VOLUME 84 □ NUMBER 10 □ OCTOBER 1998

FEDERAL RESERVE BULLETIN

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, WASHINGTON, D.C.

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New Summary Measures of the Foreign Exchange Value of the Dollar

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The multilateral trade-weighted index of the foreign exchange value of the U.S. dollar against the currencies of the other countries in the Group of Ten (G-10), developed at the Federal Reserve Board in 1971, has played an important role in staff analysis of foreign influences on the U.S. economy for more than twenty-five years.[1] However, changes in international trading relationships and in the structure of international financial markets have led to increased interest in the currencies of U.S. trading partners outside the G-10 countries. Furthermore, the establishment of the European Economic and Monetary Union (EMU) is bringing about significant changes inside the G-10 countries, with the euro, which will be introduced in January 1999, ultimately replacing five of the G-10 currencies. Consideration of these developments has prompted taking a fresh look at ways to measure the foreign exchange value of the dollar. As a result, members of the Board's staff have developed several new indexes of the dollar's overall foreign exchange value.

In general, an index of the foreign exchange value of a currency is intended to distill into a single number key information from often divergent movements in bilateral exchange rates. As with a price index, an exchange rate index can be created in a variety of ways. The design of an exchange rate index—both which currencies to include and how to weight them—depends on its specific purpose. Although the process of compressing individual currency information into one number inevitably results in the loss of some information, a well-designed index will preserve information that is critical for its purpose.

Exchange rate indexes can have various uses. They can play a role in the analysis of the price competitiveness of domestic goods relative to foreign goods, the effect of foreign economic and financial developments on the domestic price level, and the demand for domestic and foreign currency assets. The G-10 index, which was developed when the Bretton Woods system of fixed exchange rates first broke down, was designed to serve as a summary measure of the dollar's movements against the currencies of ten other major foreign countries that participated in the Smithsonian Accord of December 1971. Over the years, the index has been used for a variety of purposes, but it has functioned mainly as a tool in the analysis of how changes in the foreign exchange value of the dollar influence U.S. international trade. In this index, the ten bilateral dollar exchange rates are aggregated using multilateral trade shares, which are viewed as reflecting the relative importance of each country as a competitor in world markets.

Like the G-10 index, the new indexes are designed principally to measure competitiveness in world markets. However, the new indexes are created with a different weighting scheme that focuses more directly on the competitiveness of U.S. goods in U.S. and foreign markets. In addition, the new indexes summarize and characterize the dollar's movements in foreign exchange markets against a broader set of currencies and are designed to take account of the changing structure of trade patterns and exchange rates.

THE NEW INDEXES

The new indexes of the dollar's overall foreign exchange value have been developed for three currency groups, and for each group nominal and real (price-adjusted) indexes have been created. The first, and primary, group is that of the currencies of important U.S. trading partners. This group is the basis for the construction of what the staff terms the broad index of the dollar's foreign exchange value. The

1. Since January 1977, this index has been published in table 3.28 of the statistical appendix to the *Federal Reserve Bulletin*. Discussions of the index have appeared in various issues of the *Bulletin*: See "Index of the Weighted-Average Exchange Value of the U.S. Dollar: Revision," vol. 64 (August 1978), p. 700; Peter Hooper and John Morton, "Summary Measures of the Dollar's Foreign Exchange Value," vol. 64 (October 1978), pp. 783–89; and B. Dianne Pauls, "Measuring the Foreign-Exchange Value of the Dollar," vol. 73 (June 1987), pp. 411–22.

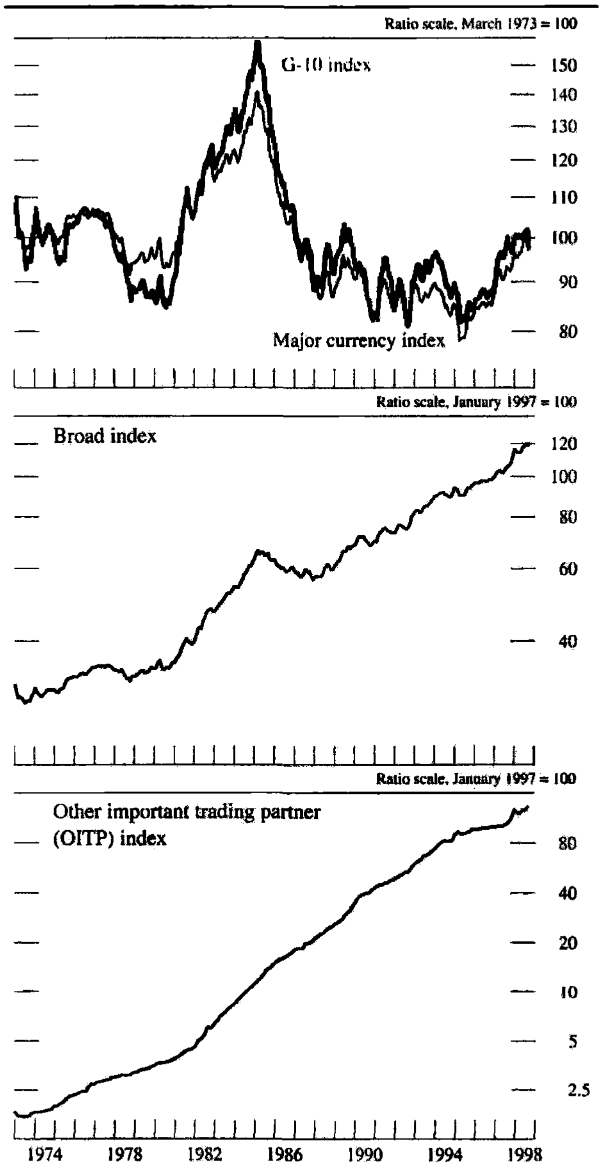
broad index includes thirty-five currencies until the beginning of Stage III of EMU on January 1, 1999.[2] At that time, the euro will replace the ten euro-area currencies, and the broad index will have twenty-six currencies.[3]

The other two groups are subsets of the broad index currencies. One of these comprises the major international currencies—those of the euro-area countries and Australia, Canada, Japan, Sweden, Switzerland, and the United Kingdom. These are used in the construction of what is termed the major currency index. It includes sixteen currencies until the introduction of the euro in January 1999.[4] After that, the index will become a seven-currency index.

The third group comprises the remaining currencies. In this group are the currencies of important U.S. trading partners, but these currencies are not heavily traded outside their home markets. This group is used to construct what the staff terms the other important trading partner (OITP) index. It includes the currencies of nineteen major U.S. trading partners: Argentina, Brazil, Chile, Colombia, Mexico, and Venezuela in Latin America; China, Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, and Thailand in Asia; Israel and Saudi Arabia in the Middle East; and Russia in Eastern Europe.

The major currency indexes—nominal and real—have a path similar to that of the comparable G-10 indexes over the same period, although the swings in the new series are less extreme (charts 1 and 2). The nominal broad and OITP indexes move quite differently from the major currency index because of the inclusion of currencies of some high-inflation countries that have experienced persistent depreciations. The inclusion of such countries restricts the usefulness of the nominal versions of these indexes to analysis of shorter-term developments in foreign exchange markets because, over the longer term, large nominal depreciations of a few currencies swamp information on the value of the dollar against other currencies. The real versions of the broad and OITP indexes compensate for these depreciations, although the real OITP index yields a value of the dollar that is consistently higher than the value in the broad index after the mid-1980s.

1. Nominal indexes of the foreign exchange value of the U.S. dollar, January 1973–September 1998



NOTE. The data are monthly.

The three indexes employ a common weighting scheme. Market shares of U.S. goods in foreign markets and foreign goods in U.S. and third-country markets are used to construct the currency weights for the broad index. These weights are updated annually to incorporate changes in trade patterns. We derive the weights for the major currency and OITP indexes from the broad index weights by simply rescaling the broad index weights so that the weights of the currencies included in each subindex sum to one (table 1).

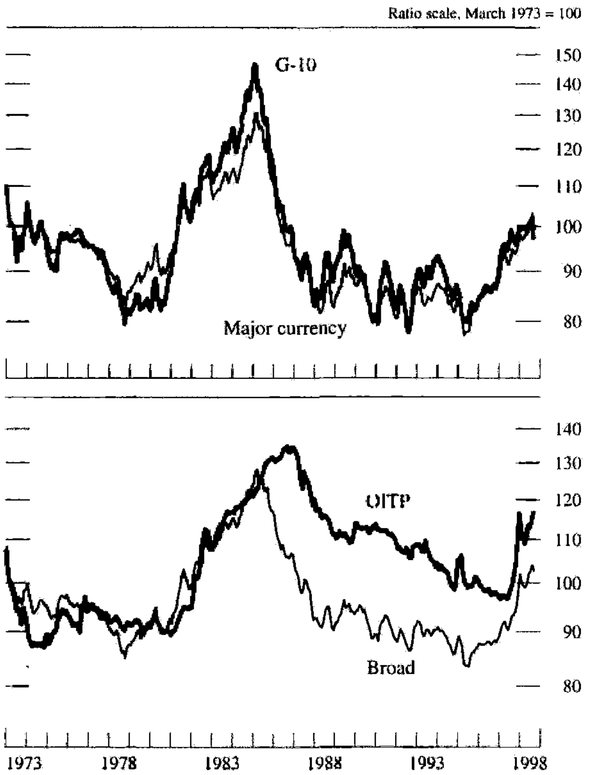
The major currency and broad indexes currently give considerably more weight to the Canadian dollar

2. Because of the existing monetary union between Belgium and Luxembourg, the Belgian/Luxembourg franc is treated as one currency in this accounting.

3. The euro-area countries are Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain.

4. The Belgian/Luxembourg franc is again treated as one currency.

2. Real (price-adjusted) indexes of the foreign exchange value of the U.S. dollar, January 1973–September 1998



NOTE. The data are monthly.

1. 1997 trade weights for the new U.S. dollar indexes and 1972–76 multilateral trade weights for the G-10 index

Percent

Country or region	Broad	Major currency	OITP	G-10
Canada	17.3	30.3	...	9.1
Euro area	16.4	28.7	...	57.6
Japan	14.6	25.6	...	13.6
Mexico	8.6	...	19.9	...
China	6.6	...	15.3	...
United Kingdom	4.6	8.0	...	11.9
Taiwan	3.9	...	9.1	...
Korea	3.7	...	8.6	...
Singapore	3.1	...	7.2	...
Hong Kong	2.8	...	6.6	...
Malaysia	2.4	...	5.5	...
Brazil	1.9	...	4.4	...
Switzerland	1.8	3.2	...	3.6
Thailand	1.7	...	3.9	...
Australia	1.5	2.6	...	...
Indonesia	1.3	...	3.0	...
Philippines	1.2	...	2.7	...
Russia	.9	...	2.2	...
India	.9	...	2.2	...
Sweden	.9	1.6	...	4.2
Saudi Arabia	.9	...	2.1	...
Israel	.9	...	2.1	...
Argentina	.6	...	1.5	...
Venezuela	.6	...	1.4	...
Chile	.5	...	1.3	...
Colombia	.5	...	1.1	...
Total	100	100	100	100
MEMO				
Euro-area countries				
Germany	5.6	9.9	...	20.8
France	2.9	5.0	...	13.1
Italy	2.5	4.5	...	9.0
Netherlands	1.5	2.7	...	8.3
Belgium/Luxembourg	1.4	2.5	...	6.4
Spain	.8	1.4	...	...
Ireland	.7	1.3	...	...
Austria	.4	.7	...	...
Finland	.3	.6	...	...
Portugal	.1	.2	...	...
Total	16.4	28.7	...	57.6

NOTE. Broad index weights for previous years will be available on the Board's web site (http://www.federalreserve.gov). Components may not sum to totals because of rounding.

and the Japanese yen than the G-10 index does, with offsetting declines in the weights for the euro-area currencies. These shifts reflect the growth of Japan as a U.S. trading partner since the mid-1970s and the change from a multilateral trade-weighting scheme, with equal weight given to global trade in any market, to one that gives more weight to trade in markets that are important to the United States. These shifts also reflect the exclusion from the new weights of intra-European Union (EU) trade, which was included in the multilateral trade weights.

Currency Selection

The basic strategy in selecting which currencies to include in the new indexes was to expand the currency coverage from that of the G-10 index by including the currencies of a larger set of important U.S. trading partners. The new indexes were also designed to accommodate the introduction of the euro.

The Broad Index

Shares in U.S. trade largely determined the currency selection for the broad index. The currencies of all foreign countries or regions that had a share of U.S. non-oil imports or nonagricultural exports of at least ½ percent in 1997 are included in the broad indexes, as rankings of U.S. trading partners by share of U.S. trade in that year show (tables 2, 3, and 4).

The countries with currencies in the broad index are also important in global trade (table 5). The countries and regions whose currencies are included in the indexes generate more than 75 percent of the world's gross national product (outside the United States), measured on the basis of purchasing power parity (table 6). The list of currencies included in the broad index will be re-evaluated annually when the currency weights are updated.

The Major Currency Index

The major currency index was designed to serve many of the same purposes that the G-10 index of the

2. U.S. non-oil imports, by country or region, 1997

Country or region	Level (billions of U.S. dollars)	Share of U.S. non-oil imports (percent)
Canada	156.189	19.55
Japan	121.551	15.21
Euro area	113.252	14.18
Mexico	77.487	9.70
China	62.099	7.77
Taiwan	32.628	4.08
United Kingdom	30.524	3.82
Korea	23.040	2.88
Singapore	19.940	2.50
Malaysia	17.820	2.23
Thailand	12.592	1.58
Philippines	10.444	1.31
Hong Kong	10.288	1.29
Brazil	9.454	1.18
Indonesia	8.730	1.09
Switzerland	8.496	1.06
Israel	7.320	.92
India	7.302	.91
Sweden	7.182	.90
Australia	4.223	.53
Russia	4.199	.53
Colombia	2.666	.33
Chile	2.284	.29
Argentina	1.641	.21
Venezuela	1.639	.21
Saudi Arabia	.548	.07
MEMO		
Broad index group	753.538	94.32
Major currency group	441.417	55.25
OITP group	312.122	39.07
G-10	421.332	52.74

NOTE. In this table and those that follow, components may not sum to memo items because of rounding.
SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis.

3. U.S. nonagricultural exports, by country or region, 1997

Country or region	Level (billions of U.S. dollars)	Share of U.S. nonagricultural exports (percent)
Canada	143.210	23.28
Euro area	89.655	14.57
Mexico	65.776	10.69
Japan	54.029	8.78
United Kingdom	33.326	5.42
Korea	21.634	3.52
Singapore	17.255	2.80
Taiwan	16.483	2.68
Brazil	15.268	2.48
Hong Kong	13.170	2.14
Australia	11.558	1.88
China	11.107	1.81
Malaysia	9.855	1.60
Philippines	6.506	1.06
Thailand	6.457	1.05
Saudi Arabia	6.408	1.04
Venezuela	5.967	.97
Argentina	5.420	.88
Switzerland	4.775	.78
Israel	4.636	.75
Colombia	4.612	.75
Chile	4.222	.69
Indonesia	3.733	.61
India	3.432	.56
Sweden	3.053	.50
Russia	2.130	.35
MEMO		
Broad index group	563.676	91.63
Major currency group	339.605	55.20
OITP group	224.070	36.42
G-10	315.351	51.26

NOTE. Nonagricultural exports exclude military exports and gold.
SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis.

dollar's foreign exchange value served in the past. Like the G-10 index, the major currency index not only measures the competitiveness of U.S. goods relative to goods of the major industrial countries, it also serves as a gauge of financial pressures on the dollar. As a consequence, the index includes currencies traded in deep and relatively liquid financial markets and for which short- and long-term interest rates are readily available: the currencies of the G-10 countries and of the other countries of the euro area and the Australian dollar.

One benefit of this currency group is that it excludes currencies of trading partners with a history of high inflation relative to the United States. Thus it provides a useful gauge of the dollar's foreign exchange value in nominal terms for tracking both day-to-day and longer-term developments. Currencies of economies subject to high inflation pose a problem in the construction of a nominal exchange rate index: Because the large depreciations of those currencies tend to dominate the index, the contributions of movements in the dollar's nominal value against other currencies become relatively insignificant.

4. U.S. non-oil imports and nonagricultural exports, by country or region, 1997

Country or region	Level (billions of U.S. dollars)	Share of U.S. non-oil imports and nonagricultural exports (percent)
Canada	299.399	21.17
Euro area	202.907	14.35
Japan	175.580	12.42
Mexico	143.263	10.13
China	73.206	5.18
United Kingdom	63.850	4.52
Taiwan	49.111	3.47
Korea	44.674	3.16
Singapore	37.195	2.63
Malaysia	27.675	1.96
Brazil	24.722	1.75
Hong Kong	23.458	1.66
Thailand	19.049	1.35
Philippines	16.950	1.20
Australia	15.781	1.12
Switzerland	13.271	.94
Indonesia	12.463	.88
Israel	11.956	.85
India	10.734	.76
Sweden	10.235	.72
Argentina	7.061	.50
Saudi Arabia	6.956	.49
Chile	6.506	.46
Russia	6.329	.45
Venezuela	5.967	.42
Colombia	4.612	.33
MEMO		
Broad index group	1317.214	93.15
Major currency group	781.022	55.23
OITP group	536.192	37.92
G-10	736.683	52.10

NOTE. Nonagricultural exports exclude military exports and gold.
SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis.

The Other Important Trading Partner Index

The OITP index captures movements of the dollar against the currencies of key U.S. trading partners in Latin America, Asia, the Middle East, and Eastern Europe. These currencies account for more than 40 percent of the weight in the broad index in recent years, and indexes including them provide important measures of the competitiveness of U.S. goods in those regions and of goods from those regions in the United States. Because some of these economies have experienced episodes of hyperinflation, the nominal OITP index is likely to be most useful in analyzing shorter-term developments in dollar exchange rates. The price-adjusted version of this index can provide a useful summary of longer-term currency developments.

The Weighting Scheme

The weighting scheme used in the construction of the indexes is based on a measure of trade competitiveness. In this measure, the importance of changes in the exchange value of a given foreign currency depends on the share of the foreign country's goods in all the markets that are important to U.S. producers. To the extent that a country's goods are important in those markets, that country's currency will be heavily weighted in the index.

Competition between U.S. goods and the goods of a particular foreign country can be thought of as taking place in the United States or in foreign markets. For competition in the United States, a weight equal to a country's share of U.S. imports is used as a proxy for the degree of competition from that country.

Competition in foreign markets can be decomposed into competition in the foreign country's home market and competition in third-country markets. Two kinds of weights correspond to the two venues for competition abroad. A weight equal to a country's share in U.S. exports is used to measure the extent to which U.S. goods compete directly with a foreign country's goods in that country's home market. A

5. Multilateral non-U.S. trade shares, 1996

Percent of world trade

Country or region	Trade share	
	Including intra-EU trade	Excluding intra-EU trade
Euro area	34.73	14.62
Japan	8.23	9.25
Hong Kong	4.10	4.61
Canada	4.01	4.50
China	3.14	3.53
Korea	3.04	3.42
United Kingdom	5.86	3.22
Singapore	2.78	3.12
Taiwan	2.34	2.63
Mexico	2.01	2.26
Switzerland	1.71	1.92
Malaysia	1.70	1.91
Thailand	1.40	1.57
Russia	1.39	1.56
Australia	1.32	1.48
Brazil	1.15	1.30
Indonesia	1.01	1.13
Saudi Arabia	.92	1.03
India	.74	.83
Sweden	1.63	.73
Philippines	.57	.64
Israel	.54	.61
Argentina	.52	.58
Venezuela	.37	.42
Chile	.36	.40
Colombia	.27	.30
MEMO		
Broad index group	85.84	67.57
Major currency group	57.50	35.73
OITP group	28.34	31.84
G-10	50.15	32.00

SOURCE. International Monetary Fund, *Direction of Trade Statistics* and *International Financial Statistics*.

6. Purchasing power parity GNP and non-U.S. GNP shares for selected countries, 1995

Country or region	Purchasing power parity GNP (billions of U.S. dollars)	Share of world GNP (percent)
Euro area	5,553.651	20.05
China	3,504.584	12.65
Japan	2,768.172	9.99
India	1,301.160	4.70
United Kingdom	1,126.710	4.07
Brazil	859.680	3.10
Indonesia	734.540	2.65
Russia	663.936	2.40
Canada	625.448	2.26
Mexico	587.520	2.12
Korea	514.105	1.86
Thailand	438.828	1.58
Australia	342.814	1.24
Turkey[1]	340.938	1.23
Taiwan[e]	289.394	1.04
Argentina	288.357	1.04
Colombia	225.584	.81
Philippines	195.510	.71
Malaysia	181.302	.65
Switzerland	181.020	.65
Venezuela	171.430	.62
Saudi Arabia[2]	168.744	.61
Sweden	163.152	.59
Hong Kong	142.290	.51
Chile	135.184	.49
Greece[1]	122.955	.44
Denmark[1]	110.396	.40
Norway[1]	96.536	.35
Israel	90.695	.33
Singapore	68.310	.25
Total of above	21,992.945	79.40
MEMO		
Broad index group	21,322.120	76.98
Major currency group	10,760.967	38.85
OITP group	10,561.153	38.13
G-10	9,394.633	33.92

1 Country with currency not included in exchange rate index.

2. As of 1994.

e Estimated.

SOURCE. World Bank, *World Development Report 1997*. World GNP estimate derived from share of U.S. GDP in world GDP from table A in International Monetary Fund, *World Economic Outlook*, May 1998, p. 133.

second type of export weight is constructed to account for the extent to which a particular foreign country's exports go to third-country markets that are also destinations for U.S. exports, as would be the case when U.S. goods compete with German goods in Japan. This type of competition is measured as the product of Germany's share in Japan's imports and the share of U.S. exports going to Japan. In this way a country will have a high combined export weight if it figures prominantly as a direct destination for U.S. exports or is a major exporter to other countries that take a large share of U.S. exports. The weight in the summary index is then computed as the simple average of the bilateral import share weights and the combined export weights. The appendix contains further details on the construction of these weights.

Index Formula and Data

The new exchange rate indexes incorporate weights that vary over time. The formula for each nominal exchange rate index, I_t, is given by

$$I_t = I_{t-1} \prod_j (e_{j,t}/e_{j,t-1})^{w_{j,t}},$$

where $e_{j,t}$ is the price of the U.S. dollar in terms of foreign currency j at time t, and $w_{j,t}$ is the weight of currency j at time t in the total competitiveness index for the U.S. dollar. The base-period value of the index, I_0, is assumed to take an arbitrary value—typically equal to 100—at an arbitrary time. Replacing the nominal exchange rates, $e_{j,t}$, with their real counterparts, $e_{j,t}\, p_t/p_{j,t}$, where p_t is the consumer price index (CPI) for the United States at time t and $p_{j,t}$ is the CPI for country j at time t, yields the formula for the real exchange rate index. Thus, the indexes are constructed so that an appreciation of the dollar corresponds to higher index values.[5]

One benefit of using a formula that allows for the weights on the exchange rates to vary over time is that the index can incorporate changes in the pattern of trade, such as the expansion of trade with China or other Asian economies, which would not be captured in a fixed-weight index. In addition, adjustable weights permit adaptation to events such as the accession of a second wave of EU countries to the EMU, which would change the trade shares assigned to currencies in the indexes. Currencies of countries with dramatic increases or decreases in trade shares in markets that are important to the United States could be added or subtracted from the index as the weights are revised.

Because the new indexes are intended to be measures of trade competitiveness, the data used to compute the import and export shares for the United States for the most part exclude U.S. military exports and trade in primary commodities. Trade competitiveness is unlikely to play an important role in the determination of U.S. military exports, and the country of origin or destination is relatively unimportant in the pricing of primary commodities, which are largely homogeneous and are priced in world auction markets based on global supply and demand. In the calculation of the weights, the shares of U.S. imports and exports are bilateral non-oil import shares and bilateral nonagricultural export shares adjusted to exclude U.S. gold and military exports. Comparably disaggregated trade data for other countries are not as readily available. Therefore, the import and export shares used in the calculation of third-country effects are based on aggregate imports and exports for each country pair. Because of the impending move into monetary union by eleven of the EU member countries and the highly integrated trading relationships among the remaining EU countries, the calculations exclude intra-EU trade. All of these trade shares are updated annually to incorporate changes in patterns of trade. In addition, events such as the expansion of the euro zone to include other EU countries—which would naturally change the trade shares for the euro and, as a by-product, the other currencies in the indexes—will lead to an adjustment of the weights on the date of such events.

Other Issues

Index revisions and publication policies are two other issues associated with the development of the new indexes.

Index Revisions

Because the weights for the G-10 exchange rate index are fixed, revisions to that index were not necessary. The new indexes, however, will be subject to revision, particularly in the current year and the year immediately preceding the current year, because the data used to construct the weights in the new indexes are released with a lag and are periodically revised. For example, in February 1999, a January

5. Summary indexes of the foreign exchange value of any other currency could be computed in a similar fashion by using trade data to determine the weights and by using exchange rates for that currency instead of the dollar.

1999 index value (or a value for a particular day in the month) would be calculated using trade data for 1997, because trade data for all of 1998 or for 1999 will not have been released. Later in 1999, after the trade data for 1998 are available, the January 1999 index value will be updated using 1998 weights, as will all of the 1998 index values. At some point in 2000, the trade data for 1999 will be released, and a second revision to the January 1999 index value will be made. Thus, recent index values for the first part of any year are likely to be revised at least two times. Subsequent revisions will occur if historical values for trade data are revised. The weights used in the indexes will normally be revised and updated on an annual schedule. Earlier historical values may also be revised from time to time.

Revisions to the foreign CPIs used in the calculation of the real exchange rate indexes will also prompt revisions to the real exchange rate indexes. Because CPIs for some countries are released with a considerable lag, recent months will be estimated by applying the most recent twelve-month percent change that is available. Those estimates will eventually be replaced by published data when they become available.

Publication

The new indexes will be published on the Board's web site (http://www.federalreserve.gov) and, beginning with this issue, in the *Federal Reserve Bulletin*.[6] We will continue to publish the G-10 index in the *Bulletin* for a few more months but will discontinue publication with the release of the December value for the index, which will appear in the February 1999 issue. The broad index weights used in the construction of the new indexes and the underlying exchange rate data will also be made available on the Board's web site.

Appendix: A Formal Presentation of the Weighting Scheme

A stylized trade model is the basis for the weighting scheme. Behavior in this model is characterized by a set of symmetric import demand expressions for the home country and a number of foreign countries. After having imposed some simplifying assumptions relating to the functional form of the demand equations and the symmetry and constancy of various elasticities, one can formulate the weights with which to aggregate foreign prices and exchange rates as functions of market shares alone, independent of the structural parameters of the demand system.[7]

The construction of the weights can be represented as a two-stage process. In the first stage, the market shares attributable to a given foreign country's goods are determined for the U.S. market, the foreign country's home market, and third-country markets. In the second stage, these individual market shares are averaged according to the share of U.S. goods going to each market. Formally, the weight, $W_{US,k}$, of country k in a total competitiveness index for the United States is an average of the market shares, $m_{j,k}$, of goods from country k relative to total sales in each country j:

$$(1) \qquad W_{US,k} = \sum_j x_{US,j} m_{j,k},$$

where $x_{US,j}$ is the share of goods produced in the United States and sold in market j relative to all goods produced in the United States.

As an example, let Japan be country k. Then, the total competitiveness weight, $W_{US,k}$, for the yen in the U.S. dollar index is an average of the market shares of Japanese goods in total sales in the United States, in Japan, and in all other countries. This average is computed after weighting each market demand share by its corresponding U.S. production share to incorporate into the weight the importance of the market to U.S. producers.

With the introduction of some further notation, these weights can be written in terms of import and export shares. Let $\mu_{j,k}$ be the share of country j imports purchased from country k. For $j \neq k$, it can be shown that $\mu_{j,k} = m_{j,k}/(1 - m_{j,j})$. Because a country does not import from itself, $\mu_{j,j}$ is undefined. Similarly, let $\epsilon_{US,j}$ be the share of U.S. exports sold in country j. For $j \neq US$, it can be shown that $\epsilon_{US,j} = x_{US,j}/(1 - x_{US,US})$. Because the United States does not export to itself, $\epsilon_{US,US}$ is undefined. With this notation, the weight, $W_{US,k}$, of country k in a total competitiveness index for the United States can be rewritten in terms of import and export shares:

$$(2) \qquad W_{US,k} = x_{US,US}(1 - m_{US,US})\mu_{US,k} + (1 - x_{US,US}) m_{k,k}\, \epsilon_{US,k} + (1 - x_{US,US}) \sum_{\substack{j \neq US \\ j \neq k}} \epsilon_{US,j}\, \mu_{j,k}(1 - m_{j,j})$$

6. See table 3.28, "Foreign Exchange Rates," p. A62.

7. For details, see Anne K. McGuirk, "Measuring Price Competitiveness for Industrial Country Trade in Manufactures," International Monetary Fund working paper WP/87/34 (1986).

As equation 2 shows, the weights can be decomposed into three submeasures of competitiveness. The first term characterizes the effect of competition in the United States between the goods of the United States and country k. This term is a function of country k's share in U.S. imports, $\mu_{US,k}$. The second term describes the effect of competition between the goods of the United States and country k in the home market of country k. This term is a function of country k's share in U.S. exports, $\epsilon_{US,k}$. The third term captures the effect of competition between the goods of the United States and country k in the markets of third countries, where the summation averages the shares of country k goods in third-country imports weighted by U.S. export shares to the third-country markets. For convenience, let $\tau_{US,k}$ represent this averaging of export and import shares in third countries:

$$(3) \qquad \tau_{US,k} = \sum_{\substack{j \neq US \\ j \neq k}} \epsilon_{US,j}\, \mu_{j,k}.$$

The weighting scheme used in the new exchange rate indexes is based on the three submeasures of competitiveness: $\mu_{US,k}$, $\epsilon_{US,k}$, $\tau_{US,k}$. These three submeasures are also currently included in the trade model used by the staff for forecasting purposes, with the bilateral import shares used to aggregate foreign prices and exchange rates in the non-oil import sector and both the bilateral export shares and the third-country weights used to aggregate foreign prices and exchange rates in the nonagricultural export sector.

Aggregation of the three submeasures of competitiveness into a single currency weight according to equation 2 requires information about the share of all goods sold in home markets that are domestically produced, $m_{j,j}$. Because such information is not readily available, particularly on a timely basis, we take a pragmatic approach to the aggregation. The two export sector weights, $\epsilon_{US,k}$ and $\tau_{US,k}$, are averaged with equal weighting. Empirical work done on the staff trade model for the broad index currencies shows that an equal weighting performs well in the core U.S. export sector and provides some rationale for the equal treatment in the new exchange rate indexes.[8] Furthermore, the International Monetary Fund also uses equal weighting of its comparable export sector weights in its exchange rate index. Lacking any similar empirical work to support the aggregation of the import sector measure, $\mu_{US,k}$, and the export sector measures, the staff chose to aggregate these two components with equal weights, based on aesthetic considerations of simplicity and symmetry. Thus, the weights, $w_{US,k}$, used in the new exchange rate indexes are a fixed average of the import share weights and the two types of export weights:

$$(4) \qquad w_{US,k} = \tfrac{1}{2}\mu_{US,k} + \tfrac{1}{2}(\tfrac{1}{2}\epsilon_{US,k} + \tfrac{1}{2}\tau_{US,k}).$$

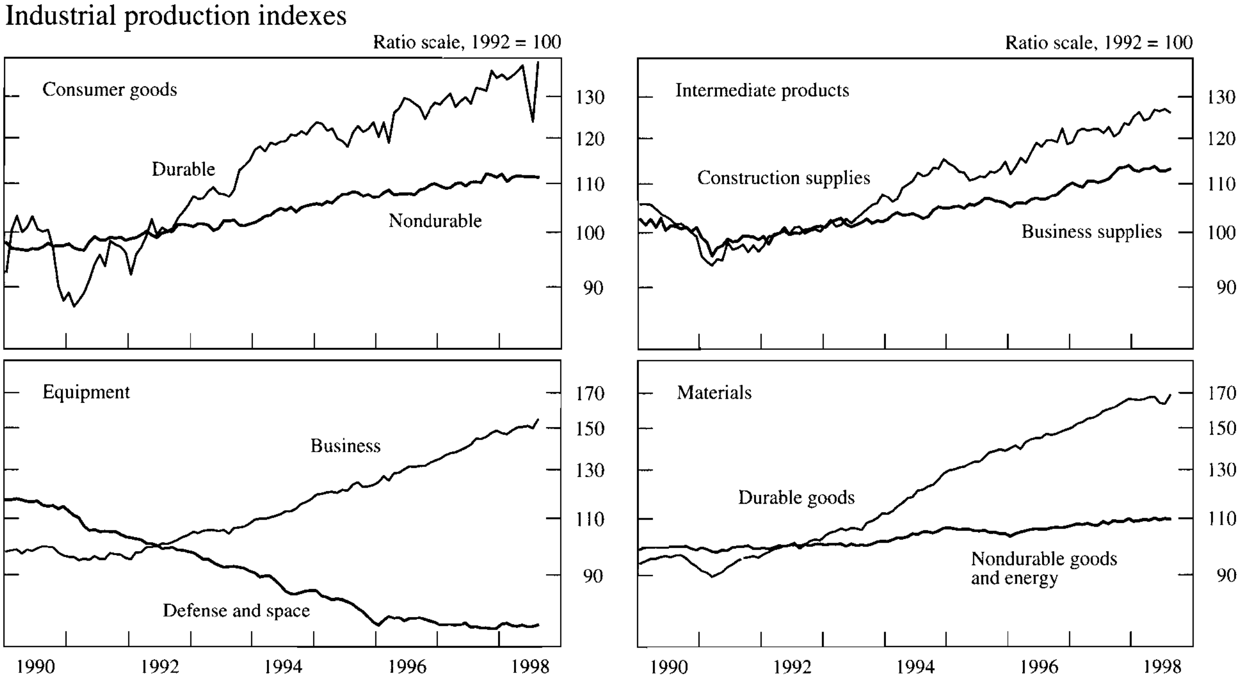
8. Core exports are merchandise exports other than agricultural goods, computers, and semiconductors.

Industrial Production and Capacity Utilization for August 1998

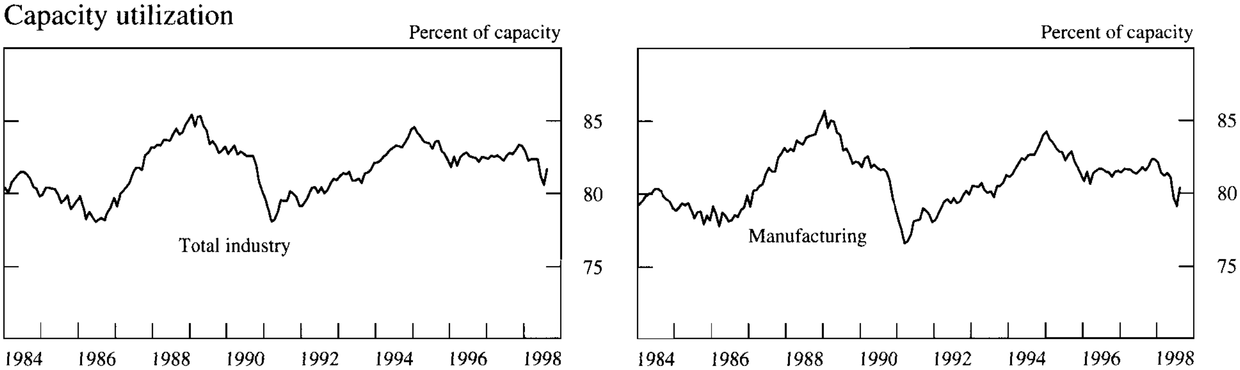
Released for publication September 16

Industrial production rebounded 1.7 percent in August; the gain slightly exceeded the cumulative decline in production in June and July, which was associated with strikes at key General Motors parts plants. Motor vehicle assemblies, which had dropped from a seasonally adjusted annual rate of 12.4 million units in May to 8.2 million units in July, jumped to 13.2 million units in August as General Motors strove to replenish inventories depleted during the strikes. Excluding motor vehicles and parts, the index of industrial production was at approximately the same level in August as it had been in May. At 129.1 percent of its 1992 average, total industrial production in August was 3.1 percent higher than it had been in August 1997. Capacity utilization in manufacturing, mining, and electric and gas utilities rebounded 1.1 percentage points, to 81.7 percent, a level 0.4 percentage point below its 1967–97 average.

Industrial production indexes



Capacity utilization



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

Industrial production and capacity utilization, August 1998

Category	Industrial production, index, 1992=100								
	1998				Percentage change				
					1998[1]				Aug. 1997 to Aug. 1998
	May[r]	June[r]	July[r]	Aug.[p]	May[r]	June[r]	July[r]	Aug.[p]	
Total	**128.8**	**127.5**	**127.0**	**129.1**	**.3**	**-1.1**	**-.4**	**1.7**	**3.1**
Previous estimate	128.9	127.5	126.8	. . .	.4	-1.1	-.6	. . .	. . .
Major market groups									
Products, total[2]	122.2	121.2	120.4	122.5	.3	-.8	-.6	1.7	2.7
Consumer goods	116.7	115.2	114.1	116.6	.1	-1.2	-1.0	2.2	1.7
Business equipment	150.4	150.9	149.8	154.3	.1	.3	-.7	3.0	6.7
Construction supplies	126.7	126.4	127.0	126.1	1.6	-.3	.4	-.7	2.8
Materials	139.6	137.5	137.5	139.7	.4	-1.5	.0	1.6	3.6
Major industry groups									
Manufacturing	131.7	129.9	129.5	132.0	.1	-1.3	-.4	2.0	3.2
Durable	150.2	147.6	146.4	151.9	.3	-1.7	-.9	3.8	5.3
Nondurable	112.9	111.9	112.1	112.0	-.3	-.9	.2	-.1	.9
Mining	108.4	106.0	106.3	105.7	.9	-2.2	.3	-.6	-.6
Utilities	115.5	118.6	117.6	118.1	3.3	2.7	-.9	.4	4.5

Category	Capacity utilization, percent								Memo Capacity, percentage change, Aug. 1997 to Aug. 1998
	Average, 1967–97	Low, 1982	High, 1988–89	1997	1998				
				Aug.	May[r]	June[r]	July[r]	Aug.[p]	
Total	**82.1**	**71.1**	**85.4**	**82.8**	**82.4**	**81.2**	**80.6**	**81.7**	**4.5**
Previous estimate	. . .	. . .	. . .	. . .	82.4	81.2	80.5	. . .	. . .
Manufacturing	81.1	69.0	85.7	81.8	81.1	79.7	79.1	80.4	5.1
Advanced processing	80.5	70.4	84.2	80.0	79.4	77.8	77.0	78.8	5.9
Primary processing	82.4	66.2	88.9	85.8	84.9	84.0	83.9	83.9	3.2
Mining	87.5	80.3	88.0	90.0	91.4	89.3	89.5	88.8	.8
Utilities	87.3	75.9	92.6	89.2	90.4	92.8	91.9	92.2	1.1

NOTE. Data seasonally adjusted or calculated from seasonally adjusted monthly data.
1. Change from preceding month.
2. Contains components in addition to those shown.
r Revised.
p Preliminary.

Market Groups

The output of consumer goods rose 2.2 percent in August, principally because of the 32.3 percent jump in the production of automotive products. The index for other durable consumer goods declined 1.0 percent as the output of appliances and air conditioners, which had moved erratically in recent months, fell back. Even with this decline, the output of household appliances has increased noticeably so far this year. The production of consumer nondurables has changed little in the past two months, during which the output of clothing weakened further while the output of consumer paper products improved. The output of food products, which had fallen sharply in June, changed little thereafter.

The production of business equipment rose 3.0 percent in August, largely because of the 19.6 percent jump in transit equipment. Although the transit-equipment jump primarily reflects the post-strike rebound in the assembly of light vehicles, the production indexes for heavy trucks, truck trailers, and commercial aircraft—for which demand remained strong—reached record highs. The production of information processing equipment advanced after having edged down in July; the output of office and computing equipment continued to grow rapidly although somewhat more slowly than in the first half of the year. The output of industrial equipment declined nearly 1 percent after gains in June and July, while the output of other equipment dropped 7 percent because the production of farm machinery and equipment fell sharply from an elevated level. Lower prices of farm commodities have led farmers to reduce their prospective purchases of farm equipment.

The output of construction supplies declined 0.7 percent but remained at a high level. The production of materials, which had declined in June and a bit further in July, rebounded 1.6 percent, to slightly above its May level. The recovery was in durable goods materials used to make motor vehicles; the output of consumer durable parts bounced back more than 12 percent, while that of equipment parts and other durable materials increased about 1 percentage point. The output index for nondurable materials eased, and that for energy materials edged up; these indexes are a bit below their levels in May.

INDUSTRY GROUPS

Manufacturing output, propelled by the 40 percent jump in motor vehicles and parts, rose 2 percent in August and fractionally surpassed the pre-strike level. Within durable manufacturing, gains were also recorded in the production of stone, clay, and glass products; primary metals; computer and office equipment; semiconductors; and instruments. The production of nondurables edged down after a gain of 0.2 percent in July. The production indexes for apparel, textile mill, paper, and leather products each declined 0.5 percent or more in August; each remains below its level of twelve months earlier. Apart from manufacturing, the generation of electricity increased, while mining output fell 0.6 percent; the production of coal and of oil and gas field services declined.

The factory operating rate rose 1.3 percentage points, to 80.4 percent, but remained 0.7 percentage point below the 1967–97 average.

REVISION OF INDUSTRIAL PRODUCTION AND CAPACITY UTILIZATION

The Federal Reserve will publish revisions of its measures of industrial production (IP), capacity, capacity utilization, and industrial use of electric power toward the end of the year. The revisions will begin with 1992 and will incorporate updated source data for more recent years.

This regular updating of source data for IP will include annual data from the Bureau of the Census's 1996 Annual Survey of Manufactures and from selected editions of its 1997 Current Industrial Reports. Annual data from the Department of the Interior on metallic and nonmetallic minerals (except fuels) for 1996 and 1997 will also be introduced. The updating will also include revisions to the monthly indicators for each industry (physical product data, production-worker hours, or electric power usage) and revised seasonal factors.

Capacity and capacity utilization will be revised to incorporate preliminary data from the 1997 Survey of Plant Capacity of the Bureau of the Census. The statistics on the industrial use of electric power will incorporate more complete reports received from utilities for the past few years as well as data from the 1996 Annual Survey of Manufactures.

Once the revision is published, the revised data will be available on the Board's web site, http://www.federalreserve.gov/releases/g17 and on diskettes from Publications Services (telephone 202-452-3245). The revised data will also be available through the Economic Bulletin Board of the Department of Commerce; for information about the Bulletin Board, call 202-482-1986. Further information on these revisions is available from the Board's Industrial Output Section (telephone 202-452-3197). □

Announcements

ISSUANCE OF FINAL RULE TO AMEND CAPITAL ADEQUACY STANDARDS

The Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision on August 4, 1998, issued a final rule amending capital adequacy standards for banks, bank holding companies, and savings associations to address the regulatory capital treatment of servicing assets on both mortgage assets and financial assets other than mortgages (nonmortgages).

The final rule is effective October 1, 1998. Banking organizations may voluntarily apply the provisions of the final rule immediately if desired.

The final rule increases the maximum amount of servicing assets, along with purchased credit card relationships (PCCRs), that are includable in regulatory capital from 50 percent to 100 percent of tier 1 capital. Servicing assets include the aggregate amount of mortgage-servicing assets (MSAs) and nonmortgage-servicing assets (NMSAs).

The final rule applies a further sublimit of 25 percent of tier 1 capital to the aggregate amount of NMSAs and PCCRs and subjects the valuation of MSAs, NMSAs, and PCCRs to a 10 percent discount.

The final rule also modifies certain terms used in the banking agencies' capital rules to be more consistent with the terminology found in accounting standards recently prescribed by the Financial Accounting Standards Board for the reporting of these assets.

AMENDMENT OF THE RISK-BASED CAPITAL STANDARDS FOR BANKS, BANK HOLDING COMPANIES, AND THRIFT INSTITUTIONS

The Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision are amending their respective risk-based capital standards for banks, bank holding companies, and thrift institutions regarding the capital treatment of unrealized holding gains on certain equity securities.

These gains are reported as a component of equity capital under U.S. generally accepted accounting principles (GAAP), but they have not been included in regulatory capital under the banking agencies' capital standards.

The final rule is effective October 1, 1998. However, institutions may elect to comply immediately.

The final rule permits institutions to include in supplementary (tier 2) capital up to 45 percent of the pretax net unrealized holding gains on certain available-for-sale equity securities. The final rule is intended to make the capital treatment of these unrealized gains consistent with the international standards of the Basle Accord.

ISSUANCE OF AN INTERIM RULE TO EXPAND THE EXAMINATION FREQUENCY CYCLE FOR CERTAIN U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS

The Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, on August 28, 1998, issued an interim rule and requested public comment on a proposal to expand the examination frequency cycle for certain U.S. branches and agencies of foreign banks. The interim rule is effective August 28, 1998. Comments are requested by October 27, 1998.

Implementation of this ruling will make U.S. branches and agencies of foreign banks with total assets of $250 million or less eligible for an eighteen-month examination cycle rather than a twelve-month cycle if they meet the qualifying criteria set out in the interim rule. The ruling will implement provisions of section 2214 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996.

ISSUANCE OF HOST STATE LOAN-TO-DEPOSIT RATIOS

The Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, on August 13, 1998, issued the host state loan-to-deposit ratios that the banking agencies will use to determine compliance with section 109 of the Riegle–Neal Interstate Banking and Branching Efficiency Act of 1994 (Interstate Act).

Section 109 prohibits any bank from establishing or acquiring a branch or branches outside its home state under the Interstate Act primarily for the purpose of deposit production and provides a two-step process to test compliance with the statutory requirements. The first step involves a loan-to-deposit ratio screen that compares a bank's statewide loan-to-deposit ratio to the host state loan-to-deposit ratio for a particular state. The second step requires the banking agencies to determine if the bank is reasonably helping to meet the credit needs of the communities served by the bank's interstate branches.

A bank that fails both steps is in violation of section 109 and is subject to sanctions by the banking agencies.

PROPOSED ACTION

The Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision on August 10, 1998, requested public comment on a proposal to revise their rules regarding management interlocks. Comments were requested by October 9, 1998.

PUBLIC MEETING SCHEDULED ON THE PROPOSED MERGER OF NORWEST CORPORATION WITH WELLS FARGO & COMPANY

The Federal Reserve Board on August 31, 1998, announced a public meeting for Thursday, September 17, 1998, in Minneapolis on the proposal by Norwest Corporation, Minneapolis, Minnesota, to merge with Wells Fargo & Company, San Francisco, California.

The purpose of the meeting was to collect information relating to the factors the Board is required to consider under the Bank Holding Company Act. These factors are the effects of the proposal on the financial and managerial resources and future prospects of the companies and banks involved in the proposal, competition in the relevant markets, and the convenience and needs of the communities to be served. Convenience and needs considerations include consideration of the records of the performance of Norwest and Wells Fargo under the Community Reinvestment Act. The Board also must determine whether conducting the proposed nonbanking activities can reasonably be expected to produce benefits to the public that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices.

The meeting was held at the Federal Reserve Bank of Minneapolis, 90 Hennepin Avenue, Minneapolis, Minnesota, at 9 a.m. CDT.

Persons who wished to testify at the meeting were required to submit a written request by 5:00 p.m. CDT, Friday, September 4, 1998, containing a brief statement of the nature of the expected testimony and the estimated time required for the presentation (together with their address, telephone number, and facsimile number if available), to JoAnne F. Lewellen, Community Affairs Officer, Banking Supervision Department, Federal Reserve Bank of Minneapolis, 90 Hennepin Avenue, Minneapolis, Minnesota 55480 (facsimile: 612-204-5163). Persons interested only in attending the meeting did not need to submit a written request to attend.

On the basis of the requests to testify, the presiding officer of the public meeting established a schedule of appearances and prescribed all necessary procedures to ensure that the meeting proceeded in a fair and orderly manner. An agenda for the meeting was provided to participants.

In connection with this action, the Board also announced that the period for public comment on the proposal would close at 5:00 p.m. CDT, Thursday, September 17, 1998. □

Minutes of the Federal Open Market Committee Meeting Held on June 30–July 1, 1998

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., on Tuesday, June 30, 1998, at 1:30 p.m. and continued on Wednesday, July 1, 1998, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Ferguson
Mr. Gramlich
Mr. Hoenig
Mr. Jordan
Mr. Kelley
Mr. Meyer
Ms. Minehan
Mr. Poole
Ms. Rivlin

Messrs. Boehne, McTeer, Moskow, and Stern, Alternate Members of the Federal Open Market Committee

Messrs. Broaddus, Guynn, and Parry, Presidents of the Federal Reserve Banks of Richmond, Atlanta, and San Francisco respectively

Mr. Kohn, Secretary and Economist
Mr. Bernard, Deputy Secretary
Ms. Fox, Assistant Secretary
Mr. Gillum, Assistant Secretary
Mr. Mattingly, General Counsel
Mr. Baxter, Deputy General Counsel
Mr. Prell, Economist
Mr. Truman, Economist

Ms. Browne, Messrs. Dewald, Hakkio, Lindsey, Simpson, and Stockton, Associate Economists

Mr. Fisher, Manager, System Open Market Account

Mr. Winn, Assistant to the Board, Office of Board Members, Board of Governors

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

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

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

Mr. Reinhart, Assistant Director, Division of Monetary Affairs, Board of Governors

Messrs. Small,[1] Reifschneider,[1] and Whitesell, Section Chiefs, Divisions of Monetary Affairs, Research and Statistics, and Monetary Affairs respectively, Board of Governors

Ms. Kusko,[2] Senior Economist, Division of Research and Statistics, Board of Governors

Mr. Elmendorf[2] and Ms. Garrett, Economists, Division of Monetary Affairs, Board of Governors

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

Mr. Barron, First Vice President, Federal Reserve Bank of Atlanta

Messrs. Beebe, Eisenbeis, Goodfriend, Hunter, Lang, Rosenblum, and Steindel, Senior Vice Presidents, Federal Reserve Banks of San Francisco, Atlanta, Richmond, Chicago, Philadelphia, Dallas, and New York respectively

Ms. Perelmuter, Vice President, Federal Reserve Bank of New York

Mr. Bryan, Assistant Vice President, Federal Reserve Bank of Cleveland

Mr. Weber, Senior Research Officer, Federal Reserve Bank of Minneapolis

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on May 19, 1998, were approved.

1. Attended portion of the meeting relating to the discussion of the Committee's consideration of its monetary and debt ranges for 1998 and 1999.

2. Attended portions of the meeting relating to the Committee's review of the economic outlook and consideration of its monetary and debt ranges for 1998 and 1999.

The Manager of the System Open Market Account reported on developments in foreign exchange markets and on System transactions in those markets during the period May 19, 1998, through June 30, 1998. By unanimous vote, the Committee ratified these transactions.

The Manager also reported on developments in domestic financial markets and on System open market transactions in government securities and federal agency obligations during the period May 19, 1998, through June 30, 1998. By unanimous vote, the Committee ratified these transactions.

The Committee then turned to a discussion of the economic and financial outlook, the ranges for the growth of money and debt in 1998 and 1999, and the implementation of monetary policy over the intermeeting period ahead. A summary of the economic and financial information available at the time of the meeting and of the Committee's discussion is provided below, followed by the domestic policy directive that was approved by the Committee and issued to the Federal Reserve Bank of New York.

The information reviewed at this meeting suggested that the expansion in economic activity had slowed considerably after a very rapid advance in the first quarter. Much of the slowdown reflected a substantial moderation in business inventory accumulation. Consumer spending, business investment, and residential homebuilding, though remaining robust, apparently also were decelerating somewhat after very strong gains in the first quarter; and the erosion in net exports continued to damp demand for domestically produced goods. Payroll employment persisted on a brisk uptrend, but industrial production seemed likely to record only modest further expansion in the second quarter. Labor markets remained tight, and there were indications of some further acceleration in employment costs. Recent data on consumer prices were a little less favorable than they had been earlier in the year.

Nonfarm payroll employment registered substantial increases in April and May despite further job losses in manufacturing. Construction payrolls declined in May, but they were up sharply on balance over the April–May period following substantial gains earlier in the year. Employment increases in service-producing industries, notably business services and retail and wholesale trade, continued to be robust. The civilian unemployment rate stayed at 4.3 percent in May, and initial claims for unemployment insurance remained low through mid-June, after taking into account the onset of layoffs associated with the strike at General Motors.

Industrial production picked up in April and May after having changed little in the first quarter, but the strike at General Motors likely depressed industrial production substantially in June. In manufacturing, the output of motor vehicles rose briskly on balance over April and May, and the production of computers and office equipment remained robust. Growth in the manufacture of materials slowed sharply, perhaps reflecting the effects of reduced exports to Asia. Output of utilities, which continued to fluctuate widely, changed little on balance over the April–May period. The rate of utilization of manufacturing capacity edged down in May to its lowest level in more than two years as capacity grew at a faster rate than output.

Total nominal retail sales posted large gains in April and May. Sales were strong at automotive dealers in response to a sharp increase in incentives offered by the Big Three automakers. Sales also rose briskly at building material and supply outlets and at general merchandise, apparel, and furniture and appliance stores. Although the growth in real outlays for services in April (latest data available) was held down by a small decline in purchases of energy services, the expansion of outlays for non-energy services remained brisk. Sales of homes were very strong in April and May, but housing starts and building permits declined slightly on a seasonally adjusted basis from their elevated first-quarter rates.

Available information suggested that the growth of business fixed investment slowed somewhat in the second quarter from a very strong pace earlier in the year. A deceleration in expenditures for producers' durable equipment, after the surge in purchases of computer and communications equipment in the first quarter, apparently more than offset a pickup in spending on nonresidential structures. The recent upturn in building activity was consistent with the continuing indications of declining vacancy rates and rising real estate prices, but available data on construction contracts did not point to further strength in nonresidential construction.

Business inventory investment slowed sharply in April from the extraordinarily rapid rate of accumulation in the first quarter. In manufacturing, stockbuilding picked up somewhat in April from the first-quarter pace, but with sales also rising, the stock–sales ratio remained at a very low level. Wholesale inventories declined sharply in April, primarily reflecting runoffs in stocks of motor vehicles; the inventory–sales ratio for the sector remained near the upper end of its range over the preceding twelve months. Retail inventory accumulation slowed somewhat in April, and the aggregate inventory–sales ratio stayed close to the lower end of its range over the past year.

The nominal deficit on U.S. trade in goods and services widened further in April, as the value of exports declined more than that of imports. Exports of aircraft and parts dropped sharply from the first-quarter level, and exports of industrial supplies decreased by lesser amounts. Most of the decline in imports was in capital goods and automotive products. Recent information suggested a mixed economic performance among the major foreign industrial countries. Economic activity in Japan contracted sharply in the first quarter after having declined slightly in the fourth quarter, and many other economies in Asia remained quite weak. The Asian crises held down exports of the major European countries, partly offsetting the influence of strong domestic demand.

Consumer prices advanced at a slightly faster rate in May as an upturn in energy prices and a large increase in food prices more than offset a slower rate of increase in the prices of nonfood, non-energy items. Core consumer prices accelerated during the three months ended in May, largely reflecting higher tobacco prices and shelter costs. Nonetheless, core consumer prices rose less over the twelve months ended in May than they had over the previous twelve months. At the producer level, prices of finished goods other than food and energy continued to rise at a subdued rate in May. For the twelve months ended in May, core producer prices rose by a small amount after having changed little in the year-earlier period. At the intermediate level, core producer prices edged down in May and were little changed on net over the twelve months ended in May. Average hourly earnings of production or nonsupervisory workers increased at a slightly faster rate on balance over April and May. Measured on a year-over-year basis, average hourly earnings accelerated further in the year ended in May. The largest gains were in business services and finance, insurance, and real estate, but marked acceleration also was evident in wholesale and retail trade. By contrast, gains in manufacturing had changed little over the past three years.

At its meeting on May 19, 1998, the Committee adopted a directive that called for maintaining conditions in reserve markets that would be consistent with the federal funds rate continuing to average around 5½ percent. In light of concerns that growth in aggregate demand might remain so strong relative to the expansion of the economy's potential that inflationary pressures would tend to be generated, the Committee chose to retain an asymmetric directive tilted toward a possible firming of reserve conditions and a higher federal funds rate. The reserve conditions associated with this directive were expected to be consistent with considerable moderation in the growth of M2 and M3 over the months ahead.

Open market operations were directed throughout the intermeeting period toward maintaining the existing degree of pressure on reserve positions, and the federal funds rate averaged close to the intended level of 5½ percent. Market participants interpreted the further turmoil in financial markets in Asia and emerging market economies elsewhere as damping the outlook for U.S. economic growth and improving the chances that inflation would remain low. While most short-term interest rates changed little on balance over the period, yields on longer-term Treasury securities, and to a lesser extent on private debt instruments, declined somewhat, at least partly reflecting a further flight to safety and quality from renewed turbulence in a number of foreign markets. Share prices in U.S. equity markets remained volatile, and changes in major indexes were mixed on balance over the intermeeting period.

In foreign exchange markets, the trade-weighted value of the dollar in terms of other major currencies continued to increase through the middle of June, but it then retraced much of that rise, ending the intermeeting period somewhat higher on balance. The recent fluctuations in the dollar's trade-weighted value were largely accounted for by movements in the Japanese yen, which reached an eight-year low against the dollar in the middle of June in response to growing market pessimism about the prospects for a prompt resolution of Japan's financial sector problems and for economic recovery in that country. The yen rebounded in mid-June in response to coordinated intervention by the Japanese and U.S. governments but soon renewed its downward drift, partly as a result of rising concerns that the Japanese government would not take prompt action to address weaknesses in the country's banking sector and in aggregate demand; the yen finished the period substantially lower on balance. The dollar changed little on net against the German mark and other continental European currencies; declines in long-term interest rates in those countries generally matched the drop in yields on comparable U.S. instruments. Against the backdrop of weakness in the yen, the currencies of key emerging market economies, particularly some of those in Asia, fell further against the dollar.

Growth of M2 and M3 slowed in the second quarter but remained fairly robust. Households accumulated unusually large deposit balances to make hefty nonwithheld tax payments in April, and these balances ran off in May as tax checks cleared; averaging through these gyrations, the expansion of the broad aggregates slowed on balance over April and May, and preliminary data suggested further slowing in June. The growth of M3 remained a little faster than that of M2, reflecting the further progress made by institution-only money market funds in attracting corporate cash-management business. For the year through June, both aggregates rose at rates well above the Committee's ranges for the year. Expansion of total domestic nonfinancial debt appeared to have moderated somewhat after picking up earlier in the year; the moderation evidently reflected some slowing in the growth of business and household borrowing as well as paydowns of federal debt made possible by robust tax revenues.

The staff forecast prepared for this meeting indicated that economic activity would expand more slowly over the projection period than it had in recent years. Moderation in business inventory investment would damp domestic production as inventory accumulation was brought into better balance with the expected more moderate trajectory of final sales. In addition, reduced growth of foreign economic activity and the lagged effects of the sizable earlier rise in the foreign exchange value of the dollar were anticipated to place substantial restraint on the demand for U.S. exports and to lead to further substitution of imports for domestic products. The staff analysis suggested that the prospective gains in income coupled with the run-up that had occurred in household wealth would support further brisk, though gradually diminishing, increases in consumer spending. Housing demand was expected to remain at a generally high level in the context of the persisting favorable cash flow affordability of home ownership, though the slower income growth anticipated over the projection period would damp homebuilding somewhat. Growth in business fixed investment would gradually moderate from the vigorous pace of the first half of the year in response to smaller increases in business sales and profits. Pressures on labor resources were likely to diminish somewhat as the expansion of economic activity slowed, but underlying inflation was expected to pick up gradually as gains in compensation increasingly outpaced improvements in productivity.

In the Committee's discussion of current and prospective economic developments, the members generally agreed that the expansion in economic activity was likely to be relatively moderate over coming quarters, and that such growth would be consistent with some limited increase in inflation from the current unusually low level. The accumulation of business inventories, which until recently had added substantially to economic growth, was expected to continue at a much lower and more sustainable pace. Moreover, the effects on the U.S. trade balance of the appreciated value of the dollar and of economic weakness in several of the nation's trading partners probably would hold down increases in domestic output in coming quarters. Many of the members commented, however, that the already substantial risks surrounding the economic outlook had increased on both sides of their forecasts. On the downside, the greater risks focused on potential developments in Asia. Financial and economic conditions in Asia had deteriorated in recent months, and the members could not rule out the possible emergence of even greater financial turmoil and economic weakness in that part of the world that could spill over to other countries, including the United States. On the upside, in the absence of strongly retarding effects from developments in Asia, persistent strength in domestic final demand might well add to inflationary pressures. Indeed, there were signs of modestly rising inflation in some recent measures of prices, though the rate of inflation was still relatively subdued.

In keeping with the practice at meetings when the Committee sets its long-run ranges for the money and debt aggregates, the members of the Committee and the Federal Reserve Bank presidents not currently serving as members provided individual projections of the growth in real and nominal GDP, the rate of unemployment, and the rate of inflation for the years 1998 and 1999. The forecasts of the rate of expansion in real GDP for 1998 as a whole had a central tendency of 3 to 3¼ percent, which implied some moderation over the second half from staff estimates at the time of this meeting of the average rate of growth in the first and second quarters; for 1999 the forecasts pointed to moderate growth and were centered on a range of 2 to 2½ percent. These projected rates of economic growth were accompanied by a very slight rise in the civilian rate of unemployment over the next eighteen months to still quite low rates centering on 4½ to 4¾ percent in the fourth quarter of 1999. With regard to the growth of nominal GDP, most of the forecasts were in ranges of 4½ to 5 percent for 1998 and 4¼ to 5 percent for 1999. Projections of the rate of inflation, as measured by the consumer price index, indicated a slightly faster rise over the second half of this year and in 1999, largely because of expectations that the plunge in energy prices earlier in the year would not be repeated. Specifically, the projections converged on CPI inflation rates of 1¾ to 2 percent for 1998 as a whole and 2 to 2½ per cent in 1999.

In their review of developments in different parts of the country, Reserve Bank presidents reported high levels of business activity across the nation, but several also indicated that there were signs of some slowing in the expansion of regional economic activity. With regard to the nation as a whole, members noted that rising levels of employment and incomes were continuing to foster solid growth in consumer spending, a development that was abetted by the sharp increases that had occurred in household wealth as a consequence of the extended uptrend in stock market prices and to a lesser extent the appreciation of home prices. However, some anecdotal and other evidence suggested that retail sales had moderated in recent weeks in at least some areas; the moderation appeared to be only partly associated with the work stoppage at General Motors. The apparent deceleration in retail sales could prove to be temporary, though some slowing in the growth of overall consumer spending over the forecast horizon, perhaps to a pace more in line with the growth of disposable income, was viewed as a reasonable expectation, especially with equity price gains of recent years unlikely to be repeated.

Business fixed investment remained on a strong uptrend, buoyed by several favorable factors. The latter included the ready availability of debt and equity financing on relatively attractive terms, and opportunities to invest in high-tech equipment at lower prices to enhance productivity and hold down labor costs in a period of very tight labor markets. While these factors were expected to support appreciable further expansion in business investment, growth in demand for capital goods was likely to diminish as a result of the projected slowing in the expansion of final sales and business profits and the absence of pressure on manufacturing capacity. With regard to the outlook for nonresidential construction, members reported that declining vacancy rates and rising prices and rents of office buildings and to some extent other commercial structures were fostering very high levels of construction activity in several areas. Moreover, there were indications that some construction projects were being delayed because of scarcities of labor or construction materials. A number of members commented that some of the construction was being undertaken on a speculative basis and that the strong pace of building activity pointed to overbuilding in some areas. On the residential side, construction activity also displayed considerable strength across much of the country. There were widespread anecdotal and other reports of high levels of home sales and few reports of faltering housing demand. Favorable factors undergirding current housing activity, including the robust growth in employment and incomes, high wealth-to-income ratios, and very attractive terms on home mortgages, seemed likely to continue to hold housing construction close to current elevated levels.

Based on very partial data, business inventory investment appeared to have moderated considerably in the second quarter from an unsustainable pace in the first quarter, and some further reductions in inventory accumulation could be expected over the balance of the year. Several members commented, however, that despite the outsized rate of stockbuilding early in the year, there were no broad indications of an inventory overhang, whether from the standpoint of inventory–sales ratios or anecdotal expressions of concern. Against this background, many of the members saw little reason to anticipate a further sizable drop in nonfarm inventory investment, though the performance of this sector of the economy was always subject to a high degree of uncertainty.

With regard to the external sector of the economy, the recent deterioration of conditions in Japan and several emerging economies in Asia and the related effects on other countries around the world were adding significantly to the uncertainties facing the U.S. economy. Members commented that it was too soon to judge the eventual extent and duration of the turmoil in Asia and its spillover to other nations, but several suggested that the consequences were likely to be more severe and longer lasting than they had anticipated earlier. Moreover, there seemed to be a very small but growing possibility of marked and spreading weakness that might have a more major effect on U.S. financial markets and the U.S. economy. One key to an improvement in the outlook for Asia was the adoption of appropriate policies by Japan, but very difficult political as well as economic problems clearly were involved for that nation and their resolution might well require an extended period of internal deliberations. From the standpoint of the United States, the Asian crisis and its repercussions around the world obviously were deepening the nation's trade deficit, but other effects such as those on U.S. interest rates and prices in world commodity markets, notably oil, were boosting domestic demand and tended to have a moderating near-term influence on inflation.

With regard to the outlook for prices and wages, members observed that some key measures of price inflation had displayed a modest uptilt recently. Though overall price inflation had remained subdued when viewed over a longer horizon, signs of a continuing acceleration, should they become evident, would be a matter of growing concern. Reflecting very tight labor markets, the rate of increase in labor compensation had been on an uptrend, but the rise in unit labor costs and overall unit product costs had been held down to a very modest pace by gains in productivity. At some point, however the advance in labor compensation would exceed likely improvements in productivity by an increasing margin unless the expansion in overall demand, and hence in labor demand, moderated significantly. Members cited greater, albeit still occasional, indications of heightened worker demands in labor negotiations that likely were encouraged in part by ample job opportunities. Any tendency for faster increases in labor costs to feed through to price inflation was likely to be reinforced for a time by the unwinding of a number of special factors that had tended to hold inflation down, including the decline in energy prices in recent quarters and the dollar's appreciation during 1997. Moreover, a rise in inflation would tend to erode currently favorable inflation expectations and lead workers to demand higher nominal compensation. Nonetheless, questions could be raised about how rapidly and to what extent the effects of tight labor markets would show through to higher labor compensation and overall producer costs and in turn how quickly the latter would induce significantly faster increases in prices. Very competitive domestic and international markets for a wide range of products along with reduced prices of oil, other commodities, and imports more generally could well keep inflation in check for some time. It was noted in this regard that members had tended in recent years to anticipate greater inflation than had materialized.

In keeping with the requirements of the Full Employment and Balanced Growth Act of 1978 (the Humphrey–Hawkins Act), the Committee at this meeting reviewed the ranges for growth of the monetary and debt aggregates that it had established in February for 1998 and also decided on tentative ranges for those aggregates in 1999. The current ranges for the period from the fourth quarter of 1997 to the fourth quarter of 1998 were unchanged from the ranges for other recent years and included expansion of 1 to 5 percent for M2 and 2 to 6 percent for M3. An unchanged range of 3 to 7 percent also was set in February for growth of total domestic nonfinancial debt in 1998.

All the members favored or could support the retention of the current ranges for this year and their extension on a provisional basis to 1999. They took note of a staff projection that indicated that, given the Committee's expectations for the performance of the economy and prices and assuming no major changes in interest rates, growth of M2 and M3 probably would exceed the current ranges in 1998 and decline to a little below the upper end of those ranges in 1999. Both M2 and M3 had grown unusually quickly relative to spending in the first half of the year. The staff analysis suggested that some of the forces that might have been responsible for this decline in velocity would abate, and the projections anticipated that the velocity of M2 would be roughly in line with historical experience before the early 1990s, as it had been, on balance, for several years.

In their discussion of the choice of ranges for growth of M2 and M3 in 1998 and 1999, the members agreed that those ranges should not reflect forecasts of money growth under anticipated economic and financial conditions, but instead should be viewed as anchors or benchmarks for money growth that would be associated with price stability and sustained economic growth, assuming behavior of velocity in line with historical experience. Reaffirming the current ranges for 1998 and extending them to 1999 would thus underscore the Committee's commitment to a policy of achieving price stability over time. In the view of a few members, the Committee should consider adopting ranges centered on its expectations for growth of the monetary aggregates in the future, but only if the members became more confident about the relationship between the growth of money and measures of aggregate economic performance and undertook to give more weight to the growth of the broad monetary aggregates in setting monetary policy. Some members noted that retention of the current monetary ranges oriented toward price stability did not preclude greater use of the aggregates in assessing overall financial conditions and the formulation of monetary policy. The Committee agreed that the current range for nonfinancial debt for 1998 should be left unchanged and that the same range should be extended to 1999. The current range readily encompassed the growth rate seen likely to be associated with the members' forecasts for economic activity and prices.

At the conclusion of this discussion, the Committee voted to reaffirm the ranges for growth of M2, M3, and total domestic nonfinancial debt that it had established in February for 1998 and to extend those ranges on a tentative basis to 1999. In keeping with its usual procedure under the Humphrey–Hawkins Act, the Committee would review its preliminary ranges for 1999 early next year. Accordingly, the Committee voted to incorporate the following statement regarding the 1998 and 1999 ranges in its domestic policy directive:

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee reaffirmed at this meeting the ranges it had established in February for growth of M2 and M3 of 1 to 5 percent and 2 to 6 percent respectively, measured from the fourth quarter of 1997 to the fourth quarter of 1998. The range for growth of total domestic nonfinancial debt was maintained at 3 to 7 percent for the year. For 1999, the Committee agreed on tentative ranges for monetary growth, measured from the fourth quarter of 1998 to the fourth quarter of 1999, of 1 to 5 percent for M2 and 2 to 6 percent for M3. The Committee provisionally set the associated range for growth of total domestic nonfinancial debt at 3 to 7 percent for 1999. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

Votes for this action: Messrs. Greenspan, McDonough, Ferguson, Gramlich, Hoenig, Jordan, Kelley, Meyer, Ms. Minehan, Mr. Poole, and Ms. Rivlin. Votes against this action: None.

In the Committee's discussion of policy for the intermeeting period ahead, all but one of the members indicated that they could support an unchanged policy stance and retention of the current tilt toward possible tightening in the directive. Although recent developments had increased both the upside and the downside uncertainties in the economic outlook, most of the members felt that the risks continued to point on balance toward rising inflation. While the available evidence suggested that the economic expansion had in fact slowed considerably in the second quarter, largely because of reduced inventory accumulation against the backdrop of weakness in the foreign trade sector, the retarding effects of those factors were seen as likely to wane over coming quarters and there were only limited indications of any softening in domestic final demand. Moreover, the persistence of accommodative financial conditions, as evidenced by the ample availability of financing on favorable terms to business and household borrowers and by robust monetary growth, might well continue to support relatively strong domestic spending. As a consequence, many of the members expressed concern that the expansion in demand might continue at a fast enough pace to raise pressures on wages and prices over time. Nonetheless, the substantial uncertainties relating to prospective developments argued, as they had at recent meetings, in favor of a cautious "wait and see" policy stance.

Another important reason for deferring any policy action was that a tightening move would involve the risk of outsized reactions and consequent destabilizing effects on financial markets in the growing number of countries abroad that were experiencing severe financial difficulties. It was not possible to anticipate precisely what those effects might be, but the risks seemed to be particularly high at this time. To be sure, U.S. monetary policy had to be set ultimately on the basis of the needs of the U.S. economy, but recognition had to be given to the feedback of developments abroad on the domestic economy. Those repercussions could be quite severe in the event of further sizable economic and financial disturbances in some of the nation's important trading partners. Many members concluded that because there did not seem to be any urgency to tighten current policy for domestic reasons, given the likelihood that inflation would remain subdued for a while, important weight should be given to potential reactions abroad. A number of these members emphasized, however, that they continued to see a high probability that some tightening of monetary policy would be needed later to curb rising inflationary pressures. Accordingly, they believed that the Committee should take advantage of any early opportunity to tighten policy in order to improve the prospects of containing inflation and prolonging the economic expansion. One member was persuaded, however, that such a policy move should be implemented at this meeting in order to avert the need for a stronger and probably more disruptive policy adjustment that would be needed later to head off rising inflation.

Given that the balance of risks was seen as pointing to rising inflation over time, the members agreed that it was desirable to retain the tilt toward restraint in the directive. Such a tilt would continue to underscore the Committee's commitment to its long-run objective of price stability and its view of the likely direction of the next policy move.

At the conclusion of the Committee's discussion, all but one of the members accepted a directive that called for maintaining conditions in reserve markets that were consistent with an unchanged federal funds rate of about 5½ percent and that contained a bias toward the possible firming of reserve conditions and a higher federal funds rate. Accordingly, in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, the Committee decided that a somewhat higher federal funds rate would be acceptable or a slightly lower federal funds rate might be acceptable during the intermeeting period. The reserve conditions contemplated at this meeting were expected to be consistent with moderate growth in M2 and M3 over the months ahead.

The Federal Reserve Bank of New York was authorized and directed, until instructed otherwise by the Committee, to execute transactions in the System Account in accordance with the following domestic policy directive:

The information reviewed at this meeting suggests that the expansion in economic activity has slowed considerably after a very rapid advance in the first quarter. Nonfarm payroll employment registered another substantial increase in May, and the civilian unemployment rate was unchanged at 4.3 percent. Industrial output picked up in recent months after weakening early this year; however, a strike at General Motors likely depressed output substantially in June. Although retail sales posted large gains in April and May, overall consumer spending appears to have grown less rapidly in the second quarter than in the first. Residential sales have remained exceptionally strong, but housing starts and building permits slipped back in the spring, on a seasonally adjusted basis, from a sharply increased first-quarter level. Available indicators suggest that growth of business fixed investment also is slowing after a surge earlier in the year. Business inventory accumulation appears to have moderated in April from an extraordinarily rapid rate in the first quarter. The nominal deficit on U.S. trade in goods and services continued to widen in April. Developments in the food and energy sectors contributed to a slightly faster advance in consumer prices in May.

Most short-term interest rates have changed little since the meeting on May 19, but longer-term rates have declined somewhat. Share prices in U.S. equity markets remained volatile and changes in major indexes were mixed on balance over the intermeeting period. In foreign exchange markets, the trade-weighted value of the dollar rose sharply through mid-June in terms of other major currencies, declined more recently, but is up somewhat on net since the May meeting; the fluctuations in the average value of the dollar in terms of these major currencies were largely related to movements against the Japanese yen. The dollar has risen further against the currencies of key emerging market economies, particularly some of those in Asia.

Growth of M2 and M3 slowed in the second quarter, but remained fairly robust. For the year through June, both aggregates rose at rates well above the Committee's ranges for the year. Expansion of total domestic nonfinancial debt appears to have moderated somewhat after a pickup earlier in the year.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee reaffirmed at this meeting the ranges it had established in February for growth of M2 and M3 of 1 to 5 percent and 2 to 6 percent respectively, measured from the fourth quarter of 1997 to the fourth quarter of 1998. The range for growth of total domestic nonfinancial debt was maintained at 3 to 7 percent for the year. For 1999, the Committee agreed on tentative ranges for monetary growth, measured from the fourth quarter of 1998 to the fourth quarter of 1999, of 1 to 5 percent for M2 and 2 to 6 percent for M3. The Committee provisionally set the associated range for growth of total domestic nonfinancial debt at 3 to 7 percent for 1999. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks conditions in reserve markets consistent with maintaining the federal funds rate at an average of around 5½ percent. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, a somewhat higher federal funds rate would or a slightly lower federal funds rate might be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with moderate growth in M2 and M3 over coming months.

Votes for this action: Messrs. Greenspan, McDonough, Ferguson, Gramlich, Hoenig, Kelley, Meyer, Ms. Minehan, Mr. Poole, and Ms. Rivlin. Votes against this action: Mr. Jordan.

Mr. Jordan dissented because he believed that the unsustainably rapid growth of domestic demand—fueled by the acceleration of money and credit growth in the past year—was reflected in the recent sharp increase in imports and rising trade deficits. As U.S. output growth slows significantly from the rapid pace of 1997 and early 1998, it will be essential that domestic demand also slow. The very welcome progress toward eliminating inflation in recent years has contributed to the outstanding performance of the economy. Allowing domestic demand to continue to exceed domestic production would run the risk that corrosive effects of rising inflation would undermine future growth prospects. Furthermore, the resultant trade and current account deficits would have to be matched by ever larger inflows of foreign capital. Modest monetary restraint at this time might prevent either the buildup of inflationary imbalances that would eventually necessitate future policy restraint or unsustainable capital flows. In either case an economic contraction might become unavoidable.

The meeting adjourned at 12:40 p.m.

Donald L. Kohn
Secretary

Legal Developments

FINAL RULE — AMENDMENTS TO REGULATIONS H AND Y

The Office of the Comptroller of the Currency (OCC); the Board of Governors of the Federal Reserve System (Board); the Federal Deposit Insurance Corporation (FDIC); and the Office of Thrift Supervision (OTS) (collectively, the Agencies) are amending their capital adequacy standards for banks, bank holding companies, and savings associations (collectively, institutions or banking organizations) to address the regulatory capital treatment of servicing assets on both mortgage assets and financial assets other than mortgages (nonmortgages). This rule increases the maximum amount of servicing assets (when combined with purchased credit card relationships (PCCRs)) that are includable in regulatory capital from 50 percent to 100 percent of Tier 1 capital. Servicing assets include the aggregate amount of mortgage servicing assets (MSAs) and nonmortgage servicing assets (NMSAs). It also applies a further sublimit of 25 percent of Tier 1 capital to the aggregate amount of NMSAs and PCCRs. The rule also subjects the valuation of MSAs, NMSAs, and PCCRs to a 10 percent discount. The final rule also modifies certain terms used in the Agencies' capital rules to be more consistent with the terminology found in accounting standards recently prescribed by the Financial Accounting Standards Board (FASB) for the reporting of these assets.

This final rule is effective October 1, 1998. The Agencies will not object if an institution wishes to apply the provisions of this final rule beginning on August 10, 1998. For the reasons set out in the joint preamble, 12 C.F.R. Parts 3, 6, 208, 225, 325, 565, and 567 are amended as follows:

Part 3—Minimum Capital Ratios; Issuance of Directives

1. The authority citation for Part 3 continues to read as follows:

Authority: 12 U.S.C. 93a, 161, 1818, 1828(n), 1828 note, 1831n note, 1835, 3907, and 3909. 2.

2. Section 3.100 is amended by revising paragraph (c)(2) and by removing the words "mortgage servicing rights" in paragraphs (e)(7) and (g)(2) and adding "mortgage servicing assets" in their place to read as follows:

Section 3.100—Capital and surplus.

* * * * *

(c) * * *

(2) Mortgage servicing assets;

* * * * *

3. In Appendix A to Part 3, paragraph (c)(14) of section 1. is revised to read as follows:

Appendix A to Part 3—Risk-Based Capital Guidelines

Section 1—Purpose, Applicability of Guidelines, and Definitions.

* * * * *

(c) * * *

(14) *Intangible assets* include mortgage and nonmortgage servicing assets (but exclude any interest only (IO) strips receivable related to these mortgage and nonmortgage servicing assets), purchased credit card relationships, goodwill, favorable leaseholds, and core deposit value.

* * * * *

4. In Appendix A to Part 3, paragraph (c) introductory text, (c)(1), and (c)(2) of section 2. are revised to read as follows:

* * * * *

Section 2—Components of Capital.

* * * * *

(c) *Deductions from Capital.* The following items are deducted from the appropriate portion of a national bank's capital base when calculating its risk-based capital ratio:

(1) *Deductions from Tier 1 Capital.* The following items are deducted from Tier 1 capital before the Tier 2 portion of the calculation is made:
- (i) Goodwill;
- (ii) Other intangible assets, except as provided in section 2(c)(2) of this Appendix A; and
- (iii) Deferred tax assets, except as provided in section 2(c)(3) of this Appendix A, that are dependent upon future taxable income, which exceed the lesser of either:
  - (A) The amount of deferred tax assets that the bank could reasonably expect to realize within one year of the quarter-end Call Report, based on its estimate of future taxable income for that year; or
  - (B) 10 percent of Tier 1 capital, net of goodwill and all intangible assets other than

mortgage servicing assets, non-mortgage servicing assets, and purchased credit card relationships, and before any disallowed deferred tax assets are deducted.

(2) *Qualifying intangible assets.* Subject to the following conditions, mortgage servicing assets, nonmortgage servicing assets[6] and purchased credit card relationships need not be deducted from Tier 1 capital:

(i) The total of all intangible assets that are included in Tier 1 capital is limited to 100 percent of Tier 1 capital, of which no more than 25 percent of Tier 1 capital can consist of purchased credit card relationships and non- mortgage servicing assets in the aggregate. Calculation of these limitations must be based on Tier 1 capital net of goodwill and all identifiable intangible assets, other than mortgage servicing assets, nonmortgage servicing assets and purchased credit card relationships.

(ii) Banks must value each intangible asset included in Tier 1 capital at least quarterly at the lesser of:

(A) 90 percent of the fair value of each intangible asset, determined in accordance with section 2(c)(2)(iii) of this Appendix A; or

(B) 100 percent of the remaining unamortized book value.

(iii) The quarterly determination of the current fair value of the intangible asset must include adjustments for any significant changes in original valuation assumptions, including changes in prepayment estimates.

(iv) Banks may elect to deduct disallowed servicing assets on a basis that is net of any associated deferred tax liability. Deferred tax liabilities netted in this manner cannot also be netted against deferred tax assets when determining the amount of deferred tax assets that are dependent upon future taxable income.

* * * * *

Part 6—Prompt Corrective Action

1. The authority citation for Part 6 continues to read as follows:

Authority: 12 U.S.C. 93a, 1831o.

6. Intangible assets are defined to exclude any IO strips receivable related to these mortgage and non-mortgage servicing assets. *See* section 1(c)(14) of this Appendix A. Consequently, IO strips receivable related to mortgage and nonmortgage servicing assets are not required to be deducted under section 2(c)(2) of this Appendix A. However, these IO strips receivable are subject to a 100 percent risk weight under section 3(a)(4) of this Appendix A.

2. Section 6.2 is amended by revising paragraph (g) to read as follows:

Section 6.2—Definitions.

* * * * *

(g) *Tangible equity* means the amount of Tier 1 capital elements in the OCC's Risk-Based Capital Guidelines (Appendix A to Part 3 of this chapter) plus the amount of outstanding cumulative perpetual preferred stock (including related surplus) minus all intangible assets except mortgage servicing assets to the extent permitted in Tier 1 capital under section 2(c)(2) in Appendix A to Part 3 of this chapter.

Part 208—Membership of State Banking Institutions in the Federal Reserve System (Regulation H)

1. The authority citation for Part 208 continues to read as follows:

Authority: 12 U.S.C. 24, 36, 92a, 93a, 248(a), 248(c), 321–338a, 371d, 461, 481–486, 601, 611, 1814, 1816, 1818, 1823(j), 1828(o), 1831o, 1831p-1, 1831r-1, 1835a, 1882, 2901-2907, 3105, 3310, 3331-3351 and 3906-3909; 15 U.S.C. 78b, 78l(b), 78l(g), 78l(i), 78o-4(c)(5), 78q, 78q-1, and 78w; 31 U.S.C. 5318; 42 U.S.C. 4012a, 4104a, 4104b, 4106, and 4128.

2. Section 208.41 as revised at 63 FR 37652, effective October 1, 1998, is amended by revising paragraph (f) to read as follows:

Section 208.41—Definitions for purposes of this subpart.

* * * * *

(f) *Tangible equity* means the amount of core capital elements as defined in the Board's Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure (Appendix A to this part), plus the amount of outstanding cumulative perpetual preferred stock (including related surplus), minus all intangible assets except mortgage servicing assets to the extent that the Board determines that mortgage servicing assets may be included in calculating the bank's Tier 1 capital.

* * * * *

3. In Appendix A to part 208, sections II.B.1.b.i. through II.B.1.b.v. are revised to read as follows:

Appendix A to Part 208—Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure

* * * * *

II. * * *

B. * * *

1. *Goodwill and other intangible assets*

b. *Other intangible assets.*

i. All servicing assets, including servicing assets on assets other than mortgages (i.e., nonmortgage servicing assets) are included in this Appendix A as identifiable intangible assets. The only types of identifiable intangible assets that may be included in, that is, not deducted from, a bank's capital are readily marketable mortgage servicing assets, nonmortgage servicing assets, and purchased credit card relationships. The total amount of these assets included in capital, in the aggregate, can not exceed 100 percent of Tier 1 capital. Nonmortgage servicing assets and purchased credit card relationships are subject to a separate sublimit of 25 percent of Tier 1 capital.[14]

ii. For purposes of calculating these limitations on mortgage servicing assets, nonmortgage servicing assets, and purchased credit card relationships, Tier 1 capital is defined as the sum of core capital elements, net of goodwill, and net of all identifiable intangible assets other than mortgage servicing assets, nonmortgage servicing assets, and purchased credit card relationships, regardless of the date acquired, but prior to the deduction of deferred tax assets.

iii. The amount of mortgage servicing assets, nonmortgage servicing assets, and purchased credit card relationships that a bank may include in capital shall be the lesser of 90 percent of their fair value, as determined in accordance with this section, or 100 percent of their book value, as adjusted for capital purposes in accordance with the instructions in the commercial bank Consolidated Reports of Condition and Income (Call Reports). If both the application of the limits on mortgage servicing assets, nonmortgage servicing assets, and purchased credit card relationships and the adjustment of the balance sheet amount for these assets would result in an amount being deducted from capital, the bank would deduct only the greater of the two amounts from its core capital elements in determining Tier 1 capital.

iv. Banks may elect to deduct disallowed servicing assets on a basis that is net of any associated deferred tax liability. Deferred tax liabilities netted in this manner cannot also be netted against deferred tax assets when determining the amount of deferred tax assets that are dependent upon future taxable income.

v. Banks must review the book value of all intangible assets at least quarterly and make adjustments to these values as necessary. The fair value of mortgage servicing assets, nonmortgage servicing assets, and purchased credit card relationships also must be determined at least quarterly. This determination shall include adjustments for any significant changes in original valuation assumptions, including changes in prepayment estimates or account attrition rates. Examiners will review both the book value and the fair value assigned to these assets, together with supporting documentation, during the examination process. In addition, the Federal Reserve may require, on a case-by-case basis, an independent valuation of a bank's intangible assets.

* * * * *

4. In Appendix A to Part 208, section II.B.4. is revised to read as follows:

* * * * *

II. * * *

B. * * *

4. *Deferred tax assets.* The amount of deferred tax assets that is dependent upon future taxable income, net of the valuation allowance for deferred tax assets, that may be included in, that is, not deducted from, a bank's capital may not exceed the lesser of:

(i) The amount of these deferred tax assets that the bank is expected to realize within one year of the calendar quarter-end date, based on its projections of future taxable income for that year,[20] or

14. Amounts of servicing assets and purchased credit card relationships in excess of these limitations, as well as identifiable intangible assets, including core deposit intangibles, including favorable leaseholds, are to be deducted from a bank's core capital elements in determining Tier 1 capital. However, identifiable intangible assets (other than mortgage servicing assets and purchased credit card relationships) acquired on or before February 19, 1992, generally will not be deducted from capital for supervisory purposes, although they will continue to be deducted for applications purposes.

20. To determine the amount of expected deferred-tax assets realizable in the next 12 months, an institution should assume that all existing temporary differences fully reverse as of the report date. Projected future taxable income should not include net operating-loss carry-forwards to be used during that year or the amount of existing temporary differences a bank expects to reverse within the year. Such projections should include the estimated effect of tax-planning strate-

(ii) 10 percent of Tier 1 capital. The reported amount of deferred tax assets, net of any valuation allowance for deferred tax assets, in excess of the lesser of these two amounts is to be deducted from a bank's core capital elements in determining Tier 1 capital. For purposes of calculating the 10 percent limitation, Tier 1 capital is defined as the sum of core capital elements, net of goodwill, and net of all other identifiable intangible assets other than mortgage and nonmortgage servicing assets and purchased credit card relationships, before any disallowed deferred tax assets are deducted. There generally is no limit in Tier 1 capital on the amount of deferred tax assets that can be realized from taxes paid in prior carry-back years or from future reversals of existing taxable temporary differences, but, for banks that have a parent, this may not exceed the amount the bank could reasonably expect its parent to refund.

* * * * *

5. In Appendix B to Part 208, section II.b. is revised to read as follows:

Appendix B to Part 208—Capital Adequacy Guidelines for State Member Banks: Tier 1 Leverage Measure

* * * * *

II. * * *

b. A bank's Tier 1 leverage ratio is calculated by dividing its Tier 1 capital (the numerator of the ratio) by its average total consolidated assets (the denominator of the ratio). The ratio will also be calculated using period-end assets whenever necessary, on a case-by-case basis. For the purpose of this leverage ratio, the definition of Tier 1 capital as set forth in the risk-based capital guidelines contained in Appendix A of this part will be used.[2] As a general matter, average total consolidated assets are defined as the quarterly average total assets (defined net of the allowance for loan and lease losses) reported on the bank's Reports of Condition and Income (Call Reports), less goodwill; amounts of mortgage servicing assets, nonmortgage servicing assets, and purchased credit card relationships that, in the aggregate, are in excess of 100 percent of Tier 1 capital; amounts of nonmortgage servicing assets and purchased credit card relationships that, in the aggregate, are in excess of 25 percent of Tier 1 capital; all other identifiable intangible assets; any investments in subsidiaries or associated companies that the Federal Reserve determines should be deducted from Tier 1 capital; and deferred tax assets that are dependent upon future taxable income, net of theirvaluation allowance, in excess of the limitation set forth in section II.B.4 of Appendix A of this part.[3]

* * * * *

Part 225—Bank Holding Companies and Change in Bank Control (Regulation Y)

1. The authority citation for Part 225 continues to read as follows:

Authority: 12 U.S.C. 1817(j)(13), 1818, 1828(o), 1831i, 1831p-1, 1843(c)(8), 1844(b), 1972(l), 3106, 3108, 3310, 3331-3351, 3907, and 3909.

2. In Appendix A to Part 225, sections II.B.1.b.i. through II.B.1.B.v. are revised to read as follows:

Appendix A to Part 225—Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure

* * * * *

II. * * *

B. * * *

1. *Goodwill and other intangible assets* * * *

b. *Other intangible assets.*

i. All servicing assets, including servicing assets on assets other than mortgages (*i.e.*, nonmortgage servicing assets) are included in this Appendix A as identifiable intangible assets. The only types of identifiable intangible assets that may be included in, that is, not deducted from, an organization's capital are readily marketable mortgage servicing assets, nonmortgage servicing assets, and purchased credit card relationships. The total amount of these assets included in capital, in the aggregate,

gies that the organization expects to implement to realize net operating losses or tax-credit carry-forwards that would otherwise expire during the year. Institutions do not have to prepare a new 12-month projection each quarter. Rather, on interim report dates, institutions may use the future-taxable-income projections for their current fiscal year, adjusted for any significant changes that have occurred or are expected to occur.

2. Tier 1 capital for state member banks includes common equity, minority interest in the equity accounts of consolidated subsidiaries, and qualifying noncumulative perpetual preferred stock. In addition, as a general matter, Tier 1 capital excludes goodwill; amounts of mortgage servicing assets, nonmortgage servicing assets, and purchased credit card relationships that, in the aggregate, exceed 100 percent of Tier 1 capital; nonmortgage servicing assets and purchased credit card relationships that, in the aggregate, exceed 25 percent of Tier 1 capital; other identifiable intangible assets; and deferred tax assets that are dependent upon future taxable income, net of their valuation allowance, in excess of certain limitations. The Federal Reserve may exclude certain investments in subsidiaries or associated companies as appropriate.

3. Deductions from Tier 1 capital and other adjustments are discussed more fully in section II.B. in Appendix A of this part.

cannot exceed 100 percent of Tier 1 capital. Nonmortgage servicing assets and purchased credit card relationships are subject, in the aggregate, to a sublimit of 25 percent of Tier 1 capital.[15]

ii. For purposes of calculating these limitations on mortgage servicing assets, nonmortgage servicing assets, and purchased credit card relationships, Tier 1 capital is defined as the sum of core capital elements, net of goodwill, and net of all identifiable intangible assets and similar assets other than mortgage servicing assets, nonmortgage servicing assets, and purchased credit card relationships, regardless of the date acquired, but prior to the deduction of deferred tax assets.

iii. The amount of mortgage servicing assets, nonmortgage servicing assets, and purchased credit card relationships that a bank holding company may include in capital shall be the lesser of 90 percent of their fair value, as determined in accordance with this section, or 100 percent of their book value, as adjusted for capital purposes in accordance with the instructions to the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C Report). If both the application of the limits on mortgage servicing assets, nonmortgage servicing assets, and purchased credit card relationships and the adjustment of the balance sheet amount for these intangibles would result in an amount being deducted from capital, the bank holding company would deduct only the greater of the two amounts from its core capital elements in determining Tier 1 capital.

iv. Bank holding companies may elect to deduct disallowed servicing assets on a basis that is net of any associated deferred tax liability. Deferred tax liabilities netted in this manner cannot also be netted against deferred tax assets when determining the amount of deferred tax assets that are dependent upon future taxable income.

v. Bank holding companies must review the book value of all intangible assets at least quarterly and make adjustments to these values as necessary. The fair value of mortgage servicing assets, nonmortgage servicing assets, and purchased credit card relationships also must be determined at least quarterly. This determination shall include adjustments for any significant changes in original valuation assumptions, including changes in prepayment estimates or account attrition rates. Examiners will review both the book value and the fair value assigned to these assets, together with supporting documentation, during the inspection process. In addition, the Federal Reserve may require, on a case-by-case basis, an independent valuation of an organization's intangible assets or similar assets.

* * * * *

3. In Appendix A to Part 225, section II.B.4. is revised to read as follows:

* * * * *

II. * * *

B. * * *

4. *Deferred tax assets.* The amount of deferred tax assets that is dependent upon future taxable income, net of the valuation allowance for deferred tax assets, that may be included in, that is, not deducted from, a banking organization's capital may not exceed the lesser of:
   (i) The amount of these deferred tax assets that the banking organization is expected to realize within one year of the calendar quarter-end date, based on its projections of future taxable income for that year,[23] or
   (ii) 10 percent of Tier 1 capital.

   The reported amount of deferred tax assets, net of any valuation allowance for deferred tax assets, in excess of the lesser of these two amounts is to be deducted from a banking organization's core capital elements in determining Tier 1 capital. For purposes of calculating the 10 percent limitation, Tier 1 capital is defined as the sum of core capital elements, net of goodwill, and net of all identifiable intangible assets other than mortgage

15. Amounts of mortgage servicing assets, nonmortgage servicing assets, and purchased credit card relationships in excess of these limitations, as well as all other identifiable intangible assets, including core deposit intangibles and favorable leaseholds, are to be deducted from an organization's core capital elements in determining Tier 1 capital. However, identifiable intangible assets (other than mortgage servicing assets, and purchased credit card relationships) acquired on or before February 19, 1992, generally will not be deducted from capital for supervisory purposes, although they will continue to be deducted for applications purposes.

23. To determine the amount of expected deferred tax assets realizable in the next 12 months, an institution should assume that all existing temporary differences fully reverse as of the report date. Projected future taxable income should not include net operating loss carryforwards to be used during that year or the amount of existing temporary differences a bank holding company expects to reverse within the year. Such projections should include the estimated effect of tax planning strategies that the organization expects to implement to realize net operating losses or tax credit carryforwards that would otherwise expire during the year. Institutions do not have to prepare a new 12 month projection each quarter. Rather, on interim report dates, institutions may use the future taxable income projections for their current fiscal year, adjusted for any significant changes that have occurred or are expected to occur.

servicing assets, nonmortgage servicing assets, and purchased credit card relationships, before any disallowed deferred tax assets are deducted. There generally is no limit in Tier 1 capital on the amount of deferred tax assets that can be realized from taxes paid in prior carryback years or from future reversals of existing taxable temporary differences.

* * * * *

4. In Appendix D to Part 225, section II.b. is revised to read as follows:

Appendix D to Part 225—Capital Adequacy Guidelines for Bank Holding Companies: Tier 1 Leverage Measure

* * * * *

II. * * *

b. A banking organization's Tier 1 leverage ratio is calculated by dividing its Tier 1 capital (the numerator of the ratio) by its average total consolidated assets (the denominator of the ratio). The ratio will also be calculated using period-end assets whenever necessary, on a case-by-case basis. For the purpose of this leverage ratio, the definition of Tier 1 capital as set forth in the risk-based capital guidelines contained in Appendix A of this part will be used.[3] As a general matter, average total consolidated assets are defined as the quarterly average total assets (defined net of the allowance for loan and lease losses) reported on the organization's Consolidated Financial Statements (FR Y-9C Report), less goodwill; amounts of mortgage servicing assets, nonmortgage servicing assets, and purchased credit card relationships that, in the aggregate, are in excess of 100 percent of Tier 1 capital; amounts of nonmortgage servicing assets and purchased credit card relationships that, in the aggregate, are in excess of 25 percent of Tier 1 capital; all other identifiable intangible assets; any investments in subsidiaries or associated companies that the Federal Reserve determines should be deducted from Tier 1 capital; and deferred tax assets that are dependent upon future taxable income, net of their valuation allowance, in excess of the limitation set forth in section II.B.4 of Appendix A of this part.[4]

3. Tier 1 capital for banking organizations includes common equity, minority interest in the equity accounts of consolidated subsidiaries, qualifying noncumulative perpetual preferred stock, and qualifying cumulative perpetual preferred stock. (Cumulative perpetual preferred stock is limited to 25 percent of Tier 1 capital.) In addition, as a general matter, Tier 1 capital excludes goodwill; amounts of mortgage servicing assets, nonmortgage servicing assets, and purchased credit card relationships that, in the aggregate, exceed 100 percent of Tier 1 capital; nonmortgage servicing assets and purchased credit card relationships that, in the aggregate, exceed 25 percent of Tier 1 capital; all other identifiable intangible assets; and deferred tax assets that are dependent upon future taxable income, net of their valuation allowance, in excess of certain limitations. The Federal Reserve may exclude certain investments in subsidiaries or associated companies as appropriate.

Part 325—Capital Maintenance

1. The authority citation for Part 325 is revised to read as follows:

Authority: 12 U.S.C. 1815(a), 1815(b), 1816, 1818(a), 1818(b), 1818(c), 1818(t), 1819(Tenth), 1828(c), 1828(d), 1828(i), 1828(n), 1828(o), 1831o, 1835, 3907, 3909, 4808; Pub. L. 102–233, 105 Stat. 1761, 1789, 1790 (12 U.S.C. 1831n note); Pub. L. 102–242, 105 Stat. 2236, 2355, as amended by Pub. L. 103–325, 108 Stat. 2160, 2233 (12 U.S.C. 1828 note); Pub. L. 102–242, 105 Stat. 2236, 2386, as amended by Pub. L. 102–550, 106 Stat. 3672, 4089 (12 U.S.C. 1828 note).

2. In section 325.2, paragraph (n) is revised to read as follows:

Section 325.2—Definitions.

* * * * *

(n) *Mortgage servicing assets* means those assets (net of any related valuation allowances) that result from contracts to service loans secured by real estate (that have been securitized or are owned by others) for which the benefits of servicing are expected to more than adequately compensate the servicer for performing the servicing. For purposes of determining regulatory capital under this part, mortgage servicing assets will be recognized only to the extent that the assets meet the conditions, limitations, and restrictions described in section 325.5(f).

* * * * *

Section 325.2—[Amended]

3. In section 325.2, paragraph (s) is amended by removing the words "mortgage servicing rights" and adding in their place the words "mortgage servicing assets" each time they appear.
4. In section 325.2, paragraphs (t) and (v) are amended by removing the words "mortgage servicing rights" and adding in their place the words "mortgage servicing assets, nonmortgage servicing assets," each time they appear.
5. In section 325.5, paragraph (f) is revised to read as follows:

Section 325.5—Miscellaneous.

* * * * *

(f) *Treatment of mortgage servicing assets, purchased credit card relationships, and nonmortgage servicing*

4. Deductions from Tier 1 capital and other adjustments are discussed more fully in section II.B. in Appendix A of this part.

assets. For purposes of determining Tier 1 capital under this part, mortgage servicing assets, purchased credit card relationships, and nonmortgage servicing assets will be deducted from assets and from common stockholders' equity to the extent that these items do not meet the conditions, limitations, and restrictions described in this section. Banks may elect to deduct disallowed servicing assets on a basis that is net of any associated deferred tax liability. Any deferred tax liability netted in this manner cannot also be netted against deferred tax assets when determining the amount of deferred tax assets that are dependent upon future taxable income and calculating the maximum allowable amount of these assets under paragraph (g) of this section.

(1) *Valuation.* The fair value of mortgage servicing assets, purchased credit card relationships, and nonmortgage servicing assets shall be estimated at least quarterly. The quarterly fair value estimate shall include adjustments for any significant changes in the original valuation assumptions, including changes in prepayment estimates or attrition rates. The FDIC in its discretion may require independent fair value estimates on a case-by-case basis where it is deemed appropriate for safety and soundness purposes.

(2) *Fair value limitation.* For purposes of calculating Tier 1 capital under this part (but not for financial statement purposes), the balance sheet assets for mortgage servicing assets, purchased credit card relationships, and nonmortgage servicing assets will each be reduced to an amount equal to the lesser of:
   (i) 90 percent of the fair value of these assets, determined in accordance with paragraph (f)(1) of this section; or
   (ii) 100 percent of the remaining unamortized book value of these assets (net of any related valuation allowances), determined in accordance with the instructions for the preparation of the Consolidated Reports of Income and Condition (Call Reports).

(3) *Tier 1 capital limitation.* The maximum allowable amount of mortgage servicing assets, purchased credit card relationships, and nonmortgage servicing assets, in the aggregate, will be limited to the lesser of:
   (i) 100 percent of the amount of Tier 1 capital that exists before the deduction of any disallowed mortgage servicing assets, any disallowed purchased credit card relationships, any disallowed nonmortgage servicing assets, and any disallowed deferred tax assets; or
   (ii) The sum of the amounts of mortgage servicing assets, purchased credit card relationships, and nonmortgage servicing assets determined in accordance with paragraph (f)(2) of this section.

(4) *Tier 1 capital sublimit.* In addition to the aggregate limitation on mortgage servicing assets, purchased credit card relationships, and nonmortgage servicing assets set forth in paragraph (f)(3) of this section, a sublimit will apply to purchased credit card relationships and nonmortgage servicing assets. The maximum allowable amount of purchased credit card relationships and nonmortgage servicing assets, in the aggregate, will be limited to the lesser of:
   (i) Twenty-five percent of the amount of Tier 1 capital that exists before the deduction of any disallowed mortgage servicing assets, any disallowed purchased credit card relationships, any disallowed nonmortgage servicing assets, and any disallowed deferred tax assets; or
   (ii) The sum of the amounts of purchased credit card relationships and nonmortgage servicing assets, determined in accordance with paragraph (f)(2) of this section.

* * * * *

Section 325.5—[Amended]

6. In section 325.5, paragraph (g)(2)(i)(B) is amended by removing the words "any disallowed mortgage servicing rights" and adding in their place the words "any disallowed mortgage servicing assets, any disallowed nonmortgage servicing assets".
7. In section 325.5, paragraph (g)(5) is amended by removing the words "mortgage servicing rights" and adding in their place the words "mortgage servicing assets, nonmortgage servicing assets".

Appendix A to Part 325—[Amended]

8. In Appendix A to Part 325, the words "mortgage servicing rights" are removed and the words "mortgage servicing assets, nonmortgage servicing assets" are added each time they appear in section I.A.1., section I.B.(1) and footnote 8 to section I.B.(1), section II.C., and Table I-Definition of Qualifying Capital and footnote 2 to Table I.

Appendix B to Part 325—[Amended]

9. In Appendix B to Part 325, section IV.A. and footnote 1 to section IV.A. are amended by removing the words "mortgage servicing rights" and adding in their place the word "mortgage servicing assets, nonmortgage servicing assets" each time they appear.

Part 565—Prompt Corrective Action

1. The authority citation for Part 565 continues to read as follows:

Authority: 12 U.S.C. 1831o.

2. Section 565.2 is amended by revising paragraph (f) to read as follows:

Section 565.2—Definitions.

* * * * *

(f) *Tangible equity* means the amount of a savings association's core capital as computed in part 567 of this chapter plus the amount of its outstanding cumulative perpetual preferred stock (including related surplus), minus intangible assets as defined in Section 567.1 of this chapter and nonmortgage servicing assets that have not been previously deducted in calculating core capital.

* * * * *

Part 567—Capital

3. The authority citation for Part 567 continues to read as follow:

Authority: 12 U.S.C. 1462, 1462a, 1463, 1464, 1467a, 1828 (note).

4. Section 567.1 is amended by revising the definition for intangible assets to read as follows:

Section 567.1—Definitions.

* * * * *

Intangible assets. The term *intangible assets* means assets considered to be intangible assets under generally accepted accounting principles. These assets include, but are not limited to, goodwill, core deposit premiums, purchased credit card relationships, and favorable leaseholds. Servicing assets are not intangible assets, and interest-only strips receivable and other nonsecurity financial instruments are not intangible assets under this definition.

* * * * *

5. Section 567.5 is amended by revising paragraph (a)(2)(ii) to read as follows:

Section 567.5—Components of capital.

(a) * * *
  (2) * * *
    (ii) Servicing assets that are not includable in core capital pursuant to section 567.12 of this part are deducted from assets and capital in computing core capital.

* * * * *

6. Section 567.6 is amended by revising paragraphs (a)(1)(iv)(L) and (a)(1)(iv)(M) to read as follows:

Section 567.6—Risk-based capital credit risk-weight categories.

(a) * * *
  (1) * * *
    (iv) * * *
      (L) Certain nonsecurity financial instruments including servicing assets and intangible assets includable in core capital under section 567.12 of this part;
      (M) Interest-only strips receivable;

* * * * *

7. Section 567.9 is amended by revising paragraph (c)(1) to read as follows:

Section 567.9—Tangible capital requirement.

* * * * *

(c) * * *
  (1) Intangible assets, as defined in § 567.1 of this part, and servicing assets not includable in tangible capital pursuant to section 567.12 of this part.

* * * * *

6. Section 567.12 is amended by revising the section heading and paragraphs (a) through (f) to read as follows:

Section 567.12—Intangible assets and servicing assets.

(a) *Scope.* This section prescribes the maximum amount of intangible assets and servicing assets that savings associations may include in calculating tangible and core capital.

(b) *Computation of core and tangible capital.*
  (1) Purchased credit card relationships may be included (that is, not deducted) in computing core capital in accordance with the restrictions in this section, but must be deducted in computing tangible capital.
  (2) In accordance with the restrictions in this section, mortgage servicing assets may be included in computing core and tangible capital and nonmortgage servicing assets may be included in core capital.
  (3) Intangible assets, as defined in section 567.1 of this part, other than purchased credit card relationships described in paragraph (b)(1) of this section and core deposit intangibles described in paragraph (g)(3) of this section, are deducted in computing tangible and core capital.

(c) *Market valuations.* The OTS reserves the authority to require any savings association to perform an independent market valuation of assets subject to this section on a case-by-case basis or through the issuance of policy guidance. An independent market valuation, if required, shall be conducted in accordance with any policy guidance issued by the OTS. A required valuation shall include adjustments for any significant changes in original valuation assumptions, including changes in prepayment estimates or attrition rates. The valuation shall determine the current fair value of assets subject to this section. This independent market valuation may be conducted by an independent valuation expert evaluating the reasonableness of the internal calculations and assumptions used by the association in conducting its internal analysis. The association shall calculate an estimated fair value for assets subject to this section at least quarterly regardless of whether an independent valuation expert is required to perform an independent market valuation

(d) *Value limitation.* For purposes of calculating core capital under this part (but not for financial statement purposes), purchased credit card relationships and servicing assets must be valued at the lesser of:
   (1) 90 percent of their fair value determined in accordance with paragraph (c) of this section; or
   (2) 100 percent of their remaining unamortized book value determined in accordance with the instructions for the Thrift Financial Report.

(e) *Core capital limitation—*
   (1) *Aggregate limit.* The maximum aggregate amount of servicing assets and purchased credit card relationships that may be included in core capital shall be limited to the lesser of:
      (i) 100 percent of the amount of core capital computed before the deduction of any disallowed servicing assets and disallowed purchased credit card relationships; or
      (ii) The amount of servicing assets and purchased credit card relationships determined in accordance with paragraph (d) of this section.
   (2) *Reduction by deferred tax liability.* Associations may elect to deduct disallowed servicing assets on a basis that is net of any associated deferred tax liability.
   (3) *Sublimit for purchased credit card relationships and non mortgage-related servicing assets.* In addition to the aggregate limitation in paragraph (e)(1) of this section, a sublimit shall apply to purchased credit card relationships and non mortgage-related servicing assets. The maximum allowable amount of these two types of assets combined shall be limited to the lesser of:
      (i) 25 percent of the amount of core capital computed before the deduction of any disallowed servicing assets and purchased credit card relationships; or
      (ii) The amount of purchased credit card relationships and non mortgage-related servicing assets determined in accordance with paragraph (d) of this section.

(f) *Tangible capital limitation.* The maximum amount of mortgage servicing assets that may be included in tangible capital shall be the same amount includable in core capital in accordance with the limitations set by paragraph (e) of this section. All nonmortgage servicing assets are deducted in computing tangible capital.

Final Rule—Amendments to Regulations H and Y

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the Office of Thrift Supervision (OTS) (collectively, the Agencies) are amending their respective risk-based capital standards for banks, bank holding companies, and thrifts (institutions) with regard to the regulatory capital treatment of unrealized holding gains on certain equity securities. These gains are reported as a component of equity capital under U.S. generally accepted accounting principles (GAAP), but have not been included in regulatory capital under the Agencies' capital standards. This final rule permits institutions to include in supplementary (Tier 2) capital up to 45 percent of the pretax net unrealized holding gains on certain available-for-sale (AFS) equity securities. The final rule is intended to make the regulatory capital treatment of these unrealized gains consistent with the international standards of the Basle Accord.

This final rule is effective October 1, 1998. The Agencies will not object if an institution wishes to apply the provisions of this final rule beginning on September 1, 1998. For the reasons set out in the joint preamble, 12 C.F.R. Parts 3, 208, 225, 325, and 567 are amended as follows:

Part 3—Minimum Capital Ratios; Issuance of Directives

1. The authority citation for Part 3 continues to read as follows:

Authority: 12 U.S.C. 93a, 161, 1818, 1828(n), 1828 note, 1831n note, 1835, 3907, and 3909.

2. In Appendix A to Part 3, section 2. is amended by adding a new paragraph (b)(5) including footnote 5 to read as follows:

Appendix A to Part 3—Risk-Based Capital Guidelines

* * * * *

Section 2—Components of Capital.

* * * * *

(b)* * *

(5) Up to 45 percent of the pretax net unrealized holding gains (that is, the excess, if any, of the fair value over historical cost) on available-for-sale equity securities with readily determinable fair values.[5] Unrealized gains (losses) on other types of assets, such as bank premises and available-for-sale debt securities, are not included in supplementary capital, but the OCC may take these unrealized gains (losses) into account as additional factors when assessing a bank's overall capital adequacy.

Part 208—Membership of State Banking Institutions in the Federal Reserve System (Regulation H)

1. The authority citation for Part 208 is revised to read as follows:

Authority: 12 U.S.C. 24, 36, 92(a), 93(a), 248(a), 248(c), 321–338a, 371d, 461, 481–486, 601, 611, 1814, 1816, 1818, 1820(d)(9), 1823(j), 1828(o), 1831, 1831o, 1831p-1, 1831r-1, 1835a, 1882, 2901-2907, 3105, 3310, 3331-3351, and 3906-3909; 15 U.S.C. 78b, 78l(b), 78l(g), 78l(i), 78o-4(c)(5), 78q, 78q-1, and 78w; 31 U.S.C. 5318; 42 U.S.C. 4012a, 4104a, 4104b, 4106, and 4128.

2. In Appendix A to part 208, the introductory paragraphs in section II.A.2. are revised and footnote 8 is removed and reserved to read as follows:

Appendix A to Part 208—Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure

* * * * *

II. * * *

A. * * *

2. *Supplementary capital elements (Tier 2 capital).* The Tier 2 component of a bank's qualifying total capital may consist of the following items that are defined as supplementary capital elements:
   (i) Allowance for loan and lease losses (subject to limitations discussed below)
   (ii) Perpetual preferred stock and related surplus (subject to conditions discussed below)
   (iii) Hybrid capital instruments (as defined below) and mandatory convertible debt securities
   (iv) Term subordinated debt and intermediate-term preferred stock, including related surplus (subject to limitations discussed below)
   (v) Unrealized holding gains on equity securities (subject to limitations discussed in section II.A.2.e. of this Appendix).

The maximum amount of Tier 2 capital that may be included in a bank's qualifying total capital is limited to 100 percent of Tier 1 capital (net of goodwill and other intangible assets required to be deducted in accordance with section II.B.1.b. of this Appendix). The elements of supplementary capital are discussed in greater detail below.

* * * * *

3. In Appendix A to Part 208, section II.A.2., paragraphs (d) and (e) are revised to read as follows:

* * * * *

II. * * *

A. * * *

2. * * *

d. *Subordinated debt and intermediate term preferred stock.*

i. The aggregate amount of term subordinated debt (excluding mandatory convertible debt) and intermediate-term preferred stock that may be treated as supplementary capital is limited to 50 percent of Tier 1 capital (net of goodwill and other intangible assets required to be deducted in accordance with section II.B.1.b. of this appendix). Amounts in excess of these limits may be issued and, while not included in the ratio calculation, will be taken into account in the overall assessment of a bank's funding and financial condition.

ii. Subordinated debt and intermediate-term preferred stock must have an original weighted average maturity of at least five years to qualify as supplementary capital. (If the holder has the option to require the issuer to redeem, repay, or repurchase the instrument prior to the original stated maturity, maturity would be defined, for risk-based capital purposes, as the earliest possible date on which the holder can put the instrument back to the issuing bank.)[12]

iii. In the case of subordinated debt, the instrument must be unsecured and must clearly state on its face that it is not a deposit and is not insured by a Federal agency. To qualify as capital in banks, debt must be

5. The OCC reserves the authority to exclude all or a portion of unrealized gains from Tier 2 capital if the OCC determines that the equity securities are not prudently valued.

12. As a limited-life capital instrument approaches maturity it begins to take on characteristics of a short-term obligation. For this reason, the outstanding amount of term subordinated debt and limited-life preferred stock eligible for inclusion in Tier 2 is reduced, or discounted, as these instruments approach maturity: one-fifth of the original amount (less redemptions) is excluded each year during the instrument's last five years before maturity. When the remaining maturity is less than one year, the instrument is excluded from Tier 2 capital.

subordinated to general creditors and claims of depositors. Consistent with current regulatory requirements, if a state member bank wishes to redeem subordinated debt before the stated maturity, it must receive prior approval of the Federal Reserve.

e. *Unrealized gains on equity securities and unrealized gains (losses) on other assets.*
   i. Up to 45 percent of pretax net unrealized holding gains (that is, the excess, if any, of the fair value over historical cost) on available-for-sale equity securities with readily determinable fair values may be included in supplementary capital. However, the Federal Reserve may exclude all or a portion of these unrealized gains from Tier 2 capital if the Federal Reserve determines that the equity securities are not prudently valued. Unrealized gains (losses) on other types of assets, such as bank premises and available-for-sale debt securities, are not included in supplementary capital, but the Federal Reserve may take these unrealized gains (losses) into account as additional factors when assessing a bank's overall capital adequacy.

* * * * *

Part 225—Bank Holding Companies and Change in Bank Control (Regulation Y)

1. The authority citation for Part 225 is revised to read as follows:

Authority: 12 U.S.C. 1817(j)(13), 1818, 1828(o), 1831i, 1831p-1, 1843(c)(8), 1844(b), 1972(1), 3106, 3108, 3310, 3331-3351, 3907, and 3909.

2. In Appendix A to Part 225, the introductory paragraphs of section II.A.2. are revised and footnote 8 is removed and reserved to read as follows:

Appendix A to Part 225—Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure

* * * * *

II. * * *
A. * * *
2. *Supplementary capital elements (Tier 2 capital).* The Tier 2 component of an institution's qualifying total capital may consist of the following items that are defined as supplementary capital elements:
(i) Allowance for loan and lease losses (subject to limitations discussed below)
(ii) Perpetual preferred stock and related surplus (subject to conditions discussed below)
(iii) Hybrid capital instruments (as defined below), perpetual debt and mandatory convertible debt securities
(iv) Term subordinated debt and intermediate-term preferred stock, including related surplus (subject to limitations discussed below)
(v) Unrealized holding gains on equity securities (subject to limitations discussed in section II.A.2.e. of this Appendix).

The maximum amount of Tier 2 capital that may be included in an organization's qualifying total capital is limited to 100 percent of Tier 1 capital (net of goodwill and other intangible assets required to be deducted in accordance with section II.B.1.b. of this appendix). The elements of supplementary capital are discussed in greater detail below.

* * * * *

3. In Appendix A to Part 225, section II.A.2., paragraphs d. and e. are revised to read as follows:

* * * * *

II. * * *
A. * * *
2. * * *
d. *Subordinated debt and intermediate-term preferred stock.*
   i. The aggregate amount of term subordinated debt (excluding mandatory convertible debt) and intermediate-term preferred stock that may be treated as supplementary capital is limited to 50 percent of Tier 1 capital (net of goodwill and other intangible assets required to be deducted in accordance with section II.B.1.b. of this appendix). Amounts in excess of these limits may be issued and, while not included in the ratio calculation, will be taken into account in the overall assessment of an organization's funding and financial condition.
   ii. Subordinated debt and intermediate-term preferred stock must have an original weighted average maturity of at least five years to qualify as supplementary capital.[12] (If the holder has the option to require the issuer to redeem, repay, or repurchase the instrument prior to the stated maturity, maturity would be defined, for risk-based capital purposes, as the earliest possible date on

12. Unsecured term debt issued by bank holding companies prior to March 12, 1988, and qualifying as secondary capital at the time of issuance continues to qualify as an element of supplementary capital under the risk-based framework, subject to the 50 percent of Tier 1 capital limitation. Bank holding company term debt issued on or after March 12, 1988, must be subordinated in order to qualify as capital.

which the holder can put the instrument back to the issuing banking organization.)[13]

In the case of subordinated debt, the instrument must be unsecured and must clearly state on its face that it is not a deposit and is not insured by a Federal agency. Bank holding company debt must be subordinated in the right of payment to all senior indebtedness of the company.

e. *Unrealized gains on equity securities and unrealized gains (losses) on other assets.*

i. Up to 45 percent of pretax net unrealized holding gains (that is, the excess, if any, of the fair value over historical cost) on available-for-sale equity securities with readily determinable fair values may be included in supplementary capital. However, the Federal Reserve may exclude all or a portion of these unrealized gains from Tier 2 capital if the Federal Reserve determines that the equity securities are not prudently valued. Unrealized gains (losses) on other types of assets, such as bank premises and available-for-sale debt securities, are not included in supplementary capital, but the Federal Reserve may take these unrealized gains (losses) into account as additional factors when assessing an institution's overall capital adequacy.

Part 325—Capital Maintenance

1. The authority citation for Part 325 continues to read as follows:

Authority: 12 U.S.C. 1815(a), 1815(b), 1816, 1818(a), 1818(b), 1818(c), 1818(t), 1819(Tenth), 1828(c), 1828(d), 1828(i), 1828(n), 1828(o), 1831o, 1835, 3907, 3909, 4808; Pub. L. 102–233, 105 Stat. 1761, 1789, 1790 (12 U.S.C. 1831n note); Pub. L. 102–242, 105 Stat. 2236, 2355, as amended by Pub. L. 103–325, 108 Stat. 2160, 2233 (12 .S.C. 1828 note); Pub. L. 102–242, 105 Stat. 2236, 2386, as amended by Pub. L. 102–550, 106 Stat. 3672, 4089 (12 U.S.C. 1828 note).

2. In Appendix A to Part 325, the introductory paragraphs of section I.A.2. are revised to read as follows:

Appendix A to Part 325—Statement of Policy on Risk-Based Capital

* * * * *

I. * * *

A. * * *

2. *Supplementary capital elements (Tier 2)* consist of: —Allowance for loan and lease losses, up to a maximum of 1.25 percent of risk-weighted assets;
—Cumulative perpetual preferred stock, long-term preferred stock (original maturity of at least 20 years), and any related surplus;
—Perpetual preferred stock (and any related surplus) where the dividend is reset periodically based, in whole or part, on the bank's current credit standing, regardless of whether the dividends are cumulative or noncumulative;
—Hybrid capital instruments, including mandatory convertible debt securities;
—Term subordinated debt and intermediate-term preferred stock (original average maturity of five years or more) and any related surplus; and
—Net unrealized holding gains on equity securities (subject to the limitations discussed in paragraph I.A.2.(f) of this section).

The maximum amount of Tier 2 capital that may be recognized for risk-based capital purposes is limited to 100 percent of Tier 1 capital (after any deductions for disallowed intangibles and disallowed deferred tax assets). In addition, the combined amount of term subordinated debt and intermediate-term preferred stock that may be treated as part of Tier 2 capital for risk-based capital purposes is limited to 50 percent of Tier 1 capital. Amounts in excess of these limits may be issued but are not included in the calculation of the risk-based capital ratio.

* * * * *

3. In Appendix A to part 325, the last undesignated paragraph of section I.A.2., entitled "Discount of limited-life supplementary capital instruments," is designated as paragraph (e) and a new paragraph (f) is added to section I.A.2. to read as follows:

* * * * *

I. * * *

A. * * *

2. * * *

(f) *Unrealized gains on equity securities and unrealized gains (losses) on other assets.* Up to 45 percent of pretax net unrealized holding gains (that is, the excess, if any, of the fair value over historical cost) on available-for-sale equity securities with readily determinable fair values may be included in supplementary capital. However, the FDIC may exclude all or a portion of these unrealized gains from Tier 2 capital if the FDIC determines that the equity securities are not prudently valued. Unrealized gains (losses) on other types of assets,

13. As a limited-life capital instrument approaches maturity it begins to take on characteristics of a short-term obligation. For this reason, the outstanding amount of term subordinated debt and limited-life preferred stock eligible for inclusion in Tier 2 is reduced, or discounted, as these instruments approach maturity: one-fifth of the original amount (less redemptions) is excluded each year during the instrument's last five years before maturity. When the remaining maturity is less than one year, the instrument is excluded from Tier 2 capital.

such as bank premises and available-for-sale debt securities, are not included in supplementary capital, but the FDIC may take these unrealized gains (losses) into account as additional factors when assessing a bank's overall capital adequacy.

* * * * *

4. In Appendix A to Part 325, Table I is revised to read as follows: (see Table I. in next column)

Table I. Definition of Qualifying Capital

Components	Minimum Requirements and Limitations
(1) *Core Capital (Tier 1)*	Must equal or exceed 4 percent of risk-weighted assets
(2) Common stockholders' equity capital	No limit[1]
(3) Noncumulative perpetual preferred stock and any related surplus	No limit[1]
(4) Minority interests in equity capital accounts of consolidated subsidiaries	No limit[1]
(5) Less: All intangible assets other than mortgage servicing rights and purchased credit card relationships	[2]
(6) Less: Certain deferred tax assets	[3]
(7) *Supplementary Capital (Tier 2)*	Total of Tier 2 is limited to 100% of Tier 1[4]
(8) Allowance for loan and lease losses	Limited to 1.25% of risk-weighted assets[4]
(9) Unrealized gains on certain equity securities[5]	Limited to 45 percent of pretax net unrealized gains[5]
(10) Cumulative perpetual and long-term preferred stock (original maturity of 20 years or more) and any related surplus	No limit within Tier 2; long-term preferred is amortized for capital purposes as it approaches maturity
(11) Auction rate and similar preferred stock (both cumulative and noncumulative)	No limit within Tier 2
(12) Hybrid capital instruments (including mandatory convertible debt securities)	No limit within Tier 2
(13) Term subordinated debt and intermediate-term preferred stock (original weighted average maturity of five years or more)	Term subordinated debt and intermediate term preferred stock are limited to 50% of Tier 1[4] and amortized for capital purposes as they approach maturity
(14) *Deductions (from the sum of Tier 1 plus Tier 2)*	
(15) Investments in banking and finance subsidiaries that are not consolidated for regulatory capital purposes	
(16) Intentional, reciprocal cross-holdings of capital securities issued by banks	
(17) Other deductions (such as investments in other subsidiaries or in joint ventures) as determined by supervisory authority	On a case-by-case basis or as a matter of policy after formal consideration of relevant issues
(18) *Total Capital (Tier 1 + Tier 2 − Deductions)*	Must equal or exceed 8 percent of risk-weighted assets

1. No express limits are placed on the amounts of nonvoting common, noncumulative perpetual preferred stock, and minority interests that may be recognized as part of Tier 1 capital. However, voting common stockholders' equity capital generally will be expected to be the dominant form of Tier 1 capital and banks should avoid undue reliance on other Tier 1 capital elements.

2. The amounts of mortgage servicing rights and purchased credit card relationships that can be recognized for purposes of calculating Tier 1 capital are subject to the limitations set forth in section 325.5(f) of the FDIC's regulations. All deductions are for capital purposes only; deductions would not affect accounting treatment.

3. Deferred tax assets are subject to the capital limitations set forth in section 325.5(g).

4. Amounts in excess of limitations are permitted but do not qualify as capital.

5. Unrealized gains on equity securities are subject to the capital limitations set forth in paragraph I.A.2.(f) of Appendix A to Part 325 of the FDIC's regulations.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

First American Corporation
Nashville, Tennessee

Order Approving the Acquisition of a Bank

First American Corporation ("First American"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act to acquire The Middle Tennessee Bank, Columbia, Tennessee ("Bank").[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (63 *Federal Register* 33,932 (1998)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

First American is the second largest commercial banking organization in Tennessee, controlling approximately \$8.2 billion in deposits, representing 14.2 percent of total deposits in commercial banking organizations in Tennessee ("state deposits").[2] Bank is the 38th largest commercial banking organization in Tennessee, controlling approximately \$196.8 million in deposits, representing less than 1 percent of state deposits. On consummation of the proposal, First American would remain the second largest commercial banking organization in Tennessee, controlling deposits of \$8.4 billion, representing 14.5 percent of state deposits.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly, or that may substantially lessen competition in any relevant banking

1. First American proposes to acquire Bank and merge it with and into First American's subsidiary bank, First American National Bank, Nashville, Tennessee.

2. State deposit data are as of June 30, 1997, and reflect acquisitions through July 6, 1998. First American also controls a bank in Mississippi and a savings association in Virginia.

market, if the anticompetitive effects of the proposal are not clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[3]

First American and Bank compete in the Maury County, Tennessee, banking market, which is an area approximated by Maury County, Tennessee.[4] Consummation of the proposal would exceed the Department of Justice Merger Guidelines ("DOJ Guidelines") in the Maury County banking market.[5] First American is the fifth largest commercial banking organization in the market, controlling $43.5 million in deposits, representing 5.3 percent of total deposits in commercial banking organizations in the market ("market deposits").[6] Bank is the second largest commercial banking organization in the market, controlling $196.8 million in deposits, representing 23.9 percent of market deposits. On consummation of the proposal, First American would become the second largest commercial banking organization in the market, controlling $240.3 million in deposits, representing 29.2 percent of market deposits. The HHI would increase by 252 points to 2727.

Several characteristics of the Maury County banking market mitigate the proposal's potential anticompetitive effects. Six competitors, including First American, would remain in the market after consummation of the proposal. Several of the competitors are large regional institutions, and three of them would each control more than 20 percent of market deposits after consummation of the proposal.

The Maury County banking market also is attractive for entry. Data for 1997 show that deposits per banking office and population per banking office in the market are greater than the averages for other non-MSA counties in Tennessee. In addition, population growth, household income, and per capita income in Maury County all substantially exceed the average for rural markets in Tennessee.[7] Since 1992, one bank has entered the Maury County banking market *de novo* and four bank holding companies have entered the market by acquisition, including two bank holding companies that entered the market by acquiring banks with a significant portion of their deposits in the market. Tennessee, moreover, permits unrestricted intrastate branching.[8]

The Department of Justice reviewed the proposal and advised the Board that consummation of the proposal would not likely have any significantly adverse competitive effects in the Maury County banking market or any other relevant banking market. In addition, neither the Federal Deposit Insurance Corporation, which is the primary federal supervisor for Bank, nor the Office of the Comptroller of the Currency, which is the primary federal supervisor for First American National Bank, has objected to the related bank merger.

Based on all the facts of record, and for the reasons discussed above, the Board concludes that consummation of the proposal is not likely to result in any significantly adverse effects on competition or on the concentration of banking resources in the Maury County banking market or any other relevant banking market.

Other Considerations

The BHC Act requires the Board, in acting on an application, to consider the financial and managerial resources and future prospects of the companies and banks involved, the convenience and needs of the communities to be served, and certain supervisory factors. The Board has reviewed these factors in light of all the facts of record, including supervisory reports of examination assessing the financial and managerial resources of the organizations. Based on all the facts of record, the Board concludes that the financial and managerial resources and the future prospects of First American, its subsidiary banks, and Bank are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act. In addition, considerations related to the convenience and needs of the communities to be served, including the records of performance of the institutions under the Community Reinvestment Act, are consistent with approval of the proposal.

Conclusion

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by First American with all the commitments made in connection with the

3. 12 U.S.C. § 1842(c)(1).

4. First American contends that the relevant banking market in this case should be the broader market defined to include Maury County and the greater Nashville, Tennessee, area. Based on an analysis of employment opportunities, commuting data, shopping patterns, loan and deposit data, interviews with local bankers, and other facts of record, the Board concludes that the appropriate market for analyzing the competitive effects of the proposal is the Maury County banking market. *See St. Joseph Valley Bank*, 68 *Federal Reserve Bulletin* 673, 674 (1982); *see also United States v. Philadelphia Nat'l Bank*, 374 U.S. 321, 374 (1963); *United States v. Phillipsburg Nat'l Bank*, 399 U.S. 350 (1969).

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

6. Market share data are as of June 30, 1997, and reflect acquisitions through July 6, 1998. No savings associations operate in the Maury County banking market.

7. Rand McNally Commercial Atlas (1997).

8. *See* Tenn. Code Ann. § 45-2-614 (1997).

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

The transaction shall not be consummated before the fifteenth calendar day following the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Reserve Bank of Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 17, 1998.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Norwest Corporation
Minneapolis, Minnesota

Order Approving the Acquisition of a Bank Holding Company

Norwest Corporation ("Norwest"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all of the voting shares of Star Bancshares, Inc, Austin, Texas ("Star"), and thereby acquire Star Bancshares of Nevada, Inc., Carson City, Nevada, and its subsidiary bank, First State Bank, Austin, Texas.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (63 *Federal Register* 34,651 (1998)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Norwest, with total consolidated assets of $98.5 billion, is the eleventh largest commercial banking organization in the United States. Norwest is the fourth largest commercial banking organization in Texas, controlling approximately $6.5 billion in deposits, representing 4 percent of total deposits in commercial banking organizations in the state.[1] Star is the twenty-eighth largest commercial banking organization in Texas, controlling approximately $487.3 million in deposits, representing less than 1 percent of total deposits in commercial banking organizations in the state. On consummation of the proposal, Norwest would remain the fourth largest commercial banking organization in Texas, controlling deposits of approximately $7 billion, representing 4.3 percent of commercial bank deposits in the state.

1. Asset and state deposit data are as of June 30, 1997, unless otherwise indicated.

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

The BHC Act prohibits the Board from approving a proposal under section 3 of the BHC Act that if would result in a monopoly that would substantially lessen competition in any relevant market unless the Board finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.[4]

Norwest and Star compete in fifteen banking markets in Texas. The Board has carefully reviewed the competitive effects of the proposal in those markets in light of all the facts of record, including the projected increase in the concentration of total deposits in depository institutions in the market ("market deposits"),[5] as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"), and the number of competitors that would remain in the markets.[6] As described in more detail in the Appendix and

2. 12 U.S.C. § 1842(d). A bank holding company's home state is the state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

3. Norwest is adequately capitalized and adequately managed as defined in the Riegle–Neal Act. 12 U.S.C. § 1842(d)(1)(A). On consummation of the proposal, Norwest would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States. In addition, First State Bank has been in existence for the minimum period of time necessary to satisfy age requirements established by applicable state law. *See* Tex. Fin. Code Ann. § 38.003 (West 1998). Norwest also would control less than 20 percent of the total deposits of insured depository institutions in Texas. *See* Tex. Fin. Code Ann. § 38.002 (West 1998). The Board has considered Norwest's record of compliance with the applicable state community reinvestment provisions. All other requirements of section 3(d) of the BHC Act also would be met on consummation of the proposal.

4. 12 U.S.C. § 1842(c).

5. All market data are as of June 30, 1997. In this context, depository institutions include commercial banks, savings banks, and savings associations. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

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

below, the increase in the HHI does not exceed the DOJ Guidelines in the banking markets in which Norwest and Star compete. In addition, numerous competitors would remain in those banking markets.

In the Kerr County banking market, Norwest is the largest depository institution, controlling deposits of $210.1 million, representing 40.2 percent of market deposits.[7] Star is the sixth largest depository institution in the banking market, controlling deposits of $7.1 million, representing 1.4 percent of market deposits. On consummation of the proposal, Norwest would remain the largest depository institution in the banking market, controlling deposits of $217.2 million, representing 41.6 percent of market deposits. Concentration in the Kerr County banking market, as measured by the HHI, would increase by 110 points to 2896.

In evaluating the competitive effects of the proposal in the Kerr County banking market, the Board has considered several factors that tend to mitigate the concentration of banking resources in the market. Five competitors would remain in the market after consummation of the proposal. Four competitors other than Norwest would have market shares of at least 5 percent, including two bank holding companies that would have market shares of 29.3 percent and 13.7 percent, respectively. In addition, the market appears to be attractive for entry.[8] In April 1998, a commercial bank entered the Kerr County banking market *de novo* and received approximately $13 million in deposits in less than three months. The Board also notes that Star is a recent entrant to the Kerr County banking market with a relatively small market presence of less than 2 percent of market deposits.

As in other cases, the Board sought comments from the Department of Justice and the Federal Deposit Insurance Corporation ("FDIC") on the competitive effects of the proposal. The Department of Justice has reviewed the proposal and advised the Board that consummation of the proposal would not likely have any significantly adverse competitive effects in the Kerr County banking market or any other relevant banking market. The FDIC has been consulted and has not objected to consummation of the proposal.

Based on all the facts of record, and for the reasons discussed in this order, the Board concludes that consummation of the proposal is not likely to result in any significantly adverse effects on competition or on the concentration of banking resources in the Kerr County banking market or any other relevant banking market.

The BHC Act also requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal, the convenience and needs of the communities to be served, and certain supervisory factors. The Board has reviewed these factors in light of the record, including supervisory reports of examination assessing the financial and managerial resources of the organizations and financial information provided by Norwest. Based on all the facts of record, the Board concludes that the financial and managerial resources and the future prospects of Norwest, Star, and their respective subsidiary banks are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act. Considerations related to the convenience and needs of the communities to be served also are consistent with approval of the proposal.

Conclusion

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by Norwest with all the commitments made in connection with the application. For the purpose of this action, the commitments and conditions relied on by the Board in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The proposed acquisition of Star shall not be consummated before the fifteenth calendar day following the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 12, 1998.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Appendix

(1) Austin—Approximated by the Austin Metropolitan Statistical Area ("MSA"). Norwest would control 16.3 percent of the market deposits and would become the second largest depository institution in the market. The HHI would increase 112 points to 1276. Thirty-six depository institutions would remain in the market after consummation of the proposal.

formed 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 is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial entities.

7. The Kerr County banking market is approximated by Kerr County, Texas.

8. Kerr County's population increased by 15.4 percent from 1990 to 1997, compared with an average increase in population of 13.5 percent for the state. The population of Kerr County is projected to increase 12.2 percent from 1997 to 2001, compared with a projected average increase in population of 7.9 percent for the state.

(2) Brazoria—Approximated by Brazoria County, excluding Alvin, Pearland and the surrounding unincorporated area which is included in the Houston Ranally Metropolitan Area ("RMA"). Norwest would control 11.3 percent of the market deposits and would remain the fourth largest depository institution in the market. The HHI would increase 7 points to 1536. Twelve depository institutions would remain in the market after consummation of the proposal.

(3) Corpus Christi—Approximated by the Corpus Christi MSA and the area encompassing Alice and Orange Grove in Jim Wells County; and the community of San Diego in Duval County. Norwest would control 7.7 percent of the market deposits and would become the fifth largest depository institution in the market. The HHI would increase 3 points to 1105. Twenty-five depository institutions would remain in the market after consummation of the proposal.

(4) Dallas—Approximated by Dallas County; the southeastern quadrant of Denton County, including Denton and Lewisville; the southwestern quadrant of Collin County, including McKinney and Plano; Rockwall County; and the communities of Forney and Terrell in Kaufman County; Midlothian, Waxahachie, and Ferris in Ellis County; and Grapevine and Arlington in Tarrant County. Norwest would control less than 1 percent of the market deposits and would become the twenty-first largest depository institution in the market. The HHI would increase less than 1 point to 1649. One hundred-seven depository institutions would remain in the market after consummation of the proposal.

(5) Ft. Worth—Approximated by Tarrant County, excluding Grapevine and Arlington; the northern half of Johnson County, including Cleburne and Burleson; the eastern half of Parker County, including Weatherford and Springtown; the southwestern quadrant of Denton County, including Roanoke and Justin; the communities of Boyd, Newark, and Rhome in Wise County. Norwest would control 12.4 percent of the market deposits and would remain the third largest depository institution in the market. The HHI would increase 3 points to 860. Fifty depository institutions would remain in the market after consummation of the proposal.

(6) Houston—Approximated by the Houston RMA. Norwest would control less than 1 percent of the market deposits and would become the thirty-eighth largest depository institution in the market. The HHI would increase less than one point to 869. Ninety-eight depository institutions would remain in the market after consummation of the proposal.

(7) San Antonio—Approximated by the San Antonio MSA and Kendall County. Norwest would control 6.4 percent of the market deposits and would remain the fifth largest depository institution in the market. The HHI would increase less than one point to 1099. Thirty-eight depository institutions would remain in the market after consummation of the proposal.

(8) Odessa-Midland—Approximated by Midland and Ector Counties. Norwest would control 18.3 percent of the market deposits and would remain the second largest depository institution in the market. The HHI would increase 11 points to 1474. Ten depository institutions would remain in the market after consummation of the proposal.

(9) Brazos County—Approximated by Brazos County. Norwest would control 27.5 percent of the market deposits and would remain the largest depository institution in the market. The HHI would increase 16 points to 1803. Nine depository institutions would remain in the market after consummation of the proposal.

(10) Burnet County—Approximated by Burnet County. Norwest would control 5.7 percent of the market deposits and would become the seventh largest depository institution in the market. The HHI would increase 15 points to 1441. Ten depository institutions would remain in the market after consummation of the proposal.

(11) Lubbock—Approximated by the Lubbock MSA. Norwest would control 21.5 percent of the market deposits and would remain the second largest depository institution in the market. The HHI would increase 10 points to 1499. Sixteen depository institutions would remain in the market after consummation of the proposal.

(12) San Angelo—Approximated by the San Angelo MSA. Norwest would control 23.5 percent of the market deposits and would remain the second largest depository institution in the market. The HHI would increase 23 points to 1828. Ten depository institutions would remain in the market after consummation of the proposal.

(13) Victoria—Approximated by the Victoria MSA. Norwest would control 32.8 percent of the market deposits and would remain the second largest depository institution in the market. The HHI would increase 34 points to 2630. Eight depository institutions would remain in the market after consummation of the proposal.

(14) Hidalgo County—Approximated by Hidalgo County. Norwest would control 4.0 percent of the market deposits and would remain the seventh largest depository institution in the market. The HHI would increase 1 point to 1481. Twenty depository institutions would remain in the market after consummation of the proposal.

Orders Issued Under Section 4 of the Bank Holding Company Act

BankBoston Corporation
Boston, Massachusetts

Order Approving Notice to Engage in Nonbanking Activities

BankBoston Corporation ("BankBoston"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire the operating business of the Robertson Stephens Division ("Robertson Stephens Division") of BancAmerica Robertson Stephens, San Francisco, California, and thereby engage in the following activities:

(1) Underwriting and dealing in, to a limited extent, all types of debt and equity securities, other than ownership interests in open-end investment companies ("bank-ineligible securities");
(2) Extending credit and servicing loans, in accordance with section 225.28(b)(1) of Regulation Y (12 C.F.R. 225.28(b)(1));
(3) Arranging commercial real estate equity financing, in accordance with section 225.28(b)(2)(i) of Regulation Y (12 C.F.R. 225.28(b)(2)(i));
(4) Providing financial and investment advisory services, in accordance with section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6));
(5) Providing securities brokerage, private placement, and riskless principal services, in accordance with section 225.28(b)(7)(i), (ii), and (iii) of Regulation Y (12 C.F.R. 225.28(b)(7)(i), (ii), and (iii)); and
(6) Underwriting and dealing in government obligations and money market instruments in which state member banks may underwrite and deal under 12 U.S.C. §§ 335 and 24(7) ("bank-eligible securities"), in accordance with section 225.28(b)(8)(i) of Regulation Y (12 C.F.R. 225.28(b)(8)(i)).

In connection with this acquisition, BankBoston also would acquire BA Robertson Stephens International Limited, London, England ("BARSIL"). BankBoston has requested approval to engage in equity underwriting and dealing through BARSIL in accordance with section 4(c)(13) of the BHC Act (12 U.S.C. § 1843(c)(13)) and section 211.5(d)(14) of the Board's Regulation K (12 C.F.R. 211.5(d)(14)).

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (63 *Federal Register* 35,932 (1998)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

BankBoston, with total consolidated assets of approximately $71.4 billion, is the 16th largest banking organization in the United States.[1] BankBoston operates subsidiary banks in Massachusetts, Connecticut, Florida, New Hampshire, and Rhode Island, and engages through its subsidiaries in a broad range of permissible nonbanking activities.

BankBoston proposes to merge Robertson Stephens Division with and into BankBoston's wholly owned subsidiary, BancBoston Securities, Inc., Boston, Massachusetts ("BSI").[2] After consummation of the proposal, BSI would be renamed BancBoston Robertson Stephens, Inc. ("BRS"). BSI currently is, and after consummation of the proposal BRS will be, a broker-dealer registered with the Securities and Exchange Commission ("SEC") and a member of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, BSI is, and BRS will be, subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*), the SEC, and the NASD.

Underwriting and Dealing Activities

The Board has determined, subject to the framework of prudential limitations to address the potential for conflicts of interests, unsound banking practices, or other adverse effects, that underwriting and dealing in bank-ineligible securities is so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[3] The Board also has determined that underwriting and dealing in bank-ineligible securities is consistent with section 20 of the Glass–Steagall Act (12 U.S.C. § 377), provided that the company engaged in underwriting and dealing activities derives no more than 25 percent of its gross revenues from underwriting and dealing in bank-ineligible securities over a two-year period.

BankBoston has committed that BRS will conduct its bank-ineligible securities underwriting and dealing activities using the methods and procedures and subject to the prudential limitations established by the Board in the Section 20 Orders. BankBoston also has committed that BRS will conduct its bank-ineligible securities underwriting and dealing activities subject to the Board's 25-percent revenue limitation.[4] As a condition of this order, BankBoston is

1. Asset and ranking data are as of March 31, 1998.

2. BSI currently engages in limited underwriting and dealing in bank-ineligible securities, as permitted under section 20 of the Glass–Steagall Act (12 U.S.C. § 377). *See Bank of Boston Corporation*, 83 *Federal Reserve Bulletin* 42 (1996). BSI also is authorized to engage in a variety of other nonbanking activities. *See id.*

3. *See J.P. Morgan & Co. Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industries Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990); *Citicorp, et al.*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir.), *cert. denied*, 486 U.S. 1059 (1988); as modified by *Review of Restrictions on Director, Officer and Employee Interlocks, Cross-Marketing Activities, and the Purchase and Sale of Financial Assets Between a Section 20 Subsidiary and an Affiliated Bank or Thrift, 61 Federal Register* 57,679 (1996), *Amendments to Restrictions in the Board's Section 20 Orders*, 62 *Federal Register* 45,295 (1997); and *Clarifications to the Board's Section 20 Orders*, 63 *Federal Register* 14,803 (1998) (collectively, "Section 20 Orders").

4. BankBoston proposes to merge Robertson Stephens Division with and into BRS immediately on consummation of the proposed transaction. Accordingly, BankBoston must calculate BRS's compliance with the revenue limitation in accordance with the method stated

required to conduct its bank-ineligible securities activities subject to the revenue restrictions and Operating Standards established for section 20 subsidiaries ("Operating Standards").[5]

Other Activities Approved by Regulation or Order

The Board previously has determined by regulation that extending credit and servicing loans; arranging commercial real estate equity financing; providing financial and investment advisory services; providing securities brokerage, private placement, and riskless principal services; and underwriting and dealing in government obligations and money market instruments are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[6] BankBoston has committed that BRS will conduct each of these activities in accordance with the BHC Act, Regulation Y, and relevant Board interpretations and orders.

Proper Incident to Banking Standard

In order to approve the proposal, the Board also must determine that the proposed activities are a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public... that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[7] As part of its evaluation of these factors, the Board considers the financial condition and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[8]

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

On the basis of its supervisory experience with BankBoston and BSI, the commitments provided in this case, and the proposed management of BRS, the Board also has determined that BankBoston and BRS have established the policies and procedures to ensure compliance with this order and the Section 20 Orders, including computer, audit, and accounting systems, internal risk management controls, and the necessary operational and managerial infrastructure. The Board also has reviewed other aspects of the managerial resources of the entities involved in this proposal, including the expected effect of this proposal on such resources. On the basis of the foregoing and all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

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

The Board also has carefully considered the competitive effects of the proposed acquisition. BankBoston represents that there are few overlaps in the services provided by BSI and Robertson Stephens Division: BSI specializes in brokering, underwriting, and dealing in debt products, while Robertson Stephens Division has focused primarily on underwriting of equity securities. To the extent that BSI and Robertson Stephens Division offer different types of products, the proposed acquisition would result in no loss of competition. In those markets in which the product offerings of BSI and Robertson Stephens Division do overlap, such as investment advisory activities, there are numerous existing and potential competitors. Consummation of the proposal, therefore, would have a *de minimis* effect on competition in the market for these services, and the Board has concluded that the proposal would not result in any significantly adverse competitive effects in any relevant market.

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

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

5. 12 C.F.R. 225.200. BRS may provide services that are necessary incidents to the proposed bank-ineligible securities underwriting and dealing activities. Unless BRS receives specific approval under section 4(c)(8) of the BHC Act to conduct the activities independently, BRS must treat any revenues from the incidental activities as ineligible revenues subject to the Board's revenue limitation.

6. *See* 12 C.F.R. 225.28(b)(1), (2)(ii), (6), (7)(i), (7)(ii), (7)(iii), and (8)(i).

7. *See* 12 U.S.C. § 1843(c)(8).

8. *See* 12 C.F.R. 225.26.

significantly adverse effects that would outweigh the public benefits of the proposal.

Based on all the facts of record, the Board has determined that consummation of the proposed transaction by BankBoston can reasonably be expected to produce public benefits that would outweigh any potential adverse effects. Accordingly, the Board has determined that performance of the proposed activities by BankBoston is a proper incident to banking for purposes of section 4(c)(8) of the BHC Act. The Board also has determined that BankBoston has established appropriate internal policies and procedures and has adequate capital resources consistent with approval of the proposed equity underwriting and dealing activities, under section 4(c)(13) of the BHC Act.

Conclusion

On the basis of all the facts of record, the Board has determined that the notice should be, and hereby is, approved, subject to all the terms and conditions in this order and the Section 20 Orders, as modified by the Modification Orders. The Board's approval of the proposal extends only to activities conducted within the limitations of those orders and this order, including the Board's reservation of authority to establish additional limitations to ensure that BRS's activities are consistent with safety and soundness, avoidance of conflicts of interests, and other relevant considerations under the BHC Act. Underwriting and dealing in any manner other than as approved in this order and the Section 20 Orders (as modified by the Modification Orders) is not within the scope of the Board's approval and is not authorized for BRS.

The Board's determination is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments made in connection with this notice, including the commitments discussed in this order, and the conditions set forth in this order and the above-noted Board regulations and orders. These commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

The proposal shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Boston, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 24, 1998.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland
Utrecht, The Netherlands

Order Approving Notice to Engage in Nonbanking Activities

Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland ("Rabobank"), a foreign bank subject to the provisions of the Bank Holding Company Act ("BHC Act"),[1] has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24(a) of the Board's Regulation Y (12 C.F.R. 225.24(a)) to acquire Weiss, Peck & Greer, L.L.C., New York, New York ("Company"),[2] and thereby engage in the following nonbanking activities:

(1) Providing financial and investment advisory services in accordance with section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6));
(2) Providing agency transactional services for customer investments in accordance with section 225.28(b)(7) of Regulation Y (12 C.F.R. 225.28(b)(7));
(3) Providing certain administrative services for open-end investment companies ("mutual funds");
(4) Acting as general partner or managing member for certain private investment funds that invest in assets in which a bank holding company is permitted to invest; and
(5) Acting as a commodity pool operator for private investment funds organized as commodity pools that invest in assets in which a bank holding company is permitted to invest.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (63 *Federal Register* 33,374 (1998)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Rabobank, with total consolidated assets of approximately $211.4 billion, is the second largest banking organization in The Netherlands and the 40th largest banking organization in the world.[3] In the United States, Rabobank operates a branch in New York, New York; an agency in

1. As a foreign bank operating a branch and an agency in the United States, Rabobank is subject to certain provisions of the BHC Act by operation of section 8(a) of the International Banking Act of 1978 (12 U.C. § 3106(a)) ("IBA").

2. Rabobank would hold its interest in Company through Robeco Groep N.V., a Netherlands corporation.

3. Asset and ranking data are as of December 31, 1997, and are based on foreign exchange conversion rates as of that date.

Dallas, Texas; and representative offices in San Francisco, California; Atlanta, Georgia; and Chicago, Illinois. Rabobank also engages through subsidiaries in a broad range of nonbanking activities in the United States. Company, with total consolidated assets of $2.3 billion, engages in securities brokerage, investment advisory, and other activities.[4]

Company is currently and, after consummation of the proposal, will continue to be registered with the Securities and Exchange Commission ("SEC") as an investment adviser under the Investment Advisers Act of 1940 ("1940 Act"), as a broker-dealer under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*) ("1934 Act") and a member of the National Association of Securities Dealers, Inc. ("NASD"). Company also is, and will continue to be registered as a futures commission merchant, commodity trading advisor, and commodity pool operator with the Commodity Futures Trading Commission ("CFTC") and the National Futures Association ("NFA"). Accordingly, Company is subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the 1934 Act, the 1940 Act, the SEC, and the NASD, as well as those of the Commodity Exchange Act (7 U.S.C. § 2 *et seq.*), the CFTC, and the NFA.

Mutual Fund Activities

The Board previously has determined that providing administrative services to mutual funds is closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[5] Rabobank proposes to provide investment advisory, brokerage, and administrative services through Company that previously have been approved by the Board, and Rabobank has committed that the proposed activities will be conducted in compliance with Regulation Y and subject to the prudential and other limitations established by the Board.[6] Rabobank has committed that distribution activities of mutual funds will be the responsibility of an independent distributor, which will enter into contractual agreements with the mutual funds to serve as "principal underwriter."[7] The independent distributor also would be responsible for supervising sales as the principal underwriter for purposes of the federal securities laws.[8]

Rabobank also proposes to have certain director and officer interlocks with the funds. In particular, Rabobank proposes that up to 25 percent of the directors of a mutual fund would be employees, officers, or directors of Rabobank or one of its subsidiaries, including Company.[9] Rabobank proposes that one of these directors may serve as chairman of the board of the fund. In addition, Rabobank seeks to have up to three directors, officers, or employees of Rabobank or its subsidiaries, including Company, serve as senior officers of the fund and have other Rabobank personnel serve as junior-level officers of the fund.[10]

The Board previously has authorized a bank holding company and its nonbank subsidiaries to have limited director and officer interlocks with mutual funds that the bank holding company advises and administers.[11] The Board noted that independent directors would constitute at least 40 percent of the board of directors of the fund and would be responsible for the selection and review of the investment adviser, the underwriter, and the other major service contractors of the fund.[12]

In this case, Rabobank's personnel would not comprise more than 25 percent of any fund's board of directors.

4. Company currently controls certain limited partnerships that have investments that are not permissible for bank holding companies. Rabobank has committed to conform the investments and relationships of Company to those permissible for bank holding companies within two years of acquiring Company.

5. *See, e.g., Societe Generale*, 84 *Federal Reserve Bulletin* 680 (1998) ("*SoGen*"); *Bankers Trust New York Corporation*, 83 *Federal Reserve Bulletin* 780 (1997) ("*BTNY*"); *Commerzbank AG*, 83 *Federal Reserve Bulletin* 679 (1997).

6. *See, e.g., SoGen, BTNY.* The administrative services that Rabobank would provide to mutual funds through Company and other Rabobank subsidiaries include computing the fund's financial data, maintaining and preserving the records of the fund, providing office facilities and clerical support for the fund, and preparing and filing tax returns for the funds. The services are listed in the Appendix. The Board previously has determined that the Glass–Steagall Act does not prohibit a bank holding company from providing advisory and administrative services to a mutual fund. *See* 12 C.F.R. 225.125. Although Rabobank does not own a member bank, Rabobank is subject to the limitations applicable to domestic banking organizations under the principle of national treatment. *See, e.g., Canadian Imperial Bank of Commerce, et al.*, 76 *Federal Reserve Bulletin* 158 (1990).

7. As defined under the 1940 Act, a principal underwriter is any underwriter who, as principal, purchases from a mutual fund any security for distribution, or who as agent for such fund sells or has the right to sell the fund's securities to a dealer and/or to the public. 15 U.S.C. § 80a-2(a)(29).

8. An independent distributor would enter into any sales agreements with brokers or other financial intermediaries to sell shares of mutual funds. The independent distributor also would have legal responsibility under the rules of the NASD for the form and use of all advertising and sales literature and also would be responsible for filing these materials with the NASD or the SEC.

In some cases, mutual funds advised and administered by Company would not have a distributor. In these cases, Rabobank has provided commitments to the Board to ensure that Company would not be engaged in distributing these funds. *See Lloyds TSB Group plc*, 84 *Federal Reserve Bulletin* 116 (1998) ("*Lloyds*"). Among these commitments are that these so-called distributorless funds would employ a marketing officer who is independent of Rabobank and Company who would initiate contact with financial intermediaries regarding the sale of fund shares, negotiate broker selling agreements on behalf of the funds, and be responsible for placing, reviewing, and filing with regulators, advertisements on behalf of the funds.

9. No employees, officers, or directors of Rabobank or its subsidiaries, including Company, would serve as directors of distributorless mutual funds advised or administered by Company. *See Lloyds.*

10. Senior officers include the president, secretary, treasurer, and vice presidents with policy-making functions. Junior officers include assistant secretaries, assistant treasurers, or assistant vice-presidents of the funds. Junior officers are fund employees who have no authority or responsibility to make policy.

11. *See, e.g., SoGen, BTNY; Lloyds; BankAmerica Corporation* 83 *Federal Reserve Bulletin* 913 (1997); *The Governor and Company of the Bank of Ireland*, 82 *Federal Reserve Bulletin* 1129 (1996).

12. Under the 1940 Act, independent directors may not be affiliated with the mutual fund, investment adviser, or any other major contractor to the fund. The 1940 Act and related regulatory provisions require that independent directors annually review and approve the mutual fund's investment advisory contract and any plan of distribution or related agreement.

Accordingly, all of the funds to which Rabobank provides advisory and administrative services would have boards of directors in which 75 percent of the directors are unaffiliated with Rabobank. In addition, any director of a fund who also serves as a director, officer, or employee of Rabobank would be an "interested person" under the 1940 Act and, therefore, would be required to abstain from voting on investment advisory and other major contracts of the fund.

The director and officer interlocks proposed by Rabobank would not appear to affect the independence of the other directors on the boards of directors for the funds. The independent members of the boards of directors would continue to have authority to review broker-age, advisory, administrative and other major contracts and would retain authority to change the distributor of fund shares. Based on the foregoing, the Board concludes that the proposed director and officer interlocks would not compromise the independence of the boards of the funds or permit Rabobank to control the funds and are consistent with previous Board decisions, the BHC Act, and the Glass–Steagall Act.

Other Activities Approved by Regulation or Order

The Board previously has determined that providing financial and investment advisory services, providing agency transactional services for customer investments, acting as general partner to private investment limited partnerships that make investments that a bank holding company may make, and acting as a commodity pool operator are all closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[13] Rabobank has committed that it will conduct these activities in accordance with the limitations set forth in Regulation Y and the Board's orders and interpretations relating to each of the activities.[14]

Other Considerations

In order to approve the proposal, the Board also must determine that the proposed activities are a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[15] As part of its evaluation of these factors, the Board considers the financial and managerial resources of the notificant, its subsidiaries, and any company to be acquired, and the effect the transaction would have on such resources.[16] Rabobank's capital ratios satisfy applicable risk-based standards under the Basle Accord and are considered equivalent to the capital levels that would be required of a United States banking organization. Based on all the facts of record, the Board concludes that financial and managerial considerations are consistent with approval.

The Board also has carefully considered the competitive effects of the proposal. To the extent that Rabobank and Company offer different types of products and services, the proposed acquisition would result in no loss of competition. In those markets where the product offerings of Rabobank and its subsidiaries and Company do overlap, there are numerous existing and potential competitors. As a result, consummation of the proposal would have a *de minimis* effect on competition for these services, and the Board has concluded that the proposal would not result in a significantly adverse effect on competition in any relevant market.

The Board expects that consummation of the proposal can reasonably be expected to provide added convenience to Rabobank's customers by offering them an expanded range of investment products and expertise. The Board previously has determined that the provision of administrative services to mutual funds within the parameters established by the Board is not likely to result in the types of subtle hazards at which the Glass–Steagall Act is aimed or in any other adverse effects. Rabobank also would be required to comply with the Board's interpretive rule on Investment Adviser Activities, which was designed to mitigate potential conflicts of interests and the potential for customer confusion associated with the proposed activities. Based on the foregoing and all the facts of record, the Board concludes that there is no evidence in the record to indicate that consummation of the proposal is likely to result in significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would outweigh the public benefits of the proposal. Accordingly, the Board has determined that the balance of public benefits that it must consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable and consistent with approval of the proposal.

Conclusion

Based on the foregoing and all other facts of record, the Board has determined that the notice should be, and hereby is, approved. This determination is subject to all the terms and conditions discussed in this order, including the Board's reservation of authority to establish additional limitations to ensure that Rabobank's activities are consistent with safety and soundness, conflicts of interests, and other relevant considerations under the BHC Act.

The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 C.F.R. 225.7 and 225.25(c)), and to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the

13. *See* 12 C.F.R. 225.28(b)(6), (7); *Dresdner Bank AG*, 84 *Federal Reserve Bulletin* 361 (1998) ("*Dresdner*").

14. *See* 12 C.F.R. 225.28(b)(6), (7); *Dresdner*.

15. *See* 12 U.S.C. § 1843(c)(8).

16. *See* 12 C.F.R. 225.26(b); *see also The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments made in connection with the notice and related correspondence, the conditions established in this order, and the Board's regulations and other orders noted above. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective August 3, 1998.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Appendix

List of Administrative Services

1. Maintaining and preserving the records of funds, including financial and corporate records.
2. Computing net asset value, dividends, performance data, and financial information regarding funds.
3. Furnishing statistical and research data to funds.
4. Preparing and filing with the SEC and state securities regulators registration statements, notices, reports, and other materials required to be filed under applicable laws.
5. Preparing reports and other informational materials regarding funds, including proxies and other shareholder communications, and reviewing prospectuses.
6. Providing legal and other regulatory advice to funds.
7. Providing office facilities and clerical support for funds.
8. Developing and implementing procedures for monitoring compliance with regulatory requirements and compliance with funds' investment objectives, policies, and restrictions as established by the boards of directors of the funds.
9. Providing routine accounting services to funds and liaison with outside auditors.
10. Preparing and filing tax returns.
11. Reviewing and arranging for payment of expenses for funds.
12. Providing communication and coordination services with regard to funds' transfer agent, custodian, distributor, and other service organizations that render distribution, recordkeeping, or shareholder communication services.
13. Preparing advertising materials, sales literature, and marketing plans for the funds.
14. Providing information to the distributor's personnel concerning performance and administration of funds.
15. Participating in seminars, meetings, and conferences designed to present information to financial intermediaries concerning operations of the funds.
16. Assisting in the development of additional funds.
17. Providing reports to the board of directors of funds.
18. Providing telephone shareholder services through a toll-free number.

Royal Bank of Canada
Montreal, Quebec, Canada

Order Approving a Notice to Acquire a Savings Association

Royal Bank of Canada ("Royal Bank"), a foreign banking organization that is subject to the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1848(c)(8)) to acquire all the voting shares of New Security First Network Bank, Miami, Florida ("Security First"), and thereby engage in operating a savings association.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (63 *Federal Register* 29,221 (1998)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Royal Bank, with total consolidated assets of approximately $164 billion, is the largest banking organization in Canada and the 56th largest banking organization in the world.[2] In the United States, Royal Bank operates branches in New York, New York; Portland, Oregon; and San Juan, Puerto Rico; agencies in Los Angeles, California; and Miami, Florida; and representative offices in Chicago, Illinois; and Houston, Texas. Royal Bank also engages through subsidiaries in various securities-related, data processing, and foreign exchange activities closely related to banking.[3]

1. Royal Bank, through is wholly owned subsidiaries, RBC Holdings (USA) Inc., New York, New York, and RBC Holdings (Delaware) Inc., Wilmington, Delaware, would acquire Security First from Security First Technologies, Inc., Atlanta, Georgia. Security First is a federally chartered savings bank in formation that would acquire certain assets and liabilities of Security First Network Bank, Atlanta, Georgia ("Old Security First"), an insured depository institution that provides electronic banking services primarily over the Internet. *Cardinal Bancshares, Inc.*, 82 *Federal Reserve Bulletin* 674 (1996) ("*Cardinal*").

2. Asset and ranking data are as of December 31, 1997, and are based on exchange rates then applicable.

3. *See The Royal Bank of Canada*, 77 *Federal Reserve Bulletin* 272 (1991); *Royal Bank of Canada*, 83 *Federal Reserve Bulletin* 135 (1997); *Bank of Montreal*, 83 *Federal Reserve Bulletin* 127 (1997).

Closely Related to Banking Analysis

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any banking activity that the Board determines to be "so closely related to banking or managing or controlling banks as to be closely related thereto."[4] Old Security First operates a single, full service office in Atlanta, Georgia, and focuses its efforts on providing banking and financial products and services to the public over the Internet. Royal Bank intends to enhance the products and services that Security First offers by providing additional financial and managerial resources to it and to expand Security First's business volume throughout the United States by increasing promotional activities. The Board previously has determined by regulation that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act.[5] The Board also previously has determined that providing data processing services related to providing banking and financial services over the Internet is closely related to banking.[6]

Proper Incident to Banking Analysis

In order to approve the proposal, the Board must determine that the proposed activities are a proper incident to banking, that is, that the proposal "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, or unsound banking practices."[7]

As part of its review of these factors, when acting on a proposal to acquire a savings association, the Board has traditionally considered the records of performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA") of the institutions involved in the proposal.[8] The Board has reviewed the record of performance of Old Security First in light of all the facts of record, including comments received on the proposal from Inner City Press/Community on the Move ("Commenter"). Commenter argues that Royal Bank's proposal to address CRA is not adequate.

The Board has reviewed the examination of the CRA performance record of Old Security First conducted by the Office of Thrift Supervision ("OTS"), the appropriate supervisory authority for Old Security First. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[9] Old Security First received an overall rating of "satisfactory" as a result of that evaluation of CRA performance, as of March 1996.

Royal Bank has not previously operated an insured depository institution subsidiary in the U.S. that is subject to CRA.[10] As part of its application in this case, however, Royal Bank presented a proposed CRA plan for Security First. The plan includes the appointment of a CRA officer who would report to Security First's board of directors; the employment of a CRA consulting firm to assist Security First in preparing and implementing a CRA plan; and the offering of specific banking products and services directed to its assessment area, including low- and moderate-income areas.[11]

Commenter questions whether the criteria adopted in the CRA regulations of the federal financial supervisory agencies for defining the assessment area of an insured depository institution are adequate and whether compliance by Old Security First with the regulations adopted by the institution's appropriate supervisory authority for defining an assessment area is sufficient in light of the Internet banking activities proposed by Old Security First.[12]

The CRA requires the federal banking agencies, in reviewing certain applications, to take account of an institution's record of actual performance in helping to meet the credit needs of its community, including low- and moderate-income neighborhoods. That record includes compliance by Old Security First with the rules and requirements of its appropriate supervisory authority and that

4. 12 U.S.C. §1843(c)(8).

5. 12 C.F.R. 225.28(b)(4).

6. *See Cardinal.*

7. 12 U.S.C. § 1843(c)(8).

8. *See Banc One Corporation*, 83 *Federal Reserve Bulletin* 602 (1997).

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

10. Commenter argues that, in the absence of an established record of performance by Royal Bank under the CRA, the Board should perform an extensive investigation of Royal Bank's proposed CRA plan before taking any action on the proposal. In keeping with the Board's precedent and the BHC Act and CRA, the Board has carefully reviewed and considered the actual CRA performance record of the relevant insured depository institution in this case and has also carefully considered the proposals by Royal Bank to adopt and improve the CRA policies and programs of that insured depository institution. *See* The Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act; *see also The Toronto-Dominion Bank*, 82 *Federal Reserve Bulletin* 1052 (1996).

11. The proposed CRA plan indicates that the products and services to be offered would include low-cost banking products and services for individuals, credit counseling, and loans to and investments in affordable housing projects.

12. Commenter asserts that the designation by Old Security First of the Atlanta Metropolitan Statistical Area ("MSA") assessment area under the CRA is inappropriate in view of Old Security First's emphasis on soliciting deposits nationwide over the Internet, and that Old Security First's marketing efforts directed to Internet users disproportionately exclude low- and moderate-income individuals. Commenter also asserts that the Miami MSA should be included in Security First's assessment area because Security First's main office would be located there. As part of the proposal, however, Royal Bank intends to relocate the main office to Atlanta approximately 30 days after acquiring Security First and to close the Miami office.

supervisor's on-site evaluation of the CRA performance record of Old Security First.

Old Security First has defined its assessment area in accordance with the requirements contained in regulations of the OTS that govern the CRA obligations and performance of Old Security First.[13] The OTS has examined the CRA performance of Old Security First, including the adequacy of the assessment area definition adopted by Old Security First, and found it satisfactory. Security First, moreover, would continue to be subject to regular evaluations by its primary federal supervisor of its CRA performance record in its entire community, including low- and moderate-income neighborhoods.

The proper application of the CRA to the operations of a financial institution such as Security First, that operates primarily over the Internet, is subject to evaluation and review by the institution's appropriate supervisory authority as experience is gained regarding the actual success, geographic reach, and lending patterns of depository institutions conducting these activities. Commenter's concerns regarding the alleged difficulties for a financial institution operating over the Internet to serve low- and moderate-income individuals and communities, however, remain speculative at this time.[14]

Based on all the facts of record, the Board concludes that the CRA performance record of the depository institutions involved and the CRA plan submitted by Royal Bank lend weight toward approval of the proposal.

In connection with its review of the public interest factors under section 4(c)(8) of the BHC Act, the Board also has carefully considered the financial and managerial resources of Royal Bank and its subsidiaries and Security First and the effect the transaction would have on such resources in light of all the facts of record.[15] The Board has reviewed, among other things, confidential reports of examination and other supervisory information received from the appropriate supervisory authorities for the organizations. The Board notes that Royal Bank's capital ratios meet applicable risk-based capital standards under the Basle Accord and are equivalent to the capital levels that would be required for a U.S. banking organization. Royal Bank also has significant financial and managerial resources that may be used to support and develop the activities of Security First. Based on all the facts of record, the Board concludes that the financial and managerial resources of the organizations involved in the proposal lend weight toward approval of the proposal.[16]

The record indicates that consummation of the proposal would result in benefits to consumers and businesses. The proposal would increase the financial and technological resources available to Security First, thereby enabling it to enhance the financial products and services it offers, which would provide greater convenience to consumers and businesses that desire to conduct banking transactions over the Internet. Additionally, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies may make potentially profitable investments in nonbanking companies when, as in this case, those investments are consistent with the relevant considerations under the BHC Act, and from permitting banking organizations to allocate their resources in the manner they believe is most efficient. Based on all the facts of record, the Board has determined that consummation of the proposal can reasonably be expected to produce public benefits that would outweigh any likely adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the notice should be, and hereby is, approved.[17] The Board's approval of the proposal is

13. *See* 12 C.F.R. 563e.41(c).

14. In April 1997, the OTS published notice of proposed rulemaking concerning all aspects of electronic banking, including the application of the CRA to those activities. *See* 62 *Federal Register* 15,626 (April 2, 1997). Several public comments were received by the OTS concerning the CRA. The proposed rulemaking remains open. Commenter also requests that the Board postpone taking any action on the proposal until the OTS has determined whether to require Royal Bank to submit a specific CRA plan or set of CRA commitments in connection with its review of the proposal and to permit public comment on Royal Bank's CRA plan. The Board is required under its procedures, however, to take action on the proposal within a specified period of time. *See* 12 C.F.R. 225.24(d). The Board has provided a period for public comment in this case of 34 days, and the Secretary of the Board has extended the time for receiving comments on the proposal from Commenter an additional 22 days. Based on all the facts of record, the Board has determined that no additional delay is warranted in this case.

15. *See* 12 C.F.R. 225.26.

16. Commenter also alleges that Royal Bank's proposal to establish the main office of Security First in Miami, Florida, and then to relocate the main office to Atlanta, Georgia, is intended to evade Georgia's charter age requirements. *See* Ga. Code Ann. § 7-1-608(a)(2) (Michie 1998). Georgia law permits Royal Bank to acquire Security First's office in Atlanta as a branch of a thrift with a home office in another state, and to relocate its main office to Atlanta. Georgia banking authorities have advised the Board that they have reviewed and do not object to the proposal.

17. Commenter has requested that the Board hold a public meeting or hearing on the proposal to obtain additional factual evidence concerning the adequacy of the CRA plan submitted by Royal Bank for Security First to address the convenience and needs of the community to be served. The Board's Rules of Procedure provide for a hearing on notices under section 4 of the BHC Act to acquire a savings association only if there are disputed issues of material fact that cannot be resolved in some other manner. *See* 12 C.F.R. 225.25(a)(2). The Board also may, in its discretion, hold a public meeting or hearing if a hearing is necessary to clarify factual issues related to the proposal and to provide an opportunity for testimony, if appropriate. *See* 12 C.F.R. 225.16(e). After a careful review of all the facts of record, the Board has concluded that Commenter's contentions amount to a dispute concerning the weight that should be accorded to, and the conclusions that the Board should draw from, the facts of record, but do not identify disputed issues of fact that are material to the Board's decision. The Board also notes that interested parties have had an ample opportunity to present their views, and Commenter has submitted substantial written comments that have been considered by the Board. Commenter's request fails to demonstrate why a written presentation would not suffice and to summarize

specifically conditioned on compliance by Royal Bank with the commitments made in connection with the notice. The Board's determination also is subject to all the conditions in Regulation Y, including those in sections 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)) and to the Board's authority to require such modification or termination of the activities of a 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 BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

The 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 the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 3, 1998.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

the evidence that would be presented at a meeting or hearing. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or warranted in this case. Accordingly, the request for a public meeting or hearing on the proposal is hereby denied.

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

NationsBank Corporation
Charlotte, North Carolina

BankAmerica Corporation
San Francisco, California

Order Approving the Merger of Bank Holding Companies

NationsBank Corporation, a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), and its wholly owned subsidiary, NationsBank (DE) Corporation (collectively, "NationsBank"), have requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with BankAmerica Corporation ("BankAmerica"), and thereby acquire BankAmerica's subsidiary banks, including its lead bank subsidiary, Bank of America National Trust and Savings Association ("BA-Lead Bank"), both of San Francisco, California.[1] NationsBank also has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire the domestic nonbank subsidiaries of BankAmerica, including Bank of America, FSB, Portland, Oregon.[2] In addition, NationsBank has filed applications and notices under section 4(c)(13) of the BHC Act (12 U.S.C. § 1843(c)(13)), sections 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 601 *et seq.*, 611 *et seq.*), and the Board's Regulation K (12 C.F.R. 211) to acquire the Edge Act and agreement corporations and foreign operations of BankAmerica.

NationsBank, with total consolidated assets of approximately $315 billion, is the third largest commercial banking organization in the United States.[3] NationsBank's lead bank subsidiary, NationsBank, N.A., Charlotte, North Carolina ("NB-Lead Bank"), and NationsBank's other subsidiary banks operate in North Carolina, Arkansas, Delaware, Florida, Georgia, Illinois, Iowa, Kansas, Kentucky, Maryland, Missouri, New Mexico, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and the District of Columbia. NationsBank also engages in a number of permissible nonbanking activities nationwide.

BankAmerica, with total consolidated assets of approximately $265 billion, is the fifth largest commercial banking organization in the United States. BankAmerica's subsidiary depository institutions operate in California, Alaska, Arizona, Florida, Idaho, Illinois, Nevada, New Mexico, New York, Oregon, Texas, and Washington. Bank of America also operates branches in 38 foreign countries and engages through numerous nonbanking subsidiaries in a variety of permissible nonbanking activities nationwide.

The proposed transaction would create the largest commercial banking organization in the United States, with total assets of approximately $580 billion, and the third largest commercial banking organization in the world. The subsidiary insured depository institutions of the combined organization would operate approximately 4,800 full-service branches in 27 states and more than 14,000 automated teller machines ("ATMs") nationwide. NationsBank has indicated that after the proposed merger the combined organization would operate under the name BankAmerica Corporation ("New BankAmerica").[4]

1. NationsBank also seeks approval to acquire BankAmerica's other subsidiary banks, which are Bank of America Texas, N.A., Dallas, Texas; Bank of America Community Development Bank, Walnut Creek, California; and Bank of America N.A., Phoenix, Arizona.

2. The nonbanking activities engaged in by BankAmerica for which NationsBank has sought Board approval under section 4 of the BHC Act and the subsidiaries engaged in such activities are listed in Appendix A.

3. Asset data for NationsBank and BankAmerica are as of March 31, 1998, unless otherwise noted.

4. NationsBank and BankAmerica also have requested the Board's approval to hold and exercise an option to acquire up to 19.9 percent of each other's voting shares. The options would expire on consummation of the proposal.

Factors Governing Board Review of Transaction

Under the BHC Act, the Board must consider a number of specific factors when reviewing the merger of bank holding companies or the acquisition of banks. These factors are the competitive effects of the proposal in the relevant geographic markets; the financial and managerial resources and future prospects of the companies and banks involved in the transaction; the convenience and needs of the community to be served, including the records of performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA") of the insured depository institutions involved in the transaction; and the availability of information needed to determine and enforce compliance with the BHC Act.[5] In cases involving interstate bank acquisitions, the Board also must consider the concentration of deposits in the nation and certain individual states, as well as compliance with other provisions of the Riegle–Neal Interstate Banking and Branching Efficiency Act of 1994 ("Riegle–Neal Act").[6]

Public Comment on the Proposal

In order to permit interested members of the public an opportunity to submit comments to the Board on these factors, the Board published notice of the proposal and provided a period for public comment.[7] The Board extended the public comment period to accommodate the broad public interest in the proposal. The extended public comment period provided interested persons more than 65 days to submit written comments on the proposal.

Because of the extensive public interest in the proposal, the Board also held a public meeting on July 9 and 10, 1998, in San Francisco, California, to permit interested persons an opportunity to present oral testimony regarding the various factors that the Board is charged with reviewing under the BHC Act. More than 170 commenters appeared and testified at the public meeting, and many of the commenters who testified also submitted written comments.

In total, more than 1,600 organizations and individuals submitted comments on the proposal, either through oral testimony or written comments. Commenters included federal, state, and local government officials, community and non-profit organizations, small business owners, customers of NationsBank and BankAmerica, and other interested organizations and individuals from California, North Carolina, Texas, New Mexico, and other regions of the country.

Commenters in support of the proposal commended NationsBank and BankAmerica for their commitment to local communities and leadership in community development activities. These commenters praised NationsBank's and BankAmerica's records of providing affordable mortgage loans, investments, grants and loans in support of economic and community revitalization projects, and charitable contributions in local communities. These commenters also favorably noted the organizations' small business lending activities and the organizations' provision of educational seminars or technical assistance to small businesses. Many of these commenters also praised NationsBank's $350 billion, 10-year community reinvestment plan and contended that the plan would increase the availability of loans and investments to support community development and affordable housing activities.

A significant number of other commenters expressed concern regarding the performance records of NationsBank and BankAmerica under the CRA, particularly with respect to their records of lending to small businesses and minorities and in low- and moderate-income ("LMI") and rural areas. Many commenters from California and other states currently served by BankAmerica also expressed concern that NationsBank would not serve the diverse needs of their local communities as well as BankAmerica, or would terminate organizations and programs that BankAmerica has developed to meet the needs of its communities, such as the BankAmerica Community Development Bank and Rural 2000 Initiative. Other commenters believed the merger would reduce competition for banking services, particularly in Texas and New Mexico, or result in the loss of local control of lending and investment decisions. Many commenters also criticized NationsBank's $350 billion, 10-year community reinvestment plan, stating that the initiative is not enforceable and does not provide specific lending or investment commitments for individual states or regions, or for particular loan products or programs. Commenters also discussed other potential adverse effects of the proposal, including branch closings, the loss of a major financial institution headquartered in San Francisco, and job losses.

In evaluating the statutory factors under the BHC Act, the Board has carefully considered the information and views presented by all commenters, including the information and testimony provided at the public meeting and the views and information submitted in writing. The Board also considered all the information presented in the applications and notices and in supplemental filings by NationsBank as well as various reports filed by the relevant companies and publicly available information and other reports. In addition, the Board reviewed confidential supervisory information, including examination reports regarding the companies and depository institutions involved, and information provided by the other federal banking agencies and the Department of Justice. For the reasons discussed in this order, and after a careful review of all the facts of record, the Board has concluded that the statutory factors it is required to consider under the BHC Act and other relevant banking statutes are consistent with approval of the proposal, subject to the conditions noted in this order.

5. In cases involving a foreign bank, the Board also must consider whether the foreign bank is subject to comprehensive supervision or regulation on a consolidated basis by appropriate authorities in the foreign bank's home country.

6. Pub. L. No. 103-328, 108 Stat. 2338 (1994).

7. Notice of the proposal was published in the *Federal Register* (63 *Federal Register* 28,385 and 35,231) (1998)) and in local newspapers in accordance with the Board's Rules of Procedure. *See* 12 C.F.R. 262.3(b).

Interstate Analysis

Section 3(d) of the BHC Act, as amended by section 101 of the Riegle-Neal Act, allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of the bank holding company if certain conditions are met. For purposes of the BHC Act, the home state of NationsBank is North Carolina,[8] and BankAmerica's subsidiary banks are located in California and eleven other states.[9]

Section 3(d) of the BHC Act provides that the Board may not approve a proposal if, after consummation, the applicant would control more than 10 percent of the total deposits of insured depository institutions in the United States.[10] In addition, the Board may not approve a proposal if, on consummation of the proposal, the applicant would control 30 percent or more of the total deposits of insured depository institutions in any state in which both the applicant and the organization to be acquired operate an insured depository institution, or such higher or lower percentage established by state law.[11]

On consummation of the proposal, New BankAmerica would control approximately 8.1 percent of the total amount of deposits of insured depository institutions in the United States. New BankAmerica would control less than 30 percent or the appropriate percentage established by applicable state law of total deposits held by insured depository institutions in Texas, New Mexico, Illinois, and Florida, the states in which NationsBank and BankAmerica both operate an insured depository institution.[12]

All other requirements of section 3(d) of the BHC Act also would be met after consummation of the proposal.[13] In view of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Competitive Factor

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly, or that would substantially lessen competition in any relevant banking market if the anticompetitive effects of the proposal are not clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[14] The Board has carefully considered the competitive effects of the proposal in light of all the facts of record, including public comments on the proposal.

A number of commenters expressed concern that the proposed merger would have adverse competitive effects. Many of these commenters expressed concern that large bank mergers in general, or the proposed merger of NationsBank and BankAmerica in particular, would reduce competition for banking services and result in higher fees or reduced customer convenience. In addition, a number of commenters claimed that the proposed merger of NationsBank and BankAmerica would have significantly adverse effects on competition in Texas and New Mexico, where the subsidiary banks of both NationsBank and BankAmerica compete, and particularly in Dallas, Texas. Some commenters also contended that the proposed merger would result in higher interest rates for small business loans, and reduced levels of small business and mortgage lending, particularly in California, Texas, and New Mexico.

In order to determine the effect of a particular transaction on competition, it is necessary to designate the area of effective competition between the parties, which the courts have held is decided by reference to the relevant "line of commerce" or product market and a geographic market. The Board and the courts have consistently recognized that the appropriate product market for analyzing the competitive effects of bank mergers and acquisitions is the cluster of products (various kinds of credit) and services (such as checking accounts and trust administration) offered by banking institutions.[15] The Board and the courts also consistently have found that the geographic market for analyzing the competitive effects of a proposal on the supply and

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

9. For purposes of the Riegle-Neal Act, the Board considers a bank to be located in the states in which the bank is chartered, headquartered, or operates a branch.

10. 12 U.S.C. § 1842(d)(2)(A). For this purpose, insured depository institutions include all insured banks, savings banks, and savings associations.

11. 12 U.S.C. § 1842(d)(2)(B)-(D).

12. On consummation, New BankAmerica would control less than 30 percent of total deposits in insured depository institutions in Florida and Illinois. *See* Fla. Stat. Ann. § 658.295 (West 1997). The appropriate deposit cap in New Mexico is set by New Mexico state law at 40 percent, and New BankAmerica would not, on consummation of the proposal, exceed that state limit. *See* N.M. Stat. Ann. § 58-1B-6(B) (Michie 1998). New BankAmerica also would control less than 20 percent of total deposits in insured depository institutions in Texas on consummation of the proposal and the Texas Banking Commissioner has advised the Board in writing that the proposal is consistent with the provisions of Texas law concerning interstate bank acquisitions. *See* Letter from Catherine A. Ghiglieri, Texas Banking Commissioner, to Scott G. Alvarez, Associate General Counsel of the Board, dated July 17, 1998; Tex. Fin. Code Ann. § 38.002 (West 1998).

13. NationsBank is adequately capitalized and adequately managed as defined in the Riegle-Neal Act. 12 U.S.C. § 1842(d)(1)(A). BankAmerica's subsidiary banks have been in existence and operated for the minimum periods of time necessary to satisfy the minimum age requirements established by applicable state law. *See* 12 U.S.C. § 1842(d)(1)(B). The Board also contacted the relevant state banking commissioners regarding, and considered NationsBank's record of compliance with, applicable state community reinvestment laws.

14. 12 U.S.C. § 1842(c)(1).

15. *See Chemical Banking Corporation*, 82 *Federal Reserve Bulletin* 230 (1996) ("Chemical") and the cases and studies cited therein. The Supreme Court has emphasized that it is the cluster of products and services that, as a matter of trade reality, makes banking a distinct line of commerce. *See United States v. Philadelphia National Bank*, 374 U.S. 321, 357 (1963) ("*Philadelphia National*"); *accord, United States v. Connecticut National Bank*, 418 U.S. 656 (1974); *United States v. Phillipsburg National Bank*, 399 U.S. 350 (1969) ("*Phillipsburg National*").

demand of the cluster of banking products and services is local in nature.[16] The geographic scope of the local banking market is defined by the area in which competition between depository institutions can reasonably be expected to have a direct effect on the price and supply of the cluster of banking products and services.[17]

The Board concludes, based on all the facts of record, that the appropriate product market for considering the competitive effects of this case is the cluster of banking products and services, and that the appropriate geographic markets for considering the competitive effects of this proposal are the 17 local banking markets in which the subsidiary banks of NationsBank and BankAmerica operate and compete.[18] These local banking markets are Austin, Dallas, Fort Worth, Houston, San Antonio, Temple, and Waco, in Texas; Albuquerque, Clovis, Farmington, Las Cruces, Lea, McKinley County, Santa Fe, and Roswell-Artesia, in New Mexico; and Miami-Ft. Lauderdale and West Palm Beach, in Florida.[19]

A. Banking Markets Without Divestitures

Consummation of the proposal, without divestitures, would be within the thresholds contained in the Department of Justice Merger Guidelines ("DOJ Guidelines")[20] in 11 banking markets: Austin, Fort Worth, Houston, San Antonio, Temple, and Waco, in Texas; Farmington, Las Cruces, and Roswell-Artesia, in New Mexico; and Miami-Ft. Lauderdale and West Palm Beach, in Florida.[21] In each of these markets, a large number of competitors relative to the size of the market would remain after consummation of the proposal. As discussed in Appendix C, each of these markets also would remain unconcentrated or moderately concentrated, as measured by the HHI, after consummation of the proposal, with the exception of the Farmington market. In ten of these eleven markets, including the Farmington market, consummation of the proposal would increase market concentration, as measured by the HHI, by

16. *See Philadelphia National*, 374 U.S. at 357; *Phillipsburg National*; *First Union Corporation*, 84 *Federal Reserve Bulletin* 489 (1998) ("*First Union*"); *Chemical*; *St. Joseph Valley Bank*, 68 *Federal Reserve Bulletin* 673 (1982) ("*St. Joseph*").

17. *Philadelphia National*, 374 U.S. at 359, quoting *Tampa Electric Co. v. Nashville Coal Co.*, 365 U.S. 320, 327 (1961). In determining the geographic scope of local banking markets, the Board considers a number of factors, including population density, worker commuting patterns (as indicated by census data), shopping patterns, the availability and geographic reach of various modes of advertising, the presence of shopping, employment, health care and other necessities, the availability of transportation systems and routes, branch banking patterns, deposit and loan activity, and other indicia of economic integration and the transmission of competitive forces among depository institutions that affect the pricing and availability of banking products and services. *See Crestar Bank*, 81 *Federal Reserve Bulletin* 200, 201 n.5 (1995); *Pennbancorp*, 69 *Federal Reserve Bulletin* 548 (1983); *St. Joseph*.

18. One commenter expressed concern that financial institutions that operate very large numbers of ATMs may decide to handle their own ATM transaction processing functions, rather than relying on an ATM network or third parties for such processing, and that financial institutions that engage in significant levels of credit card lending may seek to establish a separate brand identity for the credit cards that they issue. Commenter has presented no evidence to demonstrate that, if such actions were to occur, they would result in a violation of the antitrust laws, and the Board notes that the events discussed by the commenter could, in fact, increase competition for ATM transaction processing or credit card lending by creating a new competitor for such services.

Commenter also expressed concern that combinations of large banking organizations that are significant members of separate regional ATM networks may lead to the merger of the ATM networks and, thereby, result in a reduction in competition for ATM network services. Under section 4 of the BHC Act, a bank holding company is required to obtain the Board's approval before acquiring more than 5 percent of the voting shares of any company engaged in activities that are closely related to banking, including a company formed by the merger of two or more ATM networks. In the event that a merger of regional ATM networks controlled by bank holding companies is proposed at some time in the future, the Board would have the opportunity to address the issues raised by the commenter in the context of the specific facts presented at that time.

19. The geographic scope of these local banking markets is set forth in Appendix B. A few commenters contended, without providing any supporting evidence, that the Dallas, Texas, banking market is defined too broadly. As an initial matter, the Board notes that the Dallas banking market does not include the City of Fort Worth and certain surrounding communities, which are included in the separate Fort Worth banking market. The record indicates that Dallas is a hub for financial, commercial, medical, transportation, and distribution services for the areas within the Dallas banking market. Commuting and workforce data demonstrate that there is substantial and continuous economic integration between Dallas and the communities and county areas within the banking market. For example, 1990 Census Bureau data indicate that more than 30 percent of workers residing in the portions of Collin, Denton, Ellis, Kaufman, Rockwall, and Tarrant counties that are included in the Dallas banking market commute to Dallas County to work. Television, newspaper, and radio media serve all areas of the designated banking market. A recent survey conducted by the Federal Reserve Bank of Dallas indicates that commercial banks in Dallas consider the offerings of other banks located throughout the market in setting prices for loan and deposit products. Small business lending data filed under the CRA also indicate that depository institutions originate small business loans throughout the banking market. Based on these and other facts of record, the Board believes that the relevant banking market for considering the competitive effects of the proposal in the Dallas area is the Dallas banking market as defined in Appendix B.

20. Under the DOJ Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger Herfindahl–Hirschman Index ("HHI") is less than 1000 is considered to be unconcentrated, and a market in which the post-merger HHI is between 1000 and 1800 is considered to be moderately concentrated. The DOJ 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 or acquisition increases the HHI by at least 200 points. The DOJ has stated that the higher than normal HHI thresholds for screening bank mergers or acquisitions for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial institutions.

21. Market data for these markets, including respective market shares and relevant HHI figures, are set forth in Appendix C. Market concentration calculations include deposits of thrift institutions at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

less than 140 points, which is significantly less than the 200 point threshold contained in the DOJ Guidelines.[22]

B. Banking Markets with Proposed Divestitures

Consummation of the proposal would exceed the DOJ Guidelines as measured by the HHI in the remaining six banking markets. In order to mitigate the potential anticompetitive effects of the proposal in the Albuquerque, Clovis, and McKinley County banking markets in New Mexico, NationsBank has committed to divest a total of 17 branches, which in the aggregate control deposits of approximately $492 million.[23] After accounting for the proposed divestitures, consummation of the proposal would be within the thresholds in the DOJ Guidelines in these three banking markets.[24] In light of these divestitures, the transaction would result in no increase in the HHI in the Clovis and McKinley County banking markets and an increase of only 60 points in the HHI for the Albuquerque banking market. In addition, a significant number of competitors would remain in each of these markets in relation to the size of the market after consummation of the proposal.

C. Remaining Banking Markets

In the Dallas, Texas, banking market and the Santa Fe and Lea, New Mexico, banking markets, consummation of the proposal would increase the level of market concentration, as measured by the HHI, to levels that exceed the DOJ Guidelines. No divestitures have been proposed in these markets.

In conducting its review of the competitive effects of the proposal in these markets, the Board has carefully considered whether other factors either mitigate the competitive effects of the proposal in the market or indicate that the proposal would have a significantly adverse effect on competition in any of these markets.[25]

Dallas Banking Market. NationsBank is the largest of 109 depository institutions in the Dallas banking market, and controls deposits of $14.1 billion, representing approximately 35.1 percent of market deposits. BankAmerica is the fifth largest depository institution in the market, and controls deposits of $1.8 billion, representing approximately 4.4 percent of market deposits. On consummation of the proposal, New BankAmerica would remain the largest depository institution in the market and control approximately 39 percent of market deposits. The HHI would increase 311 points to 1977.[26]

The Board has considered that two savings associations operating in the Dallas banking market are significant commercial lenders and provide a range of consumer, mortgage, and other banking products and services. Competition from these savings associations more closely approximates competition from commercial banks, and the Board concludes that deposits controlled by these organizations should be weighted at 100 percent in calculating market concentration under the DOJ Guidelines.[27] Accounting for the deposits of these thrifts at 100 percent, the HHI for the Dallas banking market would increase by 302 points to 1924, and New BankAmerica would have a post-merger market share of approximately 39 percent.

22. The HHI for the San Antonio market would increase 207 points on consummation of the proposal, but the market would remain only moderately concentrated, with a post-merger HHI of 1303.

23. Calculations of existing and *pro forma* levels of market concentration in local banking markets and divestiture amounts are based on June 30, 1997, summary of deposit data, adjusted to reflect acquisitions since that date. With respect to each market in which NationsBank has committed to divest branches to mitigate the anticompetitive effects of the proposal, NationsBank has committed to execute a sales agreement, prior to consummation of the merger with Bank-America, with a purchaser determined by the Board to be competitively suitable and to complete the divestiture within 180 days of consummation of the merger.

24. Market data for these three banking markets reflecting the proposed divestitures are provided in Appendix C. NationsBank has entered into an agreement to sell all the branches to an out-of-market commercial banking organization that is competitively suitable to the Board, and the pro forma market data contained in Appendix C reflect this proposed divestiture. NationsBank has committed that, in the event it is unsuccessful in completing any divestiture within 180 days of consummation of the merger, NationsBank will transfer the unsold branches to an independent trustee that is acceptable to the Board and will instruct the trustee to sell the branches promptly. *See BankAmerica Corporation*, 78 *Federal Reserve Bulletin* 338 (1992); *United New Mexico Financial Corporation*, 77 *Federal Reserve Bulletin* 484 (1991).

25. The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the level of concentration and size of the increase in market concentration. *See NationsBank Corporation*, 84 *Federal Reserve Bulletin* 129 (1998) ("*NationsBank/Barnett*").

26. NationsBank contends that the Board, for purpose of determining the HHI in the Dallas market, should exclude approximately $5.8 billion in deposits held on June 30, 1997, by the Dallas branches of NationsBank of Texas, N.A., because the deposits were made by corporate customers that may have no special connection to the Dallas banking market, or because the deposits were transferred to another NationsBank branch outside of Texas after June 30, 1997. Certain commenters contended, on the other hand, that the Board, in determining the *pro forma* HHI for the Dallas market, should not reduce the market share of NationsBank as a consequence of the transfer in 1998 of approximately $14 billion in deposits from NationsBank's Dallas branches to its branches in North Carolina. As noted above, consistent with the Board's practice in previous cases, and based on the facts of this case, the Board has calculated existing and pro forma HHI levels in local banking markets based on the most recently available (June 30, 1997) summary of deposits, adjusted only for acquisitions consummated since that date, and has not adjusted these figures to take account of deposit transfers.

27. Certain commenters contended that the Board should not fully weight the deposits of any savings association in considering the competitive effects of the proposal. The Board previously has indicated that it may consider the competitiveness of savings associations at a level greater than 50 percent of the savings association's deposits, if appropriate. *See Banknorth Group, Inc.*, 75 *Federal Reserve Bulletin* 703 (1989). In the Dallas banking market, First Savings Bank, FSB, maintains 9 percent and Guaranty Federal Bank, FSB, maintains 5.7 percent of their respective assets in nonmortgage commercial loans, which is significantly greater than the 1.7 percent national average for thrifts. The record also indicates that these thrifts either have a separate commercial lending department or have loan officers devoted to originating nonmortgage commercial loans, and that the thrifts plan to continue to increase their commercial lending in the Dallas banking market.

After consummation of the proposal, more than 100 banks and savings associations would remain in the market, including 8 competing bank holding companies and four savings associations or savings association holding companies that each have more than $10 billion in total assets. The second and third largest depository institutions in the market are among the largest commercial banking organizations in the United States and in Texas. For example, Banc One Corporation, the second largest competitor in the Dallas banking market, is currently the 8th largest commercial banking organization in the nation by total assets,[28] and would continue to control approximately 16 percent of market deposits and operate 64 branches in the market. Chase Manhattan Corporation, the third largest competitor in the market, currently is the largest commercial banking organization in the nation by total assets,[29] and would continue to control approximately 9.5 percent of market deposits and operate 28 branches in the market.

The Dallas banking market also is attractive for entry by out-of-market competitors, as shown by market characteristics and the significant number of competitors that have entered the market recently, either *de novo* or by acquisition. Between 1990 and 1997, total deposits in the Dallas Metropolitan Statistical Area ("MSA"), which approximates the Dallas banking market, increased by more than 40 percent, compared to an average increase of 22 percent for other MSAs in Texas. Per capita income and deposits per banking office in the Dallas MSA also are significantly greater than the average for all Texas MSAs. In addition, the Dallas MSA has experienced a greater percentage increase in population from 1990 to 1996 than MSAs on the average both nationally and in Texas.

Since January 1, 1995, eight out-of-market banks and thrifts have entered the market by establishing *de novo* branches. An additional ten commercial banks have been established *de novo* in the market since the beginning of 1996. Nine other depository institutions have entered the market since 1995 by acquiring other depository institutions. During that period, more than 120 new branches have been opened, or been approved to be opened, in the Dallas banking market by competitors of NationsBank and BankAmerica.

The Board believes that these considerations and other factors mitigate the potentially adverse competitive effects of the proposal in the Dallas banking market.

New Mexico Banking Markets. NationsBank and BankAmerica also compete in the Santa Fe and Lea, New Mexico, banking markets. In the Santa Fe banking market, NationsBank is the largest of 11 depository institutions, controlling $241.2 million of deposits, representing approximately 26 percent of market deposits. BankAmerica is the sixth largest depository institution, controlling $67.2 million of deposits, representing approximately 7.2 percent of market deposits. On consummation of the proposal, NationsBank would remain the largest depository institution in the market, controlling $308.4 million of deposits, representing approximately 33.2 percent of market deposits. The concentration of market deposits, as measured by the HHI, would increase 375 points to 1965.

The Board has considered that one thrift operating in the Santa Fe banking market has been an active commercial lender, with more than 10 percent of its assets in nonmortgage commercial loans.[30] Based on all the facts of record, the Board concludes that deposits controlled by this thrift should be weighted at 100 percent in calculating market concentration under the DOJ Guidelines. Giving full weight to these deposits, the HHI in the Santa Fe banking market would increase 332 points to 1845.

Several other mitigating factors also suggest that the increase in market concentration in the Santa Fe banking market, as measured by the HHI, is not likely to reflect a significantly adverse effect on competition in the market. Ten competitors, including New BankAmerica, would remain in the banking market. The second largest depository institution in the market would control more than 20 percent of market deposits, and three other commercial banks would each control more than 10 percent of market deposits. In addition, the fifth and tenth largest competitors in the banking market are large out-of-state bank holding companies with substantial resources.

The Santa Fe banking market has become slightly less concentrated since 1991, and appears to be attractive for new entry. The Santa Fe MSA, which approximates the banking market, has greater deposits per banking office and greater per capita income than any other MSA in New Mexico. Total deposits in the Santa Fe MSA also increased approximately 49 percent from 1990 to 1997, which is significantly greater than the average deposit increase for MSAs in New Mexico during the same time period.

In the Lea banking market, NationsBank is the third largest of seven depository institutions, controlling deposits of $68.3 million, representing approximately 17 percent of market deposits. BankAmerica is the fifth largest depository institution, controlling deposits of $24.3 million, representing approximately 6 percent of market deposits. On consummation of the proposal, NationsBank would remain the third largest depository institution in the market, controlling deposits of $92.6 million, representing approximately 23 percent of market deposits, and the HHI in the market would increase 205 points to 2351.

Six competitors, including New BankAmerica, would remain in the market. Three depository institutions would each control more than 20 percent of market deposits, and one depository institution would control approximately 16.8 percent of market deposits. One of the competitors that would control more than 20 percent of market deposits is a large bank holding company with significant resources. The Lea banking market also appears to be attractive for

28. As of March 31, 1998, Banc One Corporation had total assets of approximately $117 billion.

29. Chase Manhattan Corporation had total assets of approximately $366 billion, as of March 31, 1998.

30. The record indicates that the thrift, Century Federal Savings and Loan Association, also operates a separate commercial loan department and intends to continue making commercial loans in the future.

entry. Lea County, which is approximates the Lea banking market, is the fourth largest of 27 non-MSA counties in New Mexico in terms of population, and deposits per banking office and the population per banking office in Lea County are significantly greater than the average for all non-MSA counties in the state.

D. Conclusion Regarding Competitive Factor

The Board has sought the views of the Department of Justice regarding the competitive effects of the proposal. The Department of Justice has reviewed the proposal, and advised the Board that, in light of the proposed divestitures in New Mexico, consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market.[31] The Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC") have been consulted and have not objected to consummation of the proposal.[32]

Based on all the facts of record, and for the reasons discussed above, the Board has determined that consummation of the proposal would not be likely to result in a significantly adverse effect on competition or on the concentration of banking resources in any of the 17 banking markets in which NationsBank and BankAmerica compete, or in any other relevant banking market. Accordingly, subject to completion of the proposed divestitures, the Board has determined that competitive factors are consistent with approval of the proposal.[33]

Financial, Managerial, and Supervisory Factors

The proposed combination of NationsBank and BankAmerica would create the largest banking organization in the United States and the third largest banking organization in the world, in terms of total assets. New BankAmerica would operate depository institutions in 27 states, with approximately 4,800 full-service branches. The companies have indicated that the size and geographic scope of the combined organization would provide their customers added convenience and a broader range of services, allow the combined organization to better diversify its exposure to particular geographic regions, and allow the organization to better absorb the financial costs associated with developing new and alternative methods of delivering banking resources to their customers.

The Board has carefully considered the financial and managerial resources and future prospects of the companies and banks involved in the proposal, the effect the proposed transaction would have on such resources, and other supervisory factors in light of all the facts of record, including public comments. A number of commenters expressed concerns regarding the financial and managerial resources of NationsBank, BankAmerica, and the combined organization.[34] In addition, commenters questioned whether the Board and the other federal banking agencies would have the ability to supervise the combined organization adequately, or whether the combined organization would present special risks to the federal deposit insurance funds or the financial system in general.[35]

31. Some commenters contended that studies have shown that larger banks offer more expensive products and charge higher fees. As a general matter, pricing decisions are directly affected by supply and demand conditions that may exist in markets where banks compete. In this case, data show that competition in the relevant banking markets would not be significantly reduced and that the markets would remain competitively structured.

32. One commenter contended, without providing any supporting evidence, that consummation of the proposal would have anticompetitive effects and harm consumers by expanding the number of ATMs that are subject to a surcharge on ATM transactions by non-customers. As the Board previously has noted, the practice of imposing a surcharge on the use of ATMs by non-customers is relatively recent and limited data are available on the effect of ATM surcharging. *See NationsBank Corporation*, 83 *Federal Reserve Bulletin* 148 (1997) ("*NationsBank/Boatmen's*"). Commenter, moreover, has provided no data to show that NationsBank's acquisition of BankAmerica's ATMs would give NationsBank sufficient market power to compete unfairly with other depository institutions in the market for providing the cluster of banking products and services. The Board also has taken commenter's comments regarding NationsBank's ATM surcharge policy into account in considering the convenience and needs factor in this case.

33. One commenter reiterated his contention, considered by the Board in previous cases, that the Board establish absolute limits on relative market share in bank mergers and acquisitions. *See First Union*; *NationsBank/Barnett*. For the reasons discussed in those orders, the Board has concluded that its current approach to competitive analysis provides a more complete economic analysis of the competitive effects of a proposal in a local banking market.

34. The comments included contentions that:
(i) The proposed transaction would stretch the financial resources of NationsBank;
(ii) The combined organization would have inadequate reserves for loan losses;
(iii) NationsBank currently holds risky real estate investments;
(iv) The executive officers of the organizations receive excessive compensation or would receive unreasonably large payments as a result of the proposed merger;
(v) NationsBank has experienced difficulty in integrating the credit card, lending, and other systems acquired through previous acquisitions;
(vi) Subsidiaries of NationsBank and BankAmerica that are engaged in selling securities and insurance products may not adequately inform their customers of the uninsured nature of such products; and
(vii) The systems of the combined organization may not be prepared for the Year 2000.

The Board also received comments criticizing the adequacy of the management of NationsBank based on the manner in which NationsBank's subsidiaries handled individual loan, business or shareholder transactions, or prepared credit documents and made credit decisions in individual cases. The Board also has considered these comments in reviewing the convenience and needs factor in this case.

35. Some commenters referred to lawsuits or administrative actions involving NationsBank or its subsidiaries that have been resolved or settled. A number of these commenters noted that NB-Lead Bank and its registered broker-dealer subsidiary, NationsSecurities, recently paid approximately $6.75 million to settle administrative complaints arising from securities sales activities conducted by NationsSecurities. The securities sales activities at issue in these administrative actions occurred in 1993 and 1994, and the OCC, the primary federal supervi-

In considering financial and managerial factors, the Board also has considered the terms of the merger and confidential examination and other supervisory information assessing the financial and managerial strength of both organizations on a consolidated basis as well as the financial and managerial resources of the subsidiary depository institutions of NationsBank and BankAmerica, and in particular NB-Lead Bank and BA-Lead Bank. The Board also has reviewed information submitted by NationsBank regarding the programs that NationsBank and BankAmerica have implemented to prepare their systems for the Year 2000, and confidential examination and supervisory information assessing the organizations' efforts to ensure Year 2000 readiness, both before and after the proposed transaction.

In evaluating financial factors in expansion proposals by bank holding companies, the Board has consistently considered capital adequacy to be an especially important factor.[36] The Board expects banking organizations contemplating expansion to maintain strong capital levels substantially in excess of the minimum levels specified in the Board's Capital Adequacy Guidelines. NationsBank, BankAmerica, and their subsidiary depository institutions currently are well capitalized under applicable federal guidelines. New BankAmerica and its subsidiary depository institutions also would be well capitalized on a *pro forma* basis on consummation of the transaction, and New BankAmerica would have capital ratios on a *pro forma* consolidated basis that are more than 300 basis points above the capital levels required for bank holding companies under the Board's Capital Adequacy Guidelines. The proposed transaction is structured as a stock-for-stock combination, and would not increase the debt service requirements of the combined company. In addition, both companies have reported strong earnings in recent periods.

NationsBank, BankAmerica, and their subsidiary depository institutions also are well managed, and the Board has extensive supervisory experience with the senior management of both organizations. The Board notes that the senior management of New BankAmerica would be drawn from the senior executives of NationsBank and BankAmerica, which would provide the combined organization with experience and knowledge concerning the markets and operations of both companies.[37]

The Board and the other financial supervisory agencies, moreover, have extensive experience supervising NationsBank, BankAmerica, and their subsidiary depository institutions, as well as other banking organizations that operate across multiple states or multiple regions. Building on this experience, the Board has developed a supervisory system that, in the Board's view, will permit the Board to monitor and supervise the combined organization effectively on a consolidated basis. This system involves, among other things, the continuous supervision, including both on- and off-site reviews, of the combined organization's material risks on a consolidated basis and across business lines, access to and analyses of the combined organization's internal systems and reports for monitoring and controlling risks on a consolidated basis, and frequent contact with the combined organization's senior management and risk management personnel. The Board expects that management of New BankAmerica will cooperate fully with this supervisory system to ensure that the Board has complete access to information regarding the combined organization's operations, risks, risk management, and efforts to ensure Year 2000 compliance. The Board's supervisory processes are, and would continue to be, coordinated with those of the financial supervisory agencies with primary supervisory responsibility for the combined organization's subsidiary depository institutions. The Board has contacted these financial supervisory agencies regarding the proposed merger and the supervision of the combined organization's subsidiary depository institutions and none of these agencies has objected to the proposal or indicated that consummation of the proposal would present special supervisory difficulties.

For these reasons, and based on all the facts of record, including review of the comments received, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of New BankAmerica, NationsBank, BankAmerica, and their respective subsidiaries, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act, are consistent with approval of the proposal.

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sor of NB-Lead Bank, has stated that the bank and NationsSecurities have instituted policies and procedures and taken other actions to correct the deficiencies alleged in the administrative complaints.

Several commenters noted that NationsBank is a defendant in pending administrative or judicial proceedings, including lawsuits alleging that NationsBank subsidiaries have engaged in improper lending practices and an administrative action brought by the Department of Labor alleging that NationsBank engaged in discriminatory hiring practices in Charlotte, North Carolina, in 1993. There has been no adjudication of wrongdoing by NationsBank in any of these matters, and each matter currently is pending before a forum that can provide the plaintiffs adequate redress if their allegations can be sustained.

36. *See Chemical.*

37. Several commenters alleged that the current management of NationsBank or BankAmerica, and the proposed management of New BankAmerica, would not include a sufficient number of minorities or women. Other commenters requested that the Board require that New BankAmerica maintain internal policies that would prohibit discrimination in employment on the basis of sexual orientation. The racial and gender composition of management and the breadth of an organization's internal policies on employment discrimination are not factors the Board is entitled to consider under the BHC Act. The Board notes that the Equal Employment Opportunity Commission has jurisdiction to determine whether banking organizations like NationsBank are in compliance with federal equal employment opportunity statutes under the regulations of the Department of Labor. *See* 41 C.F.R. 60–1.7(a) and 60–1.40. Several states and municipalities also have adopted laws that prohibit discrimination on the basis of sexual orientation. There has been no finding by an appropriate authority or court that either NationsBank or BankAmerica is in violation of applicable employment laws, and the Board expects all banking organizations to comply with applicable federal, state, and local laws.

Convenience and Needs Factor

In acting on the proposal, the Board also must consider the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the CRA. The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of local communities in which they operate, consistent with their safe and sound operation, and requires the appropriate federal supervisory authority to take into account an institution's record of meeting the credit needs of its entire community, including LMI neighborhoods, in evaluating bank expansion proposals. The Board has carefully considered the convenience and needs factor and the CRA performance records of the subsidiary depository institutions of NationsBank and BankAmerica in light of all the facts of record, including public comments on the proposal.

A. Summary of Public Comments Regarding Convenience and Needs Factor

The Board provided an extended period for public comment on the proposal and convened a two-day public meeting on the proposal in San Francisco to aid the Board in collecting information regarding the statutory factors the Board is required to consider and, in particular, the effect of the proposal on the convenience and needs of the affected communities and the CRA performance records of the depository institutions involved. As noted above, more than 1,600 interested persons either submitted written comments or testified at the public meeting.

More than 850 commenters supported the proposal or commented favorably on NationsBank's or BankAmerica's CRA-related activities. Many of these commenters commended NationsBank for providing credit or other services to small businesses, sponsoring community development activities, participating in programs that provided affordable housing and mortgage financing for LMI individuals, and providing support to nonprofit organizations. Other commenters related their favorable experiences with specific programs or services offered by NationsBank.[38]

A number of state and local government agencies involved in community development and affordable housing commented favorably on their experiences with NationsBank and BankAmerica. The Florida Division of Banking, for example, commended NationsBank's record of lending to small businesses and LMI and minority individuals in that state. In addition, a number of private developers commended NationsBank for supporting the development of affordable housing for low-income individuals, elderly individuals, or individuals with disabilities, through loans, grants, and technical assistance. Other private organizations supported the proposal based on NationsBank's record of financing development projects in neighborhoods with predominately LMI and minority residents, and of financing businesses owned by women and minorities ("women-owned" and "minority-owned") directly and through financial intermediaries. Some community-based organizations observed that useful needed products and services were developed through partnerships with NationsBank and BankAmerica. A number of comments from owners of small businesses stated that NationsBank had been a leader in fostering economic revitalization and community development.[39]

More than 800 commenters either opposed the proposal, requested that the Board approve the merger subject to conditions suggested by the commenter, or expressed concerns about large bank mergers in general or the CRA performance record of NationsBank or BankAmerica.[40] A

38. These commenters included:
(1) A member of the U.S. House of Representatives;
(2) Local government officials, including the mayors of Charlotte, Baltimore, Memphis, Richmond (Virginia), Houston, and Atlanta, and state senators and representatives in Arkansas, Texas, Florida, and North Carolina;
(3) The National Association for the Advancement of Colored People;
(4) National Urban League;
(5) Local Initiatives Support Corporation;
(6) ACORN Housing;
(7) Charlotte-Mecklenburg Housing Partnership;
(8) Neighborhood Assistance Corporation of America;
(9) Local branches of Neighborhood Housing Services, Inc.;
(10) Greater Miami Neighborhoods;
(11) San Francisco Chamber of Commerce;
(12) Southern Dallas Development Corporation; and
(13) Community development organizations, nonprofit organizations, and small businesses in North Carolina, Texas, Florida, and New Mexico.

39. Several commenters argued that the Board should give less weight to comments in support of the proposal if the commenter received financial assistance from NationsBank or BankAmerica to travel to the San Francisco public meeting or otherwise received encouragement or assistance from NationsBank or BankAmerica to submit comments supporting the proposal. One commenter also alleged that a NationsBank representative sought to coerce community groups to submit comments in favor of the merger and implied that failure to do so could result in a loss of funding from NationsBank. The description of the number of comments in this order is provided only to indicate the public interest in the proposal, and does not represent a numerical weighting by the Board of the comments submitted in favor of or in opposition to the proposal. The Board has carefully considered the substance of oral and written submissions in light of the entire record in this case and the factors the Board is required to consider under the BHC Act.

40. These commenters included:
(1) Several members of the U.S. House of Representatives and the U.S. Senate;
(2) Several state and local government officials, including the Mayor of San Francisco, a member of the board of supervisors for the City and County of San Francisco, the Los Angeles City Council, the mayors of Richmond and Walnut Creek, both in California, and a California State Assemblyman;
(3) The Greenlining Institute and a number of its member organizations;
(4) Community Reinvestment Association of North Carolina;
(5) California Reinvestment Committee;
(6) The Stockton, California, chapter of the National Association for the Advancement of Colored People;
(7) Inner City Press/Community on the Move;

number of these commenters contended that NationsBank had an inadequate record of performance under the CRA, particularly in lending to LMI individuals and minorities and to women- and minority-owned small businesses. Some commenters questioned NationsBank's compliance with fair lending laws and criticized the lending practices of NationsBank's subprime lending subsidiaries. Other commenters maintained that BankAmerica's CRA performance record was inadequate, particularly in New Mexico and Texas. A number of commenters criticized the lending records of NationsBank and BankAmerica by citing data submitted by the banking organizations under the Home Mortgage Disclosure Act (12 U.S.C. § 2810 *et seq.*) ("HMDA").

Some commenters who commended BankAmerica's CRA performance in California expressed concern that the proposal might diminish CRA-related activities in that state, particularly in communities and rural areas with specialized housing and community development needs. These commenters identified the activities of the Bank of America Community Development Bank and BankAmerica's Rural 2000 Initiative as programs that assisted in meeting the credit needs of diverse California communities and urged NationsBank to retain these programs. NationsBank's community development and lending programs, on the other hand, were characterized by some of these commenters as standardized and inflexible. Some commenters expressed concern that the expansion of the NationsBank Community Development Corporation ("CDC") might harm nonprofit affordable housing developers.

A number of commenters expressed concerns about NationsBank's $350 billion, 10-year community reinvestment plan. Most of these commenters asserted that the plan was inadequate because it failed to establish specific lending and investment commitments for particular states, communities, or products. Some commenters contended that the Board should monitor and enforce NationsBank's future compliance with the plan. Other commenters argued that the plan should not be considered by the Board if the plan is not enforceable by community groups or federal supervisory agencies. Some commenters also contended that NationsBank has not cooperated with community groups in general or provided community groups with access to its senior level executives.

Some commenters also were concerned that the merger would result in the loss of local control over lending decisions and the relocation of a major financial institution currently headquartered in San Francisco. In addition, commenters contended that the proposal would adversely affect local communities though job losses, reduced levels of charitable contributions, and branch closings.[41]

(8) City and County of San Diego Community Reinvestment Task Force;
(9) National Training and Information Center;
(10) Texas Community Reinvestment Coalition;
(11) Consumers Union;
(12) The U.S. Hispanic Chamber of Commerce and National Black Chamber of Commerce; and
(13) Community groups and nonprofit organizations in California, North Carolina, Florida, Texas, New Mexico, Arizona, and Nevada.

B. CRA Performance Records

In its consideration of the convenience and needs of the communities to be served by New BankAmerica, the Board has reviewed in detail the CRA performance records of NationsBank and BankAmerica, including their mortgage and small business lending records, community development and investment programs, and their initiatives to increase lending in LMI areas, in states served by their subsidiary depository institutions.[42] The Board also has considered the record and ability of these organizations to adapt programs to special local needs. In addition, the Board has considered the record of NationsBank and BankAmerica in implementing CRA programs and policies effectively after an expansion proposal, as well as the current plans of New BankAmerica for implementing CRA policies and programs following consummation of the proposal.

NationsBank and BankAmerica have indicated that the CRA policies and programs of New BankAmerica would draw on the CRA policies and programs currently in effect at both institutions. NationsBank has stated, for example, that New BankAmerica would continue to operate the Bank of America Community Development Bank, and would maintain BankAmerica's Rural 2000 Initiative and expand that initiative to areas currently served by NationsBank.[43] NationsBank also has stated that New BankAmerica would continue to operate the NationsBank CDC, which provides equity financing and technical assistance to encourage residential and commercial development in distressed urban neighborhoods.

NationsBank and BankAmerica have extensive and well-established CRA policies and programs that serve communities in several states and that have been rated "outstanding" by the federal supervisors of their subsidiary depository institutions. The Board expects that New BankAmerica will continue the policies of NationsBank

41. Several commenters opposed the proposal based on unfavorable experiences with NationsBank or BankAmerica in particular loan transactions or business dealings with the organizations. The Board has reviewed these comments in light of all the facts of record, including information provided by NationsBank. The Board has provided copies of these comments to the appropriate federal supervisor of the subsidiary involved for its consideration.

42. Some commenters claimed that evidence suggests that large banks engage in less small business lending, relative to their size and total lending activities, than small banks. The Board has considered these comments in light of the record of lending performance of NationsBank and BankAmerica, including their record of assisting in meeting the credit needs of small businesses.

43. BankAmerica's Rural 2000 Initiative, established in 1997, seeks to increase the level of community development in LMI rural areas. Under the initiative, BankAmerica established a $500 million lending goal to support community development lending in rural communities. The initiative also includes programs to support community reinvestment activities in areas with large Native American populations.

and BankAmerica that devote priority to addressing the banking needs of local communities, including LMI neighborhoods, through programs and policies that recognize the needs of different communities.

C. CRA Performance Examinations

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal financial supervisory agency.[44]

A substantial majority of NationsBank's and BankAmerica's total assets are controlled by insured depository institutions that received an "outstanding" rating at their most recent CRA performance examination. NB-Lead Bank received an "outstanding" rating from the OCC, its appropriate federal supervisor, at its most recent examination for CRA performance, as of July 1995. Since that examination, NB-Lead Bank has acquired by merger NationsBank's subsidiary banks located in Florida, Georgia, Texas, and Virginia, each of which also received an "outstanding" rating from the OCC at their most recent examinations for CRA performance conducted before the mergers.[45] After these internal mergers, NB-Lead Bank controls more than 80 percent of NationsBank's total assets. All of NationsBank's other subsidiary banks received either an "outstanding" or a "satisfactory" rating at the most recent examinations of their CRA performance.[46]

All of BankAmerica's subsidiary depository institutions received an "outstanding" rating at their most recent examinations for CRA performance. In particular, BA-Lead Bank received an "outstanding" rating from the OCC at its most recent examination for CRA performance, as of September 1997.[47] Bank of America Texas, N.A., Dallas, Texas ("BankAmerica-Texas"), also received an "outstanding" CRA rating from the OCC at its most recent examination, as of October 1996.[48]

D. NationsBank's CRA Performance Record

Overview. NationsBank's Community Investment Group coordinates and facilitates the delivery of products and services by NationsBank's subsidiaries to LMI individuals and communities and to small businesses. The Community Investment Group works with regional and local managers to market the organization's products in local communities and to develop strategies to meet the special credit needs of local communities throughout the NationsBank franchise.

In 1997, NationsBank made more than 35,000 home mortgage and home improvement loans, totaling approximately $2 billion, in LMI neighborhoods. In 1997, NationsBank also originated or purchased more than 35,000 loans, totaling more than $3 billion, under programs sponsored by the Federal Housing Administration ("FHA"), Veterans Administration ("VA"), and Farmers Home Administration. NationsBank also made approximately $11 billion in small business loans in 1997, of which more than $2 billion in loans were made to small businesses located in LMI areas. NationsBank was one of the largest bank originators of Small Business Administration ("SBA") loans by number of loans in 1997, originating 1,184 SBA loans, totaling approximately $112 million. NationsBank also operates a Small Business Investment Company ("SBIC"), which provides investments of up to $500,000 in small and minority-owned businesses that have an annual net income of less than $2 million and a net worth of less than $6 million.

NationsBank engages in community development through a variety of programs and initiatives, including the NationsBank CDC which functions as a lender and developer of affordable housing projects in LMI communities.

44. The Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process. 54 *Federal Register* 13,742 and 13,745 (1989); *see also* 62 *Federal Register* 52,105 (1997).

45. NB-Lead Bank acquired by merger the following NationsBank subsidiary banks after July 1995: NationsBank of Florida, N.A., Tampa, Florida ("NationsBank-Florida"); NationsBank of Georgia, N.A., Atlanta, Georgia ("NationsBank-Georgia"); NationsBank of Texas, N.A., Dallas, Texas ("NationsBank-Texas"); and NationsBank, N.A., Richmond, Virginia ("NationsBank-Virginia").

46. NationsBank of Tennessee, N.A., Nashville, Tennessee ("NationsBank-Tennessee"), received an "outstanding" rating from the OCC as of July 1995; and NationsBank of Delaware, N.A., Wilmington, Delaware ("NationsBank-Delaware"), a limited-purpose credit card bank, and NationsBank of Kentucky, N.A., Hopkinsville, Kentucky ("NationsBank-Kentucky"), each received "satisfactory" ratings from the OCC as of July 1995. Barnett Bank, N.A., Jacksonville, Florida; Boatmen's Bank of Austin, Austin, Texas; Sunwest Bank of El Paso, El Paso, Texas; NationsBank, N.A. (Glynn County), Brunswick, Georgia; and Community Bank of the Islands, Sanibel, Florida, also received either an "outstanding" or "satisfactory" rating at their most recent CRA examinations, which occurred prior to NationsBank's acquisition of these institutions.

47. Because BA-Lead Bank operates branches in more than one state, OCC examiners also separately rated the bank's CRA performance in each state and multi-state MSA in which the bank operated branches. BA-Lead Bank received an "outstanding" rating for its CRA performance in California, Washington, and in the multi-state MSA of Portland, Oregon-Vancouver, Washington. These states and multi-state MSA account for approximately 80 percent of BA-Lead Bank's domestic deposits from its assessment areas. BA-Lead Bank received a "satisfactory" rating for its CRA performance record in the other eight states and one multi-state MSA where it operated deposit-taking branches.

48. Bank of America, F.S.B., Portland, Oregon ("BankAmerica-FSB"), received an "outstanding" CRA rating from the Office of Thrift Supervision ("OTS") at its most recent examination, as of June 1997; Bank of America Community Development Bank, Walnut Grove, California ("Community Development Bank"), received an "outstanding" rating from the FDIC at its most recent CRA examination, as of August 1997; and Bank of America, N.A., Phoenix, Arizona ("BankAmerica-Arizona"), a limited-purpose credit card bank, received an "outstanding" rating from the OCC at its most recent examination, as of October 1996.

The NationsBank CDC has developed or redeveloped approximately 14,000 units of affordable housing with investments totaling more than $300 million since it was formed in 1991,[49] and it opened new offices in 1997 in four cities, including St. Louis, Missouri, and Tampa-St. Petersburg, Florida. NationsBank also has established a Community Development Financial Institution Initiative, a $25 million fund to provide investments and loans to financial institutions that focus their efforts on serving LMI individuals and communities, such as community development banks and multi-bank community development corporations, and a separate Community Investment Financial Institutions Initiative to assist in meeting the credit needs of rural areas.[50]

NationsBank also maintains partnerships with a number of national and local community organizations to provide affordable mortgages, counseling to first-time homebuyers, and loans and technical assistance to small businesses. These partnerships include the Neighborhood Assistance Corporation of America ("NACA"), which offers a no-downpayment mortgage product and credit and homeownership counseling to eligible borrowers. The partnership's products and services currently are offered in Atlanta, Baltimore, Charlotte, Washington, D.C., and Jacksonville, and NationsBank intends to expand the program in 1998 to seven additional cities, including Albuquerque, San Antonio, and Tampa-St. Petersburg, Florida.[51] In 1998, NationsBank increased its funding for the NACA partnership by $250 million to $750 million.

NationsBank, together with the Enterprise Social Investment Corporation, also established the Nations Housing Fund, which provides equity financing for the acquisition, construction, or rehabilitation of affordable housing. The Nations Housing Fund has helped create more than 5,000 units of affordable rental housing, and, in 1996, NationsBank doubled its initial $100 million commitment to the Fund. NationsBank also has established a partnership with Rural Local Initiatives Support Corporation ("LISC") to promote affordable housing and community development activities in rural areas, and has provided Rural LISC a $350,000 grant to support eighteen CDCs in eleven states.

Lending Record in General. As noted, the OCC conducted coordinated CRA performance examinations in 1995 of NB-Lead Bank, NationsBank-Florida, NationsBank-Georgia, NationsBank-Texas, NationsBank-Virginia, NationsBank-Kentucky, and NationsBank-Tennessee (the "NationsBank Examinations"). The NationsBank Examinations found that each bank, either directly or in conjunction with its affiliates, offered a variety of housing-related loan products with flexible credit terms and underwriting guidelines, including mortgages with low downpayment requirements and mortgages insured or guaranteed by the FHA and VA.[52] The NationsBank Examinations also found that NationsBank's subsidiary banks affirmatively solicited loan applications from all segments of their communities, especially LMI neighborhoods, and that the banks' lending activities had effectively reached LMI communities and individuals. In addition, examiners determined that the loan originations and denials of NationsBank's subsidiary banks were reasonably distributed throughout the banks' communities.

The NationsBank Examinations also concluded that NationsBank's subsidiary banks had effectively identified potentially underserved areas within their communities and designated the areas for priority attention. Examiners noted that NationsBank had established the NationsBank Neighborhoods program to focus the banks' resources on the revitalization of inner-city neighborhoods in communities served by a NationsBank's subsidiary bank.[53] NationsBank's subsidiary banks also maintained an ongoing dialogue with local government officials and community groups representing neighborhoods, small businesses and minorities to ascertain the credit needs of the local community, and participated in loan pools and programs with local government and community development organizations to promote affordable housing opportunities in local communities.[54]

Examiners also concluded that NationsBank's subsidiary banks continued to help meet the credit needs of small businesses in their communities, including LMI communities. They noted, for example, that NB-Lead Bank increased its volume of business loans in LMI areas in North Carolina and South Carolina from 1993 to 1994, and that NationsBank had increased its offering of business lines of credit to respond to an identified need of small business owners. The NationsBank Examinations also found that the banks actively participated in community development activities in their communities, and noted that the banks

49. The NationsBank CDC has provided debt and equity financing to a number of community development corporations through national or local partnerships or programs. These partnerships include neighborhood development organizations, for-profit developers, local and federal government agencies, and financial intermediaries.

50. The initiative fund was developed to enhance NationsBank's existing partnerships with 10 minority-owned banks, many of which serve rural areas. The Community Investment Group also includes NationsBank's Rural Forum which focuses on lending to LMI borrowers in rural communities.

51. NationsBank's partnerships with other organizations include ACORN Housing, National Council of La Raza, the National Urban League, and the National Association for the Advancement of Colored People.

52. These affordable mortgage programs included two loan products that required a downpayment of 5 percent, with only 3 percent or $500 of the necessary downpayment required to be provided from the borrower's own funds.

53. The program included neighborhoods in the following cities: Charlotte, Durham, and Greensboro, North Carolina; Charleston and Greenville, South Carolina; Austin, Houston, and San Antonio, Texas; Tampa, Miami, and Orlando, Florida; Atlanta, Macon, and Savannah, Georgia; and Chattanooga and Memphis, Tennessee.

54. Among the projects with local government and community groups noted by examiners were the Charlotte/Mecklenburg Housing Partnership in North Carolina; the South Carolina Down Payment Assistance Program; the Tampa Challenge Fund II and Homes for South Florida in Florida; the Tarrant County Housing Partnership and City of Austin "Double Down" Program in Texas; and the Athens/Clarke County H.E.L.P. Program in Georgia.

frequently had taken a leadership role in corporate or local initiatives designed to promote community development.

Examiners also concluded that NationsBank's subsidiary banks reasonably served the credit needs of all segments of their communities, including LMI communities, through their branch structure, ATM network, and alternative delivery systems. The NationsBank Examinations reviewed the branch closing policies and record of branch closings of NationsBank's subsidiary banks and concluded that each of the banks had a good record of opening, closing, and relocating branch offices while providing all segments of its communities, including LMI areas, with reasonable access to bank services.

Importantly, examiners found no evidence of prohibited discriminatory or other illegal credit practices by NationsBank's subsidiary banks.[55] In reaching this conclusion, examiners conducted a comparative analysis of loan applications submitted by minority and non-minority applicants.

NB-Lead Bank in North Carolina and South Carolina. Examiners concluded that the lending record of NB-Lead Bank reflected a responsiveness to the most important credit needs of its communities. For example, in 1994, the bank made 303 loans under NationsBank's affordable mortgage loan programs totaling $19 million in North Carolina, and 451 loans totaling $27 million under these programs in South Carolina. Examiners also noted that the bank continued to assist in meeting the credit needs of agricultural communities in North Carolina and South Carolina, making more than 900 agriculture-related loans, which totaled $77 million, in these states in 1993 and 1994, and which included more than 480 loans totaling approximately $37.5 million in LMI areas.

NB-Lead Bank significantly increased its origination of SBA-guaranteed loans from 1993 to 1994.[56] Examiners also noted that NB-Lead Bank provided funding for the NAACP Community Development Resource Centers in Charlotte, North Carolina, and Columbia, South Carolina, which provide educational assistance to potential homebuyers and small businesses, and that customer referrals from these Resource Centers resulted in the origination of approximately $10 million in consumer and small business loans by NB-Lead Bank.

NB-Lead Bank participated with state and local governments in a number of loan programs designed to promote affordable housing and economic and community development during the period covered by the examination. For example, in 1994, NB-Lead Bank made 69 loans totaling $4.4 million under the North Carolina Housing Finance Agency Home Ownership Program, which assists banks in making mortgages in rural areas of the state. NB-Lead Bank also participated in loan programs operated in conjunction with the cities of Charlotte, Hendersonville, and Wilmington in North Carolina, and the cities of Liberty, Columbia, and Rock Hill in South Carolina.[57]

NationsBank invested approximately $8.5 million in eight projects in North Carolina and South Carolina for the construction or rehabilitation of approximately 350 housing units for LMI families and individuals in 1994. NationsBank's SBIC also made $1.4 million in investments in nine businesses in North Carolina and South Carolina, including five minority- or women-owned businesses.

In 1997, NationsBank made more than 100 community development loans totaling $15 million in North Carolina. In 1997, NationsBank also originated more than $6 million of SBA loans in North Carolina and $3 million of SBA loans in South Carolina, making NationsBank the top SBA lender in both states.

Florida. Examiners concluded that NationsBank-Florida showed a commitment to lending to small businesses throughout its service communities that was reflected by the bank's origination of business loans totaling $45 million in LMI areas of Florida in 1994. Furthermore, despite an overall decline in business lending, the bank increased its SBA lending in Florida from 1993 to 1994, making 42 loans totaling $8.5 million under SBA programs in 1994.[58] NationsBank-Florida also made 21 agricultural loans totaling $5.4 million in 1994.[59]

In addition, NationsBank-Florida made 18 low-cost mortgage loans, totaling $1.3 million, to LMI individuals under the Keystone Challenge Fund in 1994, and provided $2.1 million in financing to the First Housing Development Corporation for the construction or rehabilitation of multifamily rental housing. In 1993 and 1994, the bank provided approximately $4 million in equity financing for the development of 286 affordable housing units for low-income families in conjunction with the Nations Housing Fund.

Since the NationsBank Examinations, NationsBank has provided a total of $1.4 million in grants to seven Black Business Investment Corporations in Florida, and in 1998 expanded its SBIC to Jacksonville. The NationsBank CDC also recently committed approximately $30 million to projects that will create 772 units of affordable, multifamily housing units in three localities.[60] In 1997,

55. Examiners also found no evidence of prohibited discriminatory or illegal credit practices at Barnett Bank, Boatmen's Bank of Austin, Sunwest Bank of El Paso, Community Bank of the Islands, and NationsBank, N.A. (Glynn County) at the banks' most recent CRA performance examinations, which were conducted before the banks were acquired by NationsBank.

56. In 1994, NB-Lead Bank originated 82 SBA loans totaling approximately $21.7 million, compared with 51 loans totaling $14.6 million in 1993.

57. In 1994, NB-Lead Bank originated 91 loans totaling approximately $5.5 million under the city and county-sponsored loan programs noted by examiners.

58. In 1993, the bank originated 21 SBA loans totaling approximately $3.3 million.

59. Although NationsBank-Florida's agricultural lending decreased from 1993 to 1994, examiners noted that this decline was generally attributable to a single large loan made in 1993 and external factors affecting agricultural businesses in Florida.

60. Several commenters alleged that NationsBank should acquire more goods and services from businesses owned by women and minorities. NationsBank responded that it conducted $106 million in business with more than 1,200 minority- and women-owned businesses in 1997, and that it was named "Corporation of the Year" by the National Minority Supplier Development Council in 1997.

NationsBank originated or purchased more than 21,000 housing-related loans totaling approximately $954 million in LMI areas in Florida.

Georgia. Examiners noted that NationsBank-Georgia increased its origination of consumer and HMDA-reportable loans in LMI areas from 1993 to 1994. Small business lending in LMI areas of Georgia by the bank also increased from $131 million in 1993 to approximately $200 million in 1994. NationsBank-Georgia made 115 agricultural loans totaling $5.4 million in 1994.

The number and dollar volume of the bank's SBA loans more than doubled from 1993 to 1994. In 1994, the bank originated 50 SBA loans totaling $16.6 million, compared with 23 loans totaling $8.2 million in 1993. Examiners also noted that the bank invested $200,000 in the Savannah CDC, which seeks to support small businesses in downtown Savannah, and committed $4.5 million to the Atlanta Economic Development Corporation for the construction of a community center in Atlanta.

Virginia, Maryland, and the District of Columbia. NationsBank-Virginia significantly increased its origination of mortgages through its partnership with ACORN Housing from 1993 to 1994, originating approximately 500 loans totaling approximately $52 million in 1994 throughout Virginia, Maryland, and the District of Columbia.[61]

Examiners also noted that NationsBank-Virginia was the most active lender under the Virginia Housing Development Authority ("VHDA") loan program, making 324 loans totaling $23 million under the program in 1994. This represented an increase from 1993, when the bank originated 285 loans totaling $19 million under the VHDA loan program.

In addition, the bank's Community Development Lending Group provided a total of $48.5 million in financing in 1993 and 1994 for neighborhood revitalization projects. These projects included $1.6 million in financing to develop a shopping center in the 14th Street Urban Renewal Area in the District of Columbia.

Texas. Examiners favorably noted that NationsBank-Texas made 805 low-rate mortgages, totaling $44 million, in 1993 and 1994 through its partnerships with ACORN Housing and the United Housing Program, and that the bank participated in a variety of other city-sponsored programs, including the Dallas Affordable Housing Partnership, that provided mortgage products to LMI borrowers.[62] Although the bank's overall number of HMDA-reportable loan originations declined from 1993 to 1994, examiners found that the number of the bank's HMDA-reportable loans in LMI areas increased by 44 percent from 1993 to 1994.

Small business lending through programs sponsored by the SBA also increased from 1993 to 1994.[63] Overall, NationsBank-Texas made a total of $375 million in loans to small businesses located in LMI neighborhoods in 1994. The bank also provided $1 million in equity and loaned $5.7 million to the Carlton Court Limited Partnership for the development of approximately 260 apartment units for low-income residents of Dallas, and invested $2.4 million in MESBIC Ventures, a minority-owned small business investment company that provides financing to small and minority-owned businesses during the period covered by the performance examination.

NationsBank recently committed $500 million for loans and investments in south Dallas in the next four years. In 1997, NationsBank originated or purchased more than 6,000 housing-related loans totaling approximately $240 million in LMI areas in Texas. The Texas Banking Commissioner also has advised the Board that NationsBank has agreed to take a number of actions in Texas after consummation of the proposal, including increasing its small business lending activities and purchases from minority- and women-owned businesses in Texas, and freezing its monthly service charge on certain deposit products for LMI markets for 12 months after consummation.

New Mexico. NationsBank entered New Mexico in 1997 through its acquisition of Boatmen's Bancshares, Inc., St. Louis, Missouri, which operated twelve subsidiary banks in the state.[64] Each of the twelve bank subsidiaries of Boatmen's received either an "outstanding" or a "satisfactory" rating at its most recent examination for CRA performance, which occurred before NationsBank acquired the banks. NationsBank has merged eleven of these banks into NB-Lead Bank, which, as noted, received an "outstanding" rating at its most recent CRA performance examination.[65]

The Board also has considered actions that NationsBank has taken since entering New Mexico to meet the credit needs of the communities it serves in the state. In 1997, NationsBank originated or purchased more than 850 housing-related loans totaling approximately

Although the Board fully supports programs designed to stimulate and create economic opportunities for all members of society, the Board concludes that consideration of the third-party contracting activities of NationsBank is beyond the scope of the CRA and other relevant federal banking statutes.

61. In 1993, NationsBank-Virginia made 15 loans totaling $1.2 million through the ACORN Partnership in the District of Columbia. The partnership's programs were not available in Maryland or Virginia in 1993.

62. NationsBank made a total of 1,649 affordable mortgages, totaling $81 million, in Texas in 1994.

63. The bank made 123 SBA loans totaling approximately $20 million in 1994, compared with 51 loans totaling $16.5 million in 1993.

64. These banks were Sunwest Bank of Albuquerque, N.A., Albuquerque; Sunwest Bank of Clovis, N.A., Clovis; Sunwest Bank of Rio Arriba, N.A., Espanola; Sunwest Bank of Farmington, Farmington; Sunwest Bank of Gallup, Gallup; Sunwest Bank of Hobbs, N.A., Hobbs; Sunwest Bank of Las Cruces, N.A., Las Cruces; Sunwest Bank of Raton, N.A., Raton; Sunwest Bank of Roswell, N.A., Roswell; Sunwest Bank of Santa Fe, Santa Fe; Sunwest Bank, Silver City; and Boatmen's Credit Card Bank, Albuquerque, all in New Mexico.

65. Boatmen's Credit Card Bank, a limited-purpose credit card bank, was merged into NationsBank's limited-purpose credit card bank, NationsBank-Delaware, which, as noted, received a "satisfactory" rating at its most recent examination for CRA performance.

$44.6 million in LMI areas in New Mexico. NationsBank also made a $500,000 loan to the New Mexico Community Development Fund, which provides low-interest financing and technical assistance to urban and rural communities in the state, and a $400,000 loan to the Santa Fe Business Incubator, which provides assistance to small start-up businesses.

E. BankAmerica's CRA Performance Record

Overview. BankAmerica's subsidiary depository institutions are integrated into the company's corporate CRA strategy and work in a coordinated manner to deliver the company's CRA-related programs and services to their local communities. Retail banking services are provided primarily by BA-Lead Bank and BankAmerica-Texas. Local CRA activities of BA-Lead Bank and BankAmerica-Texas are supported by the Community Development Bank and BankAmerica-FSB, which make community development investments and originate affordable housing loans throughout the communities served by BankAmerica.[66]

BankAmerica offers a wide range of credit products through its subsidiary banks, including a number of products with flexible underwriting criteria that are designed to assist in meeting the credit needs of small businesses and LMI individuals and communities. For example, BankAmerica's Neighborhood Advantage mortgage product uses special underwriting criteria and requires a downpayment of 5 percent, with 3 percent of the downpayment from the borrower's own funds.[67] BankAmerica also offers an affordable consumer loan product, the BankAmerica Special Income Credit (B*A*S*I*C), that uses special underwriting criteria. The Neighborhood Advantage product and home equity and home improvement loans under the B*A*S*I*C program are available for loans relating to properties in LMI areas and to borrowers whose income is less than 100 percent of the relevant county's median income.[68] BankAmerica automatically analyzes loan applications to determine whether the loan would qualify for the Neighborhood Advantage or B*A*S*I*C program. In 1997, BankAmerica made $3.5 billion in home loans under the Neighborhood Advantage program, and $1.3 billion in consumer loans under the B*A*S*I*C program to low-income borrowers.

BankAmerica also offers an Advantage Business Credit program, which provides loans or lines of credit of up to $100,000 to small businesses under an expedited review process. In addition, BankAmerica offers SBA loans and is designated as an SBA Preferred Lender in each SBA district in which it operates.

Lending Record In General. As noted above, the appropriate federal supervisory agencies conducted CRA performance examinations of BA-Lead Bank, Community Development Bank, and BankAmerica-FSB in 1997, and BankAmerica-Texas in 1996 (the "BankAmerica Examinations"). Examiners concluded that loan originations by the institutions were reasonably distributed throughout their communities, including LMI communities. Examiners also found that the lending activities of the institutions reflected responsiveness to the credit needs of their communities.

Examiners at BA-Lead Bank, which represents approximately 90 percent of BankAmerica's total consolidated assets, noted that the bank had demonstrated leadership in its CRA performance and was exemplary in extending credit to LMI borrowers. Examiners found that BA-Lead Bank's percentage of total loan originations to LMI borrowers in many areas matched or exceeded the bank's overall market share in the area or the representation of LMI borrowers in the area's population in 1996. BA-Lead Bank originated approximately 30,500 residential housing-related loans to LMI individuals, totaling $1.5 billion.[69] BA-Lead Bank originated 22,986 small business loans, totaling $1.4 billion in LMI census tracts and representing approximately 26 percent of the bank's total small business loan originations. The BankAmerica Examinations also noted that the institutions were active in community development activities. Examiners found that BA-Lead Bank's community development activities represented a substantial commitment to its communities. BA-Lead Bank made 266 community development loans, totaling approximately $467 million, and 1,202 qualified community development investments, totaling approximately $406 million.[70] Community Development Bank also originated $37 million in community development loans and partially financed ten housing projects that created 763 units of affordable housing for LMI individuals.

The BankAmerica Examinations also found that the branch networks of the institutions were reasonably distributed throughout their respective communities, including

66. In January 1998, BankAmerica sold BankAmerica-FSB's deposit-taking branches in Hawaii, Illinois, and Indiana to other institutions, and BankAmerica-FSB currently operates a single deposit-taking branch in Walnut Creek, California, which primarily accepts deposits related to the bank's community development activities.

67. BA-Lead Bank also participates in the Home Works program in conjunction with the City of Los Angeles, which provides eligible applicants with financial assistance to meet the downpayment requirement and an interest-free loan for rehabilitation of the acquired property.

68. Non-housing related consumer loans are available under the B*A*S*I*C program for borrowers with incomes that are equal to or less than 80 percent of the area's median income.

69. All lending data from the BankAmerica Examinations are for the assessment period covered by the examination unless otherwise indicated. Those periods for the banks are as follows: BA-Lead Bank (January 1996 through June 1997), BankAmerica-Texas (September 1994 through October 1996), Community Development Bank (January 1996 through August 1997), and BankAmerica-FSB (March 1995 through March 1997).

70. The BankAmerica Examinations found that BankAmerica-FSB's loan originations were reasonably distributed throughout its communities, and that the institution had increased its lending for affordable housing projects from $173 million in 1995 to $254 million in 1996. The savings association also actively participated in government-sponsored loan programs, originating approximately $338 million in FHA and VA loans in 1996.

LMI areas.[71] Examiners reviewed the institutions' branch closing policies and records of opening and closing branch offices and concluded that branches closed by the institutions during the review period generally had not adversely affected the ability of the institutions to serve their entire communities, including LMI areas.

The BankAmerica Examinations included reviews of the fair lending policies and programs of BA-Lead Bank, BankAmerica-Texas, Community Development Bank, and BankAmerica-FSB as part of the depository institutions' fair lending law compliance examinations. Examiners found that the fair lending policies and programs maintained by the institutions were comprehensive and sufficient to monitor compliance with the fair lending laws.[72] OCC examiners reviewed a sample of housing-related loan files at BA-Lead Bank during the 1997 examination and concluded that the bank did not process housing-related loan applications from minorities in a disparate manner. Examiners at the BankAmerica Examinations also found no evidence of prohibited discriminatory or other illegal credit practices at any other subsidiary depository institution of BankAmerica.

California. BA-Lead Bank is the largest commercial bank in California and approximately 60 percent of the bank's total domestic deposits are held in the state. As noted above, New BankAmerica will continue to operate the Community Development Bank after consummation of the merger. BA-Lead Bank originated 120 community development loans, totaling $261 million, that financed approximately 5,500 units of housing for LMI residents of California. Community Development Bank also provided funding for a variety of affordable housing projects in the Sacramento and Oakland areas, including $7.6 million in financing for the construction of 125 units of affordable housing in the Vintage Court development in Alameda County and $4.5 million in financing for the construction of 124 units of affordable housing in the Southland Park project in Sacramento.[73]

Examiners concluded that BA-Lead Bank's lending performance in California demonstrated a substantial level of housing-related and consumer loans to LMI borrowers, and that the bank's residential, small business, and consumer lending were reasonably distributed throughout the state, including LMI areas. In 1996, BA-Lead Bank originated approximately 13 percent of its housing-related loans and 26 percent of its consumer loans in California in LMI areas. Examiners found that Community Development Bank's lending levels also reflected responsiveness to the credit needs of its California assessment area.

Examiners also found that BA-Lead Bank was effective in helping to meet the credit needs of small businesses of all sizes in California, and noted that approximately 92 percent of the bank's small business loans were in amounts of less than $100,000. In addition, approximately 26 percent of BA-Lead Bank's and Community Development Bank's small business loans in California were originated in LMI areas, which is a level that approximates the percentage of small businesses in California located in LMI areas. The Community Development Bank originated 88 SBA loans in its assessment area from October 1995 to September 1997, with a substantial portion of these loans originated under the SBA's 504 Loan Program and new FA$TRAK Program, each of which provides flexible repayment terms.[74]

BA-Lead Bank also made a total of $181 million and the Community Development Bank made more than $5.5 million in community development investments and grants in California. The BankAmerica Foundation also provided support to a wide variety of nonprofit community development organizations throughout the state, including the Rural California Housing Corporation, Housing California, and the California Community Economic Development Corporation.

Texas. The 1996 examination of BankAmerica-Texas found that the bank engaged in substantial lending activities that addressed important credit needs of its communities, including LMI neighborhoods. Examiners also noted that BankAmerica-Texas offered innovative and specialized credit products designed to help serve LMI borrowers. BankAmerica-Texas originated the largest volume of conventional home purchase mortgages in Texas in 1995, and made more than $198 million in loans to LMI individuals and to small businesses in LMI areas. Examiners also considered the bank's HMDA-reportable lending in LMI areas to be particularly strong.[75] BankAmerica-Texas originated 140 SBA loans, totaling approximately $32 million, and examiners commented favorably that the bank's small business loans were distributed throughout its communities, with more than 20 percent of the loans originated in LMI areas in 1995.

71. Examiners also noted that BA-Lead Bank operated a sizable network of alternative delivery systems that was generally accessible to customers in LMI areas, including an extensive network of ATMs, a 24-hour help line, and Loan-by-Phone services.

72. OTS examiners, for example, noted that BankAmerica-FSB, which continues to control BankAmerica's principal mortgage subsidiary, the BankAmerica Mortgage Group, used a variety of methods to monitor compliance with the fair lending laws, including second review programs for denied applications, a "matched pair" testing program designed to assure the equal treatment of similarly situated minority and non-minority applicants, and statistical analyses of loan decisions.

73. The Community Development Bank also initiated several programs utilizing loans, guarantees, and subsidies to meet the special credit needs of California communities, including special financing packages developed with the Los Angeles Housing Department to repair damage caused by the Northridge earthquake and with the State Water Resource Board to eliminate pollution in the Santa Cruz and Lake Tahoe areas.

74. The SBA 504 Loan Program allowed repayment terms of between 10 and 20 years. The FA$TRACK Program permitted small businesses to develop a stable cash flow before repayment begins.

75. Forty percent of the residential housing loans and 33 percent of the consumer loans originated by BankAmerica-Texas in 1995 were to LMI borrowers. These percentages exceeded the representation of LMI residents in the general population of many areas within the bank's delineated community.

The BankAmerica Examinations also found that BankAmerica-Texas actively participated in community development activities in its communities. Examiners noted that BankAmerica-Texas held a portfolio of approximately $6 million in municipal securities to finance housing projects in Texas, and provided $4 million in financing for the Corona del Valle project in El Paso, which will provide 100 units of housing for low-income persons. The bank also committed a total of $3.4 million in investments to community development organizations throughout the state, including the San Antonio Business Development Fund and the Greater Brownsville CDC; invested more than $5 million in low-income housing tax credits through the Texas Housing Opportunities Fund; and provided more than $7 million in loans for the Sterling Green Village development in Houston, which will provide 150 units of affordable housing.

New Mexico. Examiners at the 1997 examination of BA-Lead Bank noted that the bank's 41 branches in New Mexico accounted for less than 1 percent of the bank's total domestic deposits.[76] Although examiners noted areas for improvement in the bank's residential and community development lending activities, examiners noted that the bank began participating in the HUD 184 Native American Home Loan Program in 1997. The program provided loan guarantees to tribal members and designated tribal housing authorities. Examiners also noted that BA-Lead Bank had developed a special initiative that is designed to address the specific needs of lesser populated states like New Mexico.

In reviewing other aspects of the bank's lending activities, examiners found that 43 percent of the bank's consumer loans in the state were made to LMI borrowers, which exceeded the representation of LMI individuals in the general population. Examiners also noted that the bank's small business loans were reasonably distributed throughout all areas of the community, including LMI areas. BA-Lead Bank also made a total of 33 grants and contributions totaling $230,000 to nonprofit organizations throughout the state. This represented approximately 3 percent of the bank's total grants and contributions by amount. Examiners also found that the bank's branches were adequately distributed throughout the community, including LMI areas.

F. HMDA Data

The Board also has carefully considered the lending records of NationsBank and BankAmerica in light of comments regarding the HMDA data reported by the organizations' subsidiaries. The data generally show that NationsBank and BankAmerica have assisted in meeting the housing-related credit needs of minority and LMI borrowers and borrowers in LMI areas. For example, data for 1997 indicate that NationsBank originated a higher percentage of its housing-related loans in LMI areas in Florida, Georgia, Texas, New Mexico, and Maryland than lenders in the aggregate in those states. In many areas, including the states of North Carolina, Florida, Georgia, Maryland, and New Mexico, the percentage of NationsBank's housing-related loan originations to African Americans in 1997, compared with its total housing-related originations for that year, equaled or approximated the performance of lenders in the aggregate in the relevant area.

Data for 1997 also indicate that BankAmerica originated a higher percentage of its housing-related loans to Hispanics in Texas and New Mexico than lenders in the aggregate. In addition, these data indicate that BankAmerica originated a higher percentage of its HMDA-reportable loans to LMI borrowers in California, Texas, and New Mexico than lenders in the aggregate in those states.

The data also reflect certain disparities in the rates of loan applications, originations, and denials among members of different racial groups and persons at different income levels, both generally and in certain states and local areas. The Board is concerned when an institution's record indicates such disparities in lending, and believes that all banks are obligated to ensure that their lending practices are based on criteria that assure not only safe and sound banking, but also equal access to credit by creditworthy applicants regardless of their race or income level. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because the data cover only a few categories of housing-related lending. HMDA data, moreover, provide only limited information about the covered loans.[77] HMDA data, therefore, have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has not adequately assisted in meeting its communities' credit needs or has engaged in illegal discrimination in making lending decisions.

Because of the limitations of HMDA data, the Board has carefully considered the data in light of other information, including examination reports that provide an on-site evaluation of the compliance by the subsidiary banks of NationsBank and BankAmerica with the fair lending laws and the overall lending and community development activities of the banks.[78] As discussed above, examiners found

76. Loans originated by BA-Lead Bank in New Mexico accounted for 1.4 percent of the bank's total loans by number, and 1.3 percent of the bank's total loans by dollar volume.

77. The data, for example, do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and do not provide a basis for an independent assessment of whether an applicant who was denied credit was, in fact, creditworthy. Credit history problems and excessive debt levels relative to income (reasons most frequently cited for a credit denial) are not available from HMDA data.

78. Certain commenters contended that they had difficulty in obtaining HMDA data from NB-Lead Bank or BA-Lead Bank, or that the data were not maintained at the banks' local offices as required by federal law. The Board's regulations require that each insured depository institution make its HMDA disclosure statement and modified loan application register available to the public from its home office

no evidence of prohibited discrimination or other illegal credit practices at the subsidiary depository institutions of NationsBank and BankAmerica at their most recent examinations. Examiners reviewed the fair lending policies and procedures maintained by the depository institutions and found the policies and procedures to be comprehensive and appropriate for monitoring compliance with fair lending laws.[79] Examiners also conducted comparative file reviews at NB-Lead Bank and BA-Lead Bank for racial discrimination and found no violations of the fair lending laws. The Board also has considered the HMDA data in light of the overall lending records of NationsBank and BankAmerica, which show that their subsidiary depository institutions are assisting in meeting the credit needs of their entire communities, including LMI neighborhoods, and confidential supervisory information received from the OCC.

G. Branch Closings

Several commenters contended that NationsBank or BankAmerica have closed branches in their respective service areas, particularly in LMI neighborhoods, that have adversely affected the local communities. These and other commenters expressed concern that this merger would result in additional branch closings in LMI and other neighborhoods, particularly in Texas and New Mexico.

NationsBank has indicated that there may be some branch closings as a result of the proposed merger. NationsBank expects that branch closings will be limited to a small number of locations in Texas and New Mexico where both NationsBank and BankAmerica currently operate branches, and has submitted preliminary and confidential information concerning branches that are under consideration for closure in Texas and New Mexico. NationsBank has indicated, however, that NationsBank and BankAmerica continue to obtain, prepare, and review relevant data concerning branches in these areas.

The Board has carefully considered the public comments regarding past and potential branch closings in light of all the facts of record, including the preliminary branch closing information provided by NationsBank and the limited geographic overlap of the organizations' branch networks. The Board also has carefully considered the branch closing policies of NationsBank and BankAmerica and the record of the institutions in opening and closing branches. NationsBank's corporate branch closing policy and BA-Lead Bank's branch closing policy require that a senior officer from the organization's community investment department approve all branch closings. Both branch closing policies also require that an appropriate senior officer from the community investment department, prior to any final decision to close a branch, consider whether the closing would have an adverse impact on the community served and the actions that NationsBank or BankAmerica would take to mitigate any adverse effects of the closing on the community.[80]

Examiners reviewed the branch closing policies and record of opening and closing branches of NationsBank's subsidiary banks during the NationsBank Examinations and of BankAmerica's subsidiary depository institutions during the BankAmerica Examinations. Examiners for NationsBank concluded that its subsidiary banks generally had good records of opening, closing, and relocating their offices while providing all segments of their communities with reasonable access to banking services.[81] Examiners also found that the branch locations of BankAmerica's subsidiary depository institutions, even after various branch closings, provided reasonable access to banking services to all segments of BankAmerica's communities, including LMI areas.[82]

The Board also has taken account of NationsBank's record of closing branches after its recent acquisitions of Barnett Banks, Inc., and Boatmen's Bancshares. Many of the branches that NationsBank has closed or has proposed to close in connection with these acquisitions were or would be consolidated into other NationsBank branches that are located near the affected branch. In addition, NationsBank would continue to operate a significant number of branches in LMI areas, both overall and in Florida, after accounting for the closings that have occurred or are scheduled to occur after these acquisitions. NationsBank's announced branch closings in Florida also would not de-

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and the relevant portion of such documents available from at least one branch office in each additional MSA where the institution has branches. *See* 12 C.F.R. 203.5. These regulations also require that all of the institution's branch offices in MSAs post notices informing the public where requests for the institution's HMDA data should be sent, and require that the institution respond to written requests for data within specified time frames. The Board has forwarded these comments to the OCC, the primary federal supervisor of NB-Lead Bank and BA-Lead Bank. The OCC has supervisory authority to investigate commenters' complaints and to take any action deemed appropriate to ensure compliance by the institution involved with the public disclosure provisions of HMDA.

79. Several commenters also expressed concerns that NationsBank's toll-free Advocacy Call Center, which collects and handles fair lending complaints, may mislead callers into thinking that they have filed a complaint with NationsBank's federal supervisor or another governmental agency. Other commenters were dissatisfied with the center's advice. Commenters presented no facts to support their allegations.

80. The branch closing policy of BankAmerica-Texas provides that the bank will not close a branch in a lower-income community if the branch is the only provider of financial services in the community and requires the bank to explore alternative methods of ensuring continued access to banking services in lower income areas affected by branch closings.

81. One commenter contended that BankAmerica, in connection with the 1997 merger of Bank of America Illinois into BA-Lead Bank, represented to the OCC that the branches of BankAmerica-FSB operating in certain grocery stores in the Chicago area would continue to be used by BankAmerica to help meet the convenience and needs of those communities. As noted, BankAmerica-FSB's branches in Illinois were sold in 1998 to another financial institution. NationsBank has stated, and the OCC has confirmed, that BankAmerica made no commitment to continue to operate the branches in question.

82. For example, BA-Lead Bank closed 63 branches in California, including 15 in LMI areas, during the assessment period covered by its CRA performance examination. Examiners noted that all the branches closed in LMI areas were reasonably close to another branch of the bank.

crease the percentage of NationsBank's branches in Florida that are located in LMI areas.

The Board also has considered that federal banking law provides a specific mechanism for addressing branch closings. Federal law requires an insured depository institution to provide notice to the public and to the appropriate federal regulatory agency prior to closing a branch. The law does not authorize federal regulators to prevent the closing of any branch.[83] Any branch closings resulting from the proposed transaction will be considered by the appropriate federal supervisor at the next CRA examination of the relevant subsidiary bank.

To permit the Board to assess the effectiveness of the branch closing policies of New BankAmerica, the Board conditions its action on this proposal on the requirement that New BankAmerica report to the Federal Reserve System on a semi-annual basis during the two-year period after consummation all branch closings, including consolidations, that occur as a result of this proposal. For branches closed in LMI census tracts, New BankAmerica should indicate the proximity of the closed branch to the closest branch of New BankAmerica and the steps New BankAmerica took to mitigate the impact of the branch closure.[84]

H. CRA Plan

In connection with this proposal, NationsBank has announced a $350 billion, 10-year community reinvestment and lending plan.[85] NationsBank also has stated that New BankAmerica would honor all of the outstanding CRA commitments that NationsBank and BankAmerica have with states and community groups, including BankAmerica's commitment to provide $40 million in annual charitable contributions and to provide $150 million in loans in Hawaii. In addition, New BankAmerica proposes to establish a separate annual charitable contribution goal of $100 million.

NationsBank intends to report publicly on its activities under the plan each year beginning in 1999. The reports would provide information on national, state, and local levels, by product line, and would describe the geographic and demographic distribution of products and services offered under the plan. New BankAmerica's senior management would hold an annual meeting with community organizations to discuss results of the plan.[86] NationsBank also has indicated that local and regional managers of New BankAmerica would have substantial input into the organization's community investment and philanthropic activities at the regional and local level, including California, and that New BankAmerica would continue to seek the input of local and regional community groups in establishing the company's goals for community development lending and investment in local areas.

The CRA requires that, in considering NationsBank's application to acquire BankAmerica's subsidiary insured depository institutions, the Board carefully review the actual record of past performance of NationsBank and BankAmerica in helping to meet the credit needs of their entire communities.[87] Consistent with this mandate, the Board previously has held that, to gain approval of a proposal to acquire an insured depository institution, an applicant must demonstrate a satisfactory record of performance under the CRA without reliance on plans or commitments for future action.[88]

The Board has considered the CRA plan in this light as an indication of the intent of New BankAmerica to maintain the commitment to serving the banking convenience and needs of its communities that has been demonstrated consistently by NationsBank and BankAmerica. The Board believes that the CRA plan—whether made as a plan or as an enforceable commitment—has no relevance in this case without the demonstrated record of performance of the companies involved. The Board notes, moreover, that the future activities of New BankAmerica's subsidiary depository institutions, including any lending and community development activities that New BankAmerica may engage in under the announced CRA plan, will be reviewed by the

83. Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closings (58 *Federal Register* 49,083 (1993)), requires that a bank provide the public with at least 30 days notice and the appropriate federal supervisory agency with at least 90 days notice before the date of the proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

84. Several commenters contended that the merger of NationsBank and BankAmerica would result in the loss of jobs, particularly in California, Texas, and New Mexico. NationsBank has stated that staff reductions resulting from the merger are expected to be relatively small in relation to the overall workforce of the combined company. The effect of a proposed transaction on employment in a community, moreover, is not among the factors included in the BHC Act and the convenience and needs factor has been consistently interpreted by the federal banking agencies, the courts, and the Congress to relate to the effect of a proposal on the availability and quality of banking services in the community. *See Wells Fargo & Company*, 82 *Federal Reserve Bulletin* 445, 457 (1996).

85. The plan includes the following goals:
(1) $115 billion for affordable housing lending and investments;
(2) $180 billion for small business lending and investments;
(3) $25 billion for economic development; and
(4) $30 billion in consumer loans (other than credit card loans).
The goals include $10 billion for loans and investments to foster community and economic development in rural areas.

86. A number of commenters criticized NationsBank for not entering into agreements with community-based organizations that would establish separate monetary goals under the CRA plan for particular geographic areas or demographic groups, or that would provide support for particular products or programs. The Board previously has noted that, while communications by depository institutions with community groups provide a valuable method of assessing and determining how an institution may best address the credit needs of the community, neither the CRA nor the CRA regulations of the federal financial supervisory agencies require depository institutions to enter into agreements with any organization. *See Fifth Third Bancorp*, 80 *Federal Reserve Bulletin* 838 (1994).

87. As noted above, a number of commenters contended the Board should not consider the plan as part of its review of the proposal.

88. *See Totalbank Corporation of Florida*, 81 *Federal Reserve Bulletin* 876 (1995); *First Interstate BancSystems of Montana, Inc.*, 77 *Federal Reserve Bulletin* 1007 (1991).

appropriate federal supervisors of those institutions in future performance examinations as the plan is implemented, and that CRA performance record will be considered by the Board in future applications by New BankAmerica to acquire a depository institution.

I. NationsBank's Nonbank Lending Subsidiaries

Several commenters maintained that nonbank lending subsidiaries of NationsBank, including NationsCredit Consumer Corporation ("NationsCredit") and EquiCredit Corporation ("EquiCredit"), have engaged in discriminatory lending practices. Commenters contended that these subprime lending subsidiaries focus their marketing and lending activities on LMI and minority borrowers, and primarily offer these borrowers credit products with interest rates and fees that are higher than comparable products that are available from NationsBank's subsidiary banks. Commenters also alleged that loan applicants are illegally "steered" from NationsBank's subsidiary banks and NationsBanc Mortgage Corporation ("NBMC") to NationsBank's subprime lending subsidiaries on a prohibited basis like race.[89]

The Board reviewed similar allegations in the *NationsBank/Boatmen's* and *NationsBank/Barnett* orders. As noted above, the OCC's fair lending examinations found no evidence of illegal discrimination or credit practices at the subsidiary banks of NationsBank or NBMC at the most recent CRA examination of NationsBank's subsidiary banks.[90] OCC examiners also favorably commented on NationsBank's fair lending policies and procedures to prevent illegal practices like "pre-screening" at the most recent CRA examinations of NationsBank's subsidiary banks. NationsCredit and EquiCredit have consumer compliance programs in place and the staffs of NationsCredit's and EquiCredit's compliance groups work closely with the compliance group responsible for overseeing the compliance program for NationsBank's subsidiary banks.[91] NationsBank's internal audit department also performs consumer compliance reviews of NationsCredit and EquiCredit.[92]

J. Conclusion on Convenience and Needs Factor

The Board recognizes that this proposal represents a significant expansion in terms of the size of the resulting institution and of the geographic areas of the country the resulting institution would serve. Accordingly, an important component of the Board's review of the proposal is the consideration of the effects of the proposal on the convenience and needs of all communities served by NationsBank and BankAmerica.

Commenters have expressed concern about specific aspects of NationsBank's record of performance under the CRA in its current service areas and concern about whether New BankAmerica would be responsive to the credit needs of communities located throughout its franchise, particularly in California, Texas, and New Mexico. The Board has weighed these concerns in light of all the facts of record, including the overall CRA records of NationsBank and BankAmerica, reports of examinations of CRA performance, information provided by NationsBank and BankAmerica, and information from other commenters regarding the records of NationsBank and BankAmerica in meeting the credit needs of their communities.[93]

As discussed in this order, the record in this case demonstrates that NationsBank and BankAmerica have established records of helping to meet the convenience and needs of the communities that each serves. This record has been demonstrated over time in CRA performance evaluations and reflects a commitment by NationsBank to address the credit needs of new communities into which it expands. Moreover, while each organization operates in a number of states, both NationsBank and BankAmerica have implemented their CRA programs through a combination of national programs and local initiatives tailored to the needs of local communities.

89. One commenter also alleged, without providing any supporting facts, that NationsBank's subsidiary banks and NBMC violate the Equal Credit Opportunity Act by not sending adverse action notices to potential borrowers who are referred from those institutions to NationsCredit or EquiCredit.

90. Some commenters stated that NationsBank's nonbank subsidiaries refuse to report HMDA data. NationsCredit and EquiCredit report HMDA data annually.

91. Some commenters requested that the Board conduct an on-site examination of NationsBank's nonbanking subsidiaries for fair lending law compliance before acting on the proposal. Primary authority for enforcement of fair lending law compliance by nonbanking companies such as NationsCredit and EquiCredit is conferred by statute on the Federal Trade Commission and the Department of Housing and Urban Development. As discussed above and in the *NationsBank/Barnett* and *NationsBank/Boatmen's* orders, NationsBank's subsidiary banks—which account for a substantial majority of NationsBank's total assets and total revenues—have satisfactory records of compliance with fair lending laws and the compliance program for NationsCredit has been implemented by the group responsible for overseeing the compliance programs of the subsidiary banks.

92. Some commenters criticized the fact that NationsCredit and EquiCredit do not refer customers with appropriate credit ratings to NBMC or a NationsBank subsidiary bank. NationsBank has indicated that management is evaluating potential nationwide programs for referrals between its subsidiaries, and that any such programs would be reviewed for compliance with fair lending and consumer protection laws before implementation. Comments regarding NationsBank's referral programs also have been provided to the OCC for consideration as the primary federal supervisor of NationsBank's subsidiary banks.

93. A number of commenters expressed concerns that the proposal would result in increased fees for banking services or in the loss of low-cost banking products, and requested that the Board require New BankAmerica to provide low-cost banking products as a condition of the merger. NationsBank and BankAmerica offer a full range of banking products and services, including low-fee checking accounts that permit a certain number of withdrawals per month without an additional service charge. Moreover, although the Board has recognized that banks help serve the banking needs of their communities by making basic services available at nominal or no charge, neither the CRA nor the primary federal supervisors of the banks involved in this case require an institution to limit the fees charged for its services or to provide any specific types of banking products.

NationsBank has indicated that New BankAmerica will draw on the CRA policies and programs of both organizations. The Board expects that New BankAmerica will demonstrate the same commitment to helping to serve the banking needs of its communities, including LMI neighborhoods, after the merger that NationsBank and BankAmerica have demonstrated to date. Based on a review of the entire record, the Board concludes that convenience and needs considerations, including the CRA records of performance of both organizations' subsidiary depository institutions, are consistent with approval of the proposal.

Nonbanking Activities

NationsBank also has filed notice under section 4(c)(8) of the BHC Act to acquire the nonbank subsidiaries of BankAmerica, including BankAmerica-FSB, and thereby engage in a number of nonbanking activities, including operating a savings association, engaging in mortgage banking and other lending activities, providing financial and investment advisory services, underwriting and dealing to a limited extent in equity and debt securities, and providing administrative services to open-end investment companies ("mutual funds").[94] The Board has determined by regulation or order that the activities for which notice has been provided are closely related to banking for purposes of section 4(c)(8) of the BHC Act.[95] NationsBank has committed that it will conduct these activities in accordance with the Board's regulations and orders approving these activities for bank holding companies.

A. Bank-Ineligible Securities Activities

NationsBank currently is engaged in underwriting and dealing in bank-ineligible securities, to a limited extent, through NationsBanc Montgomery Securities LLC ("NB-Montgomery").[96] BankAmerica also currently is engaged in underwriting and dealing in bank-ineligible securities, to a limited extent, through BancAmerica Robertson Stephens ("BA-Robertson").[97] NB-Montgomery and BA-Robertson are, and would continue to be, broker-dealers registered with the Securities and Exchange Commission ("SEC"), and members of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, both entities would remain subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*), the SEC, and the NASD.

The Board has determined that, subject to the framework of prudential limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, or other adverse effects, underwriting and dealing in bank-ineligible securities is so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[98] The Board also has determined that underwriting and dealing in bank-ineligible securities is consistent with section 20 of the Glass-Steagall Act (12 U.S.C. § 377), provided that the company engaged in the activities derives no more than 25 percent of its gross revenues from underwriting and dealing in bank-ineligible securities over a two-year period.[99] NationsBank has committed that, after consummation of the transaction, NB-Montgomery and BA-Robertson will conduct their bank-ineligible securities underwriting and dealing activities subject to the 25-percent revenue limitation and the prudential limitations previously established by the Board, and this order is conditioned on compliance by NationsBank with the revenue restriction and Operating Standards established for section 20 subsidiaries.[100]

The Board also has reviewed the capitalization of New BankAmerica, NB-Montgomery, and BA-Robertson in

94. A list of the nonbanking activities for which NationsBank has requested the Board's approval under section 4 of the BHC Act is provided in Appendix A. As discussed above, the Board has considered the CRA performance record of BankAmerica-FSB in evaluating the convenience and needs factor in this case.

95. *See* 12 C.F.R. 225.28(b)(1), (3), (4)(ii), (6), (7), (8)(i), (11)(i), (12), and (14); *J.P. Morgan & Co. Inc., et al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990) ("*J.P. Morgan*"); *Citicorp*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir.), *cert. denied*, 486 U.S. 1059 (1988) ("*Citicorp*") (underwriting and dealing, to a limited extent, in all types of securities); *Mellon Bank Corporation*, 79 *Federal Reserve Bulletin* 626 (1993), and *Commerzbank AG*, 83 *Federal Reserve Bulletin* 678 (1997) (providing administrative services to mutual funds); *Meridian Bancorp, Inc.*, 80 *Federal Reserve Bulletin* 736 (1994), and *Dresdner Bank AG*, 84 *Federal Reserve Bulletin* 361 (1998) (private investment limited partnership activities).

96. *See NationsBank Corporation*, 83 *Federal Reserve Bulletin* 924 (1997); *NationsBank Corporation*, 79 *Federal Reserve Bulletin* 892 (1993).

97. *BankAmerica Corporation*, 83 *Federal Reserve Bulletin* 913 (1997) ("*BA/Robertson Stephens*"); *BankAmerica Corporation*, 80 *Federal Reserve Bulletin* 1104 (1994). BankAmerica recently entered into an agreement to sell the equity underwriting and dealing operations of BA-Robertson to a third party.

98. *See J.P. Morgan*; *Citicorp*, *as modified by Review of Restrictions on Director, Officer and Employee Interlocks, Cross-Marketing Activities, and the Purchase and Sale of Financial Assets Between a Section 20 Subsidiary and an Affiliated Bank or Thrift*, 61 *Federal Register* 57,679 (1996), *Amendments to Restrictions in the Board's Section 20 Orders*, 62 *Federal Register* 45,295 (1997); and *Clarification to the Board's Section 20 Orders*, 63 *Federal Register* 14,803 (1998) (collectively, "Section 20 Orders").

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

100. 12 C.F.R 225.200. As long as NB-Montgomery and BA-Robertson operate as separate corporate entities, both companies will be independently subject to the 25-percent revenue limitation on underwriting and dealing in bank-ineligible securities. *See Citicorp* at 486 n. 45.

light of the standards set forth in the Section 20 Orders. The Board finds the capitalization of each to be consistent with approval of the proposal and the Section 20 Orders. The Board's determination is based on all the facts of record, including the projections of the volume of bank-ineligible securities underwriting and dealing activities to be conducted by NB-Montgomery and BA-Robertson. The Board also has considered that NationsBank and BankAmerica have established policies and procedures to ensure compliance with this order and the Section 20 Orders, including computer, audit, and accounting systems, internal risk management controls, and the necessary operational and managerial infrastructure.[101]

B. Proper Incident Considerations

In order to approve the notice, the Board also must determine that the acquisition of the nonbanking subsidiaries of BankAmerica and the performance of the proposed activities by New BankAmerica can reasonably be expected to produce benefits to the public that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.

NationsBank has indicated that the expanded geographic scope of New BankAmerica's nonbanking operations would provide added convenience to current and future customers of NationsBank and BankAmerica. The combined organization, for example, would offer customers of NationsBank and BankAmerica additional locations to obtain a variety of nonbanking products or services, such as mortgage loans and securities brokerage services. In addition, NationsBank has stated that the proposed merger would allow the combined organization to achieve greater efficiency through the elimination of redundant operations and greater economies of scale.[102] NationsBank also has indicated that the proposal would enhance the financial ability of the organizations to develop new products and services and new technologies that would facilitate the delivery of the combined organization's products and services, including technologies that would allow consumers to gain access to the organization's products and services through personal computers, telephones, or other forms of electronic media.

In addition, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies can make potentially profitable investments in nonbanking companies and from permitting banking organizations to allocate their resources in the manner they consider to be most efficient when such investments and actions are consistent, as in this case, with the relevant considerations under the BHC Act.

Certain nonbank subsidiaries of NationsBank and BankAmerica compete in direct residential mortgage lending, indirect residential mortgage lending, residential mortgage servicing, consumer and corporate lending and leasing, underwriting and selling insurance to the extent permissible for bank holding companies, trust, securities brokerage, investment advisory, data processing and data transmission, venture capital, and securities underwriting and dealing activities. The markets for each of these nonbanking activities, with the exception of direct residential mortgage lending, are regional or national in scope. The record in this case indicates that there are numerous providers of these services and that the markets for these nonbanking services are unconcentrated.

The Board previously has determined that the market for direct residential mortgage lending is local in scope.[103] In considering the effects of the proposal on competition for residential mortgage lending, the Board has reviewed HMDA data showing mortgage originations by NationsBank, BankAmerica, and other lenders in all 328 MSAs in the United States. These data show that consummation of the proposal would not exceed the DOJ Merger Guidelines in any MSA in the United States. In addition, numerous mortgage originators would remain in each MSA after consummation. For these reasons, and based on all the facts of record, the Board concludes that consummation of the proposal would have a *de minimis* effect on competition.

The Board also believes that the conduct of the proposed nonbanking activities within the framework established by this order, prior orders, and Regulation Y is not likely to result in adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would not be outweighed by the public benefits of the proposal, such as increased customer convenience and gains in efficiency.

Accordingly, based on all the facts of record, the Board has determined that the balance of public interest factors that the Board must consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable and consistent with approval.

NationsBank also has requested the Board's consent under section 4(c)(13) of the BHC Act and section 211.5(c) of the Board's Regulation K (12 C.F.R. 211.5(c)) to acquire BankAmerica's foreign banking and nonbanking operations. In addition, NationsBank has provided notice under sections 25 and 25A of the Federal Reserve Act and sections 211.4 and 211.5 of Regulation K (12 C.F.R. 211.4 and 211.5) to acquire BA FSC Holdings, Inc., an agree-

101. In connection with its 1997 acquisition of Robertson Stephens, BankAmerica committed to conform the investments and relationships that BA-Robertson had with various entities to the requirements of section 4 of the BHC Act and Regulation Y within two years of consummation of the proposal. *See BA/Robertson Stephens.* NationsBank has committed to conform these relationships to the requirements of the BHC Act and Regulation Y within the time periods previously committed to by BankAmerica.

102. Some commenters questioned whether the merger of large banking organizations allow the organizations to achieve additional economies of scale or efficiencies. NationsBank has estimated the merger would produce approximately $1.3 billion in annual after-tax cost savings within two years of consummation.

103. *See Norwest Corporation*, 82 *Federal Reserve Bulletin* 683 (1996).

ment corporation operating under section 25 the Federal Reserve Act, and BankAmerica International Corporation and BankAmerica International Financial Corporation, all in San Francisco, California, and BankAmerica International Investment Corporation, Chicago, Illinois, each of which are companies organized under section 25A of the Federal Reserve Act. The Board concludes that all the factors required to be considered under the Federal Reserve Act, the BHC Act, and the Board's Regulation K are consistent with approval of the proposal.[104]

Requests for Additional Public Meetings

A number of commenters have requested that the Board hold additional public meetings or hearings on the proposal in all areas that may be affected by the merger, including in Los Angeles and other regions of California, North Carolina, Texas, New Mexico, and Florida. The Board has carefully considered these requests in light of the BHC Act, its Rules of Procedure, and the substantial record developed in this case.[105]

As explained above, the Board held a two-day public meeting on the proposal in San Francisco to clarify issues related to the application and notice and to provide an opportunity for members of the public to testify.[106] More than 170 interested persons appeared and provided oral testimony at the public meeting, including individuals and representatives from cities and towns throughout California and from a number of other states, including Texas, New Mexico, North Carolina, Arizona, the District of Columbia, Florida, Illinois, Iowa, Kansas, Nevada, and Pennsylvania. In addition, the Board has received and considered written comments from more than 1,400 interested persons who did not attend the public meeting.

In the Board's view, all interested persons have had ample opportunity to submit their views either in writing or orally at the two-day public meeting in San Francisco. Numerous commenters have, in fact, submitted substantial materials that have been carefully considered by the Board in acting on the proposal. Commenters requesting additional public meetings have failed to show why their written comments do not adequately present their views, evidence, and allegations and why the public meeting in San Francisco did not provide an adequate opportunity to present oral testimony. Moreover, the Board has carefully considered the lending records of NationsBank and BankAmerica separately in many of the states where commenters requested public meetings, particularly New Mexico, Texas, North Carolina, and Florida. For these reasons, and based on all the facts of record, the Board has determined that additional public meetings or hearings are not required and are not necessary or warranted to clarify the factual record on the proposal. Accordingly, the requests for additional public meetings or hearings on the proposal are hereby denied.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the transaction should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the issues raised in public comments filed in connection with the proposal in light of the factors that the Board is required to consider under the BHC Act and other applicable statutes and concludes that the comments do not warrant a delay or denial of the proposal.[107]

The Board's approval is specifically conditioned on compliance by NationsBank with all the commitments made in connection with this application and notice, including the commitments discussed in this order, and the conditions set forth in this order and the above-noted Board regulations and orders. The Board's approval of the nonbanking aspects of the proposal also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 CFR. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or

104. NationsBank also has applied for permission to engage, through its foreign subsidiaries, in equity underwriting and dealing pursuant to sections 211.5(d)(14)(ii)(A) and 211.5(d)(14)(iii) of Regulation K. *See* 12 C.F.R. 211.5(d)(14)(ii)(A) and (iii). Based on all the facts of record, the Board concludes that NationsBank has established appropriate internal policies and procedures to govern such underwriting and dealing operations and has adequate capital resources consistent with approval of the proposed equity underwriting and dealing activities.

105. Section 3(b) of the BHC Act does not require that the Board hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. 12 U.S.C. § 1842(b). In this case, the Board has not received such a recommendation from any state or federal supervisory authority. Section 4 of the BHC Act and the Board's rules thereunder provide for a hearing on a notice to acquire a savings association, such as BankAmerica-FSB, if there are disputed issues of material fact that cannot be resolved in some other manner. 12 U.S.C. § 1843(c)(8); 12 C.F.R. 225.25(a)(2).

106. *See* 12 C.F.R. 262.3(e) and 262.25(d).

107. A number of commenters requested that the Board delay action or extend the public comment period on the proposal until:

(i) New CRA or other examinations of NationsBank or BankAmerica or their various subsidiaries are completed;
(ii) Reports on the impact of bank mergers are published by governmental or private sources;
(iii) Pending lawsuits or administrative actions against NationsBank are resolved;
(iv) NationsBank enters into CRA agreements with community groups; or
(v) NationsBank submits additional information on branch closings and fee increases resulting from the merger.

The requests for delay do not warrant postponement of the Board's consideration of the proposal. The Board has accumulated a significant record in this case, including reports of examination, supervisory information, public reports and information, and considerable public comment. In the Board's view, for the reasons discussed above, commenters have had ample opportunity to submit their views, and, in fact, have provided substantial written submissions and oral testimony that have been considered carefully by the Board in acting on the proposal. Based on a review of all the facts of record, the Board concludes that the record in this case is sufficient to warrant Board consideration and action on the proposal at this time, and that further delay of consideration of the proposal, extension of the comment period, or denial of the proposal on the grounds discussed above or on the basis of informational insufficiency is not warranted.

any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. These commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law. Underwriting and dealing in any manner other than as approved in this order and the Section 20 Orders (as modified by the Modification Orders) is not within the scope of the Board's approval and is not authorized for NationsBank.

The acquisition of BankAmerica's subsidiary banks may not be consummated before the fifteenth calendar day after the effective date of this order, and the proposal may not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 17, 1998.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Appendix A

Nonbanking Activities of BankAmerica Corporation[1]

(1) Extending credit and servicing loans, in accordance with section 225.28(b)(1) of the Board's Regulation Y (12 C.F.R. 225.28(b)(1)), through BankAmerica Realty Finance, Inc., Los Angeles; First Franklin Financial Corporation, San Jose; First Franklin Funding Corporation, San Jose; and Security Pacific Housing Services, Inc., San Diego;

(2) Leasing personal and real property, in accordance with section 225.28(b)(3) of the Board's Regulation Y (12 C.F.R. 225.28(b)(3)), through DFO Partnership, San Francisco; MCOG Leasing Corp., San Francisco; Pasir Mas Ltd., Charlotte Amalie, St. Thomas, U.S. Virgin Islands; Security Pacific Capital Leasing Corporation, San Francisco; Security Pacific Leasing Corporation, San Francisco; Ulysses Queensland Corporation, San Francisco; Western America Financial, Inc., San Francisco; White Sands Leasing Corporation, San Francisco; Windmill Leasing Ltd., Charlotte Amalie, St. Thomas, U.S. Virgin Islands; and Windmill Sands Leasing Corporation, San Francisco;

(3) Operating a savings association, in accordance with section 225.28(b)(4)(ii) of the Board's Regulation Y (12 C.F.R. 225.28(b)(4)(ii)), through Bank of America, FSB, Portland, Oregon;

(4) Providing financial and investment advisory services, in accordance with section 225.28(b)(6) of the Board's Regulation Y (12 C.F.R. 225.28(b)(6)), through BancAmerica Robertson Stephens, Robertson Stephens Investment Management Co., and AMB Investment Real Estate, L.P., all in San Francisco;

(5) Providing securities brokerage, riskless principal, private placement, futures commission merchant, and other agency transactional services, in accordance with section 225.28(b)(7) of the Board's Regulation Y (12 C.F.R. 225.28(b)(7)), through BA Futures, Incorporated, Chicago, Illinois; and BancAmerica Robertson Stephens;

(6) Underwriting and dealing in certain government obligations and money market instruments that state member banks may underwrite or deal in, in accordance with section 225.28(b)(8)(i) of the Board's Regulation Y (12 C.F.R. 225.28(b)(8)(i)), through BancAmerica Robertson Stephens;

(7) Acting as principal, agent, or broker in connection with the sale of credit-related insurance, in accordance with section 225.28(b)(11)(i) of the Board's Regulation Y (12 C.F.R. 225.28(b)(11)(i)), through BA Insurance Agency, Inc., San Diego; and General Fidelity Life Insurance Company, San Diego;

(8) Engaging in community development activities, in accordance with section 225.28(b)(12) of the Board's Regulation Y (12 C.F.R. 225.28(b)(12)), through BA Northwest Community Service Corporation, Seattle, Washington; and BankAmerica Community Development Corporation, Walnut Creek;

(9) Providing data processing and data transmission services, in accordance with section 225.28(b)(14) of the Board's Regulation Y (12 C.F.R. 225.28(b)(14)), through Concorde Solutions, Inc., Concord;

(10) Underwriting and dealing in all types of debt and equity securities (other than interests in open-end investment companies) to a limited extent, in accordance with previous Board decisions, through BancAmerica Robertson Stephens. *See BankAmerica Corporation*, 83 *Federal Reserve Bulletin* 913 (1997); *BankAmerica Corporation*, 80 *Federal Reserve Bulletin* 1104 (1994);

(11) Acting as the general partner or managing member of, or otherwise controlling, private investment limited partnerships or limited liability companies that invest in assets in which a bank holding company is permitted to invest. *See Dresdner Bank AG*, 84 *Federal Reserve Bulletin* 361 (1998); and

(12) Providing the administrative services listed in *BankAmerica Corporation*, 83 *Federal Reserve*

1. All subsidiaries are in California unless otherwise indicated. Subsidiaries also include organizations controlled by such subsidiaries.

Bulletin 913 (1997) to open-end and closed-end investment companies. *See Mellon Bank Corporation*, 79 *Federal Reserve Bulletin* 626 (1993); *Commerzbank AG*, 83 *Federal Reserve Bulletin* 678 (1997); *J.P. Morgan & Co., Inc.*, 84 *Federal Reserve Bulletin* 113 (1998).

Appendix B

A. State Deposit and Ranking Data for Texas, New Mexico, Florida, and Illinois

Texas. NationsBank is the largest commercial banking organization in the state, controlling deposits of $30.1 billion, representing approximately 15.5 percent of all deposits held by depository institutions in the state ("state deposits"). BankAmerica is the ninth largest commercial banking organization in Texas, controlling deposits of $4.5 billion, representing approximately 2.3 percent of state deposits. After consummation of the proposal, NationsBank would remain the largest commercial banking organization in Texas, controlling deposits of $34.6 billion, representing approximately 17.8 percent of state deposits.

New Mexico. NationsBank is the largest commercial banking organization in the state, controlling deposits of $2.8 billion, representing approximately 20.7 percent of all state deposits. BankAmerica is the fourth largest commercial banking organization in New Mexico, controlling deposits of $760 million, representing approximately 5.6 percent of state deposits. After consummation of the proposal, and accounting for the proposed divestitures, NationsBank would remain the largest commercial banking organization in New Mexico, controlling deposits of $3 billion, representing approximately 22.7 percent of state deposits.

Florida. NationsBank is the largest commercial banking organization in the state, controlling deposits of $53 billion, representing approximately 28.9 percent of all state deposits. BankAmerica operates two offices in the state that do not accept deposits. After consummation of the proposal, NationsBank's deposits and ranking in Florida would remain unchanged.

Illinois. NationsBank is the 34th largest commercial banking organization in the state, controlling deposits of $893 million, representing less than 1 percent of state deposits. BankAmerica is the fifth largest commercial banking organization in Illinois, controlling deposits of $6.6 billion, representing approximately 3.2 percent of state deposits. After consummation of the proposal, NationsBank would become the fifth largest commercial banking organization in Illinois, controlling deposits of $7.5 billion, representing approximately 3.6 percent of state deposits.

B. Banking Markets in which NationsBank Corporation and BankAmerica Corporation Compete

Texas

Austin	Austin Metropolitan Statistical Area ("MSA").
Dallas	Dallas County; the southeastern quadrant of Denton County (including Denton and Lewisville); the southwestern quadrant of Collin County (including McKinney and Plano); Rockwall County; and the communities of Forney and Terrell in Kaufman County; Midlothian, Waxahachie, and Ferris in Ellis County; and Grapevine and Arlington in Tarrant County.
Fort Worth	Tarrant County (excluding Grapevine and Arlington); the northern half of Johnson County (including Cleburne and Burleson); the eastern half of Parker County (including Weatherford and Springtown); the southwestern quadrant of Denton County (including Roanoke and Justin); and the communities of Boyd, Newark, and Rhome in Wise County.
Houston	Houston Ranally Metropolitan Area ("RMA").
San Antonio	San Antonio MSA and Kendall County.
Temple	Killeen-Temple MSA.
Waco	Waco MSA.

New Mexico

Albuquerque	Albuquerque MSA and Torrance and Guadalupe Counties.
Clovis	Curry County.
Farmington	Farmington RMA.
Las Cruces	Las Cruces MSA (excluding those communities in the El Paso, Texas, RMA).
Lea	Lea County (excluding the towns of Jal and Bennett). McKinley County McKinley County.
Santa Fe	Santa Fe RMA.
Roswell-Artesia	Chaves County and the northern half of Eddy County.

Florida

Miami-Ft. Lauderdale	Broward and Dade Counties.
West Palm Beach	Palm Beach County east of the town of Loxahatchee and the towns of Hobe Sound and Indiantown in Martin County.

Appendix C

A. Banking Markets with No Proposed Divestitures

Texas

Austin — After consummation of the proposal, NationsBank would control 25.8 percent of market deposits and would remain the largest of 35 depository institutions in the market. The HHI would increase 121 points to 1285.

Fort Worth — After consummation of the proposal, NationsBank would control 18.1 percent of market deposits and would remain the second largest of 50 depository institutions in the market. The HHI would increase 138 points to 992.

Houston — After consummation of the proposal, NationsBank would control 14.8 percent of market deposits and would remain the second largest of 94 depository institutions in the market. The HHI would increase 77 points to 968.

San Antonio — After consummation of the proposal, NationsBank would control 23.7 percent of market deposits and would become the largest of 38 depository institutions in the market. The HHI would increase 207 points to 1303.

Temple — After consummation of the proposal, NationsBank would control 17.6 percent of market deposits and would remain the second largest of 9 depository institutions in the market. The HHI would increase 30 points to 1742.

Waco — After consummation of the proposal, NationsBank would control 17.9 percent of market deposits and would remain the largest of 18 depository institutions in the market. The HHI would increase 50 points to 1049.

New Mexico

Farmington — After consummation of the proposal, NationsBank would control 15.9 percent of market deposits and would remain the third largest of five depository institutions in the market. The HHI would increase 126 points to 4047.

Las Cruces — After consummation of the proposal, NationsBank would control 11.6 percent of market deposits and would become the fifth largest of 12 depository institutions in the market. The HHI would increase 54 points to 1530.

Roswell-Artesia — After consummation of the proposal, NationsBank would control 20.9 percent of market deposits and would remain the second largest of nine depository institutions in the market. The HHI would increase 74 points to 1566.

Florida

Miami-Ft. Lauderdale — After consummation of the proposal, NationsBank would control 27.4 percent of market deposits and would remain the largest of 83 depository institutions in the market. The HHI would remain unchanged at 1283.

West Palm Beach — After consummation of the proposal, NationsBank would control approximately 26 percent of market deposits and would remain the largest of 44 depository institutions in the market. The HHI would remain unchanged at 1231.

B. Other Banking Markets

Texas

Dallas — After consummation of the proposal, NationsBank would control 38.9 percent of market deposits and would remain the largest of 108 depository institutions in the market. The HHI would increase 302 points to 1924.

New Mexico

Albuquerque — NationsBank proposes to divest 15 branches controlling deposits of approximately $460 million. After consummation of the proposal, and giving effect to the proposed divestiture to an out-of-market commercial banking organization, NationsBank would control 33.9 percent of market deposits and would remain the largest of 15 depository institutions in the market. The HHI would increase 60 points to 2332.

Clovis — NationsBank proposes to divest one branch controlling deposits of approximately $17 million. After consummation of the proposal, and giving effect to the proposed divestiture to an out-of-market commercial banking organization, NationsBank would control 32.4 percent of market deposits and would remain the largest of six deposi-

	tory institutions in the market. The HHI would remain unchanged at 2306.
McKinley County	NationsBank proposes to divest one branch controlling deposits of $14 million. After consummation of the proposal, and giving effect to the proposed divestiture to an out-of-market commercial banking organization, NationsBank would control 44.2 percent of market deposits and would remain the largest of 5 depository institutions in the market. The HHI would remain unchanged at 2894.
Santa Fe	After consummation of the proposal, NationsBank would control 31.2 percent of market deposits and would remain the largest of 10 depository institutions in the market. The HHI would increase 332 points to 1845.
Lea	After consummation of the proposal, NationsBank would control 23 percent of market deposits and would remain the third largest of 6 depository institutions in the market. The HHI would increase 205 points to 2351.

ORDERS ISSUED UNDER BANK MERGER ACT

WestStar Bank
Bartlesville, Oklahoma

Order Approving the Acquisition of a Savings Association Branch

WestStar Bank ("WestStar"), a state member bank, has requested the Board's approval under section 18(c) of the Federal Deposit Insurance Act ("FDI Act") (12 U.S.C. § 1828(c)) ("Bank Merger Act") to acquire the assets and assume the liabilities of a branch office of Superior Federal Bank, F.S.B., Fort Smith, Arkansas ("Superior Federal"), located in Nowata, Oklahoma ("Nowata Branch").[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. 262.3(b)). As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation ("FDIC"). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in the Bank Merger Act.

WestStar is a wholly owned subsidiary of Arvest Bank Group, Bentonville, Arkansas ("Arvest"), which is the ninth largest commercial bank organization in Oklahoma, controlling deposits of approximately $798 million, representing 2.3 percent of total deposits in commercial banking organizations in the state ("state deposits").[2] The branch of Superior Federal to be acquired controls deposits of approximately $6.2 million, representing less than 1 percent of state deposits. On consummation of the proposal, Arvest would remain the ninth largest commercial banking organization in the state.

The Bank Merger Act provides that the Board may not approve an application if the effect of the acquisition is to create a monopoly or substantially to lessen competition in any section of the country unless the Board finds the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community.[3]

WestStar and Superior Federal operate in the Bartlesville, Oklahoma, banking market.[4] WestStar is the largest depository institution in the banking market, controlling deposits of approximately $359 million, representing 50.1 percent of the total deposits in depository institutions in the market ("market deposits").[5] The Superior Federal branch that WestStar proposes to acquire is the 11th largest depository institution in the market, controlling deposits of approximately $3.1 million, representing less than 1 percent of market deposits. On consummation of the proposal, WestStar would remain the largest depository institution in the Bartlesville banking market, controlling deposits of approximately $365 million, representing 50.8 percent of market deposits. Concentration in the market, as measured by the Herfindahl–Hirschman Index ("HHI"), would increase 60 points to 3066.[6]

1. The proposal involves the acquisition of assets of a Savings Association Insurance Fund member by a Bank Insurance Fund member. Approval of the proposal under the Bank Merger Act satisfies the requirements of section 5(d)(3) of the FDI Act (12 U.S.C. § 1815(d)(3)). The proposal also would comply with the interstate banking requirements of the Bank Holding Company Act if the Nowata Branch was a state bank that the parent holding company of WestStar Bank was applying to acquire directly.

2. State and market data are as of June 30, 1997.

3. 12 U.S.C. § 1828(c)(5).

4. The Bartlesville, Oklahoma, banking market includes Nowata and Washington Counties, Oklahoma; the northeastern quadrant of Osage County, Oklahoma; and the town of Caney, Kansas.

5. In this context, depository institutions include commercial banks, savings banks, and savings associations. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Because the deposits of the Nowata Branch would be acquired by a commercial banking organization, the Nowata Branch's deposits are included at 100 percent in the calculation of the *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669 (1990).

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

Several factors materially mitigate the competitive effects of a merger in the market as measured by the HHI. Ten competitors, including WestStar, would remain in the Bartlesville banking market, including the largest commercial banking organization in Oklahoma. In addition, a large credit union operates in the market, of which approximately 39 percent of the total population in the banking market are members.

Superior Federal is the smallest competitor in the Bartlesville banking market, and the Nowata Branch is not a full service branch and does not have a loan officer on its staff or offer ATM or drive-through services.[7] Since 1995, deposits in the Nowata Branch have declined by 16 percent, and its market share has declined by more than 20 percent. The Board concludes that all the factors described above mitigate the potentially adverse competitive effects of the proposal.

The Department of Justice has reviewed the proposal and advised the Board that consummation of the proposal would not likely have any significantly adverse competitive effects in the Bartlesville banking market or any other relevant banking market. The OCC and the FDIC also have not objected to the proposal.

Based on all the facts of record, and for the reasons discussed above, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in the Bartlesville banking market or any other relevant banking market.

The Bank Merger Act also requires the Board to consider the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served. The Board has carefully considered these factors in light of all the facts of record. Arvest and WestStar meet, and on consummation of the proposal will continue to meet, all applicable capital standards. The facts of record include supervisory reports of examination that assess the financial and managerial resources of the organizations and financial information provided by WestStar. Based on these and all other facts of record, the Board concludes that financial and managerial resources and future prospects of the institutions involved are consistent with approval, as are other supervisory factors.

WestStar plans to consolidate the Nowata Branch into WestStar's existing full service branch in Nowata and close the Nowata Branch. WestStar's branch in Nowata is located within 250 feet of the Nowata Branch and offers many products and services not offered at the Nowata Branch. WestStar's branch in Nowata is staffed full-time by loan officers, and the bank offers commercial checking accounts, corporate cash management services, discount brokerage services, and trust services that Superior Federal does not offer. WestStar also has a satisfactory record of performance under the Community Reinvestment Act in helping to meet the credit needs of all its communities, including low- and moderate-income areas.[8] Based on all the facts of record, the Board concludes that considerations relating to convenience and needs are consistent with approval.

Based on the foregoing and all the facts of record, the Board has determined that the proposal should be, and hereby is, approved. The Board's approval of the proposal is specifically conditioned on compliance by WestStar with all the commitments made in connection with the application. For purposes of this action, the commitments and conditions relied on in reaching this decision are conditions imposed in writing by the Board, and, as such, may be enforced in proceedings under applicable law.

The proposed acquisition shall not be consummated before the fifteenth calendar day following the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 3, 1998.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

7. The nearest full-service branch of Superior Federal where a customer could meet with a loan officer is 50 miles from the Nowata Branch.

8. 12 U.S.C. § 2901 *et seq.* ("CRA"). WestStar and Superior Federal received satisfactory ratings under the CRA at their most recent performance examinations.

ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT

The Bank of East Asia, Ltd.

Hong Kong Special Administrative Region, People's Republic of China

Order Approving Establishment of a Representative Office

The Bank of East Asia, Ltd. ("Bank"), Hong Kong Special Administrative Region, People's Republic of China, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in Flushing, New York. The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in New York, New York (*The New York Times,* October 31, 1997). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with assets of approximately $17.2 billion as of year-end 1997, was established in 1918. Bank has represented that no shareholder owns 10 percent or more of its issued share capital. Bank has approximately 100 branches in Hong Kong and provides a broad range of retail and wholesale banking services. Bank also owns domestic subsidiaries engaged in real estate, investment, insurance, leasing, corporate finance, and other activities. Outside Hong Kong, Bank has nonbanking subsidiaries and offices in several countries, including two branches in New York, New York, and one in Los Angeles, California.

The proposed representative office would serve as a marketing office for Bank's New York operations and solicit loans from customers in its proximity. The proposed office would not disburse loan proceeds or accept loan payments, nor would it be used to provide deposit services.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside of the United States and has furnished to the Board the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3107(a)(2); 12 C.F.R. 211.24(d)(2)).[1] The Board may take into account additional standards as set forth in the IBA (12 U.S.C. § 3105(d)(3) and (4)) and Regulation K (12 C.F.R. 211.24(c)).

With respect to home country supervision of Bank, the Board has considered the following information. The Hong Kong Monetary Authority ("HKMA") is the principal supervisory authority of Bank. The Board previously determined, in connection with applications to establish U.S. offices by three other Hong Kong banks, that these banks were subject to comprehensive consolidated supervision by the HKMA.[2] The Board has determined that Bank is supervised on substantially the same terms and conditions as these other banks.[3] Based on all the facts of record, the Board concludes that the factors relating to the supervision of Bank by its home country supervisors are consistent with approval of the proposed representative office.

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

The Board also has taken into account the additional standards set forth in the IBA (12 U.S.C. § 3105(d)(3) and (4)) and Regulation K (12 C.F.R. 211.24(c)(2)). Bank has received the consent of the HKMA to establish the proposed representative office. The Board also has determined that the financial and managerial factors are consistent with approval of the proposed office. Bank appears to have the experience and capacity to support the proposed office and has established controls and procedures for the proposed office to ensure compliance with applicable U.S. law.

1. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors:

(i) Ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;
(ii) Obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;
(iii) Obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;
(iv) Receive from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis; and
(v) Evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis.

These are indicia of comprehensive consolidated supervision; no single factor is essential and other elements may inform the Board's determination.

2. *See Hong Kong and Shanghai Banking Co.*, 81 *Federal Reserve Bulletin* 902 (1995); *Liu Chong Hing Bank, Ltd.*, 81 *Federal Reserve Bulletin* 905 (1995); *Dah Sing Bank, Ltd.*, 80 *Federal Reserve Bulletin* 182 (1994).

3. On July 1, 1997, Hong Kong became a Special Administrative Region of the People's Republic of China. The HKMA has confirmed that its supervision of Bank has not been materially affected by the change in sovereignty.

Finally, with respect to access to information on Bank's operations, the Board has reviewed applicable provisions of law and has communicated with appropriate government authorities regarding access to information. Bank has committed to make available to the Board such information on the operations of Bank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited or impeded by law or otherwise, Bank has committed to cooperate with the Board in obtaining any necessary consents or waivers that might be required from third parties in connection with the disclosure of certain information. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a representative office should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank or its affiliates subsequently interfere with the Board's ability to determine the compliance by Bank or its affiliates with applicable federal law, the Board may recommend termination of any of Bank's direct or indirect activities in the United States. Approval of the application is also specifically conditioned on compliance by Bank with the commitments made in connection with the application and with the conditions of this order.[4] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank, its offices, and its affiliates.

By order of the Board of Governors, effective August 3, 1998.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

4. The Board's authority to approve the establishment of the proposed representative office parallels the authority of the State of New York to license offices of a foreign bank. In this case, Bank has received permission from the Office of the Comptroller of the Currency to establish and administer the proposed representative office as a unit of Bank's existing insured federal branch in New York, New York. The New York State Banking Department ("NYSBD") has confirmed that, in the circumstances of this case, the establishment of the proposed office as a unit of Bank's existing insured federal branch in New York would not contravene New York State law. Bank has confirmed that, in the event of the closure of Bank's insured New York branch, Bank would be required to obtain a representative office license from the NYSBD to operate the representative office as a stand-alone entity.

INDEX OF ORDERS ISSUED OR ACTIONS TAKEN BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (APRIL 1, 1998-JUNE 30, 1998)

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
Banc One Corporation, Columbus, Ohio	First Commerce Corporation, New Orleans, Louisiana First National Bank of Commerce, New Orleans, Louisiana City National Bank of Baton Rouge, Baton Rouge, Louisiana Rapides Bank & Trust Company in Alexandria, Alexandria, Louisiana The First National Bank of Lafayette, Lafayette, Louisiana The First National Bank of Lake Charles, Lake Charles, Louisiana Central Bank, Monroe, Louisiana	May 26, 1998	84, 553
Eagle Bancorp, Inc., Bethesda, Maryland	EagleBank, Bethesda, Maryland	June 1, 1998	84, 673

Index of Orders—Continued

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
Fifth Third Bancorp, Cincinnati, Ohio	The Ohio Company, Columbus, Ohio Cardinal Management Corp., Columbus, Ohio	June 1, 1998	84, 677
First Midwest Bancorp, Inc., Itasca, Illinois	Heritage Financial Services, Inc., Tinley Park, Illinois Heritage Bank, Blue Island, Illinois Heritage Trust Company, Tinley Park, Illinois First National Bank of Lockport, Lockport, Illinois	April 13, 1998	84, 486
First Union Corporation, Charlotte, North Carolina	CoreStates Financial Corp, Philadelphia, Pennsylvania CoreStates Bank, N.A., Philadelphia, Pennsylvania CoreStates Bank of Delaware, N.A., Wilmington, Delaware	April 13, 1998	84, 489
The Fuji Bank, Limited, Tokyo, Japan	The Yasuda Trust and Banking Co., Ltd., Tokyo, Japan Yasuda Bank and Trust Company, New York, New York	June 8, 1998	84, 674
HSBC Equator Bank plc, London, England	To establish a representative office in Washington, D.C.	May 4, 1998	84, 564
HUBCO, Inc., Mahwah, New Jersey	MSB Bancorp, Inc., Goshen, New York MSB Bank, Goshen, New York	May 13, 1998	84, 547
North Fork Bancorporation, Inc., Melville, New York	Long Island Bancorp, Inc., Melville, New York The Long Island Savings Bank, FSB, Melville, New York	April 13, 1998	84, 477
Norwest Corporation, Minneapolis, Minnesota	Mountain Bancshares, Inc., Newport, Minnesota Mountain Bank, Eagle, Colorado	June 1, 1998	84, 676
Norwest Corporation, Minneapolis, Minnesota Norwest Investment Services, Inc., Minneapolis, Minnesota	To engage *de novo* in underwriting and dealing, to a limited, extent, in all types of debt securities	May 26, 1998	84, 552
PAB Bankshares, Inc., Valdosta, Georgia	Investors Financial Corporation, Bainbridge, Georgia Bainbridge National Bank, Bainbridge, Georgia	April 27, 1998	84, 474
Popular, Inc., Hato Rey, Puerto Rico	Popular Cash Express, Orlando, Florida Florida Exchange, Ltd., Oak Park, Illinois Mirando J., Inc., Oak Park, Illinois	April 2, 1998	84, 481

Index of Orders—Continued

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
Regions Financial Corporation, Birmingham, Alabama	First Commercial Corporation, Little Rock, Arkansas	May 13, 1998	84, 558
Societe Generale, Paris, France	Cowen & Co., New York, New York Cowen Incorporated, New York, New York	June 22, 1998	84, 680
UBS AG, Zurich and Basel, Switzerland Union Bank of Switzerland, Zurich, Switzerland	Swiss Bank Corporation, Basel, Switzerland	June 8, 1998	84, 684
U.S. Bancorp, Minneapolis, Minnesota	Piper Jaffray Companies, Inc., Minneapolis, Minnesota Piper Jaffray, Inc., Minneapolis, Minnesota	April 20, 1998	84, 483

Applications Approved Under Bank Holding Company Act
By the Secretary of the Board

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

Section 3

Applicant(s)	Bank(s)	Effective Date
First American Corporation, Nashville, Tennessee	CSB Financial Corporation, Ashland City, Tennessee Cheatham State Bank, Kingston Springs, Tennessee	August 6, 1998

Sections 3 and 4

Applicant(s)	Bank(s)	Effective Date
First American Corporation, Nashville, Tennessee	Pioneer Bancshares, Inc., Chattanooga, Tennessee Valley Bank, Sweetwater, Tennessee Pioneer Bank, f.s.b., East Ridge, Tennessee	August 27, 1998

By Federal Reserve Banks

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

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Alabama National Bancorporation, Birmingham, Alabama	Community Financial Corporation, Mableton, Georgia Georgia State Bank, Mableton, Georgia	Atlanta	August 27, 1998
Archer, Inc., Palmer, Nebraska	Osceola Insurance, Inc., Osceola, Nebraska	Kansas City	August 3, 1998
BancFirst Corporation, Oklahoma City, Oklahoma	AmQuest Financial Corporation, Duncan, Oklahoma	Kansas City	July 30, 1998
CCF Holding Company, Jonesboro, Georgia	Heritage Bank, Jonesboro, Georgia	Atlanta	August 6, 1998
Capitol City Bancshares, Inc., Atlanta, Georgia	Capitol City Bank and Trust, Atlanta, Georgia	Atlanta	July 31, 1998
Carolina First BancShares, Inc., Lincolnton, North Carolina	Community Bank & Trust Company, Rutherfordton, North Carolina	Richmond	August 19, 1998
Citizens Bancshares, Inc., Crawfordville, Florida	Citizens Bank-Wakulla, Crawfordville, Florida	Atlanta	July 28, 1998
Citizens Bancshares, Inc., Edmond, Oklahoma	Citizens Bank of Edmond, Edmond, Oklahoma	Kansas City	August 27, 1998
The Colonial BancGroup, Inc., Montgomery, Alabama	FirstBank, Dallas, Texas	Atlanta	August 4, 1998
Commerce Bancshares, Inc., Kansas City, Missouri CBI-Kansas, Inc., Kansas City, Missouri	Columbus Bancshares, Inc., Columbus, Kansas	Kansas City	August 5, 1998
Community Bank Minnesota Employee Stock Ownership Plan, Owatonna, Minnesota	Owatonna Bancshares, Inc., Owatonna, Minnesota	Minneapolis	July 24, 1998
The Connor Trusts, Marshfield, Wisconsin	Pioneer Bancorp, Inc., Auburndale, Wisconsin Pioneer Bank, Auburndale, Wisconsin	Chicago	July 24, 1998
Danvers Bancorp, Inc., Danvers, Massachusetts	Danvers Savings Bank, Danvers, Massachusetts	Boston	August 11, 1998
Emigrant Bancorp, Inc., New York, New York	Emigrant Savings Bank, New York, New York	New York	August 25, 1998
F.N.B. Corporation, Hermitage, Pennsylvania	Citizens Banking Corporation, Clearwater, Florida	Cleveland	July 31, 1998
FSBO Holdings, Inc., Olmsted, Illinois	First State Bank of Olmsted, Olmsted, Illinois	St. Louis	August 21, 1998
First Banks, Inc., Creve Coeur, Missouri CCB Bancorp, Inc., Newport Beach, California	Republic Bank, Torrance, California	St. Louis	July 30, 1998
First National Bank of Nevada Holding Company, Laughlin, Nevada	Laughlin National Bank, Laughlin, Nevada	San Francisco	August 12, 1998
First Union Corporation, Charlotte, North Carolina	United Bancshares, Inc., Philadelphia, Pennsylvania	Richmond	August 26, 1998

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
InterWest Bancorp, Inc., Oak Harbor, Washington	Kittitas Valley Bancorp, Inc., Ellensburg, Washington Kittitas Valley Bank, N.A., Ellensburg, Washington	San Francisco	July 24, 1998
Marfa Bancshares, Inc., Marfa, Texas Marfa Delaware Bancshares, Inc., Wilmington, Delaware	The Marfa National Bank, Marfa, Texas	Dallas	August 5, 1998
Merchants Holding Company, Winona, Minnesota	Primo Financial Services, Inc., Hastings, Minnesota	Minneapolis	August 26, 1998
New Millennium Bankshares, Inc., Topeka, Kansas	Alliance Bank, Topeka, Kansas	Kansas City	August 19, 1998
Pilot Grove Savings Bank Employee Stock Ownership Plan, Pilot Grove, Iowa	Pilot Bancorp, Inc., Pilot Grove, Iowa	Chicago	July 29, 1998
Premier Financial Corp., Dubuque, Iowa	Premier Bank, Dubuque, Iowa	Chicago	July 23, 1998
Prosperity Bancshares, Inc., El Campo, Texas	Union State Bank, East Bernard, Texas	Dallas	August 19, 1998
Second Bancorp Incorporated, Warren, Ohio	Enfin Inc., Solon, Ohio	Cleveland	July 24, 1998
SunTrust Banks, Inc., Atlanta, Georgia SunTrust Banks of Florida, Inc., Orlando, Florida	Citizens Bancorporation, Inc., Marianna, Florida Citizens Bank of Marianna, Marianna, Florida Gadsden State Bank, Chattahoochee, Florida	Atlanta	July 29, 1998
Texas Capital Bancshares, Inc., Dallas, Texas	Resource Bank, N.A., Dallas, Texas	Dallas	August 20, 1998
United Financial Corp., Great Falls, Montana	Heritage State Bank, Fort Benton, Montana Q Bank, Fort Benton, Montana	Minneapolis	August 7, 1998
Vail Banks, Inc., Vail, Colorado	Telluride Bancorp, Ltd., Montrose, Colorado	Kansas City	August 27, 1998
Violeta Investments, Ltd., Hebbronville, Texas	Hebbronville State Bank, Hebbronville, Texas	Dallas	July 28, 1998
Warren Bancorp, Inc., Birmingham, Michigan	Warren Bank, Warren, Michigan	Chicago	August 25, 1998

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Arvest Bank Group, Inc., Bentonville, Arkansas First Bancshares, Inc., Bartlesville, Oklahoma	State Bank & Trust, N.A., Tulsa, Oklahoma	St. Louis	August 19, 1998
Bancshares of Jackson Hole, Inc., Jackson, Wyoming	The AmeriTrust Holding Company, Tulsa, Oklahoma	Kansas City	August 19, 1998

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Bank of Montreal, Toronto, Ontario, Canada Bankmont Financial Corp., Chicago, Illinois	Virtual Information Processing Services, L.L.C., Wilmington, Delaware	Chicago	July 23, 1998
Barclays PLC, London, England Barclays Bank PLC, London, England Barclays California Corporation, San Francisco, California	The Long View Group, Inc., Boston, Massachusetts	New York	August 14, 1998
Barclays PLC, London, England Barclays Bank PLC, London, England Barclays Capital Inc., New York, New York Barclays USA, Wilmington, Delaware	Daiwa Securities America Inc., New York, New York Daiwa Europe Limited, London, England Daiwa Securities Limited, Hong Kong, China	New York	August 11, 1998
BOK Financial Corporation, Tulsa, Oklahoma	Leo Oppenheim & Co., Inc., Oklahoma City, Oklahoma	Kansas City	August 12, 1998
Carolina First Corporation, Greenville, South Carolina	Poinsett Financial Corporation, Travelers Rest, South Carolina Poinsett Bank, FSB, Travelers Rest, South Carolina	Richmond	August 12, 1998
The Colonial BancGroup, Inc., Montgomery, Alabama	ProImage, Inc., Macon, Georgia	Atlanta	August 12, 1998
Commerce Financial Corporation, Topeka, Kansas	Financial Institution Technologies, Topeka, Kansas	Kansas City	August 4, 1998
Deutsche Bank AG, Frankfurt am Main, Federal Republic of Germany	German American Capital Corporation, New York, New York Bouclier Vert Limité, L.L.C. d/b/a Green Shield Limited, L.L.C., Woodbury, New Jersey Advanta Mortgage Holding Company, Fort Washington, Pennsylvania Green Shield Ltd., Woodbury, New Jersey	New York	July 24, 1998
First Charter Corporation, Concord, North Carolina	HFNC Financial Corp., Charlotte, North Carolina Home Federal Savings and Loan Association, Charlotte, North Carolina	Richmond	August 27, 1998
Heritage Group, Inc., Aurora, Nebraska	Neligh Insurance Agency, Neligh, Nebraska	Kansas City	August 12, 1998
National City Bancshares, Inc., Evansville, Indiana	Princeton Federal Bank, FSB, Princeton, Kentucky	St. Louis	August 5, 1998
Northern Trust Corporation, Chicago, Illinois	Northern Trust Bank, Federal Savings Bank, Bloomfield Hills, Michigan	Chicago	July 29, 1998
U.S.B. Holding Co., Inc., Orangeburg, New York	Tappan Zee Financial, Inc., Tarrytown, New York Tarrytowns Bank, FSB, Tarrytown, New York	New York	August 11, 1998

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
UST Corp., Boston, Massachusetts	Cambridge Trading Services Corporation, Boston, Massachusetts Cambridge Trade Financial Corp., Boston, Massachusetts	Boston	July 24, 1998

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Arvest Bank Group, Inc., Bentonville, Arkansas	Ameribank Corporation, Shawnee, Oklahoma United Oklahoma Bankshares, Inc., Del City, Oklahoma American National Bank and Trust Company of Shawnee, Shawnee, Oklahoma United Bank, Del City, Oklahoma Ameritrust Corporation, Tulsa, Oklahoma Americorp Investment Advisors, Inc., Tulsa, Oklahoma Investment Management, Inc., Tulsa, Oklahoma	St. Louis	August 13, 1998
Citizens Bancshares, Inc., Salineville, Ohio	Mid Am, Inc., Bowling Green, Ohio	Cleveland	July 30, 1998
United Financial Corp., Great Falls, Montana	Chouteau County Bancshares, Inc., Fort Benton, Montana Fort Benton Insurance Agency, Fort Benton, Montana Heritage Bank, FSB, Great Falls, Montana	Minneapolis	August 19, 1998

Applications Approved Under Bank Merger Act

By the Secretary of the Board

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

Applicant(s)	Bank(s)	Effective Date
Compass Bank, Birmingham, Alabama	Compass Bank, Houston, Texas	August 28, 1998

By Federal Reserve Banks

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

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
BankFirst, Oklahoma City, Oklahoma	AmQuest Bank, N.A., Lawton, Oklahoma Exchange National Bank and Trust Company, Ardmore, Oklahoma	Kansas City	July 30, 1998
Bank of Casa Grande Valley, Casa Grande, Arizona	National Bank of Arizona, Tucson, Arizona	San Francisco	August 6, 1998
Colonial Bank, Montgomery, Alabama	FirstBank, Dallas, Texas	Atlanta	August 20, 1998
Colonial Bank, Montgomery, Alabama	First Macon Bank & Trust Company, Macon, Georgia	Atlanta	August 12, 1998
Colonial Bank, Montgomery, Alabama	Prime Bank of Central Florida, Titusville, Florida	Atlanta	August 4, 1998
The Commercial Bank, Delphos, Ohio	Delphos Interim Bank, Delphos, Ohio	Cleveland	July 2, 1998
First Community Bank, Glasgow, Montana	Cheyenne Western Bank, Ashland, Montana	Minneapolis	August 14, 1998
Hanmi Bank, Los Angeles, California	First Global Bank, F.S.B., Los Angeles, California	San Francisco	July 28, 1998
Johnson Bank, Racine, Wisconsin	Johnson Bank N.A., Janesville, Wisconsin	Chicago	August 20, 1998
Lindell Bank & Trust Company, St. Louis, Missouri	Duchesne Bank, St. Peters, Missouri	St. Louis	August 24, 1998
Mercantile Bank of Western Iowa, Des Moines, Iowa	Mercantile Bank of Eastern Iowa, Waterloo, Iowa	Chicago	August 4, 1998
One Valley Bank of Summersville, Inc., Summersville, West Virginia	One Valley Bank of Oak Hill, Inc., Oak Hill, West Virginia One Valley Bank of Ronceverte, National Association, Ronceverte, West Virginia	Richmond	August 5, 1998
People First Bank, Hennessey, Oklahoma	Home State Bank, Hobart, Oklahoma	Kansas City	July 23, 1998
The Peoples Bank and Trust Company, Selma, Alabama	The Bank of Tallassee, Tallassee, Alabama	Atlanta	August 5, 1998
Republic Security Bank, West Palm Beach, Florida	First Bank of Florida, West Palm Beach, Florida	Atlanta	July 29, 1998

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.

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

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

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

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

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

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

Eliopulos v. Board of Governors, No. 97–1442 (D.C. Cir., filed July 17, 1997). Petition for review of a Board order dated June 23, 1997, approving the application of First Bank System, Inc., Minneapolis, Minnesota, to acquire U.S. Bancorp, Portland, Oregon, and thereby acquire U.S. Bancorp's banking and nonbanking subsidiaries. On September 12, 1997, the Board filed a motion to dismiss the petition.

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

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

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

Wilkins v. Board of Governors, No. 3:97CV331 (E.D. Va., filed May 2, 1997). Customer dispute with bank. On August 15, 1997, the court granted the Board's motion to dismiss the action. On September 12, 1997, plaintiff filed a notice of appeal.

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

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

Jones v. Board of Governors, No. CV97–0198 (W.D. Louisiana, filed January 30, 1997). Complaint alleging violations of the Fair Housing Act.

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

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

Leuthe v. Board of Governors, No. 96–5725 (E.D. Pa., filed August 16, 1996). Action against the Board and other Federal banking agencies challenging the constitutionality of the Office of Financial Institution Adjudication. On September 10, 1997, the court granted the agencies' motion to dismiss the action.

Inner City Press/Community on the Move v. Board of Governors, No. 96–4008 (2nd Cir., filed January 19, 1996). Petition for review of a Board order dated January 5, 1996, approving the applications and notices by Chemical Banking Corporation to merge with The Chase Manhattan Corporation, both of New York, New York, and by Chemical Bank to merge with The Chase Manhattan Bank, N.A., both of New York, New York. Petitioners' motion for an emergency stay of the transaction was denied following oral argument on March 26, 1996. The Board's brief on the merits was filed July 8, 1996. The case was consolidated for oral argument and decision with *Lee v. Board of Governors,* No. 95–4134 (2d Cir.); oral argument was held on January 13, 1997. On July 2, 1997, the court of appeals dismissed the petition for review.

Lee v. Board of Governors, No. 95–4134 (2nd Cir., filed August 22, 1995). Petition for review of Board orders dated July 24, 1995, approving certain steps of a corporate reorganization of U.S. Trust Corporation, New York, New York, and the acquisition of U.S. Trust by Chase Manhattan Corporation, New York, New York. On September 12, 1995, the court denied petitioners' motion for an emergency stay of the Board's orders. The Board's brief was filed on April 16, 1996. Oral argument, consolidated with *Inner City Press/Community on the Move v. Board of Governors,* took place on January 13, 1997. On July 2, 1997, the court of appeals dismissed the petition for review.

Board of Governors v. Pharaon, No. 91-CIV-6250 (S.D. New York, filed September 17, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On September 17, 1991, the court issued an order temporarily restraining the transfer or disposition of the individual's assets.

Financial and Business Statistics

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SYMBOLS AND ABBREVIATIONS

c	Corrected
e	Estimated
n.a.	Not available
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
. . .	Cell not applicable
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
CRA	Community Reinvestment Act of 1977
FFB	Federal Financing Bank
FHA	Federal Housing Administration
FHLBB	Federal Home Loan Bank Board
FHLMC	Federal Home Loan Mortgage Corporation
FmHA	Farmers Home Administration
FNMA	Federal National Mortgage Association
FSLIC	Federal Savings and Loan Insurance Corporation
G-7	Group of Seven
G-10	Group of Ten
GNMA	Government National Mortgage Association
GDP	Gross domestic product
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IO	Interest only
IPCs	Individuals, partnerships, and corporations
IRA	Individual retirement account
MMDA	Money market deposit account
MSA	Metropolitan statistical area
NOW	Negotiable order of withdrawal
OCD	Other checkable deposit
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PMI	Private mortgage insurance
PO	Principal only
REIT	Real estate investment trust
REMIC	Real estate mortgage investment conduit
RP	Repurchase agreement
RTC	Resolution Trust Corporation
SCO	Securitized credit obligation
SDR	Special drawing right
SIC	Standard Industrial Classification
VA	Department of Veterans Affairs

GENERAL INFORMATION

In many of the tables, components do not sum to totals because of rounding.

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury.

"State and local government" also includes municipalities, special districts, and other political subdivisions.

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

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1997		1998		1998				
	Q3	Q4	Q1	Q2	Mar.	Apr.	May	June[r]	July
Reserves of depository institutions[2]									
1 Total	−3.0	−2.7	−1.9	−3.8	8.5	−2.3	−9.6	−5.3	−15.3
2 Required	−3.7	−5.6	−1.8	−2.5	14.5	−3.1	−4.7	−18.1	−8.9
3 Nonborrowed	−4.7	−.8	−.7	−4.3	9.0	−3.1	−11.7	−7.9	−15.6
4 Monetary base[3]	6.2	7.9	6.9	4.1	4.1	3.3	4.7	6.2	5.0
Concepts of money, liquid assets, and debt[4]									
5 M1	.3	.9	3.0	.3	5.1	−.3	−3.1	−3.2	−3.1
6 M2	5.6	7.1	8.0	7.3	8.3	9.5	2.8	5.2	4.7
7 M3	8.2	10.0	11.0	9.5[r]	14.4	10.1[r]	5.9[r]	5.2	.1
8 L	7.2	9.2	12.1	6.8	11.8	4.5[r]	3.2[r]	6.3	n.a.
9 Debt	4.5	5.8	6.3[r]	5.9	6.7[r]	6.0[r]	4.9[r]	5.1	n.a.
Nontransaction components									
10 In M2[5]	7.6	9.4	9.9	9.8	9.4	13.0[r]	4.9[r]	8.1	7.4
11 In M3 only[6]	16.8	19.3	20.2	16.1[r]	32.7[r]	12.0[r]	15.1[r]	5.1	−13.4
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	9.6	16.3	13.6	14.3[r]	12.1	26.2[r]	.4[r]	10.9	16.8
13 Small time[7]	8.1	4.5	1.5	−.8	−.2	.4	−3.8	−.8	.6
14 Large time[8,9]	17.2	9.9	19.8	14.2[r]	45.9	−7.1	7.1[r]	8.2	−38.9
Thrift institutions									
15 Savings, including MMDAs	1.0	1.4	7.6	11.6[r]	11.6	10.2[r]	16.3	3.6	8.5
16 Small time[7]	−5.2	−3.1	−.4	−6.9[r]	−5.6	−10.8	−6.0	−3.5	−7.1
17 Large time[8]	10.0	5.4	14.4	−.5[r]	−8.2	11.0[r]	−19.1[r]	13.9	−9.6
Money market mutual funds									
18 Retail	16.3	16.0	19.6	21.0	21.6	18.0	19.8	20.7	5.4
19 Institution-only	19.7	22.0	18.9	36.5	22.5	51.7	38.7	28.7	−5.3
Repurchase agreements and Eurodollars									
20 Repurchase agreements[10]	13.4	38.3	32.8	13.2	88.5	−.9	6.5	−34.8	13.4
21 Eurodollars[10]	18.6	24.3	7.5[r]	−18.0[r]	−56.5[r]	−3.6[r]	12.6[r]	−9.8	8.1
Debt components[4]									
22 Federal	.0	.4	.0	−1.4	1.4	−1.8[r]	−4.0[r]	−1.0	n.a.
23 Nonfederal	6.1	7.6	8.4[r]	8.3	8.5[r]	8.5[r]	7.9[r]	7.1	n.a.

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

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

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

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

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

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

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

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

5. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances, each seasonally adjusted separately.

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

7. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits.

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

9. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

10. Includes both overnight and term.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT[1]

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1998			1998						
	May	June	July	June 17	June 24	July 1	July 8	July 15	July 22	July 29
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	471,939	480,045	479,603	477,547	480,335	491,660	479,432	481,517	476,864	479,086
U.S. government securities[2]										
2 Bought outright—System account[3]	438,825	441,368	440,572	442,202	441,898	440,584	440,354	441,798	440,121	439,960
3 Held under repurchase agreements	442	4,853	4,662	2,060	4,144	14,953	4,637	5,105	2,593	4,928
Federal agency obligations										
4 Bought outright	551	549	526	551	551	540	526	526	526	526
5 Held under repurchase agreements	66	736	838	814	483	1,465	815	1,121	840	674
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	58	80	55	71	6	194	4	1	150	12
8 Seasonal credit	95	160	215	157	180	188	196	195	223	243
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	605	779	377	829	1,162	318	769	391	421	31
11 Other Federal Reserve assets	31,297	31,522	32,358	30,864	31,912	33,417	32,132	32,381	31,989	32,712
12 Gold stock	11,048	11,048	11,047	11,048	11,049	11,047	11,047	11,047	11,046	11,047
13 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,792	25,825	25,886	25,822	25,836	25,850	25,864	25,878	25,892	25,906
ABSORBING RESERVE FUNDS										
15 Currency in circulation	479,018	481,524	486,030	481,623	481,204	482,203	486,148	486,605	485,690	485,709
16 Treasury cash holdings	247	211	188	207	204	204	201	194	188	181
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,474	10,401	5,430	6,982	12,769	18,717	5,956	5,171	5,155	5,115
18 Foreign	165	165	170	159	164	172	176	163	169	174
19 Service-related balances and adjustments	6,721	6,809	6,919	6,759	6,958	7,018	7,083	6,861	6,966	6,733
20 Other	364	332	277	337	333	316	301	292	264	252
21 Other Federal Reserve liabilities and capital	16,617	16,888	16,832	16,913	16,880	17,092	16,747	16,837	16,752	17,025
22 Reserve balances with Federal Reserve Banks[4]	9,374	9,790	9,890	10,637	7,909	12,035	8,932	11,519	7,819	10,049

Factor	End-of-month figures			Wednesday figures						
	May	June	July	June 17	June 24	July 1	July 8	July 15	July 22	July 29
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	475,856	496,967	482,027	482,526	488,041	487,173	478,926	487,207	476,479	484,416
U.S. government securities[2]										
2 Bought outright—System account[3]	440,980	439,773	440,612	442,164	441,495	440,522	440,328	440,887	436,103	441,354
3 Held under repurchase agreements	2,997	18,681	7,266	6,678	11,495	11,606	4,894	9,492	4,661	8,411
Federal agency obligations										
4 Bought outright	551	526	526	551	551	526	526	526	526	526
5 Held under repurchase agreements	230	1,865	760	1,237	1,180	415	469	2,425	1,956	1,110
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	4	773	2	33	3	516	1	3	4	2
8 Seasonal credit	132	189	239	166	193	197	202	204	239	249
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	253	1,416	−270	183	3	612	193	642	724	−518
11 Other Federal Reserve assets	30,709	33,743	32,893	31,514	33,122	32,780	32,313	33,027	32,267	33,282
12 Gold stock	11,049	11,047	11,046	11,048	11,049	11,047	11,047	11,047	11,046	11,047
13 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,794	25,850	25,920	25,822	25,836	25,850	25,864	25,878	25,892	25,906
ABSORBING RESERVE FUNDS										
15 Currency in circulation	480,726	483,865	486,098	482,355	482,065	484,977	487,799	487,127	486,517	487,012
16 Treasury cash holdings	226	204	141	204	204	204	195	189	178	141
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,693	18,140	4,648	8,273	22,464	7,866	4,934	5,309	4,426	5,184
18 Foreign	156	201	161	176	154	166	149	180	195	158
19 Service-related balances and adjustments	6,674	7,018	6,979	6,759	6,958	7,018	7,083	6,861	6,966	6,733
20 Other	309	296	264	326	325	313	275	279	247	262
21 Other Federal Reserve liabilities and capital	16,743	17,073	16,830	16,709	16,667	16,548	16,577	16,589	16,513	16,754
22 Reserve balances with Federal Reserve Banks[4]	11,371	16,269	13,072	13,794	5,291	16,179	8,025	16,796	7,576	14,324

1. Amounts of cash held as reserves are shown in table 1.12, line 2.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.
4. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1995	1996	1997	1998						
	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June[r]	July
1 Reserve balances with Reserve Banks[2]	20,440	13,395	10,673	9,733	9,394	10,140	11.053	9,646	9.668	9,645
2 Total vault cash[3]	42,281	44,525	44,707	47,336	43,167	41.598	41,215[r]	41,482[r]	42,635	42,034
3 Applied vault cash[4]	37,460	37,848	37,206	37,762	35,580	35,370	35,423	35,159	35,427	34,954
4 Surplus vault cash[5]	4,821	6,678	7,500	9,574	7,587	6,228	5,792[r]	6,323[r]	7,208	7,080
5 Total reserves[6]	57,900	51,243	47,880	47,495	44,974	45,509	46,475	44.805	45,095	44,599
6 Required reserves	56,622	49,819	46,196	45,714	43,450	44,193	45,131	43,655	43,475	43,235
7 Excess reserve balances at Reserve Banks[7]	1,278	1,424	1,683	1,780	1,524	1,316	1.345	1.150	1,620	1,364
8 Total borrowings at Reserve Banks[8]	257	155	324	210	58	41	72	153	251	258
9 Seasonal borrowings	40	68	79	18	12	22	41	94	159	215
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0
	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1998									
	Apr. 8	Apr. 22	May 6	May 20	June 3	June 17	July 1[r]	July 15	July 29	Aug. 12
1 Reserve balances with Reserve Banks[2]	10,623	11,991	9,841	9,365	9,898	9,340	9,969	10,225	8,933	10,417
2 Total vault cash[3]	41,420	40,813	41,712[r]	41,545[r]	41,277[r]	43,592[r]	41,919	42,101	41,983	41,983
3 Applied vault cash[4]	35,534	35,185	35,727	35,066	34,969	35,867	35,060	35,102	34,770	35,154
4 Surplus vault cash[5]	5,886	5,628[r]	5,985[r]	6,479[r]	6,307[r]	7,725[r]	6,859	6,999	7,213	6,829
5 Total reserves[6]	46,157	47,176	45,568	44,430	44,867	45,206	45,029	45,327	43,703	45,571
6 Required reserves	44,865	45,736	44,339	43,409	43,597	43,676	43,232	43,999	42,341	44,145
7 Excess reserve balances at Reserve Banks[7]	1,291	1,441	1,230	1,022	1,270	1,530	1,797	1,328	1,362	1,426
8 Total borrowings at Reserve Banks[8]	101	51	81	165	178	236	285	198	314	271
9 Seasonal borrowings	30	37	61	85	123	145	184	196	233	241
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Data are not break-adjusted or seasonally adjusted.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.
3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.
4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. Also includes adjustment credit.
9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 9/11/98	Effective date	Previous rate	On 9/11/98	Effective date	Previous rate	On 9/11/98	Effective date	Previous rate
Boston	5.00	2/1/96	5.25	5.55	9/10/98	5.55	6.05	9/10/98	6.05
New York		1/31/96							
Philadelphia		1/31/96							
Cleveland		1/31/96							
Richmond		2/1/96							
Atlanta		1/31/96							
Chicago		2/1/96							
St. Louis		2/5/96							
Minneapolis		1/31/96							
Kansas City		2/1/96							
Dallas		1/31/96							
San Francisco	5.00	1/31/96	5.25	5.55	9/10/98	5.55	6.05	9/10/98	6.05

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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6.5	6.5
20	6.5	6.5
May 11	6.5–7	7
12	7	7
July 3	7–7.25	7.25
10	7.25	7.25
Aug. 21	7.75	7.75
Sept. 22	8	8
Oct. 16	8–8.5	8.5
20	8.5	8.5
Nov. 1	8.5–9.5	9.5
3	9.5	9.5
1979—July 20	10	10
Aug. 17	10–10.5	10.5
20	10.5	10.5
Sept. 19	10.5–11	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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1981—Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11.5–12	11.5
23	11.5	11.5
Aug. 2	11–11.5	11
3	11	11
16	10.5	10.5
27	10–10.5	10
30	10	10
Oct. 12	9.5–10	9.5
13	9.5	9.5
Nov. 22	9–9.5	9
26	9	9
Dec 14	8.5–9	9
15	8.5–9	8.5
17	8.5	8.5
1984—Apr. 9	8.5–9	9
13	9	9
Nov. 21	8.5–9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5–8	7.5
24	7.5	7.5
1986—Mar. 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	6.5
23	6.5	6.5
July 11	6	6
Aug. 21	5.5–6	5.5
22	5.5	5.5
1987—Sept. 4	5.5–6	6
11	6	6

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6–6.5	6
4	6	6
Apr. 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
17	5	5
Nov. 6	4.5–5	4.5
7	4.5	4.5
Dec. 20	3.5–4.5	3.5
24	3.5	3.5
1992—July 2	3–3.5	3
7	3	3
1994—May 17	3–3.5	3.5
18	3.5	3.5
Aug. 16	3.5–4	4
18	4	4
Nov. 15	4–4.75	4.75
17	4.75	4.75
1995—Feb. 1	4.75–5.25	5.25
9	5.25	5.25
1996—Jan. 31	5.00–5.25	5.00
Feb. 5	5.00	5.00
In effect Sept 11, 1998	5.00	5.00

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

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

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

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[2]		
1 $0 million–$47.8 million[3]	3	1/1/98
2 More than $47.8 million[4]	10	1/1/98
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

1. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly, on a pass-through basis, with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin*. Under the Monetary Control Act of 1980, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. Transaction accounts include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, or telephone or preauthorized transfers for the purpose of making payments to third persons or others. However, accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month (of which no more than three may be by check, draft, debit card, or similar order payable directly to third parties) are savings deposits, not transaction accounts.

3. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 of each year. Effective with the reserve maintenance period beginning January 1, 1998, for depository institutions that report weekly, and with the period beginning January 15, 1998, for institutions that report quarterly, the amount was decreased from $49.3 million to $47.8 million.

Under the Garn–St Germain Depository Institutions Act of 1982, the Board adjusts the amount of reservable liabilities subject to a zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is made in the event of a decrease. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement. Effective with the reserve maintenance period beginning January 1, 1998, for depository institutions that report weekly, and with the period beginning January 15, 1998, for institutions that report quarterly, the exemption was raised from $4.4 million to $4.7 million.

4. The reserve requirement was reduced from 12 percent to 10 percent on Apr. 2, 1992, for institutions that report weekly, and on Apr. 16, 1992, for institutions that report quarterly.

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec. 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

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

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1995	1996	1997	1997	1998					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
U.S. TREASURY SECURITIES[2]										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	10,932	9,901	9,147	4,545	0	0	0	3,550	0	0
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	405,296	426,928	436,257	32,575	41,731	35,495	34,025	46,802	35,190	32,830
4 For new bills	405,296	426,928	435,907	32,575	41,731	35,495	34,025	46,802	35,190	32,830
5 Redemptions	900	0	0	0	2,000	0	0	0	0	0
Others within one year										
6 Gross purchases	390	524	5,549	1,947	0	0	1,501[r]	1,369	0	0
7 Gross sales	0	0	0	0	0	0	0	0	0	0
8 Maturity shifts	43,574	30,512	41,716	1,548	3,447	6,098	1,964	4,369	6,951	1,520
9 Exchanges	−35,407	−41,394	−27,499	−2,329	−400	−6,128	−5,736	−2,601	−4,990	−5,084
10 Redemptions	1,776	2,015	1,996	0	478	0	0	286	0	0
One to five years										
11 Gross purchases	5,366	3,898	19,680	4,471	0	0	2,262[r]	2,993	0	0
12 Gross sales	0	0	0	0	0	0	0	0	0	0
13 Maturity shifts	−34,646	−25,022	−37,987	−1,548	−3,447	−3,213	−1,964	−4,369	−6,620	−1,520
14 Exchanges	26,387	31,459	20,274	2,329	0	3,383	5,736	2,201	2,270	5,084
Five to ten years										
15 Gross purchases	1,432	1,116	3,849	613	0	0	283	495	0	0
16 Gross sales	0	0	0	0	0	0	0	0	0	0
17 Maturity shifts	−3,093	−5,469	−1,954	0	0	−2,884	0	0	−331	0
18 Exchanges	7,220	6,666	5,215	0	400	1,420	0	0	2,720	0
More than ten years										
19 Gross purchases	2,529	1,655	5,897	1,214	0	0	743	0	0	0
20 Gross sales	0	0	0	0	0	0	0	0	0	0
21 Maturity shifts	−2,253	−20	−1,775	0	0	0	0	0	0	0
22 Exchanges	1,800	3,270	2,360	0	0	1,325	0	400	0	0
All maturities										
23 Gross purchases	20,649	17,094	44,122	12,790	0	0	4,789	8,407	0	0
24 Gross sales	0	0	0	0	0	0	0	0	0	0
25 Redemptions	2,676	2,015	1,996	0	2,478	0	0	286	0	0
Matched transactions										
26 Gross purchases	2,197,736	3,092,399	3,577,954	353,726	332,581	326,813[r]	364,307	354,756	367,934	369,358
27 Gross sales	2,202,030	3,094,769	3,580,274	355,668	332,795	326,235[r]	364,537	354,741	368,281	370,569
Repurchase agreements										
28 Gross purchases	331,694	457,568	810,485	97,932	45,544	33,428	40,211	59,548	7,722	57,098
29 Gross sales	328,497	450,359	809,268	87,160	65,932	30,583	37,010	50,663	20,456	41,414
30 Net change in U.S. Treasury securities	16,875	19,919	41,022	21,620	−23,079	3,423[r]	7,760	17,021	−13,081	14,473
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
31 Gross purchases	0	0	0	0	0	0	0	0	0	0
32 Gross sales	0	0	0	0	0	0	0	0	0	0
33 Redemptions	1,003	409	1,540	0	0	10	50	74	0	25
Repurchase agreements										
34 Gross purchases	36,851	75,354	160,409	20,056	12,488	9,615	17,685	13,547	1,575	14,548
35 Gross sales	36,776	74,842	159,369	21,186	13,872	8,776	18,342	13,042	3,300	12,913
36 Net change in federal agency obligations	−928	103	−500	−1,130	−1,384	829	−707	431	−1,725	1,610
37 Total net change in System Open Market Account	**15,948**	**20,021**	**40,522**	**20,490**	**−24,463**	**4,252[r]**	**7,053**	**17,452**	**−14,806**	**16,083**

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

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

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

Millions of dollars

Account	Wednesday 1998 July 1	July 8	July 15	July 22	July 29	End of month 1998 May 31	June 30	July 31
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,047	11,047	11,047	11,046	11,047	11,049	11,047	11,046
2 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
3 Coin	389	377	395	405	413	407	392	435
Loans								
4 To depository institutions	713	203	208	243	251	136	963	241
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	526	526	526	526	526	551	526	526
8 Held under repurchase agreements	415	469	2,425	1,956	1,110	230	1,865	760
9 **Total U.S. Treasury securities**	**452,128**	**445,222**	**450,379**	**440,764**	**449,765**	**443,977**	**458,454**	**447,878**
10 Bought outright[2]	440,522	440,328	440,887	436,103	441,354	440,980	439,773	440,612
11 Bills	198,013	197,818	199,685	194,900	200,149	198,476	197,264	199,407
12 Notes	180,594	180,595	178,885	178,886	178,886	180,590	180,594	178,887
13 Bonds	61,915	61,915	62,317	62,318	62,318	61,914	61,915	62,318
14 Held under repurchase agreements	11,606	4,894	9,492	4,661	8,411	2,997	18,681	7,266
15 **Total loans and securities**	**453,781**	**446,420**	**453,537**	**443,489**	**451,651**	**444,893**	**461,807**	**449,404**
16 Items in process of collection	8,504	6,727	7,531	7,656	6,253	5,165	10,126	4,677
17 Bank premises	1,290	1,294	1,294	1,294	1,288	1,287	1,290	1,289
Other assets								
18 Denominated in foreign currencies[3]	17,333	17,341	17,349	17,358	17,366	16,995	17,366	17,282
19 All other[4]	14,202	13,727	14,420	13,728	14,659	12,356	15,126	14,378
20 **Total assets**	**515,748**	**506,134**	**514,773**	**504,177**	**511,878**	**501,352**	**526,355**	**507,711**
LIABILITIES								
21 Federal Reserve notes	459,720	462,507	461,833	461,208	461,660	455,565	458,610	460,754
22 **Total deposits**	**31,834**	**20,689**	**29,477**	**20,135**	**27,222**	**24,112**	**42,287**	**25,312**
23 Depository institutions	23,490	15,330	23,707	15,267	21,618	17,954	23,651	20,239
24 U.S. Treasury—General account	7,866	4,934	5,309	4,426	5,184	5,693	18,140	4,648
25 Foreign—Official accounts	166	149	180	195	158	156	201	161
26 Other	313	275	279	247	262	309	296	264
27 Deferred credit items	7,645	6,361	6,874	6,321	6,242	4,931	8,385	4,816
28 Other liabilities and accrued dividends[5]	4,733	4,637	4,636	4,530	4,796	4,993	4,850	4,818
29 **Total liabilities**	**503,933**	**494,194**	**502,820**	**492,194**	**499,920**	**489,602**	**514,132**	**495,699**
CAPITAL ACCOUNTS								
30 Capital paid in	5,809	5,811	5,815	5,822	5,819	5,721	5,791	5,822
31 Surplus	5,220	5,220	5,220	5,220	5,220	5,218	5,220	5,220
32 Other capital accounts	786	908	918	940	919	811	1,212	970
33 **Total liabilities and capital accounts**	**515,748**	**506,134**	**514,773**	**504,177**	**511,878**	**501,352**	**526,355**	**507,711**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	599,574	589,691	586,656	592,068	592,993	606,393	600,373	595,603
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	567,090	567,723	569,062	570,074	570,576	566,773	567,155	570,428
36 LESS: Held by Federal Reserve Banks	107,370	105,216	107,228	108,866	108,916	111,209	108,545	109,674
37 Federal Reserve notes, net	459,720	462,507	461,833	461,208	461,660	455,565	458,610	460,754
Collateral held against notes, net								
38 Gold certificate account	11,047	11,047	11,047	11,046	11,047	11,049	11,047	11,046
39 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	439,472	442,260	441,587	440,962	441,413	435,316	438,363	440,508
42 **Total collateral**	**459,720**	**462,507**	**461,833**	**461,208**	**461,660**	**455,565**	**458,610**	**460,754**

1. Some of the data in this table also appear in the Board's H.4.1 (503) weekly statistical release. For ordering address, see inside front cover.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities. Excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1998					1998		
	July 1	July 8	July 15	July 22	July 29	May 31	June 30	July 31
1 **Total loans**	**713**	**203**	**208**	**243**	**251**	**136**	**963**	**241**
2 Within fifteen days[1]	560	57	55	220	229	78	859	107
3. Sixteen days to ninety days	153	146	153	23	22	58	104	134
4 **Total U.S. Treasury securities**[2]	**452,128**	**445,222**	**450,379**	**440,764**	**449,765**	**443,976**	**458,634**	**447,878**
5 Within fifteen days[1]	20,456	15,381	19,893	19,394	17,348	5,745	27,389	13,538
6 Sixteen days to ninety days	94,040	94,275	94,052	92,596	97,971	102,385	93,433	98,052
7 Ninety-one days to one year	145,693	143,627	144,441	136,779	142,449	145,188	145,693	145,377
8 One year to five years	98,145	98,145	97,796	97,797	97,797	96,868	98,145	96,711
9 Five years to ten years	43,016	43,016	43,016	43,017	43,018	43,013	43,016	43,018
10 More than ten years	50,778	50,778	51,181	51,181	51,181	50,777	50,778	51,181
11 **Total federal agency obligations**	**941**	**995**	**2,951**	**2,481**	**1,635**	**781**	**2,391**	**1,286**
12 Within fifteen days[1]	415	469	2,425	1,956	1,160	230	1,865	810
13 Sixteen days to ninety days	98	98	98	98	48	75	98	48
14 Ninety-one days to one year	104	104	109	109	114	125	104	114
15 One year to five years	99	99	109	109	104	126	99	104
16 Five years to ten years	200	200	185	185	185	200	200	185
17 More than ten years	25	25	25	25	25	25	25	25

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

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

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1994 Dec.	1995 Dec.	1996 Dec.	1997 Dec.	1997	1998						
					Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	59.41	56.40	50.08	46.67	46.67	46.50	45.72	46.05	45.96	45.59	45.39	44.81
2 Nonborrowed reserves[4]	59.20	56.14	49.93	46.35	46.35	46.29	45.66	46.01	45.89	45.44	45.14	44.56
3 Nonborrowed reserves plus extended credit[5]	59.20	56.14	49.93	46.35	46.35	46.29	45.66	46.01	45.89	45.44	45.14	44.56
4 Required reserves	58.24	55.12	48.66	44.99	44.99	44.72	44.20	44.73	44.61	44.44	43.77	43.45
5 Monetary base[6]	418.12	434.17	452.38	480.15	480.15	482.84	484.23	485.86	487.20	489.10	491.63	493.70
	Not seasonally adjusted											
6 Total reserves[7]	61.13	58.02	51.52	47.97	47.97	47.49	44.99	45.55	46.53	44.87	45.17	44.69
7 Nonborrowed reserves	60.92	57.76	51.37	47.65	47.65	47.28	44.94	45.50	46.45	44.71	44.92	44.43
8 Nonborrowed reserves plus extended credit[5]	60.92	57.76	51.37	47.65	47.65	47.28	44.94	45.50	46.45	44.71	44.92	44.43
9 Required reserves[8]	59.96	56.74	50.10	46.29	46.29	45.71	43.47	44.23	45.18	43.72	43.55	43.32
10 Monetary base[9]	422.51	439.03	456.72	485.11	485.11	484.41	481.35	484.00	487.36	488.28	491.18	495.35
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	61.34	57.90	51.24	47.88	47.88	47.50	44.97	45.51	46.48	44.81	45.10	44.60
12 Nonborrowed reserves	61.13	57.64	51.09	47.56	47.56	47.29	44.92	45.47	46.40	44.65	44.84r	44.34
13 Nonborrowed reserves plus extended credit[5]	61.13	57.64	51.09	47.56	47.56	47.29	44.92	45.47	46.40	44.65	44.84r	44.34
14 Required reserves	60.17	56.62	49.82	46.20	46.20	45.71	43.45	44.19	45.13	43.66	43.48r	43.24
15 Monetary base[12]	427.25	444.45	463.49	491.92	491.92	491.61	488.41	490.96	494.11	494.95	497.93	502.20
16 Excess reserves[13]	1.17	1.28	1.42	1.68	1.68	1.78	1.52	1.32	1.35	1.15	1.62	1.36
17 Borrowings from the Federal Reserve	.21	.26	.16	.32	.32	.21	.06	.04	.07	.15	.25	.26

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data starting in 1959 and estimates of the effect on required reserves of changes in reserve requirements are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10.)

3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

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

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

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities that are due to regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with regulatory changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of contemporaneous reserve requirements in February 1984, currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item	1994 Dec.	1995 Dec.	1996 Dec.	1997 Dec.	1998[r] Apr.	1998[r] May	1998[r] June	1998[r] July
	Seasonally adjusted							
Measures[2]								
1 M1	1,150.7	1,128.7	1,082.8	1,076.0	1,080.8	1,078.0	1,075.1	1,072.3
2 M2	3,503.0	3,651.2	3,826.1	4,045.8	4,165.1	4,174.9	4,193.0	4,209.3
3 M3	4,333.6	4,595.6	4,931.1	5,374.9	5,573.6	5,601.2	5,625.4	5,625.7
4 L	5,315.8	5,702.3[r]	6,083.6	6,609.4	6,833.4	6,851.5	6,887.2	n.a.
5 Debt	13,003.1	13,702.3	14,432.1[r]	15,170.7	15,493.4	15,557.2	15,623.5	n.a.
M1 components								
6 Currency[3]	354.3	372.4	394.9	425.5	433.7	435.5	438.2	441.3
7 Travelers checks[4]	8.5	8.9	8.6	8.2	8.0	8.0	7.8	7.7
8 Demand deposits[5]	384.0	391.0	403.6	397.1	388.7	388.2	383.7	378.5
9 Other checkable deposits[6]	403.9	356.4	275.9	245.2	250.5	246.3	245.4	244.8
Nontransaction components								
10 In M2[7]	2,352.3	2,522.6	2,743.2	2,969.7	3,084.3	3,096.9	3,117.9	3,137.1
11 In M3 only[8]	830.6	944.4	1,105.0	1,329.1	1,408.6	1,426.3	1,432.4	1,416.4
Commercial banks								
12 Savings deposits, including MMDAs	752.6	775.0	904.8	1,020.9	1,078.2	1,078.6	1,088.4	1,103.6
13 Small time deposits[9]	503.2	575.8	594.5	625.7	626.4	624.4	624.0	624.3
14 Large time deposits[10, 11]	298.7	345.4	413.2	487.5	521.1	524.2	527.8	510.7
Thrift institutions								
15 Savings deposits, including MMDAs	397.3	359.7	366.9	376.6	389.9	395.2	396.4	399.2
16 Small time deposits[9]	314.2	357.2	354.3	343.9	339.8	338.1	337.1	335.1
17 Large time deposits[10]	64.7	74.2	78.0	85.4	88.0	86.6	87.6	86.9
Money market mutual funds								
18 Retail	385.0	454.9	522.8	602.6	649.9	660.6	672.0	675.0
19 Institution-only	203.1	253.9	310.3	376.2	408.8	422.0	432.1	430.2
Repurchase agreements and Eurodollars								
20 Repurchase agreements[12]	183.3	182.4	194.2	234.8	257.4	258.8	251.3	254.1
21 Eurodollars[12]	80.8	88.6	109.2	145.3	133.3	134.7	133.6	134.5
Debt components								
22 Federal debt	3,492.4	3,638.9	3,780.6	3,798.4	3,791.5	3,778.8	3,775.8	n.a.
23 Nonfederal debt	9,510.6[r]	10,063.4	10,651.6	11,372.3	11,701.8	11,778.4	11,847.7	n.a.
	Not seasonally adjusted							
Measures[2]								
24 M1	1,174.4	1,152.4	1,104.9	1,097.6	1,086.2	1,068.7	1,074.3	1,073.2
25 M2	3,523.4	3,672.0	3,845.4	4,064.7	4,185.8	4,154.3	4,188.1	4,209.9
26 M3	4,353.2	4,615.2	4,948.9	5,392.1	5,588.2	5,579.1	5,615.4	5,617.9
27 L	5,344.6	5,732.8[r]	6,111.6	6,634.9	6,854.7	6,828.9	6,869.6	n.a.
28 Debt	13,004.5	13,702.5	14,431.0	15,168.8	15,464.3	15,512.3	15,575.4	n.a.
M1 components								
29 Currency[3]	357.5	376.2	397.9	429.0	433.7	436.1	438.3	442.7
30 Travelers checks[4]	8.1	8.5	8.3	7.9	7.9	7.9	8.0	8.2
31 Demand deposits[5]	400.3	407.2	419.9	413.0	388.8	380.5	383.1	379.3
32 Other checkable deposits[6]	408.6	360.5	278.8	247.7	255.8	244.2	245.0	243.0
Nontransaction components								
33 In M2[7]	2,349.0	2,519.6	2,740.5	2,967.1	3,099.6	3,085.6	3,113.8	3,136.7
34 In M3 only[8]	829.7	943.2	1,103.5	1,327.4	1,402.4	1,424.8	1,427.2	1,408.0
Commercial banks								
35 Savings deposits, including MMDAs	751.7	774.1	903.3	1,019.0	1,083.5	1,077.1	1,091.6	1,106.1
36 Small time deposits[9]	501.5	573.8	592.7	624.1	627.2	625.0	624.4	625.0
37 Large time deposits[10, 11]	298.9	345.8	413.6	487.9	517.6	525.5	526.8	509.8
Thrift institutions								
38 Savings deposits, including MMDAs	396.8	359.2	366.4	375.9	391.8	394.7	397.6	400.0
39 Small time deposits[9]	313.2	355.9	353.2	343.0	340.2	338.4	337.3	335.5
40 Large time deposits[10]	64.8	74.3	78.1	85.4	87.4	86.8	87.4	86.8
Money market mutual funds								
41 Retail	385.9	456.4	524.8	605.1	656.9	650.4	662.9	670.1
42 Institution-only	204.6	255.8	312.7	378.9	405.8	414.1	424.5	425.3
Repurchase agreements and Eurodollars								
43 Repurchase agreements[12]	179.6	178.0	188.8	228.2	257.8	262.8	256.4	254.5
44 Eurodollars[12]	81.8	89.4	110.3	146.9	133.7	135.7	132.1	131.6
Debt components								
45 Federal debt	3,499.0	3,645.9	3,787.9	3,805.8	3,800.5	3,765.9	3,755.3	n.a.
46 Nonfederal debt	9,505.5	10,056.6	10,643.1	11,363.1	11,663.8	11,746.4	11,820.1	n.a.

Footnotes appear on following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data starting in 1959 are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

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

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

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

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

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

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

5. Demand deposits at commercial banks and foreign-related institutions other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float.

6. Consists of NOW and ATS account balances at all depository institutions, credit union share draft account balances, and demand deposits at thrift institutions.

7. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances.

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

9. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRAs and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.

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

11. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

12. Includes both overnight and term.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]

A. All commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1997	1998[r]							1998			
	July	Jan.	Feb.	Mar.	Apr.	May	June	July	July 8	July 15	July 22	July 29
	Seasonally adjusted											
Assets												
1 Bank credit	3,961.5[r]	4,150.9	4,182.2	4,222.7	4,219.8	4,246.4	4,256.0	4,274.0	4,257.8	4,263.4	4,273.4	4,295.4
2 Securities in bank credit	1,030.0	1,104.5	1,108.5	1,127.0	1,107.6	1,122.7	1,116.1	1,124.0	1,118.6	1,118.7	1,122.3	1,133.7
3 U.S. government securities	718.2	760.6	768.0	779.9	764.1	770.9	754.1	757.7	758.0	752.3	751.2	765.3
4 Other securities	311.7	343.9	340.5	347.1	343.4	351.8	362.1	366.4	360.6	366.5	371.1	368.4
5 Loans and leases in bank credit[2]	2,931.5	3,046.4	3,073.7	3,095.7	3,112.2	3,123.7	3,139.9	3,150.0	3,139.2	3,144.7	3,151.1	3,161.7
6 Commercial and industrial	820.1[r]	863.4	871.1	873.0	871.3	880.1	890.2	895.6	892.4	895.9	893.8	900.1
7 Real estate	1,196.5	1,235.4	1,250.1	1,262.8	1,270.1	1,271.4	1,270.8	1,273.2	1,275.1	1,272.4	1,270.0	1,273.4
8 Revolving home equity	93.2	98.0	98.1	98.2	98.3	97.9	97.6	97.3	97.3	97.2	97.4	97.3
9 Other	1,103.3	1,137.4	1,152.0	1,164.6	1,171.8	1,173.5	1,173.2	1,175.9	1,177.8	1,175.2	1,172.7	1,176.1
10 Consumer	518.1	504.4	502.5	502.5	505.6	505.6	502.1	496.0	496.0	496.1	496.3	495.9
11 Security[3]	94.2	116.0	117.7	116.7	115.2	119.8	126.1	128.8	123.3	124.0	135.1	133.0
12 Other loans and leases	302.6	327.2	332.3	340.8	350.0	346.8	350.6	356.4	352.4	356.3	355.8	359.2
13 Interbank loans	184.9	201.3	199.8	216.5	212.7	201.4	216.5	212.1	206.1	215.0	209.2	214.4
14 Cash assets[4]	246.2	265.4	269.1	281.0	274.1	255.8	255.8	248.1	231.6	261.2	248.5	249.6
15 Other assets[5]	287.4	291.6	294.7	291.3	305.6	312.2	312.0	309.4	304.7	314.3	307.8	310.9
16 **Total assets**[6]	**4,623.2**	**4,852.6**	**4,889.1**	**4,954.6**	**4,954.8**	**4,958.3**	**4,982.8**	**4,986.2**	**4,942.7**	**4,996.6**	**4,981.5**	**5,012.8**
Liabilities												
17 Deposits	3,005.2	3,118.3	3,155.4	3,195.1	3,208.3	3,201.7	3,218.7	3,192.0	3,174.4	3,207.7	3,182.7	3,188.0
18 Transaction	689.4	681.1	688.4	698.4	697.0	687.8	683.4	667.7	646.1	679.4	665.6	677.6
19 Nontransaction	2,315.8	2,437.2	2,467.0	2,496.7	2,511.3	2,513.9	2,535.3	2,524.4	2,528.2	2,528.3	2,517.2	2,510.5
20 Large time	597.2	645.1	659.6	676.4	673.7	674.0	683.5	665.1	665.5	660.7	663.7	665.5
21 Other	1,718.6	1,792.1	1,807.3	1,820.3	1,837.7	1,839.9	1,851.8	1,859.3	1,862.7	1,867.6	1,853.5	1,844.9
22 Borrowings	741.6	828.9	829.2	860.2	874.7	867.1	866.2	866.7	846.9	864.9	868.9	885.8
23 From banks in the U.S.	280.2	291.2	292.3	306.6	304.6	283.5	292.0	293.0	286.7	297.5	286.2	298.1
24 From others	461.5	537.7	536.9	553.6	570.1	583.6	574.2	573.8	560.3	567.4	582.7	587.6
25 Net due to related foreign offices	213.9	230.6	223.0	201.4	175.5	168.4	164.7	179.0	188.3	172.6	178.4	177.7
26 Other liabilities	283.4	293.8	296.8	290.7	289.6	295.6	303.9	314.9	310.8	314.2	310.2	323.2
27 **Total liabilities**	**4,244.1**	**4,471.6**	**4,504.3**	**4,547.3**	**4,548.1**	**4,532.8**	**4,553.6**	**4,552.6**	**4,520.4**	**4,559.4**	**4,540.2**	**4,574.7**
28 Residual (assets less liabilities)[7]	379.1	381.0	384.8	407.2	406.8	425.6	429.3	433.6	422.3	437.3	441.3	438.1
	Not seasonally adjusted											
Assets												
29 Bank credit	3,956.5[r]	4,158.2	4,179.6	4,213.2	4,224.4	4,241.3	4,257.4	4,268.3	4,260.4	4,258.0	4,260.7	4,284.3
30 Securities in bank credit	1,025.6	1,105.0	1,112.0	1,128.4	1,118.3	1,127.4	1,119.0	1,118.5	1,117.7	1,112.3	1,113.1	1,126.3
31 U.S. government securities	715.1	757.2	766.9	783.2	772.5	775.5	756.5	753.8	756.1	748.2	746.6	759.9
32 Other securities	310.5	347.7	345.1	345.2	345.8	351.9	362.5	364.7	361.6	364.0	366.5	366.4
33 Loans and leases in bank credit[2]	2,930.9[r]	3,053.2	3,067.6	3,084.8	3,106.1	3,113.9	3,138.4	3,149.8	3,142.7	3,145.7	3,147.6	3,158.0
34 Commercial and industrial	819.8	861.1	871.0	876.5	878.8	885.6	892.9	895.2	895.0	895.6	892.9	896.7
35 Real estate	1,198.2	1,235.5	1,244.8	1,256.2	1,263.6	1,265.1	1,268.4	1,275.3	1,276.9	1,275.2	1,271.6	1,275.8
36 Revolving home equity	93.2	98.2	97.7	97.2	97.4	97.5	97.3	97.3	97.2	97.3	97.4	97.4
37 Other	1,105.0	1,137.3	1,147.1	1,159.1	1,166.3	1,167.6	1,171.1	1,178.0	1,179.6	1,177.9	1,174.2	1,178.4
38 Consumer	515.8	511.1	502.0	496.0	500.6	500.3	499.3	494.1	492.6	493.5	494.5	495.5
39 Security[3]	92.5	116.2	119.2	117.6	116.7	119.4	126.1	126.8	121.1	122.6	132.1	131.0
40 Other loans and leases	304.5	329.3	330.7	338.6	346.3	343.5	351.7	358.5	357.2	358.8	356.4	359.0
41 Interbank loans	180.2	208.1	202.8	216.0	215.4	197.0	213.4	206.0	207.3	209.4	198.6	202.9
42 Cash assets[4]	241.9	276.4	269.3	269.4	269.4	251.4	250.6	243.7	235.1	257.8	234.9	243.1
43 Other assets[5]	288.2	290.1	295.8	291.2	303.7	311.7	310.3	310.7	306.9	314.4	307.5	313.1
44 **Total assets**[6]	**4,610.1**	**4,876.4**	**4,891.0**	**4,933.0**	**4,955.9**	**4,944.0**	**4,974.2**	**4,971.2**	**4,952.2**	**4,982.3**	**4,944.3**	**4,986.0**
Liabilities												
45 Deposits	2,997.7	3,124.5	3,142.6	3,185.8	3,207.8	3,185.2	3,210.8	3,184.5	3,190.2	3,202.4	3,155.6	3,167.6
46 Transaction	684.4	693.1	681.7	686.0	702.1	676.0	678.5	662.8	659.1	675.1	644.2	665.0
47 Nontransaction	2,313.3	2,431.3	2,460.9	2,499.8	2,505.6	2,509.3	2,532.3	2,521.7	2,531.1	2,527.3	2,511.4	2,502.6
48 Large time	593.9[r]	643.4	658.5	673.9	668.1	674.3	681.2	661.8	659.4	657.9	660.6	664.5
49 Other	1,719.3	1,788.0	1,802.4	1,826.0	1,837.5	1,834.9	1,851.1	1,860.0	1,871.7	1,869.3	1,850.8	1,838.1
50 Borrowings	744.4	835.3	829.8	852.1	874.6	872.5	873.5	868.6	847.4	868.7	871.5	886.6
51 From banks in the U.S.	280.3	294.7	293.2	304.2	303.9	284.6	294.0	292.3	286.2	297.9	285.4	296.4
52 From others	464.1	540.6	536.5	547.9	570.7	587.9	579.6	576.2	561.2	570.8	586.1	590.3
53 Net due to related foreign offices	213.2	231.0	221.1	199.7	174.8	178.8	172.2	182.3	187.0	176.3	183.5	185.7
54 Other liabilities	282.6	293.8	298.0	290.9	288.7	295.0	303.1	314.2	309.6	313.4	309.4	323.1
55 **Total liabilities**	**4,238.0**	**4,484.6**	**4,491.5**	**4,528.5**	**4,545.8**	**4,531.6**	**4,559.5**	**4,549.6**	**4,534.2**	**4,560.8**	**4,520.0**	**4,562.9**
56 Residual (assets less liabilities)[7]	372.1	391.8	399.5	404.5	410.0	412.5	414.7	421.6	418.0	421.5	424.3	423.1
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	89.5	93.2	87.5	87.2	83.3	85.3	92.1	92.2	93.0	92.6	91.5	92.1
58 Revaluation losses on off-balance-sheet items[8]	92.0	95.6	89.8	89.3	84.4	84.8	90.4	90.6	91.7	91.6	89.0	89.5

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

B. Domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1997	1998[r]							1998			
	July	Jan.	Feb.	Mar.	Apr.	May	June	July	July 8	July 15	July 22	July 29
	Seasonally adjusted											
Assets												
1 Bank credit	3,424.7	3,582.2	3,613.5	3,656.8	3,662.1	3,682.2	3,688.1	3,700.0	3,686.9	3,700.3	3,701.7	3,710.0
2 Securities in bank credit	854.3	911.4	915.5	929.7	916.1	928.7	920.4	927.3	922.1	929.4	930.1	929.6
3 U.S. government securities	635.1	679.1	683.9	692.1	675.9	682.6	667.3	668.0	666.3	668.8	667.3	669.4
4 Other securities	219.3	232.3	231.6	237.6	240.2	246.1	253.2	259.3	255.8	260.6	262.8	260.3
5 Loans and leases in bank credit[2]	2,570.4	2,670.9	2,698.0	2,727.1	2,746.0	2,753.5	2,767.7	2,772.8	2,764.9	2,770.9	2,771.6	2,780.4
6 Commercial and industrial	598.9	640.2	648.5	652.6	656.9	666.5	674.8	677.3	674.3	677.9	676.3	679.9
7 Real estate	1,167.6	1,208.9	1,224.2	1,238.1	1,246.5	1,248.3	1,247.9	1,250.1	1,252.7	1,249.0	1,246.8	1,250.2
8 Revolving home equity	93.2	98.0	98.1	98.2	98.3	97.9	97.6	97.3	97.3	97.2	97.4	97.3
9 Other	1,074.4	1,110.9	1,126.1	1,140.0	1,148.2	1,150.4	1,150.4	1,152.8	1,155.4	1,151.8	1,149.5	1,152.9
10 Consumer	518.1	504.4	502.5	502.5	505.6	505.6	502.1	496.0	496.0	496.1	496.3	495.9
11 Security[3]	49.6	61.2	62.9	67.8	63.5	61.7	67.5	69.2	66.9	67.1	71.6	71.6
12 Other loans and leases	236.2	256.2	259.9	266.1	273.5	271.4	275.4	280.2	274.9	280.8	280.6	282.8
13 Interbank loans	166.1	173.2	175.0	195.6	191.8	180.6	193.2	190.5	184.7	196.7	187.2	189.1
14 Cash assets[4]	212.4	232.5	236.5	246.9	238.8	221.3	220.7	213.4	196.9	225.8	214.6	214.9
15 Other assets[5]	243.5	251.3	252.5	248.7	262.8	270.4	271.6	269.7	265.5	274.7	268.3	270.4
16 **Total assets**[6]	**3,990.3**	**4,182.9**	**4,221.1**	**4,291.3**	**4,298.4**	**4,297.1**	**4,316.3**	**4,316.5**	**4,276.8**	**4,340.4**	**4,314.7**	**4,327.1**
Liabilities												
17 Deposits	2,741.9	2,844.8	2,870.6	2,906.2	2,915.9	2,907.4	2,916.6	2,896.2	2,875.2	2,915.7	2,890.4	2,891.0
18 Transaction	678.8	670.9	678.3	687.7	685.9	677.2	672.7	654.7	629.1	667.7	653.8	666.1
19 Nontransaction	2,063.1	2,173.9	2,192.3	2,218.4	2,230.1	2,230.1	2,244.0	2,241.5	2,246.1	2,248.0	2,236.6	2,224.9
20 Large time	346.9	383.6	386.8	399.8	393.3	390.2	391.5	382.9	384.4	381.5	383.8	380.4
21 Other	1,716.2	1,790.4	1,805.6	1,818.6	1,836.7	1,839.9	1,852.5	1,858.6	1,861.7	1,866.4	1,852.9	1,844.6
22 Borrowings	597.6	679.1	684.3	706.1	705.6	698.7	692.7	690.4	681.8	688.0	690.0	704.7
23 From banks in the U.S.	248.3	267.7	269.6	280.8	278.1	259.7	259.9	264.2	262.8	265.5	256.3	269.7
24 From others	349.3	411.5	414.7	425.3	427.5	439.0	432.8	426.2	419.0	422.5	433.7	435.0
25 Net due to related foreign offices	80.3	91.0	88.3	82.9	77.2	71.4	71.5	76.0	74.9	77.7	77.3	73.7
26 Other liabilities	184.2	197.6	199.5	196.7	199.4	202.1	209.2	217.4	216.3	219.0	214.2	220.7
27 **Total liabilities**	**3,604.1**	**3,812.6**	**3,842.6**	**3,891.9**	**3,898.0**	**3,879.5**	**3,890.1**	**3,880.0**	**3,848.2**	**3,900.4**	**3,871.8**	**3,890.1**
28 Residual (assets less liabilities)[7]	386.2	370.3	378.5	399.4	400.4	417.6	426.2	436.4	428.6	440.1	442.8	437.1
	Not seasonally adjusted											
Assets												
29 Bank credit	3,417.1	3,592.6	3,611.5	3,647.6	3,666.9	3,675.5	3,686.4	3,691.2	3,687.4	3,692.3	3,685.9	3,695.0
30 Securities in bank credit	847.4	917.2	922.0	933.0	925.3	929.5	920.2	918.9	919.1	921.4	918.1	917.8
31 U.S. government securities	632.1	677.7	683.6	694.6	685.7	686.6	669.6	664.4	665.0	665.5	662.5	664.0
32 Other securities	215.2	239.5	238.4	238.4	239.6	242.9	250.6	254.5	254.1	255.9	255.6	253.8
33 Loans and leases in bank credit[2]	2,569.8[r]	2,675.4	2,689.5	2,714.5	2,741.6	2,746.0	2,766.3	2,772.3	2,768.2	2,770.9	2,767.8	2,777.2
34 Commercial and industrial	598.8	637.0	647.3	655.5	664.4	672.6	677.6	677.1	677.2	677.7	675.4	677.2
35 Real estate	1,169.6	1,209.0	1,218.7	1,231.6	1,240.2	1,242.1	1,245.7	1,252.4	1,254.6	1,252.1	1,248.5	1,252.8
36 Revolving home equity	93.2	98.2	97.7	97.2	97.4	97.5	97.3	97.3	97.2	97.3	97.4	97.4
37 Other	1,076.4	1,110.8	1,121.0	1,134.4	1,142.8	1,144.6	1,148.4	1,155.1	1,157.3	1,154.8	1,151.1	1,155.4
38 Consumer	515.8	511.1	502.0	496.0	500.6	500.3	499.3	494.1	492.6	493.5	494.5	495.5
39 Security[3]	48.5	61.3	64.2	67.9	65.6	61.8	67.6	67.7	65.4	66.1	69.4	70.1
40 Other loans and leases	237.1	257.0	257.3	263.6	270.8	269.2	276.1	281.0	278.4	281.6	280.0	281.6
41 Interbank loans	161.4	180.1	178.0	195.2	194.6	176.2	190.0	184.4	186.0	191.1	176.7	177.7
42 Cash assets[4]	208.2	243.5	237.2	236.4	235.8	217.2	214.6	209.1	200.3	222.6	201.5	208.4
43 Other assets[5]	244.9	249.3	252.2	248.6	263.2	269.4	270.8	271.4	268.7	275.3	268.5	272.5
44 **Total assets**[6]	**3,975.2**[r]	**4,209.5**	**4,222.6**	**4,271.1**	**4,303.6**	**4,281.1**	**4,304.6**	**4,298.9**	**4,285.1**	**4,324.2**	**4,275.4**	**4,296.4**
Liabilities												
45 Deposits	2,736.4	2,852.9	2,860.0	2,895.7	2,917.0	2,888.1	2,906.9	2,890.5	2,895.3	2,912.1	2,864.9	2,870.2
46 Transaction	673.8	683.0	671.8	675.5	691.4	665.7	667.6	649.7	641.9	663.2	632.3	653.4
47 Nontransaction	2,062.6	2,169.9	2,188.3	2,220.2	2,225.6	2,222.5	2,239.3	2,240.8	2,253.4	2,248.8	2,232.6	2,216.8
48 Large time	345.8	382.9	387.1	395.2	389.1	388.5	389.1	381.8	382.7	380.5	382.7	379.7
49 Other	1,716.8	1,787.0	1,801.2	1,825.0	1,836.5	1,834.0	1,850.2	1,859.0	1,870.7	1,868.3	1,849.9	1,837.1
50 Borrowings	600.4	685.6	684.9	697.9	705.5	704.2	700.0	692.2	682.2	691.8	692.7	705.6
51 From banks in the U.S.	248.5	271.2	270.6	278.3	277.4	260.8	261.9	263.5	262.4	265.9	255.6	267.9
52 From others	351.9	414.4	414.3	419.6	428.1	443.4	438.1	428.7	419.8	425.9	437.1	437.6
53 Net due to related foreign offices	83.6	86.5	85.1	82.1	77.9	80.8	79.7	83.0	78.3	85.1	85.6	83.1
54 Other liabilities	184.2	197.6	199.5	196.7	199.4	202.1	209.2	217.4	216.3	219.0	214.2	220.7
55 **Total liabilities**	**3,604.6**	**3,822.6**	**3,829.6**	**3,872.5**	**3,899.8**	**3,875.2**	**3,895.9**	**3,883.1**	**3,872.1**	**3,907.9**	**3,857.4**	**3,879.6**
56 Residual (assets less liabilities)[7]	370.5	386.8	393.0	398.7	403.8	406.0	408.7	415.8	413.0	416.3	418.0	416.7
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	44.3	49.9	47.0	47.2	43.9	45.6	50.5	51.2	51.6	52.1	51.8	50.3
58 Revaluation losses on off-balance-sheet items[8]	45.9	52.7	49.2	49.6	45.3	46.3	50.1	50.6	51.2	52.3	50.3	48.5
59 Mortgage-backed securities[9]	254.9	289.7	293.8	299.5	293.4	294.9	286.9	289.7	289.6	288.9	290.4	289.1

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

C. Large domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1997[r]	1998[r]							1998			
	July	Jan.	Feb.	Mar.	Apr.	May	June	July	July 8	July 15	July 22	July 29
	Seasonally adjusted											
Assets												
1 Bank credit	2,051.8	2,145.5	2,171.5	2,208.8	2,208.8	2,220.9	2,218.2	2,217.8	2,208.1	2,221.1	2,217.2	2,225.1
2 Securities in bank credit	453.9	502.0	507.8	519.5	506.7	515.6	507.8	509.8	505.2	512.8	512.1	511.6
3 U.S. government securities	318.1	355.0	361.6	369.7	356.4	359.9	346.5	345.1	343.4	346.2	344.3	346.5
4 Trading account	23.3	29.1	28.0	27.5	23.7	24.5	24.6	21.7	22.1	22.3	21.2	21.7
5 Investment account	294.8	325.9	333.6	342.2	332.7	335.4	321.9	323.4	321.3	324.0	323.2	324.8
6 Other securities	135.8	147.0	146.2	149.8	150.3	155.7	161.3	164.7	161.8	166.6	167.7	165.1
7 Trading account	68.4	69.6	67.5	70.9	69.4	74.4	78.3	79.8	76.8	81.2	82.5	80.7
8 Investment account	67.4	77.4	78.7	78.9	80.9	81.3	83.1	84.9	85.0	85.3	85.3	84.5
9 State and local government	22.1	22.5	22.7	22.8	23.0	22.8	22.2	22.4	22.3	22.3	22.5	22.4
10 Other	45.3	54.9	56.0	56.2	57.9	58.5	60.9	62.5	62.7	63.1	62.8	62.0
11 Loans and leases in bank credit[2]	1,597.9	1,643.6	1,663.7	1,689.3	1,702.1	1,705.4	1,710.3	1,707.9	1,702.9	1,708.3	1,705.1	1,713.5
12 Commercial and industrial	423.7	455.1	462.0	465.8	468.6	475.7	482.3	483.2	481.0	484.1	482.2	485.0
13 Bankers acceptances	1.6	1.2	1.2	1.3	1.2	1.3	1.2	1.3	1.3	1.2	1.3	1.2
14 Other	422.2	453.9	460.7	464.6	467.4	474.5	481.1	481.9	481.0	484.2	482.2	485.3
15 Real estate	649.5	651.2	661.2	672.7	676.9	676.6	669.6	665.7	670.0	666.2	661.0	664.2
16 Revolving home equity	65.6	68.6	68.6	68.9	69.2	68.6	68.0	67.5	67.6	67.5	67.4	67.5
17 Other	583.9	582.6	592.6	603.8	607.7	608.0	601.7	598.2	602.5	598.7	593.6	596.7
18 Consumer	307.4	294.5	293.0	294.5	298.5	298.1	294.8	289.4	289.7	290.0	288.9	289.0
19 Security[3]	45.3	55.6	57.1	61.6	57.2	55.9	61.4	63.3	60.9	61.1	65.9	65.9
20 Federal funds sold to and repurchase agreements with broker–dealers	28.6	39.4	41.2	43.7	39.7	37.6	42.9	44.8	42.9	42.4	47.3	47.0
21 Other	16.7	16.2	16.0	17.8	17.5	18.3	18.5	18.5	18.0	18.7	18.6	18.9
22 State and local government	11.3	11.4	11.4	11.2	11.2	11.3	11.2	11.1	11.1	11.2	11.1	11.1
23 Agricultural	9.1	9.5	9.5	9.6	9.6	9.7	9.6	9.6	9.4	9.5	9.6	9.7
24 Federal funds sold to and repurchase agreements with others	7.9	7.7	6.1	7.1	7.2	5.6	5.6	8.7	8.3	9.3	8.4	9.0
25 All other loans	68.0	74.3	78.1	79.6	82.5	80.0	82.2	82.3	78.5	82.6	83.1	84.2
26 Lease-financing receivables	75.8	84.2	85.3	87.3	90.3	92.5	93.4	94.8	94.0	94.3	94.9	95.4
27 Interbank loans	116.3	117.5	118.3	131.3	126.6	115.3	125.7	122.0	118.1	126.1	120.7	120.1
28 Federal funds sold to and repurchase agreements with commercial banks	72.2	77.0	69.5	81.0	75.1	64.2	73.1	66.9	63.2	70.8	66.1	64.6
29 Other	44.1	40.6	48.8	50.3	51.5	51.1	52.5	55.0	54.8	55.3	54.6	55.5
30 Cash assets[4]	145.6	161.2	164.4	174.0	165.0	147.5	146.3	140.7	128.3	150.2	142.2	141.3
31 Other assets[5]	182.6	188.4	188.3	185.7	196.5	201.9	199.4	196.5	194.6	197.9	195.1	198.2
32 **Total assets**[6]	**2,459.1**	**2,575.9**	**2,605.6**	**2,662.7**	**2,659.6**	**2,648.3**	**2,652.3**	**2,639.8**	**2,611.7**	**2,658.1**	**2,638.2**	**2,647.6**
Liabilities												
33 Deposits	1,511.7	1,561.3	1,580.8	1,609.1	1,611.5	1,595.9	1,592.5	1,568.9	1,556.1	1,583.5	1,564.7	1,562.4
34 Transaction	383.0	375.7	380.8	387.5	386.8	378.9	372.7	358.0	342.8	369.7	355.4	362.1
35 Nontransaction	1,128.7	1,185.6	1,200.0	1,221.5	1,224.7	1,217.0	1,219.8	1,210.9	1,213.3	1,213.8	1,209.4	1,200.3
36 Large time	188.6	213.7	214.7	227.3	219.5	214.8	216.2	210.0	211.5	208.4	210.5	208.0
37 Other	940.1	971.9	985.3	994.2	1,005.2	1,002.1	1,003.5	1,000.9	1,001.8	1,005.4	998.8	992.3
38 Borrowings	444.8	521.5	525.7	545.1	543.0	534.9	527.8	522.1	512.8	519.6	523.5	534.9
39 From banks in the U.S.	172.5	195.5	197.2	209.1	208.3	188.7	187.8	188.8	187.0	190.8	182.3	193.2
40 From others	272.3	326.0	328.4	335.9	334.7	346.2	340.1	333.2	325.8	328.8	341.3	341.7
41 Net due to related foreign offices	75.4	86.8	82.2	78.8	73.7	67.6	67.7	72.4	71.3	74.3	73.5	70.0
42 Other liabilities	158.6	169.4	170.7	166.8	169.0	171.3	178.4	185.7	185.7	187.0	182.0	188.7
43 **Total liabilities**	**2,190.5**	**2,338.9**	**2,359.3**	**2,399.8**	**2,397.2**	**2,369.7**	**2,366.4**	**2,349.1**	**2,325.9**	**2,364.4**	**2,343.8**	**2,356.0**
44 Residual (assets less liabilities)[7]	268.6	236.9	246.3	262.9	262.4	278.6	285.9	290.7	285.8	293.7	294.4	291.6

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

C. Large domestically chartered commercial banks—Continued

Account	Monthly averages								Wednesday figures			
	1997[r]	1998[r]							1998			
	July	Jan.	Feb.	Mar.	Apr.	May	June	July	July 8	July 15	July 22	July 29
	Not seasonally adjusted											
Assets												
45 Bank credit	2,046.1	2,161.1	2,178.0	2,203.3	2,207.9	2,207.2	2,211.7	2,210.8	2,211.1	2,214.1	2,204.2	2,211.5
46 Securities in bank credit	448.1	509.4	516.4	521.5	510.3	512.2	504.5	502.8	503.2	505.8	501.9	501.5
47 U.S. government securities	316.4	355.1	363.4	371.1	361.1	360.6	346.2	342.9	343.0	344.1	341.2	342.8
48 Trading account	22.6	28.2	28.4	28.3	23.9	23.7	23.7	21.1	21.4	21.6	20.5	21.2
49 Investment account	293.8	326.9	334.9	342.8	337.3	336.9	322.5	321.7	321.6	322.5	320.7	321.6
50 Mortgage-backed securities	192.1	220.5	223.1	227.7	221.3	221.0	212.6	214.0	213.6	213.1	214.1	214.3
51 Other	101.7	106.4	111.8	115.1	116.0	115.9	109.9	107.7	108.0	109.4	106.6	107.4
52 One year or less	27.4	27.3	29.2	30.0	31.2	29.7	29.8	28.7	28.9	29.7	27.8	28.2
53 One to five years	52.8	52.5	51.6	51.4	50.8	49.4	46.3	49.1	49.3	49.4	48.6	49.4
54 More than five years	21.5	26.7	31.0	33.7	34.0	36.8	33.8	30.0	29.7	30.3	30.2	29.7
55 Other securities	131.7	154.3	153.0	150.3	149.2	151.5	158.3	159.9	160.1	161.7	160.6	158.7
56 Trading account	64.9	76.3	74.2	71.4	69.0	70.9	75.5	75.7	75.8	76.9	76.1	75.0
57 Investment account	66.9	78.0	78.8	79.0	80.2	80.6	82.9	84.3	84.3	84.8	84.5	83.7
58 State and local government	21.9	22.5	22.7	22.7	22.9	22.7	22.4	22.3	22.1	22.1	22.4	22.5
59 Other	44.9	55.6	56.1	56.3	57.3	57.9	60.5	62.0	62.2	62.7	62.1	61.2
60 Loans and leases in bank credit[2]	1,598.0	1,651.7	1,661.6	1,681.8	1,697.6	1,695.0	1,707.3	1,708.0	1,707.9	1,708.4	1,702.4	1,710.0
61 Commercial and industrial	423.8	452.7	461.1	467.7	473.7	479.3	483.4	483.3	483.2	483.8	481.9	483.3
62 Bankers acceptances	1.5	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.3	1.2	1.3	1.2
63 Other	422.3	451.5	459.9	466.5	472.5	478.1	482.2	482.0	482.0	482.5	480.6	482.1
64 Real estate	651.4	654.3	659.5	668.4	671.0	668.8	666.8	668.0	672.7	668.9	662.8	666.2
65 Revolving home equity	65.8	69.0	68.3	67.9	68.1	68.1	67.8	67.7	67.7	67.7	67.7	67.7
66 Other	362.0	359.0	363.9	373.2	374.3	371.7	371.3	372.5	377.6	373.0	367.9	370.5
67 Commercial	223.6	226.3	227.4	227.3	228.6	228.9	227.7	227.7	227.4	228.2	227.3	227.9
68 Consumer	306.9	299.5	292.6	289.9	294.5	294.1	293.6	289.1	289.0	289.4	288.7	289.4
69 Security[3]	44.2	55.7	58.5	61.7	59.3	55.9	61.6	61.8	59.4	60.1	63.7	64.4
70 Federal funds sold to and repurchase agreements with broker–dealers	28.0	39.5	42.4	43.9	41.6	37.5	42.6	43.7	41.7	42.0	46.2	45.7
71 Other	16.2	16.2	16.0	17.8	17.7	18.4	19.0	18.0	17.7	18.1	17.5	18.7
72 State and local government	11.2	11.3	11.4	11.2	11.1	11.2	11.2	11.1	11.1	11.1	11.1	11.1
73 Agricultural	9.4	9.4	9.1	9.2	9.3	9.5	9.7	9.9	9.8	9.9	10.0	10.0
74 Federal funds sold to and repurchase agreements with others	7.9	7.7	6.1	7.1	7.2	5.6	5.6	8.7	8.3	9.3	8.4	9.0
75 All other loans	67.8	75.0	76.7	78.7	81.5	78.8	82.4	82.0	80.6	82.0	81.5	82.0
76 Lease-financing receivables	75.4	86.0	86.6	87.9	90.1	91.8	93.0	94.3	93.9	94.0	94.3	94.6
77 Interbank loans	115.5	122.9	117.3	127.1	127.3	114.6	126.1	120.9	119.3	125.5	117.8	117.5
78 Federal funds sold to and repurchase agreements with commercial banks	71.5	80.9	68.7	77.7	76.2	63.9	73.5	66.2	64.6	70.5	63.3	62.7
79 Other	44.0	42.0	48.6	49.4	51.1	50.8	52.7	54.7	54.7	55.0	54.5	54.8
80 Cash assets[4]	142.0	171.1	165.3	165.2	162.6	143.5	141.2	137.0	129.1	148.1	132.3	136.5
81 Other assets[5]	182.6	188.4	188.3	185.7	196.5	201.9	199.4	196.5	194.6	197.9	195.1	198.2
82 **Total assets**[6]	**2,449.0**	**2,607.0**	**2,612.1**	**2,644.3**	**2,657.3**	**2,630.0**	**2,641.1**	**2,628.1**	**2,616.9**	**2,648.4**	**2,612.3**	**2,626.5**
Liabilities												
83 Deposits	1,511.4	1,570.7	1,573.3	1,597.0	1,604.3	1,576.1	1,586.1	1,568.9	1,572.1	1,585.8	1,551.6	1,552.5
84 Transaction	380.7	385.4	377.7	378.3	388.8	369.4	369.3	355.8	350.6	368.3	342.6	356.0
85 Nontransaction	1,130.7	1,185.3	1,195.6	1,218.7	1,215.5	1,206.7	1,216.9	1,213.1	1,221.5	1,217.5	1,208.9	1,196.6
86 Large time	187.6	213.0	215.1	222.8	215.3	213.1	213.9	208.9	209.7	207.4	209.5	207.3
87 Other	943.1	972.3	980.5	995.9	1,000.3	993.6	1,003.0	1,004.2	1,011.8	1,010.1	999.4	989.3
88 Borrowings	447.7	527.0	528.1	540.1	544.8	540.0	534.7	523.9	514.5	524.0	525.7	534.4
89 From banks in the U.S.	172.5	198.5	198.9	207.9	208.0	189.1	189.2	188.0	187.0	191.3	181.1	190.7
90 From nonbanks in the U.S.	275.1	328.5	329.1	332.3	336.8	350.9	345.6	335.9	327.5	332.7	344.6	343.8
91 Net due to related foreign offices	78.7	82.3	79.0	78.0	74.4	77.0	75.9	79.3	74.6	81.6	81.9	79.5
92 Other liabilities	158.6	169.4	170.7	166.8	169.0	171.3	178.4	185.7	185.7	187.0	182.0	188.7
93 **Total liabilities**	**2,196.4**	**2,349.5**	**2,351.1**	**2,382.0**	**2,392.5**	**2,364.5**	**2,375.1**	**2,357.8**	**2,347.0**	**2,378.5**	**2,341.2**	**2,355.2**
94 Residual (assets less liabilities)[7]	252.6	257.5	261.1	262.2	264.8	265.5	266.0	270.3	269.9	269.9	271.2	271.3
MEMO												
95 Revaluation gains on off-balance-sheet items[8]	44.3	49.9	47.0	47.2	43.9	45.6	50.5	51.2	51.6	52.1	51.8	50.3
96 Revaluation losses on off-balance-sheet items[8]	45.9	52.7	49.2	49.6	45.3	46.3	50.1	50.6	51.2	52.3	50.3	48.5
97 Mortgage-backed securities[9]	210.1	238.8	242.6	247.7	241.1	241.9	233.9	236.4	236.2	235.7	237.1	236.0
98 Pass-through securities	144.6	163.0	165.2	169.8	165.2	164.6	156.7	156.8	156.5	156.2	157.2	157.3
99 CMOs, REMICs, and other mortgage-backed securities	65.5	75.8	77.3	77.9	75.9	77.3	77.2	79.6	79.8	79.5	79.9	78.7
100 Net unrealized gains (losses) on available-for-sale securities[10]	1.3	3.0	3.3	2.9	3.0	2.8	3.2	3.5	3.7	3.4	3.6	3.4
101 Offshore credit to U.S. residents[11]	33.7	35.5	36.2	35.2	35.5	36.0	36.1	35.3	35.5	35.7	34.9	35.2

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

D. Small domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1997	1998[r]							1998			
	July[r]	Jan.	Feb.	Mar.	Apr.	May	June	July	July 8	July 15	July 22	July 29
	Seasonally adjusted											
Assets												
1 Bank credit	1,373.0	1,436.7	1,442.0	1,448.0	1,453.3	1,461.3	1,469.9	1,482.3	1,478.9	1,479.2	1,484.5	1,484.9
2 Securities in bank credit	400.4	409.4	407.7	410.2	409.4	413.1	412.6	417.4	416.9	416.6	418.0	418.0
3 U.S. government securities	317.0	324.1	322.3	322.4	319.5	322.7	320.8	322.8	322.9	322.5	323.0	322.9
4 Other securities	83.5	85.3	85.4	87.8	89.9	90.4	91.8	94.6	94.1	94.0	95.0	95.1
5 Loans and leases in bank credit[2]	972.5	1,027.3	1,034.3	1,037.8	1,043.8	1,048.1	1,057.4	1,064.8	1,062.0	1,062.6	1,066.5	1,066.9
6 Commercial and industrial	175.2	185.1	186.6	186.8	188.3	190.7	192.4	194.1	193.3	193.8	194.1	194.9
7 Real estate	518.1	557.7	563.0	565.4	569.5	571.7	578.3	584.4	582.6	582.8	585.8	585.9
8 Revolving home equity	27.6	29.3	29.5	29.3	29.1	29.3	29.6	29.8	29.7	29.7	29.9	29.8
9 Other	490.5	528.4	533.5	536.1	540.4	542.4	548.7	554.6	552.9	553.1	555.9	556.2
10 Consumer	210.7	209.9	209.5	208.0	207.1	207.5	207.3	206.6	206.3	206.1	207.5	206.9
11 Security[3]	4.3	5.5	5.7	6.2	6.3	5.9	6.0	5.9	6.1	6.0	5.7	5.7
12 Other loans and leases	64.2	69.1	69.6	71.4	72.7	72.4	73.3	73.7	73.7	73.9	73.4	73.4
13 Interbank loans	49.7	55.7	56.7	64.3	65.2	65.3	67.5	68.5	66.7	70.6	66.5	69.1
14 Cash assets[4]	66.8	71.3	72.1	72.9	73.8	73.7	74.4	72.8	68.6	75.6	72.4	73.6
15 Other assets[5]	60.9	62.8	64.2	63.0	66.3	68.4	72.1	73.2	70.8	76.8	73.1	72.2
16 **Total assets[6]**	**1,531.2**	**1,607.0**	**1,615.6**	**1,628.6**	**1,638.8**	**1,648.9**	**1,664.0**	**1,676.7**	**1,665.1**	**1,682.3**	**1,676.5**	**1,679.5**
Liabilities												
17 Deposits	1,230.2	1,283.6	1,289.8	1,297.1	1,304.4	1,311.5	1,324.2	1,327.3	1,319.1	1,332.2	1,325.6	1,328.6
18 Transaction	295.9	295.2	297.5	300.2	299.1	298.3	300.0	296.8	286.3	298.1	298.4	304.0
19 Nontransaction	934.4	988.3	992.3	996.9	1,005.3	1,013.2	1,024.2	1,030.5	1,032.8	1,034.1	1,027.3	1,024.7
20 Large time	158.2	169.8	172.0	172.5	173.8	175.4	175.3	172.9	172.9	173.1	173.2	172.4
21 Other	776.1	818.5	820.3	824.4	831.5	837.7	849.0	857.7	859.9	861.0	854.0	852.3
22 Borrowings	152.8	157.6	158.7	161.0	162.6	163.8	164.8	168.3	169.0	168.3	166.5	169.8
23 From banks in the U.S.	75.8	72.2	72.4	71.6	69.7	71.0	72.1	75.4	75.8	74.6	74.1	76.5
24 From others	77.0	85.4	86.2	89.4	92.9	92.8	92.7	93.0	93.2	93.7	92.4	93.3
25 Net due to related foreign offices	4.9	4.2	6.1	4.1	3.5	3.8	3.8	3.6	3.6	3.5	3.7	3.6
26 Other liabilities	25.6	28.2	28.8	29.9	30.4	30.8	30.9	31.7	30.6	32.0	32.1	32.0
27 **Total liabilities**	**1,413.6**	**1,473.6**	**1,483.3**	**1,492.1**	**1,500.9**	**1,509.9**	**1,523.7**	**1,530.9**	**1,522.3**	**1,536.0**	**1,528.0**	**1,534.1**
28 Residual (assets less liabilities)[7]	117.6	133.4	132.3	136.5	137.9	139.0	140.3	145.8	142.8	146.4	148.5	145.5
	Not seasonally adjusted											
Assets												
29 Bank credit	1,371.0	1,431.5	1,433.5	1,444.3	1,458.9	1,468.3	1,474.7	1,480.4	1,476.3	1,478.2	1,481.7	1,483.6
30 Securities in bank credit	399.2	407.8	405.6	411.6	415.0	417.3	415.7	416.1	416.0	415.6	416.2	416.3
31 U.S. government securities	315.7	322.7	320.3	323.5	324.6	326.0	323.4	321.5	322.0	321.5	321.3	321.2
32 Other securities	83.5	85.1	85.4	88.0	90.4	91.3	92.2	94.6	94.0	94.2	95.0	95.1
33 Loans and leases in bank credit[2]	971.8	1,023.7	1,027.8	1,032.7	1,044.0	1,051.0	1,059.0	1,064.2	1,060.3	1,062.6	1,065.4	1,067.3
34 Commercial and industrial	175.0	184.3	186.2	187.7	190.7	193.3	194.1	193.9	194.0	193.9	193.5	193.9
35 Real estate	518.2	554.7	559.2	563.1	569.2	573.4	578.9	584.5	581.9	583.2	585.7	586.7
36 Revolving home equity	27.4	29.2	29.4	29.2	29.3	29.4	29.5	29.6	29.6	29.6	29.7	29.7
37 Other	490.7	525.4	529.8	533.9	540.0	544.0	549.4	554.8	552.3	553.6	556.0	557.0
38 Consumer	208.9	211.6	209.4	206.1	206.1	206.2	205.7	204.9	203.6	204.2	205.8	206.1
39 Security[3]	4.3	5.5	5.7	6.2	6.3	5.9	6.0	5.9	6.1	6.0	5.7	5.7
40 Other loans and leases	65.4	67.6	67.4	69.6	71.7	72.3	74.2	75.1	74.7	75.2	74.7	74.9
41 Interbank loans	45.9	57.2	60.7	68.1	67.3	61.6	63.9	63.5	66.7	65.6	58.9	60.2
42 Cash assets[4]	66.1	72.5	72.0	71.2	73.2	73.7	73.4	72.1	71.2	74.6	69.2	71.9
43 Other assets[5]	62.3	60.9	63.9	62.9	66.7	67.5	71.4	74.9	74.1	77.4	73.4	74.4
44 **Total assets[6]**	**1,526.2**	**1,602.5**	**1,610.5**	**1,626.9**	**1,646.3**	**1,651.1**	**1,663.4**	**1,670.8**	**1,668.3**	**1,675.8**	**1,663.1**	**1,669.9**
Liabilities												
45 Deposits	1,225.0	1,282.2	1,286.8	1,298.7	1,312.8	1,312.0	1,320.8	1,321.6	1,323.2	1,326.3	1,313.3	1,317.7
46 Transaction	293.1	297.6	294.1	297.2	302.7	296.2	298.4	294.0	291.3	294.9	289.7	297.4
47 Nontransaction	931.9	984.6	992.7	1,001.5	1,010.1	1,015.7	1,022.4	1,027.7	1,031.9	1,031.3	1,023.7	1,020.3
48 Large time	158.2	169.8	172.0	172.5	173.8	175.4	175.3	172.9	172.9	173.1	173.2	172.4
49 Other	773.7	814.7	820.6	829.0	836.3	840.3	847.2	854.8	858.9	858.2	850.4	847.9
50 Borrowings	152.8	158.5	156.9	157.8	160.7	164.2	165.3	168.3	167.7	167.7	167.0	171.1
51 From banks in the U.S.	76.0	72.7	71.7	70.5	69.4	71.7	72.7	75.6	75.4	74.5	74.5	77.2
52 From others	76.8	85.9	85.2	87.3	91.3	92.5	92.6	92.8	92.3	93.2	92.5	93.9
53 Net due to related foreign offices	4.9	4.2	6.1	4.1	3.5	3.8	3.8	3.6	3.6	3.5	3.7	3.6
54 Other liabilities	25.6	28.2	28.8	29.9	30.4	30.8	30.9	31.7	30.6	32.0	32.1	32.0
55 **Total liabilities**	**1,408.2**	**1,473.2**	**1,478.5**	**1,490.4**	**1,507.3**	**1,510.7**	**1,520.8**	**1,525.3**	**1,525.1**	**1,529.4**	**1,516.2**	**1,524.4**
56 Residual (assets less liabilities)[7]	117.9	129.3	132.0	136.4	139.0	140.4	142.6	145.5	143.2	146.4	146.9	145.4
MEMO												
57 Mortgage-backed securities[9]	44.8	50.9	51.2	51.8	52.3	53.0	53.0	53.3	53.3	53.2	53.3	53.1

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

E. Foreign-related institutions

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1997	1998							1998			
	July	Jan.	Feb.	Mar.	Apr.	May	June	July	July 8	July 15	July 22	July 29
	Seasonally adjusted											
Assets												
1 Bank credit	536.7	568.7r	568.6	565.9r	557.7r	564.2r	567.9	574.0	570.9	563.1	571.7	585.4
2 Securities in bank credit	175.6	193.1	193.0r	197.2r	191.5r	194.0r	195.7	196.8	196.5	189.4	192.2	204.1
3 U.S. government securities	83.2	81.5	84.1	87.8	88.2	88.3	86.8	89.7	91.7	83.5	83.8	96.0
4 Other securities	92.5	111.7r	108.9	109.4r	103.3r	105.7r	108.9	107.0	104.8	105.9	108.3	108.1
5 Loans and leases in bank credit[2]	361.1	375.6	375.7	368.7	366.2	370.2	372.2	377.2	374.4	373.7	379.5	381.3
6 Commercial and industrial	221.2	223.3r	222.6r	220.4r	214.3r	213.6r	215.4	218.3	218.1	218.0	217.5	220.2
7 Real estate	28.9	26.5	25.9	24.6	23.7	23.1	22.9	23.1	22.5	23.4	23.2	23.3
8 Security[3]	44.6	54.8	54.8	49.0	51.7	58.1	58.6	59.6	56.3	56.9	63.5	61.4
9 Other loans and leases	66.4	71.0	72.4	74.7	76.5r	75.4r	75.2r	76.3	77.5	75.5	75.2	76.5
10 Interbank loans	18.8	28.0	24.8	20.9	20.9	20.8	23.3	21.6	21.3	18.3	21.9	25.3
11 Cash assets[4]	33.8	32.9	32.6	34.1	35.3	34.5	35.1	34.7	34.7	35.4	33.9	34.8
12 Other assets[5]	43.9	40.4	42.2	42.7	42.8	41.8	40.5	39.7	39.2	39.6	39.5	40.5
13 **Total assets**[6]	**633.0**	**669.7**	**668.0**	**663.3r**	**656.4r**	**661.2r**	**666.5**	**669.8**	**665.9**	**656.2**	**666.8**	**685.7**
Liabilities												
14 Deposits	263.2	273.5	284.8	288.9	292.4	294.3	302.0	295.8	299.1	292.0	292.3	297.0
15 Transaction	10.6	10.2	10.1	10.6	11.1	10.6	10.7	12.9	17.0	11.7	11.8	11.5
16 Nontransaction	252.7	263.3	274.7	278.3	281.3	283.8	291.3	282.9	282.1	280.3	280.5	285.5
17 Borrowings	144.0	149.7	144.8	154.1	169.1	168.4	173.5	176.4	165.2	176.9	178.9	181.1
18 From banks in the U.S.	31.9	23.5	22.6	25.8	26.6	23.8	32.1	28.8	23.9	32.0	29.9	28.5
19 From others	112.2	126.2	122.2	128.3	142.5	144.5	141.4	147.6	141.3	144.9	149.0	152.6
20 Net due to related foreign offices	133.6	139.6	134.7	118.5	98.3	97.0r	93.2	102.9	113.4	94.9	101.2	104.0
21 Other liabilities	99.2	96.2	97.4	94.0	90.2	93.5	94.7	97.5	94.4	95.2	96.0	102.5
22 **Total liabilities**	**640.1**	**659.1**	**661.7**	**655.5r**	**650.0**	**653.2r**	**663.4**	**672.6**	**672.1**	**659.0**	**668.4**	**684.6**
23 Residual (assets less liabilities)[7]	−7.1	10.7r	6.3	7.8r	6.4r	8.0	3.1	−2.8	−6.3	−2.8	−1.6	1.1
	Not seasonally adjusted											
Assets												
24 Bank credit	539.3	565.6r	568.1	565.6	557.5r	565.8r	570.9	577.1	573.0	565.7	574.8	589.3
25 Securities in bank credit	178.2	187.8r	190.0r	195.3	193.0r	197.9	198.8	199.5	198.5	190.9	195.0	208.5
26 U.S. government securities	83.0	79.5	83.3	88.5	86.8	88.9	86.9	89.4	91.1	82.7	84.1	95.9
27 Trading account	16.0	14.6	14.1	17.6	18.3	20.4	18.2	24.3	23.5	17.7	20.1	32.8
28 Investment account	67.0r	64.9r	69.2r	70.9r	68.6r	68.5r	68.7r	65.1	67.6	65.0	64.0	63.1
29 Other securities	95.3	108.3r	106.7r	106.8	106.2	109.0	111.9	110.2	107.4	108.2	110.9	112.6
30 Trading account	56.0	63.4r	62.0r	60.4r	59.1r	60.8r	64.3r	64.7	64.2	63.7	63.8	66.0
31 Investment account	39.3r	44.9r	44.7r	46.3r	47.2r	48.2r	47.6r	45.5	43.2	44.5	47.1	46.7
32 Loans and leases in bank credit[2]	361.1	377.8	378.1	370.3	364.5	367.9	372.1	377.5	374.5	374.8	379.8	380.8
33 Commercial and industrial	221.0	224.1	223.7r	221.0	214.4r	213.0r	215.4r	218.0	217.7	218.0	217.5	219.5
34 Real estate	28.6	26.5	26.1	24.7	23.5	23.0	22.7	22.9	22.3	23.1	23.0	22.9
35 Security[3]	44.0	54.9	55.0	49.7	51.1	57.7	58.5	59.1	55.7	56.5	62.7	60.9
36 Other loans and leases	67.4	72.2r	73.4	74.9r	75.6	74.3r	75.6	77.5	78.8	77.2	76.5	77.3
37 Interbank loans	18.8	28.0	24.8	20.9	20.9	20.8	23.3	21.6	21.3	18.3	21.9	25.3
38 Cash assets[4]	33.7	32.8	32.0	33.0	33.6	34.2	36.1	34.6	34.8	35.2	33.4	34.8
39 Other assets[5]	43.3	40.8	43.7	42.7	40.5	42.3	39.6	39.3	38.1	39.1	39.0	40.6
40 **Total assets**[6]	**634.9**	**667.0r**	**668.4r**	**661.9**	**652.3**	**662.9r**	**669.6**	**672.3**	**667.1**	**658.1**	**668.8**	**689.6**
Liabilities												
41 Deposits	261.3	271.6	282.5	290.1	290.7	297.1	303.8	294.0	294.9	290.3	290.6	297.3
42 Transaction	10.7	10.1	9.9	10.5	10.7	10.3	10.8	13.1	17.2	11.9	11.8	11.6
43 Nontransaction	250.6	261.4	272.6	279.6	280.0	286.8	293.0	281.0	277.7	278.4	278.8	285.8
44 Borrowings	144.0	149.7	144.8	154.1	169.1	168.4	173.5	176.4	165.2	176.9	178.9	181.1
45 From banks in the U.S.	31.9	23.5	22.6	25.8	26.6	23.8r	32.1	28.8	23.8	32.1	29.9	28.5
46 From others	112.2	126.2	122.2	128.3	142.5	144.5	141.4	147.6	141.4	144.8	149.0	152.6
47 Net due to related foreign offices	129.6	144.5	136.0	117.6	96.9	98.0	92.4	99.3	108.8	91.3	97.9	102.5
48 Other liabilities	98.3	96.3	98.5	94.2	89.3	92.9	93.8	96.7	93.2	94.4	95.2	102.3
49 **Total liabilities**	**633.3**	**662.0**	**661.9**	**656.1**	**646.0r**	**656.4**	**663.6**	**666.5**	**662.1**	**652.9**	**662.6**	**683.3**
50 Residual (assets less liabilities)[7]	1.6	5.0r	6.5r	5.9	6.2r	6.5	6.0	5.8	5.0	5.2	6.2	6.3
MEMO												
51 Revaluation gains on off-balance-sheet items[8]	45.2	43.2	40.4	40.0	39.4	39.7	41.5	41.0	41.4	40.5	39.7	41.8
52 Revaluation losses on off-balance-sheet items[8]	46.1	42.9	40.6	39.8	39.0	38.4	40.3	40.0	40.5	39.3	38.7	41.0

Footnotes appear on p. A21.

NOTES TO TABLE 1.26

NOTE. Tables 1.26, 1.27, and 1.28 have been revised to reflect changes in the Board's H.8 statistical release, "Assets and Liabilities of Commercial Banks in the United States." Table 1.27, "Assets and Liabilities of Large Weekly Reporting Commercial Banks," and table 1.28, "Large Weekly Reporting U.S. Branches and Agencies of Foreign Banks," are no longer being published in the *Bulletin*. Instead, abbreviated balance sheets for both large and small domestically chartered banks have been included in table 1.26, parts C and D. Data are both merger-adjusted and break-adjusted. In addition, data from large weekly reporting U.S. branches and agencies of foreign banks have been replaced by balance sheet estimates of all foreign-related institutions and are included in table 1.26, part E. These data are break-adjusted.

The not-seasonally-adjusted data for all tables now contain additional balance sheet items, which were available as of October 2, 1996.

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic), other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks, and Edge Act and agreement corporations (foreign-related institutions). Excludes International Banking Facilities. Data are Wednesday values or *pro rata* averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

The data for large and small domestic banks presented on pp. A17–19 are adjusted to remove the estimated effects of mergers between these two groups. The adjustment for mergers changes past levels to make them comparable with current levels. Estimated quantities of balance sheet items acquired in mergers are removed from past data for the bank group that contained the acquired bank and put into past data for the group containing the acquiring bank. Balance sheet data for acquired banks are obtained from Call Reports, and a ratio procedure is used to adjust past levels.

2. Excludes federal funds sold to, reverse RPs with, and loans made to commercial banks in the United States, all of which are included in "Interbank loans."

3. Consists of reverse RPs with brokers and dealers and loans to purchase and carry securities.

4. Includes vault cash, cash items in process of collection, balances due from depository institutions, and balances due from Federal Reserve Banks.

5. Excludes the due-from position with related foreign offices, which is included in "Net due to related foreign offices."

6. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

7. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis. On a seasonally adjusted basis this item reflects any differences in the seasonal patterns estimated for total assets and total liabilities.

8. Fair value of derivative contracts (interest rate, foreign exchange rate, other commodity and equity contracts) in a gain/loss position, as determined under FASB Interpretation No. 39.

9. Includes mortgage-backed securities issued by U.S. government agencies, U.S. government-sponsored enterprises, and private entities.

10. Difference between fair value and historical cost for securities classified as available-for-sale under FASB Statement No. 115. Data are reported net of tax effects. Data shown are restated to include an estimate of these tax effects.

11. Mainly commercial and industrial loans but also includes an unknown amount of credit extended to other than nonfinancial businesses.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1998					
	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	1997 Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**555,075**	**595,382**	**674,904**	**775,371**	**966,699**	**973,761**	**1,004,662**	**1,049,222**	**1,041,681**	**1,053,995**	**1,091,554**
Financial companies[1]											
2 Dealer-placed paper[2], total	218,947	223,038	275,815	361,147	513,307	509,950	520,940	550,670	558,817	569,065	597,193
3 Directly placed paper[3], total	180,389	207,701	210,829	229,662	252,536	254,926	268,001	282,083	275,415	274,469	276,476
4 Nonfinancial companies[4]	155,739	164,643	188,260	184,563	200,857	208,886	215,721	216,469	207,449	210,460	217,885
	Bankers dollar acceptances (not seasonally adjusted)[5]										
5 **Total**	**32,348**	**29,835**	**29,242**	**25,754**							
By holder											
6 Accepting banks	12,421	11,783									
7 Own bills	10,707	10,462									
8 Bills bought from other banks	1,714	1,321									
Federal Reserve Banks[6]											
9 Foreign correspondents	725	410	n.a.	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Others	19,202	17,642									
By basis											
11 Imports into United States	10,217	10,062									
12 Exports from United States	7,293	6,355									
13 All other	14,838	13,417									

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial-company paper sold by dealers in the open market.
3. As reported by financial companies that place their paper directly with investors.
4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
5. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January. Beginning January 1995, data for Bankers dollar acceptances are reported annually in September.
6. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1995—Jan. 1	8.50	1995	8.83	1996—Jan.	8.50	1997—Jan	8.25
Feb. 1	9.00	1996	8.27	Feb.	8.25	Feb.	8.25
July 7	8.75	1997	8.44	Mar	8.25	Mar.	8.30
Dec. 20	8.50			Apr.	8.25	Apr.	8.50
		1995—Jan.	8.50	May	8.25	May	8.50
1996—Feb. 1	8.25	Feb.	9.00	June	8.25	June	8.50
		Mar.	9.00	July	8.25	July	8.50
1997—Mar. 26	8.50	Apr.	9.00	Aug.	8.25	Aug.	8.50
		May	9.00	Sept.	8.25	Sept.	8.50
		June	9.00	Oct.	8.25	Oct.	8.50
		July	8.80	Nov.	8.25	Nov.	8.50
		Aug.	8.75	Dec.	8.25	Dec.	8.50
		Sept.	8.75				
		Oct.	8.75			1998—Jan.	8.50
		Nov.	8.75			Feb.	8.50
		Dec.	8.65			Mar.	8.50
						Apr.	8.50
						May	8.50
						June	8.50
						July	8.50
						Aug.	8.50

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Percent per year; figures are averages of business day data unless otherwise noted

Item	1995	1996	1997	1998				1998, week ending				
				Apr.	May	June	July	July 3	July 10	July 17	July 24	July 31
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	5.83	5.30	5.46	5.45	5.49	5.56	5.54	5.88	5.47	5.49	5.50	5.54
2 Discount window borrowing[2,4]	5.21	5.02	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Commercial paper[3,4,5,6]												
Nonfinancial												
3 1-month	n.a.	n.a.	5.57	5.49	5.49	5.51	5.51	5.53	5.50	5.50	5.51	5.52
4 2-month	n.a.	n.a	5.57	5.48	5.49	5.50	5.50	5.53	5.50	5.50	5.50	5.50
5 3-month	n.a.	n.a.	5.56	5.46	5.48	5.48	5.48	5.48	5.48	5.48	5.48	5.50
Financial												
6 1-month	n.a.	n.a.	5.59	5.51	5.50	5.53	5.52	5.55	5.52	5.51	5.52	5.54
7 2-month	n.a.	n.a.	5.59	5.49	5.50	5.52	5.51	5.54	5.51	5.51	5.51	5.51
8 3-month	n.a.	n.a.	5.60	5.48	5.50	5.50	5.50	5.51	5.50	5.50	5.50	5.51
Commercial paper (historical)[3,5,6,7]												
9 1-month	5.93	5.43	5.54	n.a.	n.a.	n.a.	n.a.	n.a	n.a.	n.a.	n.a.	n.a.
10 3-month	5.93	5.41	5.58	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
11 6-month	5.93	5.42	5.62	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Finance paper, directly placed (historical)[3,5,7,8]												
12 1-month	5.81	5.31	5.44	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 3-month	5.78	5.29	5.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a
14 6-month	5.68	5.21	5.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bankers acceptances[3,5,9]												
15 3-month	5.81	5.31	5.54	5.48	5.48	5.50	5.50	5.53	5.50	5.50	5.49	5.49
16 6-month	5.80	5.31	5.57	5.44	5.44	5.47	5.46	5.48	5.45	5.49	5.44	5.46
Certificates of deposit, secondary market[3,10]												
17 1-month	5.87	5.35	5.54	5.56	5.56	5.57	5.57	5.59	5.56	5.57	5.57	5.57
18 3-month	5.92	5.39	5.62	5.58	5.59	5.60	5.59	5.60	5.59	5.59	5.59	5.60
19 6-month	5.98	5.47	5.73	5.63	5.67	5.65	5.65	5.67	5.64	5.64	5.65	5.65
20 Eurodollar deposits, 3-month[3,11]	5.93	5.38	5.61	5.56	5.57	5.57	5.57	5.59	5.56	5.56	5.56	5.56
U.S. Treasury bills												
Secondary market[3,5]												
21 3-month	5.49	5.01	5.06	4.95	5.00	4.98	4.96	4.94	4.94	5.01	4.96	4.95
22 6-month	5.56	5.08	5.18	5.06	5.14	5.12	5.03	5.03	5.02	5.04	5.04	5.01
23 1-year	5.60	5.22	5.32	5.10	5.16	5.13	5.08	5.10	5.07	5.08	5.08	5.09
Auction average[3,5,12]												
24 3-month	5.51	5.02	5.07	5.00	5.03	4.99	4.96	5.00	4.96	4.98	4.95	4.92
25 6-month	5.59	5.09	5.18	5.08	5.15	5.12	5.03	5.06	5.01	5.03	5.05	5.02
26 1-year	5.69	5.23	5.36	5.12	5.15	5.13	5.10	n.a.	n.a.	n.a.	5.10	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[13]												
27 1-year	5.94	5.52	5.63	5.38	5.44	5.41	5.36	5.38	5.34	5.36	5.36	5.37
28 2-year	6.15	5.84	5.99	5.56	5.59	5.52	5.46	5.48	5.43	5.46	5.47	5.48
29 3-year	6.25	5.99	6.10	5.58	5.61	5.52	5.47	5.49	5.44	5.48	5.47	5.48
30 5-year	6.38	6.18	6.22	5.61	5.63	5.52	5.46	5.46	5.41	5.47	5.47	5.51
31 7-year	6.50	6.34	6.33	5.70	5.72	5.56	5.52	5.51	5.47	5.54	5.52	5.56
32 10-year	6.57	6.44	6.35	5.64	5.65	5.50	5.46	5.44	5.41	5.49	5.46	5.50
33 20-year	6.95	6.83	6.69	6.00	6.01	5.80	5.78	5.73	5.71	5.82	5.79	5.83
34 30-year	6.88	6.71	6.61	5.92	5.93	5.70	5.68	5.63	5.61	5.71	5.68	5.73
Composite												
35 More than 10 years (long-term)	6.93	6.80	6.67	5.98	5.99	5.78	5.76	5.71	5.69	5.80	5.77	5.81
STATE AND LOCAL NOTES AND BONDS												
Moody's series[14]												
36 Aaa	5.80	5.52	5.32	5.00	5.04	4.97	5.00	4.98	5.04	4.98	5.00	4.98
37 Baa	6.10	5.79	5.50	5.21	5.25	5.08	5.12	5.08	5.14	5.08	5.13	5.15
38 *Bond Buyer* series[15]	5.95	5.76	5.52	5.23	5.20	5.12	5.14	5.09	5.12	5.17	5.16	5.16
CORPORATE BONDS												
39 Seasoned issues, all industries[16]	7.83	7.66	7.54	6.99	6.98	6.83	6.84	6.81	6.79	6.87	6.85	6.89
Rating group												
40 Aaa	7.59	7.37	7.27	6.69	6.69	6.53	6.55	6.51	6.48	6.58	6.56	6.60
41 Aa	7.72	7.55	7.48	6.90	6.91	6.78	6.78	6.75	6.72	6.81	6.79	6.82
42 A	7.83	7.69	7.54	7.03	7.03	6.88	6.89	6.87	6.85	6.92	6.90	6.93
43 Baa	8.20	8.05	7.87	7.33	7.30	7.13	7.15	7.11	7.09	7.17	7.15	7.20
44 A-rated, recently offered utility bonds[17]	7.86	7.77	7.71	7.10	7.16	6.98	6.93	6.87	6.89	6.98	6.92	7.04
MEMO												
Dividend–price ratio[18]												
45 Common stocks	2.56	2.19	1.77	1.43	1.45	1.45	1.39	1.39	1.37	1.37	1.38	1.43

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year for bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper for firms whose bond rating is AA or the equivalent.
7. Series ended August 29, 1997.
8. An average of offering rates on paper directly placed by finance companies.
9. Representative closing yields for acceptances of the highest-rated money center banks.
10. An average of dealer offering rates on nationally traded certificates of deposit.
11. Bid rates for Eurodollar deposits at approximately 11:00 a.m. London time. Data are for indication purposes only.
12. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
13. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
14. General obligation bonds based on Thursday figures; Moody's Investors Service.
15. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moodys' A1 rating. Based on Thursday figures.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
18. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1995	1996	1997	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.	1998 May	1998 June	1998 July
	Prices and trading volume (averages of daily figures)[1]											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	291 18	357.98	456.99	492.14	504.66	504.13	532.15	560.70	578.05	574.46	569.76	586.39
2 Industrial	367.40	453.57	574.97	615.65	623.57	624.61	660.91	693.13	711.89	712.39	731.01	718.54
3 Transportation	270.14	327.30	415.08	453.56	461.04	458.49	485.73	508.06	523 73	505.02	492.98	503.89
4 Utility	110.64	126.36	143.87	153.53	165.74	146.25	170.96	191.67	207.32	198.25	188.26	189.95
5 Finance	238.48	303.94	424.84	465.35	490.30	479.81	508.97	539.47	563.07	551.28	548.57	579.67
6 Standard & Poor's Corporation (1941–43 = 10)[2]	541.72	670.49	873.43	938.92	962.37	963.36	1.023.74	1,076.83	1,112.20	1,108.42	1,108.39	1,156.58
7 American Stock Exchange (Aug. 31, 1973 = 50)[3]	498.13	570.86	628.34	674.37	667.89	665.72	685.73	722.37	742.33	735.02	704.59	724.83
Volume of trading (thousands of shares)												
8 New York Stock Exchange	345,729	409,740	523,254	531,449	541,134	632,895	610,958	619,366	647,110	569,239	605,576	639,744
9 American Stock Exchange	20,387	22,567	n.a.	27,741	27,624	28,199	26,808	28.943	29,544	27,004	25,447	26.473
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[4]	**76,680**	**97,400**	**126,090**	**127,330**	**126,090**	**127,790**	**135,590**	**140,340**	**140,240**	**143,600**	**147,700[r]**	**154,370**
Free credit balances at brokers[5]												
11 Margin accounts[6]	16,250	22.540	31,410	26,735	31,410	29,480	27,450	27,430	28,160	26,200	29,840[r]	31,820
12 Cash accounts	34,340	40,430	52,160	45,470	52,160	48,620	48,640	51,340	51.050	47,770	51,205	53,780

	Margin requirements (percent of market value and effective date)[7]					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. Daily data on prices are available upon request to the Board of Governors. For ordering address, see inside front cover.
2. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
3. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.
4. Since July 1983, under the revised Regulation T, margin credit at broker–dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
5. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.
6. Series initiated in June 1984.
7. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936, Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1995	Fiscal year 1996	Fiscal year 1997	Calendar year 1998 Feb.	Mar.	Apr.	May	June	July
U.S. budget[1]									
1 Receipts, total	1,351,830	1,453,062	1,579,292	97,952	117,930	261,002	95,278	187,860	119,723
2 On-budget	1,000,751	1,085,570	1,187,302	65,051	80,647	216,988	61,790	144,973	87,820
3 Off-budget	351,079	367,492	391,990	32,901	37,283	44,014	33,488	42,887	31,903
4 Outlays, total	1,515,729	1,560,512	1,601,235	139,701	131,743	136,400	134,057	136,754	143,807
5 On-budget	1,227,065	1,259,608	1,290,609	109,393	101,967	108,569	102,381	125,606	115,714
6 Off-budget	288,664	300,904	310,626	30,309	29,775	27,830	31,676	11,148	28,094
7 Surplus or deficit (−), total	−163,899	−107,450	−21,943	−41,750	−13,813	124,603	−38,779	51,106	−24,084
8 On-budget	−226,314	−174,038	−103,307	−44,342	−21,320	108,419	−40,591	19,367	−27,894
9 Off-budget	62,415	66,588	81,364	2,592	7,508	16,184	1,812	31,739	3,809
Source of financing (total)									
10 Borrowing from the public	171,288	129,712	38,171	30,565	20,137	−60,587	−8,597	−12,618	−16,370
11 Operating cash (decrease, or increase (−))	−2,007	−6,276	604	24,027	−11,352	−60,398	51,899	−36,144	36,210
12 Other[2]	−5,382	−15,986	−16,832	−12,842	5,028	−3,618	−4,523	−2,344	4,244
MEMO									
13 Treasury operating balance (level, end of period)	37,949	44,225	43,621	16,280	27,632	88,030	36,131	72,275	36,065
14 Federal Reserve Banks	8,620	7,700	7,692	5,037	5,490	28,014	5,693	18,140	4,648
15 Tax and loan accounts	29,329	36,525	35,930	11,243	22,141	60,016	30,438	54,135	31,417

1. Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.

2. Includes special drawing rights (SDRs); reserve position on the U.S. quota in the International Monetary Fund (IMF); loans to the IMF; other cash and monetary assets; accrued interest payable to the public; allocations of SDRs; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain or loss for U.S. currency valuation adjustment; net gain or loss for IMF loan-valuation adjustment; and profit on sale of gold.

SOURCE. Monthly totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year		Calendar year						
	1996	1997	1996	1997		1998	1998		
			H2	H1	H2	H1	May	June	July
RECEIPTS									
1 **All sources**	**1,453,062**	**1,579,292**	**707,552**	**845,527**	**773,812**	**922,632**	**95,278**	**187,860**	**119,723**
2 Individual income taxes, net	656,417	737,466	323,884	400,436	354,072	447,514	29,974	81,587	58,969
3 Withheld	533,080	580,207	279,988	292,252	306,865	316,309	49,854	48,501	57,486
4 Nonwithheld	212,168	250,753	53,491	191,050	58,069	219,136	4,196	35,135	4,001
5 Refunds	88,897	93,560	9,604	82,926	10,869	87,989	24,086	2,060	2,520
Corporation income taxes									
6 Gross receipts	189,055	204,493	95,364	106,451	104,659	109,353	4,706	41,098	5,808
7 Refunds	17,231	22,198	10,053	9,635	10,135	14,220	1,447	1,313	1,736
8 Social insurance taxes and contributions, net	509,414	539,371	240,326	288,251	260,795	312,713	51,239	55,468	43,817
9 Employment taxes and contributions[2]	476,361	506,751	227,777	268,357	247,794	293,520	42,560	54,807	41,130
10 Unemployment insurance	28,584	28,202	10,302	17,709	10,724	17,080	8,273	292	2,301
11 Other net receipts[3]	4,469	4,418	2,245	2,184	2,280	2,112	406	369	385
12 Excise taxes	54,014	56,924	27,016	28,084	31,132	29,922	4,841	5,370	6,127
13 Customs deposits	18,670	17,928	9,294	8,619	9,679	8,546	1,297	1,568	1,777
14 Estate and gift taxes	17,189	19,845	8,835	10,477	10,262	12,971	1,845	1,775	1,825
15 Miscellaneous receipts[4]	25,534	25,465	12,889	12,866	13,348	15,837	2,823	2,307	3,135
OUTLAYS									
16 **All types**	**1,560,512**	**1,601,235**	**800,177**	**797,418**	**824,370**	**815,886**	**134,057**	**136,754**	**143,807**
17 National defense	265,748	270,473	139,402	132,698	140,873	129,351	23,212	22,329	25,865
18 International affairs	13,496	15,228	8,532	5,740	9,420	4,610	720	347	815
19 General science, space, and technology	16,709	17,174	8,260	8,938	10,040	9,426	1,548	1,657	1,711
20 Energy	2,844	1,483	695	803	411	957	42	661	122
21 Natural resources and environment	21,614	21,369	10,307	9,628	11,106	10,051	1,574	1,964	2,217
22 Agriculture	9,159	9,032	11,037	1,465	10,590	2,387	−451	140	176
23 Commerce and housing credit	−10,472	−14,624	−5,899	−7,575	−3,526	−2,483	791	−20	−1,223
24 Transportation	39,565	40,767	21,512	16,847	20,414	16,196	2,746	3,127	3,327
25 Community and regional development	10,685	11,005	5,498	5,678	5,749	4,863	873	914	917
26 Education, training, employment, and social services	52,001	53,008	27,524	25,080	26,851	25,928	2,798	4,237	3,645
27 Health	119,378	123,843	61,595	61,809	63,552	65,053	10,419	11,602	11,033
28 Social security and Medicare	523,901	555,273	269,412	278,863	283,109	286,305	46,831	51,569	51,109
29 Income security	225,989	230,886	107,631	124,034	106,353	125,196	18,705	14,554	21,198
30 Veterans benefits and services	36,985	39,313	21,109	17,697	22,077	19,615	3,604	3,355	4,958
31 Administration of justice	17,548	20,197	9,583	10,670	10,212	11,287	1,781	2,241	2,256
32 General government	11,892	12,768	6,546	6,623	7,302	6,139	925	2,080	308
33 Net interest[5]	241,090	244,013	122,573	122,655	122,620	122,345	20,855	19,407	20,791
34 Undistributed offsetting receipts[6]	−37,620	−49,973	−25,142	−24,235	−22,795	−21,340	−2,916	−3,408	−5,416

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for receipts and outlays do not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Federal employee retirement contributions and civil service retirement and disability fund.
4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
5. Includes interest received by trust funds.
6. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCE. Fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1999*; monthly and half-year totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1996 June 30	1996 Sept. 30	1996 Dec. 31	1997 Mar. 31	1997 June 30	1997 Sept. 30	1997 Dec. 31	1998 Mar. 31	1998 June 30
1 **Federal debt outstanding**	**5,197**	**5,260**	**5,357**	**5,415**	**5,410**	**5,446**	**5,536**	**5,573**	**5,578**
2 Public debt securities	5,161	5,225	5,323	5,381	5,376	5,413	5,502	5,542	5,548
3 Held by public	3,739	3,778	3,826	3,874	3,805	3,815	3,847	3,872	n.a.
4 Held by agencies	1,422	1,447	1,497	1,507	1,572	1,599	1,656	1,670	n.a.
5 Agency securities	36	35	34	34	34	33	34	31	30
6 Held by public	28	27	27	26	26	26	27	26	n.a.
7 Held by agencies	8	8	8	8	7	7	7	5	n.a.
8 **Debt subject to statutory limit**	**5,073**	**5,137**	**5,237**	**5,294**	**5,290**	**5,328**	**5,417**	**5,457**	**5,460**
9 Public debt securities	5,073	5,137	5,237	5,294	5,290	5,328	5,416	5,456	5,460
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	5,500	5,500	5,500	5,500	5,500	5,950	5,950	5,950	5,950

1. Consists of guaranteed debt of U.S. Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCE. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin.*

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1994	1995	1996	1997	1997 Q3	1997 Q4	1998 Q1	1998 Q2
1 **Total gross public debt**	**4,800.2**	**4,988.7**	**5,323.2**	**5,502.4**	**5,413.2**	**5,502.4**	**5,542.4**	**5,547.9**
By type								
2 Interest-bearing	4,769.2	4,964.4	5,317.2	5,494.9	5,407.5	5,494.9	5,535.3	5,540.2
3 Marketable	3,126.0	3,307.2	3,459.7	3,456.8	3,439.6	3,456.8	3,467.1	3,369.5
4 Bills	733.8	760.7	777.4	715.4	701.9	715.4	720.1	641.1
5 Notes	1,867.0	2,010.3	2,112.3	2,106.1	2,122.2	2,106.1	2,091.9	2,064.6
6 Bonds	510.3	521.2	555.0	587.3	576.2	587.3	598.7	598.7
7 Inflation-indexed notes and bonds[1]	n.a.	n.a.	n.a.	33.0	24.4	33.0	41.5	50.1
8 Nonmarketable[2]	1,643.1	1,657.2	1,857.5	2,038.1	1,967.9	2,038.1	2,068.2	2,170.7
9 State and local government series	132.6	104.5	101.3	124.1	111.9	124.1	139.1	155.0
10 Foreign issues[3]	42.5	40.8	37.4	36.2	34.9	36.2	35.4	36.0
11 Government	42.5	40.8	47.4	36.2	34.9	36.2	36.4	36.0
12 Public	.0	.0	.0	.0	.0	.0	.0	.0
13 Savings bonds and notes	177.8	181.9	182.4	181.2	182.7	181.2	181.2	180.7
14 Government account series[4]	1,259.8	1,299.6	1,505.9	1,666.7	1,608.5	1,666.7	1,681.5	1,769.1
15 Non-interest-bearing	31.0	24.3	6.0	7.5	5.6	7.5	7.2	7.7
By holder[5]								
16 U.S. Treasury and other federal agencies and trust funds	1,257.1	1,304.5	1,497.2	1,655.7	1,598.5	1,655.7	1,670.4	
17 Federal Reserve Banks	374.1	391.0	410.9	451.9	436.5	451.9	400.0	
18 Private investors	3,168.0	3,294.9	3,411.2	3,393.4	3,388.9	3,393.4	3,430.7	
19 Commercial banks	290.4	278.7	261.8	269.8	261.8	269.8	275.0	
20 Money market funds	67.6	71.5	91.6	88.9	75.8	88.9	84.8	
21 Insurance companies	240.1	241.5	214.1	224.9	222.7	224.9	225.5	
22 Other companies	224.5	228.8	258.5	265.0	266.5	265.0	268.1	n.a.
23 State and local treasuries[6,7]	541.0	469.6	482.5	493.0	486.6	493.0	494.6	
Individuals								
24 Savings bonds	180.5	185.0	187.0	186.5	186.2	186.5	186.3	
25 Other securities	150.7	162.7	169.6	168.4	168.6	168.4	165.8	
26 Foreign and international[8]	688.7	862.2	1,135.6	1,278.0	1,266.0	1,278.0	1,288.0	
27 Other miscellaneous investors[7,9]	784.6	794.9	610.5	418.8	454.5	418.8	442.5	

1. The U.S. Treasury first issued inflation-indexed securities during the first quarter of 1997.
2. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
3. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
4. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
6. Includes state and local pension funds.
7. In March 1996, in a redefinition of series, fully defeased debt backed by nonmarketable federal securities was removed from "Other miscellaneous investors" and added to "State and local treasuries." The data shown here have been revised accordingly.
8. Consists of investments of foreign balances and international accounts in the United States.
9. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

SOURCE. U.S. Treasury Department, data by type of security, *Monthly Statement of the Public Debt of the United States;* data by holder, *Treasury Bulletin.*

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Millions of dollars, daily averages

Item	1998			1998, week ending								
	Apr.	May	June	June 3	June 10	June 17	June 24	July 1	July 8	July 15	July 22	July 29
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	38,290	31,384	30,868	37,393	27,119	30,849	31,816	29,497	25,968	24,542	26,696	25,439
Coupon securities, by maturity												
2 Five years or less	112,975	115,270	111,622	119,962	95,567	137,966	105,264	100,451	66,195	74,522	76,811	90,646
3 More than five years	65,132	75,845	78,005	74,041	79,855	97,329	66,052	69,451	52,599	59,598	61,994	59,517
4 Inflation-indexed	1,720	673	651	370	559	791	362	1,163	2,753	1,321	786	638
Federal agency												
5 Discount notes	39,114	35,571	37,154	40,697	36,576	34,742	35,005	40,923	39,706	34,584	33,072	33,516
Coupon securities, by maturity												
6 One year or less	1,620	1,290	1,746	2,093	2,398	1,406	1,741	1,101	1,430	1,657	1,068	1,431
7 More than one year, but less than or equal to five years	4,041	2,676	3,196	2,320	2,865	5,075	2,391	2,922	2,449	3,311	2,614	2,355
8 More than five years	3,118	2,903	3,330	4,189	3,209	3,030	2,195	4,632	3,613	2,932	2,078	2,073
9 Mortgage-backed	67,799	62,597	71,310	76,692	94,057	69,278	57,055	59,199	65,684	82,411	44,941	51,617
By type of counterparty												
With interdealer broker												
10 U.S. Treasury	120,163	124,671	122,408	124,619	114,370	149,485	115,646	105,406	78,696	87,603	92,253	98,869
11 Federal agency	2,417	2,034	2,250	2,375	2,264	2,650	1,704	2,323	1,655	1,940	1,718	1,927
12 Mortgage-backed	21,335	20,318	20,149	19,072	26,454	21,858	16,219	15,853	17,603	25,068	13,601	20,851
With other												
13 U.S. Treasury	97,954	98,501	98,737	107,147	88,730	117,450	87,848	95,156	68,819	72,381	74,036	77,371
14 Federal agency	45,476	40,407	43,176	46,923	42,784	41,602	39,628	47,256	45,543	40,544	37,114	37,447
15 Mortgage-backed	46,463	42,279	51,161	57,620	67,603	47,420	40,835	43,346	48,081	57,343	31,340	30,766
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
16 U.S. Treasury bills	173	139	170	108	249	334	46	65	n.a.	n.a.	n.a.	n.a.
Coupon securities, by maturity												
17 Five years or less	2,084	2,337	2,666	4,255	2,644	3,294	1,871	1,713	1,177	1,673	1,675	1,918
18 More than five years	14,015	13,900	16,057	16,142	15,281	21,273	13,596	13,521	8,315	12,348	12,701	11,539
19 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0	0
Federal agency												
20 Discount notes	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
21 One year or less	0	0	0	0	0	0	0	0	0	0	0	0
22 More than one year, but less than or equal to five years	0	0	0	0	0	0	0	0	0	0	0	0
23 More than five years	0	0	0	0	0	0	0	0	0	0	0	0
24 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
25 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
26 Five years or less	2,407	2,110	1,627	2,774	1,309	1,372	1,500	1,643	1,706	2,032	1,571	2,362
27 More than five years	5,815	6,263	4,943	4,685	4,903	6,086	5,244	3,384	4,581	4,664	5,493	6,251
28 Inflation-indexed	25	109	0	0	0	0	0	n.a.	0	0	0	0
Federal agency												
29 Discount notes	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
30 One year or less	0	0	0	0	0	0	0	0	0	0	0	0
31 More than one year, but less than or equal to five years	0	0	0	0	0	0	0	0	0	0	n.a.	0
32 More than five years	0	0	0	0	0	0	0	0	0	0	0	0
33 Mortgage-backed	750	535	768	455	874	801	683	933	519	987	487	386

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed to be evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. Futures transactions are standardized agreements arranged on an exchange. All futures transactions are included regardless of time to delivery.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending January 28, 1998.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Millions of dollars

Item	1998			1998, week ending							
	Apr.	May	June	June 3	June 10	June 17	June 24	July 1	July 8	July 15	July 22
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	16,747	7,500	2,012	8,760	4,453	−1,131	4,075	−2,948	−181	140	3,642
Coupon securities, by maturity											
2 Five years or less	−17,750	−25,842	−22,489	−20,186	−24,154	−21,456	−19,795	−26,044	−17,377	−20,895	−14,861
3 More than five years	−27,081	−24,468	−11,405	−15,091	−10,460	−8,448	−14,020	−11,061	−16,843	−22,511	−16,402
4 Inflation-indexed	2,058	1,968	1,306	1,481	1,343	1,167	1,179	1,486	2,710	3,005	2,597
Federal agency											
5 Discount notes	18,148	16,837	16,758	20,087	22,241	17,011	10,185	16,069	21,408	19,700	18,019
Coupon securities, by maturity											
6 One year or less	3,215	2,715	2,098	2,889	2,596	1,762	1,880	1,766	2,030	3,647	2,869
7 More than one year, but less than or equal to five years	8,394	7,646	7,043	6,476	5,914	7,662	7,281	7,646	8,045	8,432	7,487
8 More than five years	11,588	11,182	10,934	9,765	11,107	11,014	10,839	11,334	11,575	11,349	10,528
9 Mortgage-backed	55,843	56,867	69,961	62,204	69,747	74,736	73,249	64,683	69,649	72,690	62,253
NET FUTURES POSITIONS[4]											
By type of deliverable security											
10 U.S. Treasury bills	−1,040	−433	139	−272	−238	279	300	431	414	423	734
Coupon securities, by maturity											
11 Five years or less	698	2,910	−1,530	2,156	1,313	−2,890	−3,161	−3,198	−4,351	−4,376	−4,853
12 More than five years	−15,744	−21,492	−32,350	−30,203	−37,146	−34,285	−30,924	−27,233	−24,358	−20,469	−28,337
13 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0
Federal agency											
14 Discount notes	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
15 One year or less	0	0	0	0	0	0	0	0	0	0	0
16 More than one year, but less than or equal to five years	0	0	0	0	0	0	0	0	0	0	0
17 More than five years	0	0	0	0	0	0	0	0	0	0	0
18 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
19 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
20 Five years or less	628	825	−2,063	−2,145	−2,522	−1,476	−1,527	−2,798	−1,529	−1,453	−986
21 More than five years	1,561	7	−343	−1,058	−420	−748	145	6	−1,642	−2,103	−4,210
22 Inflation-indexed	70	n.a.	0	n.a.	0	0	0	0	0	0	0
Federal agency											
23 Discount notes	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
24 One year or less	0	0	0	0	0	0	0	0	0	0	0
25 More than one year, but less than or equal to five years	0	n.a.	n.a.	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
26 More than five years	n.a.	n.a.	n.a.	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
27 Mortgage-backed	435	660	1,750	929	1,667	2,058	1,675	1,983	1,494	2,421	2,517
	Financing[5]										
Reverse repurchase agreements											
28 Overnight and continuing	365,357	368,407	341,684	382,159	329,190	338,660	335,220	347,093	329,735	321,018	308,181
29 Term	822,709	793,992	824,391	753,008	803,727	830,448	863,112	831,951	850,019	872,093	905,486
Securities borrowed											
30 Overnight and continuing	208,558	216,006	221,331	217,059	217,413	223,799	224,350	221,635	223,880	221,461	216,800
31 Term	99,303	100,113	98,054	95,824	98,899	98,125	99,542	96,362	95,109	94,119	96,114
Securities received as pledge											
32 Overnight and continuing	2,591	3,131	3,043	3,116	2,924	2,927	3,198	3,102	3,603	3,292	2,925
33 Term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Repurchase agreements											
34 Overnight and continuing	788,452	761,206	740,876	767,445	740,156	757,836	739,308	710,472	717,112	722,568	729,819
35 Term	726,216	710,585	744,206	668,836	718,453	751,130	790,917	749,363	753,798	774,758	806,390
Securities loaned											
36 Overnight and continuing	11,640	10,871	11,164	10,071	11,003	11,023	10,837	12,444	10,108	10,267	11,340
37 Term	2,120	2,734	3,625	3,081	3,321	3,421	3,636	4,476	4,709	4,182	2,820
Securities pledged											
38 Overnight and continuing	48,773	49,489	56,175	48,555	51,525	57,787	59,281	59,904	55,420	55,608	54,728
39 Term	5,693	4,961	5,471	5,129	5,264	5,331	5,607	5,888	6,674	6,590	6,420
Collateralized loans											
40 Total	11,714	11,607	11,177	12,327	12,724	10,640	9,489	11,392	14,328	13,528	18,245

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright positions include immediate and forward positions. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day. Financing data are reported in terms of actual funds paid or received, including accrued interest.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending January 28, 1998.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1994	1995	1996	1997	1998				
					Jan.	Feb.	Mar.	Apr.	May
1 **Federal and federally sponsored agencies**	**738,928**	**844,611**	**925,823**	**1,022,609**	**1,032,486**	**1,038,348**	**1,059,043**	**1,048,661**	**1,044,575**
2 Federal agencies	39,186	37,347	29,380	27,792	27,110	27,101	27,227	27,104	26,995
3 Defense Department[1]	6	6	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	3,455	2,050	1,447	552	682	549	549	542	542
5 Federal Housing Administration[4]	116	97	84	102	133	79	97	102	108
6 Government National Mortgage Association certificates of participation[5]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Postal Service[6]	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Tennessee Valley Authority	27,536	29,429	27,853	27,786	27,104	27,095	27,221	27,098	26,989
9 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Federally sponsored agencies[7]	699,742	807,264	896,443	994,817	1,005,376	1,011,247	1,031,816	1,021,557	1,017,580
11 Federal Home Loan Banks	205,817	243,194	263,404	313,919	311,385	312,017	317,967	323,208	322,155
12 Federal Home Loan Mortgage Corporation	93,279	119,961	156,980	169,200	181,948	184,100	193,300	200,800	204,751
13 Federal National Mortgage Association	257,230	299,174	331,270	369,774	370,524	373,574	381,093	395,977	399,489
14 Farm Credit Banks[8]	53,175	57,379	60,053	63,517	61,317	61,177	62,327	62,799	63,744
15 Student Loan Marketing Association[9]	50,335	47,529	44,763	37,717	39,375	39,570	36,310	36,256	35,952
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**103,817**	**78,681**	**58,172**	**49,090**	**48,321**	**47,341**	**45,487**	**44,893**	**44,223**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	3,449	2,044	1,431	552	549	549	549	542	542
21 Postal Service[6]	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
22 Student Loan Marketing Association	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a.
23 Tennessee Valley Authority	3,200	3,200	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 United States Railway Association[6]	n.a.	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other lending[14]									
25 Farmers Home Administration	33,719	21,015	18,325	13,530	13,530	13,160	13,030	12,380	11,955
26 Rural Electrification Administration	17,392	17,144	16,702	14,898	14,841	14,852	14,315	14,203	14,207
27 Other	37,984	29,513	21,714	20,110	19,401	18,780	17,593	17,768	17,519

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. On-budget since Sept. 30, 1976.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation, therefore details do not sum to total. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.
9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table to avoid double counting.
14. Includes FFB purchases of agency assets and guaranteed loans; the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1995	1996	1997	1997	1998						
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
1 **All issues, new and refunding[1]**	**145,657**	**171,222**	**214,694**	**21,342**	**16,770**	**21,306**	**27,859**	**20,271**	**22,862**	**29,665**	**22,599**
By type of issue											
2 General obligation	56,980	60,409	69,934	8,005	5,608	9,893	9,597	8,154	4,827	10,135	6,515
3 Revenue	88,677	110,813	134,989	13,337	11,162	11,413	18,261	12,117	18,035	19,530	16,084
By type of issuer											
4 State	14,665	13,651	18,237	1,702	1,268	2,420	2,375	3,548	1,146	2,809	1,972
5 Special district or statutory authority[2]	93,500	113,228	134,919	15,600	11,794	14,228	19,629	12,504	16,865	18,099	16,244
6 Municipality, county, or township	37,492	44,343	70,558	4,098	3,708	4,658	5,859	4,219	4,851	7,220	5,673
7 **Issues for new capital**	**102,390**	**112,298**	**135,519**	**13,487**	**9,695[r]**	**12,538**	**15,134**	**12,616**	**15,281**	**19,341**	**15,895**
By use of proceeds											
8 Education	23,964	26,851	31,860	2,981	2,338	3,525	4,297	4,080	2,819	4,911	2,733
9 Transportation	11,890	12,324	13,951	1,144	1,521	1,760	771	1,089	1,043	2,962	3,677
10 Utilities and conservation	9,618	9,791	12,219	683	598	687	1,866	749	5,971	2,368	795
11 Social welfare	19,566	24,583	27,794	2,940	1,540	2,903	3,104	2,765	2,390	3,258	3,014
12 Industrial aid	6,581	6,287	6,667	897	448	581	1,236	678	576	563	1,002
13 Other purposes	30,771	32,462	35,095	4,842	3,251	3,082	3,860	3,255	2,482	5,279	4,674

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts.

SOURCE. Securities Data Company beginning January 1990; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1995	1996	1997	1997		1998					
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 **All issues[1]**	**673,571[r]**	n.a.	n.a.	**58,959[r]**	**64,463[r]**	**73,865[r]**	**68,579[r]**	**108,122[r]**	**76,799[r]**	**77,164**	**101,258**
2 **Bonds[2]**	**572,998[r]**	**548,922**	**641,069**	**46,543**	**55,973**	**66,198**	**57,396**	**89,723**	**64,329**	**62,713**	**85,434**
By type of offering											
3 Public, domestic	408,707[r]	465,489	537,880[r]	42,969	54,443	55,647	50,453	81,778	55,452	56,965	78,094
4 Private placement, domestic[3]	87,492	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	76,799[r]	83,433	103,188	3,574	1,530	10,551	6,943	7,946	8,878	5,748	7,340
By industry group											
6 Nonfinancial	156,763	119,765	130,116	6,794	7,696	21,039	12,133	17,301	16,985	12,856	17,109
7 Financial	416,235	429,157	510,953	39,750	48,276	45,159	45,263	72,422	47,345	49,857	68,325
8 **Stocks[2]**	**68,817**	**116,561**	**112,207**	**11,807**	**8,019**	**7,416**	**10,965**	**18,371**	**11,717**	**14,136**	**16,444**
By type of offering											
9 Public	73,212	122,006	117,745	12,417	8,351	7,667	11,182	19,271	12,470	14,700	17,112
10 Private placement[3]	32,100	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
11 Nonfinancial	52,707	80,460	60,386	6,861	3,039	1,761	5,737	10,756	5,551	9,271	10,248
12 Financial	20,516	41,546	57,494	5,555	5,451	5,906	5,445	8,515	6,919	5,429	6,863

1. Figures represent gross proceeds of issues maturing in more than one year, they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCE. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1996	1997	1997	1998						
			Dec.	Jan.	Feb.	Mar.	Apr.	May	June[r]	July
1 **Sales of own shares**[2]	**934,595**	**1,190,900**	**110,452**	**119,488**	**114,219**	**128,348**	**128,828**	**113,593**	**122,288**	**134,636**
2 Redemptions of own shares	702,711	918,728	89,982	92,621	81,688	97,248	97,087	84,421	97,899	107,250
3 Net sales[3]	231,885	272,172	20,471	26,867	32,532	31,100	31,741	29,172	24,389	27,386
4 **Assets**[4]	**2,624,463**	**3,409,315**	**3,409,315**	**3,459,354**	**3,675,392**	**3,843,971**	**3,909,932**	**3,882,061**	**3,986,952**	**3,962,267**
5 Cash[5]	138,559	174,154	174,154	183,648	180,415	174,058	170,045	171,425	199,135	194,118
6 Other	2,485,904	3,235,161	3,235,161	3,275,706	3,494,977	3,669,913	3,739,887	3,710,636	3,787,817	3,768,148

1. Data include stock, hybrid, and bond mutual funds and exclude money market mutual funds.
2. Excludes reinvestment of net income dividends and capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.
4. Market value at end of period, less current liabilities.
5. Includes all U.S. Treasury securities and other short-term debt securities.

SOURCE. Investment Company Institute. Data based on reports of membership, which comprises substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect underwritings of newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1995[r]	1996[r]	1997[r]	1996[r]		1997[r]				1998	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1[r]	Q2
1 Profits with inventory valuation and capital consumption adjustment	672.4	750.4	817.9	755.4	762.0	794.3	815.5	840.9	820.8	829.2	819.7
2 Profits before taxes	635.6	680.2	734.4	681.9	685.7	712.4	729.8	758.9	736.4	719.1	720.5
3 Profits-tax liability	211.0	226.1	246.1	227.7	224.2	238.8	241.9	254.2	249.3	239.9	240.0
4 Profits after taxes	424.6	454.1	488.3	454.2	461.5	473.6	487.8	504.7	487.1	479.2	480.5
5 Dividends	205.3	261.9	275.1	269.1	273.6	274.1	274.7	275.1	276.4	277.3	278.1
6 Undistributed profits	219.3	192.3	213.2	185.1	187.9	199.5	213.2	229.5	210.6	201.8	202.4
7 Inventory valuation	−22.6	−1.2	6.9	1.2	3.0	8.1	10.3	4.8	4.3	25.3	9.8
8 Capital consumption adjustment	59.4	71.4	76.6	72.3	73.3	73.8	75.5	77.2	80.1	84.9	89.4

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1995	1996	1997	1996		1997				1998
				Q3	Q4	Q1	Q2	Q3	Q4	Q1
ASSETS										
1 Accounts receivable, gross[2]	607.0	637.1	663.3	628.1	637.1	648.0	651.6	660.5	663.3	666.8
2 Consumer	233.0	244.9	256.8	244.4	244.9	249.4	255.1	254.5	256.8	251.3
3 Business	301.6	309.5	318.5	301.4	309.5	315.2	311.7	319.5	318.5	325.9
4 Real estate	72.4	82.7	87.9	82.2	82.7	83.4	84.8	86.4	87.9	89.6
5 LESS: Reserves for unearned income	60.7	55.6	52.7	54.8	55.6	51.3	57.2	54.6	52.7	52.1
6 Reserves for losses	12.8	13.1	13.0	12.9	13.1	12.8	13.3	12.7	13.0	13.1
7 Accounts receivable, net	533.5	568.3	597.6	560.5	568.3	583.9	581.2	593.1	597.6	601.6
8 All other	250.9	290.0	312.4	268.7	290.0	289.6	306.8	289.1	312.4	329.9
9 **Total assets**	**784.4**	**858.3**	**910.0**	**829.2**	**858.3**	**873.4**	**887.9**	**882.3**	**910.0**	**931.5**
LIABILITIES AND CAPITAL										
10 Bank loans	15.3	19.7	24.1	18.3	19.7	18.4	18.8	20.4	24.1	22.0
11 Commercial paper	168.6	177.6	201.5	173.1	177.6	185.3	193.7	189.6	201.5	211.7
Debt										
12 Owed to parent	51.1	60.3	64.7	57.9	60.3	61.0	60.0	61.6	64.7	64.6
13 Not elsewhere classified	300.0	332.5	328.8	322.3	332.5	324.6	345.3	322.8	328.8	338.1
14 All other liabilities	163.6	174.7	189.6	164.8	174.7	189.2	171.4	190.1	189.6	193.0
15 Capital, surplus, and undivided profits	85.9	93.5	101.3	92.8	93.5	94.9	98.7	97.9	101.3	102.0
16 **Total liabilities and capital**	**784.4**	**858.3**	**910.0**	**829.2**	**858.3**	**873.4**	**887.9**	**882.3**	**910.0**	**931.5**

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.
2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES Owned and Managed Receivables[1]

Billions of dollars, amounts outstanding

Type of credit	1995	1996	1997	1998 Jan	1998 Feb.	1998 Mar.	1998 Apr.	1998 May	1998 June
				Seasonally adjusted					
1 **Total**	**682.4**	**762.4**	**810.4**	**811.0**	**821.1**	**818.6[r]**	**824.1[r]**	**830.0[r]**	**831.7**
2 Consumer	281.9	306.6	326.9	324.9	326.2	327.0[r]	329.4[r]	330.2[r]	335.7
3 Real estate	72.4	111.9	121.1	121.9	123.7	121.6	121.9	124.2[r]	120.9
4 Business	328.1	343.8	362.4	364.3	371.1	369.9	372.8	375.6[r]	375.0
				Not seasonally adjusted					
5 **Total**	**689.5**	**769.7**	**818.1**	**812.2**	**819.6**	**819.7[r]**	**825.3[r]**	**832.2[r]**	**836.1**
6 Consumer	285.8	310.6	330.9	326.2	324.8	325.4[r]	326.7[r]	329.4[r]	335.9
7 Motor vehicles loans	81.1	86.7	87.0	87.4	84.7	86.8	90.6	89.6	89.9
8 Motor vehicle leases	80.8	92.5	96.8	94.5	94.7	95.2	95.9	95.9	97.0
9 Revolving[2]	28.5	32.5	38.6	37.6	36.9	36.6[r]	30.4[r]	30.5[r]	30.4
10 Other[3]	42.6	33.2	34.4	34.5	34.1	33.0	33.4	33.5	34.4
Securitized assets[4]									
11 Motor vehicle loans	34.8	36.8	44.3	42.8	45.3	45.0	42.8	45.7	49.3
12 Motor vehicle leases	3.5	8.7	10.8	10.7	10.6	10.5	10.4	10.8	10.9
13 Revolving	n.a.	0.0	0.0	0.0	0.0	0.0	5.3	5.3	5.3
14 Other	14.7	20.1	19.0	18.7	18.5	18.2	18.1	18.1	18.6
15 Real estate	72.4	111.9	121.1	121.9	123.7	121.6	121.9	124.2[r]	120.9
16 One- to four-family	n.a.	52.1	59.0	59.8	62.2	61.5	62.4	65.2	62.4
17 Other	n.a.	30.5	28.9	29.1	29.0	28.1	28.1	28.1	27.5
Securitized real estate assets[4]									
18 One- to four-family	n.a.	28.9	33.0	32.8	32.3	31.8	31.2	30.7	30.9
19 Other	n.a.	0.4	0.2	0.2	0.2	0.2	0.2	0.2[r]	0.1
20 Business	331.2	347.2	366.1	364.0	371.1	372.7	376.7	378.6[r]	379.3
21 Motor vehicles	66.5	67.1	63.5	61.8	64.8	67.8	68.2	69.1[r]	68.4
22 Retail loans	21.8	25.1	25.6	26.1	26.4	27.3	28.3	29.3	29.2
23 Wholesale loans[5]	36.6	33.0	27.7	25.6	28.2	30.2	29.5	29.5	28.2
24 Leases	8.0	9.0	10.2	10.1	10.2	10.2	10.4	10.4[r]	11.0
25 Equipment	8.0	9.0	10.2	204.2	204.7	206.5	207.8	209.3	212.8
26 Loans	8.0	9.0	10.2	50.7	49.9	50.8	51.2	51.3	52.7
27 Leases	8.0	9.0	10.2	153.5	154.8	155.7	156.7	158.0	160.2
28 Other business receivables[6]	8.0	9.0	10.2	52.1	55.6	51.6	54.0	54.3	53.7
Securitized assets[4]									
29 Motor vehicles	8.0	9.0	10.2	31.5	31.2	32.1	31.6	31.0	28.7
30 Retail loans	8.0	9.0	10.2	2.3	2.2	2.0	1.9	1.9	2.3
31 Wholesale loans	8.0	9.0	10.2	29.2	29.0	30.0	29.6	29.2	26.4
32 Leases	8.0	9.0	10.2	0.0	0.0	0.0	0.0	0.0	0.0
33 Equipment	8.0	9.0	10.2	10.4	10.8	10.5	10.3	10.2	10.5
34 Loans	8.0	9.0	10.2	3.9	4.3	4.2	4.1	4.0	4.1
35 Leases	8.0	9.0	10.2	6.5	6.5	6.3	6.2	6.2	6.4
36 Other business receivables[6]	8.0	9.0	10.2	4.0	4.0	4.2	4.7	4.7	5.3

NOTE. This table has been revised to incorporate several changes resulting from the benchmarking of finance company receivables to the June 1996 Survey of Finance Companies. In that benchmark survey, and in the monthly surveys that have followed, more detailed breakdowns have been obtained for some components. In addition, previously unavailable data on securitized real estate loans are now included in this table. The new information has resulted in some reclassification of receivables among the three major categories (consumer, real estate, and business) and in discontinuities in some component series between May and June 1996.

Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

1. Owned receivables are those carried on the balance sheet of the institution. Managed receivables are outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator. Data are shown before deductions for unearned income and losses. Components may not sum to totals because of rounding.

2. Excludes revolving credit reported as held by depository institutions that are subsidiaries of finance companies.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, boats, and recreation vehicles.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

6. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1995	1996	1997	1998 Jan.	Feb.	Mar.	Apr.	May	June	July
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	175.8	182.4	180.1	184.1	195.3	191.7	189.5	195.6	193.7	208.7
2 Amount of loan (thousands of dollars)	134.5	139.2	140.3	142.3	148.5	149.5	147.1	150.2	151.0	160.1
3 Loan-to-price ratio (percent)	78.6	78.2	80.4	80.5	78.6	81.0	80.4	79.1	81.0	78.7
4 Maturity (years)	27.7	27.2	28.2	28.5	28.0	28.3	28.4	28.3	28.3	28.5
5 Fees and charges (percent of loan amount)[2]	1.21	1.21	1.02	0.91	0.99	0.95	0.87	0.85	0.85	0.90
Yield (percent per year)										
6 Contract rate[1]	7.65	7.56	7.57	7.13	7.09	7.03	7.05	7.05	7.03	6.99
7 Effective rate[1,3]	7.85	7.77	7.73	7.27	7.24	7.17	7.19	7.18	7.16	7.13
8 Contract rate (HUD series)[4]	8.05	8.03	7.76	7.16	7.22	7.16	7.20	7.11	7.08	7.05
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	8.18	8.19	7.89	7.08	7.06	7.09	7.37	7.07	7.07	7.05
10 GNMA securities[6]	7.57	7.48	7.26	6.56	6.63	6.66	6.63	6.63	6.54	6.48
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	253,511	287,052	316,678	320,062	322,957	327,025	333,571	343,922	349,249	359,827
12 FHA/VA insured	28,762	30,592	31,925	31,621	31,650	31,965	32,734	32,771	32,896	33,036
13 Conventional	224,749	256,460	284,753	288,441	291,307	295,060	300,837	311,151	316,353	326,791
14 Mortgage transactions purchased (during period)	56,598	68,618	70,465	7,647	8,630	12,095	14,668	17,423	11,916	17,326
Mortgage commitments (during period)										
15 Issued[7]	56,092	65,859	69,965	12,199	10,587	14,057	17,556	10,612	16,921	13,217
16 To sell[8]	360	130	1,298	60	0	92	0	0	0	419
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	107,424	137,755	164,421	169,142	175,770	185,928	189,471	192,603	196,634	202,582
18 FHA/VA insured	267	220	177	173	170	166	162	160	160	160
19 Conventional	107,157	137,535	164,244	168,969	175,600	185,762	189,309	192,443	196,474	202,422
Mortgage transactions (during period)										
20 Purchases	98,470	125,103	117,401	13,120	13,610	21,011	25,132	23,743	22,394	22,604
21 Sales	85,877	119,702	114,258	12,702	12,481	19,085	24,479	23,338	21,133	22,263
22 Mortgage commitments contracted (during period)[9]	118,659	128,995	120,089	15,638	17,397	23,060	24,468	26,100	20,008	23,528

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.
4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.
5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.
6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.
7. Does not include standby commitments issued, but includes standby commitments converted.
8. Includes participation loans as well as whole loans.
9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1994	1995	1996	1997				1998
				Q1	Q2	Q3	Q4	Q1[p]
1 **All holders**	**4,395,888**	**4,608,162**	**4,936,041**	**4,991,477**	**5,070,645**	**5,189,141**	**5,288,301**	**5,383,193**
By type of property								
2 One- to four-family residences	3,355,868	3,530,400	3,761,560	3,806,060	3,860,806	3,958,109	4,030,312	4,097,033
3 Multifamily residences	275,005	287,483	312,388	315,282	320,601	323,349	332,200	339,789
4 Nonfarm, nonresidential	682,044	705,719	774,960	782,482	800,560	817,924	835,372	854,949
5 Farm	82,971	84,561	87,134	87,653	88,678	89,759	90,417	91,422
By type of holder								
6 Major financial institutions	1,819,806	1,894,420	1,979,114	1,993,046	2,033,662	2,068,022	2,086,747	2,118,968
7 Commercial banks[2]	1,012,711	1,090,189	1,145,389	1,160,136	1,196,524	1,227,151	1,244,146	1,269,973
8 One- to four-family	615,861	669,434	698,508	708,802	733,737	752,334	762,580	779,924
9 Multifamily	39,346	43,837	46,675	47,618	49,118	49,169	50,643	51,777
10 Nonfarm, nonresidential	334,953	353,088	375,322	378,474	387,608	398,847	403,945	410,818
11 Farm	22,551	23,830	24,883	25,242	26,061	26,800	26,978	27,453
12 Savings institutions[3]	596,191	596,763	628,335	626,381	629,062	631,444	631,809	636,759
13 One- to four-family	477,626	482,353	513,712	513,393	516,521	519,564	520,660	526,984
14 Multifamily	64,343	61,987	61,570	60,645	60,070	60,348	59,543	58,884
15 Nonfarm, nonresidential	53,933	52,135	52,723	52,007	52,132	51,187	51,251	50,522
16 Farm	289	288	331	336	338	346	354	369
17 Life insurance companies	210,904	207,468	205,390	206,529	208,077	209,426	210,792	212,235
18 One- to four-family	7,018	7,316	6,772	6,799	6,842	7,080	7,186	7,321
19 Multifamily	23,902	23,435	23,197	23,320	23,499	23,615	23,755	23,902
20 Nonfarm, nonresidential	170,421	167,095	165,399	166,277	167,548	168,374	169,377	170,423
21 Farm	9,563	9,622	10,022	10,133	10,188	10,358	10,473	10,589
22 Federal and related agencies	315,580	306,774	300,935	295,203	292,966	291,410	292,581	293,499
23 Government National Mortgage Association	6	2	2	6	7	7	8	8
24 One- to four-family	6	2	2	6	7	7	8	8
25 Multifamily	0	0	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,781	41,791	41,596	41,485	41,400	41,332	41,195	40,972
27 One- to four-family	18,098	17,705	17,303	17,175	17,239	17,458	17,253	17,160
28 Multifamily	11,319	11,617	11,685	11,692	11,706	11,713	11,720	11,714
29 Nonfarm, nonresidential	5,670	6,248	6,841	6,969	7,135	7,246	7,370	7,369
30 Farm	6,694	6,221	5,768	5,649	5,321	4,916	4,852	4,729
31 Federal Housing and Veterans' Administrations	10,964	9,809	6,244	4,330	4,200	3,462	3,821	3,694
32 One- to four-family	4,753	5,180	3,524	2,335	2,299	2,810	3,091	2,966
33 Multifamily	6,211	4,629	2,719	1,995	1,900	652	730	729
34 Resolution Trust Corporation	10,428	1,864	0	0	0	0	0	0
35 One- to four-family	5,200	691	0	0	0	0	0	0
36 Multifamily	2,859	647	0	0	0	0	0	0
37 Nonfarm, nonresidential	2,369	525	0	0	0	0	0	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	7,821	4,303	2,431	2,217	1,816	1,476	724	786
40 One- to four-family	1,049	492	365	333	272	221	109	118
41 Multifamily	1,595	428	413	377	309	251	123	134
42 Nonfarm, nonresidential	5,177	3,383	1,653	1,508	1,235	1,004	492	534
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	174,312	176,824	174,556	172,829	170,386	168,458	167,722	166,670
45 One- to four-family	158,766	161,665	160,751	159,634	157,729	156,363	156,245	155,876
46 Multifamily	15,546	15,159	13,805	13,195	12,657	12,095	11,477	10,794
47 Federal Land Banks	28,555	28,428	29,602	29,668	29,963	30,346	30,657	31,005
48 One- to four-family	1,671	1,673	1,742	1,746	1,763	1,786	1,804	1,824
49 Farm	26,885	26,755	27,860	27,922	28,200	28,560	28,853	29,181
50 Federal Home Loan Mortgage Corporation	41,712	43,753	46,504	44,668	45,194	46,329	48,454	50,364
51 One- to four-family	38,882	39,901	41,758	39,640	40,092	40,953	42,629	44,440
52 Multifamily	2,830	3,852	4,746	5,028	5,102	5,376	5,825	5,924
53 Mortgage pools or trusts[5]	1,732,347	1,866,763	2,070,436	2,113,770	2,153,812	2,210,930	2,282,566	2,334,416
54 Government National Mortgage Association	450,934	472,283	506,340	513,471	520,938	529,867	536,810	533,011
55 One- to four-family	441,198	461,438	494,158	500,591	507,618	516,217	523,156	519,152
56 Multifamily	9,736	10,845	12,182	12,880	13,320	13,650	13,654	13,859
57 Federal Home Loan Mortgage Corporation	490,851	515,051	554,260	562,894	567,187	569,920	579,385	583,144
58 One- to four-family	487,725	512,238	551,513	560,369	564,445	567,340	576,846	580,715
59 Multifamily	3,126	2,813	2,747	2,525	2,742	2,580	2,539	2,429
60 Federal National Mortgage Association	530,343	582,959	650,780	663,668	673,931	690,919	709,582	730,832
61 One- to four-family	520,763	569,724	633,210	645,324	654,826	670,677	687,981	708,125
62 Multifamily	9,580	13,235	17,570	18,344	19,105	20,242	21,601	22,707
63 Farmers Home Administration[4]	19	11	3	3	2	2	2	2
64 One- to four-family	3	2	0	0	0	0	0	0
65 Multifamily	0	0	0	0	0	0	0	0
66 Nonfarm, nonresidential	9	5	0	0	0	0	0	0
67 Farm	7	4	3	3	2	2	2	2
68 Private mortgage conduits	260,200	296,459	359,053	373,734	391,753	420,222	456,787	487,427
69 One- to four-family[6]	208,500	227,800	261,900	271,100	279,450	299,400	318,000	330,300
70 Multifamily	14,925	21,279	33,689	35,607	38,992	41,973	48,261	54,680
71 Nonfarm, nonresidential	36,774	47,380	63,464	67,027	73,312	78,849	90,526	102,447
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[7]	528,155	540,206	585,556	589,458	590,206	618,779	626,408	636,310
74 One- to four-family	368,749	372,786	376,341	378,815	377,966	405,900	412,763	422,120
75 Multifamily	69,686	73,719	81,389	82,054	82,081	81,684	82,329	82,257
76 Nonfarm, nonresidential	72,738	75,859	109,558	110,220	111,591	112,418	112,411	112,834
77 Farm	16,983	17,841	18,268	18,368	18,567	18,777	18,905	19,099

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated
6. Includes securitized home equity loans.
7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCE. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 69 from Inside Mortgage Securities and other sources.

1.55 CONSUMER CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1995	1996	1997	1998[r] Jan	Feb.	Mar.	Apr.	May	June
	Seasonally adjusted								
1 **Total**	**1,094,197**	**1,179,892**	**1,230,695**	**1,233,470**	**1,238,459**	**1,246,200**	**1,249,858**	**1,249,640**	**1,256,315**
2 Automobile	364,231	392,370	413,453	415,344	416,468	419,584	421,204	422,545	425,717
3 Revolving	442,994	499,209	530,801	532,626	536,106	540,421	542,470	539,927	542,416
4 Other[2]	286,972	288,313	286,441	285,500	285,885	286,195	286,184	287,169	288,182
	Not seasonally adjusted								
5 **Total**	**1,122,828**	**1,211,590**	**1,264,103**	**1,243,503**	**1,233,241**	**1,234,722**	**1,238,493**	**1,239,006**	**1,249,549**
By major holder									
6 Commercial banks	501,963	526,769	512,563	499,347	492,549	492,221	499,843	496,601	487,943
7 Finance companies	152,123	152,391	160,022	159,493	155,675	156,480	154,328	153,556	154,731
8 Credit unions	131,939	144,148	152,362	151,024	149,804	149,334	149,119	149,784	149,272
9 Savings institutions	40,106	44,711	47,172	47,144	47,115	47,087	47,059	47,030	47,002
10 Nonfinancial business[3]	85,061	77,745	78,927	75,349	72,761	72,754	65,090	65,216	65,210
11 Pools of securitized assets[4]	211,636	265,826	313,057	311,146	315,337	316,846	323,054	326,819	345,391
By major type of credit[5]									
12 Automobile	367,069	395,609	416,962	413,586	412,177	415,524	416,202	418,498	425,626
13 Commercial banks	151,437	157,047	155,254	154,413	152,747	153,926	151,278	151,677	150,936
14 Finance companies	81,073	86,690	87,015	87,379	84,685	86,834	90,564	89,569	89,942
15 Pools of securitized assets[4]	44,635	51,719	64,950	63,066	65,957	65,057	63,737	65,934	71,562
16 Revolving	464,134	522,860	555,858	541,144	535,451	534,420	535,495	535,080	537,541
17 Commercial banks	210,298	228,615	219,826	208,750	204,564	201,316	209,171	207,318	199,095
18 Finance companies	28,460	32,493	38,608	37,603	36,851	36,613	30,398	30,495	30,355
19 Nonfinancial business[3]	53,525	44,901	44,966	42,689	40,976	41,246	33,487	33,412	33,544
20 Pools of securitized assets[4]	147,934	188,712	221,465	221,805	223,400	226,226	233,668	235,347	245,960
21 Other	291,625	293,121	291,283	288,773	285,613	284,778	286,796	285,428	286,382
22 Commercial banks	140,228	141,107	137,483	136,184	135,238	136,979	139,394	137,606	137,912
23 Finance companies	42,590	33,208	34,399	34,511	34,139	33,033	33,366	33,492	34,434
24 Nonfinancial business[3]	31,536	32,844	33,961	32,660	31,785	31,508	31,603	31,804	31,666
25 Pools of securitized assets[4]	19,067	25,395	26,642	26,275	25,980	25,563	25,649	25,538	27,869

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Comprises mobile home loans and all other loans that are not included in automobile or revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.
3. Includes retailers and gasoline companies.
4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.
5. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER CREDIT[1]

Percent per year except as noted

Item	1995	1996	1997	1997 Dec.	1998 Jan.	Feb.	Mar.	Apr.	May	June
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	9.57	9.05	9.02	n.a.	n.a.	8.87	n.a.	n.a.	8.69	n.a.
2 24-month personal	13.94	13.54	13.90	n.a.	n.a.	14.01	n.a.	n.a.	13.76	n.a.
Credit card plan										
3 All accounts	15.90	15.63	15.77	n.a.	n.a.	15.65	n.a.	n.a.	15.67	n.a.
4 Accounts assessed interest	15.64	15.50	15.57	n.a.	n.a.	15.33	n.a.	n.a.	15.62	n.a.
Auto finance companies										
5 New car	11.19	9.84	7.12	5.93	6.12	6.98	5.94	6.20	6.07	6.02
6 Used car	14.48	13.53	13.27	13.16	12.77	12.87	12.79	12.76	12.73	12.63
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.1	51.6	54.1	53.5	52.8	52.6	51.5	50.7	50.8	50.9
8 Used car	52.2	51.4	51.0	50.5	52.2	52.5	52.6	52.9	52.9	54.0
Loan-to-value ratio										
9 New car	92	91	92	92	92	92	92	91	93	91
10 Used car	99	100	99	99	98	97	97	98	99	100
Amount financed (dollars)										
11 New car	16,210	16,987	18,077	19,121	18,944	18,825	18,932	18,922	18,793	18,878
12 Used car	11,590	12,182	12,281	12,547	12,391	12,356	12,431	12,716	12,607	12,698

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Data are available for only the second month of each quarter.
3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1993	1994	1995	1996	1997	1996[r]	1997[r]				1998[r]	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**588.0**	**572.2[r]**	**701.6[r]**	**725.8[r]**	**768.4[r]**	**642.2**	**674.5**	**614.4**	**829.6**	**954.9**	**919.1**	**935.0**
By sector and instrument												
2 Federal government	256.1	155.9	144.4	145.0	23.1	112.3	64.9	−43.5	30.3	40.8	−31.3	−69.6
3 Treasury securities	248.3	155.7	142.9	146.6	23.2	115.6	66.3	−43.8	31.2	39.0	−28.9	−68.1
4 Budget agency securities and mortgages	7.8	.2	1.5	−1.6	−.1	−3.3	−1.4	.2	−.9	1.7	−2.4	−1.4
5 Nonfederal	331.9	416.4[r]	557.1[r]	580.8[r]	745.3[r]	530.0	609.6	658.0	799.3	914.2	950.4	1,004.5
By instrument												
6 Commercial paper	10.0	21.4	18.1	−.9	13.7	−24.1	7.2	20.3	14.5	12.8	53.9	6.6
7 Municipal securities and loans	74.8	−35.9	−48.2	2.6	71.4	54.8	34.1	59.6	88.9	103.2	116.7	86.1
8 Corporate bonds	75.2	23.3	73.3	72.5	90.7	89.9	79.4	86.1	122.9	74.4	157.2	160.8
9 Bank loans n.e.c.	6.4	75.2	102.3	66.2	107.6	27.8	140.7	118.1	31.6	140.0	56.0	170.1
10 Other loans and advances	−18.9	34.0	67.2	33.8	68.2	3.2	34.2	19.3	79.2	140.1	80.7	34.5
11 Mortgages	123.7	173.4[r]	205.5[r]	318.0[r]	341.1[r]	331.5	251.5	295.1	411.9	405.8	434.3	487.8
12 Home	156.2	178.5	174.5	264.9	267.7	248.4	217.5	210.5	333.6	309.3	330.3	367.9
13 Multifamily residential	−6.8	−1.2[r]	8.1[r]	12.6[r]	11.4[r]	15.3	3.9	12.7	6.5	22.3	19.9	22.5
14 Commercial	−26.7	−6.1[r]	21.2[r]	37.9[r]	58.7[r]	66.1	28.0	67.7	67.5	71.6	80.1	91.1
15 Farm	1.0	2.2	1.6	2.6	3.3	1.6	2.1	4.1	4.3	2.6	4.0	6.2
16 Consumer credit	60.7	124.9	138.9	88.8	52.5	46.8	62.5	59.5	50.3	37.8	51.7	58.6
By borrowing sector												
17 Household	207.8[r]	311.4[r]	349.0[r]	372.8[r]	351.6[r]	306.6	324.7	317.3	368.3	396.2	435.9	476.7
18 Nonfinancial business	57.9[r]	151.3[r]	259.6[r]	214.8[r]	337.6[r]	177.7	268.0	298.2	358.4	425.7	420.2	463.0
19 Corporate	52.1[r]	143.6[r]	232.7[r]	165.5[r]	267.8[r]	108.6	215.2	223.6	287.1	345.1	334.9	363.4
20 Nonfarm noncorporate	3.2	3.3	23.9	44.5	63.5	61.4	47.8	68.6	65.8	71.6	77.4	92.2
21 Farm	2.6	4.4	2.9	4.8	6.4	7.6	4.9	6.0	5.5	9.0	7.9	7.4
22 State and local government	66.2[r]	−46.2[r]	−51.5[r]	−6.8[r]	56.1[r]	45.7	16.9	42.5	72.6	92.3	94.3	64.9
23 Foreign net borrowing in United States	69.8	−14.0	71.1	76.9[r]	56.9[r]	93.6	31.2	61.7	92.5	42.3	68.8	68.5
24 Commercial paper	−9.6	−26.1	13.5	11.3	3.7	4.4	15.5	10.4	−11.6	.7	56.0	−24.8
25 Bonds	82.9	12.2	49.7	55.8[r]	46.7	84.5	15.5	38.7	100.3	32.4	14.3	89.8
26 Bank loans n.e.c.	.7	1.4	8.5	9.1	8.5	7.8	−.7	11.5	7.3	15.7	5.5	7.9
27 Other loans and advances	−4.2	−1.5	−.5	.8	−2.0	−3.1	.9	1.2	−3.5	−6.5	−7.0	−4.4
28 **Total domestic plus foreign**	**657.8**	**558.2[r]**	**772.7[r]**	**802.7[r]**	**825.3**	**735.8**	**705.7**	**676.1**	**922.2**	**997.2**	**987.9**	**1,003.5**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**294.4**	**468.4**	**456.4**	**556.2**	**644.4**	**674.1**	**336.5**	**659.0**	**594.0**	**987.9**	**840.3**	**1,016.2**
By instrument												
30 Federal government-related	165.3	287.5	204.1	231.5	212.8	252.8	105.7	286.2	161.0	298.1	227.3	413.4
31 Government-sponsored enterprise securities	80.6	176.9	105.9	90.4	98.4	123.3	−8.9	198.1	46.4	157.9	142.5	166.4
32 Mortgage pool securities	84.7	115.4	98.2	141.1	114.4	129.6	114.6	88.1	114.6	140.3	84.8	247.0
33 Loans from U.S. government	.0	−4.8	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	129.1	180.9	252.3	324.7	431.6	421.3	230.9	372.9	433.0	689.8	613.0	602.8
35 Open market paper	−5.5	40.5	42.7	92.2	166.7	162.1	176.6	77.0	168.8	244.2	237.4	134.8
36 Corporate bonds	123.1	121.8	196.7	179.7	208.1	199.0	61.7	231.4	193.4	345.8	316.0	376.8
37 Bank loans n.e.c.	−14.4	−13.7	3.9	16.9	13.6	24.0	6.5	−6.0	23.2	30.7	18.9	7.2
38 Other loans and advances	22.4	22.6	3.4	27.9	35.6	31.2	−20.1	63.0	37.5	61.7	32.7	76.0
39 Mortgages	3.6	9.8	5.6	7.9	7.8	4.9	6.2	7.5	10.1	7.3	8.0	8.0
By borrowing sector												
40 Commercial banking	13.4	20.1	22.5	13.0	46.1	26.9	14.4	76.4	32.5	61.0	83.5	95.9
41 Savings institutions	11.3	12.8	2.6	25.5	19.7	23.0	−16.8	31.9	22.3	41.7	10.6	31.2
42 Credit unions	.2	.2	−.1	.1	.1	.3	−.2	.2	.2	.3	.5	.2
43 Life insurance companies	.2	.3	−.1	1.1	.2	2.0	.8	.1	.2	−.3	.0	−.6
44 Government-sponsored enterprises	80.6	172.1	105.9	90.4	98.4	123.3	−8.9	198.1	46.4	157.9	142.5	166.4
45 Federally related mortgage pools	84.7	115.4	98.2	141.1	114.4	129.6	114.6	88.1	114.6	140.3	84.8	247.0
46 Issuers of asset-backed securities (ABSs)	83.6	72.9	141.1	153.6	204.6	157.3	85.8	122.7	224.7	385.0	255.0	363.5
47 Finance companies	−1.4	48.7	50.2	45.9	48.7	38.1	5.6	120.5	8.9	59.6	80.1	101.8
48 Mortgage companies	.0	−11.5	.4	12.4	−1.3	12.1	−.7	−12.2	3.6	4.2	5.2	−5.5
49 Real estate investment trusts (REITs)	3.4	13.7	5.7	11.0	24.8	15.2	15.1	19.8	32.0	32.1	36.3	33.9
50 Brokers and dealers	12.0	.5	−5.0	−2.0	8.1	4.9	−2.9	34.9	−6.9	7.0	−1.0	20.0
51 Funding corporations	6.3	23.1	34.9	64.1	80.7	141.6	129.7	−21.5	115.4	99.2	142.8	−37.6

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1993	1994	1995	1996	1997	1996[r]	1997[r]				1998[r]	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
	All sectors											
52 **Total net borrowing, all sectors**	**952.2**	**1,026.6[r]**	**1,229.0[r]**	**1,358.9[r]**	**1,469.7[r]**	**1,409.9**	**1,042.2**	**1,335.1**	**1,516.2**	**1,985.1**	**1,828.2**	**2,019.6**
53 Open market paper	−5.1	35.7	74.3	102.6	184.1	142.4	199.3	107.7	171.7	257.7	347.3	116.6
54 U.S. government securities	421.4	448.1	348.5	376.5	235.9	365.1	170.6	242.6	191.3	338.9	196.0	343.8
55 Municipal securities	74.8	−35.9	−48.2	2.6	71.4	54.8	34.1	59.6	88.9	103.2	116.7	86.1
56 Corporate and foreign bonds	281.2	157.3	319.6	308.0[r]	345.5	373.4	156.6	356.1	416.6	452.6	487.5	627.4
57 Bank loans n.e.c.	−7.2	62.9	114.7	92.1	129.7	59.7	146.5	123.6	62.2	186.4	80.4	185.3
58 Other loans and advances	−.8	50.3	70.2[r]	62.5	101.8[r]	31.3	15.0	83.4	113.3	195.3	106.4	106.1
59 Mortgages	127.3	183.2[r]	211.1[r]	325.9[r]	348.8[r]	336.4	257.7	302.6	422.0	413.1	442.3	495.8
60 Consumer credit	60.7	124.9	138.9	88.8	52.5	46.8	62.5	59.5	50.3	37.8	51.7	58.6
	Funds raised through mutual funds and corporate equities											
61 **Total net issues**	**429.7**	**125.2**	**143.9**	**231.8[r]**	**191.9[r]**	**162.3**	**181.9**	**183.9**	**248.6**	**153.0**	**218.0**	**194.2**
62 Corporate equities	137.7	24.6	−3.5	−5.8[r]	−73.3[r]	−20.4	−67.7	−66.2	−51.3	−108.0	−103.4	−118.2
63 Nonfinancial corporations	21.3	−44.9	−58.3	−64.2	−114.6	−56.0	−90.4	−100.0	−124.0	−144.1	−138.0	−129.2
64 Foreign shares purchased by U.S. residents	63.4	48.1	50.4	60.0[r]	41.3[r]	42.2	46.6	54.4	64.3	−.3	13.6	4.0
65 Financial corporations	53.0	21.4	4.4	−1.6	.1	−6.7	−23.9	−20.6	8.4	36.5	21.0	7.1
66 Mutual fund shares	292.0	100.6	147.4	237.6	265.1	182.8	249.6	250.1	299.9	261.0	321.4	312.4

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.4. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

Billions of dollars except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1993	1994	1995	1996	1997	1996[r]	1997[r]				1998[r]	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**952.2**	**1,026.6[r]**	**1,229.0[r]**	**1,358.9[r]**	**1,469.7**	**1,409.9**	**1,042.2**	**1,335.1**	**1,516.2**	**1,985.1**	**1,828.2**	**2,019.6**
2 Domestic nonfederal nonfinancial sectors	41.6	238.7[r]	−93.8[r]	9.5[r]	−88.8	−141.2	−221.7	−50.5	−138.0	55.0	−206.4	378.9
3 Household	1.0	275.5[r]	1.6[r]	13.8[r]	−106.1	−46.6	−273.5	−48.3	−131.5	28.6	−196.5	297.4
4 Nonfinancial corporate business	9.1	17.7	−8.8	15.0	14.9	−16.9	78.7	−46.7	31.7	−4.1	−5.5	19.8
5 Nonfarm noncorporate business	−1.1	.6	4.7	4.4	2.7	4.4	2.5	2.7	2.8	2.9	3.0	3.2
6 State and local governments	32.6	−55.0	−91.4	−23.7	−.3	−82.1	−29.5	41.8	−41.0	27.5	−7.4	58.5
7 Federal government	−18.4	−27.5	−.2	−7.7	4.9	−4.3	1.7	5.7	3.3	9.0	15.5	12.8
8 Rest of the world	129.3	132.3	273.9	414.7[r]	312.1	586.6	330.6	307.0	404.1	206.5	234.9	309.2
9 Financial sectors	799.7	683.0	1,049.1	942.4[r]	1,241.5	968.8	931.7	1,072.9	1,246.8	1,714.7	1,784.2	1,318.8
10 Monetary authority	36.2	31.5	12.7	12.3	38.3	6.9	34.4	42.9	22.9	52.9	27.4	7.7
11 Commercial banking	142.2	163.4	265.9	187.5	324.8	245.4	316.0	290.0	226.2	467.1	293.7	147.8
12 U.S.-chartered banks	149.6	148.1	186.5	119.6	274.9	152.4	206.1	286.7	220.7	386.2	260.8	143.1
13 Foreign banking offices in United States	−9.8	11.2	75.4	63.3	40.2	84.1	101.7	−3.6	4.6	58.2	12.0	17.2
14 Bank holding companies	.0	.9	−.3	3.9	5.4	10.5	2.2	5.1	−5.0	19.4	15.3	−17.6
15 Banks in U.S.-affiliated areas	2.4	3.3	4.2	.7	4.2	−1.6	6.1	1.8	5.8	3.2	5.6	5.1
16 Savings institutions	−23.3	6.7	−7.6	19.9	−4.7	−47.9	−5.3	23.8	−35.3	−2.0	10.1	−11.9
17 Credit unions	21.7	28.1	16.2	25.5	16.8	25.8	20.5	25.2	13.6	7.7	19.6	24.9
18 Bank personal trusts and estates	9.5	7.1	−8.3	−7.7	7.6	−2.5	3.4	10.7	7.3	8.8	2.4	3.1
19 Life insurance companies	100.9	66.7	99.2	72.5	101.0	124.5	88.3	174.4	106.0	35.3	108.9	116.2
20 Other insurance companies	27.7	24.9	21.5	22.5	25.2	27.7	6.0	28.0	32.0	34.7	23.4	28.1
21 Private pension funds	49.5	45.5	61.3	48.3	67.6	34.1	55.0	58.5	66.2	90.7	72.6	105.5
22 State and local government retirement funds	22.7	22.3	27.5	45.9	36.6	38.1	23.2	34.6	79.1	9.5	81.7	72.7
23 Money market mutual funds	20.4	30.0	86.5	88.8	87.5	81.1	58.2	26.1	121.5	144.2	172.0	200.1
24 Mutual funds	159.5	−7.1	52.5	48.9	80.9	25.7	63.9	90.0	108.0	61.8	143.6	115.9
25 Closed-end funds	20.0	−3.7	10.5	2.2	1.2	2.2	2.7	1.3	.3	.4	.6	.2
26 Government-sponsored enterprises	87.8	117.8	84.7	92.0	95.0	137.1	44.9	119.9	55.8	159.2	166.0	143.4
27 Federally related mortgage pools	84.7	115.4	98.2	141.1	114.4	129.6	114.6	88.1	114.6	140.3	84.8	247.0
28 Asset-backed securities issuers (ABSs)	81.0	65.8	119.3	123.4	166.1	108.2	62.3	107.8	162.2	332.2	195.8	332.4
29 Finance companies	−20.9	48.3	49.9	18.4	21.9	−3.6	39.8	.9	68.3	−21.4	28.6	27.1
30 Mortgage companies	.0	−24.0	−3.4	8.2	16.4	4.1	−1.3	−24.4	82.9	8.3	10.4	−11.0
31 Real estate investment trusts (REITs)	.6	4.7	2.2	2.0	−2.0	−2.1	−2.1	−2.1	−2.1	−1.7	−2.0	−2.0
32 Brokers and dealers	14.8	−44.2	90.1	−15.7	13.7	82.7	−14.5	−11.7	15.8	65.3	250.4	−188.6
33 Funding corporations	−35.3	−16.2	−29.7	6.5[r]	33.4	−48.4	21.5	−10.9	1.7	121.2	94.1	−40.1
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 **Net flows through credit markets**	**952.2**	**1,026.6[r]**	**1,229.0[r]**	**1,358.9[r]**	**1,469.7**	**1,409.9**	**1,042.2**	**1,335.1**	**1,516.2**	**1,985.1**	**1,828.2**	**2,019.6**
Other financial sources												
35 Official foreign exchange	.8	−5.8	8.8	−6.3	.7	.7	−17.6	.4	2.4	17.5	1.0	8.1
36 Special drawing rights certificates	.0	.0	2.2	−.5	−.5	.0	−2.1	.0	.0	.0	.0	.0
37 Treasury currency	.4	.7	.6	.1[r]	−.0	−2.4	.4	.2	1.3	−1.9	.3	.2
38 Foreign deposits	−18.5	52.9	35.3	85.9[r]	107.4	120.1	186.7	23.9	116.1	103.0	−45.3	44.2
39 Net interbank transactions	50.5	89.8	9.9	−51.6	−45.8	10.2	−78.4	−57.0	−31.5	−16.2	21.2	−22.7
40 Checkable deposits and currency	117.3	−9.7	−12.7	15.8	41.5	−47.3	81.8	50.6	−38.4	71.9	65.9	110.6
41 Small time and savings deposits	−70.3	−39.9	96.6	97.2	97.1	91.1	151.5	34.0	47.0	156.0	152.0	46.6
42 Large time deposits	−23.5	19.6	65.6	114.0	122.5	136.5	56.3	174.7	188.4	70.8	118.5	−30.9
43 Money market fund shares	20.2	43.3	142.3	145.8	157.6	188.2	157.6	98.9	226.2	147.8	248.0	186.4
44 Security repurchase agreements	71.3	78.2	110.4	40.0	115.2	72.9	32.7	218.9	111.2	98.1	250.5	−59.6
45 Corporate equities	137.7	24.6	−3.5	−5.8[r]	−73.3	−20.4	−67.7	−66.2	−51.3	−108.0	−103.4	−118.2
46 Mutual fund shares	292.0	100.6	147.4	237.6	265.1	182.8	249.6	250.1	299.9	261.0	321.4	312.4
47 Trade payables	52.2[r]	94.0[r]	100.7[r]	72.3[r]	94.5	110.4	63.4	56.0	121.0	137.7	79.6	63.0
48 Security credit	61.4	−.1	26.7	52.4	110.1	131.1	110.4	127.5	90.6	111.9	168.8	−110.3
49 Life insurance reserves	36.0	34.5	44.9	43.6	52.9	66.7	49.8	62.5	62.8	36.6	47.8	38.5
50 Pension fund reserves	255.6	246.2[r]	233.2[r]	230.8[r]	296.8	281.1	256.6	318.9	326.9	284.8	259.9	265.4
51 Taxes payable	11.4	2.6	6.2[r]	16.2[r]	15.1	22.1	21.7	12.4	29.6	−3.4	44.1	−7.7
52 Investment in bank personal trusts	.9	17.8	4.0	−8.6	75.0	−4.2	68.8	71.8	80.8	78.4	50.3	57.5
53 Noncorporate proprietors' equity	25.5	55.6[r]	71.5[r]	47.1[r]	41.1	29.4	50.1	48.0	49.7	16.8	41.0	12.5
54 Miscellaneous	340.0[r]	252.0[r]	449.4[r]	415.8[r]	586.7	465.4	668.2	527.8	621.6	529.4	868.6	399.6
55 **Total financial sources**	**2,312.9[r]**	**2,083.6[r]**	**2,768.5[r]**	**2,900.8[r]**	**3,529.6**	**3,244.3**	**3,082.2**	**3,288.5**	**3,770.5**	**3,977.4**	**4,418.4**	**3,215.3**
Liabilities not identified as assets (−)												
56 Treasury currency	−.2	−.2	−.5	−.9[r]	−.6	−3.1	−.3	−.5	.7	−2.4	−.2	−.3
57 Foreign deposits	−5.7	43.0	25.1	59.4[r]	107.4	51.7	176.9	10.6	93.9	148.3	−94.6	60.3
58 Net interbank liabilities	4.2	−2.7	−3.1	−3.3	−19.8	1.5	30.3	−26.7	−50.0	−32.6	107.2	21.9
59 Security repurchase agreements	46.4	69.4	22.9	−.7	72.6	110.4	−107.3	185.3	23.4	188.9	187.6	−56.3
60 Taxes payable	15.8	16.6	21.1[r]	20.4[r]	17.7	24.8	19.3	27.6	14.7	9.4	41.2	1.5
61 Miscellaneous	−170.8[r]	−150.4[r]	−221.3[r]	−122.6[r]	−303.3	−140.4	25.1	−485.0	−137.8	−615.5	−207.6	−256.6
Floats not included in assets (−)												
62 Federal government checkable deposits	−1.5	−4.8	−6.0	.5	−2.7	−12.4	−4.6	−8.3	10.0	−7.9	7.5	−41.8
63 Other checkable deposits	−1.3	−2.8	−3.8	−4.0	−3.9	−3.8	−3.3	−4.3	−3.0	−5.0	−4.0	−3.0
64 Trade credit	−4.0[r]	1.5[r]	−12.5[r]	−31.5[r]	9.7	−9.8	−5.2	−53.8	39.4	58.5	5.9	−3.4
65 **Total identified to sectors as assets**	**2,429.9[r]**	**2,114.0[r]**	**2,946.7[r]**	**2,983.7[r]**	**3,652.5**	**3,225.3**	**2,951.3**	**3,643.7**	**3,779.1**	**4,235.7**	**4,375.5**	**3,493.0**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.1 and F.5. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1994	1995	1996	1997	1996	1997				1998	
					Q4	Q1	Q2	Q3	Q4	Q1[r]	Q2
					Nonfinancial sectors						
1 **Total credit market debt owed by domestic nonfinancial sectors**	**13,014.5[r]**	**13,716.0[r]**	**14,441.8[r]**	**15,208.7**	**14,441.8[r]**	**14,608.9[r]**	**14,727.4[r]**	**14,931.4[r]**	**15,208.7[r]**	**15,439.6**	**15,634.4**
By sector and instrument											
2 Federal government	3,492.3	3,636.7	3,781.8	3,804.9	3,781.8	3,829.8	3,760.6	3,771.2	3,804.9	3,830.4	3,749.0
3 Treasury securities	3,465.6	3,608.5	3,755.1	3,778.3	3,755.1	3,803.5	3,734.3	3,745.1	3,778.3	3,804.5	3,723.4
4 Budget agency securities and mortgages	26.7	28.2	26.6	26.5	26.6	26.3	26.3	26.1	26.5	25.9	25.6
5 Nonfederal	9,522.2[r]	10,079.3[r]	10,660.1[r]	11,403.8	10,660.1[r]	10,779.1[r]	10,966.8[r]	11,160.2[r]	11,403.8[r]	11,609.2	11,885.5
By instrument											
6 Commercial paper	139.2	157.4	156.4	168.6	156.4	168.7	179.3	176.6	168.6	193.1	202.5
7 Municipal securities and loans	1,341.7	1,293.5	1,296.0	1,367.5	1,296.0	1,305.1	1,326.8	1,340.2	1,367.5	1,397.1	1,425.8
8 Corporate bonds	1,253.0	1,326.3	1,398.8	1,489.5	1,398.8	1,418.7	1,440.2	1,470.9	1,489.5	1,528.8	1,569.0
9 Bank loans n.e.c.	759.9	862.1	928.3	1,035.9	928.3	964.5[r]	1,000.2[r]	1,000.1[r]	1,035.9[r]	1,052.0	1,100.6
10 Other loans and advances	669.6	736.9	770.6	838.8	770.6	784.4	788.2[r]	802.8[r]	838.8[r]	864.6	871.9
11 Mortgages	4,374.8[r]	4,580.3[r]	4,898.3[r]	5,239.3	4,898.3[r]	4,951.3[r]	5,027.1[r]	5,142.7[r]	5,239.3[r]	5,338.9	5,461.8
12 Home	3,355.9	3,530.4	3,761.6	4,029.3	3,761.6	3,806.1	3,860.8	3,956.8[r]	4,029.3[r]	4,102.8	4,195.7
13 Multifamily residential	265.6[r]	273.8[r]	290.0[r]	301.4	290.0[r]	291.0[r]	294.2[r]	295.8[r]	301.4[r]	306.4	312.0
14 Commercial	670.3[r]	691.6[r]	759.5[r]	818.3	759.5[r]	766.5[r]	783.5[r]	800.4[r]	818.3[r]	838.3	861.1
15 Farm	83.0	84.6	87.1	90.4	87.1	87.7	88.7	89.8	90.4	91.4	93.0
16 Consumer credit	983.9	1,122.8	1,211.6	1,264.1	1,211.6	1,186.4	1,205.0	1,226.7	1,264.1	1,234.7	1,253.9
By borrowing sector											
17 Household	4,452.8[r]	4,806.8[r]	5,150.9[r]	5,505.2	5,150.9[r]	5,182.8[r]	5,271.2[r]	5,383.0[r]	5,505.2[r]	5,562.4	5,689.3
18 Nonfinancial business	3,947.6[r]	4,202.3[r]	4,445.8[r]	4,779.2	4,445.8[r]	4,527.4[r]	4,609.6[r]	4,681.7[r]	4,779.2[r]	4,902.4	5,028.8
19 Corporate	2,683.6[r]	2,911.4[r]	3,105.7[r]	3,369.2	3,105.7[r]	3,176.8[r]	3,236.8[r]	3,291.1[r]	3,369.2[r]	3,473.9	3,571.8
20 Nonfarm noncorporate	1,121.8	1,145.8	1,190.2	1,253.7	1,190.2	1,202.2	1,219.3	1,235.2	1,253.7	1,273.1	1,296.1
21 Farm	142.2	145.1	149.9	156.3	149.9	148.3	153.4	155.4	156.3	155.4	160.9
22 State and local government	1,121.7[r]	1,070.2[r]	1,063.4[r]	1,119.5	1,063.4[r]	1,069.0[r]	1,086.1[r]	1,095.5[r]	1,119.5[r]	1,144.3	1,167.3
23 **Foreign credit market debt held in United States**	**370.8[r]**	**441.9[r]**	**518.8[r]**	**569.6**	**518.8[r]**	**524.3[r]**	**539.2[r]**	**557.7[r]**	**569.6[r]**	**584.1**	**602.1**
24 Commercial paper	42.7	56.2	67.5	65.1	67.5	69.3	71.3	64.3	65.1	76.7	71.4
25 Bonds	242.3	291.9	347.7[r]	394.4	347.7[r]	351.6[r]	361.2[r]	386.3[r]	394.4[r]	398.0	420.5
26 Bank loans n.e.c.	26.1	34.6	43.7	52.1	43.7	43.5	46.4	48.2	52.1	53.5	55.5
27 Other loans and advances	59.8[r]	59.3[r]	60.0[r]	58.0	60.0[r]	59.9[r]	60.3[r]	58.9[r]	58.0[r]	55.9	54.8
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**13,385.3[r]**	**14,158.0[r]**	**14,960.7[r]**	**15,778.3**	**14,960.7[r]**	**15,133.2[r]**	**15,266.6[r]**	**15,489.1[r]**	**15,778.3[r]**	**16,023.7**	**16,236.5**
					Financial sectors						
29 **Total credit market debt owed by financial sectors**	**3,822.2**	**4,281.2**	**4,837.3**	**5,448.7**	**4,837.3**	**4,916.5[r]**	**5,085.3[r]**	**5,205.4[r]**	**5,448.7[r]**	**5,653.7**	**5,912.5**
By instrument											
30 Federal government-related	2,172.7	2,376.8	2,608.3	2,821.0	2,608.3	2,634.7	2,706.2	2,746.5	2,821.0	2,877.9	2,981.2
31 Government-sponsored enterprise securities	700.6	806.5	896.9	995.3	896.9	894.7	944.2	955.8	995.3	1,030.9	1,072.5
32 Mortgage pool securities	1,472.1	1,570.3	1,711.4	1,825.8	1,711.4	1,740.0	1,762.1	1,790.7	1,825.8	1,847.0	1,908.7
33 Loans from U.S. government	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	1,649.5	1,904.4	2,229.1	2,627.6	2,229.1	2,281.8[r]	2,379.1[r]	2,458.9[r]	2,627.6[r]	2,775.8	2,931.3
35 Open market paper	441.6	486.9	579.1	745.7	579.1	623.0	642.5	684.7	745.7	804.9	838.9
36 Corporate bonds	1,008.8	1,205.4	1,385.1	1,560.1	1,385.1	1,396.5	1,458.1[r]	1,478.2[r]	1,560.1[r]	1,634.9	1,733.5
37 Bank loans n.e.c.	48.9	52.8	69.7	83.3	69.7	70.6[r]	69.2[r]	74.8[r]	83.3[r]	87.3	89.3
38 Other loans and advances	131.6	135.0	162.9	198.5	162.9	157.9	173.7	183.0	198.5	206.6	225.6
39 Mortgages	18.7	24.3	32.2	40.0	32.2	33.8	35.6	38.2	40.0	42.0	44.0
By borrowing sector											
40 Commercial banks	94.5	102.6	113.6	140.6	113.6	115.3	125.7	130.0	140.6	148.7	159.7
41 Bank holding companies	133.6	148.0	150.0	168.6	150.0	151.6	160.5	164.0	168.6	181.2	194.5
42 Savings institutions	112.4	115.0	140.5	160.3	140.5	136.3	144.3	149.8	160.3	162.9	170.7
43 Credit unions	.5	.4	.4	.6	.4	.4	.4	.5	.6	.7	.8
44 Life insurance companies	.6	.5	1.6	1.8	1.6	1.8	1.8	1.9	1.8	1.8	1.6
45 Government-sponsored enterprises	700.6	806.5	896.9	995.3	896.9	894.7	944.2	955.8	995.3	1,030.9	1,072.5
46 Federally related mortgage pools	1,472.1	1,570.3	1,711.4	1,825.8	1,711.4	1,740.0	1,762.1	1,790.7	1,825.8	1,847.0	1,908.7
47 Issuers of asset-backed securities (ABSs)	579.0	720.1	873.8	1,089.4	873.8	889.9	918.4[r]	989.2[r]	1,089.4[r]	1,147.4	1,236.1
48 Brokers and dealers	34.3	29.3	27.3	35.3	27.3	26.6	35.3	33.6	35.3	35.1	40.1
49 Finance companies	433.7	483.9	529.8	554.5	529.8	528.4	557.8	532.7	554.5	571.9	596.9
50 Mortgage companies	18.7	19.1	31.5	30.3	31.5	31.4[r]	28.3[r]	29.2[r]	30.3[r]	31.6	30.2
51 Real estate investment trusts (REITs)	31.1	36.8	47.8	72.6	47.8	51.6	56.6	64.6	72.6	81.7	90.1
52 Funding corporations	211.0	248.6	312.7	373.8	312.7	348.6	350.0	363.4	373.8	412.9	410.7
					All sectors						
53 **Total credit market debt, domestic and foreign**	**17,207.5[r]**	**18,439.2[r]**	**19,798.0[r]**	**21,227.0**	**19,798.0[r]**	**20,049.7[r]**	**20,351.9[r]**	**20,694.5[r]**	**21,227.0[r]**	**21,677.4**	**22,149.1**
54 Open market paper	623.5	700.4	803.0	979.4	803.0	861.1	893.1	925.7	979.4	1,074.8	1,112.7
55 U.S. government securities	5,665.0	6,013.6	6,390.0	6,625.9	6,390.0	6,464.5	6,466.8	6,517.7	6,625.9	6,708.3	6,730.2
56 Municipal securities	1,341.7	1,293.5	1,296.0	1,367.5	1,296.0	1,305.1	1,326.8	1,340.2	1,367.5	1,397.1	1,425.8
57 Corporate and foreign bonds	2,504.0	2,823.6	3,131.7[r]	3,444.1	3,131.7[r]	3,166.8[r]	3,259.5[r]	3,335.4[r]	3,444.1[r]	3,561.8	3,723.0
58 Bank loans n.e.c.	834.9	949.6	1,041.7	1,171.3	1,041.7	1,078.6	1,115.8[r]	1,123.1	1,171.3	1,192.8	1,245.4
59 Other loans and advances	860.9[r]	931.1[r]	993.6[r]	1,095.3	993.6[r]	1,002.3[r]	1,022.1[r]	1,044.8[r]	1,095.3[r]	1,127.1	1,152.4
60 Mortgages	4,393.5[r]	4,604.6[r]	4,930.5[r]	5,279.3	4,930.5[r]	4,985.0[r]	5,062.8[r]	5,180.9[r]	5,279.3[r]	5,380.9	5,505.8
61 Consumer credit	983.9	1,122.8	1,211.6	1,264.1	1,211.6	1,186.4	1,205.0	1,226.7	1,264.1	1,234.7	1,253.9

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1994	1995	1996	1997	1996 Q4	1997 Q1	1997 Q2	1997 Q3	1997 Q4[r]	1998 Q1[r]	1998 Q2
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**17,207.5[r]**	**18,439.2[r]**	**19,798.0[r]**	**21,227.0**	**19,798.0[r]**	**20,049.7[r]**	**20,351.9[r]**	**20,694.5[r]**	**21,227.0**	**21,677.4**	**22,149.1**
2 Domestic nonfederal nonfinancial sectors	3,038.9[r]	2,903.8[r]	2,953.4[r]	2,814.6	2,953.4[r]	2,891.2[r]	2,842.4[r]	2,789.4[r]	2,814.6	2,759.7	2,812.8
3 Household	1,982.2[r]	1,942.6[r]	2,005.9[r]	1,849.7	2,005.9[r]	1,951.7[r]	1,898.6[r]	1,848.1[r]	1,849.7	1,819.1	1,846.8
4 Nonfinancial corporate business	289.2	280.4	286.0	300.9	286.0	286.8[r]	276.9[r]	285.9[r]	300.9	280.0	286.9
5 Nonfarm noncorporate business	37.6	42.3	46.7	49.4	46.7	47.4	48.0	48.7	49.4	50.2	51.0
6 State and local governments	729.9	638.6	614.8	614.5	614.8	605.4	618.9	606.6	614.5	610.5	628.2
7 Federal government	203.4[r]	203.2[r]	195.5[r]	200.4	195.5[r]	195.9[r]	197.3[r]	198.2[r]	200.4	204.3	207.5
8 Rest of the world	1,216.0[r]	1,530.3[r]	1,931.2[r]	2,258.4	1,931.2[r]	2,019.4[r]	2,094.6[r]	2,196.3[r]	2,258.4	2,322.5	2,398.5
9 Financial sectors	12,749.2	13,801.8	14,717.9[r]	15,953.6	14,717.9[r]	14,943.2[r]	15,217.6[r]	15,510.7[r]	15,953.6	16,391.0	16,730.3
10 Monetary authority	368.2	380.8	393.1	431.4	393.1	397.1	412.4	412.7	431.4	433.8	440.3
11 Commercial banking	3,254.3	3,520.1	3,707.7	4,032.5	3,707.7	3,775.7	3,856.8	3,912.9	4,032.5	4,094.1	4,140.1
12 U.S.-chartered banks	2,869.6	3,056.1	3,175.8	3,450.7	3,175.8	3,218.1	3,295.2	3,351.9	3,450.7	3,505.1	3,546.8
13 Foreign banking offices in United States	337.1	412.6	475.8	516.1	475.8	499.5	501.8	501.0	516.1	518.0	525.5
14 Bank holding companies	18.4	18.0	22.0	27.4	22.0	22.5	23.8	22.5	27.4	31.2	26.8
15 Banks in U.S.-affiliated areas	29.2	33.4	34.1	38.3	34.1	35.6	36.1	37.5	38.3	39.7	41.0
16 Savings institutions	920.8	913.3	933.2	928.5	933.2	931.9	937.8	929.0	928.5	931.0	928.1
17 Credit unions	246.8	263.0	288.5	305.3	288.5	291.2	299.9	303.9	305.3	307.5	316.4
18 Bank personal trusts and estates	248.0	239.7	232.0	239.5	232.0	232.8	235.5	237.3	239.5	240.1	240.9
19 Life insurance companies	1,482.6	1,581.8	1,654.3	1,755.2	1,654.3	1,680.2	1,724.1	1,750.4	1,755.2	1,786.3	1,815.6
20 Other insurance companies	446.4	468.7	491.2	515.3	491.2	491.6[r]	498.6[r]	506.6[r]	515.3	521.1	528.2
21 Private pension funds	656.9	718.2	766.5	834.2	766.5	780.3	794.9	811.5	834.2	852.3	878.7
22 State and local government retirement funds	455.8	483.3	529.2	565.8	529.2	531.6	542.7	562.0	565.8	582.5	603.2
23 Money market mutual funds	459.0	545.5	634.3	721.9	634.3	659.0	656.5	678.7	721.9	775.0	815.9
24 Mutual funds	718.8	771.3	820.2	901.1	820.2	838.5[r]	861.3[r]	890.4[r]	901.1	939.3	968.5
25 Closed-end funds	86.0	96.4	98.7	99.8	98.7	99.3	99.7	99.7	99.8	100.0	100.0
26 Government-sponsored enterprises	663.3	748.0	813.6	908.6	813.6	824.3	854.8	868.7	908.6	949.5	985.9
27 Federally related mortgage pools	1,472.1	1,570.3	1,711.4	1,825.8	1,711.4	1,740.0	1,762.1	1,790.7	1,825.8	1,847.0	1,908.7
28 Asset-backed securities issuers (ABSs)	541.7	661.0	784.4	950.5	784.4	794.6	819.4[r]	863.4[r]	950.5	993.7	1,074.6
29 Finance companies	476.2	526.2	544.5	566.4	544.5	552.4	553.1	564.4	566.4	572.0	579.0
30 Mortgage companies	36.5	33.0	41.2	57.6	41.2	40.9	34.8	55.5	57.6	60.2	57.4
31 Real estate investment trusts (REITs)	13.3	15.5	17.5	15.5	17.5	17.0	16.5	15.9	15.5	15.0	14.5
32 Brokers and dealers	93.3	183.4	167.7	181.4	167.7	164.1	161.2	165.1	181.4	244.0	196.9
33 Funding corporations	109.3	82.2	88.7[r]	117.4	88.7[r]	100.6[r]	95.6[r]	91.8[r]	117.4	146.5	137.4
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
34 **Total credit market debt**	**17,207.5[r]**	**18,439.2[r]**	**19,798.0[r]**	**21,227.0**	**19,798.0[r]**	**20,049.7[r]**	**20,351.9[r]**	**20,694.5[r]**	**21,227.0**	**21,677.4**	**22,149.1**
Other liabilities											
35 Official foreign exchange	53.2	63.7	53.7	48.9	53.7	46.3	46.7	46.1	48.9	48.2	50.1
36 Special drawing rights certificates	8.0	10.2	9.7	9.2	9.7	9.2	9.2	9.2	9.2	9.2	9.2
37 Treasury currency	17.6	18.2	18.3[r]	18.3	18.3[r]	18.4[r]	18.4[r]	18.7	18.3	18.4	18.4
38 Foreign deposits	373.9[r]	418.8[r]	516.1[r]	619.4	516.1[r]	562.8[r]	568.8[r]	597.8[r]	619.4	608.1	619.2
39 Net interbank liabilities	280.1	290.7	240.8	193.3	240.8	210.9	197.1	186.9	193.3	188.4	186.4
40 Checkable deposits and currency	1,242.0	1,229.3	1,245.1	1,286.6	1,245.1	1,220.0	1,265.3	1,234.2	1,286.6	1,259.5	1,321.4
41 Small time and savings deposits	2,183.2	2,279.7	2,377.0	2,474.1	2,377.0	2,427.1	2,432.3	2,438.8	2,474.1	2,524.5	2,532.7
42 Large time deposits	411.2	476.9	590.9	713.4	590.9	606.0	646.7	696.1	713.4	744.0	733.5
43 Money market fund shares	602.9	745.3	891.1	1,048.7	891.1	950.8	952.4	1,005.1	1,048.7	1,130.7	1,153.7
44 Security repurchase agreements	549.5	659.9	699.9	815.1	699.9	713.8	766.7	795.4	815.1	881.4	865.4
45 Mutual fund shares	1,477.3	1,852.8	2,342.4	2,989.4	2,342.4	2,410.6[r]	2,717.5[r]	2,973.6[r]	2,989.4	3,340.2	3,456.0
46 Security credit	279.0	305.7	358.1	468.2	358.1	380.0	414.8	432.2	468.2	505.3	481.0
47 Life insurance reserves	505.3	550.2	593.8	646.7	593.8	606.2[r]	621.9[r]	637.6[r]	646.7	658.7	668.3
48 Pension fund reserves	4,870.5[r]	5,588.7[r]	6,314.7[r]	7,398.2	6,314.7[r]	6,401.5[r]	6,906.7[r]	7,289.8[r]	7,398.2	7,955.8	8,093.9
49 Trade payables	1,140.6[r]	1,241.4[r]	1,313.6[r]	1,408.2	1,313.6[r]	1,297.3[r]	1,317.1[r]	1,347.0[r]	1,408.2	1,395.4	1,416.9
50 Taxes payable	101.4	107.6[r]	123.8[r]	138.8	123.8[r]	137.3[r]	133.5[r]	142.6[r]	138.8	158.6	149.2
51 Investment in bank personal trusts	699.4	803.0	871.7	1,082.8	871.7	888.7	982.9	1,058.9	1,082.8	1,179.3	1,207.2
52 Miscellaneous	5,331.3[r]	5,697.7[r]	5,982.5[r]	6,452.7	5,982.5[r]	6,227.1[r]	6,199.9[r]	6,409.2[r]	6,452.7	6,650.9	6,720.1
53 **Total liabilities**	**37,334.1[r]**	**40,778.7[r]**	**44,341.1[r]**	**49,039.1**	**44,341.1[r]**	**45,163.9[r]**	**46,549.8[r]**	**48,013.6[r]**	**49,039.1**	**50,934.0**	**51,831.5**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	21.1	22.1	21.4	21.1	21.4	20.9	21.1	21.0	21.1	21.2	21.0
55 Corporate equities	6,237.9	8,331.3	10,062.4[r]	12,776.0	10,062.4[r]	10,063.5[r]	11,627.0[r]	12,649.4[r]	12,776.0	14,397.6	14,556.1
56 Household equity in noncorporate business	3,422.4[r]	3,649.7[r]	3,868.8[r]	4,188.6	3,868.8[r]	3,963.3[r]	4,053.9[r]	4,119.5[r]	4,188.6	4,188.6	4,165.5
Liabilities not identified as assets (−)											
57 Treasury currency	−5.4	−5.8	−6.7[r]	−7.3	−6.7[r]	−6.8[r]	−6.9[r]	−6.7[r]	−7.3	−7.4	−7.4
58 Foreign deposits	325.4[r]	360.2[r]	431.2[r]	534.5	431.2[r]	475.4[r]	478.0[r]	501.5[r]	534.5	510.8	525.9
59 Net interbank transactions	−6.5	−9.0	−10.6	−32.1	−10.6	−1.6	−8.1	−22.1	−32.1	−2.0	4.7
60 Security repurchase agreements	67.8	90.7	90.0	162.6	90.0	68.1[r]	108.6[r]	124.9[r]	162.6	213.0	193.7
61 Taxes payable	48.8	62.4[r]	76.9[r]	92.0	76.9[r]	74.8[r]	77.1[r]	87.4[r]	92.0	96.5	100.5
62 Miscellaneous	−1,039.5[r]	−1,332.5[r]	−1,749.4[r]	−2,204.8	−1,749.4[r]	−1,628.4[r]	−1,743.9[r]	−1,735.8[r]	−2,204.8	−2,190.0	−2,189.2
Floats not included in assets (−)											
63 Federal government checkable deposits	3.4	3.1	−1.6	−8.1	−1.6	−9.7	−6.8	−7.8	−8.1	−10.4	−16.1
64 Other checkable deposits	38.0	34.2	30.1	26.2	30.1	25.6	27.9	19.5	26.2	21.4	24.2
65 Trade credit	−245.9[r]	−258.4[r]	−289.9[r]	−291.2	−289.9[r]	−344.0[r]	−369.8[r]	−377.8[r]	−291.2	−342.4	−354.9
66 **Total identified to sectors as assets**	**47,829.3[r]**	**53,836.9[r]**	**59,723.7[r]**	**67,753.1**	**59,723.7[r]**	**60,558.2[r]**	**63,695.6[r]**	**66,220.5[r]**	**67,753.1**	**71,251.9**	**72,292.8**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.1 and L.5. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1992=100, except as noted

Measure	1995	1996	1997	1997		1998						
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June[r]	July
1 **Industrial production**[1]	**114.5**	**118.5**	**124.5**	**127.5**	**127.9**	**127.8**	**127.3**	**128.0**	**128.4[r]**	**128.9**	**127.5**	**126.8**
Market groupings												
2 Products, total	110.6	113.7	118.5	121.2	121.0	121.3	120.6	121.3	121.8[r]	122.3	121.3	120.4
3 Final, total	111.3	114.6	119.6	122.5	122.2	122.6	121.5	122.6	123.2[r]	123.5	122.3	121.2
4 Consumer goods	109.9	111.8	114.4	116.7	115.9	116.6	115.1	116.0	116.5[r]	117.0	115.3	114.3
5 Equipment	113.8	119.6	128.8	132.8	133.4	133.1	133.1	134.3	135.0	135.1	135.0	133.7
6 Intermediate	108.3	110.8	115.1	117.3	117.4	117.4	117.6	117.3	117.5[r]	118.6	117.9	117.9
7 Materials	120.8	126.2	134.1	137.7	138.9	138.2	138.2	138.7	139.1[r]	139.6	137.6	137.0
Industry groupings												
8 Manufacturing	116.0	120.2	127.0	130.4	130.9	131.1	130.6	130.8	131.6	131.7	130.2	129.3
9 Capacity utilization, manufacturing (percent)[2]	82.8	81.4	81.7	82.3	82.3	82.1	81.4	81.2	81.4	81.1	79.9	79.0
10 Construction contracts[3]	122.2[r]	130.8	141.6[r]	143.0	144.0[r]	144.0[r]	145.0[r]	140.0[r]	144.0[r]	143.0	137.0	139.0
11 Nonagricultural employment, total[4]	114.9	117.2	119.9	121.6	121.9	122.3	122.4	122.5	122.8	123.2	123.3	123.4
12 Goods-producing, total	98.3	99.0	100.3	101.7	102.1	102.5	102.6	102.4	102.7	102.5	102.5	101.9
13 Manufacturing, total	97.5	97.2	97.6	98.7	98.9	99.1	99.1	99.1	99.1	99.0	98.8	97.9
14 Manufacturing, production workers	99.0	98.4	98.9	100.1	100.4	100.5	100.6	100.5	100.4	100.1	99.9	98.6
15 Service-producing	120.2	123.0	126.2	127.9	128.2	128.6	128.8	128.9	129.3	129.7	130.0	130.3
16 Personal income, total	156.1[r]	165.2[r]	174.5[r]	177.7[r]	178.2[r]	179.2[r]	180.2[r]	180.9[r]	181.4[r]	182.2	182.7	183.5
17 Wages and salary disbursements	150.9	159.8	171.2[r]	175.9[r]	176.3[r]	177.8[r]	178.9[r]	179.5	180.3	181.5	181.8	182.9
18 Manufacturing	130.3[r]	135.7	144.7[r]	149.2[r]	150.2[r]	150.6[r]	151.0[r]	151.2[r]	151.0[r]	151.5	150.5	149.7
19 Disposable personal income[5]	156.4[r]	164.0[r]	171.7[r]	174.4[r]	174.7[r]	175.2[r]	176.0[r]	176.7[r]	177.1[r]	177.7	178.0	178.8
20 Retail sales[5]	151.5	159.6	166.9	168.4	169.1	170.8	172.2	172.4	173.7	175.8	175.9	175.3
Prices[6]												
21 Consumer (1982–84=100)	152.4	156.9	160.5	161.5	161.3	161.6	161.9	162.2	162.5	162.8	163.0	163.2
22 Producer finished goods (1982=100)	127.9	131.3	131.8	131.7	131.1	130.3	130.2	130.1[r]	130.0	130.4	130.6	130.9

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in December 1997. The recent annual revision is described in an article in the February 1998 issue of the *Bulletin*. For a description of the aggregation methods for industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. For details about the construction of individual industrial production series, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.

4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.

5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.

6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

NOTE. Basic data (not indexes) for series mentioned in notes 4 and 5, and indexes for series mentioned in notes 3 and 6, can also be found in the *Survey of Current Business*.

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590–605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1995	1996	1997	1997	1998						
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[r]	July
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	132,304	133,943	126,297	137,169	137,493	137,557	137,523	137,242	137,364	137,447	137,296
Employment											
2 Nonagricultural industries[3]	121,460	123,264	126,159	127,392	127,764	127,829	127,862	128,033	128,118	127,867	127,626
3 Agriculture	3,440	3,443	3,399	3,385	3,319	3,335	3,132	3,350	3,335	3,343	3,441
Unemployment											
4 Number	7,404	7,236	6,739	6,392	6,409	6,393	6,529	5,859	5,910	6,237	6,230
5 Rate (percent of civilian labor force)	5.6	5.4	4.9	4.7	4.7	4.6	4.7	4.3	4.3	4.5	4.5
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**117,191**	**119,523**	**122,257**	**124,289**	**124,640**	**124,832**	**124,914**	**125,234**	**125,562[r]**	**125,758**	**125,824**
7 Manufacturing	18,524	18,457	18,538	18,791	18,824	18,822	18,829	18,827	18,805	18,776	18,600
8 Mining	581	574	573	592	592	590	587	582	579	579	574
9 Contract construction	5,160	5,400	5,627	5,810	5,881	5,902	5,860	5,930	5,917	5,942	5,960
10 Transportation and public utilities	6,132	6,261	6,426	6,451	6,473	6,494	6,504	6,513	6,534[r]	6,537	6,555
11 Trade	27,565	28,108	28,788	28,976	29,039	29,052	29,042	29,133	29,238[r]	29,273	29,399
12 Finance	6,806	6,899	7,053	7,194	7,213	7,232	7,258	7,289	7,311[r]	7,334	7,366
13 Service	33,117	34,377	35,597	36,795	36,932	37,020	37,106	37,196	37,350[r]	37,501	37,566
14 Government	19,305	19,447	19,655	19,680	19,686	19,720	19,728	19,764	19,828[r]	19,816	19,804

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.

2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.

3. Includes self-employed, unpaid family, and domestic service workers.

4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	Output (1992=100) 1997 Q3	1997 Q4	1998 Q1	1998 Q2r	Capacity (percent of 1992 output) 1997 Q3	1997 Q4	1998 Q1	1998 Q2	Capacity utilization rate (percent)[2] 1997 Q3	1997 Q4	1998 Q1	1998 Q2r
1 **Total industry**	**125.1**	**127.3**	**127.7**	**128.3**	**151.3**	**153.0**	**154.8**	**156.5**	**82.7**	**83.2**	**82.5**	**82.0**
2 Manufacturing	127.6	130.1	130.8	131.2	156.3	158.3	160.4	162.4	81.6	82.2	81.6	80.8
3 Primary processing[3]	118.5	119.8	120.2	120.0	138.0	139.2	140.4	141.4	85.8	86.0	85.6	84.8
4 Advanced processing[4]	132.1	135.3	136.2	136.8	165.7	168.1	170.7	173.1	79.8	80.4	79.8	79.0
5 Durable goods	143.7	147.2	148.2	149.3	177.2	180.6	184.1	187.6	81.1	81.5	80.5	79.6
6 Lumber and products	114.9	114.7	115.7	116.8	140.0	141.3	142.2	142.6	82.1	81.2	81.3	81.9
7 Primary metals	125.5	127.8	128.2	125.9	137.2	138.5	140.1	141.8	91.5	92.3	91.5	88.8
8 Iron and steel	122.8	126.5	127.2	123.6	136.6	137.9	139.4	141.3	89.9	91.8	91.3	87.5
9 Nonferrous	128.8	129.4	129.3	128.7	137.7	138.9	140.6	142.1	93.5	93.2	92.0	90.5
10 Industrial machinery and equipment	173.9	177.6	181.2	188.3	204.4	210.0	215.8	221.4	85.1	84.6	84.0	85.1
11 Electrical machinery	236.6	246.0	254.0	257.9	289.1	301.9	315.4	328.6	81.9	81.5	80.5	78.5
12 Motor vehicles and parts	136.7	144.0	137.2	132.8	184.7	186.7	188.8	190.8	74.0	77.1	72.7	69.6
13 Aerospace and miscellaneous transportation equipment	95.6	98.6	101.3	101.2	124.1	124.8	125.5	126.3	77.1	79.0	80.7	80.1
14 Nondurable goods	111.1	112.6	113.1	112.8	135.0	135.7	136.4	137.0	82.3	82.9	82.9	82.3
15 Textile mill products	110.9	111.5	110.1	109.6	131.7	132.3	132.8	133.2	84.3	84.3	82.9	82.3
16 Paper and products	114.1	113.5	113.1	112.7	126.0	126.7	127.4	128.1	90.5	89.6	88.8	88.0
17 Chemicals and products	114.8	117.1	118.0	118.3	146.3	147.5	148.6	149.4	78.5	79.4	79.4	79.2
18 Plastics materials	130.6	131.4	130.8	131.0	140.0	141.9	143.6	145.0	93.3	92.6	91.1	90.4
19 Petroleum products	109.5	109.8	113.0	113.5	115.2	115.7	116.2	117.2	95.1	94.9	97.2	96.9
20 Mining	106.4	105.9	108.4	106.9	118.1	118.2	118.4	118.6	90.1	89.6	91.6	90.1
21 Utilities	114.0	115.5	110.4	115.3	126.7	127.1	127.4	127.7	90.0	90.9	86.6	90.3
22 Electric	114.2	115.7	112.1	117.0	125.0	125.4	125.7	126.1	91.4	92.3	89.2	92.8

Capacity utilization rate (percent)[2]

Series	1973 High	1975 Low	Previous cycle[5] High	Previous cycle[5] Low	Latest cycle[6] High	Latest cycle[6] Low	1997 July	1998 Feb.	1998 Mar.	1998 Apr.r	1998 May r	1998 June	1998 July p
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.1**	**85.4**	**78.1**	**82.6**	**82.2**	**82.4**	**82.4**	**82.4**	**81.2**	**80.5**
2 Manufacturing	88.5	70.5	86.9	69.0	85.7	76.6	81.5	81.4	81.2	81.4	81.1	79.9	79.0
3 Primary processing[3]	91.2	68.2	88.1	66.2	88.9	77.7	86.0	85.5	85.1	85.4	85.0	84.1	83.6
4 Advanced processing[4]	87.2	71.8	86.7	70.4	84.2	76.1	79.6	79.6	79.5	79.6	79.5	78.0	76.9
5 Durable goods	89.2	68.9	87.7	63.9	84.6	73.1	80.8	80.2	80.2	80.3	80.1	78.3	77.0
6 Lumber and products	88.7	61.2	87.9	60.8	93.6	75.5	83.2	82.0	81.2	81.9	81.8	82.1	82.6
7 Primary metals	100.2	65.9	94.2	45.1	92.7	73.7	91.5	91.4	90.3	90.8	89.0	86.6	85.5
8 Iron and steel	105.8	66.6	95.8	37.0	95.2	71.8	89.7	91.1	90.5	89.9	87.8	84.9	84.1
9 Nonferrous	90.8	59.8	91.1	60.1	89.3	74.2	93.8	92.0	90.3	92.1	90.6	88.9	87.3
10 Industrial machinery and equipment	96.0	74.3	93.2	64.0	85.4	72.3	85.0	83.1	84.4	84.9	85.0	85.3	84.9
11 Electrical machinery	89.2	64.7	89.4	71.6	84.0	75.0	82.7	80.5	79.7	79.4	78.5	77.6	77.5
12 Motor vehicles and parts	93.4	51.3	95.0	45.5	89.1	55.9	70.7	72.4	72.1	72.7	73.5	62.6	52.8
13 Aerospace and miscellaneous transportation equipment	78.4	67.6	81.9	66.6	87.3	79.2	76.4	80.6	80.4	79.9	80.3	80.1	80.6
14 Nondurable goods	87.8	71.7	87.5	76.4	87.3	80.7	82.3	82.8	82.4	82.7	82.4	81.7	81.4
15 Textile mill products	91.4	60.0	91.2	72.3	90.4	77.7	84.2	82.5	81.9	82.1	83.7	81.0	81.5
16 Paper and products	97.1	69.2	96.1	80.6	93.5	85.0	90.8	90.0	88.1	88.5	88.0	87.4	85.9
17 Chemicals and products	87.6	69.7	84.6	69.9	86.2	79.3	78.4	79.1	79.0	79.5	79.1	79.0	78.5
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	94.4	90.3	89.0	91.8	90.2	89.2	88.2
19 Petroleum products	96.7	81.1	90.0	66.8	88.5	85.1	94.7	96.3	98.6	97.9	96.2	96.4	96.9
20 Mining	94.3	88.2	96.0	80.3	88.0	87.0	90.3	91.9	91.2	90.6	90.8	89.0	89.3
21 Utilities	96.2	82.9	89.1	75.9	92.6	83.4	89.9	84.9	89.6	87.6	91.4	91.9	91.8
22 Electric	99.0	82.7	88.2	78.9	95.0	87.1	91.2	87.9	91.8	90.7	94.3	93.6	93.4

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in December 1997. The recent annual revision is described in an article in the February 1998 issue of the *Bulletin*. For a description of the aggregation methods for industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. For details about the construction of individual industrial production series, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; synthetic materials; fertilizer materials; petroleum products; rubber and plastics; stone, clay, and glass; primary metals; and fabricated metals.

4. Advanced processing includes foods; tobacco; apparel; furniture and fixtures; printing and publishing; chemical products such as drugs and toiletries; agricultural chemicals; leather and products; machinery; transportation equipment; instruments; and miscellaneous manufactures.

5. Monthly highs, 1978–80; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1992 proportion	1997 avg.	1997 July	Aug.	Sept.	Oct.	Nov.	Dec.	1998 Jan.	Feb.	Mar.	Apr.[r]	May[r]	June	July[p]
			Index (1992 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**124.5**	**124.5**	**125.2**	**125.6**	**126.5**	**127.5**	**127.9**	**127.8**	**127.3**	**128.0**	**128.4**	**128.9**	**127.5**	**126.8**
2 Products	60.5	118.5	118.1	119.2	119.1	120.2	121.2	121.0	121.3	120.6	121.3	121.8	122.3	121.3	120.4
3 Final products	46.3	119.6	119.2	120.5	120.3	121.5	122.5	122.2	122.6	121.5	122.6	123.2	123.5	122.3	121.2
4 Consumer goods, total	29.1	114.4	113.9	114.6	114.5	115.9	116.7	115.9	116.6	115.1	116.0	116.5	117.0	115.3	114.3
5 Durable consumer goods	6.1	131.3	128.1	132.1	131.9	131.4	136.5	134.7	135.6	134.3	135.2	136.3	138.1	130.6	125.2
6 Automotive products	2.6	129.9	120.3	131.6	132.8	131.2	138.4	133.8	132.6	131.0	132.4	134.5	136.7	122.1	108.5
7 Autos and trucks	1.7	136.5	120.2	137.6	140.9	139.7	147.8	142.7	139.9	137.2	137.7	140.2	142.4	117.5	93.9
8 Autos, consumer	.9	115.2	113.0	118.6	119.9	115.2	120.3	113.9	116.0	105.7	107.4	108.3	109.3	94.6	79.3
9 Trucks, consumer	.7	159.1	131.9	161.2	166.5	168.6	179.8	175.7	168.2	172.7	172.0	176.0	179.4	144.0	111.6
10 Auto parts and allied goods	.9	119.3	119.3	121.8	120.1	117.9	123.8	120.1	120.9	121.0	123.7	125.3	127.5	127.3	127.3
11 Other	3.5	132.3	134.4	132.5	131.1	131.5	135.0	135.3	138.0	136.9	137.4	137.8	139.2	137.4	138.8
12 Appliances, televisions, and air conditioners	1.0	168.6	174.8	169.8	166.0	169.4	177.2	178.7	186.4	188.6	192.5	193.8	193.6	192.5	201.8
13 Carpeting and furniture	.8	117.0	116.4	117.7	116.2	116.5	122.1	116.8	122.5	117.7	116.5	117.1	122.3	117.4	119.2
14 Miscellaneous home goods	1.6	120.0	122.1	119.8	119.4	118.6	119.2	122.1	121.0	120.7	120.8	120.7	120.6	120.2	118.9
15 Nondurable consumer goods	23.0	110.2	110.3	110.3	110.2	112.1	111.8	111.3	112.0	110.4	111.3	111.6	111.9	111.4	111.4
16 Foods and tobacco	10.3	109.3	109.6	108.9	108.6	109.7	110.7	110.0	113.0	111.8	111.3	111.9	112.0	110.3	110.1
17 Clothing	2.4	95.9	95.8	96.0	96.0	96.4	95.1	95.1	95.2	93.5	94.7	94.8	93.6	93.3	93.1
18 Chemical products	4.5	119.1	117.3	119.4	119.4	123.0	121.3	121.8	122.9	121.8	122.2	124.1	123.5	124.0	123.4
19 Paper products	2.9	109.3	110.8	109.8	110.1	111.3	111.7	110.1	110.2	107.8	106.2	106.7	105.8	105.2	106.4
20 Energy	2.9	111.3	112.4	112.8	112.4	116.2	113.9	113.5	107.4	104.6	112.6	110.2	114.2	116.1	116.1
21 Fuels	.8	109.3	108.8	111.0	110.8	112.0	106.7	109.3	110.5	110.0	111.3	111.7	111.0	111.0	113.1
22 Residential utilities	2.1	112.0	113.7	113.2	112.8	117.8	117.1	115.1	105.4	101.5	112.8	109.0	115.3	118.1	117.1
23 Equipment	17.2	128.8	128.6	130.9	130.6	131.3	132.8	133.4	133.1	133.1	134.3	135.0	135.1	135.0	133.7
24 Business equipment	13.2	141.9	141.6	144.6	144.4	145.5	147.5	148.6	147.3	146.8	148.7	150.2	150.3	150.8	149.4
25 Information processing and related	5.4	168.1	169.3	171.1	172.9	174.3	174.7	176.0	175.4	178.0	179.7	182.9	183.8	186.1	188.3
26 Computer and office equipment	1.1	385.6	391.6	407.1	414.6	420.3	427.3	440.1	457.1	476.1	499.2	518.2	531.5	550.1	567.1
27 Industrial	4.0	133.3	133.7	135.8	133.8	135.9	136.3	137.8	136.4	134.2	137.4	137.6	136.3	139.6	138.4
28 Transit	2.5	111.2	106.9	113.3	114.2	113.0	119.9	121.2	119.8	117.9	117.8	118.9	120.5	114.1	106.2
29 Autos and trucks	1.2	119.7	111.5	120.3	120.2	117.0	128.2	124.6	121.1	116.4	117.1	119.4	120.2	105.5	87.4
30 Other	1.3	135.0	136.3	137.9	135.1	137.5	137.3	136.2	133.6	132.7	135.2	136.2	134.7	136.8	140.8
31 Defense and space equipment	3.3	75.2	74.9	75.0	74.7	74.7	74.5	74.5	75.7	75.9	75.3	75.1	75.4	75.3	75.2
32 Oil and gas well drilling	.6	149.7	152.1	153.2	153.1	149.1	150.0	145.9	154.0	158.9	158.6	150.5	148.1	137.5	132.1
33 Manufactured homes	.2	139.1	143.5	139.5	137.2	136.9	138.1	132.4	144.0	148.6	145.4	146.9	148.6	149.1	146.8
34 Intermediate products, total	14.2	115.1	114.6	115.3	115.2	116.3	117.3	117.4	117.4	117.6	117.3	117.5	118.6	117.9	117.9
35 Construction supplies	5.3	121.8	121.2	122.7	120.4	121.3	123.6	123.2	125.2	126.2	124.2	124.7	126.1	125.7	126.1
36 Business supplies	8.9	111.1	110.6	111.0	112.2	113.4	113.5	113.9	112.9	112.6	113.2	113.2	114.2	113.3	113.1
37 Materials	39.5	134.1	134.9	134.9	136.1	136.7	137.7	138.9	138.2	138.2	138.7	139.1	139.6	137.6	137.0
38 Durable goods materials	20.8	158.2	159.3	160.3	161.3	163.2	165.0	166.5	166.2	165.8	166.4	167.6	167.8	164.4	163.0
39 Durable consumer parts	4.0	139.2	139.2	140.3	140.7	141.8	142.3	146.9	138.5	139.3	139.3	141.0	143.2	129.0	122.0
40 Equipment parts	7.6	221.9	224.6	227.6	229.6	233.3	237.9	240.9	245.5	245.7	247.7	249.6	250.4	250.0	252.6
41 Other	9.2	125.5	125.9	126.0	126.6	127.8	128.8	128.3	128.8	127.7	127.8	128.4	127.7	127.1	126.3
42 Basic metal materials	3.1	120.6	121.1	121.8	121.7	122.5	124.9	122.2	125.0	125.4	122.8	122.8	122.0	120.1	119.1
43 Nondurable goods materials	8.9	113.0	113.5	112.3	113.3	113.1	114.4	116.0	114.5	114.8	113.5	113.9	113.3	112.9	112.0
44 Textile materials	1.1	109.3	112.3	108.4	111.4	111.9	111.0	112.5	107.9	108.5	107.6	107.6	107.7	106.3	105.7
45 Paper materials	1.8	112.6	113.8	114.3	112.7	113.4	112.2	113.7	112.3	114.0	111.8	111.9	110.9	111.6	108.9
46 Chemical materials	3.9	115.2	115.1	113.9	115.6	115.0	116.5	119.1	119.2	117.6	116.6	117.2	116.2	115.8	115.5
47 Other	2.1	110.3	110.1	108.6	109.5	109.0	113.7	113.3	109.4	112.5	111.5	111.7	111.9	111.1	110.5
48 Energy materials	9.7	103.9	104.6	103.9	105.5	104.7	103.9	104.2	103.7	103.7	106.0	105.0	106.9	105.9	106.9
49 Primary energy	6.3	101.7	102.3	102.4	102.2	101.7	101.4	100.7	102.8	103.0	104.0	103.3	104.2	103.1	104.3
50 Converted fuel materials	3.3	108.3	109.0	106.8	111.8	110.6	108.6	110.9	105.5	105.0	109.6	108.3	112.2	111.1	112.0
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.1	124.3	124.8	125.1	125.4	126.5	127.2	127.7	127.7	127.3	128.0	128.4	128.9	128.0	127.8
52 Total excluding motor vehicles and parts	95.1	123.8	124.3	124.6	124.8	125.9	126.6	127.0	127.3	126.9	127.5	127.9	128.4	127.9	128.0
53 Total excluding computer and office equipment	98.2	121.9	122.0	122.6	122.9	123.8	124.8	125.1	124.9	124.3	124.8	125.2	125.7	124.2	123.4
54 Consumer goods excluding autos and trucks	27.4	113.2	113.5	113.4	113.0	114.6	115.0	114.4	115.4	113.9	114.8	115.2	115.6	115.1	115.1
55 Consumer goods excluding energy	26.2	114.8	114.1	114.9	114.7	115.9	117.0	116.2	117.9	116.5	116.4	117.3	117.4	115.2	114.0
56 Business equipment excluding autos and trucks	12.0	144.5	145.2	147.5	147.3	149.0	149.7	151.5	150.5	150.5	152.6	153.9	153.9	156.4	157.3
57 Business equipment excluding computer and office equipment	12.1	129.1	128.6	131.2	130.8	131.8	133.5	134.4	132.7	131.7	133.0	134.0	133.7	133.7	132.2
58 Materials excluding energy	29.8	143.7	144.6	144.8	145.8	147.0	148.6	150.2	149.4	149.3	149.2	150.1	150.1	147.7	146.5

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Group	SIC code[2]	1992 pro-por-tion	1997 avg.	1997 July	1997 Aug.	1997 Sept.	1997 Oct.	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.[r]	1998 May[r]	1998 June	1998 July[p]
				Index (1992 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	.	**100.0**	**124.5**	**124.5**	**125.2**	**125.6**	**126.5**	**127.5**	**127.9**	**127.8**	**127.3**	**128.0**	**128.4**	**128.9**	**127.5**	**126.8**
60 Manufacturing	. .	85.4	127.0	126.9	127.9	128.0	129.1	130.4	130.9	131.1	130.6	130.8	131.6	131.7	130.2	129.3
61 Primary processing	.	26.5	118.1	118.3	118.5	118.6	118.9	120.0	120.5	120.6	120.1	119.8	120.5	120.2	119.3	118.9
62 Advanced processing	. .	58.9	131.4	131.2	132.5	132.7	134.1	135.5	136.1	136.4	135.8	136.3	137.2	137.6	135.7	134.4
63 Durable goods	. .	45.0	142.3	142.4	144.3	144.4	145.5	147.7	148.6	148.3	147.8	148.6	149.7	150.2	147.9	146.2
64 Lumber and products	24	2.0	114.9	116.1	115.4	113.3	112.9	117.0	114.4	114.8	116.7	115.6	116.7	116.7	117.2	118.0
65 Furniture and fixtures	25	1.4	122.5	124.2	121.1	122.0	123.0	124.1	124.4	122.5	120.4	123.0	122.3	121.8	122.4	122.6
66 Stone, clay, and glass products	32	2.1	120.5	120.9	120.5	121.2	121.0	122.1	123.4	122.3	121.4	120.7	120.2	120.9	120.5	120.6
67 Primary metals	33	3.1	124.5	125.2	125.5	125.9	127.4	128.9	127.2	129.3	128.1	127.1	128.2	126.1	123.3	122.2
68 Iron and steel	331,2	1.7	122.8	122.2	121.8	124.5	126.4	127.0	126.1	127.9	127.0	126.7	126.4	124.0	120.4	119.9
69 Raw steel	331PT	.1	115.9	115.5	116.1	119.2	117.7	120.9	119.2	122.8	123.7	119.5	122.8	122.3	115.9	115.6
70 Nonferrous	333–6,9	1.4	126.4	128.8	129.9	127.7	128.6	131.1	128.5	131.0	129.4	127.5	130.4	128.7	126.8	125.0
71 Fabricated metal products	34	5.0	122.9	122.4	122.8	122.7	124.4	124.7	126.7	125.6	124.3	125.0	125.6	126.4	125.7	125.0
72 Industrial machinery and equipment	35	8.0	171.4	172.2	175.9	173.7	176.5	177.7	178.6	180.3	179.4	183.8	186.3	188.2	190.5	191.0
73 Computer and office equipment	357	1.8	382.3	388.5	403.9	412.0	418.0	425.7	438.3	457.1	476.6	500.5	520.1	534.2	553.7	571.8
74 Electrical machinery	36	7.3	231.5	235.5	236.8	237.5	240.8	247.4	249.9	252.9	254.1	254.9	257.5	257.9	258.4	261.3
75 Transportation equipment	37	9.5	115.6	112.2	117.0	118.8	118.3	121.6	123.4	119.9	118.8	118.7	119.4	120.7	110.8	102.3
76 Motor vehicles and parts	371	4.9	137.2	130.0	138.9	141.2	139.6	145.9	146.6	138.3	136.7	136.6	138.3	140.2	119.9	101.5
77 Autos and light trucks	371PT	2.6	128.3	115.0	129.5	132.3	130.4	137.7	132.5	130.8	126.7	127.4	129.5	131.4	109.3	88.1
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.6	94.4	94.6	95.5	96.8	97.3	97.9	100.6	101.8	101.1	101.0	100.7	101.4	101.4	102.3
79 Instruments	38	5.4	108.0	108.0	109.2	108.9	109.7	109.5	109.0	109.0	109.6	109.9	110.4	110.3	109.9	110.9
80 Miscellaneous	39	1.3	125.9	127.0	126.7	126.1	126.5	126.2	128.5	128.0	128.4	128.5	129.1	127.3	127.0	127.0
81 Nondurable goods	.	40.4	111.1	110.9	111.0	111.3	112.2	112.6	112.9	113.6	113.0	112.6	113.2	113.0	112.1	111.9
82 Foods	20	9.4	109.6	110.0	108.9	108.6	109.2	110.9	110.9	112.9	112.0	111.4	112.2	112.3	110.7	110.3
83 Tobacco products	21	1.6	112.7	110.5	112.5	112.0	118.8	115.9	110.1	116.9	115.9	114.7	114.0	114.0	113.1	113.9
84 Textile mill products	22	1.8	109.6	110.7	110.7	111.4	111.6	112.5	110.4	111.8	109.6	108.9	109.2	111.5	108.0	108.6
85 Apparel products	23	2.2	99.6	99.7	99.1	99.1	99.3	98.6	99.3	99.3	97.7	98.2	98.3	97.2	97.1	96.8
86 Paper and products	26	3.6	112.9	114.2	114.4	113.7	112.8	113.6	114.1	112.4	114.6	112.4	113.2	112.7	112.1	110.4
87 Printing and publishing	27	6.7	104.9	104.1	104.4	105.1	106.7	107.4	107.1	106.5	105.6	105.0	104.8	104.5	103.3	103.8
88 Chemicals and products	28	9.9	115.3	114.3	114.5	115.6	116.7	116.5	118.2	118.7	117.6	117.7	118.7	118.2	118.2	117.7
89 Petroleum products	29	1.4	109.4	108.9	109.7	110.1	111.2	108.6	109.7	112.3	111.9	114.8	114.4	112.7	113.3	114.1
90 Rubber and plastic products	30	3.5	126.4	126.0	127.9	127.6	127.4	129.6	129.3	129.3	129.4	129.7	131.9	131.5	130.7	130.6
91 Leather and products	31	.3	73.7	74.0	71.2	70.9	72.4	71.0	71.3	69.4	70.8	69.4	67.7	67.3	66.6	65.4
92 Mining	. . .	6.9	106.0	106.5	106.3	106.5	105.9	106.1	105.7	108.4	108.8	108.0	107.4	107.7	105.7	106.1
93 Metal	10	.5	106.9	105.2	106.0	105.3	111.1	113.2	103.8	105.3	119.5	105.5	103.0	104.7	105.1	104.5
94 Coal	12	1.0	109.9	112.1	107.7	109.5	109.6	111.2	117.4	116.0	108.4	109.4	110.6	118.2	111.7	114.8
95 Oil and gas extraction	13	4.8	103.2	103.9	104.1	104.3	103.1	102.6	101.7	105.0	105.9	106.5	105.3	104.3	102.4	102.6
96 Stone and earth minerals	14	.6	118.8	117.8	119.9	117.7	116.2	119.2	120.2	124.3	122.6	117.2	120.8	120.0	121.5	121.6
97 Utilities	. . .	7.7	112.5	113.8	113.0	115.1	116.9	115.3	114.3	108.7	108.2	114.3	111.8	116.8	117.5	117.4
98 Electric	491,493PT	6.2	113.1	113.8	113.1	115.7	118.1	114.7	114.2	110.2	110.6	115.6	114.2	118.8	118.1	117.9
99 Gas	492,493PT	1.6	111.0	113.5	112.5	112.7	111.9	117.8	115.0	103.0	99.0	109.5	102.4	108.8	115.1	115.8
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	. .	80.5	126.4	126.7	127.2	127.3	128.4	129.4	130.0	130.7	130.2	130.5	131.2	131.3	130.8	130.9
101 Manufacturing excluding office and computing machines	. . .	83.6	124.1	123.9	124.8	124.9	125.9	127.2	127.6	127.8	127.1	127.2	127.9	127.9	126.3	125.3
				Gross value (billions of 1992 dollars, annual rates)												
MAJOR MARKETS																
102 **Products, total**	.	**2,001.9**	**2,373.2**	**2,368.4**	**2,402.0**	**2,396.9**	**2,416.1**	**2,442.2**	**2,435.3**	**2,442.8**	**2,427.7**	**2,442.6**	**2,454.7**	**2,465.2**	**2,432.7**	**2,402.8**
103 Final	.	1,552.1	1,855.8	1,849.1	1,879.3	1,875.6	1,890.6	1,911.0	1,904.9	1,911.9	1,895.0	1,911.5	1,922.9	1,928.2	1,897.6	1,867.2
104 Consumer goods	.	1,049.6	1,195.5	1,191.0	1,205.2	1,203.3	1,215.9	1,224.1	1,215.7	1,224.6	1,209.6	1,219.2	1,225.3	1,228.9	1,202.8	1,185.9
105 Equipment	.	502.5	660.0	657.8	674.0	672.3	674.5	686.9	689.4	687.3	685.5	692.6	697.9	699.6	695.4	681.6
106 Intermediate	.	449.9	518.1	519.9	523.7	522.2	526.5	532.3	531.4	532.0	533.3	532.1	533.0	537.9	535.5	535.1

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in December 1997. The recent annual revision is described in an article in the February 1998 issue of the *Bulletin*. For a description of the aggregation methods for industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. For details about the construction of individual industrial production series, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76, (April 1990), pp. 187–204.

2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1995	1996	1997	1997				1998					
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,333	1,426	1,442	1,475	1,502	1,475	1,467	1,553	1,635	1,569	1,517	1,543	1,517
2 One-family	997	1,070	1,056	1,084	1,106	1,102	1,094	1,142	1,176	1,136	1,145	1,152	1,128
3 Two-family or more	335	356	387	391	396	373	373	411	459	433	372	391	389
4 Started	1,354	1,477	1,474	1,501	1,529	1,523	1,540	1,545	1,616	1,585	1,546	1,538	1,626
5 One-family	1,076	1,161	1,134	1,174	1,124	1,167	1,130	1,225	1,263	1,239	1,237	1,224	1,268
6 Two-family or more	278	316	340	327	405	356	410	320	353	346	309	314	358
7 Under construction at end of period[1]	776	820	834	843	853	862	872	888	907	911	911	915	925
8 One-family	554	584	570	571	574	575	580	593	609	616	619	626	635
9 Two-family or more	222	235	264	272	279	287	292	295	298	295	292	289	290
10 Completed	1,319	1,405	1,407	1,433	1,384	1,432	1,413	1,314	1,461	1,486	1,509r	1,461	1,481
11 One-family	1,073	1,123	1,122	1,133	1,063	1,145	1,094	1,007	1,142	1,130	1,198r	1,112	1,164
12 Two-family or more	247	283	285	300	321	287	319	307	319	356	311	349	317
13 Mobile homes shipped	341	361	354	351	349	352	353	362	377	374	370	374	362
Merchant builder activity in one-family units													
14 Number sold	667	757	803	809	805	875	805	853	878	836	891	901	935
15 Number for sale at end of period[1]	374	326	287	284	284	280	282	281	281	285	286	286	287
Price of units sold (thousands of dollars)[2]													
16 Median	133.9	140.0	145.9	146.3	141.5	145.0	145.9	148.0	156.0	152.7	147.9	150.0	145.0
17 Average	158.7	166.4	175.8	177.5	172.9	175.4	175.8	178.6	181.6	178.5	175.7	184.8	175.8
EXISTING UNITS (one-family)													
18 Number sold	3,812	4,087	4,215	4,300	4,380	4,390	4,370	4,370	4,770	4,890	4,770	4,830	4,740
Price of units sold (thousands of dollars)[2]													
19 Median	113.1	118.2	124.1	125.8	124.4	124.3	125.9	126.1	124.5	127.1	128.2	130.5	134.0
20 Average	139.1	145.5	154.2	155.4	154.7	155.0	157.5	156.8	153.9	157.2	159.7	162.3	169.2
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 Total put in place	**538,158**	**581,813**	**618,051**	**623,305**	**626,608**	**623,068**	**626,290**	**633,714**	**638,180**	**639,913**	**645,349r**	**633,277**	**644,002**
22 Private	408,012	444,743	470,969	475,885	477,539	475,340	478,363	487,807	490,896	494,333	499,946r	494,776	501,045
23 Residential	231,191	255,570	265,536	266,077	268,623	268,893	273,020	278,956	282,496	286,045	289,587r	287,684	289,991
24 Nonresidential	176,821	189,173	205,433	209,808	208,916	206,447	205,343	208,851	208,400	208,288	210,359r	207,092	211,054
25 Industrial buildings	32,535	32,563	31,417	32,220	30,870	30,075	29,794	31,055	30,936	31,474	31,391r	28,737	28,876
26 Commercial buildings	68,245	75,722	83,727	83,473	83,838	83,601	83,214	85,807	84,152	83,981	86,206r	86,483	89,435
27 Other buildings	27,084	30,637	37,382	39,083	38,372	38,341	39,275	37,694	39,151	37,812	39,091r	37,542	37,229
28 Public utilities and other	48,957	50,252	52,906	55,032	55,836	54,430	53,060	54,295	54,161	55,021	53,671r	54,330	55,514
29 Public	130,147	137,070	147,082	147,421	149,069	147,728	147,927	145,907	147,284	145,580	145,404r	138,500	142,958
30 Military	2,983	2,639	2,625	2,630	2,806	2,889	2,342	2,474	2,916	2,818	2,686r	2,296	2,638
31 Highway	38,126	41,326	45,246	44,309	43,144	47,416	45,306	46,067	45,561	45,559	46,060r	42,033	43,794
32 Conservation and development	6,371	5,926	5,628	6,180	5,148	5,068	6,422	5,281	6,305	5,488	4,980r	5,111	6,139
33 Other	82,667	87,179	93,583	94,302	97,971	92,355	93,857	92,085	92,502	91,715	91,678r	89,060	90,387

1. Not at annual rates.
2. Not seasonally adjusted.
3. Recent data on value of new construction may not be strictly comparable with data for previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes, see *Construction Reports* (C-30-76-5), issued by the Census Bureau in July 1976.

SOURCE. Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 19,000 jurisdictions beginning in 1994.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, July 1998[1]
	1997 July	1998 July	1997[r]		1998[r]		1998					
			Sept.	Dec.	Mar.	June	Mar.	Apr.	May	June	July	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**2.2**	**1.7**	**2.3**	**1.5**	**.2**	**2.5**	**.0**	**.2**	**.3**	**.1**	**.2**	**163.2**
2 Food	2.5	2.2	2.8	1.5	1.3	3.0	.0	.1	.6	.1	.2	160.5
3 Energy items	−1.0	−5.6	8.3	−7.7	−21.1	−1.9	−1.2	−.1	.3	−.7	.0	105.2
4 All items less food and energy	2.4	2.2	1.7	2.4	2.4	2.6	.1	.3	.2	.1	.2	173.3
5 Commodities	.9	.6	−.3	.6	.8	1.1	−.1	.1	.1	.0	.1	142.4
6 Services	3.1	3.0	2.6	3.3	3.0	3.2	.2	.4	.3	.2	.2	190.9
PRODUCER PRICES (1982=100)												
7 Finished goods	−.2	−.3	1.2	−1.2	−3.0	.0	−.1[r]	−.1[r]	.2	−.1	.2	130.9
8 Consumer foods	.1	.4	−1.5	1.5	−1.8	.6	−.3[r]	.4	−.3	.1	.4	134.6
9 Consumer energy	−1.3	−7.5	6.0	−5.7	−27.0	−3.1	−2.3[r]	.1[r]	.8	−1.7	.3	76.9
10 Other consumer goods	.1	2.1	1.7	−.3	3.9	1.4	.8[r]	−.5[r]	.5	.3	.3	147.4
11 Capital equipment	−.2	−.4	.6	−2.0	.0	−.9	.1[r]	.0[r]	−.2	.0	.1	137.2
Intermediate materials												
12 Excluding foods and feeds	.0	−1.4	.6	−.6	−4.4	−1.6	−.3	.1	−.2	−.3	.0	123.9
13 Excluding energy	.4	−.4	.6	.0	−.9	−1.2	.0[r]	−.1[r]	−.1	−.1	.0	133.6
Crude materials												
14 Foods	−14.4	−7.3	−5.0	4.1	−14.3	−3.0	.3[r]	.6[r]	−1.4	.1	−2.8	103.8
15 Energy	−3.3	−13.0	21.8	5.4	−53.5	−2.3	−2.9[r]	2.9[r]	.6	−3.9	−.6	68.8
16 Other	2.1	−7.8	.3	−8.2	−13.6	−5.0	−1.4[r]	−1.3[r]	.5	−.5	−1.8	143.4

1. Not seasonally adjusted.
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. U.S. Department of Labor, Bureau of Labor Statistics.

2.16 GROSS DOMESTIC PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1995[r]	1996[r]	1997[r]	1997[r] Q2	1997[r] Q3	1997[r] Q4	1998 Q1[r]	1998 Q2
GROSS DOMESTIC PRODUCT								
1 **Total**	**7,269.6**	**7,661.6**	**8,110.9**	**8,063.4**	**8,170.8**	**8,254.5**	**8,384.2**	**8,435.2**
By source								
2 Personal consumption expenditures	4,953.9	5,215.7	5,493.7	5,438.8	5,540.3	5,593.2	5,676.5	5,770.6
3 Durable goods	611.0	643.3	673.0	659.9	681.2	682.2	705.1	719.9
4 Nondurable goods	1,473.6	1,539.2	1,600.6	1,588.2	1,611.3	1,613.2	1,633.1	1,654.0
5 Services	2,869.2	3,033.2	3,220.1	3,190.7	3,247.9	3,297.8	3,338.2	3,396.8
6 Gross private domestic investment	1,043.2	1,131.9	1,256.0	1,259.9	1,265.7	1,292.0	1,366.6	1,344.6
7 Fixed investment	1,012.5	1,099.8	1,188.6	1,176.4	1,211.1	1,220.1	1,271.1	1,304.4
8 Nonresidential	727.7	787.9	860.7	850.5	882.3	882.8	921.3	941.4
9 Structures	201.3	216.9	240.2	234.3	243.8	246.4	245.0	245.6
10 Producers' durable equipment	526.4	571.0	620.5	616.2	638.5	636.4	676.3	695.8
11 Residential structures	284.8	311.8	327.9	325.9	328.8	337.4	349.8	363.0
12 Change in business inventories	30.7	32.1	67.4	83.5	54.6	71.9	95.5	40.2
13 Nonfarm	40.1	24.5	63.1	77.2	47.3	66.9	90.5	32.3
14 Net exports of goods and services	−83.9	−91.2	−93.4	−86.8	−94.7	−98.8	−123.7	−160.3
15 Exports	819.4	873.8	965.4	961.1	981.7	988.6	973.3	950.2
16 Imports	903.3	965.0	1,058.8	1,047.9	1,076.4	1,087.4	1,097.1	1,110.5
17 Government consumption expenditures and gross investment	1,356.4	1,405.2	1,454.6	1,451.5	1,459.5	1,468.1	1,464.9	1,480.3
18 Federal	509.1	518.4	520.2	522.9	521.0	520.1	511.6	519.9
19 State and local	847.3	886.8	934.4	928.6	938.5	947.9	953.3	960.4
By major type of product								
20 Final sales, total	7,238.9	7,629.5	8,043.5	7,979.9	8,116.2	8,182.6	8,288.7	8,395.1
21 Goods	2,644.9	2,780.3	2,911.2	2,883.6	2,944.3	2,948.7	3,005.8	3,020.4
22 Durable	1,143.4	1,228.8	1,310.1	1,293.6	1,337.1	1,334.3	1,376.9	1,378.5
23 Nondurable	1,501.5	1,551.6	1,601.0	1,589.9	1,607.2	1,614.4	1,628.8	1,641.8
24 Services	3,974.9	4,179.5	4,414.1	4,386.9	4,448.0	4,501.2	4,538.4	4,618.2
25 Structures	619.1	669.7	718.3	709.4	723.9	732.7	744.6	756.5
26 Change in business inventories	30.7	32.1	67.4	83.5	54.6	71.9	95.5	40.2
27 Durable goods	32.4	20.8	33.6	48.8	19.9	34.0	49.9	3.7
28 Nondurable goods	−1.7	11.4	33.8	34.6	34.7	37.9	45.6	36.5
MEMO								
29 **Total GDP in chained 1992 dollars**	**6,761.7**	**6,994.8**	**7,269.8**	**7,236.5**	**7,311.2**	**7,364.6**	**7,464.7**	**7,494.9**
NATIONAL INCOME								
30 **Total**	**5,923.7**	**6,256.0**	**6,646.5**	**6,604.5**	**6,704.8**	**6,767.9**	**6,875.0**	**6,942.7**
31 Compensation of employees	4,208.9	4,409.0	4,687.2	4,649.2	4,715.5	4,798.0	4,882.8	4,945.3
32 Wages and salaries	3,441.9	3,640.4	3,893.6	3,859.2	3,919.3	3,993.6	4,065.9	4,121.8
33 Government and government enterprises	622.7	640.9	664.2	661.6	666.7	671.4	679.5	685.9
34 Other	2,819.2	2,999.5	3,229.4	3,197.6	3,252.6	3,322.2	3,386.4	3,435.9
35 Supplement to wages and salaries	767.0	768.6	793.7	790.0	796.2	804.4	816.8	823.5
36 Employer contributions for social insurance	365.3	381.7	400.7	398.4	402.7	407.4	414.1	417.8
37 Other labor income	401.6	387.0	392.9	391.5	393.6	397.0	402.8	405.7
38 Proprietors' income[1]	488.1	527.7	551.2	549.9	556.5	558.0	564.2	569.6
39 Business and professional[1]	465.6	488.8	515.8	512.1	520.2	526.6	536.8	543.8
40 Farm[1]	22.4	38.9	35.5	37.8	36.3	31.4	27.4	25.7
41 Rental income of persons[2]	133.7	150.2	158.2	158.0	158.6	158.8	158.3	161.8
42 Corporate profits[1]	672.4	750.4	817.9	815.5	840.9	820.8	829.2	819.7
43 Profits before tax[3]	635.6	680.2	734.4	729.8	758.9	736.4	719.1	720.5
44 Inventory valuation adjustment	−22.6	−1.2	6.9	10.3	4.8	4.3	25.3	9.8
45 Capital consumption adjustment	59.4	71.4	76.6	75.5	77.2	80.1	84.9	89.4
46 Net interest	420.6	418.6	432.0	431.8	433.3	432.4	440.5	446.3

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1995[r]	1996[r]	1997[r]	1997[r] Q2	1997[r] Q3	1997[r] Q4	1998 Q1	1998 Q2
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**6,072.1**	**6,425.2**	**6,784.0**	**6,743.6**	**6,820.9**	**6,904.9**	**7,003.9**	**7,080.8**
2 Wage and salary disbursements	3,428.5	3,631.1	3,889.8	3,855.5	3,915.5	3,989.9	4,061.9	4,117.8
3 Commodity-producing industries	863.9	909.0	975.0	965.4	979.4	1,003.7	1,019.0	1,023.1
4 Manufacturing	647.9	674.6	719.5	712.0	722.3	741.3	750.4	750.7
5 Distributive industries	782.9	823.3	879.8	870.2	886.3	904.5	918.9	932.2
6 Service industries	1,158.9	1,257.9	1,370.8	1,358.3	1,383.2	1,410.2	1,444.5	1,476.6
7 Government and government enterprises	622.7	640.9	664.2	661.6	666.7	671.4	679.5	685.9
8 Other labor income	401.6	387.0	392.9	391.5	393.6	397.0	402.8	405.7
9 Proprietors' income[1]	488.1	527.7	551.2	549.9	556.5	558.0	564.2	569.6
10 Business and professional[1]	465.6	488.8	515.8	512.1	520.2	526.6	536.8	543.8
11 Farm[1]	22.4	38.9	35.5	37.8	36.3	31.4	27.4	25.7
12 Rental income of persons[2]	133.7	150.2	158.2	158.0	158.6	158.8	158.3	161.8
13 Dividends	192.8	248.2	260.3	259.9	260.4	261.3	261.6	262.1
14 Personal interest income	704.9	719.4	747.3	745.7	750.5	753.0	757.0	762.4
15 Transfer payments	1,015.9	1,068.0	1,110.4	1,106.8	1,114.0	1,120.5	1,139.0	1,146.6
16 Old-age survivors, disability, and health insurance benefits	507.8	538.0	565.9	563.9	568.3	572.2	581.6	585.1
17 LESS: Personal contributions for social insurance	293.6	306.3	326.2	323.7	328.2	333.6	340.9	345.1
18 EQUALS: Personal income	6,072.1	6,425.2	6,784.0	6,743.6	6,820.9	6,904.9	7,003.9	7,080.8
19 LESS: Personal tax and nontax payments	795.0	890.5	989.0	975.8	999.0	1,025.5	1,066.8	1,087.4
20 EQUALS: Disposable personal income	5,277.0	5,534.7	5,795.1	5,767.9	5,821.8	5,879.4	5,937.1	5,993.4
21 LESS: Personal outlays	5,097.2	5,376.2	5,674.1	5,616.0	5,723.3	5,781.2	5,864.0	5,960.4
22 EQUALS: Personal saving	179.8	158.5	121.0	151.9	98.5	98.2	73.0	33.1
MEMO								
Per capita (chained 1992 dollars)								
23 Gross domestic product	25,690.5	26,335.7	27,136.2	27,052.3	27,260.4	27,398.2	27,718.8	27,769.1
24 Personal consumption expenditures	17,498.4	17,893.0	18,340.9	18,215.6	18,445.2	18,530.5	18,771.1	18,997.1
25 Disposable personal income	18,640.0	18,989.0	19,349.0	19,315.0	19,385.0	19,478.0	19,632.0	19,733.0
26 Saving rate (percent)	3.4	2.9	2.1	2.6	1.7	1.7	1.2	.6
GROSS SAVING								
27 **Gross saving**	**1,187.4**	**1,274.5**	**1,406.3**	**1,416.3**	**1,427.0**	**1,428.0**	**1,482.5**	**1,448.0**
28 Gross private saving	1,106.2	1,114.5	1,141.6	1,169.5	1,139.0	1,131.6	1,130.1	1,086.9
29 Personal saving	179.8	158.5	121.0	151.9	98.5	98.2	73.0	33.1
30 Undistributed corporate profits[1]	256.1	262.4	296.7	299.0	311.5	295.0	312.0	301.6
31 Corporate inventory valuation adjustment	−22.6	−1.2	6.9	10.3	4.8	4.3	25.3	9.8
Capital consumption allowances								
32 Corporate	431.1	452.0	477.3	473.7	480.8	487.7	492.5	497.8
33 Noncorporate	225.9	232.3	242.8	241.3	244.4	247.0	248.6	250.4
34 Gross government saving	81.2	160.0	264.7	246.9	288.0	296.4	352.4	361.1
35 Federal	−103.7	−39.6	49.5	36.1	70.0	72.3	128.7	142.0
36 Consumption of fixed capital	70.7	70.6	70.6	70.9	70.3	70.2	69.9	69.4
37 Current surplus or deficit (−), national accounts	−174.4	−110.3	−21.1	−34.8	−.3	2.2	58.8	72.6
38 State and local	184.8	199.7	215.2	210.7	218.0	224.1	223.7	219.0
39 Consumption of fixed capital	73.2	77.1	81.1	80.6	81.4	82.7	83.5	84.2
40 Current surplus or deficit (−), national accounts	111.7	122.6	134.1	130.1	136.6	141.4	140.2	134.8
41 **Gross investment**	**1,160.9**	**1,242.3**	**1,350.5**	**1,368.6**	**1,361.9**	**1,360.7**	**1,428.4**	**1,361.7**
42 Gross private domestic investment	1,043.2	1,131.9	1,256.0	1,259.9	1,265.7	1,292.0	1,366.6	1,344.6
43 Gross government investment	218.4	229.7	235.4	232.6	237.3	236.5	237.4	232.2
44 Net foreign investment	−100.6	−119.2	−140.9	−123.9	−141.0	−167.8	−175.6	−215.1
45 **Statistical discrepancy**	**−26.5**	**−32.2**	**−55.8**	**−47.7**	**−65.1**	**−67.3**	**−54.1**	**−86.3**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted[1]

Item credits or debits	1995	1996	1997	1997 Q1	1997 Q2	1997 Q3	1997 Q4	1998 Q1[p]
1 Balance on current account	−115,254	−134,915	−155,215	−36,990	−35,090	−38,094	−45,043	−47,210
2 Merchandise trade balance[2]	−173,729	−191,337	−197,954	−49,723	−49,096	−49,296	−49,839	−55,698
3 Merchandise exports	575,845	611,983	679,325	163,499	169,240	172,302	174,284	171,469
4 Merchandise imports	−749,574	−803,320	−877,279	−213,222	−218,336	−221,598	−224,123	−227,167
5 Military transactions, net	4,769	4,684	6,781	1,542	2,191	1,945	1,103	1,530
6 Other service transactions, net	69,069	78,079	80,967	20,051	20,390	20,246	20,277	19,306
7 Investment income, net	19,275	14,236	−5,318	14	460	−1,544	−4,247	−3,124
8 U.S. government grants	−11,170	−15,023	−12,090	−2,241	−2,274	−2,362	−5,213	−2,257
9 U.S. government pensions and other transfers	−3,433	−4,442	−4,193	−1,013	−1,055	−1,056	−1,069	−1,071
10 Private remittances and other transfers	−20,035	−21,112	−23,408	−5,620	−5,706	−6,027	−6,055	−5,896
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	−589	−708	174	−22	−269	436	29	−426
12 Change in U.S. official reserve assets (increase, −)	−9,742	6,668	−1,010	4,480	−236	−730	−4,524	−444
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−808	370	−350	72	−133	−139	−150	−182
15 Reserve position in International Monetary Fund	−2,466	−1,280	−3,575	1,055	54	−463	−4,221	−85
16 Foreign currencies	−6,468	7,578	2,915	3,353	−157	−128	−153	−177
17 Change in U.S. private assets abroad (increase, −)	−317,122	−374,761	−477,666	−149,597	−86,101	−123,023	−118,946	−43,877
18 Bank-reported claims[3]	−75,108	−91,555	−147,439	−63,698	−26,625	−29,577	−27,539	12,903
19 Nonbank-reported claims	−45,286	−86,333	−120,403	−37,880	−9,825	−24,791	−47,907	...
20 U.S. purchases of foreign securities, net	−100,074	−115,801	−87,981	−15,521	−23,263	−41,167	−8,030	−5,173
21 U.S. direct investments abroad, net	−96,654	−81,072	−121,843	−32,498	−26,388	−27,488	−35,470	−30,924
22 Change in foreign official assets in United States (increase, +)	109,768	127,344	15,817	26,949	−5,411	21,258	−26,979	10,181
23 U.S. Treasury securities	68,977	115,671	−7,270	22,311	−11,689	6,686	−24,578	11,337
24 Other U.S. government obligations	3,735	5,008	4,334	754	827	2,667	86	2,610
25 Other U.S. government liabilities[4]	−217	−362	−2,521	−587	−523	−1,167	−244	−1,059
26 Other U.S. liabilities reported by U.S. banks[3]	34,008	5,704	21,928	7,696	5,043	12,439	−3,250	−1,751
27 Other foreign official assets[5]	3,265	1,323	−654	−3,225	931	633	1,007	−956
28 Change in foreign private assets in United States (increase, +)	355,681	436,013	717,624	154,786	155,184	160,180	247,470	80,712
29 U.S. bank-reported liabilities[3]	30,176	16,478	148,059	17,743	28,067	12,606	89,643	−41,199
30 U.S. nonbank-reported liabilities	59,637	39,404	107,779	28,840	5,274	26,275	47,390	...
31 Foreign private purchases of U.S. Treasury securities, net	99,548	154,996	146,710	33,363	42,614	35,432	35,301	−1,363
32 Foreign purchases of other U.S. securities, net	96,367	130,151	196,845	45,477	54,258	60,327	36,783	76,656
33 Foreign direct investments in United States, net	57,653	77,622	93,449	25,879	20,149	18,964	28,453	25,020
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	−22,742	−59,641	−99,724	394	−28,077	−20,027	−52,007	1,064
36 Due to seasonal adjustment	...	...	...	5,812	685	−10,018	3,528	6,260
37 Before seasonal adjustment	−22,742	−59,641	−99,724	−5,418	−28,762	−10,009	−55,535	−5,196
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−9,742	6,668	−1,010	4,480	−236	−730	−4,524	−444
39 Foreign official assets in United States, excluding line 25 (increase, +)	109,985	127,706	18,338	27,536	−4,888	22,425	−26,735	11,240
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	4,239	14,911	10,822	7,103	1,970	3,031	−1,282	348

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.
2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.
3. Reporting banks include all types of depository institutions as well as some brokers and dealers.
4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1995	1996	1997	1997	1998					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1 Goods and services, balance	−101,857	−111,040	−113,684	−10,205	−9,898	−11,614	−13,498	−14,148	−15,777	−13,639
2 Merchandise	−173,560	−191,170	−198,975	−16,962	−17,076	−18,120	−20,504	−21,335	−22,578	−20,530
3 Services	71,703	80,130	85,291	6,757	7,178	6,506	7,006	7,187	6,801	6,891
4 Goods and services, exports	794,610	848,833	931,370	79,784	79,668	77,813	79,058	77,515	76,399	76,375
5 Merchandise	575,871	612,069	678,150	58,336	57,902	56,350	57,217	55,335	54,719	54,767
6 Services	218,739	236,764	253,220	21,448	21,766	21,463	21,841	22,180	21,680	21,608
7 Goods and services, imports	−896,467	−959,873	−1,045,054	−89,989	−89,565	−89,427	−92,555	−91,663	−92,176	−90,014
8 Merchandise	−749,431	−803,239	−877,125	−75,298	−74,977	−74,470	−77,720	−76,670	−77,297	−75,297
9 Services	−147,036	−156,634	−167,929	−14,691	−14,588	−14,957	−14,835	−14,993	−14,879	−14,717

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900*, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1994	1995	1996	1997	1998						
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 **Total**	**74,335**	**85,832**	**75,090**	**69,954**	**70,003**	**70,632**	**69,354**	**70,328**	**70,723**	**71,161**	**71,782**
2 Gold stock, including Exchange Stabilization Fund[1]	11,051	11,050	11,049	11,050	11,046	11,050	11,050	11,048	11,049	11,047	11,047
3 Special drawing rights[2,3]	10,039	11,037	10,312	10,027	9,998	10,217	10,108	10,188	10,296	10,001	9,586
4 Reserve position in International Monetary Fund[2]	12,030	14,649	15,435	18,071	18,039	18,135	17,976	18,218	18,957	18,945	20,297
5 Foreign currencies[4]	41,215	49,096	38,294	30,809	30,920	31,230	30,220	30,874	30,421	31,168	30,852

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.
2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.
3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Asset	1994	1995	1996	1997	1998						
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 **Deposits**	**250**	**386**	**167**	**457**	**215**	**243**	**167**	**162**	**156**	**200**	**161**
Held in custody											
2 U.S. Treasury securities[2]	441,866	522,170	638,049	620,885	625,219	621,956	630,602	622,220	622,557	616,569	613,893
3 Earmarked gold[3]	12,033	11,702	11,197	10,763	10,709	10,705	10,664	10,651	10,641	10,617	10,586

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.
3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1995	1996	1997	1998					
			Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **Total**[1]	**630,918**	**758,624**	**778,538**	**780,587**	**780,393**	**790,921**	**788,310**[r]	**786,219**	**780,860**
By type									
2 Liabilities reported by banks in the United States[2]	107,394	113,098	135,326	140,931	139,739	134,719	144,929	142,693	143,889
3 U.S. Treasury bills and certificates[3]	168,534	198,921	148,301	145,609	144,324	153,335	138,418	137,652	134,324
U.S. Treasury bonds and notes									
4 Marketable	293,690	379,497	423,456	422,267	423,509	429,642	430,804[r]	431,702	428,217
5 Nonmarketable[4]	6,491	5,968	5,994	6,033	6,069	6,110	6,149	6,189	6,229
6 U.S. securities other than U.S. Treasury securities[5]	54,809	61,140	65,461	65,747	66,752	67,115	68,010[r]	67,983	68,201
By area									
7 Europe[1]	222,406	257,915	263,103	261,680	261,133	259,053	268,848	269,178	264,594
8 Canada	19,473	21,295	18,749	18,339	19,065	20,280	20,254	20,122	19,396
9 Latin America and Caribbean	66,721	80,623	97,616	96,997	99,381	98,028	101,191	101,792	100,675
10 Asia	311,016	385,484	382,423	387,204	385,378	397,283	382,027[r]	379,223	378,144
11 Africa	6,296	7,379	10,118	10,213	10,518	11,440	11,281	10,574	11,552
12 Other countries	5,004	5,926	6,527	6,152	4,916	4,835	4,707	5,328	6,497

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero-coupon Treasury bond issues to foreign governments as follows: Mexico, beginning March 1988, 20-year maturity issue and beginning March 1990, 30-year maturity issue; Venezuela, beginning December 1990, 30-year maturity issue; Argentina, beginning April 1993, 30-year maturity issue.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1994	1995	1996	1997			1998
				June	Sept.	Dec.	Mar.
1 Banks' liabilities	89,258	109,713	103,383	110,224	120,105	117,524	100,054
2 Banks' claims	60,711	74,016	66,018	85,305	91,158	83,038	82,119
3 Deposits	19,661	22,696	22,467	28,900	32,154	28,661	28,076
4 Other claims	41,050	51,320	43,551	56,405	59,004	54,377	54,043
5 Claims of banks' domestic customers[2]	10,878	6,145	10,978	10,251	10,090	8,191	7,926

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Item	1995	1996	1997	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.	1998 May	1998 June[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**1,099,549**	**1,162,148**	**1,283,248**	**1,283,248**	**1,267,169**	**1,283,616**	**1,255,075[r]**	**1,270,525[r]**	**1,260,321**	**1,286,536**
2 Banks' own liabilities	753,461	758,998	883,238	883,238	867,140	879,659	843,906	861,626[r]	852,052	884,638
3 Demand deposits	24,448	27,034	32,104	32,104	29,716	29,691	32,588	32,107[r]	31,201	36,819
4 Time deposits[2]	192,558	186,910	198,470	198,470	187,617	183,285	183,109	185,948[r]	185,160	186,565
5 Other[3]	140,165	143,510	167,713	167,713	185,049	189,527	188,425	204,193	193,118	184,900
6 Own foreign offices[4]	396,290	401,544	484,951	484,951	464,758	477,156	439,784	439,378	442,573	476,354
7 Banks' custodial liabilities[5]	346,088	403,150	400,010	400,010	400,029	403,957	411,169[r]	408,899[r]	408,269	401,898
8 U.S. Treasury bills and certificates[6]	197,355	236,874	193,239	193,239	184,881	186,564	191,571	174,256	173,873	168,011
9 Other negotiable and readily transferable instruments[7]	52,200	72,011	93,604	93,604	96,945	99,370	96,364[r]	111,398[r]	107,797	112,412
10 Other	96,533	94,265	113,167	113,167	118,203	118,023	123,234	123,245	126,599	121,475
11 Nonmonetary international and regional organizations[8]	11,039	13,972	11,390	11,390	11,240	16,184	15,246	14,793	14,186	13,814
12 Banks' own liabilities	10,347	13,355	11,186	11,186	11,048	15,855	14,925	14,377	13,559	13,176
13 Demand deposits	21	29	16	16	175	74	98	365	229	226
14 Time deposits[2]	4,656	5,784	5,466	5,466	5,023	5,316	5,957	6,646	7,029	6,684
15 Other[3]	5,670	7,542	5,704	5,704	5,850	10,465	8,870	7,366	6,301	6,266
16 Banks' custodial liabilities[5]	692	617	204	204	192	329	321	416	627	638
17 U.S. Treasury bills and certificates[6]	350	352	69	69	85	149	247	344	359	338
18 Other negotiable and readily transferable instruments[7]	341	265	133	133	107	180	72	72	268	298
19 Other	1	0	2	2	0	0	2	0	0	2
20 Official institutions[9]	275,928	312,019	283,627	283,627	286,540	284,063	288,054	283,347	280,345	278,213
21 Banks' own liabilities	83,447	79,406	101,910	101,910	111,027	109,959	104,006	105,731	104,358	102,189
22 Demand deposits	2,098	1,511	2,314	2,314	1,682	1,910	2,051	2,532	2,052	2,590
23 Time deposits[2]	30,717	33,336	41,420	41,420	38,726	37,242	40,265	38,865	36,060	36,110
24 Other[3]	50,632	44,559	58,176	58,176	70,619	70,807	61,690	64,334	66,246	63,489
25 Banks' custodial liabilities[5]	192,481	232,613	181,717	181,717	175,513	174,104	184,048	177,616	175,987	176,024
26 U.S. Treasury bills and certificates[6]	168,534	198,921	148,301	148,301	145,609	144,324	153,335	138,418	137,652	134,324
27 Other negotiable and readily transferable instruments[7]	23,603	33,266	33,211	33,211	29,614	29,643	30,183	38,745	38,010	41,037
28 Other	344	426	205	205	290	137	530	453	325	663
29 Banks[10]	691,412	694,835	815,963	815,963	794,648	799,916	763,349	776,269	782,841	807,724
30 Banks' own liabilities	567,834	562,898	642,223	642,223	620,410	623,186	585,083	596,509	601,967	632,773
31 Unaffiliated foreign banks	171,544	161,354	157,272	157,272	155,652	146,030	145,299	157,131	159,394	156,419
32 Demand deposits	11,758	13,692	17,527	17,527	15,974	16,084	18,350	17,152	16,111	20,763
33 Time deposits[2]	103,471	89,765	83,433	83,433	79,051	75,255	70,060	72,703	74,018	75,253
34 Other[3]	56,315	57,897	56,312	56,312	60,627	54,691	56,889	67,276	69,265	60,403
35 Own foreign offices[4]	396,290	401,544	484,951	484,951	464,758	477,156	439,784	439,378	442,573	476,354
36 Banks' custodial liabilities[5]	123,578	131,937	173,740	173,740	174,238	176,730	178,266	179,760	180,874	174,951
37 U.S. Treasury bills and certificates[6]	15,872	23,106	31,915	31,915	27,607	30,620	28,499	26,650	26,920	24,114
38 Other negotiable and readily transferable instruments[7]	13,035	17,027	35,333	35,333	35,266	35,107	34,962	37,942	38,186	38,077
39 Other	94,671	91,804	106,492	106,492	111,365	111,003	114,805	115,168	115,768	112,760
40 Other foreigners	121,170	141,322	172,268	172,268	174,741	183,453	188,426[r]	196,116[r]	182,949	186,785
41 Banks' own liabilities	91,833	103,339	127,919	127,919	124,655	130,659	139,892	145,009[r]	132,168	136,500
42 Demand deposits	10,571	11,802	12,247	12,247	11,885	11,623	12,089	12,058[r]	12,809	13,240
43 Time deposits[2]	53,714	58,025	68,151	68,151	64,817	65,472	66,827	67,734[r]	68,053	68,518
44 Other[3]	27,548	33,512	47,521	47,521	47,953	53,564	60,976	65,217	51,306	54,742
45 Banks' custodial liabilities[5]	29,337	37,983	44,349	44,349	50,086	52,794	48,534[r]	51,107[r]	50,781	50,285
46 U.S. Treasury bills and certificates[6]	12,599	14,495	12,954	12,954	11,580	11,471	9,490	8,844	8,942	9,235
47 Other negotiable and readily transferable instruments[7]	15,221	21,453	24,927	24,927	31,958	34,440	31,147[r]	34,639[r]	31,333	33,000
48 Other	1,517	2,035	6,468	6,468	6,548	6,883	7,897	7,624	10,506	8,050
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	9,103	14,573	16,046	16,046	17,038	20,791	22,416[r]	22,503[r]	23,440	21,229

1 Reporting banks include all types of depository institutions as well as some brokers and dealers. Excludes bonds and notes of maturities longer than one year.

2 Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."

3. Includes borrowing under repurchase agreements.

4 For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.

5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks for foreign customers.

6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.

7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.

8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.

9. Foreign central banks, foreign central governments, and the Bank for International Settlements.

10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

Item	1995	1996	1997	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.	1998 May	1998 June[p]
AREA										
50 **Total, all foreigners**	**1,099,549**	**1,162,148**	**1,283,248**	**1,283,248**	**1,267,169**	**1,283,616**	**1,255,075[r]**	**1,270,525[r]**	**1,260,321[r]**	**1,286,536**
51 **Foreign countries**	**1,088,510**	**1,148,176**	**1,271,858**	**1,271,858**	**1,255,929**	**1,267,432**	**1,239,829[r]**	**1,255,732[r]**	**1,246,135[r]**	**1,272,722**
52 Europe	362,819	376,590	420,401	420,401	401,604	419,986	390,750[r]	406,391[r]	405,348[r]	401,325
53 Austria	3,537	5,128	2,717	2,717	2,787	2,774	2,375	2,957	3,012	2,268
54 Belgium and Luxembourg	24,792	24,084	41,007	41,007	39,018	38,178	33,244	38,530	35,518	35,063
55 Denmark	2,921	2,565	1,514	1,514	1,625	1,215	1,094	2,588	1,443	1,989
56 Finland	2,831	1,958	2,246	2,246	2,177	2,136	1,549	1,768	1,365	1,438
57 France	39,218	35,078	46,607	46,607	44,773	44,990	44,027	48,468	47,869	46,161
58 Germany	24,035	24,660	23,737	23,737	21,988	23,290	20,971	24,895	26,452[r]	25,470
59 Greece	2,014	1,835	1,515	1,515	1,676	1,663	2,020[r]	2,383[r]	2,610[r]	2,429
60 Italy	10,868	10,946	11,378	11,378	9,854	9,804	9,631	10,600	11,127	11,510
61 Netherlands	13,745	11,110	7,385	7,385	6,287	7,043	8,208	8,051	7,265	6,845
62 Norway	1,394	1,288	317	317	955	845	346	514	774	607
63 Portugal	2,761	3,562	2,262	2,262	1,515	1,437	1,426	2,279	2,160	2,334
64 Russia	7,948	7,623	7,968	7,968	5,573	6,118	6,466	5,381	3,952	4,654
65 Spain	10,011	17,707	18,989	18,989	19,413	20,137	16,315	18,071	15,520	11,650
66 Sweden	3,246	1,623	1,628	1,628	1,415	2,055	1,967	1,785	2,197	3,148
67 Switzerland	43,625	44,538	39,172	39,172	37,340	37,157	35,463	32,341	33,893	37,854
68 Turkey	4,124	6,738	4,054	4,054	3,659	4,047	4,154	4,340	4,467	4,875
69 United Kingdom	139,183	153,420	181,904	181,904	176,457	191,181	174,198	172,829	178,185[r]	177,426
70 Yugoslavia[11]	177	206	239	239	292	244	236	246	270	234
71 Other Europe and other former U.S.S.R.[12]	26,389	22,521	25,762	25,762	24,800	25,672	27,060	28,365	27,269[r]	25,370
72 Canada	30,468	38,920	28,341	28,341	29,035	29,470	27,121	27,398	26,021[r]	28,862
73 Latin America and Caribbean	440,213	467,529	536,365	536,365	532,748	533,880	529,446[r]	552,896[r]	550,714[r]	567,792
74 Argentina	12,235	13,877	20,199	20,199	19,215	18,278	18,835	17,766	16,938	18,504
75 Bahamas	94,991	88,895	112,217	112,217	117,604	110,882	109,041	112,510	114,222[r]	116,410
76 Bermuda	4,897	5,527	6,911	6,911	6,279	8,283	8,273	6,657	7,142	7,771
77 Brazil	23,797	27,701	31,037	31,037	31,857	33,026	34,017	36,777	38,463[r]	35,244
78 British West Indies	239,083	251,465	276,389	276,389	268,034	273,464	261,542[r]	273,565	277,927[r]	295,094
79 Chile	2,826	2,915	4,072	4,072	4,514	4,450	3,975	4,330	4,230	4,349
80 Colombia	3,659	3,256	3,652	3,652	3,584	3,904	4,200	4,212	4,383	4,799
81 Cuba	8	21	66	66	63	58	55	57	59	63
82 Ecuador	1,314	1,767	2,078	2,078	1,867	1,997	1,814	1,737	1,783	1,606
83 Guatemala	1,276	1,282	1,494	1,494	1,492	1,382	1,438	1,478	1,353	1,363
84 Jamaica	481	628	450	450	449	437	431	449	438[r]	512
85 Mexico	24,560	31,240	33,972	33,972	33,230	33,611	35,708	37,623[r]	37,682[r]	38,058
86 Netherlands Antilles	4,673	6,099	5,085	5,085	5,777	5,417	11,351	17,569	7,447	6,861
87 Panama	4,264	4,099	4,241	4,241	3,921	4,087	3,958	4,211	4,106	3,723
88 Peru	974	834	893	893	876	912	878	878	964	925
89 Uruguay	1,836	1,890	2,382	2,382	2,201	2,247	2,228	2,097	1,991	1,982
90 Venezuela	11,808	17,363	21,601	21,601	22,339	21,887	21,474	20,696	21,600	20,252
91 Other	7,531	8,670	9,626	9,626	9,446	9,558	10,228	10,284	9,986	10,276
92 Asia	240,595	249,083	269,198	269,198	274,770	267,957	275,173[r]	251,423	244,827[r]	254,421
China										
93 Mainland	33,750	30,438	18,252	18,252	20,153	18,575	20,701[r]	20,122	20,209	21,558
94 Taiwan	11,714	15,995	11,760	11,760	12,936	12,942	13,619	13,776	12,648	11,619
95 Hong Kong	20,197	18,789	17,722	17,722	18,002	17,797	17,825	19,762	18,106[r]	19,720
96 India	3,373	3,930	4,567	4,567	5,331	5,265	5,586	4,813	4,882	4,821
97 Indonesia	2,708	2,298	3,554	3,554	2,909	2,989	4,015	4,266	3,197	3,860
98 Israel	4,041	6,051	6,281	6,281	7,190	7,197	7,589	7,348	6,251	6,095
99 Japan	109,193	117,316	143,401	143,401	138,686	140,426	137,700	113,283	111,623	118,675
100 Korea (South)	5,749	5,949	12,959	12,959	12,171	12,530	11,233	13,711	14,058	13,259
101 Philippines	3,092	3,378	3,250	3,250	2,530	2,872	3,009	2,870	2,802	3,418
102 Thailand	12,279	10,912	6,501	6,501	5,858	4,676	9,073	7,928	8,876[r]	7,148
103 Middle Eastern oil-exporting countries[13]	15,582	16,285	14,959	14,959	16,059	15,952[r]	16,217[r]	17,095[r]	15,296[r]	13,834
104 Other	18,917	17,742	25,992	25,992	32,945	26,736	28,606	26,449	26,879[r]	30,414
105 Africa	7,641	8,116	10,347	10,347	10,291	9,670	11,385	11,160	10,965	10,734
106 Egypt	2,136	2,012	1,663	1,663	1,949	1,670	1,449	1,236	1,460	1,523
107 Morocco	104	112	138	138	131	73	88	131	115	84
108 South Africa	739	458	2,158	2,158	1,685	1,825	2,547	2,556	2,465	2,642
109 Zaire	10	10	10	10	7	4	10	3	5	5
110 Oil-exporting countries[14]	1,797	2,626	3,060	3,060	3,470	3,479[r]	4,275[r]	4,332[r]	4,079[r]	3,552
111 Other	2,855	2,898	3,318	3,318	3,049	2,619	3,016	2,902	2,841	2,928
112 Other	6,774	7,938	7,206	7,206	7,481	6,469	5,954	6,464	8,260	9,588
113 Australia	5,647	6,479	6,304	6,304	6,385	5,466	4,989	5,450	7,416	8,509
114 Other	1,127	1,459	902	902	1,096	1,003	965	1,014	844	1,079
115 Nonmonetary international and regional organizations	11,039	13,972	11,390	11,390	11,240	16,184	15,246	14,793	14,186	13,814
116 International[15]	9,300	12,099	10,217	10,217	10,016	14,591	14,331	13,330	12,509	12,283
117 Latin American regional[16]	893	1,339	424	424	975	1,217	536	762	830	670
118 Other regional[17]	846	534	749	749	249	376	379	701	847	861

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
14. Comprises Algeria, Gabon, Libya, and Nigeria.
15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.
16. Principally the Inter-American Development Bank.
17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Area or country	1995	1996	1997	1997	1998					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **Total, all foreigners**	**532,444**	**599,925**	**708,233**	**708,233**	**703,190**	**703,984**	**687,650[r]**	**700,037[r]**	**704,208**	**706,981**
2 **Foreign countries**	**530,513**	**597,321**	**705,770**	**705,770**	**700,273**	**701,229**	**684,702[r]**	**696,744[r]**	**701,816**	**704,066**
3 Europe	132,150	165,769	199,880	199,880	204,763	212,307	205,528[r]	207,154[r]	208,587	223,180
4 Austria	565	1,662	1,354	1,354	1,917	1,934	1,566	1,827	2,132	1,259
5 Belgium and Luxembourg	7,624	6,727	6,641	6,641	5,714	6,021	6,148[r]	5,482[r]	6,123	7,730
6 Denmark	403	492	980	980	1,531	907	895	968	1,286	1,198
7 Finland	1,055	971	1,233	1,233	1,492	1,554	1,686	1,018	931	1,146
8 France	15,033	15,246	16,239	16,239	21,474	18,963	18,206	17,383	16,276	15,474
9 Germany	9,263	8,472	12,676	12,676	10,849	10,752	13,047	16,931[r]	15,304	15,751
10 Greece	469	568	402	402	504	504	503	442	428	364
11 Italy	5,370	6,457	6,230	6,230	6,655	5,974	6,601	6,938	6,533	6,434
12 Netherlands	5,346	7,117	6,141	6,141	5,384	5,447	6,618	5,851	3,980	5,770
13 Norway	665	808	555	555	989	1,296	850	662	736	680
14 Portugal	888	418	777	777	655	533	589	935	1,496	888
15 Russia	660	1,669	1,248	1,248	1,297	1,143	1,115	1,133	1,117	1,057
16 Spain	2,166	3,211	2,942	2,942	6,926	6,255	5,778	7,458	6,218	5,560
17 Sweden	2,080	1,739	1,854	1,854	1,736	2,184	2,798	2,975	3,181	3,069
18 Switzerland	7,474	19,798	28,846	28,846	28,515	29,006	31,306	25,069	29,319	34,951
19 Turkey	803	1,109	1,558	1,558	1,648	1,675	1,914	2,324	2,386	2,414
20 United Kingdom	67,784	85,234	103,143	103,143	99,302	110,357	97,588	101,772[r]	102,894	109,754
21 Yugoslavia[2]	147	115	52	52	53	53	61	59	19	53
22 Other Europe and other former U.S.S.R.[3]	4,355	3,956	7,009	7,009	8,122	7,749	8,259	7,927	8,228	9,628
23 Canada	20,874	26,436	27,176	27,176	25,155	24,872	29,827	25,785	24,961	32,585
24 Latin America and Caribbean	256,944	274,153	343,820	343,820	345,787	345,643	338,909	354,302	361,724	345,764
25 Argentina	6,439	7,400	8,924	8,924	9,076	9,402	8,726	8,540	8,222	8,505
26 Bahamas	58,818	71,871	89,379	89,379	90,823	84,982	77,585	82,711	78,083	76,990
27 Bermuda	5,741	4,129	8,782	8,782	9,385	8,917	8,997	9,462	8,890	9,347
28 Brazil	13,297	17,259	21,696	21,696	22,541	23,987	25,283	26,033	25,971	25,331
29 British West Indies	124,037	105,510	145,471	145,471	145,935	149,520	147,910	159,649	168,131	156,296
30 Chile	4,864	5,136	7,913	7,913	7,910	8,249	8,171	8,444	8,482	8,482
31 Colombia	4,550	6,247	6,945	6,945	6,733	6,729	6,783	6,772	7,208	7,106
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	825	1,031	1,311	1,311	1,390	1,398	1,476	1,522	1,501	1,430
34 Guatemala	457	620	886	886	863	868	904	955	955	932
35 Jamaica	323	345	424	424	410	401	364	373	385	320
36 Mexico	18,024	18,425	19,518	19,518	20,515	21,107	20,680	20,913	21,220	20,435
37 Netherlands Antilles	9,229	25,209	17,838	17,838	16,026	15,594	17,618	14,073	17,352	14,279
38 Panama	3,008	2,786	4,364	4,364	4,074	4,232	4,108	4,422	4,393	4,233
39 Peru	1,829	2,720	3,491	3,491	3,413	3,550	3,538	3,644	3,793	3,955
40 Uruguay	466	589	629	629	588	594	920	773	807	959
41 Venezuela	1,661	1,702	2,129	2,129	2,257	2,334	2,169	2,194	2,375	2,496
42 Other	3,376	3,174	4,120	4,120	3,848	3,779	3,677	3,822	3,956	4,668
43 Asia	115,336	122,478	125,024	125,024	114,457	109,041	101,355[r]	99,185	96,827	94,090
China										
44 Mainland	1,023	1,401	1,579	1,579	2,534	1,988	2,762	2,921[r]	2,934	1,989
45 Taiwan	1,713	1,894	921	921	847	820	740	939[r]	723	835
46 Hong Kong	12,821	12,802	13,990	13,990	14,569	13,520	12,628	10,162	12,884	12,871
47 India	1,846	1,946	2,200	2,200	2,299	2,172	1,927	1,807	1,912	1,976
48 Indonesia	1,696	1,762	2,634	2,634	2,361	2,266	2,293[r]	2,212	2,100	2,046
49 Israel	739	633	768	768	946	987	812	874	907	954
50 Japan	61,468	59,967	59,540	59,540	52,904	51,891	46,660	44,970	42,071	42,344
51 Korea (South)	13,975	18,901	18,123	18,123	14,450	12,812	11,520	10,852	11,937	11,003
52 Philippines	1,318	1,697	1,689	1,689	1,794	1,645	1,813	1,561	1,614	1,541
53 Thailand	2,612	2,679	2,259	2,259	2,164	2,138	2,144	1,971	1,906	1,889
54 Middle Eastern oil-exporting countries[4]	9,639	10,424	10,790	10,790	9,133	9,101	8,921	11,028	9,338	8,448
55 Other	6,486	8,372	10,531	10,531	10,456	9,701	9,135	9,888	8,501	8,194
56 Africa	2,742	2,776	3,530	3,530	3,580	3,403	3,567	3,337	3,693	2,502
57 Egypt	210	247	247	247	279	304	289	294	281	283
58 Morocco	514	524	511	511	498	514	518	483	490	430
59 South Africa	465	584	805	805	694	573	559	490	859	653
60 Zaire	1	0	0	0	0	0	0	0	0	0
61 Oil-exporting countries[5]	552	420	1,212	1,212	1,324	1,219	1,364	1,194	1,078	308
62 Other	1,000	1,001	755	755	785	793	837	876	985	828
63 Other	2,467	5,709	6,340	6,340	6,531	5,963	5,516	6,981	6,024	5,945
64 Australia	1,622	4,577	5,299	5,299	5,419	5,139	5,011	6,513	5,704	5,439
65 Other	845	1,132	1,041	1,041	1,112	824	505	468	320	506
66 Nonmonetary international and regional organizations[6]	1,931	2,604	2,463	2,463	2,917	2,755	2,948	3,293	2,392	2,915

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1995	1996	1997	1997	1998					
				Dec.	Jan.	Feb.	Mar.	Apr.[r]	May	June[p]
1 **Total**	**655,211**	**743,919**	**852,860**	**852,860**	...	...	**842,463[r]**	...	...	...
2 Banks' claims	532,444	599,925	708,233	708,233	703,190	703,984	687,650[r]	700,037	704,208	706,981
3 Foreign public borrowers	22,518	22,216	20,660	20,660	30,195	27,041	28,226	32,463	28,985	27,804
4 Own foreign offices[2]	307,427	341,574	431,685	431,685	415,708	421,733	402,387	409,955	415,184	414,547
5 Unaffiliated foreign banks	101,595	113,682	109,224	109,224	111,015	106,600	107,802	104,626	105,536	107,553
6 Deposits	37,771	33,826	31,042	31,042	30,768	26,559	25,657	24,324	21,282	22,521
7 Other	63,824	79,856	78,182	78,182	80,247	80,041	82,145	80,302	84,254	85,032
8 All other foreigners	100,904	122,453	146,664	146,664	146,272	148,610	149,235[r]	152,993	154,503	157,077
9 Claims of banks' domestic customers[3]	122,767	143,994	144,627	144,627	...	...	154,813	...	...	...
10 Deposits	58,519	77,657	73,110	73,110	...	...	85,406	...	...	...
11 Negotiable and readily transferable instruments[4]	44,161	51,207	53,967	53,967	...	...	51,594	...	...	...
12 Outstanding collections and other claims	20,087	15,130	17,550	17,550	...	...	17,813	...	...	...
MEMO										
13 Customer liability on acceptances	8,410	10,388	9,624	9,624	...	...	7,496	...	...	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	30,717	39,661	34,046	34,046	35,831	36,615	31,958	31,633	32,172	25,287

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.
Reporting banks include all types of depository institution as well as some brokers and dealers.
2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and from foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
3. Assets held by reporting banks in the accounts of their domestic customers.
4. Principally negotiable time certificates of deposit, bankers acceptances, and commercial paper.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1994	1995	1996	1997			1998
				June	Sept.	Dec.	Mar.
1 **Total**	**202,282**	**224,932**	**258,106**	**272,029**	**281,000**	**276,558**	**285,520**
By borrower							
2 Maturity of one year or less	170,411	178,857	211,859	210,897	217,981	205,859	214,832
3 Foreign public borrowers	15,435	14,995	15,411	17,979	20,123	12,134	16,944
4 All other foreigners	154,976	163,862	196,448	192,918	197,858	193,725	197,888
5 Maturity of more than one year	31,871	46,075	46,247	61,132	63,019	70,699	70,688
6 Foreign public borrowers	7,838	7,522	6,790	11,406	8,752	8,525	11,312
7 All other foreigners	24,033	38,553	39,457	49,726	54,267	62,174	59,376
By area							
Maturity of one year or less							
8 Europe	56,381	55,622	55,690	69,233	69,204	58,294	69,245
9 Canada	6,690	6,751	8,339	10,381	8,460	9,917	9,304
10 Latin America and Caribbean	59,583	72,504	103,254	87,065	99,929	97,277	101,012
11 Asia	40,567	40,296	38,078	38,444	34,650	33,972	28,748
12 Africa	1,379	1,295	1,316	1,899	2,157	2,211	2,239
13 All other[3]	5,811	2,389	5,182	3,875	3,581	4,188	4,284
Maturity of more than one year							
14 Europe	4,358	4,995	6,965	11,884	11,202	13,240	15,118
15 Canada	3,505	2,751	2,645	3,174	3,842	2,512	2,752
16 Latin America and Caribbean	15,717	27,681	24,943	31,001	34,988	42,069	39,338
17 Asia	5,323	7,941	9,392	12,509	10,393	10,159	10,733
18 Africa	1,583	1,421	1,361	1,264	1,236	1,236	1,243
19 All other[3]	1,385	1,286	941	1,300	1,358	1,483	1,504

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Maturity is time remaining until maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1994	1995	1996				1997[r]				1998
			Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.[r]
1 **Total**	**499.5**	**551.9**	**574.7**	**612.8**	**586.2**	**645.3**	**647.5**	**678.8**	**711.0**	**725.9**	**726.1**
2 G-10 countries and Switzerland	191.2	206.0	203.4	226.9	220.0	228.3	231.4	250.0	247.7	242.8	244.3
3 Belgium and Luxembourg	7.2[r]	13.6	11.0	11.4	11.3	11.7	14.1	9.4	11.4	11.0	11.2
4 France	19.1	19.4	17.9	18.0	17.4	16.6	19.7	17.9	20.2	15.4	15.6
5 Germany	24.7	27.3	31.5	31.4	33.9	29.8	32.1	34.1	34.7	28.6	25.5
6 Italy	11.8	11.5	13.2	14.9	15.2	16.0	14.4	20.2	19.3	15.5	19.7
7 Netherlands	3.6[r]	3.7	3.1	4.7	5.9	4.0	4.5	6.4	7.2	6.2	7.3
8 Sweden	2.7	2.7	3.3	2.7	3.0	2.6	3.4	3.6	4.1	3.3	4.8
9 Switzerland	5.1	6.7	5.2	6.3	6.3	5.3	6.0	5.4	4.8	7.2	5.6
10 United Kingdom	85.8	82.4	84.7	101.6	90.5	104.7	99.2	110.6	108.3	113.4	115.3
11 Canada	10.0	10.3	10.8	12.2	14.8	14.0	16.3	15.7	15.1	13.7	13.5
12 Japan	21.1	28.5	22.7	23.6	21.7	23.7	21.7	26.8	22.6	28.6	25.8
13 Other industrialized countries	45.7	50.2	61.3	55.5	62.1	65.7	66.4	71.7	73.8	64.5	74.3
14 Austria	1.1	.9	1.3	1.2	1.0	1.1	1.9	1.5	1.7	1.5	1.7
15 Denmark	1.3	2.6	3.4	3.3	1.7	1.5	1.7	2.8	3.7	2.4	2.0
16 Finland	.9	.8	.7	.6	.6	.8	.7	1.4	1.9	1.3	1.5
17 Greece	4.5	5.7	5.6	5.6	6.1	6.7	6.3	6.1	6.2	5.1	6.1
18 Norway	2.0	3.2	2.1	2.3	3.0	8.0	5.3	4.7	4.6	3.6	4.0
19 Portugal	1.2	1.3	1.6	1.6	1.4	.9	1.0	1.1	1.4	.9	.7
20 Spain	13.6	11.6	17.5	13.6	16.1	13.2	14.4	15.4	13.9	11.7	16.5
21 Turkey	1.6	1.9	2.0	2.3	2.8	2.7	2.8	3.4	4.4	4.5	4.9
22 Other Western Europe	3.2	4.7	3.8	3.4	4.8	4.7	6.3	5.5	6.1	8.2	9.9
23 South Africa	1.0	1.2	1.7	2.0	1.7	2.0	1.9	1.9	1.9	2.2	3.7
24 Australia	15.4	16.4	21.7	19.6	22.8	24.0	24.4	27.8	28.1	23.1	23.2
25 OPEC[2]	24.1	22.1	21.2	20.1	19.2	19.7	21.8	22.3	22.9	26.0	25.7
26 Ecuador	.5	.7	.8	.9	9	1.1	1.1	.9	1.2	1.3	1.3
27 Venezuela	3.7	2.7	2.9	2.3	2.3	2.4	1.9	2.1	2.2	2.5	3.3
28 Indonesia	3.8	4.8	4.7	4.9	5.4	5.2	4.9	5.6	6.5	6.7	5.5
29 Middle East countries	15.3	13.3	12.3	11.5	10.2	10.7	13.2	12.5	11.8	14.4	14.3
30 African countries	.9	.6	.6	.5	.4	.4	.7	1.2	1.1	1.2	1.4
31 Non-OPEC developing countries	96.0	112.6	118.6	126.5	124.4	130.3	128.1	140.6	137.0	138.7	145.8
Latin America											
32 Argentina	11.2	12.9	12.7	14.1	15.0	14.3	14.3	16.4	17.1	18.4	19.3
33 Brazil	8.4	13.7	18.3	21.7	17.8	20.7	22.0	27.3	26.1	28.6	32.4
34 Chile	6.1	6.8	6.4	6.7	6.6	7.0	6.8	7.6	8.0	8.7	9.0
35 Colombia	2.6	2.9	2.9	2.8	3.1	4.1	3.7	3.3	3.4	3.4	3.3
36 Mexico	18.4	17.3	16.1	15.4	16.3	16.2	17.2	16.6	16.4	17.4	17.7
37 Peru	.5	.8	.9	1.2	1.3	1.6	1.6	1.4	1.8	2.0	2.1
38 Other	2.7	2.8	3.1	3.0	3.0	3.3	3.4	3.4	3.6	4.1	4.0
Asia											
China											
39 Mainland	1.1	1.8	3.3	2.9	2.6	2.5	2.7	3.6	4.3	3.2	4.2
40 Taiwan	9.2	9.4	9.7	9.8	10.4	10.3	10.5	10.6	9.7	9.0	11.7
41 India	4.2	4.4	4.7	4.2	3.8	4.3	4.9	5.3	4.9	4.9	5.0
42 Israel	.4	.5	.5	.6	.5	.5	.6	.8	1.0	.7	.7
43 Korea (South)	16.2	19.1	19.3	21.7	21.9	21.5	14.6	16.3	16.2	15.6	14.6
44 Malaysia	3.1	4.4	5.2	5.3	5.5	6.0	6.5	6.4	5.6	5.1	4.5
45 Philippines	3.3	4.1	3.9	4.7	5.4	5.8	6.0	7.0	5.7	5.7	5.0
46 Thailand	2.1	4.9	5.2	5.4	4.8	5.7	6.8	7.3	6.2	5.4	5.5
47 Other Asia	4.7	4.5	4.3	4.8	4.1	4.1	4.3	4.7	4.5	4.3	4.2
Africa											
48 Egypt	.3	.4	.5	.5	.6	.7	.9	1.1	.9	.9	1.0
49 Morocco	.6	.7	.7	.8	.7	.7	.6	.7	7	.6	.6
50 Zaire	.0	.0	.0	.0	.0	.1	.0	.0	.0	.0	.0
51 Other Africa[3]	.8	.9	.8	.8	1.0	.9	.9	.9	.9	.8	1.1
52 Eastern Europe	2.7	4.2	6.3	5.1	5.3	6.9	8.9	7.1	9.8	9.1	9.9
53 Russia[4]	.8	1.0	1.4	1.0	1.8	3.7	3.5	4.2	5.1	5.1	5.3
54 Other	1.9	3.2	4.9	4.1	3.5	3.2	5.4	2.9	4.7	4.0	4.6
55 Offshore banking centers	72.9	99.2	101.3	106.1	105.2	134.7	131.3	129.6	138.9	145.7	129.3
56 Bahamas	10.2	11.0	13.9	17.3	14.2	20.3	20.9	16.1	19.8	29.9	29.2
57 Bermuda	8.4	6.3	5.3	4.1	4.0	4.5	6.7	7.9	9.8	9.8	9.0
58 Cayman Islands and other British West Indies	21.4	32.4	28.8	26.1	32.0	37.2	32.8	35.1	45.7	43.4	24.9
59 Netherlands Antilles	1.6	10.3	11.1	13.2	11.7	26.1	19.9	15.8	21.7	14.6	14.0
60 Panama[5]	1.3	1.4	1.6	1.7	1.7	2.0	2.0	2.6	2.1	3.1	3.2
61 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
62 Hong Kong, China	20.0	25.0	25.3	27.6	26.0	27.9	30.8	35.2	27.2	32.2	33.8
63 Singapore	10.1	13.1	15.4	15.9	15.5	16.7	17.9	16.7	12.7	12.7	15.0
64 Other[6]	.1	.1	.1	.1	.1	.1	.1	.3	.1	1	.1
65 Miscellaneous and unallocated[7]	66.9	57.6	62.6	72.7	50.0	59.6	59.6	57.6	80.8	99.1	96.7

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).
3. Excludes Liberia. Beginning March 1994 includes Namibia.
4. As of December 1992, excludes other republics of the former Soviet Union.
5. Includes Canal Zone.
6. Foreign branch claims only.
7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of liability, and area or country	1994	1995	1996	1996	1997				1998
				Dec.	Mar.	June	Sept.	Dec.	Mar.[p]
1 **Total**	**54,309**	**46,448**	**54,798**	**54,798**	**58,667**	**55,341**	**55,639**	**58,295**	**55,260**
2 Payable in dollars	38,298	33,903	38,956	38,956	39,861	38,651	39,746	41,888	40,919
3 Payable in foreign currencies	16,011	12,545	15,842	15,842	18,806	16,690	15,893	16,407	14,341
By type									
4 Financial liabilities	32,954	24,241	26,065	26,065	29,633	27,103	26,209	27,790	25,172
5 Payable in dollars	18,818	12,903	11,327	11,327	11,847	11,442	11,487	12,975	12,135
6 Payable in foreign currencies	14,136	11,338	14,738	14,738	17,786	15,661	14,722	14,815	13,037
7 Commercial liabilities	21,355	22,207	28,733	28,733	29,034	28,238	29,430	30,505	30,088
8 Trade payables	10,005	11,013	12,720	12,720	11,432	11,040	10,885	10,904	10,204
9 Advance receipts and other liabilities	11,350	11,194	16,013	16,013	17,602	17,198	18,545	19,601	19,884
10 Payable in dollars	19,480	21,000	27,629	27,629	28,014	27,209	28,259	28,913	28,784
11 Payable in foreign currencies	1,875	1,207	1,104	1,104	1,020	1,029	1,171	1,592	1,304
By area or country									
Financial liabilities									
12 Europe	21,703	15,622	16,195	16,195	20,081	18,530	18,019	19,121	17,596
13 Belgium and Luxembourg	495	369	632	632	769	238	89	186	127
14 France	1,727	999	1,091	1,091	1,205	1,280	1,334	1,684	1,325
15 Germany	1,961	1,974	1,834	1,834	1,589	1,765	1,730	2,018	1,636
16 Netherlands	552	466	556	556	507	466	507	494	472
17 Switzerland	688	895	699	699	694	591	645	776	345
18 United Kingdom	15,543	10,138	10,177	10,177	13,863	12,968	12,165	12,201	11,846
19 Canada	629	632	1,401	1,401	602	456	399	1,186	878
20 Latin America and Caribbean	2,034	1,783	1,668	1,668	1,876	1,285	1,067	1,386	965
21 Bahamas	101	59	236	236	293	124	10	141	17
22 Bermuda	80	147	50	50	27	55	64	229	86
23 Brazil	207	57	78	78	75	97	52	143	91
24 British West Indies	998	866	1,030	1,030	965	775	669	604	517
25 Mexico	0	12	17	17	16	15	76	26	21
26 Venezuela	5	2	1	1	1	1	1	1	1
27 Asia	8,403	5,988	6,423	6,423	6,370	6,248	6,239	5,394	5,024
28 Japan	7,314	5,436	5,869	5,869	5,794	5,668	5,725	5,085	4,767
29 Middle Eastern oil-exporting countries[1]	35	27	25	25	72	39	23	32	23
30 Africa	135	150	38	38	29	29	33	60	33
31 Oil-exporting countries[2]	123	122	0	0	0	0	0	0	0
32 All other[3]	50	66	340	340	675	555	452	643	676
Commercial liabilities									
33 Europe	6,773	7,700	9,767	9,767	9,524	8,683	9,343	10,228	9,957
34 Belgium and Luxembourg	241	331	479	479	639	736	703	666	565
35 France	728	481	680	680	679	708	782	764	840
36 Germany	604	767	1,002	1,002	1,043	845	945	1,274	1,069
37 Netherlands	722	500	766	766	551	288	452	439	444
38 Switzerland	327	413	624	624	480	429	400	375	408
39 United Kingdom	2,444	3,568	4,303	4,303	4,158	3,818	3,829	4,086	4,043
40 Canada	1,037	1,040	1,090	1,090	1,068	1,136	1,150	1,175	1,348
41 Latin America and Caribbean	1,857	1,740	2,574	2,574	2,562	2,500	2,224	2,176	2,136
42 Bahamas	19	1	63	63	43	33	38	16	27
43 Bermuda	345	205	297	297	479	397	180	203	174
44 Brazil	161	98	196	196	200	225	233	220	249
45 British West Indies	23	56	14	14	14	26	23	12	5
46 Mexico	574	416	665	665	633	594	562	565	520
47 Venezuela	276	221	328	328	318	304	322	261	219
48 Asia	10,741	10,421	13,422	13,422	13,915	13,875	14,628	14,966	14,678
49 Japan	4,555	3,315	4,614	4,614	4,465	4,430	4,553	4,500	4,374
50 Middle Eastern oil-exporting countries[1]	1,576	1,912	2,168	2,168	2,495	2,420	2,984	3,111	3,138
51 Africa	428	619	1,040	1,040	1,037	941	929	874	833
52 Oil-exporting countries[2]	256	254	532	532	479	423	504	408	376
53 Other[3]	519	687	840	840	928	1,103	1,156	1,086	1,136

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Comprises Algeria, Gabon, Libya, and Nigeria.
3. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of claim, and area or country	1994	1995	1996	1996	1997				1998
				Dec.	Mar.	June	Sept.	Dec.	Mar.p
1 **Total**	**57,888**	**52,509**	**63,642**	**63,642**	**68,102**	**68,266**	**70,760**	**70,077**	**73,473**
2 Payable in dollars	53,805	48,711	58,630	58,630	62,126	62,082	64,144	62,173	66,010
3 Payable in foreign currencies	4,083	3,798	5,012	5,012	5,976	6,184	6,616	7,904	7,463
By type									
4 Financial claims	33,897	27,398	35,268	35,268	40,547	40,717	42,059	38,908	42,123
5 Deposits	18,507	15,133	21,404	21,404	22,150	24,106	23,951	23,139	21,019
6 Payable in dollars	18,026	14,654	20,631	20,631	20,499	22,615	22,392	21,290	19,322
7 Payable in foreign currencies	481	479	773	773	1,651	1,491	1,559	1,849	1,697
8 Other financial claims	15,390	12,265	13,864	13,864	18,397	16,611	18,108	15,769	21,104
9 Payable in dollars	14,306	10,976	12,069	12,069	15,381	13,354	14,795	11,576	16,814
10 Payable in foreign currencies	1,084	1,289	1,795	1,795	3,016	3,257	3,313	4,193	4,290
11 Commercial claims	23,991	25,111	28,374	28,374	27,555	27,549	28,701	31,169	31,350
12 Trade receivables	21,158	22,998	25,751	25,751	24,801	24,858	25,110	27,536	27,535
13 Advance payments and other claims	2,833	2,113	2,623	2,623	2,754	2,691	3,591	3,633	3,815
14 Payable in dollars	21,473	23,081	25,930	25,930	26,246	26,113	26,957	29,307	29,874
15 Payable in foreign currencies	2,518	2,030	2,444	2,444	1,309	1,436	1,744	1,862	1,476
By area or country									
Financial claims									
16 Europe	7,936	7,609	9,282	9,282	13,076	12,904	15,862	16,948	16,009
17 Belgium and Luxembourg	86	193	185	185	119	203	360	406	378
18 France	800	803	694	694	760	680	1,112	1,015	902
19 Germany	540	436	276	276	324	281	352	427	391
20 Netherlands	429	517	493	493	567	519	764	677	911
21 Switzerland	523	498	474	474	570	447	448	434	401
22 United Kingdom	4,649	4,303	6,119	6,119	9,837	9,814	11,254	12,286	11,113
23 Canada	3,581	2,851	3,445	3,445	4,917	6,422	4,279	3,313	4,688
24 Latin America and Caribbean	19,536	14,500	19,577	19,577	19,742	18,725	19,176	15,543	18,207
25 Bahamas	2,424	1,965	1,452	1,452	1,894	2,064	2,442	2,459	1,316
26 Bermuda	27	81	140	140	157	188	190	108	66
27 Brazil	520	830	1,468	1,468	1,404	1,617	1,501	1,313	1,408
28 British West Indies	15,228	10,393	15,182	15,182	15,176	13,553	12,957	10,311	13,551
29 Mexico	723	554	457	457	517	497	508	537	967
30 Venezuela	35	32	31	31	22	21	15	36	47
31 Asia	1,871	1,579	2,221	2,221	2,068	1,934	2,015	2,133	2,174
32 Japan	953	871	1,035	1,035	831	766	999	823	791
33 Middle Eastern oil-exporting countries[1]	141	3	22	22	12	20	15	11	9
34 Africa	373	276	174	174	182	179	174	319	325
35 Oil-exporting countries[2]	0	5	14	14	14	15	16	15	16
36 All other[3]	600	583	569	569	562	553	553	652	720
Commercial claims									
37 Europe	9,540	9,824	10,443	10,443	9,863	9,603	10,486	12,120	12,945
38 Belgium and Luxembourg	213	231	226	226	364	327	331	328	232
39 France	1,881	1,830	1,644	1,644	1,514	1,377	1,642	1,796	1,939
40 Germany	1,027	1,070	1,337	1,337	1,364	1,229	1,395	1,614	1,670
41 Netherlands	311	452	562	562	582	613	573	597	534
42 Switzerland	557	520	642	642	418	389	381	554	475
43 United Kingdom	2,556	2,656	2,946	2,946	2,626	2,836	2,904	3,660	4,834
44 Canada	1,988	1,951	2,165	2,165	2,381	2,464	2,649	2,660	3,036
45 Latin America and Caribbean	4,117	4,364	5,276	5,276	5,067	5,241	5,028	5,750	5,888
46 Bahamas	9	30	35	35	40	29	22	27	13
47 Bermuda	234	272	275	275	159	197	128	244	238
48 Brazil	612	898	1,303	1,303	1,216	1,136	1,101	1,162	1,413
49 British West Indies	83	79	190	190	127	98	98	109	88
50 Mexico	1,243	993	1,128	1,128	1,102	1,140	1,219	1,392	1,302
51 Venezuela	348	285	357	357	330	451	418	576	441
52 Asia	6,982	7,312	8,376	8,376	8,348	8,460	8,576	8,713	7,634
53 Japan	2,655	1,870	2,003	2,003	2,065	2,079	2,048	1,976	1,712
54 Middle Eastern oil-exporting countries[1]	708	974	971	971	1,078	1,014	987	1,107	987
55 Africa	454	654	746	746	718	618	764	680	614
56 Oil-exporting countries[2]	67	87	166	166	100	81	207	119	123
57 Other[3]	910	1,006	1,368	1,368	1,178	1,163	1,198	1,246	1,233

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction, and area or country	1996	1997	1998 Jan.– June	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.	1998 May	1998 June[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	590,714	961,423	681,663	90,699	89,801	99,011	124,729	120,906[r]	117,877	129,339
2 Foreign sales	578,203	895,365	637,731	85,341	83,507	88,995	111,958	116,649	109,545	127,077
3 Net purchases, or sales (−)	**12,511**	**66,058**	**43,932**	**5,358**	**6,294**	**10,016**	**12,771**	**4,257[r]**	**8,332**	**2,262**
4 Foreign countries	**12,585**	**66,215**	**44,044**	**5,392**	**6,346**	**10,006**	**12,775**	**4,278[r]**	**8,352**	**2,287**
5 Europe	5,367	59,167	49,770	5,889	6,664	9,617	10,499	6,219	10,831	5,940
6 France	−2,402	3,135	3,836	299	664	492	831	449	849	551
7 Germany	1,104	9,059	6,248	788	546	768	627	1,453	1,834	1,020
8 Netherlands	1,415	3,831	2,865	408	613	140	557	161	564	830
9 Switzerland	2,715	7,848	8,470	1,475	683	1,132	1,956	974	2,234	1,491
10 United Kingdom	4,478	22,464	14,890	1,278	2,797	4,573	3,406	594	2,930	590
11 Canada	2,226	−1,414	−2,199	−331	−254	−461	566	55	−505	−1,600
12 Latin America and Caribbean	5,816	5,206	3,715	−1,224	2,646	2,183	2,110	−3,689	−1,333	1,798
13 Middle East[1]	−1,600	368	−223	21	−166	−273	−170	346[r]	−237	277
14 Other Asia	918	2,074	−6,834	1,075	−2,693	−944	−201	1,563	−610	−3,949
15 Japan	−372	4,786	−3,394	555	−1,112	−667	−1,422	555	−208	−540
16 Africa	−85	472	739	7	34	13	83	128	275	206
17 Other countries	−57	342	−924	−45	115	−129	−112	−344	−69	−385
18 Nonmonetary international and regional organizations	**−74**	**−157**	**−112**	**−34**	**−52**	**10**	**−4**	**−21**	**−20**	**−25**
BONDS[2]										
19 Foreign purchases	393,953	610,118	410,102	52,164	57,548	67,418	70,079	75,955[r]	65,040	74,062
20 Foreign sales	268,487	475,959	302,792	43,174	44,394	49,991	50,208	52,229	52,584	53,386
21 Net purchases, or sales (−)	**125,466**	**134,159**	**107,310**	**8,990**	**13,154**	**17,427**	**19,871**	**23,726[r]**	**12,456**	**20,676**
22 Foreign countries	**125,295**	**133,596**	**106,783**	**8,979**	**13,122**	**17,358**	**19,732**	**23,596[r]**	**12,398**	**20,577**
23 Europe	77,570	71,631	61,832	4,257	5,425	8,253	12,669	18,522[r]	5,100	11,863
24 France	4,460	3,300	1,756	−67	74	272	727	33	−17	667
25 Germany	4,439	2,742	2,853	−474	289	419	249	1,727	−133	302
26 Netherlands	2,107	3,576	1,526	425	−433	199	364	520	532	344
27 Switzerland	1,170	187	3,354	733	760	266	358	772	794	404
28 United Kingdom	60,509	54,134	46,616	2,751	4,172	6,194	9,833	13,845[r]	4,130	8,442
29 Canada	4,486	6,264	3,521	677	1,409	114	400	363	628	607
30 Latin America and Caribbean	17,737	34,734	31,014	7,220	5,339	5,512	4,835	2,257	6,703	6,368
31 Middle East[1]	1,679	2,155	1,760	142	78	820	522	69	109	162
32 Other Asia	23,762	16,996	7,317	−3,531	485	2,428	1,166	2,078	−106	1,266
33 Japan	14,173	9,357	4,561	−3,763	−958	886	742	2,904	460	527
34 Africa	624	1,005	202	49	142	36	−72	45	−31	82
35 Other countries	−563	811	1,137	165	244	195	212	262	−5	229
36 Nonmonetary international and regional organizations	**171**	**563**	**527**	**11**	**32**	**69**	**139**	**130**	**58**	**99**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	−59,268	−40,931	−3,758	1,435	83	−1,205	−1,643	−217[r]	−3,349	2,573
38 Foreign purchases	450,365	755,842	463,368	70,435	63,573	68,782	81,297	80,591	80,811	88,314
39 Foreign sales	509,633	796,773	467,126	69,000	63,490	69,987	82,940	80,808[r]	84,160	85,741
40 Bonds, net purchases, or sales (−)	−51,369	−45,917	−25,715	−3,099	−3,539	−2,691	2,797	−9,629	−1,673	−10,980
41 Foreign purchases	1,114,035	1,490,498	704,146	117,165	97,927	102,429	132,740	117,121	107,888	146,041
42 Foreign sales	1,165,404	1,536,415	729,861	120,264	101,466	105,120	129,943	126,750	109,561	157,021
43 Net purchases, or sales (−), of stocks and bonds	**−110,637**	**−86,848**	**−29,473**	**−1,664**	**−3,456**	**−3,896**	**1,154**	**−9,846[r]**	**−5,022**	**−8,407**
44 Foreign countries	**−109,766**	**−86,764**	**−29,492**	**−1,578**	**−3,367**	**−3,854**	**1,182**	**−9,882[r]**	**−5,190**	**−8,381**
45 Europe	−57,139	−27,898	−11,311	823	−4,009	−1,816	4,841	−100[r]	−3,140	−7,087
46 Canada	−7,685	−2,890	−800	−51	987	600	−1,561	−481	−1,336	991
47 Latin America and Caribbean	−11,507	−25,264	−8,522	−2,943	834	512	569	−5,817	−1,105	−3,515
48 Asia	−27,831	−25,131	−7,032	876	−1,109	−3,099	−2,598	−2,777[r]	607	1,944
49 Japan	−5,887	−10,001	62	1,887	−414	−1,831	−1,732	2,019	652	1,368
50 Africa	−1,517	−3,293	−872	−74	−115	−151	−169	−305	−90	−42
51 Other countries	−4,087	−2,288	−955	−209	45	100	100	−402	−126	−672
52 Nonmonetary international and regional organizations	**−871**	**−84**	**19**	**−86**	**−89**	**−42**	**−28**	**36**	**168**	**−26**

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[1]

Millions of dollars; net purchases, or sales (−) during period

Area or country	1996	1997	1998 Jan – June	1997 Dec.	1998 Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **Total estimated**	**232,241**	**184,171**	**40,411**	**−9,398**	**5,512**	**9,957**	**−4,091**	**6,078**	**21,267**	**1,688**
2 Foreign countries	234,083	183,688	39,671	−7,788	4,990	10,091	−5,287	6,769	21,116	1,992
3 Europe	118,781	144,921	32,188	−37	18,215	6,798	−857	6,530	788	714
4 Belgium and Luxembourg	1,429	3,427	758	161	304	252	704	−165	176	−513
5 Germany	17,980	22,471	−245	3,052	−1,085	1,096	1,897	−829	−143	−1,181
6 Netherlands	−582	1,746	−920	−1,525	403	−792	−1,733	130	341	731
7 Sweden	2,242	−465	369	−124	82	−430	400	−202	184	335
8 Switzerland	328	6,028	2,866	2,847	2,419	1,690	170	−483	44	−974
9 United Kingdom	65,658	98,253	15,688	−1,792	11,879	5,875	−3,705	5,785	−2,720	−1,426
10 Other Europe and former U.S.S.R.	31,726	13,461	13,672	−2,656	4,213	−893	1,410	2,294	2,906	3,742
11 Canada	2,331	−811	916	−2,132	−1	266	−517	1,457	−223	−66
12 Latin America and Caribbean	20,785	−2,554	4,766	3,737	−3,619	2,123	−8,383	−7,981	20,033	2,593
13 Venezuela	−69	655	341	−36	4	97	−128	14	−339	693
14 Other Latin America and Caribbean	8,439	−549	7,210	2,485	1,711	2,949	−11	−632	−335	3,528
15 *Netherlands Antilles*	12,415	−2,660	−2,785	1,288	−5,334	−923	−8,244	−7,363	20,707	−1,628
16 Asia	89,735	39,567	4,381	−10,359	−8,757	1,348	3,522	7,966	1,455	−1,153
17 Japan	41,366	20,360	−447	−7,860	−6,484	764	−168	6,301	1,582	−2,442
18 Africa	1,083	1,524	427	268	−43	176	154	−18	13	145
19 Other	1,368	1,041	−3,007	735	−805	−620	794	−1,185	−950	−241
20 Nonmonetary international and regional organizations	−1,842	483	740	−1,610	522	−134	1,196	−691	151	−304
21 International	−1,390	621	317	−1,025	445	−223	900	−715	136	−226
22 Latin American regional	−779	170	8	−131	32	−29	10	−4	−1	0
MEMO										
23 Foreign countries	234,083	183,688	39,671	−7,788	4,990	10,091	−5,287	6,769	21,116	1,992
24 Official institutions	85,807	43,959	4,761	−367	−1,189	1,242	6,133	1,162[r]	898	−3,485
25 Other foreign	148,276	139,729	34,910	−7,421	6,179	8,849	−11,420	5,607[r]	20,218	5,477
Oil-exporting countries										
26 Middle East[2]	10,232	7,636	−1,494	−1,506	−2,411	409	1,325	−380	951	−1,388
27 Africa[3]	1	−12	1	0	1	0	0	0	0	0

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

Country	Rate on Aug. 31, 1998 Percent	Month effective	Country	Rate on Aug. 31, 1998 Percent	Month effective
Austria	2.5	Apr. 1996	Germany	2.5	Apr. 1996
Belgium	2.75	Oct. 1997	Italy	5.0	Apr. 1998
Canada	6.0	Aug. 1998	Japan	5	Sept. 1995
Denmark	3.75	May 1998	Netherlands	2.5	Apr. 1996
France[2]	3.3	Oct. 1997	Switzerland	1.0	Sept. 1996

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1995	1996	1997	1998 Feb.	Mar.	Apr.	May	June	July	Aug.
1 Eurodollars	5.93	5.38	5.61	5.53	5.56	5.56	5.57	5.57	5.57	5.56
2 United Kingdom	6.63	5.99	6.81	7.46	7.47	7.41	7.37	7.61	7.67	7.61
3 Canada	7.14	4.49	3.59	5.02	4.93	4.94	5.09	5.10	5.10	5.35
4 Germany	4.43	3.21	3.24	3.45	3.44	3.56	3.55	3.49	3.46	3.42
5 Switzerland	2.94	1.92	1.58	.98	1.06	1.39	1.52	1.81	1.98	1.68
6 Netherlands	4.30	2.91	3.25	3.36	3.42	3.52	3.53	3.51	3.46	3.41
7 France	6.43	3.81	3.35	3.45	3.45	3.50	3.50	3.47	3.44	3.44
8 Italy	10.43	8.79	6.86	6.12	5.59	5.09	4.98	4.99	4.75	4.78
9 Belgium	4.73	3.19	3.40	3.53	3.61	3.69	3.67	3.62	3.59	3.48
10 Japan	1.20	58	.58	84	.74	.66	.56	.57	.67	.69

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar except as noted

Country/currency unit	1995	1996	1997	1998 Mar.	1998 Apr.	1998 May	1998 June	1998 July	1998 Aug.
1 Australia/dollar[2]	74.073	78.283	74.368	66.963	65.231	63.124	60.456	61.802	58.884
2 Austria/schilling	10.076	10.589	12.206	12.852	12.760	12.491	12.615	12.650	12.574
3 Belgium/franc	29.472	30.970	35.807	37.699	37.424	36.624	36.981	37.074	36.848
4 Brazil/real	0.9162	1.0051	1.0779	1.1334	1.1409	1.1475	1.1543	1.1614	1.1717
5 Canada/dollar	1.3725	1.3638	1.3849	1.4166	1.4298	1.4452	1.4655	1.4869	1.5346
6 China, P.R./yuan	8.3700	8.3389	8.3193	8.3076	8.3058	8.3084	8.3100	8.3100	8.3100
7 Denmark/krone	5.5999	5.8003	6.6092	6.9661	6.9174	6.7662	6.8294	6.8499	6.8067
8 Finland/markka	4.3763	4.5948	5.1956	5.5467	5.5053	5.3966	5.4503	5.4653	5.4340
9 France/franc	4.9864	5.1158	5.8393	6.1257	6.0782	5.9528	6.0118	6.0280	5.9912
10 Germany/deutsche mark	1.4321	1.5049	1.7348	1.8272	1.8132	1.7753	1.7928	1.7976	1.7869
11 Greece/drachma	231.68	240.82	273.28	306.05	315.82	307.22	304.24	299.35	301.21
12 Hong Kong/dollar	7.7357	7.7345	7.7431	7.7458	7.7497	7.7490	7.7471	7.7483	7.7494
13 India/rupee	32.418	35.506	36.365	39.569	39.703	40.469	42.367	42.612	42.843
14 Ireland/pound[2]	160.35	159.95	151.63	136.72	138.94	141.74	140.51	139.88	140.37
15 Italy/lira	1,629.45	1,542.76	1,703.81	1,799.07	1,791.24	1,750.79	1,766.32	1,772.42	1,763.01
16 Japan/yen	93.96	108.78	121.06	129.08	131.75	134.90	140.33	140.79	144.68
17 Malaysia/ringgit	2.5073	2.5154	2.8173	3.7456	3.7376	3.8204	4.0006	4.1591	4.2036
18 Mexico/peso	6.4467	7.6004	7.9177	8.5681	8.5017	8.5848	8.9200	8.8990	9.3712
19 Netherlands/guilder	1.6044	1.6863	1.9525	2.0598	2.0422	2.0005	2.0208	2.0267	2.0148
20 New Zealand/dollar[2]	65.625	68.765	66.247	57.261	55.339	53.876	51.231	51.847	50.115
21 Norway/krone	6.3355	6.4594	7.0857	7.5833	7.5315	7.4539	7.5785	7.6246	7.7248
22 Portugal/escudo	149.88	154.28	175.44	187.03	185.81	181.87	183.58	183.93	182.99
23 Singapore/dollar	1.4171	1.4100	1.4857	1.6188	1.6007	1.6374	1.6941	1.7085	1.7571
24 South Africa/rand	3.6284	4.3011	4.6072	4.9746	5.0459	5.0927	5.3910	6.2285	6.3198
25 South Korea/won	772.69	805.00	950.77	1,489.36	1,391.55	1,399.05	1,397.77	1,295.76	1,314.29
26 Spain/peseta	124.64	126.68	146.53	154.95	153.99	150.81	152.18	152.58	151.72
27 Sri Lanka/rupee	51.047	55.289	59.026	62.083	62.903	64.261	65.150	65.908	66.642
28 Sweden/krona	7.1406	6.7082	7.6446	7.9677	7.8238	7.7026	7.9174	7.9942	8.1282
29 Switzerland/franc	1.1812	1.2361	1.4514	1.4901	1.5051	1.4790	1.4949	1.5136	1.4933
30 Taiwan/dollar	26.495	27.468	28.775	32.524	33.016	33.466	34.553	34.387	34.731
31 Thailand/baht	24.921	25.359	31.072	41.366	39.654	39.198	42.332	41.300	41.720
32 United Kingdom/pound[2]	157.85	156.07	163.76	166.19	167.23	163.82	165.04	164.37	163.42
33 Venezuela/bolivar	174.85	417.19	488.39	521.68	531.26	537.26	543.82	558.47	571.88
Nominal indexes									
34 G-10 (March 1973=100)[4]	84.2500	87.3400	96.3800	100.4700	100.3000	99.6100	100.9000	101.3800	101.8000
35 Broad (January 1997=100)[5]	92.5321	97.4052	104.4669	114.3572	114.1338	115.1641	117.8730	118.1663	120.1445
36 Major currency (March 1973=100)[6]	81.4049	85.2240	91.8513	95.8275	96.4116	96.8838	98.6822	99.3108	100.9581
37 Other important trading partner (January 1997=100)[7]	92.5466	98.2587	104.6742	122.0681	120.5335	122.2841	125.9675	125.6377	127.7693
Real indexes									
38 Broad (March 1973=100)[5]	85.8714	87.8485	92.5478	99.3684	99.0801	99.8195	102.1286	102.5217	103.9770
39 Major currency (March 1973=100)[6]	80.7827	85.8298	93.2024	97.4655	98.0587	98.4039	100.4113	101.4100	103.1225
40 Other important trading partner (March 1973=100)[7]	101.3152	98.3325	99.4765	110.5793	108.9568	110.3409	113.2939	112.8221	114.0228

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.
2. Value in U.S. cents.
3. For more information on the indexes of the foreign exchange value of the dollar, see *Federal Reserve Bulletin*, vol. 84 (October 1998), pp. 811–818.
4. Weighted average of the foreign exchange value of the U.S. dollar against the currencies of the other G-10 countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).
5. Weighted average of the foreign exchange value of the U.S. dollar against the currencies of a broad group of U.S. trading partners. The weight for each currency is computed as an average of U.S. bilateral import shares from and export shares to the issuing country and of a measure of the importance to U.S. exporters of that country's trade in third country markets.
6. Weighted average of the foreign exchange value of the U.S. dollar against a subset of broad index currencies that circulate widely outside the country of issue. The weight for each currency is its broad index weight scaled so that the weights of the subset of currencies in the index sum to one.
7. Weighted average of the foreign exchange value of the U.S. dollar against a subset of broad index currencies that do not circulate widely outside the country of issue. The weight for each currency is its broad index weight scaled so that the weights of the subset of currencies in the index sum to one.

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4.31 PRO FORMA FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

A. Pro forma balance sheet

Millions of dollars

Item	June 30, 1998		June 30, 1997	
Short-term assets (Note 1)				
Imputed reserve requirement on clearing balances	633.0		663.5	
Investment in marketable securities	5,697.0		5,971.5	
Receivables	69.3		64.1	
Materials and supplies	4.7		2.9	
Prepaid expenses	23.4		24.5	
Items in process of collection	6,462.3		1,101.3	
Total short-term assets		12,889 7		7,827.9
Long-term assets (Note 2)				
Premises	392.9		385.1	
Furniture and equipment	127.9		136.3	
Leases and leasehold improvements	24.6		33.2	
Prepaid pension costs	395.1		318.6	
Total long-term assets		940.5		873.3
Total assets		**13,830.1**		**8,701.1**
Short-term liabilities				
Clearing balances and balances arising from early credit of uncollected items	7,926.3		6,922.0	
Deferred-availability items	4,866.0		814.4	
Short-term debt	97.4		91.5	
Total short-term liabilities		12,889.7		7,827.9
Long-term liabilities				
Obligations under capital leases	0.0		.7	
Long-term debt	190.9		187.6	
Postretirement/postemployment benefits obligation	211.2		199.9	
Total long-term liabilities		402.1		388.2
Total liabilities		**13,291.8**		**8,216.1**
Equity		538.3		485.1
Total liabilities and equity (Note 3)		**13,830.1**		**8,701.1**

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

(1) SHORT-TERM ASSETS

The imputed reserve requirement on clearing balances held at Reserve Banks by depository institutions reflects a treatment comparable to that of compensating balances held at correspondent banks by respondent institutions. The reserve requirement imposed on respondent balances must be held as vault cash or as nonearning balances maintained at a Reserve Bank; thus, a portion of priced services clearing balances held with the Federal Reserve is shown as required reserves on the asset side of the balance sheet. The remainder of clearing balances is assumed to be invested in three-month Treasury bills, shown as investment in marketable securities.

Receivables are (1) amounts due the Reserve Banks for priced services and (2) the share of suspense-account and difference-account balances related to priced services.

Materials and supplies are the inventory value of short-term assets.

Prepaid expenses include salary advances and travel advances for priced-service personnel.

Items in process of collection is gross Federal Reserve cash items in process of collection (CIPC) stated on a basis comparable to that of a commercial bank. It reflects adjustments for intra-System items that would otherwise be double-counted on a consolidated Federal Reserve balance sheet; adjustments for items associated with non-priced items, such as those collected for government agencies; and adjustments for items associated with providing fixed availability or credit before items are received and processed. Among the costs to be recovered under the Monetary Control Act is the cost of float, or net CIPC during the period (the difference between gross CIPC and deferred-availability items which is the portion of gross CIPC that involves a financing cost), valued at the federal funds rate.

(2) LONG-TERM ASSETS

Consists of long-term assets used solely in priced services, the priced-services portion of long-term assets shared with nonpriced services, and an estimate of the assets of the Board of Governors used in the development of priced services. Effective Jan. 1, 1987, the Reserve Banks implemented the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 87, *Employers' Accounting for Pensions* (SFAS 87). Accordingly, the Federal Reserve Banks recognized credits to expenses of $28.7 million in the second quarter of 1998, $16.2 million in the first quarter of 1998, $15.6 million in the second quarter of 1997, and $15.6 million in the first quarter of 1997, and corresponding increases in this asset account.

(3) LIABILITIES AND EQUITY

Under the matched-book capital structure for assets that are not "self-financing," short-term assets are financed with short-term debt Long-term assets are financed with long-term debt and equity in a proportion equal to the ratio of long-term debt to equity for the fifty largest bank holding companies, which are used in the model for the private-sector adjustment factor (PSAF). The PSAF consists of the taxes that would have been paid and the return on capital that would have been provided had priced services been furnished by a private-sector firm. Other short-term liabilities include clearing balances maintained at Reserve Banks and deposit balances arising from float. Other long-term liabilities consist of obligations on capital leases.

4.31 PRO FORMA FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

B. Pro forma income statement

Millions of dollars

Item	Quarter ending June 30, 1998		Quarter ending June 30, 1997	
Revenue from services provided to depository institutions (Note 4)		202.0		195.8
Operating expenses (Note 5)		154.0		164.8
Income from operations		48.0		31.0
Inputed costs (Note 6)				
Interest on float	3.9		1.8	
Interest on debt	4.3		4.4	
Sales taxes	1.7		2.3	
FDIC insurance	0.0	9.8	0.5	9.0
Income from operations after imputed costs		38.1		22.0
Other income and expenses (Note 7)				
Investment income on clearing balances	88.0		91.7	
Earnings credits	81.5	6.5	87.6	4.3
Income before income taxes		44.6		26.3
Inputed income taxes (Note 8)		14.3		8.4
Net income		**30.3**		**17.8**
MEMO				
Targeted return on equity (Note 9)		17.2		13.4
	Six months ending June 30, 1998		Six months ending June 30, 1997	
Revenue from services provided to depository institutions (Note 4)		397.1		388.9
Operating expenses (Note 5)		316.9		328.1
Income from operations		80.2		60.7
Imputed costs (Note 6)				
Interest on float	9.3		6.1	
Interest on debt	8.5		8.8	
Sales taxes	3.7		4.9	
FDIC insurance	0.0	21.5	1.0	20.8
Income from operations after imputed costs		58.7		39.9
Other income and expenses (Note 7)				
Investment income on clearing balances	181.5		180.1	
Earnings credits	(165.5)	16.0	165.8	14.3
Income before income taxes		74.7		54.2
Imputed income taxes (Note 8)		24.0		17.4
Net income		**50.7**		**36.8**
MEMO				
Targeted return on equity (Note 9)		32.8		27.1

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

(4) REVENUE

Revenue represents charges to depository institutions for priced services and is realized from each institution through one of two methods: direct charges to an institution's account or charges against its accumulated earnings credits.

(5) OPERATING EXPENSES

Operating expenses consist of the direct, indirect, and other general administrative expenses of the Reserve Banks for priced services plus the expenses for staff members of the Board of Governors working directly on the development of priced services. The expenses for Board staff members were $0.7 million in the first and second quarters of 1998 and 1997. The credit to expenses under SFAS 87 (see note 2) is reflected in operating expenses.

(6) IMPUTED COSTS

Imputed costs consist of interest on float, interest on debt, sales taxes, and the FDIC assessment. Interest on float is derived from the value of float to be recovered, either explicitly or through per-item fees, during the period. Float costs include costs for checks, book-entry securities, noncash collection, ACH, and funds transfers.

Interest is imputed on the debt assumed necessary to finance priced-service assets. The sales taxes and FDIC assessment that the Federal Reserve would have paid had it been a private-sector firm are among the components of the PSAF (see note 3).

The following list shows the daily average recovery of float by the Reserve Banks for the second quarter of 1998 and 1997 in millions of dollars:

	1998	1997
Total float	627 9	404.1
Unrecovered float	40.1	20.1
Float subject to recovery	587.8	384.0
Sources of float recovery		
Income on clearing balances	58.6	38.0
As-of adjustments	308.8	251.9
Direct charges	107.7	83.2
Per-item fees	112.7	10.9

Unrecovered float includes float generated by services to government agencies and by other central bank services. Float recovered through income on clearing balances is the result of the increase in investable clearing balances; the increase is produced by a deduction for float for cash items in process of collection, which reduces imputed reserve requirements. The income on clearing balances reduces the float to be recovered through other means. As-of adjustments and direct charges are mid-week closing float and interterritory check float, which may be recovered from depositing institutions through adjustments to the institution's reserve or clearing balance or by valuing the float at the federal funds rate and billing the institution directly. Float recovered through per-item fees is valued at the federal funds rate and has been added to the cost base subject to recovery in the second quarters of 1998 and 1997.

(7) OTHER INCOME AND EXPENSES

Consists of investment income on clearing balances and the cost of earnings credits. Investment income on clearing balances represents the average coupon-equivalent yield on three-month Treasury bills applied to the *total* clearing balance maintained, adjusted for the effect of reserve requirements on clearing balances. Expenses for earnings credits granted to depository institutions on their clearing balances are derived by applying the average federal funds rate to the *required* portion of the clearing balances, adjusted for the net effect of reserve requirements on clearing balances.

(8) INCOME TAXES

Imputed income taxes are calculated at the effective tax rate derived from the PSAF model (see note 3).

(9) RETURN ON EQUITY

Represents the after-tax rate of return on equity that the Federal Reserve would have earned had it been a private business firm, as derived from the PSAF model (see note 3). This amount is adjusted to reflect the recovery of automation consolidation costs of $6.7 million for the second quarter of 1998, $2.6 million for the first quarter of 1998, $4.2 million for the second quarter of 1997, and $2.3 million for the first quarter of 1997. The Reserve Banks plan to recover these amounts, along with a finance charge, by the end of the year 2001.

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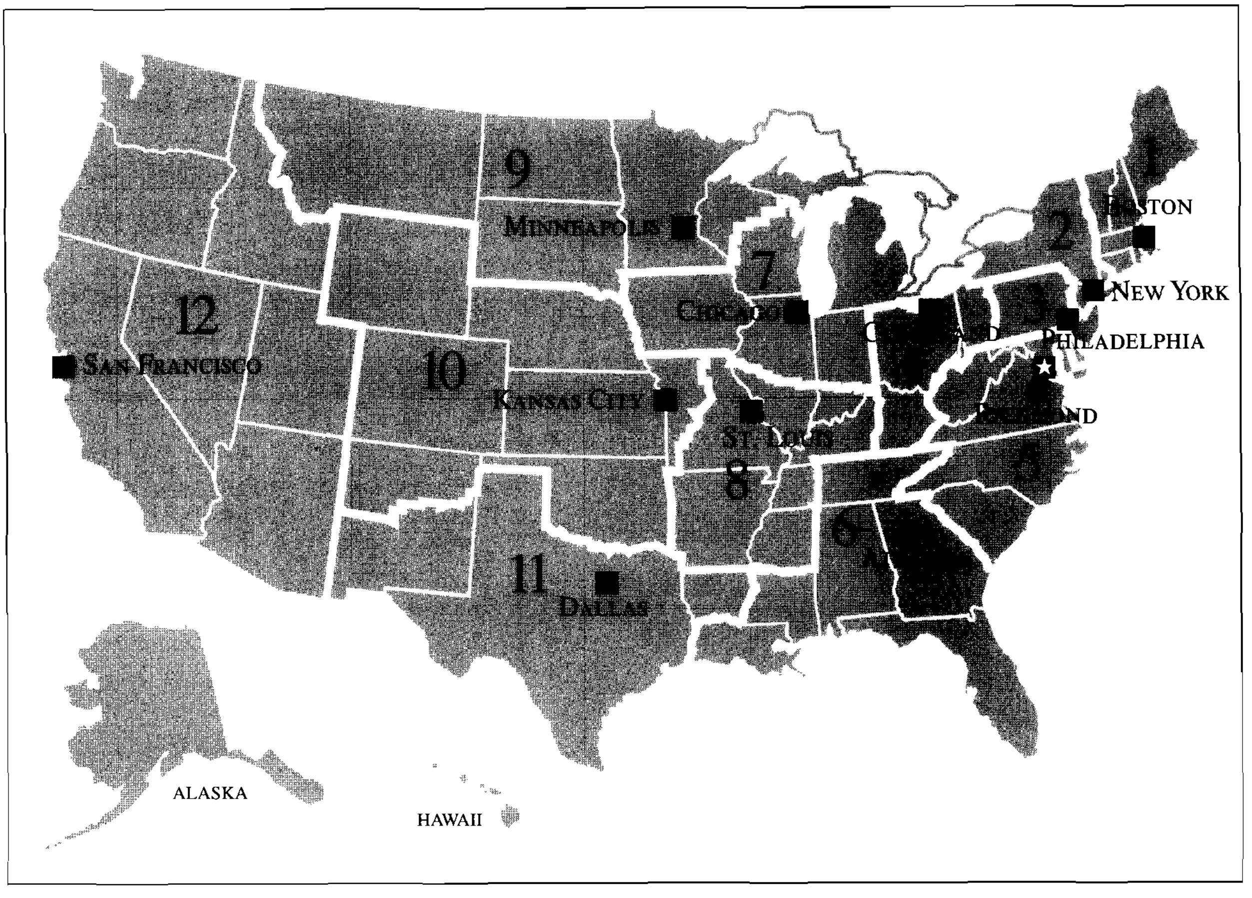
Maps of the Federal Reserve System



LEGEND

Both pages

- ■ Federal Reserve Bank city
- ■ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

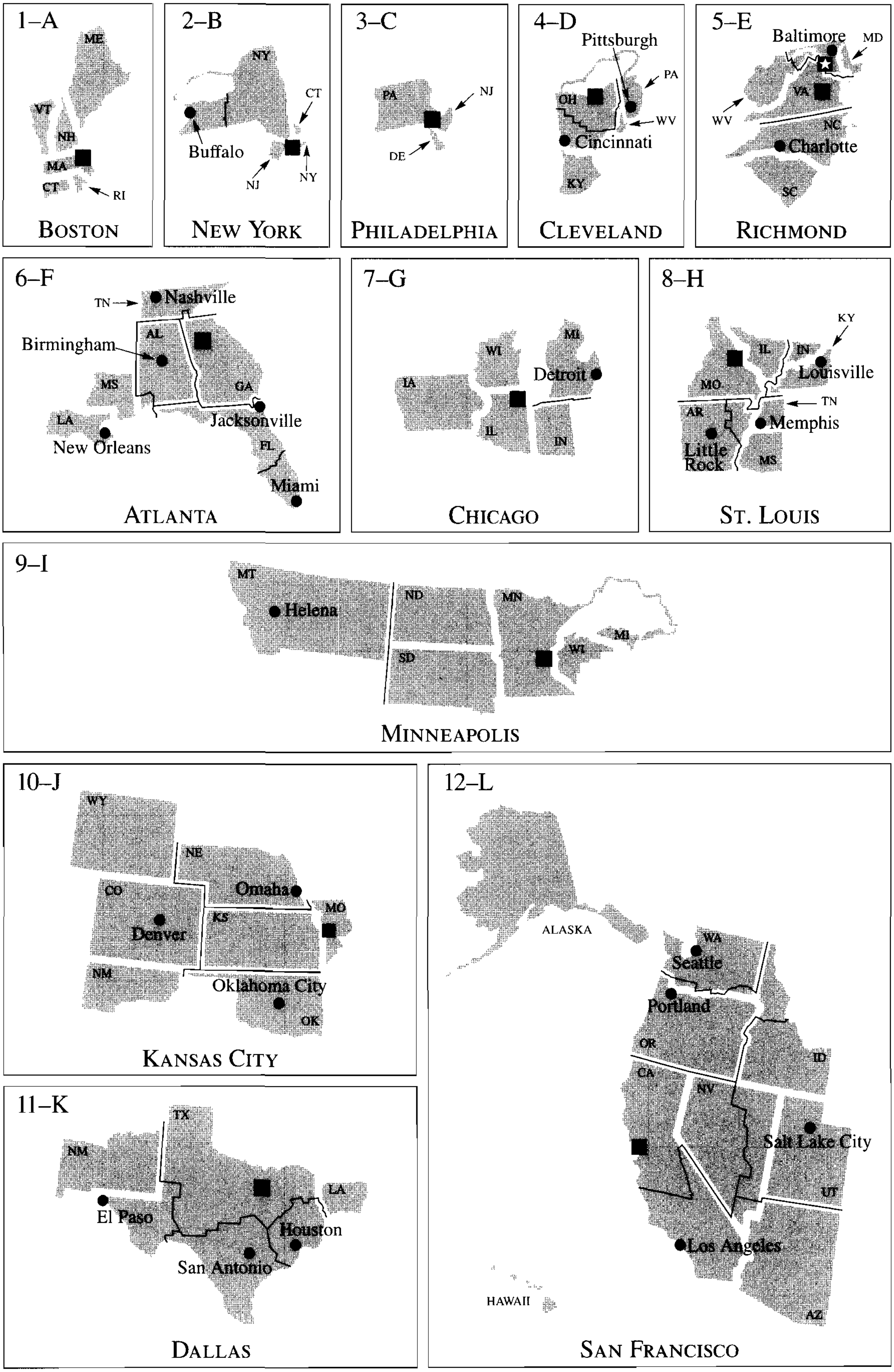
- • Federal Reserve Branch city
- — Branch boundary

NOTE

The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in February 1996.


1–A
ME
VT
NH
MA
CT
RI
BOSTON
2–B
NY
CT
Buffalo
NJ
NY
NEW YORK
3–C
PA
NJ
DE
PHILADELPHIA
4–D
Pittsburgh
PA
OH
WV
Cincinnati
KY
CLEVELAND
5–E
Baltimore
MD
VA
WV
NC
Charlotte
SC
RICHMOND
6–F
TN
Nashville
AL
Birmingham
MS
GA
LA
Jacksonville
New Orleans
FL
Miami
ATLANTA
7–G
MI
WI
Detroit
IA
IL
IN
CHICAGO
8–H
KY
IL
IN
Louisville
MO
AR
TN
Memphis
Little Rock
MS
ST. LOUIS
9–I
MT
Helena
ND
MN
MI
SD
WI
MINNEAPOLIS
10–J
WY
NE
CO
Omaha
MO
KS
Denver
NM
Oklahoma City
OK
KANSAS CITY
11–K
TX
NM
LA
El Paso
Houston
San Antonio
DALLAS
12–L
ALASKA
WA
Seattle
Portland
OR
ID
CA
NV
Salt Lake City
UT
Los Angeles
HAWAII
AZ
SAN FRANCISCO

Federal Reserve Banks, Branches, and Offices

FEDERAL RESERVE BANK branch, or *facility*	Zip	Chairman Deputy Chairman	President First Vice President	Vice President in charge of branch
BOSTON*	02106	William C. Brainard William O. Taylor	Cathy E. Minehan Paul M. Connolly	
NEW YORK*	10045	John C. Whitehead Thomas W. Jones	William J. McDonough Vacant	
Buffalo	14240	Bal Dixit		Carl W. Turnipseed[1]
PHILADELPHIA	19105	Joan Carter Charisse R. Lillie	Edward G. Boehne William H. Stone, Jr.	
CLEVELAND*	44101	G. Watts Humphrey, Jr. David H. Hoag	Jerry L. Jordan Sandra Pianalto	
Cincinnati	45201	George C. Juilfs		Charles A. Cerino[1]
Pittsburgh	15230	John T. Ryan III		Robert B. Schaub
RICHMOND*	23219	Claudine B. Malone Robert L. Strickland	J. Alfred Broaddus, Jr. Walter A. Varvel	
Baltimore	21203	Daniel R. Baker		William J. Tignanelli[1]
Charlotte	28230	Dennis D. Lowery		Dan M. Bechter[1]
ATLANTA	30303	David R. Jones John F. Wieland	Jack Guynn Patrick K. Barron	James M. Mckee
Birmingham	35283	Patricia B. Compton		Fred R. Herr[1]
Jacksonville	32231	Judy Jones		James D. Hawkins[1]
Miami	33152	R. Kirk Landon		James T. Curry III
Nashville	37203	Frances F. Marcum		Melvyn K. Purcell
New Orleans	70161	Lucimarian Roberts		Robert J. Musso
CHICAGO*	60690	Lester H. McKeever, Jr. Arthur C. Martinez	Michael H. Moskow William C. Conrad	
Detroit	48231	Florine Mark		David R. Allardice[1]
ST. LOUIS	63166	John F. McDonnell Susan S. Elliott	William Poole W. LeGrande Rives	
Little Rock	72203	Betta M. Carney		Robert A. Hopkins
Louisville	40232	Roger Reynolds		Thomas A. Boone
Memphis	38101	Carol G. Crawley		Martha L. Perine
MINNEAPOLIS	55480	David A. Koch James J. Howard	Gary H. Stern Colleen K. Strand	
Helena	59601	William P. Underriner		John D. Johnson
KANSAS CITY	64198	Jo Marie Dancik Terrence P. Dunn	Thomas M. Hoenig Richard K. Rasdall	
Denver	80217	Peter I. Wold		Carl M. Gambs[1]
Oklahoma City	73125	Barry L. Eller		Kelly J. Dubbert
Omaha	68102	Arthur L. Shoener		Steven D. Evans
DALLAS	75201	Roger R. Hemminghaus James A. Martin	Robert D. McTeer, Jr. Helen E. Holcomb	
El Paso	79999	Patricia Z. Holland-Branch		Sammie C. Clay
Houston	77252	Edward O. Gaylord		Robert Smith, III[1]
San Antonio	78295	H. B. Zachry, Jr.		James L. Stull[1]
SAN FRANCISCO	94120	Gary G. Michael Cynthia A. Parker	Robert T. Parry John F. Moore	
Los Angeles	90051	Anne L. Evans		Mark L. Mullinix[1]
Portland	97208	Carol A. Whipple		Raymond H. Laurence[1]
Salt Lake City	84125	Richard E. Davis		Andrea P. Wolcott
Seattle	98124	Richard R. Sonstelie		Gordon R. G. Werkema[2]

*Additional offices of these Banks are located at Windsor Locks, Connecticut 06096; East Rutherford, New Jersey 07016; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; Milwaukee, Wisconsin 53202; and Peoria, Illinois 61607.

1. Senior Vice President.
2. Executive Vice President