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the Committee agreed on the desirability of a directive that called for no change in the degree of pressure on reserve positions. Some firming or some easing of reserve conditions would be acceptable depending especially on developments relating to inflation and the performance of the dollar in foreign exchange markets, while also taking account of the behavior of the monetary aggregates and the strength of the business expansion. This approach to policy implementation was expected to be consistent with growth of M2 and M3 at annual rates of around 5 percent and 7½ percent respectively, over the three-month period from June to September. Over the same period, growth in M1 was expected to resume after declining on balance in May and June but to remain well below its pace in 1986. The members agreed that the intermeeting range for the federal funds rate, which provides a mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, should be left unchanged at 4 to 8 percent.

Changes in Consumer Installment Debt: Evidence from the 1983 and 1986 Surveys of Consumer Finances

This article was prepared by Robert B. Avery, Gregory E. Elliehausen, and Arthur B. Kennickell of the Board's Division of Research and Statistics, with the assistance of Aliki Antonatos, Charles Luckett, and Phoebe Roaf.

Consumer installment debt has grown substantially during the current economic expansion. By 1986, the level of such debt outstanding had reached a record high relative to disposable income. Aggregate data, however, reveal little about the behavior underlying this growth. Household surveys provide an opportunity to learn who borrows, how much is borrowed, and for what purposes the credit is used.

This article uses survey data to examine the elements underlying the recent rise in consumer installment debt, which consists of credit card debt, automobile and home improvement loans, and other regular-payment loans for durables and personal expenses. The data are from the 1983 and 1986 Surveys of Consumer Finances, which were sponsored by the Board of Governors of the Federal Reserve System, the U.S. Department of Health and Human Services, and six other government agencies. In general, household surveys allow one to examine the distribution of debt over the population in terms of income, age, and other demographic characteristics. A particularly valuable feature of the 1983 and 1986 surveys is that the same families were interviewed in both years; this continuity allows one to link changes in consumer debt with changes in the economic circumstances of specific families.

Several findings emerge from this study. First, debt-service payments have risen at a much slower rate than the stock of debt has. This finding can be explained by a gradual lengthening of contract maturities and, more recently, a decrease in interest rates. While little of the growth in aggregate debt payments can be attributed to changes in demographics other than the general increase in population, the growth does appear to be closely linked to increases in income and was greatest among families with high income.

Second, the types of credit consumers use have changed in importance. Credit cards appear to be playing a greater role in consumer borrowing than they had previously. The surveys also suggest that between 1983 and 1986 only a small amount of home equity credit (mortgage debt) was substituted for consumer installment credit. That three-quarters of the families with consumer installment debt were homeowners, however, suggests a potential for such substitution. Since the 1986 survey, the substitution of mortgage credit for consumer credit may have increased in response to changes in the federal tax law and to the heavy promotion of home equity lines of credit.

Third, the debt burdens of families as measured by the ratio of their payments to their income vary considerably over time. Only a few families appear to carry heavy debt burdens over long periods: most families with heavy debt burdens appear to reduce their ratio of payments to income substantially, primarily through increases in their income. Nevertheless, some concern about this group seems warranted. The share of aggregate payments made by families with large payments relative to their income rose substantially between 1983 and 1986, despite the relatively small change in the number of such families.

Finally, more than 80 percent of the families that have consumer installment debt also have financial assets or home equity sufficient to permit liquidating their debts in emergencies. This finding appears to hold for more than half of the families with high payments relative to their income.

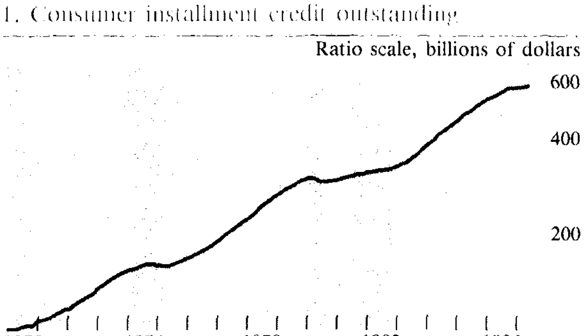
Aggregate Changes in Consumer Debt in Recent Years

The growth in consumer credit from 1983 to 1986 is the most recent expansion in a cyclical pattern that has characterized the period since World War II (see the Federal Reserve Bulletin for June 1985). The first half of the 1970s marked the end of a long period of moderate growth in consumer debt. In the following years, consumer borrowing expanded sharply (chart 1). Consumer installment credit outstanding grew at an average compound annual rate of 15 percent between 1976 and 1979, compared with the 10 percent rate that prevailed between 1970 and 1975.

Several factors contributed to the acceleration of consumer debt in the late 1970s. Coincident with the quickening of inflation after 1975, consumers increased their use of installment credit to finance purchases of durables. At the same time, the maturities of contracts on new consumer loans began to lengthen. The lengthening of contract maturities reduced the rate at which debt had to be repaid, and thus a given stock of outstanding debt implied a lighter burden of debt service than otherwise would have been the case. The reduction in the rate of debt repayment lowered consumers' monthly payments, probably stimulated the demand for credit, and further increased the stock of outstanding debt. Finally, an increase in the use of credit cards appears also to have contributed to this growth.

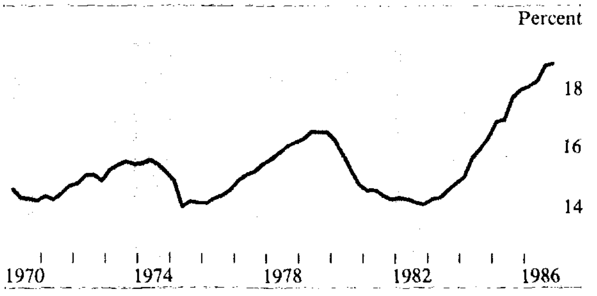
During the recessions of 1980 and 1981–82, growth in consumer debt slowed dramatically. Between 1979 and 1982, consumer installment credit outstanding grew at an annual compound rate of less than 6 percent per year. During this period, constraints on the supply of credit became important. Market rates of interest rose to state ceilings; as a result, lenders limited credit. Besides these constraints, the federal government's short-lived program in 1980 to control credit led creditors to adopt restrictive measures.

1. Consumer installment credit outstanding



Shaded areas represent periods of economic recession.

2. Ratio of consumer installment debt to disposable income



Shaded areas represent periods of economic recession.

Consumer borrowing expanded rapidly after the 1981–82 recession. From the end of the recession until the beginning of 1987, consumer installment credit outstanding grew at an average compound annual rate of 18 percent. Much of this growth reflected the normal pattern in an economic expansion.

Some Limitations of Aggregate Measures

Changes in the aggregate stock of consumer installment debt may not fully reflect the changes in the role of debt or their relation to other economic changes. One adjustment that is often made to this aggregate measure is to divide it by aggregate disposable personal income; this ratio is commonly used as an indicator of the burden of such debt on households (chart 2). Even with the adjustment, this measure has a serious limitation: changes in the ratio have no simple relation to changes in the circumstances of individual households. Such information is best obtained from household surveys.

Another limitation of the stock measure of consumer installment debt is that, in the short run, changes in the level of installment payments are believed to be tied more closely to changes in household behavior than are changes in the stock of debt. Unfortunately, information on aggregate consumer installment payments is not available, though it can be estimated from household survey data.

Survey Measures

Comprehensive household survey data are available for only a few years during the 1970–86 period. The Survey Research Center of the University of Michigan conducted Surveys of Consumer Finances in 1970, 1977, 1983, and 1986. These surveys collected information on family assets, debts, income, employment, and demographic characteristics. (For a more detailed description of the surveys, see the appendix.) For the 1986 survey, respondents to the 1983 survey were reinterviewed. Thus, using the 1983 and 1986 surveys, one can study changes in the consumer installment debt of individual families over a period during which aggregate consumer debt grew rapidly, and one can relate those changes to the family's income and assets.

From the data collected in the four surveys, an estimate of payments on consumer installment debt was constructed to correspond as closely as possible to payments on the measured aggregate stock. Payments on consumer installment debt are defined throughout the rest of this article as the sum of scheduled monthly payments on closed-end consumer credit and 5 percent of financed balances on credit cards, which is commonly the minimum payment on outstanding credit card balances. Closed-end consumer credit includes all consumer installment debt with regularly scheduled payments. Financed balances on credit cards include only the part of the charges appearing on families' most recent credit card statements that remain after the most recent payments. Thus this measure of payments does not reflect the portion of the reported aggregate stock of credit card debt that is attributable to the use of credit cards as a convenient substitute for currency or checks (see the FEDERAL RESERVE BULLETIN for March 1987). The construction of these payment variables is discussed more fully in the appendix. Many families pay more on both credit card debt and closed-end consumer debt; the payment variable used here represents their minimum monthly obligation.

The surveys indicate that monthly payments on consumer installment debt measured in this way have risen less rapidly than the corresponding aggregate of consumer installment debt has. While the volume of consumer installment credit grew at an average compound annual rate of 17.9 percent from 1983 to 1986, monthly payments increased at an annual rate of 11.5 percent (table 1). This finding is consistent with the effects of changes in the terms of typical loan contracts: the continuing trend toward longer contract maturities and, since the early 1980s, lower interest rates. For example, a borrower with typical terms for a new-car loan could have borrowed 21 percent more in early 1986 than in early 1983 for the same monthly payment.

The surveys enable one to estimate more than aggregate totals. In particular, they allow the association of debt and debt payments with a

1. Aggregate and survey-based measures of debt, selected years, 1970–86[1]

Percent, except as noted

Measure	1970	1977	1983	1986	Memo: Weighted average, 1970–86
Aggregate					
Consumer installment debt outstanding (billions of dollars)	100.5	210.0	337.0	551.8	253.8
Annual compound rate of change from preceding period	...	11.2	8.2	17.9	11.2
Ratio of installment debt to disposable income	14.2	15.1	14.1	19.6	15.0
Survey-based					
Payments per month (billions of dollars)	2.7	5.0	7.7	10.6	5.8
Annual compound rate of change from preceding period	...	8.1	7.3	11.5	8.4
Families with debt	52.6	56.4	56.9	58.5	55.9
Mean ratio of debtors' payments to income	10.4	10.9	9.3	10.0	10.2

1. Figures in this and all subsequent tables are based on data supplied by families with a head 25 years of age or more (see the appendix).

broad range of economic and demographic characteristics. One can determine the types of families that have consumer debt; examine the changes in their debt; and, by looking at the abilities of debtors to repay their loans, explore the issue of debt burden. For example, a simple survey measure of payments, the mean ratio of monthly payments on family debt to gross monthly family income, gives a different picture of the perceived recent rise in debt burden than that given by the aggregate measure: whereas the aggregate ratio of installment debt to disposable income has increased more than 5 percentage points over all, the survey-based ratio of payments to income has changed only slightly over the past 16 years (see table 1). The next sections show how this apparent stability masks complex changes.

SURVEY EVIDENCE ON CHANGES IN DEBT

The 1983 and 1986 surveys allow a more detailed look at the factors connected with the recent rise in consumer debt. They reveal some ties between income, automobile purchases, the use of credit cards, and the growth in consumer credit. While the surveys show a strong association of the levels of family debt with demographic characteristics and with expenditures for durables other than automobiles, these factors appear to explain very little about the growth in debt.

Debt and Demographic Change

Much of the recent increase in consumer debt is commonly attributed to demographic changes in the population. The use a family makes of consumer installment debt has been traditionally viewed as closely associated with its stage in the life cycle. A fundamental concept of the economic life cycle is that at different points in life a family's income and desired expenditures may not match. The income of young families is generally below its long-term level, yet families in that stage must bear the large costs of furnishing a place to live and of rearing children. Theory leads one to expect that these families try to bridge the temporary gap between income and

2. Use of consumer installment credit by families with selected characteristics, 1983 and 1986

Percent, except as noted

Family characteristic	1983					1986					Memo: Distribution of families	
	Families with consumer debt	Monthly payment (dollars): Mean	Monthly payment (dollars): Median	Median ratio of payments to income	Share of total payments	Families with consumer debt	Monthly payment (dollars): Mean	Monthly payment (dollars): Median	Median ratio of payments to income	Share of total payments	1983	1986
Income (1986 dollars)												
Less than 10,000	30.2	87	50	12.2	5.2	33.2	81	45	8.8	4.2	19.8	20.0
10,000–19,999	51.8	116	80	7.6	14.5	51.7	131	100	8.6	12.4	23.9	23.3
20,000–34,999	68.9	168	142	7.1	31.4	69.5	201	150	7.2	28.3	26.9	25.8
35,000–49,999	73.4	211	187	6.0	23.4	76.9	266	215	6.5	24.6	15.0	15.3
50,000 or more	62.2	283	216	4.2	25.5	65.0	386	250	4.9	30.5	14.4	15.5
Age of head (years)												
25–34	70.7	171	138	7.2	30.0	68.9	206	173	7.4	27.5	24.6	24.7
35–44	74.6	196	150	6.5	31.2	77.2	250	192	7.8	32.5	21.2	21.5
45–54	65.2	192	153	6.8	21.2	70.1	274	145	6.1	22.4	16.8	14.9
55–64	50.5	164	108	5.6	13.6	53.5	192	88	4.8	13.2	16.3	16.4
65 or more	21.2	89	40	4.5	4.0	25.4	101	45	4.4	4.5	21.1	22.5
Type of occupancy												
Homeowner	58.5	194	158	6.3	76.9	60.3	238	160	6.4	79.8	67.2	70.9
Renter	53.6	131	92	6.9	23.1	54.3	163	100	7.6	20.2	32.8	29.1
Race or national origin of head												
Caucasian	56.3	176	138	6.2	82.7	59.0	223	150	6.4	85.0	82.9	82.6
Nonwhite or Hispanic	59.6	169	101	7.9	17.2	56.2	195	100	8.0	15.0	17.1	17.4
All families with head 25 years of age or more	**56.9**	**175**	**134**	**6.6**	**100.0**	**58.5**	**218**	**145**	**6.6**	**100.0**	**100.0**	**100.0**

3. Actual and projected consumer installment payments by families with selected characteristics, 1983–86

Percent

Family characteristic	Memo: Proportion of all families, 1986[1] (1)	Actual 1986 share of payments[1] (2)	Increase in payments, 1983–86		Actual growth in income per family, 1983–86 (5)
			Projected[2] (3)	Actual (4)	
Head 25–44 years of age					
Unmarried, no children	10.6	10.9	30.0	88.7	47.4
Married, no children	5.0	8.8	−5.6	16.3	26.3
Married, youngest child under 6	12.6	19.7	25.6	54.6	17.5
Married, youngest child over 6	10.7	14.7	14.5	0.4	13.8
Head 45 years of age or more					
Married, children	5.9	8.2	−8.1	−0.2	21.0
Married, no children, not working[3]	11.1	3.5	20.1	22.4	10.0
Married, no children, working	13.7	19.5	15.8	62.8	3.8
Unmarried, no children, not working[3]	15.9	3.0	48.1	164.0	21.9
Unmarried, no children, working	6.6	5.5	11.9	76.6	29.1
Head over 25 years, unmarried, with children	8.0	6.2	19.1	45.1	45.8
All families with head 25 years of age or more	**100.0**	**100.0**	**14.2**	**38.3**	**14.3**

1. Details may not add to totals because of rounding.
2. Payments are projected by multiplying 1983 group payments by the rate of inflation and by the population increase for each group.
3. Head of family not in labor force.

expenditure by borrowing. Many economists have speculated that, during the past several years, credit has expanded in part because the "baby boom" generation has moved into the life-cycle phase most associated with the purchase of major durables, which are typically tied to the use of installment credit.

The distribution of debt payments across various income and age groups in 1986 is broadly consistent with the life-cycle theory (table 2). The use of debt, in terms both of incidence and of payment levels, is highest for families whose heads are 25 to 54 years of age and lowest among families with heads 55 years of age and older. Thus a shift of population toward younger families, which are likely to be heavy users of debt, may be expected to raise aggregate borrowing.

Survey data suggest, however, that demographic changes from 1983 to 1986 may have actually damped the growth of debt in the population. In particular, while the proportion of families with heads between 25 and 45 years of age increased from 1983 to 1986, the proportion of families of older unmarried people, which generally hold little debt, grew even faster. Calculations presented in table 3 take some account of demographic shifts by first dividing families into 10 representative life-cycle groups. Column 3 shows the growth in payments predicted for each group on the bases of inflation and of the growth in the number of each type of family. The 14.2 percent figure at the bottom of the column is the weighted average of the predictions for each group and thus is an estimate of payment growth accounting for both population shifts and for overall population growth. If debt payments of all groups had increased equally at the rate of growth of the overall population and of inflation, payments would have grown by 19 percent over this period. That this number is greater than the 14.2 percent growth projected taking account of demographic shifts and overall growth suggests that these shifts have damped the growth of credit.

The projections of 14.2 percent and 19 percent are both much lower than the 38.3 percent growth in payments observed between the two surveys. The unexplained difference is reflected in broad deviations of predicted and actual increases for almost all the subgroups, as shown by the comparison of columns 3 and 4 of table 3. These figures suggest that, with the exception of young married couples with children six years of age or older, each group had actual growth of payments in 1986 larger than their predicted growth. The behavior of the exceptional group is somewhat puzzling. The actual increase for this group, which is largely the same as the 35- to 44-

year-old group in table 2, was very small despite a projected increase higher than average.

One explanation of this anomaly may be the relatively slow growth in income for this group (column 5 of table 3). As noted in the December 1986 issue of the FEDERAL RESERVE BULLETIN, sluggish growth in purchases of automobiles and other durables has been linked to the income performance of this group. One of the other two groups with less than average income growth—households with nonworking, married head ; who are more than 45 years of age—had an actual increase in payments only slightly larger than predicted. These findings suggest that the growth in debt payments is closely linked to the growth in income. This conclusion highlights the importance of changes in income in explaining the aggregate growth of payments from 1983 to 1986. As shown in table 2, the share of payments made by families in the highest income category grew from 25.5 to 30.5 percent. This group had the highest growth in income as well (not shown in the tables).

Debt and Purchases

More than 85 percent of the debts observed in 1986 were debts acquired since 1983 and thus almost surely were connected to purchases over the intervening period. In the traditional view, most consumer installment debt is closely associated with expenditures for large durables and automobiles. Indeed, as table 4 shows, families who made large purchases between 1983 and 1986 were more likely than the group of all families to have debts and to have larger-than-average installment debt payments in 1986 (compare with the last row of table 2). However, the incidence, level, and share of total payments of these families, except for automobile purchasers, changed only slightly over the three-year period. Families that purchased automobiles appear to have significantly increased their share of debt payments. The increase is even greater when the calculations exclude financed credit card payments (not shown in the table). The increase in the use of automobile credit relative to other closed-end credit may be due to promotional subsidies offered by automobile finance companies.

There are indications that the kinds of purchases for which debt is used may have changed. The survey data suggest that the role of credit cards in debt payments has increased substantially, though the share of the aggregate stock of consumer installment debt that credit cards account for remains comparatively small. The proportion of families having credit card debt, whether alone or in combination with closed-end debt, increased 5.7 percentage points between 1983 and 1986 (see table 5). Estimated payments for financed credit card debt, as shown in the last column of the table, rose from 16.9 percent of total installment payments in 1983 to 25.3 percent in 1986. This increase, in which virtually every income and age group participated, accounts for almost half of the increase in installment debt payments since 1983. Such a large share is surprising given that interest rates on credit cards did not fall as rapidly as other rates

4. Consumer installment debt for families with selected major expenditures between 1983 and 1986

Percent, except as noted

Expenditure	1983				1986			
	Families with debt	Median monthly payment (dollars)	Median ratio of payment to income	Expenditure group's share of all 1983 payments	Families with debt	Median monthly payment (dollars)	Median ratio of payment to income	Expenditure group's share of all 1986 payments
Move	66.5	129	7.1	31.5	63.7	160	6.8	34.1
Major purchase								
New house	69.6	170	7.2	16.4	70.2	180	6.0	17.0
Automobile	67.8	143	6.6	62.7	71.6	200	7.7	78.7
Other[1]	72.6	200	6.9	41.8	73.9	225	6.7	49.5
Major medical expense	59.2	180	8.2	24.2	62.3	182	8.0	28.1
College for children	72.9	160	5.2	14.8	74.1	198	5.1	19.8

1. Hobby or recreation items and home improvements totaling $3,000.00 or more.

5. Distribution of families with selected characteristics, by type of consumer installment debt, 1986

Percent

Family characteristic	No debt	Credit card only	Closed-end only	Both credit card and closed-end	Total[1]	Memo: Share of debt payments attributed to credit card debt
Income (dollars)						
Less than 10,000	66.8	16.5	14.0	2.8	100.0	19.0
10,000–19,999	48.3	24.3	13.1	14.3	100.0	27.6
20,000–34,999	30.5	30.9	17.7	20.9	100.0	25.2
35,000–49,999	23.1	30.9	13.4	32.6	100.0	27.8
50,000 or more	35.0	22.9	15.8	26.4	100.0	23.3
Age of head (years)						
25–34	31.1	26.3	20.5	22.1	100.0	26.9
35–44	22.8	28.3	16.6	32.3	100.0	26.0
45–54	29.9	29.3	17.5	23.2	100.0	20.9
55–64	46.5	28.1	13.1	12.3	100.0	26.7
65 or more	74.6	16.4	6.8	2.2	100.0	28.2
All families with head 25 years of age or more						
1983	43.1	15.9	19.0	22.0	100.0	16.9
1986	41.5	25.2	14.9	18.4	100.0	25.3

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

did over this period. Moreover, promotional subsidies of closed-end debt, particularly for automobiles, should have contributed, at least indirectly, to proportionately less borrowing on credit cards. This apparent contradiction may arise from changes in the way families use credit card debt. A great part of the unpaid balances on credit cards may be treated by families not as long-term installment debt but rather as payments that are delayed for a few months to accommodate mismatches in their patterns of income and expenditure. Families using credit cards in this way may be less sensitive to differentials in interest rates.

Substitution between Mortgage and Consumer Debt

Survey measures of consumer installment payments from 1983 to 1986 may understate the true change in the use of consumer debt because the relation between consumer debt and mortgage debt has changed. Driven by a significant drop in interest rates and by the spreading use of new mortgage instruments, outstanding family mortgage debt, according to survey estimates, grew 45 percent over the three years, while reported property values increased only 26 percent. This difference in growth suggests that some of the increase in mortgage debt was used for purposes other than housing and thus could have substituted for other kinds of debt.

Survey evidence suggests that mortgage debt was indeed used that way but with only a small effect on the overall level of consumer debt (table

6. New mortgage borrowing, homeowning families with heads 25 years of age and more, 1983–86[1]

Housing and mortgage status of homeowner	Percent of group with new mortgage	Net new mortgage financing (billions of dollars)[2]	Memo: Percent of all families[3]	Memo: Stock of consumer debt of families with new mortgages (billions of dollars) 1983	Memo: Stock of consumer debt of families with new mortgages (billions of dollars) 1986
No move, 1983–86					
No mortgage in 1983	4.4	22.0	24.4	2.9	2.4
Mortgage in 1983	12.2	64.1	31.2	17.3	18.6
Move to new home, 1983–86					
No mortgage in 1983	42.8	3.0	.9	1.5	1.2
Mortgage in 1983	91.5	2.6	3.1	8.4	12.5

1. Includes only those who owned homes in both 1983 and 1986.
2. Amount outstanding on current mortgage less amount of retired mortgage that would have been outstanding in 1986. For movers, the net change in home value including selling costs was also subtracted.
3. This column does not sum to 100.0 because the table covers homeowners only.

6). Of homeowners with mortgages in 1983, more than 12 percent of those who did not move during the three years ending in 1986 refinanced their mortgages, and more than 4 percent of those homeowners without a mortgage in 1983 took out a mortgage (or home equity loan) over this period. Further, more than 80 percent of the families moving from one owned home to another (the average of the last two rows of the first column of table 6 weighted by population) are estimated to have taken out new mortgage debt. The total net new financing from these mortgages (the sum of the numbers in the second column) is equivalent to more than one-sixth of the consumer debt outstanding in 1986. Determining what portion of these funds was substituted for consumer debt is difficult, however. Those families acquiring new mortgage financing actually increased their consumer debt over the three years, although their share of total outstanding debt fell from 18 percent to 12 percent (not shown in the table). If these families had maintained their dollar amount of borrowings so that they continued to account for 18 percent of total consumer installment debt outstanding, aggregate outstanding debt would have been 5.9 percent higher, other things being equal. This comparison suggests that the substitution of mortgage debt for consumer credit in 1983–86 was small.

In the future, borrowers likely will substitute mortgage financing more extensively for traditional consumer credit. The 1986 tax law gradually eliminates tax deductibility of interest payments on most consumer loans. Given sufficient home equity, however, all expenditures financed by home mortgages will still be fully deductible. The potential for substituting mortgage debt for consumer debt is considerable. In 1986, the aggregate home equity of families with consumer installment debts was 3.4 times the stock of such debts. As table 7 shows, homeowners are also considerably more likely than others to have consumer debt, and a significant portion of nearly every group of homeowners has both mortgage and consumer debt.

Changes in Debt-Payment Burdens

Because the 1983 and 1986 surveys interviewed the same families, they reveal the effects of changes in families' economic circumstances on consumer installment debt and debt burden. The most striking finding is that debt burdens of individual families vary greatly over time, a fact that is obscured in data from separate cross-section surveys. Most families with relatively heavy debt in 1983 had lighter burdens by 1986. Virtually all families that had such heavy debt in 1986 had lighter burdens in 1983.

7. Distribution of families with selected characteristics, by mortgage and consumer installment debt, 1986
Percent

Family characteristic	Homeowners[1]				Others[1]		Memo: Share of group owning homes
	No debt	Consumer installment debt only	Mortgage only	Mortgage and consumer installment debt	No debt	Consumer installment debt	
Income (dollars)							
Less than 10,000	56.3	24.6	9.3	9.9	68.6	31.4	58.6
10,000–19,999	39.1	18.1	13.0	29.8	42.8	57.2	59.6
20,000–34,999	17.8	15.9	12.6	53.6	30.5	69.5	70.3
35,000–49,999	11.1	14.3	11.4	62.8	26.7	73.3	84.8
50,000 or more	12.4	7.5	21.5	58.7	46.1	53.9	91.2
Age of head (years)							
25–34	6.2	7.0	18.9	67.9	37.9	62.1	53.0
35–44	4.2	8.5	16.3	71.1	28.5	71.5	70.7
45–54	11.7	20.1	14.2	54.0	46.2	53.8	80.2
55–64	31.2	24.2	13.1	31.5	54.7	45.3	79.1
65 or more	65.3	19.8	7.7	7.2	80.8	19.2	78.7
All families with head 25 years of age or more							
1983	27.5	14.5	14.0	44.0	46.4	53.6	67.2
1986	26.0	15.9	13.7	44.4	45.7	54.3	70.9

1. Details may not add to 100 percent because of rounding.

8. Distribution of families with heads 25 years of age and older, by ratio of consumer debt payments to income, selected years, 1970–86

Percent

Debt status	1970	1977	1983	1986	Memo: Share of 1986 debt payments allotted to credit card debt
No debt	47.4	43.6	43.1	41.5	...
Ratio of debt payments to income					
1–9 percent	33.0	34.7	37.6	38.9	40.0
10–29 percent	17.5	19.3	17.0	16.9	18.5
30 percent or more	2.2	2.4	2.3	2.7	11.7
All families[1]	**100.0**	**100.0**	**100.0**	**100.0**	**25.3**

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

Debt burden is difficult to measure. Debt payments, while reflecting the obligation of families, do not necessarily reflect the ability of families to pay. The fraction of family income obligated to debt service can nevertheless be used as a crude measure of debt burden. To examine changes in burden thus measured, we divided the families surveyed into four groups: those with no consumer debt, those with payments of 1 to 9 percent of gross income, those with payments of 10 to 29 percent, and those with payments of 30 percent or more of gross income. Though the proportion of families with no consumer debt was somewhat higher in 1970 than in later years, the proportion of debtors in these groups changed little after 1970 (table 8).

As is clear from the changes in the debts of individual families in the 1983 and 1986 surveys reported in table 9, much variability underlies this apparent stability. The rows show the percentage of families that moved from a given payment group in 1983 to payment groups defined for 1986, as indicated by the column headings. For example, 28.4 percent of the 1983 high-payment group had no debts at all in 1986, and only 8.9 percent of the families that were in the highest debt payment group in 1983 were still in that group in 1986 (fourth row). For the other two groups of families with debts in 1983, a majority had the same debt-payment burden or a lighter one by 1986.

Sources of Change

The debt burden of a household may change for many reasons. Family finances may be affected by changes in the composition of the family, by the aging of its members, by large purchases that require financing, and by events such as becoming unemployed. These changes, in turn, may affect family borrowing and debt-payment burdens. In the short run, changes in debt likely will lag changes in income. Families faced with a shortfall in income cannot immediately curtail

9. Distribution of families with heads 25 years of age and older and with selected ratios of consumer debt payments to income in 1983, by ratio of payments to income in 1986

Percent

Ratio of payments to income, 1983	Ratio of payments to income, 1986: No consumer debt	1–9 percent	10–29 percent	30 percent or more	All families[1]
No consumer debt	68.5	19.9	8.9	2.7	100.0
Debt					
1–9 percent	22.9	55.4	19.8	1.9	100.0
10–29 percent	22.8	47.0	26.2	4.0	100.0
30 percent or more	28.4	28.6	34.2	8.9	100.0
All families	**41.5**	**38.9**	**16.9**	**2.7**	**100.0**

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

10. [illegible] consumer installment debt, by change in respondent's status, 1983–86

Change in respondent's status, 1983–86	1983: Percent of group with consumer installment debt	1983: Median monthly payment (dollars)	1983: Median ratio of payments to income	1986: Percent of group with consumer installment debt	1986: Median monthly payment (dollars)	1986: Median ratio of payments to income
Separated or divorced	55.2	88	6.8	55.9	100	7.4
Widowed	32.3	75	7.6	31.2	50	6.0
Married	72.5	140	10.1	74.3	225	6.0
Had child	73.2	125	6.8	76.5	200	7.2

their outstanding loans without drawing on their assets or declaring bankruptcy. Similarly, families may regard some increases in income as temporary and be unwilling to take on new debt.

Changes in family structure appear to have a significant effect on families' debt burdens (table 10). For all these families, except those in which the respondent had been widowed, the incidence of debt and the level of payments increased. For newly married couples, the payment burden fell, probably because their income significantly increased (not shown in the table).

The survey data reveal that changes in income are as important as changes in debt payments in the shifting of families' debt burdens (table 11). For example, as shown in the last column of the table, most families that had the highest ratios of payments to income in 1986 had experienced

11. [illegible] classified by ratio of consumer installment debt payments to income in 1983, by payment ratio in 1986

Percent, except as noted

Item	All 1986 groups	Ratio of payments to income in 1986: No consumer debt	1–9 percent	10–29 percent	30 percent or more
All groups, 1983					
Median monthly 1986 payments (dollars)	145	0	75	300	375
Median annual 1986 income (dollars)	22,704	15,000	30,550	24,000	10,000
Median change in income, 1983–86	7.1	−1.6	13.2	13.3	−20.9
Proportion making major purchases, 1983–86[1]	61.2	43.2	71.5	80.1	72.3
Families with increase in monthly payments, 1983–86	38.7	0	55.0	87.1	94.9
No consumer debt					
Median monthly 1986 payments (dollars)	91	0	47	204	260
Median annual 1986 income (dollars)	15,000	13,000	25,000	16,000	4,342
Median change in income, 1983–86	1.3	−.9	11.1	11.5	−67.8
Proportion making major purchases, 1983–86[1]	49.2	40.3	64.5	77.3	70.5
Families with increase in monthly payments, 1983–86	31.5	0	100.0	100.0	100.0
1–9 percent of income					
Median monthly 1986 payments (dollars)	147	0	85	306	596
Median annual 1986 income (dollars)	29,312	22,000	34,000	25,000	17,750
Median change in income, 1983–86	7.1	−7.8	10.4	6.7	−33.2
Proportion making major purchases, 1983–86[1]	70.9	57.0	72.7	80.7	83.9
Families with increase in monthly payments, 1983–86	53.8	0	60.1	94.6	94.9
10–29 percent of income					
Median monthly 1986 payments (dollars)	186	0	80	365	575
Median annual 1986 income (dollars)	26,000	17,172	30,000	30,000	15,200
Median change in income, 1983–86	15.7	7.1	23.0	28.0	−12.0
Proportion making major purchases, 1983–86[1]	68.2	32.8	75.1	85.7	73.7
Families with increase in monthly payments, 1983–86	25.8	0	6.3	73.7	86.9
30 percent or more of income					
Median monthly 1986 payments (dollars)	200	0	125	228	200
Median annual 1986 income (dollars)	20,000	12,000	23,000	20,000	5,484
Median change in income, 1983–86	75.0	23.5	119.2	75.0	−2.2
Proportion making major purchases, 1983–86[1]	52.1	55.2	66.1	43.9	28.4
Families with increase in monthly payments, 1983–86	22.3	0	9.6	31.3	100.0

1. Major purchases include automobiles, major durables, hobby or recreation items, and home improvements.

declines in their income over the previous three years; the median decline was 20.9 percent. Also, virtually all high-debt families in 1986 (94.9 percent) had increased their level of payments. Families with debts in 1986 that had lower payment ratios than they had in 1983 substantially increased their income and, in general, were more likely to have decreased their level of payments. Income increases were particularly dramatic for families that had had the highest ratios in 1983 but had lower ones in 1986, suggesting that these families may have been experiencing temporarily low income in 1983. This change in income, combined with the decrease in payments for almost 80 percent of the 1983 high-ratio group, led to the striking reduction of debt-payment burden for this group in 1986.

Purchases also played a part in changes in debt-payment burdens. Except for families that were in the group with high payment ratios in both years, debtors who stayed in the same group or moved to a higher one were also more likely than the population as a whole to have made a major purchase.

Some of the observed movements of families to lower ratio groups may have resulted from bankruptcy rather than from the repayment of debts. From aggregate data, we estimated that about 1 percent of families in the 1986 survey probably declared bankruptcy over the preceding three years (such information was not collected in the surveys). Under the extreme assumption that all families subsequently declaring bankruptcy were in the 1983 high-ratio group—a very unlikely correspondence—at most one-third of the 1983 high-ratio families could have reduced their debt burdens through bankruptcy. Thus the general lightening in the debt-payment burdens for the 1983 high-ratio group most likely reflects improvement in income rather than liquidation of debts through bankruptcy.

Families with Heavy Debt-Payment Burdens

Families in the group with the highest ratios of payments to income are of particular concern.

12. Families with selected characteristics and heavy debt in 1986, by 1983 debt-payment group

Percent, except as noted

Family characteristic in 1986	Ratio of payments to income in 1983: No consumer debt	1–9 percent	10–29 percent	30 percent or more	Memo: All families with debt in 1986
Family income (dollars)					
Less than 10,000	72.5	25.9	32.9	69.6	11.3
10,000–19,999	11.6	52.7	20.1	13.9	20.6
20,000–34,999	14.8	13.5	28.6	16.5	30.7
35,000–49,999	*	7.1	18.4	*	20.1
50,000 or more	1.1	.9	*	*	17.2
All incomes[1]	100.0	100.0	100.0	100.0	100.0
Median change in income, 1983–86 (dollars)	−6,777	−6,373	−2,900	−123	2,700
Age of head (years)					
25–34	16.7	27.6	19.1	*	29.1
35–44	31.7	29.2	24.9	30.4	28.3
45–54	3.4	3.1	25.5	12.0	17.8
55 to 64	12.2	36.7	23.8	12.9	15.0
65 or more	35.9	3.5	6.9	44.8	9.8
All ages[1]	100.0	100.0	100.0	100.0	100.0
Type of debt					
Credit card	7.5	86.7	63.3	43.3	74.5
Closed-end	97.4	92.5	96.2	100.0	56.9
All types[2]	100.0	100.0	100.0	100.0	100.0
Major expense, 1983–86					
Purchase of car	70.5	78.9	60.5	28.4	64.3
Other purchase	3.7	49.2	40.2	16.5	35.3
Medical	45.0	42.7	17.5	44.8	22.0
All major expenses[3]	86.4	89.7	83.0	73.2	79.4

1. Details may not add to 100.0 percent because of rounding.
2. Totals of details exceed 100.0 percent because some families had both types of debt.
3. Totals of details exceed the reported total because some families made more than one type of major purchase.
*Less than 0.05 percent.

Because of their heavy payment burden, they may have the greatest potential for default. While this group is small, their debt appears to be sufficient so that default would have some disruptive effects on lenders. To assess that concern, we examined in more detail the changes in the economic circumstances of the 1986 high-ratio group.

Table 12 presents the characteristics of families that had heavy debt-payment burdens in 1986 classified by their 1983 payment groups. Families that went from no debt in 1983 to a high debt-payment ratio in 1986 appear very different from those that went from a low or moderate ratio to a high one. Families that went from no debt to a high ratio were more likely to be in lower income groups in 1986 and were disproportionately elderly. Moreover, their income decreased more than that of the other groups over the three-year period. Most of the debt acquired by the group was closed-end, rather than credit card, debt and was associated largely with buying a car or with major medical expenditures. As noted earlier, because of their generally low or reduced income, borrowing for any major purchase was more likely to have caused them to have a high ratio of payments to income. The families that had heavy burdens of debt payment in both years were similar to the group that had no debt in 1983.

In contrast to the families with no debt or with a high payment ratio in 1983, those families whose payment burdens increased from the lower levels (1–29 percent) in 1983 to the highest ones in 1986 generally were younger and were more likely to have income only somewhat below average than to be poor. For them, incurring debt was more likely to be associated with a rise in a broad range of expenditures, as reflected in the higher proportion of credit card payments in their debt service. These families, too, were more likely than the population of all debtors in 1986 to have bought a car in the prior three years.

Changes in the Distribution of Total Payments

Despite the similar proportion of families in the high-ratio groups in 1983 and 1986, the share of payments made by families with high payment ratios rose dramatically (table 13). The top panel of the table shows the percentage of all families

13. Distribution of 1983 payment-ratio groups and 1983 and 1986 payments, by 1986 payment ratio groups
Percent

1983 ratio of payments to income	All 1986 groups[1]	1986 ratio of payments to income: No consumer debt	1–9 percent	10–29 percent	30 percent or more
All groups					
Families	100.0	41.5	38.9	16.9	2.7
Total 1983 payments	100.0	20.3	51.6	25.2	2.9
Total 1986 payments	100.0	0	37.1	46.6	16.3
No consumer debt					
Families	40.5	27.8	8.1	3.6	1.1
Total 1983 payments	0	0	0	0	0
Total 1986 payments	19.6	0	5.9	6.9	6.8
1–9 percent of income					
Families	38.1	8.7	21.1	7.6	.7
Total 1983 payments	37.4	8.3	20.5	8.3	.4
Total 1986 payments	47.6	0	21.4	22.4	3.8
10–29 percent of income					
Families	19.5	4.4	9.2	5.1	.8
Total 1983 payments	55.8	10.4	28.8	14.4	2.2
Total 1986 payments	30.1	0	9.2	15.6	5.3
30 percent or more of income					
Families	1.9	.5	.5	.6	.2
Total 1983 payments	6.8	1.6	2.4	2.4	.3
Total 1986 payments	2.6	0	.6	1.6	.4

1. Because the figures in this table are based on the families interviewed both in 1983 and in 1986 and are weighted to reflect the structure of the 1986 population, the percentage of families here differs slightly from that in table 8.

14. Relation of assets to debt of payment-ratio groups, 1986[1]
Percent

Payment-ratio group	Financial assets		Home equity		Financial assets plus home equity	
	Ratio to debt of all respondents in group[2]	Proportion whose assets exceed their debt	Ratio to debt of all respondents in group[2]	Proportion whose assets exceed their debt	Ratio to debt of all respondents in group[2]	Proportion whose assets exceed their debt
1–9 percent	75.4	67.7	81.7	72.4	94.1	90.4
10–29 percent	48.8	24.0	70.7	58.8	80.4	65.6
30 percent or more	41.3	12.3	50.6	51.0	70.6	53.8
All families with head 25 years of age or more						
1983	50.3	51.1	77.2	66.0	87.2	80.4
1986	56.8	52.2	71.1	67.4	83.5	81.4

1. Based on families with heads 25 years of age and more.
2. To reflect implicit debt coverage at the level of the individual family, the numerator is the sum over all families of each family's coverage up to the amount of its consumer installment debt, and the denominator is total consumer installment debt.

in each payment-ratio group, and the rest shows the percentage of total 1983 and 1986 payments each group accounted for. Thus the 16.3 percent figure in the third row of the fifth column is the share of total 1986 payments made by the 1986 high-ratio group, a figure significantly higher than the 6.8 percent share of total 1983 payments made by the 1983 high-ratio group (next-to-last row of the first column). Shares of payments, like the ratios of payments to income, are highly variable. The 1986 high-ratio group made only 2.9 percent of total payments in 1983. Similarly, by 1986 the share of payments by the 1983 high-ratio group had fallen to only 2.6 percent. Families that were in the middle-ratio groups in both 1983 and 1986 made more than two-thirds of the total payments.

Credit Risk

The potential for credit risk suggested by the overall rise in the ratio of total payments on consumer installment debt to income and by the increase in the share of total payments by the group with high ratios of payments to income is a cause for some concern. Survey evidence may temper this concern.

In both the 1983 and the 1986 surveys, about four-fifths of families had assets of greater value than their consumer debts outstanding (table 14). In 1986, 83.5 percent of consumer installment debt outstanding, evaluated family by family, was matched by financial assets or home equity (the fifth row of the fifth column). Given that lenders of second mortgages generally will lend only 80 percent of home equity for consumer debts, 75 percent of families still had financial assets or usable home equity at least as great as their consumer debts, and 77 percent of debt was covered in this way (these data are not shown in the table).

Families with the smallest ratio of payments to income also had the highest ratio of assets to debt, but even families with high ratios of payments to income had assets to offset 71 percent of their debts. In 1986, more than half the group with the highest debt-payment burden had financial assets or home equity at least as large as their consumer debts.

Although home equity constitutes most of this implicit debt coverage, financial assets offered significant coverage (see the first two columns of table 14). That the majority of families with consumer installment debts have financial assets greater than the value of their debts suggests that borrowing decisions are part of more complex portfolio decisions. Further work with the 1983 and 1986 surveys will explore these connections.

Conclusions

While the data from the 1983 and 1986 surveys are not sufficient to explain fully the great increase in consumer installment debt between these years, they do suggest that such debt has more complex variations over time than might be implied by either aggregate data or simple cross-section surveys. In spite of the recent sharp rise in aggregate consumer installment debt, the surveys offer evidence of a smaller rise in the associated debt-service payments. While cross-section surveys give an appearance of stability in the patterns of debt holdings and debt burdens, observation of the same families over the 1983–86 period indicates that the debt positions of families move considerably over time.

The survey evidence on credit risk suggests that most consumer debt is, at least implicitly, covered by family assets, even for those families with the highest ratios of debt payments to income. Moreover, according to the data, families with high debt-payment burdens in 1983 were able to improve their positions through growth in income by 1986. Whether those in the 1986 high-ratio group will be able to improve their positions may depend on overall economic conditions. During 1983–86, the economy's expansion, the decrease in unemployment, and the increase in disposable income probably aided the lightening of the burden of families that had high ratios of payments to income in 1983. If economic growth moderates, families in the current high-ratio group may find reducing their debt-payment burdens more difficult.

Appendix: Preparation of Survey Data

This appendix briefly discusses the collection and the preparation of the data used in the text. Issues include the design and the content of the surveys, the editing procedures employed to deal with problems of missing data, the construction of sampling weights used to calculate the population estimates, and definitions for debt variables.

Survey Design

Most of the survey data in this article were drawn from the 1983 and 1986 Surveys of Consumer Finances conducted by the Survey Research Center of the University of Michigan under the direction of Richard T. Curtin.[1] The sample for the 1983 survey consists of an area probability sample (3,665 households in the final sample) and a supplementary sample of high-income respondents drawn from tax files (438 cases in the final sample). The area probability sample was selected using a method known as multistage area probability sampling, which draws a representative sample of housing units or households in the contiguous 48 states of the United States exclusive of individuals on military bases and in institutions.[2] The supplemental high-income sample of the 1983 survey was intended to increase the representation of wealthy families in the survey. The high-income sample was drawn from a large sample of 1980 tax returns using multifaceted sampling criteria. The sampling procedure was designed to preserve the privacy of tax information and to protect the identity of survey respondents. The results reported in this article are based on the full 1983 sample, which includes the supplemental high-income observations.[3]

The unit of observation was the family. A "family" consists of all individuals living togeth-

1. Data were used also from the 1970 and 1977 Surveys of Consumer Finances; see George Katona, Louis Mandell, and Jay Schmeideskamp, *1970 Survey of Consumer Finances* (Institute for Social Research, 1971), and Thomas A. Durkin and Gregory E. Elliehausen, *1977 Consumer Credit Survey* (Board of Governors of the Federal Reserve System, 1978). Data from the 1983 and 1986 Surveys of Consumer Finances are available from the National Technical Information Services, 5285 Port Royal Road, Springfield, Virginia 22161.

2. See Leslie Kish, *Survey Sampling* (Wiley, 1965).

3. The distribution of consumer debt in the 1983 area probability sample differs only slightly from that in the full 1983 sample, which includes the high-income observations. Hence, consumer credit statistics from the full 1983 sample can be compared with statistics from the cross-section samples in the 1970 and 1977 surveys. For variables that have highly skewed distributions, however, the full 1983 sample is not comparable to 1970 and 1977 cross-section samples. See Robert B. Avery, Gregory E. Elliehausen, and Arthur B. Kennickell, "Measuring Wealth with Survey Data: An Evaluation of the 1983 Survey of Consumer Finances," Research Papers in Banking and Financial Economics 99 (Board of Governors of the Federal Reserve System, Division of Research and Statistics, Financial Studies Section, 1987).

er in the same household who are related by blood, marriage (including partnership), or adoption. A "family" may also be a single individual. In a few cases, when two or more families lived in a household, only the primary or economically dominant family was interviewed. The head of the family or a financially knowledgeable spouse was selected as a respondent.

Respondents were interviewed in person for 75 minutes. The interview solicited a detailed inventory of the families' assets and liabilities, including all deposit accounts, stocks, bonds, business and property holdings, homes, insurance, automobiles, pensions, and all debts and mortgages. Besides the standard demographic data, income information, and work history, information was obtained on the respondent's use and understanding of credit and other financial services. Interviewing took place between February and July of 1983.

The 1986 survey reinterviewed respondents to the 1983 survey. If the respondent had been divorced or separated since the 1983 interview, both the original respondent and the former spouse were included in the 1986 sample. Other members who left the family to form new households, however, were not included. As in the earlier survey, the unit of observation was the family.

The questionnaire for the 1986 survey covered the marital history of the respondent and the spouse, the disposition of wealth in divorce or upon death of a spouse, changes in employment of the respondent and the spouse, purchases and sales of houses since 1983, refinancings of mortgages, purchases of automobiles, expenditures for consumer durables, current debt payments and asset holdings, attitudes about saving, expenditures for children's education, charitable activities, unusual expenses and income, and total family income in the 1983–86 period.

The 2,822 interviews were conducted by telephone from June to September 1986; they lasted an average of 27 minutes. Table A.1 summarizes the sample composition for the 1986 survey.

The samples used for this article include only families with heads 25 years of age or older. The reason for using this subsample is that the design for the 1986 survey undersampled new households in the under-25 age group and hence was deemed inadequate for representing change in that group. Statistics computed from the 1983 survey, which should be representative of all age groups, suggest that the exclusion of families in the under-25 group will reduce measured outstanding debt 5.5 percent and installment debt payments 6.1 percent.

A.1. Composition of the sample of the 1986 Survey of Consumer Finances

Family characteristic	Percent of 1983 sample	Percent of 1983 group also in 1986 sample
Age (years) and marital status in 1983		
24 or less		
Married	3.3	64.7
Unmarried male	2.1	56.0
Unmarried female	2.6	46.7
25–34		
Married	13.5	65.6
Unmarried male	4.1	59.2
Unmarried female	5.0	58.0
35–44		
Married	13.6	70.7
Unmarried male	1.8	71.1
Unmarried female	4.1	62.1
45–54		
Married	10.5	70.9
Unmarried male	1.7	50.6
Unmarried female	3.2	66.5
55–64		
Married	9.8	72.1
Unmarried male	1.5	48.9
Unmarried female	3.7	70.6
65 or more		
Married	9.9	60.6
Unmarried male	1.8	41.4
Unmarried female	7.7	55.1
1983 income (dollars)		
10,000 or less	24.0	46.5
10,000–19,999	26.8	62.4
20,000–34,999	26.1	70.8
35,000–49,999	12.9	75.8
50,000 or more	10.2	77.6
Race or national origin of head		
Caucasian	82.6	67.5
Nonwhite or Hispanic	17.4	47.6
1983 ratio of payments to income		
No consumer debt	43.5	57.6
1–9 percent	36.9	69.5
10–29 percent	17.3	68.9
30 percent or more	2.4	62.1
All families	**100.0**	**64.0**

Errors of Sampling, Reporting, and Nonresponse

The results of this survey, and the estimates of population characteristics derived from it, are subject to errors based on the degree to which

A.2. Approximate 95 percent sampling errors of survey estimates of percentages in the 1983 and 1986 surveys and of changes in percentages between the two surveys[1]

Percent

Survey results	Full 1983 sample	Full 1986 sample	Changes between 1983 and 1986 surveys[2]
50	1.5	1.8	2.4
30	1.4	1.6	2.2
20	1.2	1.4	1.9
10	.9	1.1	1.4
5	.7	.8	1.0
1	.3	.4	.5

1. 1.96 standard errors.
2. For estimates based on the full samples of each survey.

the sample differs from the general population, to errors arising during the interview, and to errors derived from incomplete responses.

First, all estimates based on the survey data are subject to sampling error, which is a measure of the random deviation of the survey findings resulting from the selection of a particular sample. Table A.2 contains the approximate sampling errors associated with the percentage estimates made with various sample sizes, assuming a confidence interval of 95 percent.[4] The odds are 95 in 100 that the estimated percentages reported lie within a range—the confidence interval—equal to the reported percentages plus or minus the sampling error. For example, for estimates based on the entire 1986 survey sample, the 95 percent confidence interval for an estimated value of 20 percent is approximately 18.6 to 21.4 percent.

Second, because undoubtedly some respondents misunderstood the questions, lacked interest in the survey, or falsified responses, the survey estimates are subject to reporting errors. Such errors likely arose also because interviewers misinterpreted responses or asked questions in an inconsistent manner. For these surveys, training interviewers carefully and motivating respondents to report accurately helped to minimize response errors. The data were also carefully checked for inconsistencies in coding and editing to eliminate such errors to the extent feasible.

Third, because some families selected for participation in the survey could not be interviewed, the survey estimates are subject to nonresponse errors. If nonresponse arose randomly in the sample, it should have caused no bias in estimates of population statistics. Making such a judgment is difficult in large multipurpose surveys such as the Survey of Consumer Finances. One can, however, partially correct for nonresponse errors by observing how the sample interviewed differs from the population in the distribution of certain characteristics as a result of both sampling and nonresponse errors. To the degree that these deviations result from systematic tendencies in the population, the sampling weights used in all calculations in this article compensate for biases in sampling and nonresponse.

Finally, observations with missing values for some of the variables are another source of error in the survey estimates, similar to that arising from failure to secure an interview. Statistical methods were used to estimate missing values based on other information reported by respondents. All missing values were imputed in the data used to prepare this article.[5]

Sampling Weights

The final samples in the 1983 and 1986 Surveys of Consumer Finances differ from a purely random sample of U.S. households in two principal ways. First, the surveys were designed to sample wealthy households at a higher rate than the rest of the population. Second, sampling errors in the 1983 sample and nonresponse during the first or second interview could have caused the final samples to differ from the population. One means

4. For the approximate sampling errors associated with other sample sizes and reported percentages from a survey, assuming a confidence interval of 95 percent, see Katona, Mandell, and Schmeideskamp, *1970 Survey*, table 14-2, p. 251. This source also provides a table of approximate sampling errors for differences in percentages.

5. See Graham Kalton, *Compensating for Missing Survey Data* (Institute for Social Research, 1983), for a discussion of the benefits of imputation. See Avery, Elliehausen, and Kennickell, "Measuring Wealth," for a discussion of missing values and imputation in the 1983 Survey of Consumer Finances.

of making formal correction for deviations of the final sample from the population was to use sampling weights in the calculation of the statistics.[6]

The weight for the 1983 survey is a revised version of the weight used in the article on the 1983 Survey of Consumer Finances in the March 1986 issue of the FEDERAL RESERVE BULLETIN.[7] The revised weight was designed to provide a better mesh of the area probability and high-income samples. Weights were adjusted so that the weighted number of high-income families was the same as an estimate obtained from the Internal Revenue Service tax file model for 1982.[8]

Weights for the 1986 survey were designed to compensate for the possibility that respondents to a 1983 survey who could be reached three years later might not be fully representative of the 1986 population. This situation might occur both because attrition is not random, as suggested by the large differences in response rates for the demographic groups in table A.1, and because the distribution of families changes as a result of aging, marriage, divorce, and immigration. The initial 1986 weight was computed by adjusting the 1983 weight for sample attrition (measured separately for a number of sample subgroups). This weight was further adjusted to bring estimated population totals for various groups defined by age and marital status into line with estimates obtained from the March 1986 Current Population Survey.[9]

6. See D.G. Horwitz and D.J. Thompson, "A Generalization of Sampling without Replacement from a Finite Universe," *Journal of the American Statistical Association*, vol. 48 (December 1952), pp. 396–404.

7. Robert B. Avery and Gregory E. Elliehausen, "Financial Characteristics of High-Income Families," FEDERAL RESERVE BULLETIN, vol. 72 (March 1986), pp. 163–77.

8. For technical details, see Robert B. Avery, Gregory E. Elliehausen, and Arthur B. Kennickell, "Reconciling Flow-of-Funds and Survey-Based Measures of Household Wealth" (paper presented at the annual meeting of the American Statistical Association, San Francisco, August 18, 1987).

9. Not all bias in the 1986 sample can be fully corrected by weights. For example, some of the respondents to the 1983 survey—such as divorced people who lived with their parents—would not have been selected as respondents in a 1986 cross-section survey because they were no longer family heads or spouses of family heads. Thus the weighted 1986 sample slightly distorts homeownership and other age-related variables. Most of the other distortions are believed to be minor.

Preparation of Debt Variables

Respondents to the 1983 survey were asked to report the purpose, the amount borrowed, the origination date, the interest rate, the size and frequency of payment, and the scheduled number of payments for each consumer loan and mortgage. These data were sufficient to compute the family's debt outstanding at the time of the interview, as well as its scheduled payments. Also, respondents were asked to report financed balances on all lines of credit; on loans without scheduled payments; and on credit cards after they had made their previous payments.

In 1986, respondents were asked similar questions about their mortgages and financed balances on credit cards; but, because of time constraints, they were asked to report only the size and frequency of payments for regular-payment consumer loans. Therefore, the precise amount outstanding could be computed only for mortgages, credit cards, and loans without regular payments. Total outstanding 1986 balances on installment loans were estimated for each family using ratios based on typical terms prevailing during 1983–86 and the reported debt payments. These are rough estimates, however, and were used only to estimate the collateralization of consumer debt by home equity and financial assets reported in text tables 6 and 14.

The figures for monthly payments reported in this article include only scheduled payments on certain loans and 5 percent of the reported unpaid credit card balances, which is the typical minimum monthly payment required for a credit card account with no new charges. All mortgage, property, and business loans were excluded. Loans without regularly scheduled payments and payments on open-ended lines of credit also were excluded. The payment variable is an estimate of the monthly payment obligation and may not reflect the actual payments made by families.

Loan payments were constructed in this manner to correspond as closely as possible to payments that would be made on aggregate consumer installment debt. Nevertheless, loan estimates from the survey are still likely to differ from aggregate totals because of unavoidable accounting differences. For example, aggregate consumer debt totals cover all credit card debt, including current charges and financed balances. Aggregate debt totals reported by many finance companies include prepaid interest payments and thus overstate the amount outstanding. Personal borrowing for business purposes is included in the aggregate consumer credit statistics, but it is excluded from survey estimates. Reconciliation of these factors can align survey and aggregate estimates more closely than may appear possible at first glance.[10] Caution should nevertheless be used in drawing exact comparisons.

10. Avery, Elliehausen, and Kennickell, "Reconciling Flow-of-Funds and Survey-Based Measures."

Treasury and Federal Reserve Foreign Exchange Operations

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

Early in May, the dollar moved down against major foreign currencies, continuing a trend that had prevailed throughout the year. But during the rest of the three-month period ending in July, the dollar first stabilized and then advanced modestly to close up 6½ percent against the Japanese yen and roughly 4 percent against the German mark and other European currencies. The U.S. authorities intervened in the market during three episodes in the period.

As the May–July period opened, many market participants were not yet convinced that the authorities of the major industrialized countries were committed to exchange rate stability. To be sure, statements by both U.S. and Japanese officials during preceding weeks had been interpreted as indicating a genuine concern about the effects of further sharp downward movements in dollar rates and a willingness to cooperate closely to foster exchange rate stability. Nevertheless, traders were disappointed that, after the dollar's 2½-year decline, progress in diminishing the world's external imbalances was so slow. They were mindful of the intense political pressure in the United States over trade issues and wary that there might be new calls for a lower dollar. They were concerned that any further exchange rate decline might add to domestic inflation. They noted, as well, that a decline in U.S. final domestic demand was reported in the first quarter data on gross national product. Consequently, many market participants remained skeptical that the authorities would attach a high enough priority to exchange rate stability to alter domestic economic policies if necessary.

Thus, traders retained their bearish attitude toward the dollar, even though they were aware that the authorities of the Group of Seven (G-7) industrial nations had intervened to purchase dollars in substantial amounts since late March. There was skepticism that private investors, already experiencing substantial exchange rate losses on their dollar portfolios, would continue to place funds in the United States. Although long-term interest rate differentials favoring dollar assets were at their highest levels since the dollar was at its peak in 1985, market participants questioned whether this interest rate advantage would prove sufficient to induce heavy participation by Japanese and other investors in the U.S.

1. Federal Reserve reciprocal currency arrangements
Millions of dollars

Institution	Amount of facility, July 31, 1987
Austrian National Bank	250
National Bank of Belgium	1,000
Bank of Canada	2,000
National Bank of Denmark	250
Bank of England	3,000
Bank of France	2,000
German Federal Bank	6,000
Bank of Italy	3,000
Bank of Japan	5,000
Bank of Mexico	700
Netherlands Bank	500
Bank of Norway	250
Bank of Sweden	300
Swiss National Bank	4,000
Bank for International Settlements	
Dollars against Swiss francs	600
Dollars against other authorized European currencies	1,250
Total	**30,100**

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

Treasury's refunding operation early in May. The dollar therefore continued to decline during the first week of May. It moved down to DM1.7590, its lowest level against the mark in nearly seven years. Against the yen, it eased back to ¥137.95, not far above the 40-year low touched just weeks before.

In these circumstances, the U.S. authorities entered the market in early May, in keeping with the February agreement in Paris and the Washington agreement in April to contain the intense selling pressure on the dollar. On the first two business days of May, the Trading Desk at the Federal Reserve Bank of New York purchased $140 million against marks and $20 million against yen in the first intervention episode of the period under review.

Meanwhile, market participants had taken note of comments made by Chairman Volcker and by Japanese Prime Minister Nakasone in late April, indicating that the central banks of the two countries were willing to adjust their monetary policies in a way that would lend support to the dollar. Mr. Nakasone announced that the Bank of Japan would act to ease short-term interest rates. Mr. Volcker stated that the Federal Reserve had "snugged up" monetary policy in light of the exchange rate pressure. Short-term interest rate differentials had already widened in favor of the dollar even before these comments, as U.S. market rates responded to growing inflation concerns. But when U.S. interest rates continued to firm and these differentials continued to expand in May, market participants came increasingly to see the industrialized countries as committed to exchange rate stability.

At the same time, some of the worst fears in the markets proved to be unfounded. It soon became clear that Japanese institutions had, in fact, made sizable bond purchases at the May Treasury refunding. Reports that the U.S. unemployment rate had fallen to 6.3 percent in April and that producer prices had increased sharply by 0.7 percent for the same month were seen as giving the U.S. monetary authorities both more room and a greater need to tighten policy. Meanwhile, officials in Japan indicated that they were willing to guide money market rates lower. Also, the Bundesbank lowered the minimum rate on its repurchase agreements and reduced the lower limit for money market rates by cutting the rate at which it stood ready to sell three-day Treasury bills. These actions were interpreted by the markets as indicating that the German authorities were willing to join the Japanese and U.S. central banks in adjusting monetary policies to foster exchange rate stability.

Other developments also helped to reduce selling pressures against the dollar. After Japanese authorities urged financial institutions in Japan to refrain from speculative dollar sales and required these institutions to report their foreign exchange positions much more frequently, traders in Tokyo became reluctant to make sizable dollar sales. Later in May, the prospect for greater economic policy convergence improved when Japan's Parliament finally approved the budget for the fiscal year ending March 1988, paving the way for an extraordinary parliamentary session during the summer to draw up a supplementary budget aimed at expanding domestic demand. Then, following reports of an attack on a U.S. naval vessel in the Persian Gulf, the dollar also began to derive some benefit from the view that a disruption in oil supplies would be relatively less detrimental to the United States than to many other developed countries. In response to these developments, the dollar gradually moved up from its early May lows to trade at DM1.7830 and at ¥140.40 on May 18.

The underlying market sentiment toward the dollar remained cautious, however, and the dollar was still vulnerable to potentially adverse news. In fact, two episodes did occur between mid-May and early June that temporarily precipitated renewed bouts of selling pressure against the dollar. The first occurred on May 19 when a major U.S. money-center bank announced a restructuring of its capital and loan-loss reserves that would imply a substantial reported loss for the second quarter. The second episode occurred on June 2 following the announcement that Paul Volcker would not serve a third term as Chairman of the Federal Reserve Board. In both episodes the U.S. authorities intervened to blunt the selling pressures. In the first, the Desk purchased a total of $133 million against the mark, partly in New York and partly in Pacific markets in coordination with the Bank of Japan. In the second, the Desk purchased a total of $410 million against marks along with $103 million against yen in New York and in the Far East.

This latter operation was undertaken in cooperation with the Bundesbank, the Bank of France, the Bank of Italy, and the Bank of Japan. In both episodes, the intervention operations helped reassure market participants, and the dollar promptly moved up to levels higher than had prevailed beforehand. Market participants began to feel that the dollar was regaining notable resiliency.

In mid-June, at the time of the Venice summit meeting, the leaders of the G-7 industrial nations reaffirmed the earlier Paris and Washington agreements with respect to exchange rates. Moreover, the communiqué announced a plan for enhanced multilateral surveillance, including more extensive use of medium-term economic objectives and interim performance indicators. The call for improved surveillance, though seen by some observers as a sign that international economic policy cooperation would increase in the future, left market participants initially disappointed that no concrete initiatives to support the dollar were forthcoming. But the dollar softened only temporarily during the meeting, subsequently reversing the decline without intervention support.

By late June, traders were becoming increasingly impressed with the resilience that the dollar had shown to adverse news in the preceding weeks. In addition, the dollar began to benefit from the release of several economic statistics and other evidence suggesting a better-than-expected performance for the U.S. economy. During the course of the summer, anecdotal reports of rising export volumes gave market participants a basis for seeing the external sector as a growing source of demand. Preliminary estimates of the GNP data for the second quarter released in mid-July, indicating that the change in the level of net exports was positive for the third consecutive quarter, seemed to confirm this view. Under these circumstances, the market showed only short-lived disappointment when, in the middle of July, the U.S. trade figures showed a modest widening in the deficit to $14.4 billion in May after having declined in March and April. Indeed, this was yet another occasion when selling pressure against the dollar was quickly shaken off.

By contrast, market participants were becoming disappointed about the economic outlook for many of the United States' trading partners. Although there were some indications that the Japanese economy was beginning to recover from the depressing effects of the yen's earlier rise, news in Germany that manufacturing orders and retail sales had declined in May and that unemployment remained high underscored market views about the underlying weakness of the economy there. Even in the United Kingdom, the European country with the most optimistic outlook just a few months before, a series of disappointing statistics tended to suggest that the economy was beginning to overheat and raised questions in the market about the near-term outlook for sterling-denominated bonds and stocks.

Against this background, market participants began to buy back dollars previously sold. Reports of increased corporate demand ahead of the quarter-end, buying by Japanese investors to reduce hedges on U.S. investments, and renewed investor interest in U.S. securities circulated in the market. Meanwhile, rising tensions in the Persian Gulf and talk of large dollar purchases from the Middle East tended to strengthen the dollar's role as a store of value and currency of choice for flight capital at times of political uncertainty.

Thus, the dollar moved up steadily for several weeks after mid-June and then firmed within a fairly narrow range for the rest of the period under review. The more stable dollar, together with the receding of inflationary fears following a report of a slowdown in producer price inflation for May, gave a lift to U.S. bond prices and led to an easing of market interest rates generally. At the same time, some of the bullish sentiment that had prevailed in the Japanese and German bond markets faded, so that interest rate differentials favoring the dollar narrowed somewhat.

As the dollar firmed, market participants came increasingly to expect the G-7 central banks to intervene at some point to sell dollars in an effort to restrain the dollar's rise. Traders assumed that the U.S. authorities would try to retain the favorable trade effects of the dollar's depreciation of the past two years and noted that the U.S. authorities had sold dollars in early March at around DM1.87 against the mark. They were also aware that, with central bank money in Germany growing more rapidly than targeted by the

2. Drawings and repayments by foreign central banks under special swap arrangement with the U.S. Treasury[1]

Millions of dollars; drawings or repayments (−)

Central bank drawing on the U.S. Treasury	Amount of facility	Outstanding, May 1, 1987	May	June	July	Outstanding, July 31, 1987
Central Bank of the Argentine Republic...	225.0	225.0	0	0	−225.0	(2)

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

Bundesbank for the year, the German central bank might try to absorb liquidity once the dollar strengthened—either through domestic monetary operations or by selling dollars in the exchange market. As the rate approached DM1.87, rumors circulated in the market at various times that the Federal Reserve or the Bundesbank were selling dollars. As long as some market participants believed the central banks would effectively contain any significant upward pressure against the dollar, there was little incentive for them to build up speculative long positions in the dollar.

Consequently, the dollar fluctuated generally in a narrow range through the end of July. It closed the three-month reporting period at DM1.8600, up 5¾ percent against the mark, and at ¥150.05, up 8¾ percent against the yen, from its lows in early May. On a trade-weighted basis in terms of the other G-10 currencies, as measured by the index developed by the staff of the Federal Reserve Board, the dollar had risen nearly 4 percent during the three-month period. During the period, the U.S. authorities sold a total of $806 million equivalent of foreign exchange—$683 million equivalent of marks and $123 million equivalent of yen. These operations were financed equally from Federal Reserve and U.S. Treasury balances.

On July 15, the Central Bank of the Argentine Republic fully repaid a $500 million multilateral short-term credit facility provided by the U.S. Treasury through the Exchange Stabilization Fund (ESF) and the central banks of several other countries. As noted in the previous report, the full amount was drawn on March 9. The ESF's portion of the facility was $225 million.

In the period from May 1 through July 31, the Federal Reserve and the ESF realized profits of $103.2 million and $109.7 million respectively on sales of foreign currency. As of July 31, cumulative bookkeeping or valuation gains on outstanding foreign currency balances were $1,580.2 million for the Federal Reserve and $1,422.8 million for the Treasury's ESF. These valuation gains represent the increase in the dollar value of outstanding foreign currency assets valued at end-of-period exchange rates, compared with the rates prevailing at the time the currencies were acquired.

The Federal Reserve and the ESF regularly invest foreign currency balances acquired in the market as a result of their foreign exchange operations in a variety of instruments that yield market rates of return and that have a high degree of quality and liquidity. A portion of the Federal Reserve's invested balances—$953.6 million equivalent as of July 31, 1987—were held in securities issued by foreign governments under the authority provided by the Monetary Control Act of 1980. The Treasury also held some of its invested balances—$2,537.2 million equivalent as of the same date—in such securities.

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

Millions of dollars

Period	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
May 1, 1987–July 31, 1987	103.2	109.7
Valuation profits and losses on outstanding assets and liabilities as of July 31, 1987	1,580.2	1,422.8

1. Data are on a value-date basis.

Staff Studies

The staffs of the Board of Governors of the Federal Reserve System and of the Federal Reserve Banks undertake studies that cover a wide range of economic and financial subjects. From time to time the results of studies that are of general interest to the professions and to others are summarized in the FEDERAL RESERVE BULLETIN.

The analyses and conclusions set forth are those of the authors and do not necessarily indicate concurrence by the Board of Governors, by the Federal Reserve Banks, or by the members of their staffs.

Single copies of the full text of each of the studies or papers summarized in the BULLETIN *are available without charge. The list of Federal Reserve Board publications at the back of each* BULLETIN *includes a separate section entitled "Staff Studies" that lists the studies that are currently available.*

STUDY SUMMARY

THE EFFECTS ON CONSUMERS AND CREDITORS OF PROPOSED CEILINGS ON CREDIT CARD INTEREST RATES

Glenn B. Canner and James T. Fergus—Staff, Board of Governors

Prepared as a staff study in the spring of 1987

Most interest rates have fallen substantially since the early 1980s, but those on credit card debt have changed relatively little. This disparity has led to assertions that credit card rates are excessive in view of the decline in the funding costs of card issuers. As a consequence, the Congress considered legislation in 1986 that would have imposed a nationwide rate ceiling on credit card accounts.

This study focuses on issues raised by the proposed federal limits on credit card interest rates, including the likely effects of such restrictive rate ceilings on the availability of credit card services to different groups of consumers. It also explores the consequences, for consumers, of possible creditor responses to rate ceilings such as modifications of nonrate prices of card services, alterations in other terms on credit card accounts, and the raising of prices on merchandise. Evidence for the staff study comes primarily from studies that have evaluated the effects on consumers of interest rate restrictions at the state level.

The study concludes that the imposition of restrictive ceilings on credit card interest rates may be associated with wide-ranging and largely unpredictable effects on consumers. While card holders who typically incur finance charges may benefit initially from mandated reductions in the rates they pay, these same consumers are likely to be adversely affected by compensatory actions that card issuers could take either to reduce costs or to bolster other sources of revenue. Such actions are also likely to have an adverse effect on other groups of consumers such as credit card applicants, who may face more restrictive credit-screening standards.

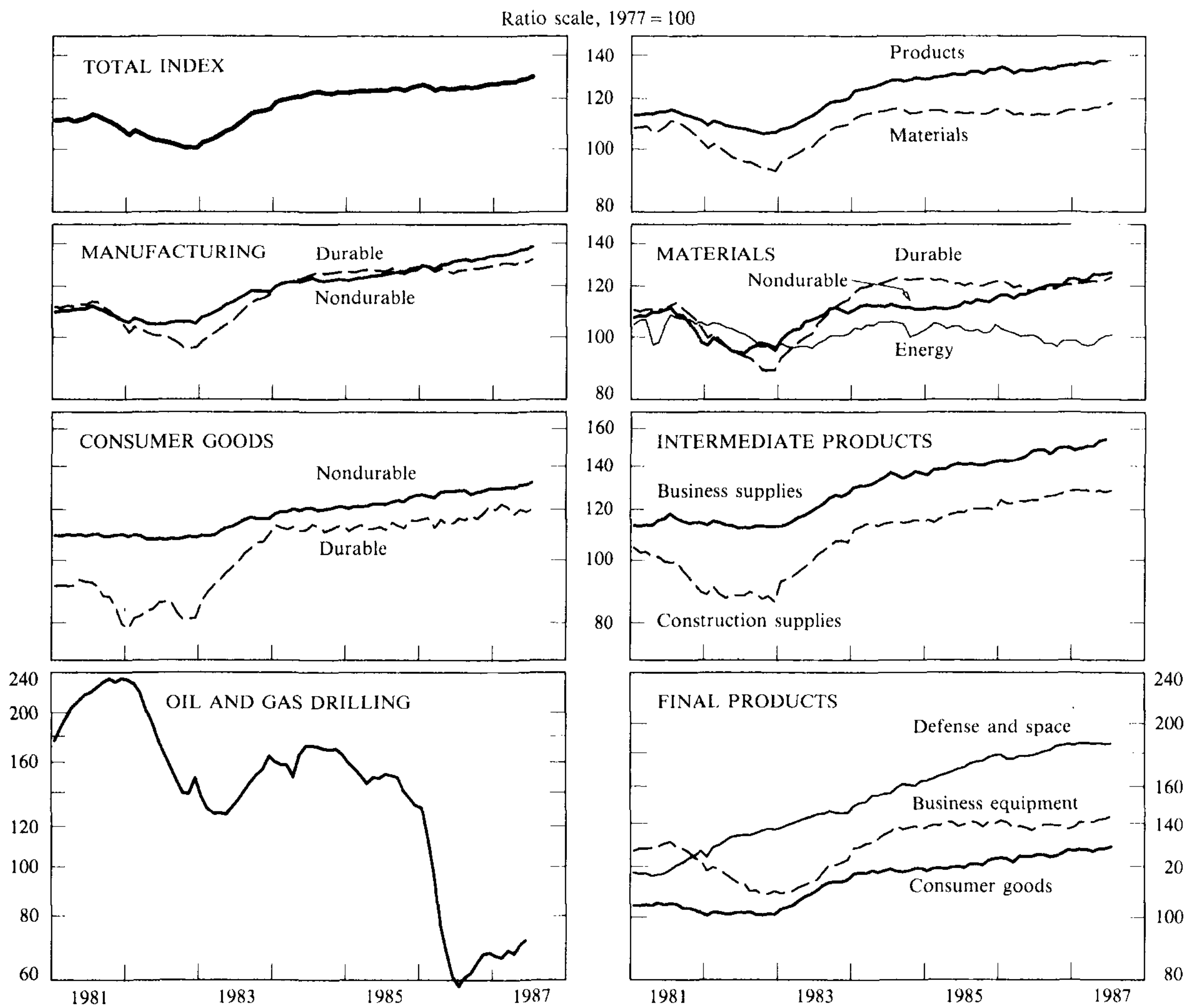
Moreover, some adverse consequences of a nationwide ceiling on credit card rates could be felt even by those consumers who do not use credit cards. For example, retailers might increase some merchandise prices—either to help offset reduced finance-charge revenue on retailer credit card plans or as a result of higher fees they must pay to banks to process credit card charges. Higher retail prices could mean that customers who usually pay in cash—including lower-income families who cannot obtain credit cards—would subsidize buyers who use credit card services.

Industrial Production

Released for publication August 14

Industrial production increased 0.8 percent in July, after upward revised increases of 0.4 percent in June and 0.7 percent in May. Gains in July were widespread among products and materials. The strength evident thus far in 1987 has arisen from quite different sectors than the growth in 1986. Output of equipment and materials has generally accelerated in recent months, whereas certain earlier sources of expansion—construction supplies and defense equipment—have shown little net gain so far in 1987. At 129.8 percent of the 1977 average, the total index in July was almost 4 percent higher than it was a year earlier.

In market groups, output of consumer goods advanced 0.7 percent in July after an uneven



All series are seasonally adjusted. Latest figures: July.

Group	1977 = 100		Percentage change from preceding month					Percentage change, July 1986 to July 1987
	1987		1987					
	June	July	Mar.	Apr.	May	June	July	
	Major market groups							
Total industrial production	**128.8**	**129.8**	**.1**	**.1**	**.7**	**.4**	**.8**	**3.9**
Products, total	137.2	138.2	.1	−.4	1.0	.1	.8	3.8
Final products	135.8	136.9	.0	−.4	.8	.1	.8	3.7
Consumer goods	127.9	128.8	.0	−.7	.9	.1	.7	2.9
Durable	119.2	119.9	−1.0	−2.6	1.7	−.7	.6	3.1
Nondurable	131.1	132.0	.3	.0	.7	.3	.7	2.8
Business equipment	142.5	143.7	.0	.0	.8	.4	.9	4.2
Defense and space	185.9	186.3	.0	−.3	.2	−.3	.2	3.7
Intermediate products	141.9	142.7	.5	−.4	1.4	.0	.6	3.9
Construction supplies	127.6	128.3	.1	−.9	.7	−.6	.6	3.5
Materials	117.3	118.2	.1	.8	.2	.7	.8	4.1
	Major industry groups							
Manufacturing	133.6	134.7	.2	.1	.5	.3	.8	4.2
Durable	130.9	132.0	.1	−.4	.5	.2	.8	3.6
Nondurable	137.2	138.4	.4	.7	.6	.4	.9	5.1
Mining	98.4	99.4	.3	.5	.5	.9	1.1	2.4
Utilities	112.7	113.3	−.1	−.5	3.3	.1	.6	3.3

NOTE. Indexes are seasonally adjusted.

performance in recent months. Automotive production increased sharply, owing entirely to a sizable increase in light truck production of which a large portion is for consumer use. Auto assemblies, however, were reduced during the month to an annual rate of 6.7 million units from a 6.9 million rate in June, and some further cuts are anticipated. Production of goods for the home fell back in July after having increased in May and June. Output of this sector has retreated from very high levels at the end of 1986, yet remains almost 5 percent higher than it was a year earlier. Nondurable consumer goods increased strongly in July, largely reflecting gains in the output of clothing and food.

Total industrial production—Revisions

Estimates as shown last month and current estimates

Month	Index (1977=100)		Percentage change from previous months	
	Previous	Current	Previous	Current
April	127.3	127.4	.0	.1
May	128.0	128.3	.5	.7
June	128.2	128.8	.2	.4
July	....	129.8	...	.8

Output of business equipment was up 0.9 percent, as marked gains continued in construction and mining, manufacturing, and commercial equipment. Output of defense and space equipment was up only slightly in July and has changed little on balance thus far in 1987. Production of construction supplies increased 0.6 percent in July, but it, too, has been essentially flat since the end of 1986.

Production of materials was up 0.8 percent in July, bolstered by a sharp gain in durable materials such as metals, particularly steel, and equipment parts. Nondurable materials, such as textiles, paper, and chemicals, continued to show output gains.

In industry groups, manufacturing production rose 0.8 percent in July, with strong gains in both durable and nondurable industries. Output of mines posted a strong gain for the third consecutive month, reflecting renewed strength in metal mining as well as increases in coal and oil and gas extraction. Production by utilities also increased in July.

Announcements

CHANGE IN THE DISCOUNT RATE

The Federal Reserve Board approved on September 4, 1987, an increase in the discount rate from 5½ percent to 6 percent, effective immediately.

The decision reflects the intent of the Federal Reserve to deal effectively and in a timely way with potential inflationary pressures.

In taking the action, the Board voted on requests submitted by the Boards of Directors of the Federal Reserve Banks of New York and Cleveland. The Board subsequently approved similar requests by the Federal Reserve Banks of Philadelphia, Atlanta, Chicago, and Kansas City, also effective on September 4; by the Federal Reserve Bank of Richmond, effective September 5; by the Federal Reserve Bank of Minneapolis, effective September 8; by the Federal Reserve Banks of Boston, St. Louis, and San Francisco, effective September 9; and by the Federal Reserve Bank of Dallas, effective September 11. The discount rate is the interest rate that is charged depository institutions when they borrow from their District Federal Reserve Banks.

AMENDMENTS TO REGULATION E

The Federal Reserve Board approved on August 13, 1987, amendments to Regulation E (Electronic Fund Transfers (EFT)) that eliminate the periodic statement requirement for providers of EFT services that do not hold consumer accounts. The amendments apply, for example, to retailers that offer point-of-sale EFT services to consumers and clear the transactions through the automated clearinghouse system.

Elimination of the periodic statement requirement is subject to the following conditions:

- The debit card issued to consumers must include an address or telephone number to be used to contact the service provider.
- The information needed to identify the transaction in accordance with Regulation E, including the terminal location, must be sent to the account-holding financial institution (AHFI).
- The time periods available to the consumer for notice of errors and lost or stolen debit cards must be extended, and certain additional disclosures must be provided.

The amendments also will require AHFIs to include a description of these EFT transactions on periodic statements provided to their customers. To facilitate compliance for AHFIs, disclosure of the terminal location will not be required until July 1, 1990. Also, financial institutions with assets of $25 million or less will not be required to comply with any aspect of the regulation as to these EFT transactions (except to cooperate with the service provider in the investigation of errors) until July 1, 1990.

AMENDMENT TO REGULATION K

The Federal Reserve Board announced on August 12, 1987, that it has liberalized the provisions of Regulation K (International Banking Operations) to permit certain investments abroad by U.S. banking organizations through debt-for-equity swaps.

The amendment is effective immediately. However, the Board also has requested comments by September 30, 1987, as part of a continuing review of regulations governing debt-for-equity investments.

The purpose of the amendment is to provide additional flexibility for U.S. banking organizations to make investments in companies being privatized in heavily indebted developing countries. The eligible countries would be developing countries that have engaged in restructurings of sovereign debt held by foreign creditors since 1980.

The amendment will permit a U.S. banking organization to acquire as much as 100 percent of the shares of a foreign nonfinancial company in the following circumstances:

- The nonfinancial company must be in the process of being transferred from public to private ownership.
- The country in which the company is located must be a heavily indebted developing country.
- The shares must be acquired through a debt-for-equity swap.
- The shares must be held by the bank holding company or its subsidiaries.
- The ownership interest must be divested within five years from the date of acquisition, unless the Board extends the time for good cause, but in no event longer than a total of ten years.

Amendment to Regulation T

The Federal Reserve Board approved on August 24, 1987, an amendment to Regulation T (Credit by Brokers and Dealers) that revises the definition of over-the-counter margin bonds to include any "mortgage related security."

The principal effect of the amendment permits a broker–dealer to give "good faith" loan value in a margin account to any "mortgage related security" that is privately placed.

A "mortgage related security" that has been publicly offered generally was already eligible for credit at a broker–dealer.

The amendment was effective August 27, 1987.

Statement of Guidance for Reporting Activities of Nonbank Banks

The Federal Reserve Board issued on August 21, 1987, a statement of guidance for companies that control a nonbank bank and must report the bank's activities to the Board under the newly adopted Competitive Equality Banking Act of 1987. [1]

The new law provides grandfather privileges to nonbanking companies that on March 5 controlled a nonbank bank and required those companies to report to the Board on the bank's activities. The report must be filed within 60 days of the August 10 enactment date.

A number of companies qualifying under the grandfather provision have requested guidance as to where the report should be filed and what it should contain. The report should be filed with the District Bank in the Federal Reserve District where the nonbank bank is located; it should indicate the date the company acquired the nonbank bank; and it should describe each of the nonbank bank's activities.

Proposed Action

The Federal Reserve Board has approved a proposed amendment to Regulation T (Credit by Brokers and Dealers) to permit broker–dealers to aid in the exercise of employee-owned stock options. Comments on the proposed amendment should be received by the Board by September 28, 1987.

System Membership: Admission of State Banks

The following state banks were admitted to membership in the Federal Reserve System during the period July 1 through July 31, 1987:

Florida

Mary Esther..... Emerald Coast State Bank

Pennsylvania

Philadelphia...... First Bank of Philadelphia

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

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON JULY 7, 1987

Domestic Policy Directive

The information reviewed at this meeting suggested that economic activity expanded at a moderate pace in the second quarter, as consumer expenditures grew at a relatively modest pace, business capital spending experienced some recovery, and the trade deficit apparently continued to narrow in volume terms. Producer and consumer prices slowed in May, after sizable increases earlier in the year that reflected, to a considerable extent, higher energy prices. Rising import prices also contributed to higher consumer prices. Wage increases have remained relatively limited in recent months.

Payroll employment rose modestly further in May and June, following substantial increases in the first four months of the year, with the gains again concentrated in the service-producing sector. Employment advances in the goods-producing sector were lackluster as manufacturing employment rose minimally. In June, the household survey indicated a small drop in employment, but the labor force fell noticeably. As a result, the unemployment rate fell 0.2 percentage point to 6.1 percent; most of the drop in employment was attributed to fewer young people than normal entering the labor force as of the early June survey week.

The index of industrial production rose 0.5 percent in May; and following upward revisions to the three preceding months, the index was 2½ percent (annual rate) above the first-quarter average. The recent growth reflects in part the increased production of business equipment, especially high-technology capital goods, and of a wide variety of consumer goods. In the motor vehicles sector, however, auto assemblies have slowed in recent months due to relatively depressed sales and large dealer stocks.

Partly because of the lagging auto sales, consumer spending in real terms has been sluggish in recent months, though above its first-quarter pace. Outlays for services have continued to advance steadily, but total auto sales dropped back noticeably in May to the slow pace experienced in the first quarter. Excluding autos, outlays for durables have been flat on balance since the end of 1986, while spending on nondurable goods has edged down.

Housing activity has dropped back from its elevated pace early this year. Total starts fell to an annual rate of 1.62 million units in May. Single-family starts were down appreciably, apparently reflecting the upturn in mortgage interest rates after March. Multifamily starts increased somewhat from an extremely low level in April but remained below the first-quarter average.

Business fixed investment has rebounded after a tax-related decline at the beginning of the year. Shipments of nondefense capital goods were about flat in April and May but on average were above the first-quarter level. Outlays for nonresidential structures turned up in May, with the gains fairly widespread; and petroleum-drilling activity has continued to recover. In addition, new orders for nondefense capital goods, excluding aircraft, picked up in the spring and new commitments for nonresidential construction have moved up slightly.

Inventory investment apparently slowed in the second quarter from its its rapid first-quarter pace. Production cutbacks trimmed auto inventories, but the level of dealer stocks still was relatively high. Outside of autos, inventory changes have been relatively small in recent months and inventory–sales ratios have remained low.

The U.S. merchandise trade deficit in nominal terms was about unchanged in the first quarter from its value in the final quarter of 1986. Preliminary data suggest that the deficit declined in April as exports rose and imports fell from their first-quarter rate. Economic activity has remained sluggish in most major foreign industrial nations so far this year. Real GNP and industrial production declined sharply in Germany in the first quarter, although industrial production picked up in April and May. Japan has shown the reverse pattern with declines in industrial production registered in both April and May.

Inflation rates slowed in May. The consumer price index (CPI) rose 0.3 percent, after more rapid increases earlier this year. Increases in retail energy prices, which had boosted prices during the first quarter, were smaller in April and May and accounted for much of the slower rise in consumer prices. However, the price of crude oil has advanced further since mid-April, which suggests upward pressure on retail energy prices in the period ahead. Excluding food and energy, the CPI has risen about 1 percentage point faster so far this year than in 1986 partly because of more rapid increases in consumer goods that have high import proportions. Wage inflation, in contrast, has remained relatively low for the year to date.

At its meeting on May 19, the Committee adopted a directive that called for increasing somewhat the degree of reserve pressure from that sought in the weeks just before the meeting, taking into account the possibility of a change in the discount rate. The members agreed that somewhat greater reserve restraint would, or somewhat lesser reserve restraint might, be acceptable depending on developments relating to inflation and the dollar in foreign exchange markets, as well as the behavior of the monetary aggregates and the strength of the business expansion. M2 and M3 were expected to grow at annual rates of around 6 percent or less from March through June, while growth in M1 was expected to be well below its pace in 1986. The intermeeting range for federal funds was left unchanged at 4 to 8 percent.

Adjustment plus seasonal borrowing at the discount window averaged $580 million for the three complete maintenance periods since the May meeting, close to its average level around the time of that meeting. Borrowing during the first full maintenance period after the May meeting was heavy, particularly over the long Memorial Day weekend when an imminent increase in the discount rate was expected by market participants. Total reserves decreased at an annual rate of about 2 percent between April and June, reflecting a falloff in required reserves associated with a net contraction in M1.

M2 grew only a little on balance in May and June, bringing its growth rate for the March to June period to 2¾ percent, and its M1 component declined over the two months. While some of the weakness in May reflected the unwinding of the previous tax-related buildup, more generally these aggregates appear to have been substantially affected by the increase in market interest rates among other factors this year. Expansion in M3 was better maintained as banks and thrift institutions continued to fund a moderate pace of credit extension, and for the March to June period this aggregate increased at an annual rate of 5½ percent. The growth of M2 in 1987 through June left this aggregate below the lower end of the growth "cone" representing the Committee's 5½ to 8½ percent range for the year, and growth of M3 around the lower end of its 5½ to 8½ percent growth cone.

Early in the intermeeting period interest rates remained near the higher levels reached in the weeks before the May meeting, as markets continued to reflect concerns about the course of inflation and the dollar. However, rates subsequently declined in response to a sharp drop in some commodity prices, a firmer dollar, and an abatement of inflation fears. The federal funds rate continued to average around 6¾ percent during the intermeeting period, but other short-term interest rates were down 10 to 55 basis points on balance. Longer-term Treasury yields were about 60 basis points lower and corporate bond rates declined about half that much. The commitment rate for fixed-rate mortgages fell slightly since the May FOMC meeting, but still was well above the low established earlier in the year. Stock price indexes increased strongly over most of the period to record levels.

The dollar strengthened somewhat during the intermeeting period, boosted in part by the announcement of an economic stimulus package in Japan as well as better than expected economic and price news for the United States. On balance, the weighted-average foreign exchange value of the dollar against other G-10 currencies moved up by about 3¾ percent since the May meeting, including increases of nearly 7¾ percent against the yen and 3¾ percent against the mark. Over the same period, bond rates rose substantially in Germany and Japan, and with U.S. long-term rates declining somewhat, the rate differentials narrowed.

The staff projections suggested that real GNP would grow at a moderate rate through the end of 1987 and perhaps slow slightly from this pace in 1988. Improvement in the external sector was expected to be a major factor contributing to growth in overall output. Growth in domestic demand was anticipated to be sluggish over the forecast horizon. In particular, the rise in import prices associated with the fall in the dollar was expected to hold down real income gains and thus consumer expenditures. Construction spending was anticipated to be damped by high vacancy rates for office structures and rental housing and recent increases in mortgage rates, while the expansion of government expenditures would likely be held down by budgetary limitations. Business equipment spending, however, should rise moderately in coming quarters, reflecting continued modernization efforts and expanding domestic production. Inflation rates were forecast to edge down over the second half of this year but then to move up again in 1988, primarily due to increases in nonpetroleum import prices. Moreover, with the civilian unemployment rate projected to remain close to 6¼ percent, labor market slack would have a reduced influence in damping inflationary pressures.

In the Committee's discussion of the economic situation and outlook, the members generally agreed that business activity was likely to expand at a moderate pace over the balance of the year. Greater uncertainty surrounded the outlook for 1988, but most of the members felt that further moderate growth also was a reasonable expectation for next year. In general, the members anticipated relatively sluggish expansion in domestic demands over the projection horizon, and as at earlier meetings they believed that sustained growth in overall activity would depend to an important extent on the achievement of significant improvement in the nation's balance of trade. Most of the members anticipated a marginally higher rate of price increase in 1988.

In keeping with the usual practice at meetings when the Committee considers its long-run objectives for monetary growth, the members of the Committee and the Federal Reserve Bank presidents not currently serving as members presented specific projections of economic growth, the rate of unemployment, and changes in the overall price level. With regard to the rate of expansion in real GNP, the projections had a central tendency of 2½ to 3 percent for 1987 as a whole and the same central tendency for 1988, though with a slightly wider range of individual forecasts for next year. Projections of growth in nominal GNP centered on ranges of 6¼ to 7 percent for 1987 and 5¾ to 7 percent for 1988. The rate of unemployment was not expected to deviate significantly from current levels; the central tendency of the forecasts was 6.2 to 6.4 percent for the fourth quarter of 1987 and 6.0 to 6.5 percent for the fourth quarter of 1988. With respect to the rate of inflation, as indexed by the GNP deflator, the projections centered on rates of 3¾ percent for 1987 and 4 percent for 1988. In making these forecasts, the members took account of the Committee's objectives for monetary growth established at this meeting. The members also assumed that fluctuations in the exchange value of the dollar would not be of sufficient magnitude to affect the projections significantly.

While the central tendency of the members' forecasts suggested some moderation in the rate of expansion from the pace currently indicated for the first half of this year, business activity was thought likely to be better balanced in that a number of previously depressed industries, notably in manufacturing, would benefit from further growth in net exports. Some members commented that relatively moderate expansion in line with that forecast by most of the members would represent a satisfactory economic performance under foreseeable circumstances. In this view appreciably faster growth would incur a considerable risk of increased inflationary pressures and the resulting distortions would threaten the sustainability of the expansion itself. Relatively rapid growth in domestic demands, in particular, would be inconsistent with needed external adjustment.

In the Committee's discussion of various factors bearing on the business outlook, some members commented that the growth in consumer demands seemed likely to be reasonably well maintained, especially in the services area, based on current trends and on prior cyclical experience. Others gave more weight to recent indications of softness in overall consumer spending and, in the context of increased consumer debt burdens and a relatively low saving rate, they saw relatively weak growth as a more likely prospect for the next several quarters. The members generally expected further improvement in net exports as both importers and exporters continued to adjust to a lower value of the dollar, but the extent of such improvement remained subject to considerable uncertainty. The possibility of relatively limited economic expansion in key foreign industrial countries was again cited as a negative factor. With regard to the federal budget deficit, the members emphasized that further reductions were essential to assure satisfactory economic performance over time. The outlook for continuing progress in lowering the deficit was uncertain, but any reduction in the deficit would tend to relieve pressures on financial markets, particularly in the context of diminished inflows of funds from abroad as the balance of trade improved, and would enhance the ability of the domestic economy to fund needed private capital formation.

The members differed to some extent in their assessments of the outlook for inflation, although most expected higher import prices to contribute to slightly greater price pressures in the period through 1988. In one view, there was a considerable risk that rising import prices would have a sizable impact on domestic pricing decisions as well. That risk might be augmented by efforts to raise wages in line with increasing inflation, particularly with reduced levels of unemployment and possible pressures on capacity in some industries experiencing strong export demand. Other members commented, however, that most industries were still operating appreciably below capacity, including in many cases industries that had been depressed earlier by the effects of the dollar's appreciation; some members also noted that most commodities remained in ample supply on world markets. A key factor tending to limit inflationary pressures was the continuing moderation in overall wage increases, but the members recognized that a substantial upturn, if it were to occur, would deal a major setback to the effort to restore price stability. The members also observed that potential developments in world oil prices were a major uncertainty in the inflation outlook.

At this meeting the Committee reviewed its ranges for growth of monetary and debt aggregates in 1987 and established tentative ranges for 1988 within the framework of the Full Employment and Balanced Growth Act of 1978 (the Humphrey-Hawkins Act).[1] At its meeting on February 10-11, 1987, the Committee had adopted growth ranges of 5½ to 8½ percent for both M2 and M3 for the period from the fourth quarter of 1986 to the fourth quarter of 1987. The associated range for growth in total domestic nonfinancial debt was set at 8 to 11 percent. The Committee had anticipated that growth in M1 would slow in 1987 from its very rapid pace in 1986, but the members had decided not to establish a numerical target for the year; instead, the appropriateness of M1 changes would be evaluated during the year in the light of the behavior of M1 velocity, developments in the economy and financial markets, and potential inflationary pressures.

In the course of the Committee's review of the ranges for 1987, most of the members indicated a preference for not changing the existing ranges set in February, but some sentiment also was expressed in favor of a slightly lower range for M2. The members took account of the sharp deceleration in the growth of the broader aggregates thus far in 1987, especially in M2. However, with the advance in business activity evidencing reasonable momentum and velocity showing signs of increasing in the context of rising interest rates associated with a pickup in inflation and a weaker dollar, the members viewed such a development as acceptable.

According to a staff analysis prepared for this meeting, the relatively weak growth in the monetary aggregates in the first half of the year appeared to reflect a number of developments whose impact might be greatly diminished over

1. The midyear Monetary Policy Report prepared pursuant to this legislation was transmitted to the Congress on July 21, 1987, and was published in the FEDERAL RESERVE BULLETIN, vol. 73 (August 1987), pp. 633-46.

coming quarters. To some extent, special factors related to the tax reform legislation may have helped to depress the growth in M2, while growth in M3 also was restrained by some unusual patterns in funding asset expansion at depository institutions. However, the available evidence suggested that a substantial portion of the slowing in monetary growth could be attributed to relatively slow adjustments in deposit interest rates to rising market rates. Opportunity costs of holding money balances had increased over the spring after an extended period of declines. By the time of the meeting, rates on many components of the broad aggregates had adjusted to the higher market rates and the impact of wider opportunity costs on overall M2 and M3 growth appeared to be abating. The analysis concluded that growth in M2 could be expected to pick up over the balance of the year to a rate closer to the expansion in nominal GNP, assuming steady reserve conditions and market interest rates near current levels, and for the year as a whole M2 might expand at a rate around the lower end of the Committee's existing range. Growth in M3 also might strengthen somewhat over the balance of the year, leaving this aggregate well within its range.

In further discussion a number of members took the view that the existing M2 range should not be "fine tuned" at this time despite the outlook for actual growth near the bottom of the range for 1987 as a whole. The members recognized that in light of the weakness during the first half of the year and the uncertainties that were involved, growth in this aggregate might in fact be somewhat below the lower end of the range for 1987. The latter development, if it occurred, would be acceptable provided it was associated with some strengthening in M2 velocity and satisfactory economic performance; in particular, a very limited pickup in M2 growth might be appropriate should the dollar tend to weaken or inflation concerns intensify. A number of members expressed concern that a reduction in the M2 range at this point might be misread as an indication of intended firming in monetary policy. On the other hand, several members observed that they would not endorse an easier policy posture solely for the purpose of assuring M2 growth within the Committee's existing range without regard for ongoing economic and financial developments, including the behavior of the dollar in foreign exchange markets.

The members anticipated that growth in the debt of nonfinancial sectors would remain well within its monitoring range for the year, reflecting a marked reduction from the expansion in other recent years. The reduced rate of expansion was in large measure the consequence of a lower federal deficit and some slowing in state and local government borrowing. However, with growth in private debt remaining relatively strong and that in federal debt still on the high side, expansion in total nonfinancial debt appeared likely to continue to exceed that in nominal GNP and average close to its pace of recent months over the balance of the year.

Turning to M1, the members considered whether or not a specific numerical range should be reestablished for its growth over the balance of this year or tentatively for 1988. The sharp slowing of M1 growth thus far in 1987 following a long period of rapid expansion, while appropriate in the circumstances of the first half of the year, provided further evidence that this aggregate had become highly sensitive to movements in interest rates and other factors. The members concluded that the prospective behavior of M1 remained subject to exceptional uncertainties, and no member favored establishing a specific target range at this time. However, the behavior of this aggregate, evaluated in the light of other economic and financial developments, would be taken into account in implementing policy over the second half of the year. The Committee also discussed M1A—a narrower measure of aggregate transactions accounts that includes demand deposits plus currency in circulation but excludes other checkable deposits from M1. The members noted that the characteristics of this aggregate probably also had changed in recent years as households shifted transactions deposits from demand to NOW accounts and more businesses adopted sophisticated techniques for managing their cash balances. The velocity of this aggregate had varied less than that of M1, but given the uncertainties in its relationship to the economy and prices, the members saw no advantage at this time in introducing M1A as a formal guide to policy.

At the conclusion of the Committee's review, all of the members indicated that they favored, or could accept, a proposal not to change the ranges for growth in the broader aggregates or the monitoring range for nonfinancial debt that had been established in February for the year 1987. Growth in both M2 and M3 around the lower ends of their ranges might be acceptable depending on developments relating to their velocities and attendant economic and financial conditions, notably the strength of inflationary pressures. No numerical range would be established for M1 growth in 1987, or tentatively for 1988, but M1 developments, weighed in the context of emerging economic and financial conditions, would be taken into account in reaching operational decisions over the balance of 1987, and the desirability of a numerical range for 1988 would be reassessed early next year in the light of circumstances at that time.

Thereupon, the Committee approved the following paragraphs relating to its objectives for the broader aggregates and nonfinancial debt in 1987 and the role of M1:

The Committee agreed at this meeting to reaffirm the ranges established in February for growth of 5½ to 8½ percent for both M2 and M3, measured from the fourth quarter of 1986 to the fourth quarter of 1987. The Committee agreed that growth in these aggregates around the lower ends of their ranges may be appropriate in light of developments with respect to velocity and signs of the potential for some strengthening in underlying inflationary pressures, provided that economic activity is expanding at an acceptable pace. The monitoring range for growth in total domestic nonfinancial debt set in February for the year was left unchanged at 8 to 11 percent.

With respect to M1, the Committee recognized that, based on experience, the behavior of that aggregate must be judged in the light of other evidence relating to economic activity and prices; fluctuations in M1 have become much more sensitive in recent years to changes in interest rates, among other factors. Because of this sensitivity, which has been reflected in a sharp slowing of the decline in M1 velocity over the first half of the year, the Committee again decided not to establish a specific target for growth in M1 over the remainder of 1987 and no tentative range has been set for 1988. The appropriateness of changes in M1 this year will continue to be evaluated in the light of the behavior of its velocity, developments in the economy and financial markets, and the nature of emerging price pressures. The Committee welcomes substantially slower growth of M1 in 1987 than in 1986 in the context of continuing economic expansion and some evidence of greater inflationary pressures. The Committee in reaching operational decisions over the balance of the year will take account of growth in M1 in the light of circumstances then prevailing. The issues involved with establishing a target for M1 will be carefully reappraised at the beginning of 1988.

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

With regard to the tentative ranges for 1988, all but one member of the Committee felt that some reduction in the broader aggregates from their 1987 ranges would be consistent with the Committee's longer-run objective of fostering progress toward price stability while also encouraging sustained expansion in business activity. A majority indicated a preference for reducing the M2 range by ½ percentage point. Of these, a number commented that, should economic and financial conditions warrant, they would be prepared to support a further reduction of ½ percentage point when the tentative ranges were reviewed in February 1988. Some sentiment was expressed for lowering the M2 range by a full percentage point at this time on the ground that such a reduction appeared fully consistent with satisfactory economic growth and with the reduced rate of inflation that was anticipated and desired over the longer run; in this view a smaller reduction might not appear sufficiently decisive with respect to restraining inflation. However, one member expressed concern that a reduction of more than ½ percentage point would establish a lower limit that might not be consistent with adequate economic growth, at least insofar as could be foreseen at this time. In light of the uncertainties that were involved some members also indicated that they could support a proposal to widen the tentative range for M2 in the expectation that it might be narrowed later. Others objected to a wider range on the ground that, because of the Committee's focus on the broader aggregates, such a range might be viewed as weakening the importance of the Committee's monetary targets.

At the conclusion of the Committee's discussion, all but one of the members indicated that they could accept a reduction of ½ percentage point in the tentative ranges for M2 and M3 and in the monitoring range for nonfinancial debt in 1988. It was understood that all these ranges were provisional and that they, along with the possibility of establishing a numerical range for M1, would be reviewed in early 1988 in the light of intervening developments.

The following paragraph relating to the ranges for 1988 was approved for inclusion in the domestic policy directive:

For 1988, the Committee agreed on tentative ranges of monetary growth, measured from the fourth quarter of 1987 to the fourth quarter of 1988, of 5 to 8 percent for both M2 and M3. The Committee provisionally set the associated range for growth in total domestic nonfinancial debt at 7½ to 10½ percent.

Votes for this action: Messrs. Volcker, Corrigan, Angell, Boehne, Boykin, Heller, Johnson, Keehn, Kelley, and Stern. Vote against this action: Ms. Seger.

Ms. Seger dissented because she did not want to reduce at this time the tentative M2 and M3 ranges for 1988 below those established for this year. In her view the performance of key sectors of the domestic economy implied a relatively weak business expansion, and she did not anticipate enough offsetting support from gains in foreign trade. In the circumstances, inflationary pressures seemed likely to remain subdued, and she concluded that a policy consistent with monetary growth within this year's ranges would probably be needed to sustain the expansion in 1988. She recognized that the economic outlook was surrounded by a great deal of uncertainty, and she would be prepared to lower the M2 and M3 ranges early next year if intervening developments seemed to warrant such a reduction.

In the Committee's discussion of policy implementation for the weeks immediately ahead, all of the members indicated that they were in favor of continuing to direct open market operations toward maintaining the existing degree of reserve availability. Recent financial developments, including indications of some easing in inflationary sentiment and the emergence of a more stable dollar in foreign exchange markets, along with evidence of continued moderate expansion in business activity did not point to the need for any change in reserve conditions at this time. The outlook for monetary expansion also seemed consistent with such a stance since unchanged reserve conditions and relatively stable market rates were thought likely to be associated with some strengthening in money growth over the third quarter. Even so, the cumulative expansion of M2 through September might still be somewhat below the Committee's target range for the year; growth in M3 might move this aggregate closer to the middle of the Committee's 1987 range by September. The outlook for growth in M1 remained uncertain, but a relatively moderate rate of expansion in this aggregate over the third quarter appeared consistent with stable reserve conditions and the Committee's expectations for the broader aggregates.

Most members felt that there should be no presumption about the likely direction of any intermeeting adjustment in policy implementation. The market concerns about inflation and downward pressures on the dollar that had argued for a relatively prompt firming of reserve conditions at the time of the May meeting had eased somewhat, and growth in the monetary aggregates had been quite restrained in recent months. One member felt that policy implementation should be especially alert to developments that might call for some easing, given the risks in this view that indicators of business activity might prove to be weaker than expected and a related belief that the risks of greater inflation were limited. The members generally indicated that attention should continue to be given to developments bearing on the outlook for inflation and the performance of the dollar in foreign exchange markets, but in keeping with the Committee's usual approach to policy implementation, any decision to alter reserve objectives during the intermeeting period would take account of the behavior of the monetary aggregates and the overall performance of the economy.

At the conclusion of the Committee's discussion, all of the members agreed on the desirability of a directive that called for no change in the degree of pressure on reserve positions. Some firming or some easing of reserve conditions would be acceptable depending especially on developments relating to inflation and the performance of the dollar in foreign exchange markets, while also taking account of the behavior of the monetary aggregates and the strength of the business expansion. This approach to policy implementation was expected to be consistent with growth of M2 and M3 at annual rates of around 5 percent and 7½ percent respectively, over the three-month period from June to September. Over the same period, growth in M1 was expected to resume after declining on balance in May and June but to remain well below its pace in 1986. Because the behavior of M1 was still subject to unusual uncertainty and in keeping with its decision regarding the longer-run target, the Committee decided to continue its practice of not specifying a numerical expectation for its short-run growth. The members agreed that the intermeeting range for the federal funds rate, which provides a mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, should be left unchanged at 4 to 8 percent.

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

The information reviewed at this meeting suggests on balance that economic activity expanded at a moderate pace in the second quarter. In May and June, total nonfarm payroll employment rose modestly further, with most of the gains continuing to be in the service-producing sectors. The civilian unemployment rate fell to 6.1 percent in June and was down appreciably from its average level in the first quarter. Industrial production increased substantially in May after rising moderately on balance in earlier months of the year. Consumer spending appears to have increased in the second quarter, but housing starts were down somewhat further in May to a level considerably below their first-quarter average. Recent indicators of business capital spending point to some recovery, particularly in equipment outlays, from a depressed level in the first quarter. In April the merchandise trade deficit was smaller than in March and below the monthly average for the first quarter. The rise in consumer and producer prices moderated in May but for the year to date prices have risen more rapidly than in 1986, primarily reflecting sizable increases in prices of energy and non-oil imports. Wage increases have remained relatively moderate in recent months.

M2 increased slightly in May and June while growth of M3 remained moderate. For 1987 through June, expansion of M2 has been below the lower end of the range established by the Committee for the year, and growth of M3 around the lower end of its range. Following a surge in April, M1 contracted on balance in May and June. Expansion in total domestic nonfinancial debt has moderated this year.

Most interest rates have declined somewhat on balance since the May 19 meeting of the Committee. In foreign exchange markets, the trade-weighted value of the dollar against the other G-10 currencies has risen on balance since the May meeting.

The Federal Open Market Committee seeks monetary and financial conditions that will foster reasonable price stability over time, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives the Committee agreed at this meeting to reaffirm the ranges established in February for growth of 5½ to 8½ percent for both M2 and M3, measured from the fourth quarter of 1986 to the fourth quarter of 1987. The Committee agreed that growth in these aggregates around the lower ends of their ranges may be appropriate in light of developments with respect to velocity and signs of the potential for some strengthening in underlying inflationary pressures, provided that economic activity is expanding at an acceptable pace. The monitoring range for growth in total domestic nonfinancial debt set in February for the year was left unchanged at 8 to 11 percent.

For 1988, the Committee agreed on tentative ranges of monetary growth, measured from the fourth quarter of 1987 to the fourth quarter of 1988, of 5 to 8 percent for both M2 and M3. The Committee provisionally set the associated range for growth in total domestic nonfinancial debt at 7½ to 10½ percent.

With respect to M1, the Committee recognized that, based on experience, the behavior of that aggregate must be judged in the light of other evidence relating to economic activity and prices; fluctuations in M1 have become much more sensitive in recent years to changes in interest rates, among other factors. Because of this sensitivity, which has been reflected in a sharp slowing of the decline in M1 velocity over the first half of the year, the Committee again decided not to establish a specific target for growth in M1 over the remainder of 1987 and no tentative range has been set for 1988. The appropriateness of changes in M1 this year will continue to be evaluated in the light of the behavior of its velocity, developments in the economy and financial markets, and the nature of emerging price pressures. The Committee welcomes substantially slower growth of M1 in 1987 than in 1986 in the context of continuing economic expansion and some evidence of greater inflationary pressures. The Committee in reaching operational decisions over the balance of the year will take account of growth in M1 in the light of circumstances then prevailing. The issues involved with establishing a target for M1 will be carefully reappraised at the beginning of 1988.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. Somewhat greater reserve restraint or somewhat lesser reserve restraint would be acceptable depending on indications of inflationary pressures and on developments in the aggregates and the strength of the business expansion. This approach is expected to be consistent with growth in M2 and M3 over the period from June through September at annual rates of around 5 and 7½ percent, respectively. Growth in M1, while picking up from recent levels, is expected to remain well below its pace during 1986. The Chairman may call for Committee consultation if it appears to the Manager for

Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 4 to 8 percent.

Votes for the short-run operational paragraph: Messrs. Volcker, Corrigan, Angell, Boehne, Boykin, Heller, Johnson, Keehn, Kelley, Ms. Seger, and Mr. Stern. Votes against this action: None.

Legal Developments

AMENDMENT TO REGULATION E

The Board of Governors is amending 12 C.F.R. Part 205, its Regulation E, by issuing a final rule amending the requirements concerning electronic fund transfer ("EFT") services initiated by non-account-holding financial institutions (at point of sale, for example) and processed through the automated clearing house system for debiting to a customer's account. The amendments eliminate the periodic statement requirement for persons that provide EFT services to consumers, but do not hold consumer accounts, if they:

(1) issue a debit card to the consumer that includes an address or telephone number to be used by the consumer to contact the service provider;
(2) send information needed to identify the transaction in accordance with Regulation E to the account-holding financial institution; and
(3) extend the time periods available to the consumer for notice of errors and lost or stolen debit cards, and give certain additional disclosures. The amendment also requires account-holding financial institutions to include a description of these EFT transactions on periodic statements provided to their customers.

Effective November 15, 1987. However, disclosure of the terminal location will not be required until July 1, 1990; and account-holding institutions with assets of $25 million or less will not be required to comply (except to cooperate with the service provider in the investigation of errors) until July 1, 1990. The Board amends 12 C.F.R. Part 205 as follows:

Part 205—Electronic Fund Transfers

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

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

2. Section 205.14 is amended by revising paragraphs (a)(2) and (b) as follows:

Section 205.14—Services Offered by Financial Institutions Not Holding Consumer's Account

(a) *Compliance by service-providing institution.* * * *

* * * * *

(2) Sections 205.7, 205.8, and 205.9 shall require the service-providing institution to provide those disclosures and documentation that are within its knowledge and the purview of its relationship with the consumer. The service-providing institution need not furnish a periodic statement to the consumer under section 205.9(b), if the service-providing institution:

(i) Issues a debit card, to be used by the consumer to initiate electronic fund transfers, that bears the name of the service-providing institution and an address or telephone number that can be used to contact the service-providing institution;
(ii) Transmits the applicable transaction identification information specified by section 205.9(b)(1) to the consumer's account-holding institution, in the format prescribed by the automated clearing house system used to clear the fund transfers;
(iii) Discloses to the consumer, in addition to the information required by section 205.7, that the service-providing institution (not the account-holding institution) is responsible for all electronic fund transfers made with the debit card, and that all inquiries and error notices related to such transfers should be directed to the service-providing institution; that the service-providing institution will not issue a periodic statement, and that the consumer should retain all terminal receipts to verify transactions; and that the consumer must notify the service-providing institution concerning loss or theft of the debit card;
(iv) Provides on or with the receipts required by section 205.9(a) the address and telephone number to be used for inquiries and error notices and for reporting the loss or theft of the debit card; and
(v) Extends the time period set forth in section 205.6(b)(1) for notice of loss or theft of a debit card, from 2 business days to 4 business days after the consumer learns of the loss or theft; and

extends the time periods set forth in sections 205.6(b)(2) and 205.11(b)(1) for reporting unauthorized transfers or alleged errors, from 60 days to 90 days following the transmittal of a periodic statement.

* * * * *

(b) *Compliance by account-holding institution.* An account-holding institution described in paragraph (a) of this section need not comply with the requirements of the act and this regulation with respect to electronic fund transfers to or from the consumer's account made by the service-providing institution, except that the account-holding institution shall:

(1) Comply with section 205.9 by providing a periodic statement and describing each transaction from the service-providing institution that is debited or credited to the consumer's account in accordance with section 205.9(b);[13] but the account-holding institution has no liability for failure to provide this information if the failure is due to its not having received the necessary information from the service-providing institution in the prescribed format; and

(2) Comply with section 205.11 by promptly providing to the service-providing institution, upon its request, information or copies of documents required for the purpose of investigating alleged errors or for furnishing copies of documents to the consumer; and by honoring debits to the account in accordance with section 205.11(f)(2).

* * * * *

3. Appendix A is amended by revising the first sentence of the introductory language and by adding section A(11) as follows:

Appendix A—Model Disclosure Clauses

This appendix contains model disclosure clauses for optional use by financial institutions to facilitate compliance with the disclosure requirements of sections 205.5(a)(3), (b)(2), and (b)(3), 205.6(a)(3), 205.7, and 205.14(a)(2). * * *

* * * * *

13. Account-holding institutions shall not be required to furnish the terminal location as part of the transaction description until July 1, 1990. In addition, account-holding institutions with assets of $25 million or less shall not be required to comply with section 205.9(b) until July 1, 1990.

Section A(11)—Disclosure From Service-Providing Institution That Does Not Send Periodic Statements (§ 205.14(a)(2))

ALL QUESTIONS ABOUT TRANSACTIONS MADE WITH YOUR (NAME OF CARD) CARD MUST BE DIRECT TO US (NAME OF SERVICE PROVIDER), AND NOT TO THE BANK OR OTHER FINANCIAL INSTITUTION WHERE YOU HAVE YOUR ACCOUNT. We are responsible for the (name of service) service and for resolving any errors in transactions made with your (name of card) card.

We will not send you a periodic statement listing transactions that you make using your (name of card) card. The transactions will appear only on the statement issued by your bank or other financial institution. SAVE THE RECEIPTS YOU ARE GIVEN WHEN YOU USE YOUR (NAME OF CARD) CARD, AND CHECK THEM AGAINST THE ACCOUNT STATEMENT YOU RECEIVE FROM YOUR BANK OR OTHER FINANCIAL INSTITUTION. If you have any questions about one of these transactions, call or write us at (telephone number and address) (the telephone number and address indicated below).

IF YOUR (NAME OF CARD) CARD IS LOST OR STOLEN, NOTIFY US AT ONCE by calling or writing to us at (telephone number and address).

Amendment to Regulation K

The Board of Governors is amending 12 C.F.R. Part 211, its Regulation K, by issuing a final rule to permit investors to acquire from foreign governments ownership of certain foreign companies engaged in nonfinancial activities in the context of exchanging debt obligations of the government for equity ownership interest in the companies.

Effective immediately, the Board amends 12 C.F.R. Part 211 as follows:

Part 211—International Banking Operations

1. The authority citation for 12 C.F.R. Part 211 is revised to read as follows:

Authority: 12 U.S.C. 221 *et seq.;* 12 U.S.C. 1841 *et seq.;* Pub. L. 95–369; 92 Stat. 607; 12 U.S.C. 3101 *et seq.;* Title II, Pub. L. 97–290, 96 Stat. 1235; Title IX, Pub. L. 98–181, 97 Stat. 1153, 12 U.S.C. 3901 *et seq.*

2. Part 211 is amended by adding a new paragraph (f) to section 211.5, as follows:

Section 211.5—Investments and Activities Abroad

* * * * *

(f) *Investment made through debt-for-equity conversions*

(1) *Permissible Investment.* In addition to an investment that may be made under other provisions of this section, a bank holding company may acquire up to and including 100 percent of the shares of (or other ownership interest in) a foreign company if:

(i) the shares are acquired from the government of an eligible country or from its agencies or instrumentalities;

(ii) the shares are acquired by conversion of sovereign debt obligations of the eligible country either through a direct exchange of debt obligations or a payment for the debt in local currency, the proceeds of which are used to purchase the shares;

(iii) the shares are held by the bank holding company or its subsidiaries, provided however that such shares may not be held by a U.S. insured bank or its subsidiaries;

(iv) the shares are divested within five years of acquisition unless the Board extends such time period for good cause shown but no such extensions may in the aggregate exceed five years; and

(v) an investment shall be made under this paragraph in accordance with the investment procedures of paragraph (c) of this section and shall be subject to paragraph (b)(3)(i)(A) and (B) of this section.

(2) *Definitions.* For purposes of this paragraph:

(i) an "eligible country" means a country that, since 1980, has restructured its sovereign debt held by foreign creditors; and

(ii) "investment" shall have the meaning set forth in section 211.2(i) of this part and, for purposes of this paragraph, shall include loans or other extensions of credit by the bank holding company or its affiliates to a company acquired pursuant to this paragraph.

(3) *Conditions.*

(i) Any company acquired pursuant to this paragraph shall not bear a name similar to the name of the acquiring bank holding company or any of its affiliates; and

(ii) Neither the bank holding company nor its affiliates shall provide to any company acquired pursuant to this paragraph any confidential business or other information concerning customers that are engaged in the same or related lines of business as the company.

* * * * *

AMENDMENT TO REGULATION T

The Board of Governors is amending 12 C.F.R. Part 220, its Regulation T, by revising the definition of "OTC margin bond." The amended definition will include any "mortgage related security," a term defined in the Secondary Mortgage Market Enhancement Act of 1984 and in section 3(a)(41) of the Securities Exchange Act of 1934.

Effective August 27, 1987, the Board amends 12 C.F.R. Part 220 as follows:

Part 220—Credit by Brokers and Dealers

1. The authority citation for Part 220 continues to read as follows:

Authority: 15 U.S.C. sections 78c, 78h, 78q, and 78w.

2. Part 220 is amended by removing the period and adding "; or " at the end of paragraph (r)(2)(iii) and adding a new paragraph (r)(3) as follows:

Section 220.2—Definitions

(r) "OTC margin bond" means:

(3) A "mortgage related security" as defined in seciton 3(a)(41) of the Act.

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

Orders Issued Under Section 3 of the Bank Holding Company Act

Baltimore Bancorp
Baltimore, Maryland

Order Approving the Acquisition and Formation of a Bank Holding Company

Baltimore Bancorp, Baltimore, Maryland ("Bancorp"), a bank holding company within the meaning of the Bank Holding Company Act ("Act"), 12 U.S.C. § 1842 *et seq.*, has applied pursuant to section 3(a)(3) of the Act, 12 U.S.C. §1843(a)(3), to acquire Metropolitan Holding Company, Washington, D.C.

("MHC"), and thereby indirectly to acquire MHC's banking subsidiary, Metropolitan Bank of Bethesda, Bethesda, Maryland ("Metro Bank"), the successor by conversion to Metropolitan Federal Savings and Loan Association of Bethesda, Bethesda, Maryland ("MFSL"). MHC has applied for the Board's approval pursuant to section 3(a)(1) of the Act to become a bank holding company by acquiring Metro Bank; and has applied pursuant to section 3(a)(3) of the Act to acquire 16.7 percent of the Bank of Baltimore, Baltimore, Maryland.[1]

Notice of the applications, affording interested persons an opportunity to submit comments, has been given in accordance with section 3(b) of the Act, 52 *Federal Register* 9,708 (1987). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Act.

Metro Bank is the commercial bank successor to MFSL, a federally chartered savings and loan association, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation ("FSLIC"). MFSL has adopted a conversion plan by which it will convert to a state-chartered savings and loan association and then will convert to Metro Bank, a state-chartered commercial bank, the accounts of which would be insured by the Federal Deposit Insurance Corporation ("FDIC").

Because Metro Bank, at the time of acquisition by Bancorp, will accept demand deposits and be engaged in the business of making commercial loans, Metro Bank would be a "bank" for purposes of the Act, and Bancorp and MHC properly have applied to acquire Metro Bank under section 3 of the Act, which governs the acquisition of banks by bank holding companies.

Bancorp, with deposits of $1.9 billion,[2] is the seventh largest commercial banking organization in Maryland, controlling 6.7 percent of the total deposits in commercial banking organizations in the state. Upon the conversion of MFSL to Metro Bank, MHC will control deposits of $426.9 million, representing 1.1 percent of the total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Bancorp would become the sixth largest commercial banking organization in Maryland and control deposits of $2.3 billion, representing 7.8 percent of the total deposits in commercial banking organizations in the state. Consummation of this proposal would not have any significant adverse effect upon the concentration of banking resources in the state.

Bancorp competes directly with Metro Bank in three banking markets: Annapolis, Frederick County and Washington, D.C.[3] Bancorp and Metro Bank are among the smaller banking organizations in each of these markets, controlling together less than 5 percent of deposits in commercial banks in each of the markets.[4] Moreover, consummation of the proposal would increase concentration in the markets, as measured by the Herfindahl–Hirschman Index ("HHI"), only slightly. The HHI in each of the markets would increase by fewer than 10 points. Based upon the foregoing, the Board concludes that consummation of the proposal would not have a substantial adverse competitive effect in any relevant banking market.

In evaluating these applications, the Board has considered the financial resources of Bancorp and the effect on those resources of the proposed acquisition. The Board has stated and continues to believe that capital adequacy is an especially important factor in the analysis of bank holding company proposals, particularly in transactions where a significant acquisition is proposed.[5] In this regard, the Board has stated that banking organizations experiencing substantial growth internally and by acquisition, such as Applicant, should maintain a strong capital position substantially above the minimum levels specified in the Capital Adequacy Guidelines without significant reliance on intangibles, particularly goodwill.[6]

Bancorp's existing tangible primary and total capital ratios are well above the minimum levels specified in the Board's Capital Adequacy Guidelines.[7] In order to effect the proposed acquisition, Bancorp will incur a substantial amount of goodwill upon consummation of the proposed acquisition, although its tangible primary capital ratio would still be above the minimum level specified in the Board's Guidelines. Moreover, Bancorp has in connection with this application committed

1. Upon consummation, Bancorp proposes to merge MHC into a newly formed, wholly owned subsidiary of Bancorp and to merge Metro Bank into its banking subsidiary, Bank of Baltimore. Thus, after consummation, Metro Bank will no longer exist as a separate banking organization and MHC will be a wholly owned subsidiary of Bancorp, controlling 16.7 percent of the shares of the Bank of Baltimore.

2. State deposit data are as of December 31, 1986.

3. The Annapolis banking market is defined as the Annapolis Ranally Metro Area ("RMA"). The Frederick banking market is defined as all of Frederick County, Maryland, except for the small southeast portion included in the Washington, D.C. RMA banking market. The Washington, D.C. banking market is defined as the Washington, D.C. RMA.

4. All market banking data are as of June 30, 1985.

5. *See e.g.*, *Chase Manhattan Corporation*, 70 FEDERAL RESERVE BULLETIN 529 (1984); *NCNB Corporation*, 69 FEDERAL RESERVE BULLETIN 49 (1983).

6. *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743, 746 (1984).

7. *Capital Adequacy Guidelines*, 50 *Federal Register* 16,057, 16,066–67 (April 24, 1985) (71 FEDERAL RESERVE BULLETIN 445 (1985)).

to strengthen its tangible primary capital ratio following consummation of the proposal.

Based upon a review of all the facts of record, the Board has determined that the financial and managerial resources of Bancorp and MHC are consistent with approval. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval of this application.

Metro Bank's nonbanking subsidiary, Metropolitan Insurance Services, Inc., although currently inactive, is authorized to engage in general insurance activities that generally are impermissible for bank holding companies. Accordingly, Bancorp has agreed that it will cause Metropolitan Insurance Services, Inc. to cease business prior to MHC becoming a bank holding company.

The Board notes that this application involves the acquisition of a bank that results from the conversion of a non-failing, FSLIC-insured state savings bank. The acquisition proposed here, however, does not fall within the scope of the Board's policy and rulings regarding acquisitions of thrift institutions under section 4 of the Act[8] or the provisions of the 1982 Garn–St Germain Depository Institutions Act regarding acquisitions of thrift institutions. Upon its acquisition by Bancorp, Metro Bank will accept demand deposits and engage in commercial lending, and will be subject to all the banking standards of the Act.

The Board expects that Bancorp will comply with all state and federal requirements necessary for consummation of the acquisition, and the Board's approval of this application under the Act is not intended to preempt any such requirements.[9] The Board has previously stated that its approval of transactions under section 3 of the Act does not relieve an applicant or the bank involved of the responsibility to obtain approval under other federal or state laws and regulations and does not shield an applicant from the consequences of violations of other laws.[10]

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

By order of the Board of Governors, effective August 3, 1987.

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

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

8. *D.H. Baldwin Company*, 63 FEDERAL RESERVE BULLETIN 280 (1977).

9. The Board may not approve an application that would result in a violation of federal or state law. *Whitney National Bank v. Bank of New Orleans*, 379 U.S. 411 (1964).

10. *Hartford National Corporation* (Order dated June 1, 1987); *Comerica Inc.*, 73 FEDERAL RESERVE BULLETIN 599 (1987); *Safra-Corp*, 73 FEDERAL RESERVE BULLETIN 137 (1987); *The One Bancorp*, 73 FEDERAL RESERVE BULLETIN 55, 135 (1987).

Community First Minnesota Bankshares, Inc. Fargo, North Dakota

Order Approving Formation of a Bank Holding Company

Community First Minnesota Bankshares, Inc., Fargo, North Dakota, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act ("Act") (12 U.S.C. § 1842(a)(1)), to become a bank holding company by acquiring the following banks from First Bank System, Inc., Minneapolis, Minnesota ("First Bank System"): First Bank Benson, National Association, Benson, Minnesota; First Bank (N.A.)—Little Falls, Little Falls, Minnesota; First Bank Southwest, National Association, Marshall, Minnesota; The First State Bank in Paynesville, Paynesville, Minnesota; First Bank of Wheaton, National Association, Wheaton, Minnesota; and The First National Bank in Windom, Windom, Minnesota ("Banks").

Notice of the application, affording an opportunity for interested persons to submit comments, has been published (52 *Federal Register* 17,334 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received[1] in light of the factors set forth in section 3(c) of the Act (12 § U.S.C. § 1842(c)).

Applicant is a nonoperating corporation formed for the purpose of acquiring Banks from First Bank Sys-

1. Comments were submitted by The Independent Insurance Agents of America, The National Association of Casualty and Surety Agents, The National Association of Life Underwriters, The National Association of Professional Insurance Agents, and The National Association of Surety Bond Producers (collectively the "Trade Associations"). The Trade Associations allege that a lease arrangement between Banks and an independently owned and operated insurance agency will cause Applicant to be engaged in insurance activities prohibited by section 4(c)(8) of the Act. The Board has carefully considered the comments submitted by the Trade Associations, Applicant's response, and all the facts of record, and has concluded that the proposed lease arrangement, as modified by Applicant, will not cause Applicant to be engaged in impermissible insurance activities for purposes of the Act.

tem. Upon consummation of the proposal, Applicant will control total deposits of approximately $199.3 million, representing less than one percent of total deposits in commercial banking organizations in the state, and would become the tenth largest commercial banking organization in the state.[2] Based on all the facts of record, the Board believes that consummation of the proposal would have no significantly adverse effect on the concentration of banking resources in Minnesota.

The Board has considered the effects of the proposal upon competition in the relevant banking markets.[3] Applicant does not currently operate any banking or nonbanking subsidiary in any market in which Banks operate. Moreover, upon consummation of the proposal, a significant number of competitors will remain in each market in which the Banks operate. Based on all the facts of record, the Board believes that consummation of the proposal would not result in any significantly adverse effect on existing or potential competition or increase the concentration of banking resources in any relevant banking market. Thus, competitive factors are consistent with approval.

The financial and managerial resources of the Applicant and Banks are consistent with approval, especially in light of Applicant's plan to increase its consolidated capital position. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval.

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

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

3. Benson Bank operates in the Benson banking market, which is approximated by part of Swift County, Minnesota.

Little Falls Bank operates in the Little Falls banking market, which is approximated by Morrison County and part of Todd County, all in Minnesota.

Marshall Bank operates in the Marshall banking market, which is approximated by Lincoln and Lyon Counties, and parts of Murray, Redwood, and Yellow Medicine Counties, all in Minnesota.

Paynesville Bank operates in the St. Cloud banking market, which is approximated by Stearns and Benton Counties, and part of Sherburne County, all in Minnesota.

Wheaton Bank operates in the Watertown banking market, which is approximated by Codington, Roberts, Grant, Clark, Hamlin, and Deuel Counties, South Dakota; and Big Stone and Traverse Counties, and parts of Lac Qui Parle County, Minnesota.

Windom Bank operates in the Worthington banking market, which is approximated by Cottonwood, Jackson, and Nobles Counties, and part of Murray County, all in Minnesota.

By order of the Board of Governors, effective August 17, 1987.

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

WILLIAM W. WILES
[SEAL] *Secretary of the Board*

Community First North Dakota Bankshares, Inc.
Fargo, North Dakota

Order Approving Formation of a Bank Holding Company

Community First North Dakota Bankshares, Inc., Fargo, North Dakota, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act ("Act") (12 U.S.C. § 1842(a)(1)), to become a bank holding company by acquiring the following banks from First Bank System, Inc., Minneapolis, Minnesota ("First Bank System"): The First State Bank of Cooperstown, Cooperstown, North Dakota; First National Bank in Lidgerwood, Lidgerwood, North Dakota; First Bank of North Dakota (N.A.) Wahpeton, Wahpeton, North Dakota; and The First National Bank and Trust Company of Dickinson, Dickinson, North Dakota ("Banks").

Notice of the application, affording an opportunity for interested persons to submit comments, has been published (52 *Federal Register* 17,334 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received[1] in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant is a nonoperating corporation formed for the purpose of acquiring Banks from First Bank System. Upon consummation of the proposal, Applicant will control total deposits of approximately $140.8 million, representing 2.3 percent of total deposits in

1. Comments were submitted by The Independent Insurance Agents of America, The National Association of Casualty and Surety Agents, The National Association of Life Underwriters, The National Association of Professional Insurance Agents, and The National Association of Surety Bond Producers (collectively the "Trade Associations"). The Trade Associations allege that a lease arrangement between Banks and an independently owned and operated insurance agency will cause Applicant to be engaged in insurance activities prohibited by section 4(c)(8) of the Act. The Board has carefully considered the comments submitted by the Trade Associations, Applicant's response, and all the facts of record, and has concluded that the proposed lease arrangement, as modified by Applicant, will not cause Applicant to be engaged in impermissible insurance activities for purposes of the Act.

commercial banking organizations in the state, and would become the sixth largest commercial banking organization in the state.[2] Based on all the facts of record, the Board believes that consummation of the proposal would have no significantly adverse effect on the concentration of banking resources in North Dakota.

The Board has considered the effects of the proposal upon competition in the relevant banking markets.[3] Applicant does not currently operate any banking or nonbanking subsidiary in any market in which Banks operate. Moreover, upon consummation of the proposal, a significant number of competitors will remain in each market in which the Banks operate. Based on all the facts of record, the Board believes that consummation of the proposal would not result in any significantly adverse effect on existing or potential competition or increase the concentration of banking resources in any relevant banking market. Thus, competitive factors are consistent with approval.

The financial and managerial resources of Applicant and Banks are consistent with approval, especially in light of Applicant's plan to increase its consolidated capital position. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval.

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

By order of the Board of Governors, effective August 17, 1987.

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

WILLIAM W. WILES
Secretary of the Board

[SEAL]

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

3. Cooperstown Bank operates in the Jamestown banking market, which is approximated by Eddy, Foster, Stutsman, Barnes, and LaMoure Counties and parts of Griggs and Dickey Counties, all in North Dakota.

Dickinson Bank operates in the Dickinson banking market, which is approximated by Dunn, Billings, Golden Valley, Slope, Stark, and Hettinger Counties, all in North Dakota.

Lidgerwood Bank and Wahpeton Bank both operate in the Wahpeton-Breckenridge banking market, which is approximated by Sargeant County and parts of Richland County in North Dakota, and part of Wilken County, Minnesota.

Community First South Dakota Bankshares, Inc.
Fargo, North Dakota

Order Approving Formation of a Bank Holding Company

Community First South Dakota Bankshares, Inc., Fargo, North Dakota, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act ("Act") (12 U.S.C. § 1842(a)(1)), to become a bank holding company by acquiring six *de novo* state-chartered banks: Community First State Bank of Hot Springs, Hot Springs, South Dakota; Community First State Bank of Huron, Huron, South Dakota; Community State Bank in Lemmon, Lemmon, South Dakota; Community First State Bank of Platte, Platte, South Dakota; Community First State Bank of Redfield, Redfield, South Dakota; and Community First State Bank of Vermillion, Vermillion, South Dakota ("Banks"). These banks are being formed to purchase the assets and assume the deposit and other liabilities of nine branches of First Bank South Dakota, N.A., Sioux Falls, South Dakota, a subsidiary of First Bank System, Inc., Minneapolis, Minnesota ("First Bank System"), located in the communities in which the Banks propose to operate.

Notice of the application, affording an opportunity for interested persons to submit comments, has been published (52 *Federal Register* 17,334 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received[1] in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant is a nonoperating corporation formed for the purpose of acquiring, through Banks, certain branches of First Bank South Dakota, N.A. Upon consummation of the proposal, Applicant will control total deposits of approximately $388.0 million, representing 4.6 percent of total deposits in commercial banking organizations in the state, and would become

1. Comments were submitted by The Independent Insurance Agents of America, The National Association of Casualty and Surety Agents, The National Association of Life Underwriters, The National Association of Professional Insurance Agents, and The National Association of Surety Bond Producers (collectively the "Trade Associations"). The Trade Associations allege that a lease arrangement between Banks and an independently owned and operated insurance agency will cause Applicant to be engaged in insurance activities prohibited by section 4(c)(8) of the Act. The Board has carefully considered the comments submitted by the Trade Associations, Applicant's response, and all the facts of record, and has concluded that the proposed lease arrangement, as modified by Applicant, will not cause Applicant to be engaged in impermissible insurance activities for purposes of the Act.

the third largest commercial banking organization in the state.[2] Based on all the facts of record, the Board believes that consummation of the proposal would have no significantly adverse effect on the concentration of banking resources in South Dakota.

The Board has considered the effects of the proposal upon competition in the relevant banking markets.[3] Applicant does not currently operate any banking or nonbanking subsidiary in any market in which Banks will operate. Moreover, upon consummation of the proposal, a significant number of competitors will remain in each market in which the Banks will operate. Based on all the facts of record, the Board believes that consummation of the proposal would not result in any significantly adverse effect on existing or potential competition or increase the concentration of banking resources in any relevant banking market. Thus, competitive factors are consistent with approval.

The financial and managerial resources of Applicant and Banks are consistent with approval, especially in light of Applicant's plan to increase its consolidated capital position. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval.

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

By order of the Board of Governors, effective August 17, 1987.

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

[SEAL]

WILLIAM W. WILES
Secretary of the Board

2. Banking data are as of June 30, 1985.

3. Hot Springs Bank operates in the Rapid City banking market, which is approximated by Butte, Lawrence, Pennington, Custer, Fall River, Haakon, Jackson, and Bennett Counties, and part of Meade County, all in South Dakota.

Huron Bank operates in the Huron banking market, which is approximated by Hand, Beadle, Buffalo, Jerauld, and Sanborn Counties, and parts of Miner and Kingsbury Counties, all in South Dakota.

Lemmon Bank operates in the Buffalo-Bowman banking market, which is approximated by Harding County and part of Perkins County, South Dakota, and Adams and Bowman Counties, North Dakota.

Platte Bank and its Corsica branch operate in the Mitchell banking market, which is approximated by Hanson, Aurora, Brule, Davison, Douglas, Charles Mix, and Hutchinson Counties, all in South Dakota.

Redfield Bank operates in the Aberdeen banking market, which is approximated by McPherson, Edmunds, Faulk, Brown, Spink, Marshall, and Day Counties, South Dakota, and parts of Dickey County, North Dakota. The Gettysburg Branch of Redfield Bank operates in the Pierre banking market, which is approximated by Sulley, Hyde, Stanley, Hughes, Jones, and Lyman Counties, and parts of Potter County, all in South Dakota. The Clark Branch of Redfield Bank operates in the Watertown banking market, which is approximated by Codington, Roberts, Grant, Clark, Hamlin, and Deuel Counties, South Dakota; and Traverse and Big Stone Counties, and parts of Lac Qui Parle County, Minnesota.

Vermillion Bank operates in the Vermillion banking market, which is approximated by Clay County and part of Union County, both in South Dakota.

Genbeach Company, Inc.
Beattyville, Kentucky

Order Approving Formation of a Bank Holding Company

Genbeach Company, Inc., Beattyville, Kentucky, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act ("Act") (12 U.S.C. § 1842(a)(1)), to become a bank holding company by acquiring 57.2 percent of the outstanding voting shares of Peoples Exchange Bancorp, Inc., Beattyville, Kentucky ("Bancorp"), a one-bank holding company by virtue of its control of Peoples Exchange Bank of Beattyville ("Bank").

Notice of the application, affording opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the Act (52 *Federal Register* 20,780 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant is a nonoperating company that has been formed for the purpose of becoming a bank holding company by acquiring the shares of Bancorp currently held by two of Applicant's principals, who are members of the same family. Upon consummation of the proposal, the principals' shares of Bancorp would be exchanged for shares of Applicant. Thus, this proposal essentially represents a restructuring of existing ownership interests.[1]

Bank is the 116th largest commercial banking organization in Kentucky, with total deposits of $48 million, representing 0.19 percent of the total deposits in commercial banks in the state.[2] Bank operates in the

1. Prior to consummation, shares of Bancorp representing less than 1 percent of the outstanding voting shares would be transferred by one of the principals to a third member of the family. These shares would also be exchanged for shares of Applicant.

2. All banking data are as of December 31, 1986.

Lee-Owsley banking market.[3] The principals of Applicant are not associated with any other banking organization in this market. Consummation of this proposal would not result in any adverse effect upon competition or increase the concentration of banking resources in the relevant area. Accordingly, the Board concludes that competitive considerations under the Act are consistent with approval.

The financial and managerial resources and future prospects of Applicant, Bancorp, and Bank are considered consistent with approval of the proposal. Considerations relating to the convenience and needs of the community to be served also are consistent with approval.

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

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

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

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

3. The Lee-Owsley banking market consists of Lee and Owsley counties in Kentucky.

Union Planters Corporation
Memphis, Tennessee

Order Approving Acquisition of a Bank

Union Planters Corporation, Memphis, Tennessee, a bank holding company within the meaning of the Bank Holding Company Act ("Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under section 3(a)(3) of the Act to acquire at least 90 percent of the voting shares of Bank of Trenton and Trust Company, Trenton, Tennessee ("Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (52 *Federal Register* 19,926 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act.

Applicant is the fifth largest commercial banking organization in Tennessee, controlling deposits of $1.8 billion, representing 5.8 percent of the total deposits in commercial banking organizations in the state.[1] Bank is one of the smaller commercial banking organizations in Tennessee, with deposits of $25 million, representing less than 1 percent of the total deposits in commercial banking organizations in the state. Consummation of this proposal would not have any significant adverse effect upon the concentration of banking resources in the state.

Applicant and Bank compete directly in the Gibson County banking market.[2] Applicant, with deposits of $104.5 million, is the largest of 12 commercial banking organizations in the market, controlling 28.6 percent of the total deposits in commercial banking organizations in the market.[3] Bank is the market's fourth largest commercial banking organization and controls 6.4 percent of the total deposits in commercial banking organizations in the market. Upon consummation of the proposal, Applicant would control 35.1 percent of the deposits in commercial banks in the market. The Gibson County market is considered moderately concentrated with a four-firm concentration ratio of 65.3 percent which, upon consummation, would increase to 71.7 percent. The Herfindahl–Hirschman Index ("HHI") would increase by 369 points to 1852.[4]

Although consummation of this proposal would eliminate some existing competition between Applicant and Bank in the Gibson County banking market, numerous other commercial banking organizations would continue to operate in the market. In addition, the Board has considered the presence of thrift institutions in the market in its analysis of this proposal.

The Board previously has indicated that thrift institutions have become, or have the potential to become,

1. State banking data are as of December 31, 1986.
2. The Gibson County banking market is approximated by Gibson County, Tennessee.
3. Market banking data are as of June 30, 1986.
4. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823) a market in which the post-merger HHI is over 1800 is considered concentrated. In such markets, the Department is likely to challenge a merger that increases the HHI by more than 50 points. The Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognizes the competitive effect of limited purpose lenders and other nondepository financial entities.

major competitors of commercial banks.[5] Three thrift institutions operate offices in the Gibson County banking market, controlling 21.6 percent of the market's total deposits. These institutions compete with commercial banks in the market as providers of a wide array of deposit and lending services to consumer and commercial customers. In view of these facts, the Board has concluded that thrift institutions exert a significant competitive influence that mitigates the anticompetitive effects of this proposal in the Gibson County market.[6] On the basis of the foregoing, the Board concludes that consummation of the proposal would not have a substantial adverse competitive effect in the Gibson County banking market.

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

As part of this proposal, Applicant will acquire indirectly Bank's insurance agency subsidiary that engages in general insurance activities in Trenton, a town with a population of fewer than 5,000 residents. In reviewing the application, the Board has considered the comments of various insurance groups[7] asserting that exemption C to the insurance prohibitions contained in the 1982 Garn–St Germain Act amendments to the Act[8] may not be used by bank holding companies, such as Applicant, that do not have their principal place of banking business in a town with a population of fewer than 5,000 residents. The Board, however, previously has determined in its insurance rulemaking proceeding and by Order that exemption C does not impose such a requirement on bank holding companies that engage in general insurance activities in towns under 5,000 in population.[9] In this regard, Title II of the Competitive Equality Banking Act of 1987 ("CEBA"), which was signed into law on August 10, 1987, prohibits the Board from approving an application by a bank holding company to acquire a company, including a state bank, that is engaged, directly or through a subsidiary, in any insurance agency or underwriting activities beyond those permitted in exemptions (A) through (G) to the insurance prohibitions contained in the 1982 Garn–St Germain Act amendments to section 4(c)(8) of the Act. Applicant has committed to conduct its insurance agency activities pursuant to the terms of exemption C. Accordingly, the Board's approval of the application is not precluded by Title II of CEBA.

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

By order of the Board of Governors, effective August 20, 1987.

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

[SEAL]

WILLIAM W. WILES
Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

Hong Kong and Shanghai Banking Corporation
Hong Kong, B.C.C.

Kellett, N.V.
Curacao, Netherlands Antilles

HSBC Holdings, B.V.
Amsterdam, The Netherlands

Marine Midland Banks, Inc.
Buffalo, New York

Order Approving the Issuance and Sale of Variably Denominated Payment Instruments

Hong Kong and Shanghai Banking Corporation, Hong Kong, B.C.C., Kellett N.V., Curacao, Netherlands Antilles, HSBC Holdings, B.V., Amsterdam, The Netherlands and Marine Midland Banks, Inc., Buffalo, New York ("Marine") (collectively referred to as

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

6. If 50 percent of deposits held by thrift institutions in the Gibson County banking market were included in the calculation of market concentration, Applicant would control 25.2 percent of the market's total deposits and Bank would control 5.7 percent of such deposits. Upon consummation, the HHI would increase by 286 points to 1501.

7. Comments were received from the Association of Life Underwriters, National Association of Professional Insurance Agents, Independent Insurance Agents of America, Inc., National Association of Casualty and Surety Agents, and National Association of Surety Bond Producers.

8. 12 U.S.C. § 1843(c)(8)(C)(i).

9. 12 C.F.R. § 225.25(b)(8)(iii); *see also* Amendments to Regulation Y Governing Permissible Insurance Activities for Bank Holding Companies, 51 *Federal Register* 36,201 (1986); *First United Bancshares, Inc.*, 73 FEDERAL RESERVE BULLETIN 162 (1987).

"Applicants"), each a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), have applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(a)(3)) and section 225.23(a)(3) of the Board's Regulation Y (12 U.S.C. § 225.23(a)(3) to engage through a newly formed subsidiary, Marine Midland Payment Services, Inc., in the issuance and sale of payment instruments, as follows:

(1) domestic money orders up to a maximum face value of $10,000; and

(2) official checks with no maximum limitation on the face amount, but subject to certain conditions.

These instruments would be sold throughout New York exclusively through branches of Marine's subsidiary, Marine Midland Bank, N.A. ("Marine Bank").[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (52 *Federal Register* 24,532 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Marine controls total consolidated assets of approximately $24 billion and is the seventh largest bank holding company in the state of New York based on total domestic deposits in Marine Bank.[2] Applicants also engage in a number of nonbanking activities.

Regulation Y includes on the list of permissible nonbanking activities the issuance and sale of money orders and other similar consumer-type payment instruments with a face value not exceeding $1,000.[3] The Board also has approved by order, a number of applications to engage in the issuance of payment instruments with a $10,000 maximum face value.[4] In each case, the Board determined that the issuance and sale of payment instruments in increased denominations would not affect the fundamental nature of the activity as otherwise permitted under Regulation Y. In those orders, the Board also expressed its concern over potential adverse effects on monetary policy because such instruments are not subject to the transaction account reserve requirements that serve as an essential tool of monetary policy. Accordingly, the Board conditioned its approval on the requirement that Applicant file with the Board weekly reports of daily data on this activity.

In *Wells Fargo & Company*,[5] the Board approved a proposal to engage in the issuance and sale of official checks with no maximum limitation on the face amount subject to certain commitments designed to mitigate the potential adverse effects on monetary policy. Applicants have made these same commitments.

Specifically, Applicants have committed that they will deposit into a demand deposit account at Marine Bank the proceeds of any official check having a face value in excess of $10,000, and the proceeds of each item will remain in the demand account until the respective payment instrument is paid. Weekly reports will be made of daily data showing separately the aggregate value of all outstanding instruments (including money orders as well as official checks) with face values of up to $10,000, as well as the aggregate value of all official checks with face values exceeding $10,000.

In light of the commitments and procedures outlined above, the Board has determined that its concerns regarding potential adverse effects on the reserve base have been sufficiently mitigated as to be consistent with approval. The Board's approval to engage in this activity is subject to the continued evaluation of its potential adverse effects on monetary policy. If the Board discerns such effects in the future, it would require appropriate modification of the activity and the imposition of additional reserve requirements.

In order to approve this application under section 4(c)(8), the Board must find that Applicants' performance of the proposed activity could "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).

Consistent with the Board's findings in the Wells Fargo Order, the record here reflects that the sale of these larger denominated money orders by Applicants would increase competition in this field, provide greater convenience for purchasers, result in gains in efficiency and generally make these instruments more readily available to the public. There is no evidence in the record that consummation of this proposal would

1. Applicant proposes to furnish data processing, marketing, and servicing assistance in connection with its payment instrument activities. These activities are permissible pursuant to section 4(c)(1)(C) of the BHC Act.

2. Asset data are as of March 31, 1987, and deposit data are as of December 31, 1986.

3. 12 C.F.R. § 225.25(b)(12).

4. *BankAmerica Corporation*, 70 FEDERAL RESERVE BULLETIN 364 (1984) and Order approved July 21, 1987; *see also Chase Manhattan Corporation*, 71 FEDERAL RESERVE BULLETIN 905 (1985); *Citicorp*, 71 FEDERAL RESERVE BULLETIN 58 (1985).

5. *Wells Fargo & Company*, 72 FEDERAL RESERVE BULLETIN 148 (1986). *See also, FirstBank Holding Company of Colorado*, 72 FEDERAL RESERVE BULLETIN 662 (1986).

result in unsound banking practices, unfair competition, conflicts of interests, or undue concentration of resources. Accordingly, the Board believes that public benefits of the proposal 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 it is required to consider under section 4(c)(8) is favorable. This determination is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

The activity shall be commenced no later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 17, 1987.

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

WILLIAM W. WILES
[SEAL] *Secretary of the Board*

J.P. Morgan & Co. Incorporated New York, New York

Order Approving Application to Engage in Combined Investment Advisory and Securities Execution Services

J.P. Morgan & Co. Incorporated ("JPM"), New York, New York, a bank holding company within the meaning of the Bank Holding Company Act ("Act" or "BHC Act"), has applied, pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(3) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(3)), to expand the authority of its wholly owned subsidiary, J.P. Morgan Equities Inc. ("JPM Equities"), to include the provision of investment advisory services for "Institutional Customers."[1] JPM Equities proposes to conduct these activities from offices in New York City and London, England, for its affiliates and for institutional customers in the United States and abroad.

On June 3, 1986, the Federal Reserve Bank of New York, pursuant to authority delegated by the Board, approved JPM's application to engage through JPM Equities in brokerage activities in accordance with section 225.225(b)(15) of the Board's Regulation Y. JPM now proposes to expand the activities of JPM Equities to include providing to institutional customers and its affiliates,[2] in conjunction with its brokerage services, various investment advisory services, including portfolio investment advice and research, general economic advice, and forecasting. The Board has approved the separate provision of investment advisory services by bank holding company subsidiaries and has incorporated this activity into Regulation Y. (12 C.F.R. § 225.25(b)(4)).

Notice of the application, affording interested parties an opportunity to comment, has been duly published (51 *Federal Register* 42,004 (1986)). The time for filing comments has expired, and the Board has considered the application and all comments received, including comments opposing the proposal from the Securities Industry Association (the "SIA"), a national trade association of the securities industry, in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

The Board previously has determined by Order that the combination of investment advice and securities execution services to institutional customers is a permissible activity for bank holding companies under section 4(c)(8) of the BHC Act, and does not constitute the underwriting or public sale of securities under section 20 of the Glass–Steagall Act. *National Westminister Bank PLC, et al.*, 72 FEDERAL RESERVE

1. An Institutional Customer is defined by JPM to be:
(1) a bank (acting in an individual or fiduciary capacity); an insurance company; a registered investment company under the Investment Company Act of 1940; or a corporation, partnership, proprietorship, organization or institutional entity that regularly invests in the types of securities as to which investment advice is given, or that regularly engages in transactions in securities;
(2) an employee benefit plan with assets exceeding $5,000,000, or whose investment decisions are made by a bank, insurance company or investment advisor registered under the Investment Advisors Act of 1940;
(3) a natural person whose individual net worth (or joint net worth with his or her spouse) at the time of receipt of the investment advice or brokerage services exceeds $5,000,000;
(4) a broker-dealer or option trader registered under the Securities Exchange Act of 1934, or other securities professional; or
(5) an entity all of the equity owners of which are institutional customers.

2. The provision of such services by JPM Equities to other JPM affiliates is a permissible servicing activity under section 225.22(a) of Regulation Y, 12 C.F.R. § 225.22.

BULLETIN 584 (1986) ("*NatWest*"). That determination recently has been upheld by the U.S. Court of Appeals for the District of Columbia Circuit in *Securities Industry Association v. Board of Governors, et al.*, No. 86–1412 (slip op. July 7, 1987).

The current proposal parallels in almost all respects the *NatWest* proposal, and thus raises substantially identical issues to those resolved by the Board in its approval of that application. In this regard, the Board has carefully considered the comments filed by the SIA regarding this proposal, which incorporated by reference its comments to the *NatWest* proposal. The SIA also urges the Board to defer consideration of this application until resolution of the *NatWest* litigation in order to avoid a multiplicity of suits.

Upon consideration of the entire record of the instant application, the analysis contained in the *NatWest* Order,[3] and for the additional reasons set forth below, the Board concludes that the activities proposed herein are closely related to banking and a proper incident thereto under section 4(c)(8) of the BHC Act, and that consummation of the proposal would not result in a violation of the Glass–Steagall Act. Accordingly, the Board has determined to approve the application.

I. BHC Act Factors

Section 4(c)(8) imposes a two-step test for determining the permissibility of nonbanking activities for bank holding companies:

(1) whether the activity is closely related to banking; and

(2) whether the activity is a "proper incident" to banking—that is, whether the proposed activity can reasonably be expected to produce benefits to the public that outweigh possible adverse effects.

A. Closely Related to Banking Analysis

Based on guidelines established in the *National Courier* case, a particular activity may be found to meet the "closely related to banking" test if it is demonstrated that banks generally have in fact provided the proposed activity; that banks generally provide services that are operationally or functionally so similar to the proposed activity as to equip them particularly well to provide the proposed activity; or that banks generally provide services that are so integrally related to the proposed activity as to require their provision in a specialized form.[4]

In the *NatWest* Order, the Board determined in the context of an application by an individual bank holding company that the combined offering by the same subsidiary of investment advisory and securities execution services to institutional customers is closely related to banking. In *NatWest*, the Board found that the proposed activities represented the combination of two permissible activities in such a way that it did not alter the functional nature of the activities. The Board also determined that the joint offering of brokerage and investment advice was a proper incident to banking.

The proposed activities here are identical to those approved in that case, except that JPM Equities would exercise limited investment discretion at a customer's specific request.

Although JPM Equities anticipates that, as a general matter, its institutional customers will want to make their own investment decisions, JPM Equities also desires to make available to such customers a service typically offered by similar firms: that within defined parameters established by the client, JPM Equities would be authorized to exercise discretion in buying and selling securities on behalf of the client.

Such investment discretion would be exercised only at the request of a client; JPM Equities does not intend to market or solicit managed accounts. Moreover, JPM Equities would obtain the consent of its client before engaging in securities transactions on the client's behalf with an affiliate of JPM Equities. Each client would receive confirmation of each transaction, as well as monthly statements which would indicate in detail the terms of each transaction executed on the client's behalf. Each client would, therefore, always be aware of the scope of JPM Equities' activities for its account.

The discretion proposed by Applicant has traditionally been performed by banks and is encompassed within the investment advisory activity previously approved by the Board, as the Supreme Court recognized in *Board of Governors v. Investment Company Institute*, 450 U.S. 46 (1981) ("*ICI II*"):

3. The Board hereby incorporates by reference its rationale for approval of the *NatWest* proposal.

4. *National Courier Association v. Board of Governors*, 516 F.2d 1229 (D.C. Cir. 1975). However, the *National Courier* guidelines are not the exclusive basis for finding a close relationship between a proposed activity and banking. The Board has stated that in acting on a request to engage in a new nonbanking activity, it will consider any other factor that an applicant may advance to demonstrate a reasonable or close connection or relationship of the activity to banking. 49 *Federal Register* 794, 806 (1984); *Securities Industry Association v. Board of Governors*, 468 U.S. 207, 210–11 n.5 (1984) ("*Schwab*").

> The services of an investment advisor are not significantly different from the traditional fiduciary functions of banks. The principal activity of an investment advisor is to manage the investment portfolio of its advisee—to invest and reinvest the funds of the client. Banks have engaged in that sort of activity for decades.

ICI II, 450 U.S. at 55.[5]

In the Board's view, the addition of investment discretion to the activities previously approved in the *NatWest* Order does not appear to alter the functional nature of the component activities. The only apparent difference between conducting the activities separately under the current provisions of Regulation Y and conducting them together as proposed by JPM Equities, would be that JPM Equities would receive a single fee for both services. The Board does not believe that this difference is sufficiently material to render the combined activities not closely related to banking. Accordingly, the Board concludes that the proposed activity is closely related to banking.

B. The "Proper Incident to Banking" Analysis

With respect to the "proper incident" requirement, section 4(c)(8) of the BHC Act requires the Board to consider whether the performance of the activity 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."

An issue raised by this proposal is whether the combination of investment discretion with the previously approved investment advisory and securities brokerage services would produce the type of adverse effects, such as conflicts of interests or unsafe or unsound banking practices mentioned in the BHC Act, or the "subtle hazards" that the Supreme Court has stated the Glass–Steagall Act intended to prevent, such as damage to the reputation of the bank or the "churning" of brokerage commissions,[6] that would outweigh any public benefits associated with the proposal.

1. Public Benefits of the Proposal

The proposal will result in public benefits because JPM Equities will enter the brokerage market as a *de novo* competitor. In addition, the ability to offer the combined services at the same location will result in increased efficiencies for JPM Equities, as well as increased convenience for its customers.

2. Analysis of Potential Adverse Effects

The activity proposed here is substantially similar to that approved by the Board in the *NatWest Order*. In like fashion, Applicant has made a series of commitments and conditions regarding the conduct of this activity that parallel in pertinent part the commitments and conditions in the *NatWest* Order that were designed to address the potential for adverse effects arising from the combination of investment advice and execution services. Subject to these commitments and conditions, the Board has determined that the addition of limited investment discretion to full-service brokerage is a proper incident to banking.[7]

As an initial matter, banks, bank holding companies, and their subsidiaries have traditionally managed money in discretionary accounts for their customers. The addition of such discretionary activity to existing investment advisory and brokerage activities would not appear to increase measurably any likelihood of abuse of this trust company function, or increase the likelihood of abuse with respect to the investment advisory and brokerage components of the activity. The elements of investment discretion, advice, and execution services are directly present in (or may be linked with) existing trust company accounts and closed-end investment companies operated by such institutions.

In addition, the record reflects that the intended customers for investment advice — institutional customers — will have the opportunity and the incentive to monitor closely the activity in their accounts, and to identify readily any abuses that might occur. The efforts Applicant will undertake to ensure that no confidential information is communicated between JPM Equities and its commercial lending affiliates (except when a client of JPM Equities specifically requests that certain information regarding the client be shared with another affiliate) are sufficient to assure that JPM will not use these discretionary accounts in an attempt to shore up the financial position of corporations borrowing from JPM Equities' commercial

5. The exercise of investment discretion by bank holding companies is also the type of activity authorized as a trust company function under the provisions of Regulation Y. 12 C.F.R. § 225.25(b)(3). *Sovran Financial Corporation*, 73 FEDERAL RESERVE BULLETIN 744 (Order dated July 15, 1987).

6. *See e.g.*, *Schwab*, 468 U.S. at 220–21; *ICI II*, 450 U.S. at 66–67.

7. The Board made a substantially similar determination in the recently approved *Sovran* Order.

lending affiliates, particularly inasmuch as Applicant expects that such investment discretion would be exercised only in "rare circumstances."

Finally, it does not appear likely that the management of discretionary accounts by JPM Equities will lead it to churn its accounts or make unsuitable investments for its clients, substantially for the reasons already outlined in the Board's *NatWest* Order. That is, JPM Equities would be a full-service broker-dealer under the Securities Exchange Act of 1934, would be registered under the Investment Advisors Act of 1940, and would be a member of the National Association of Securities Dealers. It would, therefore, be subject to the anti-fraud provisions of these statutes and the fiduciary rules and regulations imposed thereunder, which prohibit the churning of customer accounts and the recommendation of unsuitable securities.

The addition of investment discretion to the proposed activity would not change this analysis since the following additional factors regarding the proposal should serve to minimize the potential for churning:

(1) the nature of the investment discretion to be exercised;
(2) JPM Equities' intended clients — institutional customers — are likely to be financially sophisticated and able to detect the presence of churning; and
(3) confirmation of each transaction will be provided to the client, in addition to monthly statements which would indicate in detail the terms of each transaction executed on the client's behalf.

In addition to the exercise of limited investment discretion by JPM Equities, this application also proposes certain changes in the structure and operation of the combined activities that distinguish it slightly from the *NatWest* proposal.[8] The Board has carefully considered the record with respect to these proposed modifications to the conduct of the activity, in light of its *NatWest* analysis and the recently approved *Sovran* Order. In the Board's view, these differences do not warrant denial of the proposal, or require the imposition of new or changed conditions on the conduct of the proposed activity in order that the activity remain a proper incident to banking.

In sum, the addition of investment discretion to what is essentially the activity previously approved by the Board in its *NatWest* Order does not represent a material change to the nature or conduct of that activity that would alter the Board's prior determinations that:

(1) the activity is closely related to banking; and
(2) the activity is a proper incident to banking, that is, the proposal is likely to result in public benefits that outweigh adverse effects.

II. Consistency With the Glass–Steagall Act

The Board previously has determined, and the U.S. Court of Appeals in the *NatWest* decision has upheld, that the combined offering by a bank holding company subsidiary of investment advisory and securities execution services does not constitute the "public sale" of securities for purposes of section 20 of the Glass–Steagall Act.[9] JPM Equities now proposes to add to these combined services limited investment discretion. The Board concludes that the addition of such investment discretion to these combined services would not convert these activities to the public sale of securities.

The U.S. Supreme Court stated in the *ICI II* case that "[t]he management of a customer's investment portfolio—even when the manager has the power to sell securities owned by the customer—is not the kind of selling activity that Congress contemplated when it enacted § 21" of the Glass–Steagall Act, 450 U.S. at 63, because when the advisor acts in this situation it is "for the account of its customer—not for its own account." *Id.*, at 66 n.37. There is no reason to believe that the Court's holding with respect to section 21, which prohibits any entity "engaged in the business of . . . selling" securities from receiving deposits, would

8. These differences are:
(1) the corporate title of JPM Equities resembles that of Applicant's bank subsidiary;
(2) JPM Equities will offer discount brokerage services, without investment advice, to non-institutional customers;
(3) JPM Equities will receive certain back-office support services from its affiliates;
(4) at the specific request of a client, JPM Equities would provide information about that client (such as an investment profile) to a commercial lending affiliate, if such client is an existing customer of that affiliate; and
(5) research personnel at JPM Equities from time to time may provide corporate or industry profiles to its foreign securities affiliates (but JPM Equities would not be made aware of those securities that the affiliate carries in its inventory).

9. The Glass–Steagall provisions relevant to this proposal are section 20's prohibition on the affiliation between a member bank and a "corporation . . . engaged principally in the issue, flotation, underwriting, public sale or distribution at wholesale or retail or through syndicate participation of stocks . . . or securities" and section 32's prohibition on an officer or director interlock between a member bank and a company primarily engaged in such activities. JPM is affiliated with a member bank and therefore must comply with both of these sections. For ease of discussion, this Order will refer only to section 20, although the analysis is equally applicable to section 32.

not be equally applicable to the "public sale" provision in section 20.[10]

Moreover, in *NatWest* the court upheld the Board's conclusion that the combined provision of brokerage and investment advice would not constitute the public sale of securities because the company providing the services did not purchase any securities for its own account from an issuer, did not make a market for securities with its own funds, and did not offer securities to the public as agent of the issuer of the securities.[11] The addition of limited investment discretion to the combined activities of investment advice and brokerage services does not, in the Board's view, result in JPM Equities' purchasing securities for its own account or functioning as an agent for an issuer of securities. Indeed, as the *ICI II* case points out, if the Glass–Steagall Act were intended to prohibit the management of a customer investment portfolio — even when the manager has the power to sell securities owned by the customer — then "the statute would prohibit banks from continuing to manage accounts in a fiduciary capacity or as agent for an individual. We do not believe Congress intended that such a reading be given § 21 [of the Glass–Steagall Act]." 450 U.S. at 63. When viewed in light of the relevant Board and Supreme Court precedents, the Board believes that the addition of investment discretion to the combined offering of investment advisory and securities brokerage services to institutional customers does not transform the activity into a public sale for purposes of the Glass–Steagall Act.

Nor, in the Board's view, would the oft-cited "subtle hazards" underlying enactment of the Glass–Steagall Act — such as conflicts of interest; the failure to provide unbiased investment advice; the churning of brokerage accounts; the possible damage to a bank's reputation arising from the activities of its securities affiliates — render the proposed activities inconsistent with the terms or spirit of that act. The Board notes that the U.S. Court of Appeals for the District of Columbia Circuit, both in its NatWest decision and in the *Bankers Trust II* case,[12] has confirmed the Board's view that a subtle hazards analysis is undertaken only in order to confirm that the literal interpretation of the statute is correct or to shed light on possibly ambiguous statutory language. Where, as here, the activity is permissible under the literal terms of the statute, the subtle hazards analysis is unnecessary to determine the legality of the activity under the Glass–Steagall Act. 72 FEDERAL RESERVE BULLETIN at 594.

In *NatWest*, the court upheld the Board's determination that the combined provision of brokerage and investment advice would not give rise to any of the subtle hazards at which the Glass–Steagall Act was aimed. As explained above, the addition of investment discretion to the activities approved by the Board in *NatWest* does not increase the likelihood of any conflicts of interest or other abuses. A review of the record under the proper incident to banking test contained in the separate statutory provisions of the BHC Act indicates that the proposed activity would not give rise to such subtle hazards, especially in view of the Applicant's adoption, in substantial part, of the commitments made and the conditions set forth in the *NatWest* Order. Accordingly, the Board finds that the proposed activity is consistent with the terms and spirit of the Glass–Steagall Act.

III. Conclusion

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 that the Board is required to consider under section 4(c)(8) of the BHC Act is favorable. Accordingly, the application is hereby approved, subject to the commitments made by Applicant and the conditions (whether explicitly stated or incorporated by reference) in this Order.[13] This determination is further subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of the holding company or any of its subsidiaries as the Board finds necessary to assure compli-

10. In fact, the Supreme Court has specifically noted that "a less stringent standard should apply to determine whether a holding company has violated section 20 than is applied to a determination of whether a bank has violated sections 16 and 21." *ICI II*, 450 U.S. at 61 n.26.

11. The courts have left open the question whether "best efforts" underwriting is covered by the Glass–Steagall Act. 468 U.S. at 218 n.17.

12. *Securities Industry Association v. Board of Governors*, 807 F.2d 1052 (D.C. Cir. 1986).

13. With respect to the SIA's comments regarding a proposed delay of the Board's decision on this proposal in order to await the outcome of the pending *NatWest* litigation as well as to avoid prospective litigation, the Board notes that the U.S. Court of Appeals for the District of Columbia Circuit has only recently upheld the Board's approval of the *NatWest* application. Further, the Board does not believe it appropriate to suspend the regulatory process because of the prospect of potential litigation, especially in view of the recent favorable judicial ruling on a virtually identical proposal. Accordingly, the SIA's request is denied.

ance with the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

By order of the Board of Governors, effective August 5, 1987.

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

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

Security Pacific Corporation
Los Angeles, California

Order Approving Application to Establish an Automated Trading System for Options On United States Government Securities

Security Pacific Corporation, Los Angeles, California ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)), and section 225.25(a) of the Board's Regulation Y (12 C.F.R. § 225.25(a)) to engage *de novo*, through two wholly owned subsidiaries, Security Pacific Options Trading Corporation ("SPOT") and Security Pacific Options Services Corporation ("SPOSC"), in securities brokerage, clearing, and other services in connection with a system for the trading of options on United States Treasury securities.

Applicant, with total consolidated assets of $64.0 billion, is the third largest banking organization in California and the seventh largest nationwide.[1] It operates six bank subsidiaries and engages in a broad range of permissible nonbanking activities in the United States and abroad.

Notice of the proposal, affording interested persons an opportunity to submit comments on the proposal, has been published (51 *Federal Register* 47,060 (1986)). The Board received adverse comments from the Chicago Board of Trade, the Chicago Mercantile Exchange, the Chicago Board Options Exchange, Inc. and the Chicago Board Options Clearing Corporation ("protestants").

In addition, the Board received a number of comments from members of Congress expressing concerns similar to those presented by the protesting exchanges. Two favorable comments were received from primary dealers in U.S. government securities (Citicorp and Greenwich Capital Markets, Inc.).

I. Description of the Options Trading System

Applicant proposes to establish and operate a proprietary system for trading put and call options on United States Treasury securities. The system would be used by government securities dealers and other institutions that wish to trade in options on Treasury securities. The system would allow participants to acquire options on Treasury securities without disclosing their identity to other market participants. The options traded through the system differ from the standardized futures and options contracts on U.S. government securities that are traded on the protesting exchanges in that many of the terms of each option traded in the system will be variable and the subject of negotiation between participants (as is customary in the over-the-counter markets). However, some limited terms of the options will be standardized to promote liquid trading.[2]

Applicant's proposed subsidiaries would provide services to participants in the trading system. SPOT will act as a "blind broker" for the system participants. Specifically, SPOT will provide an automated communications network linking video display terminals in participants' offices. The communication network would disseminate to the participants bid and ask quotations by participants on options on Treasury securities. If participants wish to accept a quotation transmitted through the network, SPOT would execute the transactions at the direction of the participants. SPOT will act solely as agent; it will not take a position for its own account in the options traded.[3]

1. Banking statistical data are as of March 31, 1987, and banking structure data are as of April 15, 1987.

2. Initially participants in the system will be able to trade put and call options based upon delivery of 200 specific issues of coupon-bearing Treasury securities. Eventually, the system will encompass options on the full range of Treasury securities, from bills to all coupon bearing obligations.

3. SPOT will provide these brokerage services to customers without recourse and will receive compensation in the form of commissions.

Dealers that trade options through the system will not enter into transactions directly with each other. Each party to an options transaction will buy an option from or sell an option to a third party unaffiliated with Applicant, GECC Options Corporation ("GOC"), a wholly owned subsidiary of General Electric Credit Corporation ("GECC").[4] GOC will issue all options traded in the system. GECC will unconditionally guarantee the options.[5] At the time GOC issues an option to one participant in the transaction, GOC will issue an offsetting option on exactly the same terms with the other participant, thus in effect running a "matched book."

Applicant's subsidiary, SPOSC, will act as clearing agent with respect to transactions effected through the system, comparing, matching, clearing, and settling the purchase of the option contracts. SPOSC would also calculate and hold the margin that participants writing options would be required to deposit to secure their contingent obligations under those options. SPOSC would also establish rules and procedures to govern the operations of the system, relating to, for example, the hours and places of trading, position limits and capital adequacy standards for individual participants, and unfair and fraudulent trading practices, and would establish a mechanism for enforcing these rules. SPOSC will also operate facilities to store and update options trading information and will engage in other similar incidental services.

Finally, SPOSC will also be responsible for determining which institutions may become participants in the options trading system. Participation in the system is open to any person designated as a primary dealer by the Federal Reserve Bank of New York and to other institutional customers that meet certain financial and other requirements to be established by SPOSC.[6]

4. GECC is a subsidiary of General Electric Financial Services, Inc., which in turn is a subsidiary of the General Electric Company. General Electric Financial Services, Inc. controls 80 percent of the shares of Kidder, Peabody, an investment banking firm. None of the activities relating to the options trading system will be conducted in offices identifiable with Kidder; there will be no interlocks, and no tandem operations. On the basis of this legal, physical and functional separation, Kidder might apply to be a participant in the system.

5. The issuance of the options by GOC allows government securities dealers and other institutions to trade options anonymously without revealing their market positions, and without having to assess the creditworthiness of the other participant to the transaction in each case.

6. The majority of participants are expected to be commercial banks, brokers, dealers, and other institutional investors, including pension funds and trust departments.

In addition, Applicant's lead subsidiary bank, Security Pacific National Bank, Los Angeles, California ("Bank"), would provide a standby letter of credit to GOC in the amount of $35 million. GOC would be able to draw on the letter of credit in the event of a default by one or more of the participants on an obligation to GOC.

II. Bank Holding Company Act

In every application under section 4(c)(8) of the BHC Act, the Board must find that the proposed activity is "so closely related to banking . . . as to be a proper incident thereto." This statutory standard requires that two separate tests be met for an activity to be permissible for a bank holding company. First, the Board must determine that the activity is, as a general matter, "closely related to banking." Second, the Board must find in a particular case that the performance of the activity by the applicant bank holding company may reasonably be expected to produce public benefits that outweigh possible adverse effects.

The protestants have raised a number of issues in opposition to the subject proposal under the BHC Act. In summary, the protestants allege that:

Closely related to banking: The proposed activities go beyond previously approved brokerage and clearing activities and are not closely related to traditional banking activities.

Public Benefits versus Adverse Effects: No substantial public benefits would result from the proposal and, in any event, public benefits would be outweighed by possible adverse effects.

Glass–Steagall Act: The proposed activities would violate the Banking Act of 1933 ("Glass–Steagall Act").

Hearing request: There exist disputed material facts for which a hearing is required before the Board may consider the merits of the proposal.

1. Closely Related to Banking Analysis

Based on guidelines established in the *National Courier* decision, a particular activity may be found to meet the "closely related to banking" test if it is demonstrated that:

(1) banks generally have in fact provided the proposed activity;

(2) banks generally provide services that are operationally or functionally so similar to the proposed activity as to equip them particularly well to provide the proposed activity; or

(3) banks generally provide services that are so integrally related to the proposed activity as to require their provision in a specialized form.[7]

In its Regulation Y, the Board has determined that providing securities brokerage services and performing activities of a trust company are permissible for bank holding companies. 12 U.S.C. 225.25(b)(15), (b)(3). Applicant maintains the proposed services of SPOSC and SPOT fall within these previously approved activities. The protestants contend that the proposal does not meet the closely related to banking test on the basis that the functions involved in this activity go beyond previously approved clearing and brokerage activities. In particular, the protestants argue that securities brokers do not maintain their own trading markets, and that clearing agencies perform only largely ministerial functions in connection with the clearance and settlement of securities transactions and do not engage in administration and enforcement of rules relating to the trading of securities. Protestants contend that banks have no expertise or experience in such functions and thus they are not closely related to banking.

As discussed below, the Board believes the highly specialized brokerage and clearing functions to be provided by SPOT and SPOSC are significantly different from the kind of retail discount brokerage and traditional securities and options clearing functions described in the provisions of Regulation Y. In addition, although Applicant describes the proposed operations of SPOT and SPOSC as separate, stand-alone activities, the Board notes that the functions of the two companies would be closely interrelated and thus their operations should be viewed as a single activity. However, the fact that the proposed activities are not currently on the list of permissible activities in Regulation Y does not preclude the Board from finding that they meet the closely related to banking test in the statute, if the Board finds that there is a sufficiently close functional relationship between the proposed activities and traditional banking functions.

(a) *Blind brokerage*. As described above, SPOT will provide an automated communications network among the dealers participating in the system that will allow SPOT to execute orders by participants to enter into the options traded in the system. The Board concludes that this kind of blind brokering of options among dealers does not fall within the scope of the discount retail securities brokerage described in section 225.25(b)(15) of Regulation Y. As the Board explained when it adopted this provision of Regulation Y, the provision was intended to cover the activities involved in the Board's *BankAmerica/Schwab* decision,[8] which involved a retail broker that executed orders from the public for all types of securities both on exchanges and in the over-the-counter markets. In contrast, SPOT's brokerage services also involve creation of a communications network linking terminals in participants' offices and would be provided only with respect to options on Treasury securities and only to a limited group of government securities dealers and other institutions that participate in the trading system.[9]

The Board has, however, previously determined by order that acting as a broker's broker in the interdealer market is closely related to banking. *Independent Bankers Financial Corporation*,71 FEDERAL RESERVE BULLETIN 651 (1985)(municipal securities); *Chemical New York Corporation/Liberty Brokerage*, 73 FEDERAL RESERVE BULLETIN 362 (1987) (U.S. government securities). For example, *Independent Bankers* involved a proposal by a subsidiary of that bank holding company to enter into a joint venture with Mills & Allen PLC, a London based firm engaged in communications and securities activities, to become one of a limited number of U.S. interdealer brokers in municipal securities, which are not traded on the exchanges. The broker involved, like SPOT, proposed to act as a "blind broker"—standing between buyer and seller to assure the anonymity of traders. The Board found that this function is closely related to the retail securities brokerage activities performed by banks. In *Liberty Brokerage*, the Board subsequently determined that serving as a blind broker in U.S. government securities, including disseminating price quotations on closed-circuit display screens located in dealer trading rooms, is closely related to banking.

SPOT would provide essentially the same kind of services with respect to options on Treasury securities as the brokers' brokers in the previous approvals provide with respect to other types of securities. The Board finds that the traditional brokerage activities of banks are operationally and functionally so similar to SPOT's proposed services that banking organizations

7. *National Courier Association v. Board of Governors of the Federal Reserve System*, 516 F.2d 1229, 1237 (D.C. Cir. 1975)). The National Courier guidelines are not the exclusive basis for a closely related determination. *Id*. at 1237. The Board may consider any other basis that may demonstrate that the activity has a close relationship to banking. 49 *Federal Register* 806 (1984).

8. 69 FEDERAL RESERVE BULLETIN 105 (1983), affirmed in *Securities Industry Ass'n v. Board of Governors*, 468 U.S. 207 (1984).

9. In 1984, the San Francisco Reserve Bank, acting pursuant to delegated authority, approved a notice by Applicant to engage in discount brokerage through RMJ. RMJ was a government securities "broker's broker" that operated an automated network of trading screens located in dealer's offices. But RMJ did not provide services exclusively to participants in a trading system administered by Applicant. Applicant subsequently divested RMJ.

are particularly well equipped to provide them.[10] Accordingly, the Board finds that these activities are closely related to banking.

(b) *Clearing options and related functions.* SPOSC will perform several functions in connection with the proposed trading system. First, SPOSC will clear and settle options traded through the system. The Board has previously recognized that clearing of securities transactions has traditionally been performed by trust departments of banks, and trust department functions are permissible for bank holding companies under Regulation Y. 12 C.F.R. 225.25(b)(3). In addition, the Board previously has authorized futures commission merchant subsidiaries of bank holding companies to combine futures and options execution and clearing activities. *See* section 225.25(b)(18) of Regulation Y (execution and clearance of futures traded on commodity exchanges) and *Citicorp,* 70 FEDERAL RESERVE BULLETIN 591 (1984) (execution and clearance of options on government securities traded on securities exchanges). Accordingly, the Board finds that the SPOSC's clearance of options on Treasury securities traded through SPOT's automated quotation system involves identical operations and thus is closely related to banking.

SPOSC would also perform other activities: setting margin requirements and establishing and enforcing rules governing the trading of options through SPOT and the clearing of those options transactions. The Board has not previously approved such activities for a bank holding company. In the Board's view, however, these activities are permissible for SPOSC under section 4(c)(8). The Board finds that SPOSC's setting and assuring the maintenance of margin against participants' contingent obligations to perform options they have written is so functionally similar to traditional credit-risk functions of banks that banking organizations are particularly well equipped to provide this service.[11] Thus, this activity is closely related to banking for purposes of section 4(c)(8). In determining the amount of required margin, SPOSC would be required to make an assessment both of an individual participant's financial ability to perform its obligations as well as an assessment of the cost of buying or selling the underlying Treasury securities in the event of nonperformance.[12]

As a result of their traditional lending and other functions, banks have special expertise in assessing, monitoring and reducing credit risk by setting and administering collateral requirements and other forms of risk amelioration. In addition, banks possess special expertise in risk management in the U.S. government securities market as a result of their extensive activities as dealers in those securities. Banks are among the largest participants in the market for Treasury securities and exchange-traded options and futures relating to Treasury securities. Banks also play an important role in the over-the-counter market for options on Treasury securities and in this role have developed experience in managing their positions and monitoring and placing limitations on the positions of other participants with whom they deal directly in this market.

In addition, the Board is of the view that SPOSC's role in establishing rules governing the trading of options through SPOT's automatic quotation system is a necessary incident to operation of such a system. These functions are necessary for the safe and efficient operation of the quotation system and for the protection of those institutions that use the system. As noted above, banks provide clearing agency services in connection with securities transactions, and clearing agencies generally issue rules regarding operation of these clearing functions and establish procedures for enforcing the rules.[13] Those rules are very similar to the kind of rules and procedures that SPOSC would establish with regard to the automated quotation system.[14]

10. Protestant the Chicago Board of Trade ("CBOT") asserts that SPOT's functions would go beyond mere brokerage because unlike the typical broker SPOT would execute orders from both sides of the transaction—both the purchaser and the writer of the option being traded. This fact does not, however, distinguish SPOT's activities from what even retail brokers do in executing orders in the over-the-counter markets, where in order to execute an order to buy or sell a security the broker must solicit a comparable sell or buy order in order to complete the transaction. Also, as CBOT points out, SPOT would seek to execute orders only from those dealers and other institutions that have been admitted to the trading system. Brokers typically execute orders with any market maker or in any market if that method of execution is the most efficient. The Board finds, however, that this limitation on SPOT's activities does not alter the basic function SPOT performs, only the class of customers for which the services would be performed.

11. *See, e.g.,* F.R.R.S. ¶ 3-1579.1 (Policy Statement on Repurchase Transactions).

12. The amount of required margin is based upon two components considered in conjunction with an options pricing model. The first component is a "mark to market" factor, which represents the net amount of the estimated cost of liquidating a participant's short position with respect to options written (by buying or selling the underlying securities at the current market price in order to perform the option or by acquiring an offsetting option), offset by the estimated proceeds from liquidating the participant's long position on options it holds. The second component of the required margin is a performance factor that involves a calculation of maximum potential cost that might be incurred due to adverse market trends that occur before a defaulting participant's position can be completely liquidated.

13. *See generally* 15 U.S.C. § 78q-1(b)(3), 12 C.F.R. 208.8(g)-(i).

14. SPOSC will also store data on options traded through the system. The function is a permissible one either as an incidental operation necessary to SPOSC's clearing activity or as an independent data processing function. 12 C.F.R. 225.25(b)(7).

The protestants allege that the services proposed by Applicant and its affiliate, viewed in their entirety, are functionally equivalent to operating a securities "exchange" for trading options on Treasury securities that would not be registered as required under the securities laws.[15] However, status as an exchange, either under the securities laws or in common understanding, is not, in the Board's view, determinative of permissibility under the "closely related to banking" test of section 4(c)(8), which looks to the functional similarity of nonbanking activities to banking functions, not their precise legal status. Except in cases where a valid law prohibits consummation of a particular proposal by a bank holding company, the Board is not required to consider every law that might apply to an acquisition by a bank holding company in reviewing the transaction under the BHC Act.[16] Moreover, Board approval of a transaction under the BHC Act does not excuse a bank holding company from compliance with all other laws that may apply.

The Board also notes that the staff of the Securities and Exchange Commission has advised Applicant that the staff will not recommend enforcement action against Applicant, its affiliates, or participants in the system for violations of the Securities Exchange Act if the system is not registered as an exchange with the SEC under the Exchange Act.[17]

2. Balance of Public Benefits and Adverse Effects

With respect to the proper incident requirement of section 4(c)(8), the Board must consider whether the performance of the proposed nonbanking 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 interest, or unsound banking practices. The Board finds that provision of the proposed services by Applicant's subsidiaries, SPOT and SPOSC, can reasonably be expected to result in public benefits that outweigh possible adverse effects.

(a) *Public Benefits.* The Board finds that this proposal is likely to result in some public benefits.

Increased Competition. The automated quotation system on Treasury options would be a *de novo* entrant into the market for options on U.S. government securities and approval could reasonably be expected to increase competition in this market by affording dealers and other institutional investors an alternative method to hedge portfolio risk or to discover price movements in the market. It has long been recognized that unless there is evidence to the contrary, commencement of an activity *de novo* is presumed to result in benefits to the public through increased competition. *See* 12 C.F.R. 225.24.

Protestant CBOT argues that no public benefits are likely because the existing securities exchanges on which Treasury options are traded already provide a sufficiently liquid marketplace for those seeking to hedge exposure in their securities portfolio or to assess price trends. But the undisputed facts show that Applicant's system would trade nonstandardized options whose terms would be established by the parties to the option transaction themselves and thus would facilitate trades that are not available on the protestant exchanges.

Greater Convenience and Increased Efficiency. For these reasons, the Board also finds that the proposal is likely to lead to greater convenience for institutions seeking to engage in options transactions. This proposal is likely, in the Board's view, to improve the liquidity and thus the overall efficiency of this market by providing a convenient means for price discovery and by allowing participants to enter into nonstandardized options transactions particularly suited to their own needs without losing anonymity and without the burden of assessing the creditworthiness of the contra parties.

(b) *Adverse Effects.* The protestants maintain that the proposal would give rise to unsound banking practices, conflicts of interest, unfair or decreased competition, and undue concentration of resources. Based on the record of the application, and after careful consideration of the comments of the protestants and other interested parties, the Board finds that the potential for unsound banking practices, conflicts of interest, and other adverse effects, is not likely to result from this proposal under the limitations adopted by Applicant and established by the Board.

15. The Securities Exchange Act defines "exchange" as any organization that constitutes, maintains or provides a market place or facilities for bringing together purchasers and sellers of securities. 15 U.S.C. § 78c(a)(1). Section 5 of the Exchange Act prohibits, among other things, broker-dealers, through use of the mails or interstate commerce, from using the facility of an exchange unless that exchange is registered with the Commission or is exempted from registration. 15 U.S.C. § 78e.

16. *See Whitney Nat'l Bank v. Bank of New Orleans and Trust Co.*, 379 U.S. 411, 418–19 (1965); *Plaza Bank of Westport v. Board of Governors*, 575 F.2d 1248, 1251 (8th Cir. 1978).

17. The staff's position was conditioned on, among other things, Applicant's provision to the staff of certain information concerning the actual operation of the system. Although the staff's no-action letter states that it expresses no legal conclusion regarding the applicability of the federal securities laws, the SEC staff, in explaining its views to the Commission members, characterized Applicant's proposed activities, not as an exchange, but as equivalent at least as proposed to those of a blind broker and a clearing corporation.

Unsound Banking Practices. The Board has carefully considered the protestants' allegations with respect to unsound banking practices. However, the Board finds that the risk of loss to Applicant would not be excessive or inconsistent with prudent banking standards. As discussed below, the risk of loss to Applicant is substantially mitigated by the structure and limitations Applicant has adopted to guard against possible adverse effects.

Liability on the Options Traded. As explained above, neither SPOT nor SPOSC would be parties to the options traded by the participants. Participants trading options through the system will each enter into an option contract with GOC, a company unaffiliated with Applicant and its subsidiaries.[18] Thus, GOC will assume legal liability to perform all options it writes in connection with trades effected through the system.[19]

Should GOC incur losses in connection with the system's operation, Bank's letter of credit in favor of GOC will allow GOC to require Bank to cover the first $35 million of such losses.[20] However, in the Board's judgment, the letter of credit arrangements included in the proposal do not involve an excessive risk of loss to Applicant. The maximum amount of Bank's liability under the letter of credit is well within the bank's lending limit to any individual borrower.[21] Bank must review the financial condition of each participant to determine whether it meets the criteria established by SPOSC before the participant may trade through the system. Bank will continually monitor the creditworthiness of each participant. The Office of the Comptroller of the Currency, Bank's primary regulator, has reviewed the terms of the letter of credit and found the transaction to be consistent with national banking laws.

18. GOC's parent corporation, GECC, a large financial services company, will unconditionally guarantee GOC's liability under the options.

19. GOC's possible liability will be minimized by the fact that for each option it writes in favor of a participant to a trade, GOC will hold an offsetting option from the other participant to the trade. If the holder of the option chooses to exercise the put or call, GOC would in turn exercise the offsetting put or call with the other participant. If that participant fails to perform, GOC might incur a loss. The requirements for maintenance of margin and for substantial financial resources for participants are designed to minimize the risk of loss in such cases.

20. In authorizing bank holding companies to execute and clear certain types of options traded on major commodity exchanges, the Board has required that the parent bank holding company itself may not become a member of the exchange or clearing association. 12 C.F.R. 225.25(b)(18). This requirement is designed to insulate the parent from possible contingent and unlimited liability for assessments by the clearing corporation of members to cover the obligations of any other members. *See Citicorp,* 68 FEDERAL RESERVE BULLETIN 776, 779 (1982). Here, in contrast, none of Applicant's affiliates would be subject to such assessments.

21. *See* 12 U.S.C. § 84. Currently the bank's legal lending limit, on an unsecured basis, is in excess of $280 million.

The protestants assert that the amount of Bank's letter of credit could be unilaterally increased. However, Applicant has committed that the amount of Bank's liability under the letter of credit would not be increased without prior review of the Board and the Comptroller. There are no other agreements that might affect Applicant's financial liability to GOC or GECC in connection with the operation of the quotation and execution system.[22] The Board recognizes, however, that Bank may extend lines of credit to GOC or its affiliates that could be used in practice to cover losses incurred by GOC over and above the $35 million limit specified in the letter of credit, thereby increasing Applicant's risk of loss through operation of the system. In order to assure that any risk of loss remains within the current manageable levels, the Board requires, as a condition of approval of the application, that any credit extended to GOC or any of its affiliates be extended under different terms, at different times, and for different purposes than if GOC had drawn on the letter of credit. In the Board's opinion, these safeguards are sufficient to protect Applicant and its subsidiaries against unwarranted financial loss as a result of these proposals.

Likelihood of Losses in the System. The protestants assert that even if the General Electric affiliates, and not SPOT and SPOSC, have undertaken the direct credit risk of the system, in the event of catastrophic or extreme events, such as insolvency of the issuer and guarantor of the options or computer failure, Applicant may be held responsible for losses incurred because of its overall operation of the system, or because of some negligent act by Applicant. Significant losses suffered by participants, the protestants argue, could also damage public confidence in Applicant and its subsidiary banks.

In the Board's judgment, however, the possibility that Applicant might be held responsible for losses incurred by others trading in the system is extremely remote. As the Board has previously noted, the functions to be performed by Applicant are functionally and operationally similar to the functions Applicant performs in its banking operations, such as retail brokerage activities. The Board does not believe that the functions of SPOT and SPOSC with respect to the operation of the proposed specialized trading system in options would entail more risk of being held liable for losses suffered by customers or of damage to the

22. As explained below, SPOT and SPOSC would adopt a series of safeguards to minimize the risk that options traded through the system would result in losses to GOC for which Bank would become liable under the letter of credit.

reputation of affiliated banks than the functions performed by banking organizations in conducting these similar activities.[23] In any event, Applicant has proposed a number of safeguards to prevent signficant trading losses. Applicant has committed that without prior Board review:

(1) the aggregate "matched book" amount of Treasury securities underlying all options outstanding in the system at any time will not be permitted to exceed $15 billion; and

(2) the maximum potential system exposure (the calculation of the "worst case" possible overnight exposure of GOC and GECC) will be monitored daily and will not exceed the lesser of $60 million or 200 percent of the available outstanding balance of the letter of credit. Trading limits would also be imposed on each participant, tied to the aggregate margin obligations that a participant would be permitted to incur.

Applicant has also made commitments to ensure that SPOT and SPOSC will remain adequately capitalized. SPOT and SPOSC initially will each have $1 million in capital, and twice each year capital will be adjusted so that the combined capital of SPOT and SPOSC will be at least 10 percent of the average maximum potential system exposure for the prior six months. In addition, Applicant has, in its procedures for the system, in the contractual provisions under which it would act as agent for participants, and in its insurance coverage, taken steps to keep the potential liability of SPOT and SPOSC to a minimum.[24]

The Board has also considered the protestants' allegations that the likelihood of substantial losses on options traded through the system is particularly significant here because certain of the specific financial safeguards of the system, the margin system, trading limits and enforcement of other limits against system participants, are inadequate. However, given that Applicant's direct liability for system losses is strictly limited to the letter of credit from Bank, the Board cannot conclude that the proposed design of the system would result in undue risk to Applicant.

In particular, protestant the Chicago Mercantile Exchange asserts that SPOSC will not be able to compute accurate margin requirements because there is little secondary trading in many of the options traded in the system or in the underlying securities for such options and thus current market prices will not be available. However, Applicant represents, and the protestants have not disputed, that SPOSC will rely in establishing margin on a pricing model developed by an independent consultant based on an option pricing model used by many primary dealers and other financial institutions. Applicant has described in reasonable detail the methods to be employed in computing required margin and the Board is unable to conclude that the proposed margin procedures are so inadequate as to present an excessive risk of loss to Applicant or its subsidiaries.[25]

Protestants also allege that the quotation and execution system would involve inordinate risk of loss because the system would not be subject to the regulatory requirements of the securities laws applicable to securities exchanges. To the extent these allegations raise concerns about the protection of investors trading the options, the Board notes that Congress has allocated responsibility for protecting participants in the nation's securities markets to the SEC under the provisions of the Securities Exchange Act. As explained above, the Commission's staff believes that at least at this time Applicant need not comply with the requirements applicable to securities exchanges under that law. The Board does not believe that it should substitute its judgment for that of the SEC or its staff in this critical area of SEC responsibility.

Moreover, the fact that the proposed system will not be registered as an exchange with the SEC in no way implies a lack of regulatory supervision. By virtue of the Government Securities Act of 1986, SPOSC will be subject to SEC regulation applicable to clearing agencies. Section 17A(b)(3)(F) of the Securities Exchange

23. The CBOT contends that Applicant has not shown the ability to conduct the proposed activities, pointing to allegations that another securities clearing subsidiary of Applicant in New York failed to discover certain fraudulent practices by a government securities dealer using those services that led to the failure of that dealer. The Board notes that these allegations are the subject of pending litigation. However, these assertions are not relevant here because as a result of the Government Securities Act of 1986, which was not in effect at the time of these alleged practices, SPOSC would be required to register as a clearing agency under section 17A of the Securities Exchange Act and the rules of the SEC issued pursuant to this section. These rules are designed to prevent fraudulent practices in the performance of clearing activities.

24. Protestants also allege that, to avoid incurring losses in particular options traded, participants might argue that the options were traded on an unregistered exchange in violation of the Securities Exchange Act and, therefore, are void under section 29 of that Act. It is unlikely that such an eventuality would result in such significant liability in connection with the system that it would adversely affect Applicant or its subsidiaries. Even if the courts were to determine that the options were unlawful because they were traded on an unregistered "exchange," the courts nevertheless have refused to allow a party to such a contract to obtain an unfair advantage by attempting to have the contract voided.

25. Applicant has also explained that enforcement of trading position limits against participants by rejecting trades that exceed such limits would not interfere with any trading strategy by the participants involved because parties to a rejected trade would be notified of this fact immediately.

Act (15 U.S.C. § 78q-1(b)(3)(F)) requires clearing agencies to adopt rules that are similar to the regulatory scheme imposed on securities exchanges.[26] Included in the SEC's extensive oversight responsibility over clearing agencies is the requirement that each agency have adequate disciplinary procedures to enforce its internal rules. In addition, under the Government Securities Act of 1986, SPOT must register with the SEC as a government securities broker. As a result, SPOT will be subject to the financial responsibility and other rules promulgated by the Department of Treasury under that Act. In addition, as a condition of the SEC staff's no-action position on applicability of regulations governing exchanges, the staff has stated that it will continue to review the operation of the system. In addition, the Board will continue to monitor Applicant, SPOT, and SPOSC after consummation through the bank holding company inspection process.

Conflicts of Interest. The Board has also considered whether the proposed system would result in conflicts of interest, including those suggested by the protestants relating to access to confidential information, possible insider trading, impairment of credit judgment, a "salesman's stake" and possible trading for the account of public investors. Given the limitations on the activity and the restrictions adopted by Applicant as discussed below, the Board believes there would not be a significant potential for conflicts to arise from the proposal.

Use of confidential or inside information. The Board notes that Bank will have access to confidential information concerning the financial condition of participants in the system in order to assure their creditworthiness. Applicant also deals in government securities for its own account as a primary dealer. However, the Board finds no potential that this confidential customer information obtained in connection with Applicant's proposal would be misused. Banking and nonbanking subsidiaries of bank holding companies routinely obtain such information in their traditional fiduciary, lending and permissible securities brokerage and clearing activities. Applicant has committed that it will implement procedures to assure the confidentiality of any information it obtains by virtue of its role in the system so that credit information concerning participants is not disclosed to those engaged in Applicant's primary dealer or capital markets activities.

Moreover, in performing the proposed services, SPOT and SPOSC will obtain up-to-date information concerning trading in options by participants in the system and their overall market strategies. The protestants allege that Applicant may use this market information obtained by SPOT and SPOSC in trading for its own account, especially if Applicant's government securities dealer operation trades options through the system.

Applicant has committed that its government securities dealer operation will not execute trades through the options system without first providing Board staff an opportunity to review the proposed participation. While this limitation serves, at least at this time, to minimize possible conflicts of interest, the Board does not believe this limitation alone is adequate to eliminate all potential conflicts. Accordingly, the Board requires as a condition of its approval of the application, that Applicant establish procedures to assure that information obtained by personnel of SPOT and SPOSC relating to the trading of options through the quotation system is not transmitted in any manner to those individuals involved in Applicant's government securities dealing operations.[27]

Impairment of credit judgment. The Board also considered the possibility that the operation of the system could tempt Bank or Applicant's other lending subsidiaries to extend unsound credit, for example, to support the creditworthiness of a participant in order to permit it to trade in the system. The Board notes that the possibility of this type of unsound lending is mitigated to some extent by the insulation of the proposed system from the credit operations of Applicant's separate lending subsidiaries.

The likelihood of impairment of credit judgment is also limited by the lack of incentive for unsound extensions of credit to participants or to the GE affiliates. Incurring such risk would be fundamentally inconsistent with Applicant's deliberate structuring of the system to minimize risk to itself. Moreover, SPOT's and SPOSC's activities would account for only a small portion of Applicant's banking and nonbanking operations.

26. These rules must be designed "to promote the prompt and accurate clearance and settlement of securities transactions, to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible, to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions, to remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, and, in general to protect investors and the public interest; and are not designed to permit unfair discrimination in the admission of participants or among participants in the use of the clearing agency. . . ." 15 U.S.C. § 78q-1(b)(3)(F).

27. In *Compagnie Financiere de Suez*, 72 FEDERAL RESERVE BULLETIN 141 (1986), the Board recognized the potential conflicts between a company's trading in foreign exchange for its own account and its role as a specialist in foreign currency on the floor of an exchange. However, the Board's disapproval of that proposal was based in large part on the fact that a specialist must trade for its own account in order to create an orderly market for the security involved, which SPOT and SPOSC will not do.

In addition, Applicant has committed that Bank will not extend credit to any participant in the system for the sole identifiable purpose of meeting margin requirements on options traded through the system. The Board believes, however, that Applicant's lending subsidiaries might nevertheless have an incentive to extend credit that indirectly would be used to finance a participant's obligations arising out of the options system. Thus, the Board requires as a condition of its approval of this application that any credit extended to system participants by Applicant's lending subsidiaries be on different terms, at different times, and for different purposes than if the subsidiary lent funds directly to cover the participant's margin call.

Promotional interest of Applicant. With respect to the protestants' allegation that Applicant would have a promotional interest in the system, the Board notes initially that the BHC Act and the Glass–Steagall Act do not prohibit a bank holding company from promoting permissible nonbanking services. The Board has, however, carefully considered whether Applicant would acquire a "salesman's interest" that would be likely to impair Applicant's provision of fiduciary or other services to customers.

The possibility that such a conflict of interest might arise is minimized by the fact, as previously noted, that Applicant's role will be limited to acting as agent to execute and clear options contracts negotiated by third party participants. For these services, Applicant's subsidiaries will receive brokerage commissions and other transaction-based fees from participants. Applicant will not have the investment stake and risk of an underwriter or dealer in the specific options securities.

Trading by participants for the account of customers. The protestants also allege that participants in Applicant's system would be subject to a conflict of interest if the participant begins to trade options for the account of its own customers as well as for its own account. The Board notes that this would not present a conflict of interest issue with respect to Applicant, since Applicant would not trade on the system.

In addition, as previously noted, unlike standardized options currently traded on exchanges, the options to be traded in the system will be customized to the particular needs and investment strategies of the participants or their customers. Accordingly, it does not appear to the Board that there is anywhere near the same potential for conflicts of interests between participants and their customers as are present in the case of standardized options traded on exchanges, *i.e.*, it is considerably less likely that a participant and its customer would seek to purchase or sell an identical option in the same time frame. Thus, as a practical matter, it would be much more difficult for a participant to trade ahead of its customer or allocate the best price on an identical option to the participant's own account. Furthermore, in view of the highly sophisticated business acumen of investors that are likely to be drawn to this market, the Board does not believe that investors would continue to use the services of any participant that executes orders to its own advantage over that of its customers.

Unfair or Decreased Competition. Applicant seeks to engage *de novo* in the proposed brokerage, clearing, and related activities. Thus, the proposal does not involve a combination of existing competitors or the elimination of any existing provider of services and would not result in any decreased competition.

The Board has also carefully considered the protestants' argument that approval would result in unfair competitive advantages. The protestants allege that Applicant would have a competitive advantage over the protesting exchanges in, for example, not being subject to regulation as an exchange and in enjoying "safety net" guarantees from the federal government because SPOT and SPOSC would be affiliated with federally insured banks. In addition, protestants allege that because Applicant and the system participants would have access to the quotes for options traded through SPOT and SPOSC, they would enjoy an unfair competitive advantage over non-participants in the overall government securities markets. The Board finds that this proposal would not result in unfair competition for the following reasons.

Any advantage SPOT and SPOSC might obtain from not having to comply with all of the regulatory requirements applicable to a securities exchange under the securities laws results solely from the fact that the staff of the SEC has decided, at least at the present, not to initiate enforcement action to require compliance with these requirements.[28] As the Board has previously noted, disparities or advantages based on the legal structure governing the conduct of specific activities are not the kind of factors Congress intended the Board to assess as unfair competition in section 4(c)(8).[29] Moreover, as discussed above, Applicant, while it is subject to a different regulatory framework than the framework for securities exchanges, is not free from regulation in the conduct of the proposed activity.

With respect to protestants' claim concerning unfair advantage based on the federal "safety net" guarantees for banks, there is no evidence that SPOT or

28. The staff's decision was at least tacitly approved by members of the Commission. See transcript of meeting of SEC on August 8, 1986.

29. *BankAmerica Corporation/Schwab*, 69 FEDERAL RESERVE BULLETIN 105, 111 (1983).

SPOSC, or the participants who would use their services, would enjoy any unfair advantage resulting from those federal guarantees. SPOT and SPOSC are nonbanking subsidiaries of a bank holding company, legally separate and apart from Applicant's subsidiary banks. Accordingly, they would not have access to funding from federally insured deposits or the Federal Reserve's discount window, and transfers to SPOT and SPOSC from banking affiliates would be subject to the lending limitations and collateral requirements of the Federal Reserve Act.[30]

The Board also finds that Applicant's control over membership in the system and thus its access to quotes and other trading information disseminated through the system will not result in unfair or decreased competition in the government securities markets. While access to participation in the system and thus to the market information that would be disseminated through it is limited, the limitation on participation does not represent the type of unfair or unethical business conduct (as defined by common law or under state or federal law) that constitutes unfair competition under the BHC Act. *BankAmerica/Schwab*, 69 FEDERAL RESERVE BULLETIN at 110.

SPOSC has specified the criteria for determining membership in the system, and these criteria relate solely to capital adequacy and financial responsibility standards that are essential in a system where participants trade without knowledge of the identity of the contra party.[31] Moreover, there is no restriction against the disclosure of quotation information by participants to third parties.

Moreover, the possibility that access to the system might be tied to the use of other products or services offered by Applicant or its subsidiaries is also not a likely adverse effect. An explicit attempt to tie services or products by Applicant would be unlawful pursuant to the anti-tying provisions of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. §§ 1971–72). The Board has also considered the possibility of more subtle tying that might occur when implicitly coerced joint sales of Applicant's products result from a customer's belief that he or she stands a better chance of obtaining a scarce product by purchasing another product or service from the same seller. Where products or services are in ample supply, such tie-ins are unlikely. The Board finds the possibility of voluntary tying would be remote given that eligibility to use SPOT's and SPOSC's services is determined by pre-established and objective financial criteria and the dealers and other investors may use a number of sources of options and other risk reduction services, including the exchanges and the over-the-counter markets.

Undue concentration of resources. The Board has carefully considered the possibility, alleged by the protestants, that the proposal would result in an undue concentration of resources. The Board finds that the proposal is unlikely to lead to any such possible adverse effects.

The Board has previously noted that Applicant will enter into the proposed activity *de novo;* no acquisition of significant financial assets by Applicant is involved. Moreover, the addition of Applicant as a provider of options services to dealers and investors in U.S. government securities would promote deconcentration in the market for trading in options contracts and other forms of risk reduction used by dealers and investors.

III. Glass–Steagall Act

The Board has also considered the protestants' arguments that this proposal would violate the Banking Act of 1933 ("Glass–Steagall Act"), which restricts the securities underwriting and similar activities of banks and their affiliates.

As is relevant here, section 20 of the Act prohibits the affiliation of a member bank with a firm that is "engaged principally . . . in the issue, flotation, underwriting, public sale, or distribution" of securities. 12 U.S.C. § 377. Protestants allege that SPOT and SPOSC will be affiliates of Bank, a member bank, and that they would be engaged principally in issuing and underwriting the options traded through the quotation and execution system. The Board concludes that the proposed activities of SPOT and SPOSC would not violate the terms of the applicable Glass–Steagall Act provisions. SPOT and SPOSC will not, in the Board's view, be engaged in issuing or underwriting securities, or any similar activity restricted by section 20.[32]

An "issuer" of a security is generally considered to be the entity that creates the rights and obligations

30. *See* 12 U.S.C. §§ 371c, 375b, 1828(j); 12 C.F.R. 215.4(a).

31. Although the Board noted in *Liberty Brokerage* that the Department of Justice was investigating the possibility of restraint of trade under an arrangement between interdealer brokers that would limit access to primary dealers, that concern does not arise here because participation is open to any qualified entity, not just primary dealers.

32. Options on U.S. government securities are deemed to be "securities" and futures on U.S. government securities are deemed to be "commodities" for purposes of the 1982 "Accord" amendments to the Securities Exchange Act and the Commodity Exchange Act dividing the regulatory jurisdiction of the SEC and the CFTC over options and futures instruments the trading in which is regulated by these agencies. 15 U.S.C. § 77b; 7 U.S.C. § 2(a). In defining the scope of the term "securities" used in provisions of the Glass-

reflected by the security and makes the initial transfer of the security to another.[33] Under this proposal, however, GOC is the sole issuer of the options. When participants anonymously agree upon terms, GOC will write options with the participants on the negotiated terms, creating rights in the participants that are enforceable only against GOC (or, contingently, against GECC, the guarantor of the options issued by GOC). Neither SPOT nor SPOSC will be a party or undertake any liability with respect to the options contracts.

In addition, the protestants maintain that the proposal would render Applicant an "underwriter" of options. In the ordinary meaning of the term, an underwriter purchases a new issue of securities from the issuer at a stated price and then resells them to the public.[34] The term "underwriter" can also refer to a person who undertakes to offer securities to the public acting only as agent on behalf of an issuer.[35] SPOT and SPOSC will act as execution and clearing agents at the direction of the participants that wish to enter into contracts that they negotiate with each other through the use of computer screens and telephone communications. SPOT and SPOSC will not make any offer of options contracts on behalf of the issuer, GOC. In addition, SPOT and SPOSC will not perform the typical functions of an underwriter—such as marketing, setting the price for an issue, purchasing a part of an issue if it cannot be sold to the public, and agreeing to use best efforts to distribute an issue. Nor will SPOT or SPOSC be engaged in dealing in the contracts within the meaning of section 20, since they will not purchase any contracts for their own accounts.[36]

The Board has also considered the protestants' allegations that in economic reality Applicant should nonetheless be considered the issuer or underwriter of the options because Applicant would be a partner in GOC in a joint venture to issue the options and because Bank's letter of credit to GOC at least in part guarantees GOC's obligation on the options. Applicant will, however, maintain an arms-length contractual relationship with GOC and GECC under which these entities will receive a share of fees generated from options transactions. Under this proposal, Applicant is not acquiring an equity interest in GOC or GECC, and those entities are not acquiring an equity interest in Applicant or any of its subsidiaries. Accordingly, the Board is unable to conclude that these separate entities are jointly engaged in the issuance or underwriting of options contracts.

Moreover, the Board has concluded that Bank's issuance of a letter of credit to GOC would not make Bank an "underwriter" of securities within the meaning of the Glass–Steagall Act. It is clear that Bank makes no offer of options contracts on behalf of the issuer and would not acquire the options contracts. Under this proposal, Bank's letter of credit is a contractual arrangement, separate from the option contracts, under which Bank agrees to pay GOC in the event of participants' defaults up to the amount of the letter of credit. The Board notes that for many years banking organizations have entered into contractual arrangements to guarantee the obligations of issuers of securities. These credit arrangements have never been understood to be violations of the provisions of the Glass–Steagall Act.

Protestants also allege that the proposal would violate the policy of the Glass–Steagall Act, giving rise to certain of the "subtle hazards" the Act seeks to eliminate (relating to possible damage to the reputation of Applicant's banking affiliates or a salesman's interest that might lead to unsound credit practices). However, the "subtle hazards" have never alone caused the Supreme Court to hold that an activity violates or is permitted by the Glass–Steagall Act. The analysis of such hazards only reinforced the Court's conclusion that the activity in question was permitted or prohibited as a matter of statutory interpretation of the plain meaning of the terms of the Act.[37] As explained above, the activities of SPOT and SPOSC do not fall within the plain meaning of the Glass–Steagall Act prohibitions.

Moreover, the Board has considered the alleged hazards in its evaluation of the proposal under section 4(c)(8) of the BHC Act and has for the reasons

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Steagall Act, the Supreme Court found relevant the statutory definition of "security" in the securities laws enacted at the same time as Glass–Steagall in *Securities Industry Association v. Board of Governors (Bankers Trust I)*, 468 U.S. 137 (1984). It is unresolved whether the 1982 "Accord" amendment to the Securities Exchange Act of 1934 would be as relevant. The Board does not reach this issue and assumes, for purposes of its analysis of the application of the Glass–Steagall Act here, that the options contracts issued by GOC are securities.

33. *See* section 2(4) of the Securities Act of 1933 (15 U.S.C. § 77b(4)); Federal Reserve Board Staff Study, *Commercial Bank Private Placement Activities* 86 (1977).

34. *Securities Industry Ass'n v. Board of Governors (Schwab)*, 468 U.S. 207, 217–18 & n.17 (1984).

35. Federal Reserve Board, Statement Concerning Applicability of the Glass–Steagall Act to the Commercial Paper Placement Activities of Bankers Trust Company (June 4, 1985), 22. The courts have left open the question of whether this "best efforts" underwriting is covered by the Act. *See Schwab*, 468 U.S. at 218 n.17.

36. *Citicorp/J.P. Morgan & Co. Incorporated/Bankers Trust New York Corporation*, 73 FEDERAL RESERVE BULLETIN 473, 481 (1987).

37. *Securities Industry Association v. Board of Governors*, 807 F.2d 1052, 1069 (D.C. Cir. 1986), *cert. denied*, 55 U.S.L.W. 3853 (1987). *See, e.g., Investment Company Institute v. Camp*, 401 U.S. 617 (1971); *Board of Governors v. Investment Company Institute*, 450 U.S. 46 (1981); *Bankers Trust I; Schwab.*

explained above concluded these hazards would be unlikely, given the limitations on the proposed activity, which include restrictions on the involvement of Applicant's banking affiliates in the proposal.

IV. Request for Formal Hearing

Each of the protestants has requested that the Board conduct a formal evidentiary hearing with respect to this proposal. Section 4(c)(8) of the BHC Act specifies that the Board provide "due notice and opportunity for hearing" before approving any application under that section. The Board's Regulation Y provides that the Board will order a hearing on a proposal under section 4(c)(8) "only if there are disputed issues of material fact that cannot be resolved in some other manner." 12 C.F.R. 225.23(g). This standard incorporates the criteria established by the courts for determining when a hearing must be held with respect to a section 4(c)(8) proposal. As the courts have stated,

> [A] protestant does not become entitled to an evidentiary hearing merely on request, or on a bald or conclusory allegation that . . . a dispute exists. The protestant must make a minimal showing that material facts are in dispute, thereby demonstrating that an inquiry in depth is appropriate.

Connecticut Bankers Ass'n v. Board of Governors, 627 F.2d 245, 251 (D.C. Cir. 1980).[38]

After reviewing the protestants' requests for hearing, the Board concludes that the protestants have failed to demonstrate that facts material to the Board's decision on this proposal are disputed. Applicant has described in detail the manner in which the activities, which would be initiated *de novo*, are to be conducted. The Board's approval of this proposal extends only to the facts described by Applicant.[39]

Each of the protestants has submitted a list of alleged factual issues in dispute, but in the Board's view a careful examination of these issues reveals that none of the protestants dispute any of the facts material to the Board's decision in this case. Accordingly, a formal evidentiary hearing in this case would serve no purpose and is not required.

The alleged issues of material fact identified by the protestants fall into three general categories. In the first category are issues relating solely to questions of law or to the ultimate conclusions the Board must reach in applying the terms of the BHC Act.[40] These types of issues do not dispute any statements of fact and clearly do not warrant the conduct of an evidentiary hearing in order to resolve.

The second category of alleged factual disputes involves questions that seek additional information with respect to the manner in which the proposed activities would be conducted.[41] To the extent these requests for additional information are material to issues the Board must consider,[42] those requests do not dispute any facts already in the record. Some of the areas of inquiry raised by these questions have been responded to by supplemental information in the record.[43] In any event, it is the Board's judgment, for the reasons explained above, that the proposed activities have been described in sufficient detail to allow the Board to consider the activity under the applicable statutory standards.

Of particular significance with respect to these suggested inquiries is the fact that Applicant's proposal involves proposed new activities. Any formal hearing on the issues proposed by the protestants would necessarily inquire exclusively into future conduct, which cannot, even under the most exhaustive adjudicatory procedures, be predicted with accuracy. There is no reason to believe that, if a hearing were conducted on this proposal, Applicant's witnesses would testify that the proposed activities would be conducted other than as described in Applicant's written submissions in the record. Moreover, in this case there is no

38. *See Independent Bankers Ass'n of Georgia v. Board of Governors*, 516 F.2d 1206, 1220 (D.C. Cir. 1975) (an agency is not required to conduct an evidentiary hearing if interested parties disputed none of the material facts on which the agency's decision could rest).

39. *See* 12 C.F.R. 225.23(b)(3).

40. Included in this category are questions relating to whether the proposed activities go beyond permissible activities approved for brokers or clearing agents, whether Applicant or its subsidiaries would be subject to contingent liability for losses sustained by GOC or by system participants, and whether there is a private right of action for violation of the Securities Exchange Act provisions requiring registration of securities exchanges.

41. Included within this category are questions related to whether the amount of Bank's letter of credit to GOC would be increased, what procedures would apply to protect against abusive trading practices, whether market information obtained by SPOT and SPOSC would be used by Applicant in trading for its own account, whether nonparticipants would have access to quotations disseminated throughout the system, what safeguards will protect customers of participants if participants also trade for the account of customers, what criteria will be used in determining what institutions may be participants, and whether SPOT and SPOSC personnel would have working relationships with other affiliates of Applicant.

42. As explained above, for example, since Applicant will assume direct liability for only the first $35 million of losses connected with the system, questions related to the detailed specific measures for preventing losses are of only marginal relevance since it is highly unlikely that Applicant would be held liable for trading losses incurred by system participants or GOC.

43. For example, Applicant has committed that the amount of Bank's letter of credit in favor of GOC would not be increased without further supervisory approval.

record of past conduct of the activities at issue that could be used to challenge Applicant's testimony.[44]

The third category of asserted factual disputes involves questions calling for some judgment or prediction with respect to the operation of the proposed activity, such as whether the margin and market risk procedures to be used by the system will be adequate, whether trading limits imposed would be adequate, and whether self-imposed limitations on insider trading would be sufficient.[45] Such inquiries are not designed to dispute facts in the record or even to elicit new facts. Rather than challenging existing facts, these questions call into question inferences and opinions drawn from the undisputed facts.[46] A formal hearing is unnecessary to resolve these kinds of issues. Accordingly, the protestants' requests for a hearing are denied.

Conclusion

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 BHC Act, is favorable. Accordingly, the application is hereby approved.

The Board notes that Congress has under consideration legislation (Conf. Rep. No. 100–261) that provides that the Board may not allow by action, inaction, or otherwise, any bank holding company or subsidiary or affiliate thereof to engage in the operation of a nondealer marketplace in options, between March 6, 1987, and March 1, 1988. The Board calls Applicant's attention to these provisions and notes that the Board retains jurisdiction over the application to act to carry out the requirements of such legislation at such time as they may become law.

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 BHC 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 San Francisco.

By order of the Board of Governors, effective August 5, 1987.

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

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

44. In this respect, the application here differs fundamentally from other cases in which a hearing has been ordered by the courts. *E.g.*, *American Bancorporation v. Board of Governors*, 509 F.2d 29 (8th Cir. 1974) (acquisition of going concern that was already conducting the proposed activity).

45. A number of the alleged issues on which a hearing is allegedly required are immaterial to the issues the Board must consider, such as whether the proposed activities constitute a securities market.

46. There is no merit to the protestants' contention that Applicant has withheld from the Board meaningful information relating to its proposal or that the Board has withheld such information from the protestants. Applicant, in connection with the submission of its proposal for Board consideration, provided extensive documents describing the proposed system in substantial detail. Copies of all of these documents were made available to protestants without delay with one exception—a document containing the proprietary, technical design specifications for SPOT and SPOSC. The Board determined not to make that document public because the document contained confidential commercial or financial information which is exempt from public disclosure pursuant to 5 U.S.C. § 552(b)(4) and because disclosure, while not necessary for meaningful comment in light of all the other documents submitted by Applicant that explained each aspect of the system, would be likely to cause substantial harm to the competitive position of Applicant.

Trustcorp, Inc.
Toledo, Ohio

Order Denying Application to Retain Shares of a General Insurance Agency

Trustcorp, Inc., Toledo, Ohio, a registered bank holding company within the meaning of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under section 4(c)(8)(G) of the BHC Act (12 U.S.C. § 1843(c)(8)(G)) and section 225.25(b)(8)(vii) of Regulation Y (12 C.F.R. § 225.25(b)(8)(vii)) to retain shares of St. Joseph Insurance Agency, Inc., South Bend, Indiana ("Agency"), a company that proposes to engage in general insurance agency activities on a nationwide basis.

Notice of this application, affording opportunity for interested persons to submit comments, has been duly published (51 *Federal Register* 37,237 (1986)). The time for filing comments has expired, and the Board has considered all comments received[1] in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

On December 1, 1986, the Federal Reserve Bank of Cleveland ("Reserve Bank"), acting pursuant to delegated authority, approved Applicant's application under section 3 of the BHC Act to acquire St. Joseph Bancorporation, Inc., South Bend, Indiana ("St. Joseph"). Action on Applicant's section 4 application to engage in general insurance activities through St. Joseph's insurance agency subsidiary, Agency, was deferred in order to permit the Board to more fully consider the question of Agency's authority to engage in general insurance agency operations pursuant to exemption G of Title VI of the Garn–St Germain Depository Institutions Act of 1982 ("Garn–St Germain Act"). (12 U.S.C. § 1843(c)(8)(G)).

Title VI of the Garn–St Germain Act amended section 4(c)(8) of the BHC Act to provide that the Board may not determine insurance agency and underwriting activities are closely related to banking, and, therefore, permissible for bank holding companies. Title VI provided seven specific exemptions to this general prohibition, however, including exemption G, which permits bank holding companies to engage in insurance agency activities "where the activity is performed or shares of the company involved are owned, directly or indirectly, by a bank holding company . . . which, prior to January 1, 1971, was engaged, directly or indirectly, in insurance agency activities as a consequence of approval by the Board . . . ." 12 U.S.C. § 1843(c)(8)(G).[2]

St. Joseph Bancorporation is one of a small group of companies that potentially qualify for exemption G rights because in 1961 the Board approved the application of St. Joseph Agency, Inc., a predecessor to St. Joseph, to engage in general insurance agency activities.[3] Agency continued to engage in insurance agency activities pursuant to this Board approval until June 30, 1982. On that date, several months before passage of the Garn–St Germain Act, Agency sold its accounts, books, records, customer lists and goodwill associated therewith, to another local insurance agency. In connection with this transaction, Agency entered into a five-year non-compete agreement with that agency covering the local St. Joseph County market. That agreement required that Agency refer all insurance agency business in the St. Joseph market to the purchasing agency for a fee, but allowed Agency to conduct business outside of St. Joseph County. Despite the sale of its assets in June 1982, Agency has maintained its status as a corporation in good standing as well as its license to engage in general insurance agency business under the laws of Indiana. Agency also has retained officers and directors, rented office space and produced periodic financial reports. Agency has employed no full-time personnel, but occasionally has hired a part-time insurance consultant.[4]

The most significant issue presented by this proposal is whether such exemption G grandfather rights as St. Joseph and Agency may possess may be retained after Agency's acquisition by Applicant. In the Board's view, analysis of this issue must begin with the fact that Applicant is seeking to acquire a company engaged in a nonbanking activity—operation of a general insurance agency—and section 4 of the BHC Act prohibits a bank holding company from making an acquisition of a nonbanking company unless the acquisition falls within one of the exceptions to the general prohibition of section 4. The principal exception to this prohibition is section 4(c)(8) which permits the acquisition of nonbanking companies engaged in activities the Board has determined are "closely related to banking". Section 4(c)(8), however, contains a specific restriction on insurance activities, providing that such activities are not "closely related to banking." Thus,

1. The following insurance trade groups ("Protestants") have filed comments in opposition to the proposed transaction: the Independent Insurance Agents of America, Inc.; the National Association of Casualty and Surety Agents; the National Association of Surety Bond Producers; the National Association of Life Underwriters; and the National Association of Professional Insurance Agents.

The following commenters support Applicant's claim to acquire Agency and its grandfather rights: Mellon Bank, N.A.; First Security Corporation; Insurance/Financial Affiliates of America, Inc.; Insurance/Banking Council of America; First Virginia Bank, Inc.; United Banks of Colorado Inc.; Bremer Financial Corp.; Norwest Corporation; and First Bank System.

2. On October 3, 1986, the Board amended its Regulation Y (12 C.F.R. § 225.25(b)(8) (1987)) to include the insurance agency activities delineated in the seven exemptions to the Garn–St Germain Act among the list of activities which the Board has found to be closely related to banking and thus permissible for bank holding companies under section 4(c)(8) of the BHC Act. 51 *Federal Register* 36,201 (1986).

3. *St. Joseph Agency, Inc.*, 47 FEDERAL RESERVE BULLETIN 290 (1961). Between 1961 and 1982, St. Joseph undertook several corporate reorganizations which resulted in Agency converting from a direct subsidiary of the bank holding company to a direct subsidiary of St. Joseph Bank and Trust Company ("Bank"), St. Joseph's subsidiary bank.

4. The Board recognizes that Applicant's claim to succeed to Agency's exemption G grandfather rights is based on the presumption that Agency itself has such grandfather rights. Protestants contend that Agency discontinued its insurance activities by virtue of its June 1982 sale of assets. As a result, Protestants argue that Agency has forfeited its grandfather rights.

Applicant, on the other hand, notes that exemption G imposes no requirement that a qualifying company be "continuously engaged" in insurance activities from that date of Board approval. The Board has determined that Agency's grandfather rights lapsed when St. Joseph was acquired by Applicant, and, therefore, the Board has not found it necessary to decide this issue.

under the literal terms of section 4 of the BHC Act, Applicant may not acquire Agency because it is engaged in an impermissible activity—operation of a general insurance agency.

Applicant attempts to avoid this general prohibition against nonbanking activities in section 4 and the specific limitation on insurance activities in section 4(c)(8) by arguing that it may rely on exemption G of section 4(c)(8). This provision by its terms does not apply to Applicant, however, because Applicant was not engaged prior to January 1, 1971, directly or indirectly, in insurance agency activities as a consequence of Board approval. Applicant nevertheless contends that Agency and St. Joseph retain eligibility under exemption G, and that Applicant's indirect ownership of Agency is irrelevant to this determination. Applicant argues that St. Joseph does not forego its status as a "grandfathered" bank holding company even after it becomes a subsidiary of a nongrandfathered entity. In the Board's view, this argument incorrectly focuses on whether St. Joseph itself continues to qualify for exemption G grandfather benefits, and ignores the more fundamental question whether Applicant may acquire a company engaged in otherwise impermissible insurance agency operations.

As the Board has previously noted, the prohibitions in section 4 against nonbanking activities apply to all bank holding companies, and each bank holding company must independently qualify under some provision of section 4 in order to undertake a nonbanking endeavor.[5] Thus, regardless of whether the BHC Act permits Agency or St. Joseph to engage in grandfathered insurance operations, Applicant, as an acquiring bank holding company, also must comply with the nonbanking restrictions of the BHC Act.

The Board notes that the unrestricted nature of exemption G rights prevents the Board as a practical matter from viewing such rights as attaching only to the exemption G company without effect on the acquiring nongrandfathered bank holding company. Exemption G rights permit Agency to engage in the sale of all types of insurance to the general public from any location. Agency, for example, could operate in every office of Applicant and could solicit every customer of Applicant for any type of insurance. There is little distinction between Agency conducting such activities and Applicant conducting them directly. Moreover, given the scope of exemption G rights, the resources, size and office network of a larger company could greatly expand the range of insurance agency activities of an exemption G company. There is no indication that Congress, which enacted Title VI to limit the scope of insurance powers that could be exercised by bank holding companies, intended the substantial powers of exemption G should be exercised by companies with the potential to expand so significantly the scope and amount of insurance sold and the locations from which such insurance is offered.

Moreover, Applicant's claim to preserve Agency's exemption G grandfather rights would run counter to the Board's general position that grandfather rights under section 4 of the BHC Act are to be narrowly construed, and that the applicant itself, and not only the proposed bank holding company subsidiary, must qualify for any exemption from the nonbanking prohibitions of the BHC Act.[6] The Board notes that there is no support in the terms of exemption G or its legislative history to justify a departure from the Board's traditional reading of grandfather provisions under section 4 of the Act.

In this respect, exemption G is distinguishable from exemption D of the Garn–St Germain Act. (12 U.S.C. § 1843(c)(8)(D)). In prior decisions with respect to exemption D, the Board has not required the subsidiary with grandfather rights to terminate its insurance agency activities upon acquisition by another bank holding company.[7] The Board's decisions were based on the terms,[8] limited scope and unique legislative history of exemption D. That legislative history makes clear that the entire focus of exemption D is on the subsidiary conducting the grandfathered activity, and exemption D rights attach only to that subsidiary rather than to its parent corporation and may not generally be expanded to other components of the bank holding company system. The impact of shifting control of an exemption D subsidiary is more limited than under exemption G because the grandfathered exemption D entity must continue to conduct the activity directly. It may sell only the types of insurance already sold (or the equivalent) and it may do so only in a limited number of states.

For the foregoing reasons, the Board concludes that such exemption G rights as St. Joseph and Agency may have possessed expired when St. Joseph was acquired by Applicant and Applicant is not entitled to engage, directly or through Agency, in general insurance activities pursuant to exemption G. This decision

5. *See, e.g., Maryland National Corporation*, 73 FEDERAL RESERVE BULLETIN 310 (1987).

6. *Id.*

7. *See, Sovran Financial Corp.*, 73 FEDERAL RESERVE BULLETIN 672 (1987); *Maryland National Corp.*, Order dated July 1, 1987. *Accord, BankAmerica Corp*, 69 FEDERAL RESERVE BULLETIN 568 (1983); *Fuji Bank Ltd.*, 70 FEDERAL RESERVE BULLETIN 50 (1984).

8. The Board notes that by its terms exemption D, unlike exemption G, confers the authorization to conduct insurance agency activities directly in the subsidiary that was actually conducting the activity on May 1, 1982.

is reached without prejudice to Applicant's claim to more limited grandfather rights pursuant to exemption D. In this regard, the Board notes that Agency appears to have a claim that it qualifies initially for exemption D rights. Agency was engaged lawfully in insurance activities on May 1, 1982, the grandfather date in exemption D, and despite the sale on June 30, 1982, of substantially all of its assets, Agency has not renounced or abandoned its Board authorization under the BHC Act to conduct insurance operations. On the contrary, retention of its insurance license and corporate shell, the limited duration of its covenant not to compete, as well as to continue referral of customers and receipt of a fixed percentage of premiums from such referral customers as fees, are evidence of an intent not to abandon Agency. As noted above, the Board has determined, based on the terms, legislative history and limited scope of benefits conferred, that exemption D rights alone among bank holding company grandfather rights, may survive the acquisition of a grandfathered subsidiary by a nongrandfathered banking firm. The Board is unable to finally determine whether Agency has exemption D rights in the absence of an application raising the issue. The Board will act expeditiously on any such application as Applicant may file.

For the foregoing reasons, the Board has determined that such exemption G grandfather rights as Agency may have possessed expired upon the acquisition of St. Joseph by Applicant and that Applicant's application directly or indirectly to retain shares of Agency pursuant to exemption G grandfather rights should be, and hereby is, denied.

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

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

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

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

First Chicago Corporation Chicago, Illinois

Order Approving Acquisition of a Bank Holding Company

First Chicago Corporation, Chicago, Illinois, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) (the "Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire First United Financial Services, Inc., Arlington Heights, Illinois ("First United"), and thereby indirectly acquire Oak Park Trust & Savings Bank, Oak Park, Illinois; Mount Prospect State Bank, Mount Prospect, Illinois; Bloomingdale State Bank, Bloomingdale, Illinois; The Dunham Bank, St. Charles, Illinois; and United National Bank, Arlington Heights, Illinois.[1] Applicant also has applied under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to acquire Arlington Mortgage Company, Arlington Heights, Illinois, and thereby engage in the activities of making, acquiring and servicing loans or other extensions of credit; Arlington Commercial Finance, Arlington Heights, Illinois, and thereby engage in the activities of making, acquiring and servicing loans or other extensions of credit, and leasing personal or real property; First United Trust Company, Oak Park, Illinois, and thereby engage in trust company functions; and B.I.P. Incorporated, Bloomingdale, Illinois, and thereby engage in data processing activities. These activities are authorized for bank holding companies pursuant to the Board's Regulation Y (12 C.F.R. § 225.25(b)(1), (3), (5), and (7)).

Notice of the applications, affording opportunity for interested persons to submit comments, has been published (52 *Federal Register* 18,608, 24,342 (1987)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3(c) and 4(c)(8) of the Act.

Applicant is the largest commercial banking organization in Illinois with approximately $14.2 billion in domestic deposits, representing approximately 13.7 percent of the total deposits in commercial banks in the state.[2] First United is the 16th largest commercial banking organization in Illinois with domestic deposits of approximately $824.6 million, representing approximately 0.8 percent of the total deposits in commercial banks in Illinois. Upon consummation of the proposal, Applicant would control deposits of approximately $15.0 billion, representing approximately 14.5 percent of the total deposits in commercial banks in the state. Consummation of this proposal would not have a significant effect on the concentration of banking resources in Illinois.

1. Applicant will acquire First United through a merger of First United with First Chicago Acquisition Corporation, Chicago, Illinois ("Acquisition Corporation"), a wholly owned subsidiary of Applicant. In connection with this application, Acquisition Corporation has applied to become a bank holding company and to acquire First United's nonbanking subsidiaries.

2. Data are as of June 30, 1986.

Applicant and First United compete in the Chicago banking market.[3] Applicant is the largest commercial banking organization in the market, controlling approximately 21.1 percent of total deposits in commercial banks in the market. First United is the 13th largest commercial banking organization in the market, controlling deposits of approximately $772.9 million, representing approximately 1.2 percent of total deposits in commercial banks in the market. Upon consummation of the proposal, Applicant would remain the largest commercial banking organization in the market, controlling approximately 22.3 percent of total deposits in commercial banks in the market. The Chicago banking market is considered unconcentrated, with a Herfindahl-Hirschman Index ("HHI") of 790. Upon consummation, the HHI would increase by 51 points to 841.[4] Accordingly, the Board concludes that consummation of the proposal would not have a substantial adverse competitive effect in the Chicago banking market.

First United also operates in the Aurora banking market, a market where Applicant does not compete.[5] The Aurora market is unconcentrated, however, and thus, the Board concludes that consummation of this proposal would not have a significant adverse effect on probable future competition in any relevant market.

In evaluating this application, the Board has considered the financial resources of Applicant and the effect on these resources of the proposed acquisition. The Board has stated and continues to believe that capital adequacy is an especially important factor in the analysis of bank holding company proposals, particularly in transactions where a significant acquisition is proposed.[6]

In this regard, the Board expects that banking organizations experiencing significant growth internally and by acquisition, such as Applicant, should maintain a strong capital position substantially above the minimum levels specified in the Capital Adequacy Guidelines without significant reliance on intangibles, particularly goodwill.[7] The Board will carefully analyze the effect of expansion proposals on the preservation or achievement of such capital positions.

The Board has reviewed this case in the light of Applicant's capital and improved financial position. The Board notes that although this transaction involves some debt, the larger part of the transaction will be funded with equity and Applicant has strengthened its capital position through the issuance of primary capital instruments. In addition, Applicant recognizes the desirability of maintaining a strong capital base, and the Board intends to monitor Applicant's capital position in the future. Accordingly, on the basis of the above considerations, the Board concludes that financial and managerial factors are consistent with approval of this application. Convenience and needs of the communities to be served are also consistent with approval of this application.

Applicant also has applied, pursuant to section 4(c)(8), to acquire the nonbanking subsidiaries of First United. Applicant operates nonbanking subsidiaries that compete with First United in the activities of commercial and consumer finance, leasing, and trust services. The markets for these activities have numerous competitors and are regional or national in scope. Accordingly, the Board concludes that this proposal would not have any significant adverse effect upon competition in any relevant market.

There is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the applications to acquire First United's nonbanking subsidiaries and activities.

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

3. The Chicago banking market is approximated by Cook, Lake and DuPage counties in Illinois.

4. Under the revised Department of Justice Merger Guidelines, (49 *Federal Register* 26,823 (June 29, 1984)), any market in which the post-merger HHI is less than 1000 is considered unconcentrated and the Department will not challenge a merger or acquisition resulting in an HHI of less than 1000, except in extraordinary circumstances. The Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognizes the competitive effect of limited purpose lenders and other nondepository financial entities.

5. The Aurora banking market is approximated by the southern portion of Kane County, Plano, Bristol, Oswego, Fox, and Kendall townships in Kendall County, and Sandwich township in DeKalb County, all in Illinois.

6. *See e.g., Chase Manhattan Corporation*, 70 FEDERAL RESERVE BULLETIN 529 (1984); *NCNB Corporation*, 69 FEDERAL RESERVE BULLETIN 49 (1983).

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

Chicago, acting pursuant to delegated authority. The determinations as to Applicant's nonbanking activities are subject to all of the conditions contained in Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective August 3, 1987.

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

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

Jason Bankshares, Inc. Offerle, Kansas

Order Approving Formation of a Bank Holding Company

Jason Bankshares, Inc., Offerle, Kansas, has applied for the Board's approval pursuant to section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) ("Act") to become a bank holding company by acquiring all of the voting shares of Offerle Investment Co., Inc., a registered bank holding company, and its subsidiary, The Farmers State Bank, Offerle, Kansas ("Bank"). Jason Bankshares has also applied for Board approval pursuant to section 4(c)(8)(C) of the Act (12 U.S.C. § 1843(8)(C)) to conduct general insurance agency activities in Offerle, Kansas.

Notice of the applications, affording interested persons an opportunity to submit comments, has been given in accordance with sections 3(b) and section 4(c) of the Act. The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3 and 4 of the Act.

Applicant is a nonoperating corporation formed for the purpose of becoming a bank holding company by acquiring Bank. Applicant proposes to merge with Offerle Investment Co., Inc., upon consummation of the proposal and to hold shares of Bank directly. Bank, with total assets of approximately $8.9 million, is one of the smaller commercial banking organizations in Kansas, controlling less than 0.1 percent of the total deposits in commercial banking organizations in the state.[1] Consummation of this acquisition would not result in a significant increase in the concentration of banking resources in Kansas.

Bank is the third largest of three banks in the Edwards County, Kansas, banking market, controlling 19.3 percent of the total deposits in commercial banks operating in the market. Applicant does not control any banking or nonbanking subsidiaries in the Edwards County banking market. Based on these and other facts of record, the Board believes that consummation of this proposal is not likely to have a significantly adverse effect upon competition in any relevant banking market. Accordingly, the Board concludes that competitive factors are consistent with approval.

The financial and managerial resources and future prospects of Applicant and Bank are considered consistent with approval, especially in light of commitments made by Applicant and its principal in connection with this application. Although Applicant will incur debt in connection with this proposal, Applicant appears capable of servicing the debt while maintaining capital at an adequate level. Considerations relating to the convenience and needs of the community to be served are consistent with approval.

Applicant has also applied, pursuant to exemption C of section 4(c)(8) of the Act and section 225.25(b)(8)(iii) of the Board's Regulation Y (12 C.F.R. 225.25(b)(8)(iii)), to conduct general insurance agency activities in a place that has a population not exceeding 5,000 residents. The Board has determined that general insurance agency activities are closely related to banking where the bank holding company engages in these activities in a place where the bank holding company has a lending office and the population does not exceed 5,000 residents.[2] Applicant proposes to continue to engage in general insurance activities conducted by Offerle Investment Co., Inc., in Offerle, Kansas. Offerle, Kansas, is a town with a population of less than 5,000, and is the community in which the Bank is located and operates.

There is no evidence in the record indicating that consummation of the proposal would result in any undue concentration of resources, adverse effects on competition, conflicts of interests, unsound banking practices, or any other adverse effects. Moreover, the

1. All banking data are as of December 31, 1985.
2. 12 C.F.R. 225.25(b)(8)(iii); 51 *Federal Register* 36,201 (October 9, 1986).

Board also has determined that the balance of the public interest factors the Board is required to consider under section 4(c)(8) of the Act is favorable.

Accordingly, based upon the foregoing and other facts of record, the Board had determined that the applications under sections 3 and 4 of the Act should be, and hereby, are approved. The transactions shall not be consummated before the thirtieth day following the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City, pursuant to delegated authority. The determination regarding the nonbanking activities of Applicant is subject to all the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b) (12 C.F.R. 225.4(d) and 225.23(b)), 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, or to prevent evasion of, the provisions and purposes of the Act and the Board's regulations and orders issued thereunder.

By order of the Board of Governors, effective August 17, 1987.

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

WILLIAM W. WILES
[SEAL] *Secretary of the Board*

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

By Federal Reserve Banks

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

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
Allegheny Valley Bancorp, Inc. Pittsburgh, Pennsylvania	Allegheny Valley Bank of Pittsburgh Pittsburgh, Pennsylvania	Cleveland	August 10, 1987
Bancshares 2000, Inc. McLean, Virginia	Bank 2000 of Reston, National Association Reston, Virginia	Richmond	August 24, 1987
Bank of Jackson Employee Profit Sharing Plan and Money Purchase Pension Plan Jackson, Louisiana	BOJ Bancshares, Inc. Jackson, Louisiana	Atlanta	July 30, 1987
Banks of Mid-America, Inc. Oklahoma City, Oklahoma	F & M Bancorporation, Inc. Tulsa, Oklahoma	Kansas City	August 13, 1987
Blissfield Bank Corporation Blissfield, Michigan	The Blissfield State Bank Blissfield, Michigan	Chicago	July 30, 1987
Central Wisconsin Bankshares, Inc. Wausau, Wisconsin	Peoples' Bancshares of Antigo, Inc. Antigo, Wisconsin	Chicago	July 30, 1987
Citizens Investments, Inc. Vineland, New Jersey	Sun National Bank Medford, New Jersey	Philadelphia	August 5, 1987
Commercial Bancorp, Inc. Obion, Tennessee	The Commercial Bank Obion, Tennessee	St. Louis	July 30, 1987
Community Bancshares of Chanute, Inc. Chanute, Kansas	Community National Bank Chanute, Kansas	Kansas City	August 5, 1987

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Cornerstone Financial Corporation Derry, New Hampshire	Cornerstone Bank Nashua, New Hampshire	Boston	August 14, 1987
Crown Bancshares II, Inc. Topeka Kansas	Johnson County Bankshares, Inc. Prairie Village, Kansas	Kansas City	August 28, 1987
Devon Holding Company, Inc. Bala Cynwyd, Pennsylvania	Dominion Bank Devon, Pennsylvania	Philadelphia	August 18, 1987
DNB Financial Riverside, California	De Anza National Bank Riverside, California	San Francisco	July 31, 1987
F & M Bancorporation, Inc. Kaukauna, Wisconsin	The Security State Bank Amherst Junction, Wisconsin	Chicago	August 7,1987
FIRSTBANK CORP. Alma, Michigan	Comerica Bank—West Branch, N.A. West Branch, Michigan Comerica Bank-Central Sheherd, Michigan	Chicago	August 7, 1987
First Financial Services, Inc. Falls City, Nebraska	Packers Management Company, Inc. Omaha, Nebraska	Kansas City	June 16, 1987
First Highland Corp. Highland, Illinois	The First National Bank of Highland Highland, Illinois	St. Louis	August 21, 1987
First Midwest Corporation of Delaware Elmwood Park, Illinois	State Bank of Union Union, Illinois	Chicago	August 21, 1987
First State Fremont, Inc. Fremont, Nebraska	First State Bank Fremont, Nebraska	Kansas City	August 21, 1987
First Union Bancorporation, Inc. Streator, Illinois	The First National Bank of Triumph Triumph, Illinois	Chicago	August 4, 1987
First United Bancorporation Anderson, South Carolina	Anderson National Bank Anderson, South Carolina	Richmond	August 19, 1987
First Wisconsin Corporation Milwaukee, Wisconsin	Shelard Bancshares, Inc. St. Louis Park, Minnesota	Chicago	August 4, 1987
FNB Financial Corporation Shelby, Ohio	The First National Bank of Shelby Shelby, Ohio	Cleveland	August 6, 1987
Forsyth Bancshares, Inc. Forsyth, Montana	First State Bank of Forsyth Forsyth, Montana	Minneapolis	August 26, 1986
Gratiot Bancshares, Inc. Gratiot, Wisconsin	Gratiot State Bank Gratiot, Wisconsin	Chicago	August 14, 1987
Groesbeck Bancshares, Inc. Groesbeck, Texas	Farmers State Bank Groesbeck, Texas	Dallas	August 5, 1987
Hancock Bancorp, Inc. Hawesville, Kentucky	Hancock Bank and Trust Company Hawesville, Kentucky	St. Louis	August 4, 1987

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Hardwick Holding Company Dalton, Georgia	Calhoun First National Bank Calhoun, Georgia	Atlanta	July 30, 1987
Henrietta Bancshares, Inc. Henrietta, Texas	First State Bank, Hubbard, Texas	Dallas	August 14, 1987
Key Centurion Bancshares, Inc. Charleston, West Virginia	The Cental National Bank of Buckhannon Buckhannon, West Virginia	Richmond	August 12, 1987
Liberty Bancorp of Georgia Clayton, Georgia	The Gordon Bank Gordon, Georgia	Atlanta	July 31, 1987
Longview Financial Corporation Longview, Texas	Lindale Bancshares, Inc. Lindale, Texas	Dallas	August 5, 1987
Magna Group, Inc. Belleville, Illinois FFC Acquisition Company Belleville, Illinois	Firstplace Financial Corporation Lincoln, Illinois	St. Louis	July 31, 1987
Miles Bancshares, Inc. Advance, Missouri	Bowen State Bank Bowen, Illinois	St. Louis	July 29, 1987
Minnesota-Wisconsin Bancshares, Inc. Newport, Minnesota	Town and Country Bancshares, Inc. Newport, Minnesota	Minneapolis	August 28, 1987
NESB Corp. New London, Connecticut	New England Savings Bank New London, Connecticut	Boston	July 31, 1987
Ottawa Bancshares, Inc. Ottawa, Kansas	Lyon County State Bancshares, Inc. Emporia, Kansas	Kansas City	August 19, 1987
Park Falls Agency, Inc. Park Falls, Wisconsin	Bradley Bank Tomahawk, Wisconsin	Minneapolis	August 17, 1987
PEOTONE BANCORP, INC. Peotone, Illinois	Rock River Bancorporation, Inc. Oregon, Illinois	Chicago	August 4, 1987
Rock River Bancorporation Oregon, Illinois	United Bank of Ogle County, National Association Oregon, Illinois	Chicago	August 4, 1987
Rocky Mountain Bancorporation, Inc. Aspen, Colorado	The Bank of Aspen Aspen, Colorado	Kansas City	August 27, 1987
SB&T Corporation Smyrna, Georgia	Smyrna Bank & Trust Company Smyrna, Georgia	Atlanta	August 24, 1987
Security Chicago Corp. Chicago, Illinois	First State Bancorp of Princeton, Illinois Princeton, Illinois	Chicago	August 10, 1987
Security National Corporation Maitland, Florida	Security National Bank of America Maitland, Florida	Atlanta	August 12, 1987

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
State Bancorp, Inc. Bruceton Mills, West Virginia	Terra Alta Bank Terra Alta, West Virginia	Richmond	August 20, 1987
Stillman BancCorp, Inc. Stillman Valley, Illinois	United Bank of Rochelle Rochelle, Illinois	Chicago	August 21, 1987
Suburban Bancorp, Inc. Palatine, Illinois	Woodstock State Bancorp, Inc. Woodstock, Illinois	Chicago	August 6, 1987
Success Financial Group, Inc. Lincolnshire, Illinois	Lincolnshire Bancshares, Inc. Lincolnshire, Illinois Bellwood Bancorporation, Inc. Bellwood, Illinois	Chicago	August 19, 1987
TCB Investments, Inc. Kansas City, Missouri	Tri-County Bancshares, Inc. El Dorado Springs, Missouri	Kansas City	June 19, 1987
Trustcorp, Inc. Toledo, Ohio	Midwest Bancorp, Inc. Columbus, Indiana	Cleveland	July 31, 1987
Trustcorp, Inc. Toledo, Ohio	Citizens Trust Bancorp, Inc. Ann Arbor, Michigan	Cleveland	August 18, 1987
United Missouri Bancshares, Inc. Kansas City, Missouri	United Missouri Bank, U.S.A. Wilmington, Delaware	Kansas City	August 13, 1987
Valley Bancorp, Inc. Brighton, Colorado	Lyons Bancorp, Inc. Brighton, Colorado	Kansas City	July 29, 1987
Wesbanco, Inc. Wheeling, West Virginia	First Financial Bancorp, Inc. Wheeling, West Virginia	Cleveland	August 5, 1987
Wesbanco, Inc. Wheeling, West Virginia	Bank of Sissonville Sissonville, West Virginia	Cleveland	August 3, 1987
Woodstock Acquisition Corp. Woodstock, Illinois	Woodstock State Bancorp, Inc. Woodstock, Illinois	Chicago	August 6, 1987
Zappco, Inc. St. Cloud, Minnesota	Melrose Bancshares, Inc. Melrose, Minnesota	Minneapolis	August 20, 1987

Section 4

Applicant	Nonbanking Activity/Company	Bank	Effective date
Allied Irish Banks, P.L.C. Dublin, Ireland First Maryland Bancorp Baltimore, Maryland	First Maryland Cheque Corporation Baltimore, Maryland issuance and sale of money orders and data processing management	Richmond	August 24, 1987
First State Banking Corporation Alcester, South Dakota	McKellips Insurance Company, Inc. Alcester, South Dakota Brandon Insurance Agency Brandon, South Dakota Valley Springs Insurance Agency Valley Springs, South Dakota data processing services	Minneapolis	August 20, 1987

Section 4—Continued

Applicant	Nonbanking Activity/Company	Bank	Effective date
HUNTLEY BANCSHARES, INC. Huntley, Illinois	Rohrson Insurance Agency Hampshire, Illinois	Chicago	August 12, 1987
Madelia Bancshares, Inc. Madelia, Minnesota	Madelia Agency, Inc. Madelia, Minnesota making, acquiring, and servicing loans	Minneapolis	August 5, 1987
Marshall & Ilsley Corporation Milwaukee, Wisconsin	Software Development Corporation Fort Lauderdale, Florida	Chicago	August 26, 1987
Midwest Financial Group, Inc. Peoria, Illinois	Midwest Financial Investment Management Company Peoria, Illinois investment advisory services	Chicago	August 11, 1987
OMNIBANCORP Denver, Colorado	MSHC, Inc. Denver, Colorado mortgage lending activities	Kansas City	August 28, 1987
Ozark Bankshares, Inc. Ozark, Arkansas	Ozark Financial Services, Inc. Ozark, Arkansas Ozark Commercial Corporation Tulsa, Oklahoma	St. Louis	August 20, 1987

Sections 3 and 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Dominion Bankshares Corporation Roanoke, Virginia	First Springfield National Corporation Springfield, Tennessee	Richmond	August 20, 1987

ORDERS APPROVED UNDER BANK MERGER ACT

By Federal Reserve Banks

Applicant	Bank(s)	Reserve Bank	Effective date
The Blissfield State Bank Blissfield, Michigan	Blissfield Interim Bank Blissfield, Michigan	Chicago	July 30, 1987
Norstar Bank of Long Island Hempstead, New York	Norstar Bank of Commerce New York, New York	New York	August 4, 1987
Norstar Bank of Upstate NY Albany, New York	Norstar Bank of the Hudson Valley, N.A. Newburgh, New York	New York	August 5, 1987

Pending Cases Involving The Board of Governors

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

Barrett v. Volcker, No. 87–2280 (D.D.C., filed August 17, 1987).

Northeast Bancorp v. Board of Governors, No. 87–1365 (D.C. Cir., filed July 31, 1987).

National Association of Casualty & Insurance Agents v. Board of Governors, Nos. 87–1354, 87–1355 (D.C. Cir., filed July 29, 1987).

Air Continental, Inc. v. Federal Reserve Board of Boston, et. al., No. 87–1877-N (D. Massachusetts, filed July 23, 1987).

The Chase Manhattan Corporation v. Board of Governors, No. 87–1333 (D.C. Cir., filed July 20, 1987).

Securities Industry Association v. Board of Governors, Nos. 87–4091, 87–4093, 87–4095 (2d Cir., filed July 1 and July 15, 1987).

Lewis v. Board of Governors, Nos. 87–3455, 87–3545 (11th Cir., filed June 25, August 3, 1987).

Securities Industry Association v. Board of Governors, et al. No. 87–4041 and consolidated cases (2d Cir., filed May 1, 1987).

Securities Industry Association v. Board of Governors, et al., No. 87–1169 (D.C. Cir., filed April 17, 1987).

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

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
	1986		1987		1987				
	Q3	Q4	Q1	Q2	Mar.	Apr.	May	$June^{r}$	July
Reserves of depository institutions[2]									
1 Total	21.0	24.3	16.4	8.0	−.4	23.3	8.2	−13.3	−2.1
2 Required	21.9	22.8	16.5	8.4	5.9	25.5	3.1	−15.9	6.8
3 Nonborrowed	21.3	25.3	18.5	5.4	.2	13.6	7.5	−8.1	.1
4 Monetary base[3]	9.7	11.0	11.3	6.8	2.9	9.9	8.7	.5	4.8
Concepts of money, liquid assets, and debt[4]									
5 M1	16.5	17.0	13.1	6.4	3.4^{r}	17.5^{r}	4.5	−10.4	1.8
6 M2	10.6	9.2	6.3	2.4^{r}	1.4	5.7^{r}	$.3^{r}$	1.0	2.8
7 M3	9.7	8.0	6.4^{r}	3.9^{r}	1.6	5.4^{r}	4.7^{r}	5.2	n.a.
8 L	8.1	8.2	6.4	3.1	−2.9	3.9^{r}	9.2	1.4	n.a.
9 Debt	12.5	12.1	10.4	9.2^{r}	8.3^{r}	9.9^{r}	10.6^{r}	9.8	n.a.
Nontransaction components									
10 In M2[5]	8.6	6.6	4.0	$.9^{r}$	$.7^{r}$	1.6^{r}	-1.2^{r}	5.1	3.2
11 In M3 only[6]	6.2	3.2	6.4	10.3	2.6	4.3	22.6	21.8	−1.0
Time and savings deposits									
Commercial banks									
12 Savings[7]	25.0	36.9	37.3	24.1	28.5	27.8	16.0	6.9	7.5
13 Small-denomination time[8]	−7.5	−10.7	−4.9	-4.5^{r}	−8.6	−8.3	−1.3	10.4	10.7
14 Large-denomination time[9,10]	−1.5	.1	9.7	18.3	12.2	27.7	18.8^{r}	16.6	−5.0
Thrift institutions									
15 Savings[7]	21.0	23.2	27.3	25.9^{r}	28.6	30.5	17.4^{r}	12.6	2.0
16 Small-denomination time	−3.4	−6.4	−4.3	1.2^{r}	$.0^{r}$	1.2^{r}	$-.5^{r}$	10.4	12.5
17 Large-denomination time[9]	2.8	−7.0	−9.5	−8.4	−9.5	−19.1	2.4	8.9	8.8
Debt components[4]									
18 Federal	14.7	11.5	9.7	9.6^{r}	5.9	8.4	15.1	14.9	n.a.
19 Nonfederal	11.9	12.3	10.6	9.1^{r}	9.0	10.4^{r}	9.3^{r}	8.3	n.a.
20 Total loans and securities at commercial banks[11]	10.6	9.1	10.1	7.0	3.8	11.9	7.4	3.2	1.3

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

2. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

3. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks plus the currency component of the money stock less the amount of vault cash holdings of thrift institutions that is included in the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. After the introduction of contemporaneous reserve requirements (CRR), currency and vault cash figures are measured over the weekly computation period ending Monday.

Before CRR, all components of the monetary base other than excess reserves are seasonally adjusted as a whole, rather than by component, and excess reserves are added on a not seasonally adjusted basis. After CRR, the seasonally adjusted series consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock plus the remaining items seasonally adjusted as a whole.

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

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (OCD) consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. The currency and demand deposit components exclude the estimated amount of vault cash and demand deposits respectively held by thrift institutions to service their OCD liabilities.

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all commercial banks and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, Money Market Deposit Accounts (MMDAs), savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and balances in both taxable and tax-exempt general purpose and broker/dealer money market mutual funds. Excludes individual retirement accounts (IRA) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker/dealer), foreign governments and commercial banks, and the U.S. government. Also subtracted is a consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of $100,000 or more) issued by commercial banks and thrift institutions, term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper and bankers acceptances, net of money market mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages. Growth rates for debt reflect adjustments for discontinuities over time in the levels of debt presented in other tables.

5. Sum of overnight RPs and Eurodollars, money market fund balances (general purpose and broker/dealer), MMDAs, and savings and small time deposits less the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposit liabilities.

6. Sum of large time deposits, term RPs, and Eurodollars of U.S. residents, money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

7. Excludes MMDAs.

8. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRA and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

9. Large-denomination time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

10. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

11. Changes calculated from figures shown in table 1.23.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1987			1987						
	May	June	July	June 17	June 24	July 1	July 8	July 15	July 22	July 29
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**241,800**	**235,851**	**233,463**	**231,766**	**240,768**	**241,794**	**236,717**	**234,054**	**232,936**	**230,331**
2 *U.S. government securities*[1]	213,797	210,941	208,364	207,434	215,306	215,509	210,313	209,239	208,503	205,452
3 Bought outright	206,318	208,728	208,258	206,895	210,886	210,984	210,313	209,239	208,503	205,452
4 Held under repurchase agreements	7,479	2,213	106	539	4,420	4,525	0	0	0	0
5 Federal agency obligations	10,065	8,030	7,690	7,726	8,132	8,676	7,683	7,683	7,657	7,623
6 Bought outright	7,683	7,683	7,660	7,683	7,683	7,683	7,683	7,683	7,657	7,623
7 Held under repurchase agreements	2,382	347	30	43	449	993	0	0	0	0
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	1,179	737	673	651	823	888	718	673	507	796
10 Float	645	724	979	821	757	755	2,392	669	619	527
11 Other Federal Reserve assets	16,114	15,419	15,757	15,134	15,750	15,965	15,611	15,790	15,649	15,933
12 Gold stock[2]	11,073	11,069	11,069	11,069	11,069	11,069	11,069	11,069	11,069	11,069
13 *Special drawing rights certificate account*	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
14 Treasury currency outstanding	17,795	17,866	17,917	17,863	17,877	17,890	17,900	17,910	17,920	17,930
ABSORBING RESERVE FUNDS										
15 Currency in circulation	212,064	214,465	216,400	214,795	214,356	214,612	216,901	217,243	216,202	215,462
16 Treasury cash holdings[2]	523	507	486	511	502	497	493	490	486	479
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	16,028	8,776	5,140	3,879	14,570	15,561	4,865	5,685	5,316	3,872
18 Foreign	314	246	258	228	237	303	243	271	249	254
19 *Service-related balances and adjustments*	2,095	2,072	2,200	2,239	2,036	1,990	2,116	2,072	2,418	2,060
20 Other	407	404	352	361	333	574	347	405	334	325
21 Other Federal Reserve liabilities and capital	6,910	6,814	6,664	6,891	6,950	6,903	6,630	6,771	6,724	6,599
22 Reserve balances with Federal Reserve Banks[3]	37,344	36,520	35,966	36,811	35,748	35,331	39,109	35,115	35,214	35,297
	End-of-month figures			Wednesday figures						
	1987			1987						
	May	June	July	June 17	June 24	July 1	July 8	July 15	July 22	July 29
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**231,880**	**239,216**	**234,310**	**235,159**	**242,395**	**234,995**	**235,558**	**232,395**	**233,865**	**231,830**
24 U.S. government securities[1]	207,304	212,306	208,170	210,326	216,671	209,604	210,080	207,460	209,230	206,296
25 Bought outright	207,304	210,248	204,871	206,555	210,712	209,604	210,080	207,460	209,230	206,296
26 Held under repurchase agreements	0	2,058	3,299	3,771	5,959	0	0	0	0	0
27 Federal agency obligations	7,683	8,679	8,553	7,985	8,394	7,683	7,683	7,683	7,623	7,623
28 Bought outright	7,683	7,683	7,623	7,683	7,683	7,683	7,683	7,683	7,623	7,623
29 Held under repurchase agreements	0	996	930	302	711	0	0	0	0	0
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	832	972	634	716	760	807	627	723	497	1,613
32 Float	922	1,579	507	772	645	1,324	1,463	789	646	163
33 Other Federal Reserve assets	15,139	15,680	16,446	15,360	15,925	15,577	15,705	15,740	15,869	16,135
34 Gold stock[2]	11,070	11,069	11,069	11,068	11,069	11,069	11,069	11,069	11,069	11,069
35 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
36 Treasury currency outstanding	17,823	17,889	17,939	17,875	17,889	17,899	17,909	17,919	17,929	17,939
ABSORBING RESERVE FUNDS										
37 Currency in circulation	213,547	215,201	215,938	214,807	214,300	215,780	217,570	216,965	215,884	215,722
38 Treasury cash holdings[2]	514	492	470	503	499	492	490	490	483	470
Deposits, other than reserve balances, with Federal Reserve Banks										
39 Treasury	6,383	13,774	5,365	8,126	16,356	10,005	6,142	3,351	6,038	4,711
40 Foreign	320	318	262	232	208	289	244	381	283	244
41 Service-related balances and adjustments	1,779	1,775	1,747	1,823	1,771	1,775	1,783	1,779	1,762	1,762
42 Other	372	458	281	389	374	490	322	618	286	342
43 Other Federal Reserve liabilities and capital	6,511	6,847	6,520	6,785	6,832	6,495	6,461	6,592	6,539	6,422
44 Reserve balances with Federal Reserve Banks[3]	36,365	34,327	37,754	36,456	36,031	33,655	36,542	36,225	36,606	36,184

1. *Includes* securities loaned—fully guaranteed by U.S. government securities *pledged with Federal Reserve Banks*—and *excludes* any securities sold and scheduled to be bought back under matched sale-purchase transactions.

2. Revised for periods between October 1986 and April 1987. At times during this interval, outstanding gold certificates were inadvertently in excess of the gold stock. Revised data not included in this table are available from the Division of Research and Statistics, Banking Section.

3. Excludes required clearing balances and adjustments to compensate for float.

NOTE. For amounts of currency and coin held as reserves, see table 1.12.

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	Monthly averages[8]									
	1984	1985	1986	1986	1987					
	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 Reserve balances with Reserve Banks[1]	21,738	27,620	37,360	37,360	36,584	33,625	35,318	37,807	36,466	36,309
2 Total vault cash[2]	22,313	22,953	24,071	24,071	25,049	25,889	23,759	23,353	23,693	24,380
3 Vault[3]	18,958	20,522	22,199	22,199	23,084	23,435	21,743	21,587	21,873	22,475
4 Surplus[4]	3,355	2,431	1,872	1,872	1,965	2,454	2,016	1,767	1,820	1,905
5 Total reserves[5]	40,696	48,142	59,560	59,560	59,668	57,060	57,061	59,393	58,339	58,784
6 Required reserves	39,843	47,085	58,191	58,191	58,600	55,849	56,146	58,566	57,260	57,594
7 Excess reserve balances at Reserve Banks[6]	853	1,058	1,369	1,369	1,068	1,211	916	827	1,079	1,190
8 Total borrowings at Reserve Banks	3,186	1,318	827	827	580	556	527	993	1,035	776
9 Seasonal borrowings at Reserve Banks	113	56	38	38	34	71	91	120	196	259
10 Extended credit at Reserve Banks[7]	2,604	499	303	303	225	283	264	270	288	273
	Biweekly averages of daily figures for weeks ending									
	1987									
	Apr. 8	Apr. 22	May 6	May 20	June 3[r]	June 17[r]	July 1	July 15	July 29[p]	Aug. 12[pe]
11 Reserve balances with Reserve Banks[1]	36,358	38,746	37,612	36,327	36,018	37,145	35,475	37,083	35,220	35,832
12 Total vault cash[2]	23,198	23,479	23,289	23,552	24,094	23,668	25,215	24,238	25,029	24,306
13 Vault[3]	21,350	21,761	21,519	21,801	22,158	21,972	23,092	22,470	22,998	22,413
14 Surplus[4]	1,848	1,719	1,770	1,751	1,936	1,696	2,123	1,769	2,031	1,893
15 Total reserves[5]	57,708	60,506	*59,131*	*58,128*	*58,176*	*59,117*	*58,567*	*59,553*	*58,218*	*58,245*
16 Required reserves	57,029	59,703	58,115	57,066	57,042	58,313	56,947	59,081	57,245	57,465
17 Excess reserve balances at Reserve Banks[6]	679	804	1,016	1,063	1,134	804	1,620	472	974	780
18 Total borrowings at Reserve Banks	641	956	1,410	830	1,094	635	856	696	652	564
19 Seasonal borrowings at Reserve Banks	98	110	159	190	226	230	298	271	294	289
20 Extended credit at Reserve Banks[7]	248	267	299	276	297	254	289	261	133	120

1. Excludes required clearing balances and adjustments to compensate for float.

2. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end 30 days after the lagged computation periods in which the balances are held.

3. Equal to all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

4. Total vault cash at institutions having no required reserve balances less the amount of vault cash equal to their required reserves during the maintenance period.

5. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

6. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements less required reserves.

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

8. Before February 1984, data are prorated monthly averages of weekly averages; beginning February 1984, data are prorated monthly averages of biweekly averages.

NOTE. These data also appear in the Board's H.3 (502) release. For address, see inside front cover.

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Member Banks[1]

Averages of daily figures, in millions of dollars

	Maturity and source	1987 week ending Monday								
		Apr. 6	Apr. 13	Apr. 20	Apr. 27	May 4	May 11	May 18	May 25	June 1
	Federal funds purchased, repurchase agreements, and other selected borrowing in immediately available funds									
	From commercial banks in the United States									
1	*For one day or under continuing contract*	80,467	81,639	80,380	72,677	74,589	72,245	74,184	70,799	71,703
2	For all other maturities	8,639	8,974	9,877	8,966	8,951	9,378	9,341	9,586	9,567
	From other depository institutions, foreign banks and foreign official institutions, and United States government agencies									
3	For one day or under continuing contract	38,912	42,536	35,818	35,509	36,261	37,474	34,183	34,329	34,356
4	For all other maturities	7,996	8,039	8,381	8,384	9,872	9,708	9,731	9,654	9,008
	Repurchase agreements on U.S. government and federal agency securities in immediately available funds									
	Brokers and nonbank dealers in securities									
5	For one day or under continuing contract	12,806	12,556	12,495	12,713	12,815	11,755	11,404	11,482	10,800
6	For all other maturities	9,347	9,869	13,167	13,596	15,000	14,898	15,298	15,980	14,975
	All other customers									
7	*For one day or under continuing contract*	26,225r	26,048	21,149	24,810	24,187	23,189	24,329	24,777	25,068
8	For all other maturities	9,940	10,332	12,483	9,038	8,796	8,702	8,678	8,561	8,741
	MEMO: Federal funds loans and resale agreements in immediately available funds in maturities of one day or under continuing contract									
9	To commercial banks in the United States	29,107	28,649	30,933	29,588	32,471r	27,344r	29,146	26,958	29,083
10	To all other specified customers[2]	11,329	11,124	11,615	13,656	12,864	11,449	13,004	13,353	13,481

1. Banks with assets of $1 billion or more as of Dec. 31, 1977.

2. Brokers and nonbank dealers in securities; other depository institutions; foreign banks and official institutions; and United States government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment Credit and Seasonal Credit[1]			Extended Credit[2]						
				First 30 days of Borrowing			After 30 days of Borrowing[3]			
	On 8/26/87	Effective Date	Previous Rate	On 8/26/87	Effective Date	Previous Rate	On 8/26/87	Effective Date	Previous Rate	Effective Date
Boston	5½	8/21/86	6	5½	8/21/86	6	7.20	8/13/87	7.15	7/30/87
New York		8/21/86			8/21/86			8/13/87		7/30/86
Philadelphia		8/22/86			8/22/86			8/13/87		7/30/87
Cleveland		8/21/86			8/21/86			8/13/87		7/30/87
Richmond		8/21/86			8/21/86			8/13/87		7/30/87
Atlanta		8/21/86			8/21/86			8/13/87		7/30/87
Chicago		8/21/86			8/21/86			8/13/87		7/30/87
St. Louis		8/22/86			8/22/86			8/13/87		7/30/87
Minneapolis		8/21/86			8/21/86			8/13/87		7/30/87
Kansas City		8/21/86			8/21/86			8/13/87		7/30/87
Dallas		8/21/86			8/21/86			8/13/87		7/30/87
San Francisco	5½	8/21/86	6	5½	8/21/86	6	7.20	8/13/87	7.15	7/30/87

Range of rates for adjustment credit in recent years[4]

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1973	7½	7½
1974—Apr. 25	7½–8	8
30	8	8
Dec. 9	7¾–8	7¾
16	7¾	7¾
1975—Jan. 6	7¼–7¾	7¾
10	7¼–7¾	7¼
24	7¼	7¼
Feb. 5	6¾–7¼	6¾
7	6¾	6¾
Mar. 10	6¼–6¾	6¼
14	6¼	6¼
May 16	6–6¼	6
23	6	6
1976—Jan. 19	5½–6	5½
23	5½	5½
Nov. 22	5¼–5½	5¼
26	5¼	5¼
1977—Aug. 30	5¼–5¾	5¼
31	5¼–5¾	5¾
Sept. 2	5¾	5¾
Oct. 26	6	6
1978—Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7–7¼	7¼
July 10	7¼	7¼

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1978—Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
1979—July 20	10	10
Aug. 17	10–10½	10½
20	10½	10½
Sept. 19	10½–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981—May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1982—July 20	11½–12	11½
23	11½	11½
Aug. 2	11–11½	11
3	11	11
16	10½	10½
27	10–10½	10
30	10	10
Oct. 12	9½–10	9½
13	9½	9½
Nov. 22	9–9½	9
26	9	9
Dec. 14	8½–9	9
15	8½–9	8½
17	8½	8½
1984—Apr. 9	8½–9	9
13	9	9
Nov. 21	8½–9	8½
26	8½	8½
Dec. 24	8	8
1985—May 20	7½–8	7½
24	7½	7½
1986—Mar. 7	7–7½	7
10	7	7
Apr. 21	6½–7	6½
23	6½	6½
July 11	6	6
Aug. 21	5½–6	5½
22	5½	5½
In effect August 26, 1987	5½	5½

1. Adjustment credit is available on a short-term basis to help depository institutions meet temporary needs for funds that cannot be met through reasonable alternative sources. After May 19, 1986, the highest rate established for loans to depository institutions may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

Seasonal credit is available to help smaller depository institutions meet regular, seasonal needs for funds that cannot be met through special industry lenders and that arise from a combination of expected patterns of movement in their deposits and loans. A temporary simplified seasonal program was established on Mar. 8, 1985, and the interest rate was a fixed rate ½ percent above the rate on adjustment credit. The program was re-established on Feb. 18, 1986 and again on Jan. 28, 1987; the rate may be either the same as that for adjustment credit or a fixed rate ½ percent higher.

2. Extended credit is available to depository institutions, where similar assistance is not reasonably available from other sources, when exceptional circumstances or practices involve only a particular institution or when an institution is experiencing difficulties adjusting to changing market conditions over a longer period of time.

3. For extended-credit loans outstanding more than 30 days, a flexible rate somewhat above rates on market sources of funds ordinarily will be charged, but in no case will the rate charged be less than the basic discount rate plus 50 basis points. The flexible rate is re-established on the first business day of each two-week reserve maintenance period. At the discretion of the Federal Reserve Bank, the time period for which the basic discount rate is applied may be shortened.

4. For earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, and *1941–1970*; *Annual Statistical Digest, 1970–1979*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than 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, 1981. As of Oct. 1, 1981 the formula for applying the surcharge was changed from a calendar quarter to a moving 13-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

Type of deposit, and deposit interval[2]	Depository institution requirements after implementation of the Monetary Control Act	
	Percent of deposits	Effective date
Net transaction accounts[3,4]		
$0 million–$36.7 million	3	12/30/86
More than $36.7 million	12	12/30/86
Nonpersonal time deposits[5]		
By original maturity		
Less than 1½ years	3	10/6/86
1½ years or more	0	10/6/83
Eurocurrency liabilities		
All types	3	11/13/80

1. Reserve requirements in effect on Dec. 31, 1986. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmembers may maintain reserve balances with a Federal Reserve Bank indirectly on a pass-through basis with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* and of the FEDERAL RESERVE BULLETIN. Under provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge corporations.

2. The Garn-St. Germain Depository Institutions Act of 1982 (Public Law 97-320) requires that $2 million of reservable liabilities (transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities) of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 30, 1986, the exemption was raised from $2.6 million to $2.9 million. In determining the reserve requirements of depository institutions, the exemption shall apply in the following order: (1) net NOW accounts (NOW accounts less allowable deductions); (2) net other transaction accounts; and (3) nonpersonal time deposits or Eurocurrency liabilities starting with those with the highest reserve ratio. With respect to NOW accounts and other transaction accounts, the exemption applies only to such accounts that would be subject to a 3 percent reserve requirement.

3. Transaction accounts include all deposits on which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers in excess of three per month for the purpose of making payments to third persons or others. However, MMDAs and similar accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month, of which no more than three can be checks, are not transaction accounts (such accounts are savings deposits subject to time deposit reserve requirements).

4. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage increase in transaction accounts held by all depository institutions, determined as of June 30 each year. Effective Dec. 30, 1986, the amount was increased from $31.7 million to $36.7 million.

5. In general, nonpersonal time deposits are time deposits, including savings deposits, that are not transaction accounts and in which a beneficial interest is held by a depositor that is not a natural person. Also included are certain transferable time deposits held by natural persons and certain obligations issued to depository institution offices located outside the United States. For details, see section 204.2 of Regulation D.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction	1984	1985	1986	1986	1987					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
U.S. TREASURY SECURITIES										
Outright transactions (*excluding matched transactions*)										
Treasury bills										
1 Gross purchases	20,036	22,214	22,602	5,422	997	191	1,062	4,226	1,697	575
2 Gross sales	8,557	4,118	2,502	0	583	3,581	0	653	0	22
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	7,700	3,500	1,000	0	0	800	0	0	0	0
Others within 1 year										
5 Gross purchases	1,126	1,349	190	0	0	0	0	1,232	0	535
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shift	16,354	19,763	18,673	1,280	611	1,855	1,762	1,375	4,063	1,715
8 Exchange	−20,840	−17,717	−20,179	−1,502	0	−4,954	−1,799	522	−1,336	−1,812
9 Redemptions	0	0	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	1,638	2,185	893	0	0	0	0	3,642	0	1,394
11 Gross sales	0	0	0	0	0	252	0	0	0	0
12 Maturity shift	−13,709	−17,459	−17,058	−1,280	−591	−1,650	−1,762	−1,373	−1,804	−1,715
13 Exchange	16,039	13,853	16,984	1,502	0	4,354	1,799	522	1,111	1,812
5 to 10 years										
14 Gross purchases	536	458	236	0	0	0	0	914	0	312
15 Gross sales	300	100	0	0	0	0	0	0	0	0
16 Maturity shift	−2,371	−1,857	−1,620	0	−20	−204	0	−3	−2,259	0
17 Exchange	2,750	2,184	2,050	0	0	400	0	0	150	0
Over 10 years										
18 Gross purchases	441	293	158	0	0	0	0	669	0	251
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	−275	−447	0	0	0	0	0	0	0	0
21 Exchange	2,052	1,679	1,150	0	0	200	0	0	75	0
All maturities										
22 Gross purchases	23,776	26,499	24,078	5,422	997	191	1,062	10,683	1,697	3,066
23 Gross sales	8,857	4,218	2,502	0	583	3,833	0	653	0	22
24 Redemptions	7,700	3,500	1,000	0	0	800	0	0	0	0
Matched transactions										
25 Gross sales	808,986	866,175	927,997	91,404	63,865	82,086	72,306	83,822	91,642	87,228
26 Gross purchases	810,432	865,968	927,247	88,730	65,145	81,387	73,476	82,494	92,137	87,128
Repurchase agreements[2]										
27 Gross purchases	127,933	134,253	170,431	44,303	36,373	0	5,657	37,653	59,340	24,167
28 Gross sales	127,690	132,351	160,268	32,028	46,897	3,168	5,657	23,881	73,111	22,108
29 Net change in U.S. government securities	8,908	20,477	29,989	15,023	−8,830	−8,307	2,231	22,474	−11,580	5,002
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	256	162	398	0	110	0	0	37	0	0
Repurchase agreements[2]										
33 Gross purchases	11,509	22,183	31,142	5,488	4,714	0	897	9,265	16,071	3,907
34 Gross sales	11,328	20,877	30,522	3,522	6,171	857	897	5,908	19,428	2,910
35 Net change in federal agency obligations	−76	1,144	222	1,965	−1,567	−857	0	3,320	−3,357	997
BANKERS ACCEPTANCES										
36 Repurchase agreements, net	−418	0	0	0	0	0	0	0	0	0
37 **Total net change in System Open Market Account**	**8,414**	**21,621**	**30,211**	**16,988**	**−10,397**	**−9,165**	**2,231**	**25,794**	**−14,936**	**5,999**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings. Details may not add to totals because of rounding.

2. In July 1984 the Open Market Trading Desk discontinued accepting bankers acceptances in repurchase agreements.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements[1]

Millions of dollars

Account	Wednesday					End of month		
	1987					1987		
	July 1	July 8	July 15	July 22	July 29	May	June	July
	Consolidated condition statement							
Assets								
1 Gold certificate account	11,069	11,069	11,069	11,069	11,069	11,070	11,069	11,069
2 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
3 Coin	441	627	638	645	646	476	451	647
Loans								
4 To depository institutions	807	627	723	497	1,613	832	972	634
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	7,683	7,683	7,683	7,623	7,623	7,683	7,683	7,623
8 Held under repurchase agreements	0	0	0	0	0	0	996	930
U.S. Treasury securities								
Bought outright								
9 *Bills*	107,058	107,609	105,114	106,884	103,950	107,250	107,702	102,526
10 Notes	75,522	75,447	75,322	75,322	75,322	73,303	75,522	75,322
11 Bonds	27,024	27,024	27,024	27,024	27,024	26,751	27,024	27,023
12 Total bought outright[2]	209,604	210,080	207,460	209,230	206,296	207,304	210,248	204,871
13 Held under repurchase agreements	0	0	0	0	0	0	2,058	3,299
14 Total U.S. Treasury securities	209,604	210,080	207,460	209,230	206,296	207,304	212,306	208,170
15 **Total loans and securities**	**218,094**	**218,390**	**215,866**	**217,350**	**215,532**	**215,819**	**221,957**	**217,357**
16 Items in process of collection	8,319	7,304	7,133	6,249	5,542	6,356	9,801	5,575
17 Bank premises	683	683	685	687	685	678	683	687
Other assets								
18 Denominated in foreign currencies[3]	7,782	7,787	7,794	7,799	7,804	8,035	7,782	7,666
19 All other[4]	7,112	7,235	7,261	7,383	7,648	6,426	7,183	8,096
20 **Total assets**	**258,518**	**258,113**	**255,464**	**256,200**	**253,944**	**253,878**	**263,944**	**256,115**
Liabilities								
21 Federal Reserve notes	198,814	200,778	200,174	199,083	198,898	196,714	198,255	199,115
Deposits								
22 To depository institutions	35,369	38,325	38,004	38,368	37,950	38,144	36,102	39,501
23 U.S. Treasury—General account	10,005	6,142	3,351	6,038	4,711	6,383	13,774	5,365
24 Foreign—Official accounts	289	244	381	283	244	320	318	262
25 Other	490	322	618	286	342	372	458	281
26 **Total deposits**	**46,153**	**45,033**	**42,354**	**44,975**	**43,247**	**45,219**	**50,652**	**45,409**
27 Deferred credit items	7,056	5,841	6,344	5,603	5,379	5,434	8,190	5,071
28 Other liabilities and accrued dividends[5]	2,265	2,232	2,358	2,288	2,186	2,300	2,356	2,341
29 **Total liabilities**	**254,288**	**253,884**	**251,230**	**251,949**	**249,710**	**249,667**	**259,453**	**251,936**
Capital Accounts								
30 Capital paid in	1,962	1,962	1,966	1,969	1,970	1,950	1,961	1,970
31 Surplus	1,873	1,873	1,873	1,873	1,873	1,873	1,873	1,872
32 Other capital accounts	395	394	395	409	391	388	657	337
33 **Total liabilities and capital accounts**	**258,518**	**258,113**	**255,464**	**256,200**	**253,944**	**253,878**	**263,944**	**256,115**
34 MEMO: Marketable U.S. Treasury securities held in custody for foreign and international account	180,426	181,482	179,371	178,442	176,935	181,247	183,125	176,181
	Federal Reserve note statement							
35 Federal Reserve notes outstanding issued to bank	244,393	244,782	245,777	246,450	247,480	241,604	244,360	247,656
36 LESS: Held by bank	45,579	44,004	45,603	47,367	48,582	44,890	46,105	48,541
37 Federal Reserve notes, net	198,814	200,778	200,174	199,083	198,898	196,714	198,255	199,115
Collateral held against notes net:								
38 Gold certificate account	11,069	11,069	11,069	11,069	11,069	11,070	11,069	11,069
39 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	182,727	184,691	184,087	182,996	182,811	180,626	182,168	183,028
42 **Total collateral**	**198,814**	**200,778**	**200,174**	**199,083**	**198,898**	**196,714**	**198,255**	**199,115**

1. *Some of these data also appear in the Board's H.4.1 (503) release.* For address, see inside front cover.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale-purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within 90 days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1987					1987		
	July 1	July 8	July 15	July 22	July 29	May 29	June 30	July 31
1 Loans—Total	807	627	723	497	1,613	832	972	634
2 Within 15 days	660	472	571	471	1,582	752	887	503
3 16 days to 90 days	147	155	152	26	31	80	85	131
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	0	0	0
6 Within 15 days	0	0	0	0	0	0	0	0
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. Treasury securities—Total	209,604	210,080	207,460	209,230	206,296	207,304	212,306	208,170
10 Within 15 days[1]	10,383	11,215	8,345	11,592	12,059	8,970	8,789	12,461
11 16 days to 80 days	47,368	51,135	48,786	47,449	45,756	51,848	51,563	49,845
12 91 days to 1 year	70,894	66,846	69,657	69,517	67,809	66,885	70,995	65,929
13 Over 1 year to 5 years	41,956	41,881	41,709	41,709	41,709	41,160	41,956	40,972
14 Over 5 years to 10 years	14,742	14,742	14,702	14,702	14,702	14,430	14,742	14,702
15Over 10 years	24,261	24,261	24,261	24,261	24,261	24,011	24,261	24,261
16 Federal agency obligations—Total	7,683	7,683	7,683	7,623	7,623	7,683	8,679	8,553
17 Within 15 days[1]	22	81	68	132	164	281	1,229	1,093
18 16 days to 90 days	614	826	906	838	843	532	614	843
19 91 days to 1 year	1,659	1,389	1,300	1,311	1,307	1,521	1,449	1,307
20 Over 1 year to 5 years	3,814	3,814	3,826	3,774	3,741	3,763	3,814	3,741
21 Over 5 years to 10 years	1,294	1,293	1,303	1,288	1,288	1,306	1,293	1,289
22 Over 10 years	280	280	280	280	280	280	280	280

1. Holdings under repurchase agreements are classified as maturing within 15 days in accordance with maximum maturity of the agreements.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE

Billions of dollars, averages of daily figures

Item	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May	1987 June	1987 July
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[1]												
1 **Total reserves**[2]	**36.16**	**39.51**	**46.06**	**56.17**	**56.17**	**56.88**	**56.87**	**56.85**	**57.95**	**58.35**	**57.71**	**57.61**
2 Nonborrowed reserves	35.38	36.32	44.74	55.34	55.34	56.30	56.32	56.33r	56.96	57.32	56.93	56.93
3 Nonborrowed reserves plus extended credit[3]	35.38	38.93	45.24	55.64	55.64	56.53	56.60	56.59	57.23	57.60	57.20	57.12
4 Required reserves	35.59	38.66	45.00	54.80	54.80	55.82	55.66	55.94	57.13	57.27	56.52	56.84
5 Monetary base[4]	185.38	199.20	217.32	239.51	239.51	242.43	243.97	244.56	246.59	248.37	248.48	249.46
	Notseasonallyadjusted											
6 **Total reserves**[2]	**36.87**	**40.57**	**47.24**	**57.64**	**57.64**	**58.73**	**56.09**	**56.07**	**58.37**	**57.30**	**57.63**	**57.74**
7 Nonborrowed reserves	36.09	37.38	45.92	56.81	56.81	58.15	55.53	55.54	57.38	56.26	56.85	57.07
8 Nonborrowed reserves plus extended credit[3]	36.10	39.98	46.42	57.11	57.11	58.38	55.81r	55.80r	57.65	56.55	57.12	57.27
9 Required reserves	36.31	39.71	46.18	56.27	56.27	57.66	54.88	55.15	57.54	56.22	56.44r	56.98
10 Monetary base[4]	188.65	202.34	220.82	243.63	243.63	243.42	240.82	241.93	246.07	246.83	249.29	251.42
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[5]												
11 **Total reserves**[2]	**38.89**	**40.70**	**48.14**	**59.56**	**59.56**	**59.67**	**57.06**	**57.06**	**59.39**	**58.34**	**58.78**	**58.84**
12 Nonborrowed reserves	38.12	37.51	46.82	58.73	58.73	59.09	56.50	56.53	58.40	57.30	58.01	58.16
13 Nonborrowed reserves plus extended credit[3]	38.12	40.09	47.41	59.04	59.04	59.32	56.74	56.82	58.19	58.03	58.34	58.37
14 Required reserves	38.33	39.84	47.08	58.19	58.19	58.60	55.85	56.15	58.57	57.26	57.59	58.08
15 Monetary base[4]	192.26	204.18	223.53	247.71	247.71	246.75	244.22	244.98	249.24	249.94	252.54	254.67

1. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

2. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

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

4. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks and the currency component of the money stock less the amount of vault cash holdings of thrift institutions that is included in the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. After the introduction of contemporaneous reserve requirements (CRR), currency and vault cash figures are measured over the weekly computation period ending Monday.

Before CRR, all components of the monetary base other than excess reserves are seasonally adjusted as a whole, rather than by component, and excess reserves are added on a not seasonally adjusted basis. After CRR, the seasonally adjusted series consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock and the remaining items seasonally adjusted as a whole.

5. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with implementation of the Monetary Control Act or other regulatory changes to reserve requirements.

NOTE. Latest monthly and biweekly figures are available from the Board's H.3(502) statistical release. Historical data and estimates of the impact on required reserves of changes in reserve requirements are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Billions of dollars, averages of daily figures

Item[1]	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1987 Apr.[r]	1987 May[r]	1987 June[r]	1987 July
	Seasonally adjusted							
1 M1	526.9	557.5	627.0	730.5	750.3	753.1	746.6	747.6
2 M2	2,184.6	2,369.1	2,569.5	2,800.1	2,837.9	2,838.7	2,840.3	2,846.0
3 M3	2,692.8	2,985.4	3,205.5	3,489.1	3,538.8	3,552.8	3,567.4	3,572.5
4 L	3,154.6	3,529.0	3,838.9	4,141.1	4,185.8	4,217.8	4,226.0	n.a.
5 Debt	5,206.2[r]	5,946.2	6,774.9	7,630.4	7,845.1	7,914.6	7,979.5	n.a.
M1 components								
6 Currency[2]	148.3	158.5	170.6	183.5	188.9	190.2	191.1	192.1
7 Travelers checks[3]	4.9	5.2	5.9	6.4	6.8	6.7	6.8	6.7
8 Demand deposits[4]	242.3	248.3	272.2	308.3	303.9	303.9	297.4	296.2
9 Other checkable deposits[5]	131.4	145.5	178.3	232.2	250.7	252.2	251.2	252.5
Nontransactions components								
10 In M2[6]	1,657.7	1,811.5	1,942.5	2,069.7	2,087.6	2,085.6	2,093.7	2,098.4
11 In M3 only[7]	508.2	616.3	636.1	689.0	700.9	714.1	727.1	726.5
Savings deposits[8]								
12 Commercial Banks	133.2	122.2	124.6	154.5	172.2	174.5	175.5	176.6
13 Thrift institutions	173.0	166.6	179.0	211.8	233.8	237.2	239.7	240.1
Small denomination time deposits[9]								
14 Commercial Banks	350.9	386.6	383.9	364.7	357.5	357.1	360.2	363.4
15 Thrift institutions	432.9	498.6	500.3	488.7	486.1	485.9	489.9	494.9
Money market mutual funds								
16 General purpose and broker/dealer	138.2	167.5	176.5	207.6	211.0	209.1	210.2	210.4
17 Institution-only	43.2	62.7	65.1	84.1	83.1	81.8	81.3	83.4
Large denomination time deposits[10]								
18 Commercial Banks[11]	230.0	269.6	284.1	291.8	305.9	310.7	314.9	313.6
19 Thrift institutions	96.2	147.3	152.1	155.3	148.7	149.0	150.1	151.2
Debt components								
20 Federal debt	1,170.5	1,365.3	1,584.6	1,804.5	1,841.1	1,864.2	1,887.4	n.a.
21 Nonfederal debt	4,035.7[r]	4,580.9	5,190.3	5,825.9[r]	6,004.0	6,050.3	6,092.1	n.a.
	Not seasonally adjusted							
22 M1	538.3	570.3	641.0	746.5	757.5	744.9	749.1	751.5
23 M2	2,191.6	2,378.3	2,580.5	2,813.6	2,846.6	2,827.7	2,841.4	2,853.1
24 M3	2,702.4	2,997.2	3,218.8	3,504.4	3,546.9	3,543.0	3,565.3	3,572.4
25 L	3,163.1	3,539.7	3,850.7	4,154.5	4,193.8	4,202.2	4,225.3	n.a.
26 Debt	5,200.7	5,940.6	6,768.3	7,623.1[r]	7,817.5	7,878.2	7,937.7	n.a.
M1 components								
27 Currency[2]	150.6	160.8	173.1	186.2	188.0	190.2	191.9	193.8
28 Travelers checks[3]	4.6	4.9	5.5	6.0	6.4	6.5	7.1	7.7
29 Demand deposits[4]	251.0	257.2	282.0	319.5	305.8	298.8	298.8	298.7
30 Other checkable deposits[5]	132.2	147.4	180.4	235.0	257.4	249.4	251.3	251.4
Nontransactions components								
31 M2[6]	1,653.3	1,808.0	1,939.5	2,067.1	2,089.0	2,082.7	2,092.3	2,101.6
32 M3 only[7]	510.8	618.9	638.3	690.7	700.3	715.3	723.9	719.3
Money market deposit accounts								
33 Commercial Banks	230.4	267.4	332.5	379.0	375.4	368.9	367.6	365.2
34 Thrift institutions	148.5	150.0	180.7	192.4	190.0	188.3	185.9	182.8
Savings deposits[8]								
35 Commercial Banks	132.2	121.4	123.9	153.8	172.1	174.8	176.6	178.4
36 Thrift institutions	172.4	166.2	178.8	211.8	234.0	237.8	240.8	241.8
Small denomination time deposits[9]								
37 Commercial Banks	351.1	386.7	383.8	364.4	355.6	355.7	359.7	363.9
38 Thrift institutions	433.5	499.6	501.5	489.8	484.4	482.6	487.1	494.5
Money market mutual funds								
39 General purpose and broker/dealer	138.2	167.5	176.5	207.6	211.0	209.1	210.2	210.4
40 Institution-only	43.2	62.7	65.1	84.1	83.1	81.8	81.3	83.4
Large denomination time deposits[10]								
41 Commercial Banks[11]	231.6	271.2	285.6	293.2	303.2	309.2	311.8	310.3
42 Thrift institutions	96.3	147.3	151.9	154.9	148.0	149.0	149.7	150.6
Debt components								
43 Federal debt	1,170.2	1,364.7	1,583.7	1,803.3	1,846.7	1,857.8	1,869.1	n.a.
44 Nonfederal debt	4,030.5	4,575.8	5,184.5	5,819.8[r]	5,970.7	6,020.4	6,068.6	n.a.

For notes see following page.

NOTES TO TABLE 1.21

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

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (OCD) consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. The currency and demand deposit components exclude the estimated amount of vault cash and demand deposits respectively held by thrift institutions to service their OCD liabilities.

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all commercial banks and overnight Eurodollars issued to U.S. residents by foreign branches of U.S banks worldwide, MMDAs, savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and balances in both taxable and tax-exempt general purpose and broker/dealer money market mutual funds. Excludes individual retirement accounts (IRA) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker/dealer), foreign governments and commercial banks, and the U.S. government. Also subtracted is a consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of $100,000 or more) issued by commercial banks and thrift institutions, term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper and bankers acceptances, net of money market mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages.

2. Currency outside the U.S. Treasury, Federal Reserve Banks, and, vaults of commercial banks. Excludes the estimated amount of vault cash held by thrift institutions to service their OCD liabilities.

3. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

4. Demand deposits at commercial banks and foreign-related institutions other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float. Excludes the estimated amount of demand deposits held at commercial banks by thrift institutions to service their OCD liabilities.

5. Consists of NOW and ATS balances at all depository institutions, credit union share draft balances, and demand deposits at thrift institutions. Other checkable deposits seasonally adjusted equals the difference between the seasonally adjusted sum of demand deposits plus OCD and seasonally adjusted demand deposits. Included are all ceiling free "Super NOWs," authorized by the Depository Institutions Deregulation committee to be offered beginning Jan. 5, 1983.

6. Sum of overnight RPs and overnight Eurodollars, money market fund balances (general purpose and broker/dealer), MMDAs, and savings and small time deposits, less the consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits liabilities.

7. Sum of large time deposits, term RPs, and term Eurodollars of U.S. residents, money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.

8. Savings deposits exclude MMDAs.

9. Smnall-denomination time deposits—including retail RPs—are those issued in amounts of less than $100,000. All individual retirement accounts (IRA) and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

10. Large-denomination time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

11. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

NOTE: Latest monthly and weekly figures are available from the Board's H.6 (508) release. Historical data are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.22 BANK DEBITS AND DEPOSIT TURNOVER

Debits are shown in billions of dollars, turnover as ratio of debits to deposits. Monthly data are at annual rates.

Bank group, or type of customer	1984[1]	1985[1]	1986[1]	1987 Jan.	Feb.	Mar.	Apr.	May	June
DEBITS TO	Seasonally adjusted								
Demand deposits[2]									
1 All insured banks	128,440.8	154,556.0	189,534.1	210,574.2	211,169.4	217,019.7	224,603.0	222,774.5	212,202.0
2 Major New York City banks	57,392.7	70,445.1	91,212.9	99,357.1	98,712.3	104,224.5	107,159.2	106,599.1	100,320.9
3 Other banks	71,048.1	84,110.9	98,321.4	111,217.1	112,457.1	112,795.2	117,443.7	116,175.4	111,881.1
4 ATS-NOW accounts[3]	1,588.7	1,920.8	2,351.1	2,255.7	2,306.0	2,344.6	2,384.7	2,425.1	2,437.0
5 Savings deposits[4]	633.1	539.0	410.3	459.2	477.7	468.6	528.0	508.9	568.2
DEPOSIT TURNOVER									
Demand deposits[2]									
6 All insured banks	434.4	496.5	561.8	580.3	594.7	613.8	627.0	613.0	594.9
7 Major New York City banks	1,843.0	2,168.9	2,460.6	2,426.4	2,461.0	2,707.8	2,711.5	2,660.3	2,713.7
8 Other banks	268.6	301.8	327.4	345.5	357.0	358.0	368.5	359.3	349.9
9 ATS-NOW accounts[3]	15.8	16.7	16.8	13.4	13.5	13.6	13.6	13.9	14.0
10 Savings deposits[4]	5.0	4.5	3.1	2.9	2.9	2.8	3.1	2.9	3.3
DEBITS TO	Not seasonally adjusted								
Demand deposits[2]									
11 All insured banks	128,059.1	154,108.4	189,443.3	216,638.7	191,572.9	222,532.0	229,095.0	209,229.8	224,042.8
12 Major New York City banks	57,282.4	70,400.9	91,294.4	102,274.2	89,866.7	106,161.2	108,597.8	98,828.3	106,422.2
13 Other banks	70,776.9	83,707.8	98,149.0	114,364.5	101,706.2	116,370.8	120,497.3	110,401.5	117,620.6
14 ATS-NOW accounts[3]	1,579.5	1,903.4	2,338.4	2,679.2	2,173.2	2,422.7	2,735.8	2,420.5	2,617.4
15 MMDA[5]	848.8	1,179.0	1,599.3	1,913.3	1,600.7	1,754.4	2,071.1	1,786.2	1,901.2
16 Savings deposits[4]	632.9	538.7	404.3	499.0	434.6	476.2	570.8	492.4	571.5
DEPOSIT TURNOVER									
Demand deposits[2]									
17 All insured banks	433.5	497.4	564.0	579.9	550.0	641.0	635.1	582.7	630.0
18 Major New York City banks	1,838.6	2,191.1	2,494.3	2,345.5	2,273.2	2,742.6	2,755.6	2,496.3	2,816.8
19 Other banks	267.9	301.6	327.9	346.6	329.4	377.3	375.0	345.6	370.1
20 ATS-NOW accounts[3]	15.7	16.6	16.8	15.7	12.9	14.1	15.2	14.0	15.1
21 MMDA[5]	3.5	3.8	4.5	5.1	4.3	4.7	5.6	4.9	5.2
22 Savings deposits[4]	5.0	4.5	3.1	3.1	2.7	2.9	3.4	2.8	3.3

1. Annual averages of monthly figures.
2. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.
3. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data are available beginning December 1978.
4. Excludes ATS and NOW accounts, MMDA and special club accounts, such as Christmas and vacation clubs.
5. Money market deposit accounts.

NOTE. Historical data for demand deposits are available back to 1970 estimated in part from the debits series for 233 SMSAs that were available through June 1977. Historical data for ATS-NOW and savings deposits are available back to July 1977. Back data are available on request from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

These data also appear on the Board's G.6 (406) release. For address, see inside front cover.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1986 Aug.	1986 Sept.	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May	1987 June	1987 July
	Seasonally adjusted											
1 **Total loans and securities[2]**	**2,022.6**	**2,044.6**	**2,052.4**	**2,063.5**	**2,089.8**	**2,118.3**	**2,119.7**	**2,126.2**	**2,147.3**	**2,160.6**	**2,166.3**	**2,169.0**
2 U.S. government securities	291.5	294.9	299.6	304.1	309.9	316.3	315.2	314.3	315.8	320.1	316.7	319.7
3 Other securities	196.0	204.2	199.8	197.9	196.9	190.2	193.8	195.5	197.2	197.6	198.5	196.9
4 Total loans and leases[2]	1,535.1	1,545.4	1,553.0	1,561.5	1,583.0	1,611.8	1,610.7	1,616.4	1,634.3	1,642.9	1,651.2	1,652.4
5 Commercial and industrial	515.2	517.3	520.0	525.7	541.4	554.1	553.8	551.7	553.9	555.9	558.1	555.6
6 Bankers acceptances held[3]	6.5	6.6	6.7	6.4	6.4	6.8	6.8	6.2	6.5	6.8	6.8	6.7
7 Other commercial and industrial	508.7	510.7	513.3	519.2	535.0	547.2	546.9	545.5	547.4	549.0	551.3	548.9
8 U.S. addressees[4]	499.8	501.7	504.6	510.7	525.7	537.8	537.9	536.8	538.9	540.8	542.8	540.6
9 Non-U.S. addressees[4]	8.9	9.0	8.8	8.5	9.4	9.5	9.1	8.7	8.5	8.2	8.5	8.3
10 Real estate	464.8	468.9	474.2	479.6	489.0	499.2	504.0	511.0	517.9	526.3	536.8	544.0
11 Individual	308.1	309.9	311.2	312.6	314.2	314.9	315.2	315.7	316.6	316.7	314.6	314.3
12 Security	43.1	42.8	39.1	40.1	38.6	37.7	38.5	38.3	43.6	42.0	42.5	41.7
13 Nonbank financial institutions	34.5	34.9	35.5	34.9	35.2	35.7	34.7	35.0	35.4	35.4	33.9	31.9
14 Agricultural	33.0	32.7	32.4	32.2[r]	31.8[r]	31.4[r]	30.8[r]	30.0[r]	29.8[r]	29.9[r]	29.9[r]	30.0
15 State and political subdivisions	60.1	60.0	59.3	58.7	57.9	57.8	57.2	56.9	56.0	55.2	54.4	53.2
16 Foreign banks	10.1	10.1	10.0	10.0	10.4	10.6	10.3	9.7	9.9	9.9	10.3	9.4
17 Foreign official institutions	6.1	6.0	6.0	5.9	5.8	5.9	6.1	6.7	6.7	5.8	5.3	5.2
18 Lease financing receivables	20.7	21.1	21.8	22.0	22.2	22.1	22.2	22.3	22.6	22.9	23.0	23.2
19 All other loans	39.6	41.8	43.4	39.9[r]	36.4[r]	42.4[r]	38.0[r]	38.9[r]	41.9[r]	43.0[r]	42.4[r]	43.9
	Not seasonally adjusted											
20 **Total loans and securities[2]**	**2,015.1**	**2,042.3**	**2,044.0**	**2,064.2**	**2,105.2**	**2,123.7**	**2,121.6**	**2,127.8**	**2,148.4**	**2,157.9**	**2,166.1**	**2,164.1**
21 U.S. government securities	290.5	293.8	296.1	303.2	308.3	314.6	318.9	317.2	317.7	319.7	317.1	320.9
22 Other securities	196.2	205.0	200.1	198.3	198.1	193.7	194.1	194.4	195.2	196.8	197.0	194.8
23 Total loans and leases[2]	1,528.4	1,543.5	1,547.8	1,562.6	1,598.7	1,615.4	1,608.6	1,616.2	1,635.4	1,641.4	1,651.9	1,648.4
24 Commercial and industrial	512.8	516.1	517.8	525.2	544.3	552.4	551.7	554.5	556.5	557.5	559.3	554.7
25 Bankers acceptances held[3]	6.3	6.7	6.6	6.6	6.7	6.7	6.7	6.2	6.4	6.7	6.9	6.8
26 Other commercial and industrial	506.5	509.4	511.2	518.5	537.6	545.8	545.0	548.3	550.0	550.8	552.4	547.9
27 U.S. addressees[4]	497.3	500.2	502.1	509.5	528.8	537.1	536.3	539.9	541.6	542.4	543.7	539.1
28 Non-U.S. addressees[4]	9.1	9.2	9.1	9.1	8.8	8.7	8.7	8.4	8.4	8.4	8.7	8.8
29 Real estate	464.9	469.9	475.1	480.7	489.9	499.3	503.1	509.8	516.7	525.4	536.5	544.2
30 Individual	307.9	310.8	312.3	313.7	317.8	317.9	314.7	313.3	314.4	314.8	313.2	313.2
31 Security	40.7	41.3	37.8	40.4	40.9	39.4	37.5	38.6	45.1	42.1	43.2	40.9
32 Nonbank financial institutions	34.8	35.6	35.6	35.4	36.4	35.7	33.8	33.8	34.8	34.9	34.0	31.9
33 Agricultural	33.9	33.7	33.1	32.3[r]	31.5[r]	30.7[r]	29.9[r]	29.1[r]	29.1[r]	29.7[r]	30.3[r]	30.7
34 State and political subdivisions	60.1	60.0	59.3	58.7	57.9	57.8	57.2	56.9	56.0	55.2	54.4	53.2
35 Foreign banks	9.9	10.3	10.0	10.1	10.9	10.7	10.5	9.7	9.5	9.6	10.0	9.4
36 Foreign official institutions	6.1	6.0	6.0	5.9	5.8	5.9	6.1	6.7	6.7	5.8	5.3	5.2
37 Lease financing receivables	20.6	21.0	21.5	21.8	22.2	22.4	22.4	22.5	22.7	22.9	23.0	23.1
38 All other loans	36.8	39.0	39.1	38.5[r]	41.2[r]	43.1[r]	41.5[r]	41.2[r]	43.9[r]	43.5[r]	42.8[r]	41.9

1. These data also appear in the Board's G.7 (407) release.
2. Excludes loans to commercial banks in the United States.
3. Includes nonfinancial commercial paper held.
4. United States includes the 50 states and the District of Columbia.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1986					1987						
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
Total nondeposit funds												
1 Seasonally adjusted[2]	137.9	142.6	140.5	144.2	145.0r	153.5	157.5	161.6	157.5	165.4	160.7	152.8
2 Not seasonally adjusted	137.8	141.9	139.6r	145.7	145.1r	153.0	160.1	163.9	157.6	166.2	158.2r	149.8
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	167.4	166.9	167.8	166.0	164.0	169.1	169.4	167.8	167.7	165.5	162.6	160.5
4 Not seasonally adjusted	167.3	166.2	166.9	167.5	164.1	168.6	172.0	170.1	167.8	166.2	160.0	157.5
5 Net balances due to foreign-related institutions, not seasonally adjusted	−29.5	−24.3	−27.3	−21.8	−19.0r	−15.6	−11.9	−6.2	−10.2	.0	−1.9	−7.6
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[4]	−31.2	−29.2	−31.9	−28.7	−30.6r	−26.1	−23.7	−21.1	−22.9	−15.6	−15.6	−22.2
7 Gross due from balances	75.2	74.0	73.5	70.8	73.3r	71.6	68.3	66.1	70.5	68.5	67.1	66.5
8 Gross due to balances	44.0	44.8	41.6	42.1	42.7	45.5	44.6	45.0	47.6	52.9	51.6r	44.2
9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[5]	1.7	4.9	4.6	6.9	11.6	10.5	11.8	14.9	12.7	15.5	13.7	14.6
10 Gross due from balances	66.3	67.9	68.2r	68.7	70.8	75.0	72.9	71.1	72.6	75.4	77.1	77.1
11 Gross due to balances	67.9	72.7	72.9	75.6	82.5	85.5	84.7	86.0	85.3	90.9	90.8	91.7
Security RP borrowings												
12 Seasonally adjusted[6]	95.9	95.9	97.0	96.9	97.0	99.2	95.5	92.5	95.3	95.1	96.4	96.5
13 Not seasonally adjusted	95.8	95.2	96.1	98.5	97.1	98.7	98.1	94.8	95.4	95.9	93.8	93.5
U.S. Treasury demand balances[7]												
14 Seasonally adjusted	14.5	16.5	17.1	23.2	21.2	21.3	23.2	17.7	20.7	26.1	27.9r	24.7
15 Not seasonally adjusted	11.1	18.2	15.3	15.3	19.2	27.5	28.6	17.1	21.6	30.8	25.5	26.6
Time deposits, $100,000 or more[8]												
16 Seasonally adjusted	344.3	344.1	342.5	343.2	345.6	350.1	351.1	354.1	359.8	366.2	372.9r	371.8
17 Not seasonally adjusted	344.0	345.5	343.7	343.9	347.0	351.3	353.2	356.4	357.2r	364.8r	369.8r	368.5

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.
3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans.
4. Averages of daily figures for member and nonmember banks.
5. Averages of daily data.
6. Based on daily average data reported by 122 large banks.
7. Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.
8. Averages of Wednesday figures.

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series[1]

Billions of dollars

Account	1986				1987						
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
ALL COMMERCIAL BANKING INSTITUTIONS[2]											
1 Loans and securities	2,179.7	2,183.2	2,227.3	2,314.3	2,284.8	2,279.4	2,279.2	2,306.2	2,318.9	2,312.6	2,323.3
2 Investment securities	469.4	471.9	475.4	479.6	482.2	484.7	486.2	492.5	495.4	493.0	497.4
3 U.S. government securities	276.6	282.8	287.3	292.6	296.1	298.8	299.5	305.1	307.0	303.2	308.0
4 Other	192.8	189.1	188.0	187.0	186.1	185.9	186.7	187.5	188.4	189.8	189.4
5 Trading account assets	27.9	26.0	28.1	27.8	26.4	29.0	25.2	23.3	21.4	20.1	20.4
6 Total loans	1,682.4	1,685.3	1,723.8	1,807.0	1,776.3	1,765.6	1,767.8	1,790.3	1,802.1	1,799.5r	1,805.5
7 Interbank loans	139.8	141.2	154.7	168.9	160.1	156.7	154.3	151.8	160.4	151.0	157.4
8 Loans excluding interbank	1,542.5	1,544.1	1,569.1	1,638.1	1,616.2	1,608.9	1,613.5	1,638.5	1,641.7	1,648.6	1,648.1
9 Commercial and industrial	515.9	517.2	524.9	568.2	551.1	551.5	555.3	555.5	558.2	558.2r	551.7
10 Real estate	470.5	476.2	481.8	497.5	499.9	503.5	510.7	519.0	527.4	538.7r	546.9
11 Individual	311.2	312.8	314.1	320.4	317.0	314.7	313.1	315.2	314.8	312.8	314.3
12 All other	244.9	237.8	248.2	252.0	248.3	239.2	234.4	248.9	241.3	238.9r	235.3
13 Total cash assets	199.3	203.5	227.0	273.7	214.4	206.3	203.8	209.7	230.8	213.2	207.1
14 Reserves with Federal Reserve Banks	28.2	31.6	32.2	41.2	33.4	28.4	31.1	29.8	37.9	33.8	32.8
15 Cash in vault	22.9	23.5	22.2	25.7	23.7	23.5	22.9	24.0	25.1	24.2	24.4
16 Cash items in process of collection	66.2	66.2	86.5	111.3	74.5	71.4	68.1	74.5	81.3	74.4	68.6
17 Demand balances at U.S. depository institutions	32.8	33.1	38.3	43.3	34.0	33.0	32.7	33.9	37.2	31.1	31.7
18 Other cash assets	49.2	49.0	47.9	52.3	48.8	50.1	49.0	47.5	49.3	49.7	49.5
19 Other assets	201.4	198.6	202.2	224.8	201.3	201.1	202.1	204.0	208.7	204.1	189.2
20 Total assets/total liabilities and capital	**2,580.4**	**2,585.3**	**2,656.5**	**2,812.8**	**2,700.5**	**2,686.8**	**2,685.2**	**2,719.9**	**2,758.3**	**2,729.9**	**2,719.6**
21 Deposits	1,834.5	1,847.1	1,900.2	2,018.0	1,898.3	1,895.5	1,899.6	1,919.5	1,939.1	1,923.8	1,924.9
22 Transaction deposits	538.9	548.8	596.3	691.1	577.8	569.2	568.8	590.7	596.9	578.3	573.9
23 Savings deposits	505.5	516.0	522.9	535.0	532.3	535.9	539.7	535.1	538.6	535.1r	536.2
24 Time deposits	790.1	782.2	781.1	791.9	788.2	790.3	791.2	793.6	803.6	810.3r	814.8
25 Borrowings	391.6	383.3	397.4	414.5	432.7	425.6	414.9	422.7	435.6	428.2	423.5
26 Other liabilities	176.3	175.7	180.0	199.6	188.0	184.6	188.7	195.2	200.3	200.5	200.6
27 Residual (assets less liabilities)	178.1	179.2	178.9	180.6	181.5	181.2	181.9	182.5	183.3	177.4	170.6
MEMO											
28 U.S. government securities (including trading account)	293.2	299.5	304.8	308.4	314.5	320.1	316.7	318.9	320.6	315.5	322.4
29 Other securities (including trading account)	204.1	198.4	198.8	198.9	194.1	193.7	194.7	196.9	196.1	197.6	195.4
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	2,044.8	2,052.1	2,094.7	2,154.4	2,136.7	2,130.3	2,121.7	2,146.9	2,156.2	2,151.0	2,156.7
31 Investment securities	450.5	452.9	457.1	459.3	461.5	463.3	463.6	470.0	471.5	469.6	473.6
32 U.S. Treasury securities	267.9	273.6	279.0	283.0	286.8	289.2	289.4	295.2	296.7	293.8	298.2
33 Other	182.5	179.3	178.2	176.3	174.8	174.1	174.2	174.8	174.8	175.8	175.4
34 Trading account assets	27.9	26.0	28.1	27.8	26.4	29.0	25.2	23.3	21.4	20.1	20.4
35 Total loans	1,566.4	1,573.2	1,609.5	1,667.3	1,648.8	1,638.0	1,632.9	1,653.6	1,663.3	1,661.2r	1,662.7
36 Interbank loans	115.6	118.8	133.0	137.9	134.3	130.5	124.1	124.2	128.6	121.5	122.7
37 Loans excluding interbank	1,450.8	1,454.3	1,476.4	1,529.5	1,514.5	1,507.5	1,508.8	1,529.3	1,534.7	1,539.7	1,540.0
38 Commercial and industrial	448.1	449.0	455.7	488.2	475.5	474.1	474.6	473.5	475.3	471.8r	466.0
39 Real estate	464.3	470.0	475.1	490.3	493.2	497.0	504.1	512.0	520.3	531.7r	539.5
40 Individual	310.9	312.5	313.8	320.1	316.7	314.4	312.7	314.9	314.5	312.5	313.9
41 All other	227.5	222.7	231.8	230.9	229.2	221.9	217.4	229.0	224.7	223.8	220.6
42 Total cash assets	182.5	185.6	210.0	253.5	196.6	188.9	186.5	192.5	213.2	195.4	189.1
43 Reserves with Federal Reserve Banks	26.9	29.7	29.8	39.7	31.2	27.1	29.7	27.2	35.9	32.1	31.4
44 Cash in vault	22.9	23.5	22.2	25.7	23.6	23.5	22.8	24.0	25.0	24.1	24.4
45 Cash items in process of collection	65.8	65.6	86.1	110.9	74.0	71.0	67.7	74.0	80.9	73.8r	68.2
46 Demand balances at U.S. depository institutions	30.9	31.3	36.3	40.8	32.2	31.1	31.1	31.9	35.1	29.4	29.9
47 Other cash assets	36.0	35.5	35.6	36.4	35.6	36.4	35.2	35.4	36.2	35.9	35.3
48 Other assets	143.5	141.0	141.6	165.0	141.5	144.0	143.4	144.4	143.1	134.8	122.0
49 Total assets/liabilities and capital	**2,370.8**	**2,378.7**	**2,446.3**	**2,572.8**	**2,474.8**	**2,463.2**	**2,451.5**	**2,483.8**	**2,512.5**	**2,481.1**	**2,467.9**
50 Deposits	1,779.3	1,792.8	1,844.8	1,957.0	1,840.8	1,838.2	1,840.7	1,857.1	1,876.5	1,861.9	1,864.1
51 Transaction deposits	530.6	540.9	588.2	682.2	569.4	561.3	560.5	582.2	588.4	569.8	565.8
52 Savings deposits	503.7	514.1	520.8	533.0	530.3	533.9	537.7	533.1	536.6	533.1r	534.1
53 Time deposits	745.0	737.7	735.8	741.8	741.1	743.0	742.5	741.8	751.4	759.0r	764.3
54 Borrowings	306.9	301.3	314.1	322.9	341.7	336.1	319.1	328.2	337.1	328.5	320.6
55 Other liabilities	109.6	108.6	111.7	115.5	114.0	110.8	113.0	119.1	118.8	116.4	115.7
56 Residual (assets less liabilities)	174.9	176.0	175.8	177.5	178.3	178.1	178.8	179.4	180.2	174.3	167.4

1. Data have been revised because of benchmarking to new Call Reports and new seasonal factors beginning July 1985. Back data are available from the Banking Section, Board of Governors of the Federal Reserve System, Washington, D.C., 20551.

Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Loan and securities data for domestically chartered commercial banks are estimates for the last Wednesday of the month based on a sample of weekly reporting banks and quarter-end condition report data. Data for other banking institutions are estimates made for the last Wednesday of the month based on a weekly reporting sample of foreign-related institutions and quarter-end condition reports.

2. *Commercial banking institutions include insured domestically chartered* commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.

3. Insured domestically chartered commercial banks include all member banks and insured nonmember banks.

1.26 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $1.4 Billion or More on December 31, 1982, Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1987 June 3	June 10	June 17	June 24	July 1	July 8	July 15	July 22	July 29
1 Cash and balances due from depository institutions	105,389	100,068r	103,833	102,919	122,818	96,723	108,152	96,111	96,851
2 **Total loans, leases and securities, net**	**1,019,562r**	**1,008,802r**	**1,008,924**	**999,318r**	**1,012,728**	**996,044**	**1,003,050**	**988,286**	**992,800**
3 *U.S. Treasury and government agency*	111,940	110,809	109,782	108,014r	109,325	110,947	114,002	114,942	113,702
4 Trading acount	13,449	12,900	13,102	12,389r	12,577	13,253	15,890	15,520	14,359
5 Investment account, by maturity	98,490	97,909	96,680	95,624	96,748	97,695	98,112	99,421	99,343
6 One year or less	15,566	15,396	14,956	15,547	16,772	16,722	16,230	16,291	16,096
7 Over one through five years	44,422	44,201	44,118	43,106	42,466	42,684	42,995	43,928	44,254
8 Over five years	38,503	38,312	37,606	36,970	37,511	38,288	38,888	39,202	38,993
9 Other securities	67,805	68,013	68,203	68,888	67,782	66,767	66,874	67,121	67,544
10 Trading account	3,189	3,369	3,547	4,161	3,922	2,873	2,890	3,001	3,335
11 Investment account	64,616	64,644	64,655	64,726	63,859	63,894	63,984	64,120	64,209
12 States and political subdivisions, by maturity	51,188	51,096	51,038	50,920	49,853	49,831	49,856	49,945	49,983
13 One year or less	6,428	6,360	6,347	6,248	5,486	5,545	5,602	5,597	5,691
14 Over one year	44,760	44,736	44,691	44,672	44,367	44,286	44,254	44,348	44,292
15 Other bonds, corporate stocks, and securities	13,428	13,548	13,617	13,807	14,006	14,063	14,127	14,175	14,226
16 Other trading account assets	3,875	4,208	4,315	3,622	3,468	3,034	2,789	2,432	2,697
17 Federal funds sold[1]	69,204	60,292	61,583	59,545	74,688	63,448	69,700	59,563	63,556
18 To commercial banks	41,150r	32,054	35,604	33,816	44,429	38,716	42,651	34,480	36,710
19 To nonbank brokers and dealers in securities	20,482r	20,378	19,099	18,892	22,701	19,102	18,996	18,184	19,721
20 To others	7,573	7,860	6,880	6,837	7,558	5,630	8,053	6,899	7,125
21 Other loans and leases, gross	794,438r	793,214r	795,132	790,402r	796,088	790,367	788,266	782,918	783,990
22 Other loans, gross	775,372	774,102	776,065	771,293r	777,241	771,488	769,348	763,980	765,032
23 Commercial and industrial	278,687r	278,128r	277,108r	275,296r	276,956	273,777	273,110	271,234	269,461
24 Bankers acceptances and commercial paper	2,162r	2,500	2,507	2,456	2,449	2,281	2,247	2,247	2,275
25 All other	276,525r	275,628r	274,601r	272,841r	274,507	271,496	270,863	268,987	267,186
26 U.S. addressees	273,326r	272,412r	271,420r	269,663r	271,404	268,419	267,794	265,961	264,130
27 Non-U.S. addressees	3,199r	3,216r	3,181r	3,178r	3,103	3,077	3,069	3,026	3,056
28 Real estate loans	227,074r	228,034r	230,718r	230,474r	230,826	230,857	231,045	231,082	231,802
29 To individuals for personal expenditures	140,970r	141,038r	140,494r	140,820r	141,089	140,956	140,967	141,139	141,670
30 To depository and financial institutions	52,725r	53,130r	52,914	51,072	51,620	51,885	51,108	49,047	49,833
31 Commercial banks in the United States	22,447r	22,138r	21,468	20,870	21,771	22,061	22,261	21,576	21,892
32 Banks in foreign countries	5,035	5,338	5,266	5,159	5,168	5,173	4,626	4,634	4,927
33 Nonbank depository and other financial institutions	25,243	25,655	26,180	25,042	24,681	24,651	24,221	22,837	23,014
34 For purchasing and carrying securities	15,771	15,162	14,835	14,377	15,546	14,292	14,304	13,461	14,432
35 To finance agricultural production	5,525	5,522	5,594r	5,627r	5,660	5,619	5,579	5,590	5,598
36 To states and political subdivisions	33,041r	32,933	33,097	32,633	32,117	32,189	32,135	31,948	31,909
37 To foreign governments and official institutions	2,958r	2,956r	3,072r	2,969r	2,986	2,938	2,980	3,071	2,867
38 All other	18,620	17,198	18,233	18,025r	20,440	18,974	18,120	17,406	17,460
39 Lease financing receivables	19,067r	19,113r	19,067	19,109	18,848	18,880	18,917	18,939	18,958
40 LESS: Unearned income	4,442r	4,461r	4,468	4,487	4,502	4,518	4,528	4,525	4,542
41 Loan and lease reserve	23,260r	23,274r	25,623	26,665	34,122	34,002	34,052	34,165	34,146
42 Other loans and leases, net	766,737r	765,480r	765,041	759,250r	757,464	751,847	749,685	744,229	745,301
43 All other assets	124,782r	119,586r	120,582	123,220r	130,223	126,221	126,774	123,830	119,739
44 **Total assets**	**1,249,733r**	**1,228,457r**	**1,233,340**	**1,225,457r**	**1,265,769**	**1,218,988**	**1,237,976**	**1,208,227**	**1,209,390**
45 Demand deposits	232,077	221,688	229,294	221,672r	265,470	223,024	239,998	215,380	215,173
46 Individuals, partnerships, and corporations	177,630	173,787	178,798	167,339r	202,898	174,256	185,989	167,541	166,280
47 States and political subdivisions	5,042	4,961	6,228	5,476	6,878	5,092	6,095	5,437	5,192
48 U.S. government	4,555	2,578	1,875	3,030	1,708	2,698	4,294	2,400	2,768
49 Depository institutions in United States	26,695	24,292	24,815	23,445r	33,020	23,844	27,215	23,077	23,125
50 Banks in foreign countries	6,358	6,502	5,889	7,776	7,151	6,501	6,342	6,210	7,032
51 Foreign governments and official institutions	1,012	1,059	1,262	979	1,213	1,028	1,105	1,023	1,014
52 Certified and officers' checks	10,784	8,507	10,427	13,627	12,601	9,606	8,957	9,691	9,763
53 Transaction balances other than demand deposits	61,650	60,902	60,585r	58,566r	60,909	61,098	60,439	59,826	59,387
54 Nontransaction balances	526,378	526,835	526,483	525,447	527,267	528,382	530,220	526,663	526,207
55 Individuals, partnerships and corporations	486,346r	487,052r	487,088r	486,313r	489,575	490,754	493,120	489,569	489,118
56 States and political subdivisions	28,303	28,205	27,749	27,522	26,266	26,253	25,788	25,815	25,664
57 U.S. government	920	897	897	888	908	922	928	915	896
58 Depository institutions in the United States	9,895r	9,773r	9,766r	9,885r	9,678	9,665	9,602	9,541	9,700
59 Foreign governments, official institutions and banks	914	907	983	839	840	788	783	823	828
60 Liabilities for borrowed money	255,756r	247,797	250,416	248,736r	252,357	249,235	251,358	247,663	247,027
61 Borrowings from Federal Reserve Banks	0	0	0	0	0	0	21	0	982
62 Treasury tax-and-loan notes	13,364	11,330	20,240	20,766	19,006	20,594	19,655	21,062	11,783
63 All other liabilities for borrowed money[2]	242,392r	236,467	230,176	227,970r	233,351	228,641	231,681	226,600	234,262
64 Other liabilities and subordinated note and debentures	89,413r	86,188r	83,996r	88,705r	84,164	80,909	79,576	82,482	85,508
65 **Total liabilities**	**1,165,274r**	**1,143,410r**	**1,150,776**	**1,143,126r**	**1,190,168**	**1,142,648**	**1,161,591**	**1,132,014**	**1,133,302**
66 Residual (total assets minus total liabilities)[3]	84,458r	85,047r	82,564	82,330	75,601	76,339	76,386	76,213	76,088
MEMO									
67 Total loans and leases (gross) and investments adjusted[4]	983,667r	982,344r	981,943	975,783r	985,151	973,787	976,719	970,920	972,886
68 Total loans and leases (gross) adjusted[4]	800,046r	799,314r	799,643	795,261r	804,576	793,038	793,054	786,426	788,944
69 Time deposits in amounts of $100,000 or more	165,648	165,823	165,500r	166,169r	163,471	165,465	165,528	164,886	164,875
70 Loans sold outright to affiliates—total[5]	1,581	1,568	1,597	1,621	1,785	1,723	1,690	1,719	1,682
71 Commercial and industrial	1,023	1,009	1,032	1,051	1,222	1,126	1,124	1,139	1,127
72 Other	558	559	564	570	564	598	566	580	556
73 Nontransaction savings deposits (including MMDAs)	232,488	232,182	231,262	229,087	232,878	231,266	232,795	229,503	228,913

1. Includes securities purchased under agreements to resell.
2. 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.
3. This is not a measure of equity capital for use in capital-adequacy analysis or for other analytic uses.
4. Exclusive of loans and federal funds transactions with domestic commercial banks.
5. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

1.28 LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY Assets and Liabilities

Millions of dollars, Wednesday figures except as noted

Account	1987								
	June 3	June 10	June 17	June 24	July 1	July 8	July 15	July 22	July 29
1 Cash balances due from depository institutions	25,602	26,669	23,217	29,880	38,582	22,074	29,764	23,823	23,208
2 Total loans, leases and securities, net[1]	**223,501**	**219,222**	**218,048**	**216,253**	**217,860**	**208,595**	**213,756**	**206,393**	**211,225**
Securities									
3 U.S. Treasury and government agency[2]	0	0	0	0	0	0	0	0	0
4 Trading account[2]	0	0	0	0	0	0	0	0	0
5 Investment account, by maturity	14,483	13,931	13,863	13,865	13,751	13,783	13,844	13,948	13,914
6 One year or less	1,786	1,348	1,259	1,249	1,642	1,673	1,632	1,678	1,700
7 Over one through five years	5,616	5,638	5,712	5,666	5,125	5,093	5,253	5,372	5,372
8 Over five years	7,080	6,946	6,892	6,950	6,984	7,016	6,959	6,897	6,840
9 Other securities[2]	0	0	0	0	0	0	0	0	0
10 Trading account[2]	0	0	0	0	0	0	0	0	0
11 Investment account	16,507	16,494	16,533	16,550	16,179	16,228	16,260	16,294	16,401
12 States and political subdivisions, by maturity	14,036	13,989	13,970	13,939	13,474	13,506	13,510	13,517	13,593
13 One year or less	1,380	1,348	1,328	1,262	984	1,021	1,006	939	1,061
14 Over one year	12,656	12,640	12,641	12,677	12,490	12,485	12,504	12,578	12,532
15 Other bonds, corporate stocks and securities	2,471	2,505	2,563	2,610	2,705	2,722	2,750	2,777	2,808
16 Other trading account assets[2]	0	0	0	0	0	0	0	0	0
Loans and leases									
17 Federal funds sold[3]	28,358	26,984	25,812	26,621	30,713	23,829	30,135	24,557	28,124
18 To commercial banks	10,875	8,838	10,305	10,861	10,988	9,482	13,908	10,121	12,010
19 To nonbank brokers and dealers in securities	12,100	12,759	11,153	11,455	14,873	11,146	11,279	10,003	11,240
20 To others	5,383	5,386	4,354	4,305	4,853	3,201	4,948	4,433	4,874
21 Other loans and leases, gross	175,252	172,978	173,931	171,637	173,037	170,515	169,293	167,354	168,542
22 Other loans, gross	170,487	168,193	169,203	166,888	168,270	165,733	164,502	162,530	163,732
23 Commercial and industrial	62,101	61,489	61,367	59,784	59,610	58,713	58,496	57,932	57,142
24 Bankers acceptances and commercial paper	532	606	557	538	556	465	503	437	479
25 All other	61,569	60,883	60,810	59,246	59,054	58,248	57,992	57,495	56,664
26 U.S. addressees	61,096	60,384	60,325	58,740	58,560	57,754	57,521	57,045	56,214
27 Non-U.S. addressees	474	499	485	506	494	493	472	449	450
28 Real estate loans	43,060	43,228	43,497	43,676	43,662	43,560	43,423	43,484	44,176
29 To individuals for personal expenditures	20,777	20,827	20,939	20,948	20,884	20,895	20,968	21,046	21,247
30 To depository and financial institutions	21,112	21,073	21,356	21,226	21,527	21,007	20,322	19,696	19,887
31 Commercial banks in the United States	11,694	11,261	11,327	11,422	12,126	11,607	11,294	11,200	10,883
32 Banks in foreign countries	2,703	2,929	3,007	2,792	3,022	3,090	2,744	2,636	2,896
33 Nonbank depository and other financial institutions	6,716	6,884	7,022	7,012	6,380	6,309	6,284	5,861	6,108
34 For purchasing and carrying securities	8,340	7,464	7,130	6,310	6,757	6,186	6,481	5,698	6,895
35 To finance agricultural production	270	273	290	279	275	276	250	252	289
36 To states and political subdivisions	8,027	7,987	7,888	7,876	7,758	7,831	7,869	7,860	7,838
37 To foreign governments and official institutions	794	824	918	806	800	788	838	871	713
38 All other	6,004	5,026	5,817	5,981	6,998	6,477	5,855	5,689	5,544
39 Lease financing receivables	4,765	4,785	4,728	4,750	4,767	4,782	4,791	4,825	4,811
40 LESS: Unearned income	1,479	1,487	1,492	1,499	1,493	1,502	1,512	1,511	1,519
41 Loan and lease reserve	9,620	9,678	10,599	10,920	14,327	14,258	14,264	14,250	14,237
42 Other loans and leases, net	164,153	161,813	161,840	159,218	157,217	154,754	153,518	151,594	152,787
43 All other assets[4]	59,339	56,655	57,570	59,263	62,761	61,445	63,727	62,759	58,424
44 Total assets	***308,442***	***302,546***	***298,835***	***305,397***	***319,204***	***292,114***	***307,248***	***292,976***	***292,858***
Deposits									
45 Demand deposits	58,091	56,444	59,130	62,713	80,504	56,174	66,458	57,165	55,828
46 Individuals, partnerships, and corporations	39,131	39,400	41,208	40,254	55,325	38,767	46,043	39,358	37,324
47 States and political subdivisions	636	667	704	689	1,197	877	1,591	867	674
48 U.S. government	869	417	170	525	176	476	825	411	537
49 Depository institutions in the United States	6,201	6,100	5,947	6,084	11,113	5,547	8,181	5,615	5,761
50 Banks in foreign countries	5,210	5,375	4,789	5,647	5,917	5,379	5,113	5,156	5,928
51 Foreign governments and official institutions	880	927	1,120	837	1,024	879	975	834	871
52 Certified and officers' checks	5,164	3,558	5,191	8,676	5,752	4,249	3,730	4,924	4,732
53 *Transaction balances other than demand deposits* (ATS, NOW, Super NOW, telephone transfers)	8,210	8,137	8,197	7,868	8,090	8,120	8,037	8,007	7,932
54 Nontransaction balances	100,106	99,279	99,024	98,586	100,088	99,749	101,245	99,689	99,534
55 Individuals, partnerships and corporations	91,118	90,351	90,222	89,880	91,354	90,836	92,450	90,915	90,709
56 States and political subdivisions	6,833	6,850	6,807	6,698	6,790	6,975	6,828	6,795	6,883
57 U.S. government	26	24	24	26	25	58	59	60	56
58 Depository institutions in the United States	1,633	1,566	1,512	1,536	1,473	1,470	1,500	1,512	1,478
59 Foreign governments, official institutions and banks	496	488	458	446	447	410	407	406	408
60 Liabilities for borrowed money	76,753	76,569	72,216	73,082	75,510	74,062	78,089	73,688	73,346
61 Borrowings from Federal Reserve Banks	0	0	0	0	0	0	0	0	900
62 Treasury tax-and-loan notes	3,132	2,853	4,939	5,115	4,563	4,727	4,536	4,799	2,594
63 All other liabilities for borrowed money[5]	73,620	73,716	67,277	67,966	70,947	69,335	73,553	68,889	69,852
64 Other liabilities and subordinated note and debentures	39,780	36,498	35,628	38,195	33,618	32,014	31,460	32,594	34,477
65 Total liabilities	**282,940**	**276,926**	**274,195**	**280,443**	**297,812**	**270,119**	**285,289**	**271,143**	**271,116**
66 Residual (total assets minus total liabilities)[6]	25,502	25,620	24,640	24,954	21,392	21,994	21,959	21,833	21,741
MEMO									
67 Total loans and leases (gross) and investments adjusted[1,7]	212,032	210,288	208,507	206,389	210,567	203,266	204,330	200,833	204,088
68 Total loans and leases (gross) adjusted[7]	181,042	179,863	178,110	175,975	180,637	173,254	174,226	170,591	173,774
69 Time deposits in amounts of $100,000 or more	37,386	36,664	36,374	36,301	35,883	36,914	36,910	36,998	36,848

1. Excludes trading account securities.
2. *Not available due to confidentiality.*
3. Includes securities purchased under agreements to resell.
4. Includes trading account securities.
5. Includes federal funds purchased and securities sold under agreements to repurchase.
6. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
7. Exclusive of loans and federal funds transactions with domestic commercial banks.

NOTE. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.

1.30 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS[1] Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1987								
	June 3	June 10	June 17	June 24	July 1	July 8	July 15	July 22	July 29
1 Cash and due from depository institutions	10,217	9,552	9,725	9,957	9,582	10,498	10,507	10,492	10,399
2 Total loans and securities	90,194	92,276	92,581	93,071	94,026	91,272	94,148	94,509	94,826
3 U.S. Treasury and govt. agency securities	6,913	6,670	6,772	6,487	6,612	6,462	6,527	6,801	6,754
4 Other securities	8,279	8,300	8,263	8,325	8,364	8,376	8,371	8,341	8,325
5 Federal funds sold[2]	4,599	5,933	5,971	5,924	6,601	5,089	7,267	7,651	7,937
6 To commercial banks in the United States	4,006	5,284	5,155	5,208	6,003	4,544	6,649	7,024	7,124
7 To others	593	649	816	716	598	545	618	627	812
8 Other loans, gross	70,403	71,372	71,574	72,335	72,448	71,346	71,983	71,716	71,810
9 Commercial and industrial	44,145	45,271	45,920	46,224	46,175	45,575	45,524	45,526	45,762
10 Bankers acceptances and commercial paper	3,114	3,238	3,470	3,321	3,241	3,092	3,232	3,323	3,603
11 All other	41,031	42,033	42,450	42,903	42,933	42,483	42,291	42,203	42,159
12 U.S. addressees	38,516	39,525	39,860	40,258	40,118	39,475	39,498	39,542	39,491
13 Non-U.S. addressees	2,516	2,508	2,590	2,646	2,815	3,008	2,794	2,661	2,668
14 To financial institutions	17,514	17,414	17,062	17,506	16,929	17,053	17,566	17,359	17,284
15 Commercial banks in the United States	13,922	13,700	13,520	13,870	13,311	13,594	13,967	13,850	13,772
16 Banks in foreign countries	922	1,099	998	1,108	1,035	896	973	828	908
17 Nonbank financial institutions	2,670	2,616	2,543	2,528	2,583	2,564	2,626	2,680	2,604
18 To foreign govts. and official institutions	372	359	416	367	342	333	410	287	277
19 For purchasing and carrying securities	2,496	2,588	2,243	2,291	2,860	2,304	2,259	2,155	2,019
20 All other	5,877	5,740	5,933	5,948	6,142	6,080	6,223	6,388	6,468
21 Other assets (claims on nonrelated parties)	25,309r	25,043r	25,891	26,748	26,835	27,046	27,134	27,061	26,974
22 Net due from related institutions	17,706r	17,167	16,626	16,431	17,905	17,589	18,283	16,152	15,931
23 Total assets	143,427	144,038	144,824	146,208	148,348	146,405	150,072	148,214	148,131
24 Deposits or credit balances due to other than directly related institutions	43,628	43,457	42,636	42,743	42,184	42,132	42,142	41,810	41,948
25 Transaction accounts and credit balances[3]	3,612	3,329	3,251	3,281	3,271	3,183	3,667	3,245	3,022
26 Individuals, partnerships, and corporations	2,191	2,083	2,029	1,969	1,967	2,016	2,015	2,032	1,992
27 Other	1,422	1,247	1,222	1,312	1,304	1,167	1,652	1,212	1,030
28 Nontransaction accounts[4]	40,015	40,128	39,385	39,462	38,913	38,948	38,474	38,565	38,926
29 Individuals, partnerships, and corporations	32,828	32,951	31,707	31,777	30,757	30,965	30,700	30,640	31,646
30 Other	7,188	7,177	7,678	7,685	8,156	7,984	7,774	7,926	7,280
31 Borrowings from other than directly related institutions	57,340	56,515	56,605	55,199	59,054	58,802	60,717	58,176	57,345
32 Federal funds purchased[5]	26,274	25,071	23,759	24,010	27,046	27,389	29,515	26,973	25,432
33 From commercial banks in the United States	16,366	13,894	13,866	13,253	16,649	16,110	19,516	14,755	13,508
34 From others	9,908	11,177	9,894	10,757	10,397	11,280	9,999	12,218	11,924
35 Other liabilities for borrowed money	31,065	31,444	32,846	31,189	32,008	31,412	31,201	31,202	31,913
36 To commercial banks in the United States	26,242	26,448	27,594	25,971	26,220	26,169	26,093	25,185	26,135
37 To others	4,823	4,996	5,252	5,217	5,788	5,243	5,108	6,017	5,778
38 Other liablities to nonrelated parties	28,723	28,660	29,857	30,299	30,186	30,394	30,399	30,307	30,543
39 Net due to related institutions	13,737	15,405	15,725	17,967	16,924	15,077	16,814	17,920	18,294
40 Total liabilities	143,427	144,038	144,824	146,208	148,348	146,405	150,072	148,214	148,131
MEMO									
41 Total loans (gross) and securities adjusted[6]	72,266	73,292	73,905	73,993	74,712	73,135	73,531	73,635	73,930
42 Total loans (gross) ajdusted[6]	57,074	58,322	58,870	59,181	59,736	58,297	58,633	58,492	58,850

1. Effective Jan. 1, 1986, the reporting panel includes 65 U.S. branches and agencies of foreign banks that include those branches and agencies with assets of $750 million or more on June 30, 1980, plus those branches and agencies that had reached the $750 million asset level on Dec. 31, 1984.
2. Includes securities purchased under agreements to resell.
3. Includes credit balances, demand deposits, and other checkable deposits.
4. Includes savings deposits, money market deposit accounts, and time deposits.
5. Includes securities sold under agreements to repurchase.
6. Exclusive of loans to and federal funds sold to commercial banks in the United States.

1.31 GROSS DEMAND DEPOSITS Individuals, Partnerships, and Corporations[1]

Billions of dollars, estimated daily-average balances, not seasonally adjusted

Type of holder	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.[3,4]	1986 Mar.	1986 June	1986 Sept.	1986 Dec.	1987 Mar.	1987 June
	Commercial banks									
1 **All holders—Individuals, partnerships, and corporations**	**291.8**	**293.5**	**302.7**	**321.0**	**307.4**	**322.4**	**333.6**	**363.6**	**335.9**	n.a.
2 Financial business	35.4	32.8	31.7	32.3	31.8	32.3	35.9	41.4	35.9	n.a.
3 Nonfinancial business	150.5	161.1	166.3	178.5	166.6	180.0	185.9	202.0	183.0	n.a.
4 Consumer	85.9	78.5	81.5	85.5	84.0	86.4	86.3	91.1	88.9	n.a.
5 Foreign	3.0	3.3	3.6	3.5	3.4	3.0	3.3	3.3	2.9	n.a.
6 Other	17.0	17.8	19.7	21.2	21.6	20.7	22.2	25.8	25.2	n.a.
	Weekly reporting banks									
	1982 Dec.	1983 Dec.	1984 Dec.[2]	1985 Dec.[3,4]	1986 Mar.	1986 June	1986 Sept.	1986 Dec.	1987 Mar.	1987 June
7 **All holders—Individuals, partnerships, and corporations**	**144.2**	**146.2**	**157.1**	**168.6**	**159.7**	**168.5**	**174.7**	**195.1**	**178.1**[r]	**179.3**
8 Financial business	26.7	24.2	25.3	25.9	25.5	25.7	28.9	32.5	28.7	29.3
9 Nonfinancial business	74.3	79.8	87.1	94.5	86.8	93.1	94.8	106.4	94.4	94.8
10 Consumer	31.9	29.7	30.5	33.2	32.6	34.9	35.0	37.5	36.8	37.6
11 Foreign	2.9	3.1	3.4	3.1	3.3	2.9	3.2	3.3	2.8	3.1
12 Other	8.4	9.3	10.9	12.0	11.5	11.9	12.8	15.4	15.5	14.6

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466. Figures may not add to totals because of rounding.

2. Beginning in March 1984, these data reflect a change in the panel of weekly reporting banks, and are not comparable to earlier data. Estimates in billions of dollars for December 1983 based on the new weekly reporting panel are: financial business, 24.4; nonfinancial business, 80.9; consumer, 30.1; foreign, 3.1; other 9.5.

3. Beginning March 1985, financial business deposits and, by implication, total gross demand deposits have been redefined to exclude demand deposits due to thrift institutions. Historical data have not been revised. The estimated volume of such deposits for December 1984 is $5.0 billion at all insured commercial banks and $3.0 billion at weekly reporting banks.

4. Historical data back to March 1985 have been revised to account for corrections of bank reporting errors. Historical data before March 1985 have not been revised, and may contain reporting errors. Data for all commercial banks for March 1985 were revised as follows (in billions of dollars): all holders, –.3; financial business, –.8; nonfinancial business, –.4; consumer, .9; foreign, .1; other, –.1. Data for weekly reporting banks for March 1985 were revised as follows (in billions of dollars): all holders, –.1; financial business, –.7; nonfinancial business, –.5; consumer, 1.1; foreign, .1; other, –.2.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1987[r] Jan.	Feb.	Mar.	Apr.	May	June
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**166,436**	**187,658**	**237,586**	**300,899**	**331,016**	**337,190**	**336,677**	**338,797**	**346,769**	**354,249**	**348,741**
Financial companies[3]											
Dealer-placed paper[4]											
2 Total	34,605	44,455	56,485	78,443	100,207	101,964	102,939	102,889	103,957	105,397	108,691
3 Bank-related (not seasonally adjusted)	2,516	2,441	2,035	1,602	2,265	2,284	2,174	2,116	2,307	2,429	2,430
Directly placed paper[5]											
4 Total	84,393	97,042	110,543	135,504	152,385	157,252	158,955	159,333	163,421	169,225	161,921
5 Bank-related (not seasonally adjusted)	32,034	35,566	42,105	44,778	40,860	45,085	45,722	46,634	48,604	48,401	47,862
6 Nonfinancial companies[6]	47,437	46,161	70,558	86,952	78,424	77,973	74,784	76,575	79,391	79,627	78,129
	Bankers dollar acceptances (not seasonally adjusted)[7]										
7 **Total**	**79,543**	**78,309**	**78,364**	**68,413**	**64,974**	**65,049**	**65,144**	**65,954**	**66,752**	**67,779**	**69,622**
Holder											
8 Accepting banks	10,910	9,355	9,811	11,197	13,423	13,224	11,828	12,246	11,180	11,201	11,234
9 Own bills	9,471	8,125	8,621	9,471	11,707	10,662	10,006	10,516	9,784	9,569	9,661
10 Bills bought	1,439	1,230	1,191	1,726	1,716	2,561	1,821	1,730	1,396	1,631	1,573
Federal Reserve Banks											
11 Own account	1,480	418	0	0	0	0	0	0	0	0	0
12 Foreign correspondents	949	729	671	937	1,317	983	1,230	1,453	1,519	1,547	1,717
13 Others	66,204	67,807	67,881	56,279	50,234	50,843	52,087	52,255	54,052	55,032	56,671
Basis											
14 Imports into United States	17,683	15,649	17,845	15,147	14,670	14,459	14,615	14,711	15,116	15,361	16,179
15 Exports from United States	16,328	16,880	16,305	13,204	12,960	12,783	12,876	13,083	13,836	14,028	14,161
16 All other	45,531	45,781	44,214	40,062	37,344	37,807	37,654	38,159	37,800	38,376	39,281

1. Effective Dec. 1, 1982, there was a break in the commercial paper series. The key changes in the content of the data involved additions to the reporting panel, the exclusion of broker or dealer placed borrowings under any master note agreements from the reported data, and the reclassification of a large portion of bank-related paper from dealer-placed to directly placed.
2. *Correction of a previous misclassification of paper by a reporter has created* a break in the series beginning December 1983. The correction adds some paper to nonfinancial and to dealer-placed financial paper.
3. Institutions engaged primarily in activities such as, but not limited to, commercial savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
4. Includes all financial company paper sold by dealers in the open market.
5. As reported by financial companies that place their paper directly with investors.
6. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
7. Beginning October 1984, the number of respondents in the bankers acceptance survey were reduced from 340 to 160 institutions—those with $50 million or more in total acceptances. The new reporting group accounts for over 95 percent of total acceptances activity.

1.33 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans

Percent per annum

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1985—Jan. 15	10.50	1986—July 11	8.00	1985—Jan.	10.61	1986—May	8.50
May 20	10.00	Aug. 20	7.50	Feb.	10.50	June	8.50
June 18	9.50			Mar.	10.50	July	8.16
		1987—Apr. 1	7.75	Apr.	10.50	Aug.	7.90
1986—Mar. 7	9.00	1986—May 1	8.00	May	10.31	Sept.	7.50
Apr. 21	8.50	15	8.25	June	9.78	Oct.	7.50
				July	9.50	Nov.	7.50
				Aug.	9.50	Dec.	7.50
				Sept.	9.50		
				Oct.	9.50	1987—Jan.	7.50
				Nov.	9.50	Feb.	7.50
				Dec.	9.50	Mar.	7.50
						Apr.	7.75
				1986—Jan.	9.50	May	8.14
				Feb.	9.50	June	8.25
				Mar.	9.10	July	8.25
				Apr.	8.83	Aug.	8.25

NOTE. These data also appear in the Board's H.15 (519) release. For address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Averages, percent per annum; weekly and monthly figures are averages of business day data unless otherwise noted.

Instrument	1984	1985	1986	1987				1987, week ending				
				Apr.	May	June	July	July 3	July 10	July 17	July 24	July 31
MONEY MARKET RATES												
1 Federal funds[1,2]	10.22	8.10	6.80	6.37	6.85	6.73	6.58	6.61	6.64	6.52	6.57	6.63
2 Discount window borrowing[1,2,3]	8.80	7.69	6.33	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Commercial paper[4,5]												
3 1-month	10.05	7.94	6.62	6.39	6.83	6.86	6.57	6.82	6.65	6.52	6.49	6.56
4 3-month	10.10	7.95	6.49	6.45	6.93	6.92	6.65	6.86	6.70	6.59	6.58	6.65
5 6-month	10.16	8.01	6.39	6.50	7.04	7.00	6.72	6.91	6.75	6.66	6.67	6.75
Finance paper, directly placed[4,5]												
6 1-month	9.97	7.91	6.58	6.28	6.78	6.80	6.53	6.74	6.61	6.46	6.47	6.53
7 3-month	9.73	7.77	6.38	6.22	6.74	6.77	6.48	6.63	6.54	6.43	6.43	6.48
8 6-month	9.65	7.75	6.31	6.14	6.47	6.50	6.35	6.40	6.38	6.32	6.34	6.33
Bankers acceptances[5,6]												
9 3-month	10.14	7.92	6.39	6.41	6.91	6.83	6.59	6.76	6.63	6.52	6.54	6.62
10 6-month	10.19	7.96	6.29	6.44	7.03	6.91	6.65	6.79	6.65	6.57	6.63	6.71
Certificates of deposit, secondary market[7]												
11 1-month	10.17	7.97	6.61	6.42	6.81	6.84	6.60	6.83	6.64	6.56	6.56	6.58
12 3-month	10.37	8.05	6.52	6.52	6.99	6.94	6.70	6.88	6.73	6.64	6.65	6.72
13 6-month	10.68	8.25	6.51	6.65	7.24	7.15	6.87	7.04	6.87	6.79	6.84	6.94
14 Eurodollar deposits, 3-month[8]	10.73	8.28	6.71	6.73	7.25	7.11	6.87	7.08	6.93	6.84	6.79	6.90
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	9.52	7.48	5.98	5.64	5.66	5.67	5.69	5.68	5.61	5.58	5.66	5.94
16 6-month	9.76	7.65	6.03	5.90	6.05	5.99	5.76	5.88	5.56	5.56	5.82	6.10
17 1-year	9.92	7.81	6.08	6.09	6.52	6.35	6.24	6.25	6.20	6.11	6.26	6.40
Auction average[10]												
18 3-month	9.57	7.49	5.97	5.76	5.75	5.69	5.78	5.82	5.62	5.55	n.a.	6.14
19 6-month	9.80	7.66	6.02	5.93	6.11	5.99	5.86	6.00	5.68	5.54	n.a.	6.20
20 1-year	9.91	7.76	6.07	5.92	6.56	6.54	6.22	n.a.	6.22	n.a.	n.a.	n.a.
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	10.89	8.43	6.46	6.50	7.00	6.80	6.68	6.71	6.61	6.53	6.71	6.88
22 2-year	11.65	9.27	6.87	7.02	7.76	7.57	7.44	7.44	7.36	7.35	7.46	7.62
23 3-year	11.89	9.64	7.06	7.32	8.02	7.82	7.74	7.72	7.65	7.65	7.77	7.91
24 5-year	12.24	10.13	7.31	7.57	8.26	8.02	8.01	7.96	7.91	7.93	8.05	8.18
25 7-year	12.40	10.51	7.55	7.83	8.47	8.27	8.27	8.20	8.14	8.19	8.33	8.45
26 10-year	12.44	10.62	7.68	8.02	8.61	8.40	8.45	8.35	8.32	8.38	8.52	8.62
27 20-year	12.48	10.97	7.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 30-year	12.39	10.79	7.80	8.25	8.78	8.57	8.64	8.48	8.45	8.56	8.75	8.86
Composite[13]												
29 Over 10 years (long-term)	11.99	10.75	8.14	8.31	8.79	8.63	8.70	8.60	8.56	8.63	8.78	8.89
State and local notes and bonds												
Moody's series[14]												
30 Aaa	9.61	8.60	6.95	7.20	7.61	7.48	7.18	7.30	7.15	7.15	7.10	7.20
31 Baa	10.38	9.58	7.76	8.29	8.78	8.68	8.37	8.55	8.40	8.35	8.25	8.30
32 *Bond Buyer* series[15]	10.10	9.11	7.32	7.55	8.00	7.79	7.72	7.81	7.67	7.66	7.72	7.73
Corporate bonds												
Seasoned issues[16]												
33 All industries	13.49	12.05	9.71	9.35	9.82	9.87	9.92	9.85	9.83	9.88	9.95	10.04
34 Aaa	12.71	11.37	9.02	8.85	9.33	9.32	9.42	9.33	9.31	9.36	9.46	9.56
35 Aa	13.31	11.82	9.47	9.15	9.59	9.65	9.64	9.60	9.57	9.59	9.66	9.77
36 A	13.74	12.28	9.95	9.36	9.83	9.98	10.00	9.93	9.92	9.98	10.04	10.10
37 Baa	14.19	12.72	10.39	10.04	10.51	10.52	10.61	10.52	10.52	10.57	10.62	10.74
38 A-rated, recently-offered utility bonds[17]	13.81	12.06	9.61	9.51	10.05	10.05	10.17	10.01	10.07	10.12	10.34	10.44
MEMO: Dividend/price ratio[18]												
39 Preferred stocks	11.59	10.49	8.76	7.94	8.41	8.31	8.25	8.34	8.27	8.29	8.18	8.18
40 Common stocks	4.64	4.25	3.48	2.99	3.02	2.92	2.83	2.87	2.84	2.81	2.84	2.78

1. Weekly and monthly figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
2. Weekly figures are averages for statement week ending Wednesday.
3. Rate for the Federal Reserve Bank of New York.
4. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
5. Yields are quoted on a bank-discount basis, rather than in an investment yield basis (which would give a higher figure).
6. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
7. Unweighted average of offered rates quoted by at least five dealers early in the day.
8. Calendar week average. For indication purposes only.
9. Unweighted average of closing bid rates quoted by at least five dealers.
10. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.
11. Yields are based on closing bid prices quoted by at least five dealers.
12. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
13. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.
14. General obligations based on Thursday figures; Moody's Investors Service.
15. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.
18. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

NOTE. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1984	1985	1986	1986		1987						
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	92.46	108.09	136.00	140.84	142.12	151.17	160.23	166.43	163.88	163.00	169.58	174.28
2 Industrial	108.01	123.79	155.85	162.10	163.85	175.60	189.17	198.95	199.03	198.78	206.61	214.12
3 Transportation	85.63	104.11	119.87	122.27	121.26	126.61	135.49	138.55	137.91	141.30	150.39	157.49
4 Utility	46.44	56.75	71.36	75.77	76.07	78.54	78.19	77.15	72.74	71.64	74.25	74.18
5 Finance	89.28	114.21	147.19	142.97	144.29	153.32	158.41	162.41	150.52	145.97	152.73	152.27
6 Standard & Poor's Corporation (1941–43 = 10)[1]	160.50	186.84	236.34	245.09	248.61	264.51	280.93	292.47	289.32	289.12	301.36	310.09
7 American Stock Exchange[2] (Aug. 31, 1973 = 50)	207.96	229.10	264.38	265.14	264.65	289.02	315.60	332.55	330.65	328.77	334.49	348.68
Volume of trading (thousands of shares)												
8 New York Stock Exchange	91,084	109,191	141,385	154,776	148,228	192,419	183,478	180,251	187,135	170,898	163,380	180,356
9 American Stock Exchange	6,107	8,355	11,846	10,513	12,272	14,755	14,962	15,678	14,420	11,655	12,813	12,857
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Margin credit at broker-dealers**[3]	**22,470**	**28,390**	**36,840**	**37,090**	**36,840**	**34,960**	**35,740**	**38,080**	**39,820**	**38,890**	**38,420**	**40,250**
Free credit balances at brokers[4]												
11 Margin-account[5]	1,755	2,715	4,880	3,765	4,880	5,060	4,470	4,730	4,660	4,355	3,680	4,095
12 Cash-account	10,215	12,840	19,000	15,045	19,000	17,395	17,325	17,370	17,285	16,985	15,405	15,930

Indicator	Margin requirements (percent of market value and effective date)[6]					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. Beginning July 5, 1983, the American Stock Exchange rebased its index effectively cutting previous readings in half.
3. Beginning July 1983, under the revised Regulation T, margin credit at broker-dealers includes credit extended against stocks, convertible bonds, stocks acquired through exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. New series beginning June 1984.
6. These regulations, adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market-value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission. Effective Jan. 31, 1986, the SEC approved new maintenance margin rules, permitting margins to be the price of the option plus 15 percent of the market value of the stock underlying the option.

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1984	1985	1986 July	1986 Aug.	1986 Sept.	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May
	Savings and loan associations												
1 **Assets**	**903,488**	**948,781**	**957,945**	**965,032**	**957,229**	**961,894**	**964,096**	**963,316**	**935,525r**	**936,945r**	**939,999**	**944,372r**	**959,454**
2 Mortgages	555,291	583,235	565,353	566,438	557,137	557,303	556,780	553,552	n.a.	n.a.	n.a.	n.a.	n.a.
3 Mortgage-backed securities	......	97,303	113,100	113,621	117,617	121,606	122,682	123,257	129,338	128,855r	129,255	134,754r	141,055
4 Cash and investment securities[1]	124,801	126,712	132,787	138,863	138,619	138,213	141,510	142,700	133,011	136,221	138,787	136,170	138,002
5 Other	223,396	238,833	259,798	259,726	261,415	250,781	250,297	251,769	261,739	263,473	266,540	274,951	284,059
6 **Liabilities and net worth**	**903,488**	**948,781**	**957,945**	**965,032**	**957,229**	**961,894**	**964,096**	**963,316**	**935,525r**	**936,945r**	**939,999**	**944,372r**	**959,454**
7 Savings capital	725,045	750,071	747,020	749,020	743,518	742,747	740,066	741,081	721,765	722,283	724,118	717,080r	718,685
8 Borrowed money	125,666	138,798	146,578	148,541	155,748	152,567	156,920	159,742	153,363r	152,161r	158,236	165,942r	171,496
9 FHLBB	64,207	73,888	75,058	75,594	80,364	75,295	75,626	80,194	75,552	75,673	76,478	77,870	78,804
10 Other	61,459	64,910	71,520	72,947	75,384	77,272	81,294	79,548	77,811r	76,488r	81,758	88,072r	92,692
11 Other	17,944	19,045	22,785	24,706	15,461	23,255	24,078	20,071	19,764r	21,810r	18,676	20,483r	22,533
12 Net worth[2]	34,833	41,064	41,560	42,764	42,503	43,326	43,034	42,423	40,631r	40,689r	40,313	40,880r	40,231
MEMO													
13 Mortgage loan commitments outstanding[3]	61,305	54,475	55,687	53,180	51,163	49,887	48,222	41,650	n.a.	n.a.	n.a.	n.a.	n.a.
	FSLIC-insured federal savings banks												
14 **Assets**	**98,559**	**131,868**	**183,317**	**186,810**	**196,225**	**202,106**	**204,918**	**210,562**	**235,428r**	**235,762r**	**241,425**	**246,277r**	**253,007**
15 Mortgages	57,429	72,355	101,755	103,019	108,627	110,826	112,117	113,638	136,770r	136,489r	138,705	140,861	144,588
16 Mortgage-backed securities	9,949	15,676	23,247	24,097	26,431	27,516	28,324	29,766	33,570	34,634	36,104	37,511	39,382
17 Other	10,971	11,723	17,027	17,056	18,509	18,697	19,266	19,034	15,769r	16,059r	16,739	17,032r	17,201
18 **Liabilities and net worth**	**98,559**	**131,868**	**183,317**	**186,810**	**196,225**	**202,106**	**204,918**	**210,562**	**235,428r**	**235,762**	**241,425**	**246,277r**	**253,007**
19 Savings capital	79,572	103,462	140,610	142,858	149,074	152,834	154,447	157,872	176,741r	177,359r	178,689	180,642r	182,805
20 Borrowed money	12,798	19,323	28,722	29,390	32,319	33,430	33,937	37,329	40,614	39,777	43,915	46,125	49,896
21 FHLBB	7,515	10,510	15,866	16,123	16,853	17,382	17,863	19,897	20,730	20,226	21,104	21,718	22,788
22 Other	5,283	8,813	12,856	13,267	15,466	16,048	16,074	17,432	19,884	19,551	22,811	24,407	27,108
23 Other	1,903	2,732	4,564	4,914	4,666	5,330	5,652	4,263	5,303r	5,480r	5,251r	5,542r	6,041
24 Net worth	4,286	6,351	9,422	9,647	10,165	10,511	10,883	11,098	12,774r	13,151r	13,569r	13,977r	14,272
MEMO													
25 Mortgage loan commitments outstanding[3]	3,234	5,355	10,139	9,770	10,221	9,356	9,952	8,686	n.a.	n.a.	n.a.	n.a.	n.a.
	Savings banks												
26 **Assets**	**203,898**	**216,776**	**224,569**	**227,011**	**228,854**	**230,919**	**232,577**	**236,866**	**235,603**	**238,074**	**240,739**	**243,454r**	**245,906**
Loans													
27 Mortgage	102,895	110,448	111,971	113,265	114,188	116,648	117,612	118,323	119,199	119,737	121,178	122,769r	124,936
28 Other	24,954	30,876	36,421	37,350	37,298	36,130	36,149	35,167	36,122	37,207	38,012	37,136r	37,313
Securities													
29 U.S. government	14,643	13,111	12,297	12,043	12,357	12,585	13,037	14,209	13,332	13,525	13,631	13,743r	13,650
30 Mortgage-backed securities	19,215	19,481	22,954	21,161	23,216	23,437	24,051	25,836	26,220	26,893	27,463	28,700r	28,739
31 State and local government	2,077	2,323	2,309	2,400	2,407	2,347	2,290	2,185	2,180	2,168	2,041	2,063r	2,053
32 Corporate and other	23,747	21,199	20,862	20,602	20,902	21,156	20,749	20,459	19,795	19,770	19,598	19,768	19,956
33 Cash	4,954	6,225	4,651	5,018	4,811	5,195	5,052	6,894	5,239	5,143	5,703	5,308r	5,176
34 Other assets	11,413	13,113	13,104	13,172	13,675	13,421	13,637	13,793	13,516	13,631	13,713	13,967r	14,083
35 **Liabilities**	**203,898**	**216,776**	**224,569**	**227,011**	**228,854**	**230,919**	**232,577**	**236,866**	**235,603**	**238,074**	**240,739**	**243,454r**	**245,906**
36 Deposits	180,616	185,972	188,615	189,937	190,210	190,334	190,858	192,194	191,441	192,559	193,693	193,347r	194,742
37 Regular[4]	177,418	181,921	183,433	184,764	185,002	185,254	185,958	186,345	186,385	187,597	188,432	187,791r	189,048
38 Ordinary savings	33,739	33,018	34,166	34,530	35,227	36,165	36,739	37,717	38,467	39,370	40,558	41,326r	41,967
39 Time	104,732	103,311	102,374	102,668	102,191	101,125	101,240	100,809	100,604	100,922	100,896	100,308r	100,607
40 Other	3,198	4,051	5,182	5,173	5,208	5,080	4,900	5,849	5,056	4,962	5,261	5,556r	5,694
41 Other liabilities	12,504	17,414	20,641	21,360	21,947	23,319	24,254	25,274	24,710	25,663	27,003	29,105r	30,436
42 General reserve accounts	10,510	12,823	15,084	15,427	16,319	16,896	17,146	18,105	18,236	18,486	18,830	19,423r	19,603

1.37—Continued

Account	1984	1985	1986 July	1986 Aug.	1986 Sept.	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May
	Credit unions[5]												
43 **Total assets/liabilities and capital**	**93,036**	**118,010**	**137,901**	**139,233**	**140,496**	**143,662**	**145,653**	**147,726**	**149,383**	**149,751**	**153,253**	**154,549**	**156,086**
44 Federal	63,205	77,861	89,539	90,367	91,981	93,257	94,638	95,483	96,801	96,753	98,799	99,751	100,153
45 State	29,831	40,149	48,362	48,866	48,515	50,405	51,015	52,243	52,586	52,998	54,454	54,798	55,933
46 Loans outstanding	62,561	73,513	79,647	80,656	81,820	83,388	84,635	86,137	85,984	85,651	86,101	87,089	87,765
47 Federal	42,337	47,933	51,331	52,007	53,042	53,434	53,877	55,304	55,313	54,912	55,118	55,740	55,952
48 State	20,224	25,580	28,316	28,649	28,778	29,954	30,758	30,833	30,671	30,739	30,983	31,349	31,813
49 Savings	84,348	105,963	125,331	126,268	128,125	130,483	131,778	134,327	n.a.	n.a.	n.a.	n.a.	n.a.
50 Federal	57,539	70,926	82,596	83,132	84,607	86,158	87,009	87,954	89,717	89,485	91,042	92,012	97,189
51 State	26,809	35,037	42,735	43,136	43,518	44,325	44,769	46,373	46,130	46,956	47,768	48,002	49,248
	Life insurance companies												
52 **Assets**	**722,979**	**825,901**	**877,919**	**887,255**	**892,304**	**860,682**	**910,691**	**920,771**	**931,962**	**943,421**	**955,269**		
Securities													
53 Government	63,899	75,230	78,722	79,188	81,636	82,047	84,858	85,849	85,000	87,678	90,699		
54 United States[6]	42,204	51,700	54,321	54,487	56,698	57,511	59,802	61,494	61,014	63,580	66,577		
55 State and local	8,713	9,708	10,350	10,472	10,606	10,212	10,712	10,267	10,048	10,264	10,423		
56 Foreign[7]	12,982	13,822	14,051	14,229	14,332	14,324	14,344	14,088	13,938	13,834	13,699	n.a.	n.a.
57 Business	359,333	423,712	455,013	463,135	462,540	467,433	473,860	474,485	487,837	497,143	501,622		
58 Bonds	295,998	346,216	369,704	374,670	378,267	381,381	386,293	386,994	395,994	401,231	404,112		
59 Stocks	63,335	77,496	85,309	88,465	84,273	86,052	87,567	87,491	91,843	95,912	97,510		
60 Mortgages	156,699	171,797	182,542	183,943	185,268	186,976	189,460	192,975	193,395	193,957	194,689		
61 Real estate	25,767	28,822	31,151	31,844	31,725	31,918	32,184	32,079	32,229	32,061	31,875		
62 Policy loans	54,505	54,369	54,249	54,247	54,273	54,199	54,152	54,016	53,692	53,696	53,580		
63 Other assets	63,776	71,971	76,214	74,898	76,862	77,798	76,177	81,367	79,809	78,886	82,804		

1. Holdings of stock of the Federal Home Loan Banks are in "other assets."
2. Includes net undistributed income accrued by most associations.
3. *As of July 1985, data include loans in process.*
4. Excludes checking, club, and school accounts.
5. Data include all federally insured credit unions, both federal and state chartered, serving natural persons.
6. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, *which are shown in the table under "Business" securities.*
7. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE: *Savings and loan associations:* Estimates by the FHLBB for all associations in the United States based on annual benchmarks for non-FSLIC-insured associations and the experience of FSLIC-insured associations.

FSLIC-insured federal savings banks: Estimates by the FHLBB for federal savings banks insured by the FSLIC and based on monthly reports of federally insured institutions.

Savings banks: Estimates by the National Council of Savings Institutions for all savings banks in the United States and for FDIC-insured savings banks that have converted to federal savings banks.

Credit unions: Estimates by the National Credit Union Administration for federally chartered and federally insured state-chartered credit unions serving natural persons.

Life insurance companies: Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. *Adjustments for interest due and accrued and for* differences between market and book values are not made on each item separately but are included, in total, in "other assets."

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1984	Fiscal year 1985	Fiscal year 1986	Calendar year 1987 Feb.	Mar.	Apr.	May	June	July
U.S. budget[1]									
1 Receipts, total	666,457	734,057	769,091	55,463	56,515	122,897	47,691	82,945	64,223
2 On-budget	500,382	547,886	568,862	37,919	38,469	99,083	30,205	64,222	47,880
3 Off-budget	166,075	186,171	200,228	17,544	18,046	23,814	17,486	18,723	16,343
4 Outlays, total	851,781	946,316	989,815	83,828	84,527	84,240	83,435	83,366	86,491
5 On-budget	685,968	769,509	806,318	67,138	67,872	69,215	66,389	66,221	70,806
6 Off-budget	165,813	176,807	183,498	16,690	16,655	15,025	17,046	17,145	15,685
7 Surplus, or deficit (–), total	-185,324	212,260	220,725	28,366	-28,012	38,657	-35,744	-420	22,268
8 On-budget	185,586	-221,623	237,455	29,219	-29,403	29,867	36,184	-1,998	-22,926
9 Off-budget	262	9,363	16,371	854	1,391	8,790	440	1,578	658
Source of financing (total)									
10 Borrowing from the public	170,817	197,269	236,284	15,248	7,884	9,075	13,005	9,655	-3,103
11 Operating cash (decrease, or increase (–))	6,631	13,367	-14,324	16,491	15,846	-46,775	22,638	-6,966	20,655
12 Other[2]	7,875	1,630	1,235	-3,456	4,506	543	1,478	-2,801	4,716
MEMO									
13 Treasury operating balance (level, end of period)	30,426	17,060	31,384	24,816	8,969	55,744	33,106	40,072	19,417
14 Federal Reserve Banks	8,514	4,174	7,514	3,482	3,576	29,688	6,383	13,774	5,365
15 Tax and loan accounts	21,913	12,886	23,870	21,334	5,394	26,056	26,723	26,298	14,052

1. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. The Federal Financing Bank (FFB) activities are now shown as separate accounts under the agencies that use the FFB to finance their programs. The act has also moved two social security trust funds (Federal old-age survivors insurance and Federal disability insurance trust funds) off-budget.

2. Includes SDRs; reserve position on the U.S. quota in the IMF; loans to international monetary fund; other cash and monetary assets; accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

Reflecting the change in Monthly Treasury Statement classification, Table 2, monthly data as well as fiscal year data now include monetary assets other than operating cash with "other", sources of financing, (line 12).

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" and the *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1985	Fiscal year 1986	Calendar year						
			1985	1986		1987	1987		
			H2	H1	H2	H1	May	June	July
RECEIPTS									
1 **All sources**	**734,057**	**769,091**	**364,790**	**394,345**	**387,524**	**447,282**	**47,691**	**82,945**	**64,223**
2 Individual income taxes, net	334,531	348,959	169,987	169,444	183,156	205,157	9,275	40,521	31,889
3 Withheld	298,941	314,838	155,725	153,919	164,071	156,760	24,823	25,525	31,596
4 Presidential Election Campaign Fund	35	36	6	31	4	30	7	4	2
5 Nonwithheld	101,328	105,994	22,295	78,981	27,733	112,421	7,228	16,574	2,452
6 Refunds	65,743	71,873	8,038	63,488	8,652	64,052	22,782	1,583	2,160
Corporation income taxes									
7 Gross receipts	77,413	80,442	36,528	41,946	42,108	52,396	2,885	13,572	3,812
8 Refunds	16,082	17,298	7,751	9,557	8,230	10,881	1,042	2,599	1,454
9 Social insurance taxes and contributions, net	265,163	283,901	128,017	156,714	134,006	163,519	30,218	24,712	23,346
10 Employment taxes and contributions[1]	234,646	255,062	116,276	139,706	122,246	146,696	22,270	23,981	20,890
11 Self-employment taxes and contributions[2]	10,468	11,840	985	10,581	1,338	12,020	732	1,612	155
12 Unemployment insurance	25,758	24,098	9,281	14,674	9,328	14,514	7,529	315	2,038
13 Other net receipts[3]	4,759	4,742	2,458	2,333	2,429	2,310	419	416	417
14 Excise taxes	35,992	32,919	18,470	15,944	15,947	15,845	2,633	3,099	2,908
15 Customs deposits	12,079	13,323	6,354	6,369	7,282	7,129	1,142	1,415	1,420
16 Estate and gift taxes	6,422	6,958	3,323	3,487	3,649	3,818	726	507	671
17 Miscellaneous receipts[4]	18,539	19,887	9,861	10,002	9,605	10,299	1,853	1,719	1,631
OUTLAYS									
18 **All types**	**946,316**	**989,815**	**487,188**	**486,037**	**504,785**	**503,338**	**83,435**	**83,366**	**86,491**
19 National defense	252,748	273,369	134,675	135,367	138,544	142,846	23,471	24,694	24,126
20 International affairs	16,176	14,471	8,367	5,384	8,876	4,420	831	1,068	1,145
21 General science, space, and technology	8,627	9,017	4,727	12,519	4,594	4,324	779	836	836
22 Energy	5,685	4,792	3,305	2,484	2,735	2,335	356	598	256
23 Natural resources and environment	13,357	13,508	7,553	6,245	7,141	6,179	985	1,176	1,392
24 Agriculture	25,565	31,169	15,412	14,482	16,160	11,824	716	−342	1,462
25 Commerce and housing credit	4,229	4,258	644	860	3,647	4,889	997	703	232
26 Transportation	25,838	28,058	15,360	12,658	14,745	12,113	2,089	2,539	2,289
27 Community and regional development	7,680	7,510	3,901	3,169	3,494	3,108	585	584	603
28 Education, training, employment, social services	29,342	29,662	14,481	14,712	15,268	14,182	2,255	2,143	1,854
29 Health	33,542	35,936	17,237	17,872	19,814	20,318	3,544	3,525	3,466
30 Social security and medicare	254,446	190,850	129,037	135,214	138,296	142,864	23,782	26,339	26,431
31 Income security	128,200	120,686	59,457	60,786	59,628	62,248	10,273	7,931	11,460
32 Veterans benefits and services	26,352	26,614	14,527	12,193	14,497	12,264	2,047	2,440	3,368
33 Administration of justice	6,277	6,555	3,212	3,352	3,360	3,626	646	690	754
34 General government	5,228	6,796	3,634	3,566	2,786	3,238	358	1,448	209
35 General-purpose fiscal assistance	6,353	6,430	3,391	2,179	2,767	455	62	54	167
36 Net interest[5]	129,436	135,284	67,448	68,054	65,816	70,110	12,284	10,010	11,711
37 Undistributed offsetting receipts[6]	−32,759	−33,244	−17,953	−17,193	−17,426	−18,005	−2,626	−3,069	−2,831

1. Old-age, disability, and hospital insurance, and railroad retirement accounts.
2. Old-age, disability, and hospital insurance.
3. Federal employee retirement contributions and civil service retirement and disability fund.
4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
5. Net interest function includes interest received by trust funds.
6. Consists of rents and royalties on the outer continental shelf and U.S. government contributions for employee retirement.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," and the *Budget of the U.S. Government, Fiscal Year 1988*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1985				1986				1987
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 **Federal debt outstanding**	**1,715.1**	**1,779.0**	**1,827.5**	**1,950.3**	**1,991.1**	**2,063.6**	**2,129.5**	**2,218.9**	**2,250.7**
2 Public debt securities	1,710.7	1,774.6	1,823.1	1,945.9	1,986.8	2,059.3	2,125.3	2,214.8	2,246.7
3 Held by public	1,415.2	1,460.5	1,506.6	1,597.1	1,634.3	1,684.9	1,742.4	1,811.7	1,839.3
4 Held by agencies	295.5	314.2	316.5	348.9	352.6	374.4	382.9	403.1	407.5
5 Agency securities	4.4	4.4	4.4	4.4	4.3	4.3	4.2	4.0	4.0
6 Held by public	3.3	3.3	3.3	3.3	3.2	3.2	3.2	3.0	2.9
7 Held by agencies	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
8 **Debt subject to statutory limit**	**1,711.4**	**1,775.3**	**1,823.8**	**1,932.4**	**1,973.3**	**2,060.0**	**2,111.0**	**2,200.5**	**2,232.4**
9 Public debt securities	1,710.1	1,774.0	1,822.5	1,931.1	1,972.0	2,058.7	2,109.7	2,199.3	2,231.1
10 Other debt[1]	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
11 MEMO: Statutory debt limit	1,823.8	1,823.8	1,823.8	2,078.7	2,078.7	2,078.7	2,111.0	2,300.0	2,300.0

1. Includes guaranteed debt of Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCES. *Treasury Bulletin* and *Monthly Statement of the Public Debt of the United States*.

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1983	1984	1985	1986	1986			1987
					Q2	Q3	Q4	Q1
1 **Total gross public debt**	**1,410.7**	**1,663.0**	**1,945.9**	**2,214.8**	**2,059.3**	**2,125.3**	**2,214.8**	**2,246.7**
By type								
2 Interest-bearing debt	1,400.9	1,660.6	1,943.4	2,212.0	2,056.7	2,122.7	2,212.0	2,244.0
3 Marketable	1,050.9	1,247.4	1,437.7	1,619.0	1,498.2	1,564.3	1,619.0	1,635.7
4 Bills	343.8	374.4	399.9	426.7	396.9	410.7	426.7	406.2
5 Notes	573.4	705.1	812.5	927.5	869.3	896.9	927.5	955.3
6 Bonds	133.7	167.9	211.1	249.8	232.3	241.7	249.8	259.3
7 Nonmarketable[1]	350.0	413.2	505.7	593.1	558.5	558.4	593.1	608.3
8 State and local government series	36.7	44.4	87.5	110.5	98.2	102.4	110.5	118.5
9 Foreign issues[2]	10.4	9.1	7.5	4.7	5.3	4.1	4.7	4.9
10 Government	10.4	9.1	7.5	4.7	5.3	4.1	4.7	4.9
11 *Public*	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	70.7	73.1	78.1	90.6	82.3	85.6	90.6	93.0
13 Government account series[3]	231.9	286.2	332.2	386.9	372.3	365.9	386.9	391.4
14 Non-interest-bearing debt	9.8	2.3	2.5	2.8	2.6	2.6	2.8	2.7
By holder[4]								
15 U.S. government agencies and trust funds	236.3	289.6	348.9	403.1	374.4	382.9	403.1	407.5
16 Federal Reserve Banks	151.9	160.9	181.3	211.3	183.8	190.8	211.3	n.a.
17 Private investors	1,022.6	1,212.5	1,417.2	1,602.0	1,502.7	1,553.3	1,602.0	1,641.4
18 Commercial banks	188.8	183.4	192.2	225.0	197.2	212.5	225.0	232.0
19 Money market funds	22.8	25.9	25.1	28.6	22.8	24.9	28.6	18.8
20 Insurance companies	56.7	76.4	95.8	106.9	97.7	100.9	106.9	n.a.
21 Other companies	39.7	50.1	59.0	68.8	61.2	65.7	68.8	72.1
22 State and local Treasurys	155.1	179.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Individuals								
23 Savings bonds	71.5	74.5	79.8	92.3	83.8	87.1	92.3	94.7
24 Other securities	61.9	69.3	75.0	70.4	75.7	70.9	70.4	68.4
25 Foreign and international[5]	166.3	192.9	214.6	257.0	239.8	256.3	257.0	272.1
26 Other miscellaneous investors[6]	259.8	360.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration; depository bonds, retirement plan bonds, and individual retirement bonds.

2. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.

3. Held almost entirely by U.S. Treasury agencies and trust funds.

4. Data for Federal Reserve Banks and U.S. Treasury agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

5. Consists of investments of foreign and international accounts. Excludes non-interest-bearing notes issued to the International Monetary Fund.

6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally-sponsored agencies.

SOURCES. Data by type of security, U.S. Treasury Department, *Monthly Statement of the Public Debt of the United States*; data by holder, *Treasury Bulletin*.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transaction[1]

Par value; averages of daily figures, in millions of dollars

	Item	1984	1985	1986	1987			1987					
					May^r	June^r	July	June 24	July 1	July 8	July 15	July 22	July 29
	Immediate delivery[2]												
1	**U.S. Treasury securities**	**52,778**	**75,331**	**95,447**	**116,376**	**110,375**	**90,988**	**103,585**	**112,717**	**94,223**	**93,990**	**85,192**	**81,505**
	By maturity												
2	Bills	26,035	32,900	34,249	36,915	35,309	32,410	26,908	37,942	36,439	33,263	26,649	26,112
3	Other within 1 year	1,305	1,811	2,115	3,084	3,446	3,575	2,585	4,052	3,854	3,420	2,846	4,050
4	1–5 years	11,733	18,361	24,667	30,992	26,593	22,177	30,174	26,978	21,306	22,022	21,387	19,434
5	5–10 years	7,606	12,703	20,455	22,726	27,509	19,410	25,792	28,681	20,042	20,684	20,421	18,083
6	Over 10 years	6,099	9,556	13,961	22,660	17,518	13,416	18,127	15,065	12,581	14,601	13,890	13,827
	By type of customer												
7	U.S. government securities dealers	2,919	3,336	3,646	2,801	2,822	2,396	2,243	3,766	3,317	2,300	2,153	1,554
8	U.S. government securities brokers	25,580	36,222	49,368	63,082	58,797	48,812	55,136	59,572	49,776	50,812	46,773	45,987
9	All others[3]	24,278	35,773	42,218	49,815	47,962	38,971	46,206	49,378	41,128	40,878	36,265	33,964
10	Federal agency securities	7,846	11,640	16,746	19,695	18,625	17,918	20,413	17,798	16,663	23,650	19,097	13,042
11	Certificates of deposit	4,947	4,016	4,355	3,880	3,973	3,938	3,649	3,788	4,667	4,249	3,813	3,523
12	Bankers acceptances	3,243	3,242	3,272	2,762	2,740	3,143	2,352	3,136	3,528	3,543	2,897	2,733
13	Commercial paper	10,018	12,717	16,660	18,375	17,227	17,882	15,493	19,523	19,782	18,515	16,645	15,576
	Futures contracts[4]												
14	Treasury bills	6,947	5,561	3,311	4,128	2,810	2,080	2,021	2,351	1,549	2,029	1,777	2,507
15	Treasury coupons	4,533	6,085	7,175	10,374	8,001	6,813	6,723	6,471	6,179	7,361	6,350	7,178
16	Federal agency securities	264	252	16	6	13	6	19	0	8	0	0	21
	Forward transactions[5]												
17	U.S. Treasury securities	1,364	1,283	1,876	2,841	1,869	819	2,544	1,695	993	994	781	653
18	Federal agency securities	2,843	3,857	7,830	11,951	9,875	9,854	10,570	5,961	8,355	13,647	11,277	7,603

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers.

Averages for transactions are based on the number of trading days in the period. The figures exclude allotments of, and exchanges for, new U.S. Treasury securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

2. Data for immediate transactions do not include forward transactions.

3. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.

4. Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.

5. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for Treasury securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Averages of daily figures, in millions of dollars

	Item	1984	1985	1986	1987 May	1987 June	1987 July	1987 July 1	1987 July 8	1987 July 15	1987 July 22	1987 July 29
	Positions											
	Net immediate[2]											
1	**U.S. Treasury securities**	**5,429**	**7,391**	**13,055**	**−13,475**	**−8,006r**	**−8,888**	**−7,442**	**−3,314**	**−4,151**	**−8,315**	**−15,551**
2	Bills	5,500	10,075	12,723	5,943r	2,240r	5,018	1,948	7,374	8,860	6,244	657
3	Other within 1 year	63	1,050	3,699	3,527r	2,106r	1,259	1,508	1,835	1,201	1,497	1,228
4	1–5 years	2,159	5,154	9,297	1,072	371	−2,326	2,473	389	1,060	3,393	4,937
5	5–10 years	−1,119	6,202	9,504	−7,636r	7,525r	−6,999	−7,120	−6,799	−6,916	−6,799	7,271
6	Over 10 years	−1,174	2,686	3,161	4,494r	5,197	5,839	6,251	6,114	6,235	5,863	5,229
7	Federal agency securities	15,294	22,860	33,066	32,760	32,014r	33,197	31,002	32,074	34,430	35,128	31,869
8	Certificates of deposit	7,369	9,192	10,533	8,996	8,612	7,414	7,933	7,492	7,597	7,266	7,093
9	Bankers acceptances	3,874	4,586	5,535	3,712	3,777	3,188	3,916	3,915	3,315	2,915	2,689
10	Commercial paper	3,788	5,570	8,087	6,588	7,202r	6,462	6,667	6,673	6,338	6,125	6,393
	Futures positions											
11	Treasury bills	4,525	−7,322	−18,062	1,779	585r	918	45	2,051	1,297	629	90
12	Treasury coupons	1,794	4,465	3,489	2,609	3,181r	6,196	4,136	4,960	5,630	6,684	7,326
13	Federal agency securities	233	722	153	98	100	−96	96	96	−96	−96	−96
	Forward positions											
14	U.S. Treasury securities	1,643	911	2,304	4,292r	921	1,759	−1,005	−1,486	1,433	1,666	2,419
15	Federal agency securities	−9,205	9,420	11,909	−20,339	−19,241r	−20,161	17,725	−19,285	21,431	−21,718	18,733
	Financing[3]											
	Reverse repurchase agreements[4]											
16	Overnight and continuing	44,078	68,035	98,954	122,078	100,701	124,938	126,344	113,887	124,534	125,703	133,211
17	Term agreements	68,357	80,509	108,693	151,163	149,724	150,323	144,974	143,952	149,616	149,427	156,483
	Repurchase agreements[5]											
18	Overnight and continuing	75,717	101,410	141,735	165,707	172,523	168,870	175,758	165,780	170,584	168,703	166,552
19	Term agreement	57,047	70,076	102,640	124,599	121,818	120,198	112,881	110,193	117,249	123,135	129,083

1. Data for dealer positions and sources of financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. Treasury securities dealers on its published list of primary dealers.

Data for positions are averages of daily figures, in terms of par value, based on the number of trading days in the period. Positions are net amounts and are shown on a commitment basis. Data for financing are in terms of actual amounts borrowed or lent and are based on Wednesday figures.

2. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs). The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Immediate positions include reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. Data for immediate positions do not include forward positions.

3. Figures cover financing involving U.S. Treasury and federal agency securities, negotiable CDs, bankers acceptances, and commercial paper.

4. Includes all reverse repurchase agreements, including those that have been arranged to make delivery on short sales and those for which the securities obtained have been used as collateral on borrowings, that is, matched agreements.

5. Includes both repurchase agreements undertaken to finance positions and "matched book" repurchase agreements.

NOTE. Data on positions for the period May 1 to Sept. 30, 1986, are partially estimated.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1984	1985	1986	1987					
				Jan.	Feb.	Mar.	Apr.	May	June
1 **Federal and federally sponsored agencies**	**271,220**	**293,905**	**307,361**	**305,114**	**305,603**	**305,033**r	**306,909**	**308,547**	
2 Federal agencies	35,145	36,390	36,958	37,041	37,073	36,660	36,531	36,587	
3 Defense Department[1]	142	71	33	32	27	24	23	21	
4 Export-Import Bank[2,3]	15,882	15,678	14,211	14,211	14,211	13,813	13,813	13,813	
5 Federal Housing Administration[4]	133	115	138	136	147	158	165	168	n.a.
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	2,165	2,165	2,165	2,165	1,965	1,965	
7 Postal Service[6]	1,337	1,940	3,104	3,104	3,104	3,104	3,104	3,104	
8 Tennessee Valley Authority	15,435	16,347	17,222	17,308	17,334	17,311	17,376	17,431	
9 United States Railway Association[6]	51	74	85	85	85	85	85	85	
10 Federally sponsored agencies[7]	237,012r	257,515	270,553r	268,073	268,530	266,948r	270,378	271,960	
11 Federal Home Loan Banks	65,085	74,447	88,752	90,225	91,313	92,087	94,606	95,931	99,680
12 Federal Home Loan Mortgage Corporation	10,270	11,926	13,589	13,492	13,847	13,074r	14,850	14,637	n.a.
13 Federal National Mortgage Association	83,720	93,896	93,563	92,588	91,522	91,618	89,741	90,514	91,039
14 Farm Credit Banks	72,192r	68,851	62,478r	59,984	59,367	57,613r	57,251	56,648	56,601r
15 Student Loan Marketing Association[8]	5,745	8,395	12,171	11,784	12,481	12,556r	13,930	14,230	14,422r
MEMO									
16 **Federal Financing Bank debt**[9]	**145,217**	**153,373**	**157,510**	**157,650**	**157,724**	**157,012**	**157,177**	**157,331**	
Lending to federal and federally sponsored agencies									
17 Export-Import Bank[3]	15,852	15,670	14,205	14,205	14,205	13,807	13,807	13,807	
18 Postal Service[6]	1,087	1,690	2,854	2,854	2,854	2,854	2,854	2,854	
19 Student Loan Marketing Association	5,000	5,000	4,970	4,970	4,970	4,970	4,970	4,970	n.a.
20 Tennessee Valley Authority	13,710	14,622	15,797	15,928	15,954	15,931	15,996	16,051	
21 United States Railway Association[6]	51	74	85	85	85	85	85	85	
Other Lending[10]									
22 Farmers Home Administration	58,971	64,234	65,374	65,374	65,374	65,224	65,254	65,304	
23 Rural Electrification Administration	20,693	20,654	21,680	21,719	21,749	21,473	21,487	21,525	
24 Other	29,853	31,429	32,545	32,515	32,533	32,668	32,724	32,735	

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. *Includes participation certificates reclassified as debt beginning Oct. 1, 1976.*
3. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Some data are estimated.
8. *Before late 1981, the Association obtained financing through the Federal Financing Bank (FFB).*
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.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1984	1985	1986r	1986 Dec.	1987 Jan.	Feb.	Mar.	Apr.	May	June r	July
1 **All issues, new and refunding**[1]	**106,641**	**214,189**	**147,011**	**15,662**	**7,343**	**8,969**	**14,591**	**6,849**	**6,037**	**10,718**	**6,755**
Type of issue											
2 General obligation	26,485	52,622	46,346	4,426	1,100	3,643	3,853	3,449	2,872	3,329	2,271
3 Revenue	80,156	161,567	100,664	11,236	6,243	5,325	10,738	3,405	3,165	7,389	4,484
Type of issuer											
4 State	9,129	13,004	14,474	966r	153	1,364	1,217	427	1,001	1,125	803
5 Special district and statutory authority[2]	63,550	134,363	89,997	10,431	5,275	5,825	10,004	4,790	3,019	6,453	3,836
6 Municipalities, counties, townships	33,962	78,754r	42,541	4,265	1,915	1,781	3,370	1,637	2,017	3,127	2,101
7 ***Issues for new capital, total***	**94,050**	**156,050**	**83,490**	**10,050**	**1,930**	**2,774**	**4,480**	**3,237**	**3,848**	**7,552**	**4,672**
Use of proceeds											
8 Education	7,553	16,658	16,948	925	452	448	659	774	789	1,554	853
9 Transportation	7,552	12,070	11,666	356	92	145	111	98	194	705	644
10 Utilities and conservation	17,844	26,852	35,383	1,165	681	482	444	571	561	1,410	805
11 Social welfare	29,928	63,181	17,332	2,930r	380	527	991	468	454	1,082	622
12 Industrial aid	15,415	12,892	5,594	2,845	38	89	368	33	161	401	407
13 Other purposes	15,758	24,398	47,433	1,829	286	1,084	1,907	1,295	1,689	2,399	1,341

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts beginning April 1986.

SOURCES. Securities Data Company beginning April 1986. Public Securities Association for earlier data. This new data source began with the November BULLETIN.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue or issuer, or use	1984	1985	1986	1986 Nov.	Dec.	1987 Jan.	Feb.	Mar.	Apr.	May	June
1 **All issues**[1]	**132,531**	**201,269**	**375,056**	**31,588**	**27,206**	**24,168**	**27,048**	**37,953**	**23,735**	**19,969**	**27,513**
2 **Bonds**[2]	**109,903**	**165,754**	**313,226**	**24,989**	**20,958**	**21,253**	**23,281**	**28,143**	**19,518**	**13,431**	**21,269**
Type of offering											
3 Public, domestic	73,579	119,559	232,465	22,028	18,920	20,250	20,274	23,388	17,634	11,394	20,000
4 Private placement, domestic[3]	36,324	46,195	80,761	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5. Sold abroad	22,613	37,781	42,596	2,961	2,038	1,003	3,007	4,755	1,884	2,037	1,529
Industry group											
6 Manufacturing	24,607	52,128	78,584	3,928	4,153	4,638	4,253	7,180	2,734	5,035	4,104
7 Commercial and miscellaneous	13,726	15,140	37,277	1,621	2,432	1,253	1,884	4,261	1,683	754	2,057
8 Transportation	4,694	5,743	9,734	0	70	0	176	521	168	21	0
9 Public utility	10,679	12,957	31,058	2,587	2,498	1,491	2,715	794	1,370	572	2,034
10 Communication	2,997	10,456	15,489	1,158	776	65	410	710	175	138	205
11 Real estate and financial	53,199	69,332	141,086	15,696	11,029	13,806	13,844	14,678	13,389	6,912	12,869
12 **Stocks**[3]	**22,628**	**35,515**	**68,433**	**6,599**	**6,248**	**2,915**	**3,767**	**9,810**	**4,217**	**6,538**	**6,244**
Type											
13 Preferred	4,118	6,505	11,514	1,390	1,293	429	905	2,257	526	1,170	1,177
14 Common	18,510	29,010	50,316	5,209	4,955	2,486	2,862	7,553	3,691	5,368	5,067
15 Private placement[3]	....	....	6,603	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
16 Manufacturing	4,054	5,700	15,027	2,565	1,781	365	814	2,016	653	1,066	1,505
17 Commercial and miscellaneous	6,277	9,149	10,617	535	709	148	437	2,366	2,203	1,516	1,149
18 Transportation	589	1,544	2,427	15	183	0	191	299	230	3	132
19 Public utility	1,624	1,966	4,020	218	873	237	509	907	297	374	689
20 Communication	419	978	1,825	104	101	16	9	57	18	200	511
21 Real estate and financial	9,665	16,178	34,517	3,162	2,601	2,149	1,807	4,165	816	3,379	2,258

1. Figures, which represent gross proceeds of issues maturing in more than one year, are principal amount or number of units multiplied by offering price. Excludes secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data include only public offerings.
3. Data are not available on a monthly basis.

SOURCES. IDD Information Services, Inc., U.S. Securities and Exchange Commission and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1985	1986	1986		1987					
			Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
INVESTMENT COMPANIES[1]										
1 **Sales of own shares[2]**	**222,670**	**411,483**	**33,672**	**44,796**	**50,116**	**36,307**	**40,378**	**42,857**	**28,295**	**28,652**
2 Redemptions of own shares[3]	132,440	239,394	20,724	34,835	26,565	21,576	24,730	37,448	23,453	23,707
3 Net sales	90,230	172,089	12,948	9,961	23,551	14,731	15,648	5,409	4,842	4,945
4 **Assets[4]**	**251,695**	**424,156**	**416,939**	**424,156**	**464,415**	**490,643**	**506,752**	**502,487**	**500,634**	**516,819**
5 Cash position[5]	20,607	30,716	29,579	30,716	34,098	35,279	37,090	43,009	39,158	41,537
6 Other	231,088	393,440	387,360	393,440	430,317	455,364	469,662	459,478	461,476	475,282

1. Excluding money market funds.
2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short-term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1984	1985	1986	1985		1986				1987	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1 Corporate profits with inventory valuation and capital consumption adjustment	266.9	277.6	284.4	292.8	277.8	288.0	282.3	286.4	281.1	294.0	296.8
2 Profits before tax	239.9	224.8	231.9	230.2	233.5	218.9	224.4	236.3	247.9	257.0	268.7
3 Profits tax liability	93.9	96.7	105.0	100.5	99.1	98.1	102.1	106.1	113.9	128.0	134.2
4 Profits after tax	146.1	128.1	126.8	129.7	134.4	120.9	122.3	130.2	134.0	129.0	134.5
5 Dividends	79.0	81.3	86.8	81.2	81.7	84.3	86.6	87.7	88.6	90.3	92.4
6 Undistributed profits	67.0	46.8	40.0	48.5	52.7	36.6	35.7	42.5	45.4	38.7	42.2
7 Inventory valuation	-5.8	-.8	6.5	6.5	-9.8	17.8	11.3	6.0	-8.9	-11.3	-20.0
8 Capital consumption adjustment	32.8	53.5	46.0	56.0	54.2	51.3	46.7	44.0	42.1	48.2	48.0

SOURCE. *Survey of Current Business* (Department of Commerce).

1.49 NONFINANCIAL CORPORATIONS Assets and Liabilities[1]

Billions of dollars, except for ratio

Account	1980	1981	1982	1983	1984	1985				1986
						Q1	Q2	Q3	Q4	Q1
1 **Current assets**	**1,328.3**	**1,419.6**	**1,437.1**	**1,565.9**	**1,703.0**	**1,722.7**	**1,734.6**	**1,763.0**	**1,784.6**	**1,795.7**
2 Cash	127.0	135.6	147.8	171.8	173.6	167.5	167.1	176.3	189.2	195.3
3 U.S. government securities	18.7	17.7	23.0	31.0	36.2	35.7	35.4	32.6	33.0	31.0
4 Notes and accounts receivable	507.5	532.5	517.4	583.0	633.1	650.3	654.1	661.0	671.5	663.4
5 Inventories	543.0	584.0	579.0	603.4	656.9	665.7	666.7	675.0	666.0	679.6
6 Other	132.1	149.7	169.8	186.7	203.2	203.5	211.2	218.0	224.9	226.3
7 **Current liabilities**	**890.6**	**971.3**	**986.0**	**1,059.6**	**1,163.6**	**1,174.1**	**1,182.9**	**1,211.9**	**1,233.6**	**1,222.3**
8 Notes and accounts payable	514.4	547.1	550.7	595.7	647.8	636.9	651.7	670.4	682.7	668.4
9 Other	376.2	424.1	435.3	463.9	515.8	537.1	531.2	541.5	550.9	553.9
10 **Net working capital**	**437.8**	**448.3**	**451.1**	**516.3**	**539.5**	**548.6**	**551.7**	**551.1**	**551.0**	**573.4**
11 MEMO: Current ratio[2]	1.492	1.462	1.459	1.487	1.464	1.467	1.466	1.455	1.447	1.469

1. For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533-37. Data are not currently available after 1986:1.

2. Ratio of total current assets to total current liabilities.

SOURCE. Federal Trade Commission and Bureau of the Census.

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry	1985	1986	1987[1]	1985	1986				1987		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2[1]	Q3[1]
1 **Total nonfarm business**	**387.13**	**379.27**	**390.89**	**397.88**	**377.94**	**375.92**	**374.55**	**388.69**	**372.24**	**392.02**	**397.06**
Manufacturing											
2 Durable goods industries	73.27	69.08	70.86	75.47	68.01	68.33	69.31	70.68	69.72	73.06	71.84
3 Nondurable goods industries	80.21	73.65	75.05	82.79	76.02	73.35	69.89	75.33	69.65	73.83	76.61
Nonmanufacturing											
4 Mining	15.88	11.25	10.45	15.25	12.99	11.22	10.15	10.63	10.17	10.85	10.60
Transportation											
5 Railroad	7.08	6.63	6.06	6.74	6.22	6.77	7.31	6.25	5.29	6.32	6.84
6 Air	4.79	6.26	6.76	6.07	6.58	5.77	5.69	6.99	7.55	6.76	6.36
7 Other	6.15	5.86	6.58	6.34	5.42	5.74	6.03	6.24	5.93	6.39	6.82
Public utilities											
8 Electric	36.11	33.93	32.93	36.38	34.21	33.81	33.91	33.78	30.81	33.51	33.97
9 Gas and other	12.71	12.51	12.71	13.41	12.82	12.74	11.99	12.49	12.63	12.43	12.82
10 Commercial and other[2]	150.93	160.10	169.50	155.42	155.67	158.18	160.25	166.31	160.49	168.86	171.19

▲Trade and services are no longer being reported separately. They are included in Commercial and other, line 10.

1. Anticipated by business.

2. "Other" consists of construction; wholesale and retail trade; finance and insurance; personal and business services; and communication.

SOURCE. *Survey of Current Business* (Department of Commerce).

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1982	1983	1984	1985	1986				1987	
					Q1	Q2	Q3	Q4	Q1	Q2
ASSETS										
Accounts receivable, gross										
1 Consumer	75.3	83.3	89.9	113.4	117.2	125.1	137.1	136.5	133.9	136.9
2 Business	100.4	113.4	137.8	158.3	165.9	167.7	161.0	174.8	182.8	189.0
3 Real estate	18.7	20.5	23.8	28.9	29.9	30.8	32.1	33.7	35.1	36.3
4 Total	194.3	217.3	251.5	300.6	312.9	323.6	330.2	345.0	351.8	362.1
Less:										
5 Reserves for unearned income	29.9	30.3	33.8	39.2	40.0	40.7	42.4	41.4	40.4	41.2
6 Reserves for losses	3.3	3.7	4.2	4.9	5.0	5.1	5.4	5.8	5.9	6.2
7 Accounts receivable, net	161.1	183.2	213.5	256.5	268.0	277.8	282.4	297.8	305.5	314.8
8 All other	30.4	34.4	35.7	45.3	48.8	48.8	59.9	57.9	59.0	57.0
9 **Total assets**	**191.5**	**217.6**	**249.2**	**301.9**	**316.8**	**326.6**	**342.3**	**355.6**	**364.5**	**371.8**
LIABILITIES										
10 Bank loans	16.5	18.3	20.0	20.6	19.0	19.2	20.2	22.2	17.3	17.2
11 Commercial paper	51.4	60.5	73.1	99.2	104.3	108.4	112.8	117.8	119.1	118.7
Debt										
12 Other short-term	11.9	11.1	12.9	12.5	13.4	15.4	16.0	17.2	21.6	24.2
13 Long-term	63.7	67.7	77.2	93.1	101.0	105.2	109.8	115.6	118.4	120.4
14 All other liabilities	21.6	31.2	34.5	40.9	42.3	40.1	44.1	43.4	46.3	48.1
15 Capital, surplus, and undivided profits	26.4	28.9	31.5	35.7	36.7	38.4	39.4	39.4	41.8	43.1
16 **Total liabilities and capital**	**191.5**	**217.6**	**249.2**	**301.9**	**316.8**	**326.6**	**342.3**	**355.6**	**364.5**	**371.8**

NOTE. *Components may not add to totals because of rounding.*

1.52 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding June 30, 1987[1]	Changes in accounts receivable			Extensions			Repayments		
		1987			1987			1987		
		Apr.	May	June	Apr.	May	June	Apr.	May	June
1 **Total**	**188,999**	**3,534**	**2,904**	**1,714**	**29,212**	**28,101**	**30,390**	**25,678**	**25,197**	**28,677**
Retail financing of installment sales										
2 Automotive (commercial vehicles)	29,409	750	739	691	1,200	1,507	1,259	449	768	568
3 Business, industrial, and farm equipment	23,421	4	310	623	1,352	1,460	1,699	1,349	1,150	1,076
Wholesale financing										
4 Automotive	30,328	620	1,133	298	11,474	10,709	11,701	10,854	9,577	11,404
5 Equipment	5,558	76	−16	115	690	513	591	614	530	476
6 All other	8,532	−25	75	−256	3,056	2,964	3,246	3,082	2,889	3,502
Leasing										
7 Automotive	20,508	515	−78	3	1,136	1,455	1,171	622	1,533	1,168
8 Equipment	39,695	582	182	−14	970	838	1,019	388	655	1,033
9 Loans on commercial accounts receivable and factored commercial accounts receivable	16,701	723	96	−117	8,122	7,262	8,150	7,399	7,166	8,268
10 All other business credit	14,847	290	464	371	1,211	1,394	1,554	921	929	1,183

These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

1. Not seasonally adjusted.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1984	1985	1986	1987 Jan.	Feb.	Mar.	Apr.	May	June	July
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	96.8	104.1	118.1	132.6	135.6	130.2	136.9	132.9	131.8	129.0
2 Amount of loan (thousands of dollars)	73.7	77.4	86.2	97.3	99.1	95.0	100.9	99.0	97.5	96.0
3 Loan/price ratio (percent)	78.7	77.1	75.2	75.5	75.3	74.3	75.2	76.1	75.9	76.0
4 Maturity (years)	27.8	26.9	26.6	27.7	27.6	27.1	27.1	28.0	28.0	28.0
5 Fees and charges (percent of loan amount)[2]	2.64	2.53	2.48	2.23	2.21	2.20	2.23	2.26	2.40	2.50
6 Contract rate (percent per annum)	11.87	11.12	9.82	9.14	8.87	8.77	8.84	8.99	9.05	9.03
Yield (percent per year)										
7 FHLBB series[3]	12.37	11.58	10.25	9.51	9.23	9.14	9.21	9.37	9.45	9.44
8 HUD series[4]	13.80	12.28	10.07	6.30r	6.40r	6.45r	6.55r	6.65r	6.70r	6.70
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series)[5]	13.81	12.24	9.91	8.79	8.81	8.94	10.02	10.61	10.33	n.a.
10 GNMA securities[6]	13.13	11.61	9.30	8.46	8.28	8.18	8.85	9.40	9.50	9.59
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	83,339	94,574	98,048	96,382	95,514	95,140	94,404	94,064	94,064	94,154
12 FHA/VA-insured	35,148	34,244	29,683	22,178	22,063	21,843	21,765	21,999	21,892	21,730
13 Conventional	48,191	60,331	68,365	74,204	73,451	73,297	72,639	72,065	72,173	72,424
Mortgage transactions (during period)										
14 Purchases	16,721	21,510	30,826	1,346	979	1,435	2,118	1,718	1,690	1,569
Mortgage commitments[7]										
15 Contracted (during period)	21,007	20,155	32,987	948	912	2,805	3,208	1,726	1,745	2,373
16 Outstanding (end of period)	6,384	3,402	3,386	2,258	2,175	3,539	4,421	4,410	4,448	5,071
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	9,283	12,399	13,517	12,986	12,911	12,940	12,492	12,442		
18 FHA/VA	910	841	746	686	722	717	708	688		
19 Conventional	8,373	11,559	12,771	12,300	12,189	12,223	11,784	11,754		
Mortgage transactions (during period)										
20 Purchases	21,886	44,012	103,474	7,950	7,961	9,394	9,777	7,995	n.a.	n.a.
21 Sales	18,506	38,905	100,236	8,269	7,840	9,143	9,357	7,767		
Mortgage commitments[9]										
22 Contracted (during period)	32,603	48,989	110,855	7,685	9,197	9,669	8,408	7,182		

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month. Large monthly movements in average yields may reflect market adjustments to changes in maximum permissable contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
8. Includes participation as well as whole loans.
9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

	Type of holder, and type of property	1984[r]	1985[r]	1986[r]	1986[r] Q2	1986[r] Q3	1986[r] Q4	1987 Q1[r]	1987 Q2
1	**All holders**	**2,035,238**	**2,269,173**	**2,565,867**	**2,386,022**	**2,471,574**	**2,565,867**	**2,659,478**	**2,744,720**
2	1- to 4-family	1,318,545	1,467,409	1,666,357	1,544,392	1,607,799	1,666,357	1,709,794	1,770,342
3	Multifamily	185,604	214,045	246,879	229,405	237,661	246,879	259,286	266,941
4	Commercial	419,444	482,029	555,825	511,038	526,535	555,825	597,082	615,839
5	Farm	111,645	105,690	96,806	101,187	99,579	96,806	93,316	91,598
6	Selected financial institutions	1,269,702	1,390,394	1,506,422	1,435,437	1,464,213	1,506,422	1,557,550	1,601,315
7	Commercial banks[2]	379,498	429,196	502,534	456,163	474,658	502,534	517,271	542,575
8	1- to 4-family	196,163	213,434	235,814	221,640	228,593	235,814	241,512	251,701
9	Multifamily	20,264	23,373	31,173	26,799	28,623	31,173	31,745	33,585
10	Commercial	152,894	181,032	222,799	195,484	204,996	222,799	230,771	243,399
11	Farm	10,177	11,357	12,748	12,240	12,446	12,748	13,243	13,890
12	Savings institutions[3]	709,718	760,499	777,312	768,435	772,175	777,312	809,967	823,217
13	1- to 4-family	528,791	554,301	558,412	556,039	557,938	558,412	557,065	567,262
14	Multifamily	75,567	89,739	97,059	92,563	94,227	97,059	103,698	105,649
15	Commercial	104,896	115,771	121,236	119,195	119,406	121,236	148,688	149,804
16	Farm	464	688	605	638	604	605	516	502
17	Life insurance companies	156,699	171,797	192,975	180,041	185,269	192,975	195,225	198,625
18	1- to 4-family	14,120	12,381	12,763	12,608	12,927	12,763	12,763	12,763
19	Multifamily	18,938	19,894	20,847	20,181	20,709	20,847	20,797	20,797
20	Commercial	111,175	127,670	148,367	135,924	140,213	148,367	151,167	154,767
21	Farm	12,466	11,852	10,998	11,328	11,420	10,998	10,498	10,298
22	Finance companies[4]	23,787	28,902	33,601	30,798	32,111	33,601	35,087	36,898
23	Federal and related agencies	158,993	166,928	203,800	161,398	159,505	203,800	199,509	195,972
24	Government National Mortgage Association	2,301	1,473	889	876	887	889	687	665
25	1- to 4-family	585	539	47	49	48	47	46	45
26	Multifamily	1,716	934	842	827	839	842	641	620
27	Farmers Home Administration[5]	1,276	733	48,421	570	457	48,421	48,203	48,085
28	1- to 4-family	213	183	21,625	146	132	21,625	21,390	21,157
29	Multifamily	119	113	7,608	66	57	7,608	7,710	7,808
30	Commercial	497	159	8,446	111	115	8,446	8,463	8,553
31	Farm	447	278	10,742	247	153	10,742	10,640	10,567
32	Federal Housing and Veterans Administration	4,816	4,920	5,047	5,094	4,966	5,047	5,177	5,254
33	1- to 4-family	2,048	2,254	2,386	2,449	2,331	2,386	2,447	2,504
34	Multifamily	2,768	2,666	2,661	2,645	2,635	2,661	2,730	2,750
35	Federal National Mortgage Association	87,940	98,282	97,895	97,295	97,717	97,895	95,140	94,064
36	1- to 4-family	82,175	91,966	90,718	90,460	90,508	90,718	88,106	87,013
37	Multifamily	5,765	6,316	7,177	6,835	7,209	7,177	7,034	7,051
38	Federal Land Banks	52,261	47,498	39,984	43,369	42,119	39,984	37,362	35,562
39	1- to 4-family	3,074	2,798	2,353	2,552	2,478	2,353	2,198	2,092
40	Farm	49,187	44,700	37,631	40,817	39,641	37,631	35,164	33,470
41	Federal Home Loan Mortgage Corporation	10,399	14,022	11,564	14,194	13,359	11,564	12,940	12,342
42	1- to 4-family	9,654	11,881	10,010	11,890	11,127	10,010	11,774	10,820
43	Multifamily	745	2,141	1,554	2,304	2,232	1,554	1,166	1,522
44	Mortgage pools or trusts[6]	332,057	415,042	529,763	475,615	522,721	529,763	571,705	612,188
45	Government National Mortgage Association	179,981	212,145	260,869	229,204	241,230	260,869	277,386	290,512
46	1- to 4-family	175,589	207,198	255,132	223,838	235,664	255,132	271,065	283,892
47	Multifamily	4,392	4,947	5,737	5,366	5,566	5,737	6,321	6,620
48	Federal Home Loan Mortgage Corporation	70,822	100,387	171,372	125,903	146,871	171,372	186,295	200,064
49	1- to 4-family	70,253	99,515	166,667	123,676	143,734	166,667	180,602	194,064
50	Multifamily	569	872	4,705	2,227	3,137	4,705	5,693	6,000
51	Federal National Mortgage Association	36,215	54,987	97,174	72,377	86,359	97,174	107,673	121,270
52	1- to 4-family	35,965	54,036	95,791	71,153	85,171	95,791	106,068	119,540
53	Multifamily	250	951	1,383	1,224	1,188	1,383	1,605	1,730
54	Farmers Home Administration[5]	45,039	47,523	348	48,131	48,261	348	351	342
55	1- to 4-family	21,813	22,186	142	21,987	21,782	142	154	149
56	Multifamily	5,841	6,675	0	7,170	7,353	0	0	0
57	Commercial	7,559	8,190	132	8,347	8,409	132	127	126
58	Farm	9,826	10,472	74	10,627	10,717	74	70	67
59	Individuals and others[7]	274,486	296,809	325,882	313,572	325,135	325,882	330,714	335,245
60	1- to 4-family	154,315	165,835	180,896	175,107	183,255	180,896	179,517	180,442
61	Multifamily	48,670	55,424	66,133	61,198	63,886	66,133	70,146	72,809
62	Commercial	42,423	49,207	54,845	51,977	53,396	54,845	57,866	59,190
63	Farm	29,078	26,343	24,008	25,290	24,598	24,008	23,185	22,804

1. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not bank trust departments.
3. Includes savings banks and savings and loan associations. Beginning 1987:1, data reported by FSLIC-insured institutions include loans in process and other contra assets.
4. Assumed to be entirely 1- to 4-family loans.
5. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986: 4, because of accounting changes by the Farmers Home Administration.
6. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated.
7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and other U.S. agencies.

1.55 CONSUMER INSTALLMENT CREDIT[1,4] Total Outstanding, and Net Change, seasonally adjusted

Millions of dollars

Holder, and type of credit	1985	1986	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May^r	1987 June
	Amounts outstanding (end of period)										
1 **Total**	**522,805**	**577,784**	**576,874**	**577,656**	**577,784**	**578,578**	**579,591**	**579,913**	**583,595**	**583,276**	**586,737**
By major holder											
2 Commercial banks	242,084	261,604	260,940	262,949	261,604	261,694	262,105	261,933	263,433	263,463	264,167
3 Finance companies[2]	113,070	136,494	138,038	136,314	136,494	135,802	136,009	136,050	137,091	136,398	138,038
4 Credit unions	72,119	77,857	76,995	77,508	77,857	78,284	78,492	78,569	79,255	79,476	79,713
5 Retailers[3]	38,864	40,586	40,565	40,496	40,586	40,617	40,644	40,469	40,467	40,318	40,287
6 Savings institutions	52,433	58,037	57,046	57,168	58,037	58,906	59,031	59,488	59,826	60,045	60,999
7 Gasoline companies	4,235	3,205	3,289	3,221	3,205	3,276	3,311	3,405	3,522	3,576	3,532
By major type of credit											
8 Automobile	208,057	245,055	243,400	243,005	245,055	245,472	246,064	246,290	247,663	247,578	249,539
9 Commercial banks	93,003	100,709	99,385	100,221	100,709	101,389	101,688	101,528	101,781	102,189	102,652
10 Credit unions	35,635	39,029	38,597	38,854	39,029	39,243	39,347	39,386	39,730	39,841	39,959
11 Finance companies	70,091	93,274	93,786	92,188	93,274	92,617	92,780	93,032	93,738	93,089	94,270
12 Savings institutions	9,328	12,043	11,632	11,742	12,043	12,223	12,249	12,344	12,414	12,459	12,657
13 Revolving	122,021	134,938	133,816	134,391	134,938	134,916	135,663	135,166	136,706	136,869	137,258
14 Commercial banks	75,866	85,652	84,868	85,426	85,652	85,395	86,053	85,567	86,929	87,133	87,469
15 Retailers	34,695	36,240	36,190	36,137	36,240	36,277	36,308	36,141	36,139	36,009	35,971
16 Gasoline companies	4,235	3,205	3,289	3,221	3,205	3,276	3,311	3,405	3,522	3,576	3,532
17 Savings institutions	5,705	7,713	7,445	7,529	7,713	7,829	7,845	7,906	7,951	7,980	8,107
18 Credit unions	1,520	2,128	2,024	2,078	2,128	2,139	2,145	2,147	2,166	2,172	2,179
19 Mobile home	25,488	25,710	25,784	25,731	25,710	25,852	25,789	25,614	25,626	25,542	25,695
20 Commercial banks	9,538	8,812	9,025	8,951	8,812	8,787	8,739	8,725	8,698	8,615	8,617
21 Finance companies	9,391	9,028	9,149	9,091	9,028	9,077	9,045	8,823	8,816	8,785	8,807
22 Savings institutions	6,559	7,870	7,610	7,689	7,870	7,988	8,005	8,067	8,112	8,142	8,271
23 Other	167,239	172,081	173,874	174,529	172,081	172,338	172,076	172,844	173,600	173,287	174,245
24 Commercial banks	63,677	66,431	67,662	68,351	66,431	66,122	65,625	66,113	66,026	65,527	65,429
25 Finance companies	33,588	34,192	35,104	35,035	34,192	34,108	34,183	34,196	34,537	34,524	34,962
26 Credit unions	34,964	36,700	36,374	36,576	36,700	36,901	36,999	37,036	37,359	37,463	37,575
27 Retailers	4,169	4,346	4,375	4,359	4,346	4,340	4,336	4,327	4,328	4,310	4,315
28 Savings institutions	30,841	30,412	30,359	30,208	30,412	30,867	30,932	31,172	31,349	31,463	31,963
	Net change (during period)										
29 **Total**	**76,622**	**54,979**	**5,594**	**782**	**128**	**794**	**1,013**	**322**	**3,682**	**−319**	**3,461**
By major holder											
30 Commercial banks	32,926	19,520	1,950	2,009	−1,345	90	411	−172	1,500	30	704
31 Finance companies[2]	23,566	23,424	2,522	−1,724	180	−692	207	41	1,041	−693	1,640
32 Credit unions	6,493	5,738	696	513	349	427	208	77	686	221	237
33 Retailers[3]	1,660	1,722	110	−69	90	31	27	−175	−2	−149	−31
34 Savings institutions	12,103	5,604	359	122	869	869	125	457	338	219	954
35 Gasoline companies	−126	−1,030	−44	−68	−16	71	35	94	117	54	−44
By major type of credit											
36 Automobile	35,705	36,998	4,386	−395	2,050	417	592	226	1,373	−85	1,961
37 Commercial banks	9,103	7,706	1,328	836	488	680	299	−160	253	408	463
38 Credit unions	5,330	3,394	349	257	175	214	104	39	344	111	118
39 Finance companies	17,840	23,183	2,545	−1,598	1,086	−657	163	252	706	−649	1,181
40 Savings institutions	3,432	2,715	164	110	301	180	26	95	70	45	198
41 Revolving	22,401	12,917	693	575	547	−22	747	−497	1,540	163	389
42 Commercial banks	17,721	9,786	438	558	226	−257	658	−486	1,362	204	336
43 Retailers	1,488	1,545	104	−53	103	37	31	−167	−2	−130	−38
44 Gasoline companies	−126	−1,030	−44	−68	−16	71	35	94	117	54	−44
45 Savings institutions	2,771	2,008	137	84	184	116	16	61	45	29	127
46 Credit unions	547	608	58	54	50	11	6	2	19	6	7
47 Mobile home	778	222	52	−53	−21	142	−63	−175	12	−84	153
48 Commercial banks	−85	−726	9	−74	−139	−25	−48	−14	−27	−83	2
49 Finance companies	−405	−363	−67	−58	−63	49	−32	−222	−7	−31	22
50 Savings institutions	1,268	1,311	110	79	181	118	17	62	45	30	129
51 Other	17,738	4,842	463	655	−2,448	257	−262	768	756	−313	958
52 Commercial banks	6,187	2,754	175	689	−1,920	−309	−497	488	−87	−499	−98
53 Finance companies	6,131	604	45	−69	−843	−84	75	13	341	−13	438
54 Credit unions	616	1,736	289	202	124	201	98	37	323	104	112
55 Retailers	172	177	6	−16	−13	−6	−4	−9	1	−18	5
56 Savings institutions	4,632	−429	−52	−151	204	455	65	240	177	114	500

1. The Board's series cover most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.

2. More detail for finance companies is available in the G.20 statistical release.

3. Excludes 30-day charge credit held by travel and entertainment companies.

4. All data have been revised.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

	Item	1984	1985	1986	1986	1987					
					Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	INTEREST RATES										
	Commercial banks[1]										
1	48-month new car[2]	13.71	12.91	11.33	n.a.	n.a.	10.58	n.a.	n.a.	10.35	n.a.
2	24-month personal	16.47	15.94	14.82	n.a.	n.a.	14.19	n.a.	n.a.	14.10	n.a.
3	120-month mobile home[2]	15.58	14.96	13.99	n.a.	n.a.	13.49	n.a.	n.a.	13.42	n.a.
4	Credit card	18.77	18.69	18.26	n.a.	n.a.	18.09	n.a.	n.a.	18.10	n.a.
	Auto finance companies										
5	New car	14.62	11.98	9.44	5.40	6.12	11.83	11.71	11.65	10.78	10.59
6	Used car	17.85	17.59	15.95	15.23	15.17	15.20	15.12	14.62	14.56	14.40
	OTHER TERMS[3]										
	Maturity (months)										
7	New car	48.3	51.5	50.0	44.5	45.3	53.4	53.3	53.8	53.6	53.7
8	Used car	39.7	41.4	42.6	42.5	42.2	42.6	42.7	44.8	44.7	44.9
	Loan-to-value ratio										
9	New car	88	91	91	92	92	93	93	94	94	94
10	Used car	92	94	97	98	97	97	98	98	99	99
	Amount financed (dollars)										
11	New car	9,333	9,915	10,665	11,162	11,340	11,160	10,835	10,902	10,602	10,641
12	Used car	5,691	6,089	6,555	6,763	6,746	6,946	7,168	7,067	7,075	7,145

1. Data for midmonth of quarter only.
2. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
3. At auto finance companies.

NOTE. These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-yearly data are at seasonally adjusted annual rates.

Transaction category, sector	1981	1982	1983	1984	1985	1986	1984		1985		1986	
							H1	H2	H1	H2	H1	H2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**375.8**	**387.4**	**548.8**	**756.3**	**869.3**	**834.0**	**727.8**	**784.8**	**732.6**	**1,006.1**	**706.0**	**962.5**
By sector and instrument												
2 U.S. government	87.4	161.3	186.6	198.8	223.6	214.3	181.3	216.3	201.8	245.5	211.3	217.5
3 Treasury securities	87.8	162.1	186.7	199.0	223.7	214.7	181.5	216.4	201.9	245.5	211.4	218.0
4 Agency issues and mortgages	-.5	-.9	-.1	-.2	-.1	.3	-.2	-.1	-.1	-.1	-.1	-.5
5 Private domestic nonfinancial sectors	288.5	226.2	362.2	557.5	645.7	619.6	546.5	568.5	530.8	760.6	494.7	745.0
6 Debt capital instruments	155.5	148.3	252.8	314.0	461.7	461.7	298.4	329.6	355.4	568.0	392.3	531.2
7 Tax-exempt obligations	23.4	44.2	53.7	50.4	152.4	49.5	42.8	58.0	67.5	237.3	15.9	83.0
8 Corporate bonds	22.8	18.7	16.0	46.1	73.9	113.7	31.2	61.1	72.7	75.1	137.0	90.4
9 Mortgages	109.3	85.4	183.0	217.5	235.4	298.5	224.5	210.5	215.2	255.7	239.3	357.7
10 Home mortgages	72.2	50.5	117.1	129.9	150.3	199.2	135.2	124.7	133.1	167.5	156.1	242.3
11 Multifamily residential	4.8	5.4	14.1	25.1	29.2	33.0	27.5	22.7	24.6	33.7	30.8	35.1
12 Commercial	22.2	25.2	49.0	63.3	62.4	73.7	62.9	63.7	60.3	64.4	59.7	87.7
13 Farm	10.0	4.2	2.8	-.8	-6.4	-7.4	-1.1	-.5	-2.8	-10.0	-7.4	-7.4
14 Other debt instruments	133.0	77.9	109.5	243.5	184.0	157.9	248.1	238.9	175.4	192.6	102.4	213.9
15 Consumer credit	22.6	17.7	56.8	95.0	96.6	65.8	98.7	91.3	97.3	95.9	70.6	61.6
16 Bank loans n.e.c.	57.0	52.9	25.8	80.1	41.3	71.0	91.9	68.4	24.9	57.7	17.6	124.4
17 Open market paper	14.7	-6.1	-.8	21.7	14.6	-9.3	24.8	18.7	12.3	16.9	-15.7	-3.0
18 Other	38.7	13.4	27.7	46.6	31.4	30.3	32.7	60.5	40.9	22.0	29.9	30.7
19 By borrowing sector	288.5	226.2	362.2	557.5	645.7	619.6	546.5	568.5	530.8	760.6	494.7	745.0
20 State and local governments	6.8	21.5	34.0	27.4	107.8	59.4	25.2	29.6	56.8	158.7	35.7	83.2
21 Households	121.4	88.4	188.0	239.5	295.0	282.1	232.8	246.2	253.6	336.4	222.4	342.3
22 Farm	16.6	6.8	4.3	.1	-13.6	-14.4	-.4	.5	-5.9	-21.3	-15.1	-13.7
23 Nonfarm noncorporate	38.5	40.2	76.6	97.1	92.8	114.6	101.4	92.7	85.6	99.9	94.4	134.7
24 Corporate	105.2	69.2	59.3	193.4	163.7	178.0	187.4	199.5	140.7	186.8	157.3	198.6
25 Foreign net borrowing in United States	23.5	16.0	17.4	6.1	1.7	9.7	35.5	-23.3	-4.1	7.5	24.3	-5.0
26 Bonds	5.4	6.7	3.1	1.3	4.0	3.2	1.1	1.5	5.5	2.6	7.1	-.8
27 Bank loans n.e.c.	3.0	-5.5	3.6	-6.6	-2.8	-1.0	-2.2	-11.1	-6.1	.4	1.4	-3.5
28 Open market paper	3.9	1.9	6.5	6.2	6.2	11.5	18.0	-5.6	4.2	8.2	20.6	2.4
29 U.S. government loans	11.1	13.0	4.1	5.3	-5.7	-4.0	18.7	-8.1	-7.8	-3.6	-4.8	-3.1
30 **Total domestic plus foreign**	**399.3**	**403.4**	**566.2**	**762.4**	**871.0**	**843.6**	**763.3**	**761.5**	**728.4**	**1,013.5**	**730.3**	**957.6**
	Financial sectors											
31 **Total net borrowing by financial sectors**	**101.9**	**90.1**	**94.0**	**139.0**	**186.9**	**248.4**	**134.2**	**143.8**	**154.8**	**218.9**	**185.9**	**310.9**
By instrument												
32 U.S. government related	47.4	64.9	67.8	74.9	101.5	173.7	69.8	80.0	92.9	110.2	129.5	217.8
33 Sponsored credit agency securities	30.5	14.9	1.4	30.4	20.6	12.6	29.1	31.8	25.3	15.9	4.4	20.8
34 Mortgage pool securities	15.0	49.5	66.4	44.4	79.9	161.4	40.7	48.2	67.6	92.1	124.3	198.6
35 Loans from U.S. government	1.9	.4	.....	.....	1.1	.4	.....	.....	.....	2.2	.8	-1.5
36 Private financial sectors	54.5	25.2	26.2	64.1	85.3	74.8	64.4	63.8	61.9	108.8	56.4	93.1
37 Corporate bonds	4.4	12.5	12.1	23.3	36.5	26.6	17.3	29.3	35.3	37.7	25.5	27.7
38 Mortgages	*	.1	*	.4	.1	.1	.4	.4	*	.1	.6	-.4
39 Bank loans n.e.c.	1.2	1.9	-.1	.7	2.6	4.0	-.1	1.4	.9	4.2	2.4	5.6
40 Open market paper	32.7	9.9	21.3	24.1	32.0	24.2	31.1	17.0	13.9	50.1	14.4	34.1
41 Loans from Federal Home Loan Banks	16.2	.8	-7.0	15.7	14.2	19.8	15.7	15.7	11.7	16.7	13.5	26.2
By sector												
42 Sponsored credit agencies	32.4	15.3	1.4	30.4	21.7	12.2	29.1	31.8	25.3	18.1	5.2	19.3
43 Mortgage pools	15.0	49.5	66.4	44.4	79.9	161.4	40.7	48.2	67.6	92.1	124.3	198.6
44 Private financial sectors	54.5	25.2	26.2	64.1	85.3	74.8	64.4	63.8	61.9	108.8	56.4	93.1
45 Commercial banks	11.6	11.7	5.0	7.3	-4.9	-3.6	15.4	-.9	-9.2	-.6	-6.7	-.5
46 Bank affiliates	9.2	6.8	12.1	15.6	14.5	4.5	23.7	7.5	13.7	15.3	1.7	7.4
47 Savings and loan associations	15.5	2.5	-2.1	22.7	22.3	29.2	20.2	25.1	12.1	32.6	23.1	35.3
48 Finance companies	18.5	4.3	11.4	17.8	52.8	44.1	4.3	31.3	44.8	60.9	37.5	50.6
49 REITs	.2	*	-.2	.8	.5	.6	.8	.8	.5	.5	.9	.3
	All sectors											
50 **Total net borrowing**	**501.3**	**493.5**	**660.2**	**901.4**	**1057.8**	**1092.1**	**897.5**	**905.3**	**833.3**	**1,232.4**	**916.2**	**1268.5**
51 U.S. government securities	133.0	225.9	254.4	273.8	324.2	388.4	251.2	296.4	294.8	353.5	340.0	436.9
52 State and local obligations	23.4	44.2	53.7	50.4	152.4	49.5	42.8	58.0	67.5	237.3	15.9	83.0
53 Corporate and foreign bonds	32.6	37.8	31.2	70.7	114.4	143.5	49.6	91.9	113.5	115.3	169.6	117.4
54 Mortgages	109.2	85.4	183.0	217.8	235.4	298.6	224.8	210.8	215.2	255.7	239.9	357.3
55 Consumer credit	22.6	17.7	56.8	95.0	96.6	65.8	98.7	91.3	97.3	95.9	70.6	61.6
56 Bank loans n.e.c.	61.2	49.3	29.3	74.2	41.0	74.0	89.6	58.8	19.8	62.3	21.4	126.6
57 Open market paper	51.3	5.7	26.9	52.0	52.8	26.4	73.8	30.1	30.4	75.2	19.3	33.4
58 Other loans	68.0	27.6	24.8	67.6	41.0	45.8	67.1	68.1	44.8	37.3	39.4	52.3
	External corporate equity funds raised in United States											
50 **Total new share issues**	**-3.3**	**33.6**	**67.0**	**-31.1**	**37.5**	**119.5**	**-40.1**	**-22.2**	**33.3**	**41.6**	**146.8**	**92.3**
60 Mutual funds	6.0	16.8	32.1	38.0	103.4	191.7	39.3	36.6	93.6	113.1	198.7	184.6
61 All other	9.3	16.8	34.9	-69.1	-65.9	-72.1	79.4	-58.8	-60.4	71.5	-52.0	-92.3
62 Nonfinancial corporations	-11.5	11.4	28.3	-77.0	-81.6	-80.8	-84.5	-69.4	-75.7	-87.5	-68.7	-92.7
63 Financial corporations	1.9	4.0	2.7	6.7	11.7	7.0	5.9	7.6	11.0	12.4	8.3	5.7
64 Foreign shares purchased in United States	.3	1.5	3.9	1.2	4.0	1.6	-.7	3.0	4.3	3.6	8.5	-5.3

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; half-yearly data are at seasonally adjusted annual rates.

Transaction category, or sector	1981	1982	1983	1984	1985	1986	1984		1985		1986	
							H1	H2	H1	H2	H1	H2
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**375.8**	**387.4**	**548.8**	**756.3**	**869.3**	**834.0**	**727.8**	**784.8**	**732.6**	**1,006.1**	**706.0**	**962.5**
By public agencies and foreign												
2 Total net advances	104.4	115.4	115.3	154.6	203.3	311.1	132.5	176.6	201.8	204.9	267.6	354.5
3 U.S. government securities	17.1	22.7	27.6	36.0	47.2	87.8	26.8	45.2	53.1	41.3	85.4	90.1
4 Residential mortgages	23.5	61.0	76.1	56.5	94.6	158.5	52.7	60.2	85.6	103.7	121.0	196.0
5 FHLB advances to savings and loans	16.2	.8	−7.0	15.7	14.2	19.8	15.7	15.7	11.7	16.7	13.5	26.2
6 Other loans and securities	47.7	30.8	18.6	46.5	47.3	45.0	37.5	55.5	51.4	43.2	47.7	42.3
Total advanced, by sector												
7 U.S. government	24.0	15.9	9.7	17.4	17.8	10.9	9.0	25.7	28.8	6.7	12.9	9.0
8 Sponsored credit agencies	48.2	65.5	69.8	73.3	101.5	176.6	74.0	72.5	98.2	104.9	135.3	217.9
9 Monetary authorities	9.2	9.8	10.9	8.4	21.6	30.2	8.8	8.0	23.7	19.5	9.8	50.6
10 Foreign	23.0	24.1	24.9	55.5	62.4	93.4	40.7	70.4	51.0	73.8	109.7	77.1
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	47.4	64.9	67.8	74.9	101.5	173.7	69.8	80.0	92.9	110.2	129.5	217.8
12 Foreign	*23.5*	*16.0*	*17.4*	*6.1*	*1.7*	*9.7*	*35.5*	*−23.3*	*−4.1*	*7.5*	*24.3*	*−5.0*
Private domestic funds advanced												
13 Total net advances	342.3	352.9	518.7	682.7	769.2	706.2	700.5	664.9	619.6	918.8	592.1	820.9
14 U.S. government securities	115.9	203.1	226.9	237.8	277.0	300.6	224.4	251.2	241.7	312.2	254.5	346.8
15 State and local obligations	23.4	44.2	53.7	50.4	152.4	49.5	42.8	58.0	67.5	237.3	15.9	83.0
16 Corporate and foreign bonds	19.8	14.8	14.6	32.6	41.2	79.0	25.6	39.6	49.7	32.7	104.2	53.9
17 Residential mortgages	53.5	−5.3	55.0	98.5	84.8	73.7	109.9	87.0	72.0	97.5	65.9	81.4
18 Other mortgages and loans	145.9	96.9	161.5	279.1	228.1	223.2	313.6	244.7	200.4	255.9	165.0	281.9
19 LESS: *Federal Home Loan Bank advances*	16.2	.8	−7.0	15.7	14.2	19.8	15.7	15.7	11.7	16.7	13.5	26.2
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	320.2	261.9	391.9	550.5	554.4	647.9	581.8	519.1	471.3	637.4	572.4	724.0
21 Commercial banking	106.5	110.2	144.3	168.9	186.3	194.8	184.2	153.5	133.8	238.8	106.9	283.0
22 Savings institutions	26.2	21.8	135.6	149.2	83.4	105.3	173.5	124.9	63.0	103.9	101.4	109.3
23 Insurance and pension funds	93.5	86.2	97.8	124.0	141.0	137.2	144.5	103.5	121.8	160.1	128.6	145.9
24 Other finance	94.0	43.7	14.1	108.3	143.6	210.5	79.5	137.2	152.7	134.5	235.6	185.8
25 Sources of funds	320.2	261.9	391.9	550.5	554.4	647.9	581.8	519.1	471.3	637.4	572.4	724.0
26 Private domestic deposits and RPs	214.5	195.2	212.2	317.6	204.8	242.3	300.2	334.9	203.0	206.6	224.5	260.3
27 Credit market borrowing	54.5	25.2	26.2	64.1	85.3	74.8	64.4	63.8	61.9	108.8	56.4	93.1
28 Other sources	51.2	41.5	153.4	168.8	264.2	330.8	217.2	120.4	206.5	322.0	291.5	370.5
29 Foreign funds	−23.7	−31.4	16.3	5.4	17.7	12.4	3.0	7.8	11.2	24.3	.9	24.0
30 Treasury balances	−1.1	6.1	−5.3	4.0	10.3	1.7	−.1	8.2	14.4	6.1	−5.5	9.0
31 Insurance and pension reserves	89.6	92.5	110.6	112.5	107.0	120.0	146.5	78.5	97.4	116.6	104.5	135.5
32 Other, net	−13.6	−25.7	31.8	46.8	129.2	196.6	67.8	25.9	83.5	175.0	191.5	202.1
Private domestic nonfinancial investors												
33 Direct lending in credit markets	76.6	116.3	153.0	196.4	300.2	133.1	183.1	209.6	210.2	390.2	76.1	190.0
34 U.S. government securities	37.1	69.9	95.5	132.9	150.9	81.0	142.2	123.6	130.8	171.0	41.4	120.9
35 State and local obligations	11.1	25.0	39.0	29.6	59.2	17.8	25.0	34.3	20.5	98.0	−21.8	57.4
36 Corporate and foreign bonds	−4.0	2.0	−12.7	−3.4	13.2	12.3	−26.8	19.9	25.4	1.0	49.3	−24.7
37 Open market paper	1.4	−1.3	15.1	8.9	51.8	1.4	15.7	2.2	7.3	96.3	−13.8	16.7
38 Other	31.0	20.6	16.2	28.3	25.1	20.6	26.9	29.7	26.3	24.0	21.0	19.8
39 Deposits and currency	222.4	204.5	229.7	321.1	215.1	262.7	311.3	330.9	215.9	214.3	241.6	284.0
40 Currency	9.5	9.7	14.3	8.6	12.4	14.4	13.1	4.1	15.8	9.0	10.9	17.9
41 Checkable deposits	18.5	18.6	28.8	27.8	42.0	99.4	29.4	26.3	18.2	65.8	83.1	115.9
42 Samll time and savings accounts	47.3	135.7	215.3	150.7	137.5	123.1	136.4	164.9	167.1	108.0	119.5	126.7
43 Money market fund shares	107.5	24.7	−44.1	47.2	−2.2	20.8	30.2	64.2	4.2	−8.6	29.0	12.7
44 *Large time deposits*	36.0	5.2	−6.3	84.9	14.0	−8.2	93.4	76.5	−.8	28.9	.9	−17.3
45 Security RPs	5.2	11.1	18.5	7.0	13.4	7.2	10.8	3.1	14.3	12.5	−7.9	22.3
46 Deposits in foreign countries	−1.7	−.4	3.1	−5.1	−2.1	6.0	−2.0	−8.2	−2.9	−1.3	6.2	5.7
47 **Total of credit market instruments, deposits and currency**	**299.0**	**320.7**	**382.7**	**517.4**	**515.3**	**395.8**	**494.4**	**540.5**	**426.0**	**604.5**	**317.8**	**474.0**
48 Public holdings as percent of total	26.2	28.6	20.4	20.3	23.3	36.9	17.4	23.2	27.7	20.2	36.6	37.0
49 Private financial intermediation (in percent)	93.6	74.2	75.5	80.6	72.1	91.7	83.1	78.1	76.1	69.4	96.7	88.2
50 Total foreign funds	−.7	−7.3	41.3	60.9	80.1	105.8	43.7	78.2	62.2	98.1	110.5	101.1
MEMO: Corporate equities not included above												
51 **Total net issues**	**−3.3**	**33.6**	**67.0**	**−31.1**	**37.5**	**119.5**	**−40.1**	**−22.2**	**33.3**	**41.6**	**146.8**	**92.3**
52 Mutual fund shares	6.0	16.8	32.1	38.0	103.4	191.7	39.3	36.6	93.6	113.1	198.7	184.6
53 Other equities	−9.3	16.8	34.9	−69.1	−65.9	−72.1	−79.4	−58.8	−60.4	−71.5	−52.0	−92.3
54 Acquisitions by financial institutions	19.9	27.6	46.8	8.2	33.3	25.2	−4.1	20.6	54.0	12.6	35.4	15.1
55 Other net purchases	−23.2	6.0	20.2	−39.4	4.1	94.3	−36.0	−42.7	−20.7	29.0	111.4	77.2

NOTES BY LINE NUMBER.
1. Line 1 of table 1.57.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
30. Demand deposits and note balances at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 13 less line 20 plus line 27.
34–38. Lines 14–18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 38 includes mortgages.
40. Mainly an offset to line 9.
47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.
51, 53. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures[1]

1977 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1984	1985	1986	1986		1987						
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May[r]	June[r]	July
1 **Industrial production**	**121.4**	**123.8**	**125.1**	**126.0**	**126.7**	**126.5**	**127.2**	**127.3**	**127.4**	**128.3**	**128.8**	**129.8**
Market groupings												
2 Products, total	126.7	130.8	133.2	134.5	135.0	134.9	136.1	136.2	135.7	137.0	137.2	138.2
3 Final, total	127.3	131.1	132.3	133.1	133.7	133.6	135.0	135.0	134.5	135.6	135.8	136.9
4 Consumer goods	118.0	120.2	124.5	125.6	127.2	126.8	127.5	127.5	126.6	127.8	127.9	128.8
5 Equipment	139.6	145.4	142.7	143.1	142.2	142.8	144.9	145.0	144.9	146.0	146.3	147.8
6 Intermediate	124.7	130.0	136.4	139.2	139.7	139.1	139.7	140.4	139.9	141.8	141.9	142.7
7 Materials	114.2	114.2	113.9	114.3	115.2	115.2	115.1	115.2	116.2	116.4	117.3	118.2
Industry groupings												
8 Manufacturing	123.4	126.4	129.1	130.3	131.1	131.1	132.0	132.3	132.4	133.1	133.6	134.7
Capacity utilization (percent)[2]												
9 Manufacturing	80.5	80.1	79.8	79.7	80.0	79.9[r]	80.3[r]	80.3[r]	80.2	80.4	80.5	81.0
10 Industrial materials industries	82.0	80.2	78.5	78.8	78.9	78.8	78.7	78.7	79.2	79.3	79.8	80.3
11 Construction contracts (1982 = 100)[3]	135.0	148.0	155.0	156.0	155.0	155.0[r]	151.0[r]	165.0[r]	162.0	149.0	161.0	163.0
12 Nonagricultural employment, total[4]	114.6	118.3	120.8	121.8	121.9	122.4	122.7	122.9	123.2	123.3	123.5	123.8
13 Goods-producing, total	101.6	102.4	102.4	101.2	101.2	101.5	101.6	101.7	101.7	101.7	101.8	102.1
14 Manufacturing, total	98.4	97.8	96.5	96.3	96.4	96.3	96.4	96.5	96.6	96.6	96.7	97.0
15 Manufacturing, production-worker	94.1	92.9	92.1	91.1	91.3	91.1	91.4	91.4	91.5	91.6	91.7	92.1
16 Service-producing	120.0	125.0	128.9	130.4	130.6	131.1	131.5	131.8	132.2	132.4	132.5	132.9
17 Personal income, total	193.4	207.0	219.9	223.3	224.8	225.9	228.4	229.1	230.2	231.0	231.6	232.5
18 Wages and salary disbursements	185.0	198.7	210.2	214.5	214.8	216.3	218.0	218.6	219.5	220.7	221.3	221.9
19 Manufacturing	164.6	172.8	176.4	177.4	177.7	178.5	179.1	179.2	178.9	179.9	180.1	180.0
20 Disposable personal income[5]	193.5	206.0	219.1	221.8	222.7	224.3	227.5	228.1	222.6	229.9	229.4	230.3
21 Retail sales[6]	179.0	190.6	199.9	200.9	211.8	196.8	206.3	206.8	207.4	207.3	210.2	211.8
Prices[7]												
22 Consumer (1967 = 100)	311.1	322.2	328.4	330.8	331.1	333.1	334.4	335.9	337.7	338.7	340.1	340.8
23 Producer finished goods (1967 = 100)	291.1	293.7	289.6	290.7	290.4	291.8	292.3	292.3	295.0	296.3	296.8	297.8

1. A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977 = 100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.

4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.

5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).

6. Based on Bureau of Census data published in *Survey of Current Business*.

7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1984	1985	1986	1986	1987						
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**178,602**	**180,440**	**182,822**	**183,815**	**184,092**	**184,259**	**184,436**	**184,597**	**184,777**	**184,941**	**185,127**
2 Labor force (including Armed Forces)[1]	115,763	117,695	120,078	120,854	121,299	121,610	121,479	121,588	122,237	121,755	122,194
3 Civilian labor force	113,544	115,461	117,834	118,586	119,034	119,349	119,222	119,335	119,993	119,517	119,952
Employment											
4 Nonagricultural industries[2]	101,685	103,971	106,434	107,476	107,866	108,146	108,084	108,545	109,112	109,079	109,508
5 Agriculture	3,321	3,179	3,163	3,161	3,145	3,236	3,284	3,290	3,335	3,178	3,219
Unemployment											
6 Number	8,539	8,312	8,237	7,949	8,023	7,967	7,854	7,500	7,546	7,260	7,224
7 Rate (percent of civilian labor force)	7.5	7.2	7.0	6.7	6.7	6.7	6.6	6.3	6.3	6.1	6.0
8 Not in labor force	62,839	62,745	62,744	62,961	62,793	62,649	62,957	63,009	62,540	63,186	62,933
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**94,496**	**97,519**	**99,610**	**100,567**	**100,919**	**101,150**	**101,329**	**101,598**	**101,708**[r]	**101,811**[r]	**102,115**
10 Manufacturing	19,378	19,260	18,994	18,970	18,956	18,986	18,995	19,011	19,018[r]	19,028[r]	19,098
11 Mining	966	927	783	724	718	719	722	729	735	737[r]	742
12 Contract construction	4,383	4,673	4,904	4,936	5,034	5,038	5,032	5,019	4,999[r]	5,010[r]	5,009
13 Transportation and public utilities	5,159	5,238	5,244	5,286	5,304	5,315	5,333	5,348	5,344[r]	5,351[r]	5,344
14 Trade	22,100	23,073	23,580	23,732	23,821	23,897	23,902	23,969	23,980[r]	23,997[r]	24,068
15 Finance	5,689	5,955	6,297	6,451	6,480	6,501	6,526	6,558	6,576	6,595[r]	6,614
16 Service	20,797	22,000	23,099	23,544	23,670	23,759	23,842	23,926	24,025[r]	24,051[r]	24,133
17 Government	16,023	16,394	16,710	16,924	16,936	16,935	16,977	17,038	17,031[r]	17,042	17,107

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2. Includes self-employed, unpaid family, and domestic service workers.

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1984 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1986		1987		1986		1987		1986		1987	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2[r]
	Output (1977 = 100)				Capacity (percent of 1977 output)				Utilization rate (percent)			
1 **Total industry**	**125.0**	**126.0**	**127.0**	**127.8**	**157.9**	**158.8**	**159.6**	**160.5**	**79.1**	**79.3**	**79.6**	**79.8**
2 Mining	96.6	96.6	96.6	97.1	131.9	131.7	131.3	130.7	73.2	73.3	73.6	74.7
3 Utilities	108.8	110.4	109.5	110.5	137.5	138.1	138.7	139.3	79.1	79.9	79.0	80.0
4 **Manufacturing**	**129.4**	**130.4**	**131.8**	**132.6**	**162.4**	**163.4**	**164.4**	**165.5**	**79.7**	**79.8**	**80.2**	**80.4**
5 Primary processing	112.1	114.0	115.1	116.5	134.6	135.1	135.9	136.5	83.3	84.3	84.8	85.4
6 Advanced processing	139.7	140.4	141.8	142.4	179.1	180.4	181.7	183.0	78.0	77.8	78.1	78.2
7 **Materials**	**113.4**	**114.3**	**115.1**	**116.5**	**145.3**	**145.8**	**146.3**	**146.8**	**78.1**	**78.4**	**78.7**	**79.4**
8 Durable goods	118.8	120.1	121.2	122.1	161.5	162.2	163.0	163.6	73.6	74.0	74.4	74.7
9 Metal materials	73.1	75.7	75.5	77.1	114.0	113.4	112.7	111.7	64.2	66.7	67.0	69.1
10 Nondurable goods	119.7	121.1	122.8	125.7	139.9	140.4	141.0	142.0	85.6	86.4	87.1	88.3
11 Textile, paper, and chemical	120.4	122.4	124.2	127.2	139.2	139.6	140.4	141.4	86.5	87.6	88.5	89.5
12 Paper	135.1	136.0	136.4	......	138.9	139.7	140.8	......	97.3	97.3	96.9	96.2
13 Chemical	117.7	120.1	122.5	......	144.7	145.0	145.6	......	81.4	82.8	84.1	85.0
14 Energy materials	98.6	98.2	97.8	98.7	121.4	121.6	121.6	121.5	81.2	80.7	80.5	81.7

Series	Previous cycle[1]		Latest cycle[2]		1986	1986		1987						
	High	Low	High	Low	July	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May[r]	June	July
	Capacity utilization rate (percent)													
15 **Total industry**	**88.6**	**72.1**	**86.9**	**69.5**	**79.2**	**79.4**	**79.6**	**79.4**	**79.7**	**79.6**	**79.5**	**79.9**	**80.1**	**80.5**
16 Mining	92.8	87.8	95.2	76.9	73.5	73.9	73.8	73.9	73.3	73.6	74.2	74.6	75.4	76.3
17 Utilities	95.6	82.9	88.5	78.0	79.9	80.5	79.5	79.1	79.0	78.9	78.4	80.8	80.8	81.1
18 **Manufacturing**	**87.7**	**69.9**	**86.5**	**68.0**	**79.7**	**79.8**	**80.0**	**79.9**	**80.3**	**80.3**	**80.2**	**80.4**	**80.5**	**81.0**
19 Primary processing	91.9	68.3	89.1	65.1	82.9	84.4	85.0	84.8	84.7	84.8	85.3	85.4	85.5	86.4
20 Advanced processing	86.0	71.1	85.1	69.5	78.4	77.7	77.9	77.8	78.3	78.1	77.9	78.3	78.3	78.7
21 **Materials**	**92.0**	**70.5**	**89.1**	**68.4**	**78.3**	**78.4**	**78.9**	**78.8**	**78.7**	**78.7**	**79.2**	**79.3**	**79.8**	**80.3**
22 Durable goods	91.8	64.4	89.8	60.9	73.7	74.2	74.3	74.0	74.6	74.7	74.8	74.4	74.9	75.7
23 Metal materials	99.2	67.1	93.6	45.7	63.8	68.4	66.5	65.9	67.3	68.0	68.5	68.8	70.0	73.7
24 Nondurable goods	91.1	66.7	88.1	70.6	85.0	85.7	87.7	87.5	86.8	86.8	88.5	88.1	88.3	88.5
25 Textile, paper, and chemical	92.8	64.8	89.4	68.6	85.6	86.7	89.2	89.3	88.1	88.1	89.9	89.3	89.4	89.8
26 Paper	98.4	70.6	97.3	79.9	97.8	96.0	100.2	98.3	97.1	95.4	95.8	96.4	96.5	......
27 Chemical	92.5	64.4	87.9	63.3	80.2	81.7	84.3	84.9	83.7	83.7	85.2	85.2	84.5	......
28 Energy materials	94.6	86.9	94.0	82.2	82.3	81.2	81.2	81.3	80.3	79.8	80.3	82.0	82.8	83.1

1. Monthly high 1973; monthly low 1975.
2. Monthly highs 1978 through 1980; monthly lows 1982.

NOTE. These data also appear in the Board's G.3 (402) release. For address, see inside front cover.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value ▲

Monthly data are seasonally adjusted

Groups	1977 proportion	1986 avg.	1986 July	Aug.	Sept.	Oct.	Nov.	Dec.	1987 Jan.	Feb.	Mar.	Apr.[r]	May	June[p]	July[e]
			Index (1977 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**125.0**	**124.9**	**125.1**	**124.9**	**125.3**	**126.0**	**126.7**	**126.5**	**127.2**	**127.3**	**127.4**	**128.3**	**128.8**	**129.8**
2 Products	57.72	133.2	133.2	133.8	133.3	134.0	134.5	135.0	134.9	136.1	136.2	135.7	137.0	137.2	138.2
3 Final products	44.77	132.3	132.0	132.6	132.2	132.7	133.1	133.7	133.6	135.0	135.0	134.5	135.6	135.8	136.9
4 Consumer goods	25.52	124.5	125.2	125.1	124.2	124.7	125.6	127.2	126.8	127.5	127.5	126.6	127.8	127.9	128.8
5 Equipment	19.25	142.7	141.0	142.5	142.8	143.3	143.1	142.2	142.8	144.9	145.0	144.9	146.0	146.3	147.8
6 Intermediate products	12.94	136.4	137.3	137.8	137.0	138.7	139.2	139.7	139.1	139.7	140.4	139.9	141.8	141.9	142.7
7 Materials	42.28	113.9	113.6	113.2	113.5	113.3	114.3	115.2	115.2	115.1	115.2	116.2	116.4	117.3	118.2
Consumer goods															
8 Durable consumer goods	6.89	116.2	116.3	115.7	117.4	116.3	118.4	121.5	120.0	122.4	121.2	118.1	120.1	119.2	119.9
9 Automotive products	2.98	115.1	116.4	114.5	117.0	112.7	114.6	117.7	117.6	123.5	121.2	115.7	117.7	114.7	117.2
10 Autos and trucks	1.79	112.9	114.5	110.4	116.8	107.7	107.6	115.6	117.9	125.2	121.6	111.5	113.1	107.7	111.5
11 Autos, consumer	1.16	97.3	95.3	87.8	96.2	91.9	92.3	99.5	94.3	105.3	100.9	91.8	91.0	87.9	86.1
12 Trucks, consumer	.63	141.8	150.3	152.4	155.1	137.1	136.0	145.6	161.9	162.1	159.9	148.1	154.2	....	....
13 Auto parts and allied goods	1.19	118.4	119.1	120.7	117.3	120.1	125.2	120.8	117.1	121.0	120.5	121.9	124.6	125.2	125.7
14 Home goods	3.91	117.1	116.3	116.7	117.7	119.0	121.2	124.4	121.9	121.6	121.2	119.9	121.8	122.6	122.0
15 Appliances, A/C and TV	1.24	139.5	138.9	139.4	141.2	142.6	148.1	153.2	146.9	145.2	142.9	137.7	142.2	143.6	140.3
16 Appliances and TV	1.19	141.6	141.6	142.5	143.5	144.3	150.0	155.1	148.9	146.7	143.8	139.2	142.3	144.2	....
17 Carpeting and furniture	.96	125.8	126.6	125.8	126.2	128.8	131.1	132.0	129.1	130.8	131.3	133.5	133.3	133.4	....
18 Miscellaneous home goods	1.71	96.0	94.1	95.1	96.0	96.5	96.3	99.4	99.8	99.3	99.8	99.4	100.7	101.4	....
19 Nondurable consumer goods	18.63	127.5	128.4	128.6	126.7	127.8	128.3	129.4	129.2	129.4	129.8	129.8	130.7	131.1	132.0
20 Consumer staples	15.29	97.0	135.3	135.5	133.6	134.4	135.0	136.0	135.9	135.9	136.5	136.4	137.2	137.6	138.4
21 Consumer foods and tobacco	7.80	134.1	132.2	133.2	131.0	131.6	132.6	133.9	132.9	134.0	134.8	134.4	135.0	135.2	....
22 Nonfood staples	7.49	131.9	138.5	137.9	136.3	137.2	137.4	138.2	139.0	137.9	138.2	138.5	139.6	140.0	140.9
23 Consumer chemical products	2.75	136.5	166.4	163.4	161.1	161.7	161.0	163.1	165.9	164.7	165.7	164.7	165.4	165.4	165.4
24 Consumer paper products	1.88	161.2	146.4	147.7	145.7	150.3	151.5	150.1	149.4	147.8	147.5	148.9	152.4	153.4	....
25 Consumer energy	2.86	147.4	106.6	107.1	106.3	105.2	105.5	106.4	106.3	105.7	105.8	106.5	106.4	106.8	....
26 Consumer fuel	1.44	105.7	91.2	94.9	92.0	90.8	91.7	92.2	95.0	92.5	94.1	94.5	92.1	92.3	....
27 Residential utilities	1.42	92.8	122.3	119.6	120.9	119.8	119.6	120.8	117.8	119.2	117.7	118.7	121.0	....	....
Equipment															
28 Business and defense equipment	18.01	147.1	146.4	147.8	148.0	148.4	148.1	147.0	147.7	150.1	150.1	150.0	151.0	151.3	152.4
29 Business equipment	14.34	138.6	137.9	139.3	139.3	139.1	138.6	137.1	138.1	140.8	140.8	140.8	141.9	142.5	143.7
30 Construction, mining, and farm	2.08	59.8	60.6	58.3	58.1	58.0	56.6	58.2	57.2	56.8	58.1	58.6	61.7	63.0	....
31 Manufacturing	3.27	112.0	112.6	113.3	113.0	112.7	109.6	108.8	110.1	111.5	110.9	111.1	111.5	113.1	114.3
32 Power	1.27	81.6	81.7	81.7	80.3	80.5	79.5	80.2	79.6	81.2	81.7	82.4	84.0	82.7	83.4
33 Commercial	5.22	214.6	214.5	217.5	215.1	215.4	217.3	213.7	215.9	218.4	219.7	220.9	222.0	223.8	226.0
34 Transit	2.49	109.2	103.9	106.9	113.3	111.8	110.7	108.9	109.5	117.4	114.0	110.4	111.0	107.7	107.6
35 Defense and space equipment	3.67	180.3	179.5	181.0	182.0	184.6	184.9	185.8	185.2	186.5	186.6	186.1	186.5	185.9	186.3
Intermediate products															
36 Construction supplies	5.95	124.7	124.0	125.4	125.9	126.3	126.8	127.9	128.3	128.4	128.5	127.3	128.3	127.6	128.3
37 Business supplies	6.99	146.4	148.6	148.4	146.4	149.3	149.7	149.8	148.3	149.4	150.5	150.5	153.4	154.1	....
38 General business supplies	5.67	150.6	153.3	152.5	151.2	154.1	153.7	154.3	153.3	154.1	155.2	155.5	157.6	159.3	....
39 Commercial energy products	1.31	128.3	128.3	130.6	125.8	128.8	132.4	130.3	126.8	128.8	130.3	129.0	135.0	131.6	....
Materials															
40 Durable goods materials	20.50	119.7	118.8	118.8	118.9	119.2	120.4	120.7	120.5	121.5	121.8	122.2	121.8	122.7	124.1
41 Durable consumer parts	4.92	98.5	96.7	95.2	95.3	97.0	98.0	98.8	99.0	100.0	98.9	96.2	95.4	96.2	95.1
42 Equipment parts	5.94	153.9	154.3	155.6	154.8	153.5	154.5	154.2	154.0	155.6	155.8	157.1	156.1	157.2	159.3
43 Durable materials n.e.c.	9.64	109.4	108.2	108.1	108.8	109.4	110.7	111.2	110.8	111.5	112.6	114.1	114.1	115.0	117.3
44 Basic metal materials	4.64	80.0	77.4	76.9	78.4	78.8	82.1	80.3	79.2	80.3	80.8	81.8	81.8	83.4	....
45 Nondurable goods materials	10.09	118.3	118.9	119.7	120.6	120.3	120.2	123.2	123.2	122.5	122.8	125.4	125.1	125.6	126.2
46 Textile, paper, and chemical materials	7.53	118.9	119.0	120.5	121.8	121.3	121.0	124.7	125.0	123.6	124.0	126.9	126.2	126.7	127.5
47 Textile materials	1.52	110.6	111.2	113.4	116.0	114.3	115.6	116.1	116.5	115.8	118.5	....	....	....	....
48 Pulp and paper materials	1.55	132.1	135.6	136.0	133.7	133.5	134.2	140.2	137.9	136.7	134.7	135.8	137.1	137.6	....
49 Chemical materials	4.46	117.1	115.9	117.5	119.7	119.5	118.5	122.3	123.4	121.8	122.1	124.4	124.7	123.8	....
50 Miscellaneous nondurable materials	2.57	116.5	118.3	117.2	117.1	117.5	117.6	118.5	118.0	119.0	119.2	121.1	122.0	....	....
51 Energy materials	11.69	99.9	99.9	97.9	98.0	96.9	98.7	98.8	98.9	97.6	97.0	97.5	99.6	100.6	100.9
52 Primary energy	7.57	105.5	104.8	103.7	103.8	102.7	104.8	105.1	104.1	102.6	101.5	102.3	103.1	104.1	....
53 Converted fuel materials	4.12	89.6	90.9	87.3	87.4	86.2	87.6	87.3	89.4	88.5	88.9	88.7	93.0	94.1	....

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value—Continued

Groups	SIC code	1977 proportion	1986 avg.	1986						1987						
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May	June[p]	July[e]
				Index (1977 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	.....	15.79	103.4	101.8	100.9	100.8	100.7	102.6	101.9	101.9	101.3	101.4	101.5	103.2	103.8	104.6
2 Mining	.....	9.83	99.6	97.1	96.4	96.2	95.6	97.4	96.7	97.2	96.2	96.5	97.0	97.5	98.4	99.4
3 Utilities	.....	5.96	109.6	109.7	108.3	108.3	109.3	111.2	110.6	109.5	109.6	109.5	109.0	112.6	112.7	113.3
4 Manufacturing	.....	84.21	129.1	129.2	129.5	129.5	129.9	130.3	131.1	131.1	132.0	132.3	132.4	133.1	133.6	134.7
5 Nondurable	.....	35.11	130.9	131.7	132.2	131.4	132.3	132.7	133.7	134.1	134.3	134.8	135.8	136.6	137.2	138.4
6 Durable	.....	49.10	127.9	127.4	127.5	128.1	128.1	128.6	129.2	129.0	130.4	130.5	130.0	130.6	130.9	132.0
Mining																
7 Metal	10	.50	......	69.2	70.9	70.7	68.5	68.3	73.5	72.1	72.0	71.6	66.7	71.7	......	......
8 Coal	11.12	1.60	124.2	120.2	122.2	120.8	117.6	130.1	124.3	133.5	127.7	121.8	121.6	126.6	130.1	132.1
9 Oil and gas extraction	13	7.07	94.7	92.4	90.7	91.0	90.5	90.4	90.9	89.9	89.5	91.0	92.0	91.2	91.6	92.3
10 Stone and earth minerals	14	.66	113.9	111.8	114.8	111.7	116.4	115.2	109.6	107.1	110.0	113.1	114.4	113.7	113.8	......
Nondurable manufactures																
11 Foods	20	7.96	133.6	134.3	135.1	134.3	133.7	134.4	135.3	135.3	135.7	136.1	136.1	137.1	137.5	......
12 Tobacco products	21	.62	96.6	97.9	97.1	89.8	100.1	96.8	92.9	89.1	98.7	100.7	99.4	99.0	......	......
13 Textile mill products	22	2.29	113.2	113.4	114.7	116.0	116.1	117.8	118.4	118.0	118.4	119.3	122.9	122.5	124.1	......
14 Apparel products	23	2.79	103.6	102.5	102.5	102.7	104.2	105.1	......	107.2	107.4	107.1	106.6	108.1	......	......
15 Paper and products	26	3.15	136.4	138.1	138.6	136.9	137.8	139.5	141.6	139.8	140.5	139.2	139.9	140.9	141.6	......
16 Printing and publishing	27	4.54	163.4	165.4	164.6	163.0	167.8	168.5	167.7	168.1	166.7	168.2	171.4	174.0	174.8	175.6
17 Chemicals and products	28	8.05	133.0	134.1	134.4	133.9	133.9	132.3	134.6	137.4	137.7	138.3	138.2	138.0	138.5	......
18 Petroleum products	29	2.40	92.1	90.6	94.0	93.3	91.1	92.0	92.5	94.7	91.9	91.4	94.0	92.6	91.6	92.0
19 Rubber and plastic products	30	2.80	153.3	155.5	155.5	154.9	157.6	159.0	160.7	158.1	159.2	161.3	163.8	166.0	168.2	......
20 Leather and products	31	.53	61.3	61.9	62.0	59.4	60.2	61.3	59.4	58.3	59.6	59.1	59.3	61.2	59.8	......
Durable manufactures																
21 Lumber and products	24	2.30	123.4	120.8	122.5	125.0	125.9	129.5	133.1	130.2	130.0	129.5	128.9	131.0	129.6	......
22 Furniture and fixtures	25	1.27	146.7	149.5	148.3	147.7	149.2	148.6	150.5	148.7	151.8	153.4	155.9	156.2	159.9	......
23 Clay, glass, stone products	32	2.72	120.2	119.6	119.7	121.6	118.1	120.6	121.7	122.8	121.5	122.7	122.9	121.4	120.1	......
24 Primary metals	33	5.33	75.8	73.6	73.4	74.1	74.2	76.8	73.5	73.6	76.3	77.5	76.8	77.5	77.8	80.7
25 Iron and steel	331.2	3.49	63.4	61.7	60.8	61.1	62.2	64.8	60.5	60.2	63.1	65.1	65.0	65.7	66.5	......
26 Fabricated metal products	34	6.46	107.4	105.7	105.9	107.3	108.3	107.1	108.3	108.0	108.2	108.8	108.6	107.9	109.1	109.2
27 Nonelectrical machinery	35	9.54	141.9	142.6	142.6	140.9	142.2	141.2	139.9	140.3	142.3	143.7	145.2	146.3	148.0	149.7
28 Electrical machinery	36	7.15	166.5	166.8	167.2	166.9	167.7	168.3	170.2	169.2	169.3	167.6	166.5	168.6	169.3	169.5
29 Transportation equipment	37	9.13	125.8	125.6	125.1	127.7	125.2	125.6	127.0	128.1	131.8	130.6	127.1	127.7	125.3	126.2
30 Motor vehicles and parts	371	5.25	110.9	111.2	108.2	112.2	107.1	107.9	111.2	112.2	117.8	115.5	109.3	110.1	106.7	107.8
31 Aerospace and miscellaneous transportation equipment	372 6.9	3.87	146.1	145.2	148.0	148.7	149.7	149.6	148.4	149.6	150.7	151.2	151.3	151.5	150.4	151.2
32 Instruments	38	2.66	141.3	141.7	142.0	141.7	140.3	141.1	142.4	142.5	143.3	142.0	144.1	143.5	144.7	145.0
33 Miscellaneous manufactures	39	1.46	99.3	97.5	98.3	97.7	99.0	98.9	103.1	101.8	101.1	101.4	100.0	101.5	104.0	......
Utilities																
34 Electric	.....	4.17	122.2	125.4	122.4	122.8	123.8	125.1	123.5	121.7	122.3	123.3	123.4	127.5	126.8	......
		Gross value (billions of 1982 dollars, annual rates)														
MAJOR MARKET																
35 Products, total	.....	**517.5**	**1,702.2**	**1,669.9**	**1,681.3**	**1,677.8**	**1,683.9**	**1,690.8**	**1,701.9**	**1,707.1**	**1,721.4**	**1,724.3**	**1,713.3**	**1,726.5**	**1,716.6**	**1,722.3**
36 Final	.....	405.7	1,314.5	1,282.7	1,292.6	1,292.3	1,292.5	1,297.6	1,306.7	1,315.1	1,331.9	1,330.5	1,320.1	1,327.0	1,320.0	1,323.0
37 Consumer goods	.....	272.7	853.8	842.4	846.9	839.8	839.3	847.2	860.5	865.5	869.7	870.0	863.0	865.4	859.2	864.7
38 Equipment	.....	133.0	458.2	440.4	445.7	452.5	453.2	450.4	446.2	449.6	462.2	460.4	457.1	461.6	460.8	458.3
39 Intermediate	.....	111.9	387.6	387.1	388.7	385.5	391.4	393.2	395.3	391.9	389.5	393.9	393.3	399.5	396.6	399.3

▲ A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977 = 100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

NOTE. These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1984	1985	1986	1986 Sept.	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.[r]	1987 May[r]	1987 June
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,682	1,733	1,750	1,687	1,664	1,667	1,862	1,652	1,676	1,719	1,598	1,493	1,517
2 1-family	922	957	1,071	1,071	1,036	1,028	1,184	1,085	1,204	1,150	1,058	1,009	1,039
3 2-or-more-family	759	777	679	616	628	639	678	567	472	569	540	484	478
4 Started	1,749	1,742	1,805	1,689	1,657	1,637	1,813	1,816	1,838	1,730	1,643	1,606	1,597
5 1-family	1,084	1,072	1,179	1,123	1,114	1,129	1,233	1,253	1,303	1,211	1,208	1,130	1,096
6 2-or-more-family	665	669	626	566	543	508	580	563	535	519	435	476	501
7 Under construction, end of period[1]	1,051	1,063	1,074	1,154	1,142	1,125	1,104	1,089	1,096	1,085	1,070	1,063	1,067
8 1-family	556	539	583	627	625	619	610	609	621	618	623	621	625
9 2-or-more-family	494	524	490	527	518	506	494	480	476	467	446	442	443
10 Completed	1,652	1,703	1,756	1,740	1,745	1,774	1,894	1,956	1,726	1,689	1,830	1,615	1,572
11 1-family	1,025	1,072	1,120	1,113	1,165	1,158	1,184	1,217	1,107	1,141	1,148	1,156	1,078
12 2-or-more-family	627	631	637	627	580	616	710	739	619	548	682	459	494
13 Mobile homes shipped	296	284	244	243	241	237	251	242	231	228	227	222	231
Merchant builder activity in 1-family units													
14 Number sold	639	688	748	744	675	691	768	712	740	720[r]	733	636	658
15 Number for sale, end of period[1]	358	350	361	355	357	353	357	358	358	358[r]	359	356	360
Price (thousands of dollars)[2]													
Median													
16 Units sold	80.0	84.3	92.2	95.0	96.4	94.0	95.0	98.5	95.2	98.4[r]	97.4	106.0	110.0
Average													
17 Units sold	97.5	101.0	112.2	114.0	114.9	113.6	118.9	122.1	121.3	119.5	118.6	128.6	139.7
EXISTING UNITS (1-family)													
18 Number sold	2,868	3,217	3,566	3,710	3,760	3,850	4,060	3,480	3,690	3,680	3,560	3,770	3,500
Price of units sold (thousands of dollars)[2]													
19 Median	72.3	75.4	80.3	80.3	79.4	80.4	80.8	82.1	85.0	85.6	85.0	85.2	85.2
20 Average	85.9	90.6	98.3	98.2	97.3	99.1	100.6	100.1	104.3	104.9	105.0	106.3	106.0
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**328,643**	**355,995**	**388,815**	**400,115**	**394,871**	**390,646**	**380,175**	**384,716**	**401,644**	**388,303**	**397,136**	**394,303**	**390,084**
22 Private	270,978	291,665	316,589	324,886	322,929	320,417	306,826	310,170	326,453	312,203	320,841	319,665	317,877
23 Residential	153,849	158,475	187,147	198,786	192,592	194,463	181,682	187,813	203,115	190,812	199,523	193,089	195,457
24 Nonresidential, total	117,129	133,190	129,442	126,100	130,337	125,954	125,144	122,357	123,338	121,391	121,318	126,576	122,420
Buildings													
25 Industrial	13,746	15,769	13,747	13,015	14,634	13,404	13,207	12,094	12,112	11,354	11,504	13,362	12,360
26 Commercial	39,357	51,315	48,592	55,235	56,121	54,193	54,809	50,881	53,071	52,285	50,920	53,039	50,476
27 Other	12,547	12,619	13,216	13,026	13,820	13,787	14,231	14,755	14,776	15,143	14,989	14,981	14,880
28 Public utilities and other	51,479	53,487	53,887	44,824	45,762	44,570	42,897	44,627	43,379	42,609	43,905	45,194	44,704
29 Public	57,662	64,326	72,225	75,229	71,942	70,229	73,348	74,546	75,191	76,100	76,295	74,638	72,207
30 Military	2,839	3,283	3,919	5,076	3,566	4,007	4,313	4,100	2,806	3,893	3,749	4,129	4,141
31 Highway	18,772	21,756	23,360	22,609	22,643	19,958	21,935	23,508	23,260	23,575	22,703	22,541	21,254
32 Conservation and development	4,654	4,746	4,668	4,741	4,726	4,647	4,954	5,155	4,883	4,792	5,649	4,800	5,490
33 Other	31,397	34,541	40,278	42,803	41,007	41,617	42,146	41,783	44,242	43,840	44,194	43,168	41,322

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 (1) mobile homes, which are *private*, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 16,000 jurisdictions beginning with 1978.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (at annual rate)				Change from 1 month earlier					Index level July 1987 (1967 = 100)[1]
	1986 July	1987 July	1986 Sept.	1986 Dec.	1987 Mar.r	1987 Juner	1987 Mar.	1987 Apr.	1987 May	1987 June	1987 July	
CONSUMER PRICES[2]												
1 **All items**	**1.6**	**3.9**	**2.0**	**2.5**	**6.2**	**4.6**	**.4**	**.4**	**.3**	**.4**	**.2**	**340.8**
2 Food	3.4	4.2	8.4	4.1	2.5	6.5	-.1	.3	.5	.7	-.2	333.6
3 Energy items	16.2	4.3	-21.0	-9.9	26.1	7.9	1.0	.3	.2	1.5	.1	382.4
4 All items less food and energy	4.1	4.0	3.7	3.7	5.2	4.0	.5	.5	.3	.2	.3	339.9
5 Commodities	1.5	2.9	2.6	1.4	5.1	3.8	.7	.6	.3	.0	.3	269.6
6 Services	5.6	4.6	4.3	5.1	5.3	3.8	.4	.4	.3	.2	.4	416.0
PRODUCER PRICES												
7 Finished goods	-2.4	3.5	.4	1.8	4.3	4.7	.5r	.6r	.3	.2	.2	297.8
8 Consumer foods	3.4	2.6	11.2	1.0	-6.7	14.3	.1	1.5	1.4	.5	-.6	287.6
9 Consumer energy	-37.1	14.3	-42.7	-12.5	59.8	10.9	1.8r	1.7r	.0	.9	1.5	527.5
10 Other consumer goods	2.3	2.7	2.3	4.4	4.2	-.3	.8r	.0r	-.2	.1	.3	265.7
11 Capital equipment	1.9	1.9	2.0	3.4	.4	1.4	.1	.2r	.1	.0	.1	312.1
12 Intermediate materials[3]	-4.5	4.0	-1.5	-1.2	7.8	5.2	.3r	.3	.4	.6	.8	322.8
13 Excluding energy	-.5	3.0	1.5	1.2	3.3	4.5	.2	.2	.4	.5	.5	313.2
Crude materials												
14 Foods	1.2	3.7	18.1	-2.7	-10.3	34.0	.4r	4.1r	4.8	-1.4	2.0	243.1
15 Energy	-29.7	19.0	-19.6	-.5	50.0	15.8	1.0r	.1r	2.7	.9	2.8	629.5
16 Other	1.1	10.6	24.1	8.5	15.9	33.7	-.3r	.8r	2.4	4.2	2.9	276.4

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers and reflect a *rental equivalence measure of homeownership after 1982.*
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. *Bureau of Labor Statistics.*

2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

Account	1984	1985	1986	1986		1987		
				Q3	Q4	Q1	Q2r	Q3
GROSS NATIONAL PRODUCT								
1 **Total**	**3,772.2**	**4,010.3**	**4,235.0**	**4,211.6**	**4,265.9**	**4,288.1**	**4,377.7**	**4,447.7**
By source								
2 Personal consumption expenditures	2,430.5	2,629.4	2,799.8	2,765.8	2,837.1	2,858.6	2,893.8	2,947.3
3 Durable goods	335.5	368.7	402.4	386.4	427.6	419.8	396.1	407.5
4 Nondurable goods	867.3	913.1	939.4	934.3	940.0	946.3	969.9	982.3
5 Services	1,227.6	1,347.5	1,458.0	1,445.1	1,469.5	1,492.4	1,527.7	1,557.5
6 Gross private domestic investment	664.8	641.6	671.0	679.4	660.8	660.2	699.9	700.9
7 Fixed investment	597.1	631.6	655.2	651.9	657.3	666.6	648.2	660.4
8 Nonresidential	416.0	442.6	436.9	433.8	433.5	439.7	422.8	432.3
9 Structures	141.1	152.5	137.4	135.9	131.1	132.9	128.7	130.0
10 Producers' durable equipment	274.9	290.1	299.5	297.9	302.4	306.7	294.1	302.3
11 Residential structures	181.1	189.0	218.3	218.1	223.8	226.9	225.4	228.1
12 Change in business inventories	67.7	10.0	15.7	27.5	3.5	-6.4	51.6	40.4
13 Nonfarm	60.5	13.6	16.8	24.5	-.9	5.1	48.7	27.4
14 Net exports of goods and services	-58.9	-79.2	-105.5	-100.8	-110.5	-116.9	-112.2	-118.6
15 Exports	383.5	369.9	376.2	371.3	376.6	383.3	397.3	411.0
16 Imports	442.4	449.2	481.7	472.1	487.1	500.2	509.5	529.7
17 Government purchases of goods and services	735.9	818.6	869.7	867.2	878.5	886.3	896.2	918.2
18 Federal	310.5	353.9	366.2	368.4	371.2	368.6	366.9	380.3
19 State and local	425.3	464.7	503.5	498.8	507.3	517.7	529.3	537.8
By major type of product								
20 Final sales, total	3,704.5	4,000.3	4,219.3	4,184.0	4,262.4	4,294.6	4,326.0	4,407.3
21 Goods	1,581.3	1,637.9	1,693.8	1,689.9	1,703.6	1,698.9	1,738.7	1,759.9
22 Durable	681.5r	704.3r	726.8r	717.0	735.8	737.3	747.0	750.1
23 Nondurable	899.9r	933.6r	967.0r	972.9	967.8	961.6	991.7	1,009.8
24 Services	1,813.9r	1,969.2r	2,116.2r	2,097.9	2,136.6	2,160.0	2,212.0	2,257.6
25 Structures	376.9r	403.1r	425.0r	423.8	425.7	429.3	426.9	430.2
26 Change in business inventories	67.7	10.0	15.7	27.5	3.5	-6.4	51.6	40.4
27 Durable goods	40.2r	7.3r	4.8r	10.1	-12.1	-4.5	35.2	19.4
28 Nondurable goods	27.5r	2.7r	10.9r	17.5	15.6	-1.9	16.5	21.0
29 MEMO								
Total GNP in 1982 dollars	**3,501.4**	**3,607.5**	**3,713.3**	**3,704.7**	**3,718.0**	**3,731.5**	**3,772.2**	**3,793.7**
NATIONAL INCOME								
30 **Total**	**3,028.6**	**3,229.9**	**3,422.0**	**3,414.1**	**3,438.7**	**3,471.0**	**3,548.3**	**3,597.8**
31 Compensation of employees	2,213.9	2,370.8	2,504.9	2,487.6	2,515.1	2,552.0	2,589.9	2,623.7
32 Wages and salaries	1,838.8	1,974.7	2,089.1	2,074.6	2,097.9	2,128.5	2,163.3	2,191.6
33 Government and government enterprises	346.1	372.3	394.8	391.6	397.7	403.8	412.2	418.1
34 Other	1,492.5	1,602.6	1,694.3	1,683.0	1,700.2	1,724.7	1,751.1	1,773.5
35 Supplement to wages and salaries	375.1	396.1	415.8	413.0	417.2	423.5	426.6	432.0
36 Employer contributions for social insurance	192.2	203.8	214.7	213.1	214.9	219.1	220.0	222.5
37 Other labor income	182.9	192.3	201.1	199.8	202.3	204.4	206.7	209.5
38 Proprietors' income[1]	234.5	257.3	289.8	298.1	292.5	297.8	320.9	327.7
39 Business and professional[1]	204.0	227.6	252.6	250.1	256.2	261.2	269.7	276.0
40 Farm[1]	30.5	29.7	37.2	48.1	36.3	36.6	51.3	51.6
41 Rental income of persons[2]	8.5	9.0	16.7	17.4	17.2	18.4	20.0	18.9
42 Corporate profits[1]	266.9	277.6	284.4	282.3	286.4	281.1	294.0	296.5
43 Profits before tax[3]	240.0	224.8	231.9	224.4	236.3	247.9	257.0	267.1
44 Inventory valuation adjustment	-5.8	-.7	6.5	11.3	6.0	-8.9	-11.3	-18.8
45 Capital consumption adjustment	32.7	53.5	46.0	46.7	44.0	42.1	48.2	48.2
46 Net interest	304.8	315.3	326.1	328.7	327.5	321.7	323.6	331.1

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. *Survey of Current Business* (Department of Commerce).

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1984	1985	1986	1986 Q3	1986 Q4	1987 Q1	1987 Q2[r]	1987 Q3
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**3,108.7**	**3,327.0**	**3,534.3**	**3,526.6**	**3,553.6**	**3,593.6**	**3,662.0**	**3,713.4**
2 Wage and salary disbursements	1,838.6	1,974.9	2,089.1	2,074.6	2,097.9	2,128.5	2,163.3	2,191.6
3 Commodity-producing industries	577.6	609.2	623.3	621.2	622.8	628.4	632.9	635.2
4 Manufacturing	439.1	460.9	470.5	468.7	470.0	474.5	477.2	479.1
5 Distributive industries	442.8	473.0	497.1	493.7	498.6	504.7	511.5	519.0
6 Service industries	472.1	520.4	573.9	568.1	578.8	591.6	606.7	619.4
7 Government and government enterprises	346.1	372.3	394.8	391.6	397.7	403.8	412.2	418.1
8 Other labor income	182.9	192.3	201.1	199.8	202.3	204.4	206.7	209.5
9 Proprietors' income[1]	234.5	257.3	289.8	298.1	292.5	297.8	320.9	327.7
10 Business and professional[1]	204.0	227.6	252.6	250.1	256.2	261.2	269.7	276.0
11 *Farm*[1]	30.5	29.7	37.2	48.1	36.3	36.6	51.3	51.6
12 Rental income of persons[2]	8.5	9.0	16.7	17.4	17.2	18.4	20.0	18.9
13 Dividends	75.5	76.3	81.2	81.0	82.1	82.9	84.5	86.3
14 Personal interest income	444.7	476.5	497.6	500.0	498.1	496.8	499.8	506.3
15 Transfer payments	456.6	489.7	518.3	514.5	523.6	526.6	533.7	541.5
16 Old-age survivors, disability, and health insurance benefits	235.7	253.4	269.2	266.4	272.4	273.5	278.0	282.3
17 LESS: Personal contributions for social insurance	132.7	148.9	159.6	158.8	160.1	161.8	166.7	168.4
18 EQUALS: Personal income	3,108.7	3,327.0	3,534.3	3,526.6	3,553.6	3,593.6	3,662.0	3,713.4
19 LESS: Personal tax and nontax payments	440.2	485.9	512.2	504.2	515.3	532.0	536.1	578.0
20 EQUALS: Disposable personal income	2,668.6	2,841.1	3,022.1	3,022.4	3,038.2	3,061.6	3,125.9	3,135.4
21 LESS: Personal outlays	2,504.5	2,714.1	2,891.5	2,856.4	2,929.4	2,952.6	2,987.5	3,041.4
22 EQUALS: Personal saving	164.1	127.1	130.6	166.0	108.9	109.0	138.4	94.0
MEMO								
Per capita (1982 dollars)								
23 Gross national product	14,770.6[r]	15,073.7[r]	15,368.3[r]	15,353.0	15,369.9	15,387.6	15,523.4	15,579.8
24 Personal consumption expenditures	9,488.6[r]	9,830.2[r]	10,141.9[r]	10,088.2	10,241.8	10,228.8	10,188.9	10,221.7
25 Disposable personal income	10,419.0	10,622.0	10,947.0	11,024.0	10,968.0	10,956.0	11,008.0	10,875.0
26 Saving rate (percent)	6.1	4.5	4.3	5.5	3.6	3.6	4.4	3.0
GROSS SAVING								
27 **Gross saving**	**568.5**	**531.3**	**532.0**	**538.7**	**516.2**	**515.3**	**554.3**	**549.5**
28 Gross private saving	673.5	664.2	679.8	713.7	660.4	653.4	683.8	641.8
29 Personal saving	164.1	127.1	130.6	166.0	108.9	109.0	138.4	94.0
30 Undistributed corporate profits[1]	94.0	99.6	92.6	93.6	92.6	78.5	75.6	71.4
31 Corporate inventory valuation adjustment	−5.8	−.7	6.5	11.3	6.0	−8.9	−11.3	18.8
Capital consumption allowances								
32 Corporate	254.5	269.1	282.8	280.9	284.3	289.3	291.8	294.4
33 Noncorporate	160.9	168.5	173.8	173.2	174.6	176.6	178.0	182.0
34 Government surplus, or deficit (−), national income and product accounts	−105.0	−132.9	−147.8	−175.0	−144.1	−138.1	129.5	−92.3
35 Federal	−169.6	−196.0	−204.7	−230.2	203.7	−188.7	170.5	−141.9
36 State and local	64.6	63.1	56.8	55.1	59.6	50.6	41.0	49.6
37 **Gross investment**	**573.9**	**525.7**	**527.1**	**539.6**	**510.1**	**503.7**	**552.1**	**544.7**
38 Gross private domestic	664.8	641.6	671.0	679.4	660.8	660.2	699.9	700.9
39 Net foreign	−90.9	−115.9	−143.9	−139.8	−150.7	−156.5	147.7	156.2
40 **Statistical discripancy**	**5.4**	**−5.6**	**−4.9**	**.9**	**−6.1**	**−11.6**	**−2.2**	**−4.8**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. *Survey of Current Business* (Department of Commerce).

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.[1]

Item credits or debits	1984	1985	1986	1986				1987
				Q1	Q2	Q3	Q4	Q1[p]
1 Balance on current account	-107,013	-116,394	-141,352	-33,040	-33,755	-36,583	-37,977	-37,122
2 Not seasonally adjusted	....	....	....	-30,090	34,634	-40,230	-36,398	-33,866
3 Merchandise trade balance[2]	-112,522	-122,148	-144,339	-34,978	-33,651	-37,115	-38,595	-38,330
4 Merchandise exports	219,900	215,935	224,361	53,878	56,928	56,534	57,021	58,212
5 Merchandise imports	-332,422	-338,083	-368,700	-88,856	-90,579	-93,649	-95,616	-96,542
6 Military transactions, net	-1,942	-3,338	-3,662	-1,298	-1,054	-815	-495	198
7 Investment income, net[3]	18,490	25,398	20,844	6,425	4,587	5,339	4,492	3,836
8 Other service transactions, net	1,138	-1,005	1,463	-168	530	342	759	264
9 Remittances, pensions, and other transfers	-3,637	-4,079	-3,885	-943	-918	-875	-1,151	-993
10 U.S. government grants (excluding military)	-8,541	-11,222	-11,772	-2,078	-3,249	-3,459	-2,987	-2,097
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	-5,476	-2,831	-1,920	-240	-242	-1,454	15	219
12 Change in U.S. official reserve assets (increase, −)	-3,130	-3,858	312	-115	16	280	132	1,956
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	-979	-897	-246	-274	-104	163	-31	76
15 Reserve position in International Monetary Fund	-995	908	1,500	344	366	508	283	606
16 Foreign currencies	-1,156	-3,869	-942	-185	-246	-391	-120	1,274
17 Change in U.S. private assets abroad (increase, −)[3]	-13,685	-24,711	-94,374	-13,415	-25,303	-23,304	-32,351	16,517
18 Bank-reported claims	-11,127	-1,323	-59,039	6,373	-14,734	-18,878	-31,800	27,802
19 Nonbank-reported claims	5,019	1,361	-3,986	-2,947	-1,894	685	170	....
20 U.S. purchase of foreign securities, net	-4,756	-7,481	-3,302	-5,886	-1,149	620	3,113	-1,317
21 U.S. direct investments abroad, net[3]	-2,821	-17,268	-28,047	-10,955	-7,526	-5,731	-3,834	-9,968
22 Change in foreign official assets in the United States (increase, +)	2,987	-1,140	34,698	2,576	15,568	15,551	1,003	14,123
23 U.S. Treasury securities	4,690	-838	34,515	3,238	14,538	12,167	4,572	11,999
24 Other U.S. government obligations	13	-301	-1,214	-177	-644	-276	-117	-51
25 Other U.S. government liabilities[4]	586	823	1,723	406	925	999	-607	-1,421
26 Other U.S. liabilities reported by U.S. banks	555	645	554	-1,254	1,280	2,963	-2,435	3,964
27 Other foreign official assets[5]	-2,857	-1,469	-880	363	-531	-302	-410	-368
28 Change in foreign private assets in the United States (increase, +)[3]	99,481	131,012	178,689	33,746	33,475	54,040	57,428	13,435
29 U.S. bank-reported liabilities	33,849	41,045	77,350	8,487	3,899	30,360	34,604	-13,836
30 U.S. nonbank-reported liabilities	4,704	-450	-2,791	-2,193	-1,553	-80	1,035	....
31 Foreign private purchases of U.S. Treasury securities, net	23,001	20,433	8,275	7,035	3,705	609	3,074	5,445
32 Foreign purchases of other U.S. securities, net	12,568	50,962	70,802	18,571	22,888	17,074	12,269	18,454
33 Foreign direct investments in the United States, net[3]	25,359	19,022	25,053	1,846	4,536	6,077	12,594	3,372
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	26,837	17,920	23,947	10,488	10,241	-8,530	11,750	-9,128
36 Owing to seasonal adjustments	....	....	....	2,294	-2,044	-4,153	3,904	2,749
37 Statistical discrepancy in recorded data before seasonal adjustment	26,837	17,920	23,947	8,194	12,285	-4,377	7,846	-11,877
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	-3,130	-3,858	312	-115	16	280	132	1,956
39 Foreign official assets in the United States (increase, +) excluding line 25	2,401	-1,963	32,975	2,170	14,643	14,552	1,610	15,544
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	-4,504	-6,709	-8,508	1,876	-2,166	-3,023	-5,195	-2,941
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	153	46	101	19	11	19	53	10

1. Seasonal factors are not calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise data and are included in line 6.
3. Includes reinvested earnings.
4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data are not seasonally adjusted.

Item	1983	1984	1985	1986	1987 Jan.	Feb.	Mar.	Apr.	May	June
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments, f.a.s. value	205,639	223,976	218,815	226,808	16,755	19,360	21,776	20,496	20,784	21,126
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses, c.i.f. value	269,878	346,364	352,463	382,964	28,692	33,725	34,694	33,459	34,822	36,838
3 **Trade balance**	**−64,240**	**−122,389**	**−133,648**	**−156,156**	**−11,937**	**−14,365**	**−12,918**	**−12,963**	**−14,039**	**−15,711**

1. The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustment is the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately as indicated above. As of Jan. 1, 1987 census data are released 45 days after the end of the month. Total exports and the trade balance reflect adjustments for undocumented exports to Canada.

SOURCE. FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1984	1985	1986	1987 Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 **Total**	**34,934**	**43,186**	**48,517**	**49,386**	**49,358**	**48,824**	**46,591**	**45,913**	**45,140**	**44,318**
2 Gold stock, including Exchange Stabilization Fund[1]	11,096	11,090	11,064	11,062	11,085	11,081	11,076	11,070	11,069	11,069
3 Special drawing rights[2,3]	5,641	7,293	8,395	8,470	8,615	8,740	8,879	8,904	8,856	8,813
4 Reserve position in International Monetary Fund[2]	11,541	11,947	11,730	11,872	11,699	11,711	11,745	11,517	11,313	10,964
5 Foreign currencies[4]	6,656	12,856	17,328	17,982	17,959	17,292	14,891	14,422	13,902	13,472

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13. Gold stock is valued at $42.22 per fine troy ounce.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1984	1985	1986	1987 Jan.	Feb.	Mar.	Apr.	May	June	July
1 Deposits	267	480	287	226	255	268	342	319	318	261
Assets held in custody										
2 U.S. Treasury securities[1]	118,000	121,004	155,835	159,597	160,942	167,423	172,929	175,849	176,657	171,269
3 Earmarked gold[2]	14,242	14,245	14,048	14,041	14,046	14,036	14,031	14,031	14,034	14,010

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
2. Earmarked gold is valued at $42.22 per fine troy ounce.

NOTE. Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

Asset account	1983	1984	1985	1986	1987					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
						All foreign countries				
1 **Total, all currencies**	**477,090**	**453,656**	**458,012**	**456,628**	**457,298[r]**	**457,819**	**457,007[r]**	**485,166[r]**	**487,436**	**475,068**
2 Claims on United States	115,542	113,393	119,706	114,685	116,035[r]	114,450	112,094[r]	128,069[r]	126,916	123,339
3 Parent bank	82,026	78,109	87,201	83,492	83,956[r]	82,588	81,677[r]	93,753[r]	92,218	89,395
4 Other banks in United States[2]	33,516	13,664	13,057	13,685	12,714	13,158	13,044	15,277	16,990	15,956
5 Nonbanks[2]		21,620	19,448	17,508	19,365	18,704	17,373[r]	19,039	17,708	17,988
6 Claims on foreigners	342,689	320,162	315,676	312,833	308,907[r]	310,687[r]	310,819[r]	321,699	328,087	319,868
7 Other branches of parent bank	96,004	95,184	91,399	96,281	91,543[r]	89,656	89,200	93,669[r]	101,309	101,232
8 Banks	117,668	100,397	102,960	105,237	105,384[r]	109,748	109,580	115,561[r]	113,971	107,130
9 Public borrowers	24,517	23,343	23,478	23,584	22,573[r]	22,418[r]	22,666[r]	22,765	23,295	22,684
10 Nonbank foreigners	107,785	101,238	97,839	87,731	89,407	88,865	89,373[r]	89,704	89,512	88,822
11 Other assets	18,859	20,101	22,630	29,110	32,356[r]	32,682[r]	34,094[r]	35,398	32,433	31,861
12 **Total payable in U.S. dollars**	**371,508**	**350,636**	**336,520**	**317,487**	**308,712[r]**	**311,669**	**306,431[r]**	**329,259[r]**	**336,235**	**329,343**
13 Claims on United States	113,436	111,426	116,638	110,742	111,367[r]	110,011	107,245[r]	122,278[r]	121,458	118,353
14 Parent bank	80,909	77,229	85,971	82,082	82,194[r]	81,029	79,817[r]	91,798[r]	90,182	87,559
15 Other banks in United States[2]	32,527	13,500	12,454	12,830	11,531	12,102	11,907	13,468	15,354	14,647
16 Nonbanks[2]		20,697	18,213	15,830	17,642	16,880	15,521[r]	17,012	15,922	16,147
17 Claims on foreigners	247,406	228,600	210,129	194,941	185,547[r]	189,205	185,541[r]	192,715	201,261	198,408
18 Other branches of parent bank	78,431	78,746	72,727	72,197	65,732[r]	64,550	63,983	66,916[r]	75,014	75,771
19 Banks	93,332	76,940	71,868	66,421	63,608[r]	68,320	65,997	69,808[r]	69,395	66,877
20 Public borrowers	17,890	17,626	17,260	16,586	16,457	16,320	16,347[r]	16,512	16,812	16,271
21 Nonbank foreigners	60,977	55,288	48,274	39,737	39,750	40,015	39,214	39,479	40,040	39,489
22 Other assets	10,666	10,610	9,753	11,804	11,798[r]	12,453	13,645	14,266	13,516	12,582
						United Kingdom				
23 **Total, all currencies**	**158,732**	**144,385**	**148,599**	**140,917**	**144,093**	**146,188**	**145,486**	**149,998**	**154,371**	**146,678**
24 Claims on United States	34,433	27,675	33,157	24,599	28,720	28,851	28,503	31,001	34,427	30,859
25 Parent bank	29,111	21,862	26,970	19,085	23,330	23,326	23,303	25,315	28,935	25,944
26 Other banks in United States[2]	5,322	1,429	1,106	1,612	1,220	1,258	1,288	1,564	1,507	1,194
27 Nonbanks[2]		4,384	5,081	3,902	4,170	4,267	3,912	4,122	3,985	3,721
28 Claims on foreigners	119,280	111,828	110,217	109,508	108,720	110,274	109,297	111,113	112,997	107,789
29 Other branches of parent bank	36,565	37,953	31,576	33,422	30,218	29,575	28,782	29,936[r]	33,412	32,641
30 Banks	43,352	37,443	39,250	39,468	40,677	43,189	42,537	42,961[r]	41,216	37,181
31 Public borrowers	5,898	5,334	5,644	4,990	4,942	4,983	4,897	4,964	5,234	4,684
32 Nonbank foreigners	33,465	31,098	33,747	31,628	32,883	32,527	33,081	33,252	33,110	33,283
33 Other assets	5,019	4,882	5,225	6,810	6,653	7,063	7,686	7,884	6,947	8,030
34 **Total payable in U.S. dollars**	**126,012**	**112,809**	**108,626**	**95,028**	**95,359**	**97,568**	**95,319**	**99,398**	**104,622**	**97,623**
35 Claims on United States	33,756	26,868	32,092	23,193	27,070	27,290	26,665	29,066	32,542	29,252
36 Parent bank	28,756	21,495	26,568	18,526	22,673	22,749	22,662	24,689	28,228	25,286
37 Other banks in United States[2]	5,000	1,363	1,005	1,475	996	1,061	980	1,192	1,157	950
38 Nonbanks[2]		4,010	4,519	3,192	3,401	3,480	3,023	3,185	3,157	3,016
39 Claims on foreigners	88,917	82,945	73,475	68,138	65,022	66,872	64,466	66,257	68,469	64,676
40 Other branches of parent bank	31,838	33,607	26,011	26,361	22,720	22,578	21,785	22,339[r]	25,921	25,409
41 Banks	32,188	26,805	26,139	23,251	23,629	25,685	24,225	24,962[r]	23,263	20,998
42 Public borrowers	4,194	4,030	3,999	3,677	3,681	3,716	3,660	3,712	3,785	3,470
43 Nonbank foreigners	20,697	18,503	17,326	14,849	14,992	14,893	14,796	15,244	15,500	14,799
44 Other assets	3,339	2,996	3,059	3,697	3,267	3,406	4,188	4,075	3,611	3,695
						Bahamas and Caymans				
45 **Total, all currencies**	**152,083**	**146,811**	**142,055**	**142,592**	**134,620[r]**	**133,229**	**134,189[r]**	**146,776[r]**	**141,668**	**142,048**
46 Claims on United States	75,309	77,296	74,864	78,170	73,414[r]	68,873	67,586[r]	78,248[r]	73,351	72,480
47 Parent bank	48,720	49,449	50,553	54,575	48,807[r]	44,759	44,502[r]	52,086[r]	46,486	45,910
48 Other banks in United States[2]	26,589	11,544	11,204	11,156	10,625	10,924	10,855	12,649	14,494	13,659
49 Nonbanks[2]		16,303	13,107	12,439	13,982	13,190	12,229[r]	13,513	12,371	12,911
50 Claims on foreigners	72,868	65,598	63,882	59,883	56,076[r]	59,036	60,766[r]	62,770	63,021	65,220
51 Other branches of parent bank	20,626	17,661	19,042	17,296	14,511[r]	15,481	16,529	16,562	15,775	18,873
52 Banks	36,842	30,246	28,192	27,476	26,364[r]	28,139	28,568	30,917	31,352	30,934
53 Public borrowers	6,093	6,089	6,458	6,929	7,026	6,974	7,038[r]	7,120	7,304	7,025
54 Nonbank foreigners	12,592	11,602	10,190	8,182	8,175	8,442	8,631	8,171	8,590	8,388
55 Other assets	3,906	3,917	3,309	4,539	5,130[r]	5,320	5,837	5,758	5,296	4,348
56 **Total payable in U.S. dollars**	**145,641**	**141,562**	**136,794**	**136,813**	**128,467[r]**	**126,605**	**127,160[r]**	**138,784[r]**	**133,323**	**135,207**

1. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

2. Data for assets vis-à-vis other banks in the United States and vis-à-vis nonbanks are combined for dates before June 1984.

3.14 Continued

Liability account	1983	1984	1985	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May	1987 June[p]
	All foreign countries									
57 **Total, all currencies**	**477,090**	**453,656**	**458,012**	**456,628**	**457,298[r]**	**457,819**	**457,007[r]**	**485,166[r]**	**487,436**	**475,068**
58 Negotiable CDs[3]	n.a.	37,725	34,607	31,629	33,395	36,074	34,873	33,155	34,360	31,827
59 To United States	188,070	147,583	155,538	151,632	140,391[r]	140,341[r]	141,693[r]	152,698[r]	149,989	149,919
60 Parent bank	81,261	78,739	83,914	82,561	70,071[r]	73,095	71,092[r]	75,080[r]	74,551	78,369
61 Other banks in United States	29,453	18,409	16,894	15,646	15,051	13,602	13,695	16,913	16,908	16,560
62 Nonbanks	77,356	50,435	54,730	53,425	55,269[r]	53,644[r]	56,906[r]	60,705	58,530	54,990
63 To foreigners	269,685	247,907	245,939	253,775	262,780[r]	261,649[r]	260,659	278,022[r]	284,126	274,085
64 Other branches of parent bank	90,615	93,909	89,529	95,146	89,351[r]	88,524	87,867	94,590[r]	101,777	100,760
65 Banks	92,889	78,203	76,814	77,809	88,468[r]	86,037	84,976	92,704	90,236	81,619
66 Official institutions	18,896	20,281	19,520	17,835	19,532	19,818	20,591	21,293	23,058	21,965
67 Nonbank foreigners	68,845	55,514	60,076	62,985	65,429	67,270[r]	67,225	69,435	69,055	69,741
68 Other liabilities	19,335	20,441	21,928	19,592	20,732[r]	19,755	19,782	21,291	18,961	19,237
69 **Total payable in U.S. dollars**	**388,291**	**367,145**	**353,712**	**336,406**	**322,920[r]**	**326,319**	**321,706[r]**	**340,408[r]**	**347,150**	**340,851**
70 Negotiable CDs[3]	n.a.	35,227	31,063	28,466	29,921	32,407	31,148	29,505	30,763	27,980
71 To United States	184,305	143,571	150,162	143,650	131,876[r]	131,912[r]	132,765[r]	141,465[r]	141,087	141,457
72 Parent bank	79,035	76,254	80,888	78,472	65,443[r]	68,540	65,981[r]	68,403[r]	70,067	74,225
73 Other banks in United States	28,936	17,935	16,264	14,609	14,047	12,505	12,593	15,455	15,742	15,348
74 Nonbanks	76,334	49,382	53,010	50,569	52,386[r]	50,867[r]	54,191[r]	57,607	55,278	51,884
75 To foreigners	194,139	178,260	163,583	156,806	153,935[r]	154,416[r]	149,949	161,216	167,664	163,530
76 Other branches of parent bank	73,522	77,770	71,078	71,181	63,428[r]	63,640	62,172	67,278	74,769	74,136
77 Banks	57,022	45,123	37,365	33,850	36,864[r]	36,816	35,116	39,111	36,216	32,202
78 Official institutions	13,855	15,773	14,359	12,371	13,688	13,189	13,392	14,318	16,068	15,687
79 Nonbank foreigners	51,260	39,594	40,781	39,404	39,955	40,771[r]	39,269	40,509	40,611	41,505
80 Other liabilities	9,847	10,087	8,904	7,484	7,188[r]	7,584	7,844	8,222	7,636	7,884
	United Kingdom									
81 **Total, all currencies**	**158,732**	**144,385**	**148,599**	**140,917**	**144,093**	**146,188**	**145,486**	**149,998**	**154,371**	**146,678**
82 Negotiable CDs[3]	n.a.	34,413	31,260	27,781	29,432	32,233	30,968	29,311	30,226	27,511
83 To United States	55,799	25,250	29,422	24,657	19,465	22,501	21,433	23,936[r]	26,291	24,512
84 Parent bank	14,021	14,651	19,330	14,469	10,004	12,735	12,332	13,170[r]	15,145	14,745
85 Other banks in United States	11,328	3,125	2,974	2,649	2,154	2,154	1,816	2,205	2,273	2,109
86 Nonbanks	30,450	7,474	7,118	7,539	7,307	7,612	7,285	8,561	8,873	7,658
87 To foreigners	95,847	77,424	78,525	79,498	86,229	82,418	83,723	87,381[r]	89,673	86,041
88 Other branches of parent bank	19,038	21,631	23,389	25,036	23,595	21,230	21,371	22,421[r]	26,367	25,350
89 Banks	41,624	30,436	28,581	30,877	36,479	35,434	35,971	37,562	35,282	32,334
90 Official institutions	10,151	10,154	9,676	6,836	8,484	7,832	7,827	8,871	10,004	9,450
91 Nonbank foreigners	25,034	15,203	16,879	16,749	17,671	17,922	18,554	18,527	18,020	18,907
92 Other liabilities	7,086	7,298	9,392	8,981	8,967	9,036	9,362	9,370	8,181	8,614
93 **Total payable in U.S. dollars**	**131,167**	**117,497**	**112,697**	**99,707**	**98,741**	**101,971**	**98,967**	**101,793**	**106,093**	**100,031**
94 Negotiable CDs[3]	n.a.	33,070	29,337	26,169	27,701	30,175	28,868	27,189	28,345	25,695
95 To United States	54,691	24,105	27,756	22,075	16,829	19,894	18,940	21,144	23,561	21,850
96 Parent bank	13,839	14,339	18,956	14,021	9,451	12,157	11,606	12,352	14,528	14,252
97 Other banks in United States	11,044	2,980	2,826	2,325	1,887	1,926	1,602	2,021	2,027	1,899
98 Nonbanks	29,808	6,786	5,974	5,729	5,491	5,811	5,732	6,771	7,006	5,699
99 To foreigners	73,279	56,923	51,980	48,138	51,174	48,610	47,531	49,708	51,029	49,089
100 Other branches of parent bank	15,403	18,294	18,493	17,951	16,386	14,691	14,471	14,367	18,430	17,654
101 Banks	29,320	18,356	14,344	15,203	18,626	18,207	18,027	19,498	15,555	13,864
102 Official institutions	8,279	8,871	7,661	4,934	6,096	5,176	4,924	5,786	7,214	6,985
103 Nonbank foreigners	20,277	11,402	11,482	10,050	10,066	10,536	10,109	10,057	9,830	10,586
104 Other liabilities	3,197	3,399	3,624	3,325	3,037	3,292	3,628	3,752	3,158	3,397
	Bahamas and Caymans									
105 **Total, all currencies**	**152,083**	**146,811**	**142,055**	**142,592**	**134,620[r]**	**133,229**	**134,189[r]**	**146,776[r]**	**141,668**	**142,048**
106 Negotiable CDs[3]	n.a.	615	610	847	995	855	813	883	1,092	1,118
107 To United States	111,299	102,955	103,813	105,248	99,052[r]	95,516[r]	98,912[r]	107,367[r]	101,542	102,824
108 Parent bank	50,980	47,162	44,811	48,648	40,869[r]	40,409	39,851[r]	43,315[r]	40,052	43,503
109 Other banks in United States	16,057	13,938	12,778	11,715	11,687	10,151	10,568	13,345	13,185	13,143
110 Nonbanks	44,262	41,855	46,224	44,885	46,496[r]	44,956[r]	48,493[r]	50,707	48,305	46,178
111 To foreigners	38,445	40,320	35,053	34,400	32,557[r]	34,758[r]	32,501	36,491	36,825	36,014
112 Other branches of parent bank	14,936	16,782	14,075	12,631	11,371[r]	12,972	11,673	13,891	13,359	14,023
113 Banks	11,876	12,405	10,669	8,617	8,080[r]	8,070	8,140	9,452	9,885	7,954
114 Official institutions	1,919	2,054	1,776	2,719	2,808	3,013	2,836	2,937	3,072	3,185
115 Nonbank foreigners	11,274	9,079	8,533	10,433	10,298	10,703[r]	9,852	10,211	10,509	10,852
116 Other liabilities	2,339	2,921	2,579	2,097	2,016[r]	2,100	1,963	2,035	2,209	2,092
117 **Total payable in U.S. dollars**	**148,278**	**143,582**	**138,322**	**138,774**	**130,592**	**129,183**	**129,400[r]**	**140,796[r]**	**136,679**	**137,628**

3. Before June 1984, liabilities on negotiable CDs were included in liabilities to the United States or liabilities to foreigners, according to the address of the initial purchaser.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1984	1985	1986	1987[r]					
			Dec.	Jan.	Feb.	Mar.	Apr.[r]	May	June[p]
1 **Total**[1]	**180,348**	**178,380**	**211,706**	**213,416**	**215,512**	**227,043**	**235,937**	**236,012**	**236,455**
By type									
2 Liabilities reported by banks in the United States[2]	26,090	26,734	27,626	27,629	29,438	31,237	32,661	31,296	29,791
3 U.S. Treasury bills and certificates[3]	59,976	53,252	75,650	75,718	75,434	79,629	84,640	81,553	80,663
U.S. Treasury bonds and notes									
4 Marketable	69,019	77,154	91,534	93,032	93,866	99,703	102,192	106,638	110,188
5 Nonmarketable[4]	5,800	3,550	1,300	1,300	1,300	1,300	1,300	1,300	700
6 U.S. securities other than U.S. Treasury securities[5]	19,463	17,690	15,596	15,737	15,474	15,174	15,144	15,225	15,113
By area									
7 Western Europe[1]	69,818	74,447	88,289	89,681	90,914	99,711	105,720	107,966	109,069
8 Canada	1,528	1,315	2,004	3,383	3,761	5,110	3,922	3,482	3,502
9 Latin America and Caribbean	8,565	11,148	8,367	7,680	7,425	8,241	9,290	7,923	7,519
10 Asia	93,701	86,448	106,024	107,448	108,886	108,662	109,991	109,641	108,928
11 Africa	1,263	1,824	1,503	1,300	1,164	1,192	1,284	1,628	1,405
12 Other countries[6]	5,472	3,199	5,519	3,926	3,362	4,127	5,728	5,372	6,030

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies[1]

Millions of dollars, end of period

Item	1983	1984	1985	1986			1987
				June	Sept.	Dec.	Mar.
1 Banks' own liabilities	5,219	8,586	15,368	24,314	29,467	29,404	36,319
2 Banks' own claims	7,231	11,984	16,294	20,937	24,124	25,150	32,261
3 Deposits	2,731	4,998	8,437	11,072	13,220	13,173	13,722
4 Other claims	4,501	6,986	7,857	9,865	10,904	11,977	18,539
5 Claims of banks' domestic customers[1]	1,059	569	580	1,385	1,597	2,508	2,034

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States
Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1983	1984	1985	1986	1987					
				Dec.	Jan.	Feb.	Mar.	Apr.[r]	May	June[p]
1 **All foreigners**	**369,607**	**407,306**	**435,726**	**538,895**	**525,505**	**522,597**	**524,768**	**552,326**	**555,635**	**539,492**
2 Banks' own liabilities	279,087	306,898	341,070	404,760	392,094	388,147	389,715	412,186	415,626	400,315
3 Demand deposits	17,470	19,571	21,107	23,788	22,490	22,449	22,303	22,174	22,973	23,222
4 Time deposits[1]	90,632	110,413	117,278	131,136	125,207	125,728	125,129	132,702	133,134	132,840
5 Other[2]	25,874	26,268	29,305	40,880	39,549	40,611	42,458	46,034	45,860	40,933
6 Own foreign offices[3]	145,111	150,646	173,381	208,956	204,848	199,359	199,825	211,275	213,659	203,320
7 Banks' custody liabilities[4]	90,520	100,408	94,656	134,134	133,411	134,450	135,054	140,141	140,010	139,178
8 U.S. Treasury bills and certificates[5]	68,669	76,368	69,133	90,257	89,278	90,695	93,048	97,789	95,959	93,688
9 Other negotiable and readily transferable instruments[6]	17,467	18,747	17,964	16,523	14,656	13,839	14,744	14,625	15,953	16,582
10 Other	4,385	5,293	7,558	27,354	29,477	29,916	27,262	27,727	28,098	28,908
11 **Nonmonetary international and regional organizations[7]**	**5,957**	**4,454**	**5,821**	**4,699**	**5,081**	**4,520**	**3,889**	**7,344**	**3,867**	**3,962**
12 Banks' own liabilities	4,632	2,014	2,621	2,850	3,732	2,193	2,510	5,750	2,203	2,472
13 Demand deposits	297	254	85	199	183	157	246	159	106	72
14 Time deposits[1]	3,584	1,267	2,067	2,066	2,515	1,488	1,230	3,100	960	950
15 Other[2]	750	493	469	584	1,034	548	1,033	2,490	1,137	1,451
16 Banks' custody liabilities[4]	1,325	2,440	3,200	1,849	1,349	2,326	1,379	1,594	1,664	1,490
17 U.S. Treasury bills and certificates	463	916	1,736	259	86	1,213	154	428	440	266
18 Other negotiable and readily transferable instruments[6]	862	1,524	1,464	1,590	1,261	1,112	1,225	1,152	1,224	1,224
19 Other	0	0	0	0	2	1	0	14	0	0
20 **Official institutions[8]**	**79,876**	**86,065**	**79,985**	**103,275**	**103,346**	**104,872**	**110,866**	**117,302**	**112,849**	**110,454**
21 Banks' own liabilities	19,427	19,039	20,835	25,134	25,403	26,880	28,103	29,675	28,433	26,401
22 Demand deposits	1,837	1,823	2,077	2,267	1,487	1,513	1,923	1,829	2,089	1,744
23 Time deposits[1]	7,318	9,374	10,949	10,752	11,335	11,385	11,135	12,527	11,017	12,226
24 Other[2]	10,272	7,842	7,809	12,115	12,580	13,982	15,044	15,318	15,327	12,431
25 Banks' custody liabilities[4]	60,448	67,026	59,150	78,142	77,944	77,992	82,763	87,627	84,415	84,052
26 U.S. Treasury bills and certificates[5]	54,341	59,976	53,252	75,650	75,718	75,434	79,629	84,640	81,553	80,663
27 Other negotiable and readily transferable instruments[6]	6,082	6,966	5,824	2,347	2,158	2,418	3,001	2,832	2,715	3,141
28 Other	25	84	75	145	69	140	132	154	147	248
29 **Banks[9]**	**226,887**	**248,893**	**275,589**	**350,491**	**339,648**	**335,517**	**334,231**	**350,499**	**358,910**	**347,373**
30 Banks' own liabilities	205,347	225,368	252,723	309,928	297,037	293,144	295,092	311,360	319,148	306,192
31 Unaffiliated foreign banks	60,236	74,722	79,341	100,971	92,189	93,785	95,268	100,084	105,489	102,872
32 Demand deposits	8,759	10,556	10,271	10,303	10,434	10,103	9,510	9,781	10,558	10,301
33 Time deposits[1]	37,439	47,095	49,510	64,245	57,912	60,007	61,856	64,926	68,113	67,872
34 Other[2]	14,038	17,071	19,561	26,424	23,844	23,675	23,902	25,378	26,818	24,700
35 Own foreign offices[3]	145,111	150,646	173,381	208,956	204,848	199,359	199,825	211,275	213,659	203,320
36 Banks' custody liabilities[4]	21,540	23,525	22,866	40,563	42,611	42,373	39,138	39,140	39,761	41,181
37 U.S. Treasury bills and certificates	10,178	11,448	9,832	9,962	9,826	10,486	9,744	9,538	9,774	9,066
38 Other negotiable and readily transferable instruments[6]	7,485	7,236	6,040	5,513	5,433	4,340	4,367	4,256	4,376	5,821
39 Other	3,877	4,841	6,994	25,089	27,352	27,547	25,026	25,346	25,611	26,294
40 **Other foreigners**	**56,887**	**67,894**	**74,331**	**80,430**	**77,429**	**77,688**	**75,783**	**77,181**	**80,011**	**77,703**
41 Banks' own liabilities	49,680	60,477	64,892	66,849	65,923	65,929	64,009	65,401	65,841	65,249
42 Demand deposits	6,577	6,938	8,673	11,019	10,386	10,676	10,623	10,405	10,220	11,105
43 Time deposits	42,290	52,678	54,752	54,073	53,446	52,848	50,908	52,148	53,043	51,792
44 Other[2]	813	861	1,467	1,757	2,091	2,405	2,479	2,848	2,578	2,352
45 Banks' custody liabilities[4]	7,207	7,417	9,439	13,580	11,507	11,759	11,773	11,780	14,169	12,454
46 U.S. Treasury bills and certificates	3,686	4,029	4,314	4,387	3,648	3,563	3,520	3,183	4,192	3,694
47 Other negotiable and readily transferable instruments[6]	3,038	3,021	4,636	7,074	5,804	5,969	6,150	6,385	7,638	6,395
48 Other	483	367	489	2,120	2,055	2,227	2,103	2,212	2,340	2,366
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	10,346	10,476	9,845	7,343	7,191	7,722	7,694	7,976	8,541	7,373

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments, and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

3.17 Continued

Area and country	1983	1984	1985	1986	1987					
				Dec.	Jan.	Feb.	Mar.	Apr.[r]	May	June[p]
1 **Total**	**369,607**	**407,306**	**435,726**	**538,895**	**525,505**	**522,597**	**524,768**	**552,326**	**555,635**	**539,492**
2 **Foreign countries**	**363,649**	**402,852**	**429,905**	**534,196**	**520,424**	**518,077**	**520,879**	**544,982**	**551,769**	**535,530**
3 Europe	138,072	153,145	164,114	180,871	179,253	181,082	182,527	191,655	206,537	202,904
4 Austria	585	615	693	1,186	972	928	798	1,057	921	974
5 Belgium-Luxembourg	2,709	4,114	5,243	6,788	6,729	7,587	7,230	7,904	9,335	9,566
6 Denmark	466	438	513	485	449	520	623	425	459	425
7 Finland	531	418	496	580	565	762	937	942	909	616
8 France	9,441	12,701	15,541	22,850	21,372	22,654	23,835	27,399	27,858	27,947
9 Germany	3,599	3,358	4,835	5,823	6,813	5,907	7,412	6,419	10,077	7,115
10 Greece	520	699	666	706	745	749	641	601	643	691
11 Italy	8,462	10,762	9,667	10,875	9,375	8,489	10,101	11,337	11,726	11,943
12 Netherlands	4,290	4,731	4,212	5,558	5,155	5,354	4,968	5,967	5,442	4,787
13 Norway	1,673	1,548	948	737	678	554	495	567	571	503
14 Portugal	373	597	652	700	657	709	689	660	607	704
15 Spain	1,603	2,082	2,114	2,393	2,238	2,333	2,224	2,233	2,194	2,322
16 Sweden	1,799	1,676	1,422	889	884	1,062	1,065	1,251	1,496	1,297
17 Switzerland	32,246	31,740	29,020	30,967	28,913	27,555	27,544	26,500	27,074	28,639
18 Turkey	467	584	429	454	375	359	412	833	378	455
19 United Kingdom	60,683	68,671	76,728	85,352	87,911	90,105	88,390	91,765	102,308	99,395
20 Yugoslavia	562	602	673	631	554	565	564	526	429	433
21 Other Western Europe[1]	7,403	7,192	9,635	3.117	4,309	4,319	3,902	4,572	3,534	4,386
22 U.S.S.R	65	79	105	80	21	23	30	32	37	36
23 Other Eastern Europe[2]	596	537	523	702	535	546	669	665	538	671
24 Canada	16,026	16,059	17,427	26.256	26,105	25,189	26,553	25,294	24,522	21,913
25 Latin America and Caribbean	140,088	153,381	167,856	208.949	195,666	191,636	195,412	206,806	204,528	195,523
26 Argentina	4,038	4,394	6,032	4.754	4,499	4,668	4,725	4,406	4,806	4,795
27 Bahamas	55,818	56,897	57,657	73.267	64,998	62,970	62,581	72,101	69,330	66,327
28 Bermuda	2,266	2,370	2,765	2.951	2,282	2,506	2,293	2,180	2,594	2,172
29 Brazil	3,168	5,275	5,373	4.321	3,813	3,797	3,693	3,616	3,960	3,673
30 British West Indies	34,545	36,773	42,674	71.151	66,775	65,509	69,860	69,213	70,266	65,156
31 Chile	1,842	2,001	2,049	2.053	2,208	2,046	2,060	2,253	2,034	1,972
32 Colombia	1,689	2,514	3,104	4.281	4,273	4,268	4,271	4,349	4,289	4,363
33 Cuba	8	10	11	7	6	7	6	6	26	8
34 Ecuador	1,047	1,092	1,239	1.235	1,049	1,120	1,014	1,044	1,093	1,121
35 Guatemala	788	896	1,071	1.122	1,124	1,081	1,082	1,164	1,167	1,122
36 Jamaica	109	183	122	136	149	145	230	149	189	158
37 Mexico	10,392	12,303	14,060	13.631	13,584	13,423	13,207	15,053	13,935	13,746
38 Netherlands Antilles	3,879	4,220	4,875	4.914	5,593	5,652	5,643	5,706	5,171	5,760
39 Panama	5,924	6,951	7,514	6.865	7,361	6,475	6,664	7,091	7,341	7,125
40 Peru	1,166	1,266	1,167	1.163	1,110	1,131	1,062	1,086	1,095	1,137
41 Uruguay	1,244	1,394	1,552	1.537	1,609	1,583	1,630	1,520	1,507	1,504
42 Venezuela	8,632	10,545	11,922	10.452	10,494	10,362	10,365	10,587	10,292	10,169
43 Other Latin America and Caribbean	3,535	4,297	4,668	5.109	4,741	4,894	5,026	5,280	5,432	5,218
44 Asia	58,570	71,187	72,280	108.969	112,058	113,439	108,942	112,345	107,784	106,549
China										
45 Mainland	249	1,153	1,607	1.476	2,046	1,650	1,973	1,899	1,842	1,737
46 Taiwan	4,051	4,990	7,786	18.903	19,553	21,127	20,106	19,460	17,333	16,308
47 Hong Kong	6,657	6,581	8,067	9.518	9,388	9,329	9,160	9,357	9,365	9,123
48 India	464	507	712	673	663	686	500	526	569	714
49 Indonesia	997	1,033	1,466	1.548	1,410	1,591	1,414	1,460	1,243	1,773
50 Israel	1,722	1,268	1,601	1.890	1,761	1,892	1,666	1,302	1,084	1,229
51 Japan	18,079	21,640	23,077	47.437	49,997	50,921	48,983	53,392	50,434	49,334
52 Korea	1,648	1,730	1,665	1.141	1,058	1,017	1,129	1,177	1,343	1,401
53 Philippines	1,234	1,383	1,140	1.865	1,811	1,779	1,737	1,426	1,312	1,223
54 Thailand	747	1,257	1,358	1.120	1,282	1,224	1,235	1,131	1,174	1,144
55 Middle-East oil-exporting countries[3]	12,976	16,804	14,523	12.356	12,322	12,104	11,581	11,399	10,902	11,433
56 Other Asia	9,748	12,841	9,276	11.042	10,768	10,120	9,456	9,816	11,182	11,130
57 Africa	2,827	3,396	4,883	4.019	3,661	3,499	3,457	3,702	4,003	3,757
58 Egypt	671	647	1,363	706	607	791	753	847	1,052	1,006
59 Morocco	84	118	163	92	74	76	99	101	86	106
60 South Africa	449	328	388	271	341	201	178	287	198	188
61 Zaire	87	153	163	74	54	42	40	39	74	58
62 Oil-exporting countries[4]	620	1,189	1,494	1.518	1,336	1,156	1,108	1,212	1,267	1,115
63 Other Africa	917	961	1,312	1.358	1,248	1,233	1,278	1,216	1,326	1,285
64 Other countries	8,067	5,684	3,347	5.131	3,680	3,232	3,988	5,179	4,394	4,883
65 Australia	7,857	5,300	2,779	4.209	2,683	2,465	3,027	4,292	3,589	4,113
66 All other	210	384	568	922	997	767	960	888	805	770
67 Nonmonetary international and regional organizations	5,957	4,454	5,821	4.699	5,081	4,520	3,889	7,344	3,867	3,962
68 International	5,273	3,747	4,806	3.512	3,958	3,606	2,897	6,075	2,384	2,560
69 Latin American regional	419	587	894	1.033	960	762	788	850	994	1,047
70 Other regional[5]	265	120	121	154	164	152	204	420	488	356

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1983	1984	1985	1986	1987					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **Total**	**391,312**	**400,162**	**401,608**	**444,257**	**421,086**	**417,258**	**414,321**	**439,040[r]**	**436,491**	**429,498**
2 **Foreign countries**	**391,148**	**399,363**	**400,577**	**441,273**	**421,017**	**417,081**	**413,777**	**434,309[r]**	**436,248**	**427,794**
3 Europe	91,927	99,014	106,413	107,347	100,775	102,234	99,393	108,154[r]	115,387	114,467
4 Austria	401	433	598	728	641	549	660	750	668	782
5 Belgium-Luxembourg	5,639	4,794	5,772	7,503	7,556	8,905	8,083	8,544	9,956	9,757
6 Denmark	1,275	648	706	692	650	624	651	574	569	744
7 Finland	1,044	898	823	947	797	1,050	1,003	1,127	1,046	1,046
8 France	8,766	9,157	9,124	11,369	9,058	9,960	9,858	10,816[r]	12,076	12,029
9 Germany	1,284	1,306	1,267	1,818	2,269	1,725	1,632	1,371[r]	1,507	1,548
10 Greece	476	817	991	648	635	634	535	460	457	496
11 Italy	9,018	9,119	8,848	9,042	7,898	7,337	6,991	7,536	8,331	8,696
12 Netherlands	1,267	1,356	1,258	3,299	2,077	2,090	2,371	3,075	2,989	5,806
13 Norway	690	675	706	654	741	766	667	683	776	764
14 Portugal	1,114	1,243	1,058	706	677	679	737	615[r]	641	659
15 Spain	3,573	2,884	1,908	1,459	1,479	1,637	1,768	1,977[r]	2,107	1,848
16 Sweden	3,358	2,230	2,219	1,945	2,280	2,422	2,464	2,417	2,618	2,333
17 Switzerland	1,863	2,123	3,171	3,049	2,622	2,413	2,338	2,905	3,593	2,614
18 Turkey	812	1,130	1,200	1,541	1,469	1,436	1,577	1,559	1,623	1,785
19 United Kingdom	47,364	56,185	62,566	58,282	55,856	56,387	54,035	59,864[r]	62,743	59,649
20 Yugoslavia	1,718	1,886	1,964	1,836	1,775	1,769	1,840	1,763	1,803	1,755
21 Other Western Europe[1]	477	596	998	540	522	477	781	670	515	581
22 U.S.S.R.	192	142	130	345	396	401	367	375[r]	357	582
23 Other Eastern Europe[2]	1,598	1,389	1,107	944	1,379	971	1,032	1,073[r]	1,012	993
24 Canada	16,341	16,109	16,482	20,958	20,749	19,186	19,829	20,225	19,341	19,112
25 Latin America and Caribbean	205,491	207,862	202,674	208,852	195,571	196,337	199,037	209,196[r]	204,255	201,438
26 Argentina	11,749	11,050	11,462	12,089	12,114	12,211	12,162	12,129[r]	12,335	12,254
27 Bahamas	59,633	58,009	58,258	59,547	52,090	52,952	53,679	62,639[r]	57,778	54,906
28 Bermuda	566	592	499	418	415	376	532	740	1,230	2,141
29 Brazil	24,667	26,315	25,283	25,666	25,798	25,810	26,082	25,986[r]	25,734	25,505
30 British West Indies	35,527	38,205	38,881	46,306	41,128	41,074	42,774	43,256[r]	44,073	42,766
31 Chile	6,072	6,839	6,603	6,543	6,475	6,603	6,412	6,412[r]	6,326	6,554
32 Colombia	3,745	3,499	3,249	2,819	2,801	2,743	2,692	2,686[r]	2,650	2,648
33 Cuba	0	0	0	0	10	1	6	9	9	1
34 Ecuador	2,307	2,420	2,390	2,449	2,425	2,422	2,338	2,381	2,372	2,354
35 Guatemala[3]	129	158	194	140	133	145	135	120	115	109
36 Jamaica[3]	215	252	224	198	199	199	192	189	184	182
37 Mexico	34,802	34,885	31,799	30,607	30,289	29,999	29,817	30,119[r]	30,080	30,274
38 Netherlands Antilles	1,154	1,350	1,340	1,039	960	945	992	1,202	1,072	1,362
39 Panama	7,848	7,707	6,645	5,434	5,270	5,204	5,543	5,771[r]	4,791	4,933
40 Peru	2,536	2,384	1,947	1,643	1,635	1,626	1,593	1,601[r]	1,599	1,565
41 Uruguay	977	1,088	960	940	937	932	959	957	962	950
42 Venezuela	11,287	11,017	10,871	11,078	11,028	11,185	11,282	11,089[r]	11,046	11,032
43 Other Latin America and Caribbean	2,277	2,091	2,067	1,938	1,864	1,910	1,845	1,910	1,900	1,903
44 Asia	67,837	66,316	66,212	96,198	95,989	91,767	87,783	88,990[r]	89,571	85,085
China										
45 Mainland	292	710	639	787	983	873	1,373	1,360[r]	1,175	993
46 Taiwan	1,908	1,849	1,535	2,675	2,617	2,890	2,910	3,278[r]	3,592	3,300
47 Hong Kong	8,489	7,293	6,797	8,300	8,443	9,225	8,254	7,931[r]	7,725	7,638
48 India	330	425	450	321	333	325	486	314	379	429
49 Indonesia	805	724	698	718	699	679	652	627[r]	657	677
50 Israel	1,832	2,088	1,991	1,635	1,601	1,521	1,545	1,509	1,459	1,450
51 Japan	30,354	29,066	31,249	59,852	58,319	55,594	52,267	54,292	55,097	52,405
52 Korea	9,943	9,285	9,226	7,159	6,783	6,161	6,011	5,352[r]	6,078	5,210
53 Philippines	2,107	2,555	2,224	2,208	2,154	2,127	2,282	2,121	2,064	2,109
54 Thailand	1,219	1,125	845	577	521	557	492	461	540	552
55 Middle East oil-exporting countries[4]	4,954	5,044	4,298	4,122	5,483	4,892	5,150	4,598	3,797	3,806
56 Other Asia	5,603	6,152	6,260	7,845	8,053	6,922	6,362	7,148	7,009	6,513
57 Africa	6,654	6,615	5,407	4,621	4,618	4,678	4,853	4,795[r]	4,867	4,707
58 Egypt	747	728	721	567	577	593	618	574	585	599
59 Morocco	440	583	575	598	590	585	584	565	566	563
60 South Africa	2,634	2,795	1,942	1,531	1,534	1,548	1,550	1,578	1,591	1,506
61 Zaire	33	18	20	28	36	42	42	41	43	39
62 Oil-exporting countries[5]	1,073	842	630	688	725	743	856	801[r]	840	818
63 Other	1,727	1,649	1,520	1,208	1,156	1,168	1,204	1,236	1,243	1,183
64 Other countries	2,898	3,447	3,390	3,297	3,316	2,878	2,882	2,949[r]	2,828	2,986
65 Australia	2,256	2,769	2,413	1,952	2,081	1,902	1,990	2,065[r]	1,897	1,980
66 All other	642	678	978	1,345	1,235	976	892	884	931	1,006
67 Nonmonetary international and regional organizations[6]	164	800	1,030	2,983	69	178	544	4,731[r]	244	1,703

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1983	1984	1985	1986	1987					
				Dec.	Jan.	Feb.	Mar.	Apr.[r]	May	June[p]
1 **Total**	**426,215**	**433,078**	**430,489**	**478,221**	**421,086**	**417,258**	**445,899[r]**	**439,040**	**436,491**	**429,498**
2 Banks' own claims on foreigners	391,312	400,162	401,608	444,257	421,086	417,258	414,321	439,040	436,491	429,498
3 Foreign public borrowers	57,569	62,237	60,507	63,950	61,794	61,709	62,737	65,706	62,400	63,153
4 Own foreign offices[1]	146,393	156,216	174,261	211,759	192,595	190,911	190,070	206,944	203,583	196,802
5 Unaffiliated foreign banks	123,837	124,932	116,654	122,747	121,036	120,287	117,063	121,747	125,924	125,306
6 Deposits	47,126	49,226	48,372	57,299	54,376	55,526	53,652	57,394	60,304	60,210
7 Other	76,711	75,706	68,282	65,447	66,660	64,760	63,411	64,353	65,620	65,096
8 All other foreigners	63,514	56,777	50,185	45,801	45,662	44,352	44,450	44,643	44,584	44,238
9 Claims of banks' domestic customers[2]	34,903	32,916	28,881	33,964	....	....	31,578[r]	....	....	....
10 Deposits	2,969	3,380	3,335	4,413	....	....	3,402	....	....	....
11 Negotiable and readily transferable instruments[3]	26,064	23,805	19,332	24,044	....	....	20,551	....	....	....
12 Outstanding collections and other claims	5,870	5,732	6,214	5,508	....	....	7,625[r]	....	....	....
13 MEMO: Customer liability on acceptances	37,715	37,103	28,487	25,616	....	....	25,449	....	....	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[4]	46,337	40,714	38,102	43,994	46,583	49,528	44,404[r]	46,773	45,513	n.a.

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.

2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.

3. Principally negotiable time certificates of deposit and bankers acceptances.

4. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1983	1984	1985	1986			1987
				June	Sept.	Dec.	Mar.
1 **Total**	**243,715**	**243,952**	**227,903**	**222,824**	**224,754**	**231,413**	**225,211**
By borrower							
2 Maturity of 1 year or less[1]	176,158	167,858	160,824	152,743	155,258	159,909	153,302
3 Foreign public borrowers	24,039	23,912	26,302	23,172	22,528	24,921	22,411
4 All other foreigners	152,120	143,947	134,522	129,571	132,731	134,988	130,891
5 Maturity over 1 year[1]	67,557	76,094	67,078	70,081	69,496	71,504	71,909
6 Foreign public borrowers	32,521	38,695	34,512	37,582	38,350	39,783	41,005
7 All other foreigners	35,036	37,399	32,567	32,499	31,145	31,722	30904
By area							
Maturity of 1 year or less[1]							
8 Europe	56,117	58,498	56,585	58,028	59,428	61,227	57,806
9 Canada	6,211	6,028	6,401	6,103	6,199	5,840	5,504
10 Latin America and Caribbean	73,660	62,791	63,328	57,436	58,212	56,050	54,078
11 Asia	34,403	33,504	27,966	25,796	26,505	29,476	29,538
12 Africa	4,199	4,442	3,753	3,297	3,071	2,858	3,145
13 All other[2]	1,569	2,593	2,791	2,083	1,845	4,458	3,231
Maturity of over 1 year[1]							
14 Europe	13,576	9,605	7,634	7,945	7,230	6,826	6,954
15 Canada	1,857	1,882	1,805	2,256	1,930	1,930	1,936
16 Latin America and Caribbean	43,888	56,144	50,674	53,621	54,137	56,337	56,623
17 Asia	4,850	5,323	4,502	4,043	3,976	4,081	4,197
18 Africa	2,286	2,033	1,538	1,497	1,479	1,534	1,626
19 All other[2]	1,101	1,107	926	719	744	795	573

1. Remaining time to maturity.

2. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1,2]

Billions of dollars, end of period

Area or country	1982	1983	1984	1985			1986				1987
				June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**433.9**	**405.7**	**405.5**	**396.8**	**394.9**	**391.9**	**393.1**[r]	**389.9**[r]	**389.5**[r]	**390.0**[r]	**396.3**
2 G-10 countries and Switzerland	167.8	148.1	153.0	146.7	152.0	148.5	156.6[r]	160.0[r]	158.9[r]	157.9	163.5[r]
3 Belgium-Luxembourg	12.4	8.7	9.3	8.9	9.5	9.3	8.3	9.0	8.5	8.4	9.1
4 France	16.2	14.1	14.5	13.5	14.8	12.3	13.8	15.1	14.7[r]	13.8	13.4
5 Germany	11.3	9.0	8.9	9.6	9.8	10.5	11.3	11.5	12.5	11.7	12.2[r]
6 Italy	11.4	10.1	10.0	8.6	8.4	9.8	8.5	9.3	8.1	9.0	8.6
7 Netherlands	3.5	3.9	3.8	3.7	3.4	3.7	3.5	3.4	3.9	4.6	4.4
8 Sweden	5.1	3.2	3.1	2.9	3.1	2.8	2.9	2.9	2.7	2.4	3.0
9 Switzerland	4.3	3.9	4.2	4.0	4.1	4.4	5.4	5.6	4.8	5.5	5.8
10 United Kingdom	65.3	60.3	65.4	65.7	67.1	64.6	68.6[r]	69.0[r]	70.1[r]	71.8	74.6
11 Canada	8.3	7.9	9.1	8.1	7.6	7.0	6.3	6.9	6.1	5.4	5.2
12 Japan	29.9	27.1	24.7	21.7	24.3	24.2	28.0	27.4	27.7	25.3	27.2
13 Other developed countries	36.0	33.6	32.8	32.3	32.0	30.4	31.6	30.6	29.4	26.0	26.1[r]
14 Austria	1.9	1.6	1.6	1.6	1.7	1.6	1.6	1.7	1.7	1.7	1.9
15 Denmark	3.4	2.2	2.1	1.9	2.1	2.4	2.5	2.4	2.3	1.7	1.8
16 Finland	2.4	1.9	1.8	1.8	1.8	1.6	1.9	1.6	1.7	1.4	1.4
17 Greece	2.8	2.9	2.9	2.9	2.8	2.6	2.5	2.6	2.3	2.3	2.1
18 Norway	3.3	3.0	2.9	2.9	3.4	2.9	2.7	3.0	2.7	2.4	2.1
19 Portugal	1.5	1.4	1.4	1.3	1.4	1.3	1.1	1.0	1.0	.8	.9
20 Spain	7.1	6.5	6.4	5.9	6.1	5.8	6.4	6.4	6.7	5.8	6.2
21 Turkey	1.7	1.9	1.9	2.0	2.1	1.9	2.3	2.5	2.1	2.0	1.9
22 Other Western Europe	1.8	1.7	1.7	1.8	1.7	2.0	2.4	2.1	1.6	1.4	1.6
23 South Africa	4.7	4.5	4.2	3.9	3.3	3.2	3.2	3.1	3.1	3.0	3.1
24 Australia	5.4	6.0	6.1	6.2	5.6	5.0	4.9	4.2	4.1	3.5	3.2
25 OPEC countries[3]	28.4	24.9	24.5	22.8	22.7	21.6	20.7	20.6	20.0	19.6	20.2
26 Ecuador	2.2	2.2	2.2	2.2	2.2	2.1	2.2	2.1	2.2	2.2	2.1
27 Venezuela	9.9	9.3	9.3	9.3	9.0	8.9	8.7	8.8	8.7	8.6	8.7
28 Indonesia	3.4	3.3	3.3	3.1	3.1	3.0	3.3	3.0	2.8	2.5	2.3[r]
29 Middle East countries	9.8	7.9	7.4	6.1	6.2	5.5	4.7	5.0	4.6	4.5	5.5
30 African countries	3.0	2.3	2.3	2.2	2.3	2.0	1.8	1.7	1.7	1.7	1.6
31 Non-OPEC developing countries	110.8	111.8	110.8	110.0	107.8	105.1	103.8	101.7	99.9	99.5	100.0
Latin America											
32 Argentina	9.5	8.7	8.6	8.6	8.9	8.9	8.9	9.2	9.3	9.5	9.5
33 Brazil	23.1	26.3	26.4	26.6	25.5	25.6	25.7	25.4	25.3	25.3	25.6
34 Chile	6.4	7.0	7.0	6.9	6.6	7.0	7.0	7.1	7.2	7.1	7.3
35 Colombia	3.2	2.9	2.8	2.7	2.6	2.7	2.3	2.2	2.0	2.1	2.0
36 Mexico	25.8	25.7	25.5	25.3	24.4	24.2	24.1	23.9	23.9	23.9	23.9[r]
37 Peru	2.4	2.2	2.2	2.1	1.9	1.8	1.7	1.6	1.5	1.4	1.4
38 Other Latin America	4.2	3.9	3.8	3.7	3.5	3.4	3.3	3.3	3.3	3.1	3.0
Asia											
China											
39 Mainland	.3	.7	.7	.3	1.1	.5	.6	.6	.6	.4	.9
40 Taiwan	5.2	5.1	5.3	5.5	5.1	4.5	4.3	3.7	4.3	4.9	5.4
41 India	.9	.9	.9	.9	1.1	1.2	1.2	1.3	1.3	1.2	1.7[r]
42 Israel	1.9	1.8	1.7	2.3	1.5	1.6	1.3	1.6	1.4	1.5	1.4
43 Korea (South)	11.2	10.6	10.4	10.0	10.4	9.4	9.5	8.7	7.3	6.7	6.2
44 Malaysia	2.8	2.7	2.7	2.8	2.7	2.4	2.2	2.0	2.1	2.1	1.9
45 Philippines	6.1	6.0	6.1	6.0	6.0	5.7	5.6	5.7	5.4	5.4	5.4
46 Thailand	2.2	1.8	1.7	1.6	1.7	1.4	1.3	1.1	1.0	.9	.9
47 Other Asia	1.0	1.1	1.1	.9	.9	1.0	.9	.8	.7	.7	.6
Africa											
48 Egypt	1.5	1.2	1.1	1.0	1.0	1.0	.9	.9	.7	.7	.6
49 Morocco	.8	.8	.8	.8	.9	.9	.9	.9	.9	.9	.9
50 Zaire	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
51 Other Africa[4]	2.3	2.1	2.2	2.0	2.0	1.9	1.9	1.7	1.6	1.6	1.4
52 Eastern Europe	5.3	4.4	4.3	4.3	4.6	4.2	4.0	4.0	3.4	3.2	3.1
53 U.S.S.R.	.2	.1	.2	.3	.2	.1	.3	.3	.1	.1	.1
54 Yugoslavia	2.4	2.3	2.2	2.2	2.4	2.2	2.0	2.0	1.9	1.7	1.6
55 Other	2.8	2.0	1.9	1.8	1.9	1.8	1.7	1.7	1.4	1.4	1.3
56 Offshore banking centers	68.9	65.6	63.2	63.9	58.8	65.4	60.1[r]	56.3[r]	61.0[r]	64.2[r]	65.4[r]
57 Bahamas	21.7	21.5	20.1	21.1	16.6	21.4	21.5	17.3	20.0	22.5	23.8[r]
58 Bermuda	.9	.9	.7	.9	.8	.7	.7	.5	.4	.7	.8
59 Cayman Islands and other British West Indies	12.2	11.8	12.3	12.1	12.3	13.4	11.3	13.0	13.2	14.5	13.1[r]
60 Netherlands Antilles	4.2	3.4	3.3	3.2	2.3	2.3	2.3	2.3	1.9	1.8	1.7
61 Panama[5]	5.8	6.7	5.5	5.4	6.1	6.0	4.4[r]	4.2[r]	5.1[r]	4.1[r]	5.5
62 Lebanon	.1	.1	.1	.1	.0	.1	.1	.1	.1	.1	.1
63 Hong Kong	13.8	11.4	11.4	11.4	11.4	11.5	11.5	9.5	10.5	11.2	11.5
64 Singapore	10.3	9.8	9.9	9.7	9.4	9.9	8.4	9.3	9.7	9.3	8.8
65 Others[6]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[7]	16.8	17.3	16.9	16.9	17.3	16.9	16.3[r]	16.6[r]	17.0[r]	19.6[r]	18.0[r]

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3. Besides the Organization of Petroleum Exporting Countries shown individually, this group includes other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates) as well as Bahrain and Oman (not formally members of OPEC).

4. Excludes Liberia.

5. Includes Canal Zone beginning December 1979.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1983	1984	1985	1986				1987
					Mar.	June	Sept.	Dec.	Mar.
1	**Total**	**25,346**	**29,357**	**27,685**	**26,346**	**24,848**	**25,183**	**25,385**	**25,580**
2	Payable in dollars	22,233	26,389	24,296	22,589	21,162	21,240	21,541	20,028
3	Payable in foreign currencies	3,113	2,968	3,389	3,757	3,686	3,943	3,844	5,551
	By type								
4	Financial liabilities	10,572	14,509	13,460	13,017	11,728	12,285	12,134	12,686
5	Payable in dollars	8,700	12,553	11,257	10,750	9,637	9,908	9,694	9,983
6	Payable in foreign currencies	1,872	1,955	2,203	2,267	2,091	2,376	2,440	2,703
7	Commercial liabilities	14,774	14,849	14,225	13,329	13,120	12,899	13,250	12,894
8	Trade payables	7,765	7,005	6,685	5,618	5,472	5,723	6,289	6,072
9	Advance receipts and other liabilities	7,009	7,843	7,540	7,711	7,648	7,175	6,961	6,822
10	Payable in dollars	13,533	13,836	13,039	11,839	11,525	11,331	11,847	10,046
11	Payable in foreign currencies	1,241	1,013	1,186	1,490	1,595	1,567	1,404	2,848
	By area or country								
	Financial liabilities								
12	Europe	5,742	6,728	7,560	7,456	7,046	7,678	7,891	7,929
13	Belgium-Luxembourg	302	471	329	440	390	424	245	205
14	France	843	995	857	851	686	501	737	702
15	Germany	502	489	434	388	280	319	372	368
16	Netherlands	621	590	745	630	635	708	701	690
17	Switzerland	486	569	620	636	505	636	714	817
18	United Kingdom	2,839	3,297	4,254	4,167	4,252	4,660	4,830	4,886
19	Canada	764	863	839	832	367	362	402	431
20	Latin America and Caribbean	2,596	5,086	3,184	2,810	2,463	2,283	1,969	2,366
21	Bahamas	751	1,926	1,123	958	874	863	621	668
22	Bermuda	13	13	4	4	14	4	4	0
23	Brazil	32	35	29	26	27	28	32	26
24	British West Indies	1,041	2,103	1,843	1,639	1,406	1,270	1,160	1,544
25	Mexico	213	367	15	20	30	18	22	30
26	Venezuela	124	137	3	3	3	5	3	3
27	Asia	1,424	1,777	1,815	1,874	1,735	1,881	1,792	1,869
28	Japan	991	1,209	1,198	1,267	1,264	1,446	1,377	1,459
29	Middle East oil-exporting countries[2]	170	155	82	78	43	3	8	7
30	Africa	19	14	12	12	12	4	1	3
31	Oil-exporting countries[3]	0	0	0	0	0	2	1	1
32	All other[4]	27	41	50	32	104	76	79	88
	Commercial liabilities								
33	Europe	3,245	4,001	4,074	3,925	3,817	4,367	4,420	4,454
34	Belgium-Luxembourg	62	48	62	66	58	75	99	85
35	France	437	438	453	382	358	370	338	281
36	Germany	427	622	607	546	561	637	693	602
37	Netherlands	268	245	364	545	586	613	493	374
38	Switzerland	241	257	379	261	284	361	384	483
39	United Kingdom	732	1,095	976	957	864	1,104	1,279	1,320
40	Canada	1,841	1,975	1,449	1,445	1,367	1,312	1,386	1,350
41	Latin America and Caribbean	1,473	1,871	1,088	1,107	1,242	846	850	1,165
42	Bahamas	1	7	12	26	10	37	19	28
43	Bermuda	67	114	77	218	294	172	132	294
44	Brazil	44	124	58	64	45	43	59	81
45	British West Indies	6	32	44	7	35	45	48	88
46	Mexico	585	586	430	256	235	197	210	182
47	Venezuela	432	636	212	364	488	207	215	316
48	Asia	6,741	5,285	6,046	5,384	5,075	4,807	5,011	4,931
49	Japan	1,247	1,256	1,799	2,039	2,100	2,136	2,046	2,443
50	Middle East oil-exporting countries[2,5]	4,178	2,372	2,829	2,171	1,787	1,492	1,666	1,175
51	Africa	553	588	587	486	567	585	619	520
52	Oil-exporting countries[3]	167	233	238	148	215	176	197	170
53	All other[4]	921	1,128	982	983	1,053	982	963	475

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1983	1984	1985	1986				1987
				Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**34,911**	**29,901**	**28,760**	**31,404**	**33,869**	**33,879**	**32,839**	**34,492**
2 Payable in dollars	31,815	27,304	26,457	29,217	31,687	31,186	30,245	31,426
3 Payable in foreign currencies	3,096	2,597	2,302	2,187	2,182	2,693	2,594	3,067
By type								
4 Financial claims	23,780	19,254	18,774	22,017	24,726	24,666	23,251	24,063
5 Deposits	18,496	14,621	15,526	18,633	21,418	19,262	18,167	18,239
6 Payable in dollars	17,993	14,202	14,911	18,176	20,863	18,698	17,614	17,491
7 Payable in foreign currencies	503	420	615	457	555	564	553	748
8 Other financial claims	5,284	4,633	3,248	3,384	3,308	5,404	5,083	5,824
9 Payable in dollars	3,328	3,190	2,213	2,291	2,287	4,042	3,799	4,481
10 Payable in foreign currencies	1,956	1,442	1,035	1,093	1,021	1,362	1,284	1,343
11 Commercial claims	11,131	10,646	9,986	9,387	9,142	9,213	9,588	10,429
12 Trade receivables	9,721	9,177	8,696	8,087	7,802	8,030	8,442	9,407
13 Advance payments and other claims	1,410	1,470	1,290	1,300	1,341	1,183	1,146	1,022
14 Payable in dollars	10,494	9,912	9,333	8,750	8,537	8,445	8,832	9,453
15 Payable in foreign currencies	637	735	652	637	606	767	756	976
By area or country								
Financial claims								
16 Europe	6,488	5,762	6,812	7,204	10,155	10,452	8,656	9,265
17 Belgium-Luxembourg	37	15	10	10	11	67	41	15
18 France	150	126	184	217	257	418	131	167
19 Germany	163	224	223	174	148	129	91	140
20 Netherlands	71	66	61	61	17	44	87	70
21 Switzerland	38	66	74	166	177	138	134	74
22 United Kingdom	5,817	4,864	6,007	6,331	9,328	9,429	7,925	8,437
23 Canada	5,989	3,988	3,260	4,020	4,429	3,956	4,056	3,828
24 Latin America and Caribbean	10,234	8,216	7,846	10,073	9,258	9,353	9,110	9,521
25 Bahamas	4,771	3,306	2,698	3,516	3,315	2,884	2,539	3,945
26 Bermuda	102	6	6	2	17	19	13	3
27 Brazil	53	100	78	77	75	105	67	72
28 British West Indies	4,206	4,043	4,571	6,034	5,402	5,949	6,057	5,099
29 Mexico	293	215	180	178	176	173	173	164
30 Venezuela	134	125	48	43	42	40	24	23
31 Asia	764	961	731	619	776	740	1,317	1,220
32 Japan	297	353	475	350	499	390	986	957
33 Middle East oil-exporting countries[2]	4	13	4	2	2	2	11	11
34 Africa	147	210	103	87	89	84	85	84
35 Oil-exporting countries[3]	55	85	29	27	25	18	28	19
36 All other[4]	159	117	21	14	20	81	27	145
Commercial claims								
37 Europe	3,670	3,801	3,533	3,390	3,304	3,385	3,520	3,618
38 Belgium-Luxembourg	135	165	175	148	131	126	127	143
39 France	459	440	426	384	391	415	387	418
40 Germany	349	374	346	399	418	401	428	454
41 Netherlands	334	335	284	221	230	184	199	163
42 Switzerland	317	271	284	247	228	233	213	195
43 United Kingdom	809	1,063	898	795	674	853	820	1016
44 Canada	829	1,021	1,023	1,061	965	950	909	1,821
45 Latin America and Caribbean	2,695	2,052	1,753	1,592	1,611	1,687	1,861	1,704
46 Bahamas	8	8	13	27	24	29	29	11
47 Bermuda	190	115	93	82	148	132	158	127
48 Brazil	493	214	206	217	193	207	229	211
49 British West Indies	7	7	6	7	29	23	55	22
50 Mexico	884	583	510	388	323	316	388	415
51 Venezuela	272	206	157	172	181	192	219	157
52 Asia	3,063	3,073	2,982	2,609	2,574	2,487	2,619	2620
53 Japan	1,114	1,191	1,016	801	845	792	840	936
54 Middle East oil-exporting countries[2]	737	668	638	630	622	600	506	466
55 Africa	588	470	437	491	450	469	464	425
56 Oil-exporting countries[3]	139	134	130	167	170	168	134	141
57 All other[4]	286	229	257	244	237	234	215	241

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1985	1986	1987 Jan.–June	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May	1987 June[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	81,995	148,090	120,387	14,096	17,628	20,704	23,066	20,704	19,603	18,682
2 Foreign sales	77,054	129,382	101,963	12,320	15,964	17,599	18,003	17,392[r]	15,952	17,054
3 Net purchases, or sales (−)	**4,941**	**18,708**	**18,424**	**1,776**	**1,664**	**3,105**	**5,063**	**3,312**	**3,651**	**1,628**
4 Foreign countries	**4,857**	**18,916**	**18,585**	**1,696**	**1,744**	**3,204**	**5,026**	**3,250**	**3,687**	**1,673**
5 Europe	2,057	9,559	7,862	557	1,061	1,786	1,841	1,027[r]	1,478	669
6 France	−438	459	1,804	113	140	446	656	332	123	107
7 Germany	730	341	−41	24	62	16	19	−101	118	−155
8 Netherlands	−123	936	689	14	53	91	69	124	120	232
9 Switzerland	−75	1,560	829	47	101	100	177	306	351	−206
10 United Kingdom	1,665	4,826	3,953	363	647	996	783	181	675	671
11 Canada	356	807	387	102	100	−118	343	252[r]	48	−238
12 Latin America and Caribbean	1,718	3,029	1,671	220	308	331	372	36	334	290
13 Middle East[1]	238	976	−365	267	136	175	−230	21	−90	−26
14 Other Asia	296	3,876	8,367	450	91	1,153	2,638	1,790	1,686	1,009
15 Africa	24	297	90	17	−1	15	1	59	45	−30
16 Other countries	168	373	572	84	49	212	61	65	185	1
17 Nonmonetary international and *regional organizations*	**84**	**−208**	**−161**	**80**	**−80**	**−100**	**37**	**62**	**−36**	**−45**
BONDS[2]										
18 Foreign purchases	86,587	122,953	58,099	11,879	9,308	8,021	12,117	9,873[r]	8,963	9,817
19 Foreign sales	42,455	72,499	42,174	7,741	7,180	5,457	8,281	6,559	6,823	7,874
20 Net purchases, or sales (−)	**44,132**	**50,454**	**15,925**	**4,138**	**2,127**	**2,565**	**3,836**	**3,314[r]**	**2,140**	**1,943**
21 Foreign countries	**44,227**	**49,607**	**15,662**	**4,242**	**2,216**	**2,179**	**3,994**	**3,138[r]**	**2,270**	**1,866**
22 Europe	40,047	39,126	13,022	3,065	1,372	1,402	3,600	2,864[r]	1,682	2,103
23 France	210	389	133	32	6	17	81	−22	7	43
24 Germany	2,001	−251	60	−19	−213	145	198	−121	−29	80
25 Netherlands	222	387	154	52	−7	29	69	47	38	37
26 Switzerland	3,987	4,529	1,039	117	66	78	558	50	182	105
27 United Kingdom	32,762	33,706	11,580	2,761	1,389	1,178	2,931	2,839[r]	1,544	1,698
28 Canada	190	548	683	153	−103	364	190	161	23	49
29 Latin America and Caribbean	498	1,468	639	102	103	98	65	123	254	−4
30 Middle East[1]	−2,648	−2,961	−215	−258	−57	139	12	62	59	−128
31 Other Asia	6,091	11,270	1,565	1,174	917	469	169	73	252	−169
32 Africa	11	16	21	3	0	1	3	1	7	8
33 Other countries	38	139	−53	3	−16	16	22	0	−6	8
34 Nonmonetary international and regional organizations	**−95**	**847**	**263**	**−104**	**−88**	**386**	**−157**	**176**	**−130**	**77**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−3,941	−1,912	−2,178	63	−204	−561	−708	−1,160[r]	669	−214
36 Foreign purchases	20,861	48,787	43,000	4,570	4,906	7,175	7,015	7,120	8,014	8,770
37 Foreign sales	24,803	50,699	45,177	4,507	5,110	7,736	7,722	8,280[r]	7,345	8,984
38 Bonds, net purchases, or sales (−)	−3,999	−3,361	−94	−487	319	−70	−545	−579[r]	−1,108	1,890
39 Foreign purchases	81,216	166,781	108,620	16,332	11,427	15,822	16,650	19,012	20,035	25,675
40 Foreign sales	85,214	170,142	108,714	16,818	11,108	15,891	17,195	19,591[r]	21,143	23,785
41 Net purchases, or sales (−), of stocks and bonds	**−7,940**	**−5,273**	**−2,272**	**−424**	**114**	**−631**	**−1,253**	**−1,739[r]**	**−439**	**1,676**
42 Foreign countries	**−9,003**	**−6,357**	**−2,560**	**−873**	**−27**	**−711**	**−1,520**	**1,874[r]**	**−457**	**2,028**
43 Europe	−9,887	17,893	−6,753	−1,401	−226	−1,219	682	−2,682[r]	−1,952	8
44 Canada	−1,686	−875	−2,106	−264	396	566	−202	−3	−414	−526
45 Latin America and Caribbean	1,797	3,479	661	233	389	104	−416	259	204	121
46 Asia	659	10,858	6,257	1,465	168	925	306	636	1,690	2,533
47 Africa	75	52	37	3	4	0	1	8	20	6
48 Other countries	38	−1,977	−655	909	34	45	−524	−91	−6	112
49 Nonmonetary international and regional organizations	**1,063**	**1,084**	**288**	**449**	**142**	**80**	**267**	**135**	**18**	**−353**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities, and securities of U.S. government agencies and corporations. *Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.*

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1985	1986	1987 Jan.-June	1986 Dec.	1987 Jan.	Feb.	Mar.	Apr.	May	June[p]
	Transactions, net purchases or sales (–) during period[1]									
1 **Estimated total**[2]	**29,208**	**20,061**	**16,399**	**1,006**	**–436**	**961**	**7,028**	**–2,990**	**–248**	**12,084**
2 Foreign countries[2]	28,768	21,164	17,323	474	580	1,846	4,145	-1,405	3,731	8,426
3 Europe[2]	4,303	16,866	14,403	1,016	1,376	1,751	5,832	375	1,695	3,374
4 Belgium-Luxembourg	476	349	263	75	59	211	35	35	4	58
5 Germany[2]	1,917	7,531	7,637	-487	581	1,118	2,141	1,106	1,417	1,274
6 Netherlands	269	1,283	95	58	366	41	212	-22	352	111
7 Sweden	976	132	228	-236	-229	440	334	32	-166	-183
8 Switzerland[2]	773	310	3,680	-428	135	473	1,641	652	413	636
9 United Kingdom	1,810	4,648	509	1,036	1,227	15	328	1,089	524	582
10 Other Western Europe	1,701	2,613	2,218	1,114	236	-518	1,635	230	198	896
11 Eastern Europe	0	0	36	0	3	0	0	40	1	0
12 Canada	188	881	2,290	297	846	-416	709	703	37	413
13 Latin America and Caribbean	4,315	875	987	96	-1,006	-290	62	-30	381	782
14 Venezuela	248	-95	96	29	33	18	102	14	11	-17
15 Other Latin America and Caribbean	2,336	1,128	1,219	95	445	373	-156	176	-302	-512
16 Netherlands Antilles	1,731	159	135	-28	528	682	8	133	-90	1,311
17 Asia	19,919	1,341	757	-2,067	922	1,231	-2,378	2,880	2,136	3,570
18 Japan	17,909	77	315	-2,086	76	1,767	-2,457	2,561	541	4,183
19 Africa	112	-54	32	-14	6	34	12	-15	11	-13
20 All other	308	1,255	892	198	280	-396	32	442	233	300
21 Nonmonetary international and regional organizations	442	-1,105	924	1,478	1,016	-885	2,883	1,585	-3,980	3,659
22 International	436	1,430	49	1,412	1,070	-886	2,833	-1,347	-3,114	3,535
23 *Latin American regional*	18	157	13	0	0	0	11	0	0	3
Memo										
24 Foreign countries[2]	28,768	21,164	17,323	474	580	1,846	4,145	1,405	3,731	8,426
25 Official institutions	8,135	14,380	18,653	309	1,498	834	5,837	2,489[r]	4,447	3,550
26 Other foreign[2]	20,631	6,787	1,331	-782	918	1,012	1,691	3,894[r]	715	4,875
Oil-exporting countries										
27 Middle East[3]	1,547	1,473	-1,797	21	-721	-962	226	120	636	-857
28 Africa[4]	7	5	20	0	1	1	17	0	0	1

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. *Includes U.S. Treasury notes publicly issued to private foreign residents* denominated in foreign currencies.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on July 31, 1987		Country	Rate on July 31, 1987		Country	Rate on July 31, 1987	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	3.5	Jan. 1987	France[1]	7.5	July 1987	Norway	8.0	June 1983
Belgium	7.25	July 1987	Germany, Fed. Rep. of	3.5	Mar. 1986	Switzerland	3.5	Jan. 1987
Brazil	49.0	Mar. 1981	Italy	11.5	Mar. 1987	United Kingdom[2]	....	....
Canada	9.22	July 1987	Japan	2.5	Feb. 1987	Venezuela	8.0	Oct. 1985
Denmark	7.0	Oct. 1983	Netherlands	4.5	Mar. 1986			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. Minimum lending rate suspended as of Aug. 20, 1981.
NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1984	1985	1986	1987						
				Jan.	Feb.	Mar.	Apr.	May	June	July
1 Eurodollars	10.75	8.27	6.70	6.10	6.32	6.37	6.73	7.25	7.11	6.87
2 United Kingdom	9.91	12.16	10.87	10.98	10.79	9.90	9.72	8.79	8.85	9.17
3 Canada	11.29	9.64	9.18	7.95	7.44	7.14	7.62	8.22	8.40	8.61
4 Germany	5.96	5.40	4.58	4.45	3.94	3.97	3.85	3.73	3.67	3.83
5 Switzerland	4.35	4.92	4.19	3.63	3.58	3.93	3.65	3.63	3.77	3.60
6 Netherlands	6.08	6.29	5.56	5.58	5.31	5.38	5.31	5.11	5.15	5.21
7 France	11.66	9.91	7.68	8.49	8.36	7.85	7.87	8.09	8.18	7.83
8 Italy	17.08	14.86	12.60	11.39	11.13	10.65	10.03	10.15	10.67	10.92
9 Belgium	11.41	9.60	8.04	7.88	7.75	7.49	7.21	7.13	6.78	6.54
10 Japan	6.32	6.47	4.96	4.23	3.98	4.00	3.92	3.77	3.71	3.74

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES

Currency units per dollar

Country/currency	1984	1985	1986	1987					
				Feb.	Mar.	Apr.	May	June	July
1 Australia/dollar[1]	87.937	70.026	67.093	66.77	68.17	71.19	71.42	71.79	70.79
2 Austria/schilling	20.005	20.676	15.260	12.833	12.905	12.739	12.574	12.793	12.996
3 Belgium/franc	57.749	59.336	44.662	37.789	38.029	35.562	37.091	37.712	38.329
4 Brazil/cruzeiro	1841.50	6205.10	13.051	18.08	20.56	22.59	n.a.	n.a.	n.a.
5 Canada/dollar	1.2953	1.3658	1.3896	1.3340	1.3194	1.3183	1.3411	1.338	1.3262
6 China, P.R./yuan	2.3308	2.9434	3.4615	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314
7 Denmark/krone	10.354	10.598	8.0954	6.8939	6.9166	6.8388	6.7333	6.8555	7.0179
8 Finland/markka	6.0007	6.1971	5.0721	4.5556	4.5102	4.4227	4.3604	4.4281	4.4882
9 France/franc	8.7355	8.9799	6.9256	6.0760	6.1091	6.0332	5.9748	6.0739	6.1530
10 Germany/deutsche mark	2.8454	2.9419	2.1704	1.8239	1.8355	1.8125	1.7881	1.8189	1.8482
11 Greece/drachma	112.73	138.40	139.93	133.88	134.68	133.502	133.35	136.06	139.313
12 Hong Kong/dollar	7.8188	7.7911	7.8037	7.7952	7.8017	7.8023	7.8049	7.8080	7.8090
13 India/rupee	11.348	12.332	12.597	13.062	12.924	12.8224	12.666	12.837	13.01
14 Ireland/pound[1]	108.64	106.62	134.14	145.93	145.54	147.49	149.59	147.25	144.99
15 Italy/lira	1756.10	1908.90	1491.16	1297.74	1305.90	1292.96	1290.80	1316.50	1337.96
16 Japan/yen	237.45	238.47	168.35	153.41	151.43	143.00	140.48	144.55	150.29
17 Malaysia/ringgit	2.3448	2.4806	2.5830	2.5418	2.5230	2.4861	2.4759	2.5078	2.5414
18 Netherlands/guilder	3.2083	3.3184	2.4484	2.0592	2.0731	2.0447	2.0154	2.0490	2.0814
19 New Zealand/dollar[1]	57.837	49.752	52.456	54.815	56.333	57.751	57.639	58.686	59.644
20 Norway/krone	8.1596	8.5933	7.3984	7.0067	6.9335	6.7781	6.6632	6.7147	6.7632
31 Portugal/escudo	147.70	172.07	149.80	141.62	141.48	140.339	139.18	142.12	144.51
22 Singapore/dollar	2.1325	2.2008	2.1782	2.1410	2.1418	2.1350	2.1202	2.1176	2.1183
23 South Africa/rand[1]	69.534	45.57	43.952	47.97	48.21	49.55	49.87	49.41	48.52
24 South Korea/won	807.91	861.89	884.61	857.38	856.11	845.00	832.53	818.39	811.81
25 Spain/peseta	160.78	169.98	140.04	128.62	128.86	126.975	125.28	126.33	126.97
26 Sri Lanka/rupee	25.428	27.187	27.933	28.662	28.823	28.902	28.988	29.171	29.405
27 Sweden/krona	8.2706	8.6031	7.1272	6.5016	6.4202	6.3210	6.2606	6.3482	6.4466
28 Switzerland/franc	2.3500	2.4551	1.7979	1.5403	1.5391	1.4968	1.4705	1.5085	1.5365
29 Taiwan/dollar	39.633	39.889	37.837	35.056	34.681	33.863	32.354	31.226	31.114
30 Thailand/baht	23.582	27.193	26.314	25.933	25.881	25.695	25.629	25.779	26.041
31 United Kingdom/point[1]	133.66	129.74	146.77	152.80	159.23	162.99	166.66	162.88	160.90
MEMO									
32 United States/dollar[2]	138.19	143.01	112.22	99.46	98.99	97.09	96.05	97.78	99.36

1. Value in U.S. cents.
2. Index of weighted-average exchange value of U.S. dollar against the currencies of 10 industrial countries. The weight for each of the 10 countries is the 1972–76 average world trade of that country divided by the average world trade of all 10 countries combined. Series revised as of August 1978 (see FEDERAL RESERVE BULLETIN, vol. 64, August 1978, p. 700).
3. Currency reform.

NOTE. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected
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

SPECIAL TABLES

Published Irregularly, with Latest Bulletin Reference

Special tables begin on next page.

4.20 DOMESTIC AND FOREIGN OFFICES, Insured Commercial Bank Assets and Liabilities[1,2]
Consolidated Report of Condition, March 31, 1987

Millions of dollars

Item	Total	Banks with foreign offices[5,7]			Banks with domestic offices only[8]	
		Total	Foreign	Domestic	Over 100	Under 100
1 **Total assets**[6]	**2,854,973**	**1,658,818**	**437,454**	**1,272,207**	**787,964**	**408,190**
2 Cash and balances due from depository institutions	342,568	239,943	119,162	120,781	66,915	35,710
3 Cash items in process of collection, unposted debits, and currency		79,405	1,682	77,723	26,163	
4 Cash items in process of collection and unposted debits and coin		n.a.	n.a.	67,061	18,223	
5 Currency and coin		n.a.	n.a.	10,662	7,941	n.a.
6 Balances due from depository institutions in the United States		34,989	20,595	14,394	23,141	
7 Balances due from banks in foreign countries and foreign central banks	n.a.	100,977	96,778	4,199	5,887	
8 Balances due from Federal Reserve Banks		24,571	107	24,465	11,724	
MEMO						
9 Noninterest-bearing balances due from commercial banks in the United States (included in balances due from depository institutions in the U.S.)		n.a.	n.a.	9,387	14,064	12,144
10 **Total securities, loans and lease financing receivables, net**	**2,290,114**	**1,247,617**	**n.a.**	**n.a.**	**687,912**	**354,586**
11 Total securities, book value	481,226	192,091	26,573	165,518	171,166	117,969
12 U.S. Treasury securities and U.S. government agency and corporation obligations	216,961	99,661	657	99,004	105,147	12,152
13 U.S. Treasury securities	n.a.	60,263	495	59,768	63,875	n.a.
14 U.S. government agency and corporation obligations	n.a.	39,399	162	39,237	41,272	n.a.
15 All holdings of U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages	59,117	30,518	129	30,389	16,446	12,152
16 All other	n.a.	8,881	33	8,848	24,826	n.a.
17 Securities issued by states and political subdivisions in the United States	130,717	53,822	801	53,021	49,355	27,540
18 Taxable	2,170	248	0	248	907	1,014
19 Tax-exempt	128,547	53,574	801	52,773	48,447	26,526
20 Other securities	62,986	38,608	25,115	13,492	16,664	7,714
21 Other domestic securities	n.a.	12,760	881	11,879	16,327	....
22 All holdings of private certificates of participation in pools of residential mortgages	6,294	3,326	0	3,326	2,011	957
23 All other	30,506	9,434	881	8,553	14,315	6,757
24 *Foreign securities*	*n.a.*	25,848	24,234	1,613	337	....
25 Federal funds sold and securities purchased under agreements to resell	127,232	52,467	233	52,234	43,407	31,358
26 Total loans and lease financing receivables, gross	1,725,937	1,028,111	228,871	799,240	486,576	211,249
27 LESS: Unearned income on loans	15,165	6,733	2,231	4,502	5,779	2,653
28 Total loans and leases (net of unearned income)	1,710,772	1,021,377	226,638	794,739	480,797	208,597
29 LESS: Allowance for loan and lease losses	29,008	18,213	n.a.	n.a.	7,458	3,337
30 LESS: Allocated transfer risk reserves	107	106	n.a.	n.a.	0	1
31 EQUALS: Total loans and leases, net	1,681,656	1,003,059	n.a.	n.a.	473,339	205,259
Total loans, gross, by category						
32 Loans secured by real estate	524,036	247,650	16,727	230,923	184,488	91,898
33 Construction and land development	n.a.	n.a.	n.a.	73,802	28,969	7,681
34 Farmland	n.a.	n.a.	n.a.	1,482	3,685	8,048
35 1–4 family residential properties	n.a.	n.a.	n.a.	87,163	85,862	49,951
36 Multifamily (5 or more) residential properties	n.a.	n.a.	n.a.	8,265	5,677	1,934
37 Nonfarm nonresidential properties	n.a.	n.a.	n.a.	60,211	60,295	24,284
38 Loans to depository institutions	67,293	60,224	30,082	30,142	6,262	806
39 To commercial banks in the United States	n.a.	22,157	1,161	20,996	5,169	n.a.
40 To other depository institutions in the United States	n.a.	4,635	222	4,414	792	n.a.
41 To banks in foreign countries	n.a.	33,433	28,700	4,733	301	n.a.
42 Loans to finance agricultural production and other loans to farmers	29,151	5,328	391	4,937	6,310	17,513
43 Commercial and industrial loans	581,472	404,886	113,802	291,084	128,004	48,583
44 To U.S. addressees (domicile)	n.a.	303,077	15,886	287,191	127,392	n.a.
45 To non-U.S. addressees (domicile)	n.a.	101,809	97,917	3,892	612	n.a.
46 Acceptances of other banks	2,688	1,015	375	640	922	751
47 U.S. banks	n.a.	289	23	267	n.a.	n.a.
48 Foreign banks	n.a.	725	352	374	n.a.	n.a.
49 Loans to individuals for household, family and other personal expenditures (includes purchased paper)	313,506	140,321	11,846	128,474	127,282	45,903
50 Credit cards and related plans	78,702	42,492	n.a.	n.a.	34,264	1,947
51 *Other (includes single payment and installment)*	234,803	97,829	*n.a.*	*n.a.*	93,018	43,956
52 Obligations (other than securities) of states and political subdivisions in the U.S. (includes nonrated industrial development obligations)	58,075	36,189	597	35,592	19,242	2,644
53 Taxable	2,569	452	0	452	1,844	273
54 Tax-exempt	55,505	35,737	597	35,140	17,398	2,370
55 All other loans	122,076	109,419	50,456	58,963	10,056	2,602
56 Loans to foreign governments and official institutions	n.a.	39,160	35,986	3,173	240	n.a.
57 Other loans	n.a.	70,260	14,470	55,790	9,815	n.a.
58 Loans for purchasing and carrying securities	n.a.	n.a.	n.a.	15,613	2,018	n.a.
59 All other loans	n.a.	n.a.	n.a.	40,177	7,797	n.a.
60 Lease financing receivables	27,639	23,078	4,594	18,484	4,011	550
61 Assets held in trading accounts	43,024	41,593	18,603	22,990	1,035	396
62 Premises and fixed assets (including capitalized leases)	42,708	21,774		n.a.	13,586	7,348
63 Other real estate owned	9,742	3,916		n.a.	3,155	2,671
64 Investments in unconsolidated subsidiaries and associated companies	2,531	1,861		n.a.	621	49
65 Customers' liability on acceptances outstanding	40,817	40,347	n.a.	n.a.	449	22
66 Net due from own foreign offices, Edge and Agreement subsidiaries and IBFs	n.a.	n.a.		40,294	n.a.	n.a.
67 Intangible assets	4,073	2,705		n.a.	1,215	153
68 Other assets	79,396	59,064		n.a.	13,077	7,255

4.20 Continued

Item	Total	Banks with foreign offices[3,4]			Banks with domestic offices only[5]	
		Total	Foreign	Domestic	Over 100	Under 100
67 **Total liabilities, limited-life preferred stock and equity capital**	**2,854,973**	**1,658,818**	**n.a.**	**n.a.**	**787,964**	**408,190**
68 **Total liabilities[7]**	**2,671,722**	**1,566,497**	**436,988**	**1,180,351**	**731,922**	**373,303**
69 *Limited-life preferred stock*	81	64	n.a.	n.a.	15	1
70 Total deposits	2,204,632	1,183,218	331,796	851,423	656,504	364,910
71 Individuals, partnerships, and corporations			184,059	750,876	594,489	332,399
72 U.S. government				2,048	1,499	632
73 States and political subdivisions in the United States				35,804	40,255	26,173
74 Commercial banks in the United States	n.a.	n.a.	n.a.	36,526	11,806	1,788
75 Other depository institutions in the United States				4,589	3,048	1,310
76 Banks in foreign countries				7,943	192	n.a.
77 Foreign governments and official institutions		30,905	29,104	1,801	174	n.a.
78 Certified and official checks	20,075	12,461	627	11,834	5,044	2,571
79 All other[8]	n.a.	n.a.	118,006	...	...	37
80 Total transaction accounts				311,518	197,031	98,958
81 Individuals, partnerships, and corporations				252,313	173,706	88,563
82 U.S. government				1,366	1,042	464
83 States and political subdivisions in the United States				6,837	8,435	6,452
84 Commercial banks in the United States	n.a.	n.a.	n.a.	26,766	6,936	409
85 Other depository institutions in the United States				4,061	1,779	486
86 Banks in foreign countries				7,245	81	n.a.
87 Foreign governments and official institutions				1,094	8	n.a.
88 Certified and official checks				11,834	5,044	2,571
89 All other				...	...	13
90 Demand deposits (included in total transaction accounts)				249,336	128,945	54,962
91 Individuals, partnerships, and corporations				191,505	109,540	48,608
92 U.S. government				1,362	1,004	446
93 States and political subdivisions in the United States				5,471	4,565	2,440
94 Commercial banks in the United States				26,766	6,931	408
95 Other depository institutions in the United States				4,060	1,769	476
96 Banks in foreign countries				7,245	81	n.a.
97 Foreign governments and official institutions				1,092	7	n.a.
98 Certified and official checks				11,834	5,044	2,571
99 All other				...	...	13
100 Total nontransaction accounts				539,904	459,473	265,952
101 Individuals, partnerships, and corporations	n.a.	n.a.	n.a.	498,563	420,783	243,836
102 U.S. government				683	457	168
103 States and political subdivisions in the United States				28,967	31,820	19,721
104 Commercial banks in the United States				9,760	4,870	1,379
105 U.S. branches and agencies of foreign banks				884	717	n.a.
106 Other commercial banks in the United States				8,876	4,153	n.a.
107 Other depository institutions in the United States				527	1,270	825
108 Banks in foreign countries				698	111	n.a.
109 Foreign branches of other U.S. banks				11	88	n.a.
110 Other banks in foreign countries				687	23	n.a.
111 Foreign governments and official institutions				707	166	n.a.
112 All other				...	...	24
113 Federal funds purchased and securities sold under agreements to repurchase	243,619	196,401	481	195,920	44,412	2,806
114 Demand notes issued to the U.S. Treasury	n.a.	n.a.	n.a.	4,315	1,241	215
115 Other borrowed money	91,959	74,274	31,351	42,923	16,908	777
116 Banks liability on acceptances executed and outstanding	40,993	40,527	9,123	31,404	445	21
117 Notes and debentures subordinated to deposits	17,158	14,594	n.a.	n.a.	2,200	364
118 Net due to own foreign offices, Edge and Agreement subsidiaries and IBFs	n.a.	n.a.	n.a.	10,549	n.a.	n.a.
119 All other liabilities	67,590	53,167	n.a.	n.a.	10,213	4,210
120 Total equity capital[9]	183,170	92,257	n.a.	n.a.	56,026	34,886
MEMO						
121 Holdings of commercial paper included in total loans, gross		1,896	1,463	434	1,097	n.a.
122 Total individual retirement accounts (IRA) and Keogh plan accounts				30,196	30,163	15,250
123 Total brokered deposits				23,615	3,627	611
124 Total brokered retail deposits				5,259	2,084	460
125 Issued in denominations of $100,000 or less				977	1,151	388
126 Issued in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less				4,282	933	73
Savings deposits						
127 Money market deposit accounts (MMDAs)				175,087	136,438	59,376
128 Other savings deposits (excluding MMDAs)				67,867	65,623	33,524
129 Total time deposits of less than $100,000				127,778	169	128,372
130 Time certificates of deposit of $100,000 or more	n.a.	n.a.	n.a.	141,468	84,131	43,100
131 Open-account time deposits of $100,000 or more				27,704	4,150	1,580
132 All NOW accounts (including Super NOW)				57,940	64,780	41,941
133 Total time and savings deposits				602,087	527,559	309,948
Quarterly averages						
134 Total loans				783,635	472,859	206,357
135 Obligations (other than securities) of states and political subdivisions in the United States				36,178	18,889	n.a.
136 Transaction accounts in domestic offices (NOW accounts, ATS accounts and telephone and preauthorized transfer accounts				82,974	69,608	44,349
Nontransaction accounts in domestic offices						
137 Money market deposit accounts (MMDAs)				175,918	136,959	59,264
138 Other savings deposits				63,446	64,349	32,850
139 Time certificates of deposit of $100,000 or more				140,257	83,697	42,851
140 All other time deposits				154,781	175,255	130,863
141 Number of banks	13,895	256		n.a.	2,378	11,261

Footnotes appear at the end of table 4.22

4.21 DOMESTIC OFFICES, Insured Commercial Banks with Assets of $100 Million or more or with foreign offices[1,2,3]
Consolidated Report of Condition, March 31, 1987

Millions of dollars

Item	Total	Members			Non-members
		Total	National	State	
1 **Total assets**[6]	**2,060,171**	**1,677,853**	**1,315,862**	**361,991**	**382,317**
2 Cash and balances due from depository institutions	187,695	158,240	123,801	34,438	29,456
3 Cash items in process of collection and unposted debits	85,284	78,608	60,603	18,005	6,676
4 Currency and coin	18,602	15,308	12,554	2,754	3,294
5 Balances due from depository institutions in the United States	37,534	25,870	21,410	4,459	11,665
6 Balances due from banks in foreign countries and foreign central banks	10,086	7,756	6,049	1,708	2,330
7 Balances due from Federal Reserve Banks	36,188	30,698	23,185	7,513	5,491
8 **Total securities, loans and lease financing receivables, (net of unearned income)**	**1,707,861**	**1,373,253**	**1,087,832**	**285,421**	**334,607**
9 Total securities, book value	336,684	256,597	199,862	56,735	80,087
10 U.S. Treasury securities	123,643	94,311	75,339	18,972	29,331
11 U.S. government agency and corporation obligations	80,509	60,493	49,267	11,226	20,016
12 All holdings of U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages	46,835	38,676	31,148	7,528	8,159
13 All other	33,674	21,817	18,119	3,698	11,857
14 Securities issued by states and political subdivisions in the United States	102,376	80,558	59,304	21,254	21,818
15 Taxable	1,156	637	535	101	519
16 Tax-exempt	101,220	79,922	58,769	21,153	21,298
17 Other domestic securities	28,206	19,573	15,432	4,140	8,633
18 All holdings of private certificates of participation in pools of residential mortgages	5,337	4,527	2,622	1,905	810
19 All other	22,868	15,046	12,810	2,235	7,823
20 Foreign securities	1,951	1,662	520	1,142	289
21 Federal funds sold and securities purchased under agreements to resell	95,640	79,072	59,215	19,856	16,569
22 Total loans and lease financing receivables, gross	1,285,817	1,045,363	834,682	210,681	240,454
23 LESS: Unearned income on loans	10,281	7,779	5,928	1,851	2,502
24 Total loans and leases (net of unearned income)	1,275,536	1,037,584	828,754	208,830	237,952
Total loans, gross, by category					
25 Loans secured by real estate	415,411	318,351	270,460	47,891	97,059
26 Construction and land development	102,771	83,832	68,691	15,141	18,938
27 Farmland	5,167	3,518	3,102	416	1,650
28 1-4 family residential properties	173,025	130,504	112,414	18,089	42,521
29 Multifamily (5 or more) residential properties	13,941	10,943	9,470	1,473	2,998
30 Nonfarm nonresidential properties	120,506	89,554	76,783	12,771	30,952
31 Loans to commercial banks in the United States	26,165	22,593	17,650	4,944	3,572
32 Loans to other depository institutions in the United States	5,206	4,980	3,892	1,088	226
33 Loans to banks in foreign countries	5,034	4,925	2,932	1,993	108
34 Loans to finance agricultural production and other loans to farmers	11,247	8,971	7,918	1,053	2,276
35 Commercial and industrial loans	419,087	346,517	266,623	79,894	72,570
36 To U.S. addressees (domicile)	414,583	342,552	263,349	79,202	72,031
37 To non-U.S. addressees (domicile)	4,504	3,965	3,274	692	539
38 Acceptances of other banks[10]	1,563	1,144	1,063	81	419
39 Of U.S. banks	561	447	406	41	114
40 Of foreign banks	429	336	332	5	93
41 Loans to individuals for household, family and other personal expenditures (includes purchased paper)	255,756	208,516	170,562	37,955	47,240
42 Loans to foreign governments and official institutions	3,414	3,254	2,362	892	160
43 Obligations (other than securities) of states and political subdivisions in the United States	54,834	45,926	34,264	11,662	8,908
44 Taxable	2,296	1,514	1,285	230	782
45 Tax-exempt	52,538	44,411	32,979	11,432	8,127
46 Other loans	65,605	59,979	40,939	19,040	5,626
47 Loans for purchasing and carrying securities	17,631	16,044	9,454	6,590	1,587
48 All other loans	47,974	43,935	31,485	12,450	4,039
49 Lease financing receivables	22,495	20,206	16,017	4,189	2,289
50 Customers' liability on acceptances outstanding	30,838	29,884	20,901	8,983	955
51 Net due from own foreign offices, Edge and Agreement subsidiaries and IBFs	40,294	36,012	26,901	9,111	4,282
52 Remaining assets	133,777	116,477	83,328	33,149	17,300

4.21 Continued

Item	Total	Members			Non-members
		Total	National	State	
53 **Total liabilities and equity capital**	**2,060,171**	**1,677,853**	**1,315,862**	**361,991**	**382,317**
54 **Total liabilities**[7]	**1,912,273**	**1,557,908**	**1,223,233**	**334,675**	**354,365**
55 Total deposits	1,507,927	1,190,428	951,610	238,818	317,499
56 Individuals, partnerships, and corporations	1,345,365	1,057,368	850,577	206,790	287,998
57 U.S. government	3,547	2,893	2,509	384	654
58 States and political subdivisions in the United States	76,059	57,027	47,776	9,251	19,032
59 Commercial banks in the United States	48,332	43,800	32,863	10,937	4,532
60 Other depository institutions in the United States	7,637	5,896	4,353	1,543	1,741
61 Banks in foreign countries	8,135	7,578	3,638	3,940	557
62 Foreign governments and official institutions	1,975	1,726	763	962	249
63 Certified and official checks	16,877	14,142	9,134	5,008	2,736
64 Total transaction accounts	508,549	417,546	324,998	92,548	91,003
65 Individuals, partnerships, and corporations	426,019	343,631	272,826	70,805	82,388
66 U.S. government	2,408	1,971	1,666	305	436
67 States and political subdivisions in the United States	15,272	12,218	9,908	2,310	3,054
68 Commercial banks in the United States	33,702	32,288	23,930	8,358	1,414
69 Other depository institutions in the United States	5,840	5,162	3,723	1,439	678
70 Banks in foreign countries	7,327	7,093	3,355	3,738	233
71 Foreign governments and official institutions	1,102	1,038	456	582	64
72 Certified and official checks	16,877	14,142	9,134	5,008	2,736
73 Demand deposits (included in total transaction accounts)	378,281	317,684	241,333	76,351	60,597
74 Individuals, partnerships, and corporations	301,045	247,598	192,260	55,338	53,447
75 U.S. government	2,366	1,993	1,630	303	433
76 States and political subdivisions in the United States	10,036	8,440	6,854	1,586	1,596
77 Commercial banks in the United States	33,697	32,284	23,926	8,358	1,413
78 Other depository institutions in the United States	5,829	5,153	3,716	1,436	676
79 Banks in foreign countries	7,326	7,093	3,355	3,738	233
80 Foreign governments and official institutions	1,099	1,037	455	582	62
81 Certified and official checks	16,877	14,142	9,134	5,008	2,736
82 Total nontransaction accounts	999,377	772,882	626,612	146,270	226,495
83 Individuals, partnerships, and corporations	919,346	713,736	577,751	135,985	205,609
84 U.S. government	1,139	922	842	80	218
85 States and political subdivisions in the United States	60,787	44,809	37,868	6,941	15,978
86 Commercial banks in the United States	14,631	11,512	8,934	2,578	3,118
87 U.S. branches and agencies of foreign banks	1,602	1,039	1,002	37	563
88 Other commercial banks in the United States	13,029	10,473	7,932	2,541	2,555
89 Other depository institutions in the United States	1,797	734	630	104	1,063
90 Banks in foreign countries	809	485	283	202	324
91 Foreign branches of other U.S. banks	99	13	8	5	86
92 Other banks in foreign countries	710	472	275	197	238
93 Foreign governments and official institutions	873	688	308	380	185
94 Federal funds purchased and securities sold under agreements to repurchase	240,332	218,957	165,122	53,835	21,375
95 Demand notes issued to the U.S. Treasury	5,556	5,050	3,575	1,476	506
96 Other borrowed money	59,831	53,374	36,205	17,169	6,457
97 Banks liability on acceptances executed and outstanding	31,849	30,895	21,876	9,019	955
98 Notes and debentures subordinated to deposits	2,200	1,301	1,154	147	898
99 Net due to own foreign offices, Edge and Agreement subsidiaries and IBFs	10,549	9,792	8,579	1,213	757
100 Remaining liabilities	64,579	57,902	43,690	14,212	6,676
101 **Total equity capital**[9]	**147,897**	**119,945**	**92,629**	**27,317**	**27,952**
MEMO					
102 Holdings of commercial paper included in total loans, gross	1,530	1,175	1,014	161	355
103 Total individual retirement accounts (IRA) and Keogh plan accounts	60,359	46,749	38,595	8,154	13,610
104 Total brokered deposits	27,242	22,585	19,355	3,230	4,657
105 Total brokered retail deposits	7,342	5,793	4,902	890	1,550
106 Issued in denominations of $100,000 or less	2,128	1,267	1,223	44	861
107 Issued in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less	5,215	4,525	3,679	846	689
Savings deposits					
108 Money market deposit accounts (MMDAs)	311,526	245,288	198,315	46,973	66,237
109 Other savings accounts	133,490	103,242	80,611	22,631	30,249
110 Total time deposits of less than $100,000	296,909	221,741	187,666	34,075	75,168
111 Time certificates of deposit of $100,000 or more	225,598	174,304	141,564	32,740	51,294
112 Open-account time deposits of $100,000 or more	31,854	28,307	18,456	9,851	3,547
113 All NOW accounts (including Super NOW accounts)	122,720	93,958	78,455	15,503	28,762
114 Total time and savings deposits	1,129,646	872,744	710,277	162,467	256,902
Quarterly averages					
115 Total loans	1,256,494	1,022,439	816,630	205,809	234,055
116 Obligations (other than securities) of states and political subdivisions in the United States	55,067	46,305	34,181	12,124	8,762
117 Transaction accounts (NOW accounts, ATS accounts and telephone preauthorized transfer accounts)	152,582	121,726	95,860	25,866	30,855
Nontransaction accounts					
118 Money market deposit accounts (MMDAs)	312,877	246,637	199,951	46,686	66,239
119 Other savings deposits	127,795	98,278	77,200	21,079	29,517
120 Time certificates of deposit of $100,000 or more	223,953	173,543	141,866	31,677	50,410
121 All other time deposits	330,036	250,120	206,402	43,718	79,916
122 Number of banks	2,634	1,511	1,279	232	1,123

Footnotes appear at the end of table 4.22

4.22 DOMESTIC OFFICES, Insured Commercial Bank Assets and Liabilities[1,2,3]
Consolidated Report of Condition, March 31, 1987
Millions of dollars

Item	Total	Members			Nonmembers
		Total	National	State	
1 **Total assets**[6]	**2,468,361**	**1,850,604**	**1,457,957**	**392,647**	**617,757**
2 Cash and balances due from depository institutions	223,406	174,030	137,132	36,898	49,376
3 Currency and coin	22,484	16,976	13,929	3,047	5,508
4 Noninterest-bearing balances due from commercial banks	35,594	20,796	17,319	3,476	14,799
5 Other	165,327	136,258	105,884	30,374	29,069
6 **Total securities, loans, and lease financing receivables (net of unearned income)**	**2,065,785**	**1,524,071**	**1,211,458**	**312,613**	**541,714**
7 Total securities, book value	454,653	303,743	238,316	65,427	150,910
8 U.S. Treasury securities and U.S. government agency and corporation obligations	286,867	187,203	150,777	36,426	99,664
9 Securities issued by states and political subdivisions in the United States	129,916	91,747	68,515	23,232	38,169
10 Taxable	2,170	979	817	162	1,191
11 Tax-exempt	127,746	90,768	67,698	23,070	36,978
12 Other securities	37,870	24,793	19,024	5,769	13,077
13 All holdings of private certificates of participation in pools of residential mortgages	6,294	4,942	2,939	2,003	1,353
14 All other	31,576	19,852	16,086	3,766	11,724
15 Federal funds sold and securities purchased under agreements to resell	126,998	93,692	71,651	22,041	33,307
16 Total loans and lease financing receivables, gross	1,497,066	1,135,588	908,374	227,214	361,478
17 LESS: Unearned income on loans	12,934	8,953	6,883	2,070	3,981
18 Total loans and leases (net of unearned income)	1,484,133	1,126,636	901,491	225,145	357,497
Total loans, gross, by category					
19 Loans secured by real estate	507,309	357,302	302,276	55,026	150,007
20 Construction and land development	110,452	87,391	71,650	15,742	23,060
21 Farmland	13,216	6,294	5,332	963	6,921
22 1–4 family residential properties	222,976	151,959	129,758	22,201	71,017
23 Multifamily (5 or more) residential properties	15,876	11,740	10,131	1,609	4,136
24 Nonfarm nonresidential properties	144,790	99,917	85,406	14,512	44,872
25 Loans to depository institutions	37,211	33,001	24,934	8,066	4,210
26 Loans to finance agricultural production and other loans to farmers	28,760	15,373	12,975	2,398	13,387
27 Commercial and industrial loans	467,670	368,315	284,508	83,807	99,355
28 Acceptances of other banks	2,314	1,499	1,348	151	815
29 Loans to individuals for household, family and other personal expenditures (includes purchased paper)	301,660	228,374	186,808	41,566	73,285
30 Obligations (other than securities) of states and political subdivisions in the United States	57,478	46,990	35,163	11,828	10,488
31 Nonrated industrial development obligations	2,569	1,626	1,380	246	944
32 Other obligations (excluding securities)	54,908	45,364	33,783	11,582	9,544
33 All other loans	71,621	64,319	44,175	20,144	7,302
34 Lease financing receivables	23,044	20,416	16,187	4,229	2,629
35 Customers' liability on acceptances outstanding	30,860	29,893	20,908	8,985	967
36 Net due from own foreign offices, Edge and Agreement subsidiaries and IBFs	40,294	36,012	26,901	9,111	4,282
37 Remaining assets	148,311	122,610	88,459	34,151	25,701
38 **Total liabilities and equity capital**	**2,468,361**	**1,850,604**	**1,457,957**	**392,647**	**617,757**
39 **Total liabilities**[7]	**2,285,576**	**1,716,054**	**1,353,455**	**362,599**	**569,522**
40 Total deposits	1,872,837	1,344,607	1,078,714	265,893	528,229
41 Individuals, partnerships, and corporations	1,677,764	1,198,315	966,817	231,498	479,449
42 U.S. government	4,179	3,165	2,736	429	1,014
43 States and political subdivisions in the United States	102,232	67,072	56,101	10,971	35,160
44 Commercial banks in the United States	50,120	44,879	33,668	11,211	5,241
45 Other depository institutions in the United States	8,947	6,542	4,902	1,640	2,405
46 Certified and official checks	19,449	15,312	10,076	5,236	4,136
47 All other	10,147	9,322	4,417	4,905	825
48 Total transaction accounts	607,507	459,322	359,554	99,768	148,185
49 Individuals, partnerships, and corporations	514,583	381,116	303,958	77,158	133,467
50 U.S. government	2,872	2,175	1,837	338	697
51 States and political subdivisions in the United States	21,724	14,614	11,896	2,718	7,110
52 Commercial banks in the United States	34,111	32,576	24,055	8,521	1,535
53 Other depository institutions in the United States	6,326	5,391	3,918	1,473	935
54 Certified and official checks	19,449	15,312	10,076	5,236	4,136
55 All other	8,441	8,136	3,813	4,323	305
56 Demand deposits (included in total transaction accounts)	433,243	341,539	261,014	80,525	91,704
57 Individuals, partnerships, and corporations	349,653	268,653	209,752	58,901	81,000
58 U.S. government	2,813	2,129	1,794	335	684
59 States and political subdivisions in the United States	12,476	9,356	7,619	1,738	3,120
60 Commercial banks in the United States	34,105	32,571	24,051	8,521	1,534
61 Other depository institutions in the United States	6,305	5,378	3,908	1,470	927
62 Certified and official checks	19,449	15,312	10,076	5,236	4,136
63 All other	8,438	8,135	3,812	4,322	303
64 Total nontransaction accounts	1,265,329	885,285	719,160	166,125	380,044
65 Individuals, partnerships, and corporations	1,163,181	817,199	662,859	154,340	345,982
66 U.S. government	1,307	990	899	91	317
67 States and political subdivisions in the United States	80,508	52,458	44,205	8,253	28,050
68 Commercial banks in the United States	16,009	12,304	9,613	2,691	3,706
69 Other depository institutions in the United States	2,622	1,151	984	167	1,470
70 All other	1,706	1,186	604	582	520

4.22 Continued

Item	Total	Members			Nonmembers
		Total	National	State	
71 Federal funds purchased and securities sold under agreements to repurchase	243,138	220,519	166,353	54,166	22,619
72 Demand notes issued to the U.S. Treasury	5,771	5,146	3,654	1,492	624
73 Other borrowed money	60,608	53,841	36,481	17,360	6,767
74 Banks liability on acceptances executed and outstanding	31,870	30,904	21,883	9,021	966
75 Notes and debentures subordinated to deposits	2,563	1,378	1,221	157	1,186
76 Net due to own foreign offices, Edge and Agreement subsidiaries and IBFs	10,549	9,792	8,579	1,213	757
77 Remaining liabilities	68,789	59,659	45,149	14,510	9,130
78 **Total equity capital**[9]	**182,785**	**134,549**	**104,501**	**30,048**	**48,236**
MEMO					
79 Assets held in trading accounts[10]	24,421	23,830	14,442	9,388	591
80 U.S. Treasury securities	11,307	11,272	6,118	5,154	35
81 U.S. government agency corporation obligations	3,670	3,628	2,150	1,478	42
82 Securities issued by states and political subdivisions in the United States	3,520	3,491	2,267	1,224	29
83 Other bonds, notes and debentures	433	431	280	151	2
84 Certificates of deposit	1,413	1,413	1,161	252	0
85 Commercial paper	129	129	129	0	0
86 Bankers acceptances	2,158	2,115	1,258	857	43
87 Other	841	831	598	233	10
88 Total individual retirement accounts (IRA) and Keogh plan accounts	75,609	52,853	43,653	9,200	22,756
89 Total brokered deposits	27,852	22,894	19,611	3,282	4,959
90 Total brokered retail deposits	7,803	6,027	5,098	929	1,776
91 Issued in denominations of $100,000 or less	2,516	1,459	1,382	77	1,056
92 Issued in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less	5,287	4,567	3,715	852	720
Savings deposits					
93 Money market deposit accounts (MMDAs)	370,902	271,675	220,035	51,639	99,227
94 Other savings deposits	167,014	117,319	91,901	25,418	49,695
95 Total time deposits of less than $100,000	425,281	272,621	229,211	43,409	152,661
96 Time certificates of deposit of $100,000 or more	268,698	194,752	159,045	35,707	73,946
97 Open-account time deposits of $100,000 or more	33,434	28,918	18,966	9,952	4,516
98 All NOW accounts (including Super NOW)	164,660	111,246	92,797	18,449	53,415
99 Total time and savings deposits	1,439,594	1,003,068	817,700	185,368	436,526
Quarterly averages					
100 Total loans	1,462,851	1,110,653	888,834	221,818	352,198
101 Transaction accounts (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts)	196,931	140,002	110,540	29,462	56,929
Nontransaction accounts					
102 Money market deposit accounts (MMDAs)	372,140	272,931	221,641	51,290	99,210
103 Other savings deposits	160,645	112,100	88,235	23,864	48,546
104 Time certificates of deposit of $100,000 or more	266,805	193,924	159,323	34,601	72,881
105 All other time deposits	460,899	301,832	248,691	53,141	159,066
106 Number of banks	13,895	5,844	4,752	1,092	8,051

1. Effective Mar. 31, 1984, the report of condition was substantially revised for commercial banks. Some of the changes are as follows: (1) Previously, banks with international banking facilities (IBFs) that had no other foreign offices were considered domestic reporters. Beginning with the Mar. 31, 1984 call report these banks are considered foreign and domestic reporters and must file the foreign and domestic report of condition; (2) banks with assets greater than $1 billion have additional items reported; (3) the domestic office detail for banks with foreign offices has been reduced considerably; and (4) banks with assets under $25 million have been excused from reporting certain detail items.

2. The "n.a." for some of the items is used to indicate the lesser detail available from banks without foreign offices, the inapplicability of certain items to banks that have only domestic offices and/or the absence of detail on a fully consolidated basis for banks with foreign offices.

3. All transactions between domestic and foreign offices of a bank are reported in "net due from" and "net due to." All other lines represent transactions with parties other than the domestic and foreign offices of each bank. Since these intraoffice transactions are nullified by consolidation, total assets and total liabilities for the entire bank may not equal the sum of assets and liabilities respectively, of the domestic and foreign offices.

4. Foreign offices include branches in foreign countries, Puerto Rico, and in U.S. territories and possessions; subsidiaries in foreign countries; all offices of Edge Act and Agreement corporations wherever located and IBFs.

5. The 'over 100' column refers to those respondents whose assets, as of June 30 of the previous calendar year, were equal to or exceeded $100 million. (These respondents file the FFIEC 032 or FFIEC 033 call report.) The 'under 100' column refers to those respondents whose assets, as of June 30 of the previous calendar year, were less than $100 million. (These respondents filed the FFIEC 034 call report.)

6. Since the domestic portion of allowances for loan and lease losses and allocated transfer risk reserve are not reported for banks with foreign offices, the components of total assets (domestic) will not add to the actual total (domestic).

7. Since the foreign portion of demand notes issued to the U.S. Treasury is not reported for banks with foreign offices, the components of total liabilities (foreign) will not add to the actual total (foreign).

8. The definition of 'all other' varies by report form and therefore by column in this table. See the instructions for more detail.

9. Equity capital is not allocated between the domestic and foreign offices of banks with foreign offices.

10. Components of assets held in trading accounts are only reported for banks with total assets of $1 billion or more; therefore the components will not add to the totals for this item.

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		Robert A. Georgine	Jimmie R. Monhollon	
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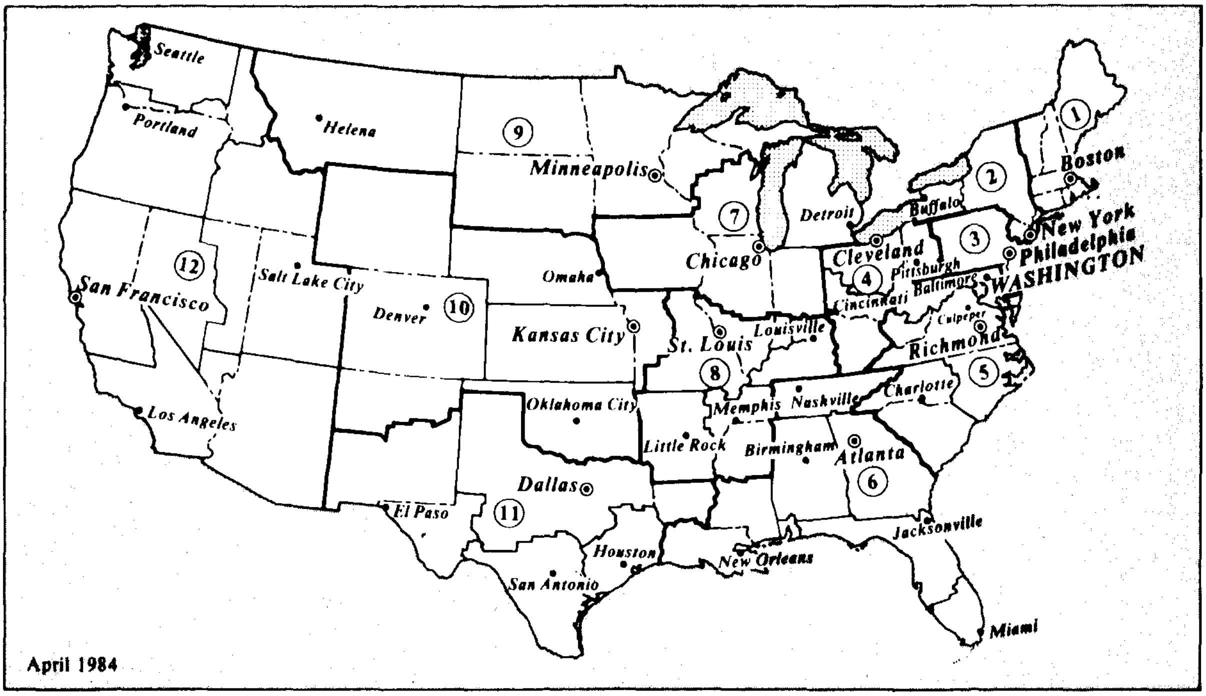

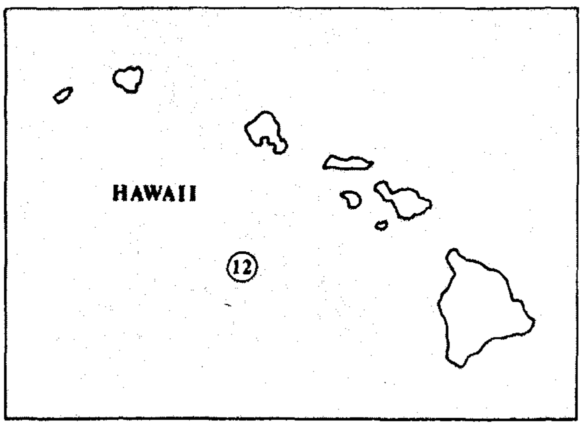

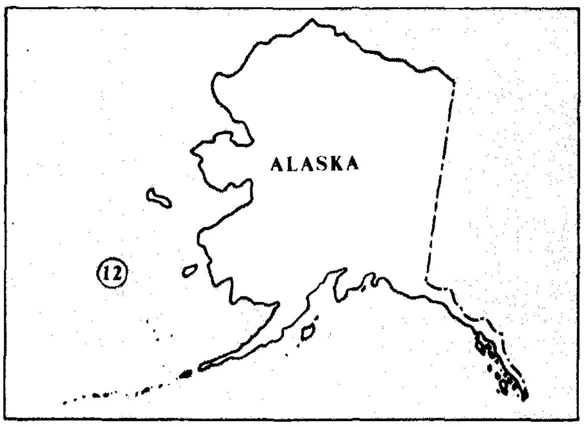

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- Boundaries of Federal Reserve Branch Territories
- Board of Governors of the Federal Reserve System
- Federal Reserve Bank Cities
- Federal Reserve Branch Cities
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