1,363	1,420	1,542	1,483	1,497	1,389	1,499
14 Finance companies	22,950	27,051	33,527	2,505	2,370	2,830	3,629	3,281	2,256	2,159
15 Revolving	120,174	128,068	140,135	11,730	12,143	12,416	12,528	13,361	12,551	12,497
16 Commercial banks	61,048	61,593	67,370	5,928	6,235	6,309	6,604	7,141	6,237	6,512
17 Retailers	41,121	44,222	47,863	3,795	4,073	4,192	4,044	4,251	4,370	3,964
18 Gasoline companies	18,005	22,253	24,902	2,007	1,835	1,915	1,880	1,969	1,944	2,021
19 Mobile home	6,471	5,093	6,028	364	411	544	478	459	441	581
20 Commercial banks	4,542	2,937	3,106	136	156	253	201	180	173	194
21 Finance companies	797	898	1,313	117	120	122	114	129	133	193
22 Savings and loans	948	1,146	1,432	102	126	151	151	137	123	181
23 Credit unions	184	113	176	9	9	18	12	13	12	13
24 Other	104,231	89,461	95,774	7,773	7,725	7,853	7,762	7,735	7,190	7,389
25 Commercial banks	35,589	29,321	32,918	2,952	2,735	2,729	2,643	2,735	2,388	2,339
26 Finance companies	37,771	32,852	31,504	2,235	2,512	2,391	2,392	2,290	2,218	2,333
27 Credit unions	17,345	14,187	17,182	1,323	1,202	1,450	1,407	1,377	1,310	1,392
28 Retailers	6,555	5,720	5,567	459	463	426	405	511	415	432
29 Savings and loans	4,953	5,476	6,710	652	662	672	690	648	680	682
30 Mutual savings banks	2,018	1,905	1,893	152	151	185	225	174	179	211
	Liquidations									
31 **Total**	**286,396**	**304,628**	**316,447**	**27,075**	**26,472**	**27,509**	**27,798**	**28,388**	**26,944**	**27,513**
By major holder										
32 Commercial banks	136,572	142,123	143,902	12,602	12,353	12,694	12,778	13,560	12,551	12,751
33 Finance companies	47,498	52,363	53,282	4,550	4,329	4,799	5,009	4,826	4,412	4,827
34 Credit unions	32,741	32,069	33,531	2,830	2,753	2,878	2,941	2,849	2,780	2,725
35 Retailers[1]	45,544	49,613	52,327	4,378	4,365	4,437	4,381	4,458	4,488	4,505
36 Savings and loans	4,574	5,136	6,640	581	537	618	620	598	607	595
37 Gasoline companies	17,496	21,514	24,967	1,971	1,985	1,921	1,900	1,931	1,941	1,956
38 Mutual savings banks	1,971	1,810	1,978	163	150	162	169	166	165	154
By major type of credit										
39 Automobile	79,186	82,977	84,809	7,339	7,211	7,638	7,470	7,527	7,271	7,514
40 Commercial banks	46,697	46,939	45,147	3,595	3,641	3,658	3,622	3,644	3,586	3,600
41 Indirect paper	25,135	25,662	25,077	2,016	2,005	2,077	2,006	2,088	2,099	2,086
42 Direct loans	21,562	21,277	20,070	1,579	1,636	1,581	1,616	1,556	1,487	1,514
43 Credit unions	16,353	16,478	17,169	1,422	1,475	1,488	1,517	1,469	1,415	1,434
44 Finance companies	16,136	19,560	22,494	2,322	2,095	2,492	2,331	2,414	2,270	2,480
45 Revolving	111,546	126,653	135,438	11,885	11,836	11,917	11,991	12,854	11,939	12,354
46 Commercial banks	55,527	61,690	64,025	5,993	5,939	6,024	6,168	6,922	5,971	6,350
47 Retailers	38,523	43,449	46,446	3,921	3,912	3,972	3,923	4,001	4,027	4,048
48 Gasoline companies	17,496	21,514	24,967	1,971	1,985	1,921	1,900	1,931	1,941	1,956
49 Mobile home	4,868	4,610	4,867	408	396	493	408	392	378	440
50 Commercial banks	3,440	3,213	3,180	246	238	301	242	238	230	256
51 Finance companies	559	543	564	61	68	69	70	65	60	85
52 Savings and loans	708	716	966	88	79	108	84	77	76	87
53 Credit unions	161	138	156	13	11	15	12	12	12	12
54 Other	90,796	90,388	91,333	7,443	7,029	7,461	7,929	7,615	7,356	7,205
55 Commercial banks	30,908	30,281	31,550	2,768	2,535	2,711	2,746	2,756	2,764	2,545
56 Finance companies	30,803	32,260	30,224	2,167	2,166	2,238	2,608	2,347	2,082	2,262
57 Credit unions	16,227	15,453	16,207	1,395	1,267	1,375	1,412	1,368	1,353	1,279
58 Retailers	7,021	6,164	5,881	457	453	465	458	457	461	457
59 Savings and loans	3,866	4,420	5,493	493	458	510	536	521	531	508
60 Mutual savings banks	1,971	1,810	1,978	163	150	162	169	166	165	154

1. Includes auto dealers and excludes 30-day charge credit held by travel and entertainment companies.

1.58 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-yearly data are at seasonally adjusted annual rates.

Transaction category, sector	1976	1977	1978	1979	1980	1981	1979 H2	1980 H1	1980 H2	1981 H1	1981 H2	1982 H1
	Nonfinancial sectors											
1 **Total funds raised**	**273.5**	**334.3**	**401.7**	**402.0**	**397.1**	**406.9**	**406.6**	**363.0**	**431.2**	**438.2**	**375.7**	**385.2**
2 Excluding equities	262.7	331.2	402.3	409.1	382.2	418.4	411.0	354.2	410.2	436.7	400.2	385.6
By sector and instrument												
3 U.S. government	69.0	56.8	53.7	37.4	79.2	87.4	46.1	63.3	95.1	81.9	92.9	99.0
4 Treasury securities	69.1	57.6	55.1	38.8	79.8	87.8	46.6	63.9	95.7	82.4	93.2	98.6
5 Agency issues and mortgages	-.1	.9	1.4	-1.4	-.6	.5	.5	.6	.6	.5	.4	.4
6 All other nonfinancial sectors	204.5	277.5	348.0	364.7	317.9	319.6	360.5	299.8	336.1	356.3	282.8	286.3
7 Corporate equities	10.8	3.1	-.6	-7.1	15.0	-11.5	-4.3	8.9	21.0	1.6	24.5	-.4
8 Debt instruments	193.6	274.4	348.7	371.7	303.0	331.0	364.9	290.9	315.0	354.8	307.3	286.6
9 Private domestic nonfinancial sectors	184.9	263.6	314.8	343.6	288.7	292.3	332.2	268.8	308.5	321.7	262.9	272.7
10 Corporate equities	10.5	2.7	-.1	7.8	12.9	-11.5	-6.1	6.9	18.8	.9	-23.8	-.1
11 Debt instruments	174.3	260.9	314.9	351.5	275.8	303.7	338.3	261.9	289.7	320.8	286.7	272.8
12 Debt capital instruments	123.6	169.8	198.7	216.0	204.1	175.0	213.1	203.8	204.4	196.5	153.5	157.6
13 State and local obligations	15.7	21.9	28.4	29.8	35.9	32.9	32.8	30.7	41.0	35.1	30.6	46.8
14 Corporate bonds	22.8	21.0	20.1	22.5	33.2	23.9	22.6	37.3	29.0	24.7	23.0	18.5
Mortgages												
15 Home mortgages	63.9	94.3	112.1	120.1	96.7	78.6	113.9	96.5	96.9	95.2	62.0	66.7
16 Multifamily residential	3.9	7.1	9.2	7.8	8.8	4.6	6.9	8.1	9.5	5.1	4.1	5.6
17 Commercial	11.6	18.4	21.7	23.9	20.2	25.3	25.4	20.3	20.1	27.4	23.2	14.0
18 Farm	5.7	7.1	7.2	11.8	9.3	9.8	11.5	10.9	7.8	9.0	10.5	6.1
19 Other debt instruments	50.7	91.1	116.2	135.5	71.7	128.8	125.2	58.1	85.4	124.3	133.2	115.2
20 Consumer credit	25.4	40.2	48.8	45.4	4.9	25.3	41.0	-3.3	13.0	29.4	21.2	16.0
21 Bank loans n.e.c.	4.4	26.7	37.1	49.2	35.4	51.1	39.6	18.0	52.7	47.7	54.6	84.6
22 Open market paper	4.0	2.9	5.2	11.1	6.6	19.2	17.4	20.3	7.1	10.7	27.6	3.4
23 Other	16.9	21.3	25.1	29.7	24.9	33.1	27.2	23.0	26.7	36.5	29.8	11.2
24 By borrowing sector	184.9	263.6	314.8	343.6	288.7	292.3	332.2	268.8	308.5	321.7	262.9	272.7
25 State and local governments	15.2	15.4	19.1	20.2	27.3	22.3	22.5	21.8	32.8	25.1	19.5	34.3
26 Households	89.5	137.3	169.3	176.5	117.5	120.4	165.8	115.2	119.8	141.0	99.9	102.2
27 Farm	80.2	110.9	126.3	146.9	143.9	149.5	143.9	131.8	155.9	155.6	143.5	136.1
28 Nonfarm noncorporate	10.2	12.3	14.6	21.4	14.4	16.4	22.7	15.7	13.0	19.9	12.8	4.8
29 Corporate	15.4	28.3	32.4	34.4	33.8	40.5	37.0	27.5	40.2	41.8	39.3	25.6
30 Foreign	54.5	70.4	79.3	91.2	95.7	92.6	84.2	88.6	102.7	93.9	91.4	105.8
31 Corporate equities	19.6	13.9	33.2	21.0	29.3	27.3	28.3	31.0	27.5	34.6	19.9	13.6
32 Debt instruments	.3	.4	-.5	.8	2.1	*	1.7	1.9	2.2	.7	-.7	-.2
33 Bonds	19.3	13.5	33.8	20.2	27.2	27.3	26.6	29.0	25.3	34.0	20.6	13.8
34 Bank loans n.e.c.	8.6	5.1	4.2	3.9	.8	5.5	4.9	2.0	.4	3.3	7.6	2.1
35 Open market paper	5.6	3.1	19.1	2.3	11.5	3.7	2.6	5.9	17.2	5.0	2.3	-2.0
36 U.S. government loans	1.9	2.4	6.6	11.2	10.1	13.9	16.3	15.7	4.5	20.6	7.1	11.3
	Financial sectors											
37 **Total funds raised**	**22.5**	**52.2**	**77.5**	**83.9**	**68.5**	**89.3**	**78.7**	**65.1**	**71.9**	**95.5**	**83.0**	**107.4**
By instrument												
38 U.S. government related	14.3	21.9	36.7	47.3	43.6	45.1	50.8	47.3	39.8	42.5	47.8	61.1
39 Sponsored credit agency securities	2.5	7.0	23.1	24.3	24.4	30.1	25.8	27.1	21.7	26.9	33.3	21.9
40 Mortgage pool securities	12.2	16.1	13.6	23.1	19.2	15.0	25.0	20.2	18.1	15.6	14.5	39.2
41 Loans from U.S. government	8.2	30.3	40.8	36.6	24.9	44.1	27.9	17.7	32.0	53.0	35.3	46.3
42 Private financial sectors	.2	3.4	2.5	3.2	7.2	8.6	2.6	7.5	6.9	9.7	7.5	16.1
43 Corporate equities	8.4	26.9	38.3	33.4	17.7	35.6	25.3	10.3	25.2	43.4	27.8	30.2
44 Debt instruments	9.8	10.1	7.5	7.8	7.1	.8	7.7	9.9	4.4	-2.1	.4	-3.3
45 Corporate bonds	2.1	3.1	.9	-1.2	.9	-2.9	2.9	5.3	3.5	2.3	-3.5	1.7
46 Mortgages	-3.7	-.3	2.8	-.4	-.4	2.2	.5	.1	-.9	3.7	.7	2.2
47 Bank loans n.e.c.	2.2	9.6	14.6	18.0	4.8	20.9	10.8	-.1	9.7	24.8	17.0	15.8
48 Open market paper and RPs	-2.0	4.3	12.5	9.2	7.1	16.2	9.2	5.8	8.5	19.3	13.2	13.8
49 Loans from Federal Home Loan Banks	22.5	52.2	77.5	83.9	68.5	89.3	78.7	65.1	71.9	95.5	83.0	107.4
By sector												
50 Sponsored credit agencies	2.1	5.8	23.1	24.3	24.4	30.1	25.8	27.1	21.7	26.9	33.3	21.9
51 Mortgage pools	12.2	16.1	13.6	23.1	19.2	15.0	25.0	20.2	18.1	15.6	14.5	39.2
52 Private financial sectors	8.2	30.3	40.8	36.6	24.9	44.1	27.9	17.7	32.0	53.0	35.3	46.3
53 Commercial banks	2.3	1.1	1.3	1.6	.5	.4	1.8	.8	.3	.2	.5	1.0
54 Bank affiliates	5.4	2.0	7.2	6.5	6.9	8.3	4.9	5.8	8.0	6.9	9.7	9.3
55 Savings and loan associations	.1	9.9	14.3	11.4	6.6	13.1	10.2	.1	13.2	19.2	6.9	16.4
56 Other insurance companies	.9	1.4	.8	.9	1.1	1.1	.9	1.0	1.1	1.1	1.1	1.0
57 Finance companies	4.3	16.9	18.1	16.6	6.3	14.1	11.0	6.0	6.5	17.3	11.0	4.1
58 REITs	-2.2	-1.9	-.9	.3	1.5	-.5	-.1	-1.4	1.7	-.6	.3	*
59 Open-end investment companies	-2.4	.9	-.1	.1	5.0	7.7	.8	5.5	4.5	8.9	6.5	14.5
	All sectors											
60 **Total funds raised, by instrument**	**296.0**	**386.5**	**479.2**	**485.9**	**465.6**	**496.2**	**485.3**	**428.1**	**503.1**	**533.7**	**458.7**	**492.6**
61 Investment company shares	2.4	.9	.1	.1	5.0	7.7	.8	5.5	4.5	8.9	6.5	14.5
62 Other corporate equities	13.1	5.6	1.9	-3.9	17.1	-10.6	-.9	10.8	23.4	2.3	-23.5	1.2
63 Debt instruments	285.4	379.9	477.4	489.7	443.5	499.1	487.1	411.8	475.2	522.5	475.7	476.9
64 U.S. government securities	83.8	79.9	90.5	84.8	122.9	132.6	97.0	110.7	135.1	124.5	140.7	160.1
65 State and local obligations	15.7	21.9	28.4	29.8	35.9	32.9	32.8	30.7	41.0	35.1	30.6	46.8
66 Corporate and foreign bonds	41.2	36.1	31.8	34.2	41.1	28.5	35.2	49.3	33.0	26.0	30.9	17.3
67 Mortgages	87.1	129.9	151.0	162.4	134.0	115.2	154.7	130.4	137.7	134.3	96.2	94.0
68 Consumer credit	25.4	40.2	48.8	45.4	4.9	25.3	41.0	-3.3	13.0	29.4	21.2	16.0
69 Bank loans n.e.c.	6.2	29.5	59.0	51.0	46.5	57.0	42.7	24.0	69.0	56.4	57.6	84.8
70 Open market paper and RPs	8.1	15.0	26.4	40.3	21.6	54.0	44.5	35.9	7.2	56.2	51.8	30.5
71 Other loans	17.8	27.4	41.5	41.8	36.6	53.7	39.2	34.1	39.2	60.7	46.6	27.4

1.59 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; half-yearly data are at seasonally adjusted annual rates

Transaction category, or sector	1976	1977	1978	1979	1980	1981	1979	1980		1981		1982
							H2	H1	H2	H1	H2	H1
1 **Total funds advanced in credit markets to nonfinancial sectors**	**262.7**	**331.2**	**402.3**	**409.1**	**382.2**	**418.4**	**411.0**	**354.2**	**410.2**	**436.7**	**400.2**	**385.6**
By public agencies and foreign												
2 Total net advances	49.8	79.2	101.9	74.6	95.8	95.9	101.0	104.6	87.0	98.7	93.2	91.6
3 U.S. government securities	23.1	34.9	36.1	6.3	15.7	17.2	16.6	20.5	10.9	15.9	18.5	1.1
4 Residential mortgages	12.3	20.0	25.7	35.8	31.7	23.4	36.7	34.9	28.5	21.4	25.5	47.1
5 FHLB advances to savings and loans	2.0	4.3	12.5	9.2	7.1	16.2	9.2	5.8	8.5	19.3	13.2	13.8
6 Other loans and securities	16.4	20.1	27.6	35.9	41.3	39.1	38.6	43.4	39.1	42.1	36.0	29.7
Total advanced, by sector												
7 U.S. government	7.9	10.0	17.1	19.0	23.7	24.2	18.7	24.6	22.8	27.1	21.2	10.6
8 Sponsored credit agencies	16.8	22.4	39.9	52.4	44.4	46.0	56.9	45.2	43.7	44.3	47.7	61.8
9 Monetary authorities	9.8	7.1	7.0	7.7	4.5	9.2	14.0	14.9	5.9	3.7	22.1	6.5
10 Foreign	15.2	39.6	38.0	4.6	23.2	16.6	11.3	19.9	26.5	30.9	2.2	25.8
11 Agency borrowing not included in line 1	14.3	21.9	36.7	47.3	43.6	45.1	50.8	47.3	39.8	42.5	47.8	61.1
Private domestic funds advanced												
12 Total net advances	227.1	273.9	337.1	381.8	329.9	367.6	360.8	296.9	362.9	380.5	354.7	355.1
13 U.S. government securities	60.7	45.1	54.3	91.1	107.2	115.4	80.5	90.2	124.2	108.5	122.3	159.1
14 State and local obligations	15.7	21.9	28.4	29.8	35.9	32.9	32.8	30.7	41.0	35.1	30.6	46.8
15 Corporate and foreign bonds	30.5	22.2	22.4	23.7	25.8	20.6	24.1	31.6	20.1	18.6	22.7	4.4
16 Residential mortgages	55.4	81.4	95.5	92.0	73.7	59.7	84.0	69.6	77.8	78.8	40.5	25.0
17 Other mortgages and loans	62.9	107.6	149.1	154.3	94.4	155.3	148.7	80.6	108.3	158.7	151.8	133.5
18 LESS: Federal Home Loan Bank advances	2.0	4.3	12.5	9.2	7.1	16.2	9.2	5.8	8.5	19.3	13.2	13.8
Private financial intermediation												
19 Credit market funds advanced by private financial institutions	190.9	261.7	302.9	292.2	257.9	301.3	260.7	245.4	270.4	326.3	276.3	289.4
20 Commercial banking	59.6	87.6	128.7	121.1	99.7	103.5	108.1	64.7	134.8	107.8	99.2	123.3
21 Savings institutions	70.2	81.6	73.6	55.5	54.1	24.6	48.9	34.9	73.2	43.9	5.3	30.6
22 Insurance and pension funds	49.7	69.0	75.0	66.4	74.4	75.8	60.1	84.3	64.4	75.8	75.8	93.3
23 Other finance	11.4	23.5	25.6	49.2	29.8	97.4	43.6	61.5	1.9	98.8	95.9	42.3
24 Sources of funds	190.9	261.7	302.9	292.2	257.9	301.3	260.7	245.4	270.4	326.3	276.3	289.4
25 Private domestic deposits	124.4	138.9	141.1	142.5	167.8	211.2	145.9	162.5	173.1	212.0	210.3	172.0
26 Credit market borrowing	8.4	26.9	38.3	33.4	17.7	35.6	25.3	10.3	25.2	43.4	27.8	30.2
27 Other sources	58.0	96.0	123.5	116.4	72.4	54.6	89.5	72.7	72.1	70.9	38.2	87.1
28 Foreign funds	-4.7	1.2	6.3	25.6	23.0	8.8	3.4	20.0	26.0	7	16.8	30.6
29 Treasury balances	1	4.3	6.8	.4	2.6	-1.1	.7	6.1	1.0	6.0	8.2	5.2
30 Insurance and pension reserves	34.3	51.4	62.2	49.1	65.4	70.8	43.8	70.3	60.5	66.0	75.6	78.5
31 Other, net	28.5	39.1	48.3	41.3	32.6	6.4	43.0	28.6	36.6	.4	12.3	44.4
Private domestic nonfinancial investors												
32 Direct lending in credit markets	44.7	39.0	72.5	122.9	89.7	101.9	125.4	61.7	117.7	97.5	106.2	95.9
33 U.S. government securities	15.9	24.6	36.3	61.4	38.3	50.4	54.9	23.3	53.3	43.0	57.7	60.2
34 State and local obligations	3.3	.8	3.6	9.4	12.6	20.3	11.5	6.2	18.9	22.8	17.8	27.2
35 Corporate and foreign bonds	11.8	5.1	2.9	10.2	9.3	7.9	16.9	7.8	10.8	9.2	6.6	-23.0
36 Commercial paper	1.9	9.6	15.6	12.1	3.4	3.5	14.6	8.1	1.4	1.4	8.4	6.9
37 Other	11.8	10.7	19.9	29.8	32.9	35.6	27.6	32.5	33.3	42.3	29.0	24.7
38 Deposits and currency	133.4	148.5	152.3	151.9	179.2	221.0	149.9	172.4	186.1	218.6	223.4	170.0
39 Currency	7.3	8.3	9.3	7.9	10.3	9.5	6.3	9.3	11.3	5.8	13.2	2.0
40 Checkable deposits	10.4	17.2	16.3	19.2	4.2	18.3	22.5	2.5	11.0	26.5	10.1	7.0
41 Small time and savings accounts	123.7	93.5	63.7	61.0	79.5	46.6	50.7	73.4	85.7	26.9	66.3	90.0
42 Money market fund shares	*	.2	6.9	34.4	29.2	107.5	38.6	61.9	3.4	104.1	110.8	39.7
43 Large time deposits	12.0	25.8	46.6	21.2	48.3	36.3	39.4	24.4	72.1	46.8	25.7	48.3
44 Security RPs	2.3	2.2	7.5	6.6	6.5	2.5	5.3	5.3	7.8	7.7	2.6	12.9
45 Foreign deposits	1.7	1.3	2.0	1.5	1.1	.3	2.3	.6	1.7	8	.2	4.1
46 **Total of credit market instruments, deposits and currency**	**178.1**	**187.5**	**224.9**	**274.8**	**269.0**	**322.8**	**275.3**	**234.1**	**303.8**	**316.1**	**329.6**	**265.9**
47 Public support rate (in percent)	19.0	23.9	25.3	18.2	25.1	22.9	24.6	29.5	21.2	22.6	23.3	23.8
48 Private financial intermediation (in percent)	84.0	95.6	89.9	76.5	78.2	82.0	72.3	82.7	74.5	85.8	77.9	81.5
49 Total foreign funds	10.5	40.8	44.3	21.0	2	7.8	14.8	*	.5	30.3	14.6	4.7
MEMO: Corporate equities not included above												
50 **Total net issues**	**10.6**	**6.5**	**1.9**	**-3.8**	**22.1**	**-2.9**	**-1.7**	**16.3**	**27.9**	**11.2**	**-17.0**	**15.7**
51 Mutual fund shares	2.4	.9	.1	1	5.0	7.7	.8	5.5	4.5	8.9	6.5	14.5
52 Other equities	13.1	5.6	1.9	3.9	17.1	10.6	.9	10.8	23.4	2.3	23.5	1.2
53 Acquisitions by financial institutions	12.5	7.4	4.6	10.4	14.6	22.9	14.2	8.6	20.7	25.3	20.5	22.2
54 Other net purchases	1.9	.8	2.7	14.2	7.5	25.8	15.9	7.7	7.2	14.1	37.5	6.5

NOTES BY LINE NUMBER.

1. Line 2 of table 1.58
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
12. Line 1 less line 2 plus line 11. Also line 19 less line 26 plus line 32. Also sum of lines 27, 32, and 38 less lines 39 and 45.
17. Includes farm and commercial mortgages
25. Line 38 less lines 39 and 45.
26. Excludes equity issues and investment company shares Includes line 18.
28. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
29. Demand deposits at commercial banks.
30. Excludes net investment of these reserves in corporate equities.
31. Mainly retained earnings and net miscellaneous liabilities.
32. Line 12 less line 19 plus line 26.
33–37. Lines 13–17 less amounts acquired by private finance. Line 37 includes mortgages
39. Mainly an offset to line 9
46. Lines 32 plus 38, or line 12 less line 27 plus 39 and 45
47. Line 2/line 1.
48. Line 19/line 12.
49. Sum of lines 10 and 28
50, 52. Includes issues by financial institutions

NOTE. Full statements for sectors and transaction types quarterly, and annually for flows and for amounts outstanding, may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

1967 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1979	1980	1981	1982 Jan.	Feb.	Mar	Apr.	May	June[r]	July	Aug.[p]	Sept.
1 **Industrial production[1]**	**152.5**	**147.0**	**151.0**	**140.7**	**142.9**	**141.7**	**140.2**	**139.2**	**138.7**	**138.8**	**138.1**	**137.3**
Market groupings												
2 Products, total	150.0	146.7	150.6	142.9	144.6	143.7	142.9	142.3	142.1	142.5	141.4	140.9
3 Final, total	147.2	145.3	149.5	142.8	144.1	143.3	142.6	142.2	142.1	142.4	140.8	140.3
4 Consumer goods	150.8	145.4	147.9	139.6	141.8	141.5	142.1	143.6	144.8	145.9	144.4	144.4
5 Equipment	142.2	145.2	151.5	147.2	147.3	145.9	143.4	140.4	138.4	137.6	135.8	134.6
6 Intermediate	160.5	151.9	154.4	143.4	146.3	145.2	143.7	142.6	141.9	142.9	143.6	143.4
7 Materials	156.4	147.6	151.6	137.2	140.4	138.5	136.2	134.3	133.5	132.9	132.9	131.8
Industry groupings												
8 Manufacturing	153.6	146.7	150.4	138.5	140.9	140.1	138.7	137.9	137.7	138.2	137.7	136.9
Capacity utilization (percent)[1,2]												
9 Manufacturing	85.7	79.1	78.5	71.1	72.2	71.6	70.8	70.2	70.0	70.1	69.6	69.1
10 Industrial materials industries	87.4	80.0	79.9	71.4	72.9	71.8	70.5	69.4	68.8	68.4	68.3	67.6
11 Construction contracts (1977 = 100)[3]	121.0	106.0	107.0	118.0	97.0	105.0	88.0	94.0	111.0	98.0	112.0	112.0
12 Nonagricultural employment, total[4]	136.5	137.4	138.5	137.5	137.5	137.2	136.9	137.0	136.5	136.1	135.7	135.3
13 Goods-producing, total	113.5	110.3	110.2	105.9	105.7	104.9	104.2	104.1	102.9	102.3	101.4	101.0
14 Manufacturing, total	108.2	104.4	103.7	100.4	100.0	99.3	98.6	98.3	97.3	96.7	96.0	95.5
15 Manufacturing, production-worker	105.3	99.4	98.5	93.2	92.9	92.1	91.2	90.9	89.8	89.2	88.3	87.9
16 Service-producing	149.1	152.6	155.0	154.8	154.9	155.0	154.8	155.1	154.9	154.6	154.4	154.1
17 Personal income, total	309.7	342.9	383.5	396.7	399.0	399.8	402.5	405.7	407.3	411.5	412.9	n.a.
18 Wages and salary disbursements	289.8	317.6	349.9	359.6	362.2	361.3	362.2	365.4	366.0	367.8	368.5	n.a.
19 Manufacturing	249.0	264.3	288.1	286.1	289.0	286.4	286.3	288.1	288.4	288.3	287.1	n.a.
20 Disposable personal income[5]	301.2	332.9	370.3	385.0	386.5	387.7	391.7	392.9	393.4	401.3	402.3	n.a.
21 Retail sales[6]	281.6	303.8	330.6	326.0	334.9	333.5	337.4	347.1	336.4	341.8	338.4	341.9
Prices[7]												
22 Consumer	217.4	246.8	272.4	282.5	283.4	283.1	284.3	287.1	290.6	292.2	292.8	n.a.
23 Producer finished goods	217.7	247.0	269.8	277.9	277.9	277.3	277.3	277.7	279.9	281.7	282.4	n.a.

1. The industrial production and capacity utilization series have been revised back to January 1979.
2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, and Department of Commerce.
3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.
4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).
6. Based on Bureau of Census data published in *Survey of Current Business*.
7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1981	1982			1981	1982			1981	1982		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	Output (1967 = 100)				Capacity (percent of 1967 output)				Utilization rate (percent)			
1 **Manufacturing**	**145.0**	**139.8**	**138.1**	**137.6**	**193.9**	**195.2**	**196.4**	**197.7**	**74.8**	**71.6**	**70.3**	**69.6**
2 Primary processing	143.5	137.1	132.3	131.5	197.5	198.6	199.5	200.4	72.7	69.1	66.3	65.6
3 Advanced processing	145.8	141.6	141.2	140.7	192.0	193.5	194.9	196.2	75.9	73.2	72.5	71.7
4 **Materials**	**144.0**	**138.7**	**134.7**	**132.5**	**191.5**	**192.6**	**193.7**	**194.6**	**75.2**	**72.0**	**69.6**	**68.1**
5 Durable goods	140.2	130.9	127.1	124.6	195.3	196.4	197.3	198.3	71.8	66.7	64.4	62.9
6 Metal materials	99.5	90.9	77.0	n.a.	142.1	142.3	142.4	n.a.	70.1	63.9	54.1	n.a.
7 Nondurable goods	164.5	161.0	156.8	154.0	213.1	214.6	216.1	217.4	77.2	75.0	72.6	70.8
8 Textile, paper, and chemical	169.4	164.5	160.5	157.1	223.9	225.6	227.3	228.8	75.7	72.9	70.6	68.6
9 Textile	106.8	101.3	101.8	n.a.	141.6	142.1	142.4	n.a.	75.4	71.3	71.5	n.a.
10 Paper	147.0	146.1	142.0	n.a.	162.8	163.8	164.6	n.a.	90.3	89.2	86.3	n.a.
11 Chemical	206.2	200.0	194.0	n.a.	284.4	287.3	289.6	n.a.	72.5	69.6	67.0	n.a.
12 Energy materials	127.9	129.8	125.5	125.1	155.8	156.5	157.0	157.6	82.1	82.9	79.9	79.3

2.11 Continued

Series	Previous cycle[1] High	Previous cycle[1] Low	Latest cycle[2] High	Latest cycle[2] Low	1981 Sept.	1982 Jan.	1982 Feb.	1982 Mar.	1982 Apr.	1982 May	1982 June^r	1982 July^r	1982 Aug.^r	1982 Sept.
	Capacity utilization rate (percent)													
13 Manufacturing	88.0	69.0	87.2	74.9	78.3	71.1	72.2	71.6	70.8	70.2	70 0	70.1	69.6	69.1
14 Primary processing	93.8	68.2	90.1	71.0	78.2	68.5	70.0	68.6	67.2	66.1	65.7	65.7	65.5	65.5
15 Advanced processing	85.5	69.4	86.2	77.2	78.3	72.8	73.6	73.2	72.6	72.5	72.3	72.4	71.8	71.0
16 Materials	92.6	69.4	88.8	73.8	80.0	71.4	72.9	71.8	70.5	69.4	68.8	68.4	68.3	67.6
17 Durable goods	91.5	63.6	88.4	68.2	77.3	66 2	67.4	66.4	65.0	64.2	64.0	63.7	63.1	61.8
18 Metal materials	98.3	68 6	96.0	59.6	79.1	65 8	64.7	61.1	56.2	53 9	52.2	50.8	51.4	n.a.
19 Nondurable goods	94.5	67.2	91.6	77.5	82 9	73.2	76.5	75.3	74.4	72.5	70.9	70.1	70 8	71.7
20 Textile, paper, and chemical	95.1	65.3	92.2	75.3	82.1	70 7	74.4	73.7	72.5	70.6	68.8	67.8	68.4	69.6
21 Textile	92.6	57.9	90.6	80.9	81.3	68.6	71.9	73.5	73.4	71.5	69.6	69.6	71.5	n.a
22 Paper	99.4	72.4	97.7	89.3	95 7	87.6	90.7	89 4	87.4	86.1	85.3	85.3	87.7	n.a.
23 Chemical	95.5	64.2	91.3	70 7	79 2	67 4	71.3	70 2	69 0	66.9	65.0	63.7	63.6	n.a.
24 Energy materials	94.6	84.8	88.3	82.7	83.0	83.7	83.2	81.8	80.2	79.9	79.8	80.1	79.6	78.3

1. Monthly high 1973; monthly low 1975.

2. Preliminary; monthly highs December 1978 through January 1980; monthly lows July 1980 through October 1980.

2.12 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1979	1980	1981	1982 Mar.	1982 Apr.	1982 May	1982 June	1982 July	1982 Aug	1982 Sept.
HOUSEHOLD SURVEY DATA										
1 Noninstitutional population[1]	**166,951**	**169,847**	**172,272**	**173,842**	**174,019**	**174,201**	**174,363**	**174,544**	**174,707**	**174,888**
2 Labor force (including Armed Forces)[1]	107,050	109,042	110,812	111,521	111,823	112,841	112,364	112,702	112,840	113,178
3 Civilian labor force	104,962	106,940	108,670	109,346	109,648	110,666	110,191	110,522	110,644	110,980
Employment										
4 Nonagricultural industries[2]	95,477	95,938	97,030	96,144	96,032	96,629	96,406	96,272	96,404	96,352
5 Agriculture	3,347	3,364	3,368	3,349	3,309	3,488	3,357	3,460	3,435	3,368
Unemployment										
6 Number	6,137	7,637	8,273	9,854	10,307	10,549	10,427	10,790	10,805	11,260
7 Rate (percent of civilian labor force)	5.8	7.1	7.6	9.0	9.4	9.5	9.5	9.8	9.8	10.1
8 Not in labor force	59,901	60,805	61,460	62,321	62,196	61,360	61,999	61,842	61,867	61,710
ESTABLISHMENT SURVEY DATA										
9 Nonagricultural payroll employment[3]	**89,823**	**90,564**	**91,548**	**90,304**	**90,083**	**90,166**	**89,839**	**89,535^r**	**89,268^r**	**89,038**
10 Manufacturing	21,040	20,300	20,264	19,319	19,169	19,115	18,930	18,813^r	18,662^r	18,576
11 Mining	958	1,020	1,104	1,197	1,182	1,152	1,124	1,100^r	1,082^r	1,080
12 Contract construction	4,463	4,399	4,307	3,934	3,938	3,988	3,940	3,927^r	3,895^r	3,890
13 Transportation and public utilities	5,136	5,143	5,152	5,100	5,094	5,101	5,078	5,044^r	5,024^r	5,023
14 Trade	20,192	20,386	20,736	20,655	20,584	20,652	20,595	20,615^r	20,544^r	20,488
15 Finance	4,975	5,168	5,330	5,336	5,335	5,342	5,352	5,359^r	5,361^r	5,367
16 Service	17,112	17,901	18,598	18,904	18,929	18,963	18,988	19,042^r	19,042^r	19,054
17 Government	15,947	16,249	16,056	15,859	15,852	15,853	15,832	15,635^r	15,658^r	15,560

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 1979 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U S. Department of Labor).

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value

Monthly data are seasonally adjusted.

Grouping	1967 proportion	1981 average	1981 Sept.	1981 Oct.	1981 Nov	1981 Dec.	1982 Jan.	1982 Feb.	1982 Mar.	1982 Apr.	1982 May	1982 June	1982 July	1982 Aug.[p]	1982 Sept.[e]
			Index (1967 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**151.0**	**151.6**	**149.1**	**146.3**	**143.4**	**140.7**	**142.9**	**141.7**	**140.2**	**139.2**	**138.7**	**138.8**	**138.1**	**137.3**
2 Products	60.71	150.6	151.0	149.4	147.5	146.2	142.9	144.6	143.7	142.9	142.3	142.1	142.5	141.4	140.9
3 Final products	47.82	149.5	150.0	148.9	147.2	146.3	142.8	144.1	143.3	142.6	142.2	142.1	142.4	140.8	140.3
4 Consumer goods	27.68	147.9	147.8	146.5	144.0	142.0	139.6	141.8	141.5	142.1	143.6	144.8	145.9	144.4	144.4
5 Equipment	20.14	151.8	152.9	152.1	151.5	152.1	147.2	147.3	145.9	143.4	140.4	138.4	137.6	135.8	134.6
6 Intermediate products	12.89	154.4	154.6	151.4	148.7	145.9	143.4	146.3	145.2	143.7	142.6	141.9	142.9	143.6	143.4
7 Materials	39.29	151.6	152.5	148.5	144.6	139.0	137.2	140.4	138.5	136.2	134.3	133.5	132.9	132.9	131.8
Consumer goods															
8 Durable consumer goods	7.89	140.5	140.4	136.3	129.7	123.2	120.1	125.9	128.1	130.7	132.6	134.6	137.2	132.8	132.2
9 Automotive products	2.83	137.9	139.1	132.8	121.7	119.2	109.2	117.5	125.0	129.9	138.9	143.0	149.4	136.7	135.0
10 Autos and utility vehicles	2.03	111.2	110.0	101.7	88.9	87.5	71.6	82.0	93.6	100.5	111.8	117.1	127.7	109.6	106.9
11 Autos	1.90	103.4	103.3	92.5	81.1	78.1	61.3	70.5	79.8	87.2	96.1	101.9	114.6	96.1	96.3
12 Auto parts and allied goods	.80	205.6	212.9	211.8	205.0	199.7	204.4	207.8	204.5	204.6	207.6	208.6	204.4	205.2	206.2
13 Home goods	5.06	142.0	141.1	138.2	134.1	125.4	126.3	130.6	129.9	131.1	129.1	129.9	130.3	130.6	130.7
14 Appliances, A/C, and TV	1.40	119.6	119.0	116.7	107.7	85.7	100.6	103.5	97.0	102.7	100.5	106.4	102.7	103.9	107.2
15 Appliances and TV	1.33	121.2	121.4	118.7	108.7	86.6	101.6	104.1	97.4	103.1	101.5	108.8	106.1	107.9	...
16 Carpeting and furniture	1.07	158.0	158.6	152.6	146.9	144.4	137.9	147.8	151.3	151.8	145.9	149.0	150.9	150.3	...
17 Miscellaneous home goods	2.59	147.4	145.8	143.9	143.2	139.1	135.4	138.1	138.9	138.0	137.7	134.9	136.8	137.0	135.6
18 Nondurable consumer goods	19.79	150.9	150.8	150.5	149.7	149.5	147.4	148.1	146.8	146.6	147.9	148.8	149.4	149.1	149.2
19 Clothing	4.29	119.8	119.3	117.8	116.1	113.8	106.0	...	158.1	...	...	...	...	...	...
20 Consumer staples	15.50	159.5	159.5	159.6	159.0	159.4	158.9	159.2	149.6	158.3	159.0	159.9	160.3	160.1	160.2
21 Consumer foods and tobacco	8.33	150.3	149.5	150.7	150.4	150.9	150.0	151.1	168.0	148.1	149.9	150.9	151.2	...	...
22 Nonfood staples	7.17	170.0	171.1	169.9	169.1	169.3	169.1	168.7	217.8	170.0	169.5	170.4	170.8	171.5	171.6
23 Consumer chemical products	2.63	223.1	227.5	223.0	220.3	220.1	220.1	218.2	127.8	218.3	216.6	219.8	221.3	224.7	...
24 Consumer paper products	1.92	127.9	127.7	126.9	125.7	127.2	127.0	130.2	147.6	128.7	126.7	126.7	128.1	129.0	...
25 Consumer energy products	2.62	147.7	146.4	148.2	149.4	149.1	148.9	147.2	170.4	151.9	153.6	152.8	151.4	149.2	...
26 Residential utilities	1.45	166.3	162.8	166.2	167.4	167.5	172.3	171.6	169.0	174.5	173.7	171.1	167.7	...	...
Equipment															
27 Business	12.63	181.1	182.7	180.5	179.0	179.0	172.2	171.6	151.2	164.9	159.9	156.7	154.6	151.6	149.2
28 Industrial	6.77	166.4	168.9	166.9	165.1	164.0	158.1	155.9	256.9	145.9	138.9	134.0	131.0	127.6	125.0
29 Building and mining	1.44	286.2	293.6	295.6	293.8	294.6	289.0	274.9	116.3	242.2	224.4	209.0	200.4	190.5	183.0
30 Manufacturing	3.85	127.9	129.3	125.7	123.6	122.0	116.9	116.8	139.0	114.0	109.7	107.5	105.8	103.8	102.2
31 Power	1.47	149.7	150.4	148.4	147.1	145.5	137.4	141.1	189.5	134.8	131.5	129.9	128.6	128.0	127.9
32 Commercial transit, farm	5.86	198.0	198.5	196.2	195.0	196.3	188.5	189.9	257.8	186.9	184.1	183.0	182.0	179.3	177.1
33 Commercial	3.26	258.7	264.2	259.8	260.6	262.9	256.1	256.4	110.5	253.1	247.7	247.5	248.4	246.7	245.8
34 Transit	1.93	125.4	121.0	120.6	116.6	117.5	109.0	110.4	84.9	110.9	110.9	108.3	106.3	102.1	97.6
35 Farm	.67	112.0	102.1	104.6	101.7	98.9	88.4	95.1	107.0	83.5	85.8	84.1	76.9	74.2	...
36 Defense and space	7.51	102.7	103.0	104.5	105.3	107.0	105.2	106.5	125.6	107.2	107.7	107.6	109.1	109.3	110.2
Intermediate products															
37 Construction supplies	6.42	141.9	139.7	135.2	130.1	127.0	124.2	127.5	164.6	123.6	122.2	123.1	124.2	125.0	125.2
38 Business supplies	6.47	166.7	169.4	167.5	167.1	164.6	162.4	165.1	184.5	163.7	162.8	160.6	161.5	162.1	...
39 Commercial energy products	1.14	176.4	174.2	174.3	177.0	177.3	181.7	184.1	130.7	183.5	180.3	178.3	178.1	178.6	...
Materials															
40 Durable goods materials	20.35	149.1	150.4	145.6	141.0	134.0	129.7	132.4	130.7	128.1	126.6	126.6	126.0	125.2	122.7
41 Durable consumer parts	4.58	114.5	114.5	107.6	102.8	92.9	86.9	92.2	94.1	94.7	98.9	103.1	103.8	101.0	98.0
42 Equipment parts	5.44	191.2	192.7	190.3	188.7	183.3	177.2	180.1	177.5	173.9	170.0	168.3	166.5	164.4	159.1
43 Durable materials n.e.c.	10.34	142.3	144.1	138.9	132.9	126.1	123.6	125.1	122.2	118.8	116.1	115.1	114.5	115.3	114.4
44 Basic metal materials	5.57	112.0	113.1	106.5	101.6	94.8	94.5	94.3	88.6	82.3	79.4	77.4	75.8	76.4	...
45 Nondurable goods materials	10.47	174.6	175.5	170.6	164.7	158.3	156.8	164.2	162.0	160.3	156.6	153.5	152.0	154.0	156.1
46 Textile, paper, and chemical materials	7.62	181.4	182.5	176.4	169.9	161.9	159.1	167.9	166.6	164.4	160.4	156.7	155.0	156.6	159.6
47 Textile materials	1.85	113.0	114.9	111.6	106.9	102.0	97.3	102.2	104.5	104.5	101.8	99.1	99.3	102.1	...
48 Paper materials	1.62	150.6	155.1	149.6	150.2	141.2	143.2	148.5	146.7	143.5	141.8	140.7	140.9	145.0	...
49 Chemical materials	4.15	224.0	223.4	215.9	205.8	196.8	193.0	204.9	202.2	199.3	193.9	188.7	185.4	185.5	...
50 Containers, nondurable	1.70	169.3	170.9	166.7	163.5	161.9	162.4	166.7	161.3	159.8	157.2	158.5	157.2	161.6	...
51 Nondurable materials n.e.c.	1.14	137.4	136.2	137.1	131.9	128.6	132.4	136.0	132.4	134.2	130.6	124.8	124.7	124.6	...
52 Energy materials	8.48	129.0	128.9	128.3	128.1	127.4	130.9	130.3	128.2	125.8	125.4	125.4	126.1	125.5	123.6
53 Primary energy	4.65	115.0	117.4	116.4	115.6	115.9	119.2	119.5	119.2	117.3	116.9	116.6	117.5	116.4	...
54 Converted fuel materials	3.82	145.9	142.9	142.8	143.4	141.4	145.1	143.4	139.1	136.1	135.7	136.0	136.6	136.5	...
Supplementary groups															
55 Home goods and clothing	9.35	131.8	131.1	128.8	125.9	120.1	117.0	120.1	118.9	118.9	119.5	120.2	121.0	120.9	120.9
56 Energy, total	12.23	137.4	136.8	136.9	137.2	136.7	139.5	138.9	137.6	136.7	136.5	136.2	136.4	135.5	134.5
57 Products	3.76	156.4	154.8	156.1	157.8	157.7	158.8	158.4	158.8	161.5	161.7	160.5	159.5	158.1	...
58 Materials	8.48	129.0	128.9	128.3	128.1	127.4	130.9	130.3	128.2	125.8	125.4	125.4	126.1	125.5	123.6

2.13 Continued

Grouping	SIC code	1967 pro-portion	1981 avg.	1981 Sept.	1981 Oct.	1981 Nov.	1981 Dec.	1982 Jan.	1982 Feb.	1982 Mar.	1982 Apr.	1982 May	1982 June	1982 July	1982 Aug.p	1982 Sept.e
				Index (1967 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	...	12.05	155.0	155.8	156.1	155.4	154.7	157.4	155.6	153.1	151.6	148.8	145.2	142.7	141.9	140.8
2 Mining	....	6.36	142.2	145.0	145.3	143.3	142.6	144.5	142.4	138.1	134.1	128.9	123.5	120.3	118.2	115.7
3 Utilities		5.69	169.1	167.8	168.1	168.9	168.2	171.8	170.4	170.0	171.0	170.9	169.4	167.6	168.4	168.9
4 Electric	...	3.88	190.9	188.3	189.4	190.9	190.2	195.2	192.5	191.7	193.1	193.4	191.6	189.1	190.3	190.9
5 Manufacturing	...	87.95	150.4	151.1	148.0	145.0	142.0	138.5	140.9	140.1	138.7	137.9	137.7	138.2	137.7	136.9
6 Nondurable	...	35.97	164.8	165.9	162.8	160.3	157.4	155.1	157.8	157.3	156.1	155.0	155.3	155.9	156.9	157.4
7 Durable	....	51.98	140.5	140.9	137.8	134.4	131.3	127.1	129.3	128.2	126.7	126.1	125.5	125.9	124.3	122.8
Mining																
8 Metal	10	.51	123.1	121.5	119.8	115.4	110.9	121.3	120.8	109.9	108.8	90.0	71.8	58.1	58.0	...
9 Coal	11.12	.69	141.3	161.9	166.9	160.8	145.5	147.9	156.0	155.6	146.2	149.2	144.4	140.3	139.9	127.8
10 Oil and gas extraction	13	4.40	146.8	148.8	148.9	148.4	150.5	151.5	146.6	141.4	137.7	132.7	129.1	127.3	123.9	121.8
11 Stone and earth minerals	14	.75	129.4	123.4	122.0	116.7	115.7	115.8	120.5	121.6	119.6	114.6	106.6	103.8	105.8	...
Nondurable manufactures																
12 Foods	20	8.75	152.1	150.7	151.4	153.0	152.8	151.1	151.7	150.8	149.7	150.5	151.0	151.6	..	...
13 Tobacco products	21	.67	122.2	•122.4	124.3	119.6	112.6	112.7	126.7	126.7	116.1	118.6	123.6	119.9	..	...
14 Textile mill products	22	2.68	135.7	136.3	132.5	126.1	122.8	120.0	125.8	126.0	126.3	123.5	123.7	124.5	126.7	.
15 Apparel products	23	3.31	120.4	122.5	117.8	113.8	114.1	...	...	...	...	...	...	...	...	...
16 Paper and products	26	3.21	155.0	158.6	153.3	152.6	146.6	148.3	151.5	150.6	149.8	146.5	146.8	146.9	150.3	152.0
17 Printing and publishing	27	4.72	144.2	145.9	145.6	143.4	145.3	145.6	146.4	145.9	144.2	143.8	142.6	144.3	145.6	146.0
18 Chemicals and products	28	7.74	215.6	216.3	208.8	204.6	199.8	196.7	201.3	200.3	198.6	193.6	193.2	194.0	195.9	....
19 Petroleum products	29	1.79	129.7	129.1	128.3	128.0	128.3	123.3	119.5	121.3	120.8	122.2	124.3	124.7	119.7	121.9
20 Rubber and plastic products	30	2.24	274.0	282.2	276.0	264.1	247.3	244.7	251.8	253.4	255.1	257.0	258.9	256.8	258.7	..
21 Leather and products	31	.86	69.3	69.7	71.2	70.8	65.6	63.1	64.0	61.2	60.6	61.1	62.3	62.9	62.4	..
Durable manufactures																
22 Ordnance, private and government	19.91	3.64	81.1	82.3	82.5	84.3	85.5	84.1	83.8	83.8	85.2	86.3	86.5	86.7	87.5	88.5
23 Lumber and products	24	1.64	119.1	113.2	109.6	104.7	104.8	99.2	104.9	103.5	106.2	110.6	112.2	116.9	115.9	..
24 Furniture and fixtures	25	1.37	157.2	159.9	157.2	153.7	149.4	144.3	148.4	150.2	151.8	151.1	152.5	154.0	155.2	.
25 Clay, glass, stone products	32	2.74	147.9	147.3	143.4	135.9	131.5	128.5	135.0	131.5	127.0	125.0	126.1	126.9	128.1	..
26 Primary metals	33	6.57	107.9	108.6	102.3	96.6	89.6	89.7	88.5	83.0	76.4	75.2	72.8	72.9	72.2	71.1
27 Iron and steel	331.2	4.21	99.8	99.2	92.2	87.2	79.2	79.6	78.5	73.0	65.1	62.4	58.0	58.1	57.2	..
28 Fabricated metal products	34	5.93	136.4	136.8	133.8	130.2	126.1	120.7	121.4	121.1	119.1	115.8	115.0	115.6	114.0	112.0
29 Nonelectrical machinery	35	9.15	171.2	173.9	169.7	167.9	167.4	160.9	160.0	157.3	153.7	150.0	147.4	147.2	145.0	142.3
30 Electrical machinery	36	8.05	178.4	180.0	179.6	175.7	170.7	168.2	172.9	172.6	172.2	170.9	170.8	170.3	169.8	168.0
31 Transportation equipment	37	9.27	116.1	114.2	110.6	106.1	103.7	96.6	102.0	104.4	105.9	110.0	111.6	112.7	107.7	105.3
32 Motor vehicles and parts	371	4.50	122.3	120.4	113.8	105.5	100.4	90.4	98.6	105.6	110.7	119.8	124.0	127.2	117.7	114.8
33 Aerospace and miscellaneous transportation equipment	372.9	4.77	110.2	108.5	107.5	106.8	106.8	102.4	105.3	103.2	101.3	100.8	99.9	99.0	98.2	96.3
34 Instruments	38	2.11	170.3	169.7	168.6	167.1	166.8	162.2	164.5	163.0	162.8	163.8	164.8	165.4	165.0	162.5
35 Miscellaneous manufactures	39	1.51	154.7	154.2	151.5	151.7	147.9	144.9	144.5	145.3	144.6	141.7	136.8	134.2	132.7	131.1
		Gross value (billions of 1972 dollars, annual rates)														
MAJOR MARKET																
36 **Products, total**	......	**507.4**	**612.3**	**611.5**	**605.0**	**597.6**	**592.8**	**577.4**	**588.1**	**586.8**	**582.1**	**586.1**	**584.1**	**583.7**	**579.7**	**577.8**
37 Final	...	390.9	474.1	473.0	470.1	465.2	462.3	448.8	457.1	456.6	453.5	458.3	456.7	455.5	451.2	448.9
38 Consumer goods	...	277.5	318.0	317.7	314.3	310.5	307.2	298.9	306.3	306.9	306.7	312.3	313.1	313.7	312.0	310.8
39 Equipment	...	113.4	156.1	155.3	155.8	154.7	155.1	149.9	150.8	149.7	146.8	146.0	143.5	141.8	139.3	138.1
40 Intermediate	....	116.6	138.2	138.4	134.9	132.4	130.5	128.7	131.1	130.2	128.6	127.8	127.4	128.2	128.5	128.9

1. 1972 dollar value.

NOTE. Published groupings include some series and subtotals not shown separately. For description and historical data, see *Industrial Production 1976 Revision* (Board of Governors of the Federal Reserve System Washington, D.C.), December 1977

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1979	1980	1981	1982 Jan.	Feb.	Mar.	Apr.	May^{r}	June^{r}	July^{r}	Aug.
	Private residential real estate activity (thousands of units)										
NEW UNITS											
1 Permits authorized	1,552	1,191	986	803	792	851	879	944	929	1,062	886
2 1-family	981	710	454	450	436	460	450	488	516	500	494
3 2-or-more-family	570	480	421	353	356	391	429	456	413	562	392
4 Started	1,745	1,292	1,084	885	945	931	882	1,066	908	1,195	1,002
5 1-family	1,194	852	705	592	568	621	566	631	621	625	610
6 2-or-more-family	551	440	379	293	377	310	316	435	287	570	397
7 Under construction, end of period[1]	1,140	896	682	684	688	682	673	664	662	678	n.a.
8 1-family	639	515	382	394	400	399	393	382	385	381	n.a.
9 2-or-more-family	501	382	301	291	288	283	280	282	277	297	n.a.
10 Completed	1,855	1,502	1,266	1,063	920	926	962	1,138	935	991	n.a.
11 1-family	1,286	957	818	640	545	585	596	684	580	673	n.a.
12 2-or-more-family	569	545	447	423	375	341	366	454	355	318	n.a.
13 Mobile homes shipped	277	222	241	211	251	252	255	246	257	246	n.a.
Merchant builder activity in 1-family units											
14 Number sold	709	545	436	399	376	380	335	395	372	352	359
15 Number for sale, end of period[1]	402	342	278	275	274	269	264	259	253	250	247
Price (thousands of dollars)[2]											
Median											
16 Units sold	62.8	64.7	68.8	66.2	65.7	67.2	70.2	69.3	69.6	71.8	73.2
Average											
17 Units sold	71.9	76.4	83.1	78.0	80.7	83.7	85.0	86.5	85.5	87.7	92.3
EXISTING UNITS (1-family)											
18 Number sold	3,701	2,881	2,350	1,860	1,950	1,990	1,910	1,900	1,980	1,890	1,790
Price of units sold (thousands of dollars)[2]											
19 Median	55.5	62.1	66.1	66.4	66.9	67.0	67.1	67.8	69.4	69.2	69.3
20 Average	64.0	72.7	78.0	79.8	78.8	79.1	79.4	80.6	82.3	82.0	82.4
	Value of new construction[3] (millions of dollars)										
CONSTRUCTION											
21 Total put in place	**230,412**	**230,748**	**238,198**	**225,086**	**222,615**	**224,583**	**226,095^{r}**	**228,745**	**231,589**	**228,740**	**232,316**
22 Private	181,622	175,701	185,221	175,493	173,026	173,605	175,142^{r}	179,941	182,651	180,301	182,087
23 Residential	99,028	87,261	86,566	73,737	69,161	70,040	72,300^{r}	75,453	75,251	76,200	77,306
24 Nonresidential, total	82,594	88,440	98,655	101,756	103,865	103,565	102,842^{r}	104,488	107,400	104,101	104,781
Buildings											
25 Industrial	14,953	13,839	17,031	17,113	17,211	16,641	15,882	17,118	18,424	16,404	17,377
26 Commercial	24,919	29,940	34,243	36,161	36,841	38,362	38,437	36,818	38,048	37,512	37,249
27 Other	7,427	8,654	9,543	9,558	10,002	9,880	9,897	10,427	10,579	10,130	10,501
28 Public utilities and other	35,295	36,007	37,838	38,924	39,811	38,682	38,626^{r}	40,125	40,349	40,055	39,654
29 Public	48,790	55,047	52,977	49,593	49,589	50,978	50,953^{r}	48,804	48,938	48,439	50,229
30 Military	1,648	1,880	1,966	2,092	1,459	2,317	1,706^{r}	2,140	1,901	1,891	2,079
31 Highway	11,997	13,808	13,304	11,479	12,422	13,307	12,113	11,655	13,073	14,119	13,424
32 Conservation and development	4,586	5,089	5,225	5,232	5,301	5,056	5,493^{r}	5,223	5,051	5,060	5,078
33 Other	30,559	34,270	32,482	30,790	30,407	30,298	31,641^{r}	29,786	28,913	27,369	29,648

1. Not at annual rates.
2. Not seasonally adjusted.
3. Value of new construction data in recent periods may not be strictly comparable with data in prior periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.

NOTE. Census Bureau estimates for all series except (a) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (b) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from originating agency. Permit authorizations are those reported to the Census Bureau from 16,000 jurisdictions beginning with 1978.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	12 months to		3 months (at annual rate) to				1 month to					Index level Aug. 1982 (1967 = 100)[1]
	1981 Aug.	1982 Aug.	1981		1982		1982					
			Sept.	Dec.	Mar.	June	Apr.	May	June	July	Aug.	
CONSUMER PRICES[2]												
1 **All items**	**10.9**	**5.9**	**12.8**	**5.4**	**1.0**	**9.3**	**.2**	**1.0**	**1.0**	**.6**	**.3**	**292.8**
2 Commodities	8.2	4.0	8.5	3.6	−.8	7.8	−.3	.9	1.3	.6	.0	266.4
3 Food	7.2	3.6	7.7	1.7	3.9	7.3	.3	.8	.6	−.1	−.3	287.4
4 Commodities less food	8.7	4.1	9.0	4.3	−2.6	7.9	−.5	.9	1.5	.8	.2	253.8
5 Durable	8.7	5.9	10.8	1.2	3.5	14.1	.6	1.4	1.3	.3	.3	244.6
6 Nondurable	8.7	2.0	4.6	3.8	−4.9	1.9	−2.2	.7	2.0	1.1	.2	263.6
7 Services	14.6	8.6	19.2	7.8	3.5	11.3	.9	.9	.8	.6	.6	338.9
8 Rent	8.9	7.5	10.2	9.0	5.9	5.6	.2	.8	.4	1.0	.5	226.0
9 Services less rent	15.4	8.7	20.4	7.6	3.3	11.9	1.0	1.0	.9	.5	.6	360.5
Other groupings												
10 All items less food	11.6	6.4	13.9	6.2	.9	9.7	.2	1.0	1.2	.7	.4	292.5
11 All items less food and energy	11.5	7.1	15.0	5.6	3.0	10.6	.8	.9	.9	.6	.5	279.8
12 Homeownership	14.7	6.7	21.5	.3	−2.4	19.8	1.3	1.8	1.4	.4	.4	385.9
PRODUCER PRICES												
13 Finished goods	8.0	4.0	3.4	5.5	.9r	4.1r	.1	.1r	1.0	.6	.6	282.4
14 Consumer	7.4	3.6	2.8	4.5	.6r	3.5r	.0	.3r	1.1r	.6	.6	282.7
15 Foods	4.0	1.4	1.6	−3.9	6.1r	11.5r	1.7r	.6r	.5	1.5	.1	259.8
16 Excluding foods	8.9	4.5	3.2	7.8	1.4r	.4r	.7	.6r	1.4	1.5	.8	290.1
17 Capital equipment	9.9	5.9	5.7	9.7	2.4r	6.2r	.3r	.4	.8	.5	.7	281.4
18 Intermediate materials[3]	10.0	.6	5.2	2.7	−1.8r	−1.4r	.8	.1r	.3	.5	.1	316.3
Crude materials												
19 Nonfood	20.8	−2.9	1.1	−6.0	−18.0r	8.5r	.3r	1.8r	.6	1.0	.1	471.1
20 Food	5.4	−4.2	−18.2	−25.5	23.3	24.3	3.5	2.7	.6	−2.7	−1.0	250.7

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers.
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	1979	1980	1981	1981 Q2	1981 Q3	1981 Q4	1982 Q1	1982 Q2r
GROSS NATIONAL PRODUCT								
1 **Total**	**2,417.8**	**2,633.1**	**2,937.7**	**2,901.8**	**2,980.9**	**3,003.2**	**2,995.5**	**3,045.2**
By source								
2 Personal consumption expenditures	1,507.2	1,667.2	1,843.2	1,819.4	1,868.8	1,884.5	1,919.4	1,947.8
3 Durable goods	213.4	214.3	234.6	230.4	241.2	229.6	237.9	240.7
4 Nondurable goods	600.0	670.4	734.5	729.6	741.3	746.5	749.1	755.0
5 Services	693.7	782.5	874.1	859.4	886.3	908.3	932.4	952.1
6 Gross private domestic investment	423.0	402.4	471.5	475.5	486.0	468.9	414.8	431.5
7 Fixed investment	408.8	412.4	451.1	450.9	454.2	455.7	450.4	447.7
8 Nonresidential	290.2	309.2	346.1	341.3	353.0	360.2	357.0	352.2
9 Structures	98.3	110.5	129.7	127.0	132.7	139.6	141.4	143.6
10 Producers' durable equipment	191.9	198.6	216.4	214.3	220.2	220.6	215.6	208.6
11 Residential structures	118.6	103.2	105.0	109.5	101.2	95.5	93.4	95.5
12 Nonfarm	114.0	98.3	99.7	104.7	95.6	89.4	87.9	89.6
13 Change in business inventories	14.3	10.0	20.5	24.6	31.8	13.2	35.6	-16.2
14 Nonfarm	8.6	5.7	15.0	19.3	24.6	6.0	-36.0	15.0
15 Net exports of goods and services	13.2	25.2	26.1	23.7	25.9	23.5	31.3	34.9
16 Exports	281.4	339.2	367.3	368.9	367.2	367.9	359.9	365.8
17 Imports	268.1	314.0	341.3	345.1	341.3	344.4	328.6	330.9
18 Government purchases of goods and services	474.4	538.4	596.9	583.2	600.2	626.3	630.1	630.9
19 Federal	168.3	197.2	229.0	218.2	230.0	250.5	249.7	244.3
20 State and local	306.0	341.2	368.0	365.0	370.1	375.7	380.4	386.6
By major type of product								
21 Final sales, total	2,403.5	2,643.1	2,917.3	2,877.2	2,949.1	2,989.9	3,031.1	3,061.4
22 Goods	1,065.6	1,141.9	1,289.2	1,276.0	1,317.0	1,298.5	1,269.4	1,283.1
23 Durable	464.8	477.3	528.1	538.2	547.3	504.9	482.4	505.9
24 Nondurable	600.8	664.6	761.1	737.8	769.7	793.6	787.0	777.2
25 Services	1,089.7	1,225.6	1,364.3	1,340.2	1,382.1	1,421.5	1,444.4	1,476.7
26 Structures	262.5	265.7	284.2	285.6	281.9	283.3	281.7	285.3
27 Change in business inventories	14.3	10.0	20.5	24.6	31.8	13.2	35.6	16.2
28 Durable goods	10.5	5.2	8.7	18.5	19.8	-5.6	-30.9	-6.6
29 Nondurable goods	3.8	4.8	11.8	6.1	12.0	18.9	4.8	-9.6
30 MEMO: **Total GNP in 1972 dollars**	**1,479.4**	**1,474.0**	**1,502.6**	**1,502.2**	**1,510.4**	**1,490.1**	**1,470.7**	**1,478.4**
NATIONAL INCOME								
31 **Total**	**1,966.7**	**2,117.1**	**2,352.5**	**2,324.4**	**2,387.3**	**2,404.5**	**2,396.9**	**2,425.2**
32 Compensation of employees	1,458.1	1,598.6	1,767.6	1,750.0	1,789.1	1,813.4	1,830.8	1,850.7
33 Wages and salaries	1,237.4	1,356.1	1,494.0	1,479.4	1,512.6	1,531.1	1,541.5	1,556.6
34 Government and government enterprises	236.2	260.2	283.1	279.8	284.0	292.3	296.3	300.0
35 Other	1,001.4	1,095.9	1,210.9	1,199.6	1,228.6	1,238.8	1,245.2	1,256.6
36 Supplement to wages and salaries	220.7	242.5	273.6	270.6	276.5	282.3	289.3	294.1
37 Employer contributions for social insurance	105.8	115.3	133.2	132.1	134.3	136.5	140.2	141.7
38 Other labor income	114.9	127.3	140.4	138.4	142.2	145.8	149.1	152.5
39 Proprietors' income[1]	132.1	116.3	124.7	123.8	127.5	124.1	116.4	117.3
40 Business and professional[1]	100.2	96.9	100.7	101.2	100.4	99.5	98.6	99.9
41 Farm[1]	31.9	19.4	24.0	22.5	27.1	24.6	17.8	17.4
42 Rental income of persons[2]	27.9	32.9	33.9	34.0	33.6	33.6	33.9	34.2
43 Corporate profits[1]	194.8	181.6	190.6	185.1	193.1	183.9	157.1	155.4
44 Profits before tax[3]	252.7	242.5	232.1	225.4	233.3	216.5	171.6	171.7
45 Inventory valuation adjustment	43.1	43.0	-24.6	22.8	23.0	17.1	4.4	-9.4
46 Capital consumption adjustment	14.8	17.8	16.8	17.5	-17.1	15.5	-10.1	-6.9
47 Net interest	153.8	187.7	235.7	231.6	244.0	249.5	258.7	267.5

1. With inventory valuation and capital consumption adjustments
2. With capital consumption adjustment
3. For after-tax profits, dividends, and the like, see table 1.49.

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	1979	1980	1981	1981			1982	
				Q2	Q3	Q4	Q1	Q2^{r}
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**1,943.8**	**2,160.2**	**2,404.1**	**2,380.6**	**2,458.2**	**2,494.6**	**2,510.5**	**2,552.7**
2 Wage and salary disbursements	1,237.6	1,356.1	1,493.9	1,479.4	1,512.3	1,531.2	1,541.6	1,556.6
3 Commodity-producing industries	438.4	468.0	510.8	507.2	519.3	517.7	514.3	513.6
4 Manufacturing	333.9	354.4	386.4	386.9	392.9	388.7	385.1	385.6
5 Distributive industries	303.4	330.5	361.4	358.7	366.5	368.3	371.4	375.4
6 Service industries	259.7	297.5	338.6	333.7	342.8	352.8	359.5	367.6
7 Government and government enterprises	236.2	260.2	283.1	279.8	283.8	292.4	296.5	300.0
8 Other labor income	114.9	127.3	140.4	138.4	142.2	145.8	149.1	152.5
9 Proprietors' income[1]	132.1	116.3	124.7	123.8	127.5	124.1	116.4	117.3
10 Business and professional[1]	100.2	96.9	100.7	101.2	100.4	99.5	98.6	99.9
11 Farm[1]	31.9	19.4	24.0	22.5	27.1	24.6	17.8	17.4
12 Rental income of persons[2]	27.9	32.9	33.9	34.0	33.6	33.6	33.9	34.2
13 Dividends	50.8	55.9	62.5	61.5	64.1	65.2	65.8	66.1
14 Personal interest income	209.6	256.3	308.5	320.6	339.6	351.0	359.7	372.0
15 Transfer payments	250.3	297.2	336.3	327.0	344.8	350.7	354.6	365.2
16 Old-age survivors, disability, and health insurance benefits	131.8	154.2	182.0	173.7	190.6	192.8	194.7	197.5
17 LESS: Personal contributions for social insurance	81.1	88.7	104.9	104.1	106.1	107.0	110.6	111.4
18 EQUALS: Personal income	1,943.8	2,160.2	2,404.1	2,380.6	2,458.2	2,494.6	2,510.5	2,552.7
19 LESS: Personal tax and nontax payments	301.0	336.3	386.7	384.2	398.1	393.2	393.4	401.2
20 EQUALS: Disposable personal income	1,650.2	1,824.1	2,029.2	1,996.5	2,060.0	2,101.4	2,117.1	2,151.5
21 LESS: Personal outlays	1,553.5	1,717.9	1,898.9	1,874.5	1,925.7	1,942.7	1,977.9	2,007.2
22 EQUALS: Personal saving	96.7	106.2	130.2	122.0	134.4	158.6	139.1	144.3
MEMO								
Per capita (1972 dollars)								
23 Gross national product	6,572	6,474	6,536	6,544	6,563	6,458	6,360	6,380
24 Personal consumption expenditures	4,120	4,087	4,122	4,115	4,134	4,088	4,104	4,121
25 Disposable personal income	4,512	4,472	4,538	4,516	4,557	4,559	4,527	4,552
26 Saving rate (percent)	5.9	5.8	6.4	6.1	6.5	7.5	6.6	6.7
GROSS SAVING								
27 **Gross saving**	**422.8**	**406.3**	**477.5**	**482.4**	**490.0**	**476.3**	**428.8**	**441.5**
28 Gross private saving	407.3	438.3	504.7	488.9	513.4	547.7	520.3	529.0
29 Personal saving	96.7	106.2	130.2	122.0	134.4	158.6	139.1	144.3
30 Undistributed corporate profits[1]	54.5	38.9	44.4	42.0	43.9	44.3	32.5	30.7
31 Corporate inventory valuation adjustment	43.1	43.0	24.6	22.8	23.0	17.1	4.4	9.4
Capital consumption allowances								
32 Corporate	157.5	181.2	206.2	202.9	209.7	216.0	218.9	223.4
33 Noncorporate	98.6	112.0	123.9	122.1	125.5	128.7	129.8	130.5
34 Wage accruals less disbursements	0	0	0	0	0	0	0	.0
35 Government surplus, or deficit ( ), national income and product accounts	14.3	33.2	28.2	7.6	24.5	72.5	90.7	87.5
36 Federal	16.1	61.4	60.0	40.5	58.0	101.7	118.4	-119.6
37 State and local	30.4	28.2	31.7	32.9	33.5	29.1	27.7	32.1
38 Capital grants received by the United States, net	1.1	1.2	1.1	1.1	1.1	1.1	.0	0
39 **Gross investment**	**421.2**	**410.1**	**475.6**	**477.8**	**489.1**	**469.0**	**421.3**	**442.3**
40 Gross private domestic	423.0	402.4	471.5	475.5	486.0	468.9	414.8	431.5
41 Net foreign	1.8	7.8	4.1	2.3	3.1	0.1	6.5	10.8
42 **Statistical discrepancy**	**−1.5**	**3.9**	**−1.9**	**−4.6**	**−0.8**	**−7.2**	**−7.5**	**.8**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE: *Survey of Current Business* (Department of Commerce).

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.[1]

Item credits or debits	1979	1980	1981	1981 Q2	1981 Q3	1981 Q4	1982 Q1[r]	1982 Q2[p]
1 Balance on current account	-466	1,520	4,471	1,399	751	-927	1,088	2,062
2 Not seasonally adjusted	......	......	......	1,975	-1,834	1,293	742	2,680
3 Merchandise trade balance[2]	-27,346	-25,338	-27,889	-6,547	-7,845	-9,185	-5,873	-5,784
4 Merchandise exports	184,473	224,237	236,254	60,284	57,694	57,593	55,780	55,094
5 Merchandise imports	-211,819	-249,575	-264,143	-66,831	-65,539	-66,778	-61,653	-60,878
6 Military transactions, net	-2,035	-2,472	-1,541	-587	61	-528	167	371
7 Investment income, net[3]	31,215	29,910	33,037	8,201	8,183	8,529	6,861	7,672
8 Other service transactions, net	3,262	6,203	7,472	1,842	2,160	2,127	1,981	1,535
9 Remittances, pensions, and other transfers	-2,011	-2,101	-2,104	-524	-558	-562	-575	-662
10 U.S. government grants (excluding military)	-3,549	-4,681	-4,504	-986	-1,250	-1,308	-1,473	-1,070
11 Change in U.S. government assets, other than official reserve assets, net (increase, -)	-3,743	-5,126	-5,137	-1,518	-1,257	-987	-904	-1,559
12 Change in U.S. official reserve assets (increase, -)	-1,133	-8,155	-5,175	-905	-4	262	-1,089	-1,132
13 Gold	-65	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	-1,136	-16	-1,823	-23	-225	-134	-400	-241
15 Reserve position in International Monetary Fund	-189	-1,667	-2,491	-780	-647	-358	-547	-814
16 Foreign currencies	257	-6,472	-861	-102	868	754	-142	-77
17 Change in U.S. private assets abroad (increase, -)[3]	-59,469	72,746	-98,982	19,143	15,996	-46,952	-29,208	-31,924
18 Bank-reported claims	-26,213	-46,838	-84,531	-14,998	-15,254	-42,645	-32,708	-33,866
19 Nonbank-reported claims	3,307	3,146	-331	2,470	855	-508	4,112	n.a.
20 U.S. purchase of foreign securities, net	-4,726	-3,524	-5,429	-1,511	-618	-2,843	531	-409
21 U.S. direct investments abroad, net[3]	-25,222	-19,238	-8,691	-5,104	-979	-956	-81	2,351
22 Change in foreign official assets in the United States (increase, +)	-13,697	15,442	4,785	-2,860	-5,835	8,119	-3,122	1,935
23 U.S. Treasury securities	-22,435	9,708	4,983	-2,063	-4,635	4,439	-1,344	-2,087
24 Other U.S. government obligations	463	2,187	1,289	536	545	-246	-296	258
25 Other U.S. government liabilities[4]	-73	561	-69	48	-337	275	182	361
26 Other U.S. liabilities reported by U.S. banks	7,213	-159	-4,083	-2,028	-2,382	3,436	1,516	3,367
27 Other foreign official assets[5]	1,135	3,145	2,665	647	974	215	216	36
28 Change in foreign private assets in the United States (increase, +)[3]	52,157	39,042	73,136	16,324	22,715	30,988	28,203	29,248
29 U.S. bank-reported liabilities	32,607	10,743	41,262	7,663	16,916	20,476	25,423	22,006
30 U.S. nonbank-reported liabilities	1,362	6,530	532	-162	1,006	-457	-982	n.a.
31 Foreign private purchases of U.S. Treasury securities, net	4,960	2,645	2,932	750	-446	1,238	1,277	2,074
32 Foreign purchases of other U.S. securities, net	1,351	5,457	7,109	3,533	761	396	1,319	2,495
33 Foreign direct investments in the United States, net[3]	11,877	13,666	21,301	4,540	4,478	9,335	1,166	2,673
34 Allocation of SDRs	1,139	1,152	1,093	0	0	0	0	0
35 Discrepancy	25,212	28,870	25,809	6,703	-374	9,497	5,032	1,370
36 Owing to seasonal adjustments	......	......	......	503	-2,144	2,474	-899	577
37 Statistical discrepancy in recorded data before seasonal adjustment	25,212	28,870	25,809	6,200	1,770	7,023	5,931	793
MEMO:								
Changes in official assets								
38 U.S. official reserve assets (increase, -)	-1,133	-8,155	-5,175	-905	-4	262	-1,089	-1,132
39 Foreign official assets in the United States (increase, +)	-13,624	14,881	4,854	-2,908	-5,498	7,844	-2,940	1,574
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	5,543	12,769	13,314	2,786	2,935	2,230	4,988	3,072
41 Transfers under *military grant programs* (excluded from lines 4, 6, and 10 above)	465	631	602	214	132	64	93	126

1. Seasonal factors are no longer calculated for lines 12 through 41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing; military exports are excluded from merchandise data and are included in line 6.
3. Includes reinvested earnings of incorporated affiliates.
4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (U.S. Department of Commerce).

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

Item	1979	1980	1981	1982 Feb.	Mar.	Apr.	May	June	July	Aug.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	181,860	220,626	233,677	18,704	18,602	17,843	18,218	18,822	18,026	17,498
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	209,458	244,871	261,305	19,090	20,349	17,387	20,558	21,310	19,559	23,494
3 **Trade balance**	**−27,598**	**−24,245**	**−27,628**	**−387**	**−1,747**	**456**	**−2,340**	**−2,488**	**−1,532**	**−5,996**

NOTE. The data through 1981 in this table are reported by the Bureau of Census data on a free-alongside-ship (f.a.s.) value basis—that is, value at the port of export. Beginning in 1981, foreign trade of the U.S. Virgin Islands is included in the Census basis trade data, this adjustment has been made for all data shown in the table. Beginning with 1982 data, the value of imports are on a customs valuation basis.

The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustments are: (1) the addition of exports to Canada not covered in Census statistics, and (2) the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada and other transactions; military payments are excluded and shown separately as indicated above.

SOURCE. FT900 "Summary of U.S. Export and Import Merchandise Trade" (U.S. Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1979	1980	1981	1982 Mar.	Apr.	May	June	July	Aug.	Sept.
1 **Total**[1]	**18,956**	**26,756**	**30,075**	**29,944**	**31,552**	**30,915**	**30,671**	**31,227**	**31,233**	**30,993**
2 Gold stock, including Exchange Stabilization Fund[1]	11,172	11,160	11,151	11,150	11,149	11,149	11,149	11,149	11,148	11,148
3 Special drawing rights[2,3]	2,724	2,610	4,095	4,306	4,294	4,521	4,461	4,591	4,601	4,809
4 Reserve position in International Monetary Fund[2]	1,253	2,852	5,055	5,367	6,022	6,099	6,062	6,386	6,433	6,406
5 Foreign currencies[4,5]	3,807	10,134	9,774	9,121	10,097	9,146	8,999	9,101	9,051	8,630

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.

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 net transactions in SDRs.

4. Beginning November 1978, valued at current market exchange rates.

5. Includes U.S. government securities held under repurchase agreement against receipt of foreign currencies, if any.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1979	1980	1981	1982 Mar.	Apr.	May	June	July	Aug.	Sept.
1 Deposits	429	411	505	421	966	308	585	982	347	396
Assets held in custody										
2 U.S. Treasury securities[1]	95,075	102,417	104,680	103,964	102,346	102,112	103,292	106,696	104,136	106,117
3 Earmarked gold[2]	15,169	14,965	14,804	14,798	14,788	14,778	14,777	14,762	14,761	14,726

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.

2. The value of earmarked gold increased because of the changes in par value of the U.S. dollar in May 1972 and in October 1973.

NOTE. Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data

Millions of dollars, end of period

Asset account	1979	1980	1981	1982						
				Jan.	Feb.	Mar	Apr.	May	June	July[p]
	All foreign countries									
1 **Total, all currencies**	**364,409**	**401,135**	**462,790**	**459,998**	**461,249**	**463,663**	**460,225**	**461,591**	**458,570**	**465,155**
2 Claims on United States	32,302	28,460	63,540	69,794	69,539	75,745	77,914	79,606	83,538	82,727
3 Parent bank	25,929	20,202	43,064	49,206	47,996	51,978	54,563	56,152	57,969	55,337
4 Other	6,373	8,258	20,476	20,588	21,543	23,767	23,351	23,454	25,569	27,390
5 Claims on foreigners	317,330	354,960	379,102	370,124	371,644	368,678	362,690	362,271	356,160	363,190
6 Other branches of parent bank	79,662	77,019	87,840	89,010	88,637	86,853	86,186	88,468	87,254	88,918
7 Banks	123,420	146,448	150,892	145,528	146,317	146,960	142,387	139,400[r]	137,362	142,707
8 Public borrowers	26,097	28,033	28,197	26,568	26,851	26,333	25,590	24,989	25,226	24,641
9 Nonbank foreigners	88,151	103,460	112,173	109,018	109,839	108,532	108,527	109,414[r]	106,318	106,924
10 Other assets	14,777	17,715	20,148	20,080	20,066	19,240	19,621	19,714	18,872	19,238
11 **Total payable in U.S. dollars**	**267,713**	**291,798**	**350,678**	**351,125**	**353,001**	**355,535**	**351,349**	**351,757**	**353,545**	**359,489**
12 Claims on United States	31,171	27,191	61,939	68,241	67,983	74,226	76,410	78,000	81,971	81,084
13 Parent bank	25,632	19,896	42,518	48,623	47,402	51,389	54,107	55,667	57,472	54,658
14 Other	5,539	7,295	19,421	19,618	20,581	22,837	22,303	22,333	24,499	26,426
15 Claims on foreigners	229,120	255,391	277,085	270,696	272,903	269,548	263,047	261,822	260,301	266,603
16 Other branches of parent bank	61,525	58,541	69,403	71,999	72,094	70,377	69,409	70,795	70,435	71,952
17 Banks	96,261	117,342	122,253	117,148	118,227	117,371	113,673	110,783[r]	110,064	115,012
18 Public borrowers	21,629	23,491	22,877	21,180	21,483	20,632	20,170	19,579	19,944	19,293
19 Nonbank foreigners	49,705	56,017	62,552	60,369	61,099	61,168	59,795	60,665[r]	59,858	60,346
20 Other assets	7,422	9,216	11,654	12,188	12,115	11,761	11,892	11,935	11,273	11,802
	United Kingdom									
21 **Total, all currencies**	**130,873**	**144,717**	**157,229**	**157,892**	**162,351**	**161,471**	**159,481**	**161,036**	**158,466**	**163,899**
22 Claims on United States	11,117	7,509	11,823	13,935	15,884	16,343	17,676	20,155	20,744	24,301
23 Parent bank	9,338	5,275	7,885	10,264	12,044	12,446	13,750	15,854	16,768	20,019
24 Other	1,779	2,234	3,938	3,671	3,840	3,897	3,926	4,301	3,976	4,282
25 Claims on foreigners	115,123	131,142	138,888	137,953	140,197	139,292	135,634	134,845	131,860	133,418
26 Other branches of parent bank	34,291	34,760	41,367	41,468	40,935	41,186	39,811	39,621	37,696	36,704
27 Banks	51,343	58,741	56,315	56,164	57,975	56,940	55,545	54,674[r]	54,727	56,428
28 Public borrowers	4,919	6,688	7,490	7,249	7,370	7,541	6,822	6,663	6,595	6,456
29 Nonbank foreigners	24,570	30,953	33,716	33,072	33,917	33,625	33,456	33,887[r]	32,842	33,830
30 Other assets	4,633	6,066	6,518	6,004	6,270	5,836	6,171	6,063	5,862	6,180
31 **Total payable in U.S. dollars**	**94,287**	**99,699**	**115,188**	**116,870**	**121,432**	**120,432**	**117,914**	**119,586**	**120,002**	**125,040**
32 Claims on United States	10,746	7,116	11,246	13,438	15,391	15,842	17,182	19,608	20,256	23,760
33 Parent bank	9,297	5,229	7,721	10,098	11,881	12,293	13,623	15,663	16,599	19,790
34 Other	1,449	1,887	3,525	3,340	3,510	3,549	3,559	3,945	3,657	3,970
35 Claims on foreigners	81,294	89,723	99,850	99,473	101,861	100,500	96,595	95,926	95,857	97,153
36 Other branches of parent bank	28,928	28,268	35,439	35,875	35,697	36,055	34,240	33,922	32,567	31,461
37 Banks	36,760	42,073	40,703	40,610	42,453	40,732	40,070	39,593[r]	40,479	42,515
38 Public borrowers	3,319	4,911	5,595	5,423	5,467	5,360	4,717	4,507	4,655	4,513
39 Nonbank foreigners	12,287	14,471	18,113	17,565	18,244	18,353	17,568	17,904[r]	18,156	18,664
40 Other assets	2,247	2,860	4,092	3,959	4,180	4,090	4,137	4,052	3,889	4,127
	Bahamas and Caymans									
41 **Total, all currencies**	**108,977**	**123,837**	**149,051**	**146,585**	**142,853**	**143,795**	**142,941**	**139,836**	**141,607**	**140,828**
42 Claims on United States	19,124	17,751	46,343	50,647	49,060	54,019	55,533	54,316	56,662	52,479
43 Parent bank	15,196	12,631	31,440	35,453	32,704	35,311	37,013	36,099	35,987	30,278
44 Other	3,928	5,120	14,903	15,194	16,356	18,708	18,520	18,217	20,675	22,201
45 Claims on foreigners	86,718	101,926	98,205	91,538	89,405	85,465	83,124	81,191	80,948	84,310
46 Other branches of parent bank	9,689	13,342	12,951	14,084	14,384	12,035	12,640	14,248	15,479	17,521
47 Banks	43,189	54,861	55,299	50,754	48,951	47,867	45,768	43,165	42,521	44,208
48 Public borrowers	12,905	12,577	10,010	8,713	8,584	7,980	7,847	7,348	7,314	7,018
49 Nonbank foreigners	20,935	21,146	19,945	17,987	17,486	17,583	16,869	16,430	15,634	15,563
50 Other assets	3,135	4,160	4,503	4,400	4,388	4,311	4,284	4,329	3,997	4,039
51 **Total payable in U.S. dollars**	**102,368**	**117,654**	**143,686**	**141,447**	**137,842**	**138,748**	**137,840**	**134,925**	**136,639**	**135,349**

3.14 Continued

Liability account	1979	1980	1981	1982 Jan.	1982 Feb	1982 Mar.	1982 Apr	1982 May	1982 June	1982 July^p
	All foreign countries									
52 **Total, all currencies**	**364,409**	**401,135**	**462,790**	**459,998**	**461,249**	**463,663**	**460,225**	**461,591**	**458,570**	**465,155**
53 To United States	66,689	91,079	137,712	144,175	145,487	150,837	153,064	156,103	160,881	163,782
54 Parent bank	24,533	39,286	56,143	56,047	55,378	58,766	56,881	56,234	59,016	60,746
55 Other banks in United States	13,968	14,473	19,343	19,886	22,652	24,431	26,026	27,680	29,711	31,584
56 Nonbanks	28,188	37,275	62,226	68,242	67,457	67,640	70,157	72,189	72,154	71,452
57 To foreigners	283,510	295,411	305,630	296,183	296,188	293,369	286,969	284,373	278,216	281,731
58 Other branches of parent bank	77,640	75,773	86,406	85,644	84,351	85,581	84,150	85,631	84,547	86,815
59 Banks	122,922	132,116	124,896	118,512	118,939	117,069	111,660	107,337	104,894	106,217
60 Official institutions	35,668	32,473	25,997	25,124	24,625	23,039	22,340	22,703	19,909	20,246
61 Nonbank foreigners	47,280	55,049	68,331	66,903	68,273	67,680	68,819	68,702	68,866	68,453
62 Other liabilities	14,210	14,690	19,448	19,640	19,574	19,457	20,192	21,115	19,473	19,642
63 **Total payable in U.S. dollars**	**273,857**	**303,281**	**364,390**	**364,005**	**366,885**	**369,503**	**366,655**	**368,327**	**369,109**	**375,650**
64 To United States	64,530	88,157	134,645	141,163	142,521	147,790	149,960	152,973	157,684	160,527
65 Parent bank	23,403	37,528	54,291	53,969	53,355	56,701	54,820	54,272	56,988	58,765
66 Other banks in United States	13,771	14,203	19,029	19,759	22,441	24,190	25,689	27,265	29,375	31,252
67 Nonbanks	27,356	36,426	61,325	67,435	66,725	66,899	69,451	71,436	71,321	70,510
68 To foreigners	201,514	206,883	217,602	210,860	212,915	210,267	204,984	202,547	200,027	203,905
69 Other branches of parent bank	60,551	58,172	69,309	69,149	68,187	69,497	68,047	68,540	68,547	70,457
70 Banks	80,691	87,497	79,584	74,293	76,101	73,181	69,276	66,627	65,567	66,788
71 Official institutions	29,048	24,697	20,288	19,937	19,322	18,120	17,491	17,900	15,368	15,744
72 Nonbank foreigners	31,224	36,517	48,421	47,481	49,305	49,469	50,170	49,480	50,545	50,916
73 Other liabilities	7,813	8,241	12,143	11,982	11,449	11,446	11,711	12,807	11,398	11,218
	United Kingdom									
74 **Total, all currencies**	**130,873**	**144,717**	**157,229**	**157,892**	**162,351**	**161,471**	**159,481**	**161,036**	**158,466**	**163,899**
75 To United States	20,986	21,785	38,022	40,768	43,358	42,481	41,886	43,882	44,086	46,589
76 Parent bank	3,104	4,225	5,444	6,413	6,765	6,313	8,006	6,694	6,323	6,849
77 Other banks in United States	7,693	5,716	7,502	7,313	8,973	8,607	8,345	8,972	9,985	11,215
78 Nonbanks	10,189	11,844	25,076	27,042	27,620	27,561	25,535	28,216	27,778	28,525
79 To foreigners	104,032	117,438	112,255	110,036	111,417	111,262	109,629	109,199	106,665	109,274
80 Other branches of parent bank	12,567	15,384	16,545	16,270	16,546	17,245	18,358	19,412	17,771	18,010
81 Banks	47,620	56,262	51,336	49,622	49,937	49,616	47,549	46,204	46,628	48,847
82 Official institutions	24,202	21,412	16,517	16,110	15,965	14,608	13,908	14,119	11,746	12,088
83 Nonbank foreigners	19,643	24,380	27,857	28,034	28,969	29 793	29,814	29,464	30,520	30,329
84 Other liabilities	5,855	5,494	6,952	7,088	7,576	7.728	7,966	7,955	7,715	8,036
85 **Total payable in U.S. dollars**	**95,449**	**103,440**	**120,277**	**121,407**	**127,029**	**126,359**	**124,248**	**126,901**	**125,859**	**130,992**
86 To United States	20,552	21,080	37,332	40,276	42,809	41,885	41,198	43,143	43,323	45,753
87 Parent bank	3,054	4,078	5,350	6,296	6,660	6,211	7,907	6,624	6,212	6,773
88 Other banks in United States	7,651	5,626	7,249	7,289	8,884	8,489	8,167	8,755	9,806	11,048
89 Nonbanks	9,847	11,376	24,733	26,691	27,265	27,185	25,124	27,764	27,305	27,932
90 To foreigners	72,397	79,636	79,034	77,463	80,581	80,825	79,444	79,914	78,794	81,376
91 Other branches of parent bank	8,446	10,474	12,048	11,900	12,254	13,130	14,102	14,958	13,903	14,202
92 Banks	29,424	35,388	32,298	30,995	32,249	32,090	30,415	29,965	30,557	32,670
93 Official institutions	20,192	17,024	13,612	13,497	13,418	12,196	11,568	11,829	9,843	10,212
94 Nonbank foreigners	14,335	16,750	21,076	21,071	22,660	23,409	23,359	23,162	24,491	24,292
95 Other liabilities	2,500	2,724	3,911	3,668	3,639	3,649	3,606	3,844	3,742	3,863
	Bahamas and Caymans									
96 **Total, all currencies**	**108,977**	**123,837**	**149,051**	**146,585**	**142,853**	**143,795**	**142,941**	**139,836**	**141,607**	**140,828**
97 To United States	37,719	59,666	85,704	89,032	87,429	91,808	94,166	94,421	97,707	98,371
98 Parent bank	15,267	28,181	39,250	37,777	36,682	39,146	35,806	36,395	39,225	40,867
99 Other banks in United States	5,204	7,379	10,620	11,208	12,211	14,285	15,907	16,834	17,416	17,860
100 Nonbanks	17,248	24,106	35,834	40,047	38,536	38,377	42,453	41,192	41,066	39,644
101 To foreigners	68,598	61,218	60,012	54,494	52,333	49,005	45,773	42,032	41,145	39,710
102 Other branches of parent bank	20,875	17,040	20,641	20,721	19,814	18,614	17,365	15,888	15,890	15,045
103 Banks	33,631	29,895	23,202	18,624	18,221	16,418	14,723	13,457	12,620	11,730
104 Official institutions	4,866	4,361	3,498	3,149	2,505	2,607	2,512	2,448	2,466	2,402
105 Nonbank foreigners	9,226	9,922	12,671	12,000	11,793	11,366	11,173	10,239	10,169	10,533
106 Other liabilities	2,660	2,953	3,335	3,059	3,091	2,982	3,002	3,383	2,755	2,747
107 **Total payable in U.S. dollars**	**103,460**	**119,657**	**145,227**	**142,793**	**139,247**	**140,115**	**139,461**	**136,504**	**138,369**	**137,638**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1980	1981	1982						
			Feb	Mar.	Apr.	May.	June	July[p]	Aug.[p]
1 **Total**[1]	**164,578**	**169,697**	**166,209**	**166,757**	**165,526**	**166,993**	**168,382**	**169,886**	**169,233**
By type									
2 Liabilities reported by banks in the United States[2]	30,381	26,567	24,713	25,051	26,326	27,723	28,459	25,469	26,501
3 U.S. Treasury bills and certificates[3]	56,243	52,389	48,174	47,048	43,850	42,741	43,509	45,824	44,182
U.S. Treasury bonds and notes									
4 Marketable	41,455	53,150	56,333	57,647	58,459	59,933	60,251	63,068	63,435
5 Nonmarketable[4]	14,654	11,791	11,291	11,291	11,050	10,750	10,150	9,750	9,350
6 U.S. securities other than U.S. Treasury securities[5]	21,845	25,800	25,698	25,720	25,841	25,846	26,013	25,775	25,765
By area									
7 Western Europe[1]	81,592	65,479	62,049	60,364	57,393	57,382	58,079	58,772	61,084
8 Canada	1,562	2,403	1,669	1,647	1,721	1,329	1,568	1,519	1,771
9 Latin America and Caribbean	5,688	6,954	6,308	6,562	7,124	7,248	7,692	7,164	6,742
10 Asia	70,784	91,790	93,559	95,247	94,866	95,908	95,494	97,147	94,924
11 Africa	4,123	1,829	1,474	1,337	1,823	1,381	1,437	1,485	1,326
12 Other countries[6]	829	1,242	1,150	1,600	2,599	3,745	4,112	3,799	3,386

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies

Millions of dollars, end of period

Item	1979	1980	1981	1981		1982	
				Sept.	Dec.	Mar.	June
1 Banks' own liabilities	1,918	3,748	3,798	2,878	3,798	4,326	4,640
2 Banks' own claims[1]	2,419	4,206	5,220	4,078	5,220	5,612	6,363
3 Deposits	994	2,507	3,398	2,409	3,398	3,796	3,560
4 Other claims	1,425	1,699	1,822	1,669	1,822	1,816	2,803
5 Claims of banks' domestic customers[2]	580	962	971	248	971	944	924

1. Includes claims of banks' domestic customers through March 1978
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 their domestic customers.

NOTE. Data on claims exclude foreign currencies held by U.S. monetary authorities.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States
Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1979	1980	1981	1982						
				Feb.	Mar.	Apr.	May	June[r]	July	Aug.[p]
1 **All foreigners**	**187,521**	**205,297**	**242,981**	**254,520**	**261,219**	**266,256**	**274,341**	**285,911**	**284,169**	**293,328**
2 Banks' own liabilities	117,196	124,791	162,755	179,819	187,559	194,898	203,120	212,634	208,300	217,780
3 Demand deposits	23,303	23,462	19,677	17,808	16,498	18,161	16,550	17,285	17,101	15,694
4 Time deposits[1]	13,623	15,076	28,816	36,555	43,597	48,552	53,414	56,007	59,516	62,077
5 Other[2]	16,453	17,583	17,418	17,235	18,989	18,570	21,171	22,146	20,385	24,133
6 Own foreign offices[3]	63,817	68,670	96,844	108,221	108,475	109,616	111,984	117,196	111,298	115,607
7 Banks' custody liabilities[4]	70,325	80,506	80,225	74,701	73,660	71,358	71,222	73,277	75,869	75,548
8 U.S. Treasury bills and certificates[5]	48,573	57,595	55,312	51,142	50,152	47,353	46,476	48,817	51,211	49,646
9 Other negotiable and readily transferable instruments[6]	19,396	20,079	18,944	18,718	18,901	19,326	20,751	20,448	20,649	22,124
10 Other	2,356	2,832	5,970	4,842	4,607	4,679	3,995	4,011	4,009	3,778
11 **Nonmonetary international and regional organizations[7]**	**2,356**	**2,344**	**2,721**	**2,091**	**2,045**	**2,043**	**3,039**	**4,001**	**4,082**	**5,073**
12 Banks' own liabilities	714	444	638	298	445	603	1,272	1,233	2,246	3,093
13 Demand deposits	260	146	262	135	209	149	185	300	343	265
14 Time deposits[1]	151	85	58	76	141	286	471	586	633	453
15 Other[2]	303	212	318	87	96	168	616	347	1,271	2,376
16 Banks' custody liabilities[4]	1,643	1,900	2,083	1,792	1,599	1,439	1,767	2,768	1,835	1,980
17 U.S. Treasury bills and certificates	102	254	541	277	109	142	253	1,425	487	328
18 Other negotiable and readily transferable instruments[6]	1,538	1,646	1,542	1,515	1,490	1,297	1,514	1,343	1,349	1,652
19 Other	2	0	0	0	0	0	0	0	0	0
20 **Official institutions[8]**	**78,206**	**86,624**	**78,957**	**72,886**	**72,099**	**70,176**	**70,464**	**71,968**	**71,293**	**70,683**
21 Banks' own liabilities	18,292	17,826	16,808	14,959	15,326	17,112	17,626	18,964	15,927	16,240
22 Demand deposits	4,671	3,771	2,612	2,385	2,277	3,241	2,156	3,167	2,800	2,035
23 Time deposits[1]	3,050	3,612	4,146	4,261	4,866	5,623	5,769	5,500	6,101	5,700
24 Other[2]	10,571	10,443	10,050	8,312	8,183	8,248	9,702	10,297	7,026	8,506
25 Banks' custody liabilities[4]	59,914	68,798	62,149	57,927	56,773	53,064	52,838	53,004	55,366	54,443
26 U.S. Treasury bills and certificates[5]	47,666	56,243	52,389	48,174	47,048	43,850	42,741	43,509	45,824	41,182
27 Other negotiable and readily transferable instruments[6]	12,196	12,501	9,712	9,717	9,685	9,029	10,057	9,461	9,507	10,224
28 Other	52	54	47	37	40	185	40	33	36	37
29 **Banks[9]**	**88,316**	**96,415**	**135,355**	**151,420**	**157,787**	**161,176**	**165,642**	**173,299**	**171,001**	**177,852**
30 Banks' own liabilities	83,299	90,456	123,640	140,669	146,591	148,456	153,081	160,594	157,329	163,642
31 Unaffiliated foreign banks	19,482	21,786	26,796	32,448	38,116	38,840	41,097	43,398	46,032	48,036
32 Demand deposits	13,285	14,188	11,614	10,444	9,267	9,915	9,697	9,274	9,384	8,776
33 Time deposits[1]	1,667	1,703	8,654	13,653	18,653	19,260	21,248	23,403	25,381	26,737
34 Other[2]	4,530	5,895	6,528	8,350	10,195	9,664	10,152	10,721	11,267	12,523
35 Own foreign offices[3]	63,817	68,670	96,844	108,221	108,475	109,616	111,984	117,196	111,298	115,607
36 Banks' custody liabilities[4]	5,017	5,959	11,715	10,751	11,197	12,720	12,562	12,706	13,671	14,209
37 U.S. Treasury bills and certificates	422	623	1,683	1,876	2,213	2,592	2,698	2,926	3,872	3,970
38 Other negotiable and readily transferable *instruments*[6]	2,415	2,748	4,421	4,405	4,729	5,968	6,097	6,520	6,661	7,102
39 Other	2,179	2,588	5,611	4,470	4,255	4,160	3,766	3,260	3,138	3,138
40 **Other foreigners**	**18,642**	**19,914**	**25,947**	**28,124**	**29,288**	**32,861**	**35,196**	**36,642**	**37,794**	**39,720**
41 Banks' own liabilities	14,891	16,065	21,669	23,893	25,196	28,727	31,140	31,842	32,798	34,804
42 Demand deposits	5,087	5,356	5,189	4,843	4,745	4,855	4,512	4,544	4,575	4,888
43 Time deposits	8,755	9,676	15,958	18,564	19,936	23,383	25,926	26,518	27,401	29,187
44 Other[2]	1,048	1,033	523	485	515	489	702	781	822	729
45 Banks' custody liabilities[4]	3,751	3,849	4,278	4,231	4,092	4,134	4,055	4,800	4,996	4,916
46 U.S. Treasury bills and certificates	382	474	698	815	782	769	784	957	1,028	1,167
47 Other negotiable and readily transferable instruments[6]	3,247	3,185	3,268	3,081	2,997	3,032	3,082	3,125	3,133	3,147
48 Other	123	190	312	335	313	334	189	718	835	603
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	10,984	10,745	10,672	10,916	11,169	11,673	12,652	12,878	12,962	13,892

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments." Data for time deposits before April 1978 represent short-term only.
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

3.17 Continued

Area and country	1979	1980	1981▲	1982 Feb.	Mar.	Apr.	May	June[r]	July	August[p]
1 **Total**	**187,521**	**205,297**	**242,981**	**254,520**	**261,219**	**266,256**	**274,341**	**285,911**	**284,169**	**293,328**
2 **Foreign countries**	**185,164**	**202,953**	**240,259**	**252,430**	**259,174**	**264,213**	**271,302**	**281,910**	**280,088**	**288,255**
3 Europe	90,952	90,897	90,942	91,957	93,541	91,890	97,484	102,699	106,219	111,915
4 Austria	413	523	587	647	545	472	454	434	501	532
5 Belgium-Luxembourg	2,375	4,019	4,117	3,254	3,002	2,898	3,075	2,869	2,957	3,217
6 Denmark	1,092	497	333	524	514	613	608	510	452	446
7 Finland	398	455	296	292	273	229	212	181	162	266
8 France	10,433	12,125	8,486	8,047	7,792	6,737	6,312	9,234	8,635	8,156
9 Germany	12,935	9,973	7,665	6,668	7,698	6,555	6,954	6,221	5,624	5,397
10 Greece	635	670	463	535	472	457	549	512	506	559
11 Italy	7,782	7,572	7,290	6,497	4,300	3,695	3,420	4,720	5,760	6,703
12 Netherlands	2,337	2,441	2,823	3,027	3,111	2,963	2,719	2,836	2,762	2,804
13 Norway	1,267	1,344	1,457	1,129	1,518	1,666	1,981	1,370	1,333	1,634
14 Portugal	557	374	354	275	272	272	276	365	365	453
15 Spain	1,259	1,500	916	946	1,136	1,055	1,114	1,191	1,133	1,223
16 Sweden	2,005	1,737	1,545	1,480	1,358	1,373	1,425	1,416	1,385	1,278
17 Switzerland	17,954	16,689	18,723	18,515	19,199	20,339	21,651	22,473	23,853	25,019
18 Turkey	120	242	518	216	283	364	204	167	222	287
19 United Kingdom	24,700	22,680	28,288	34,073	35,146	35,452	39,893	41,159	44,115	46,800
20 Yugoslavia	266	681	375	219	223	259	237	314	320	317
21 Other Western Europe[1]	4,070	6,939	6,165	5,279	6,256	6,106	6,000	6,163	5,694	6,336
22 U.S.S.R.	52	68	49	52	44	37	30	44	41	47
23 Other Eastern Europe[2]	302	370	493	284	400	350	371	521	397	440
24 Canada	7,379	10,031	10,250	11,105	10,780	12,298	10,619	11,541	11,167	11,574
25 Latin America and Caribbean	49,686	53,170	84,685	94,715	98,073	103,809	105,507	109,452	103,877	107,226
26 Argentina	1,582	2,132	2,445	2,897	3,037	2,729	2,203	2,030	2,095	2,644
27 Bahamas	15,255	16,381	34,400	43,675	44,689	45,608	44,819	44,615	39,474	41,823
28 Bermuda	430	670	765	865	1,113	1,165	1,350	1,300	1,303	1,290
29 Brazil	1,005	1,216	1,568	1,803	1,352	1,462	1,615	1,822	1,823	1,944
30 British West Indies	11,138	12,766	17,794	18,847	18,844	19,623	19,690	22,631	21,986	22,801
31 Chile	468	460	664	815	951	992	1,224	1,124	1,525	1,165
32 Colombia	2,617	3,077	2,993	2,924	2,654	2,639	2,515	2,700	2,699	2,636
33 Cuba	13	6	9	10	7	6	6	6	7	9
34 Ecuador	425	371	434	370	513	491	465	559	527	478
35 Guatemala[3]	414	367	479	519	590	569	583	580	613	616
36 Jamaica[3]	76	97	87	100	129	133	104	100	139	136
37 Mexico	4,185	4,547	7,163	7,246	7,646	8,533	8,992	8,957	9,643	9,259
38 Netherlands Antilles	499	413	3,182	3,234	3,434	3,474	3,449	3,727	3,602	3,793
39 Panama	4,483	4,718	4,847	3,357	4,190	4,238	4,338	5,357	4,884	4,689
40 Peru	383	403	694	531	532	620	753	1,069	931	984
41 Uruguay	202	254	367	479	323	410	561	542	609	656
42 Venezuela	4,192	3,170	4,245	4,578	5,120	8,061	9,421	9,310	9,143	9,239
43 Other Latin America and Caribbean	2,318	2,123	2,548	2,464	2,948	3,056	3,419	3,022	2,874	3,066
44 Asia	33,005	42,420	49,784	50,409	52,607	50,362	51,066	51,143	52,047	50,819
China										
45 Mainland	49	49	158	215	257	331	284	244	261	245
46 Taiwan	1,393	1,662	2,082	2,253	2,213	2,291	2,372	2,334	2,371	2,253
47 Hong Kong	1,672	2,548	3,950	4,302	4,195	4,587	4,737	4,880	4,918	4,551
48 India	527	416	385	414	435	544	603	540	551	655
49 Indonesia	504	730	640	1,241	1,127	837	784	583	722	593
50 Israel	707	883	592	507	449	539	562	610	476	486
51 Japan	8,907	16,281	20,550	20,778	21,955	19,307	19,008	18,994	19,833	19,283
52 Korea	993	1,528	2,013	2,162	2,138	2,355	2,191	1,863	1,934	1,712
53 Philippines	795	919	874	739	671	691	758	839	660	728
54 Thailand	277	464	534	494	340	517	474	485	450	369
55 Middle-East oil-exporting countries[4]	15,300	14,453	13,154	13,569	14,799	14,347	14,400	14,267	14,243	14,106
56 Other Asia	1,879	2,487	4,852	3,735	4,028	4,016	4,893	5,503	5,629	5,838
57 Africa	3,239	5,187	3,180	2,814	2,398	3,111	2,629	2,675	2,692	3,205
58 Egypt	475	485	360	339	297	411	382	447	430	398
59 Morocco	33	33	32	35	36	52	37	59	52	47
60 South Africa	184	288	420	368	330	308	305	335	339	341
61 Zaire	110	57	26	40	69	41	27	37	25	25
62 Oil-exporting countries[5]	1,635	3,540	1,395	1,112	627	1,144	846	901	1,025	915
63 Other Africa	804	783	946	920	1,039	1,156	1,031	896	821	1,479
64 Other countries	904	1,247	1,419	1,430	1,775	2,743	3,997	4,400	4,085	3,516
65 Australia	684	950	1,223	1,204	1,550	2,542	3,752	4,172	3,831	3,317
66 All other	220	297	196	226	225	201	245	228	254	199
67 Nonmonetary international and regional organizations	2,356	2,344	2,721	2,091	2,045	2,043	3,039	4,001	4,082	5,073
68 International	1,238	1,157	1,661	1,082	1,081	1,269	2,064	2,860	3,064	3,998
69 Latin American regional	806	890	710	706	630	450	661	694	606	713
70 Other regional[6]	313	296	350	303	334	323	314	446	412	362

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

▲ *Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.*

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1979	1980	1981▲	1982 Feb	Mar.	Apr.	May	June[r]	July	Aug[p]
1 **Total**	**133,943**	**172,592**	**251,029**	**266,483**	**276,924**	**287,562**	**299,979**	**314,381**	**322,901**	**326,915**
2 **Foreign countries**	**133,906**	**172,514**	**250,973**	**266,435**	**276,868**	**287,522**	**299,936**	**314,338**	**322,856**	**326,809**
3 Europe	28,388	32,108	49,047	54,695	56,937	59,319	62,009	64,115	67,304	70,683
4 Austria	284	236	121	172	130	200	201	140	189	189
5 Belgium-Luxembourg	1,339	1,621	2,843	3,280	3,778	3,848	3,669	3,760	4,101	4,419
6 Denmark	147	127	188	253	285	286	276	287	308	323
7 Finland	202	460	547	573	574	525	638	736	699	776
8 France	3,322	2,958	4,126	4,951	5,579	5,042	5,508	6,405	5,938	6,027
9 Germany	1,179	948	936	870	1,123	1,483	1,512	1,758	1,736	1,569
10 Greece	154	256	333	321	325	279	262	297	305	270
11 Italy	1,631	3,364	5,240	5,644	5,333	5,099	5,842	6,024	6,295	6,583
12 Netherlands	514	575	686	814	956	750	917	1,005	1,119	1,110
13 Norway	276	227	384	437	447	452	416	429	538	487
14 Portugal	330	331	529	666	724	813	797	938	990	970
15 Spain	1,051	993	2,100	2,507	2,619	2,499	2,624	3,086	3,308	3,520
16 Sweden	542	783	1,206	1,504	1,550	1,441	1,692	1,638	1,518	1,718
17 Switzerland	1,165	1,446	2,213	2,001	1,709	1,564	1,557	1,596	1,601	1,589
18 Turkey	149	145	424	522	496	487	573	584	646	600
19 United Kingdom	13,795	14,917	23,645	26,665	27,784	31,081	31,974	31,834	34,410	36,891
20 Yugoslavia	611	853	1,224	1,243	1,200	1,238	1,202	1,294	1,266	1,220
21 Other Western Europe[1]	175	179	209	192	317	282	386	247	280	291
22 U.S.S.R.	268	281	367	262	218	195	251	296	276	315
23 Other Eastern Europe[2]	1,254	1,410	1,725	1,817	1,790	1,755	1,711	1,761	1,781	1,816
24 Canada	4,143	4,810	9,164	9,925	10,970	11,805	11,323	12,693	13,070	12,087
25 Latin America and Caribbean	67,993	92,992	138,114	148,003	152,875	158,097	166,757	173,201	178,007	181,309
26 Argentina	4,389	5,689	7,522	8,827	8,928	10,896	10,816	11,012	10,971	10,945
27 Bahamas	18,918	29,419	43,437	45,860	47,586	47,606	48,730	51,849	52,398	54,617
28 Bermuda	496	218	346	481	401	575	396	414	402	385
29 Brazil	7,713	10,496	16,918	17,878	18,723	19,380	20,413	21,147	21,556	22,471
30 British West Indies	9,818	15,663	21,913	22,031	22,975	22,739	25,469	25,825	27,912	28,501
31 Chile	1,441	1,951	3,690	4,363	4,513	4,590	4,884	5,268	5,228	5,377
32 Colombia	1,614	1,752	2,018	2,067	2,018	2,146	2,265	2,554	2,612	2,640
33 Cuba	4	3	3	9	3	137	37	3	8	3
34 Ecuador	1,025	1,190	1,531	1,752	1,837	1,879	1,852	2,022	2,027	2,048
35 Guatemala[3]	134	137	124	119	106	116	112	124	147	116
36 Jamaica[3]	47	36	62	115	151	130	781	124	578	153
37 Mexico	9,099	12,595	22,407	24,301	25,174	26,087	28,321	29,547	29,727	29,346
38 Netherlands Antilles	248	821	1,076	1,150	873	886	880	1,028	1,032	778
39 Panama	6,041	4,974	6,780	7,306	7,509	8,246	8,318	8,660	9,146	9,565
40 Peru	652	890	1,218	1,433	1,518	1,589	1,672	2,047	2,064	2,062
41 Uruguay	105	137	157	240	232	316	346	381	413	457
42 Venezuela	4,657	5,438	7,069	7,727	8,085	8,560	9,172	9,138	9,681	9,805
43 Other Latin America and Caribbean	1,593	1,583	1,844	2,374	2,245	2,220	2,295	2,057	2,105	2,039
44 Asia	30,730	39,078	49,770	48,211	50,107	52,115	53,117	57,368	57,417	55,999
China										
45 Mainland	35	195	107	65	84	98	68	124	139	127
46 Taiwan	1,821	2,469	2,461	2,215	2,300	2,275	2,114	2,048	1,977	1,891
47 Hong Kong	1,804	2,247	4,126	4,287	5,434	5,344	5,978	6,390	6,124	6,407
48 India	92	142	123	188	212	195	185	252	266	235
49 Indonesia	131	245	346	330	356	308	315	288	294	297
50 Israel	990	1,172	1,562	1,467	1,241	1,160	1,391	1,835	1,637	1,534
51 Japan	16,911	21,361	26,757	26,081	25,972	27,358	26,732	29,258	30,091	28,397
52 Korea	3,793	5,697	7,324	6,272	6,564	6,953	7,103	7,119	6,878	6,967
53 Philippines	737	989	1,817	1,989	2,270	2,266	2,459	2,605	2,605	2,611
54 Thailand	933	876	564	559	513	565	502	459	406	388
55 Middle East oil-exporting countries[4]	1,548	1,432	1,575	1,991	2,021	2,411	2,613	2,564	2,665	2,614
56 Other Asia	1,934	2,252	3,009	2,766	3,139	3,182	3,656	4,426	4,335	4,530
57 Africa	1,797	2,377	3,503	4,019	4,203	4,383	4,768	4,851	5,029	4,847
58 Egypt	114	151	238	293	327	345	400	416	378	399
59 Morocco	103	223	284	273	294	312	278	334	314	368
60 South Africa	445	370	1,011	1,249	1,426	1,344	1,387	1,467	1,620	1,574
61 Zaire	144	94	112	93	89	100	81	84	81	58
62 Oil-exporting countries[5]	391	805	657	593	637	725	839	799	849	762
63 Other	600	734	1,201	1,518	1,429	1,557	1,783	1,751	1,787	1,685
64 Other countries	855	1,150	1,376	1,583	1,777	1,803	1,961	2,111	2,028	1,885
65 Australia	673	859	1,203	1,385	1,501	1,560	1,655	1,806	1,700	1,538
66 All other	182	290	172	198	276	243	306	305	328	347
67 Nonmonetary international and regional organizations[6]	36	78	56	47	57	40	43	43	45	106

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

NOTE. Data for period prior to April 1978 include claims of banks' domestic customers on foreigners.

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1979	1980	1981▲	1982						
				Feb.	Mar.	Apr.	May	June^r	July^p	Aug^p
1 **Total**	**154,030**	**198,698**	**286,398^r**	....	**318,196^r**	....	....	**356,611**	....	**326,915**
2 Banks' own claims on foreigners	133,943	172,592	251,029	266,483	276,924	287,562	299,979	314,381	322,901	326,915
3 Foreign public borrowers	15,937	20,882	31,193	33,460	33,705	35,203	37,593	40,001	40,698	41,750
4 Own foreign offices[1]	47,428	65,084	96,639	98,305	101,710	106,115	107,618^r	113,722	114,098	117,090
5 Unaffiliated foreign banks	40,927	50,168	74,091	82,946	87,288	90,760	97,112	101,756	108,364	108,843
6 Deposits	6,274	8,254	22,689	26,259	28,709	29,152	33,432	35,667	39,998	39,658
7 Other	34,654	41,914	51,403	56,686	58,579	61,607	63,679	66,090	68,366	69,185
8 All other foreigners	29,650	36,459	49,105	51,772	54,222	55,484	57,657	58,901	59,741	59,232
9 Claims of banks' domestic customers[2]	20,088	26,106	35,368^r	....	41,271^r	....	....	42,230	....	....
10 Deposits	955	885	1,378	....	1,512	....	....	1,426	....	....
11 Negotiable and readily transferable instruments[3]	13,100	15,574	25,752	....	32,328	....	....	31,966	....	....
12 Outstanding collections and other claims[4]	6,032	9,648	8,238^r	....	7,431^r	....	....	8,838	....	....
13 MEMO: Customer liability on acceptances	18,021	22,714	29,565	....	30,480^r	....	....	32,929	....	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	22,305^r	24,511^r	39,820^r	43,781	40,806	41,362	43,947^r	44,304	44,939	n.a.

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
3. Principally negotiable time certificates of deposit and bankers acceptances.
4. Data for March 1978 and for period before that are outstanding collections only.
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.

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1979	1980	1981			1982	
	Dec.	Dec.	June	Sept	Dec.▲^r	Mar.	June
1 **Total**	**86,181**	**106,748**	**117,610**	**122,477**	**153,914**	**174,403**	**199,743**
By borrower							
2 Maturity of 1 year or less[1]	65,152	82,555	92,124	94,957	115,885	132,875	151,417
3 Foreign public borrowers	7,233	9,974	11,752	12,990	15,196	16,344	19,308
4 All other foreigners	57,919	72,581	80,372	81,967	100,689	116,531	132,110
5 Maturity of over 1 year[1]	21,030	24,193	25,486	27,520	38,029	41,528	48,326
6 Foreign public borrowers	8,371	10,152	11,177	12,564	15,640	16,851	20,003
7 All other foreigners	12,659	14,041	14,309	14,956	22,389	24,678	28,322
By area							
Maturity of 1 year or less[1]							
8 Europe	15,235	18,715	21,149	23,015	27,883	34,228	39,076
9 Canada	1,777	2,723	3,314	3,959	4,634	5,791	6,579
10 Latin America and Caribbean	24,928	32,034	33,584	35,590	48,461	58,144	67,444
11 Asia	21,641	26,686	31,509	29,295	31,508	30,578	33,788
12 Africa	1,077	1,757	1,768	2,324	2,457	2,884	3,309
13 All other[2]	493	640	801	774	943	1,249	1,220
Maturity of over 1 year[1]							
14 Europe	4,160	5,118	6,312	6,424	8,099	8,435	9,340
15 Canada	1,317	1,448	1,317	1,347	1,774	1,863	2,345
16 Latin America and Caribbean	12,814	15,075	15,458	17,478	25,088	27,623	32,340
17 Asia	1,911	1,865	1,679	1,550	1,902	2,236	2,455
18 Africa	655	507	559	548	899	1,056	1,275
19 All other[2]	173	179	161	172	267	315	571

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations.

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

Area or country	1978[2]	1979	1980			1981				1982	
			June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June[p]
1 **Total**	**266.2**	**303.9**	**328.8**	**339.3**	**352.0**	**372.1**	**382.8**	**399.8**	**412.3**	**411.0**	**419.2**
2 G-10 countries and Switzerland	124.7	138.4	154.2	158.8	162.1	168.5	168.3	172.2	173.9	172.1	170.3
3 Belgium-Luxembourg	9.0	11.1	13.1	13.6	13.0	13.6	13.8	14.1	13.3	13.1	13.8
4 France	12.2	11.7	14.1	13.9	14.1	14.5	14.7	16.0	15.3	15.8	16.3
5 Germany	11.3	12.2	12.7	12.9	12.1	13.3	12.1	12.7	12.9	12.4	12.6
6 Italy	6.7	6.4	6.9	7.2	8.2	7.7	8.4	8.6	9.8	8.9	8.8
7 Netherlands	4.4	4.8	4.5	4.4	4.4	4.6	4.2	3.7	4.0	4.0	4.0
8 Sweden	2.1	2.4	2.7	2.8	2.9	3.2	3.1	3.4	3.7	4.0	3.9
9 Switzerland	5.3	4.7	3.3	3.4	5.0	5.1	5.2	5.1	5.5	5.3	5.1
10 United Kingdom	47.3	56.4	64.4	66.7	67.4	68.5	67.0	68.8	69.1	68.7	66.4
11 Canada	6.0	6.3	7.2	7.7	8.4	8.9	10.8	11.8	11.0	11.4	10.9
12 Japan	20.6	22.4	25.5	26.1	26.5	29.1	28.9	28.0	29.4	28.4	28.5
13 Other developed countries	19.4	19.9	20.3	20.6	21.6	23.5	24.8	26.4	28.4	30.5	31.6
14 Austria	1.7	2.0	1.8	1.8	1.9	1.8	2.1	2.2	1.9	2.1	2.1
15 Denmark	2.0	2.2	2.2	2.2	2.3	2.4	2.3	2.5	2.3	2.5	2.6
16 Finland	1.2	1.2	1.3	1.2	1.4	1.4	1.3	1.4	1.7	1.6	1.6
17 Greece	2.3	2.4	2.5	2.6	2.8	2.7	3.0	2.9	2.8	2.8	2.5
18 Norway	2.1	2.3	2.4	2.4	2.6	2.8	2.8	3.0	3.1	3.2	3.2
19 Portugal	.6	.7	.6	.7	.6	.6	.8	1.0	1.1	1.1	1.5
20 Spain	3.5	3.5	3.9	4.2	4.4	5.5	5.7	5.8	6.6	7.1	7.2
21 Turkey	1.5	1.4	1.4	1.3	1.5	1.5	1.4	1.5	1.4	1.5	1.4
22 Other Western Europe	1.3	1.4	1.6	1.7	1.7	1.8	1.8	1.9	2.1	2.2	2.2
23 South Africa	2.0	1.3	1.5	1.2	1.1	1.5	1.9	2.5	2.8	3.2	3.4
24 Australia	1.4	1.3	1.2	1.2	1.3	1.5	1.7	1.9	2.5	3.1	3.8
25 OPEC countries[3]	22.7	22.9	20.9	21.4	22.7	21.7	22.2	23.5	24.4	24.7	25.3
26 Ecuador	1.6	1.7	1.8	1.9	2.1	2.0	2.0	2.1	2.2	2.3	2.3
27 Venezuela	7.2	8.7	7.9	8.5	9.1	8.3	8.8	9.2	9.6	9.4	9.4
28 Indonesia	2.0	1.9	1.9	1.9	1.8	2.1	2.1	2.5	2.5	2.7	2.7
29 Middle East countries	9.5	8.0	6.9	6.7	6.9	6.7	6.8	7.1	7.6	8.2	8.6
30 African countries	2.5	2.6	2.5	2.4	2.8	2.6	2.6	2.6	2.5	2.2	2.3
31 *Non-OPEC developing countries*	52.6	63.0	67.7	73.0	77.4	82.2	84.8	90.2	95.8	94.0	100.0
Latin America											
32 Argentina	3.0	5.0	5.6	7.6	7.9	9.5	8.5	9.3	9.3	9.3	8.9
33 Brazil	14.9	15.2	15.3	15.8	16.2	17.0	17.5	17.7	19.0	18.9	20.2
34 Chile	1.6	2.5	2.7	3.2	3.7	4.0	4.8	5.5	5.8	5.6	6.0
35 Colombia	1.4	2.2	2.2	2.4	2.6	2.4	2.5	2.5	2.6	2.2	2.5
36 Mexico	10.8	12.0	13.6	14.4	15.9	17.0	18.2	20.0	21.5	22.1	23.9
37 Peru	1.7	1.5	1.4	1.5	1.8	1.8	1.7	1.8	2.0	1.8	2.3
38 Other Latin America	3.6	3.7	3.6	3.9	3.9	4.7	3.8	4.2	4.1	4.0	3.9
Asia											
China											
39 Mainland	.0	.1	.1	.1	.2	.2	.2	.2	.2	.2	.3
40 Taiwan	2.9	3.4	3.8	4.1	4.2	4.4	4.6	5.1	5.1	5.1	5.8
41 India	.2	.2	.2	.2	.3	.3	.3	.3	.3	.5	.5
42 Israel	1.0	1.3	1.2	1.1	1.5	1.3	1.8	1.5	2.0	1.6	2.1
43 Korea (South)	3.9	5.4	7.1	7.3	7.1	7.7	8.8	8.6	9.4	8.6	8.8
44 Malaysia	.6	1.0	1.1	1.1	1.1	1.2	1.4	1.4	1.7	1.7	1.8
45 Philippines	2.8	4.2	4.6	4.8	5.1	4.8	5.1	5.6	6.0	5.8	6.2
46 Thailand	1.2	1.5	1.5	1.5	1.6	1.6	1.5	1.4	1.5	1.3	1.3
47 Other Asia	.2	.5	.5	.5	.6	.5	.7	.8	1.0	1.0	1.2
Africa											
48 Egypt	.4	.6	.8	.6	.8	.8	.7	1.0	1.1	1.3	1.3
49 Morocco	.6	.6	.5	.6	.7	.6	.5	.7	.7	.7	.7
50 Zaire	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2
51 Other Africa[4]	1.4	1.7	1.9	2.1	2.1	2.2	2.1	2.2	2.3	2.3	2.3
52 Eastern Europe	6.9	7.3	7.2	7.3	7.4	7.7	7.7	7.7	7.7	7.0	6.4
53 U.S.S.R.	1.3	.7	.5	.5	.4	.4	.5	.4	.6	.4	.4
54 Yugoslavia	1.5	1.8	2.1	2.1	2.3	2.4	2.5	2.5	2.5	2.4	2.3
55 Other	4.1	4.8	4.5	4.7	4.6	4.8	4.8	4.7	4.7	4.2	3.7
56 Offshore banking centers	31.0	40.4	44.3	44.6	47.0	53.7	59.3	61.7	63.6	64.5	67.3
57 Bahamas	10.4	13.7	13.7	13.2	13.7	15.5	17.9	21.3	18.9	19.8	22.5
58 Bermuda	.7	.8	.6	.6	.6	.7	.7	.8	.7	.7	.7
59 Cayman Islands and other British West Indies	7.4	9.4	9.8	10.1	10.6	11.9	12.6	12.1	12.6	11.6	11.6
60 Netherlands Antilles	.8	1.2	1.2	1.3	2.1	2.3	2.4	2.2	3.2	3.2	3.0
61 Panama[5]	3.0	4.3	4.9	5.6	5.4	6.5	6.9	6.7	7.5	7.0	6.8
62 Lebanon	.1	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2
63 Hong Kong	4.2	6.0	6.9	7.5	8.1	8.4	10.3	10.3	11.8	12.8	13.0
64 Singapore	3.9	4.5	5.9	5.6	5.9	7.3	8.1	8.0	8.6	9.2	9.5
65 Others[6]	.5	.4	.4	.4	.3	.9	.3	.1	.1	.1	.1
66 Miscellaneous and unallocated[7]	9.1	11.7	14.3	13.7	14.0	14.9	15.7	18.2	18.7	18.2	18.3

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches). However, see also footnote 2.

2. Beginning with data for June 1978, the claims of the U.S. offices in this table include only banks' own claims payable in dollars. For earlier dates the claims of the U.S. offices also include customer claims and foreign currency claims (amounting in June 1978 to $10 billion).

3. In addition to the Organization of Petroleum Exporting Countries shown individually, this group includes other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates) as well as Bahrain and Oman (not formally members of OPEC).

4. Excludes Liberia.

5. Includes Canal Zone beginning December 1979.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1979	1980	1981	1981 June[r]	1981 Sept.[r]	1981 Dec.[r]	1982 Mar.
1 **Total**	**17,383**[r]	**22,125**[r]	**22,001**	**21,696**	**23,347**	**22,001**	**21,460**[r]
2 Payable in dollars	14,288[r]	18,394[r]	18,367	18,393	20,218	18,367	18,785[r]
3 Payable in foreign currencies[2]	3,095[r]	3,731[r]	3,635	3,303	3,129	3,635	2,675[r]
By type							
4 Financial liabilities	7,476[r]	11,282[r]	11,723	11,730	12,894	11,723	11,930[r]
5 Payable in dollars	5,192[r]	8,494[r]	9,130	9,351	10,592	9,130	10,043[r]
6 Payable in foreign currencies	2,284[r]	2,788[r]	2,593	2,378	2,302	2,593	1,887[r]
7 Commercial liabilities	9,906[r]	10,843[r]	10,278	9,966	10,453	10,278	9,530
8 Trade payables	4,591[r]	4,940[r]	4,647	4,488	4,364	4,647	3,961
9 Advance receipts and other liabilities	5,315	5,903	5,631	5,479	6,089	5,631	5,569
10 Payable in dollars	9,095	9,900	9,237	9,042	9,626	9,237	8,742
11 Payable in foreign currencies	811[r]	943[r]	1,041	924	827	1,041	788
By area or country							
Financial liabilities							
12 Europe	4,649[r]	6,467[r]	6,667	6,257	7,824	6,667	7,584[r]
13 Belgium-Luxembourg	322[r]	465[r]	431	519	482	431	534[r]
14 France	175	327	636	372	846	636	856[r]
15 Germany	497	582	491	451	430	491	503
16 Netherlands	829	681	738	772	664	738	735[r]
17 Switzerland	170	354	715	345	465	715	707
18 United Kingdom	2,477[r]	3,923[r]	3,531	3,672	4,773	3,531	4,143[r]
19 Canada	532	964	958	978	977	958	914
20 Latin America and Caribbean	1,483	3,103	3,114	3,597	3,247	3,114	2,968[r]
21 Bahamas	375	964	1,279	1,272	1,019	1,279	1,095
22 Bermuda	81	1	7	1	6	7	6
23 Brazil	18	23	22	20	20	22	27
24 British West Indies	514	1,452	1,045	1,538	1,395	1,045	1,123[r]
25 Mexico	121	99	102	98	107	102	67
26 Venezuela	72	81	98	91	90	98	97
27 Asia	804	723	957	869	814	957	450
28 Japan	726	644	792	750	696	792	293
29 Middle East oil-exporting countries[3]	31	38	47	29	30	47	63[r]
30 Africa	4	11	3	5	3	3	2
31 Oil-exporting countries[4]	1	1	0	0	1	0	0
32 All other[5]	4	15	24	24	29	24	12
Commercial liabilities							
33 Europe	3,707[r]	4,402[r]	3,771	3,981	3,961	3,771	3,421
34 Belgium-Luxembourg	137	90	67	72	78	67	50
35 France	467	582	573	558	575	573	504
36 Germany	545	679	545	617	590	545	473
37 Netherlands	227	219	221	225	238	221	232
38 Switzerland	316[r]	499[r]	424	380	569	424	400
39 United Kingdom	1,077	1,209	884	1,029	925	884	824
40 Canada	924	876	870	735	834	870	857
41 Latin America	1,323	1,259	986	1,149	1,087	986	770
42 Bahamas	69	8	2	4	3	2	22
43 Bermuda	32	75	67	72	113	67	71
44 Brazil	203	111	67	54	61	67	83
45 British West Indies	21	35	2	34	11	2	27
46 Mexico	257	326	293	319	345	293	176
47 Venezuela	301	319	276	290	273	276	194
48 Asia	2,991	3,034	3,285	2,803	3,221	3,285	3,214
49 Japan	583	802	1,094	867	775	1,094	1,081
50 Middle East oil-exporting countries[3]	1,014	890	910	837	881	910	816
51 Africa	728	817	703	676	757	703	664
52 Oil-exporting countries[4]	384	517	344	392	355	344	247
53 All other[5]	233	456	664	622	593	664	604

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Before December 1978, foreign currency data include only liabilities denominated in foreign currencies with an original maturity of less than one year.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1979	1980 r	1981	1981			1982
				June r	Sept. r	Dec. r	Mar r
1 **Total**	**31,375 r**	**34,743**	**35,790**	**35,638**	**34,544**	**35,790**	**30,042**
2 Payable in dollars	28,183 r	31,803	32,206	32,596	31,541	32,206	27,435
3 Payable in foreign currencies[2]	3,193	2,940	3,584	3,042	3,003	3,584	2,607
By type							
4 Financial claims	18,484 r	20,057	20,906	20,409	19,586	20,906	17,658
5 Deposits	12,847 r	14,220	14,694	14,683	13,775	14,694	12,590
6 Payable in dollars	11,931 r	13,445	14,080	13,956	13,048	14,080	12,133
7 Payable in foreign currencies	916	775	614	727	727	614	457
8 Other financial claims	5,637	5,837	6,212	5,726	5,811	6,212	5,068
9 Payable in dollars	3,810	4,154	3,758	3,988	4,116	3,758	3,439
10 Payable in foreign currencies	1,826	1,683	2,454	1,738	1,695	2,454	1,629
11 Commercial claims	12,892	14,686	14,884	15,229	14,959	14,884	12,384
12 Trade receivables	12,188	13,953	13,944	14,359	14,048	13,944	11,449
13 Advance payments and other claims	704	733	940	870	911	940	935
14 Payable in dollars	12,441	14,203	14,368	14,652	14,377	14,368	11,864
15 Payable in foreign currencies	450	483	516	577	582	516	520
By area or country							
Financial claims							
16 Europe	6,191 r	6,179	4,592	5,213	4,846	4,592	4,511
17 Belgium-Luxembourg	32	195	43	174	26	43	16
18 France	177	337	325	377	348	325	422
19 Germany	409	230	244	139	320	244	197
20 Netherlands	53	51	50	52	68	50	79
21 Switzerland	73	59	87	116	100	87	53
22 United Kingdom	5,111	4,992	3,505	4,009	3,659	3,505	3,502
23 Canada	4,997 r	5,064	6,624	6,186	6,032	6,624	4,891
24 Latin America and Caribbean	6,293	7,823	8,589	8,121	7,747	8,589	7,377
25 Bahamas	2,765	3,479	3,902	3,346	3,262	3,902	3,482
26 Bermuda	30	135	18	33	15	18	27
27 Brazil	163	96	30	20	66	30	49
28 British West Indies	2,011	2,755	3,500	3,421	3,313	3,500	2,797
29 Mexico	157	208	313	264	283	313	281
30 Venezuela	143	137	148	143	143	148	130
31 Asia	706	722	882	637	623	882	680
32 Japan	199	189	363	137	111	363	267
33 Middle East oil-exporting countries[3]	16	20	37	19	29	37	36
34 Africa	253	238	168	216	222	168	164
35 Oil-exporting countries[4]	49	26	46	39	41	46	43
36 All other[5]	44	32	51	37	116	51	34
Commercial claims							
37 Europe	4,909	5,512	5,329	5,470	5,347	5,329	4,342
38 Belgium-Luxembourg	202	233	234	235	220	234	245
39 France	727	1,129	776	784	767	776	696
40 Germany	589	591	554	572	580	554	444
41 Netherlands	298	318	303	308	308	303	227
42 Switzerland	272	353	427	474	404	427	354
43 United Kingdom	901	928	967	1,067	1,032	967	1,057
44 Canada	859	914	967	1,016	1,017	967	939
45 Latin America and Caribbean	2,879	3,765	3,464	3,821	3,726	3,464	2,904
46 Bahamas	21	21	12	29	18	12	80
47 Bermuda	197	108	223	208	241	223	212
48 Brazil	645	861	668	824	726	668	417
49 British West Indies	16	34	12	34	13	12	23
50 Mexico	708	1,101	1,020	1,121	983	1,020	759
51 Venezuela	343	410	422	420	454	422	394
52 Asia	3,451	3,522	3,914	3,813	3,700	3,914	3,151
53 Japan	1,177	1,052	1,244	1,241	1,129	1,244	1,158
54 Middle East oil-exporting countries[3]	765	825	901	937	829	901	757
55 Africa	554	655	750	705	717	750	584
56 Oil-exporting countries[4]	133	156	152	137	154	152	142
57 All other[5]	240	318	459	404	451	459	463

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Prior to December 1978, foreign currency data include only liabilities denominated in foreign currencies with an original maturity of less than one year.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1980	1981	1982 Jan.–Aug.	1982 Feb.	Mar.	Apr.	May	June	July	Aug.[p]
				U.S. corporate securities						
STOCKS										
1 Foreign purchases	40,298	40,603	20,141	2,524	2,635	2,359	2,622	2,166	2,648	3,171
2 Foreign sales	34,870	34,835	17,686	1,988	2,506	2,101	2,186	1,863	2,648	2,646
3 **Net purchases, or sales (−)**	**5,427**	**5,768**	**2,455**	**536**	**129**	**258**	**436**	**303**	**0**	**525**
4 **Foreign countries**	**5,409**	**5,743**	**2,418**	**537**	**120**	**252**	**429**	**299**	**−6**	**523**
5 Europe	3,116	3,606	1,932	347	166	167	306	158	292	264
6 France	492	892	−103	−6	−51	33	48	25	2	−8
7 Germany	169	−28	161	17	42	29	43	11	21	−16
8 Netherlands	−328	39	106	38	1	−9	36	23	2	12
9 Switzerland	310	280	−287	−33	−60	−66	6	85	−31	−57
10 United Kingdom	2,528	2,209	2,049	317	223	176	279	225	297	364
11 Canada	887	783	−122	20	−118	0	−10	2	−45	74
12 Latin America and Caribbean	148	−30	151	31	−19	53	22	25	−69	121
13 Middle East[1]	1,206	1,140	478	137	84	61	104	73	−133	100
14 Other Asia	16	284	−79	6	4	−40	21	39	−54	−42
15 Africa	−1	7	−3	1	−3	0	1	3	1	0
16 Other countries	38	−46	62	6	6	12	27	6	0	5
17 **Nonmonetary international and regional organizations**	**18**	**24**	**37**	**−1**	**9**	**6**	**6**	**4**	**6**	**2**
BONDS[2]										
18 Foreign purchases	15,425	17,290	12,368	929	1,619	2,217	1,929	1,483	1,732	1,512
19 Foreign sales	9,964	12,247	10,412	930	1,481	1,485	1,199	1,153	1,623	1,764
20 **Net purchases, or sales (−)**	**5,461**	**5,043**	**1,956**	**−1**	**138**	**733**	**730**	**330**	**110**	**−252**
21 **Foreign countries**	**5,526**	**4,976**	**1,988**	**10**	**144**	**674**	**690**	**356**	**75**	**−116**
22 Europe	1,576	1,356	1,971	16	169	540	704	244	185	−32
23 France	129	11	115	14	12	20	46	23	3	−18
24 Germany	212	848	1,786	104	225	396	500	115	256	102
25 Netherlands	−65	70	45	0	17	14	11	5	−4	0
26 Switzerland	54	108	157	8	15	46	48	12	−22	31
27 United Kingdom	1,257	181	−156	−102	−102	59	91	67	−63	−108
28 Canada	135	−12	167	15	29	46	23	21	1	4
29 Latin America and Caribbean	185	132	133	−11	26	−8	15	61	17	18
30 Middle East[1]	3,499	3,465	−303	−63	−41	126	−112	22	−68	−78
31 Other Asia	117	44	37	52	−29	−18	61	9	−60	−31
32 Africa	5	−1	−19	0	−6	−13	0	0	0	0
33 Other countries	10	−7	2	2	−3	1	0	−1	0	2
34 **Nonmonetary international and regional organizations**	**−65**	**66**	**−32**	**−11**	**−6**	**59**	**40**	**−26**	**35**	**−136**
				Foreign securities						
35 Stocks, net purchases, or sales (−)	−2,136	−39	168	38	31	−65	−115	79	44	11
36 Foreign purchases	7,893	9,261	4,187	509	692	383	486	619	444	531
37 Foreign sales	10,029	9,300	4,019	471	661	448	601	540	400	520
38 Bonds, net purchases, or sales (−)	−1,001	−5,436	−2,832	−99	−540	−33	461	−762	−544	−1,208
39 Foreign purchases	17,084	17,540	17,893	1,513	2,549	2,254	2,755	2,033	2,288	3,279
40 Foreign sales	18,086	22,976	20,724	1,612	3,089	2,287	2,294	2,795	2,832	4,487
41 **Net purchases, or sales (−), of stocks and bonds**	**−3,138**	**−5,475**	**−2,664**	**−62**	**−509**	**−98**	**346**	**−684**	**−500**	**−1,197**
42 **Foreign countries**	**−4,014**	**−4,463**	**−2,352**	**−121**	**−525**	**−32**	**126**	**−305**	**−507**	**−999**
43 Europe	−1,108	−681	−557	−58	109	−127	−40	−425	−21	−128
44 Canada	−1,948	−3,698	−1,579	−102	−628	120	76	−81	−266	−533
45 Latin America and Caribbean	86	170	728	67	96	202	144	76	26	49
46 Asia	−1,147	−291	−963	−21	−115	−209	−53	127	−255	−433
47 Africa	24	−53	−17	−1	−5	−17	−1	0	3	17
48 Other countries	79	90	37	−7	17	0	−1	−2	6	29
49 **Nonmonetary international and regional organizations**	**876**	**−1,012**	**−312**	**60**	**16**	**−66**	**219**	**−379**	**7**	**−198**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Holdings and Transactions

Millions of dollars

Country or area	1980	1981	1982 Jan.-Aug.	1982 Feb.	Mar.	Apr.	May	June	July	Aug.[p]
	Holdings (end of period)[1]									
1 **Estimated total[2]**	**57,549**	**70,201**	...	**73,800**	**75,794**	**77,268**	**77,836**	**78,199**	**79,655**	**80,477**
2 Foreign countries[2]	52,961	64,530	...	68,273	70,251	71,925	72,950	73,005	75,363	76,737
3 Europe[2]	24,468	23,976	...	25,332	26,085	26,393	26,021	25,738	26,454	27,729
4 Belgium-Luxembourg	77	543	...	363	539	709	340	152	155	576
5 Germany[2]	12,327	11,861	...	12,845	13,055	13,231	12,974	13,022	13,535	13,959
6 Netherlands	1,884	1,955	...	2,038	2,052	2,139	2,152	2,176	2,147	2,312
7 Sweden	595	643	...	635	697	662	655	652	650	644
8 Switzerland[2]	1,485	846	...	984	1,025	1,157	1,134	1,039	1,016	1,100
9 United Kingdom	7,323	6,709	...	6,931	7,037	6,737	6,811	6,674	6,923	7,125
10 Other Western Europe	777	1,419	...	1,535	1,680	1,757	1,954	2,023	2,028	2,012
11 Eastern Europe	0	0	...	0	0	0	0	0	0	0
12 Canada	449	514	...	499	458	473	506	410	445	352
13 Latin America and Caribbean	999	736	...	728	760	886	938	910	848	1,166
14 Venezuela	292	286	...	286	286	306	296	253	229	222
15 Other Latin America and Caribbean	285	319	...	337	370	383	437	432	402	611
16 Netherlands Antilles	421	131	...	104	103	196	204	224	217	333
17 Asia	26,112	38,671	...	41,310	42,531	43,750	45,060	45,516	47,189	47,175
18 Japan	9,479	10,780	...	11,022	11,203	11,381	11,396	11,137	11,289	11,247
19 Africa	919	631	...	400	401	403	405	405	405	305
20 All other	14	2	...	5	17	22	21	26	23	12
21 Nonmonetary international and regional organizations	4,588	5,671	...	5,527	5,543	5,343	4,886	5,194	4,292	3,740
22 International	4,548	5,637	...	5,493	5,529	5,278	4,822	5,123	4,167	3,629
23 Latin American regional	36	1	...	-4	-4	-4	4	-4[r]	-4	4
	Transactions (net purchases, or sales (–) during period)									
24 **Total[2]**	**6,066**	**12,652**	**10,276**	**2,313**	**1,994**	**1,474**	**568**	**362**	**1,457**	**822**
25 Foreign countries[2]	6,906	11,568	12,207	2,423	1,978	1,674	1,025	54	2,358	1,374
26 Official institutions	3,865	11,694	10,285	2,343	1,314	812	1,474	318	2,817	367
27 Other foreign[2]	3,040	127	1,921	80	664	862	448	264	458	1,007
28 Nonmonetary international and regional organizations	843	1,085	-1,931	110	16	200	457	309	903	553
MEMO: Oil-exporting countries										
29 Middle East[3]	7,672	11,156	7,169	1,373	470	906	907	924	1,313	257
30 Africa[4]	327	-289	-327	-119	0	2	2	0	0	100

1. Estimated official and private holdings of marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on a benchmark survey of holdings as of Jan. 31, 1971, and monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Beginning December 1978, includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on Sept. 30, 1982: Percent	Month effective	Country	Rate on Sept. 30, 1982: Percent	Month effective	Country	Rate on Sept. 30, 1982: Percent	Month effective
Argentina	226.0	Aug. 1982	France[1]	13.75	Sept. 1982	Sweden	10.0	Mar. 1982
Austria	6.25	Aug. 1982	Germany, Fed. Rep. of	7.0	Aug. 1982	Switzerland	5.0	Aug. 1982
Belgium	12.5	Sept. 1982	Italy	18.0	Aug. 1981	United Kingdom[2]	...	...
Brazil	49.0	Mar. 1981	Japan	5.5	Dec. 1981	Venezuela	14.0	Aug. 1981
Canada	12.98	Sept. 1982	Netherlands	7.0	Aug. 1982			
Denmark	11.00	Oct. 1980	Norway	9.0	Nov. 1979			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.

2. Minimum lending rate suspended as of Aug. 20, 1981.

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1979	1980	1981	1982 Mar.	Apr.	May	June	July	Aug.	Sept.
1 Eurodollars	11.96	14.00	16.79	14.90	15.20	14.53	15.45	14.37	11.57	11.74
2 United Kingdom	13.60	16.59	13.86	13.53	13.69	13.31	12.96	12.35	11.08	10.84
3 Canada	11.91	13.12	18.84	15.67	15.74	15.46	16.84	16.23	14.76	13.57
4 Germany	6.64	9.45	12.05	9.84	9.30	9.12	9.22	9.41	8.94	8.13
5 Switzerland	2.04	5.79	9.15	6.37	4.96	3.80	5.39	4.32	4.07	3.97
6 Netherlands	9.33	10.60	11.52	8.90	8.20	8.62	8.75	8.95	8.66	7.85
7 France	9.44	12.18	15.28	15.21	16.36	16.17	15.67	14.64	14.43	14.09
8 Italy	11.85	17.50	19.98	20.63	20.62	20.59	20.51	20.18	19.52	18.56
9 Belgium	10.48	14.06	15.28	14.02	14.95	15.00	15.38	15.22	14.00	13.06
10 Japan	6.10	11.45	7.58	6.43	6.57	6.80	7.14	7.15	7.14	7.19

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES

Currency units per dollar

Country/currency	1979	1980	1981	1982 Apr	May	June	July	Aug.	Sept.
1 Argentina/peso	n.a.	n.a.	n.a.	11761.36	13942.50	15025.00	19671.43	21172.73	25961.90
2 Australia/dollar[1]	111.77	114.00	114.95	105.15	105.94	103.23	101.09	97.83	95.820
3 Austria/schilling	13.387	12.945	15.948	16.853	16.274	17.114	17.342	17.431	17.597
4 Belgium/franc	29.342	29.237	37.194	45.292	43.666	46.183	47.029	47.483	48.300
5 Brazil/cruzeiro	n.a.	n.a.	92.374	151.03	159.08	167.70	177.97	188.25	201.73
6 Canada/dollar	1.1603	1.1693	1.1990	1.2252	1.2336	1.2756	1.2699	1.2452	1.2348
7 Chile/peso	n.a.	n.a.	n.a.	39.407	39.537	43.373	47.228	54.941	62.643
8 China, P.R./yuan	n.a.	n.a.	1.7031	1.8565	1.8123	1.9014	1.9300	1.9432	1.9567
9 Colombia/peso	n.a.	n.a.	n.a.	61.057	62.365	63.318	65.539	65.179	65.921
10 Denmark/krone	5.2622	5.6345	7.1350	8.1591	7.8444	8.3481	8.5402	8.6482	8.8038
11 Finland/markka	3.8886	3.7206	4.3128	4.6097	4.5045	4.6763	4.7278	4.7515	4.8014
12 France/franc	4.2566	4.2250	5.4396	6.2457	6.0237	6.5785	6.8560	6.9285	7.0649
13 Germany/deutsche mark	1.8342	1.8175	2.2631	2.3970	2.3127	2.4292	2.4662	2.4813	2.5055
14 Greece/drachma	n.a	n.a.	n.a.	63.541	62.892	67.795	69.434	70.165	70.946
15 Hong Kong/dollar	n.a.	n.a.	5.5678	5.8270	5.7549	5.8669	5.9025	6.0598	6.1253
16 India/rupee	8.1555	7.8866	8.6807	9.3923	9.2965	9.4668	9.5633	9.5741	9.6495
17 Indonesia/rupiah	n.a.	n.a.	n.a.	651.14	653.67	654.98	659.18	662.11	662.75
18 Iran/rial	n.a.	n.a.	79.324	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
19 Ireland/pound[1]	204.65	205.77	161.32	144.22	149.60	141.92	139.48	138.54	136.53
20 Israel/shekel	n.a.	n.a.	n.a	20.014	21.184	23.179	25.320	26.940	28.922
21 Italy/lira	831.10	856.20	1138.60	1321.60	1283.37	1358.43	1382.26	1392.60	1411.19
22 Japan/yen	219.02	226.63	220.63	244.11	236.96	251.20	255.03	259.04	263.29
23 Malaysia/ringgit	2.1721	2.1767	2.3048	2.3395	2.2907	2.3392	2.3554	2.3528	2.3610
24 Mexico/peso	22.816	22.968	24.547	46.152	46.903	47.716	48.594	90.187	101.86
25 Netherlands/guilder	2.0072	1.9875	2.4998	2.6594	2.5709	2.6848	2.7239	2.7295	2.7444
26 New Zealand/dollar[1]	102.23	97.34	86.848	76.562	77.025	74.951	73.990	73.217	72.419
27 Norway/krone	5.0650	4.9381	5.7430	6.0820	5.9675	6.1869	6.3557	6.6785	6.8999
28 Peru/sol	n.a.	n.a.	n.a.	591.29	622.87	656.11	693.56	730.97	772.08
29 Philippines/peso	n.a.	n.a.	7.8113	8.3565	8.4016	8.4511	8.4802	8.5142	8.6521
30 Portugal/escudo	48.953	50.082	61.739	72.493	70.610	78.477	84.514	85.914	87.702
31 Singapore/dollar	n.a.	n.a.	2.1053	2.1329	2.0886	2.1379	2.1464	2.1594	2.1671
32 South Africa/rand/[1]	118.72	128.54	114.77	94.880	94.010	89.57	87.20	86.77	86.830
33 South Korea/won	n.a.	n.a.	n.a.	721.03	724.35	738.30	743.06	744.45	743.61
34 Spain/peseta	67.158	71.758	92.396	106.15	102.987	109.215	111.57	112.079	113.049
35 Sri Lanka/rupee	15.570	16.167	18.967	20.575	20.365	20.750	20.895	20.895	20.918
36 Sweden/krona	4.2892	4.2309	5.0659	5.9144	5.7888	6.0244	6.1159	6.1441	6.2313
37 Switzerland/franc	1.6643	1.6772	1.9674	1.9624	1.9500	2.0789	2.0960	2.1119	2.1418
38 Thailand/baht	n.a.	n.a.	21.731	23.025	23.000	23.000	23.000	23.000	23.000
39 United Kingdom/pound[1]	212.24	232.58	202.43	177.20	181.03	175.63	173.54	172.50	171.20
40 Venezuela/bolivar	n.a.	n.a.	4.2781	4.3023	4.2991	4.2953	4.2951	4.2981	4.3006
MEMO: United States/dollar[2]	88.09	87.39	102.94	114.07	111.03	116.97	118.91	119.63	120.93

1. Value in U.S. cents.

2. Index of weighted-average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. March 1973 = 100. Weights are 1972–76 global trade of each of the 10 countries. Series revised as of August 1978. For description and back data, see "Index of the Weighted-Average Exchange Value of the U.S. Dollar: Revision" on page 700 of the August 1978 BULLETIN.

NOTE. Averages of certified noon buying rates in New York for cable transfers.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected
e	Estimated
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
n.a.	Not available
n.e.c.	Not elsewhere classified
IPCs	Individuals, partnerships, and corporations
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

	Issue	*Page*
Anticipated schedule of release dates for periodic releases	June 1982	A76

SPECIAL TABLES

Published Irregularly, with Latest Bulletin Reference

Assets and liabilities of U.S. branches and agencies of foreign banks, June 30, 1982	October 1982	A76
Commercial bank assets and liabilities, September 30, 1981	January 1982	A70
Commercial bank assets and liabilities, December 31, 1981	April 1982	A72
Commercial bank assets and liabilities, March 31, 1982	July 1982	A70
Commercial bank assets and liabilities, June 30, 1982	October 1982	A70

Special tables begin on next page.

4.20 DOMESTIC AND FOREIGN OFFICES, Commercial Banks with Assets of $100 Million or over[1,P]
Consolidated Report of Condition; June 30, 1982

Millions of dollars

Item	Insured	Banks with foreign offices[2]			Banks without foreign offices
		Total	Foreign offices[3]	Domestic offices	
1 **Total assets**	**1,659,191**	**1,217,234**	**388,174**	**877,777**	**441,957**
2 Cash and due from depository institutions	280,847	226,729	127,212	99,517	54,119
3 Currency and coin (U.S. and foreign)	14,930	8,671	274	8,397	6,259
4 Balances with Federal Reserve Banks	18,041	12,595	261	12,334	5,446
5 Balances with other central banks	3,618	3,618	3,522	96	(4)
6 Demand balances with commercial banks in United States	18,141	7,521	215	7,306	10,620
7 All other balances with depository institutions in United States and with banks in foreign countries	160,979	140,905	121,195	19,711	20,073
8 Time and savings balances with commercial banks in United States	17,276	8,468	5,964	2,504	8,808
9 Balances with other depository institutions in United States	732	379	274	105	353
10 Balances with banks in foreign countries	142,971	132,059	114,956	17,102	10,913
11 Foreign branches of other U.S. banks	(4)	20,725	17,049	3,676	(4)
12 Other banks in foreign countries	(4)	111,334	97,908	13,426	(4)
13 Cash items in process of collection	65,138	53,418	1,745	51,673	11,720
14 ***Total securities, loans, and lease financing receivables***	**1,246,761**	**879,246**	**208,877**	**670,369**	**367,515**
15 Total securities, book value	234,145	125,350	9,736	115,614	108,795
16 U.S. Treasury	63,184	28,788	208	28,580	34,396
17 Obligations of other U.S. government agencies and corporations	38,893	16,017	27	15,990	22,876
18 Obligations of states and political subdivisions in United States	105,790	57,664	632	57,032	48,126
19 All other securities	26,278	22,882	8,870	14,011	3,397
20 Other bonds, notes, and debentures	10,964	8,548	6,989	1,559	2,416
21 Federal Reserve and corporate stock	1,890	1,401	173	1,228	489
22 Trading account securities	13,424	12,933	1,709	11,224	491
23 Federal funds sold and securities purchased under agreements to resell	60,874	36,712	920	35,791	24,162
24 Total loans, gross	960,939	718,659	197,657	521,002	242,279
25 LESS: Unearned income on loans	14,520	7,543	1,831	5,712	6,977
26 Allowance for possible loan loss	10,253	7,519	291	7,228	2,734
27 EQUALS: Loans, net	936,166	703,597	195,536	508,062	232,568
Total loans, gross, by category					
28 Real estate loans	224,387	137,652	8,660	128,992	86,735
29 Construction and land development	(4)	(4)	(4)	32,242	11,051
30 Secured by farmland	(4)	(4)	(4)	848	1,426
31 Secured by residential properties	(4)	(4)	(4)	70,482	48,520
32 1- to 4-family	(4)	(4)	(4)	66,815	46,270
33 FHA-insured or VA-guaranteed	(4)	(4)	(4)	3,959	2,019
34 Conventional	(4)	(4)	(4)	62,857	44,252
35 Multifamily	(4)	(4)	(4)	3,667	2,249
36 FHA-insured	(4)	(4)	(4)	224	73
37 Conventional	(4)	(4)	(4)	3,443	2,177
38 Secured by nonfarm nonresidential properties	(4)	(4)	(4)	25,420	25,738
39 Loans to financial institutions	95,629	89,203	33,613	55,590	6,426
40 REITs and mortgage companies in United States	5,128	4,532	98	4,434	596
41 Commercial banks in United States	12,283	8,501	660	7,841	3,782
42 U.S. branches and agencies of foreign banks	(4)	3,988	307	3,681	(4)
43 Other commercial banks	(4)	4,513	353	4,160	(4)
44 Banks in foreign countries	46,102	45,609	25,734	19,875	493
45 Foreign branches of other U.S. banks	(4)	1,020	296	724	(4)
46 Other	(4)	44,589	25,438	19,151	(4)
47 Finance companies in United States	11,610	11,118	258	10,860	492
48 Other financial institutions	20,506	19,443	6,863	12,580	1,063
49 Loans for purchasing or carrying securities	12,229	10,330	1,566	8,765	1,899
50 Brokers and dealers in securities	7,656	7,251	1,189	6,062	405
51 Other	4,573	3,079	376	2,703	1,494
52 Loans to finance agricultural production and other loans to farmers	12,215	6,911	720	6,191	5,304
53 Commercial and industrial loans	427,402	351,071	120,975	230,096	76,332
54 U.S. addressees (domicile)	(4)	222,265	15,844	206,421	(4)
55 Non-U.S. addressees (domicile)	(4)	128,806	105,131	23,675	(4)
56 Loans to individuals for household, family, and other personal expenditures	137,915	76,182	6,586	69,596	61,733
57 Installment loans	(4)	(4)	(4)	57,104	50,471
58 Passenger automobiles	(4)	(4)	(4)	16,559	20,980
59 Credit cards and related plans	(4)	(4)	(4)	21,022	9,952
60 Retail (charge account) credit card	(4)	(4)	(4)	17,041	8,558
61 Check and revolving credit	(4)	(4)	(4)	3,982	1,394
62 Mobile homes	(4)	(4)	(4)	3,206	3,535
63 Other installment loans	(4)	(4)	(4)	16,317	16,004
64 Other retail consumer goods	(4)	(4)	(4)	4,241	3,283
65 Residential property repair and modernization	(4)	(4)	(4)	3,590	4,110
66 Other installment loans for household, family, and other personal expenditures	(4)	(4)	(4)	8,486	8,612
67 Single-payment loans	(4)	(4)	(4)	12,492	11,262
68 All other loans	51,162	47,311	25,537	21,773	3,851
69 Loans to foreign governments and official institutions	(4)	32,999	23,352	9,647	(4)
70 Other	(4)	14,312	2,185	12,126	(4)
71 Lease financing receivables	15,576	13,587	2,685	10,902	1,989
72 Bank premises, furniture and fixtures, and other assets representing bank premises	23,890	14,689	1,452	13,236	9,202
73 Real estate owned other than bank premises	2,396	1,495	93	1 402	901
74 All other assets	105,296	95,075	50,540	93,252	10,221
75 Investment in unconsolidated subsidiaries and associated companies	1,508	1,446	1,076	370	62
76 Customers' liability on acceptances outstanding	59,547	59,120	15,870	43,251	426
77 U.S. addressees (domicile)	(4)	18,798	(4)	(4)	(4)
78 Non-U.S. addressees (domicile)	(4)	40,322	(4)	(4)	(4)
79 Net due from foreign branches, foreign subsidiaries, Edge and agreement subsidiaries	(4)	(4)	21,684	27,033	(4)
80 Other	44,242	34,509	11,911	22,599	9,732

4.20 Continued

Item	Insured	Banks with foreign offices[2]			Banks without foreign offices
		Total	Foreign offices[3]	Domestic offices	
81 **Total liabilities and equity capital[5]**	**1,659,191**	**1,217,234**	**(4)**	**(4)**	**441,957**
82 **Total liabilities excluding subordinated debt**	***1,565,085***	***1,156,351***	***387,925***	***817,142***	***408,734***
83 Total deposits	1,261,124	900,544	320,153	580,391	360,581
84 Individuals, partnerships, and corporations	972,857	654,499	168,123	486,376	318,359
85 U.S. government	4,436	3,136	264	2,872	1,301
86 States and political subdivisions in United States	55,271	26,845	557	26,288	28,427
87 All other	216,631	207,621	150,491	57,130	9,010
88 Foreign governments and official institutions	26,865	26,689	19,884	6,805	176
89 Commercial banks in United States	69,474	61,068	27,519	33,549	8,406
90 U.S. branches and agencies of foreign banks	(4)	5,111	3,357	1,754	(4)
91 Other commercial banks in United States	(4)	55,956	24,162	31,794	(4)
92 Banks in foreign countries	120,292	119,865	103,088	16,776	428
93 Foreign branches of other U.S. banks	(4)	19,932	17,907	2,025	(4)
94 Other banks in foreign countries	(4)	99,933	85,181	14,752	(4)
95 Certified and officers' checks, travelers checks, and letters of credit sold for cash	11,929	8,443	719	7,724	3,485
96 Federal funds purchased and securities sold under agreements to repurchase in domestic offices and Edge and agreement subsidiaries	153,431	118,332	370	117,962	35,099
97 Interest-bearing demand notes issued to U.S. Treasury and other liabilities for borrowed money	44,342	40,223	15,492	24,731	4,119
98 Interest-bearing demand notes (note balances) issued to U.S. Treasury	6,261	4,282	(4)	4,282	1,979
99 Other liabilities for borrowed money	38,081	35,941	15,492	20,449	2,140
100 Mortgage indebtedness and liability for capitalized leases	2,201	1,449	16	1,433	752
101 All other liabilities	103,986	95,802	51,893	92,626	8,184
102 Acceptances executed and outstanding	59,809	59,383	13,950	45,432	427
103 Net due to foreign branches, foreign subsidiaries, Edge and agreement subsidiaries	(4)	(4)	27,033	21,684	(4)
104 Other	44,177	36,420	10,910	25,509	7,757
105 Subordinated notes and debentures	5,866	4,200	259	3,941	1,666
106 Total equity capital[5]	88,241	56,683	(4)	(4)	31,557
107 Preferred stock	217	131	(4)	(4)	86
108 Common stock	17,129	11,150	(4)	(4)	5,979
109 Surplus	29,465	17,757	(4)	(4)	11,708
110 Undivided profits and reserve for contingencies and other capital reserves	41,429	27,645	(4)	(4)	13,785
111 Undivided profits	40,586	27,256	(4)	(4)	13,330
112 *Reserve for contingencies and other capital reserves*	844	389	(4)	(4)	455
MEMO					
Deposits in domestic offices					
113 Total demand	267,952	177,122	0	177,122	90,830
114 Total savings	152,991	78,032	0	78,032	74,959
115 Total time	520,029	325,237	0	325,237	194,791
116 Time deposits of $100,000 or more	287,385	214,445	0	214,445	72,940
117 Certificates of deposit (CDs) in denominations of $100,000 or more	253,726	185,113	0	185,113	68,613
118 Other	33,660	29,333	0	29,333	4,327
119 Savings deposits authorized for automatic transfer and NOW accounts	44,610	22,790	0	22,790	21,819
120 Money market time certificates of $10,000 and less than $100,000 with original maturities of 26 weeks	0	0	0	0	0
121 All savers certificates	15,469	7,968	0	7,968	7,501
122 Demand deposits adjusted[6]	174,948	103,168	0	103,168	71,780
123 Standby letters of credit, total	80,760	75,583	14,588	60,996	5,176
124 U.S. addressees (domicile)	(4)	55,704	(4)	(4)	(4)
125 Non-U.S. addressees (domicile)	(4)	19,879	(4)	(4)	(4)
126 Standby letters of credit conveyed to others through participations (included in total standby letters of credit)	6,557	6,229	555	5,675	327
127 Holdings of commercial paper included in total gross loans	(4)	(4)	(4)	201	836
Average for 30 calendar days (or calendar month) ending with report date					
128 Total assets	1,647,490	1,207,586	342,624	864,963	439,904
129 Cash and due from depository institutions	274,875	224,210	125,023	99,187	50,665
130 Federal funds sold and securities purchased under agreements to resell	61,597	34,334	862	33,472	27,263
131 Total loans	941,396	707,553	197,412	510,141	233,843
132 Total deposits	1,241,560	881,835	315,403	566,432	359,725
133 Time CDs in denominations of $100,000 or more in domestic offices	252,802	(4)	(4)	183,900	68,902
134 Federal funds purchased and securities sold under agreements to repurchase	164,474	128,770	538	128,233	35,704
135 Other liabilities for borrowed money	36,891	34,913	15,339	19,574	1,978
136 Number of banks	1,708	194	194	194	1,514

For notes see end of table.

4.21 DOMESTIC OFFICES, Insured Commercial Banks with Assets of $100 Million or over[1,2,p]
Consolidated Report of Condition; June 30, 1982

Millions of dollars

Item	Insured	Member banks			Nonmember insured
		Total	National	State	
1 **Total assets**	**1,319,733**	**1,114,859**	**845,225**	**269,634**	**204,874**
2 Cash and due from depository institutions	153,635	133,065	97,921	35,144	20,570
3 Currency and coin (U.S. and foreign)	14,656	12,412	9,778	2,634	2,244
4 Balances with Federal Reserve Banks	17,780	17,039	12,645	4,394	741
5 Balances with other central banks	96	96	79	17	0
6 Demand balances with commercial banks in United States	17,926	12,335	9,775	2,559	5,592
7 All other balances with depository institutions in United States and with banks in foreign countries	39,784	30,614	23,039	7,574	9,170
8 Time and savings balances with commercial banks in United States	11,311	7,639	5,878	1,761	3,672
9 Balances with other depository institutions in United States	458	170	132	38	288
10 Balances with banks in foreign countries	28,015	22,805	17,029	5,775	5,210
11 Cash items in process of collection	63,393	60,571	42,604	17,966	2,823
12 ***Total securities, loans, and lease financing receivables***	***1,037,884***	***866,016***	***658,613***	***207,403***	***171,868***
13 Total securities, book value	224,410	175,328	132,870	42,458	49,081
14 U.S. Treasury	62,976	46,880	35,268	11,613	16,096
15 Obligations of other U.S. government agencies and corporations	38,867	28,431	22,944	5,487	10,436
16 Obligations of states and political subdivisions in United States	105,159	84,598	64,012	20,586	20,560
17 All other securities	17,408	15,419	10,647	4,772	1,990
18 Other bonds, notes, and debentures	3,975	2,384	1,731	652	1,591
19 Federal Reserve and corporate stock	1,717	1,538	1,162	376	180
20 Trading account securities	11,716	11,497	7,754	3,744	218
21 Federal funds sold and securities purchased under agreements to resell	59,954	50,859	39,278	11,580	9,095
22 Total loans, gross	763,282	646,416	491,596	154,820	116,866
23 LESS: Unearned income on loans	12,690	9,664	7,269	2,396	3,025
24 Allowance for possible loan loss	9,962	8,714	6,574	2,140	1,248
25 EQUALS: Loans, net	740,630	628,038	477,754	150,284	112,592
Total loans, gross, by category					
26 Real estate loans	215,726	172,516	141,493	31,023	43,211
27 Construction and land development	43,293	36,513	28,456	8,058	6,780
28 Secured by farmland	2,275	1,658	1,480	178	616
29 Secured by residential properties	119,001	95,448	79,678	15,770	23,553
30 1- to 4-family	113,085	90,733	75,908	14,824	22,353
31 FHA-insured or VA-guaranteed	5,977	5,326	4,346	980	651
32 Conventional	107,108	85,406	71,562	13,844	21,702
33 Multifamily	5,916	4,715	3,770	945	1,200
34 FHA-insured	296	215	113	102	81
35 Conventional	5,620	4,500	3,657	843	1,119
36 Secured by nonfarm nonresidential properties	51,158	38,897	31,879	7,018	12,261
37 Loans to financial institutions	62,016	57,324	35,338	21,986	4,692
38 REITs and mortgage companies in United States	5,030	4,689	3,362	1,327	341
39 Commercial banks in United States	11,623	8,613	5,657	2,956	3,010
40 Banks in foreign countries	20,368	19,816	10,672	9,145	551
41 Finance companies in United States	11,353	11,131	6,929	4,202	221
42 Other financial institutions	13,643	13,075	8,719	4,356	568
43 Loans for purchasing or carrying securities	10,663	10,106	6,015	4,092	557
44 Brokers and dealers in securities	6,467	6,240	3,074	3,166	227
45 Other	4,197	3,866	2,941	925	330
46 Loans to finance agricultural production and other loans to farmers	11,495	10,046	9,185	861	1,449
47 Commercial and industrial loans	306,427	267,740	198,606	69,134	38,687
48 Loans to individuals for household, family, and other personal expenditures	131,329	104,926	85,570	19,357	26,403
49 Installment loans	107,575	85,737	70,517	15,220	21,838
50 Passenger automobiles	37,539	28,306	23,071	5,235	9,232
51 Credit cards and related plans	30,975	27,844	22,987	4,856	3,131
52 Retail (charge account) credit card	25,599	23,236	19,381	3,855	2,363
53 Check and revolving credit	5,376	4,608	3,607	1,001	768
54 Mobile homes	6,741	5,383	4,904	479	1,358
55 *Other installment loans*	32,321	24,204	19,555	4,649	8,117
56 Other retail consumer goods	7,523	5,940	4,875	1,065	1,583
57 Residential property repair and modernization	7,700	5,472	4,433	1,039	2,228
58 Other installment loans for household, family, and other personal expenditures	17,097	12,792	10,247	2,545	4,305
59 Single-payment loans	23,754	19,189	15,053	4,137	4,565
60 All other loans	25,624	23,756	15,390	8,367	1,868
61 Lease financing receivables	12,891	11,792	8,711	3,081	1,099
62 Bank premises, furniture and fixtures, and other assets representing bank premises	22,438	18,156	14,692	3,464	4,282
63 Real estate owned other than bank premises	2,303	1,883	1,493	391	419
64 All other assets	103,473	95,738	72,506	23,231	7,735
65 Investment in unconsolidated subsidiaries and associated companies	432	398	367	31	34
66 Customers' liability on acceptances outstanding	43,677	42,779	30,947	11,832	898
67 Net due from foreign branches, foreign subsidiaries, Edge and agreement subsidiaries	27,033	24,969	20,821	4,148	2,064
68 Other	32,331	27,591	20,372	7,220	4,740

4.21 Continued

Item	Insured	Member banks			Non-member insured
		Total	National	State	
69 **Total liabilities and equity capital**[8]	**1,319,733**	**1,114,859**	**845,225**	**269,634**	**204,874**
70 **Total liabilities excluding subordinated debt**	**1,225,876**	**1,036,209**	**785,736**	**250,473**	**189,667**
71 Total deposits	940,971	771,172	598,421	172,752	169,799
72 Individuals, partnerships, and corporations	804,735	653,944	514,387	139,557	150,790
73 U.S. government	4,173	3,685	2,822	863	488
74 States and political subdivisions in United States	54,715	41,316	33,976	7,340	13,399
75 All other	66,140	62,775	41,397	21,378	3,365
76 Foreign governments and official institutions	6,981	6,755	4,155	2,600	226
77 Commercial banks in United States	41,955	39,550	28,524	11,025	2,405
78 Banks in foreign countries	17,204	16,470	8,718	7,752	734
79 Certified and officers' checks, travelers checks, and letters of credit sold for cash	11,209	9,452	5,839	3,613	1,757
80 Demand deposits	267,952	227,880	167,749	60,131	40,072
81 Mutual savings banks	944	819	424	395	125
82 Other individuals, partnerships, and corporations	206,462	172,032	129,573	42,459	34,430
83 U.S. government	3,410	3,018	2,256	762	392
84 States and political subdivisions in United States	10,672	8,759	6,994	1,766	1,913
85 All other	35,253	33,800	22,664	11,136	1,453
86 Foreign governments and official institutions	1,668	1,638	976	662	30
87 Commercial banks in United States	26,200	25,039	18,720	6,319	1,161
88 Banks in foreign countries	7,385	7,123	2,968	4,155	262
89 Certified and officers' checks, travelers checks, and letters of credit sold for cash	11,209	9,452	5,839	3,613	1,757
90 Time deposits	520,029	423,499	334,195	89,304	96,529
91 Mutual savings banks	253	233	162	71	21
92 Other individuals, partnerships, and corporations	446,018	362,592	288,892	73,700	83,426
93 U.S. government	708	617	517	100	91
94 States and political subdivisions in United States	42,187	31,107	25,915	5,192	11,080
95 All other	30,862	28,951	18,710	10,241	1,911
96 Foreign governments and official institutions	5,290	5,094	3,156	1,938	195
97 Commercial banks in United States	15,754	14,510	9,804	4,705	1,244
98 Banks in foreign countries	9,819	9,347	5,749	3,598	472
99 Savings deposits	152,991	119,793	96,477	23,316	33,198
100 Mutual savings banks	*	*	*	*	*
101 Other individuals, partnerships, and corporations	151,057	118,268	95,337	22,932	32,788
102 Individuals and nonprofit organizations	145,394	114,257	92,110	22,147	31,137
103 Corporations and other profit organizations	5,663	4,011	3,226	785	1,651
104 *U.S. government*	54	50	49	1	4
105 States and political subdivisions in United States	1,855	1,450	1,068	383	405
106 All other	24	24	23	1	*
107 Foreign governments and official institutions	23	23	22	1	*
108 Commercial banks in United States	1	1	*	1	*
109 Banks in foreign countries	*	*	*	*	*
110 Federal funds purchased and securities sold under agreements to repurchase	153,061	140,800	108,067	32,733	12,260
111 Interest-bearing demand notes issued to U.S. Treasury and other liabilities for borrowed money	28,850	26,885	13,852	13,032	1,965
112 Interest-bearing demand notes (note balances) issued to U.S. Treasury	6,261	5,513	3,985	1,528	749
113 Other liabilities for borrowed money	22,588	21,372	9,868	11,504	1,216
114 Mortgage indebtedness and liability for capitalized leases	2,185	1,789	1,510	279	396
115 All other liabilities	100,809	95,562	63,885	31,677	5,247
116 Acceptances executed and outstanding	45,859	44,961	33,075	11,885	898
117 Net due to foreign branches, foreign subsidiaries, Edge and agreement subsidiaries	21,684	21,112	9,935	11,177	572
118 Other	33,266	29,489	20,875	8,615	3,777
119 Subordinated notes and debentures	5,607	4,473	3,048	1,425	1,134
120 **Total equity capital**[8]	**88,250**	**74,177**	**56,441**	**17,736**	**14,073**
MEMO					
121 Time deposits of $100,000 or more	287,385	243,836	185,666	58,170	43,550
122 Certificates of deposit (CDs) in denominations of $100,000 or more	253,726	212,357	164,743	47,615	41,368
123 Other	33,660	31,478	20,923	10,555	2,181
124 Savings deposits authorized for automatic transfer and NOW accounts	44,610	35,076	28,775	6,301	9,534
125 Money market time certificates of $10,000 and less than $100,000 with original maturities of 26 weeks	0	0	0	0	0
126 All savers certificates	15,469	11,978	9,761	2,217	3,490
127 Demand deposits adjusted[6]	174,948	139,253	104,169	35,083	35,695
128 Total standby letters of credit	66,172	63,355	41,154	22,200	2,817
129 Conveyed to others through participation (included in standby letters of credit)	6,002	5,873	4,151	1,721	130
130 Holdings of commercial paper included in total gross loans	1,037	641	485	157	396
Average for 30 calendar days (or calendar month) ending with report date					
131 Total assets	1,304,867	1,101,958	833,893	268,065	202,908
132 Cash and due from depository institutions	149,852	130,667	97,229	33,438	19,185
133 *Federal funds sold and securities purchased under agreements to resell*	60,735	50,801	39,663	11,138	9,935
134 Total loans	743,984	630,882	479,319	151,563	113,102
135 Total deposits	926,157	757,536	589,339	168,197	168,620
136 *Time CDs in denominations of $100,000 or more in domestic offices*	252,802	211,362	164,208	47,154	41,440
137 Federal funds purchased and securities sold under agreements to repurchase	163,936	151,809	114,570	37,239	12,128
138 Other liabilities for borrowed money	21,552	20,375	9,879	10,496	1,177
139 Number of banks	1,708	1,061	884	177	647

For notes see end of table.

4.22 DOMESTIC OFFICES, Insured Commercial Bank Assets and Liabilities[1]
Consolidated Report of Condition; June 30, 1982

Millions of dollars

Item	Insured	Member banks: Total	Member banks: National	Member banks: State	Non-member insured
1 **Total assets**	**1,722,905**	**1,282,006**	**985,399**	**296,607**	**440,899**
2 Cash and due from depository institutions	188,164	149,269	111,604	37,665	38,895
3 Currency and coin (U.S. and foreign)	20,055	14,882	11,850	3,032	5,173
4 Balances with Federal Reserve Banks	20,203	19,287	14,541	4,747	915
5 Balances with other central banks	96	96	79	17	0
6 Demand balances with commercial banks in United States	30,763	16,752	13,589	3,163	14,011
7 All other balances with depository institutions in United States and banks in foreign countries	51,176	36,133	27,676	8,457	15,042
8 Cash items in process of collection	65,872	62,119	43,870	18,249	3,753
9 **Total securities, loans, and lease financing receivables**	**1,388,811**	**1,009,704**	**778,997**	**230,707**	**379,108**
10 Total securities, book value	343,621	224,102	173,846	50,256	119,519
11 U.S. Treasury	102,410	62,746	48,346	14,399	39,664
12 Obligations of other U.S. government agencies and corporations	72,760	41,963	34,263	7,700	30,797
13 Obligations of states and political subdivisions in United States	149,280	103,208	79,965	23,243	46,072
14 All other securities	19,172	16,186	11,272	4,914	2,986
15 Federal funds sold and securities purchased under agreements to resell	84,149	61,339	47,957	13,382	22,810
16 Total loans, gross	979,143	734,345	565,250	169,095	244,798
17 LESS: Unearned income on loans	19,305	12,460	9,616	2,844	6,845
18 Allowance for possible loan loss	12,051	9,602	7,328	2,275	2,449
19 EQUALS: Loans, net	947,787	712,283	548,306	163,977	235,505
Total loans, gross, by category					
20 Real estate loans	291,017	202,914	166,593	36,321	88,103
21 Construction and land development	48,492	38,281	30,013	8,268	10,210
22 Secured by farmland	8,451	3,702	3,092	610	4,748
23 Secured by residential properties	164,469	114,766	95,490	19,276	49,703
24 1- to 4-family	157,292	109,583	91,335	18,249	47,708
25 Multifamily	7,177	5,183	4,155	1,028	1,994
26 Secured by nonfarm nonresidential properties	69,606	46,165	37,998	8,166	23,441
27 Loans to financial institutions	66,391	59,322	37,139	22,184	7,068
28 Loans for purchasing or carrying securities	11,261	10,320	6,196	4,124	941
29 Loans to finance agricultural production and other loans to farmers	35,759	19,160	16,677	2,483	16,599
30 Commercial and industrial loans	361,074	290,092	217,752	72,340	70,982
31 Loans to individuals for household, family, and other personal expenditures	184,460	127,321	104,328	22,994	57,138
32 *Installment loans*	147,018	102,614	84,663	17,951	44,404
33 Passenger automobiles	57,743	36,806	30,265	6,542	20,937
34 Credit cards and related plans	32,587	28,842	23,723	5,119	3,745
35 Mobile homes	9,966	6,814	6,124	690	3,152
36 All other installment loans for household, family, and other personal expenditures	46,721	30,151	24,551	5,601	16,569
37 Single-payment loans	37,442	24,707	19,665	5,042	12,734
38 All other loans	29,182	25,214	16,564	8,650	3,968
39 Lease financing receivables	13,253	11,980	8,887	3,092	1,274
40 Bank premises, furniture and fixtures, and other assets representing bank premises	30,572	21,505	17,504	4,001	9,067
41 Real estate owned other than bank premises	3,258	2,235	1,775	460	1,023
42 All other assets	112,099	99,293	75,519	23,774	12,806

4.22 Continued

Item	Insured	Member banks			Non-member insured
		Total	National	State	
43 **Total liabilities and equity capital[8]**	**1,722,905**	**1,282,006**	**985,399**	**296,607**	**440,899**
44 **Total liabilities excluding subordinated debt**	**1,593,493**	**1,188,690**	**913,628**	**275,062**	**404,803**
45 Total deposits	1,290,997	915,124	719,325	195,800	375,873
46 Individuals, partnerships, and corporations	1,120,747	784,482	623,994	160,488	336,265
47 U.S. government	5,101	4,089	3,177	912	1,012
48 States and political subdivisions in United States	83,783	52,501	43,417	9,084	31,283
49 All other	67,279	63,396	41,869	21,527	3,884
50 Certified and officers' checks, travelers checks, and letters of credit sold for cash	14,086	10,657	6,868	3,788	3,430
51 Demand deposits	341,450	258,716	193,966	64,751	82,734
52 Individuals, partnerships, and corporations	271,500	199,590	152,745	46,845	71,910
53 U.S. government	4,164	3,357	2,551	806	807
54 States and political subdivisions in United States	15,881	10,959	8,854	2,105	4,922
55 All other	35,819	34,154	22,947	11,207	1,665
56 Certified and officers' checks, travelers checks, and letters of credit sold for cash	14,086	10,657	6,868	3,788	3,430
57 Time deposits	723,621	505,544	402,913	102,632	218,077
58 Other individuals, partnerships, and corporations	627,295	436,372	350,642	85,730	190,924
59 U.S. government	870	677	572	105	193
60 States and political subdivisions in United States	64,059	39,295	32,816	6,479	24,764
61 All other	31,398	29,201	18,883	10,318	2,197
62 Savings deposits	225,925	150,864	122,446	28,418	75,061
63 Corporations and other profit organizations	7,977	4,940	4,000	941	3,036
64 Other individuals, partnerships, and corporations	213,975	143,581	116,608	26,973	70,395
65 U.S. government	67	55	54	1	12
66 States and political subdivisions in United States	3,844	2,247	1,746	501	1,597
67 All other	63	41	38	2	22
68 Federal funds purchased and securities sold under agreements to repurchase	161,901	145,454	111,861	33,593	16,447
69 Interest-bearing demand notes (note balances) issued to U.S. Treasury and other liabilities for borrowed money	30,672	27,894	14,619	13,276	2,778
70 Mortgage indebtedness and liability for capitalized leases	2,596	1,945	1,629	315	652
71 All other liabilities	107,326	98,272	66,195	32,078	9,054
72 Subordinated notes and debentures	6,186	4,713	3,260	1 453	1,473
73 **Total equity capital[8]**	**123,225**	**88,603**	**68,511**	**20,092**	**34,622**
MEMO					
74 Time deposits of $100,000 or more	333,851	261,916	201,119	60,796	71,936
75 Certificates of deposit (CDs) in denominations of $100,000 or more	296,817	229,031	178,998	50,033	67,786
76 Other	37,034	32,885	22,121	10,764	4,149
77 Savings deposits authorized for automatic transfer and NOW accounts	68,151	45,035	37,266	7 769	23,116
78 Money market time certificates of $10,000 and less than $100,000 with original maturities of 26 weeks	0	0	0	0	0
79 All savers certificates	22,321	14,825	12,135	2,690	7,496
80 Demand deposits adjusted[6]	244,651	167,849	128,543	39,305	76,802
81 Total standby letters of credit	67,817	64,002	41,714	22.288	3,815
Average for 30 calendar days (or calendar month) ending with report date					
82 Total deposits	1,276,268	901,476	710,209	191,267	374,792
83 Number of banks	14,409	5,533	4,501	1,032	8,876

1. Effective Dec. 31, 1978, the report of condition was substantially revised for commercial banks. Commercial banks with assets less than $100 million and with domestic offices only were given the option to complete either the abbreviated or the standard set of reports. Banks with foreign offices began reporting in greater detail on a consolidated domestic and foreign basis. These tables reflect the varying levels of reporting detail.

Beginning Dec. 3, 1981, depository institutions may establish international banking facilities (IBFs). Activity of IBFs established by U.S. commercial banks is reflected in the appropriate asset and liability line items in the domestic office portion of the tables. Activity of IBFs established by Edge Act and Agreement subsidiaries of U.S. commercial banks is reflected in the appropriate asset and liability line items in the foreign office portion of the tables. When there is a column *for fully consolidated foreign and domestic data, activity of IBFs is reflected in the* appropriate asset and liability line items in that portion of the tables.

2. All transactions between domestic and foreign offices of a bank are reported in "Net due from" and "Net due to" (lines 79 and 103). All other lines represent transactions with parties other than the domestic and foreign offices of each bank. Since these intra-office transactions are erased by consolidation, total assets and liabilities are the sum of all except intra-office balances.

3. Foreign offices include branches in foreign countries and in U.S. territories and possessions, subsidiaries in foreign countries, and all offices of Edge Act and agreement corporations wherever located.

4. This item is unavailable for all or some of the banks because of the lesser detail available from banks without foreign offices, the inapplicability of certain items to banks that have only domestic offices, and the absence of detail on a fully consolidated basis for banks with foreign offices.

5. Equity capital is not allocated between the domestic and foreign offices of banks with foreign offices.

6. Demand deposits adjusted equal demand deposits other than domestic commercial interbank and U.S. government less cash items in process of collection.

7. Domestic offices exclude branches in foreign countries and in U.S. territories *and possessions, subsidiaries in foreign countries, and all offices of Edge Act and* agreement corporations wherever located.

8. This item contains the capital accounts of U.S. banks that have no Edge or foreign operations and reflects the difference between domestic office assets and liabilities of U.S. banks with Edge or foreign operations excluding the capital accounts of their Edge or foreign subsidiaries.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, June 30, 1982[1]

Millions of dollars

Item	All states[2] Total	All states[2] Branches[1]	All states[2] Agencies	New York Branches[4]	New York Agencies	California, total[3]	Illinois, branches	Other states[2] Branches	Other states[2] Agencies
1 **Total assets[5]**	**186,608**	**137,935**	**48,673**	**120,199**	**7,699**	**37,647**	**8,673**	**8,337**	**4,052**
2 Cash and due from depository institutions	21,644	20,295	1,349	18,407	266	877	1,610	239	246
3 Currency and coin (U.S. and foreign)	22	20	2	16	1	1	2	1	1
4 Balances with Federal Reserve Banks	971	892	79	726	32	41	26	135	10
5 Balances with other central banks	4	1	3	1	0	3	1	0	0
6 Demand balances with commercial banks in United States	1,171	1,035	136	953	53	62	45	33	25
7 All other balances with depository institutions in *United States and with banks in foreign countries*	19,346	18,232	1,114	16,603	178	757	1,533	67	209
8 Time and savings balances with commercial banks in United States	8,181	7,505	676	6,458	141	448	963	66	105
9 Balances with other depository institutions in United States	121	110	11	110	0	11	0	0	0
10 Balances with banks in foreign countries	11,044	10,617	427	10,035	38	298	570	0	104
11 Foreign branches of U.S. banks	1,215	1,187	28	1,122	8	19	65	0	1
12 Other banks in foreign countries	9,829	9,430	399	8,912	29	279	505	0	103
13 Cash items in process of collection	130	114	15	109	1	12	2	3	2
14 **Total securities, loans, and lease financing receivables**	**120,228**	**91,547**	**28,681**	**80,164**	**5,164**	**20,672**	**6,429**	**4,391**	**3,409**
15 Total securities, book value	4,709	4,248	462	4,046	265	200	170	26	2
16 U.S. Treasury	2,680	2,450	230	2,388	190	43	37	21	0
17 Obligations of other U.S. government agencies and corporations	477	454	23	442	7	18	5	5	0
18 Obligations of states and political subdivisions in United States	76	72	5	52	2	1	20	0	2
19 Other bonds, notes, debentures, and corporate stock	1,476	1,272	204	1,163	66	139	109	0	0
20 Federal funds sold and securities purchased under agreements to resell	8,149	6,458	1,691	5,964	1,240	486	230	192	37
By holder									
21 Commercial banks in United States	7,384	5,698	1,686	5,231	1,235	486	204	192	37
22 Others	765	760	5	734	5	0	26	0	0
By type									
23 One-day maturity or continuing contract	8,097	6,406	1,691	5,915	1,239	486	228	192	37
24 Securities purchased under agreements to resell	329	307	22	139	21	1	6	163	0
25 Other	7,768	6,099	1,669	5,777	1,218	486	222	28	37
26 *Other securities purchased under agreements to resell*	52	51	1	49	1	0	2	0	0
27 Total loans, gross	115,738	87,447	28,291	76,250	4,909	20,530	6,270	4,367	3,412
28 Less: Unearned income on loans	220	148	73	133	11	58	12	2	4
29 Equals: Loans, net	115,518	87,299	28,219	76,117	4,898	20,471	6,259	4,364	3,408
Total loans, gross, by category									
30 Real estate loans	4,720	2,018	2,701	1,407	12	1,765	57	476	1,002
31 Loans to financial institutions	41,832	34,544	7,288	31,911	1,151	5,920	2,379	224	248
32 Commercial banks in United States	22,181	17,443	4,738	15,724	355	4,393	1,479	221	8
33 U.S. branches and agencies of other foreign banks	20,576	16,174	4,401	14,519	321	4,079	1,464	185	8
34 Other commercial banks	1,606	1,269	337	1,205	34	314	16	36	1
35 Banks in foreign countries	18,171	15,822	2,349	15,200	655	1,495	610	2	209
36 Foreign branches of U.S. banks	1,553	1,450	103	1,414	46	63	26	0	4
37 Other	16,618	14,372	2,245	13,786	609	1,432	584	2	205
38 Other financial institutions	1,480	1,279	201	986	140	32	290	1	31
39 Loans for purchasing or carrying securities	541	505	36	443	36	60	0	2	0
40 Commercial and industrial loans	55,197	38,888	16,309	31,493	3,271	11,415	3,468	3,558	1,992
41 U.S. addressees (domicile)	31,253	21,349	9,904	15,550	933	7,827	2,958	2,502	1,482
42 Non-U.S. addressees (domicile)	23,944	17,540	6,404	15,942	2,338	3,587	510	1,056	511
43 Loans to individuals for household, family, and other personal expenditures	206	149	56	109	11	49	8	20	8
44 All other loans	13,243	11,342	1,901	10,887	429	1,320	358	87	161
45 Loans to foreign governments and official institutions	10,866	9,050	1,816	8,661	407	1,281	326	55	135
46 Other	2,377	2,292	85	2,226	23	39	32	32	25
47 Lease financing receivables	1	1	0	1	0	0	0	0	0
48 All other assets	36,587	19,635	16,951	15,665	1,030	15,612	404	3,516	360
49 Customers' liability on acceptances outstanding	11,493	8,048	3,445	7,724	784	2,638	130	184	33
50 *U.S. addressees (domicile)*	5,809	3,437	2,371	3,309	50	2,322	94	27	7
51 Non-U.S. addressees (domicile)	5,684	4,611	1,073	4,416	734	315	36	157	26
52 Net due from related banking institutions[6]	18,228	5,872	12,356	2,663	57	12,076	0	3,194	238
53 Other	6,866	5,715	1,150	5,277	189	898	274	139	88

4.30 Continued

Item	All states[2]			New York		California, total[3]	Illinois, branches	Other states[2]	
	Total	Branches[1]	Agencies	Branches[4]	Agencies			Branches	Agencies
54 **Total liabilities[5]**	**186,608**	**137,935**	**48,673**	**120,199**	**7,699**	**37,647**	**8,673**	**8,337**	**4,052**
55 Total deposits and credit balances	70,799	65,313	5,486	57,528	1,136	3,703	2,040	5,595	798
56 Individuals, partnerships, and corporations	29,996	28,408	1,588	21,895	239	847	897	5,484	634
57 U.S. addressees (domicile)	23,057	22,980	77	16,878	41	85	692	5,347	14
58 Non-U.S. addressees (domicile)	6,939	5,428	1,511	5,017	198	763	205	137	619
59 U.S. government, states, and political subdivisions in United States	131	72	58	20	58	2	1	50	0
60 All other	40,673	36,832	3,840	35,613	839	2,853	1,142	61	165
61 Foreign governments and official institutions	5,031	4,708	323	4,601	42	281	90	17	0
62 Commercial banks in United States	9,945	8,541	1,403	7,947	188	1,190	572	17	31
63 U.S. branches and agencies of other foreign banks	6,512	5,685	827	5,305	83	740	376	5	4
64 Other commercial banks in United States	3,432	2,856	576	2,642	105	450	196	12	27
65 Banks in foreign countries	25,077	23,064	2,013	22,576	549	1,358	463	14	116
66 Foreign branches of U.S. banks	3,879	3,535	344	3,491	118	217	36	7	9
67 Other banks in foreign countries	21,119	19,530	1,669	19,085	432	1,141	427	8	107
68 Certified and officers' checks, travelers checks, and letters of credit sold for cash	619	519	100	489	59	25	17	13	17
69 Demand deposits	3,275	3,083	191	2,842	59	68	105	127	74
70 Individuals, partnerships, and corporations	1,499	1,437	62	1,251	0	28	83	95	41
71 U.S. addressees (domicile)	960	960	0	785	0	7	80	88	0
72 Non-U.S. addressees (domicile)	538	477	62	466	0	21	3	7	41
73 U.S. government, states, and political subdivisions in United States	9	9	0	7	0	1	0	1	0
74 All other	1,767	1,638	130	1,585	59	39	21	31	32
75 Foreign governments and official institutions	411	402	9	385	0	9	1	17	0
76 Commercial banks in United States	82	82	0	79	0	0	1	2	0
77 U.S. branches and agencies of other foreign banks	28	28	0	28	0	0	0	0	0
78 Other commercial banks in United States	54	54	0	51	0	0	1	2	0
79 Banks in foreign countries	655	635	20	632	0	5	2	0	15
80 Certified and officers' checks, travelers checks, and letters of credit sold for cash	619	519	100	489	59	25	17	13	17
81 Time deposits	66,779	61,746	5,034	54,264	885	3,583	1,905	5,441	701
82 Individuals, partnerships, and corporations	27,992	26,630	1,362	20,364	139	773	785	5,362	570
83 U.S. addressees (domicile)	21,754	21,753	0	15,881	0	53	584	5,234	0
84 Non-U.S. addressees (domicile)	6,238	4,877	1,361	4,483	133	720	200	128	569
85 U.S. government, states, and political subdivisions in United States	122	64	0	13	0	1	0	49	0
86 All other	38,665	35,052	3,613	33,887	688	2,809	1,121	30	132
87 Foreign governments and official institutions	4,593	4,301	350	4,212	79	271	89	0	0
88 Commercial banks in United States	9,817	8,439	1,377	7,848	166	1,186	570	16	31
89 U.S. branches and agencies of other foreign banks	6,479	5,653	827	5,272	83	740	375	5	4
90 Other commercial banks in United States	3,337	2,787	551	2,576	84	446	195	11	27
91 Banks in foreign countries	24,256	22,313	1,943	21,827	501	1,352	461	14	101
92 Savings deposits	278	252	26	192	0	23	29	26	8
93 Individuals, partnerships, and corporations	278	252	26	192	0	23	29	26	8
94 U.S. addressees (domicile)	198	198	0	144	0	3	27	23	0
95 Non-U.S. addressees (domicile)	79	54	26	47	0	20	2	2	8
96 U.S. government, states, and political subdivisions in United States	0	0	0	0	0	0	0	0	0
97 All other	0	0	0	0	0	0	0	0	0
98 Credit balances	467	232	236	230	192	29	0	1	15
99 Individuals, partnerships, and corporations	228	90	138	89	100	23	0	1	15
100 U.S. addressees (domicile)	144	69	77	67	41	22	0	1	14
101 Non-U.S. addressees (domicile)	84	21	63	21	60	2	0	0	1
102 U.S. government, states, and political subdivisions in United States	0	0	0	0	0	0	0	0	0
103 All other	240	142	98	142	92	6	0	0	0
104 Foreign governments and official institutions	27	5	23	5	21	1	0	0	0
105 Commercial banks in United States	46	20	26	20	22	4	0	0	0
106 U.S. branches and agencies of other foreign banks	5	5	0	5	0	0	0	0	0
107 Other commercial banks in United States	41	16	26	16	21	4	0	0	0
108 Banks in foreign countries	166	117	49	117	49	0	0	0	0

For notes see end of table.

4.30 Continued

Item	All states[2]			New York		California, total[3]	Illinois, branches	Other states[2]	
	Total	Branches[4]	Agencies	Branches[4]	Agencies			Branches	Agencies
109 Federal funds purchased and sold under agreement to repurchase	17,918	11,168	6,750	9,851	1,940	3,697	999	232	1,198
By holder									
110 Commercial banks in United States	15,209	9,766	5,443	8,482	1,566	3,613	967	231	350
111 Others	2,709	1,402	1,306	1,369	374	85	32	0	848
By type									
112 One-day maturity or continuing contract	16,739	10,136	6,603	8,851	1,845	3,645	967	232	1,198
113 Securities sold under agreements to repurchase	940	778	162	652	54	108	10	115	0
114 Other	15,799	9,358	6,441	8,199	1,791	3,538	957	116	1,198
115 Other securities sold under agreements to repurchase	1,179	1,032	147	1,000	95	52	32	0	0
116 Other liabilities for borrowed money	48,130	21,557	26,573	19,805	1,636	24,639	928	731	391
117 Owed to banks	45,550	19,661	25,889	17,973	1,604	23,994	891	705	384
118 U.S. addressees (domicile)	43,336	17,828	25,507	16,266	1,481	23,836	854	640	259
119 Non-U.S. addressees (domicile)	2,215	1,833	382	1,707	123	158	37	64	125
120 Owed to others	2,579	1,896	684	1,832	32	645	37	26	7
121 U.S. addressees (domicile)	2,157	1,583	573	1,523	3	571	35	25	0
122 Non-U.S. addressees (domicile)	423	312	111	309	29	74	2	1	7
123 All other liabilities	49,761	39,898	9,863	33,015	2,987	5,608	4,707	1,780	1,665
124 Acceptances executed and outstanding	13,356	9,780	3,576	9,455	812	2,740	132	183	34
125 Net due to related banking institutions[6]	32,151	26,598	5,553	20,437	2,071	2,292	4,406	1,379	1,566
126 Other	4,254	3,520	734	3,123	104	575	169	217	64
MEMO									
127 Time deposits of $100,000 or more	52,895	50,838	2,057	43,607	19	1,516	1,697	5,401	655
128 Certificates of deposit (CDs) in denominations of $100,000 or more	28,274	26,995	1,279	20,486	1	914	1,108	5,316	449
129 Other	24,621	23,843	778	23,121	19	602	588	85	206
130 Savings deposits authorized for automatic transfer and NOW accounts	27	17	10	4	0	4	5	6	7
131 Money market time certificates of $10,000 and less than $100,000 with original maturities of 26 weeks	2	2	0	0	0	1	0	0	0
132 Time certificates of deposit in denominations of $100,000 or more with remaining maturity of more than 12 months	2,435	2,367	68	2,116	0	11	34	214	59
133 Acceptances refinanced with a U.S.-chartered bank	5,061	3,488	1,573	3,164	40	1,518	26	298	15
134 Statutory or regulatory asset pledge requirement	78,297	75,160	3,137	69,433	3,088	67	5,668	40	2
135 Statutory or regulatory asset maintenance requirement	9,926	9,549	377	5,520	43	2	257	3,772	332
136 Commercial letters of credit	6,764	4,100	2,665	3,603	396	2,201	295	193	77
137 Standby letters of credit, total	10,906	8,889	2,017	7,837	347	1,181	468	393	680
138 U.S. addressees (domicile)	8,693	7,074	1,619	6,318	198	970	328	275	603
139 Non-U.S. addressees (domicile)	2,214	1,815	399	1,519	149	211	139	118	77
140 Standby letters of credit conveyed to others through participations (included in total standby letters of credit)	2,110	2,008	102	1,993	23	78	14	0	2
141 Holdings of commercial paper included in total gross loans	655	605	50	567	10	40	38	0	0
142 Holdings of acceptances included in total commercial and industrial loans	5,250	3,783	1,467	3,687	89	1,337	61	35	41
143 Immediately available funds with a maturity greater than one day (included in other liabilities for borrowed money)	33,888	12,660	21,229	11,406	1,399	19,668	681	500	235
144 Gross due from related banking institutions[6]	77,582	53,622	23,960	46,224	5,295	17,976	2,678	4,609	800
145 U.S. addressees (domicile)	22,282	9,166	13,116	4,602	1,644	11,277	175	4,302	283
146 Branches and agencies in United States	21,914	8,968	12,946	4,432	1,591	11,160	147	4,302	283
147 In the same state as reporter	659	285	374	244	12	355	0	41	7
148 In other states	21,255	8,683	12,572	4,188	1,579	10,805	147	4,261	276
149 U.S. banking subsidiaries[7]	368	198	170	170	54	117	28	0	0
150 Non-U.S. addressees (domicile)	55,300	44,456	10,844	41,623	3,651	6,699	2,503	307	517
151 Head office and non-U.S. branches and agencies	52,834	42,098	10,736	39,285	3,626	6,634	2,485	306	498
152 Non-U.S. banking companies and offices	2,466	2,358	108	2,338	24	65	18	2	19
153 Gross due to related banking institutions[6]	91,506	74,349	17,157	63,998	7,309	8,192	7,083	2,795	2,129
154 U.S. addressees (domicile)	21,307	15,235	6,072	9,955	2,405	2,967	2,975	2,088	917
155 Branches and agencies in United States	21,018	15,005	6,013	9,792	2,404	2,943	2,912	2,086	881
156 In the same state as reporter	478	186	292	76	0	292	70	39	0
157 In other states	20,540	14,820	5,721	9,716	2,404	2,651	2,841	2,947	881
158 U.S. banking subsidiaries[7]	289	230	59	163	0	25	63	2	36
159 Non-U.S. addressees (domicile)	70,199	59,114	11,085	54,043	4,904	5,225	4,108	706	1,212
160 Head office and non-U.S. branches and agencies	68,529	57,529	11,001	52,489	4,843	5,204	4,102	689	1,202
161 Non-U.S. banking companies and offices	1,669	1,585	84	1,554	61	21	6	17	9

4.30 Continued

Item	All states[2]			New York		California, total[3]	Illinois, branches	Other states[3]	
	Total	Branches[4]	Agencies	Branches[4]	Agencies			Branches	Agencies
Average for 30 calendar days (or calendar month) ending with report date									
162 Total assets	178,795	130,621	48,174	113,361	7,375	37,549	8,582	8,005	3,924
163 Cash and due from depository institutions	19,192	18,018	1,173	16,373	264	772	1,401	218	164
164 Federal funds sold and securities purchased under agreements to resell	6,473	4,915	1,558	4,620	1,118	424	149	131	30
165 Total loans	110,988	83,106	27,882	72,168	4,749	20,379	6,090	4,292	3,309
166 Loans to banks in foreign countries	17,703	15,430	2,273	14,745	623	1,454	673	2	207
167 Total deposits and credit balances	66,528	61,593	4,936	54,069	1,054	3,357	1,995	5,387	665
168 Time CDs in denominations of $100,000 or more	27,453	26,250	1,203	20,007	1	873	1,033	5,104	415
169 Federal funds purchased and securities sold under agreements to repurchase	16,790	10,197	6,593	8,992	1,588	3,951	947	238	1,074
170 Other liabilities for borrowed money	46,287	20,144	26,142	18,506	1,634	24,192	880	685	390
171 Number of reports filed[8]	387	205	182	127	45	105	38	31	41

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." This form was first used for reporting data as of June 30, 1980. 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. Agencies account for virtually all of the assets and liabilities reported in California.

4. Includes all offices that have the power to accept deposits from U.S. residents, including any such offices that are considered agencies under state law.

5. 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 6). 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.

6. "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). Gross amounts due from and due to related banking institutions are shown as memo items.

7. "U.S. banking subsidiaries" refers to U.S. banking subsidiaries majority-owned by the foreign bank and by related foreign banks and includes U.S. offices of U.S.-chartered commercial banks, of Edge Act and Agreement corporations, and of New York State (Article XII) investment companies.

8. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

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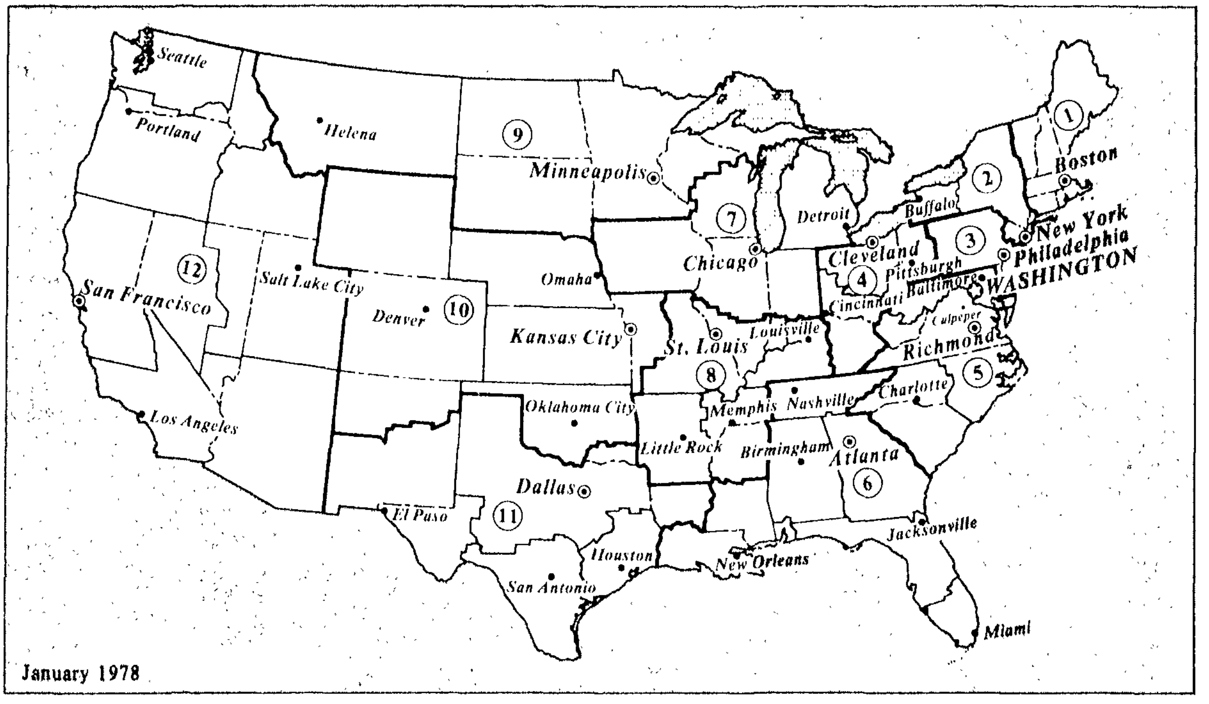

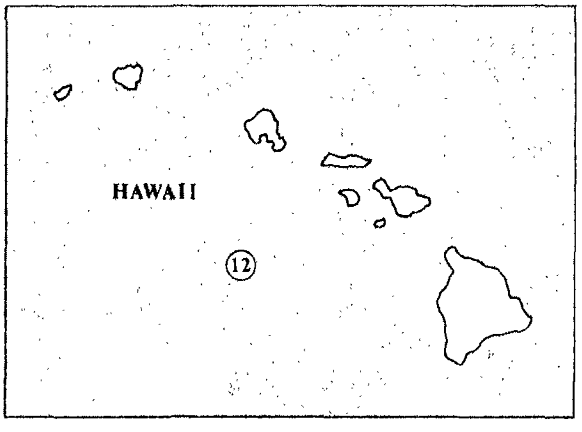

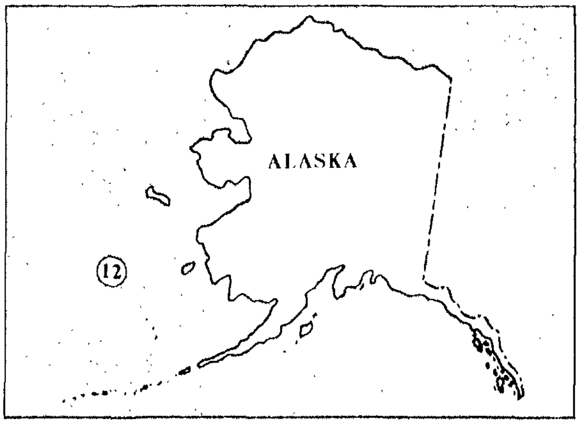

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