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The U.S. System for Measuring Cross-Border Investment in Securities: A Primer with a Discussion of Recent Developments

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One of the most striking developments in international finance in recent years has been the enormous expansion in cross-border securities transactions and holdings, accompanied by a decline in the relative importance of international bank lending. In the past decade, for example, the share of U.S. equities transactions involving foreign investors rose from less than 1 percent to more than 20 percent. In contrast, over the same period, the share of bank lending in U.S. cross-border positions decreased by half. Cross-border securities flows are now large enough to significantly influence national markets and to affect the overall health of the international financial system.

The shift in the nature of cross-border financing has heightened interest in the quality and timeliness of the systems used by the United States and other countries to measure international securities flows and holdings. Ideally, the U.S. measurement system should provide information on the size of cross-border holdings, the geographic composition of holdings, the types of securities held, the extent of foreign ownership of U.S. companies, and developing trends. It should also help in understanding what drives portfolio flows into and out of the United States and the effect of these flows on exchange rates. As this article will show, the data collected by the United States can address some of these topics better than others.

The article is intended as a primer on the U.S. system for measuring cross-border securities investment. It begins with an overview of the data collection system and a look at some recent trends in cross-border holdings and transactions. It then discusses aspects of the system's design and implications of the design for data interpretation. The article concludes with a discussion of anticipated changes to the U.S. system and of the way those changes are being influenced by international efforts to improve the availability, timeliness, and quality of data on cross-border securities holdings worldwide.

OVERVIEW OF THE U.S. SYSTEM

The United States collects data on cross-border portfolio investment through the Treasury International Capital (TIC) reporting system.[1] The detail of information collected and the frequency of collection vary depending on the type of investment being measured.

Cross-border holdings of long-term securities (original term to maturity of more than one year) are measured at market value through periodic benchmark surveys of custodians, issuers, and investors; data are collected at the security level (that is, information is reported separately for each security). *Cross-border transactions in equities and long-term debt securities* are measured at market value through monthly reports filed by transactors (mainly broker–dealers); data are collected at the aggregate level, by country (for simplicity, such data are referred to throughout this article as aggregate data).

Foreign holdings of U.S. short-term securities are measured in the aggregate, at face value, through monthly reports filed by banks and brokers and quarterly reports filed by corporate borrowers.[2] Some

1. Portfolio investment is defined as ownership or control, by a single investor or an affiliated group, of less than 10 percent of the voting equity of an incorporated business enterprise or an equivalent interest in an unincorporated enterprise. Ownership or control, by a single investor or an affiliated group, of 10 percent or more of the voting equity of an incorporated business enterprise or an equivalent interest in an unincorporated enterprise is considered direct investment. Direct investment is measured by the Department of Commerce's Bureau of Economic Analysis. This article deals only with portfolio investment.

2. U.S. securities are defined as securities issued by institutions resident in the United States, with the exception of securities issued by official international and regional organizations, which are categorized as foreign regardless of their location. Neither the currency in which a security is denominated nor the exchange on which a security trades determines whether a security is domestic or foreign. Thus, a security issued in Germany by a U.S.-resident firm that is denominated in euros is a U.S. security, while a security issued by a Canadian firm that trades in the United States and is denominated in U.S. dollars is a

categories of short-term holdings are measured separately, while others are included indistinguishably in "catch-all" categories of short-term liabilities. *U.S. holdings of foreign short-term securities* are measured in the aggregate, at face value, through monthly reports filed by banks and brokers and quarterly reports filed by custodians and investors; all such holdings are commingled with other types of assets, such as time and demand deposits.

Measurement of cross-border activity in long-term securities is the focus of this article. For a description of the measurement of cross-border activity in short-term securities and other types of assets and liabilities, see the box "TIC Reporting System for Portfolio Investment Items Other Than Long-Term Securities."

The monthly aggregate transactions reports and the periodic benchmark surveys form a complementary system. The monthly reports provide timely data on cross-border securities transactions, but the information is less detailed than that provided by the benchmark surveys—and probably somewhat less accurate because the monthly reports collect aggregate rather than security-level data. The surveys, while providing greater detail and presumably greater accuracy, cannot be produced in a time frame that could be useful for immediate policymaking purposes.

Data from the benchmark surveys, in combination with the monthly transactions data, are the primary source for the Bureau of Economic Analysis's estimates of holdings in the annual international investment position presentation. The BEA also uses the data in calculating investment income and financial flows in the U.S. balance of payments.

Data collected through the TIC system are publicly available on the Department of the Treasury's web site, at http://www.ustreas.gov/tic/.[3] Time series derived from the monthly and quarterly reports of transactions in long-term securities and holdings of short-term securities and of other types of cross-border financial transactions are posted, in aggregate form, with a two-month lag. Findings from the most recent benchmark surveys of holdings of long-term securities are also posted on the web site.

Many of the TIC data aggregates are published in the Capital Movements section of the quarterly *Treasury Bulletin*. Selected data aggregates are also published in the *Federal Reserve Bulletin*. The BEA publishes selected data as well as compilations derived from TIC data in the Department of Commerce's *Survey of Current Business*.

Cross-Border Holdings of Long-Term Securities

Data Collection

Benchmark surveys of cross-border holdings of long-term securities have been carried out at infrequent intervals. Surveys of foreign holdings of U.S. long-term securities (known as liabilities surveys) have been conducted at approximately five-year intervals since year-end 1974. Surveys of U.S. holdings of foreign long-term securities (known as asset surveys) have been conducted as of the end of March 1994 and year-end 1997.[4]

Both asset and liabilities surveys collect information at the individual security level, thus allowing for detailed editing and analysis of reported data. Although both types of surveys are designed to be as comprehensive as possible, the legal authority to collect data extends only to U.S.-resident entities, with implications that are discussed later.

Liabilities Surveys

Liabilities surveys collect data on foreign holdings of U.S. long-term securities from two types of reporters: U.S.-resident firms that issue securities and U.S.-resident custodians (typically banks and broker–dealers) that hold U.S. securities on behalf of foreign owners.

Custodians are the primary source of data for liabilities surveys because U.S.-resident firms that issue securities usually have little information about the actual owners of their securities. U.S. securities are typically registered on the books of the firms that issue them in "street name"—that is, in the name of the custodian of the securities—not in the name of the actual investor. In contrast, custodians know if they are holding securities on behalf of a foreign-resident firm or individual.

Issuers report only foreign holdings that are registered directly on their books (that is, no U.S. custodian is used) or debt securities they have issued in unregistered "bearer" form. Unregistered securities

foreign security. American Depositary Receipts (ADRs) are considered foreign securities because, although they are issued by U.S. institutions, their purpose is to serve as proxies to facilitate the trading of the foreign securities the ADRs represent.

3. The Department of the Treasury has the legal authority to collect data on cross-border portfolio financial transactions and holdings. However, Treasury has entrusted operational responsibility for the collection of these data to the Federal Reserve System.

4. Several asset and liabilities surveys were conducted before the advent of the "modern" survey system in 1974. These surveys are described in the box "History of the U.S. System for Measuring Cross-Border Securities Holdings."

TIC Reporting System for Portfolio Investment Items Other Than Long-Term Securities

The TIC system collects data on cross-border holdings of several types of portfolio capital besides the long-term securities that are the focus of this article.

Short-Term Instruments

This category encompasses such instruments as commercial paper, U.S. Treasury bills, short-term obligations of U.S. government corporations and U.S. government-sponsored agencies, bankers and trade acceptances, and marketable notes (including short-term tranches under medium-term note arrangements); certificates of deposit, regardless of maturity, are reported as marketable short-term instruments if negotiable and as deposits if non-negotiable. Only U.S. Treasury bills, short-term U.S. government agency issues, and U.S.-issued negotiable CDs that are held in custody for foreigners are reported as distinct categories. Other short-term U.S. liabilities and all foreign short-term instruments held by U.S. residents are not identified separately by type of instrument; rather, they are reported in aggregate categories of "other" liabilities and claims.

Short-term securities are debt instruments with an original term to maturity of one year or less. Holdings are reported monthly or quarterly, in aggregate form, by banks, broker–dealers, and nonfinancial firms. Amounts are reported by country, at face value. Reporting at face value, as opposed to market value, as is done for long-term securities, is appropriate because prices of short-term securities typically do not fluctuate much.

Outstanding face amounts of expressly identified U.S. short-term securities held by foreigners as of June 30, 2001, were as follows: Treasury bills, $156.4 billion; government agency issues, $60.1 billion; and negotiable CDs, $24.9 billion.

Non-Securities

The TIC system also collects data on non-securities—such items as deposits, loans, and trade receivables. Collection procedures differ for banking and nonbanking firms.

Banking firms. Data on U.S.-booked outstanding claims and liabilities with foreign residents, including amounts of short-term instruments held in custody for customers, are reported via a combination of monthly, quarterly, and semiannual reports.[1] Amounts are reported by major type of item (such as deposits and loans) and by major category of foreign "resident" (such as official institutions, unaffiliated foreign banks, own foreign banking offices, and "other" foreigners as a group).

The data are collected from banks in the United States (including branches and agencies of foreign-based banks), other depository institutions, bank and financial holding companies, and securities brokers and dealers in the United States. Currently, entities whose claims and liabilities positions with foreign residents total $50 million or more as of the reporting date (or at least $25 million with respect to a single country) must file reports. As of June 30, 2001, the 425 firms on the reporting panel reported aggregate claims of $1,284 billion and aggregate liabilities of $1,628 billion vis-à-vis foreigners.

Nonbanking firms. Data on claims and liabilities positions with unaffiliated foreigners are collected quarterly. The data cover such instruments as loans and deposits as well as commercial positions in such instruments as trade payables and receivables.

The data are collected from importers and exporters, industrial and commercial concerns, insurance and other financial entities (excluding depository institutions and broker–dealers), and similar firms. Currently, all entities in the reporting population whose quarter-end balance for either claims or liabilities is $10 million or more must report. As of June 30, 2001, the approximately 300 firms on the reporting panel together reported outstanding claims on foreigners of $98 billion and liabilities to foreigners of $69 billion.

1. Monthly reports cover respondents' own dollar-denominated claims and liabilities and their custodial holdings of U.S. short-term instruments for foreign clients; quarterly reports cover respondents' own claims and liabilities denominated in foreign currencies and their custodial holdings of short-term instruments representing U.S. clients' claims on foreigners; and semiannual reports cover dollar-denominated claims and liabilities vis-à-vis countries not listed separately on the monthly reporting forms.

are issued abroad only (they have not been issued in the United States since 1984), and purchasers are not required to identify themselves. U.S. entities usually do not have information about the owners of unregistered securities, and issuers are instructed to report such holdings as presumed foreign, country unknown.

Reporting on the liabilities surveys (as on all TIC surveys and reports) is mandatory, with both fines and imprisonment possible for willful failure to report. For the most recent survey, conducted as of March 31, 2000, firms with less than $20 million in total reportable foreign holdings were exempt.[5] All

5. The International Investment and Trade in Services Survey Act (22 U.S.C. 3101 et seq.) requires that comprehensive benchmark surveys of foreign portfolio investment in the United States be conducted at least once every five years. After notification to relevant congressional committees, the most recent survey was conducted five years and three months after the previous survey to avoid imposing a reporting requirement that coincided with respondents' Y2K-related efforts.

History of the U.S. System for Measuring Cross-Border Securities Holdings

Early interest in measuring cross-border securities activities focused primarily on foreign holdings of U.S. securities. The first measurement effort was an 1853 Department of the Treasury survey of foreign holdings of U.S. public and private securities conducted in response to congressional concern about the increasing level of U.S. debt held by foreigners. The survey showed that foreigners owned $222 million in U.S. securities, 19 percent of total outstanding U.S. securities at that time and 46 percent of outstanding federal government securities. An 1869 study by the Treasury Special Commissioner of the Revenue showed U.S. indebtedness to foreign entities at $1.4 billion, including $1 billion in U.S. government securities and $100 million in state debt.

In 1934, in connection with the banking emergency, the United States began to collect monthly data on transactions in long-term securities and monthly and quarterly data on other financial flows (such as bank and nonbank lending and borrowing) and on holdings of short-term financial instruments. This collection program, known as the Treasury International Capital (TIC) reporting system, began as an expansion of a voluntary reporting program instituted in the late 1920s by the Federal Reserve Bank of New York to obtain figures on U.S. banks' positions with foreigners.

In addition to the TIC system, surveys of foreign holdings of U.S. long-term securities continued intermittently. The Department of Commerce conducted two surveys during the Depression to "provide . . . an adequate statistical basis for estimating annual interest and dividend payments by the United States to investors residing in foreign countries." Foreign holdings of U.S. securities were found to be $4.5 billion at the end of 1937, compared with $2.1 billion at the end of 1934.

Two surveys were conducted during the World War II era. The first, by the Treasury Department, found foreign holdings of U.S. securities to be some $2.7 billion as of June 14, 1941. (As a wartime measure, the United States froze U.S. assets belonging to the Axis countries as well as countries invaded by Germany or Japan.) The other survey took place in 1943, when the Treasury Department conducted the first survey of U.S. ownership of foreign assets, in this case assets of all types. The primary purpose of the survey was to help U.S. residents recover or seek reparations for foreign assets that may have been confiscated or destroyed during the war.[1]

In 1945, the legal basis for the TIC system was widened by the Bretton Woods Agreements Act to enable the United States to comply with International Monetary Fund needs for information on U.S. balance of payments and official monetary reserves.

The first modern benchmark survey measured foreign holdings of U.S. long-term securities as of year-end 1974. Prompting the survey initially was public concern about the possible effects on the economy of the rise in investments in the United States by European and Japanese investors; later, concern shifted to the oil-producing countries, which had begun to accumulate substantial investable sums as a result of increased oil income. Without benchmark surveys, the TIC system could not accurately identify the countries that were holding U.S. securities or provide much information on the actual securities being purchased.

To address these shortcomings, Congress passed the Foreign Investment Study Act of 1974 (Public Law 93-479), which evolved into the current enabling legislation, the International Investment and Trade in Services Survey Act (22 U.S.C. 3101 et seq.). The latter act stipulates, among other things, that a comprehensive, benchmark survey of foreign portfolio investment in the United States be conducted at least once every five years and that information collected under the authority of the act be published for use by the general public and by U.S. government agencies.

1. The portion of the preceding discussion pertaining to surveys of foreign holdings of U.S. securities was drawn from Department of the Treasury, *Report on Foreign Portfolio Investment in the United States as of December 31, 1984*, chap. 6.

firms that are thought to have a reasonable likelihood of meeting the reporting requirements are sent a copy of the survey instructions (1,445 firms for the most recent survey). In addition, notice is published in the *Federal Register*, which constitutes legal notification of the survey's reporting requirements.

For the most recent liabilities survey, data were received from 208 custodians and 289 issuers. Whereas issuers on average reported relatively low levels of foreign holdings, many custodians reported very high levels. Indeed, custodians accounted for 94 percent of total reported foreign holdings, as measured in terms of market value, and the six largest custodians together accounted for approximately 60 percent of the total (more than $2 trillion).

Some 2.2 million data records were received, the vast majority in electronic form. Four custodians reported more than 100,000 records each. The data were subjected to extensive verification checks, including comparison with information obtained from commercial and international sources to help verify such items as price, currency of denomination, and amounts reported. The distributional pattern of each submission was analyzed with respect to such variables as the countries of foreign holders and the types of securities held. Questionable data were discussed with respondents, and detected errors were corrected. Although most respondents provided high-quality data, at the other extreme, some respondents were required to provide completely revised submissions. The security-level editing greatly improved the quality of data by enabling the detection and correction of many errors; for instance, 133,058 records with an originally reported market value of $255 billion were excluded from the survey, most commonly because they were determined to be foreign securities or U.S. short-term securities.

Asset Surveys

Asset surveys employ the same general approach as liabilities surveys. Data are collected from two types of reporters, in this case, U.S.-resident custodians and U.S. institutional investors. Custodians are again the primary source of information, reporting 97 percent of total U.S. holdings of foreign long-term securities, by market value, on the most recent survey. Institutional investors, such as mutual funds, pension funds, insurance companies, endowments, and foundations, report in detail on their ownership of foreign securities only if they do not entrust the safekeeping of these securities to U.S.-resident custodians. If they do use U.S.-resident custodians, institutional investors report only the name(s) of the custodian(s) and the amount(s) entrusted.

The requirement that institutional investors identify their U.S.-resident custodian(s) has the beneficial side effect of ensuring that all sizable U.S.-resident custodians holding foreign securities are included in the survey, because any custodian identified by an institutional investor is instructed to report. The requirement also makes it possible to check on survey accuracy, as the amount of foreign holdings each custodian should report can be estimated by summing the amounts that institutional investors have entrusted to each custodian.

The asset surveys receive approximately 60 percent fewer data records than the liabilities surveys, but in some ways the asset surveys are more difficult and more complex to conduct: Accurately pricing and categorizing the universe of foreign securities is far more challenging, as the commercial data used to cross-check data on foreign securities are generally less complete than like data for cross-checking data on U.S. securities; custodian data tend to have more errors and omissions in asset surveys compared with liabilities surveys; and unexpected local market quirks can lead to misinterpretations of reported asset data. In addition, accurately determining the currency in which foreign debt securities are denominated, though essential for calculating U.S. dollar equivalents, is sometimes difficult.

Preliminary Findings from the March 2000 Liabilities Survey

The most recent liabilities survey showed foreign holdings of U.S. long-term securities of $3.6 trillion at the end of March 2000, compared with $1.2 trillion measured by the year-end 1994 survey.[6] The tripling of foreign holdings reflects substantial net purchases of U.S. securities in the late 1990s as well as sizable gains in the value of U.S. equities over the period.

Foreign Holdings, by Type of Instrument and Country

The relative gains in U.S. equity prices helped shift the composition of foreign holdings of U.S. long-term securities over the five years between surveys, as there was no corresponding appreciation in the value of debt securities. In 1994, foreign investors held far more U.S. debt than equity (table 1). By 2000, foreigners' equity holdings were close to their holdings of debt, though considerable differences remained across countries. For example, of the countries listed in table 1, Canada and the European countries held more equity than debt in 2000, while the Asian countries and the offshore financial centers of Bermuda and the Cayman Islands held more debt than equity.

Over the past two decades, residents of Japan and the United Kingdom have consistently led residents of other countries in terms of their holdings of U.S. long-term securities. Holdings by residents of Japan were the greatest in 1989 and 1994, while holdings by residents of the United Kingdom were the largest in 1984 and 2000.

Although the proportional increase in holdings between 1994 and 2000 was relatively uniform across countries, the holdings of some countries rose spectacularly. For example, Luxembourg's holdings increased twentyfold, and China's increased fivefold.

The magnitude of holdings by residents of Luxembourg in 2000 ($106 billion) relative to that country's annual gross domestic product ($18 billion) highlights an important shortcoming of the liabilities sur-

6. The March 2000 data presented here are based on preliminary data. A full report on the March 2000 liabilities survey will be posted on the Department of the Treasury's web site in the near future.

1. Market value of foreign holdings of U.S. long-term securities, by country, December 31, 1994, and March 31, 2000
Billions of dollars

Country	1994			2000		
	Total	Equity	Debt	Total	Equity	Debt
United Kingdom	168	90	78	525	322	203
Japan	230	34	196	428	145	283
Canada	58	47	12	208	173	35
Germany	68	15	53	204	110	94
Switzerland	57	39	18	186	148	38
Netherlands	32	22	10	139	106	33
Cayman Islands	37	13	25	121	45	76
Luxembourg	5	2	2	106	69	37
Bermuda	27	11	16	106	45	61
China	18	0	18	92	1	91
Country unknown	161	5	156	366	43	323
Rest of world	383	120	262	1,095	504	591
Total	**1,244**	**398**	**846**	**3,576**	**1,711**	**1,865**

NOTE. In this and subsequent tables, components may not sum to totals because of rounding.

vey data—their custodial center bias. Luxembourg is a major custodial center, and significant holdings are attributed to that country that are actually holdings of residents of other countries.

The source of this custodial center bias can be seen in the following example. A resident of Germany may buy a U.S. security and place it in the custody of a Swiss bank. The Swiss bank will then normally employ a U.S.-resident custodian bank to act as its foreign subcustodian for the security to facilitate settlement and custody operations. Because the legal authority to collect information by means of the surveys extends only to U.S.-resident entities, the U.S.-resident bank acting as subcustodian for the Swiss bank will report the security on the survey. And because the U.S. bank will typically know only that it is holding the security on behalf of a Swiss bank, it will report the security as Swiss held.

Among the countries listed in table 1, the United Kingdom, Switzerland, the Cayman Islands, Luxembourg, and Bermuda are financial centers where securities owned by residents of other countries are held in custody. Although the benchmark surveys' country attribution of foreign investment in U.S. securities is clearly imperfect, the survey data have historically been better at determining country attribution than the monthly flow data (as is discussed later).

The $323 billion in debt securities categorized as "Country unknown" in table 1 points to another difficulty in attributing ownership of U.S. securities to particular countries. Owners of U.S. debt securities issued abroad in the form of bearer (unregistered) securities need not identify themselves, and therefore neither the issuers nor U.S. custodians typically have information about these owners. Thus, no country attribution is possible unless the securities are entrusted to U.S. custodians for safekeeping, an uncommon occurrence.

Foreign Holdings of U.S. Securities in Perspective

Comparison of foreign holdings of U.S. long-term securities with other metrics provides perspective on these holdings. One such standard is U.S. holdings of foreign securities: As of March 31, 2000, when foreign holdings of U.S. long-term securities stood at $3.6 trillion, U.S. holdings of foreign long-term securities totaled an estimated $2 trillion.

Another measure is growth over time. Foreign portfolio investment in U.S. securities began modestly, with the level of investment actually decreasing between 1914 and 1934.[7] Since 1934, the level of investment has increased significantly, and the rate of increase has accelerated: Between 1934 and 1965, the average annual rate of increase was approximately 8 percent; it reached 14 percent between 1965 and 1984 and was an impressive 17 percent between 1984 and March 2000. As previously noted, the increasing level of investment reflects both gains in the value of securities held and increases in foreign purchases of U.S. securities.

A third useful comparison is the value of foreign holdings of various types of U.S. securities as a

7. Estimates of foreign portfolio investment in the United States before the 1974 benchmark liabilities survey are from Cleona Lewis, *America's Stake in International Investments* (Brookings Institution, 1938); U.S. Department of the Treasury, *Census of Foreign-Owned Assets in the United States* (Government Printing Office, 1945); and various issues of U.S. Department of Commerce, *Survey of Current Business*.

proportion of the total market value outstanding (table 2). Between 1994 and 2000, the proportion of U.S. securities held by foreign owners increased for every type of securitiy. The increase was greatest for Treasury securities, largely because of the very small increase in the value of long-term Treasury securities outstanding: Whereas the value of outstanding equities more than tripled over the period and the value of outstanding corporate and municipal debt and government agency debt increased substantially, the value of outstanding Treasury securities barely increased. Thus, although the percentage increase in the value of foreign holdings was less for Treasuries than for other types of securities, the proportion of Treasury securities held by foreigners increased markedly.

A final measure that puts foreign holdings of long-term securities in perspective is the share of total U.S. portfolio liabilities to foreigners accounted for by foreign holdings of U.S. securities. Over the past decade, foreign holdings of U.S. securities have become an increasingly important component of U.S. portfolio liabilities to foreigners, rising from 49 percent to 65 percent of the total from year-end 1989 to year-end 2000. In contrast, the proportion of total U.S. portfolio liabilities accounted for by U.S. banking liabilities declined over the period, from 36 percent to 19 percent.

2. Market value of foreign holdings of U.S. long-term securities, by type of security, selected years, 1974–2000

Billions of dollars, except as noted

Year	Total outstanding	Foreign owned	Percent foreign owned
	Corporate equity		
1974	663	25	3.8
1978	1,012	48	4.7
1984	1,899	105	5.5
1989	4.212	275	6.5
1994	7,183	398	5.5
2000	23,038	1,711	7.4
	Corporate and municipal debt		
1974	458	n.a.	n.a.
1978	680	7	1.0
1984	1,149	31	2.7
1989	2,400	190	7.9
1994	3,342	276	8.3
2000	5,404	712	13.2
	Marketable U.S. Treasury securities		
1974	163	24	14.7
1978	326	39	12.0
1984	873	118	13.5
1989	1,599	333	20.8
1994	2,392	464	19.4
2000	2,508	885	35.3
	U.S. government corporation and federally sponsored agency securities		
1974	106	n.a.	n.a.
1978	188	5	2.7
1984	529	13	2.5
1989	1,267	48	3.8
1994	2,199	107	4.9
2000	3,968	257	6.7
	Combined market		
1974	1,390	67	4.8
1978	2,206	99	4.5
1984	4,450	268	6.0
1989	9,478	847	8.9
1994	15,116	1,244	8.2
2000	34,918	3,576	10.2

NOTE. For 2000, data are as of March 31; for all other years, December 31.
n.a. Not available.

SOURCE. Data on amount outstanding for all categories except marketable Treasury securities are from Federal Reserve Statistical Release Z.1, *Flow of Funds Accounts of the United States*. Amount outstanding of marketable Treasury securities, which excludes Treasury bills, is from the Bureau of Public Debt, *Monthly Statement of the Public Debt of the United States*.

Cross-Border Transactions in Long-Term Securities

Data Collection

Monthly reports of cross-border transactions in long-term securities supplement the periodic benchmark surveys. The monthly data are used in the construction of the U.S. balance of payments accounts, in the formulation of international financial and monetary policy, and in tracking developments in international markets. The monthly reporting panel comprises some 250 banks, securities dealers, and other enterprises in the United States that undertake transactions directly with foreign residents.

Gross purchases and sales of U.S. securities are reported in several categories—Treasury bonds and notes, federal agency issues, corporate and municipal debt, and corporate equities. Transactions in foreign securities are reported in only two categories—foreign debt and foreign equities. Aggregate transactions in U.S. issues by foreign official institutions are reported separately.

The amount reported is the total payment made or received (the value of the transaction plus or minus commissions and fees). Reporting is mandatory if monthly transactions exceed an established threshold (in January 2001, the threshold was raised from $2 million to $50 million). The threshold is applicable to either total purchases or total sales in a month; once the threshold is reached for total purchases or total sales, all purchases and sales transactions during that month must be reported. The gross dollar volume of all reported transactions for calendar year 2000 was $22 trillion, and gross transactions are on pace to reach $26 trillion in 2001.

3. Market value of U.S. cross-border transactions in long-term securities, by type of security, 1980–2001

Billions of dollars, annual rate

Type of security	1980–89	1990–94	1995–99	2000	2001:H1
Gross foreign purchases and sales of U.S. securities	1,734	5,414	11,715	16,917	20,188
Debt	1,515	4,906	9,339	9,881	13,810
Treasury	1,408	4,524	8,271	7,803	10,531
Agency	45	198	561	1,305	1,979
Corporate	62	184	507	773	1,300
Equity	219	508	2,376	7,036	6,378
Gross U.S. purchases and sales of foreign securities	299	1,577	3,756	5,537	5,789
Debt	216	1,130	2,267	1,923	2,542
Equity	83	447	1,489	3,614	3,247

NOTE. Figures for 2001:H1 are based on data through June.

Trends

Cross-border financial flows skyrocketed over the past decade (table 3). Transactions in both U.S. and foreign long-term securities increased sharply, and annual trading volume in 2001 is projected (on the basis of data for the first half of the year) to be four times greater than in the early 1990s and thirteen times greater than in the 1980s. Trading volume in all instruments has increased, although it is noteworthy that since the mid-1990s, transactions in U.S. Treasuries and in foreign debt have leveled off. In contrast, trading volume in other U.S. debt issues (agency and corporate) as well as U.S. and foreign equities has continued to increase.

Associated with the increased trading volume has been a sharp increase in net acquisitions (table 4). At an annual rate, both net foreign acquisitions of U.S. long-term securities and net U.S. acquisitions of foreign securities are running more than ten times greater in 2001 than in the 1980s. Net foreign acquisitions of U.S. securities have increased sharply, surpassing $400 billion in 2000. Within debt issues, there has been a distinct move from Treasury debt securities to agency and corporate debt as the supply of Treasury issues has dwindled and agencies and some large corporations have increased issuance in response. Net U.S. acquisitions of foreign securities have also increased, recently averaging about $100 billion a year, but have been much smaller than net foreign acquisitions of U.S. securities. Two trends in U.S. acquisitions of foreign securities are evident: a distinct decline in net purchases of foreign debt and a sharp increase in the value of foreign equities acquired in stock swaps (discussed later).

NOTES CONCERNING THE SYSTEM'S DESIGN

Users of the U.S. data on cross-border holdings of and transactions in long-term securities should be aware of the implications of the TIC system's design for data interpretation. In particular, the monthly transactions reports were designed to provide timely information on movements of capital between the United States and foreign countries, primarily for balance of payments purposes. Thus, the system is heavily influenced by balance of payments conventions that might not be readily apparent to the casual user. Those conventions are discussed in some detail in this section. Also discussed are the implications of the treatment of repurchase and securities lending agreements.

Country Attribution

For balance of payments purposes, the monthly transactions reports were designed to provide information on the country through which a transaction was made, and that country is not necessarily the same as the country in which the security's issuer, purchaser, or seller is resident. For example, if a German resident purchases a U.S. corporate bond through a London office, the transaction is reported as a U.K. purchase of a U.S. corporate bond. Similarly, if a U.S. resident purchases a Thai stock through an intermediary in Hong Kong, the trade is reported as a U.S. purchase of a foreign stock through Hong Kong. This reporting procedure results in a bias not only toward overcounting flows to countries that are major financial centers but also toward undercounting flows to other countries. Users of the transactions data need to be aware of this bias.

The benchmark surveys similarly are not immune to distortions in the attribution of holdings to particular countries. As discussed earlier, in the surveys of foreign holdings of U.S. securities, country attribution is somewhat distorted if multiple custodians are involved in the safekeeping of a security. The degree of error thus caused is unclear, though it is believed to be less than the trading center bias in the

4. Market value of U.S. cross-border net acquisitions of long-term securities, by type of security, 1980–2001
Billions of dollars, annual rate

Type of security	1980–89	1990–94	1995–99	2000	2001:H1
Net foreign acquisitions of U.S. securities	51	81	337	461	575
Debt	44	77	274	281	420
Treasury	24	36	118	–54	–22
Agency	4	18	54	153	163
Corporate	16	23	102	182	279
Equity	7	4	63	180	155
TIC	7	3	50	175	152
Stock swaps	0	1	13	5	3
Net U.S. acquisitions of foreign securities	9	65	108	93	132
Debt	5	28	34	4	–16
Equity	4	37	74	89	148
TIC	3	37	26	9	74
Stock swaps	1	0	48	80	74

NOTE. All data are from the TIC reporting system except those for stock swaps, which are from Security Data Corporation and the Bureau of Economic Analysis. Figures for 2001:H1 are based on data through June.

monthly transactions data for foreign purchases of U.S. securities.

The one set of data for which the country attribution should be completely accurate is that from the benchmark survey of U.S. holdings of foreign securities. The security-level data collected in that survey make it possible to determine precisely the residence of the foreign issuer.

Concept of Residency

In balance of payments accounting, country attribution is based on residency, that is, on the physical location of an entity. Thus, the U.S. system defines foreign residents as individuals or institutions residing outside the United States on a permanent or long-term basis, regardless of whether they are U.S. citizens. U.S. residents are defined in a like manner. For instance, a U.S. citizen who retires to Spain is a foreigner for purposes of the data. U.S.-resident businesses are those physically located in the United States or legally created in the United States, even if they are subsidiaries or instrumentalities of foreign entities; foreign-resident businesses are similarly defined. Honda USA is considered a U.S. firm, while General Motors Canada is considered foreign.

Knowing that the U.S. system adheres to the balance of payments concept of residency is especially important when interpreting activity vis-à-vis offshore financial centers. In particular, some companies resident in one country create legal entities in another country solely for the purpose of issuing securities (primarily to gain tax and regulatory advantages). These entities, known as foreign financing subsidiaries or special purpose vehicles, are considered residents of the country in which they were created, even if they have no employees or any other recognizable physical presence in that country. In the benchmark surveys, any securities they issue are considered liabilities of their "resident" country, even though the proceeds may be used by and repaid by parent institutions in other countries.

Definition of "Foreign Official Institution"

As noted earlier, data for foreign official institutions are collected separately from those for other entities, as the motivations of these institutions are believed to be quite different from those of other transactors. The term "foreign official institution" is narrowly defined, however, and should not be construed to be synonymous with "government." For purposes of the TIC system, the term refers only to central banks, ministries of finance, exchange stabilization funds, and similar organizations. Excluded from the category are many other government agencies as well as government-owned corporations, nationalized commercial banks, and government-owned development banks. It should also be noted that the term "private" is sometimes used loosely in U.S. government publications to refer to entities other than foreign official institutions, when "non–foreign official" would be the more accurate term.

Treatment of Stock Swaps

The monthly transactions reports were designed to capture flows of money associated with transactions in securities conducted through financial intermediaries. In recent years, securities have also been acquired through stock swaps, and in any analysis of net securities flows, the TIC transactions data must be supplemented with information on these acquisitions.

Equity financing of cross-border mergers and acquisitions results in stock swaps—the exchange of stock in the target company for stock in the new firm (in the case of a merger) or in the acquiring firm (in the case of an acquisition). For example, when British Petroleum (a U.K. firm) acquired Amoco (a U.S. firm) in an equity-financed deal worth a reported $48 billion, holders of stock in now-defunct Amoco were given stock in newly formed BP Amoco, a U.K. firm. Thus, U.S. residents acquired approximately $48 billion in U.K. equities.[8] Because the monthly transactions reports collect data on only market transactions, this stock swap was not recorded by the transactions portion of the TIC system. Nonetheless, stock swaps do represent cross-border acquisitions of equities, and they do, appropriately, appear in the holdings data produced by the benchmark surveys.

As noted earlier, the value of foreign stocks acquired by U.S. residents in stock swap arrangements has increased sharply in recent years. Indeed, the bulk of U.S. residents' acquisitions of foreign stocks in the past few years has been via stock swaps (table 4). Moreover, subsequent sales of foreign equities acquired through stock swaps—a likely occurrence because the equities were in some sense involuntary acquisitions and investors seem to prefer domestic equities—do register in the TIC transactions system. Therefore, any analysis of TIC data without consideration of stock swaps is incomplete and potentially very misleading.[9]

That said, there is some concern about the use of stock swap data because of the unknown quality of the data. At this time, the U.S. government is not compiling official data on these transactions, relying instead on unverified data from nongovernmental sources.

Inclusion of Transaction Costs

Because the monthly transactions reports were designed to capture the flow of money associated with securities transactions, they include not only the value of securities bought or sold, but also the commission and taxes associated with each transaction. For example, if a foreign resident purchases $100 of U.S. equities and pays a $1 commission, the TIC system records the transaction as a $101 purchase. When a foreigner sells $100 of U.S. equities and pays a $1 commission, the transaction is recorded as a $99 sale—the amount the foreigner received. If these transactions occur within the same month, the foreigner has no remaining position but the TIC transactions data show a $2 net flow into U.S. equities.

Because the TIC system records the actual payment made or received, the inclusion of transaction costs results in a slight overestimation of net purchases. For the official presentation of capital flows data, the BEA adjusts the TIC data for estimated transaction costs.

Estimation of Holdings

Although the transactions reports were designed primarily to capture balance of payments flows, the monthly data do have other uses. In particular, because of the timeliness of the monthly data—and the infrequency of benchmark surveys—the transactions data have been used to estimate holdings between surveys (see the appendix). Although estimation is possible, the procedure is not without problems. For example, because the transactions data are not collected at the individual security level, it is not clear which price index to use to revalue holdings. Nor, in the case of U.S. holdings of foreign securities, is the country of residence of the issuer known with certainty.

Comparisons of estimated and measured bilateral cross-border securities holdings indicate the extent of the bias in the transactions data toward financial centers such as the United Kingdom and, to a lesser extent, the Caribbean. The bias does not necessarily affect the quality of the *aggregate* transactions data or analyses of *overall* foreign purchases of U.S. securities or U.S. purchases of foreign securities. But the bias has important implications for analyses that use bilateral transactions data, including studies of the determinants of capital flows between the United States and a particular country or region and of the effect of such flows on any bilateral exchange rate.

Treatment of Repurchase and Securities Lending Agreements

Repurchase agreements, or repos, are arrangements whereby the owner of securities sells them for cash with an agreement to repurchase them at a future time (or under specified conditions) at an agreed-upon price. Although some market participants engage in repos to gain control of certain securities, repos are often structured as cash loans for traders seeking to

8. Less the value of Amoco stock held by foreigners.

9. When the BEA publishes the official balance of payments data, it augments the TIC transactions data with data on stock swaps.

finance their portfolios, with the lenders receiving the securities as collateral against borrower default. The securities typically used as collateral are Treasury securities and, to a lesser extent, government agency and corporate debt securities.

Securities lending agreements are similar to repurchase agreements in that the owner transfers title to the securities with an agreement that a like quantity of the same or similar securities will be given back at a future date or under agreed-upon conditions. Again, the borrower provides collateral, but unlike in the case of repos, in which securities are used as collateral, the collateral can be cash, other securities, or bank-issued letters of credit. Many market participants engage in securities lending transactions to obtain securities needed to meet delivery obligations; for example, brokers may need to cover a failed trade, or investors may need to cover a "short" position. Both equity and debt securities are involved in securities lending arrangements.

Repurchase and securities lending agreements pose a problem for the TIC system. Although both arrangements involve the outright sale of securities, they are not so treated in the TIC system. Rather, because the return of the same or similar securities at a set price is pre-agreed and the economic risk of holding the securities continues to reside with the securities lender even while the lender does not own the securities, the transactions are treated as collateralized loans. For the transactions reports, they are not recorded as purchases or sales of securities; for the benchmark surveys, lenders (or their custodians) are instructed to report the securities as continuously held, and borrowers (or their custodians) are instructed not to count them as holdings. (If such transactions are undertaken by banks or brokers for their own accounts, they are recorded elsewhere in the TIC system; otherwise, the transactions are not recorded at all.)

Complicating matters is the fact that borrowers of securities under repo or securities lending agreements have the right to resell the securities. In fact, in the case of securities lending, the purpose of the transaction is usually to obtain a security that is needed for sale to another party. Such reselling results in overestimation of cross-border securities activity even if reporters follow instructions precisely and have all necessary information. For example, the resale of "borrowed" securities can result in two different foreign residents being reported on a liabilities survey as holding the same U.S. security, or it can result in the same U.S. security being reported as having been purchased twice by foreign residents with no intervening sale. Possible approaches to compensating for this conceptual flaw in the U.S. system are to have borrowers that resell these securities report a "short" (or negative) position or to treat such "borrowings" as outright purchases and sales. Neither approach is a perfect solution. The first raises concerns about whether "short" positions can be accurately measured. The second elicits reluctance to cease considering these transactions collateralized loans because, in the economic sense, such treatment accurately characterizes their nature.

Although the TIC system does not measure overall levels of repo and securities lending transactions, they are known to be substantial. For example, it has been estimated that as of February 1999, approximately 41 percent of U.S. government securities were on repo and another 14 percent were on loan.[10] Given the magnitude of these activities, it is clear that misreporting of data concerning these transactions either on the surveys or in the aggregate transactions reports could produce significantly inaccurate data. The extent to which errors may be occurring because of such activity is unknown but is of ongoing concern.

Maintenance of Adequate Coverage

Although a significant and increasing level of resources is devoted to collecting and editing the TIC data, U.S. cross-border financial flows are becoming increasingly difficult to measure accurately. In the not-too-distant past, most cross-border financial transactions occurred through a relatively small and readily identifiable group of banks and broker–dealers. But the number and types of direct market participants continue to grow as regulatory impediments are removed, financial information is increasingly available, and transaction costs decline. Measuring the activities of a diverse and changing group of market participants is much more difficult, especially as the channels through which cross-border securities transactions flow are continually evolving. In addition, advances in computerization and other technological developments in financial markets have allowed for the creation of diverse and complex financial instruments that are more difficult to measure accurately. Together, these developments make keeping up with the pace of change increasingly difficult.

10. Bank for International Settlements, *Securities Lending Transactions: Market Developments and Implications*, joint report of the Technical Committee of the International Organization of Securities Commissions and the Committee on Payment and Settlement Systems of the Group of Ten countries (July 1999), p. 13.

Future Changes in the Measurement of Cross-Border Investment in Securities

Along with the dramatic growth in the volume and complexity of cross-border financial flows over the past twenty years has come growing recognition of the need for more comprehensive, more accurate, and more timely data. To be most useful, the data should be comparable across countries. To facilitate comparability, many efforts to improve data are being channeled through international organizations such as the International Monetary Fund (IMF) and the Bank for International Settlements, as well as the European Central Bank.

Two major initiatives that will affect U.S. efforts to collect statistics on cross-border securities holdings have been initiated under the auspices of the IMF: coordinated portfolio investment surveys and the external debt reporting system. Both initiatives will require that the United States expand its data collection activities and, in some cases, publish results more promptly than in the past.

Coordinated Portfolio Investment Surveys

The first coordinated portfolio investment survey (CPIS), with data reported as of year-end 1997, was conducted out of concern that holdings of foreign portfolio assets were being undercounted. Worldwide, measured holdings of portfolio liabilities were much higher than measured holdings of portfolio assets, and the discrepancy was increasing yearly.[11] One suspected reason for the undercount was that countries had placed greater emphasis on measuring foreign holdings of their domestic securities than on measuring domestic holdings of foreign securities. This bias was due in part to concern about the possible influence that foreign holdings might have on the domestic economy. The history of the U.S. collection system illustrates this mismatch in measurement efforts: Modern U.S. surveys of foreign holdings of U.S. securities began in 1974, but the first modern survey of U.S. holdings of foreign securities was not conducted until 1994. A second possible explanation for the undercount is underreporting by domestic residents so as to avoid taxes (domestic issuers of securities have no similar incentive to underreport their liabilities to foreigners).

To address the measurement mismatch, the IMF invited major industrial and financial center countries to participate in a coordinated effort to measure such holdings. Twenty-nine countries, including the United States, joined in the effort, which became known as the "coordinated portfolio investment survey."[12] The survey found an additional $750 billion in cross-border holdings of securities. (Other, less direct benefits of the coordinated surveys are discussed in the box "Collateral Benefits of Coordinated Portfolio Investment Surveys.") However, as the measured worldwide gap between portfolio liabilities and portfolio assets in long-term securities still stood at $1.7 trillion, work clearly remains to be done.

One of the key shortcomings of the first CPIS was the lack of participation by countries recognized as offshore financial centers, whose holdings are believed to be quite large but cannot be accurately estimated (among those countries, only Bermuda participated). For this and other reasons, it was decided to repeat the CPIS as of year-end 2001, to make a major effort to increase survey participation, to measure holdings of short-term as well as long-term securities, and to produce survey results more quickly. As of September 2001, it appears that participation in the year-end 2001 survey will be considerably greater, with sixty countries indicating their willingness to participate, including most of the major offshore financial center countries.

For the United States, the upcoming CPIS will mark the first time that both short-term and long-term securities are measured by a portfolio survey. The United States will also try to provide survey results more promptly. In the past, survey results have been produced with lags of at least a year because of the inherent complexity of the surveys, the large amount of data collected, start-up problems encountered by both reporters and compilers due to surveys being conducted at widely spaced intervals, and the three-month period between the survey "as of" date and the date when reporters must submit their data. All CPIS-participating countries will attempt to provide results within nine months of the survey "as of" date, with the IMF publishing findings within three months thereafter.

Although no decision has yet been made to conduct coordinated surveys after the upcoming survey,

11. See International Monetary Fund, *Final Report of the Working Party on Statistical Discrepancies in the World Current Account Balance [Estava Report]* (1987) and *Final Report of the Working Party on the Measurement of International Capital Flows [Godeaux Report]* (1992).

12. The participating countries were Argentina, Australia, Austria, Belgium, Bermuda, Canada, Chile, Denmark, Finland, France, Iceland, Indonesia, Ireland, Israel, Italy, Japan, Korea, Malaysia, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Thailand, United Kingdom, United States, and Venezuela. Survey results were published by the IMF in *Results of the Coordinated Portfolio Investment Survey* (International Monetary Fund, 1999).

Collateral Benefits of Coordinated Portfolio Investment Surveys

Aside from the direct benefits to a country of periodically measuring its residents' holdings of foreign securities, the coordinated portfolio investment surveys (CPIS), conducted under the auspices of the International Monetary Fund, have had several significant, though indirect, beneficial effects. One of these is the spread of best practices. Data compilers for the participating countries, previously largely isolated from one another, have, as a result of the coordinated surveys, come into contact. This contact has afforded representatives of countries experienced in such surveys the opportunity to exchange ideas and discuss problems, and for those less experienced to learn from others. Such contact may well have encouraged some countries to improve their procedures. Also, IMF support has made it possible for some countries to assign additional resources to collection efforts.

The CPIS group is exploring the use of counterparty data to supplement domestic survey data. Prompting the study is the inherent gap in the measurement of holdings of foreign securities resulting from the impracticality of surveying all resident entities. An example is an instance of a resident of Argentina purchasing a French security and entrusting the security's safekeeping to a custodian in the United States. Under current CPIS practice, such a holding will not be recorded. Argentine compilers will not detect the holding, as neither that country nor any other country attempts to directly measure individual investors' holdings (because of cost and privacy concerns). French compilers will probably measure the holding as a liability to the United States. However, U.S. compilers will not report the security on the CPIS survey, as the survey measures holdings of foreign securities by *residents* of the reporting country, and this is a holding of a foreign security by a foreign resident. Thus, a cross-border liability will be recorded without an offsetting asset being recorded. The possibility of closing this gap by having custodians in each country report holdings of foreign securities by certain classes of nonresident investors and exchanging the information with counterparty countries is being investigated by the CPIS group. The problem is complicated by the lack of legal authority for such data collection in some cases and by the possibility of double-counting under certain circumstances.

Another area being studied is the reduction of reporting errors associated with repurchase and securities lending agreements. These transactions can easily lead to double-counting or undercounting of holdings. Major financial center countries are working together to better understand the mechanics of these transactions and to develop a common approach to obtaining better data.

The CPIS group is also exploring the possibility of creating a centralized database of all exchange-traded securities that could be used by national compilers worldwide to help conduct the coordinated surveys. Currently, CPIS surveys are conducted in two fundamentally different ways. Some countries (including the United States) collect data security-by-security, which allows for detailed editing and analysis. Other countries collect data in the aggregate, which allows for the detection of only relatively egregious errors and provides fewer opportunities for examining the structure and patterns of foreign securities holdings. Believing that the security-level approach produces more reliable results, the International Monetary Fund and the European Central Bank are exploring ways to make it easier for countries to conduct security-level surveys. A centralized database could facilitate security-level surveying by providing to participating countries, at little or no cost, information that could be used to cross-check and supplement reported data.

As important as the spread of best practices and the group efforts toward improvement are, perhaps the most important benefit of the coordinated surveys is that many participating countries have begun to conduct portfolio asset surveys on a regular basis, and others will begin to do so in the near future. Taken together, these efforts demonstrate the importance of international cooperation and coordination to help national compilers understand the workings of an increasingly complex international financial system. Market participants will continue to innovate and operate on a worldwide basis, and national compilers, who must continually attempt to understand and adjust to these changes with relatively limited resources, are in a far better position to respond appropriately if they act cooperatively.

it is likely that such surveys will become ongoing activities. During discussions on the future of coordinated surveys, the United States committed to conducting asset surveys at least once every three years and to consider conducting them annually.

External Debt Reporting System

The coordinated surveys are designed to improve data on holdings of foreign *assets*. Another initiative, the external debt reporting system, is designed to improve data on *liabilities* to foreigners. This system is part of the IMF's Special Data Dissemination Standard (SDDS), and all countries that subscribe to the SDDS are obligated to provide required elements of the system.[13] Although the system will measure a

13. In September 2001, forty-nine countries were subscribers to the SDDS. A list of those countries is given at http://dsbb.imf.org/country.htm. Additional information on the SDDS is available on the IMF web site, at http://dsbb.imf.org/sddsindex.htm.

wide range of financial liabilities to foreigners, only those aspects pertaining to the measurement and reporting of foreign holdings of U.S. securities are discussed here.

The external debt reporting system was developed in large part in response to the financial crises of 1997–98 in Asia, Russia, and Brazil. These crises, which took most of the financial community by surprise, sparked an extensive postmortem in an attempt to discern the reasons these events were not more widely foreseen. Identified as a major contributing factor was the lack of key data that might have provided an early warning.

The external debt reporting system was approved by the IMF's executive board in March 2000 after prolonged discussion and is scheduled to become operational in September 2003. The long lead-time is intended to give national compilers time to make the necessary enhancements to their reporting systems, which for many countries, including the United States, will be significant.

The system requires quarterly reporting, with a one-quarter lag, on both long-term and short-term debt securities held by foreigners (with long-term securities defined as those with an *original* term to maturity of more than of one year). Liabilities are to be reported separately for four sectors: general government, monetary authorities, banks, and "other." In addition to the required data, countries are encouraged to provide other types of information. Most prominent among these encouraged elements are data on forward debt service schedules and a breakdown of external debt in terms of domestic currency and foreign currency components, both of which the United States has decided to provide.

To meet the requirements, the United States will begin to conduct liabilities surveys annually instead of at five-year intervals, and the surveys will, for the first time, collect data on foreign holdings of short-term as well as long-term securities. These surveys will be somewhat scaled down from the previous liabilities surveys, however, and will rely on estimation as well as measurement in four out of every five years to reduce costs to both respondents and compilers. The detailed, security-by-security data collected by the surveys will be combined with the monthly aggregate transactions data to produce estimates of the required data for the quarters for which no survey data are available.

The U.S. monthly reporting system will also be enhanced to help meet SDDS requirements. Current SDDS guidelines specify that components of external debt be presented according to the institutional sector of the debtor, the maturity structure (short-term or long-term), and the type of financial instrument. The TIC report forms that cover short-term instruments do not easily comport with these attributions and will need to be modified.

Other Changes under Consideration

In addition to the enhancements to the U.S. reporting system associated with the CPIS and the external debt reporting system, other possible changes are on the horizon. The first broad-based review of the TIC system in more than twenty years has recently been completed. The review has produced two recommendations pertaining to cross-border securities measurement: Portfolio asset surveys should be conducted annually, and reporting on purchases and sales of foreign securities should be based on the country of the issuer of the security instead of the country of the foreign counterparty to the transaction.

The first recommendation is based on the belief that the benchmark surveys give a more accurate picture of U.S. holdings of foreign securities than do calculations based on the monthly transactions reports. It is supported by the fact that both asset surveys to date have measured greater holdings than were predicted by estimates based on price- and exchange-rate-adjusted transactions data, and by recognition that it is increasingly easy for U.S. investors to purchase or sell foreign securities without the assistance of a U.S. financial intermediary.

The second recommendation is based on the belief (and supported by conversations with data users) that for analytical purposes, information on which country's securities U.S. residents are buying and selling is more useful than information on where they are buying and selling foreign securities. Some major institutions that are primary reporters of such information have indicated that they envision no major problems in making the switch. The switch cannot be made for foreign purchases of U.S. securities, however, because U.S. reporters do not have information on the resident country of the actual buyer or seller, but know only the country in which the foreign transactor is located.

CONCLUSION

The TIC data on cross-border securities activity are extremely useful in understanding the actions of both

U.S. and foreign investors. The monthly transactions reports provide timely information on recent activity, and the benchmark surveys give detailed insight into cross-border investment patterns.

The system is able to address with some certainty questions concerning aggregate holdings, such as the extent of foreign ownership of U.S. firms and the level of foreign securities in U.S. investors' portfolios, because this information is provided by security-level data collected via the benchmark surveys. The security-level data can also provide a very accurate picture of the distribution of U.S. investors' foreign portfolios by country; but they are less accurate in the country attribution of foreign investors in U.S. securities, because of a custodial center bias in the liabilities surveys. Finally, the benchmark surveys provide insight into the composition of cross-border holdings. However, because the surveys are infrequent and involve considerable editing and processing, the data are not available on a timely basis.

The monthly transactions reports, though providing timely information on cross-border flows, must be interpreted with some caution, primarily because that portion of the data collection system is governed by balance of payments conventions. For example, because the system was designed to capture market transactions only, data on equities acquired through stock swaps are not collected, though they are important in analyses of portfolio flows. Moreover, because the system identifies the country of the transactor, the data contain a financial center bias that must be accounted for in analyses of bilateral portfolio flows, studies of the determinants of flows between the United States and any specific country or area, and examinations of the effects of these flows on bilateral exchange rates. Finally, it appears that the transactions data may understate net U.S. purchases of foreign securities, especially equity issues, and that recent transactions data may have overstated net foreign purchases of U.S. securities, especially debt instruments.

As cross-border trading has grown in volume, complexity, and importance, the need to modify the U.S. system to produce more comprehensive, timely, and accurate data has become increasingly evident. Some enhancements and improvements have been decided on, and others are being considered. At the same time, the U.S. system is evolving from one that has operated largely in isolation from those in other countries into one that is increasingly harmonized with, and affected by, international efforts to improve data on cross-border securities activities.

Appendix: Using Transactions Data to Estimate Holdings

Cross-border holdings of equity and long-term debt at the end of a month can be estimated by adjusting the preceding month's holdings for estimated changes in prices and exchange rates, adding the current month's (transaction-cost-adjusted) net purchases, and, in the case of equities, adding acquisitions through stock swaps. Specifically, cross-border holdings of a particular type of instrument (foreign equity, foreign debt, U.S. equity, U.S. Treasury debt, U.S. agency debt, or U.S. corporate or municipal debt) at the end of period t can be estimated by the equation

$$\begin{aligned} A_{i,t} &= A_{i,t-1} \cdot R_{i,t}/R_{i,t-1} \\ &\quad + NP_{i,t} \cdot [1 - (GP_{i,t} + GS_{i,t}) \cdot T_i] \\ &\quad + SS_{i,t}, \end{aligned}$$

where the subscript i denotes the foreign country. When estimating U.S. holdings of foreign securities, i denotes the country in which the security was issued; when estimating foreign holdings of U.S. securities, it denotes the country of the foreign investor. The variables are defined as follows (definitions when estimating foreign holdings of U.S. securities are given in parentheses):

$A_{i,t}$ = Holdings of country i's securities by U.S. residents at the end of month t (holdings of U.S. securities by country i's residents at the end of month t)

$R_{i,t}$ = Price index for revaluing holdings

$NP_{i,t}$ = Net purchases of country i's securities by U.S. residents during month t (net purchases of U.S. securities by country i's residents during month t)

$GP_{i,t}$ = Gross purchases of country i's securities by U.S. residents during month t (gross purchases of U.S. securities by country i's residents during month t)

NOTE. The discussion and data in this appendix are from F.E. Warnock and C.A. Cleaver, "Financial Centers and the Geography of Capital Flows," International Finance Discussion Paper (Board of Governors of the Federal Reserve System, Division of International Finance, forthcoming).

$GS_{i,t}$ = Gross sales of country i's securities by U.S. residents during month t (gross sales of U.S. securities by country i's residents during month t)

T_i = Adjustment factor for transaction costs

$SS_{i,t}$ = Country i's equities acquired by U.S. residents through stock swaps during month t (U.S. equities acquired by country i's residents through stock swaps during month t).

The use of this procedure is illustrated by estimating holdings of foreign securities by U.S. residents as of December 31, 1997, from measured holdings on March 31, 1994, and holdings of U.S. securities by residents of other countries as of March 31, 2000, from measured holdings on December 31, 1994.

Data for some of the variables are readily available: Initial values of A_i are given by the 1994 benchmark surveys, and purchases and sales figures are from the monthly transactions reports; data on equities acquired through stock swaps are from Securities Data Corporation.

Appropriate values for two of the variables are unknown: the price index for revaluing holdings and transaction costs incurred by investors in cross-border transactions. The price index used for revaluing holdings should reflect the composition of cross-border holdings. Unfortunately, the compositions can be determined only for survey dates, as the monthly transactions data do not indicate which equities and debt securities U.S. and foreign investors are trading. Having little information to rely on, we revalue equity holdings using MSCI indexes, because they are typically composed of the larger, more actively traded equities—the type of equities foreigners might be more likely to hold. For revaluing debt holdings, we use indexes from J.P. Morgan and Lehman Brothers. For transaction costs in equities, we use estimates of commissions and fees charged institutional investors provided by Elkins-McSherry. For transaction costs in U.S. debt securities, we use half the bid–ask spread and rely on estimates of spreads provided by market participants of 5 basis points (BP) on U.S. Treasury debt, 10 BP on U.S. agency debt, and 25 BP on U.S. corporate debt. And for transaction costs in foreign debt securities, we use information on bid–ask spreads from the Bank for International Settlements and J.P. Morgan if it is available; if it is not available, we assume spreads of 25 BP for industrial countries and 50 BP for emerging market countries.

Aggregate Estimates

As estimated by the equation, aggregate foreign holdings of U.S. long-term securities as of March 31, 2000, totaled almost \$4.2 trillion, 16 percent higher than the amount measured by the benchmark survey as of the same date (table A.1).[14] Much of the difference is due to overestimation of foreign holdings of U.S. debt securities, which in turn is due to the large amount of net purchases (\$1.4 trillion). The estimate of foreign holdings of U.S. equities, in contrast, is very close to the amount measured by the benchmark survey, especially considering the large valuation adjustment.[15]

The apparent overcounting of net foreign purchases of U.S. debt securities has at least three pos-

14. Official year-end estimates of cross-border holdings are published by the BEA in its presentation of the international investment position; the BEA does not publish quarterly estimates. Our estimates would differ from the BEA's for many reasons. For example, the BEA might choose different price indexes or use different assumptions about transaction costs.

15. The \$184 billion difference between estimated and measured equity holdings could be due to just a 19 percent overestimation of the cumulative valuation adjustment on foreigners' holdings of U.S. equities over the five-year period, a small amount given the 240 percent increase in U.S. stock prices over the period.

A.1. Measured and estimated value of foreign holdings of U.S. long-term securities, by type of security, March 31, 2000
Billions of dollars

Type of security	December 31, 1994	January 1995–March 2000				March 31, 2000		
	Measured	Net purchases	Transaction costs	Stock swaps	Valuation adjustment	Estimated (1 + 2 − 3 + 4 + 5)	Measured	Estimated less measured (6 − 7)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Debt	846	1,444	16	. .	3	2,277	1,865	412
Equity	398	314	14	66	1,132	1,895	1,711	184
Total	**1,244**	**1,758**	**30**	**66**	**1,135**	**4,172**	**3,576**	**596**

. . Not applicable.

A.2. Measured and estimated value of U.S. holdings of foreign long-term securities, by type of security, December 31, 1997
Billions of dollars

Type of security	March 31, 1994	April 1994–December 1997				December 31, 1997		
	Measured	Net purchases	Transaction costs	Stock swaps	Valuation adjustment	Estimated (1 + 2 − 3 + 4 + 5)	Measured	Estimated less measured (6 − 7)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Debt	304	159	7	. . .	48	504	547	−43
Equity	567	181	8	5	228	973	1,208	−235
Total	**871**	**340**	**15**	**5**	**276**	**1,477**	**1,755**	**−278**

. . Not applicable.

sible explanations. The first is associated with asset-backed securities. Many U.S. debt securities are backed by pools of loans (such as residential mortgages, automobile loans, or credit card receivables) placed in trust. On these securities, both the principal and the interest are repaid on a regular basis (usually monthly), so the amount of principal held by foreign (and domestic) owners of these securities decreases each month. If these principal paydowns are not accurately captured in the transactions data, holdings of asset-backed securities will be overstated. Overcounting of securities involved in repurchase and securities lending agreements is a second possible explanation for the apparent overcounting of net foreign purchases of debt securities, although the possible magnitude of the error is unknown. The third possible explanation is a failure to report redemptions of foreign-held securities.

Whereas foreign holdings of U.S. securities are overestimated, U.S. holdings of foreign securities as of year-end 1997—the date of the most recent asset survey—are underestimated, by almost $300 billion (table A.2). Doubling the valuation adjustments for debt and equity holdings would bring the estimates in line with the measured amounts, but it is unlikely that the valuation adjustments used are off by a factor of two over the almost-four-year period between asset surveys. Rather, it seems likely that net purchases of foreign securities are being undercounted in the monthly transactions data, perhaps because an ever-growing number of U.S. investors are participating directly in foreign securities markets as a result of improvements in international communications and their transactions are not recorded in the monthly TIC reports.[16] Automatic purchases, such as with dividends reinvestment plans (or DRIPs), are also likely undercounted.

16. This observation has also been made by Lois Stekler, in "Adequacy of International Transactions and Position Data for Policy Coordination," in W. Branson, J. Frenkel, and M. Goldstein, eds., *International Policy Coordination and Exchange Rate Fluctuations* (National Bureau of Economic Research and University of Chicago Press, 1990).

A.3. Measured and estimated value of U.S. holdings of foreign long-term securities, December 31, 1997
Billions of dollars

Country or region	Debt		Equity		Total	
	Measured	Estimated	Measured	Estimated	Measured	Estimated
Financial centers						
United Kingdom	54	68	218	244	272	311
Caribbean	22	25	49	32	71	57
Hong Kong	4	0	28	27	32	27
Industrial countries						
Euro area	116	110	376	256	492	366
Other Europe	27	24	125	99	153	123
Japan	30	36	136	94	166	130
Canada	107	91	71	73	178	164
Emerging markets						
Asia	30	26	30	14	60	40
Latin America	89	83	89	77	178	160
Other	68	41	86	57	153	99
Total	**547**	**504**	**1,208**	**973**	**1,755**	**1,477**

A.4. Measured and estimated value of foreign holdings of U.S. long-term securities, March 31, 2000
Billions of dollars

Country or region	Debt		Equity		Total	
	Measured	Estimated	Measured	Estimated	Measured	Estimated
Financial centers						
United Kingdom	203	660	322	497	525	1,157
Caribbean	160	212	142	181	302	393
Hong Kong	58	66	19	15	77	81
Industrial countries						
Euro area	279	298	452	433	731	731
Other Europe	57	54	197	241	253	295
Japan	283	372	145	112	429	484
Canada	35	50	173	182	208	232
Emerging markets						
Asia	152	123	10	8	163	131
Latin America	37	46	14	29	51	76
Other	278	394	194	197	471	590
Country unknown	323	...	43	...	366	...
Total	**1,865**	**2,277**	**1,711**	**1,895**	**3,576**	**4,172**

... Not applicable.

Bilateral Estimates

Because benchmark surveys of U.S. holdings of foreign securities accurately indicate the country of the issuer, deviations of estimated holdings from measured holdings by country are due to the limitations of the transactions data resulting from current TIC reporting conventions. For U.S. holdings of foreign debt securities, the estimates, by country, are relatively close to the measured amounts; holdings of U.K. debt are overestimated by 17 percent, but, overall, the estimates are roughly in line with the survey data (table A.3). U.S. holdings of U.K. equities are also overestimated, but U.S. holdings of equities from most other areas are underestimated, in some cases strikingly so. For example, holdings of equities issued by companies in the euro area and Japan are underestimated by more than 30 percent.

Because of the bias in benchmark surveys of foreign holdings of U.S. securities toward custodial centers, the country attribution in the liabilities survey data is not perfect. That said, the figures show a substantial overestimation of holdings of U.S. securities by financial centers (table A.4). Indeed, estimated U.K. holdings of U.S. debt based on transactions data are more than three times the measured amount.[17]

Holdings of U.S. equities show a similar pattern, with the overestimation of U.K. holdings totaling $175 billion. Estimated holdings of U.S. securities in the Caribbean financial centers are also too high. For the other countries included in table A.4, the estimates are somewhat closer to the measured amounts, with the exceptions of U.S. debt held in Japan and emerging Asia and U.S. equities held in Japan, "Other Europe," and Latin America.

The fact that the bilateral transactions data appear to be biased toward financial centers must be acknowledged in any analysis of bilateral capital flows. An obvious solution is to exclude financial centers (such as the United Kingdom) from the analysis. But this solution is unsatisfactory, as other countries (such as euro area countries) are also affected. For example, if many transactions between the euro area and the United States go through the United Kingdom, how should studies of the determinants of flows between the euro area and the United States, or of the effects of capital flows on the dollar–euro exchange rate, be interpreted? □

17. Some portion of the measured holdings labeled "Country unknown" may be attributable to bearer bonds held by U.K. residents.

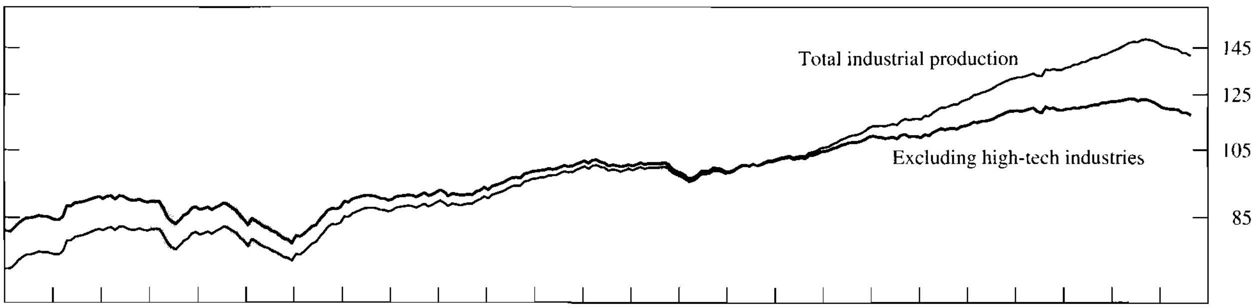
Industrial Production and Capacity Utilization for August 2001

Released for publication September 14

Industrial production fell 0.8 percent in August, to 141.5 percent of its 1992 average. Having declined for eleven consecutive months, industrial production in August was nearly 5 percent below its level in August 2000. Manufacturing output declined 1.0 percent in August, mining output decreased 0.4 percent, and utilities production rose 1.6 percent. The rate of capacity utilization for total industry fell 0.7 percentage point, to 76.2 percent, a level almost 6 percentage points below its 1967–2000 average.

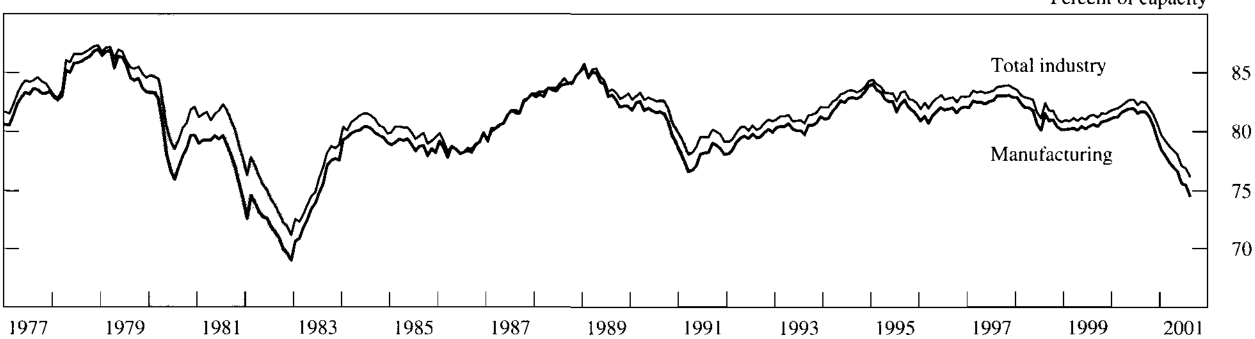
Industrial production

Ratio scale, 1992 = 100

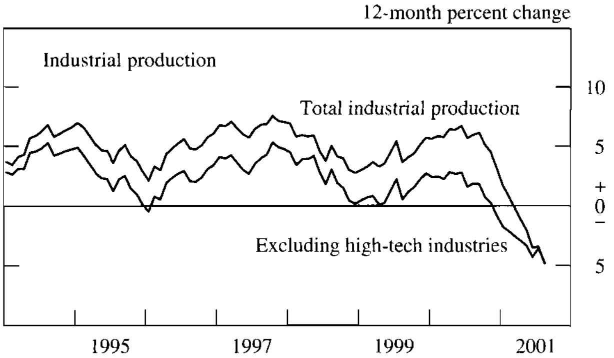


Capacity utilization

Percent of capacity

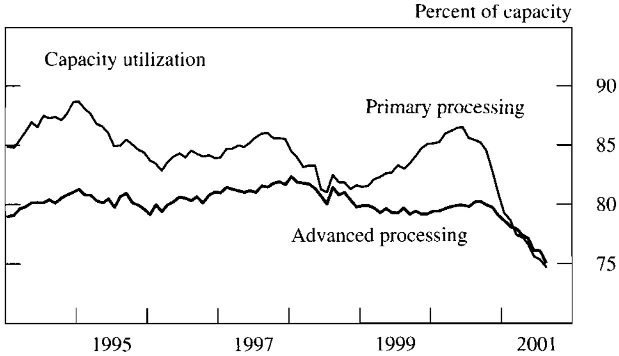


12-month percent change



High-tech industries are defined as semiconductors and related electronic components (SIC 3672-9), computers (SIC 357), and communications equipment (SIC 366).

Percent of capacity



Shaded areas are periods of business recession as defined by the NBER.

Industrial production and capacity utilization, August 2001

Category	Industrial production, index, 1992=100								
	2001				Percent change				
					2001				Aug. 2000 to Aug. 2001
	May[r]	June[r]	July[r]	Aug.[p]	May[r]	June[r]	July[r]	Aug.[p]	
Total	**144.2**	**142.7**	**142.6**	**141.5**	**–.3**	**–1.0**	**–.1**	**–.8**	**–4.8**
Previous estimate	144.2	143.0	142.8	.	–.3	–.9	–.1	.	
Major market groups									
Products, total[2]	133.7	132.5	132.5	131.3	–.1	–.9	.0	–.9	–3.9
Consumer goods	122.2	121.6	122.1	121.2	.1	–.5	.4	–.8	–2.1
Business equipment	191.9	187.7	187.1	184.1	–.7	–2.2	–.3	–1.6	–6.9
Construction supplies	139.3	139.2	138.8	138.1	–.3	–.1	–.3	–.5	–3.2
Materials	163.3	161.2	160.8	159.9	–.5	–1.3	–.3	–.5	–6.2
Major industry groups									
Manufacturing	149.2	147.4	147.5	146.1	–.2	–1.2	.0	–1.0	–5.5
Durable	190.1	187.4	187.6	185.5	.0	–1.4	1	–1.2	–5.8
Nondurable	112.2	111.2	111.1	110.3	–.6	–.8	–.1	–.7	–5.2
Mining	103.8	103.4	102.3	101.8	.3	–.4	–1.1	–.4	.8
Utilities	119.5	119.6	118.8	120.7	–1.1	.1	–.7	1.6	–1.1

	Capacity utilization, percent								MEMO Capacity, percent change, Aug. 2000 to Aug. 2001
	Average, 1967–00	Low, 1982	High, 1988–89	2000	2001				
				Aug.	May[r]	June[r]	July[r]	Aug.[p]	
Total	**82.1**	**71.1**	**85.4**	**82.6**	**78.0**	**77.1**	**76.9**	**76.2**	**3.1**
Previous estimates	.	. .	. . .	. .	78.0	77.2	77.0	. .	. . .
Manufacturing	81.1	69.0	85.7	81.7	76.6	75.6	75.5	74.6	3.5
Advanced processing	80.6	71.0	84.2	80.2	77.2	76.1	76.1	75.1	2.0
Primary processing	82.2	65.7	88.3	85.4	76.7	75.6	75.4	74.7	6.0
Mining	87.4	80.3	88.0	86.9	90.3	90.0	89.2	88.9	–1.4
Utilities	87.6	75.9	92.6	91.5	87.2	87.0	86.1	87.2	3.8

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 fell 0.8 percent in August after a 0.4 percent increase in July. The production of durable consumer goods dropped 1.5 percent as sizable decreases in the output of automotive products and miscellaneous consumer goods more than offset a bounceback in the production of appliances and home electronics such as audio-visual equipment; the output of home computers contracted again. The production of nondurable consumer goods fell 0.6 percent. The output for all of the major non-energy categories declined; the production of consumer energy products increased 0.3 percent and has changed little, on balance, over the past year. In August, the overall consumer energy increase was held down by a decline in gasoline production.

The production of business equipment, which fell 1.6 percent, was nearly 7 percent lower than it was in August 2000; decreases in transit equipment and in industrial and other equipment accounted for most of the past month's decline. The output of information processing equipment, which includes computers, also fell again; it has declined more than 4 percent since May and about 8 percent since the end of 2000. The production of defense and space equipment fell 0.9 percent, erasing a similarly sized gain in July, and the output of construction supplies fell 0.5 percent further. The production of business supplies decreased 0.4 percent, its eighth decline in the past nine months.

The output of industrial materials decreased 0.5 percent. Widespread declines in the production of durable and nondurable materials outweighed an increase in the output of energy materials. Overall, the production of industrial materials has fallen 6.2 percent since August 2000.

INDUSTRY GROUPS

Manufacturing output, which was unchanged in July, fell 1.0 percent in August and was 5½ percent lower than in August 2000. The production of durable goods fell 1.2 percent, and cutbacks were widespread across the major sectors. Declines were particularly sharp in industrial machinery and in motor vehicles and parts. Electrical machinery fell 0.9 percent and has fallen about 12 percent so far in 2001; the production of communications equipment and semiconductors remained especially weak. The output of nondurables fell 0.7 percent, and production declined for nearly all major groups. The overall factory operating rate fell 0.9 percentage point, to 74.6 percent, with decreases both in advanced-processing and primary-processing industries.

At mines, production fell 0.4 percent, and the utilization rate decreased to 88.9 percent but remained above its long-run average. The output of utilities increased 1.6 percent, nearly reversing the cumulative decline over the preceding three months, and was about 1 percent below its year-ago level. The operating rate at utilities rose 1.1 percentage points, to 87.2 percent.

Discontinuation of "Industrial Production and Capacity Utilization" in the *Federal Reserve Bulletin*

"Industrial Production and Capacity Utilization" will not be reprinted in the *Federal Reserve Bulletin* after the December 2001 issue. The Federal Reserve's monthly G.17 statistical release, "Industrial Production and Capacity Utilization," which this section of the *Bulletin* summarizes each month, is available on the Board's web site (www.federalreserve.gov/releases/g17/); historical data back to 1919 are also available on the web site. The data are also available in paper copies and on diskettes from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551 (tel. 202-452-3244).

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Other reprints will also be eliminated from the *Bulletin* after December 2001: congressional testimony, the FOMC minutes, the quarterly report "Treasury and Federal Reserve Foreign Exchange Operations," and the annual report "Open Market Operations," both by the Federal Reserve Bank of New York (the text portion of "Open Market Operations" will be reprinted in the Board's *Annual Report* rather than in the *Bulletin*). The documents are widely distributed when originally published, and several sources for historical information are available.

REVISION OF INDUSTRIAL PRODUCTION AND CAPACITY UTILIZATION

On November 27, the Federal Reserve Board will publish revisions to the index of industrial production (IP), to the related measures of capacity and capacity utilization, and to the index of industrial use of electric power. The updated measures will reflect the incorporation of newly available, more comprehensive source data typical of annual revisions. The new source data are for recent years, primarily 1999 and 2000, although data from 1992 onward will be subject to revision.

Industrial production and capacity utilization will continue to be based on the 1987 Standard Industrial Classification (SIC) until the 2002 annual revision, after which they will be constructed from the North American Industrial Classification System (NAICS). The new NAICS-related production indexes will be based on annual output measures that are constructed by reclassifying the establishments in historical Censuses of Manufactures and Mineral Industries under NAICS; annual output indexes constructed this way will maximize the reliability and historical consistency of the IP industry detail.

The updating of source data for IP in the 2001 annual revision will include annual data from the 1999 Bureau of the Census Annual Survey of Manufactures and from selected editions of its 1999 and 2000 Current Industrial Reports. Annual data from the U.S. Geological Survey regarding metallic and nonmetallic minerals (except fuels) for 1999 and 2000 will also be introduced. The updating will include revisions to the monthly indicator for each industry (either physical product data, production-worker hours, or electric power usage) and to seasonal factors.

Capacity and capacity utilization will be revised to incorporate preliminary data from the 2000 Survey of Plant Capacity of the Bureau of the Census, which covers manufacturing, along with other new data on capacity from the U.S. Geological Survey, the Department of Energy, and other organizations. The statistics on the industrial use of electric power will incorporate additional information received from utilities for the past few years and will include some data from the 1997 Census of Manufactures and the 1998 and 1999 Annual Survey of Manufactures.

Once the revision is published, it will be made available on the Board's web site (www.federalreserve.gov/releases/g17). The revised data will also be available through the web site of the Department of Commerce. Further information on these revisions is available from the Board's Industrial Output Section (telephone 202-452-3197). □

Testimony of Federal Reserve Officials

Testimony of Laurence H. Meyer, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions and Consumer Credit and the Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises of the Committee on Financial Services, U.S. House of Representatives, August 2, 2001

I appreciate the opportunity to present the views of the Federal Reserve on the interim final rules issued by the Securities and Exchange Commission (SEC or Commission) to implement the bank securities provisions of the Gramm–Leach–Bliley Act (GLB Act). The manner in which these rules are implemented is extremely important to banks and their customers and well deserves your attention.

As the banking agencies detailed in our official comment to the Commission on the rules, we believe they are, in a number of critical areas, inconsistent with the language and purposes of the GLB Act, and create an overly complex, burdensome, and unnecessary regulatory regime. The rules as currently drafted would disrupt the traditional operations of banks and impose significant and unwarranted costs on banks and their customers.

In our comment letter, the banking agencies also objected to the Commission adopting the rules in final form and making them effective beginning October 1 of this year. The banking agencies urged the Commission to treat the interim final rules as proposed rules and to give banks sufficient time after modified rules are adopted by the Commission to implement systems and make other changes necessary to comply with the rules.

We support the Commission's recent actions to extend the public comment period on the rules until September 4, 2001, and to extend the effective date of the interim final rules and the statutory provisions that they implement until at least May 12, 2002. We also support the Commission's statement that it will further extend the effective date for an appropriate period of time to provide banks with a sufficient transition period to come into compliance with any revised rules the Commission ultimately adopts. We believe these procedural steps are both necessary and appropriate to ensure that the public comment process, which is so critical to the development of fair and effective rules, allows for meaningful comment and the collection of much needed information regarding the practical effects of the SEC's rules on the traditional activities of banks. Most importantly, we look forward to engaging in a constructive dialogue with the Commission and its staff and to assisting them in modifying the substance of the rules in a manner that both gives effect to the Congress' intent and does not disrupt the traditional customer relationships and activities of banks.

Before highlighting some of the most significant provisions of the interim final rules that we believe must be modified, a brief background of the treatment of banks under the Securities Exchange Act of 1934 and the purposes of the GLB Act's bank securities provisions is useful.

HISTORY OF THE BANK EXCEPTION AND BANK SECURITIES ACTIVITIES

In 1934, the Congress first adopted a federal scheme requiring all entities that act as securities brokers or dealers to register with the SEC. The Securities Exchange Act of 1934, however, specifically exempted all banks from the definitions of "broker" and "dealer" and, accordingly, did not require banks providing securities services to their customers to register with the SEC as broker–dealers. Although the ability of banks to underwrite, deal in, and purchase securities was limited by the Glass–Steagall Act of 1933, banks continued to have the ability to buy and sell securities for the account of their customers and to buy and sell securities for their own account when specifically authorized by law. The Congress recognized that these permissible securities activities were already supervised and examined by the appropriate federal and state banking authorities and that subjecting these activities to an additional layer of regulation was not necessary or appropriate. In fact, one of the primary purposes of the Securities Exchange Act of 1934 was to subject nonbank stockbrokers and securities traders to the type of government supervision and examination that was already applied under the banking laws to banks.

Long before 1934 and since, banks have offered their customers securities services in a variety of circumstances in connection with their banking activities. For example, banks have long bought and sold securities for their trust and fiduciary customers. These services are an essential part of the trust and fiduciary operations of banks—operations that have long been considered a core banking function. Banks that have discretionary investment authority over a trust or fiduciary account purchase and sell securities for the account to ensure that the account is properly diversified and managed in the manner required by the governing trust agreement and applicable fiduciary principles. Banks also provide investment advice concerning securities, real estate, and other assets to nondiscretionary fiduciary accounts and have long been able to execute securities transactions for these accounts.

Another core banking function is providing custody and safekeeping services. The five largest global custodians are banks; and banks, both large and small, act as trusted custodians for the securities, real estate, and other assets of customers. One of the most recognizable custody services provided by banks is for Individual Retirement Accounts (IRAs). Under applicable Internal Revenue Service regulations, banks may act as custodians for IRAs, and bank-offered custodial IRAs provide consumers throughout the nation with a convenient and economical way to buy and sell securities for retirement purposes on a tax-deferred basis. Banks, as part of their customary banking activities and as an accommodation to their customers, also have long permitted customers that hold securities in custody accounts at the bank to buy and sell securities related to the account. These services allow customers to avoid the unnecessary expense of having to establish a separate securities account at a broker–dealer to effect such trades. Other securities services traditionally offered by banks include "sweeping" deposit funds into overnight investment vehicles, such as money market mutual funds, privately placing securities for customers, and providing transfer agency services to issuers and benefit plans.

Banks have offered these services to their customers without significant concerns for years. It is important, moreover, to highlight that these activities are *not* unregulated—they are supervised, regulated, and examined by the relevant federal and state banking agencies. In the trust and fiduciary area, these protections are enhanced and supplemented by well-developed principles of state and federal trust and fiduciary law that provide customers with strong protections against conflicts of interest and other potential abuses. Bank examiners regularly examine a bank's trust and fiduciary departments for compliance with these fiduciary principles. These examinations frequently are conducted by examiners who have received special training in trust and fiduciary law and practice, and the federal banking agencies assign banks engaged in fiduciary activities separate ratings under the Uniform Interagency Trust Rating System. These ratings are based on an evaluation of, among other things, the capability of management; the adequacy of the bank's operations, controls, and audits; the bank's compliance with applicable law, fiduciary principles, and the documents governing the account; and the management of fiduciary assets.

GLB ACT

It was in the context of this existing regulatory framework that the Congress, during consideration of the GLB Act, reviewed the blanket exception for banks from the definitions of "broker" and "dealer" in the Securities Exchange Act. This review of the blanket exception was not undertaken because abuses or concerns existed concerning the traditional securities activities of banks. In fact, banks generally have conducted their securities activities responsibly and in accordance with bank regulatory requirements and other applicable law, including the antifraud provisions of the federal securities laws.

Rather, the review of the bank exception was undertaken to address a concern that, if the blanket exception for banks was retained at the same time that the barriers hindering the affiliation of banks and securities broker–dealers were removed, securities firms might acquire a bank and move the securities activities of the broker–dealer into the bank in order to avoid SEC supervision and regulation. Some parties also expressed concern that banks might in the future significantly expand their securities activities outside the services traditionally provided customers under the blanket exception. The Congress sought to balance these concerns with the desire to ensure that banks could continue to provide their customers the securities services that they had traditionally provided as part of their customary banking activities, without significant problems, and subject to the effective supervision and regulation of the banking agencies.

The end result, the GLB Act, replaced the blanket exception for banks from the definitions of "broker" and "dealer" with fifteen exceptions tailored to allow the continuation of key bank securities activities. These exceptions were broadly drafted and were intended to ensure that banks could continue to provide their customers with most, if not all, of the services that they traditionally had received from banks. For example, these statutory exceptions permit banks, subject to certain conditions, to continue to (1) buy and sell securities for their trust and fiduciary customers, (2) buy and sell securities for their custodial clients as part of their customary banking activities, (3) establish so-called "networking" arrangements with registered broker–dealers to offer securities services to the bank's customers, (4) sweep deposit funds into shares of no-load money market mutual funds, (5) privately place securities with sophisticated investors, (6) issue and sell to qualified investors securities that are backed by assets predominantly originated by the bank, its affiliates, or in the case of consumer-related receivables, a syndicate formed by the bank and other banks, and (7) broker securities in up to 500 transactions per year that are not otherwise exempt.

Interim Final Rules Adopted by the SEC

The interim final rules as currently written are, in many respects, not consistent with the language or purposes of the GLB Act and would impose unnecessary costs and burdens on banks and their customers. In the interest of time, I will focus only on some of our most significant concerns with the substantive provisions of the rules. A more detailed discussion of our numerous concerns is included in the comment letter issued jointly by the Federal Reserve, the OCC, and the FDIC.

Trust and Fiduciary Activities

We are most concerned with the provisions of the interim final rules that implement the statutory exception for the trust and fiduciary activities of banks. In our judgment, these provisions would significantly disrupt the trust and fiduciary customer relationships and activities of banks. As I noted above, trust and fiduciary activities are part of the core functions of banks, and banks have long bought and sold securities for their trust and fiduciary customers under the strong protections afforded by fiduciary laws and under the supervision and examination of the banking agencies.

In light of this history, the GLB Act specifically permits banks to effect transactions in a trustee capacity and to effect transactions in a fiduciary capacity in any department of the bank that is regularly examined by bank examiners for compliance with fiduciary principles. To ensure that banks did not attempt to operate a full-scale brokerage operation out of their trust department, the GLB Act established two limitations. First, a bank relying on the trust and fiduciary exception must be "chiefly compensated" for the securities transactions it effects for its trust and fiduciary customers on the basis of certain types of traditional trust and fiduciary fees specified in the act. Second and importantly, the act prohibits the bank from publicly soliciting securities brokerage business other than in conjunction with its trust activities. The Congress did not expect that these compensation requirements and advertising restrictions would interfere with the traditional trust and fiduciary activities of banks, nor were these provisions intended to grant the SEC broad authority to regulate or "push out" the trust and fiduciary activities of banks. In fact, the Conference Report for the GLB Act specifically states that the "Conferees expect that the SEC will not disturb traditional bank trust activities" under this exception.[1]

The interpretation of this exception currently reflected in the interim final rules, however, would significantly disrupt the customary trust and fiduciary activities of banks and is at odds with both the language and purposes of the exception. Most importantly, the interim final rules provide that a bank qualifies for the exception only if *each* of its trust and fiduciary accounts independently meets the act's "chiefly compensated" requirement. We strongly believe that the act's "chiefly compensated" requirement was intended to apply to a bank's *aggregate* trust and fiduciary activities and *not* on an account-by-account basis. An approach focused on the bank's aggregate trust and fiduciary activities is consistent with the nature and operations of bank trust departments and would—in conjunction with the act's prohibition on banks publicly soliciting brokerage business apart from their trust and fiduciary activities—effectively prevent banks from running a full-scale brokerage operation out of their trust departments.

The account-by-account approach adopted by the interim final rules, on the other hand, is both unworkable and overly burdensome. First, this approach appears premised on the notion that an individual trust or fiduciary account that engages in a significant number of securities transactions during a year is not a traditional trust and fiduciary account. This premise is flawed, however. It is entirely natural for a bank to engage in numerous securities transactions for a trust or fiduciary account. For example, there may be numerous securities transactions for an account when a trust is initially established and the assets provided

1. *See* H.R. Conf. Rep. No. 106-434 at 164 (1999).

by the grantor are initially invested or when the investment strategy of a fiduciary account is altered to reflect changes in the beneficiary's investment objective. An account-by-account approach also does not accommodate the complex, multi-account relationships that a bank's trust department is frequently called upon to establish to achieve the individualized wealth preservation and transfer goals of its customers.

The account-by-account approach also proves too much. To put this in context, a moderately sized trust department may have on the order of 10,000 separate trust and fiduciary accounts and a large trust department may have more than 100,000 such accounts. Under the account-by-account approach adopted by the interim final rules, changes in the amount of compensation received during a year from a *single* trust or fiduciary account could cause a bank and its entire trust operation to become an unregistered broker–dealer, thereby opening the bank to the threat of enforcement action by the SEC and, after January 1, 2003, suits by private parties for the rescission of securities contracts entered into by the bank. Such a result is unreasonable, especially because a bank would not be able to determine an account's compliance with the rules' "chiefly compensated" requirement until the end of a year and then may have only a single day to restructure its operations if the compensation from one account did not meet the rules' requirements.

The proposed account-by-account approach also would impose significant and unnecessary burdens on banks. Most banks do not have the systems in place to track the various categories of compensation that they receive from each individual trust and fiduciary account. In order to comply with the rules and to continue providing traditional trust and fiduciary services, banks would have to establish complex and costly systems and procedures for monitoring the amount and types of fees received from each trust and fiduciary account, and these costs likely would be passed on to consumers.

The Commission recognized the significant burdens imposed by the rules' account-by-account requirement and used its discretionary authority under other provisions of the securities laws to adopt an exemption for banks that comply with certain conditions established by the Commission. These conditions, however, require the bank to establish procedures to ensure that *each* trust and fiduciary account complies with the rules' chiefly compensated requirement, effectively maintaining the account-by-account approach from which the exemption was supposed to provide relief. In addition, a bank may take advantage of the exemption only if it significantly limits its receipt of fees that would otherwise be permissible under the GLB Act.

The rules also impose restrictions on the trust and fiduciary activities of banks that simply are not found in the statute and that are not consistent with the nature of the trust and fiduciary operations of banks. For example, although the statutory exception is, by its terms, available for all accounts where a bank acts as trustee, the rules suggest that the SEC will review bank–trustee relationships and may determine that some of these relationships do not qualify for the exception. Accordingly, the rules not only cast doubt on whether banks may continue to effect securities transactions for a wide variety of traditional trust accounts, such as self-directed personal trust accounts and charitable trusts, but also suggest that the SEC intends to review and regulate the types of trust relationships that banks may have with customers. The interim final rules also place restrictions on when a bank will be deemed to be acting in a "fiduciary capacity" that were not included in the statute or contemplated by the Congress.

Finally, the rules interpret the statute's examination requirement in a manner that will effectively prevent many banks from taking advantage of the statutory trust and fiduciary exception at all. As I mentioned earlier, the Congress required that any securities transactions under the exception be effected either in the bank's trust department or in another department that is regularly examined by bank examiners for compliance with fiduciary principles and standards. These requirements ensure that the customer's relationship with the bank continues to be subject to the fiduciary examination programs of the banking agencies that have effectively protected customers for years.

The interim final rules, however, allow a bank to effect transactions for a trust or fiduciary account only if all aspects of the transaction—including associated data processing and settlement—occur in a department regularly examined by bank examiners for compliance with fiduciary principles and standards. Many bank trust and fiduciary departments outsource securities settlement and processing functions to a third party or affiliate, or delegate these functions to other departments of the bank to achieve cost and operational efficiencies. The customer relationship is fully protected by trust and fiduciary principles in this case, while the mechanics of the transaction are handled in the most cost-efficient manner. However, banks that have structured their operations in these ways would be prohibited by the rules from taking advantage of the exception granted by the

Congress, even though their relationships with customers are maintained in a trust or fiduciary department and regularly examined by bank examiners for compliance with fiduciary principles.

In our view, the end result of these narrow interpretations and burdensome requirements is that banks will be forced to significantly restructure their traditional trust and fiduciary activities, and some banks may well be required to cease providing these traditional banking services to customers. In addition, customers that have chosen to establish relationships with banks will be forced to terminate these relationships or have duplicate accounts at the bank and a broker–dealer, resulting in increased costs and burden.[2] We do not believe that this was the result intended by the Congress.

Custodial and Safekeeping Activities

Another of the exceptions included by the Congress in the GLB Act was designed to protect the custodial and safekeeping services that banks have long provided as part of their customary banking activities. In particular, the act allows banks, as part of their customary banking activities, to provide safekeeping and custody services with respect to securities and to provide custodial and other related administrative services to Individual Retirement Accounts and pension, retirement, and other similar benefit plans.[3] In this area, as well, the Commission has interpreted the exception in a manner that is inconsistent with the language and purposes of the act and that prevents or significantly disrupts the customary banking relationships and activities that Congress sought to preserve.

In particular, as I noted a moment ago, the act explicitly permits banks to continue providing custodial and related administrative services to IRAs and benefit plans. This language was added to the bill during the House–Senate Conference to resolve any ambiguity concerning the ability of banks to continue to provide securities execution services to their custodial IRA customers and to benefit plans that receive custodial and administrative services from the bank. Bank-offered custodial IRAs provide consumers throughout the United States with a convenient and economical way of investing for retirement on a tax-deferred basis, and banks have long executed securities transactions for these accounts subject to IRS requirements and the supervision and regulation of the banking agencies. Banks also provide benefit plans with custodial and administrative services, including securities execution and recordkeeping services, under the direction and supervision of the plan's fiduciaries. These bank-offered services allow plan administrators to obtain securities execution and other administrative services in a cost-effective manner, thereby reducing plan expenses and benefiting plan beneficiaries.

The Commission, however, has stated that the custody exception does not allow a bank to effect securities transactions for its custodial IRA or benefit plan accounts. This position essentially reads the explicit authorization adopted by the Congress out of the statute, is completely contrary to the purposes of the act, and would disrupt long-standing relationships between banks and their customers.

In addition, the interpretation of the custody exception adopted by the Commission would prohibit banks from executing securities transactions for their custodial customers on an accommodation basis. Banks, as part of their customary banking activities, have for many years effected securities transactions as an accommodation to their custodial clients. These customer-driven transactions occur only upon the order of the customer and allow the customer to avoid having to go through the unnecessary expense of establishing a separate account with a broker–dealer to effect occasional securities trades associated with the customer's custodial assets at the bank.

In an effort to mitigate the adverse impact of these interpretations on the banking industry, the Commission proposed two exemptions that would permit small banks, on one hand, and all banks, on the other hand, to continue to accept orders from their custodial clients. These SEC-granted exemptions, which could be revoked or modified by the SEC at any time in the future, would not be necessary if the rules gave effect to the language and purposes of the custody exception adopted by the Congress. Furthermore, these exemptions are subject to numerous and burdensome restrictions that were not contemplated by the act and that will make it difficult, if not impossible, for many banks to take advantage of the exemptions.

Third-Party Networking Arrangements

The GLB Act also permits banks to establish so-called "networking" arrangements with registered broker–dealers, under which the broker–dealer makes securities brokerage services available to the bank's customers. One provision of the statutory exception

2. The GLB Act already requires that banks send any U.S. securities trades for a trust or fiduciary account to a registered broker–dealer for execution. *See* 15 U.S.C. §78c(a)(4)(C).

3. *See* 15 U.S.C. §78c(a)(4)(B)(viii).

permits bank employees who are not registered representatives of the broker–dealer to receive a nominal, one-time cash fee for the referral of customers to the broker–dealer so long as payment of the fee is not contingent on whether the referral results in a securities transaction.

This exception was intended to reflect and codify the arrangements that the SEC staff has sanctioned in no-action letters issued to the banking and securities industries concerning networking arrangements.[4] These letters, like the statutory exception, permit bank employees to receive a nominal, one-time fee for the referral of customers to the broker–dealer and do not attempt to establish a rigid mechanism for determining what constitutes a "nominal" fee in every circumstance. This flexible approach has worked well for both the banking and securities industries and has not, to our knowledge, caused significant problems.

Despite the success of this flexible approach, the interim final rules establish a rigid and complex approach for determining whether a referral fee is "nominal." In addition, the rules impose, or request comment on, other restrictions on referral fees that were not authorized by the Congress. For example, the rules provide that a referral fee is nominal if it does not exceed one hour of the gross cash wages of the employee receiving the fee. By pegging permissible fees to the hourly wage of each employee, the rules create significant administrative problems and may conflict with state privacy requirements that restrict access to information concerning an employee's salary. Although the rules also allow a bank to pay referral fees in the form of "points" in a bonus program, the rules require that any points awarded must not only be nominal, but also must be the *lowest* amount awarded for any product or service covered by the bonus program. Thus, for example, the points awarded for a securities referral could not exceed the amount of points awarded for a safe deposit referral, even if the points awarded for the securities referral were nominal in amount.

Failure to Address All Exceptions or Adopt Cure or Leeway Periods

The interim final rules also fail to address the scope of a majority of the exceptions to the definitions of "broker" and "dealer" that were adopted in the GLB Act. Given the fact that the Board believes that many of the SEC's interpretations of the scope of the exceptions it has chosen to address do not comport with the unambiguous words of the GLB Act and the legislative intent of the Congress, we are concerned about the manner in which the SEC will interpret the other exceptions. The Board fears that if the SEC does not adopt rules concerning the scope of *all* of the exceptions, it will aggressively interpret some of the exceptions through enforcement actions and no-action letters, without banks and other members of the public having the opportunity to comment on these interpretations.

The interim final rules also fail to provide any cure or leeway periods to banks that are attempting in good faith to comply with the exceptions when they discover that some of their securities transactions do not comply with the exceptions due to inadvertent errors or unforeseen circumstances. Given the complexity of the exceptions, it is expected that banks that are attempting to conform their securities activities to the exceptions will identify some securities transactions that do not meet the terms of the exceptions. In some circumstances, banks will not even be able to confirm that their securities transactions will comply with an exception at the time they are conducted. For example, banks will not be able to confirm that they meet the "chiefly compensated" standard in the trust and fiduciary exception until they review all of their compensation earned at the end of the year. For these reasons, the Board believes that the SEC must provide banks that have adopted policies reasonably designed to comply with the exceptions a reasonable period of time to cure any inadvertent or unforeseen violations. This period of time must at least be long enough for a bank to establish an affiliated broker–dealer to which nonqualifying securities activities can be transferred.

Preserving Regulatory Roles Established by the Congress

On a broader level, we also are concerned that several aspects of the rules appear to reflect an attempt by the Commission to regulate the *banking* activities of banks. For example, as I mentioned earlier, the interim final rules seek to limit the traditional trust, fiduciary, and custodial activities of banks and would indirectly give the Commission the ability to regulate the scope and nature of these activities. Similarly, there is language in the adopting release concerning the networking exception that would appear to impose restrictions on employee bonus programs operated by banks in general, even where the affected

4. *See* Chubb Securities Corp., 1993 SEC No-Act. LEXIS 1204 (Nov. 24, 1993).

employees have no connection with any networking arrangement established with a broker–dealer.

In addition, NASD Rule 3040, which is referenced in the preamble to the rules, purportedly provides the Commission and the NASD the authority to review all the securities activities engaged in by an employee who is both an employee of a bank and a broker–dealer, including those securities transactions that are conducted as part of the bank's traditional banking activities and protected by one of the GLB Act's exceptions. We anticipate that such dual employee arrangements will become more common, as banks seek to modify their activities to ensure compliance with the GLB Act. We believe that subjecting these activities, which the Congress has identified as part of the business of banking, to dual regulation by both the banking agencies and the SEC would be inconsistent with the principles of functional regulation and subject banks to unnecessary and duplicative regulation.

CONCLUSION

The Board believes that the manner in which the bank securities provisions of the GLB Act are implemented is critically important to the ability of banks to continue to provide high-quality banking services to their customers. We appreciate the steps the SEC has taken to extend the public comment period on the interim final rules and delay the effective date of the rules and the statute. However, the Board believes that significant substantive changes must be made to the interim final rules so that they reflect the words of the statute and the intention of the Congress. The Board stands ready to work with the SEC and the banking industry in revising the interim final rules. □

Discontinuation of "Testimony of Federal Reserve Officials" in the *Federal Reserve Bulletin*

"Testimony of Federal Reserve Officials" will not be reprinted in the *Federal Reserve Bulletin* after the December 2001 issue. When testimony is released to the public, it is simultaneously placed on the Board's web site (www.federalreserve.gov/boarddocs/testimony/), which also has testimony back to 1996. Paper copies of testimony are also available by mail from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551 (tel. 202-452-3244).

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Other reprints will also be eliminated from the *Bulletin* after December 2001: the monthly report on industrial production and capacity utilization, the FOMC minutes, the quarterly report "Treasury and Federal Reserve Foreign Exchange Operations" and the annual report "Open Market Operations," both by the Federal Reserve Bank of New York (the text portion of "Open Market Operations" will be reprinted in the Board's *Annual Report* rather than in the *Bulletin*). The documents are widely distributed when originally published, and several sources for historical information are available.

Announcements

FOMC Directives and Changes in the Discount Rate

The Federal Open Market Committee at its meeting on August 21, 2001, decided to lower its target for the federal funds rate by 25 basis points to 3½ percent. In a related action, the Board of Governors approved a 25 basis point reduction in the discount rate to 3 percent. The action by the FOMC brings the decline in the target federal funds rate since the beginning of the year to 300 basis points.

Household demand has been sustained, but business profits and capital spending continue to weaken and growth abroad is slowing, weighing on the U.S. economy. The associated easing of pressures on labor and product markets is expected to keep inflation contained.

Although long-term prospects for productivity growth and the economy remain favorable, the Committee continues to believe that against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the risks are weighted mainly toward conditions that may generate economic weakness in the foreseeable future.

In taking the discount rate action, the Federal Reserve Board approved requests submitted by the boards of directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Richmond, Chicago, Kansas City, Dallas, and San Francisco.

Subsequently, the Federal Reserve Board approved on August 22, 2001, action by the board of directors of the Federal Reserve Bank of Minneapolis, decreasing the discount rate at the bank from 3¼ percent to 3 percent, effective immediately.

The Federal Reserve Board also approved action by the board of directors of the Federal Reserve Bank of St. Louis, decreasing the discount rate at that bank from 3¼ percent to 3 percent, effective Thursday, August 23, 2001.

The Federal Reserve Board approved on August 23, 2001, actions by the boards of directors of the Federal Reserve Banks of Cleveland and Atlanta, decreasing the discount rate at the banks from 3¼ percent to 3 percent, effective immediately.

In an unscheduled announcement, the Federal Open Market Committee on September 17, 2001, decided to lower its target for the federal funds rate by 50 basis points to 3 percent. In a related action, the Board of Governors approved a 50 basis point reduction in the discount rate to 2½ percent. The Federal Reserve will continue to supply unusually large volumes of liquidity to the financial markets, as needed, until more normal market functioning is restored. As a consequence, the FOMC recognizes that the actual federal funds rate may be below its target on occasion in these unusual circumstances.

Even before the tragic events of September 11, employment, production, and business spending remained weak, and last week's events have the potential to damp spending further. Nonetheless, the long-term prospects for productivity growth and the economy remain favorable and should become evident once the unusual forces restraining demand abate. For the foreseeable future, the Committee continues to believe that against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the risks are weighted mainly toward conditions that may generate economic weakness.

The Federal Reserve Board also approved discount rate requests submitted by the boards of directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, Minneapolis, Kansas City, Dallas, and San Francisco.

The Board also approved action by the board of directors of the Federal Reserve Bank of St. Louis, decreasing the discount rate at that bank from 3 percent to 2½ percent, effective Tuesday, September 18, 2001.

Board Statement Following World Trade Center and Pentagon Terrorist Attacks

On September 11, 2001, the Federal Reserve System announced that it is open and operating and that the discount window is available to meet liquidity needs.

Swap Arrangement Between the Federal Reserve and the European Central Bank

In order to facilitate the functioning of financial markets and provide liquidity in dollars, the Federal Reserve and the European Central Bank (ECB) on September 13, 2001, agreed on a swap arrangement.

Under the agreement, the ECB would be eligible to draw up to $50 billion, receiving dollar deposits at the Federal Reserve Bank of New York; in exchange, the Federal Reserve Bank of New York will receive euro deposits of an equivalent amount at the ECB.

The ECB will make these dollar deposits available to national central banks of the Eurosystem, which will use them to help meet the dollar liquidity needs of European banks, whose U.S. operations have been affected by the recent disturbances in the United States. This swap line will expire in thirty days.

Federal Reserve and Bank of Canada Augment Swap Facility

The Federal Reserve and the Bank of Canada on September 14, 2001, agreed to a temporary augmentation of their existing swap facility in order to facilitate the functioning of financial markets and provide liquidity in U.S. dollars.

Under the terms of the augmented facility, the Bank of Canada would be able to draw up to $10 billion in exchange for Canadian dollars. The U.S. dollar proceeds would, if necessary, be made available to Canadian banks to facilitate the settlement of their U.S. dollar transactions. This temporary arrangement will expire in thirty days.

Swap Arrangement Between the Federal Reserve and Bank of England

The Federal Reserve and the Bank of England on September 14, 2001, agreed to establish a temporary swap facility in order to facilitate the functioning of financial markets and provide liquidity in U.S. dollars.

Under the terms of the facility, the Bank of England would be able to draw up to $30 billion in exchange for sterling. The U.S. dollar proceeds would, if necessary, be made available to banks in the United Kingdom to facilitate the settlement of their U.S. dollar transactions. This temporary arrangement will expire in thirty days.

Federal Reserve Encourages Banks to Work With Customers Affected by Disaster

On September 14, 2001, the Federal Reserve encouraged state member banks and bank holding companies to work with customers who directly or indirectly have been affected by the events of September 11.

The Federal Reserve has had a longstanding policy of encouraging bankers to work flexibly with customers, whether companies or individuals, who have been affected by disasters. In particular, banking organizations are encouraged to take prudent steps to make credit available to sound borrowers, taking into account current conditions in considering adjustments to the original terms and conditions of customers' loans or transactions.

Conducted in a prudent way, such practices are consistent with safe and sound banking practice and promote the public interest by assisting in recovery. Banking organizations can work cooperatively with their borrowers by, for example, extending the terms of repayment or otherwise restructuring the borrower's debt obligations. Such cooperative efforts can ease pressures on borrowers, improve their capacity to service debt, and strengthen the organization's ability to collect on its loans.

Organizations may also ease documentation requirements or credit-extension terms for new loans, consistent with prudent banking practices, and may consider providing additional time or grace periods before assessing late fees or initiating default or penalty pricing, particularly on consumer loans. Such easing should help to assist customers affected by temporary disruptions in the marketplace and transportation-related services.

Interagency Advisory on Bank Balance Sheets and Capital Ratios

The Federal Reserve Board on September 14, 2001, joined the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision to issue an interagency advisory to banking institutions following the disaster of September 11. It is as follows:

Market responses in the aftermath of the tragic events of September 11 could lead to temporary balance sheet growth at some banking organizations, including thrift institutions. This growth could occur if, for example, during this period corporate borrowers make unusual draws on their existing lines of credit or request new lines in response to a perceived need for extra liquidity, or if a banking organization were to receive unusually large deposit inflows. Absent other factors, increases in extensions of credit or large deposit inflows would likely result in an increase in total assets.

Banking organizations should prepare for the possible effects on their balance sheets that may occur due to significantly increased lending or deposit inflows. Some organizations that experience significant asset growth may also experience a temporary decline in their regulatory capital ratios as a result of responding to customers' needs over this period. If an organization believes such a situation could arise, management is urged to contact its primary supervisor to discuss how to address it in light of the institution's overall financial condition.

Any questions on this statement should be directed to the banking organization's primary supervisor.

Approval of Final Rule on Financial Subsidiaries of State Member Banks

The Federal Reserve Board announced on August 13, 2001, the approval of a final rule relating to financial subsidiaries of state member banks.

The Gramm-Leach-Bliley Act and rule permit qualifying state member banks to establish financial subsidiaries and thereby engage in certain activities that have been determined to be financial in nature or incidental to financial activities.

The final rule is substantially similar to the interim rule that the Board adopted last year and issued for comment. The rule continues to allow qualifying state member banks to use a streamlined notice procedure to establish a financial subsidiary. The final rule will become effective thirty days after publication in the *Federal Register.*

Board to Purchase Office Building in Washington, DC

The Federal Reserve Board announced on August 20, 2001, that it has contracted to purchase from Mack-Cali Realty Corporation of Cranford, New Jersey, an eight-story, 173,390 square-foot office building located at 1709 New York Avenue, N.W., Washington, D.C., for $67 million.

The Board is currently leasing 71 percent of this building. The planned purchase will reduce costs in the long run by freeing the Board from lease payments.

Legislation authorizing the purchase was enacted in December 2000. The Board owns two other buildings in the District of Columbia: the Marriner S. Eccles Building, at 20th and C Streets, N.W., and the adjacent William McChesney Martin, Jr., Building.

Errata: *Federal Reserve Bulletin* Table

In table 4.411 "Lender Share and Dollar Volume of Residential-Mortgage Originations, 1993-2000," which appeared in the September 2001 issue (vol. 87, p. A72), a miscalculation resulted in an error in one of the data cells. The corrected version of the table is shown on page 664.

4.411 LENDER SHARE AND DOLLAR VOLUME OF RESIDENTIAL-MORTGAGE ORIGINATIONS, 1993–2000[1]

Year	Savings institutions[2]	Commercial banks	Mortgage companies: Subsidiaries of banks or savings institutions[3]	Mortgage companies: Independently owned[4]	Credit unions	Dollar volume (billions of dollars)
Conventional one- to four-family						
1 1993	23	18	19	37	3	842
2 1994	26	21	19	31	3	539
3 1995	26	21	25	26	2	444
4 1996	26	21	25	26	3	555
5 1997	25	18	26	28	2	630
6 1998	24	16	30	28	2	1,163
7 1999	21	21	29	26	3	960
8 2000	21	23	29	25	2	783
FHA, VA, and RHS one- to four-family						
9 1993	9	5	26	59	1	151
10 1994	10	6	29	54	1	86
11 1995	10	7	34	49	1	95
12 1996	10	6	33	50	1	95
13 1997	9	6	37	48	1	101
14 1998	7	5	38	49	1	150
15 1999	6	6	41	46	1	133
16 2000	5	8	41	45	1	110
Total, one- to four-family						
17 1993	21	16	20	40	3	993
18 1994	24	19	20	34	3	625
19 1995	24	19	26	30	2	519
20 1996	24	19	26	29	2	650
21 1997	23	17	28	30	2	731
22 1998	22	15	31	30	2	1,313
23 1999	19	19	31	29	2	1,093
24 2000	19	21	31	27	2	894
Total, multifamily						
25 1993	63	23	6	9	0	13
26 1994	62	30	4	5	0	15
27 1995	51	41	4	4	0	13
28 1996	50	38	6	7	0	16
29 1997	47	36	6	11	0	20
30 1998	41	36	10	13	0	28
31 1999	37	30	8	25	0	32
32 2000	39	38	8	15	0	27
Total, residential						
33 1993	22	16	20	40	3	1,006
34 1994	25	19	20	33	3	640
35 1995	24	19	26	29	2	532
36 1996	24	19	26	29	2	666
37 1997	24	17	27	30	2	751
38 1998	22	15	31	30	2	1,341
39 1999	20	20	30	29	2	1,125
40 2000	19	22	30	27	2	921

NOTE. Coverage of depository institutions declined in 1997 because of an increase in the asset size threshold for exempt institutions from $10 million to $28 million. Data for years prior to 2000 have been revised from those previously published as a consequence of the recategorization of some institutions.

1 Based on the dollar volume of originations reported under the Home Mortgage Disclosure Act. Originations insured or guaranteed by the Rural Housing Service (RHS) include the former Farmers Home Administration.

2 Includes savings and loan associations and savings banks.

3 Includes mortgage company subsidiaries of a bank holding company or a service corporation.

4 Coverage of independently owned mortgage companies expanded in 1993 when those companies with less than $10 million in assets but with 100 or more home-purchase originations were included.

SOURCE. Home Mortgage Disclosure Act, 1990–2000.

Minutes of the Meeting of the Federal Open Market Committee Held on June 26–27, 2001

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., beginning on Tuesday, June 26, 2001, at 2:00 p.m. and continuing on Wednesday, June 27, 2001, at 9:00 a.m.

Present:

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

Messrs. Jordan, McTeer, Santomero, 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
Mr. Gillum, Assistant Secretary
Ms. Fox, Assistant Secretary
Mr. Mattingly, General Counsel
Mr. Baxter, Deputy General Counsel
Ms. Johnson, Economist
Mr. Stockton, Economist

Messrs. Fuhrer, Hakkio, Howard, Hunter, Lindsey, Rasche, Reinhart, Slifman, and Wilcox, Associate Economists

Mr. Kos, Manager, System Open Market Account

Ms. Smith and Mr. Winn, Assistants to the Board, Office of Board Members, Board of Governors

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

Mr. Simpson, Senior Adviser, Division of Research and Statistics, Board of Governors

Mr. Madigan, Associate Director, Division of Monetary Affairs, Board of Governors

Messrs. Oliner and Struckmeyer, Associate Directors, Division of Research and Statistics, Board of Governors

Messrs. Freeman[1] and Whitesell, Assistant Directors, Divisions of International Finance and Monetary Affairs, Board of Governors

Ms. Kusko[1] and Mr. Sichel,[2] Senior Economists, Division of Research and Statistics, Board of Governors

Mr. Nelson,[1] Senior Economist, and Ms. Garrett, Economist, Division of Monetary Affairs, Board of Governors

Mr. Fleischman,[2] Economist, Division of Research and Statistics, Board of Governors

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

Ms. Pianalto, First Vice President, Federal Reserve Bank of Cleveland

Messrs. Beebe, Eisenbeis, and Goodfriend, Mses. Krieger and Mester, Messrs. Rolnick, Rosenblum, and Steindel, Senior Vice Presidents, Federal Reserve Banks of San Francisco, Atlanta, Richmond, New York, Philadelphia, Minneapolis, Dallas, and New York respectively

Mr. Altig, Vice President, Federal Reserve Bank of Cleveland

Mr. Fernald,[3] Economist, Federal Reserve Bank of Chicago

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on May 15, 2001, were approved.

1. Attended portion of meeting relating to staff presentations.
2. Attended portion of meeting relating to productivity developments.
3. Attended Tuesday's session only.

The Manager of the System Open Market Account reported on recent developments relating to foreign exchange markets. There were no open market operations in foreign currencies for the System's account in the period since the previous meeting.

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 15, 2001, through June 26, 2001. By unanimous vote, the Committee ratified these transactions.

The Committee then turned to a discussion of the economic and financial outlook 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 economic activity continued to grow little, if at all, in the second quarter. Employment fell somewhat over the first two months of the quarter, industrial output dropped sharply, and the limited available information suggested that both probably continued to decline in June. Expansion in consumer spending appeared to have slowed and business purchases of equipment and software had fallen appreciably, though homebuilding had been well maintained. Energy prices had been relatively flat recently, at a high level, and core price inflation had moderated a little.

Private nonfarm payroll employment fell slightly further in May after a sharp drop in April and lackluster growth in the first quarter. Manufacturing recorded additional widespread job losses in May, and there were signs that weakness in employment was spreading to related sectors, notably wholesale trade and help-supply services. By contrast, construction employment rebounded in May, retracing part of its large April loss, and hiring in finance, insurance, and real estate remained brisk. The unemployment rate edged lower in May, to 4.4 percent, but initial unemployment insurance claims and other data suggested persisting softening in the labor market in that month.

The rapid contraction in industrial production continued unabated in May, with manufacturing output registering an eighth consecutive monthly drop. Moreover, output from electric utility plants fell, and mining activity slowed further in May following a strong first-quarter gain. Within manufacturing, decreases in output were widely spread across sectors, and the production of high-tech equipment continued to plummet. The motor vehicle industry was one of the few sectors to record a rise in production. The further contraction in production in May brought the rate of utilization of manufacturing capacity to its lowest level since 1983.

Growth of consumer spending seemed to have slowed in the second quarter, reflecting the deceleration in personal income, the rise in unemployment, and the earlier decline in household net worth. Nominal retail sales were up only slightly in May after a brisk rise in April, and the average rate of increase over the two months was somewhat slower than that of the first quarter.

Low mortgage rates continued to provide support to residential building activity in April and May despite a weakening labor market and sluggish growth in personal income. Total housing starts in April–May remained at the high first-quarter level, as stronger single-family starts offset a slower pace of multifamily starts. Sales of new and existing homes slipped in April (latest data) after both reached near-record levels in March.

Business spending on equipment and software declined further early in the second quarter in response to sluggish sales, an erosion of earnings and corporate cash flows, and an uncertain outlook for future sales and earnings. Shipments of nondefense capital goods slumped in April, and the weakness in incoming orders suggested that shipments would fall further in coming months. Fleet sales of cars and trucks, which had been among the few areas of strength in business equipment expenditures in the first quarter, also slowed. By contrast, nonresidential construction remained robust, though the level of activity slipped a little in April and slightly higher vacancy rates and smaller increases in rents suggested that the profitability of new nonresidential investment might be lessening. Strength was particularly evident in outlays for industrial structures, partly reflecting construction of electric power plants and facilities for cogeneration of power by industrial companies, and in continuing strong oil and gas exploration activity.

Business inventories on a book-value basis edged higher in April after a sizable runoff in the first quarter. Excluding motor vehicles, manufacturing stocks were little changed in April, but shipments were down sharply and the aggregate inventory–shipments ratio for the sector remained on a steep upward trend, with many industries facing sizable inventory overhangs. In the wholesale sector, inventories rose in step with sales; the sector's inventory–sales ratio was unchanged in April and remained at the top of its range for the past twelve months. Retail inventories continued to decline in April, and the sector's inventory–sales ratio decreased further and was near the middle of its range for the past twelve months.

The U.S. trade deficit in goods and services continued to shrink in April. The value of exports fell, with most of the drop occurring in capital goods, notably computers and semiconductors. The value of imports also decreased but by slightly more than exports, reflecting sizable declines in capital and consumer goods that were partly offset by increases in oil and automotive products. Recent information indicated that economic growth in the euro area and the United Kingdom in the first quarter was at about the reduced pace seen in the fourth quarter, and growth likely stayed relatively slow more recently. Expansion in Canada appeared to have weakened recently after a slight pickup in the first quarter. In Japan, the contraction in economic activity that began early in the year appeared to have continued into the second quarter. Most of the developing countries, with the notable exception of China, also were experiencing an economic slowdown that was related at least in part to weaker external demand.

Core price inflation had moderated a little recently after a pickup earlier in the year. The core consumer price index (CPI) rose relatively slowly in April and May, and the increase in that index during the past twelve months was about the same as that during the previous twelve-month period. The core personal consumption expenditure (PCE) chain-type price index presented a similar picture, with inflation in April and May a little lower than earlier in the year and no change in inflation on a year-over-year basis. Core producer price inflation for finished goods also was subdued in the April–May period but edged higher on a year-over-year basis. There also were indications that upward pressures on energy prices had abated somewhat. In particular, the return of some domestic refineries to operation after maintenance or breakdowns and a surge in imports had replenished gasoline stocks, and as a result wholesale and retail gasoline prices had retreated recently. With regard to labor costs, average hourly earnings of production or nonsupervisory workers continued to rise in April and May at the relatively brisk rate that had prevailed over the past year.

At its meeting on May 15, 2001, the Committee adopted a directive that called for maintaining conditions in reserve markets consistent with a decrease of 50 basis points in the intended level of the federal funds rate, to about 4 percent. The members generally agreed that this action was necessary in light of the continuing weakness of the economic expansion and the lack of evidence that output growth had stabilized or was about to rebound, coupled with a climate of fragile business and consumer confidence. In addition, the members believed that the balance of risks remained weighted toward conditions that could generate economic weakness in the foreseeable future.

Federal funds traded at rates near the Committee's target level over the intermeeting period. Other short-term market rates declined somewhat following the Committee's announcement of the easing action and subsequently moved down noticeably further in response to weaker-than-expected news on economic activity and corporate earnings. Yields on long-term Treasury and investment-grade corporate securities fell appreciably during the intermeeting interval, but rates on speculative-grade bonds rose sharply in response to the adverse earnings news. The pessimistic earnings reports also weighed on equity prices, which edged lower on balance.

In foreign exchange markets, the trade-weighted value of the dollar in terms of many of the major foreign currencies increased slightly over the intermeeting interval, as the dollar's appreciation against the euro and other European currencies more than offset the U.S. dollar's further decline against the Canadian dollar. European currencies weakened in response to disappointing data on economic activity, with inflation concerns seen as constraining countervailing monetary easing actions. The dollar also was up slightly on net in terms of an index of the currencies of other important trading partners. The *real* was adversely affected by Brazil's internal problems and spillovers from Argentina's financial difficulties, while the Mexican peso benefited from continued foreign interest in Mexican investments and from high oil prices.

The broad monetary aggregates continued to grow rapidly in the second quarter, reflecting the effects of lower opportunity costs of holding liquid deposits and money market mutual funds, a buildup in deposits associated with extensive mortgage financing activity, and a flight to liquidity and safety from volatile equity markets. The debt of domestic nonfinancial sectors expanded at a moderate pace on balance through May.

The staff forecast prepared for this meeting suggested that after a period of very slow growth associated in large part with an inventory correction, a sizable decline in capital spending, and a related sharp contraction in manufacturing output, the economic expansion would gradually regain strength over the forecast horizon and move back to a rate around the staff's current estimate of the growth of the economy's potential output. The period of subpar expansion was expected to foster an appreciable easing of pressures on resources and some moderation in core price inflation. Despite the substantial monetary easing that had been implemented already and the fiscal stimulus, including federal tax rebates, that was in train, the forecast anticipated that sluggish hiring and the decline in household wealth would restrain the growth of both consumer spending and housing demand. Business fixed investment, notably outlays for equipment and software, would be weaker for a while but would return to relatively robust growth after a period of adjustment of capital stocks to more desirable levels. The gradual strengthening of investment, together with a projected improvement in foreign economies that was seen as providing some support for U.S. exports, would foster the pickup in growth of demand and output.

In the Committee's discussion of current and prospective economic developments, members noted that by some measures overall economic activity remained at a reasonably high level. However, recent data indicated that growth of spending and output was quite sluggish and below the pace many members had anticipated at the time of the previous meeting. Weakness in business spending for equipment and software, efforts to reduce excess inventories, and the ongoing adaptation to lower equity prices in the United States and around the world were likely to hold back economic activity in the short run. Nonetheless, the members continued to anticipate a strengthening as the year progressed and during 2002, fostered to a large extent by the lagged effects on spending of the substantial easing in monetary policy since early this year, the stimulus from recently enacted tax cuts, and the positive effects on household and business purchasing power of some recent reductions in energy prices. In addition, the abatement and eventual turnaround of the downward adjustments to capital spending and inventories would add impetus to economic growth going forward. It was noted, however, that the unique characteristics of the current cyclical experience, including the heavy concentration of weakness in business expenditures and manufacturing output, increased the uncertainty that surrounded any forecast. Most of the members believed that the risks to the expansion, notably for the nearer term, remained to the downside of current forecasts. Potential sources of shortfalls included the effects of possible further increases in unemployment on consumer and business confidence; the risks of disappointing business earnings that could damp investment and, through lower equity prices, consumption; and the growing indications of weakness in foreign economies that could limit demand for exports. In an environment of diminished pressures in product and labor markets and of lower energy costs, members commented that price pressures were likely to remain contained, at least over the near to intermediate term.

In preparation for the mid-year monetary policy report to Congress, the members of the Board of Governors and the presidents of the Federal Reserve Banks provided individual projections of the growth of GDP, the rate of unemployment, and the rate of inflation for the years 2001 and 2002. The forecasts of the rate of expansion in real GDP had central tendencies of 1¼ to 2 percent for 2001, suggesting at least a little acceleration in the second half of the year, and 3 to 3¼ percent for 2002. The civilian rates of unemployment associated with these forecasts had central tendencies of 4¾ to 5 percent in the fourth quarter of 2001 and 4¾ to 5¼ percent in the fourth quarter of 2002. Forecasts of the rate of inflation, as measured by the chain price index for personal consumption expenditures, were centered on a range of 2 to 2½ percent for this year and 1¾ to 2½ percent in 2002.

Continuing softness in the expansion of economic activity was mirrored in anecdotal reports of business conditions in much of the nation. Typical regional reports referred to slowing increases in economic activity from an already reduced pace or to the persistence of sluggish business activity and generally downbeat business sentiment. Manufacturing continued to display particular weakness. However, actions to reduce excess inventories or to address problems relating to overcapacity in some sectors of the economy, including telecommunications and other high-tech industries, were under way and were likely to exert a decreasing drag on economic activity over coming quarters as corrective adjustments were completed. Financial conditions, while generally supportive of greater spending, presented a mixed picture in some respects. Short- and intermediate-term interest rates had fallen substantially this year, and long-term yields had moved down late last year. But equity prices were only holding their own after a substantial decline earlier and the dollar had appreciated. Though lenders were cautious about marginally creditworthy firms, most businesses were finding ample credit available at attractive terms.

In their comments about developments in key sectors of the economy, members noted that overall business activity had been supported, at least to this point, by the relative strength of household demand. Growth in consumer spending for goods and services, while moderating appreciably since earlier in the year, had nonetheless held up unexpectedly well given the adverse wealth effects associated with the declines in stock market prices, relatively high levels of consumer indebtedness, and job losses in a growing number of industries. Members referred in particular to the persisting strength in demand for light motor vehicles, which evidently was boosted by continuing sales incentives and attractive financing terms. Looking ahead, the outlook for consumer spending was subject to a number of downside risks that included the possibility of rising unemployment and further weakness in the stock market, which could damp consumer confidence as well as income and wealth. However, some further growth in consumer spending remained the most likely prospect for the balance of the year in light of the impetus provided by monetary and fiscal policy and the apparent stabilization in consumer sentiment in recent months after its earlier decline.

Housing activity remained at a high level as attractive mortgage interest rates evidently continued to counterbalance the negative effects on consumer attitudes of somewhat weaker labor markets and reduced stock market wealth. While housing activity in a number of areas continued to be described as fairly robust, members noted that residential sales and construction had slipped in some parts of the nation. Even so, given existing backlogs and the continued availability of attractive mortgage rates, nationwide housing construction was expected to remain near its currently elevated level.

The near-term outlook for business fixed investment seemed less promising. The weakness in spending for new equipment and software had played a key role in the softening of the overall expansion of economic activity in recent quarters, and a material pickup in such expenditures did not appear likely until the latter part of this year or early next year. Indeed, anecdotal reports from many business firms indicated that they were delaying at least some equipment and software outlays until evidence of an upturn in their sales and earnings began to accumulate. Caution was especially pronounced among high-tech firms, many of which had experienced major cutbacks in the demand for their products and services. An analysis prepared for this meeting suggested that in the aggregate the apparent overhang of excess capital might not be large, but the dimensions and duration of the adjustment in spending on capital goods were a major source of uncertainty in the outlook, and there was some risk of substantially greater weakness in investment spending than was forecast for coming months. Beyond the nearer term, however, the prospects for an upturn in investment outlays seemed favorable in the context of profit opportunities associated with expectations of continued elevated rates of technological progress and rapid declines in the prices of new equipment. In this regard the members reviewed several staff reports that generally concluded that the growth of productivity in the years ahead was highly likely to remain appreciably stronger than it had been from the mid-1970s to the mid-1990s, though how much stronger was an open question. With regard to the outlook for nonresidential construction activity, members referred to signs of developing weakness in some commercial real estate markets, but there were few reports of overbuilding and the construction of commercial facilities was being well maintained in other parts of the country. On balance, further modest growth in nonresidential construction, though well below the average pace in recent quarters, was seen as a likely prospect.

Business efforts to bring their inventories into better alignment with sales were a key factor in the deceleration of overall economic activity in recent quarters and in forecasts that the upturn in economic activity would be relatively limited over the balance of the year. Net inventory liquidation appeared to have diminished in the current quarter from its pace earlier in the year, but inventory–sales ratios had risen further in recent months, especially for high-tech equipment. Accordingly, liquidation was not likely to abate substantially further for some time.

With regard to the foreign sector of the economy, members commented that economic activity had softened more than anticipated in many nations that were important trading partners, with clearly negative implications for U.S. exports. Major Latin American countries were experiencing particularly severe economic difficulties, but growth was slowing or economic activity declining in many industrial countries as well. At the same time, a number of important U.S. industries were subject to increased domestic competition from foreign imports. While growth abroad could be expected to rebound next year, responding in part to faster expansion in the U. S. economy, the nearer-term outlook for U.S. and indeed world trade was less favorable.

In their review of the outlook for inflation, members generally anticipated that increases in consumer prices would remain relatively subdued over the next several quarters. Factors underlying that assessment included the emergence of less taut conditions in labor markets, relatively low capacity utilization rates in manufacturing, and the persistence of highly competitive conditions in most product markets that made it very difficult for business firms to preserve or increase their profit margins by raising prices. Moreover, energy prices recently had declined appreciably, and the earlier inflationary effects of energy price increases on a broad range of costs and prices appeared to have begun to subside as a result. Inflation expectations that currently appeared by various measures and survey results to be essentially flat or even to have declined a bit were reinforcing the factors holding down price increases. Some negatives in the inflation outlook also were noted, such as some increase in labor compensation including rapid advances in health care costs, and a consequent squeeze on profit margins that was exacerbated by a cyclical decline in productivity gains. Labor pressures on business costs might persist for a time in lagged response to earlier advances in headline consumer price inflation and labor productivity, but their effects would tend to diminish or to be offset over time if, in line with the members' forecasts, pressures on labor resources continued to ease. Some members expressed concern about the longer-run prospects for wages and prices if the stimulative stance of monetary policy was maintained too long and allowed demand pressures to outrun the economy's potential.

In the Committee's discussion of policy for the intermeeting period ahead, all but one of the members supported both some further easing of reserve conditions consistent with a 25 basis point reduction in the target federal funds rate and the retention of the Committee's public statement that the risks were weighted toward excessively soft economic performance. The information received since the May meeting suggested a somewhat weaker economic performance than most had anticipated, and the members were persuaded that in the absence of firm evidence that the deceleration in the economic expansion had run its course a further easing action was needed at this point to help stabilize the economy. With greater slack in labor and product markets, and with inflation expectations contained, an added easing ran very little risk of exacerbating price pressures, provided the Committee was prepared to firm the stance of policy promptly if and when demand pressures threatened to intensify. One member was persuaded that policy had already become so expansionary that further easing ran an unacceptable risk of exacerbating inflation over time.

A smaller easing move than those the Committee had been making earlier this year was deemed desirable by the members in light of the substantial easing that already had been implemented since the start of this year. By a number of measures—including the level of real federal funds rates, the robust growth of the monetary aggregates, and the ready availability of finance to most borrowers—policy had become stimulative. Such a policy stance was appropriate for a time to counter the various forces holding back economic expansion. But much of the lagged effects of the Committee's earlier easing actions had not yet been felt in the economy, and they would be supplemented in coming quarters by the implementation of the recently legislated tax cut stimulus. In these circumstances, a smaller move than those undertaken earlier this year would have the advantage of reducing the odds on adding to inflation pressures later and of underlining the Committee's assessment of its policy stance. In the view of a number of members, the Committee might well be near the end of its easing cycle. At the same time, several emphasized that they did not want to rule out further easing later if warranted by the tenor of incoming economic information.

All except one of the members accepted a proposal to retain the Committee's press statement that the risks would continue to be weighted toward economic weakness after today's easing move. The member who opposed additional policy easing expressed strong reservations about such a statement because in his view it likely would be interpreted as an intention to ease policy further, which was contrary to his own assessment that a more neutral outlook regarding the future course of policy was desirable. In the view of most members, however, the weakness of the recent information relating to the performance of the economy was consistent with unbalanced risks at least insofar as it pertained to the outlook for the rest of this year, and their primary policy concern at this point remained the strength of economic activity rather than potentially worsening inflation over the longer term.

At the conclusion of this discussion, the Committee voted to authorize and direct the Federal Reserve Bank of New York, until it was instructed otherwise, to execute transactions in the System Account in accordance with the following domestic policy directive:

> The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee in the immediate future seeks conditions in reserve markets consistent with reducing the federal funds rate to an average of around 3¾ percent.

The vote encompassed approval of the sentence below for inclusion in the press statement to be released shortly after the meeting:

Against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the Committee believes that the risks continue to be weighted mainly toward conditions that may generate economic weakness in the foreseeable future.

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

Mr. Poole dissented because he believed that FOMC actions this year had already established a highly stimulative monetary policy stance. The M2 and MZM measures of money had risen at annual rates in excess of 10 percent and 20 percent respectively over the past six months, and the real federal funds rate was very likely below its equilibrium level. Other more qualitative information on financial conditions pointed in the same direction. Economic forecasts were that the economy's growth would resume later this year and the fact that long-term interest rates had not declined since December also indicated that the market anticipated a revival of faster economic growth before long. Given the lags in monetary processes, he believed that adding further monetary policy stimulus raised an undue risk of fostering higher inflation in the future. Moreover, against this background, he was especially concerned that a statement that the Committee continued to view the balance of risks as weighted toward weakness would be read in the market as a sign that the Committee was likely to ease further in the near term. He thought future developments were equally likely to warrant an action in either direction, and he did not think the Committee should take a step that probably would cause expectations of further easing to become embedded in market interest rates.

It was agreed that the next meeting of the Committee would be held on Tuesday, August 21, 2001.

The meeting adjourned at 12:25 p.m.

NOTATION VOTE

By notation vote completed on August 16, 2001, the Committee members voted unanimously to elect Vincent R. Reinhart to the position of economist for the period until the first regularly scheduled meeting in 2002, with the understanding that in the event of the discontinuance of his official connection with the Board of Governors he would cease to have any official connection with the Federal Open Market Committee.

Donald L. Kohn
Secretary

Discontinuation of "Minutes of the Federal Open Market Committee" in the *Federal Reserve Bulletin*

"Minutes of the Federal Open Market Committee" will not be reprinted in the *Federal Reserve Bulletin* after the December 2001 issue. When the minutes are released to the public, they are simultaneously placed on the Board's web site (www.federalreserve.gov/fomc/default.htm), which also has minutes back to 1996; they are also reprinted in the Board's *Annual Report* (www.federalreserve.gov/boarddocs/RptCongress/).

Paper copies of the minutes are also available by mail from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551 (tel. 202-452-3244).

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Other reprints will also be eliminated from the *Bulletin* after December 2001: the monthly report on industrial production and capacity utilization, congressional testimony, the quarterly report "Treasury and Federal Reserve Foreign Exchange Operations" and the annual report "Open Market Operations," both by the Federal Reserve Bank of New York (the text portion of "Open Market Operations" will be reprinted in the Board's *Annual Report* rather than in the *Bulletin*). The documents are widely distributed when originally published, and several sources for historical information are available.

Legal Developments

Final Rule—Amendment to Regulation H

The Board of Governors is amending 12 C.F.R. Part 208, its Regulation H (Membership of State Banking Institutions in the Federal Reserve System: Financial Subsidiaries), implementing the financial subsidiary provisions of the Gramm-Leach-Bliley Act for state member banks. The Gramm-Leach-Bliley Act authorizes state member banks that comply with the requirements of the rule to control, or hold an interest in, a financial subsidiary which may conduct certain financial activities that are not permissible for the parent bank to conduct directly. The final rule is substantially similar to the interim rule that the Board adopted in March 2000.

Effective September 16, 2001, 12 C.F.R. Part 208 is amended as follows:

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, 24a, 36, 92a, 93a, 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, 1831w, 1835a, 1843(l)(2), 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. Subpart G is revised to read as follows:

Subpart G—Financial Subsidiaries of State Member Banks

Subpart G—Financial Subsidiaries of State Member Banks

Section 208.71—What are the requirements to invest in or control a financial subsidiary?

(a) *In general.* A state member bank may control, or hold an interest in, a financial subsidiary only if:
(1) The state member bank and each depository institution affiliate of the state member bank are well capitalized and well managed;
(2) The aggregate consolidated total assets of all financial subsidiaries of the state member bank do not exceed the lesser of:
(i) 45 percent of the consolidated total assets of the parent bank; or
(ii) $50 billion, which dollar amount shall be adjusted according to an indexing mechanism jointly established by the Board and the Secretary of the Treasury;
(3) The state member bank, if it is one of the largest 100 insured banks (based on consolidated total assets as of the end of the previous calendar year), meets the debt rating or alternative requirement of paragraph (b) of this section, if applicable; and
(4) The Board or the appropriate Reserve Bank has approved the bank to acquire the interest in or control the financial subsidiary under section 208.76.

(b) *Debt rating or alternative requirement for 100 largest insured banks.*
(1) *General.* A state member bank meets the debt rating or alternative requirement of this paragraph (b) if:
(i) The bank has at least one issue of eligible debt outstanding that is currently rated in one of the three highest investment grade rating categories by a nationally recognized statistical rating organization; or
(ii) If the bank is one of the second 50 largest insured banks (based on consolidated total assets as of the end of the previous calendar year), the bank has a current long-term issuer credit rating from at least one nationally recognized statistical rating organization that is

within the three highest investment grade rating categories used by the organization.

(2) *Financial subsidiaries engaged in financial activities only as agent.* This paragraph (b) does not apply to a state member bank if the financialsubsidiaries of the bank engage in financial activities described in sections 208.72(a)(1) and (2) only in an agency capacity and not directly or indirectly as principal.

Section 208.72—What activities may a financial subsidiary conduct?

(a) *Authorized activities.* A financial subsidiary of a state member bank may engage in only the following activities:

(1) Any financial activity listed in section 225.86(a), (b), or (c) of the Board's Regulation Y (12 CFR 225.86(a), (b), or (c));

(2) Any activity that the Secretary of the Treasury, in consultation with the Board, has determined to be financial in nature or incidental to a financial activity and permissible for financial subsidiaries pursuant to Section 5136A(b) of the Revised Statutes of the United States (12 U.S.C. 24a(b)); and

(3) Any activity that the state member bank is permitted to engage in directly (subject to the same terms and conditions that govern the conduct of the activity by the state member bank).

(b) *Impermissible activities.* Notwithstanding paragraph (a) of this section, a financial subsidiary may not engage as principal in the following activities:

(1) Insuring, guaranteeing, or indemnifying against loss, harm, damage, illness, disability or death (except to the extent permitted under applicable state law and section 302 or 303(c) of the Gramm-Leach-Bliley Act (15 U.S.C. 6712 or 6713(c));

(2) Providing or issuing annuities the income of which is subject to tax treatment under section 72 of the Internal Revenue Code of 1986 (26 U.S.C. 72);

(3) Real estate development or real estate investment, unless otherwise expressly authorized by applicable state and Federal law; and

(4) Any merchant banking or insurance company investment activity permitted for financial holding companies by section 4(k)(4)(H) or (I) of the Bank Holding Company Act (12 U.S.C. 1843(k)(4)(H) and (I)).

Section 208.73—What additional provisions are applicable to state member banks with financial subsidiaries?

(a) *Capital deduction required.* A state member bank that controls or holds an interest in a financial subsidiary must comply with the following rules in determining its compliance with applicable regulatory capital standards (including the well capitalized standard of section 208.71(a)(1)):

(1) The bank must not consolidate the assets and liabilities of any financial subsidiary with those of the bank.

(2) For purposes of determining the bank's risk-based capital ratios under Appendix A of this part, the bank must—

(i) Deduct 50 percent of the aggregate amount of its outstanding equity investment (including retained earnings) in all financial subsidiaries from both the bank's Tier 1 capital and Tier 2 capital; and

(ii) Deduct the entire amount of the bank's outstanding equity investment (including retained earnings) in all financial subsidiaries from the bank's risk-weighted assets.

(3) For purposes of determining the bank's leverage capital ratio under Appendix B of this part, the bank must—

(i) Deduct 50 percent of the aggregate amount of its outstanding equity investment (including retained earnings) in all financial subsidiaries from the bank's Tier 1 capital; and

(ii) Deduct the entire amount of the bank's outstanding equity investment (including retained earnings) in all financial subsidiaries from the bank's average total assets.

(4) For purposes of determining the bank's ratio of tangible equity to total assets under section 208.43(b)(5), the bank must deduct the entire amount of the bank's outstanding equity investment (including retained earnings) in all financial subsidiaries from the bank's tangible equity and total assets.

(5) If the deduction from Tier 2 capital required by paragraph (a)(2)(i) of this section exceeds the bank's Tier 2 capital, any excess must be deducted from the bank's Tier 1 capital.

(b) *Financial statement disclosure of capital deduction.* Any published financial statement of a state member bank that controls or holds an interest in a financial subsidiary must, in addition to providing information prepared in accordance with generally accepted accounting principles, separately present financial information for the bank reflecting the capital deduction and adjustments required by paragraph (a) of this section.

(c) *Safeguards for the bank.* A state member bank that establishes, controls or holds an interest in a financial subsidiary must:

(1) Establish and maintain procedures for identifying and managing financial and operational risks within the state member bank and the financial subsidiary that adequately protect the state member bank from such risks; and

(2) Establish and maintain reasonable policies and procedures to preserve the separate corporate identity and limited liability of the state member bank and the financial subsidiary.

(d) *Application of Sections 23A and 23B of the Federal Reserve Act.* For purposes of sections 23A and 23B of the Federal Reserve Act (12 U.S.C. 371c, 371c-1):

(1) A financial subsidiary of a state member bank shall be deemed an affiliate, and not a subsidiary, of the bank;

(2) The restrictions contained in section 23A(a)(1)(A) of the Federal Reserve Act (12 U.S.C. 371c(a)(1)(A)) shall not apply with respect to covered transactions between the bank and any individual financial subsidiary of the bank;

(3) The bank's investment in a financial subsidiary shall not include retained earnings of the financial subsidiary;

(4) Any purchase of, or investment in, the securities of a financial subsidiary by an affiliate of the bank will be considered to be a purchase of, or investment in, such securities by the bank; and

(5) Any extension of credit by an affiliate of the bank to a financial subsidiary of the bank will be considered to be an extension of credit by the bank to the financial subsidiary if the Board determines that such treatment is necessary or appropriate to prevent evasions of the Federal Reserve Act and the Gramm-Leach-Bliley Act.

(e) *Application of anti-tying prohibitions.* A financial subsidiary of a state member bank shall be deemed a subsidiary of a bank holding company and not a subsidiary of the bank for purposes of the anti-tying prohibitions of section 106 of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. 1971 *et seq.*).

Section 208.74—What happens if the state member bank or a depository institution affiliate fails to continue to meet certain requirements?

(a) *Qualifications and safeguards.* The following procedures apply to a state member bank that controls or holds an interest in a financial subsidiary.

(1) *Notice by Board.* If the Board finds that a state member bank or any of its depository institution affiliates fails to continue to be well capitalized and well managed, or the state member bank is not in compliance with the asset limitation set forth in section 208.71(a)(2) or the safeguards set forth in section 208.73(c), the Board will notify the state member bank in writing and identify the areas of noncompliance. The Board may provide this notice at any time before or after receiving notice from the state member bank under paragraph (a)(2) of this section.

(2) *Notification by state member bank.* A state member bank must notify the appropriate Reserve Bank in writing within 15 calendar days of becoming aware that any depository institution affiliate of the bank has ceased to be well capitalized or well managed. The notification must identify the depository institution affiliate and the area(s) of noncompliance.

(3) *Execution of agreement.* Within 45 days after receiving a notice from the Board under paragraph (a)(1) of this section, or such additional period of time as the Board may permit, the:

(i) State member bank must execute an agreement acceptable to the Board to comply with all applicable capital, management, asset and safeguard requirements; and

(ii) Any relevant depository institution affiliate of the state member bank must execute an agreement acceptable to its appropriate Federal banking agency to comply with all applicable capital and management requirements.

(4) *Agreement requirements.* Any agreement required by paragraph (a)(3)(i) of this section must:

(i) Explain the specific actions that the state member bank will take to correct all areas of noncompliance;

(ii) Provide a schedule within which each action will be taken; and

(iii) Provide any other information the Board may require.

(5) *Imposition of limits.* Until the Board determines that the conditions described in the notice under paragraph (a)(1) of this section are corrected:

(i) The Board may impose any limitations on the conduct or activities of the state member bank or any subsidiary of the bank as the Board determines to be appropriate under the circumstances and consistent with the purposes of section 121 of the Gramm-Leach-Bliley Act, including requiring the Board's prior approval for any financial subsidiary of the bank to acquire any company or engage in any additional activity; and

(ii) The appropriate Federal banking agency for any relevant depository institution affiliate may impose any limitations on the conduct or activities of the depository institution or any subsidiary of that institution as the agency determines to be appropriate under the circumstances and consistent with the purposes of section 121 of the Gramm-Leach-Bliley Act.

(6) *Divestiture.* The Board may require a state member bank to divest control of any financial subsidiary if the conditions described in a notice under paragraph (a)(1) of this section are not corrected within 180 days of receipt of the notice or such additional period of time as the Board may permit. Any divestiture must be completed in accordance with any terms and conditions established by the Board.

(7) *Consultation.* The Board will consult with all relevant Federal and state regulatory authorities in taking any action under this paragraph (a).

(b) *Debt rating or alternative requirement.* If a state member bank does not continue to meet any applicable debt rating or alternative requirement of section 208.71(b), the bank may not, directly or through a subsidiary, purchase or acquire any additional equity capital of any financial subsidiary until the bank restores its compliance with the requirements of that section. For purposes of this paragraph (b), the term "equity capital" includes, in addition to any equity instrument, any debt instrument issued by the financial subsidiary if the debt instrument qualifies as capital of the subsidiary under any Federal or state law, regulation or interpretation applicable to the subsidiary.

Section 208.75—What happens if the state member bank or any of its insured depository institution affiliates receives less than a "satisfactory" CRA rating?

(a) *Limits on establishment of financial subsidiaries and expansion of existing financial subsidiaries.* If a state member bank, or any insured depository institution affiliate of the bank, has received less than a "satisfactory" rating in meeting community credit needs in its most recent examination under the Community Reinvestment Act of 1977 (12 U.S.C. 2901 *et seq.*):
  (1) The state member bank may not, directly or indirectly, acquire control of any financial subsidiary; and
  (2) Any financial subsidiary controlled by the state member bank may not commence any additional activity or acquire control, including all or substantially all of the assets, of any company.

(b) *Exception for certain activities.* The prohibition in paragraph (a)(2) of this section does not apply to any activity, or to the acquisition of control of any company that is engaged only in activities, that the state member bank is permitted to conduct directly and that are conducted on the same terms and conditions that govern the conduct of the activity by the state member bank.

(c) *Duration of prohibitions.* The prohibitions described in paragraph (a) of this section shall continue in effect until such time as the state member bank and each insured depository institution affiliate of the state member bank has achieved at least a "satisfactory" rating in meeting community credit needs in its most recent examination under the Community Reinvestment Act.

Section 208.76—What Federal Reserve approvals are necessary for financial subsidiaries?

(a) *Notice requirements.*
  (1) A state member bank may not acquire control of, or an interest in, a financial subsidiary unless it files a notice (in letter form, with enclosures) with the appropriate Reserve Bank.
  (2) A state member bank may not engage in any additional activity pursuant to section 208.72(a)(1) or (2) through an existing financial subsidiary unless the state member bank files a notice (in letter form, with enclosures) with the appropriate Reserve Bank.

(b) *Contents of Notice.* Any notice required by paragraph (a) of this section must:
  (1) In the case of a notice filed under paragraph (a)(1) of this section, describe the transaction(s) through which the bank proposes to acquire control of, or an interest in, the financial subsidiary;
  (2) Provide the name and head office address of the financial subsidiary;
  (3) Provide a description of the current and proposed activities of the financial subsidiary and the specific authority permitting each activity;
  (4) Provide the capital ratios as of the close of the previous calendar quarter for all relevant capital measures, as defined in section 38 of the Federal Deposit Insurance Act (12 U.S.C. 1831o), for the bank and each of its depository institution affiliates;
  (5) Certify that the bank and each of its depository institution affiliates was well capitalized at the close of the previous calendar quarter and is well capitalized as of the date the bank files its notice;
  (6) Certify that the bank and each of its depository institution affiliates is well managed as of the date the bank files its notice;
  (7) Certify that the bank meets the debt rating or alternative requirement of section 208.71(b), if applicable; and
  (8) Certify that the bank and its financial subsidiaries are in compliance with the asset limit set forth in section 208.71(a)(2) both before the proposal and on a pro forma basis.

(b) *Insurance activities.*
  (1) If a notice filed under paragraph (a) of this section relates to the initial affiliation of the bank with a company engaged in insurance activities, the notice must describe the type of insurance activity that the company is engaged in or plans to conduct and identify each state where the company holds an insurance license and the state insurance regulatory authority that issued the license.
  (2) The appropriate Reserve Bank will send a copy of any notice described in paragraph (c)(1) of this section to the appropriate state insurance regulatory authorities and provide such authorities with an opportunity to comment on the proposal.

(d) *Approval procedures.* A notice filed with the appropriate Reserve Bank under paragraph (a) of this section will be deemed approved on the fifteenth day after receipt of a complete notice by the appropriate Reserve Bank, unless prior to that date the Board or the appropriate Reserve Bank notifies the bank that the notice is approved, that the notice will require additional review, or that the bank does not meet the requirements of this subpart. Any notification of early approval of a notice must be in writing.

Section 208.77—Definitions.

The following definitions shall apply for purposes of this subpart:

(a) *Affiliate, Company, Control, and Subsidiary.* The terms "affiliate", "company", "control", and "subsidiary" have the meanings given those terms in section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841).

(b) *Appropriate Federal Banking Agency, Depository Institution, Insured Bank and Insured Depository Institution.* The terms "appropriate Federal banking agency", "depository institution", "insured bank" and "insured depository institution" have the meanings given those terms in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(c) *Capital-related definitions.*
  (1) The terms "Tier 1 capital", "tangible equity", "risk-weighted assets" and "total assets" have the meanings given those terms in section 208.41 of this part.
  (2) The terms "Tier 2 capital" and "average total assets" have the meanings given those terms in Appendix A and Appendix B of this part, respectively.

(d) *Eligible Debt.* The term "eligible debt" means unsecured debt with an initial maturity of more than 360 days that:
  (1) Is not supported by any form of credit enhancement, including a guarantee or standby letter of credit; and
  (2) Is not held in whole or in any significant part by any affiliate, officer, director, principal shareholder, or employee of the bank or any other person acting on behalf of or with funds from the bank or an affiliate of the bank.

(e) *Financial Subsidiary.*
  (1) *In general.* The term "financial subsidiary" means any company that is controlled by one or more insured depository institutions *other than*:
    (i) A subsidiary that engages only in activities that the state member bank is permitted to engage in directly and that are conducted on the same terms and conditions that govern the conduct of the activities by the state member bank; or
    (ii) A subsidiary that the state member bank is specifically authorized by the express terms of a Federal statute (other than section 9 of the Federal Reserve Act (12 U.S.C. 335)), and not by implication or interpretation, to control, such as by section 25 or 25A of the Federal Reserve Act (12 U.S.C. 601–604a, 611–631) or the Bank Service Company Act (12 U.S.C. 1861 *et seq.*).
  (3) *Subsidiaries of financial subsidiaries.* A financial subsidiary includes any company that is directly or indirectly controlled by the financial subsidiary.

(f) *Long-term Issuer Credit Rating.* The term "long-term issuer credit rating" means a written opinion issued by a nationally recognized statistical rating organization of the bank's overall capacity and willingness to pay on a timely basis its unsecured, dollar-denominated financial obligations maturing in not less than one year.

(g) *Well Capitalized.*
  (1) *Insured depository institutions.* An insured depository institution is "well capitalized" if it has and maintains at least the capital levels required to be well capitalized under the capital adequacy regulations or guidelines adopted by the institution's appropriate Federal banking agency under section 38 of the Federal Deposit Insurance Act (12 U.S.C. 1831o).
  (2) *Uninsured depository institutions.* A depository institution the deposits of which are not insured by the Federal Deposit Insurance Corporation is "well capitalized" if the institution has and maintains at least the capital levels required for an insured depository institution to be well capitalized.

(h) *Well Managed.*
  (1) *In general.* The term "well managed" means:
    (i) Unless otherwise determined in writing by the appropriate Federal banking agency, the institution has received a composite rating of 1 or 2 under the Uniform Financial Institutions Rating System (or an equivalent rating under an equivalent rating system) and at least a rating of 2 for management (if such rating is given) in connection with its most recent examination or subsequent review by the institution's appropriate Federal banking agency (or the appropriate state banking agency in an examination described in section 10(d) of the Federal Deposit Insurance Act (12 U.S.C. 1820(d)); or
    (ii) In the case of any depository institution that has not been examined by its appropriate Federal banking agency or been subject to an examination by its appropriate state banking agency that meets the requirements of section 10(d) of the Federal Deposit Insurance Act (18 U.S.C. 1820(d)), the existence and use of managerial resources that the appropriate Federal banking agency determines are satisfactory.
  (2) *Merged depository institutions.*
    (i) *Merger involving well managed institutions.* A depository institution that results from the merger of two or more depository institutions that are well managed will be considered to be well managed unless the appropriate Fed-

eral banking agency for the resulting depository institution determines otherwise.

(ii) *Merger involving a poorly rated institution.* A depository institution that results from the merger of a well managed depository institution with one or more depository institutions that are not well managed or that have not been examined shall be considered to be well managed if the appropriate Federal banking agency for the resulting depository institution determines that the institution is well managed.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Canadian Imperial Bank of Commerce Toronto, Canada

CIBC World Markets Inc. Toronto, Canada

CIBC Delaware Holdings Inc. New York, New York

Amicus Holdings Inc. Falls Church, Virginia

Order Approving Acquisition of Shares of a Bank Holding Company

Canadian Imperial Bank of Commerce ("CIBC"), CIBC World Markets Inc. ("World Markets"), CIBC Delaware Holdings Inc. ("Delaware Holdings"), and Amicus Holdings Inc. ("Amicus Holdings") (collectively, "Applicants"), all bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire a majority of the voting shares of Juniper Financial Corp. ("Juniper"), also a bank holding company, and thereby acquire control of Juniper's wholly owned subsidiary, Juniper Bank, both in Wilmington, Delaware.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (66 *Federal Register* 34,933 (2001)). 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.

CIBC, with consolidated assets of $183 billion, is the second largest banking organization headquartered in Canada.[2] Through Amicus Holdings, CIBC owns CIBC National Bank, Maitland, Florida ("CIBC National"), and Amicus FSB, Cicero, Illinois ("Amicus Bank"). CIBC National, with total assets of $428 million, controls deposits of $132 million, representing less than 1 percent of total deposits of insured depository institutions in Florida ("state deposits").[3] Amicus Bank, with total assets of $185.6 million, controls deposits of $44.5 million, representing less than 1 percent of state deposits in Illinois. CIBC also operates a state-licensed branch in Chicago, Illinois; agencies in New York, New York, and Los Angeles, California; and a representative office in Houston, Texas. In addition, CIBC engages in a broad range of permissible nonbanking activities in the United States.

Juniper became a bank holding company in May 2001.[4] Juniper currently operates, and purchases certain receivables from, the Internet-based credit card division of Columbus Bank & Trust, Columbus, Georgia, and CIBC has stated that Juniper Bank would use the proceeds from CIBC's proposed investment in Juniper to acquire the credit card division's assets and liabilities and for other purposes.

Interstate Analysis

Section 3(d) of the BHC 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 such bank holding company if certain conditions are met. For purposes of the BHC Act, the home state of CIBC is Florida, and Juniper Bank is located in Delaware.[5] All the conditions for an interstate acquisition enumerated in section 3(d) are met in this case.[6] Based on a review of

1. Applicants propose to acquire 95 percent of the Series C Preferred Stock of Juniper and up to 51 percent of Juniper's total voting shares. Applicants have stated that the Juniper shares would be acquired either by Delaware Holdings or by Amicus Holdings. Amicus Holdings is a wholly owned subsidiary of Delaware Holdings. CIBC and World Markets own 17.6 percent and 82.4 percent, respectively, of the voting shares of Delaware Holdings. CIBC owns all the voting shares of World Markets.

2. Asset and ranking data for CIBC are as of April 30, 2001, and reflect exchange rates as of that date.

3. Asset and deposit data for CIBC National and Amicus Bank are as of March 31, 2001. State deposit data are as of June 30, 2000. In this context, depository institutions include commercial banks, savings banks, and savings associations.

4. *See Juniper Financial Corp.*, 87 *Federal Reserve Bulletin* 466 (2001).

5. A bank holding company's home state is that state in which the total deposits of all banking subsidiaries of such company were the largest on the later of July 1, 1966, or on the date on which the company became a bank holding company. 12 U.S.C.§ 1841(o)(4)(C). New York remains the home state of CIBC for purposes of the International Banking Act, 12 U.S.C. § 3101 *et seq.* ("IBA"), and Regulation K. For purposes of section 3(d) of the BHC Act, the Board considers a bank to be located in the states in which the bank operates a branch or is chartered or headquartered.

6. *See* 12 U.S.C. §§ 1842(d)(1)(A) & (B), 1842(d)(2)(A) & (B). CIBC is adequately capitalized and adequately managed, as defined by applicable law. In addition, on consummation of the proposal, CIBC would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States. All other requirements under section 3(d) of the BHC Act are met in this case.

all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Competitive Considerations

CIBC and Juniper do not compete directly in any banking market. Based on all the facts of record, 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 any relevant banking market.

Financial, Managerial, and Supervisory Considerations

The BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in acquisition proposals and to consider certain supervisory factors.[7] In assessing the financial and managerial strength of CIBC and its subsidiaries, the Board has reviewed information provided by CIBC, confidential supervisory and examination information, and publicly reported and other financial information. In addition, the Board has consulted with relevant supervisory authorities in Canada. The capital ratios of CIBC exceed the minimum levels that would be required under the Basle Capital Accord and are considered equivalent to the capital ratios that would be required of a U.S. banking organization. Juniper is, and on consummation of the proposal would remain, well capitalized. In light of these and all the facts of record, the Board concludes that the financial and managerial resources and future prospects of Applicants and Juniper are consistent with approval.

Section 3 of the BHC Act also provides that the Board may not approve an application involving a foreign banking organization unless it is "subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank's home country."[8] The home country supervisor of CIBC is Canada's Office of the Superintendent of Financial Institutions ("OSFI"), which is responsible for the prudential supervision and regulation of federally regulated Canadian financial institutions. In approving applications under the BHC Act and the IBA, the Board previously has determined that Canadian banks, including CIBC, are subject to comprehensive consolidated supervision by the OSFI.[9] In this case, the Board finds that the OSFI continues to supervise CIBC in substantially the same manner as it supervised Canadian banks at the time of those previous determinations. Based on this finding and all the facts of record, the Board concludes that CIBC continues to be subject to comprehensive supervision on a consolidated basis by its home country supervisor.

In addition, section 3 of the BHC Act requires the Board to determine that a foreign banking organization has provided adequate assurances that it will make available to the Board such information on its operations and activities and those of its affiliates that the Board deems appropriate to determine and enforce compliance with the BHC Act.[10] The Board has reviewed the restrictions on disclosure in relevant jurisdictions in which CIBC operates and has communicated with relevant government authorities concerning access to information. In addition, CIBC previously has committed to make available to the Board such information on the operations of CIBC and its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act, the IBA, and other applicable federal law. CIBC also previously has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary to enable CIBC to make such information available to the Board. In light of these commitments, the Board concludes that CIBC has provided adequate assurances of access to any appropriate information that the Board may request. Based on these and all the facts of record, the Board concludes that the supervisory factors it is required to consider are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board is required to consider the effect of the proposal on the convenience and needs of the community to be served and to take into account the records of the relevant depository institutions under the Community Reinvestment Act ("CRA").[11] The Board has carefully considered the convenience and needs factor and the CRA performance records of CIBC's U.S. subsidiary depository institutions in light of all the facts of record, including a submission the Board received from a commenter.[12]

7. 12 U.S.C. § 1842(c)(2).

8. 12 U.S.C. § 1842(c)(3)(B). Under Regulation Y, the Board uses the standards enumerated in Regulation K to determine whether a foreign bank that has applied under section 3 of the BHC Act is subject to consolidated home country supervision. *See* 12 C.F.R. § 225.13(a)(4). Regulation K provides that a foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the bank, including its relationship to any affiliates, to assess the bank's overall financial condition and its compliance with law and regulations. *See* 12 C.F.R. 211.24(c)(1)

9. *See Canadian Imperial Bank of Commerce*, 85 *Federal Reserve Bulletin* 733 (1999); *Royal Bank of Canada*, 83 *Federal Reserve Bulletin* 442 (1997); *National Bank of Canada*, 82 *Federal Reserve Bulletin* 769 (1996); *Bank of Montreal*, 80 *Federal Reserve Bulletin* 925 (1994).

10. 12 U.S.C. § 1842(c)(3)(A).

11. 12 U.S.C. § 2901 *et seq.*

12. Commenter asserts that CIBC National and Amicus Bank lack adequate plans to help meet the CRA-related needs of their communities. The Board has reviewed the current CRA plans of CIBC National and Amicus Bank and has consulted with the Office of the Comptroller of the Currency ("OCC") and OTS, respectively, about these institutions. In addition, in acting on Juniper's application to become a bank holding company, the Board reviewed the CRA plan of Juniper Bank and consulted with the Federal Deposit Insurance Corporation ("FDIC"), which is the bank's primary federal supervisor.

Amicus Bank received a "satisfactory" rating from its primary federal supervisor, the Office of Thrift Supervision ("OTS"), at its most recent evaluation for CRA performance, as of August 1998 ("1998 Amicus Bank Evaluation").[13] In the 1998 Amicus Bank Evaluation, examiners identified no violations of the substantive provisions of the antidiscrimination laws. CIBC National commenced operations in October 1999 and has not yet been examined for CRA performance.

CRA Performance of CIBC National.

Lending. According to data provided by CIBC, from January 1 through August 13, 2001, CIBC National has purchased 268 home purchase loans, and 74.6 percent of these loans were to low- and moderate-income ("LMI") individuals and 38.4 percent were in LMI census tracts. CIBC has represented that CIBC National offers a full range of affordable mortgage products through correspondent lenders, including programs that offer low and/or flexible downpayments.

CIBC has reported that CIBC National's community development loans and loan commitments totaled more than $10.5 million for the period from January 1, 2000, through July 31, 2001. These loans include a $5 million line of credit to a community reinvestment corporation ("CRC") for construction financing of an affordable housing development and two LMI multifamily housing loans totaling more than $2.2 million that CIBC National purchased from a CRC.

Investment. CIBC has stated that CIBC National made qualified community development investments of more than $3.4 million from January 1, 2000, through July 31, 2001. CIBC National's purchase of securities backed by mortgage loans to LMI areas or LMI borrowers accounted for almost $2.2 million of this total.

Service. CIBC National currently operates through its main office and 122 banking pavilions in supermarkets.[14] CIBC has indicated that 19.5 percent of these locations are in LMI census tracts, and that CIBC National has never closed a branch or a banking pavilion. CIBC has represented that CIBC National offers customers a selection of financial products, including free checking with no minimum balance and mutual funds with a $100 minimum investment.

CIBC also has indicated that CIBC National employees serve on the boards of directors of several community development corporations and other nonprofit agencies, and that CIBC National has presented homebuying and financial literacy seminars to underserved populations.

CRA Performance of Amicus Bank.

Lending. The 1998 Amicus Bank Evaluation examined the CRA performance of the institution under the standards applicable to small savings associations.[15] Examiners reported that the bank's loan-to-deposit ratio during the evaluation period averaged 85.2 percent, which approximated the 86.3 percent ratio for similarly sized institutions in the central United States during the same period.[16] The bank originated $35.6 million in mortgage loans from January 1, 1996, through June 30, 1998, a loan origination level that examiners considered to be extremely high for an institution of Amicus Bank's asset size.

Examiners characterized the institution's record of lending in low- and moderate-income ("LMI") geographies as acceptable, noting that, during the evaluation period, Amicus Bank originated 49 percent of its HMDA-reportable loans in moderate income census tracts, compared with the 16.8 percent of these originations in such tracts by all lenders in 1996.[17] Examiners reported that the institution originated 56.1 percent of its HMDA-reportable loans during the evaluation period to LMI borrowers, compared with 31.9 percent for lenders in the aggregate in the institution's assessment area in 1996. Examiners also stated that Amicus Bank offered a number of flexible mortgage products to assist LMI borrowers, including loans with down payments of 3 percent of the home purchase price, and loan terms that permitted the use of affordable housing grants to fund portions of down payments.

Data from CIBC indicate that Amicus Bank originated 202 home purchase loans from January 1, 2000, through August 13, 2001. Approximately 72.7 percent of these loans were made to LMI borrowers, and 51.5 percent were made in LMI census tracts. CIBC has stated that Amicus Bank continues to offer low-down payment mortgage loans and also plans to introduce the same selection of affordable mortgage products currently offered by CIBC National. CIBC also has represented that from January 1 through August 13, 2001, Amicus Bank had originated two community development loans in 2001, totaling more than

13. CIBC acquired control of Amicus Bank on April 14, 2000. *See Canadian Imperial Bank of Commerce*, 86 *Federal Reserve Bulletin* 424 (2000). At the time of the evaluation, Amicus Bank was operating as St. Anthony Bank, A Federal Savings Bank.

14. Commenter contends that CIBC National and Amicus Bank have not properly delineated their CRA assessment areas. CIBC National and Amicus Bank operate primarily through the Internet and through supermarket-based banking pavilions that accept deposits at automated teller machines ("ATMs"). CRA regulations require that an institution's assessment area include the geographies in which the institution's main office, branches, and deposit-taking ATMs are located. *See, e.g.*, 12 C.F.R 25.41(c)(2) & 563e.41(c)(2). CIBC has represented that CIBC National and Amicus Bank comply with this requirement by including in their assessment area each area in which the respective institution establishes and operates a branch or a deposit-taking ATM. In connection with past CRA examinations, OTS has reviewed the adequacy of Amicus Bank's assessment area. In addition, in acting on CIBC National's charter application, the OCC considered the bank's plans for meeting CRA-related community needs. The Board also notes that the OCC and the OTS, respectively, will review the adequacy of the assessment areas of CIBC National and Amicus Bank in connection with regular CRA examinations of the institutions.

15. 12 C.F.R. 563e.26.

16. The evaluation period was from November 1, 1995, through July 31, 1998.

17. HMDA-reportable loans refers to loans reportable under the Home Mortgage Disclosure Act, 12 U.S.C. § 2801 *et seq.* ("HMDA").

$550,000 and had approved an additional $4.1 million in such loans.

Investment. Before its acquisition by CIBC in 2000, Amicus Bank qualified as a small savings association for CRA evaluation purposes and, accordingly, was not evaluated under the investment test. CIBC has represented that Amicus Bank has made a total of $114,000 in donations to community development organizations during the first seven months of 2001, and that the bank also is considering making equity investments in certain community development organizations.

Service. Amicus Bank currently operates through its main office, two branches, and 64 banking pavilions in supermarkets. CIBC has stated that 22.4 percent of these locations are in LMI census tracts, and that Amicus Bank has never closed a branch or a banking pavilion. CIBC also has represented that Amicus Bank employees serve on the boards of directors of several community organizations and have conducted seminars for individuals seeking employment.

Conclusion on Convenience and Needs Factor

The Board has considered carefully the entire record in its review of the convenience and needs factor under the BHC Act.[18] Based on all the facts of record, including the relevant CRA performance evaluations, the public comment received, and information provided by CIBC, the Board concludes that considerations relating to convenience and needs, including the CRA performance records of the banks involved in the proposal, are consistent with approval.

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 Applicants with all the commitments made in connection with the application. The Board's approval also is specifically conditioned on CIBC's compliance with the commitments it previously made regarding access to information and on the Board's receiving access to information on the operations or activities of CIBC and any of its affiliates that the Board deems to be appropriate to determine and enforce CIBC's compliance with applicable federal statutes. If any restrictions on access to information on the operations or activities of CIBC and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by CIBC or its affiliates with applicable federal statutes, the Board may require termination of any of CIBC's direct or indirect activities in the United States. All the commitments and conditions on which the Board relied in granting its approval, including the commitments and conditions specifically described above, 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 after the effective date of this order, or later than three months after the effective date of this order, unless the Board or the Federal Reserve Bank of New York, acting pursuant to delegated authority, extends such period for good cause.

By order of the Board of Governors, effective August 17, 2001.

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

ROBERT DEV. FRIERSON
Deputy Secretary of the Board

18. Commenter contends that CIBC and Juniper would market credit cards to unsophisticated customers and asserts that such marketing would constitute predatory lending. CIBC has indicated that Juniper focuses its marketing efforts on potential credit-card customers who have high credit scores. There is no indication in the record that CIBC or Juniper have acted, or intend to act, in a predatory or abusive manner in extending credit. Amicus Bank, CIBC National, and Juniper Bank each has policies in place to comply with all applicable fair lending laws. In acting on charter and related applications, the OCC and the FDIC, respectively, considered the proposed policies of CIBC National and Juniper Bank for compliance with fair lending and other laws. In connection with regular compliance examinations, the primary federal regulators of Amicus Bank, CIBC National, and Juniper Bank will monitor the compliance of each institution with fair lending laws.

First Western Bancorp, Inc.
Huron, South Dakota

Order Approving the Acquisition of a Bank Holding Company

First Western Bancorp, Inc. ("First Western") has requested the Board's approval under section 3 of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842) to acquire at least 74.8 percent of the voting shares of American Bank Shares, Inc. "American"), and thereby acquire American's subsidiary bank, American State Bank ("American Bank"), both in Rapid City, South Dakota.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (66 *Federal Register* 33,543 (2001)). 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 Western, with total consolidated assets of $477 million, operates subsidiary banks in South Dakota and Nebraska. First Western operates the 12th largest depository organization in South Dakota, controlling deposits of $327.9 million, representing approximately 2.5 percent of total deposits in insured depository institutions in the state ("state deposits").[1] American, with total consolidated as-

1. Asset, state deposit, and ranking data are as of June 30, 2000.

sets of $137 million, operates the 23rd largest depository institution in South Dakota, controlling $107.5 million in deposits, representing less than 1 percent of total state deposits. After consummation of the proposal, First Western would control the ninth largest depository organization in South Dakota, controlling deposits of $435.4 million, representing approximately 3.4 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 would be in furtherance of any attempt to monopolize the business of banking in any relevant market. The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any relevant banking market, unless the Board finds that the anticompetitive effects clearly are outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[2]

First Western and American compete directly in the Rapid City, South Dakota, banking market ("Rapid City market").[3] The Board has carefully reviewed the competitive effects of the proposal in this market in light of all the facts of record. In particular, the Board has considered the projected increase in the concentration of total deposits in insured depository institutions in this market ("market deposits")[4] as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"),[5] the number of competitors that would remain in the market, and other characteristics of the market.

First Western operates the second largest depository organization in the Rapid City market, controlling $327.9 million in market deposits, representing approximately 19.2 percent of market deposits. American operates the sixth largest depository institution in the market, controlling $107.5 million in deposits, representing approximately 6.3 percent of market deposits. On consummation of the proposed acquisition, First Western would continue to operate the second largest depository organization in the Rapid City market, controlling $435.4 million in deposits, representing approximately 25.5 percent of market deposits. The HHI would increase by 241 points to 1958, and the market would become highly concentrated.

Several mitigating factors indicate that the increase in market concentration, as measured by the HHI, is not likely to have a significantly adverse effect on competition. A large number of financial institutions, relative to the size of total market deposits, would compete in the Rapid City market. At least 10 banking organizations, other than First Western, and one thrift institution would remain in the market. In addition, four of the other banking organizations would each control more than 10 percent of market deposits.

The Rapid City market also has recently experienced *de novo* entry. In 2000, a banking organization entered the market by establishing a new branch. The Rapid City market, which includes one of the two Metropolitan Statistical Areas ("MSAs") in South Dakota, also appears to be attractive for future entry.[6] From 1990 to 2000, the population growth rate in the Rapid City market and the Rapid City MSA exceeded the statewide rate. In addition, the population growth rate for the Rapid City MSA is projected to increase by more than twice the projected statewide rate from 2000 to 2005.

The Board also has considered the competitive effect of credit unions operating in the Rapid City market. Sixteen credit unions operate in the market and together control more than 20 percent of market deposits, which is more than twice the national average of 8.5 percent for market deposits controlled by credit unions. The largest credit union controls more than 12 percent of market deposits and offers a full range of retail banking products. The credit union's membership is open to all persons who live, work, worship, or attend school in three counties, or in a large town in a fourth county, in the banking market. More than 60 percent of the residents in the Rapid City market are potential members of this credit union.

The Board believes that the foregoing considerations, including the number and strength of competitors that would remain in the Rapid City market after consummation of the proposal, the structure and attractiveness of that market, and other factors mitigate the potential anticompetitive effects of the proposal. The Board also has considered the views of the Department of Justice and other banking agencies. The Department of Justice has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market. The Federal Deposit Insurance Corporation ("FDIC") and the Office of the Comp-

2. 12 U.S.C. § 1842(c)(1).

3. The Rapid City market is defined as Bennett, Butte, Custer, Fall River, Haakon, Jackson, Lawrence, Pennington, and Shannon Counties, and the southwestern portion of Meade County, all in South Dakota.

4. Market share data for the Rapid City market are as of June 30, 2000. These 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 shares on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

5. Under the DOJ Guidelines, 49 *Federal Register* 26,823 (1984), a market in which the post-merger HHI is above 1800 is considered to be 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 or acquisition increases the HHI by at least 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers or acquisitions for anticompetitve effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial institutions.

6. The Rapid City MSA consists of one county in the Rapid City market, Pennington County.

troller of the Currency ("OCC") have been afforded an opportunity to comment and have not objected to the consummation of the proposal.

Based on these and all the facts of record, 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 Rapid City banking market, or in any other relevant banking market, and that competitive factors are consistent with approval.

Financial, Managerial, and Other Considerations

Section 3 of 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 carefully these factors in light of all the facts of record, including supervisory reports of examination assessing the financial and managerial resources of the organizations and confidential financial information provided by First Western. Based on these and all the facts of record, the Board concludes that the financial and managerial resources and future prospects of First Western, American, and their subsidiary banks are consistent with approval, as are the other supervisory factors that the Board must consider under the BHC Act.

In considering the convenience and needs factor, the Board has reviewed the records of performance of the subsidiary banks of First Western and American under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*).[7] Based on all the facts of record, the Board concludes that convenience and needs considerations, including the CRA performance records of the relevant institutions, are consistent with approval of the proposal.

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval of the proposal is conditioned on compliance by First Western with 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 transaction shall not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 9, 2001.

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

ROBERT DEV. FRIERSON
Deputy Secretary of the Board

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

First Union Corporation
Charlotte, North Carolina

Wachovia Corporation
Winston-Salem, North Carolina

Order Approving the Merger of Bank Holding Companies

First Union Corporation ("First Union"), 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 merge with Wachovia Corporation ("Wachovia") and thereby acquire Wachovia's subsidiary banks,[1] including its lead subsidiary bank, Wachovia Bank, National Association, Winston-Salem, North Carolina ("Wachovia Bank").[2] First Union also has requested the Board's approval under sections 4(c)(8) and 4(j) of the BHC Act (12 U.S.C. §§ 1843(c)(8) and 1843(j)) and section 225.24 of the Board's Regulation Y to acquire Wachovia's subsidiary savings association, Atlantic Savings Bank, FSB, Hilton Head Island, South Carolina ("Atlantic"). In addition, First Union has filed notices under section 25A of the Federal Reserve Act (12 U.S.C. §§ 611–631), section 4(c)(13) of the BHC Act (12 U.S.C. § 1843(c)(13)), and subpart A of the Board's Regulation K (12 CFR 211, subpart A) to acquire an Edge corporation and certain foreign investments controlled by Wachovia.[3]

7. The subsidiary banks of First Western and American received "outstanding" or "satisfactory" ratings at their most recent CRA performance examinations: The First Western Bank Custer, Custer, South Dakota, and The First Western Bank Sturgis, Sturgis, South Dakota, received "outstanding" ratings from the FDIC, as of December 1, 1999; The First Western Bank Wall, Wall, South Dakota, also received an "outstanding" rating from the FDIC, as of February 1, 1999; First Western Bank, N.A., Atkinson, Nebraska, received a "satisfactory" rating from the OCC, as of April 20, 1998; and American Bank received an "outstanding" rating from the Federal Reserve Bank of Minneapolis, as of February 24, 1997.

1. First Union also has requested the Board's approval to exercise an option to purchase up to 19.9 percent of Wachovia's common stock if certain events occur. Wachovia holds a substantially similar option to acquire up to 19.9 percent of First Union. Both options would expire on consummation of the proposed merger.

2. Wachovia's other subsidiary banks are Republic Security Bank, West Palm Beach, Florida, and The First National Bank of Atlanta (d/b/a Wachovia Bank Card Services, Inc.), New Castle, Delaware. First Union also proposes to acquire Wachovia Acquisition Corporation 2001–01, Winston-Salem, North Carolina, which is an intermediate bank holding company that holds shares of Republic.

3. First Union and Wachovia are financial holding companies within the meaning of the BHC Act. In addition to the proposed acquisitions described above for which First Union has sought the Board's approval or provided prior notice, First Union would acquire the remainder of Wachovia's nonbanking companies in accordance with section

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (66 *Federal Register* 27,144, and 29,326 (2001)). The time for filing comments has expired, and the Board has considered the proposal and all comments received during the comment period in light of the factors set forth in sections 3 and 4 of the BHC Act.[4]

First Union, with total consolidated assets of $252.9 billion, is the sixth largest commercial banking organization in the United States, controlling approximately 4.1 percent of total banking assets of insured commercial banks in the United States ("total U.S. banking assets").[5] First Union operates subsidiary banks in Connecticut, Delaware, Florida, Georgia, Maryland, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, Tennessee, Virginia, and Washington, D.C., which control $136.2 billion in total deposits, representing approximately 3.4 percent of total deposits in all insured depository institutions in the United States ("total U.S. insured deposits").[6]

Wachovia, with total consolidated assets of $75.6 billion, is the 15th largest commercial banking organization in the United States, controlling approximately 1.3 percent of total U.S. banking assets. Wachovia's subsidiary banks and savings association operate in six Southeastern states and in Delaware, and control $39.8 billion in deposits, representing approximately 1 percent of total U.S. insured deposits.

On consummation of the proposal and after accounting for the proposed divestitures discussed in this order, the combined organization would become the fourth largest commercial banking organization in the United States, with total consolidated assets of $328.5 billion, representing approximately 5.4 percent of total U.S. banking assets, and would control total deposits of $174.5 billion, representing approximately 4.4 percent of total U.S. insured deposits. The combined organization would be named Wachovia Corporation ("New Wachovia"), would be headquartered in Charlotte, and would have a significant presence throughout the Mid-Atlantic and Southeast regions of the United States.

The Board is required to review each proposal filed under the BHC Act using standards specified in the Act. These standards relate to the competitive impact of the proposal, the financial and managerial resources and future prospects of the companies and banks concerned, the convenience and needs of the community to be served, and the availability of information needed to determine and enforce compliance with the BHC Act and other applicable federal banking laws.[7] In addition, the Board is permitted to approve an acquisition that involves banks in a state outside the acquiring bank holding company's home state only if certain specified conditions are met.

Based on this consideration and subject to First Union's commitments and the conditions established by the Board as described below, the Board has concluded that First Union's proposal satisfies the criteria set out in the BHC Act. Accordingly, the Board has determined to approve the applications and notices filed by First Union, subject to the fulfillment of First Union's commitments and the conditions established herein by the Board. The Board's review as discussed in this order is limited to applying the statutory factors set out in the BHC Act to the proposal as currently constituted and presented to the Board, and the Board expresses no view on any matter regarding this transaction other than those statutory factors.

Interstate Analysis

Section 3(d) of the BHC 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 bank holding company's home state if certain conditions are met. For purposes of the BHC Act, the home state of First Union is North Carolina,[8] and the subsidiary banks of Wachovia are located in Delaware, Florida, Georgia, North Carolina, South Carolina, Tennessee, and Virginia.[9] The Board has reviewed the interstate banking laws of each state in which First Union would acquire banking operations and consulted with the appropriate banking regulator in each of those states about the permissibility of the proposed transaction under applicable state law.

All the conditions enumerated in section 3(d) for an interstate acquisition are met in this case. First Union is at least adequately capitalized and adequately managed, as defined by applicable law.[10] In addition, the subsidiary banks of Wachovia that First Union would acquire in an interstate transaction have been in existence for the minimum period of time required by applicable law.[11] On consummation of the proposal, and after accounting for the proposed divestitures, New Wachovia and its affiliates would control less than 10 percent of the total amount of deposits in insured depository institutions in the United

4(k) of the BHC Act and the post-transaction notice procedures of section 225.87 of Regulation Y.

4. SunTrust Banks, Inc., Atlanta, Georgia, filed a number of comments on the proposal, all of which were withdrawn prior to the Board's consideration of the proposal.

5. Asset data are as of March 31, 2001, and ranking data are as of December 31, 2000.

6. Deposit data are as of June 30, 2000. An "insured depository institution" is any bank or savings association whose deposits are insured by the Federal Deposit Insurance Corporation. 12 U.S.C. § 1813(c)(2).

7. *See* 12 U.S.C. § 1842(c). The BHC Act requires review of additional factors in cases involving the acquisition of a bank by a foreign bank.

8. A bank holding company's home state is that state in which the total deposits of all banking subsidiaries of the company were the largest on the later of July 1, 1966, or the date on which the company became a bank holding company. 12 U.S.C. § 1841(o)(4)(c).

9. For purposes of section 3(d), the Board considers a bank to be located in the states in which the bank is chartered, headquartered, or operates a branch.

10. *See* 12 U.S.C. §§ 1841(o)(1)(B), 1841(o)(9), and 1842(d)(1)(A).

11. *See* 12 U.S.C. § 1842(d)(1)(B). Each of Wachovia's subsidiary depository institutions has been in existence for at least five years and, therefore, may be acquired without regard to any state age requirement.

States and less than 30 percent, or the applicable percentage established by state law, of total deposits in each state in which the insured depository institutions of both First Union and Wachovia are located.[12] All other requirements of section 3(d) would be met on consummation of the proposal.[13] Accordingly, based on all the facts of record, section 3(d) of the BHC Act does not prohibit the Board from approving the proposed transaction.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant banking market. The BHC Act also prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market, unless the Board finds that the anticompetitive effects of the proposal clearly are 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]

First Union and Wachovia have depository institutions that compete directly in sixty banking markets in six states.[15] To reduce the potential that the proposal would have adverse effects on competition, First Union has committed to divest 38 branches (the "divestiture branches"), with at least $1.5 billion in deposits, in 13 banking markets (the "divestiture markets").[16] The Board has reviewed carefully the competitive effects of the proposal in each of the banking markets in which First Union and Wachovia compete directly in light of all the facts of record, including the number of competitors that would remain in the market, the relative share of total deposits in depository institutions in the market ("market deposits") that New Wachovia would control,[17] the concentration level of market deposits and the increase in this level as measured by the HHI under the DOJ Guidelines,[18] the size and likely effect of the proposed divestiture in relevant banking markets, and other characteristics of the markets.[19]

As more fully discussed below, of the 60 banking markets in which First Union and Wachovia compete, after accounting for the proposed divestitures the proposal would be consistent with threshold levels established by the DOJ Guidelines in 54 banking markets. These 54 banking markets are discussed in the Appendices. Each of the six remaining markets is discussed in detail below.

A. Certain Banking Markets without Divestitures

Consummation of the proposal would be consistent with the DOJ Guidelines in 44 banking markets without any

12. *See* 12 U.S.C. § 1842(d)(2).

13. The Board contacted the relevant state banking commissioners about, and considered First Union's compliance with, applicable state community reinvestment laws. *See* 12 U.S.C. § 1842(d)(3).

14. 12 U.S.C. § 1842(c)(1).

15. These markets are described in Appendix A and include the market in which Wachovia's savings association, Atlantic, competes directly with First Union's lead subsidiary bank, First Union National Bank.

16. First Union has committed that prior to consummating the proposed merger it will execute an agreement consistent with this order to sell the divestiture branches in each divestiture market to either (a) an out-of-market banking organization, (b) an in-market banking organization in a transaction in which both the change in and resulting Herfindahl-Hirschman Index ("HHI") level are within the Department of Justice Guidelines ("DOJ Guidelines"), 49 *Federal Register* 26,823 (1984), or (c) in the case of Winston-Salem only, in a transaction that would cause the change in the market HHI to be 201 points or less. First Union also has committed to divest total deposits in each of the 13 divestiture markets of at least the amounts discussed in this order. First Union further has committed to sell the divestiture branches within 180 days of the consummation date of the proposed merger and to execute a trust agreement approved by the Board prior to consummation of the proposed merger. The trust agreement will provide that if the divestiture branches are not sold within 180 days of consummation of the proposed merger, New Wachovia would transfer the unsold branches to an independent trustee that has been instructed to sell such branches to an alternate purchaser or purchasers in accordance with the terms of this order and without regard to price. Both the trustee and any alternate purchaser must be deemed suitable by the Board.

17. Deposit and market share data are as of June 30, 2000, and have been adjusted to reflect mergers and acquisitions that occurred through June 27, 2001. The data are based on calculations in which the deposits of thrift institutions, which include savings banks and savings associations, are weighted 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, e.g., Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

18. Under the DOJ Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI is more than 1800. 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 effects of limited-purpose lenders and other nondepository financial institutions.

19. Two commenters expressed concern about the competitive effects of the proposal in a number of markets and encouraged the Board to scrutinize the competitive effects of the proposal in the relevant banking markets in light of numerous factors. These commenters provided market share data they had compiled for several banking markets and claimed that the proposal would have anticompetitive effects in those and other banking markets. These commenters asserted, based on the combined market shares of First Union and Wachovia in those markets, that the proposed transaction would exceed the DOJ Guidelines in many of the banking markets. After reviewing First Union's initial divestiture proposal, one of these commenters expressed concern that the proposal would still exceed the DOJ Guidelines and/or have anticompetitive effects in a number of banking markets identified by the commenters. As described above, the Board has considered the resulting market share in each market along with the other relevant indicators of the likely competitive effects of the proposal.

divestiture by First Union.[20] After consummation of the proposal, one of these banking markets would remain unconcentrated and thirty-one would be moderately concentrated as measured by the HHI.[21] The remaining 12 banking markets would be highly concentrated as measured by the HHI, but the increase in the HHI would be less than the 200-point threshold level, which would be consistent with the DOJ Guidelines.[22]

B. Certain Banking Markets with Divestitures

After accounting for the divestitures First Union has proposed to mitigate the potential for adverse competitive effects, consummation of the merger would be consistent with the DOJ Guidelines in ten of the banking markets in which divestitures are proposed.[23] Three of these markets would remain moderately concentrated on consummation of the proposal. The Hickory, North Carolina, market would remain moderately concentrated and the HHI would increase less than 200 points. In the Savannah, Georgia-South Carolina, and Wilkes, North Carolina, banking markets, the change in the HHI would be slightly more than 200 points, but the resulting moderately concentrated level would remain below 1800. The remaining seven banking markets would be highly concentrated on consummation of the transaction, but the change in the HHI in each of these markets would be 200 points or less.[24]

C. Six Banking Markets in which Special Scrutiny is Appropriate

The proposal would exceed the DOJ Guidelines in three banking markets in which no divestitures are proposed. These markets are Durham-Chapel Hill and Statesville, both in North Carolina, and Richmond, Virginia. The proposal also would exceed the DOJ Guidelines in three markets in which divestitures are proposed: Asheville, Elizabeth City, and Winston-Salem, all in North Carolina. For each of these six markets, the Board has considered whether other factors either mitigate the competitive effects of the proposal or indicate that the proposal would have a significantly adverse effect on competition in the market. The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the level and size of the increase in concentration in a banking market.[25] In each of these markets, the Board has identified a number of factors that indicate the proposal would not have a significantly adverse effect on competition despite the increase in and resulting level of the HHI or the resulting market share.

Asheville. First Union operates the largest depository institution in the Asheville banking market, controlling deposits of $1 billion, representing approximately 27.9 percent of market deposits.[26] Wachovia operates the second largest depository institution in the market, controlling deposits of 812.7 million, representing 22.7 percent of market deposits. To mitigate competitive effects, First Union proposes to divest 12 branches with at least $433,877,000 in deposits in the Asheville market to an out-of-market banking organization. On consummation of the proposal and after accounting for the proposed divestitures, New Wachovia would operate the largest depository institution in the banking market, controlling deposits of $1.4 billion, representing approximately 38.5 percent of market deposits. The HHI would increase by 334 points to 2014.[27]

A number of factors indicate that the proposal is not likely to have significantly adverse competitive effects in the Asheville banking market. Most important is the structure of the market after consummation of the proposal. In addition to New Wachovia, at least eleven banks and four savings associations would remain in the market, and an out-of-market purchaser of the divestiture branches would become the third largest competitor, controlling 12.1 percent of market deposits. The second largest competitor in the market would control 14.9 percent of market deposits and operates 19 branches in the market. The fourth and fifth largest competitors in the Asheville market control

20. The effects of the proposal on the concentration of banking resources in these markets are described in Appendix B.

21. The unconcentrated market would be the Washington, D.C., banking market. The moderately concentrated banking markets would be Brevard, Fort Myers, Fort Pierce, Gainesville, Miami-Fort Lauderdale, Ocala, Orlando, Tampa Bay, and West Palm Beach, all in Florida; Atlanta and Dalton, both in Georgia; and Augusta in Georgia and South Carolina; Burlington, Greensboro-High Point, Raleigh, and Wilmington, all in North Carolina; Beaufort, Charleston, Columbia, Florence, Greenville, Greenwood, and Myrtle Beach-Conway, all in South Carolina; and Charlottesville, Fredericksburg, Harrisonburg, Martinsville, Newport News-Hampton, Norfolk-Portsmouth, Pulaski-Radford, and Winchester, all in Virginia.

22. These markets are Wilmington, in Delaware and Maryland; Charlotte-Rock Hill, Dare, Fayetteville, Greenville, Monroe, Moore, Robeson, Rocky Mount, and Stanly, all in North Carolina; Georgetown, South Carolina; and Abingdon, Virginia.

23. The structural characteristics of these markets are described in Appendix C.

24. These markets are Haywood, Jackson, and Salisbury, all in North Carolina; York, South Carolina; and Bedford, Roanoke, and Smyth, all in Virginia.

25. *See*, *NationsBank Corporation*, 84 *Federal Reserve Bulletin* 129 (1998).

26. Unless otherwise noted, deposit figures have been rounded to the nearest million dollars and market share percentages have been rounded to the nearest one-tenth of 1 percent.

27. In calculating the competitive effect of the proposed merger in the Asheville market, the Board has adjusted the June 30, 2000, Summary of Deposit ("SOD") data for First Union to account for two incorrectly reported branches. First Union has argued that further adjustments should be made. In particular, First Union has contended that certain deposits at its branches in the Asheville market should not be included in calculations of the competitive effect of the proposal in that market because, according to First Union, these deposits originate from outside the market. This deposit adjustment would be inconsistent with prior Board practice, which has been to rely to the extent possible on the most recent publicly reported SOD data when calculating deposit market shares in a particular market. In addition, for such an adjustment to produce a meaningful and balanced result, the deposits of all other depository institutions in the Asheville market would have to be reviewed and adjusted similarly, requiring data not available from the SOD.

8.7 percent and 5.7 percent of market deposits, respectively.

In addition, the Asheville banking market is attractive for entry. Four firms have entered the market *de novo* in the last five years. Deposits in the market increased by 30 percent from June 1997 to June 2000, which exceeded the nationwide increase in deposits during the same period. Moreover, in 2000, the average level of per capita income in the market exceeded the average per capita income levels for Metropolitan Statistical Areas ("MSAs") in North Carolina and for the United States as a whole.

Durham-Chapel Hill. First Union operates the sixth largest depository institution in the Durham-Chapel Hill banking market, controlling deposits of $280 million, representing 6.5 percent of market deposits. Wachovia operates the second largest depository institution in the market, controlling deposits of $661 million, representing 15.4 percent of market deposits. On consummation of the proposal, New Wachovia would operate the second largest depository institution in the banking market, controlling deposits of $942 million, representing 22 percent of market deposits. The HHI would increase by 201 points to 2186.

A number of factors indicate that the proposal would not have a significantly adverse effect on competition in the Durham-Chapel Hill banking market. Thirteen banks, including the bank that would be owned by New Wachovia, and two savings associations would remain in the market. One remaining competitor would be larger than New Wachovia, and the third, fourth, and fifth largest competitors each would control more than 9 percent of market deposits.

In addition to the favorable structure of the Durham-Chapel Hill market, several factors indicate that the market is attractive for entry. Since June 2000, one bank has entered the market through expansion of its branch network. Moreover, in 2000, the average per capita income in the Durham-Chapel Hill banking market exceeded the average per capita income in North Carolina's MSAs.

Elizabeth City. First Union operates the third largest depository institution in the Elizabeth City banking market, controlling deposits of $64 million, representing 12 percent of market deposits. Wachovia operates the second largest depository institution in the market, controlling deposits of $120 million, representing 22.5 percent of market deposits. To mitigate competitive effects in the Elizabeth City market, First Union proposes to divest one branch with at least $17,420,000 in the market to an out-of-market banking organization. On consummation of the proposal and after accounting for the proposed divestitures, New Wachovia would operate the largest depository institution in the banking market, controlling deposits of $166 million, representing approximately 31.3 percent of market deposits. The HHI would increase by 336 points to 1889.

A number of factors indicate that the proposal is not likely to have a significantly adverse effect on competition in the Elizabeth City banking market. A divestiture to an out-of-market firm would not reduce the number of competitors in the market. In addition to New Wachovia, seven banks and two savings associations would remain in the banking market. The second, third, and fourth largest depository institutions in the market control approximately 23.4 percent, 11.6 percent, and 10.7 percent of market deposits, respectively. The Elizabeth City market also appears to be somewhat attractive for entry, as one competitor has entered the market since 1998. Moreover, the average rate of deposit growth in the market exceeded the average rate of deposit growth in the non-MSA portions of North Carolina and in the United States as a whole from June 1997 to June 2000.

Statesville. First Union operates the third largest depository institution in the Statesville banking market, controlling deposits of $129 million, representing approximately 16.7 percent of market deposits. Wachovia operates the sixth largest depository institution in the market, controlling deposits of $61 million, representing approximately 7.9 percent of market deposits. On consummation of the proposal, New Wachovia would operate the second largest depository institution in the banking market, controlling deposits of $191 million, representing approximately 24.7 percent of market deposits. The HHI would increase by 265 points to 1850.

A number of factors demonstrate that the proposal is not likely to have a significantly adverse effect on competition in the Statesville banking market. Seven banks, including the bank that would be owned by New Wachovia, and one thrift organization would remain in the market. The largest and third largest competitors in the banking market control 26 percent and 18.2 percent of market deposits, respectively. Three other banking organizations in the market have market shares that exceed 7 percent.

In addition, several factors indicate that the Statesville market is attractive for entry. One competitor has entered the market *de novo* since September 1998. In addition, between 1996 and 1999, the population of the Statesville banking market increased at a rate almost three times greater than the average rate of increase for the non-MSA counties in North Carolina. Moreover, the average per capita income level in the market exceeded the average level of per capita income for North Carolina's non-MSA counties.

Winston-Salem. First Union operates the third largest depository institution in the Winston-Salem banking market, controlling deposits of $464 million, representing approximately 4.6 percent of market deposits. Wachovia operates the second largest depository institution in the market, controlling deposits of $3.9 billion, representing approximately 38.1 percent of market deposits. To mitigate competitive effects in the Winston-Salem market, First Union proposes to divest six branches with at least $204,597,000 in deposits in the market either to an in-market banking organization, provided that the change in the HHI is 201 points or less, or to an out-of-market banking organization. On consummation of the proposal, and after accounting for the proposed divestiture to a banking organization with existing operations in the Winston-Salem market, New Wachovia would operate the largest depository institution in the banking market, controlling deposits of $4.1 billion, representing approximately 40.7 percent of market deposits. The HHI would increase by 201 points to 3268.[28]

Several factors indicate that the proposal is not likely to have a significantly adverse effect on competition in the Winston-Salem banking market. Fifteen banks, including New Wachovia's bank, and two savings associations would remain in the market. In addition, the Winston-Salem banking market is attractive for entry. Three banking organizations entered the market *de novo* in 1996 and 1997, and three additional firms have entered the market *de novo* since 1998. The market also is one of the largest banking markets in the state, and in 2000, the per capita income in the market exceeded the average per capita income level for all MSAs in North Carolina.

Richmond. First Union operates the fourth largest depository institution in the Richmond banking market, controlling deposits of $1.8 billion, representing approximately 12.9 percent of market deposits. Wachovia operates the second largest depository institution in the market, controlling deposits of $2.3 billion, representing approximately 16.8 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the banking market, controlling deposits of $4.1 billion, representing approximately 29.7 percent of market deposits. The HHI would increase by 435 points to 1864.

A number of factors, particularly the structure of the Richmond banking market, indicate that the proposal is not likely to have a significantly adverse effect on competition in the market. In addition to New Wachovia's bank, twenty-two banks and three savings associations would remain in the banking market. The second, third, and fourth largest depository institutions in the market control approximately 24.9 percent, 15.3 percent, and 8.7 percent of market deposits, respectively. The Richmond banking market also is attractive for entry, as evidenced by the *de novo* entry of eight depository institutions in the market since 1998.

D. Views of Other Agencies and Conclusion

The Department of Justice also has conducted a detailed review of the potential competitive effects of the proposal. The Department has advised the Board that, in light of the proposed divestitures, consummation of the proposal would not be likely to have a significantly adverse effect on competition in any relevant banking market. The Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC") have been afforded an opportunity to comment and have not objected to consummation of the proposal.

The Board has reviewed carefully all the facts of record, including public comments on the competitive effects of the proposal and, for the reasons discussed in this order, has concluded that consummation of the proposal would not have a significantly adverse affect on competition or on the concentration of banking resources in any of the 60 banking markets in which First Union and Wachovia compete directly or in any other relevant banking market. Accordingly, based on all the facts of record and subject to completion of the proposed divestitures, the Board has determined that competitive factors are consistent with approval of the proposal.

Financial, Managerial, and Other Supervisory Factors

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal and certain other supervisory factors. The Board has considered these factors carefully in light of all the facts of record, including reports of examination and other confidential supervisory information assessing the financial and managerial resources of the organizations and other information provided by First Union and Wachovia. The Board also has considered carefully public comments submitted regarding financial and managerial considerations.

In evaluating financial factors in expansion proposals by banking organizations, the Board consistently has considered capital adequacy to be especially important.[29] The Board notes that First Union, Wachovia, and all their subsidiary depository institutions are and on consummation of the proposal would remain well capitalized, as defined in the relevant regulations of the federal banking agencies. The proposed acquisition is structured as an exchange of shares of Wachovia for shares of First Union, and neither First Union nor Wachovia would incur any debt as a result of the transaction.

The Board also has considered the managerial resources of First Union and Wachovia and the examination reports of the federal banking agencies that supervise these organizations, including their subsidiary depository institutions.[30] First Union, Wachovia, and all their subsidiary depository institutions are well managed,[31] and New Wachovia would select its senior management from among the senior executives of First Union and Wachovia, thus providing the

28. If First Union sold the divestiture branches in the Winston-Salem banking market to an out-of-market banking organization, the HHI would increase by 183 points to 3250. In calculating the competitive effect of the proposed merger in the Winston-Salem market, the Board has adjusted the June 30, 2000, SOD data for First Union to account for one incorrectly reported branch.

29. *See, e.g., Chemical Banking Corporation*, 82 *Federal Reserve Bulletin* 239 (1996).

30. One commenter alleged that First Union had not successfully integrated several recently acquired bank holding companies, and that First Union lost customers and did not realize projected levels of cost savings and earnings.

31. First Union has assigned a portion of its option to acquire shares of Wachovia to one of its subsidiary banks. First Union National Bank ("FUNB") holds only 1 percent of the option, which is not exercisable unless and until certain events occur and would expire on consummation of the proposed merger. Moreover, First Union has stated that if the option were exercised, at no time would FUNB own shares of Wachovia. Exercise of the option may be done only in accordance with the Glass-Steagall Act as well as the BHC Act and the Board's regulations issued thereunder.

combined organization with officers that are experienced and knowledgeable in the operations and markets of both companies. In addition, First Union and its subsidiary depository institutions have remained well managed during and after integration with a number of acquired organizations. The appropriate federal banking agencies previously have found that First Union, Wachovia, and their subsidiaries each have appropriate risk management systems in place, and New Wachovia would retain these systems to identify and manage various types of financial risk. Moreover, First Union and Wachovia have indicated that they are devoting significant managerial resources to address all aspects of the merger process.

Based on the foregoing and all the facts of record, including confidential reports of examination and other supervisory information and the plans for integrating the two companies, the Board has concluded that considerations relating to the financial and managerial resources of First Union, Wachovia, and their respective banking subsidiaries are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act.

Convenience and Needs Considerations

In acting on proposals under section 3 of the BHC Act, and on proposals to acquire a savings association, the Board is required to consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act ("CRA").[32] 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 safe and sound operation, and requires the appropriate federal supervisory agency to take into account an institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("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 First Union and Wachovia in light of all the facts of record, including public comments received on the effect the proposal would have on the communities to be served by the combined organization.

A. Summary of Public Comments

The Board received 57 public comments on the proposal. Thirty-four supported the proposal or remarked favorably on First Union's or Wachovia's CRA-related activities.[33] Among these commenters, 16 members of Congress and several nonprofit organizations commended First Union and Wachovia for their CRA ratings and for a recently announced $35-billion community lending and investment initiative by New Wachovia (the "Community Initiative"). Several nonprofit organizations representing minority individuals asserted that one or both institutions have favorable records of promoting diversity among their workforce and their vendors. Commenters also related favorable experiences working in partnership with one or both institutions on programs to fund construction of affordable housing, to assist first-time homebuyers, or to support the development of microenterprises. Several nonprofit organizations also cited with approval the service of employees of one or both institutions as board members or volunteers with their organizations.

Fifteen commenters either opposed the proposal, requested that the Board approve the merger subject to conditions that the commenter suggested, or expressed concerns about the records of First Union, Wachovia, or both in meeting the convenience and needs of the communities they serve. Some of these commenters criticized the Community Initiative and expressed disappointment with the results of a similar initiative that First Union announced in 1998, in connection with its merger with CoreStates Financial Corp., Philadelphia, Pennsylvania ("CoreStates"). Commenters also expressed concern that the proposal would result in branch closings that would adversely affect LMI or predominantly minority communities.

Based on data submitted under the Home Mortgage Disclosure Act, 12 U.S.C. § 2801 *et seq.* ("HMDA"), several commenters also alleged that First Union and Wachovia engaged in disparate treatment of minority individuals in home mortgage lending. Commenters also criticized the lending practices of First Union's subprime lending subsidiaries, particularly The Money Store, Inc., Union, New Jersey ("Money Store"), and raised objections to First Union's credit relationships with other subprime lenders.[34]

B. CRA Performance Examinations

As provided in the CRA, the Board has evaluated the records of both First Union and Wachovia in serving the convenience and needs of their communities 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

32. 12 U.S.C. § 2901 *et seq.*

33. The Board also received a letter cosigned by 32 members of the Congressional Black Caucus and another cosigned by 21 members of the Committee on Financial Services of the U.S. House of Representatives. Both letters urged the Board to make CRA performance a critical factor in its consideration of the proposal.

34. Two commenters expressed concerns about the proposal based on unfavorable experiences with First Union or Wachovia or their subsidiaries in particular business dealings. The Board has reviewed these comments in light of the facts of record, including information provided by First Union. The Board has provided copies of these comments to the appropriate federal supervisors of the subsidiaries involved for their consideration.

the institution's CRA performance by its primary federal supervisor.[35]

In recent years, First Union and Wachovia have acquired other banking organizations and consolidated their subsidiary banks.[36] The most recent CRA performance evaluations of their respective lead subsidiary banks predate the current structure of the organizations. Therefore, the Board has consulted with the appropriate supervisors of the subsidiary insured depository institutions, and has carefully evaluated information submitted by First Union and Wachovia about the CRA performance of these institutions since the dates of their most recent CRA performance evaluations.[37]

All of First Union's subsidiary banks received ratings of "satisfactory" or better at the most recent examinations of their CRA performance.[38] In particular, First Union's lead bank, First Union National Bank, Charlotte, North Carolina ("FUNB"), which now accounts for approximately 91 percent of the total consolidated assets of First Union, received an "outstanding" rating at its most recent CRA performance evaluation by the OCC, as of May 1997 ("1997 FUNB Evaluation").[39] First Union Bank of Delaware, Wilmington, Delaware ("FUBDE"), received a "satisfactory" rating at its most recent CRA performance evaluation by the FDIC, as of December 1998 ("1998 FUBDE Evaluation").[40]

All of Wachovia's insured depository subsidiaries also received either "outstanding" or "satisfactory" ratings at the most recent examinations of their CRA performance.[41] Wachovia Bank, Winston-Salem, North Carolina, which is Wachovia's lead bank and now represents approximately 93 percent of the total consolidated assets controlled by Wachovia, received an "outstanding" rating at its most recent CRA performance evaluation by the OCC, as of June 1997 ("1997 Wachovia Bank Evaluation").

Examiners noted no evidence of prohibited discrimination or other illegal credit practices at any of the insured depository institutions involved in this proposal and found no substantive violations of the fair lending laws. Examiners also reviewed the assessment areas delineated by the insured depository subsidiaries of First Union and Wachovia and did not report that these assessment areas were unreasonable or reflected an arbitrary exclusion of LMI areas.

C. First Union's CRA Performance Record

CRA Record of FUNB.

Lending. The 1997 FUNB Evaluation reported that FUNB and its affiliates originated $1.2 billion of HMDA-

35. *Interagency Questions and Answers Regarding Community Reinvestment*, 65 *Federal Register* 25,088 and 25,107 (2000) ("Interagency Questions and Answers").

36. In connection with the First Union-CoreStates transaction, First Union entered into agreements with a number of community organizations, including organizations representing specific Pennsylvania communities served by CoreStates and First Union banks. Two commenters on the current proposal have criticized provisions in certain of these agreements that they believe severely restrict the ability of community organizations and their members to protest applications by First Union. In the course of its review of the First Union-CoreStates proposal, the Board considered provisions of an agreement between First Union and a Pennsylvania community organization that First Union stated were representative of provisions governing protests by organizations with an agreement with First Union. First Union contended that such provisions do not limit the ability of a party to an agreement to comment to a federal banking agency in the examination process or as part of a CRA evaluation, or to include comments in First Union's public CRA file. In addition, First Union asserted that the provisions do not limit a party's ability to comment on applications involving the acquisition of a bank or branch in the party's home state, or restrict the party's ability to protest any application if First Union is not in substantial compliance with the agreement. The Board is not a party to such agreements, which are private matters between the parties to such agreements, and does not have the statutory authority to enforce or to dissolve agreements between private parties. Moreover, as noted above, the Board has received substantial comment from the public on this proposal.

37. Two commenters asserted that the CRA evaluations of the lead subsidiary banks of First Union and Wachovia are outdated because each was conducted in 1997. In keeping with the guidance in the Interagency Questions and Answers and the Board's precedent, and as explained more fully below, the Board has also considered extensive information submitted by First Union and Wachovia regarding the record of CRA performance of the subsidiary insured depository institutions of each since the previous CRA evaluations.

38. First Union Direct Bank, N.A., Augusta, Georgia ("Direct Bank"), is a limited-purpose credit card bank that has not been examined for CRA performance since it opened for business in June 1997. First Union sold its credit card portfolio in the third quarter of 2000, and has indicated its expectation that Direct Bank will qualify for treatment as a special purpose bank for purposes of the CRA. *See* 12 C.F.R. 25.11(b)(3). First Union Trust Co., N.A., Wilmington, Delaware, is a trust company and, therefore, is currently treated as a special purpose bank for purposes of the CRA.

39. At the time of the 1997 FUNB Evaluation, FUNB was named First Union National Bank of North Carolina and primarily served communities in North Carolina. After the 1997 FUNB Evaluation, but before First Union's merger with CoreStates, First Union merged almost all of its subsidiary banks with and into FUNB. As the Board has noted previously, before that consolidation, banks accounting for more than 88 percent of First Union's total banking assets had received "outstanding" ratings from their primary federal supervisors at their most recent CRA performance examinations, and First Union's other banks had received "satisfactory" ratings from their primary federal supervisors at their most recent CRA performance examinations. *See First Union Corporation*, 84 *Federal Reserve Bulletin* 489 (1998). In 1998, CoreStates Bank, N.A., Philadelphia, Pennsylvania, and CoreStates Bank of Delaware, N.A., Wilmington, Delaware, the subsidiary banks of CoreStates, were consolidated with and into FUNB. Before their consolidation into FUNB, CoreStates Bank, N.A., had received an "outstanding" CRA performance rating from the OCC, as of September 1997, and CoreStates Bank of Delaware, N.A. had received a "satisfactory" CRA performance rating from the OCC, as of August 1997.

40. In June 2000, FUBDE was merged with and into First Union Home Equity Bank, N.A., Charlotte, North Carolina ("FUHEB"), and the resulting bank was renamed First Union National Bank of Delaware. FUHEB also had received a "satisfactory" CRA performance rating from the OCC, as of May 1997.

41. Republic Security Bank ("Republic") received an "outstanding" rating at its most recent CRA performance evaluation by the Federal Reserve Bank of Atlanta in February 1999. Wachovia acquired Republic in March 2001. First National Bank of Atlanta ("FNBA") received a "satisfactory" rating at its most recent CRA performance evaluation by the OCC in June 1997. In addition, Atlantic received an "outstanding" rating at its most recent CRA performance evaluation by the Office of Thrift Supervision in March 2001 ("2001 Atlantic Evaluation").

related loans in FUNB's assessment areas during the period covered by the evaluation.[42] Examiners stated that the geographic distribution of mortgage lending by FUNB and its affiliates reflected satisfactory penetration in each of FUNB's assessment areas. In 1995, FUNB and its affiliates originated 12 percent of their HMDA-related loans in LMI census tracts, which compared favorably with the 12.7 percent of originations for such loan products by all lenders in LMI census tracts. In the twelve-month period ending October 31, 1996, FUNB and its affiliates originated 16 percent of their HMDA-related loans in LMI census tracts.

First Union has further improved its performance since the 1997 FUNB Evaluation. The current geographic distribution of First Union's mortgage lending reflects a favorable degree of penetration in its assessment areas. In 2000, First Union originated more than 74,900 HMDA-related loans, of which 17.2 percent were in LMI census tracts, and 34.2 percent were made to LMI borrowers. By comparison, of all HMDA-related loans originated in 2000 in First Union's assessment areas by all lenders, 13.1 percent were originated in LMI areas and 31.9 percent were made to LMI borrowers.[43]

In the 1997 FUNB Evaluation, Examiners reported that FUNB offered several proprietary programs, including its Affordable Home Mortgage Loan and its Neighborhood Development Mortgage, which featured flexible mortgage terms for LMI borrowers. Examiners also cited FUNB's Community Partnership Mortgage, under which the bank offered affordable mortgage loans in conjunction with nonprofit organizations. Moreover, FUNB participated in government-sponsored affordable housing programs, and during the evaluation period made mortgage loans totaling $52.6 million through programs sponsored by the Federal Housing Administration ("FHA"), the Veterans Administration ("VA"), the Federal National Mortgage Association ("Fannie Mae"), and the United States Department of Housing and Urban Development ("HUD").

First Union has represented that in 1999 and 2000, its mortgage loan originations through its five proprietary affordable home mortgage loan products totaled $1.6 billion.[44] These products included the Affordable Mortgage Loan, the Neighborhood Development Mortgage, and the Community Partnership Mortgage, all mentioned in the 1997 FUNB Evaluation. First Union's other two proprietary affordable mortgage products involved partnerships between First Union and three nonprofit organizations to originate home mortgages in economically underserved areas.[45] First Union also has stated that in its assessment area in 2000, it originated more than $395 million in FHA loans and more than $94 million in VA loans.

In connection with the 1997 Evaluation, examiners noted that FUNB engaged in lending to small businesses, including businesses in LMI census tracts.[46] As of October 1996, FUNB had originated 18 percent of its loans to small businesses, totaling $42 million, in LMI census tracts. From January 1995 through October 1996, the bank also made approximately $7 million in loans through programs sponsored by the Small Business Administration ("SBA").

In 2000, First Union originated more than 29,900 small business loans in its assessment area, and 17.8 percent of these loans were made to businesses in LMI census tracts.[47] By comparison, 15.9 percent of all small business loans originated in First Union's assessment areas by all lenders in 2000 were in LMI areas. First Union has stated that it also offers loans secured by residential property to small business owners otherwise lacking collateral, and that from 1998 through 2000, it originated almost 5,400 such loans, totaling more than $1.16 billion. First Union also has represented that it originated $245 million in SBA loans during the year 2000.

Community development lending by FUNB during the period covered by the 1997 FUNB Evaluation totaled 78 projects, supporting affordable housing efforts, small business loan pools, and economic rehabilitation programs for depressed urban areas, that represented approximately $31 million in loans. These activities included a $2.6 million loan to the East Carolina Community Development Corporation to construct a 44-unit apartment complex for the elderly in Morehead, North Carolina, and a $5 million commitment to the Charlotte-Mecklenburg Housing Partnership for development of affordable housing

42. The evaluation covered the period from January 1, 1995 through October 31, 1996. In this context, "HMDA-related loans" includes home purchase mortgage loans, home improvement loans, and refinancings of such loans.

43. One commenter criticized First Union's level of mortgage lending in 1999 to Hispanics in the Charlotte MSA. Hispanics accounted for 0.8 percent of the population of the Charlotte MSA as of 1990. Data show that First Union originated 27 HMDA-related loans to Hispanics in the Charlotte MSA in 1999 and 33 such loans in 2000. These 60 loans accounted for 0.9 percent of all HMDA-related loans originated by First Union in the Charlotte MSA in 1999 and 2000.

44. Several commenters contended that in 1999, First Union focused on minority applicants for mortgage loan refininancings for subprime loans by FUHEB, rather than granting such applicants prime loans through other First Union subsidiaries. First Union has represented that in 1999, it originated nearly 4500 mortgage loan refinancings to African Americans, of which FUHEB originated slightly more that 3 percent. First Union has indicated that its prime lending subsidiaries, FUNB and First Union Mortgage Corporation, Charlotte, North Carolina, originated 97 percent of these refinancing loans. First Union has stated that this distribution of refinancing loans among First Union subsidiaries for African Americans corresponds to the distributions of loan refinancings among First Union subsidiaries for nonminorities and for Hispanics.

45. One commenter objected to First Union's decision to curtail or discontinue its participation in certain specific affordable mortgage lending programs in First Union's assessment areas in the Northeast. Although the Board has recognized that banks help serve the banking needs of communities by making a variety of products and services available, the CRA does not require an institution to participate in any specific loan programs or provide any specific types of products and services in its assessment area.

46. In this context, "loans to small businesses" means loans to businesses with gross annual revenues of $1 million or less. A "small business loan" means a loan in an amount of $1 million or less.

47. One commenter criticized First Union's record of originating small business loans in low-income areas in New York and Delaware.

for LMI households in the City of Charlotte and Mecklenburg County.

First Union has represented that its community development lending in 1998, 1999, and 2000 totaled more than $1.29 billion, more than 89 percent of which was in First Union's designated assessment areas. In 1998, this lending included a $10 million credit to the National Consumer Cooperative Bank for an affordable housing development loan pool and a $7.5 million construction loan for a library to be used primarily by LMI individuals in Nashville. In 1999, these loans included a $8.5 million credit for renovation of an office/warehouse building in an economically distressed area of the Washington, D.C., metropolitan area, and a $9.6 million loan to provide affordable housing in LMI neighborhoods in metropolitan Atlanta. First Union's community development loans in 2000 included a $7.6 million credit to a nonprofit organization in the Greensboro, North Carolina, area to provide community services to LMI families, and a $5 million loan to a provider of Head Start and Early Head Start services in the Allentown, Pennsylvania, area.

Investment. First Union has reported that its qualified community development investments for the period January 1, 1997, through September 30, 2000, totaled more than $1 billion. First Union has represented further that low-income housing tax credits accounted for almost $720 million of this total and led to the creation of more than 24,000 housing units. First Union also has stated that its direct investments during this period have totaled $144 million and include investments in minority-owned banks and institutions certified by the Department of the Treasury as Community Development Financial Institutions.

Service. Examiners reported that FUNB provided banking services to all segments of its assessment area, noting that approximately 25 percent of FUNB's 237 branches were in LMI census tracts.[48] During the evaluation period, FUNB closed twenty-five branches, including five in LMI census tracts, and examiners concluded that these closures had not adversely affected the level of services available in LMI areas.[49]

Examiners also noted FUNB's involvement in programs to teach financial management skills to students in elementary, middle, and high schools. First Union has represented that its automated teller machines feature Spanish language instructions, and that it is in the process of developing a comprehensive Spanish language financial website.

First Union has stated that in 2000, it launched its Communities First initiative, which provides free computer training to individuals who might otherwise remain untrained, and offers computer equipment to community groups for use by low-income individuals and others. First Union also has represented that its employees provided more than 33,000 hours of service on the boards of community organizations from 1998 through 2000.

CRA Record of FUBDE.

Lending. As part of the 1998 FUBDE Evaluation, examiners rated the lending activities of FUBDE "low satisfactory."[50] Examiners reported that FUBDE and its affiliates made $17.6 million in HMDA-related loans in FUBDE's assessment area during the evaluation period and found that the distribution of these loans reflected adequate geographic penetration in the assessment area.[51] Examiners noted that 8.8 percent of these loans were made to borrowers in LMI tracts, a percentage somewhat lower than the percentage of loans that all lenders made in the assessment area in 1996 and 1997.[52] Examiners also stated that from

48. One commenter contended that the level of physical appearance of, and services provided in, First Union branches in predominantly minority neighborhoods was not equivalent to that of First Union branches in predominantly nonminority neighborhoods. In the 1997 FUNB Evaluation, examiners concluded that FUNB provided banking services to all segments of its assessment areas.

49. Four commenters expressed concern about the effect of possible branch closings that might result from this proposal. One of these commenters asserted that the record of recent branch closures in North Carolina by First Union and Wachovia should cause the Board to carefully consider the likelihood of future branch closures. First Union has stated that it has not completed its analysis to determine which branches, if any, may be designated for closure or consolidation in connection with the acquisition of Wachovia, and that consolidation of the current branch networks of the insured subsidiary depository institutions of First Union and Wachovia would not begin before November 2002.

The Board has reviewed the branch closing policies of First Union and Wachovia. First Union's policy requires that the company consider possible alternatives to financial center closings, including adjustment of hours, services, and facilities, and examine methods of minimizing adverse effects on the residents of communities affected by a closure. Wachovia's policy requires that, before a final decision is made to close a branch, management must conduct an impact study to assess a closure's likely effects on individuals living and working in the branch's community. The policy requires the impact study to consider customer patterns, the proximity of other Wachovia branches, and alternative methods for delivery of banking services.

As noted, the most recent CRA performance evaluations of First Union's and Wachovia's insured subsidiary depository institutions have each concluded that the institutions' records of opening and closing offices have not adversely a U.S.C. § 1831r-1 affected the level of services available in LMI neighborhoods in the institutions' local communities. The Board notes that the appropriate federal institutions' local communities. The Board also has considered that federal law requires an insured depository institution to provide notice to the public and to the appropriate federal supervisory agency before closing a branch. *See* 12 U.S.C. § 1831r-1. The Board notes that the appropriate federal supervisory for each of New Wachovia's subsidiary banks will, in the course of conducting CRA performance examinations, continue to review the branch closing record of these institutions.

50. Although FUBDE received a rating of "low satisfactory" under the lending test in connection with the 1998 FUBDE Evaluation, examiners assigned it an overall CRA rating of "satisfactory." The CRA regulations of the federal banking agencies require that, in assigning a rating to the institution's overall performance under the CRA, examiners consider the institution's performance under each of the three component tests. *See, e.g.*, 12 C.F.R. 25.28(a). As noted below, FUBDE received "high satisfactory" ratings on the other components of its CRA performance evaluation.

51. The 1998 FUBDE Evaluation period was from January 1, 1996, through September 30, 1998.

52. In the first nine months of 1998, FUBDE and its affiliates made 35.6 percent of their HMDA loans in FUBDE's assessment area to LMI borrowers, and this ratio compared favorably with the percent-

January 1996 through December 22, 1998, FUBDE originated $16.9 million in loans under First Union's proprietary affordable mortgage programs.

Data indicate that from 1998 through 2000, First Union originated more than 2,800 HMDA-related loans in its assessment area in Delaware, and of these, 43.4 percent were to LMI borrowers and 11.6 percent were made in LMI census tracts. By comparison, of the more than 71,200 HMDA-related loans made in First Union's assessment area in Delaware in 1998 through 2000, 39 percent were to LMI borrowers and 10.8 percent were in LMI census tracts.

In connection with the 1998 FUBDE Evaluation, examiners noted that the percentage of loans to small businesses had increased significantly during the evaluation period. Examiners found that 53.6 percent of FUBDE's business lending during the evaluation period was to small businesses. Examiners also reported that more than 68 percent of the small business loans that FUBDE extended during the evaluation period were in amounts of $100,000 or less. FUBDE also originated 49 SBA loans, totaling $8.2 million.

Data indicate that from 1998 through 2000, First Union originated almost 1,130 small business loans in its assessment area in Delaware, and of these, approximately 24 percent were to businesses in LMI census tracts. By comparison, of the more than 27,230 small business loans by all lenders in First Union's assessment area in Delaware in 1998 through 2000, approximately 14 percent were in LMI census tracts.

The 1998 FUBDE Evaluation also concluded that FUBDE sustained an adequate level of community development lending. FUBDE's qualified community development lending during the evaluation period totaled $3.96 million, which included a $1.5 million loan commitment to a community development financial institution, and a $1.2 million commitment to a community development corporation to finance construction of affordable multifamily housing in Delaware.

Investment. FUBDE received a rating of "high satisfactory" for its qualified investments during the evaluation period, which totaled slightly over $2 million. Examiners reported that FUBDE had made grants to community organizations that serve community development purposes and noted FUBDE's $1.95 million equity fund commitment with the Delaware Community Investment Corporation, an entity which had as of the date of the evaluation indirectly funded construction of 723 units of affordable rental housing in Delaware.

Service. Examiners rated FUBDE "high satisfactory" under the service test. The evaluation reported that 21 percent of FUBDE's 24 branches were in LMI census tracts, and that the closing of one branch and the consolidation of two other branches did not appear to have adversely affected accessibility in LMI areas or for LMI individuals.

ages of aggregate HMDA loans by all lenders to LMI borrowers in 1996 and 1997.

Examiners also noted that FUBDE provided financial seminars and counseling to firs-time homebuyers in LMI areas, and that FUBDE employees served on the boards of four local nonprofit organizations involved in community development activities.

D. Wachovia's CRA Performance Record

CRA Record of Wachovia Bank.

Lending. The 1997 Wachovia Bank Evaluation stated that Wachovia maintained a good and increasing level of home purchase and home improvement lending in Wachovia Bank's assessment areas during the evaluation period.[53] Examiners described as "very good" or "excellent" the distribution of Wachovia's HMDA-related loans to borrowers in low-income census tracts during the evaluation period, and also reported that Wachovia's other HMDA-related lending statistics were reasonable.

Since that examination, Wachovia has represented that it originated almost 58,700 HMDA-related loans from 1998 through 2000, totaling more than $8.6 billion. Of these loans, 9.7 percent were secured by properties in LMI census tracts and 25.8 percent were extended to LMI borrowers.

The 1997 Wachovia Bank Evaluation noted that Wachovia offered special types of loans with terms modified to meet community credit needs. Wachovia made some of these loans under its Neighborhood Revitalization Program ("NRP"), which was open to applicants with 70 percent or less of HUD median family income, and required lower down payments and permitted higher debt-to-income ratios than conventional home mortgage loans.[54] During the evaluation period, Wachovia's NRP loans in North Carolina, South Carolina, and Georgia totaled $164 million.[55] In the 1997 evaluation, examiners also described Wachovia as an active participant in government loan programs, noting that Wachovia had originated more than $97 million in FHA loans and more than $129 million in VA loans during the examination period. Examiners reported that Wachovia also participated in loan programs of Fannie Mae, the North Carolina Housing Finance Authority, and the Farmers Home Administration.

Information from Wachovia indicates that the institution originated $186 million in NRP loans from January 1999 through March 22, 2001. Wachovia has represented that it continues to participate in Fannie Mae, FHA, and VA lending programs and that from 1998 through 2000, it originated more than $125 million in FHA loans and more

53. The 1997 Wachovia Bank Evaluation covered 1995 and 1996.

54. HUD median family income refers to the median family income for states, metropolitan portions of states, and nonmetropolitan portions of states, as calculated by the HUD.

55. One commenter criticized Wachovia's record of lending to minority applicants in coastal regions of South Carolina. Wachovia has represented that in 1998, 1999, and 2000, it originated a total of more than $35 million in home mortgage loans to minority borrowers in metropolitan areas on the South Carolina coast.

than $90 million in VA loans in its combined assessment area.

Examiners stated that Wachovia Bank was an active small business lender in 1996, making more than 17,000 business loans in amounts of $100,000 or less, and making more than 7,000 loans to small businesses. Wachovia has represented that from 1998 through 2000, it originated more than 67,400 in small business loans, totaling more than $6.1 billion.[56] Approximately 18.2 percent of these loans by number were to businesses in LMI census tracts, and 63.4 percent by number were to small businesses.

The 1997 evaluation noted that Wachovia Bank offered flexible underwriting criteria through its proprietary Small Business Loan Program, and, in 1996, originated loans totaling more than $12 million through this program in North Carolina, South Carolina, and Georgia. Examiners also reported that Wachovia Bank originated 164 SBA loans totaling more than $29.5 million during the evaluation period. Wachovia has represented that in 2000, it originated $21.2 million of SBA loans, and was the largest SBA lender in North Carolina and South Carolina, the second largest SBA lender in Virginia, and the fourth largest SBA lender in Georgia.

Examiners described Wachovia's level of participation in community development activities as exceptional. Wachovia's community development lending during the evaluation period in North Carolina, South Carolina, and Georgia totaled $308 million. Examiners cited Wachovia's role as a leader of a consortium of Atlanta banks that formed a $20 million loan pool to finance multifamily housing for LMI individuals in the greater Atlanta area. Wachovia also provided more than $50 million in financing for affordable multifamily housing units in Georgia (Atlanta), and in North Carolina (Greensboro, Charlotte, Carrboro, and Asheville), and funded $22.5 million in redevelopment projects in Georgia (Cartersville and Atlanta) and in seven South Carolina municipalities.

Wachovia has represented that its community development lending for a three-year period ending in December 2000 totaled a little more than $2 billion.[57] In 1997, Wachovia established a proprietary community development corporation that has provided more than $230 million in financing to community development projects.

Investment. Wachovia's community development investments during the evaluation period totaled $168 million, and included investments of $8.5 million in low-income housing tax credits for affordable housing initiatives in North Carolina and South Carolina. Wachovia has stated that its community development investments from 1998 through June 2001 total $197 million.

Service. At the time of the 1997 evaluation, Wachovia Bank maintained 462 branches in North Carolina, South Carolina, and Georgia, and 22 percent of these branches were in LMI census tracts. Examiners stated that Wachovia Bank's record of opening and closing banking offices had not adversely affected the level of services in LMI neighborhoods. Examiners reported that Wachovia closed 35 branches from January 1, 1996, through March 31, 1997, including 12 in LMI census tracts. Management stated in the course of the evaluation that some of the closures were attributable to consolidations that had resulted from acquisitions. Examiners found that Wachovia Bank personnel were properly following Wachovia's bank closure policy, and that the branch closure analyses required by the policy had resulted in the installation of automated teller machines near the sites of several closed branches and the decision to continue to operate a branch in South Carolina.

CRA Record of FNBA.

FNBA engages primarily in issuing credit cards for Wachovia and has been designated as a limited purpose bank by the OCC for purposes of assessing its CRA performance.[58] The performance test for limited purpose banks evaluates an institution's record of community development lending, investments, and services in its designated assessment area.[59]

Examiners characterized the level of FNBA's complex community development loans and investments as very good. During the evaluation period of March 1995 through June 1997, FNBA made or committed to make community development loans and investments totaling approximately $3.1 million, which examiners noted was equivalent to 33 percent of FNBA's total net income for 1995 and 1996. FNBA made a number of these community development investments through the Delaware Community Investment Corporation ("DCIC"), a multibank community development corporation initiating affordable housing projects in FNBA's assessment area. Examiners noted that FNBA's financial commitment to DCIC compared favorably with financial commitments by other limited purpose banks participating in DCIC.

56. One commenter asserted that First Union and Wachovia have not adequately addressed the needs of disadvantaged rural areas for agricultural credit. Data show that in 2000, First Union originated 353 farm loans of $500,000 or less ("small loans to farms") in its assessment area, of which 4.2 percent were in LMI census tracts. In 2000, Wachovia originated 347 small loans to farms in its assessment area, of which 19 percent were in LMI census tracts. First Union and Wachovia represent that they participate in the U.S. Department of Agriculture's Farm Services Agency programs, which provide extensions of credit to small farmers otherwise unable to qualify for conventional loans. First Union and Wachovia also state that they currently provide funds in conjunction with a U.S. Department of Agriculture grant to assist an organization of African-American farmers establish a cooperative that would facilitate processing of agricultural commodities into market-ready products.

57. One commenter criticized the level of Wachovia's community development efforts in the Horry County area of South Carolina. Wachovia has represented that it provides technical assistance and funding to several community development corporations, housing authorities, and nonprofit organizations in this area.

58. A "limited purpose bank" is a bank that (i) offers only a narrow product line, such as credit card loans, to a regional or broader market and (ii) has been designated as a limited purpose bank by the appropriate federal banking agency. 12 C.F.R. 25.12(o). In June 1996, the OCC designated FNBA as a limited purpose bank.

59. 12 C.F.R. 25.25(a) & (e).

FNBA's community development lending during the evaluation period totaled more than $1.3 million, which included $629,000 in loans and loan commitments to a DCIC loan pool to develop more than 1000 units of affordable housing. Examiners also noted a $350,000 commitment by FNBA to a DCIC loan pool to rehabilitate commercial properties in economically distressed areas targeted for revitalization.

FNBA's community development investments during the evaluation period totaled more than $1.7 million. Examiners noted that FNBA committed to invest $450,000 in a DCIC low-income housing tax credit investment fund to create 289 affordable housing units. FNBA also maintained a $100,000 deposit in a credit union primarily serving LMI individuals and purchased $935,000 in Delaware mortgage revenue bonds that funded 400 mortgages to LMI first-time homebuyers. In addition, FNBA provided $259,000 to various community development organizations.

Examiners reported that FNBA employees served on committees and boards of directors of a number of organizations involved in community development efforts. FNBA also was a founding contributor to a University of Delaware training program for individuals involved in community development and provided funding and technical assistance to a foundation developing prototype rehabilitation plans for homes in FBNA's assessment area.

Wachovia has represented that FBNA funded a total of more than $943,000 in community development loans and investments through DCIC from 1998 through 2000. Wachovia has stated that in 1998, FBNA committed to lend or invest $500,000 in a DCIC-sponsored urban renewal loan fund intended to provide short-term financing for property acquisition and site control for urban renewal and revitalization projects in Delaware. Wachovia also has represented that in 2000, FBNA committed to invest $500,000 in a low-income housing tax credit equity fund sponsored by DCIC.

Wachovia has noted that FBNA maintained a $100,000 deposit in a Wilmington community development credit union from 1998 through 2000. In addition, Wachovia has stated FBNA made $371,000 during 1998, 1999, and 2000. Wochovia also has indicated that FBNA employees continue to serve on committee and boards of directors of several organizations involved in community development.

CRA Record of Atlantic.

Lending. Atlantic reported assets of $496.9 million as of March 31, 2001. In the 2001 Atlantic Evaluation, examiners rated the lending activities of Atlantic "high satisfactory." Examiners noted that 1–4 unit residential mortgages represented 75 percent of Atlantic's total assets as of December 31, 2000, compared with 47.3 percent of assets for Atlantic's peer group. In 2000, Atlantic originated 13.2 percent of its HMDA-related loans in its assessment area to moderate-income borrowers, although moderate-income families accounted for an estimated 12.8 percent of all families in this area.

Examiners stated that Atlantic offered a number of credit products designed to meet the credit needs of LMI individuals. During the evaluation period of January 1999 through March 2001, Atlantic originated 56 mortgage loans totaling more than $4.8 million through its Atlantic Advantage program.[60] Atlantic also participated in the First-Time Homebuyer's Program of the Federal Home Loan Bank of Atlanta, and from January 2000 through April 12, 2001, originated or committed to originate 14 loans totaling more than $1 million through this program. In addition, examiners noted Atlantic's participation in loan guarantee programs through a rural housing program, which featured flexible debt-to-income ratios and did not require downpayments.

Examiners reported that Atlantic originated six community development loans during the evaluation period, totaling more than $2.9 million. Five of the loans financed the purchase or construction of 25 units of rental housing affordable to LMI individuals. The remaining loan financed the renovation of an office building which was in an economically underserved portion of Atlantic's assessment area, to house several minority-owned enterprises and the Community Development Corporation of Hilton Head, South Carolina ("Hilton Head CDC").

Investment. Examiners rated Atlantic "outstanding" under the investment test and described its level of qualified investments as highly responsive to the community development needs of LMI individuals. In December 1999, Atlantic purchased a $1 million housing revenue bond from a South Carolina state agency. Atlantic also made more than $73,000 in financial contributions in 1999 and 2000 to community organizations that provided affordable housing initiatives and social services to LMI individuals. More than $38,000 of these contributions were made pursuant to Atlantic's Awards for Community Excellence program, an initiative examiners described as innovative.

Service. Atlantic received a rating of "outstanding" under the service test based on what examiners considered to be a very high level of community development services. Since its previous evaluation, Atlantic had hired a special affordable housing loan officer, who provides credit management and individual budgeting counseling to LMI applicants to assist them in the mortgage application process. Employees of Atlantic participated in first-time homebuyer seminars offered in conjunction with the Hilton Head CDC and offered financial education and small business education classes. Examiners also noted the service of Atlantic executives on the boards of a number of community organizations, including several dealing with affordable housing or community development matters.

60. The Atlantic Advantage product features a minimum downpayment of 3 percent and a flexible total debt-to-income ratio of 43 percent, and permits the borrower to borrow half of a downpayment and closing costs from a relative or government housing assistance program.

E. HMDA Data and Fair Lending Record

The Board also has carefully considered the lending records of First Union and Wachovia in light of comments on 1999 HMDA data reported by the organizations' subsidiaries.[61] Data indicate that the number of applications for HMDA-related loans has decreased from 1998 to 2000 for First Union and Wachovia, as it has for lenders in the aggregate.[62]

Data indicate that in 2000, in 11 of the 13 states in its assessment area, First Union originated a higher percentage of HMDA-related loans in LMI areas and to LMI borrowers than did lenders in the aggregate. However, the percentages of First Union's HMDA-related loans to African Americans in 2000 were lower than the percentages for lenders in the aggregate in 10 of the 13 states in First Union's assessment area, and the percentages to Hispanics were lower than the percentages for lenders in the aggregate in 8 of the 13 states. First Union's denial disparity ratios for African Americans in 2000 were lower than the denial disparity ratios of lenders in the aggregate in 7 of the 13 states, and were almost identical in two others.[63] First Union's denial disparity ratios for Hispanics in 2000 were equal to or lower than the denial disparity ratios of lenders in the aggregates in 5 of the 13 states.

Year 2000 HMDA data indicate that the percentage of Wachovia's HMDA-related loans to LMI borrowers was lower than the percentage for lenders in the aggregate in each of the five states examined. The percentage of Wachovia's HMDA-related loans to African Americans in 2000 exceeded the percentages for lenders in the aggregate only for Virginia, and the percentage to Hispanics was lower than the percentages for lenders in the aggregate in all five states. Wachovia's denial disparity ratios in 2000 for African Americans and for Hispanics were higher than the denial disparity ratios of lenders in the aggregate in all five states.

The Board is concerned when the record of an institution indicates disparities in lending and believes that all banks are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending but also equal access to credit by creditworthy applicants regardless of their race or income level.[64] The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because these data cover only a few categories of housing-related lending. HMDA data, moreover, provide only limited information about the covered loans.[65] HMDA data, therefore, have limitations that make them an inadequate basis, absent other information, for concluding that an institution has not assisted adequately in meeting its community's credit needs or has engaged in illegal lending discrimination.

Because of the limitations of HMDA data, the Board has considered these data carefully in light of other information. As discussed, examiners found the insured depository institutions involved in this transaction to be in compliance with fair lending laws at the most recent examinations of these institutions and discovered no evidence of prohibited discrimination or other illegal credit practices.[66] In con-

61. Commenters criticized First Union's record of home mortgage lending to minority applicants in 28 MSAs in First Union's assessment area and in five other MSAs. Commenters also criticized Wachovia's record of home mortgage lending to minorities in five MSAs in Wachovia's assessment area. A commenter criticized First Union's loan denial rate for LMI borrowers in four MSAs in First Union's assessment area and in one MSA outside the assessment area. In addition to considering the analysis provided by commenters, the Board performed a comprehensive analysis of First Union's HMDA data for the years 1998, 1999, and 2000 in each of the states in which it operates as well as the home MSAs of First Union, Wachovia, and the former CoreStates. Specifically, the Board analyzed HMDA data for First Union's assessment areas in each of the 13 states in which it maintains branches, including the District of Columbia, and in the Charlotte, Philadelphia, and Winston-Salem MSAs. The Board also analyzed Wachovia's HMDA data for 1998, 1999, and 2000 on a state-by-state basis for Wachovia's assessment areas in five of the seven states in which it maintains branches and in the Charlotte and Winston-Salem MSAs.

62. Several commenters asserted that FUHEB did not adequately collect or report data on the race of applicants for HMDA-related loans. First Union has represented that in 2000, FUHEB received more than 80,000 applications in 2000 for HMDA-related loans, and that 75 percent of these applications were received by mail, telephone, or the Internet. The Board notes that HMDA regulations do not require lenders to inquire about the race of individuals making mortgage loan applications by telephone, nor are lenders required to report the race of applicants who apply for a mortgage loan by mail and do not provide race information. *See* 12 C.F.R. Pt. 202, App. B. The Board also notes that the OCC has reviewed FUHEB's compliance with data collection and reporting requirements under HMDA as part of the agency's periodic consumer compliance examinations of FUHEB, and will continue to do so in the future for First Union National Bank of Delaware, which was formed by the June 2000 merger of FUBDE with and into FUHEB.

63. The denial disparity ratio compares the denial rate for minority loan applicants with the denial rate for nonminority applicants.

64. Two commenters alleged that First Union has indirectly supported predatory lending through its business relationships with three subprime lenders that the commenters characterized as predatory lenders. First Union has stated that it provides warehouse lending facilitates and other financing arrangements to subprime lenders, and that it underwrites securitizations of mortgage loans, including subprime loans. First Union has represented that its due diligence before providing financing or underwriting a securitization includes investigation of the lender's underwriting guidelines, loan processing procedures, and compliance programs to check that the lender's policies conform to consumer lending regulations. First Union has stated that it also typically conducts an on-site sampling of loans to verify repayment ability and appraisal accuracy, and to check for indicators of fraud. First Union has represented that neither it nor its subsidiaries or affiliates have a role, formal or otherwise, in the lending practices or credit review processes of any unaffiliated lender.

65. For example, the data 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. HMDA data also may be incomplete and may not identify all applicants with regard to income level, ethnicity, or other demographic factors.

66. A Georgia State legislator commented that Wachovia actively opposed legislation intended to combat predatory lending. The contention contains no allegations of illegality or action that would affect the

junction with the 1997 FUNB Evaluation, examiners reviewed a sample of more than 1000 HMDA-related applications received by First Union's mortgage company and subsidiary banks in 1995 and did not detect any instances of racial discrimination. Examiners also sampled 350 of First Union's automobile loan applications and did not detect any instances of gender discrimination. In conjunction with the 1997 Wachovia Bank Evaluation, examiners reviewed a sample of approximately 250 HMDA-related applications, and almost 400 applications for other types of loans, and detected no instances of disparate treatment or illegal credit practices based on race or gender.

The record also indicates that First Union and Wachovia have taken a number of affirmative steps to ensure compliance with fair lending laws. First Union has represented that its fair lending program includes the use of logistic regression analysis of lending data, review of policies and procedures, testing by mystery customers, and regular training of employees. First Union also has stated that it established a subprime fair lending program to address customer complaints, broker relationships and servicing issues associated with First Union's subprime lending. Wachovia has represented that its fair lending compliance program features reviews of underwriting criteria, second analyses of rejected applications, regression modeling of portfolios, and ongoing training, among other strategies. The Board also has considered the HMDA data in light of First Union's and Wachovia's overall lending records, which demonstrate that the organizations' subsidiary banks significantly assist the communities that they serve in meeting their credit needs, including LMI areas in those communities.

F. Conclusion on Convenience and Needs Factor

The Board has carefully considered all facts of record, including the public comments received, responses to comments, and reports of examinations of the CRA performance of the institutions involved, in reviewing the proposal's effect on the convenience and needs of the communities to be served by the combined organization.[67] Based on all the facts of record and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs factor, including the CRA performance records of the relevant depository institutions, are consistent with approval of the proposal.[68]

Nonbanking Activities

First Union also has filed notice under sections 4(c)(8) and 4(j) of the BHC Act to acquire Atlantic and thereby engage in the activity of operating a savings association.[69] New Wachovia would engage through Atlantic in accepting deposits and offering a full line of banking products, including home mortgage loans.[70] The Board has determined by regulation that the activity of owning, controlling, or operating a savings association is permissible for a bank holding company, provided that the savings association engages only in taking deposits, making loans, and engaging in other activities that are permissible for a bank holding company to conduct under section 4(c)(8) of the BHC Act. First Union has committed to operate Atlantic in accordance with the Board's rules.

In order to approve First Union's notice to acquire Atlantic, the Board is required by section 4(j)(2)(A) of the BHC Act to determine that the acquisition "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."[71]

As part of its evaluation of these factors, the Board considers the financial condition and managerial resources of the notificant, its subsidiaries, and the companies to be acquired, and the effect of the proposed transaction on those resources. For the reasons discussed above and based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of the notice. In addition, as noted above, Atlantic received a "satisfactory" performance rating from the OTS at its most recent CRA examination, as of January 1, 1999.

The Board also has considered the competitive effects of the proposed acquisition of Atlantic by First Union. Atlan-

safety and soundness of the institutions involved in the proposal and is outside the limited statutory factors that the Board is authorized to consider when reviewing an application under the BHC Act. *See Western Bancshares, Inc., v. Board of Governors*, 480 F.2d 749 (10th Cir. 1973).

67. Several commenters criticized the subprime lending practices of Money Store and contended, among other things, that Money Store charged excessive interest rates and fees, particularly when lending to low-income, minority, and elderly borrowers. Commenters also asserted that a number of Money Store loans were originated in connection with builders who failed to provide home improvement services as contracted. HUD, the Department of Justice, and the Federal Trade Commission have responsibility for reviewing compliance with the fair lending laws of nondepository institutions like Money Store, and the Board has forwarded copies of commenters' assertions to those agencies. First Union has stated that Money Store stopped originating loans as of June 2000.

68. Two commenters criticized the New Wachovia Community Initiative and several commenters contended that First Union has not made adequate progress in fulfilling a pledge made in connection with the First Union-CoreStates transaction. The Board notes that the CRA requires that, in considering an acquisition proposal, the Board carefully review the actual performance records of the relevant depository institutions in helping to meet the credit needs of their communities. Neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to make pledges concerning future performance under the CRA. The Board also notes that future activities of New Wachovia's subsidiary banks will be reviewed by the appropriate federal supervisors in future performance examinations, and that their CRA performance records will be considered by the Board in any subsequent applications by New Wachovia to acquire a depository institution.

69. As discussed above, First Union intends to use the post-transaction notice provisions of Regulation Y that apply to financial holding companies to acquire the remaining nonbanking companies Wachovia controls under sections 4(c)(8) and 4(k) of Regulation Y.

70. Atlantic controls one subsidiary, Atlantic Mortgage Company of South Carolina, Inc., which is inactive.

71. 12 U.S.C. § 1843(j)(2)(A).

tic has its headquarters and two branches in the Beaufort banking market, where it directly competes with First Union. Atlantic also has a loan production office in Charleston, where FUNB operates branches. The Board considered this presence in its analysis of the competitive effects of the transaction discussed above.[72]

For the reasons discussed above, the Board has concluded that the proposal, including First Union's acquisition of Atlantic, would not have any significantly adverse competitive effects in the Beaufort or Charleston markets, or in any other relevant banking market. Based on all the facts of record, the Board, therefore, concludes that it is unlikely that significantly adverse competitive effects would result from First Union's acquisition of Atlantic.

First Union has indicated that the combined strengths of First Union and Wachovia would create a stronger and more geographically diversified organization that could offer customers of both organizations a wider range of products through a stronger and more efficient operational network.

The Board has concluded that the ownership of Atlantic within the framework of Regulation Y and Board precedent is not likely to result in any 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, 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 benefits the Board must consider under section 4(j) of the BHC Act is favorable and consistent with approval of the notice.

First Union also has provided notice under section 25A of the Federal Reserve Act and section 211.4 of the Board's Regulation K (12 C.F.R. 211.4) of its intention to acquire Wachovia International Banking Corporation, an inactive Edge corporation controlled by Wachovia. In addition, First Union has given notice under section 4(c)(13) of the BHC Act and section 211.5 of Regulation K (12 C.F.R. 211.5) to acquire certain foreign investments held by Wachovia.[73] The Board concludes that all the factors it is required to consider under the Federal Reserve Act, the BHC Act, and the Board's Regulation K in connection with this proposal are consistent with approval.

72. For purposes of analyzing the competitive effects of the proposal, the deposits of Atlantic were weighted at 100 percent in all relevant markets because it is a depository institution controlled by a commercial banking organization.

73. These investments are in WSH Holdings, Ltd., Grand Cayman Islands, Cayman Islands; and in Banco Wachovia, S.A., and Wachovia International Servicos Ltd., both in Sao Paolo, Brazil. First Union intends to rely on the post-transaction notice procedures of Regulation Y that apply to financial holding companies to acquire Wachovia International Securities, Limited, London, England, which Wachovia currently holds under Regulation K. *See* 12 C.F.R. 225.86 and 225.87.

Conclusion

Based on the foregoing and after considering all the facts of record, the Board has determined that the application and notices should be, and hereby are, approved.[74] In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes.[75] The Board's approval specifically is conditioned on compliance by First Union with all the commitments made in connection with the application and notices, including the branch divestiture 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 C.F.R. 225.7 and 225.25(c)), and the Board's authority to require such modification or termination of the activities of a bank

74. Several commenters requested that the Board hold a public meeting or hearing on the proposal. Section 3(b) of the BHC Act does not require the Board to 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. The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board, in its discretion, also may hold a public meeting or hearing on a section 3 application to acquire a bank if a meeting or hearing is necessary or appropriate to clarify factual issues related to the application and to provide an opportunity for testimony. 12 C.F.R. 225.16(e). Section 4 of the BHC Act and the Board's rules thereunder provide for a hearing on a notice to acquire a nonbanking company 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). The Board has considered carefully the commenters' requests in light of all the facts of record.

The Board extended the comment period in this case to allow commenters additional time to submit comments. In the Board's view, commenters have had ample opportunity to submit their views, and numerous commenters have submitted written comments that have been considered carefully by the Board in acting on the proposal. The commenters' requests fail to demonstrate why their written comments do not present their views adequately. 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 requests for a public meeting or hearing on the proposal are denied.

75. Numerous commenters requested that the Board delay action or extend the comment period on the proposal, and the Board extended the comment period for those commenters who requested extensions. 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 previously, commenters have had ample opportunity to submit their views and, in fact, have provided substantial written submissions that have been considered carefully by the Board in acting on the proposal. As noted above, the Board extended the comment period in this case to allow commenters to provide additional comments. Moreover, the BHC Act and Regulation Y require the Board to act on proposals submitted under those provisions within certain time periods. 12 U.S.C. §§ 1842(b) and 1843(j)(1); 12 C.F.R. 225.15(d) and 225.24(d). Based on a review of all the facts of record, the Board has concluded that the record in this case is sufficient to warrant Board action at this time and that a further delay in considering the proposal, an additional extension of the comment period, or a denial of the proposal on the grounds discussed above or for informational insufficiency is not warranted.

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. 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 acquisition of the subsidiary banks of Wachovia 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 13, 2001.

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

ROBERT DEV. FRIERSON
Deputy Secretary of the Board

Appendix A

Banking Markets in which First Union and Wachovia Compete Directly

A. *Delaware*

Wilmington (DE-MD)	New Castle County in Delaware and Cecil County in Maryland.

B. *The District of Columbia*

Washington (DC-MD-VA-WV)	The Washington, D.C. Ranally Metro Area (''RMA''); the non-Ranally Metro Area (''non-RMA'') portions of Fauquier and Loudon Counties in Virginia; Calvert, Charles, and St. Mary's Counties in Maryland; and the independent cities of Alexandria, Fairfax, Falls Church, and Manassas, all in Virginia; and Jefferson County, in West Virginia.

C. *Florida*

Brevard	Brevard County.
Fort Myers	Lee County, excluding the towns on Gasparilla Island; and the town of Immokalee in Collier County.
Fort Pierce	St. Lucie and Martin Counties, excluding the towns of Indiantown and Hobe Sound in Martin County.
Gainesville	Alachua, Gilchrist, and Levy Counties.
Miami-Ft. Lauderdale	Broward and Dade Counties.
Ocala	Marion County and the town of Citrus Springs in Citrus County.
Orlando	Orange, Osceola, and Seminole Counties; the western half of Volusia County; and the towns of Clermont and Groveland in Lake County.
Tampa Bay	Hernando, Hillsborough, Pasco, and Pinellas Counties.
West Palm Beach	Palm Beach County east of Loxahatchee and the towns of Indiantown, and Hobe Sound in Martin County.

D. *Georgia*

Atlanta	Bartow, Cherokee, Clayton, Cobb, Coweta, DeKalb, Douglas, Fayette, Forsyth, Fulton, Gwinnett, Henry, Newton, Paulding, Rockdale, and Walton Counties; Hall County, excluding the town of Clermont; and the towns of Auburn and Winder in Barrow County.
Augusta (GA-SC)	Columbia, McDuffie, and Richmond Counties in Georgia; and Aiken and Edgefield Counties in South Carolina.
Dalton	Murray and Whitfield Counties.
Savannah	Bryan, Chatham, and Effingham Counties.

E. *North Carolina*

Asheville	The Asheville RMA and the non-RMA portions of Buncombe and Henderson Counties.
Burlington	The Burlington RMA and the non-RMA portion of Alamance County.
Charlotte-Rock Hill (NC-SC)	The Charlotte RMA and the non-RMA portion of Carbarrus County in North Carolina.
Dare	Dare County.
Durham-Chapel Hill	The Durham RMA and the non-RMA portions of Chatham, Durham, and Orange Counties.
Elizabeth City	Camden, Pasquotank, and Perquimans Counties.
Fayetteville	The Fayetteville RMA and the non-RMA portion of Cumberland County.
Greensboro-High Point	The Greensboro-High Point RMA and the non-RMA portions of the counties of Davidson, excluding the portion in the Winston-Salem RMA, and Randolph.
Greenville	The Greenville RMA and the non-RMA portion of Pitt County.
Haywood	Haywood County, excluding the portion in the Asheville RMA.
Hickory	The Hickory RMA and the non-RMA portion of Alexander, Burke, and Caldwell Counties.
Jackson	Jackson County.

Martinsville (NC-VA)	The Martinsville RMA; and the non-RMA portion of Henry County and the independent city of Martinsville, both in Virginia.
Monroe	Anson County and Union County, excluding the portion of Union County located in the Charlotte RMA.
Moore	Moore County.
Raleigh	The Raleigh RMA and the non-RMA portions of Franklin, Johnston, and Wake Counties; and Harnett County, excluding the portion in the Fayetteville RMA.
Robeson	Robeson County, excluding the portion in the Fayetteville RMA.
Rocky Mount	The Rocky Mount RMA and the non-RMA portions of Edgecombe, Nash and Wilson Counties.
Salisbury	The Salisbury RMA and the non-RMA portion of Rowan County, excluding the portion in the Charlotte RMA.
Stanly	Stanly County.
Statesville	Iredell County, excluding the portions in the Charlotte and Hickory RMAs.
Wilkes	Wilkes County.
Wilmington	The Wilmington RMA; Pender County; Brunswick County, excluding the portion in the Myrtle Beach-Conway RMA.
Winston-Salem	The Winston-Salem RMA and the non-RMA portions of Davie and Stokes Counties.

F. *South Carolina*

Beaufort	Beaufort County.
Charleston	The Charleston RMA and the non-RMA portions of Berkeley and Charleston Counties.
Columbia	The Columbia RMA and the non-RMA portion of Lexington and Richland Counties.
Florence	The Florence RMA and the non-RMA portion of Florence Counties.
Georgetown	Georgetown County, excluding the portion in the Myrtle Beach-Conway RMA.
Greenville	The Greenville RMA and the non-RMA portion of Greenville and Pickens Counties.
Greenwood	The Greenwood RMA and the non-RMA portion of Greenwood County.
Myrtle Beach-Conway	The Myrtle Beach-Conway RMA and the non-RMA portion of Horry County.
York	York County, excluding portion in the Charlotte RMA.

G. *Virginia*

Abingdon	Washington County, excluding the portion in the Johnson City-Kingsport-Bristol RMA.
Bedford	Bedford County, excluding the portions in the Lynchburg and Roanoke RMAs; and the independent city of Bedford.
Charlottesville	The Charlottesville RMA; the independent city of Charlottesville; the non-RMA portion of Albemarle County; and Fluvanna, Greene, and Nelson Counties.
Fredericksburg	Caroline, King George, Spotsylvania, and Stafford Counties, excluding the portion of Stafford County in the Washington, D.C. RMA; the independent city of Fredericksburg; and the towns of Colonial Beach, Leedstown, Oak Grove, and Potomac Beach in Westmoreland County.
Harrisonburg	The independent city of Harrisonburg and Rockingham County.
Newport News-Hampton	The Newport News-Hampton RMA; the non-RMA portions of James City and Matthews Counties; and the independent cities of Hampton, Newport News, Poquoson, and Williamsburg.
Norfolk-Portsmouth (VA-NC)	The Norfolk-Portsmouth RMA, the independent Portsmouth cities of Chesapeake, Norfolk, Portsmouth, Suffolk, and Virginia Beach, all in Virginia; and Currituck County in North Carolina.
Pulaski-Radford	Montgomery and Pulaski Counties and the independent city of Radford.
Richmond	The Richmond RMA, the non-RMA portions of Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, Powhatan and Prince George Counties; the independent cities of Colonial Heights, Hopewell, Petersburg, and Richmond; and Charles City, King and Queen, King William, and New Kent Counties.
Roanoke	The Roanoke RMA; the non-RMA portions Botetourt and Roanoke Counties; the independent cities of Roanoke and Salem; and the town of Boones Mill in Franklin County.
Smyth	Smyth County
Winchester (VA-WV)	The independent city of Winchester, Clarke and Frederick Counties, and the town of Strasburg in Shenandoah County, all in Virginia; and Hampshire County in West Virginia.

Appendix B

Certain Banking Markets without Divestitures

Delaware

Wilmington — First Union operates the eighth largest depository institution in the market, controlling deposits of approximately $1 billion, representing 2.3 percent of market deposits.[1] Wachovia operates the thirtieth largest depository institution in the market, controlling deposits of approximately $477,000, representing less than 1 percent of market deposits. On consummation of the proposal, New Wachovia would operate the eighth largest depository institution in the market, controlling deposits of approximately $1 billion, representing 2.3 percent of market deposits. The HHI would remain unchanged at 2390.

Florida

Brevard First Union operates the second largest depository institution in the market, controlling deposits of $910 million representing 22.3 percent of market deposits. Wachovia operates the fifth largest depository institution in the market, controlling deposits of $249 million, representing 6.1 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the market, controlling deposits of $1.2 billion, representing 28.4 percent of market deposits. The HHI would increase by 272 points to 1752.

Fort Myers First Union operates the second largest depository institution in the market, controlling deposits of $963 million, representing 16.8 percent of market deposits. Wachovia operates the eighteenth largest depository institution in the market, controlling deposits of $26 million, representing less than 1 percent of market deposits. On consummation of the proposal, New Wachovia would operate the second largest depository institution in the market, controlling deposits of $988 million, representing 17.2 percent of market deposits. The HHI would increase by 15 points to 1476.

Fort Pierce First Union operates the fourth largest depository institution in the market, controlling deposits of $404 million, representing 12.2 percent of market deposits. Wachovia operates the tenth largest depository institution in the market, controlling deposits of $62 million, representing 1.9 percent of market deposits. On consummation of the proposal, New Wachovia would operate the fourth largest depository institution in the market, controlling deposits of $466 million, representing 14 percent of market deposits. The HHI would increase by 46 points to 1405.

Gainesville First Union operates the largest depository institution in the market, controlling deposits of $470 million, representing 23.3 percent of market deposits. Wachovia operates the sixteenth largest depository institution in the market, controlling deposits of $22 million, representing 1.1 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the market, controlling deposits of $491 million, representing 24.4 percent of market deposits. The HHI would increase by 50 points to 1321.

Miami-Fort Lauderdale First Union operates the second largest depository institution in the market, controlling deposits of $9.1 billion, representing 15.9 percent of market deposits. Wachovia operates the fourteenth largest depository institution in the market, controlling deposits of $940 million, representing 1.6 percent of market deposits. On consummation of the proposal, New Wachovia would operate the second largest depository institution in the market, controlling deposits of $10 billion, representing 17.5 percent of market deposits. The HHI would increase by 52 points to 1096.

Ocala First Union operates the fourth largest depository institution in the market, controlling deposits of $230 million, representing 8.8 percent of market deposits. Wachovia operates the fifteenth largest depository institution in the market, controlling deposits of $17 million, representing less than 1 percent of market deposits. On consummation of the proposal, New Wachovia would operate the fourth largest depository institution in the market, controlling deposits of $246 million, representing 9.5 percent of market deposits. The HHI would increase by 12 points to 1398.

Orlando First Union operates the third largest depository institution in the market, controlling deposits of $2.1 billion, representing 14.4 percent of market deposits. Wachovia operates the twelfth largest depository institution in the market, controlling deposits of $171 million, representing 1.2 percent of market deposits. On consummation of the proposal, New Wachovia would operate the third largest depository institution in the market, controlling deposits of $2.3 billion, representing 15.6 percent of

1. All deposit figures in the millions have been rounded to the nearest million, and all deposit figures in the billions have been rounded to the nearest hundred million. All percentages have been rounded to the nearest one-tenth of 1 percent.

market deposits. The HHI would increase by 35 points to 1672.

Tampa Bay — First Union operates the second largest depository institution in the market, controlling deposits of $4 billion, representing 13.3 percent of market deposits. Wachovia operates the thirty-first largest depository institution in the market, controlling deposits of $88 million, representing less than 1 percent of market deposits. On consummation of the proposal, New Wachovia would operate the second largest depository institution in the market, controlling deposits of $4 billion, representing 13.6 percent of market deposits. The HHI would increase by 8 points to 1347.

West Palm Beach — First Union operates the second largest depository institution in the market, controlling deposits of $3.2 billion, representing 18.1 percent of market deposits. Wachovia operates the third largest depository institution in the market, controlling deposits of $1.7 billion, representing 9.6 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the market, controlling deposits of $4.9 billion, representing 27.6 percent of market deposits. The HHI would increase by 346 points to 1381.

Georgia

Atlanta — First Union operates the fourth largest depository institution in the market, controlling deposits of $6.8 billion, representing 12.7 percent of market deposits. Wachovia operates the third largest depository institution in the market, controlling deposits of $8.3 billion, representing 15.6 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the market, controlling deposits of $15.1 billion, representing 28.3 percent of market deposits. The HHI would increase by 396 points to 1472.

Augusta — First Union operates the largest depository institution in the market, controlling deposits of $779 million, representing 19.7 percent of market deposits. Wachovia operates the fifth largest depository institution in the market, controlling deposits of $367 million, representing 9.3 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the market, controlling deposits of $1.1 billion, representing 29 percent of market deposits. The HHI would increase by 367 points to 1652.

Dalton — First Union operates the eighth largest depository institution in the market, controlling deposits of $79 million, representing 5.8 percent of market deposits. Wachovia operates the second largest depository institution in the market, controlling deposits of $268 million, representing 19.6 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the market, controlling deposits of $347 million, representing 25.4 percent of market deposits. The HHI would increase by 227 points to 1583.

North Carolina

Burlington — First Union operates the seventh largest depository institution in the market, controlling deposits of $101 million, representing 6.1 percent of market deposits. Wachovia operates the third largest depository institution in the market, controlling deposits of $235 million, representing 14.1 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the market, controlling deposits of $335 million, representing 20.2 percent of market deposits. The HHI would increase by 171 points to 1335.

Charlotte-Rock Hill — First Union operates the second largest depository institution in the market, controlling deposits of $7.4 billion, representing 18.3 percent of market deposits. Wachovia operates the fourth largest depository institution in the market, controlling deposits of $1.6 billion, representing 4 percent of market deposits. On consummation of the proposal, New Wachovia would operate the second largest depository institution in the market, controlling deposits of $9.1 billion, representing 22.3 percent of market deposits. The HHI would increase by 147 points to 4002.

Dare — First Union operates the fifth largest depository institution in the market, controlling deposits of $23 million, representing 4.1 percent of market deposits. Wachovia operates the second largest depository institution in the market, controlling deposits of $111 million, representing 19.5 percent of market deposits. On consummation of the proposal, New Wachovia would operate the second largest depository institution in the market, controlling deposits of

$134 million, representing 23.7 percent of market deposits. The HHI would increase by 161 points to 2984.

Fayetteville — First Union operates the sixth largest depository institution in the market, controlling deposits of $95 million, representing 5.8 percent of market deposits. Wachovia operates the fifth largest depository institution in the market, controlling deposits of $131 million, representing 8 percent of market deposits. On consummation of the proposal, New Wachovia would operate the fourth largest depository institution in the market, controlling deposits of $226 million, representing 13.8 percent of market deposits. The HHI would increase by 93 points to 2041.

Greensboro-High Point — First Union operates the fifth largest depository institution in the market, controlling deposits of $714 million, representing 9 percent of market deposits. Wachovia operates the second largest depository institution in the market, controlling deposits of $1.4 billion, representing 17.1 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the market, controlling deposits of $2.1 billion, representing 26.1 percent of market deposits. The HHI would increase by 307 points to 1407.

Greenville — First Union operates the ninth largest depository institution in the market, controlling deposits of $24 million, representing 2.2 percent of market deposits. Wachovia operates the second largest depository institution in the market, controlling deposits of $269 million, representing 24.2 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the market, controlling deposits of $293 million, representing 26.3 percent of market deposits. The HHI would increase by 104 points to 1897.

Monroe — First Union operates the ninth largest depository institution in the market, controlling deposits of $28 million, representing 2.9 percent of market deposits. Wachovia operates the eighth largest depository institution in the market, controlling deposits of $50 million, representing 5.2 percent of market deposits. On consummation of the proposal, New Wachovia would operate the fourth largest depository institution in the market, controlling deposits of $77 million, representing 8.1 percent of market deposits. The HHI would increase by 30 points to 1898.

Moore — First Union operates the fifth largest depository institution in the market, controlling deposits of $65 million, representing 6 percent of market deposits. Wachovia operates the third largest depository institution in the market, controlling deposits of $85 million, representing 7.9 percent of market deposits. On consummation of the proposal, New Wachovia would operate the third largest depository institution in the market, controlling deposits of $150 million, representing 13.8 percent of market deposits. The HHI would increase by 94 points to 2145.

Raleigh — First Union operates the sixth largest depository institution in the market, controlling deposits of $746 million, representing 8.8 percent of market deposits. Wachovia operates the largest depository institution in the market, controlling deposits of $1.6 billion, representing 18.5 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the market, controlling deposits of $2.3 billion, representing 27.2 percent of market deposits. The HHI would increase by 324 points to 1547.

Robeson — First Union operates the ninth largest depository institution in the market, controlling deposits of approximately $371,000, representing less than 1 percent of market deposits. Wachovia operates the fifth largest depository institution in the market, controlling deposits of $38 million, representing 5.9 percent of market deposits. On consummation of the proposal, New Wachovia would operate the fifth largest depository institution in the market, controlling deposits of $39 million, representing 5.9 percent of market deposits. The HHI would increase by 1 point to 2418.

Rocky Mount — First Union operates the fourth largest depository institution in the market, controlling deposits of $191 million, representing 9.2 percent of market deposits. Wachovia operates the third largest depository institution in the market, controlling deposits of $194 million, representing 9.4 percent of market deposits. On consummation of the proposal, New Wachovia would operate the third largest depository institution in the market, controlling deposits of $385 million, representing 18.6 percent of market deposits. The HHI would increase by 173 points to 2006.

Stanly — First Union operates the third largest depository institution in the market, controlling deposits of $106 million, representing

15.7 percent of market deposits. Wachovia operates the seventh largest depository institution in the market, controlling deposits of $32 million, representing 4.8 percent of market deposits. On consummation of the proposal, New Wachovia would operate the second largest depository institution in the market, controlling deposits of $138 million, representing 20.6 percent of market deposits. The HHI would increase by 152 points to 1811.

Wilmington — First Union operates the sixth largest depository institution in the market, controlling deposits of $149 million, representing 5.6 percent of market deposits. Wachovia operates the second largest depository institution in the market, controlling deposits of $405 million, representing 15.1 percent of market deposits. On consummation of the proposal, New Wachovia would operate the second largest depository institution in the market, controlling deposits of $554 million, representing 20.7 percent of market deposits. The HHI would increase by 169 points to 1603.

South Carolina

Beaufort — First Union operates the ninth largest depository institution in the market, controlling deposits of $63 million, representing 3.9 percent of market deposits. Wachovia operates the largest depository institution in the market, controlling deposits of $485 million, representing 29.6 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the market, controlling deposits of $548 million, representing 33.4 percent of market deposits. The HHI would increase by 228 points to 1749.

Charleston — First Union operates the ninth largest depository institution in the market, controlling deposits of $138 million, representing 3.7 percent of market deposits. Wachovia operates the largest depository institution in the market, controlling deposits of $847 million, representing 22.5 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the market, controlling deposits of $985 million, representing 26.2 percent of market deposits. The HHI would increase by 165 points to 1389.

Columbia — First Union operates the seventh largest depository institution in the market, controlling deposits of $320 million, representing 5.6 percent of market deposits. Wachovia operates the largest depository institution in the market, controlling deposits of $1.3 billion, representing 23.2 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the market, controlling deposits of $1.6 billion, representing 28.8 percent of market deposits. The HHI would increase by 260 points to 1769.

Florence — First Union operates the sixth largest depository institution in the market, controlling deposits of $88 million, representing 6.7 percent of market deposits. Wachovia operates the largest depository institution in the market, controlling deposits of $283 million, representing 21.4 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the market, controlling deposits of $371 million, representing 28.1 percent of market deposits. The HHI would increase by 285 points to 1339.

Georgetown — First Union operates the eighth largest depository institution in the market, controlling deposits of $2 million, representing less than 1 percent of market deposits. Wachovia operates the third largest depository institution in the market, controlling deposits of $69 million, representing 16.5 percent of market deposits. On consummation of the proposal, New Wachovia would operate the third largest depository institution in the market, controlling deposits of $71 million, representing 16.9 percent of market deposits. The HHI would increase by 14 points to 2160.

Greenville — First Union operates the third largest depository institution in the market, controlling deposits of $834 million, representing 12.6 percent of market deposits. Wachovia operates the fourth largest depository institution in the market, controlling deposits of $744 million, representing 11.2 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the market, controlling deposits of $1.6 billion, representing 23.8 percent of market deposits. The HHI would increase by 282 points to 1400.

Greenwood — First Union operates the second largest depository institution in the market, controlling deposits of $115 million, representing 14.4 percent of market deposits. Wachovia operates the sixth largest depository institution in the market, controlling deposits of $80 million, representing 10.1 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the market, controlling deposits of $195 million, representing 24.5 percent of market deposits. The HHI would increase by 290 points to 1439.

Myrtle Beach-Conway: First Union operates the twelfth largest depository institution in the market, controlling deposits of $37 million, representing 1.4 percent of market deposits. Wachovia operates the third largest depository institution in the market, controlling deposits of $334 million, representing 12.4 percent of market deposits. On consummation of the proposal, New Wachovia would operate the third largest depository institution in the market, controlling deposits of $371 million, representing 13.8 percent of market deposits. The HHI would increase by 34 points to 1162.

Virginia

Abingdon: First Union operates the sixth largest depository institution in the market, controlling deposits of $31 million, representing 5.3 percent of market deposits. Wachovia operates the second largest depository institution in the market, controlling deposits of $96 million, representing 16.2 percent of market deposits. On consummation of the proposal, New Wachovia would operate the second largest depository institution in the market, controlling deposits of $127 million, representing 21.5 percent of market deposits. The HHI would increase by 172 points to 2032.

Charlottesville: First Union operates the tenth largest depository institution in the market, controlling deposits of $29 million, representing 1.4 percent of market deposits. Wachovia operates the largest depository institution in the market, controlling deposits of $476 million, representing 23.7 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the market, controlling deposits of $505 million, representing 25.1 percent of market deposits. The HHI would increase by 67 points to 1642.

Fredericksburg: First Union operates the ninth largest depository institution in the market, controlling deposits of $46 million, representing 2.8 percent of market deposits. Wachovia operates the seventh largest depository institution in the market, controlling deposits of $79 million, representing 4.7 percent of market deposits. On consummation of the proposal, New Wachovia would operate the sixth largest depository institution in the market, controlling deposits of $124 million, representing 7.5 percent of market deposits. The HHI would increase by 26 points to 1447.

Harrisonburg: First Union operates the third largest depository institution in the market, controlling deposits of $191 million, representing 15.3 percent of market deposits. Wachovia operates the eighth largest depository institution in the market, controlling deposits of $79 million, representing 6.3 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the market, controlling deposits of $270 million, representing 21.7 percent of market deposits. The HHI would increase by 194 points to 1416.

Martinsville: First Union operates the sixth largest depository institution in the market, controlling deposits of $55 million, representing 4.7 percent of market deposits. Wachovia operates the ninth largest depository institution in the market, controlling deposits of $33 million, representing 2.8 percent of market deposits. On consummation of the proposal, New Wachovia would operate the fourth largest depository institution in the market, controlling deposits of $88 million, representing 7.5 percent of market deposits. The HHI would increase by 26 points to 1783.

Newport News-Hampton: First Union operates the sixth largest depository institution in the market, controlling deposits of $251 million, representing 7.4 percent of market deposits. Wachovia operates the third largest depository institution in the market, controlling deposits of $364 million, representing 10.8 percent of market deposits. On consummation of the proposal, New Wachovia would operate the third largest depository institution in the market, controlling deposits of $615 million, representing 18.2 percent of market deposits. The HHI would increase by 159 points to 1485.

Norfolk-Portsmouth: First Union operates the fifth largest depository institution in the market, controlling deposits of $542 million, representing 7.2 percent of market deposits. Wachovia operates the second largest depository institution in the market, controlling deposits of $1.1 billion, representing 15 percent of market deposits. On consummation of the proposal, New Wachovia would operate the largest depository institution in the market, controlling deposits of $1.7 billion, representing 22.2 percent of market deposits. The HHI would increase by 216 points to 1349.

Pulaski-Radford — First Union operates the third largest depository institution in the market, controlling deposits of $108 million, representing 8.2 percent of market deposits. Wachovia operates the eighth largest depository institution in the market, controlling deposits of $88 million, representing 6.7 percent of market deposits. On consummation of the proposal, New Wachovia would operate the third largest depository institution in the market, controlling deposits of $195 million, representing 14.9 percent of market deposits. The HHI would increase by 110 points to 1716.

Washington, D.C. — First Union operates the third largest depository institution in the market, controlling deposits of $5.8 billion, representing 9.9 percent of market deposits. Wachovia operates the fourteenth largest depository institution in the market, controlling deposits of $1.3 billion, representing 2.2 percent of market deposits. On consummation of the proposal, New Wachovia would operate the third largest depository institution in the market, controlling deposits of $7.1 billion, representing 12.1 percent of market deposits. The HHI would increase by 44 points to 894.

Winchester — First Union operates the fifth largest depository institution in the market, controlling deposits of $109 million, representing 7.9 percent of market deposits. Wachovia operates the sixth largest depository institution in the market, controlling deposits of $100 million, representing 7.3 percent of market deposits. On consummation of the proposal, New Wachovia would operate the second largest depository institution in the market, controlling deposits of $209 million, representing 15.2 percent of market deposits. The HHI would increase by 115 points to 1640.

Appendix C

Certain Markets with Divestitures

Georgia

Savannah — First Union operates the fourth largest depository institution in the market, controlling deposits of $363 million, representing 12.5 percent of market deposits. Wachovia operates the second largest depository institution in the market, controlling deposits of $555 million, representing 19.1 percent of market deposits. First Union proposes to divest to a suitable in-market or out-of-market competitor three branches in the market, with deposits of $148 million, representing 5.1 percent of market deposits. After the proposed merger and divestiture, New Wachovia would operate the largest depository institution in the market, controlling deposits of $770 million, representing 26.5 percent of market deposits. The HHI would increase by no more than 207 points to no more than 1795.

North Carolina

Haywood — First Union operates the second largest depository institution in the market, controlling deposits of $110 million, representing 28.4 percent of market deposits. Wachovia operates the fifth largest depository institution in the market, controlling deposits of $41 million, representing 10.5 percent of market deposits. First Union proposes to divest to a suitable out-of-market competitor one branch in the market, with deposits of 41 million, representing 10.5 percent of market deposits. After the proposed merger and divestiture, New Wachovia would operate the second largest depository institution in the market, controlling deposits of $110 million, representing 28.4 percent of market deposits. The HHI would remain unchanged at 2116.

Hickory — First Union operates the second largest depository institution in the market, controlling deposits of $532 million, representing 15.7 percent of market deposits. Wachovia operates the sixth largest depository institution in the market, controlling deposits of $229 million, representing 6.8 percent of market deposits. First Union proposes to divest to a suitable in-market or out-of-market competitor 2 branches in the market, with deposits of $86 million, representing 2.5 percent of market deposits. After the proposed merger and divestiture, New Wachovia would operate the largest depository institution in the market, controlling deposits of $677 million, representing 20 percent of market deposits. The HHI would increase by no more than 186 points to no more than 1443.

Jackson — First Union operates the third largest depository institution in the market, controlling deposits of $42 million, representing 15.8 percent of market deposits. Wachovia operates the largest depository institution in the market, controlling deposits of $94 million, representing 35.7 percent of market deposits. First Union proposes to divest to a suitable in-market or out-of-market competitor one branch in the market, with deposits of $36 million, representing 13.6 percent of market deposits. After the proposed merger and divestiture, New Wachovia would operate the largest depository institution in the market, controlling deposits of $100 million, representing 37.8 percent of market deposits. The HHI would increase by no more than 194 points to 2234.

Salisbury — First Union operates the fourth largest depository institution in the market, controlling deposits of $82 million, representing 8.1 percent of market deposits. Wachovia operates the third largest depository institution in the market, controlling deposits of $167 million, representing 16.6 percent of market deposits. First Union proposes to divest to a suitable in-market or out-of-market competitor one branch in the market, with deposits of $37 million, representing 3.7 percent of market deposits. After the proposed merger and divestiture, New Wachovia would operate the second largest depository institution in the market, controlling deposits of $212 million, representing 21 percent of market deposits. The HHI would increase by no more than 173 point to no more than 1863.

Wilkes — First Union operates the largest depository institution in the market, controlling deposits of $153 million, representing 25 percent of market deposits. Wachovia operates the second largest depository institution in the market, controlling deposits of $105 million, representing 17.2 percent of market deposits. First Union proposes to divest to a suitable in-market or out-of-market competitor one branch in the market, with deposits of $60 million, representing 9.8 percent of market deposits. After the proposed merger and divestiture, New Wachovia would operate the largest depository institution in the market, controlling deposits of $199 million, representing 32.5 percent of market deposits. The HHI would increase by no more than 227 points to no more than 1787.

South Carolina

York — First Union operates the second largest depository institution in the market, controlling deposits of $52 million, representing 20.1 percent of market deposits. Wachovia operates the fifth largest depository institution in the market, controlling deposits of $24 million, representing 9.2 percent of market deposits. First Union proposes to divest to a suitable in-market or out-of-market competitor one branch in the market, with deposits of $28 million, representing 10.7 percent of market deposits. After the proposed merger and divestiture, New Wachovia would operate the second largest depository institution in the market, controlling deposits of $48 million, representing 18.5 percent of market deposits. The HHI would increase by no more than 34 points to no more than 2499.

Virginia

Bedford — First Union operates the largest depository institution in the market, controlling deposits of $95 million, representing 29.8 percent of market deposits. Wachovia operates the third largest depository institution in the market, controlling deposits of $50 million, representing 15.5 percent of market deposits. First Union proposes to divest to a suitable in-market or out-of-market competitor one branch in the market, with deposits of $50 million, representing 15.5 percent of market deposits. After the proposed merger and divestiture, New Wachovia would operate the largest depository institution in the market, controlling deposits of $95 million, representing 29.8 percent of market deposits. The HHI would increase by no more than 82 points to no more than 1927.

Roanoke — First Union operates the largest depository institution in the market, controlling deposits of $2.6 billion, representing 51.5 percent of market deposits. Wachovia operates the third largest depository institution in the market, controlling deposits of $326 million, representing 6.4 percent of market deposits. First Union proposes to divest to a suitable in-market or out-of-market competitor seven branches in the market, with deposits of $326 million, representing 6.4 percent of market deposits. After the proposed merger and divestiture, New Wachovia would operate the largest depository institution in the market, controlling deposits of $2.6 billion, representing 51.5 percent of market deposits. The HHI would increase by no more than 89 points to no more than 2963.

Smyth — First Union operates the third largest depository institution in the market, controlling deposits of $75 million, representing 18.7 percent of market deposits. Wachovia operates the fourth largest depository institution in the market, controlling deposits of $45 million, representing 11.2 percent of market deposits. First Union proposes to divest to a suitable in-market or out-of-market competitor one branch in the market, with deposits of $45 million, representing 11.2 percent of market deposits. After the proposed merger and divestiture, New Wachovia would operate the third largest depository institution in the market, controlling deposits of $75 million, representing 18.7 percent of market deposits. The HHI would increase by no more than 162 points to no more than 2618.

ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT

Banco de Credito del Peru
Lima, Peru

Order Approving Establishment of an Agency

Banco de Credito del Peru ("Bank"), Lima, Peru, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 7(d) of the IBA (12 U.S.C. § 3105(d)) to establish an agency in Miami, Florida. 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 an agency in the United States.

Notice of the application, affording interested persons an opportunity to comment, has been published in a newspaper of general circulation in Miami, Florida (*Miami Herald*, March 7, 1997). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with total consolidated assets of $6.4 billion, is the largest and oldest banking group in Peru.[1] Approximately 90 percent of Bank's shares are owned by Credicorp, Ltd. ("Credicorp"), a holding company incorporated in Bermuda.[2] Bank's remaining shares are traded on the Lima Stock Exchange and are widely held.

Bank engages in commercial, retail, and investment banking activities through more than 220 domestic branches and offices. Bank also engages in leasing, consumer finance, mutual and investment fund management, asset securitization, and stock brokerage activities through its domestic subsidiaries. Outside of Peru, Bank operates branches in New York and the Bahamas, and representative offices in Chile and Colombia. In addition, Bank owns subsidiary banks in Bolivia and the Bahamas.

The proposed agency would offer trade-related and other corporate banking services to Bank's existing international customers. It also would offer private banking services to individuals and corporations.

In order to approve an application by a foreign bank to establish an agency in the United States, the IBA and Regulation K require the Board to determine that the foreign bank applicant engages directly in the business of banking outside 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 are subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3105(d)(2); 12 C.F.R. 211.24).[3] The Board may also take into account additional standards as set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)-(3)).

The IBA includes a limited exception to the general requirement relating to comprehensive, consolidated supervision (12 U.S.C. § 3105(d)(6)). This exception provides that, if the Board is unable to find that a foreign bank seeking to establish a branch, agency, or commercial lending company is subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in its home country, the Board may nevertheless approve an application by such foreign bank if:

1. Unless otherwise indicated all data are as of March 31, 2001.

2. Credicorp's shares are publicly traded in the United States and Peru. Approximately 16 percent of Credicorp's shares are owned by Mr. Dionisio Romero, the current chairman and chief executive officer of Credicorp, and his family. Atlantic Security Holding Corporation, a wholly owned Credicorp subsidiary, owns 10.8 percent of Credicorp's shares, and the Capital Group Companies, Inc., Los Angeles, California, an unaffiliated holding company for investment management companies, owns 9.8 percent of Credicorp's shares. Credicorp's remaining shares are widely held, with no single shareholder or shareholding group controlling more than 5 percent. In addition to Bank, Credicorp owns banks in the Cayman Islands, Colombia, and El Salvador, that respectively have offices in the United States, Panama, and Venezuela.

3. 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;

(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.

(i) The appropriate authorities in the home country of the foreign bank are actively working to establish arrangements for the consolidated supervision of such bank; and

(ii) All other factors are consistent with approval (12 U.S.C. § 3105(d)(6)(A)). In deciding whether to exercise its discretion to approve an application under authority of this exception, the Board shall also consider whether the foreign bank has adopted and implemented procedures to combat money laundering. The Board also may take into account whether the home country of the foreign bank is developing a legal regime to address money laundering or is participating in multilateral efforts to combat money laundering (12 U.S.C. § 3105(d)(6)(B)).

As noted above, Bank engages directly in the business of banking outside the United States. Bank also has provided the Board with information necessary to assess the application through submissions that address the relevant issues.

With respect to supervision by Bank's home country authorities, the Board has considered the following information. Bank is supervised by the Peruvian Superintendency of Banks and Insurance ("Superintendency"). The Superintendency is primarily responsible for the regulation and supervision of Peruvian financial institutions, including their foreign offices, subsidiaries, and affiliates. The Superintendency issues and promulgates supervisory regulations concerning asset quality, capital adequacy, liquidity, consolidated financial statements, loan classifications and loan loss reserves, transactions with affiliates and related parties, and credit, market, and operational risks, among other matters. The Superintendency is responsible for monitoring, inspecting, and assessing the management, operations, and asset quality of financial institutions. In addition, the Superintendency monitors compliance by financial institutions with applicable laws and regulations and may order preventive measures and impose sanctions on financial institutions.

The Superintendency conducts on-site examinations of financial institutions annually and may conduct special targeted examinations if circumstances merit such inspections. During these reviews, the Superintendency evaluates information on the institutions' foreign offices and domestic and foreign affiliates. For off-site monitoring purposes, the Superintendency requires extensive reporting from the institutions it supervises, including daily, monthly, quarterly, and semiannual data covering, among other matters, consolidated financial condition, liquidity, capital adequacy, internal audit findings, and transactions with affiliates and related parties.[4]

The Superintendency requires consolidated financial statements, including information on banks' foreign branches and domestic and foreign subsidiaries, to be submitted annually by an external auditor approved by the Superintendency. Auditors also are required to submit an opinion letter and an unpublished report on the bank's internal controls and loan portfolio.

Peruvian law extends the Superintendency's regulatory jurisdiction to financial conglomerates.[5] For organizations such as Credicorp, whose top-tier companies are not domiciled in Peru but whose consolidated operations are predominately in Peru, the supervised companies within the organization (including Bank, in Credicorp's case) are required to provide the Superintendency with financial and other information necessary to supervise the group on a consolidated basis.[6] In addition, the Superintendency coordinates with relevant foreign authorities (in Bank's case, the supervisors of Bank's foreign bank affiliates) for purposes of information-sharing and arranging for on-site examinations by Superintendency examiners. The Superintendency may order Bank to take measures to reduce risks arising from within the conglomerate, including limiting operations with affiliates or involving common customers. Such actions also may be taken when, due to a lack of information, the Superintendency determines that it cannot adequately evaluate the risks incurred by Bank.

Credicorp monitors the activities and operations of its subsidiaries, including Bank, through regular internal reporting requirements and annual internal audits. Credicorp has adopted uniform internal control and auditing policies and procedures applicable to all companies in the group. Bank's audit department serves as a centralized internal audit department for the group and reports directly to Credicorp's board of directors. Internal audits are conducted annually and include an evaluation of internal control systems and procedures, a review of financial statements, and monitoring for compliance with policies and

4. Under Peruvian law, the maximum amount that a financial institution may lend to a borrower on an aggregate basis ranges, depending on the type of collateral, from 10 percent to 30 percent of total capital. The total amount of loans to directors, employees, or close relatives of such persons may not exceed 7 percent of a bank's paid-in capital and reserves, and all loans made to any related party borrower may not exceed 0.35 percent of paid-in capital (*i.e.*, 5 percent of the overall 7 percent limit). In addition, the aggregate amount of loans, investments, and contingencies granted to related party borrowers, considered as an economic group, may not exceed 75 percent of a bank's effective capital. All loans to related parties must be made on terms no more favorable than those available to the public.

5. A "financial conglomerate" consists of a group of companies, related through control or ownership, carrying out financial, insurance, or securities activities. Regulations implementing the 1996 Banking Law's provisions on financial conglomerates became effective in June 2000.

6. Bank is required to submit quarterly and annual consolidated financial statements for the conglomerate and for any consolidated group within the conglomerate (considering financial companies as one group and insurance companies as another) and reports on consolidated shareholders' equity, capital requirements, consolidated limits, investments, and reinsurance operations. It also must provide information on the conglomerate's methods for identifying and controlling risks, the relationship between shareholders, members, directors, managers, principal officers and advisors of the conglomerate, and the structure of the property and management of the conglomerate. The annual financial statements must be audited, and external auditors must evaluate the procedures used in preparing and the reasonableness of the consolidated financial statements, significant accounting practices, internal controls, and compliance with applicable legal limits. Bank's internal auditing division is required to include in its annual internal controls report to the Superintendency an analysis of the conglomerate's means of identifying and controlling risks.

procedures for the prevention of money laundering. The proposed agency would be subject to annual internal audits and the same internal reporting requirements as Bank's existing New York branch.

The Peruvian government has taken steps to combat money laundering. In the past decade, Peru has enacted and strengthened legislation to prevent money laundering, and the Superintendency has issued implementing regulations. The regulations generally require each financial institution to establish a system of money laundering prevention incorporating employee training, a "know your customer" policy and monitoring system, a system for detecting, reporting, and preventing suspicious transactions, and a designated individual responsible for compliance. Each financial institution's anti-money laundering policies and procedures are subject to review by external auditors and the Superintendency.

Bank and Credicorp have implemented policies and procedures throughout their worldwide operations to detect and prevent money laundering, incorporating the institution-specific recommendations of the Financial Action Task Force. These policies and procedures include a "know your customer" policy, which focuses both on the initial establishment of the customer relationship as well as on-going maintenance of customer information in order to identify possible illegal transactions.

Based on all the facts of record, the Board has determined that Bank's home country supervisory authority is actively working to establish arrangements for the consolidated supervision of Bank, and that considerations relating to the steps taken by Bank and its home country to combat money laundering are consistent with approval under this standard.

The Board has also taken into account the additional standards set forth in the IBA (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). The Superintendency has no objection to establishment of the proposed agency.

Bank must comply with the minimum capital standards of the Basel Capital Accord ("Accord"), as implemented by Peru. Bank's capital is in excess of the minimum levels that are required by the Accord and is considered equivalent to the capital that would be required of a U.S. banking organization. Managerial and other financial resources of Bank are also considered consistent with approval, and Bank appears to have the experience and capacity to support the proposed agency. Bank has established controls and procedures for the proposed agency to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations generally.

With respect to access to information about Bank's operations, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities regarding access to information. Bank and Credicorp have 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 by law, Bank and Credicorp have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure of such information. In addition, subject to certain conditions, the Superintendency may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank and Credicorp have provided adequate assurances of access to any necessary information that the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank and Credicorp, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish an agency should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require or recommend termination of any of Bank's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Bank and its affiliates with the commitments made in connection with this application and with the conditions in this order.[7] 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 and its affiliates.

By order of the Board of Governors, effective August 9, 2001.

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

ROBERT DEV. FRIERSON
Deputy Secretary of the Board

DePfa Bank AG
Wiesbaden, Germany

Order Approving Establishment of a Representative Office

DePfa Bank AG ("Bank"), Wiesbaden, Germany, 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 New York, New York. The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, pro-

7. The Board's authority to approve the establishment of the proposed agency parallels the continuing authority of the State of Florida to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of Florida, or its agent, the Florida Department of Banking and Finance ("Department"), to license the proposed office of Bank in accordance with any terms or conditions that the Department may impose.

vides 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*, December 5, 2000). The time for filing comments has expired, and all comments have been considered.

Bank, with total consolidated assets of approximately $26 billion,[1] is primarily engaged in financing commercial and residential real estate development. Bank operates twenty-six offices in Germany and six branches in other countries in Europe. In the United States, Bank owns DePfa USA Inc., New York, New York, which engages in investment advisory activities.

Bank is a wholly owned subsidiary of DePfa Deutsche Pfandbriefbank AG ("DePfa Deutsche"), Wiesbaden, Germany.[2] DePfa Deutsche, with total consolidated assets of $147 billion, is the eleventh largest bank in Germany. DePfa Deutsche is primarily engaged in public sector and property finance.

The proposed representative office would research and analyze regional market conditions and property trends, and assist Bank in various phases of its property financing business.

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. sct 3107(a)(2); 12 C.F.R. 211.24(d)(2)).[3] In addition, the Board may take into account additional standards set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)).

1. Unless otherwise indicated, data are as of December 31, 2000.

2. DePfa-Holding Verwaltungsgesellschaft, a German financial enterprise, owns 40 percent of DePfa Deutsche. No other person owns more than 10 percent of DePfa Deutsche.

3. 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;

(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.

As noted above, Bank engages directly in the business of banking outside the United States. Bank also has provided the Board with information necessary to assess the application through submissions that address the relevant issues. With respect to supervision by home country authorities, the Board previously has determined, in connection with applications involving other German banks, that those banks were subject to home country supervision on a consolidated basis.[4] Bank and DePfa Deutsche are supervised by the German Federal Banking Supervisory Office on substantially the same terms and conditions as the other banks. Based on all the facts of record, it has been determined that Bank and DePfa Deutsche are subject to comprehensive supervision and regulation on a consolidated basis by their home country supervisor.

The additional standards set forth in section 7 of the IBA and Regulation K (*see* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)) have also been taken into account. The German Federal Banking Supervisory Office has noobjection to the establishment of the proposed representative office.

With respect to the financial and managerial resources of Bank, taking into consideration Bank's record of operations in its home country, its overall financial resources, and its standing with its home country supervisor, financial and managerial factors are consistent with approval of the proposed representative office. Bank appears to have the experience and capacity to support the proposed representative office and has established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

With respect to access to information on Bank's operations, the restrictions on disclosure in relevant jurisdictions in which Bank operates have been reviewed and relevant government authorities have been communicated with regarding access to information. Bank and its parent have committed to make available to the Board such information on the operations of Bank and any of their 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 by law or otherwise, Bank and its parent have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure of such information. In addition, subject to certain conditions, the German Federal Banking Supervisory Office may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, it has been determined that Bank has provided adequate assur-

4. *See Deutsche Hyp Deutsche Hypothekenbank*, 86 *Federal Reserve Bulletin* 658 (2000); *Deutsche Bank AG*, 85 *Federal Reserve Bulletin* 509 (1999); *Westdeutsche ImmobilienBank*, 85 *Federal Reserve Bulletin* 346 (1999); *Commerzbank AG*, 85 *Federal Reserve Bulletin* 336 (1999).

ances of access to any necessary information that the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank and its parent companies, and the terms and conditions set forth in this order, Bank's application to establish the representative office is hereby approved.[5] Should any restrictions on access to information on the operations or activities of Bank or any of its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require or recommend termination of any of Bank's direct and indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Bank and its parent companies with the commitments made in connection with this application and with the conditions in this order.[6] 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 against Bank and its affiliates under 12 U.S.C. § 1818.

By order, approved pursuant to authority delegated by the Board, effective August 9, 2001.

ROBERT DEV. FRIERSON
Dupty Secretary of the Board

5. Approved by the Director of the Division of Banking Supervision and Regulation, with the concurrence of the General Counsel, pursuant to authority delegated by the Board.

6. The Board's authority to approve the establishment of the proposed representative office parallels the continuing authority of the State of New York to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of New York or its agent, the New York State Banking Department ("Department"), to license the proposed office of Bank in accordance with any terms or conditions that the Department may impose.

INDEX OF ORDERS ISSUED OR ACTIONS TAKEN BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (APRIL 1, 2001 - JUNE 30, 2001)

Applicant	Merged or Acquired Bank of Activity	Date of Approval	*Bulletin* Volume and Page
Amplicon, Inc., Santa Ana, California	California First National Bank, Santa Ana, California	April 23, 2001	87, 821
Banco de Bogota S.A., Santafe de Bogota, D.E., Colombia	To establish an agency in Miami, Florida	June 11, 2001	87, 552
Banco Pastor S.A., A Coruna, Spain	To establish an agency in Miami, Florida	June 28, 2001	87, 555
Bank Austria Aktiengesellschaft, Vienna, Austria	To establish federal branches in Greenwich, Connecticut, and New York, New York	June 4, 2001	87, 556
BB&T Corporation, Winston-Salem, North Carolina	F&M National Corporation, Winchester, Virginia	June 25, 2001	87, 545
CB&T Bancshares, Inc., Vivian, Louisiana	Citizens Bank & Trust Company, Vivian, Louisiana	May 21, 2001	87, 465
Central State Bank, Muscatine, Iowa	Commercial Federal Bank, A Federal Savings Bank, Omaha, Nebraska	June 25, 2001	87, 551
Countrywide Credit Industries, Inc., Calabasas, California Countrywide Financial Holding Company, Inc., Calabasas, California Effinity Financial Corporation, Alexandria, Virginia	Treasury Bank, Ltd., Washington, D.C.	April 11, 2001	87, 419
Juniper Financial Corporation, Wilmington, Delaware	First Bank CBC, Maryville, Missouri	May 9, 2001	87, 466
Old Kent Bank, National Association, Jonesville, Michigan	Old Kent Bank, Grand Rapids, Michigan	May 14, 2001	87, 471

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Applicant	Merged or Acquired Bank of Activity	Date of Approval	*Bulletin* Volume and Page
RHEINHYP Rheinische Hypothekenbank AG, Frankfurt am Mai, Germany	To establish a representative office in New York, New York	June 4, 2001	87, 558
Royal Bank of Canada, Montreal, Canada Rock Merger Subsidiary, Inc., Raleigh, North Carolina	Centura Banks, Inc., Rocky Mount, North Carolina Centura Bank, Rocky Mount, North Carolina	May 21, 2001	87, 467

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
Central Alabama Bancshares, Inc., Wetumpka, Alabama	First Community Bank of Central Alabama, Wetumpka, Alabama	August 2, 2001

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
Chester Valley Bancorp, Inc., Downingtown, Pennsylvania	To engage in activities that are financial in nature or incidental to a financial activity	Philadelphia	August 3, 2001
Allegiant Bancorp, Inc., St. Louis, Missouri	Southside Bancshares Corp., St. Louis, Missouri South Side National Bank in St. Louis, St. Louis, Missouri Bank of Ste. Genevieve, Sainte Genevieve, Missouri Bank of St. Charles County, St. Charles, Missouri State Bank of Jefferson County, DeSoto, Missouri	St. Louis	August 15, 2001
American Community Financial, Inc., Woodstock, Illinois	American Community Bank & Trust, Woodstock, Illinois	Chicago	August 17, 2001

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
BancStar, Inc., St. Louis, Missouri	Pacific BancStar, Inc., St. Louis, Missouri Bank Star, Pacific, Missouri St.	St. Louis	July 26, 2001
Centennial First Financial Services, Redlands, California	Palomar Community Bank, Escondido, California	San Francisco	July 31, 2001
Central National Bank, Canajoharie, New York	NBT, National Association, Norwich, New York	New York	August 9, 2001
Citizens State Bancorporation, Grafton, North Dakota	Ideal Bancshares, Inc., West Fargo, North Dakota Walhalla Bank Holding Company, Walhalla, North Dakota	Minneapolis	August 7, 2001
Columbia Trust Bancorp, Pasco, Washington	Columbia Trust Bank, Pasco, Washington	San Francisco	August 14, 2001
Douglas County Bancshares, Inc., Alexandria, Minnesota	Neighborhood National Bank, Alexandria, Minnesota	Minneapolis	August 8, 2001
First Banks, Inc., St. Louis, Missouri First Banks America, Inc., St. Louis, Missouri	Charter Pacific Bank, Agoura Hills, California	St. Louis	August 16, 2001
J.P. Morgan Chase & Co., New York, New York	Chase Interim National Bank, Pittsburgh, Pennsylvania	New York	August 13, 2001
Live Oak Financial Corp., Dallas, Texas Live Oak Delaware Financial Corp., Wilmington, Delaware	Live Oak State Bank, Dallas, Texas	Dallas	August 2, 2001
Madison Bancshares, Inc., Palm Harbor, Florida	Madison Bank, Palm Harbor, Florida	Atlanta	August 8, 2001
Maryland Bankcorp, Inc., Lexington Park, Maryland	Maryland Bank & Trust Company, N.A., Lexington Park, Maryland	Richmond	August 2, 2001
Millennium Bancorp, Inc., Edwards, Colorado	Millennium Bank, Edwards, Colorado	Kansas City	August 15, 2001
NBOG Bancorporation, Inc., Gainesville, Georgia	National Bank of Gainesville, Gainesville, Georgia	Atlanta	August 14, 2001
NBT Bancorp Inc., Norwich, New York	CNB Financial Corp., Canajoharie, New York	New York	August 9, 2001
Newnan Coweta Bancshares, Inc., Newnan, Georgia	Newnan Coweta Bank, Newnan, Georgia	Atlanta	August 2, 2001
Peoples Home Holding, Inc., Greenbrier, Arkansas	The Peoples Bank, Portland, Arkansas	St. Louis	August 3, 2001
Quad City Holdings, Inc., Moline, Illinois	Cedar Rapids Bank and Trust Company, Cedar Rapids, Iowa	Chicago	August 8, 2001
Regents Bancshares, Inc., Vancouver, Washington	Regents Bank, N.A., La Jolla, California	San Francisco	August 6, 2001
Speer Bancshares, Inc., Speer, Illinois	State Bank of Speer, Speer, Illinois	Chicago	August 3, 2001
Sweetwater Financial Group, Inc., Powder Springs, Georgia	Georgian Bank, Powder Springs, Georgia	Atlanta	August 13, 2001
The 2000 Williams Investment Company, LLC, Atlanta, Georgia	FNB Newton Bankshares, Inc., Covington, Georgia First Nation Bank, Covington, Georgia	Atlanta	August 9, 2001

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Trafalgar Holdings, LLC, Vancouver, Washington	Regents Bancshares, Inc., Vancouver, Washington	San Francisco	August 6, 2001
TransCommunity Bankshares Incorporated, Powhatan, Virginia	Bank of Powhatan, N.A., Powhatan, Virginia	Richmond	August 3, 2001
Trust B Created Under Item V of the Last Will and Testament of John Rufus Williams, Atlanta, Georgia	FNB Newton Bankshares, Inc., Covington, Georgia Fist Nation Bank, Covington, Georgia	Atlanta	August 9, 2001
West End Financial Corp., Bessemer, Michigan	Gogebic Range Bank, Bessemer, Michigan	Minneapolis	August 3, 2001
YNB Financial Services Corp., Yakima, Washington	Yakima National Bank, Yakima, Washington	San Francisco	August 6, 2001

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Gideon Bancshares Company, Dexter, Missouri	To continue providing securities brokerage activities to the customers of Gideon's subsidiary banks	St. Louis	August 10, 2001
Jones Bancorp, Inc., Marcellus, Michigan	G.W. Jones Mortgage Company, St. Joseph, Michigan	Chicago	August 15, 2001
Hasten Bancshares, Indianapolis, Indiana	Harrington Financial Group, Inc., Overland Park, Kansas	Chicago	August 8, 2001
Danvers Bancorp, Inc., Danvers, Massachusetts	Revere, MHC, Revere, Massachusetts RFS Bancorp, Inc., Revere, Massachusetts Revere Federal Savings Bank, Revere, Massachusetts	Boston	August 6, 2001
RNB Corporation, Brazil, Indiana	Independent Bankers Life Reinsurance Company of Indiana Ltd, Brazil, Indiana	Chicago	August 13, 2001

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
MB-MidCity, Inc., Chicago, Illinois	MB Financial, Inc., Chicago, Illinois Manufacturers National Corporation, Chicago, Illinois Manufacturers Bank, Chicago, Illinois MidCity Financial Corporation, Chicago, Illinois First National Bank of Elmhurst, Elmhurst, Illinois Mid-City National Bank of Chicago, Chicago, Illinois	Chicago	August 16, 2001

Sections 3 and 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
	First National Bank of Morton Grove, Morton Grove, Illinois Union Bank and Trust Company, Oklahoma City, Oklahoma Abrams Centre Bancshares, Inc., Dallas, Texas Abrams Centre National Bank, Dallas, Texas Summit MFR Leasing LLC, Cincinnati, Ohio Sentry Lease Equity Pool 2000-1, LLC, Salt Lake City, Utah		

APPLICATIONS APPROVED UNDER BANK MERGER ACT By Federal Reserve Banks

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

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
1st Financial Bank, Overland Park, Kansas	The Rio Grande County Bank, Del Norte, Colorado	Kansas City	August 15, 2001
1st Source Bank, South Bend, Indiana	Citizens Financial Services F.S.B., Munster, Indiana	Chicago	July 27, 2001
First Virginia Bank, Falls Church, Virginia	State Bank, Remington, Virginia	Richmond	August 17, 2001

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.

Laredo National Bancshares, Inc. v. Whalen v. Board of Governors, No. 99CVQ00940-D3 (District Court, 341st Judicial District, Webb County, Texas, filed July 26, 2001). Third-party petition seeking indemnification from Board in connection with claim asserted against defendant Whalen for tortious interference with a contract.

Radfar v. United States, No. 1:01CV1292 (PLF) (D.D.C., complaint filed June 11, 2001). Action under the Federal Tort Claims Act for injury on Board premises.

Artis v. Greenspan, No. 01-CV-0400(ESG) (D.D.C., complaint filed February 22, 2001. Employment discrimination action. On August 15, 2001, the district court consolidated the action with *Artis v. Greenspan*, No. 99-CV-2073.

Dime Bancorp, Inc. v. Board of Governors, No. 00-4249 (2d Cir., filed December 11, 2000). Petition for review of a Board order dated September 27, 2000, approving the applications of North Fork Corporation, Inc., Melville, New York, to acquire control of Dime Bancorp, Inc. and to thereby acquire its wholly owned subsidiary, The Dime Savings Bank of New York, FSB, both of New York, New York. The petition was dismissed on the parties' stipulation on July 23, 2001.

Nelson v. Greenspan, No. 99-215(EGS) (D.D.C., amended complaint filed December 8, 2000). Employment discrimination action. On August 15, 2001, the district court granted the Board's motion to dismiss or, in the alternative, for summary judgment.

Howe v. Bank for International Settlements, No. 00CV12485 RCL (D. Mass., filed December 7, 2000). Action seeking damages in connection with gold market activities and the repurchase of privately-owned shares of the Bank for International Settlements.

Individual Reference Services Group, Inc., v. Board of Governors, et al., No. 01-5175 (D.C. Cir., filed May 25, 2001); Trans Union

LLC v. Federal Trade Commission, et al., No. 01-5202 (D.C. Cir., filed June 4, 2001). Appeals of district court order entered April 30, 2001, upholding an interagency rule regarding Privacy of Consumer Finance Information. On June 21, 2001, the court consolidated these cases with *Reed Elsevier Inc. v. Board of Governors*, No. 00–1289 (D.C. Cir., filed June 30, 2000), and related petitions for review filed against other federal agencies challenging the same rules. On June 28, 2001, the court denied the appellants' emergency motion for an injunction pending appeal. On August 1, 2001, all appeals and petitions other than *Trans Union LLC* were dismissed on the motion of the appellants and petitioners.

Albrecht v. Board of Governors, No. 00-CV-317 (CKK) (D.D.C., filed February 18, 2000). Action challen the retirement plan for certain Board employees. On March 30, 2001, the district court granted in part and denied in part the Board's motion to dismiss.

Guerrero v. United States, No. CV-F-99–6771(OWW) (E.D. Cal., filed November 29, 1999). Prisoner suit.

Artis v. Greenspan, No. 1:99CV02073 (EGS) (D.D.C., filed August 3, 1999). Employment discrimination action.

Fraternal Order of Police v. Board of Governors, No. 1:98CV03116 (WBB) (D.D.C., filed December 22, 1998). Declaratory judgment action challenging Board labor practices. On February 26, 1999, the Board filed a motion to dismiss the action.

Financial and Business Statistics

INTERNATIONAL STATISTICS

Summary Statistics

Reported by Banks in the United States

Reported by Nonbanking Business Enterprises in the United States

Securities Holdings and Transactions

Interest and Exchange Rates

SPECIAL TABLES

Guide to Tabular Presentation

SYMBOLS AND ABBREVIATIONS

c	Corrected
e	Estimated
n.a.	Not available
n.e.c.	Not elsewhere classified
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
ABS	Asset-backed security
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
CRA	Community Reinvestment Act of 1977
FAMC	Federal Agriculture Mortgage Corporation
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
FSA	Farm Service Agency
FSLIC	Federal Savings and Loan Insurance Corporation
G-7	Group of Seven
G-10	Group of Ten
GDP	Gross domestic product
GNMA	Government National Mortgage Association
GSE	Government-sponsored enterprise
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IOs	Interest only, stripped, mortgage-back securities
IPCs	Individuals, partnerships, and corporations
IRA	Individual retirement account
MMDA	Money market deposit account
MSA	Metropolitan statistical area
NAICS	North American Industry Classification System
NOW	Negotiable order of withdrawal
OCDs	Other checkable deposits
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PMI	Private mortgage insurance
POs	Principal only, stripped, mortgage-back securities
REIT	Real estate investment trust
REMICs	Real estate mortgage investment conduits
RHS	Rural Housing Service
RP	Repurchase agreement
RTC	Resolution Trust Corporation
SCO	Securitized credit obligation
SDR	Special drawing right
SIC	Standard Industrial Classification
TIIS	Treasury inflation-indexed securities
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, AND DEBT MEASURES

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	2000		2001		2001				
	Q3	Q4	Q1	Q2	Mar.	Apr.	May	June[r]	July
Reserves of depository institutions[2]									
1 Total	−8.3	−8.7	−2.1	1.7	−18.8	16.6	3.1	−3.5	25.6
2 Required	−8.6	−10.4	−3.5	3.3	−18.0	20.8	11.5	−14.4	25.0
3 Nonborrowed	−9.9	−6.4	.5	.6	−19.0	16.9	−1.9	−4.0	24.1
4 Monetary base[3]	2.5	2.8	6.4	5.4	2.6	7.1	6.3	5.6	11.6
Concepts of money and debt[4]									
5 M1	−3.7	−3.3	5.1	5.6	13.8	5.4	−.6	6.6	13.2
6 M2	5.6	6.3	10.7	10.2	14.4	10.4	5.2	9.6	8.5
7 M3	9.0[r]	7.3[r]	12.6[r]	14.1[r]	9.8[r]	18.2[r]	14.0[r]	13.1	6.8
8 Debt	4.6	4.6[r]	4.8	4.7	6.1	4.0[r]	4.3[r]	4.3	n.a.
Nontransaction components									
9 In M2[5]	8.5	9.1	12.3	11.5	14.6	11.9	6.8	10.5	7.2
10 In M3 only[6]	17.0[r]	9.8[r]	16.9[r]	23.0[r]	−.6[r]	36.0[r]	33.7[r]	20.7	3.1
Time and savings deposits									
Commercial banks									
11 Savings, including MMDAs	11.8	12.0	17.4	20.4	19.7	20.4[r]	18.0	18.9	12.3
12 Small time[7]	10.5	5.6	2.5	−8.3[r]	−6.9	−9.0	−8.9	−11.7	−16.3
13 Large time[8,9]	11.5	4.1	−1.3	−3.1[r]	−47.0	35.1[r]	9.8[r]	5.6	−8.8
Thrift institutions									
14 Savings, including MMDAs	3.1	.4	6.4	21.8	23.6	10.2	32.1	24.4	23.1
15 Small time[7]	10.8	9.5	6.4	.7	−3.4	1.0	7.2	−7.2	−11.7
16 Large time[8]	23.2	14.0	11.9	11.3[r]	2.3	20.2	19.9	−10.9	19.7
Money market mutual funds									
17 Retail	3.9	11.6	16.9	11.2	24.6	18.1	−11.8	12.1	14.0
18 Institution-only	29.0	18.6	49.8	54.8	40.7	42.4	67.2	44.1	8.1
Repurchase agreements and eurodollars									
19 Repurchase agreements[10]	11.7[r]	2.1[r]	−7.1[r]	21.1[r]	−17.3[r]	76.6[r]	10.2[r]	4.4	−11.6
20 Eurodollars[10]	.6	10.3	3.1	−10.7[r]	14.7	−54.5[r]	13.3[r]	8.8	41.1
Debt components[4]									
21 Federal	−7.3	−8.0	−5.4	−6.6	1.2	−10.0[r]	−15.8[r]	2.7	n.a.
22 Nonfederal	7.6	7.6[r]	7.2	7.2	7.3[r]	7.2	8.7[r]	4.6	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. 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, (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.

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, 2001			Average of daily figures for week ending on date indicated, 2001						
	May	June	July	June 13	June 20	June 27	July 4	July 11	July 18	July 25
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	585,031	587,457[r]	593,722	585,179	587,588	586,991	594,395	591,402	591,868	595,806
U.S. government securities[2]										
2 Bought outright—System account[3]	526,810	532,187	534,518	531,105	532,906	535,009	534,046	532,767	534,240	535,822
3 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
Federal agency obligations										
4 Bought outright	10	10	10	10	10	10	10	10	10	10
5 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
6 Repurchase agreements—triparty[4]	21,907	18,444	21,095	17,643	17,286	14,931	22,186	20,694	19,729	21,843
7 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
8 Adjustment credit	129	105	113	268	57	14	27	150	164	156
9 Seasonal credit	80	119	177	106	122	138	148	161	176	193
10 Special Liquidity Facility credit	0	0	0	0	0	0	0	0	0	0
11 Extended credit	0	0	0	0	0	0	0	0	0	0
12 Float	−91	539	521	455	1,002	147	1,184	841	368	92
13 Other Federal Reserve assets	36,187	36,052[r]	37,287	35,592	36,205	36,742	36,794	36,779	37,182	37,691
14 Gold stock	11,046	11,044	11,044	11,045	11,044	11,044	11,044	11,044	11,044	11,044
15 Special drawing rights certificate account	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
16 Treasury currency outstanding	32,488	32,612[r]	32,700	32,593[r]	32,618[r]	32,644[r]	32,670	32,684	32,698	32,712
ABSORBING RESERVE FUNDS										
17 Currency in circulation	591,535	594,536[r]	601,087	594,278[r]	594,018[r]	593,979[r]	598,386	601,487	601,089	600,585
18 Reverse repurchase agreements—triparty[4]	0	0	0	0	0	0	0	0	0	0
19 Treasury cash holdings	514	469	421	481	463	444	440	439	412	407
Deposits, other than reserve balances, with Federal Reserve Banks										
20 Treasury	5,149	5,605	5,127	4,878	5,194	6,748	6,444	4,796	4,937	4,923
21 Foreign	100	88	92	85	101	79	122	77	75	107
22 Service-related balances and adjustments	6,946	7,185	7,338	7,008	7,204	7,299	7,572	7,284	7,076	7,498
23 Other	350	298	302	311	284	279	285	283	325	303
24 Other Federal Reserve liabilities and capital	17,971	18,027	17,889	18,130	18,065	18,100	17,725	17,581	17,927	18,056
25 Reserve balances with Federal Reserve Banks[5]	8,199	7,106[r]	7,408	5,846	8,121	5,952[r]	9,334	5,382	5,967	9,883

Factor	End-of-month figures			Wednesday figures						
	May	June	July	June 13	June 20	June 27	July 4	July 11	July 18	July 25
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	591,914	595,137[r]	600,662	589,447	584,961	591,383	593,106	597,469	592,568	610,260
U.S. government securities[2]										
2 Bought outright—System account[3]	527,562	535,110	535,578	531,874	534,482	535,191	532,954	532,818	536,102	536,392
3 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
Federal agency obligations										
4 Bought outright	10	10	10	10	10	10	10	10	10	10
5 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
6 Repurchase agreements—triparty[4]	30,310	23,250	26,350	20,500	13,750	19,505	20,350	27,500	16,850	35,050
7 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
8 Adjustment credit	67	3	3	29	83	10	8	27	270	18
9 Seasonal credit	86	146	197	111	128	142	149	162	191	194
10 Special Liquidity Facility credit	0	0	0	0	0	0	0	0	0	0
11 Extended credit	0	0	0	0	0	0	0	0	0	0
12 Float	−998	−374[r]	917	1,104	43	−417	3,153	−315	1,766	621
13 Other Federal Reserve assets	34,877	36,992[r]	37,606	35,820	36,465	36,942	36,481	37,267	37,379	37,976
14 Gold stock	11,046	11,044	11,044	11,044	11,044	11,044	11,044	11,044	11,044	11,044
15 Special drawing rights certificate account	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
16 Treasury currency outstanding	32,562	32,670[r]	32,726	32,593[r]	32,618[r]	32,644[r]	32,670	32,684	32,698	32,712
ABSORBING RESERVE FUNDS										
17 Currency in circulation	595,911	596,674[r]	604,179	595,384[r]	595,172[r]	596,044[r]	601,661	602,013	601,833	602,010
18 Reverse repurchase agreements—triparty[4]	0	0	0	0	0	0	0	0	0	0
19 Treasury cash holdings	510	444	418	466	444	444	417	413	406	418
Deposits, other than reserve balances, with Federal Reserve Banks										
20 Treasury	4,396	7,188	5,592	4,729	6,758	6,857	5,684	5,444	5,619	4,717
21 Foreign	85	102	84	82	133	73	79	81	70	79
22 Service-related balances and adjustments	7,044	7,572[r]	7,364	7,008	7,204	7,299	7,572	7,284	7,083	7,498
23 Other	321	271	330	288	266	279	302	259	321	291
24 Other Federal Reserve liabilities and capital	17,845	17,583	18,219	17,766	17,851	17,869	17,748	17,786	17,690	17,855
25 Reserve balances with Federal Reserve Banks[5]	11,609	11,217[r]	10,446	9,560	2,996	8,406[r]	5,558	10,115	5,488	23,348

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. Cash value of agreements arranged through third-party custodial banks. These agreements are collateralized by U.S. government and federal agency securities.
5. 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									
	1998	1999	2000	2001						
	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
1 Reserve balances with Reserve Banks[2]	9,026	5,262	7,159	7,190	6,615	6,737	6,863	7,610	7,058	7,673
2 Total vault cash[3]	44,294	60,619	45,229	47,683	48,517	44,104	43,656	43,263	43,133	43,908
3 Applied vault cash[4]	36,183	36,392	31,381	32,601	32,734	30,978	31,728	31,772	31,175	31,623
4 Surplus vault cash[5]	8,111	24,227	13,848	15,083	15,783	13,127	11,929	11,491	11,958	12,285
5 Total reserves[6]	45,209	41,654	38,540	39,791	39,349	37,715	38,591	39,382	38,233	39,296
6 Required reserves	43,695	40,357	37,216	38,538	37,917	36,329	37,314	38,363	36,873	37,890
7 Excess reserve balances at Reserve Banks[7]	1,514	1,297	1,325	1,253	1,432	1,385	1,277	1,019	1,360	1,406
8 Total borrowing at Reserve Banks	117	320	210	73	51	58	51	213	229	283
9 Adjustment	101	179	99	39	30	38	15	134	110	109
10 Seasonal	15	67	111	34	21	20	35	79	120	174
11 Special Liquidity Facility[8]	0	74	0	0	...	...	...	...	...	...
12 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									
	2001									
	Apr. 4	Apr. 18	May 2	May 16	May 30	June 13	June 27[r]	July 11	July 25	Aug. 8
1 Reserve balances with Reserve Banks[2]	7,287	6,326	7,350	7,159	8,159	6,756	7,275	7,357[r]	7,936	7,639
2 Total vault cash[3]	44,424	43,409	43,690	42,645	43,900	42,155	43,811	44,209	43,325	44,716
3 Applied vault cash[4]	31,523	31,199	32,413	31,031	32,530	30,268[r]	31,963	31,432[r]	31,482	32,303
4 Surplus vault cash[5]	12,902	12,210	11,277	11,615	11,370	11,888[r]	11,848	12,777	11,843	12,413
5 Total reserves[6]	38,809	37,525	39,763	38,189	40,689	37,024[r]	39,238	38,789[r]	39,418	39,942
6 Required reserves	37,062	36,329	38,549	37,302	39,582	35,775[r]	37,818	37,227[r]	38,028	38,783
7 Excess reserve balances at Reserve Banks[7]	1,747	1,196	1,214	887	1,107	1,248[r]	1,420	1,562[r]	1,389	1,159
8 Total borrowing at Reserve Banks	60	42	59	346	97	295	166	244	344	214
9 Adjustment	42	4	20	267	13	195	36	89	159	27
10 Seasonal	18	38	39	79	85	101	130	155	185	188
11 Special Liquidity Facility[8]	...	...	...	...	...	...	...	...	...	...
12 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. Vault cash eligible to satisfy reserve requirements. It includes only vault cash held by those banks and thrift institutions that are not exempt from reserve requirements. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements.
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. Borrowing at the discount window under the terms and conditions established for the Century Date Change Special Liquidity Facility in effect from October 1, 1999, through April 7, 2000.
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 9/7/01	Effective date	Previous rate	On 9/7/01	Effective date	Previous rate	On 9/7/01	Effective date	Previous rate
Boston	3.00	8/21/01	3.25	3.50	9/6/01	3.60	4.00	9/6/01	4.10
New York		8/21/01							
Philadelphia		8/21/01							
Cleveland		8/23/01							
Richmond		8/21/01							
Atlanta		8/23/01							
Chicago		8/21/01							
St. Louis		8/23/01							
Minneapolis		8/22/01							
Kansas City		8/21/01							
Dallas		8/21/01							
San Francisco	3.00	8/21/01	3.25	3.50	9/6/01	3.60	4.00	9/6/01	4.10

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, 1981	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
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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
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
1998—Oct. 15	4.75–5.00	4.75
16	4.75	4.75
Nov. 17	4.50–4.75	4.50
19	4.50	4.50
1999—Aug. 24	4.50–4.75	4.75
26	4.75	4.75
Nov. 16	4.75–5.00	4.75
18	5.00	5.00
2000—Feb. 2	5.00–5.25	5.25
4	5.25	5.25
Mar. 21	5.25–5.50	5.50
23	5.50	5.50
May 16	5.50–6.00	5.50
19	6.00	6.00

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
2001—Jan. 3	5.75–6.00	5.75
4	5.50–5.75	5.50
5	5.50	5.50
31	5.00–5.50	5.00
Feb. 1	5.00	5.00
Mar. 20	4.50–5.00	4.50
21	4.50	4.50
Apr. 18	4.00–4.50	4.00
20	4.00	4.00
May 15	3.50–4.00	3.50
17	3.50	3.50
June 27	3.25–3.50	3.25
29	3.25	3.25
Aug. 21	3.00–3.25	3.00
23	3.00	3.00
In effect Sept. 7, 2001	3.00	3.00

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*, and *1980–1989*. See also the Board's Statistics: Releases and Historical Data web pages (http://www.federalreserve.gov/releases/H15/data.htm).

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

	Type of deposit	Requirement	
		Percentage of deposits	Effective date
	Net transaction accounts[2]		
1	\$0 million–\$42.8 million[3]	3	12/28/00
2	More than \$42.8 million[4]	10	12/28/00
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, 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 December 28, 2000, for depository institutions that report weekly, and with the period beginning January 18, 2001, for institutions that report quarterly, the amount was decreased from \$44.3 million to \$42.8 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 December 28, 2000, for depository institutions that report weekly, and with the period beginning January 18, 2001, for institutions that report quarterly, the exemption was raised from \$5.0 million to \$5.5 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 1.5 years was reduced from 3 percent to 1.5 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 1.5 years was reduced from 3 percent to zero on Jan. 17, 1991.

The reserve requirement on nonpersonal time deposits with an original maturity of 1.5 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 1.5 years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1998	1999	2000	2000	2001					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
U.S. TREASURY SECURITIES[2]										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	3,550	0	8,676	509	520	2,683	579	308	624	2,165
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	450,835	464,218	477,904	39,428	40,769	42,767	46,712	38,317	47,112	40,363
4 For new bills	450,835	464,218	477,904	39,428	40,769	42,767	46,712	38,317	47,112	40,363
5 Redemptions	2,000	0	24,522	228	228	638	211	3,537	3,939	0
Others within one year										
6 Gross purchases	6,297	11,895	8,809	1,420	0	1,605	67	3,027	2,174	1,410
7 Gross sales	0	0	0	0	0	0	0	0	0	0
8 Maturity shifts	46,062	50,590	62,025	0	10,296	5,609	0	12,204	8,117	0
9 Exchanges	−49,434	−53,315	−54,656	0	−6,667	−6,799	0	−7,000	−8,965	0
10 Redemptions	2,676	1,429	3,779	0	2,422	1,529	0	4,368	2,287	0
One to five years										
11 Gross purchases	12,901	19,731	14,482	1,045	925	2,983	1,883	4,480	2,685	1,428
12 Gross sales	0	0	0	0	0	0	0	0	0	0
13 Maturity shifts	−37,777	−44,032	−52,068	0	−10,296	−2,784	0	−12,204	−1,913	0
14 Exchanges	37,154	42,604	46,177	0	6,667	4,945	0	7,000	6,508	0
Five to ten years										
15 Gross purchases	2,294	4,303	5,871	771	1,283	0	0	1,390	657	0
16 Gross sales	0	0	0	0	0	0	0	0	0	0
17 Maturity shifts	−5,908	−5,841	−6,801	0	0	−1,855	0	0	−5,130	0
18 Exchanges	7,439	7,583	6,585	0	0	971	0	0	2,457	0
More than ten years										
19 Gross purchases	4,884	9,428	5,833	0	296	495	1,000	913	1,241	1,419
20 Gross sales	0	0	0	0	0	0	0	0	0	0
21 Maturity shifts	−2,377	−717	−3,155	0	0	−971	0	0	−1,074	0
22 Exchanges	4,842	3,139	1,894	0	0	883	0	0	0	0
All maturities										
23 Gross purchases	29,926	45,357	43,670	3,745	3,024	7,766	3,529	10,118	7,380	6,422
24 Gross sales	0	0	0	0	0	0	0	0	0	0
25 Redemptions	4,676	1,429	28,301	1,145	2,650	2,166	211	7,905	6,226	0
Matched transactions										
26 Gross purchases	4,430,457	4,413,430	4,399,257	345,680	356,250	320,060	396,029	381,667	398,039	367,462
27 Gross sales	4,434,358	4,431,685	4,381,188	348,917	352,336	322,056	395,151	381,895	397,600	366,411
Repurchase agreements										
28 Gross purchases	512,671	281,599	0	0	0	0	0	0	0	0
29 Gross sales	514,186	301,273	0	0	0	0	0	0	0	0
30 Net change in U.S. Treasury securities	19,835	5,999	33,439	−637	4,289	3,604	4,196	1,984	1,592	7,472
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
31 Gross purchases	0	0	0	0	0	0	0	0	0	0
32 Gross sales	25	0	0	0	0	0	0	0	0	0
33 Redemptions	322	157	51	0	0	120	0	0	0	0
Repurchase agreements										
34 Gross purchases	284,316	360,069	0	0	0	0	0	0	0	0
35 Gross sales	276,266	370,772	0	0	0	0	0	0	0	0
36 Net change in federal agency obligations	7,703	−10,859	−51	0	0	−120	0	0	0	0
Reverse repurchase agreements										
37 Gross purchases	0	0	0	0	0	0	0	0	0	0
38 Gross sales	0	0	0	0	0	0	0	0	0	0
Repurchase agreements										
39 Gross purchases	0	304,989	890,236	95,470	104,930	67,655	86,472	85,166	120,135	65,005
40 Gross sales	0	164,349	987,501	79,365	129,385	62,910	88,142	82,154	114,832	72,065
41 Net change in triparty obligations	0	140,640	−97,265	16,105	−24,455	4,745	−1,670	3,012	5,303	−7,060
42 **Total net change in System Open Market Account**	**27,538**	**135,780**	**−63,877**	**15,468**	**−20,166**	**8,229**	**2,526**	**4,996**	**6,895**	**412**

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 2001					End of month 2001		
	June 27	July 4	July 11	July 18	July 25	May 31	June 30	July 31
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,044	11,044	11,044	11,044	11,044	11,046	11,044	11,044
2 Special drawing rights certificate account	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
3 Coin	1,120	1,092	1,063	1,079	1,092	1,075	1,126	1,109
Loans								
4 To depository institutions	152	157	189	461	212	154	150	201
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Triparty Obligations								
7 Repurchase agreements—triparty[2]	19,505	20,350	27,500	16,850	35,050	30,310	23,250	26,350
Federal agency obligations[3]								
8 Bought outright	10	10	10	10	10	10	10	10
9 Held under repurchase agreements	0	0	0	0	0	0	0	0
10 **Total U.S. Treasury securities**[3]	**535,191**	**532,954**	**532,818**	**536,102**	**536,392**	**527,562**	**535,110**	**535,578**
11 Bought outright[4]	535,191	532,954	532,818	536,102	536,392	527,562	535,110	535,578
12 Bills	181,211	180,728	179,604	179,999	180,278	177,911	181,126	180,184
13 Notes	254,225	252,428	252,565	255,355	255,362	251,415	254,228	254,627
14 Bonds	99,754	99,798	100,648	100,748	100,752	98,236	99,756	100,767
15 Held under repurchase agreements	0	0	0	0	0	0	0	0
16 **Total loans and securities**	**554,858**	**553,471**	**560,517**	**553,423**	**571,664**	**558,035**	**558,519**	**562,139**
17 Items in process of collection	7,888	13,594	8,027	9,475	7,160	7,670	5,573	10,421
18 Bank premises	1,505	1,510	1,512	1,513	1,514	1,504	1,509	1,505
Other assets								
19 Denominated in foreign currencies[5]	14,782	14,439	14,593	14,652	14,779	14,759	14,428	14,665
20 All other[6]	20,490	20,209	20,805	21,049	21,520	18,441	20,667	21,251
21 **Total assets**	**613,887**	**617,559**	**619,761**	**614,436**	**630,973**	**614,730**	**615,066**	**624,333**
LIABILITIES								
22 Federal Reserve notes	564,964	570,500	570,805	570,621	570,808	564,934	565,574	572,980
23 Reverse repurchase agreements—triparty[2]	0	0	0	0	0	0	0	0
24 **Total deposits**	**23,675**	**18,886**	**23,677**	**18,467**	**35,204**	**24,040**	**26,208**	**23,733**
25 Depository institutions	16,466	12,822	17,893	12,458	30,118	19,238	18,647	17,727
26 U.S. Treasury—General account	6,857	5,684	5,444	5,619	4,717	4,396	7,188	5,592
27 Foreign—Official accounts	73	79	81	70	79	85	102	84
28 Other	279	302	259	321	291	321	271	330
29 Deferred credit items	7,380	10,426	7,493	7,658	7,106	7,910	5,701	9,401
30 Other liabilities and accrued dividends[7]	3,305	3,071	3,071	3,030	3,068	3,467	3,140	3,076
31 **Total liabilities**	**599,324**	**602,882**	**605,046**	**599,776**	**616,186**	**600,351**	**600,623**	**609,191**
CAPITAL ACCOUNTS								
32 Capital paid in	7,139	7,143	7,143	7,153	7,153	7,070	7,143	7,164
33 Surplus	6,671	6,598	6,677	6,721	6,729	6,557	6,584	6,723
34 Other capital accounts	753	936	894	786	905	751	716	1,256
35 **Total liabilities and capital accounts**	**613,887**	**617,559**	**619,761**	**614,436**	**630,973**	**614,730**	**615,066**	**624,333**
MEMO								
36 Marketable U.S. Treasury securities held in custody for foreign and international accounts	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Federal Reserve note statement							
37 Federal Reserve notes outstanding (issued to Banks)	736,246	735,350	735,520	737,247	738,458	736,954	735,805	738,388
38 LESS: Held by Federal Reserve Banks	171,282	164,851	164,714	166,627	167,650	172,020	170,231	165,409
39 Federal Reserve notes, net	564,964	570,500	570,805	570,621	570,808	564,934	565,574	572,980
Collateral held against notes, net								
40 Gold certificate account	11,044	11,044	11,044	11,044	11,044	11,046	11,044	11,044
41 Special drawing rights certificate account	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
42 Other eligible assets	0	0	0	0	0	0	0	0
43 U.S. Treasury and agency securities	551,721	557,256	557,562	557,377	557,564	551,689	552,330	559,736
44 **Total collateral**	**564,964**	**570,500**	**570,805**	**570,621**	**570,808**	**564,934**	**565,574**	**572,980**

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. Cash value of agreements arranged through third-party custodial banks.
3. Face value of the securities.
4. 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.
5. Valued monthly at market exchange rates.
6. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.
7. 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 2001					End of month[1] 2001		
	June 27	July 4	July 11	July 18	July 25	May 31	June 30	July 31
1 **Total loans**	**152**	**157**	**189**	**461**	**212**	**154**	**150**	**201**
2 Within fifteen days[2]	146	23	50	452	205	132	114	160
3 Sixteen days to ninety days	6	134	140	9	7	21	36	41
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 **Total U.S. Treasury securities[3]**	**535,191**	**532,954**	**532,818**	**536,102**	**536,392**	**527,562**	**535,108**	**535,578**
6 Within fifteen days[2]	21,211	10,993	14,493	20,951	21,082	4,645	10,105	13,674
7 Sixteen days to ninety days	115,867	124,830	119,377	112,501	111,414	115,568	126,214	111,161
8 Ninety-one days to one year	123,266	124,036	124,865	126,909	128,145	135,422	123,941	135,091
9 One year to five years	141,089	139,331	139,333	144,849	144,849	139,658	141,089	144,732
10 Five years to ten years	57,526	57,529	57,666	53,804	53,809	57,508	57,527	53,824
11 More than ten years	76,232	76,234	77,084	77,088	77,092	74,762	76,232	77,095
12 **Total federal agency obligations**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**
13 Within fifteen days[2]	0	0	0	0	0	0	0	0
14 Sixteen days to ninety days	0	0	0	0	0	0	0	0
15 Ninety-one days to one year	0	0	0	0	0	0	0	0
16 One year to five years	10	10	10	10	10	10	10	10
17 Five years to ten years	0	0	0	0	0	0	0	0
18 More than ten years	0	0	0	0	0	0	0	0

1. Denotes last calendar day of the month, but data reflect last business day of the month.
2. Holdings under repurchase agreements are classified as maturing within fifteen days in accordance with maximum maturity of the agreements.
3. 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	1997 Dec.	1998 Dec.	1999 Dec.	2000 Dec.	2000 Dec.	2001 Jan.	2001 Feb.	2001 Mar.	2001 Apr.	2001 May	2001 June[r]	2001 July
					Seasonally adjusted							
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	46.85	45.18	41.78	38.51	38.51	38.83	38.87	38.26	38.79	38.89	38.77	39.60
2 Nonborrowed reserves[4]	46.52	45.07	41.46	38.30	38.30	38.75	38.82	38.20	38.74	38.68	38.55	39.32
3 Nonborrowed reserves plus extended credit[5]	46.52	45.07	41.46	38.30	38.30	38.75	38.82	38.20	38.74	38.68	38.55	39.32
4 Required reserves	45.16	43.67	40.48	37.18	37.18	37.57	37.43	36.37	37.51	37.87	37.41	38.20
5 Monetary base[6]	479.47	513.49	593.09	583.96	583.96	589.39	591.12	592.42	595.92	599.06	601.88	607.68
					Not seasonally adjusted							
6 Total reserves[7]	48.01	45.31	41.89	38.60	38.60	39.78	39.38	37.76	38.66	39.46	38.33	39.41
7 Nonborrowed reserves	47.69	45.19	41.57	38.39	38.39	39.70	39.33	37.71	38.61	39.25	38.10	39.13
8 Nonborrowed reserves plus extended credit[5]	47.69	45.19	41.57	38.39	38.39	39.70	39.33	37.71	38.61	39.25	38.10	39.13
9 Required reserves[8]	46.33	43.80	40.59	37.27	37.27	38.52	37.95	36.38	37.38	38.44	36.97	38.01
10 Monetary base[9]	484.98	518.27	600.72	590.20	590.20	591.50	589.04	591.36	594.92	598.57	601.69	608.22
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	47.92	45.21	41.65	38.54	38.54	39.79	39.35	37.72	38.59	39.38	38.23	39.30
12 Nonborrowed reserves	47.60	45.09	41.33	38.33	38.33	39.72	39.30	37.66	38.54	39.17	38.00	39.01
13 Nonborrowed reserves plus extended credit[5]	47.60	45.09	41.33	38.33	38.33	39.72	39.30	37.66	38.54	39.17	38.00	39.01
14 Required reserves	46.24	43.70	40.36	37.22	37.22	38.54	37.92	36.33	37.31	38.36	36.87	37.89
15 Monetary base[12]	491.79	525.06	608.02	597.12	597.12	598.38	595.59	598.20	601.84	605.48	608.83	615.56
16 Excess reserves[13]	1.69	1.51	1.30	1.33	1.33	1.25	1.43	1.39	1.28	1.02	1.36	1.41
17 Borrowings from the Federal Reserve	.32	.12	.32	.21	.21	.07	.05	.06	.05	.21	.23	.28

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 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 AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item	1997 Dec.	1998 Dec.	1999 Dec.	2000 Dec.	2001 Apr	2001 May	2001 June[r]	2001 July
	Seasonally adjusted							
Measures[2]								
1 M1	1,073.4	1,097.0	1,124.8	1,088.2	1,118.1	1,117.5	1,123.6	1,136.0
2 M2	4,031.9	4,385.9	4,653.3	4,945.1	5,145.5	5,167.6[r]	5,209.0	5,246.0
3 M3	5,430.8	6,030.8	6,530.9[r]	7,111.5[r]	7,437.9[r]	7,524.4[r]	7,606.6	7,649.8
4 Debt	15,223.2	16,246.1	17,315.0[r]	18,222.6[r]	18,502.6[r]	18,568.3[r]	18,634.3	n.a.
M1 components								
5 Currency[3]	424.3	459.2	516.7	529.9	542.6	546.0[r]	548.5	554.2
6 Travelers checks[4]	8.1	8.2	8.2	8.0	7.8	8.0	8.2	8.6
7 Demand deposits[5]	395.4	379.4	356.1	311.3	312.9	312.4	310.8	313.4
8 Other checkable deposits[6]	245.7	250.1	243.7	239.0	254.8	251.1	256.0	259.9
Nontransaction components								
9 In M2[7]	2,958.5	3,288.9	3,528.5	3,856.9	4,027.4	4,050.1	4,085.5	4,110.0
10 In M3 only[8]	1,399.0	1,645.0	1,877.7[r]	2,166.3[r]	2,292.4[r]	2,356.8[r]	2,397.5	2,403.7
Commercial banks								
11 Savings deposits, including MMDAs	1,021.1	1,185.8	1,287.0	1,421.7	1,517.1[r]	1,539.9[r]	1,564.2	1,580.2
12 Small time deposits[9]	625.5	626.4	635.2	699.6	690.7	685.6	678.9	669.7
13 Large time deposits[10, 11]	517.4	575.2	648.3	726.6	697.2[r]	702.9	706.2	701.0
Thrift institutions								
14 Savings deposits, including MMDAs	376.8	414.1	449.3	451.9	475.1	487.8	497.7	507.3
15 Small time deposits[9]	342.9	325.8	320.9	346.6	349.9	352.0	349.9	346.5
16 Large time deposits[10]	85.5	88.7	91.3	103.2	108.6	110.4	109.4	111.2
Money market mutual funds								
17 Retail	592.1	736.8	836.2	937.2	994.6	984.8	994.7	1,006.3
18 Institution only	391.8	531.8	623.5	768.3	919.1	970.9	1,006.6	1,013.4
Repurchase agreements and eurodollars								
19 Repurchase agreements[12]	254.3	297.5	341.2[r]	371.2[r]	378.2[r]	381.4[r]	382.8	379.1
20 Eurodollars[12]	150.0	151.8	173.3	197.1	189.0[r]	191.1[r]	192.5	199.1
Debt components								
21 Federal debt	3,800.6	3,751.2	3,660.3	3,400.5	3,347.3[r]	3,303.3[r]	3,310.6	n.a.
22 Nonfederal debt	11,422.6	12,494.9	13,654.8[r]	14,822.1[r]	15,155.3[r]	15,265.0[r]	15,323.7	n.a.
	Not seasonally adjusted							
Measures[2]								
23 M1	1,096.9	1,120.4	1,148.3	1,112.4	1,123.2	1,111.5	1,123.0	1,135.9
24 M2	4,053.2	4,408.2	4,677.3	4,973.7	5,209.5	5,143.6	5,191.8	5,219.7
25 M3	5,456.2	6,062.9	6,568.4[r]	7,156.4[r]	7,500.5[r]	7,500.2[r]	7,576.6	7,591.7
26 Debt	15,218.9	16,241.4	17,310.4[r]	18,215.2[r]	18,471.6[r]	18,493.9[r]	18,551.1	n.a.
M1 components								
27 Currency[3]	428.1	463.3	521.5	535.2	543.0	546.1	549.2	554.8
28 Travelers checks[4]	8.3	8.4	8.4	8.1	7.9	8.0	8.0	8.2
29 Demand deposits[5]	412.4	395.9	371.7	326.6	313.0	307.2	309.6	314.6
30 Other checkable deposits[6]	248.2	252.8	246.6	242.5	259.3	250.2	256.1	258.2
Nontransaction components								
31 In M2[7]	2,956.3	3,287.8	3,529.1	3,861.3	4,086.2	4,032.0[r]	4,068.7	4,083.7
32 In M3 only[8]	1,403.0	1,654.8	1,891.1[r]	2,182.7[r]	2,291.0[r]	2,356.7[r]	2,384.8	2,372.0
Commercial banks								
33 Savings deposits, including MMDAs	1,020.4	1,186.0	1,288.5	1,426.4	1,542.2	1,535.5[r]	1,566.8	1,578.8
34 Small time deposits[9]	625.3	626.5	635.4	699.8	691.2	683.3	675.3	667.9
35 Large time deposits[10, 11]	516.8	571.5	647.7	725.9	702.0	708.7	709.3	699.2
Thrift institutions								
36 Savings deposits, including MMDAs	376.5	414.2	449.8	453.1	482.9	486.4	498.6	506.8
37 Small time deposits[9]	342.8	325.8	321.0	346.8	350.2	350.8	348.0	345.6
38 Large time deposits[10]	85.4	88.6	91.2	103.1	109.4	111.3	109.9	110.9
Money market mutual funds								
39 Retail	591.3	735.2	834.3	935.0	1,019.6	976.0	980.2	984.6
40 Institution-only	398.9	543.7	638.4	786.2	915.3	957.1	985.0	986.2
Repurchase agreements and eurodollars								
41 Repurchase agreements[12]	249.5	293.4	337.7[r]	368.1[r]	374.7[r]	386.7[r]	387.6	379.0
42 Eurodollars[12]	152.3	154.5	176.0	199.5	189.6[r]	192.9[r]	193.0	196.8
Debt components								
43 Federal debt	3,805.8	3,754.9	3,663.2	3,403.5	3,341.0	3,262.9	3,252.0	n.a.
44 Nonfederal debt	11,413.1	12,486.5	13,647.2[r]	14,811.7[r]	15,130.5[r]	15,231.0[r]	15,299.0	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. 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, (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.

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			
	2000	2001							2001			
	July[r]	Jan[r]	Feb.[r]	Mar.[r]	Apr[r]	May[r]	June[r]	July	July 4	July 11	July 18	July 25
	Seasonally adjusted											
Assets												
1 Bank credit	5,063.8	5,264.3	5,274.3	5,285.3	5,317.1	5,323.6	5,317.7	5,314.2	5,292.7	5,296.8	5,299.8	5,321.2
2 Securities in bank credit	1,307.2	1,356.7	1,350.9	1,345.7	1,364.2	1,370.9	1,380.0	1,386.0	1,373.7	1,367.2	1,374.5	1,388.0
3 U.S. government securities	814.1	785.1	776.1	757.1	763.3	765.8	764.1	771.5	763.1	764.6	762.3	775.1
4 Other securities	493.1	571.6	574.8	588.6	600.8	605.1	615.9	614.5	610.5	602.6	612.2	612.9
5 Loans and leases in bank credit[2]	3,756.6	3,907.6	3,923.4	3,939.6	3,952.9	3,952.7	3,937.7	3,928.1	3,919.0	3,929.6	3,925.4	3,933.2
6 Commercial and industrial	1,068.9	1,101.6	1,106.6	1,104.5	1,099.8	1,096.7	1,079.8	1,069.4	1,066.1	1,068.5	1,071.0	1,072.0
7 Real estate	1,610.7	1,659.4	1,670.6	1,678.9	1,688.4	1,698.7	1,701.1	1,706.8	1,702.1	1,712.1	1,709.7	1,703.4
8 Revolving home equity	119.0	132.2	133.9	135.8	137.2	138.5	139.7	141.3	140.5	140.7	141.2	141.5
9 Other	1,491.7	1,527.3	1,536.7	1,543.0	1,551.1	1,560.2	1,561.4	1,565.6	1,561.6	1,571.4	1,568.5	1,561.9
10 Consumer	520.1	546.8	546.1	544.5	549.4	553.1	550.9	548.5	547.1	548.1	549.3	552.0
11 Security[3]	153.8	169.9	168.2	174.1	179.4	167.8	171.5	169.5	171.1	168.4	164.6	171.3
12 Other loans and leases	403.0	429.9	432.0	437.7	435.9	436.4	434.4	433.9	432.7	432.5	430.7	434.5
13 Interbank loans	240.3	270.3	267.4	276.1	290.3	284.3	270.0	273.3	258.6	265.0	273.9	286.8
14 Cash assets[4]	285.4	273.4	265.5	270.2	287.8	280.6	272.7	285.4	281.8	276.0	274.3	305.0
15 Other assets[5]	389.3	411.1	413.1	428.1	418.7	413.2	406.8	415.9	414.0	415.2	415.8	413.0
16 **Total assets**[6]	**5,917.5**	**6,154.4**	**6,155.3**	**6,194.8**	**6,248.3**	**6,236.2**	**6,201.9**	**6,223.1**	**6,181.8**	**6,187.5**	**6,198.3**	**6,260.1**
Liabilities												
17 Deposits	3,728.1	3,892.4	3,891.4	3,925.5	3,991.3	4,005.1	4,038.1	4,061.2	4,090.7	4,046.2	4,030.2	4,060.3
18 Transaction	611.0	608.2	607.7	606.8	608.8	612.4	600.2	605.1	592.5	582.3	601.9	642.4
19 Nontransaction	3,117.1	3,284.2	3,283.6	3,318.7	3,382.5	3,392.7	3,437.8	3,456.1	3,498.2	3,463.9	3,428.2	3,417.9
20 Large time	917.0	941.8	937.0	934.8	950.8	965.5	978.4	972.1	993.3	977.8	963.6	965.7
21 Other	2,200.1	2,342.4	2,346.6	2,383.8	2,431.7	2,427.2	2,459.4	2,483.9	2,505.0	2,486.1	2,464.6	2,452.2
22 Borrowings	1,216.0	1,264.6	1,259.7	1,244.1	1,283.6	1,252.2	1,218.9	1,229.6	1,207.8	1,219.3	1,221.3	1,249.4
23 From banks in the U.S.	387.6	397.3	396.3	395.7	406.8	386.6	385.3	393.2	387.2	392.4	392.5	398.1
24 From others	828.4	867.3	863.4	848.4	876.9	865.7	833.6	836.4	820.6	826.9	828.8	851.3
25 Net due to related foreign offices	237.1	221.2	219.4	233.3	190.0	207.4	184.4	190.8	159.5	196.1	203.6	196.0
26 Other liabilities	300.2	365.1	343.4	352.1	349.6	338.8	349.5	328.2	328.0	319.0	332.2	324.8
27 **Total liabilities**	**5,481.4**	**5,743.4**	**5,713.9**	**5,754.8**	**5,814.5**	**5,803.5**	**5,790.8**	**5,809.8**	**5,786.0**	**5,780.5**	**5,787.2**	**5,830.5**
28 Residual (assets less liabilities)[7]	436.2	411.0	441.4	439.9	433.8	432.7	411.1	413.3	395.9	406.9	411.0	429.6
	Not seasonally adjusted											
Assets												
29 Bank credit	5,044.0	5,279.1	5,269.3	5,272.5	5,309.4	5,312.8	5,310.5	5,293.5	5,296.5	5,275.4	5,279.8	5,284.2
30 Securities in bank credit	1,297.8	1,361.9	1,352.7	1,349.8	1,365.8	1,370.1	1,379.3	1,376.9	1,370.0	1,359.8	1,364.1	1,375.2
31 U.S. government securities	808.9	787.3	777.9	763.0	768.2	766.7	764.4	767.4	762.4	762.0	757.5	768.6
32 Other securities	488.9	574.6	574.8	586.8	597.6	603.4	614.9	609.5	607.6	597.7	606.7	606.7
33 Loans and leases in bank credit[2]	3,746.1	3,917.3	3,916.6	3,922.7	3,943.7	3,942.7	3,931.2	3,916.6	3,926.6	3,915.6	3,915.7	3,909.0
34 Commercial and industrial	1,067.8	1,098.9	1,105.9	1,106.0	1,104.5	1,099.0	1,082.1	1,068.6	1,074.5	1,068.6	1,070.7	1,066.5
35 Real estate	1,609.9	1,658.5	1,664.0	1,671.4	1,684.0	1,699.1	1,700.5	1,705.9	1,702.7	1,711.4	1,708.7	1,700.9
36 Revolving home equity	119.4	131.4	132.8	134.2	136.2	138.6	139.9	141.7	140.8	141.1	141.7	142.0
37 Other	1,490.5	1,527.1	1,531.3	1,537.2	1,547.8	1,560.5	1,560.6	1,564.2	1,561.8	1,570.3	1,567.1	1,559.0
38 Consumer	517.5	551.2	546.7	540.7	546.3	550.9	548.2	546.0	545.4	544.2	546.6	549.6
39 Credit cards and related plans	197.3	218.2	213.3	209.1	214.5	219.2	217.0	215.9	215.2	213.6	215.8	219.9
40 Other	320.2	332.9	333.5	331.6	331.8	331.7	331.2	330.0	330.2	330.6	330.8	329.7
41 Security[3]	147.1	177.7	171.0	170.1	175.1	161.8	167.0	161.8	164.2	158.2	158.6	161.7
42 Other loans and leases	403.8	431.0	428.9	434.4	433.9	432.0	433.5	434.3	439.9	433.3	431.0	430.3
43 Interbank loans	235.2	272.4	269.2	283.5	296.3	277.6	267.7	265.5	268.8	260.9	265.5	265.1
44 Cash assets[4]	276.3	289.4	266.6	260.2	283.0	278.3	269.0	276.4	300.3	265.6	265.7	277.4
45 Other assets[5]	387.7	413.0	412.2	427.3	418.6	413.5	407.6	414.4	419.9	415.0	414.2	406.4
46 **Total assets**[6]	**5,882.0**	**6,189.5**	**6,152.3**	**6,178.6**	**6,242.0**	**6,216.7**	**6,189.3**	**6,184.3**	**6,220.1**	**6,151.5**	**6,159.8**	**6,167.5**
Liabilities												
47 Deposits	3,700.6	3,907.2	3,908.3	3,935.8	4,010.5	3,993.1	4,019.1	4,029.6	4,107.1	4,021.7	3,998.2	3,990.7
48 Transaction	605.0	620.0	599.6	600.8	615.0	602.7	599.8	598.8	625.7	575.7	593.5	610.4
49 Nontransaction	3,095.7	3,287.3	3,308.7	3,335.0	3,395.5	3,390.4	3,419.3	3,430.8	3,481.4	3,446.0	3,404.6	3,380.4
50 Large time	904.8	954.8	948.7	938.0	952.1	964.2	968.9	958.3	973.9	962.8	950.4	953.5
51 Other	2,190.9	2,332.4	2,360.1	2,397.0	2,443.4	2,426.2	2,450.4	2,472.5	2,507.5	2,483.2	2,454.2	2,426.9
52 Borrowings	1,206.2	1,281.9	1,263.3	1,242.4	1,284.4	1,257.3	1,219.7	1,220.2	1,208.1	1,211.7	1,215.1	1,233.8
53 From banks in the U.S.	384.5	403.5	400.7	399.3	410.0	389.7	386.1	389.9	388.4	390.5	389.8	391.5
54 From others	821.8	878.3	862.6	843.2	874.3	867.6	833.6	830.3	819.7	821.1	825.3	842.3
55 Net due to related foreign offices	231.0	225.4	225.5	232.2	183.0	206.5	180.6	184.4	155.3	187.0	196.0	187.5
56 Other liabilities	296.5	367.6	347.4	350.8	344.7	339.5	347.4	323.8	324.9	312.4	326.8	320.2
57 **Total liabilities**	**5,434.3**	**5,782.0**	**5,744.5**	**5,761.3**	**5,822.6**	**5,796.4**	**5,766.8**	**5,758.0**	**5,795.4**	**5,732.8**	**5,736.1**	**5,732.3**
58 Residual (assets less liabilities)[7]	447.7	407.5	407.8	417.3	419.5	420.3	422.4	426.3	424.7	418.7	423.6	435.2

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			
	2000	2001							2001			
	July[r]	Jan.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June[r]	July	July 4	July 11	July 18	July 25
	Seasonally adjusted											
Assets												
1 Bank credit	4,487.6	4,649.5	4,665.9	4,662.6	4,690.9	4,713.3	4,716.3	4,721.7	4,699.7	4,708.3	4,712.5	4,728.7
2 Securities in bank credit	1,103.6	1,147.1	1,150.8	1,138.4	1,143.1	1,155.8	1,162.8	1,167.3	1,152.8	1,150.1	1,156.7	1,170.5
3 U.S. government securities	736.1	718.5	711.7	689.0	689.1	696.8	697.0	704.7	693.7	698.4	695.7	708.7
4 Other securities	367.5	428.6	439.1	449.3	454.0	458.9	465.9	462.6	459.1	451.6	461.0	461.8
5 Loans and leases in bank credit[2]	3,384.0	3,502.4	3,515.1	3,524.3	3,547.8	3,557.5	3,553.4	3,554.4	3,546.9	3,558.2	3,555.7	3,558.3
6 Commercial and industrial	865.3	887.1	889.8	884.7	881.3	880.1	871.0	865.4	863.0	866.0	866.4	867.1
7 Real estate	1,592.7	1,641.0	1,651.9	1,660.4	1,670.6	1,680.9	1,683.5	1,689.0	1,684.5	1,694.5	1,692.1	1,685.5
8 Revolving home equity	119.0	132.2	133.9	135.8	137.2	138.5	139.7	141.3	140.5	140.7	141.2	141.5
9 Other	1,473.6	1,508.8	1,518.0	1,524.6	1,533.4	1,542.4	1,543.8	1,547.8	1,543.9	1,553.8	1,550.8	1,544.0
10 Consumer	520.1	546.8	546.1	544.5	549.4	553.1	550.9	548.5	547.1	548.1	549.3	552.0
11 Security[3]	70.2	64.8	62.9	67.0	78.7	75.1	80.7	83.3	85.3	82.4	81.9	85.7
12 Other loans and leases	335.7	362.7	364.4	367.7	367.7	368.4	367.4	368.2	367.0	367.3	366.0	367.9
13 Interbank loans	216.8	241.1	239.0	245.6	262.2	253.8	246.5	251.0	236.6	241.3	249.6	264.8
14 Cash assets[4]	240.9	231.9	223.9	229.6	249.3	243.8	237.5	249.9	247.9	240.3	238.3	268.3
15 Other assets[5]	347.3	375.2	377.9	391.7	379.0	375.9	369.5	384.0	381.2	383.0	382.6	381.3
16 **Total assets[6]**	**5,231.7**	**5,433.4**	**5,442.0**	**5,465.1**	**5,516.2**	**5,521.6**	**5,504.7**	**5,541.2**	**5,500.5**	**5,507.7**	**5,517.7**	**5,577.6**
Liabilities												
17 Deposits	3,338.0	3,505.8	3,510.8	3,547.2	3,597.2	3,596.4	3,618.9	3,648.1	3,662.1	3,627.5	3,622.6	3,651.1
18 Transaction	599.9	598.1	597.4	597.3	598.0	601.6	590.3	595.4	581.9	572.3	592.5	633.4
19 Nontransaction	2,738.1	2,907.7	2,913.4	2,949.9	2,999.2	2,994.8	3,028.5	3,052.7	3,080.2	3,055.3	3,030.1	3,017.7
20 Large time	540.3	567.5	568.9	568.2	569.8	569.9	571.5	571.2	577.6	571.6	567.8	567.8
21 Other	2,197.8	2,340.2	2,344.5	2,381.6	2,429.3	2,424.8	2,457.1	2,481.6	2,502.6	2,483.7	2,462.3	2,449.9
22 Borrowings	1,012.6	1,021.1	1,021.2	1,010.7	1,043.1	1,032.8	1,002.5	1,017.5	986.8	1,016.6	1,016.6	1,036.3
23 From banks in the U.S.	366.5	372.2	373.8	371.2	380.9	365.1	361.0	369.1	357.4	371.5	371.8	373.0
24 From others	646.0	649.0	647.4	639.5	662.1	667.7	641.4	648.4	629.4	645.1	644.8	663.2
25 Net due to related foreign offices	216.8	217.7	214.6	211.4	185.5	211.8	204.1	207.1	198.3	208.7	209.0	209.2
26 Other liabilities	225.6	285.3	266.3	269.3	261.0	253.4	265.9	249.5	249.4	241.7	251.1	244.7
27 **Total liabilities**	**4,793.0**	**5,029.9**	**5,012.9**	**5,038.6**	**5,086.7**	**5,094.4**	**5,091.3**	**5,122.3**	**5,096.5**	**5,094.6**	**5,099.3**	**5,141.3**
28 Residual (assets less liabilities)[7]	438.7	403.5	429.0	426.5	429.5	427.2	413.4	418.9	404.0	413.1	418.4	436.3
	Not seasonally adjusted											
Assets												
29 Bank credit	4,472.1	4,656.3	4,657.6	4,654.7	4,686.2	4,707.2	4,712.8	4,705.5	4,706.0	4,692.8	4,694.6	4,698.3
30 Securities in bank credit	1,094.2	1,152.3	1,152.6	1,142.5	1,144.7	1,155.0	1,162.1	1,158.2	1,149.1	1,142.6	1,146.4	1,157.8
31 U.S. government securities	730.9	720.7	713.4	694.9	694.0	697.7	697.3	700.6	693.0	695.9	690.8	702.2
32 Other securities	363.4	431.6	439.2	447.5	450.7	457.3	464.8	457.6	456.1	446.7	455.5	455.6
33 Loans and leases in bank credit[2]	3,377.8	3,504.0	3,505.1	3,512.3	3,541.5	3,552.2	3,550.6	3,547.3	3,557.0	3,550.2	3,548.3	3,540.5
34 Commercial and industrial	864.9	882.7	886.9	885.1	887.7	885.4	874.4	865.3	871.2	867.0	866.4	862.8
35 Real estate	1,591.8	1,640.0	1,645.4	1,653.0	1,666.3	1,681.3	1,682.9	1,688.1	1,685.0	1,693.8	1,691.0	1,683.0
36 Revolving home equity	119.4	131.4	132.8	134.2	136.2	138.6	139.9	141.7	140.8	141.1	141.7	142.0
37 Other	1,472.5	1,508.6	1,512.6	1,518.8	1,530.0	1,542.7	1,543.0	1,546.4	1,544.2	1,552.7	1,549.4	1,541.1
38 Consumer	517.5	551.2	546.7	540.7	546.3	550.9	548.2	546.0	545.4	544.2	546.6	549.6
39 Credit cards and related plans	197.3	218.2	213.3	209.1	214.5	219.2	217.0	215.9	215.2	213.6	215.8	219.9
40 Other	320.2	332.9	333.5	331.6	331.8	331.7	331.2	330.0	330.2	330.6	330.8	329.7
41 Security[3]	66.2	67.4	64.7	68.9	75.7	69.9	78.1	78.4	81.1	76.6	77.2	79.5
42 Other loans and leases	337.4	362.8	361.3	364.5	365.4	364.7	367.1	369.5	374.3	368.7	367.1	365.5
43 Interbank loans	211.7	243.1	240.8	252.9	268.3	247.1	244.1	243.2	246.7	237.2	241.3	243.0
44 Cash assets[4]	233.3	245.3	224.8	221.1	246.0	242.5	234.8	242.1	267.3	231.3	231.1	242.1
45 Other assets[5]	346.7	375.8	376.1	390.4	379.7	376.7	371.7	383.3	388.4	383.6	381.8	375.8
46 **Total assets[6]**	**5,202.9**	**5,456.6**	**5,434.7**	**5,454.6**	**5,515.2**	**5,508.3**	**5,498.2**	**5,509.0**	**5,543.5**	**5,479.9**	**5,483.7**	**5,493.9**
Liabilities												
47 Deposits	3,319.2	3,510.7	3,519.6	3,553.1	3,613.6	3,583.2	3,607.1	3,626.7	3,692.5	3,615.1	3,600.1	3,589.7
48 Transaction	593.7	609.6	589.5	591.6	604.8	592.2	590.1	589.0	614.6	565.7	584.0	601.5
49 Nontransaction	2,725.5	2,901.1	2,930.1	2,961.5	3,008.8	2,990.9	3,017.0	3,037.7	3,077.9	3,049.5	3,016.1	2,988.3
50 Large time	536.8	570.9	572.2	566.7	567.7	567.1	568.8	567.5	572.7	568.6	564.2	563.7
51 Other	2,188.6	2,330.2	2,357.9	2,394.8	2,441.1	2,423.9	2,448.1	2,470.2	2,505.2	2,480.8	2,451.9	2,424.6
52 Borrowings	1,002.8	1,038.4	1,024.9	1,009.0	1,043.8	1,037.9	1,003.3	1,008.1	937.1	1,008.9	1,010.5	1,020.7
53 From banks in the U.S.	363.4	378.4	378.2	374.8	384.2	368.3	361.8	365.8	358.6	369.6	369.1	366.4
54 From others	639.4	660.0	646.7	634.2	659.6	669.6	641.4	642.3	628.5	639.3	641.3	654.3
55 Net due to related foreign offices	213.7	218.6	217.4	210.3	183.1	214.1	203.4	204.0	195.1	203.1	204.9	207.9
56 Other liabilities	223.2	286.3	268.8	268.0	258.2	255.6	265.4	246.6	246.7	236.7	247.3	243.3
57 **Total liabilities**	**4,758.9**	**5,054.0**	**5,030.7**	**5,040.4**	**5,098.6**	**5,090.8**	**5,079.2**	**5,085.4**	**5,121.3**	**5,063.8**	**5,062.7**	**5,061.6**
58 Residual (assets less liabilities)[7]	444.0	402.6	404.0	414.2	416.6	417.5	419.1	423.5	422.2	416.0	421.0	432.3

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			
	2000	2001							2001			
	July	Jan.	Feb.	Mar.	Apr.	May	June	July	July 4	July 11	July 18	July 25
	Seasonally adjusted											
Assets												
1 Bank credit	2,539.0[r]	2,585.8[r]	2,595.0[r]	2,600.8[r]	2,623.5	2,636.3	2,635.1	2,626.4	2,619.4	2,619.0	2,620.0	2,625.2
2 Securities in bank credit	586.7	597.0[r]	599.9[r]	595.8[r]	603.3	613.4	617.1	614.1	604.4	600.2	606.5	614.5
3 U.S. government securities	370.6	358.1[r]	354.0[r]	343.4[r]	347.5	355.6	353.8	354.2	347.0	351.6	347.9	354.6
4 Trading account	22.9	34.2	37.5	35.4	33.7	35.3	35.1	38.3	34.1	38.6	39.4	38.1
5 Investment account	347.6	323.9[r]	316.6[r]	308.0[r]	313.8	320.3	318.7	315.9	312.8	313.1	308.6	316.5
6 Other securities	216.1	238.9	245.9	252.3	255.8	257.8	263.3	259.9	257.4	248.6	258.6	259.8
7 Trading account	99.1	126.0	129.3	132.5	135.9	137.0	143.5	140.8	140.3	130.6	139.0	140.4
8 Investment account	117.0	112.9	116.6	119.9	119.9	120.8	119.8[r]	119.2	117.2	118.0	119.6	119.5
9 State and local government	26.1	27.1	27.6	28.1	28.4	28.1	27.9	27.8	27.5	27.8	27.8	28.0
10 Other	90.9	85.8	89.0	91.8	91.5	92.7	92.0	91.4	89.7	90.2	91.7	91.5
11 Loans and leases in bank credit[2]	1,952.3[r]	1,988.8	1,995.1	2,005.0	2,020.2	2,022.9	2,018.0	2,012.2	2,015.0	2,018.7	2,013.6	2,010.8
12 Commercial and industrial	589.2	594.9	595.2	589.4	586.2	585.1	574.6	566.0	565.6	566.9	566.2	567.1
13 Bankers acceptances	1.0	.8	.8	.8	.8	.8	.7	.0	n.a.	n.a.	n.a.	n.a.
14 Other	588.2	594.1	594.5	588.5	585.3	584.3	573.8	566.0	565.6	566.9	566.2	567.1
15 Real estate	821.7	825.1	831.4	839.7	846.5	852.3	850.8[r]	849.4	849.3	856.1	852.3	844.7
16 Revolving home equity	78.3	86.3	87.6	89.5	90.5	91.2	91.4	91.7	91.7	91.4	91.7	91.6
17 Other	743.4	738.9	743.8	750.1	755.9	761.1	759.5	757.8	757.7	764.7	760.6	753.1
18 Consumer	231.8	244.2	246.3	247.7	249.4	251.8	253.7	253.4	253.9	253.9	255.5	254.0
19 Security[3]	63.7[r]	57.8	55.4	59.0	70.3	66.6	72.3	74.8	77.1	74.0	73.3	77.1
20 Federal funds sold to and repurchase agreements with broker–dealers	43.6[r]	41.7	39.5	43.7	53.8	49.4	54.7	59.6	59.8	57.6	57.9	62.6
21 Other	20.2	16.1	16.0	15.3	16.5	17.3	17.6	15.2	17.3	16.4	15.4	14.5
22 State and local government	12.4	12.8	12.9	13.0	13.0	13.0	13.3	14.3	14.3	14.2	14.3	14.2
23 Agricultural	9.5	10.1	10.3	10.4	10.4	10.7	10.5	10.2	10.2	10.2	10.2	10.2
24 Federal funds sold to and repurchase agreements with others	13.0	25.9	26.3	26.1	23.0	23.6	25.5	30.8	28.2	32.0	29.7	30.4
25 All other loans	84.4	86.7	85.8	86.8	87.8	85.5	84.8	82.0	85.0	80.2	80.8	81.4
26 Lease-financing receivables	126.5	131.2	131.6	133.0	133.7	134.3	132.5	131.4	131.4	131.2	131.4	131.6
27 Interbank loans	144.6	155.2	142.4	138.7	146.8	132.7	128.8	133.6	122.7	127.9	130.6	142.1
28 Federal funds sold to and repurchase agreements with commercial banks	75.8	80.3	71.6	71.6	83.3[r]	72.3	71.6	70.6	66.4	65.0	68.7	75.8
29 Other	68.8	74.9	70.7	67.0	63.5	60.4	57.2	63.0	56.3	62.8	62.0	66.3
30 Cash assets[4]	146.2	147.0	138.2	142.6	145.4	139.8	135.5	146.1	144.0	139.2	137.6	161.0
31 Other assets[5]	244.9[r]	261.6[r]	264.0[r]	273.9[r]	271.1[r]	268.7[r]	257.0[r]	263.1	258.6	262.8	263.9	264.0
32 **Total assets**[6]	**3,039.2**	**3,112.1[r]**	**3,101.6[r]**	**3,118.1[r]**	**3,148.9[r]**	**3,139.7[r]**	**3,118.8[r]**	**3,131.1**	**3,107.0**	**3,110.7**	**3,114.1**	**3,154.2**
Liabilities												
33 Deposits	1,666.2	1,694.9	1,688.3	1,714.9	1,739.9	1,730.8	1,735.4	1,747.0	1,760.6	1,736.1	1,729.3	1,747.1
34 Transaction	307.3	302.5	300.2	303.5	303.4	304.3	299.8	305.8	298.0	293.3	304.2	326.9
35 Nontransaction	1,358.9	1,392.4	1,388.1	1,411.4	1,436.5	1,426.5	1,435.5	1,441.2	1,462.7	1,442.8	1,425.1	1,420.2
36 Large time	268.5	271.4	266.8	269.1	269.0	271.3	274.8	271.2	278.6	273.0	267.9	267.8
37 Other	1,090.4	1,121.1	1,121.3	1,142.3	1,167.5	1,155.2	1,160.8	1,170.0	1,184.0	1,169.9	1,157.2	1,152.4
38 Borrowings	677.8[r]	680.6[r]	683.2[r]	680.6[r]	709.3[r]	695.2[r]	666.8[r]	680.6	653.9	682.2	680.1	695.2
39 From banks in the U.S.	204.6[r]	215.1[r]	216.8[r]	220.8[r]	231.1[r]	213.8[r]	211.3[r]	218.9	210.0	223.3	222.1	219.2
40 From others	473.2[r]	465.5[r]	466.4[r]	459.7[r]	478.2[r]	481.5[r]	455.5[r]	461.7	443.9	458.8	457.9	476.1
41 Net due to related foreign offices	216.8	200.9	197.9[r]	196.1	172.7[r]	195.2[r]	190.9[r]	192.4	187.2	191.6	195.3	197.2
42 Other liabilities	181.1[r]	232.4[r]	212.8[r]	213.5[r]	205.0[r]	196.6[r]	208.6[r]	191.6	192.0	185.0	192.9	185.4
43 **Total liabilities**	**2,741.9[r]**	**2,808.8[r]**	**2,782.3[r]**	**2,805.0[r]**	**2,826.8[r]**	**2,817.8[r]**	**2,801.8[r]**	**2,811.5**	**2,793.8**	**2,794.9**	**2,797.5**	**2,825.0**
44 Residual (assets less liabilities)[7]	297.3[r]	303.3[r]	319.4[r]	313.1[r]	322.1[r]	322.0[r]	317.0[r]	319.6	313.3	315.8	316.6	329.2

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

Billions of dollars

Account	Monthly averages								Wednesday figures			
	2000	2001							2001			
	July	Jan.	Feb.	Mar.	Apr	May	June	July	July 4	July 11	July 18	July 25
	Not seasonally adjusted											
Assets												
45 Bank credit	2,523.5[r]	2,596.9[r]	2,597.8[r]	2,597.2[r]	2,619.1	2,629.7	2,629.7	2,610.1	2,617.8	2,603.1	2,602.7	2,598.5
46 Securities in bank credit	577.6	602.7[r]	603.7[r]	597.6[r]	602.2	611.1	614.8	605.2	599.5	592.1	596.4	602.4
47 U.S government securities	365.7	360.9[r]	357.7[r]	347.1[r]	349.7	354.9	352.5	350.3	345.1	348.4	343.3	348.7
48 Trading account	22.6	34.5	37.9	35.8	34.0	35.2	35.0	37.9	33.9	38.2	38.9	37.5
49 Investment account	343.1[r]	326.4[r]	319.9[r]	311.2[r]	315.7	319.7	317.5	312.4	311.1	310.2	304.5	311.2
50 Mortgage-backed securities	217.9	225.7[r]	221.6[r]	219.9[r]	227.4[r]	234.2[r]	230.5[r]	230.7	228.0	228.2	222.7	230.8
51 Other	125.2	100.6[r]	98.3[r]	91.3[r]	88.2[r]	85.6[r]	87.0[r]	81.7	83.1	82.0	81.7	80.4
52 One year or less	31.7	29.6[r]	31.8[r]	31.6[r]	30.9[r]	27.8[r]	26.2[r]	21.8	23.2	22.2	21.2	20.8
53 One to five years	55.7	38.7	37.3	34.3	31.4	31.2	34.3	34.2	33.4	33.4	34.1	34.6
54 More than five years	37.8	32.3	29.2	25.4	25.9	26.6	26.5	25.8	26.5	26.4	26.5	25.1
55 Other securities	212.0	241.9	246.0	250.5	252.5	256.2	262.3	254.9	254.5	243.7	253.1	253.6
56 Trading account	97.2	127.6	129.3	131.5	134.2	136.1	142.9	138.1	138.6	128.0	136.0	137.0
57 Investment account	114.7	114.3	116.6	119.0	118.4	120.0	119.4	116.9	115.8	115.6	117.0	116.6
58 State and local government	25.6	27.5	27.6	27.9	28.0	28.0	27.8	27.3	27.2	27.2	27.2	27.4
59 Other	89.2	86.8	89.0	91.1	90.3	92.1	91.6	89.6	88.7	88.4	89.8	89.3
60 Loans and leases in bank credit[2]	1,945.8[r]	1,994.2	1,994.1	1,999.6	2,016.9	2,018.7	2,015.0	2,004.9	2,018.3	2,011.0	2,006.3	1,996.1
61 Commercial and industrial	589.0	591.4	594.1	590.1	590.4	587.9	576.2	566.0	570.6	567.2	566.4	564.5
62 Bankers acceptances	1.0	.8	.8	.8	.8	.8	.7	.0	n.a	n.a.	n.a.	n.a
63 Other	588.0	590.6	593.3	589.3	589.6	587.1	575.4	566.0	570.6	567.2	566.4	564.5
64 Real estate	820.5	825.8	828.1	833.9	842.5	851.8[r]	849.5	848.0	848.1	855.2	851.0	842.1
65 Revolving home equity	78.9	85.4	86.6	88.1	89.6	91.1	91.6	92.4	92.0	92.0	92.4	92.4
66 Other	453.2	446.2	445.7	449.8	456.1	462.1	457.7	455.4	455.5	462.8	458.3	449.2
67 Commercial	288.4	294.1	295.8	296.0	296.8	298.7	300.2	300.3	300.5	300.5	300.3	300.5
68 Consumer	230.1	247.8	248.4	247.4	250.0	252.3	253.2	251.7	252.6	252.0	253.5	252.4
69 Credit cards and related plans	73.3	83.5	83.2	82.7	84.7	87.0	88.0	87.3	87.8	87.1	88.5	88.5
70 Other	156.9	164.3	165.3	164.7	165.4[r]	165.3	165.2	164.3	64.8	164.9	165.0	163.9
71 Security[3]	59.9[r]	60.4	57.2	60.7	67.3	61.8	69.9	70.1	72.8	68.3	68.8	71.5
72 Federal funds sold to and repurchase agreements with broker–dealers	40.9[r]	43.6	40.8	45.0	51.5	45.7	52.9	55.9	56.4	53.2	54.4	58.1
73 Other	19.0	16.8	16.5	15.7	15.8	16.0	17.0	14.3	16.4	15.1	14.4	13.5
74 State and local government	12.4	12.8	12.9	13.0	13.0	13.0	13.3	14.3	14.3	14.2	14.3	14.2
75 Agricultural	9.7	10.1	10.1	10.2	10.3	10.6	10.5	10.3	10.4	10.4	10.3	10.3
76 Federal funds sold to and repurchase agreements with others	13.0	25.9	26.3	26.1	23.0	23.6	25.5	30.8	28.2	32.0	29.7	30.4
77 All other loans	85.3	86.7	84.0	84.8	86.6	84.0	84.8	82.8	90.2	80.9	81.5	79.7
78 Lease-financing receivables	126.0	133.3	132.9	133.4	133.8	133.7	132.1	130.9	131.2	130.9	130.8	130.8
79 Interbank loans	144.5	156.7	141.2	139.8	148.9	135.0	133.2	133.4	133.2	127.1	131.2	135.9
80 Federal funds sold to and repurchase agreements with commercial banks	75.8	81.0	71.1	72.2	84.4	73.5	74.0	70.5	72.1	64.7	69.0	72.6
81 Other	68.7	75.7	70.2	67.6	64.4	61.5	59.2	62.9	61.1	62.5	62.2	63.4
82 Cash assets[4]	140.0	157.8	140.1	137.7	145.7	139.9	134.0	139.6	154.2	131.5	133.1	141.9
83 Other assets[5]	244.3[r]	262.2[r]	262.2[r]	272.5[r]	271.8[r]	269.5[r]	259.2[r]	262.5	265.8	263.4	263.1	258.4
84 **Total assets**[6]	**3,016.9[r]**	**3,136.5[r]**	**3,103.5[r]**	**3,109.4[r]**	**3,147.8[r]**	**3,136.4[r]**	**3,118.3[r]**	**3,107.7**	**3,133.1**	**3,087.2**	**3,092.2**	**3,096.9**
Liabilities												
85 Deposits	1,658.3	1,701.1	1,696.1	1,713.4	1,749.0	1,724.0	1,734.9	1,738.7	1,785.2	1,732.6	1,721.9	1,713.1
86 Transaction	302.9	311.4	297.2	299.8	310.7	300.0	299.9	300.9	319.0	287.0	299.0	305.3
87 Nontransaction	1,355.4	1,389.7	1,398.9	1,413.5	1,438.3	1,424.0	1,435.0	1,437.8	1,466.2	1,445.5	1,422.9	1,407.8
88 Large time	265.1	274.7	270.1	267.5	266.9	268.5	272.1	267.6	273.8	270.0	264.3	263.7
89 Other	1,090.3	1,115.0	1,128.9	1,146.0	1,171.4	1,155.5	1,162.8	1,170.3	1,192.4	1,175.6	1,158.6	1,144.1
90 Borrowings	668.1[r]	697.9[r]	686.8[r]	678.9[r]	710.0[r]	700.3[r]	667.7[r]	671.2	654.2	674.6	674.0	679.7
91 From banks in the U.S.	201.5[r]	221.4[r]	221.2[r]	224.5[r]	234.3[r]	216.9[r]	212.1[r]	215.6	211.2	221.5	219.5	212.6
92 From nonbanks in the U.S.	466.6[r]	476.5[r]	465.6[r]	454.5[r]	475.6[r]	483.4[r]	455.5[r]	455.6	443.0	453.1	454.5	467.1
93 Net due to related foreign offices	213.7	201.8	200.8	194.9	170.3	197.5	190.3	189.2	184.0	186.0	191.1	195.9
94 Other liabilities	178.6[r]	233.4[r]	215.3[r]	212.2[r]	202.2[r]	198.8[r]	208.1[r]	188.7	189.3	179.9	189.0	184.0
95 **Total liabilities**	**2,718.7[r]**	**2,834.2[r]**	**2,799.0[r]**	**2,799.4[r]**	**2,831.5[r]**	**2,820.7[r]**	**2,800.9[r]**	**2,787.9**	**2,812.7**	**2,773.1**	**2,775.9**	**2,772.7**
96 Residual (assets less liabilities)[7]	298.2[r]	302.3[r]	304.4[r]	310.1[r]	316.3[r]	315.8[r]	317.3[r]	319.9	320.4	314.1	316.2	324.2

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			
	2000	2001							2001			
	July[r]	Jan.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June[r]	July	July 4	July 11	July 18	July 25
	Seasonally adjusted											
Assets												
1 Bank credit	1,948.6	2,063.7	2,070.9	2,061.9	2,067.4	2,077.0	2,081.2	2,095.3	2,080.3	2,089.3	2,092.4	2,103.5
2 Securities in bank credit	516.9	550.1	550.8	542.6	539.8	542.4	545.8	553.2	548.4	549.8	550.2	556.0
3 U.S. government securities	365.5	360.4	357.6	345.6	341.6	341.2	343.2	350.5	346.8	346.8	347.7	354.1
4 Other securities	151.4	189.7	193.2	197.0	198.2	201.1	202.6	202.7	201.6	203.1	202.5	201.9
5 Loans and leases in bank credit[2]	1,431.7	1,513.6	1,520.0	1,519.3	1,527.6	1,534.7	1,535.4	1,542.1	1,531.9	1,539.5	1,542.2	1,547.5
6 Commercial and industrial	276.1	292.3	294.5	295.4	295.2	295.0	296.5	299.4	297.4	299.1	300.2	300.0
7 Real estate	770.9	815.8	820.6	820.7	824.2	828.7	832.6	839.6	835.1	838.4	839.8	840.8
8 Revolving home equity	40.7	45.9	46.3	46.3	46.7	47.4	48.3	49.6	48.9	49.3	49.5	49.9
9 Other	730.2	769.9	774.2	774.4	777.5	781.3	784.4	790.0	786.3	789.1	790.2	790.9
10 Consumer	288.3	302.5	299.8	296.8	300.0	301.2	297.2	295.1	293.1	294.2	293.9	298.0
11 Security[3]	6.5	7.0	7.5	8.0	8.4	8.5	8.4	8.5	8.2	8.4	8.6	8.6
12 Other loans and leases	89.9	96.0	97.6	98.4	99.9	101.3	100.8	99.5	98.0	99.5	99.7	100.1
13 Interbank loans	72.2	85.9	96.6	106.9	115.5	121.1	117.6	117.4	113.9	113.4	119.0	122.7
14 Cash assets[4]	94.7	84.9	85.7	87.0	103.9	104.1	102.0	103.8	103.9	101.2	100.7	107.3
15 Other assets[5]	102.4	113.6	113.9	117.8	107.8	107.2	112.4	120.8	122.6	120.2	118.7	117.3
16 **Total assets**[6]	**2,192.5**	**2,321.3**	**2,340.3**	**2,347.0**	**2,367.3**	**2,381.9**	**2,386.0**	**2,410.1**	**2,393.4**	**2,397.0**	**2,403.6**	**2,423.4**
Liabilities												
17 Deposits	1,671.8	1,810.9	1,822.5	1,832.3	1,857.3	1,865.6	1,883.5	1,901.2	1,901.4	1,891.5	1,893.3	1,904.0
18 Transaction	292.6	295.6	297.2	293.8	294.6	297.3	290.5	289.6	283.9	279.0	288.2	306.5
19 Nontransaction	1,379.2	1,515.3	1,525.3	1,538.5	1,562.7	1,568.3	1,593.0	1,611.5	1,617.5	1,612.5	1,605.0	1,597.5
20 Large time	271.8	296.2	302.1	299.1	300.8	298.6	296.7	300.0	299.0	298.7	299.9	300.0
21 Other	1,107.4	1,219.1	1,223.2	1,239.3	1,261.9	1,269.6	1,296.3	1,311.6	1,318.5	1,313.8	1,305.1	1,297.5
22 Borrowings	334.7	340.5	338.0	330.1	333.8	337.6	335.6	336.9	332.9	334.4	336.5	341.0
23 From banks in the U.S.	161.9	157.0	157.0	150.4	149.8	151.4	149.7	150.2	147.4	148.1	149.7	153.8
24 From others	172.8	183.5	181.0	179.7	184.0	186.2	185.9	186.7	185.5	186.2	186.9	187.2
25 Net due to related foreign offices	0.0	16.8	16.7	15.4	12.8	16.6	13.1	14.7	11.1	17.1	13.7	12.0
26 Other liabilities	44.6	52.9	53.5	55.8	56.0	56.8	57.3	57.9	57.3	56.7	58.3	59.3
27 **Total liabilities**	**2,051.1**	**2,221.1**	**2,230.7**	**2,233.6**	**2,259.9**	**2,276.6**	**2,289.6**	**2,310.7**	**2,302.7**	**2,299.7**	**2,301.8**	**2,316.3**
28 Residual (assets less liabilities)[7]	141.4	100.2	109.7	113.4	107.4	105.3	96.4	99.3	90.7	97.3	101.8	107.1
	Not seasonally adjusted											
Assets												
29 Bank credit	1,948.6	2,059.4	2,059.8	2,057.5	2,067.1	2,077.5	2,083.1	2,095.4	2,088.3	2,089.7	2,091.9	2,099.8
30 Securities in bank credit	516.6	549.6	548.9	544.8	542.5	543.9	547.4	553.0	549.6	550.5	550.0	555.4
31 U.S. government securities	365.2	359.8	355.7	347.8	344.3	342.8	344.8	350.3	347.9	347.4	347.5	353.5
32 Other securities	151.4	189.7	193.2	197.0	198.2	201.1	202.6	202.7	201.6	203.1	202.5	201.9
33 Loans and leases in bank credit[2]	1,432.0	1,509.9	1,510.9	1,512.7	1,524.6	1,533.6	1,535.7	1,542.4	1,538.7	1,539.2	1,541.9	1,544.4
34 Commercial and industrial	275.9	291.3	292.8	295.1	297.3	297.6	298.3	299.3	300.6	299.8	300.0	298.3
35 Real estate	771.4	814.2	817.3	819.1	823.8	829.4	833.4	840.1	837.0	838.5	840.0	840.9
36 Revolving home equity	40.5	45.9	46.2	46.1	46.6	47.5	48.2	49.3	48.8	49.1	49.2	49.5
37 Other	730.9	768.3	771.1	773.0	777.2	782.0	785.1	790.7	788.1	789.4	790.8	791.3
38 Consumer	287.4	303.3	298.3	293.3	296.3	298.6	295.0	294.3	292.8	292.2	293.2	297.2
39 *Credit cards and related plans*	*124.0*	*134.8*	*130.1*	*126.4*	*129.8*	*132.2*	*129.0*	*128.6*	*127.4*	*126.5*	*127.4*	*131.4*
40 *Other*	*163.4*	*168.6*	*168.2*	*167.0*	*166.4*	*166.4*	*166.0*	*165.7*	*165.4*	*165.7*	*165.8*	*165.8*
41 Security[3]	6.3	7.0	7.5	8.2	8.4	8.2	8.2	8.2	8.3	8.3	8.4	8.0
42 Other loans and leases	91.0	94.0	95.0	96.9	98.8	99.9	100.8	100.4	100.1	100.4	100.4	100.0
43 Interbank loans	67.2	86.4	99.5	113.2	119.4	112.1	110.9	109.8	113.6	110.0	110.1	107.1
44 Cash assets[4]	93.3	87.5	84.7	83.4	100.4	102.6	100.8	102.5	113.2	99.9	98.0	100.2
45 Other assets[5]	102.4	113.6	113.9	117.8	107.8	107.2	112.4	120.8	122.6	120.2	118.7	117.3
46 **Total assets**[6]	**2,186.0**	**2,320.1**	**2,331.2**	**2,345.2**	**2,367.4**	**2,371.9**	**2,380.0**	**2,401.2**	**2,410.4**	**2,392.7**	**2,391.5**	**2,396.9**
Liabilities												
47 Deposits	1,660.9	1,809.6	1,823.5	1,839.7	1,864.6	1,859.2	1,872.2	1,888.0	1,907.3	1,882.5	1,878.3	1,876.6
48 Transaction	290.8	298.2	292.3	291.8	294.1	292.2	290.2	288.1	295.5	278.6	285.0	296.1
49 Nontransaction	1,370.1	1,511.4	1,531.1	1,547.9	1,570.5	1,567.0	1,582.0	1,599.9	1,611.7	1,603.9	1,593.2	1,580.5
50 Large time	271.8	296.2	302.1	299.1	300.8	298.6	296.7	300.0	299.0	298.7	299.9	300.0
51 Other	1,098.3	1,215.2	1,229.0	1,248.8	1,269.7	1,268.3	1,285.3	1,299.9	1,312.7	1,305.3	1,293.3	1,280.5
52 Borrowings	334.7	340.5	338.0	330.1	333.8	337.6	335.6	336.9	332.9	334.4	336.5	341.0
53 From banks in the U.S.	161.9	157.0	157.0	150.4	149.8	151.4	149.7	150.2	147.4	148.1	149.7	153.8
54 From others	172.8	183.5	181.0	179.7	184.0	186.2	185.9	186.7	185.5	186.2	186.9	187.2
55 Net due to related foreign offices	0.0	16.8	16.7	15.4	12.8	16.6	13.1	14.7	11.1	17.1	13.7	12.0
56 Other liabilities	44.6	52.9	53.5	55.8	56.0	56.8	57.3	57.9	57.3	56.7	58.3	59.3
57 **Total liabilities**	**2,040.2**	**2,219.8**	**2,231.6**	**2,241.0**	**2,267.1**	**2,270.2**	**2,278.2**	**2,297.6**	**2,308.6**	**2,290.7**	**2,286.8**	**2,288.9**
58 Residual (assets less liabilities)[7]	145.8	100.3	99.6	104.2	100.3	101.7	101.7	103.7	101.8	102.0	104.7	108.0

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			
	2000	2001							2001			
	July[r]	Jan.	Feb.	Mar.[r]	Apr.[r]	May[r]	June[r]	July	July 4	July 11	July 18	July 25
	Seasonally adjusted											
Assets												
1 Bank credit	576.1	614.8[r]	608.5[r]	622.7	626.2	610.3	601.5	592.5	593.0	588.5	587.4	592.4
2 Securities in bank credit	203.6	209.6[r]	200.1[r]	207.4	221.0	215.1	217.2	218.7	220.9	217.2	217.7	217.5
3 U.S. government securities	78.1	66.6[r]	64.5[r]	68.1	74.2	69.0	67.1	66.8	59.4	66.2	66.6	66.3
4 Other securities	125.5	143.0[r]	135.7[r]	139.3	146.8	146.1	150.1	151.9	151.5	151.0	151.1	151.1
5 Loans and leases in bank credit[2]	372.5	405.2[r]	408.3	415.3	405.1	395.2	384.3	373.7	372.1	371.4	369.6	375.0
6 Commercial and industrial	203.6	214.5[r]	216.8	219.7	218.5	216.6	208.7	204.0	203.0	202.5	204.6	205.0
7 Real estate	18.1	18.5	18.6	18.5	17.7	17.8	17.6	17.8	17.6	17.6	17.7	17.9
8 Security[3]	83.6	105.1	105.3	107.1	100.7	92.7	90.9	86.2	85.8	86.0	82.7	85.6
9 Other loans and leases	67.3	67.2	67.6	70.0	68.2	68.0	67.0	65.7	65.6	65.2	64.6	66.5
10 Interbank loans	23.6	29.2	28.4	30.5	28.1	30.5	23.5	22.3	22.0	23.7	24.2	22.1
11 Cash assets[4]	44.5	41.5	41.6[r]	40.5	38.5	36.7	35.2	35.5	33.9	35.7	36.0	36.7
12 Other assets[5]	42.1	35.9[r]	35.2[r]	36.3	39.8	37.4	37.3	31.9	32.8	32.2	33.2	31.7
13 **Total assets**[6]	**685.9**	**721.0**[r]	**713.3**	**729.7**	**732.2**	**714.6**	**697.2**	**681.9**	**681.4**	**679.8**	**680.5**	**682.5**
Liabilities												
14 Deposits	390.0	386.7	380.6	378.2	394.1	408.7	419.2	413.1	428.6	418.6	407.6	409.2
15 Transaction	11.1	10.2	10.3	9.5	10.8	10.8	9.9	9.7	10.6	10.0	9.5	9.0
16 Nontransaction	378.9	376.5	370.3	368.8	383.3	397.9	409.3	403.4	418.0	408.6	398.1	400.2
17 Borrowings	203.4	243.5	238.4	233.4	240.6	219.4	216.4	212.1	221.0	202.7	204.7	213.1
18 From banks in the U.S.	21.1	25.1	22.5	24.5	25.9	21.4	24.2	24.1	29.8	20.9	20.7	25.1
19 From others	182.3	218.3	216.0	208.9	214.7	198.0	192.2	188.0	191.2	181.8	184.0	188.0
20 Net due to related foreign offices	20.3	3.5	4.8	21.8	4.5	−4.4	−19.7	−16.3	−38.8	−12.6	−5.4	−13.1
21 Other liabilities	74.6	79.8[r]	77.2[r]	82.8	88.6	85.4	83.6	78.7	78.7	77.2	81.1	80.1
22 **Total liabilities**	**688.4**	**713.5**[r]	**700.9**[r]	**716.2**	**727.8**	**709.1**	**699.5**	**687.5**	**689.5**	**686.0**	**687.9**	**689.2**
23 Residual (assets less liabilities)[7]	−2.5	7.5[r]	12.4[r]	13.5	4.3	5.4	−2.3	−5.6	−8.1	−6.2	−7.4	−6.7
	Not seasonally adjusted											
Assets												
24 Bank credit	571.9	622.8[r]	611.7[r]	617.8	623.3	605.6	597.7	588.0	590.5	582.5	585.2	586.0
25 Securities in bank credit	203.6	209.6[r]	200.1[r]	207.4	221.0	215.1	217.2	218.7	220.9	217.2	217.7	217.5
26 U.S. government securities	78.1	66.6[r]	64.5[r]	68.1	74.2	69.0	67.1	66.8	69.4	66.2	66.6	66.3
27 Trading account	12.0	11.4	10.4	9.5	14.8	13.8	13.8	13.6	6.0	13.2	13.7	13.5
28 Investment account	66.1	55.3[r]	54.0[r]	58.5	59.4	55.2	53.3	53.2	53.4	53.0	52.9	52.8
29 Other securities	125.5	143.0[r]	135.7[r]	139.3	146.8	146.1	150.1	151.9	151.5	151.0	151.1	151.1
30 Trading account	81.4	96.4	90.8	94.6	99.6	99.3	105.6	107.7	107.9	107.3	107.2	106.8
31 Investment account	44.1	46.6[r]	44.9[r]	44.7	47.3	46.8	44.4	44.2	43.6	43.7	43.9	44.3
32 Loans and leases in bank credit[2]	368.3	413.2	411.6[r]	410.4	402.2	390.5	380.5	369.3	369.6	365.4	367.4	368.5
33 Commercial and industrial	202.9	216.1	219.0	220.9	216.8	213.6	207.6	203.3	203.3	201.6	204.4	203.7
34 Real estate	18.1	18.5	18.6	18.5	17.7	17.8	17.6	17.8	17.6	17.6	17.7	17.9
35 Security[3]	80.9	110.3	106.3	101.1	99.3	91.9	88.9	83.4	83.0	81.6	81.4	82.1
36 Other loans and leases	66.4	68.3	67.7	69.9	68.4	67.2	66.4	64.8	65.6	64.5	64.0	64.8
37 Interbank loans	23.6	29.2	28.4	30.5	28.1	30.5	23.5	22.3	22.0	23.7	24.2	22.1
38 Cash assets[4]	43.0	44.1	41.8	39.1	37.0	35.8	34.2	34.3	33.0	34.3	34.6	35.3
39 Other assets[5]	41.0	37.1[r]	36.1[r]	36.9	38.9	36.8	36.0	31.1	31.5	31.4	32.4	30.7
40 **Total assets**[6]	**679.1**	**732.9**[r]	**717.6**	**724.0**	**726.9**	**708.4**	**691.0**	**675.4**	**676.7**	**671.6**	**676.1**	**673.6**
Liabilities												
41 Deposits	381.4	396.6	388.8	382.7	397.0	409.9	412.1	402.9	414.6	406.5	398.0	401.0
42 Transaction	11.2	10.4	10.1	9.2	10.2	10.4	9.7	9.8	11.1	10.0	9.5	8.9
43 Nontransaction	370.2	386.2	378.7	373.5	386.7	399.4	402.3	393.1	403.5	396.5	388.5	392.1
44 Borrowings	203.4	243.5	238.4	233.4	240.6	219.4	216.4	212.1	221.0	202.7	204.7	213.1
45 From banks in the U.S.	21.1	25.1	22.5	24.5	25.9	21.4	24.2	24.1	29.8	20.9	20.7	25.1
46 From others	182.3	218.3	216.0	208.9	214.7	198.0	192.2	188.0	191.2	181.8	184.0	188.0
47 Net due to related foreign offices	17.3	6.8	8.0	22.0	−.1	−7.6	−22.9	−19.6	−39.7	−16.0	−8.8	−20.3
48 Other liabilities	73.3	81.3[r]	78.6[r]	82.8	86.5	83.9	82.1	77.2	78.3	75.8	79.5	76.9
49 **Total liabilities**	**675.4**	**728.1**[r]	**713.8**[r]	**720.9**	**724.0**	**705.6**	**687.7**	**672.6**	**674.1**	**669.0**	**673.4**	**670.7**
50 Residual (assets less liabilities)[7]	3.8	4.8[r]	3.8[r]	3.1	2.9	2.9	3.3	2.8	2.5	2.6	2.6	2.9

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

F. Memo items

Billions of dollars

Account	Monthly averages								Wednesday figures			
	2000	2001							2001			
	July[r]	Jan.	Feb.	Mar.[r]	Apr.[r]	May[r]	June[r]	July	July 4	July 11	July 18	July 25
	Not seasonally adjusted											
MEMO												
Large domestically chartered banks, adjusted for mergers												
1 Revaluation gains on off-balance-sheet items[8]	63.2	79.6[r]	77.7[r]	80.8	79.9	82.0	87.2	77.6	80.5	69.0	77.1	75.1
2 Revaluation losses on off-balance-sheet items[8]	62.9	82.5	81.0	79.8	74.9	74.7	81.5	70.3	72.3	63.5	71.1	67.9
3 Mortgage-backed securities[9]	248.1	255.0[r]	251.5[r]	251.7	258.3	265.2	261.4	260.8	258.0	258.0	253.2	261.2
4 Pass-through	177.3	188.4[r]	184.5[r]	186.5	194.6	200.1	200.1	199.3	197.5	197.4	193.2	198.3
5 CMO, REMIC, and other	70.8	66.6[r]	66.9[r]	65.2	63.7	65.1	61.3	61.6	60.6	60.6	60.0	62.9
6 Net unrealized gains (losses) on available-for-sale securities[10]	−12.4	.9[r]	2.8[r]	3.6	.4	−1.5	−1.7	−1.0	−2.1	−1.8	−1.1	−1.2
7 Off-shore credit to U.S. residents[11]	22.2	23.0	22.7	22.6	21.7	21.0	20.6	20.2	20.5	20.1	20.1	20.1
8 Securitized consumer loans[12]	87.3	82.4	80.8	80.2	78.8	77.0	76.7	76.3	76.9	76.8	75.5	77.1
9 Credit cards and related plans	72.4	68.5	67.3	67.3	66.4	65.0	65.3	64.9	65.7	65.7	64.5	65.1
10 Other	15.0	13.9	13.4	12.9	12.4	12.0	11.5	11.4	11.2	11.0	10.9	12.0
11 Securitized business loans[12]	17.0	18.4	18.6	18.7	18.8	19.8	20.4	20.2	20.4	20.2	20.1	20.1
Small domestically chartered commercial banks, adjusted for mergers												
12 Mortgage-backed securities[9]	200.6	211.6[r]	216.4[r]	222.9	230.8	235.2	238.3	245.2	242.5	243.1	242.4	247.4
13 Securitized consumer loans[12]	221.4	231.5	235.6	238.5	240.7	241.7	247.6	251.4	251.0	250.7	250.7	250.8
14 Credit cards and related plans	212.5	222.4	226.8	229.9	232.1	233.3	239.1	242.8	242.3	242.1	242.1	242.2
15 Other	8.9	9.1	8.9	8.7	8.6	8.4	8.5	8.6	8.7	8.6	8.6	8.5
Foreign-related institutions												
16 Revaluation gains on off-balance-sheet items[8]	41.2	52.0	49.4	52.7	56.5	56.3	57.2	54.9	55.3	53.7	55.8	54.7
17 Revaluation losses on off-balance-sheet items[8]	38.2	49.0	47.0	49.7	52.1	51.8	52.0	49.8	50.0	48.6	50.7	50.0
18 Securitized business loans[12]	23.9	23.2	22.4	21.5	19.8	18.0	17.2	17.1	17.3	17.3	17.2	16.7

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 made 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.

12. Total amount outstanding.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

A. Commercial Paper

Millions of dollars, seasonally adjusted, end of period

Item	Year ending December					2001					
	1996	1997	1998	1999	2000	Jan.	Feb.	Mar.	Apr.	May	June
1 **All issuers**	**775,371**	**966,699**	**1,163,303**	**1,403,023**	**1,615,341**	**1,566,104**	**1,544,572**	**1,511,354**	**1,519,528**	**1,501,113**	**1,468,919**
Financial companies[1]											
2 Dealer-placed paper, total[2]	361,147	513,307	614,142	786,643	973,060	976,735	977,791	978,225	995,072	986,369	982,216
3 Directly placed paper, total[3]	229,662	252,536	322,030	337,240	298,848	270,922	263,554	249,420	247,333	245,768	244,520
4 Nonfinancial companies[4]	184,563	200,857	227,132	279,140	343,433	318,447	303,227	283,711	277,123	268,976	242,183

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.

B. Bankers Dollar Acceptances[1]

Millions of dollars, not seasonally adjusted, year ending September[2]

Item	1997	1998	1999	2000
1 **Total amount of reporting banks' acceptances in existence**	**25,774**	**14,363**	**10,094**	**9,881**
2 Amount of other banks' eligible acceptances held by reporting banks	736	523	461	462
3 Amount of own eligible acceptances held by reporting banks (included in item 1)	6,862	4,884	4,261	3,789
4 Amount of eligible acceptances representing goods stored in, or shipped between, foreign countries (included in item 1)	10,467	5,413	3,498	3,689

1. Includes eligible, dollar-denominated bankers acceptances legally payable in the United States. Eligible acceptances are those that are eligible for discount by Federal Reserve Banks; that is, those acceptances that meet the criteria of Paragraph 7 of Section 13 of the Federal Reserve Act (12 U.S.C. §372).
2. Data on bankers dollar acceptances are gathered from approximately 40 institutions; includes U.S. chartered commerical banks (domestic and foreign offices), U.S. branches and agencies of foreign banks, and Edge and agreement corporations. The reporting group is revised every year.

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
1998—Jan. 1	8.50	1998	8.35	1999—Jan.	7.75	2000—July	9.50
Sept 30	8.25	1999	8.00	Feb.	7.75	Aug.	9.50
Oct. 16	8.00	2000	9.23	Mar.	7.75	Sept.	9.50
Nov. 18	7.75			Apr.	7.75	Oct.	9.50
		1998—Jan.	8.50	May	7.75	Nov.	9.50
1999—July 1	8.00	Feb.	8.50	June	7.75	Dec	9.50
Aug. 25	8.25	Mar	8.50	July	8.00		
Nov. 17	8.50	Apr	8.50	Aug.	8.06	2001—Jan.	9.05
		May	8.50	Sept.	8.25	Feb.	8.50
2000—Feb. 3	8.75	June	8.50	Oct.	8.25	Mar.	8.32
Mar. 22	9.00	July	8.50	Nov.	8.37	Apr.	7.80
May 17	9.50	Aug	8.50	Dec.	8.50	May	7.24
		Sept.	8.49			June	6.98
2001—Jan. 4	9.00	Oct.	8.12	2000—Jan.	8.50	July	6.75
Feb. 1	8.50	Nov.	7.89	Feb.	8.73	Aug.	6.67
Mar. 21	8.00	Dec.	7.75	Mar.	8.83		
Apr. 19	7.50			Apr.	9.00		
May 16	7.00			May	9.24		
June 28	6.75			June	9.50		
Aug. 22	6.50						
Sept. 18	6.00						

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	1998	1999	2000	2001				2001, week ending				
				Apr.	May	June	July	June 29	July 6	July 13	July 20	July 27
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	5.35	4.97	6.24	4.80	4.21	3.97	3.77	3.91	3.89	3.67	3.76	3.81
2 Discount window borrowing[2,4]	4.92	4.62	5.73	4.28	3.73	3.47	3.25	3.46	3.25	3.25	3.25	3.25
Commercial paper[3,5,6]												
Nonfinancial												
3 1-month	5.40	5.09	6.27	4.71	4.06	3.82	3.71	3.69	3.74	3.71	3.70	3.69
4 2-month	5.38	5.14	6.29	4.54	3.98	3.73	3.63	3.63	3.71	3.65	3.63	3.59
5 3-month	5.34	5.18	6.31	4.44	3.93	3.67	3.59	3.59	3.67	3.62	3.58	3.54
Financial												
6 1-month	5.42	5.11	6.28	4.74	4.08	3.84	3.73	3.72	3.76	3.73	3.72	3.73
7 2-month	5.40	5.16	6.30	4.57	4.00	3.75	3.66	3.66	3.73	3.69	3.65	3.62
8 3-month	5.37	5.22	6.33	4.47	3.96	3.69	3.62	3.60	3.69	3.64	3.61	3.56
Commercial paper (historical)[3,5,7]												
9 1-month	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 3-month	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
11 6-month	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Finance paper, directly placed (historical)[3,5,8]												
12 1-month	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 3-month	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 6-month	n.a.	n.a.	n.a.	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	5.39	5.24	6.23	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
16 6-month	5.30	5.30	6.37	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Certificates of deposit, secondary market[3,10]												
17 1-month	5.49	5.19	6.35	4.77	4.11	3.86	3.76	3.73	3.79	3.77	3.75	3.74
18 3-month	5.47	5.33	6.46	4.53	4.02	3.74	3.66	3.68	3.75	3.69	3.65	3.62
19 6-month	5.44	5.46	6.59	4.41	4.01	3.74	3.70	3.69	3.81	3.72	3.67	3.63
20 Eurodollar deposits, 3-month[3,11]	5.45	5.31	6.45	4.55	4.01	3.73	3.66	3.67	3.74	3.68	3.65	3.62
U.S. Treasury bills												
Secondary market[3,5]												
21 3-month	4.78	4.64	5.82	3.87	3.62	3.49	3.51	3.47	3.57	3.54	3.49	3.48
22 6-month	4.83	4.75	5.90	3.85	3.62	3.45	3.45	3.44	3.50	3.47	3.45	3.41
23 1-year	4.80	4.81	5.78	3.80	3.60	3.37	3.39	3.38	3.48	3.41	3.36	3.35
Auction high[3,5,12]												
24 3-month	4.81	4.66	5.66	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
25 6-month	4.85	4.76	5.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
26 1-year	4.85	4.78	5.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[13]												
27 1-year	5.05	5.08	6.11	3.98	3.78	3.58	3.62	3.60	3.70	3.62	3.60	3.59
28 2-year	5.13	5.43	6.26	4.23	4.26	4.08	4.04	4.10	4.21	4.10	4.02	3.95
29 3-year	5.14	5.49	6.22	4.42	4.51	4.35	4.31	4.38	4.47	4.36	4.30	4.25
30 5-year	5.15	5.55	6.16	4.76	4.93	4.81	4.76	4.82	4.91	4.83	4.72	4.69
31 7-year	5.28	5.79	6.20	5.03	5.24	5.14	5.06	5.14	5.25	5.14	5.00	4.96
32 10-year	5.26	5.65	6.03	5.14	5.39	5.28	5.24	5.29	5.41	5.31	5.17	5.16
33 20-year	5.72	6.20	6.23	5.78	5.92	5.82	5.75	5.81	5.91	5.83	5.69	5.67
34 30-year	5.58	5.87	5.94	5.65	5.78	5.67	5.61	5.66	5.74	5.67	5.55	5.55
Composite												
35 More than 10 years (long-term)	5.69	6.14	6.41	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
STATE AND LOCAL NOTES AND BONDS												
Moody's series[14]												
36 Aaa	4.93	5.28	5.58	5.14	5.15	5.03	4.79	5.05	5.08	5.06	5.01	4.99
37 Baa	5.14	5.70	6.19	5.96	5.94	5.82	5.81	5.84	5.86	5.87	5.78	5.74
38 *Bond Buyer* series[15]	5.09	5.43	5.71	5.27	5.29	5.20	5.20	5.21	5.26	5.22	5.17	5.14
CORPORATE BONDS												
39 Seasoned issues, all industries[16]	6.87	7.45	7.98	7.63	7.69	7.56	7.51	7.54	7.62	7.57	7.46	7.45
Rating group												
40 Aaa	6.53	7.05	7.62	7.20	7.29	7.18	7.13	7.17	7.24	7.19	7.09	7.08
41 Aa	6.80	7.36	7.83	7.43	7.50	7.34	7.27	7.32	7.40	7.35	7.23	7.20
42 A	6.93	7.53	8.11	7.82	7.88	7.73	7.65	7.70	7.77	7.72	7.61	7.58
43 Baa	7.22	7.88	8.36	8.07	8.07	7.97	7.97	7.98	8.08	8.03	7.93	7.91
MEMO												
Dividend–price ratio[17]												
44 Common stocks	1.49	1.25	1.15	1.32	1.23	1.27	1.30	1.29	1.27	1.32	1.30	1.32

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. 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 or bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. Interest rates interpolated from data on certain commercial paper trades settled by the Depository Trust Company. The trades represent sales of commercial paper by dealers or direct issuers to investors (that is, the offer side). See the Board's Commercial Paper web pages (http://www.federalreserve.gov/releases/cp) for more information.
7. An average of offering rates on commercial paper for firms whose bond rating is AA or the equivalent. Series ended August 29, 1997.
8. An average of offering rates on paper directly placed by finance companies. Series ended August 29, 1997.
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 collected around 9:30 a.m. Eastern time. Data are for indication purposes only.
12. Auction date for daily data; weekly and monthly averages computed on an issue-date basis. On or after October 28, 1998, data are stop yields from uniform-price auctions. Before that, they are weighted average yields from multiple-price auctions.
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 Moody's 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. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

1.36 STOCK MARKET Selected Statistics

Indicator	1998	1999	2000	2000		2001						
				Nov.	Dec.	Jan.	Feb.	Mar	Apr.	May	June	July
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	550.65	619.52	643.71	646.64	645.44	650.55	648.05	603.44	607.06	644.44	630.86	613.36
2 Industrial	684.35	775.29	809.40	800.88	792.66	796.74	799.38	744.21	747.48	798.94	782.73	756.04
3 Transportation	468.61	491.62	414.73	434.92	457.53	471.21	482.26	452.36	455.22	477.21	458.60	469.80
4 Utility	190.52	284.82	478.99	455.66	444.16	440.36	424.53	395.34	400.49	414.69	382.98	374.11
5 Finance	516.65	530.97	552 48	600.45	621.62	634.17	626.41	583.38	587.88	618.74	622.17	614.54
6 Standard & Poor's Corporation (1941–43 = 10)[1]	1,085.50	1,327.33	1,427.22	1,375.04	1,330.93	1,335.63	1,305.75	1,185.85	1,189.84	1,270.37	1,238.71	1,204.45
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	682.69	770.90	922.22	892.60	870.16	898.18	923.99	891.22	891.18	940.73	923.06	892.74
Volume of trading (thousands of shares)												
8 New York Stock Exchange	666,534	799,554	1,026,867	1,015,606	1,183,149	1,299,986	1,117,977	1,251,569	1,247,382	1,091,366	1,152,193	1,120,074
9 American Stock Exchange	28,870	32,629	51,437	58,541	73,759	72,312	70,648	81,666	77,612	66,103	62,395	56,735
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers[3]**	**140,980**	**228,530**	**198,790**	**219,110**	**198,790**	**197,110**	**186,810**	**165,350**	**166,940**	**174,180**	**170,000**	**165,250**
Free credit balances at brokers[4]												
11 Margin accounts[5]	40,250	55,130	100,680	96,730	100,680	90,380	99,390	106,300	97,470	91,990	98,430	97,950
12 Cash accounts	62,450	79,070	84,400	74,050	84,400	81,380	78,660	77,520	77,460	76,260	75,270	73,490

	Margin requirements (percent of market value and effective date)[6]					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. 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

2. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.

3. 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.

4. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.

5. Series initiated in June 1984.

6. 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 1998	Fiscal year 1999	Fiscal year 2000	Calendar year 2001 Feb.	Mar.	Apr.	May	June	July
U.S. budget[1]									
1 Receipts, total	1,721,798	1,827,302	2,025,218	110,481	130,071	331,796	125,590	202,887	127,842
2 On-budget	1,305,999	1,382,986	1,544,634	70,555	84,120	278,611	84,759	151,482	89,473
3 Off-budget	415,799	444,468	480,584	39,926	45,951	53,185	40,831	51,405	38,369
4 Outlays, total	1,652,619	1,702,875	1,788,826	158,649	180,733	141,999	153,508	171,025	125,022
5 On-budget	1,336,015	1,382,097	1,458,061	123,573	145,182	109,938	118,517	167,796	92,145
6 Off-budget	316,604	320,778	330,765	35,076	35,550	32,062	34,992	3,229	32,877
7 Surplus or deficit (−), total	69,179	124,579	236,392	−48,168	−50,662	189,796	−27,919	31,862	2,820
8 On-budget	−30,016	889	86,573	−53,018	−61,062	168,673	−33,758	−16,314	−2,672
9 Off-budget	99,195	123,690	149,819	4,850	10,401	21,123	5,839	48,176	5,492
Source of financing (total)									
10 Borrowing from the public	−51,211	−88,674	−222,672	15,100	32,557	−135,572	−20,608	−1,212	−7,463
11 Operating cash (decrease, or increase [−])	4,743	−17,580	3,799	45,717	−7,171	−36,846	58,856	−37,413	20,589
12 Other[2]	−22,711	−18,325	−17,519	−12,649	25,276	−17,378	−10,329	6,763	−15,946
MEMO									
13 Treasury operating balance (level, end of period)	38,878	56,458	52,659	21,113	28,284	65,130	6,274	43,687	23,098
14 Federal Reserve Banks	4,952	6,641	8,459	4,956	5,657	7,894	4,396	7,188	5,592
15 Tax and loan accounts	33,926	49,817	44,199	16,158	22,627	57,236	1,878	36,498	17,506

1. Since 1990, off-budget items have been the social security trust funds (Federal Old-Age, Survivors, and 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* when available.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year		Calendar year						
	1999	2000	1999	2000		2001	2001		
			H2	H1	H2	H1	May	June	July
RECEIPTS									
1 **All sources**	**1,827,302**	**2,025,218**	**892,266**	**1,089,763**	**952,942**	**1,120,040**	**125,590**	**202,887**	**127,842**
2 Individual income taxes, net	879,480	1,004,462	425,451	550,208	458,679	580,632[r]	47,787[r]	93,676	60,466
3 Withheld	693,940	780,397	372,012	388,526	395,572	402,417	63,237	53,125	65,601
4 Nonwithheld	308,185	358,049	68,302	281,103	77,732	308,418	13,753	43,804	5,029
5 Refunds	122,706	134,046	14,841	119,477	14,628	130,256[r]	29,213[r]	3,263	10,165
Corporation income taxes									
6 Gross receipts	216,324	235,655	110,111	119,166	123,962	102,947	6,453	31,563	5,036
7 Refunds	31,645	28,367	13,996	13,781	15,776	20,262	2,000	1,617	2,328
8 Social insurance taxes and contributions, net	611,833	652,852	292,551	353,514	310,122	379,878	61,437	66,732	52,154
9 Employment taxes and contributions[2]	580,880	620,451	280,059	333,584	297,665	359,648	52,210	66,039	49,672
10 Unemployment insurance	26,480	27,640	10,173	17,562	10,097	17,842	8,786	344	2,128
11 Other net receipts[3]	4,473	4,761	2,319	2,368	2,360	2,387	441	349	355
12 Excise taxes	70,414	68,865	34,262	33,532	35,501	32,490	4,390	5,965	5,733
13 Customs deposits	18,336	19,914	10,287	9,218	10,676	9,370	1,501	1,571	1,755
14 Estate and gift taxes	27,782	29,010	14,001	15,073	13,216	15,471	2,465	2,058	2,099
15 Miscellaneous receipts[4]	34,929	42,826	19,569	22,831	16,556	19,517	3,559	2,939	2,926
OUTLAYS									
16 **All types**	**1,702,875**	**1,788,826**	**882,465**	**892,947**	**894,905**	**948,750**	**153,508**	**171,025**	**125,322**
17 National defense	274,873	294,494	149,573	143,476	147,651	153,154	26,028	29,382	22,153
18 International affairs	15,243	17,216	8,530	7,250	11,902	6,522	−1,490	2,318	413
19 General science, space, and technology	18,125	18,637	10,089	9,601	10,389	10,073	1,892	1,821	1,642
20 Energy	912	−1,060	−90	−893	−595	−244	−25	536	−117
21 Natural resources and environment	23,970	25,031	12,100	10,814	12,907	11,059	2,136	1,915	1,757
22 Agriculture	23,011	36,641	20,887	11,164	20,977	10,832	711	893	240
23 Commerce and housing credit	2,649	3,211	7,353	−2,497	4,408	−1,539	−907	33	−13,479
24 Transportation	42,531	46,854	23,199	21,054	25,841	23,810	4,850	4,643	4,327
25 Community and regional development	11,870	10,629	6,806	5,050	5,962	5,265	928	1,205	1,598
26 Education, training, employment, and social services	56,402	59,201	27,532	31,234	29,263	35,698	5,907	6,502	4,291
27 Health	141,079	154,534	74,490	75,871	81,413	87,427	14,954	15,768	14,094
28 Social security and Medicare	580,488	606,549	295,030	306,966	307,473	328,072	55,876	61,115	52,621
29 Income security	237,707	247,895	113,504	133,915	113,212	146,913	22,005	21,667	17,282
30 Veterans benefits and services	43,212	47,083	23,412	23,174	22,615	23,171	2,865	5,619	2,150
31 Administration of justice	25,924	27,820	13,459	13,981	14,635	14,694	2,450	2,320	2,202
32 General government	15,771	13,454	7,010	6,198	6,461	8,887	849	2,669	625
33 Net interest[5]	229,735	223,218	112,420	115,545	104,685	107,824	18,363	15,912	17,287
34 Undistributed offsetting receipts[6]	−40,445	−42,581	−22,850	−19,346	−24,070	−22,865	−3,882	−3,294	−3,765

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 2002*; 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	1999			2000				2001	
	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30
1 **Federal debt outstanding**	**5,668**	**5,685**	**5,805**	**5,802**	**5,714**	**5,702**	**5,690**	**5,801**	**5,754**
2 Public debt securities	5,639	5,656	5,776	5,773	5,686	5,674	5,662	5,774	5,727
3 Held by public	3,685	3,667	3,716	3,688	3,496	3,439	3,414	3,434	3,274
4 Held by agencies	1,954	1,989	2,061	2,085	2,190	2,236	2,249	2,339	2,453
5 Agency securities	29	29	29	28	28	28	27	27	27
6 Held by public	28	28	28	28	28	28	27	27	27
7 Held by agencies	1	1	1	0	0	0	0	0	0
8 **Debt subject to statutory limit**	**5,552**	**5,568**	**5,687**	**5,687**	**5,601**	**5,592**	**5,581**	**5,693**	**5,645**
9 Public debt securities	5,552	5,568	5,687	5,686	5,601	5,591	5,580	5,692	5,645
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	5,950	5,950	5,950	5,950	5,950	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 *Monthly Treasury Statement*.

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1997	1998	1999	2000	2000		2001	
					Q3	Q4	Q1	Q2
1 **Total gross public debt**	**5,502.4**	**5,614.2**	**5,776.1**	**5,662.2**	**5,674.2**	**5,662.2**	**5,773.7**	**5,726.8**
By type								
2 Interest-bearing	5,494.9	5,605.4	5,766.1	5,618.1	5,622.1	5,618.1	5,752.0	5,682.8
3 Marketable	3,456.8	3,355.5	3,281.0	2,966.9	2,992.8	2,966.9	2,981.9	2,822.3
4 Bills	715.4	691.0	737.1	646.9	616.2	646.9	712.0	620.1
5 Notes	2,106.1	1,960.7	1,784.5	1,557.3	1,611.3	1,557.3	1,499.0	1,441.0
6 Bonds	587.3	621.2	643.7	626.5	635.3	626.5	627.9	616.9
7 Inflation-indexed notes and bonds[1]	33.0	67.6	100.7	121.2	115.0	121.2	128.0	129.3
8 Nonmarketable[2]	2,038.1	2,249.9	2,485.1	2,651.2	2,629.3	2,651.2	2,770.0	2,860.5
9 State and local government series	124.1	165.3	165.7	151.0	153.3	151.0	152.9	153.3
10 Foreign issues[3]	36.2	34.3	31.3	27.2	25.4	27.2	24.7	24.0
11 Government	36.2	34.3	31.3	27.2	25.4	27.2	24.7	24.0
12 Public	.0	.0	.0	.0	.0	.0	.0	.0
13 Savings bonds and notes	181.2	180.3	179.4	176.9	177.7	176.9	177.4	178.4
14 Government account series[4]	1,666.7	1,840.0	2,078.7	2,266.1	2,242.9	2,266.1	2,360.3	2,474.7
15 Non-interest-bearing	7.5	8.8	10.0	44.2	52.1	44.2	46.5	44.0
By holder[5]								
16 U.S. Treasury and other federal agencies and trust funds	1,657.1	1,828.1	2,064.2	2,270.2	2,226.5	2,270.2	2,357.0	2,469.1
17 Federal Reserve Banks[6]	430.7	452.1	478.0	511.7	511.4	511.7	523.9	535.1
18 Private investors	3,414.6	3,334.0	3,233.9	2,880.4	2,936.2	2,880.4	2,892.9	2,722.6
19 Depository institutions	300.3	237.3	246.4	199.1	218.3	199.1	187.3	192.2
20 Mutual funds	321.5	343.3	348.4	338.7	324.3	338.7	348.8	352.4
21 Insurance companies	176.6	141.7	123.4	110.2	113.8	110.2	101.9	92.9
22 State and local treasuries[7]	239.3	269.3	266.8	236.2	241.9	236.2	224	216.5
Individuals								
23 Savings bonds	186.5	186.6	186.4	184.8	184.3	184.8	184.8	186
24 Pension funds	360.5	356.8	349.7	333.4	340.4	333.4	326.5	230.2
25 Private	143.5	139.1	138.5	137.7	139.7	137.7	131.2	129.2
26 State and local	216.9	217.7	211.2	195.7	200.7	195.7	195.3	191
27 Foreign and international[8]	1,241.6	1,278.7	1,268.7	1,201.3	1,224.9	1,201.3	1,196.1	1,167.1
28 Other miscellaneous investors[7,9]	589.5	499.0	412.8	145	235.1	145	250.9	n.a.

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. U.S. Treasury securities bought outright by Federal Reserve Banks, see *Bulletin* table 1.18.
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. Includes nonmarketable foreign series Treasury securities and Treasury deposit funds. Excludes Treasury securities held under repurchase agreements in custody accounts at the Federal Reserve Bank of New York.
9. Includes individuals, government-sponsored enterprises, brokers and dealers, bank personal trusts and estates, corporate and noncorporate businesses, and other investors.

SOURCES. Data by type of security, U.S. Treasury Department, *Monthly Statement of the Public Debt of the United States*; data by holder, Federal Reserve Board of Governors, *Flow of Funds Accounts of the United States* and U.S. Treasury Department, *Treasury Bulletin*, unless otherwise noted.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Millions of dollars, daily averages

Item	2001			2001, week ending								
	Apr	May	June	May 30	June 6	June 13	June 20	June 27	July 4	July 11	July 18	July 25
OUTRIGHT TRANSACTIONS												
By type of security												
1 U.S. Treasury bills	32,414	23,093	26,141	34,425	34,861	19,936	26,042	23,775	30,377	27,768	29,590	23,622
Treasury coupon securities by maturity												
2 Three years or less	n.a	n.a.	n.a.	n.a.	n.a.	n.a	n.a	n.a.	118,453	91,633	97,837	86,805
3 More than three but less than or equal to six years	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	83,923	64,438	63,566	58,615
4 More than six but less than or equal to eleven years	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	58,180	46,626	51,906	54,098
5 More than eleven	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a.	17,804	14,140	16,488	16,533
6 Inflation-indexed[2]	1,847	1,833	1,384	1,633	974	1,532	1,048	1,542	2,284	4,228	2,020	1,485
Federal agency and government-sponsored enterprises												
7 Discount notes	61,242	55,738	53,216	56,532	51,465	44,842	56,196	56,276	62,549	51,438	59,603	53,512
Coupon securities by maturity												
8 Three years or less	n.a.	n.a.	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	12,880	11,104	10,384	12,218
9 More than three but less than or equal to six years	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8,360	10,663	6,535	5,842
10 More than six but less than or equal to eleven years	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7,640	4,612	8,647	6,589
11 More than eleven	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	736	458	1,192	1,332
12 Mortgage-backed	107,684	100,310	96,113	72,304	108,791	137,587	80,404	69,699	72,376	141,762	94,954	66,830
Corporate securities												
13 One year or less	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	85,207	78,254	77,765	69,968
14 More than one year	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	17,686	10,464	14,028	18,994
By type of counterparty												
With interdealer broker												
15 U.S. Treasury	152,513	151,800	130,715	144,299	135,599	115,835	129,802	137,422	143,664	120,382	124,550	111,000
16 Federal agency and government-sponsored enterprise	12,924	12,451	14,142	10,856	14,572	14,838	14,236	14,597	10,174	8,839	11,428	9,803
17 Mortgage-backed	34,441	32,101	30,517	26,367	34,030	38,899	26,013	28,115	19,806	35,719	25,910	24,016
18 Corporate	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2,036	509	878	1,116
With other												
19 U.S. Treasury	145,077	142,180	129,696	136,662	150,441	103,960	120,638	132,829	167,355	128,451	136,857	130,158
20 Federal agency and government-sponsored enterprise	75,208	70,798	70,510	69,211	67,554	60,977	75,087	73,238	81,991	69,436	74,933	69,689
21 Mortgage-backed	73,244	68,209	65,596	45,937	74,761	98,689	54,392	41,585	52,570	106,043	69,044	42,814
22 Corporate	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a.	100,856	88,209	90,914	87,846

1. The figures represent purchases and sales in the market by the primary U.S. government securities dealers reporting to the Federal Reserve Bank of New York. Outright transactions include all U.S. government, federal agency, government-sponsored enterprise, mortgage-backed, and corporate securities scheduled for immediate and forward delivery, as well as all U.S. Government securities traded on a when-issued basis between the announcement and issue date. Data do not include transactions under repurchase and reverse repurchase (resale) agreements. Averages are based on the number of trading days in the week.

2. Outright Treasury inflation-indexed securities (TIIS) transactions are reported at principal value, excluding accrued interest, where principal value reflects the original issuance par amount (unadjusted for inflation) times the price times the index ratio.

Note: Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 4, 2001. Current weekly data may be found at the Federal Reserve Bank of New York web site (http://www.newyorkfed.org/pihome/statistics) under the Primary Dealer heading.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Millions of dollars

Item	2001			2001, week ending							
	Apr.	May	June	May 30	June 6	June 13	June 20	June 27	July 4	July 11	July 18
	NET OUTRIGHT POSITIONS[2]										
By type of security											
1 U.S. Treasury bills	30,544	−332	3,445	590	9,269	4,271	−485	−15	7,110	7,016	3,630
Treasury coupon securities by maturity											
2 Three years or less	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	−16,969	−17,242	−17,252
3 More than three but less than or equal to six years	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	−15,221	−18,066	−17,139
4 More than six but less than or equal to eleven years	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	−16,118	−18,140	18,931
5 More than eleven	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10,239	9,644	10,399
6 Inflation-indexed	4,196	4,128	3,491	3,762	4,181	3,120	3,439	3,770	2,451	1,872	2,179
Federal agency and government-sponsored enterprise securities											
7 Discount notes	49,374	51,428	55,075	56,934	55,382	61,718	54,516	48,710	55,120	49,408	51,532
Coupon securities by maturity											
8 Three years or less	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	23,625	26,986	22,279
9 More than three but less than or equal to six years	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	−3,096	−458	1,020
10 More than six but less than or equal to eleven years	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2,472	2,849	5,099
11 More than eleven	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4,190	4,063	3,854
12 Mortgage-backed	12,181	16,811	17,928	21,585	20,369	17,004	17,128	19,231	14,027	8,874	10,645
Corporate securities											
13 One year or less	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	16,541	14,244	15,221
14 More than one year	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	23,106	26,100	26,716
	FINANCING[3]										
Securities in											
U.S. Treasury											
15 Overnight and continuing									510,993	534,843	532,146
16 Term									711,949	722,028	746,996
Federal agency and government-sponsored enterprises											
17 Overnight and continuing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	110,263	111,565	108,715
18 Term									159,641	165,053	162,392
Mortgage-backed securities											
19 Overnight and continuing									20,813	23,216	21,796
20 Term									197,977	199,037	195,696
Corporate securities											
21 Overnight and continuing									34,229	34,131	34,851
22 Term									14,179	13,428	13,286
MEMO: Repurchase agreements											
23 Overnight and continuing	366,382	383,190	365,246	383,646	387,199	374,728	360,779	354,160	335,502	353,063	342,573
24 Term	925,786	953,256	1,031,773	973,678	1,001,600	1,024,000	1,055,391	1,072,853	959,291	992,190	1,001,645
Securities out											
U.S. Treasury											
25 Overnight and continuing									482,344	533,787	524,882
26 Term									665,178	657,251	678,441
Federal agency and government-sponsored enterprises											
27 Overnight and continuing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	192,185	215,948	218,060
28 Term									137,932	117,200	119,367
Mortgage-backed securities											
29 Overnight and continuing									222,096	242,794	259,777
30 Term									117,555	95,570	99,190
Corporate securities											
31 Overnight and continuing									77,335	80,130	83,145
32 Term									15,523	9,349	9,893
MEMO: Reverse repurchase agreements											
33 Overnight and continuing	869,117	865,375	890,043	852,035	900,477	899,998	903,325	879,205	840,245	941,099	962,203
34 Term	852,132	877,681	934,264	895,796	915,611	934,937	958,305	979,348	808,711	854,252	888,912

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. Net outright positions include all U.S. government, federal agency, government-sponsored enterprise, mortgage-backed, and corporate securities scheduled for immediate and forward delivery, as well as U.S. government securities traded on a when-issued basis between the announcement and issue date.

3. Figures cover financing involving U.S. government, federal agency, government-sponsored enterprise, mortgage-backed, and corporate securities. Financing transactions for Treasury inflation-indexed securities (TIIS) are reported in actual funds paid or received, except for pledged securities. TIIS that are used as pledged securities are reported at par value, which is the value of the security at original issuance (unadjusted for inflation).

NOTE. Major changes in the report form filed by primary dealers included a break in many series as of the week ending July 4, 2001. Current weekly data may be found at the Federal Reserve Bank of New York web site (http://www.newyorkfed.org/pihome/statistics) under the Primary Dealer heading.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1997	1998	1999	2000	2001				
					Jan.	Feb.	Mar.	Apr.	May
1 **Federal and federally sponsored agencies**	**1,022,609**	**1,296,477**	**1,616,492**	**1,851,632**	n.a.	**1,917,503**	**1,919,761**	n.a.	
2 Federal agencies	27,792	26,502	26,376	25,666	25,426	25,141	25,063	25,024	
3 Defense Department[1]	6	6	6	6	6	6	6	6	
4 Export-Import Bank[2,3]	552	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
5 Federal Housing Administration[4]	102	205	126	255	275	291	307	315	n.a.
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.	
7 Postal Service[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
8 Tennessee Valley Authority	27,786	26,496	26,370	25,660	25,420	25,135	25,057	25,018	
9 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
10 Federally sponsored agencies[7]	994,817	1,269,975	1,590,116	1,825,966	1,873,199	1,892,362	1,894,698	n.a.	
11 Federal Home Loan Banks	313,919	382,131	529,005	594,404	604,904	598,586	602,824	595,562	
12 Federal Home Loan Mortgage Corporation	169,200	287,396	360,711	426,899	446,997	455,623	461,338	478,447	490,442
13 Federal National Mortgage Association	369,774	460,291	547,619	642,700	654,200	668,200	666,600	682,500	693,600
14 Farm Credit Banks[8]	63,517	63,488	68,883	74,181	73,925	73,647	74,174	74,456	75,363
15 Student Loan Marketing Association[9]	37,717	35,399	41,988	45,375	50,669	53,886	47,322	48,468	48,255
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]	**49,090**	**44,129**	**42,152**	**40,575**	**39,348**	**38,924**	**39,341**	**39,065**	
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	552								
21 Postal Service[6]	n.a.								
22 Student Loan Marketing Association	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
23 Tennessee Valley Authority	n.a								n.a.
24 United States Railway Association[6]	n.a								
Other lending[14]									
25 Farmers Home Administration	13,530	9,500	6,665	5,275	5,155	5,155	5,155	5,155	
26 Rural Electrification Administration	14,898	14,091	14,085	13,126	13,197	13,281	13,371	13,371	
27 Other	20,110	20,538	21,402	22,174	20,996	20,488	20,815	20,539	

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	1998	1999	2000	2000	2001						
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
1 **All issues, new and refunding**[1]	**262,342**	**215,427**	**180,403**	**15,348**	**11,255**	**19,829**	**24,495**	**16,985**	**26,248**	**29,298**	**19,232**
By type of issue											
2 General obligation	87,015	73,308	64,475	5,060	6,256	9,389	7,668	6,890	8,385	9,691	5,836
3 Revenue	175,327	142,120	115,928	10,288	4,999	10,441	16,827	10,094	17,863	19,606	13,396
By type of issuer											
4 State	23,506	16,376	19,944	1,640	1,738	3,268	1,893	1,900	3,123	2,905	2,029
5 Special district or statutory authority[2]	178,421	152,418	111,695	1,053	7,061	11,011	17,280	113,344	17,281	20,672	11,784
6 Municipality, county, or township	60,173	46,634	39,273	3,165	2,456	5,550	5,323	3,740	5,845	5,721	5,419
7 **Issues for new capital**	**160,568**	**161,065**	**154,257**	**13,286**	**8,758**	**13,384**	**15,387**	**12,264**	**20,002**	**20,044**	**15,015**
By use of proceeds											
8 Education	36,904	36,563	38,665	2,919	2,786	3,102	5,343	3,731	5,714	6,460	3,379
9 Transportation	19,926	17,394	19,730	1,381	780	2,411	1,219	1,381	2,522	1,258	3,160
10 Utilities and conservation	21,037	15,098	11,917	1,307	678	1,335	1,677	1,447	2,969	3,191	1,055
11 Social welfare	n.a.	n.a.	n.a	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Industrial aid	8,594	9,099	7,122	615	63	281	396	436	422	443	508
13 Other purposes	42,450	47,896	47,309	4,264	3,013	4,742	4,368	3,010	4,736	5,047	3,803

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	1998	1999	2000	2000		2001					
				Nov.	Dec.	Jan.	Feb.	Mar	Apr.	May	June
1 **All issues**[1]	**1,128,491**	**1,072,866**	**942,198**	**95,595**	**61,378**	**125,894**	**96,206**	**139,267**	**92,778**	**164,563**[r]	**123,742**
2 **Bonds**[2]	**1,001,736**	**941,298**	**807,281**	**84,094**	**58,713**	**118,372**	**88,806**	**127,956**	**86,274**	**154,623**	**102,476**
By type of offering											
3 Sold in the United States	923,771	818,683	684,484	76,383	57,189	115,583	86,146	118,779	81,156	146,164	96,382
4 Sold abroad	77,965	122,615	122,798	7,712	1,525	2,789	2,660	9,177	5,117	8,459	6,094
MEMO											
5 Private placements, domestic	n.a.	n.a	n.a.	5,534	3,709	26	1,897	652	0	2,563	3,146
By industry group											
6 Nonfinancial	307,711	293,963	242,452	25,784	18,219	44,443	34,604	44,385	33,549	67,142	34,996
7 Financial	694,025	647,335	564,829	58,310	40,495	73,928	54,201	83,571	52,725	87,481	67,480
8 **Stocks**[3]	**182,055**	**223,968**	**283,717**	**23,901**	**15,065**	**7,522**	**7,400**	**11,311**	**6,504**	**9,940**[r]	**20,240**
By type of offering											
9 Public	126,755	131,568	134,917	11,501	2,665	7,522	7,400	11,311	6,504	9,940[r]	20,240
10 Private placement[4]	55,300	92,400	148,800	12,400	12,400	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
11 Nonfinancial	74,113	110,284	118,369	10,794	2,146	4,356	4,463	7,718	4,822	6,809	16,573
12 Financial	52,642	21,284	16,548	707	519	3,166	2,937	3,593	1,682	3,131[r]	3,667

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 include 144(a) offerings.
3. Monthly data cover only public offerings.
4. Data are not available.

SOURCE. 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	1999	2000	2000	2001						
			Dec.	Jan.	Feb	Mar.	Apr.	May	June[r]	July
1 **Sales of own shares**[2]	**1,791,894**	**2,279,315**	**170,255**	**206,765**	**148,362**	**162,548**	**152,327**	**158,361**	**139,270**	**138,421**
2 Redemptions of own shares	1,621,987	2,057,277	160,918	171,819	141,663	175,633	130,454	132,574	125,097	129,022
3 Net sales[3]	169,906	222,038	9,337	34,946	6,699	−13,085	21,873	25,787	14,173	9,399
4 **Assets**[4]	**5,233,191**	**5,123,747**	**5,123,747**	**5,280,222**	**4,879,229**	**4,594,182**	**4,910,568**	**4,956,982**	**4,888,874**	**4,825,083**
5 Cash[5]	219,189	277,386	277,386	280,472	274,077	241,518	247,169	237,487	240,199	240,262
6 Other	5,014,002	4,846,361	4,846,361	4,999,750	4,605,152	4,352,664	4,663,399	4,719,495	4,648,675	4,584,821

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	1998	1999	2000	1999		2000				2001	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1 Profits with inventory valuation and capital consumption adjustment	777.4	825.2	876.4	800.2	857.6	870.3	892.8	895.0	847.6	789.8	n.a.
2 Profits before taxes	721.1	776.3	845.4	765.8	825.0	844.9	862.0	858.3	816.5	755.7	n.a.
3 Profits-tax liability	238.8	253.0	271.5	250.7	267.3	277.0	280.4	274.9	253.5	236.8	n.a.
4 Profits after taxes	482.3	523.3	573.9	515.1	557.7	567.8	581.6	583.4	563.0	518.9	n.a.
5 Dividends	348.7	343.5	379.6	342.2	349.6	361.5	373.7	386.2	397.0	405.2	412.3
6 Undistributed profits	133.6	179.8	194.3	172.9	208.1	206.3	207.9	197.2	165.9	113.7	n.a.
7 Inventory valuation	18.3	-2.9	−12.4	−17.7	21.0	−23.8	−14.8	−3.6	−7.3	−1.9	n.a.
8 Capital consumption adjustment	38.0	51.7	43.4	52.1	53.6	49.2	45.5	40.4	38.4	36.0	31.8

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	1998	1999	2000	1999	2000				2001	
				Q4	Q1	Q2[r]	Q3	Q4	Q1[r]	Q2
ASSETS										
1 Accounts receivable, gross[2]	711.7	811.5	915.6	811.5	848.7	884.4	900.1	915.6	910.7	929.9
2 Consumer	261.8	279.8	296.1	279.8	285.4	294.1	301.9	296.1	287.2	290.7
3 Business	347.5	405.2	471.1	405.2	434.6	454.1	455.7	471.1	471.7	481.8
4 Real estate	102.3	126.5	148.3	126.5	128.8	136.2	142.4	148.3	151.8	157.4
5 LESS: Reserves for unearned income	56.3	53.5	60.0	53.5	54.0	57.0	58.8	60.0	60.2	61.9
6 Reserves for losses	13.8	13.5	15.1	13.5	14.0	14.4	14.2	15.1	15.6	16.0
7 Accounts receivable, net	641.6	744.6	840.5	744.6	780.7	813.1	827.1	840.5	834.9	852.0
8 All other	337.9	406.3	461.8	406.3	412.7	419.4	441.1	461.8	475.5	486.2
9 **Total assets**	**979.5**	**1,150.9**	**1,302.4**	**1,150.9**	**1,193.4**	**1,232.4**	**1,268.4**	**1,302.4**	**1,310.4**	**1,338.2**
LIABILITIES AND CAPITAL										
10 Bank loans	26.3	35.1	35.6	35.1	28.5	33.3	35.4	35.6	41.4	45.2
11 Commercial paper	231.5	227.9	235.2	227.9	230.2	234.2	215.6	235.2	178.2	177.3
Debt										
12 Owed to parent	61.8	123.8	146.5	123.8	145.1	136.8	144.3	146.5	138.4	145.9
13 Not elsewhere classified	339.7	397.0	463.8	397.0	412.0	445.1	465.5	463.8	501.8	504.6
14 All other liabilities	203.2	222.7	279.7	222.7	247.6	249.6	269.2	279.7	299.7	309.8
15 Capital, surplus, and undivided profits	117.0	144.5	141.6	144.5	130.1	135.3	138.3	141.6	150.8	155.5
16 **Total liabilities and capital**	**979.5**	**1,150.9**	**1,302.4**	**1,150.9**	**1,193.4**	**1,234.4**	**1,268.4**	**1,302.4**	**1,310.4**	**1,338.2**

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. Excludes pools of securitized assets.

1.52 DOMESTIC FINANCE COMPANIES Owned and Managed Receivables[1]

Billions of dollars, amounts outstanding

Type of credit	1998	1999	2000	2001 Jan.	2001 Feb.	2001 Mar.	2001 Apr.	2001 May	2001 June
	Seasonally adjusted								
1 **Total**	**875.8**	**993.9**	**1,145.2**	**1,156.7**	**1,159.7**	**1,158.6[r]**	**1,171.3[r]**	**1,170.9[r]**	n.a.
2 Consumer	352.8	385.3	439.3	443.8	447.1	449.8[r]	456.2[r]	454.0[r]	n.a.
3 Real estate	131.4	154.7	174.9	177.7	179.0	177.7	182.5	184.4	n.a
4 Business	391.6	453.9	531.0	535.2	533.6	531.1	532.6	532.5	n.a
	Not seasonally adjusted								
5 **Total**	**884.0**	**1,003.2**	**1,156.0**	**1,156.7**	**1,159.7**	**1,163.1[r]**	**1,173.6[r]**	**1,174.1[r]**	
6 Consumer	356.1	388.8	443.4	443 9	445.1	445.7[r]	450.9[r]	451.4[r]	
7 Motor vehicles loans	103.1	114.7	122.5	117.5	118.5	118.9[r]	126.9[r]	127.6[r]	
8 Motor vehicle leases	93.3	98.3	102.9	103 3	102.4	101.3	101.9	101.7	
9 Revolving[2]	32.3	33.8	38.3	37.1	36.9	35.6	36.0	37.5	
10 Other[3]	33.1	33.1	32.4	32.4	32.0	31.3	28.1[r]	26 4[r]	
Securitized assets[4]									
11 Motor vehicle loans	54.8	71.1	97.1	103.9	105.2	108.1	106.1	107.8	
12 Motor vehicle leases	12.7	9.7	6.6	6.3	6.9	6.6	7.0	6.9	
13 Revolving	8.7	10.5	27.5	27.6	27.6	27.6	28.8	27.8	
14 Other	18.1	17.7	16.0	15.8	15.5	16.2	16.0	15.7	
15 Real estate	131.4	154.7	174.9	177.7	179.0	177.7	182.5	184.4	
16 One- to four-family	75.7	88.3	105.4	108.2	109.5	108.1	112.3	114.4	
17 Other	26.6	38.3	42.9	43.2	43.4	43.8	43.8	43.9	
Securitized real estate assets[4]									
18 One- to four-family	29.0	28.0	24.7	24.4	24.2	23.9	23.8	23.6	
19 Other	.1	.2	1.9	1.9	1.9	1.9	2.6	2.6	n.a.
20 Business	396.5	459.6	537 7	535.1	535.6	539.7	540.2	538.2	
21 Motor vehicles	79.6	87.8	95.2	93 6	93.6	91 9	91.0	90.8	
22 Retail loans	28.1	33.2	31.0	30.8	30.7	30.5	29.9	29.8	
23 Wholesale loans[5]	32.8	34.7	39.6	38.2	37.6	35.8	35.3	35.2	
24 Leases	18.7	19.9	24.6	24 6	25.3	25.6	25.8	25.8	
25 Equipment	198.0	221.9	267.3	265.6	262.5	264.6	267.5	268.0	
26 Loans	50.4	52.2	56.2	56.3	55.6	57.1	57.1	57.1	
27 Leases	147.6	169.7	211.1	209.3	206.9	207.5	210.4	210.9	
28 Other business receivables[6]	69.9	95.5	108.6	110.4	114.5	115.2	113.5	112.1	
Securitized assets[4]									
29 Motor vehicles	29.2	31.5	37.8	37.3	37.2	40.0	40.3	40.0	
30 Retail loans	2.6	2.9	3.2	3.1	2.9	2.8	3.1	3.0	
31 Wholesale loans	24.7	26.4	32.5	32.1	31.7	34.5	34.6	34.3	
32 Leases	1.9	2.1	2.2	2.2	2.6	2.6	2.6	2.7	
33 Equipment	13.0	14.6	23.1	22.5	22.2	22.5	22.2	21.6	
34 Loans	6.6	7.9	15.5	14.7	14.5	14.6	14.4	13.9	
35 Leases	6.4	6.7	7.6	7.8	7.8	7.9	7.8	7 7	
36 Other business receivables[6]	6.8	8.4	5.6	5.6	5.6	5.6	5.7	5.7	

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	1998	1999	2000	2001 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)	195.2	210.7	234.5	238.7	245.0	244.5	240.8	241.4	250.6	242.9
2 Amount of loan (thousands of dollars)	151.1	161.7	177.0	181.6	185.4	182.9	181.5	181.4	188.7	182.7
3 Loan-to-price ratio (percent)	80.0	78.7	77.4	78.2	77.9	77.2	77.6	77.6	77.3	77.3
4 Maturity (years)	28.4	28.8	29.2	29.4	29.0	28.8	28.5	28.6	28.7	28.8
5 Fees and charges (percent of loan amount)[2]	.89	.77	.70	.71	.70	.66	.71	.69	.66	.66
Yield (percent per year)										
6 Contract rate[1]	6.95	6.94	7.41	7.09	6.99	6.94	6.96	7.02	7.02	7.01
7 Effective rate[1,3]	7.08	7.06	7.52	7.20	7.10	7.04	7.07	7.12	7.12	7.11
8 Contract rate (HUD series)[4]	7.00	7.45	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	7.04	7.74	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 GNMA securities[6]	6.43	7.03	7.57	6.57	6.61	6.41	6.53	6.61	6.55	6.49
				Activity in secondary markets						
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	414,515	523,941	610,122	623,950	632,850	n.a.	n.a.	n.a.	n.a.	n.a.
12 FHA/VA insured	33,770	55,318	61,539	62,970	63,337	n.a.	n.a.	n.a.	n.a.	n.a.
13 Conventional	380,745	468,623	548,583	560,980	569,513	n.a.	n.a.	n.a.	n.a.	n.a.
14 Mortgage transactions purchased (during period)	188,448	195,210	154,231	20,598	17,230	20,899	24,015	16,825	24,430	26,082
Mortgage commitments (during period)										
15 Issued[7]	193,795	187,948	163,689	27,325	25,471	n.a.	n.a.	n.a.	n.a.	n.a.
16 To sell[8]	1,880	5,900	11,786	766	835	n.a.	n.a.	n.a.	n.a.	n.a.
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	255,010	324,443	385,693	391,679	407,086	421,655	430,960	437,582	443,810	454,485
18 FHA/VA insured	785	1,836	3,332	3,307	3,319	3,329	2,878	2,785	2,738	2,689
19 Conventional	254,225	322,607	382,361	388,372	403,767	418,326	428,082	434,797	441,072	451,796
Mortgage transactions (during period)										
20 Purchases	267,402	239,793	174,043	15,658	16,536	24,648	n.a.	n.a.	n.a.	n.a.
21 Sales	250,565	233,031	166,901	15,364	15,549	23,367	31,219	33,670	38,133	44,574
22 Mortgage commitments contracted (during period)[9]	281,899	228,432	169,231	18,685	17,664	26,682	32,758	39,897	37,312	43,788

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 the Federal National Mortgage Association exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1997	1998	1999	2000				2001
				Q1	Q2	Q3	Q4	Q1
1 **All holders**	**5,198,237**	**5,698,389**	**6,326,415**	**6,426,515**	**6,592,329**	**6,744,667**	**6,889,962**	**7,016,475**
By type of property								
2 One- to four-family residences	3,968,218	4,348,553	4,773,876	4,832,886	4,962,031	5,087,538	5,193,000	5,284,886
3 Multifamily residences	302,642	330,718	372,619	387,188	390,753	399,232	409,216	418,762
4 Nonfarm, nonresidential	837,077	922,612	1,076,958	1,102,565	1,133,107	1,149,940	1,178,909	1,202,752
5 Farm	90,300	96,506	102,962	103,875	106,437	107,957	108,836	110,075
By type of holder								
6 Major financial institutions	2,084,000	2,195,869	2,396,265	2,458,194	2,550,201	2,606,592	2,621,076	2,667,125
7 Commercial banks[2]	1,245,334	1,338,273	1,496,844	1,548,224	1,615,794	1,650,294	1,661,600	1,688,869
8 One- to four-family	745,777	798,009	880,208	905,270	949,223	968,831	966,609	978,227
9 Multifamily	50,705	54,174	67,666	72,509	75,795	77,031	77,821	79,890
10 Nonfarm, nonresidential	421,865	457,054	517,130	537,772	557,059	570,513	583,153	596,518
11 Farm	26,987	29,035	31,839	32,673	33,717	33,919	34,016	34,234
12 Savings institutions[3]	631,826	643,957	668,634	680,745	701,992	721,563	723,534	741,114
13 One- to four-family	520,782	533,895	549,046	560,018	578,612	595,518	595,053	608,289
14 Multifamily	59,540	56,847	59,168	57,790	59,174	60,077	61,094	62,666
15 Nonfarm, nonresidential	51,150	52,798	59,945	62,444	63,688	65,437	66,852	69,589
16 Farm	354	417	475	493	518	531	535	569
17 Life insurance companies	206,840	213,640	230,787	229,225	232,415	234,735	235,942	237,142
18 One- to four-family	7,187	6,590	5,934	5,567	5,237	4,907	4,904	4,800
19 Multifamily	30,402	31,522	32,818	32,634	33,121	33,478	33,681	33,867
20 Nonfarm, nonresidential	158,779	164,004	179,048	178,043	180,701	182,646	183,757	184,774
21 Farm	10,472	11,524	12,987	12,981	13,356	13,704	13,600	13,701
22 Federal and related agencies	286,194	293,602	322,132	322,917	332,642	336,682	343,962	346,276
23 Government National Mortgage Association	8	7	7	7	7	6	6	6
24 One- to four-family	8	7	7	7	7	6	6	6
25 Multifamily	0	0	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,195	40,851	73,871	72,899	72,896	73,009	73,323	73,361
27 One- to four-family	17,253	16,895	16,506	16,456	16,435	16,444	16,372	16,297
28 Multifamily	11,720	11,739	11,741	11,732	11,729	11,734	11,733	11,725
29 Nonfarm, nonresidential	7,370	7,705	41,355	40,509	40,554	40,665	41,070	41,247
30 Farm	4,852	4,513	4,268	4,202	4,179	4,167	4,148	4,093
31 Federal Housing and Veterans' Administrations	3,811	3,674	3,712	3,794	3,845	3,395	3,507	2,873
32 One- to four-family	1,767	1,849	1,851	1,847	1,832	1,327	1,308	1,276
33 Multifamily	2,044	1,825	1,861	1,947	2,013	2,068	2,199	1,597
34 Resolution Trust Corporation	0	0	0	0	0	0	0	0
35 One- to four-family	0	0	0	0	0	0	0	0
36 Multifamily	0	0	0	0	0	0	0	0
37 Nonfarm, nonresidential	0	0	0	0	0	0	0	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	724	361	152	98	72	82	45	50
40 One- to four-family	117	58	25	16	12	13	7	8
41 Multifamily	140	70	29	19	14	16	9	10
42 Nonfarm, nonresidential	467	233	98	63	46	53	29	32
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	161,308	157,675	151,500	150,312	153,507	152,815	155,363	156,294
45 One- to four-family	149,831	147,594	141,195	139,986	142,478	141,786	144,150	145,014
46 Multifamily	11,477	10,081	10,305	10,326	11,029	11,029	11,213	11,280
47 Federal Land Banks	30,657	32,983	34,187	34,142	34,830	35,549	36,326	37,072
48 One- to four-family	1,804	1,941	2,012	2,009	2,049	2,092	2,137	2,181
49 Farm	0	0	0	0	0	0	0	0
50 Federal Home Loan Mortgage Corporation	48,454	57,085	56,676	57,009	56,972	57,046	59,240	60,110
51 One- to four-family	42,629	49,106	44,321	43,384	42,892	42,138	42,871	42,771
52 Multifamily	5,825	7,979	12,355	13,625	14,080	14,908	16,369	17,339
53 Mortgage pools or trusts[5]	2,232,848	2,581,969	2,947,760	2,983,365	3,034,691	3,115,138	3,231,195	3,305,311
54 Government National Mortgage Association	536,879	537,446	582,263	589,192	590,708	602,628	611,629	601,540
55 One- to four-family	523,225	522,498	565,189	571,506	572,661	584,152	592,700	581,760
56 Multifamily	13,654	14,948	17,074	17,686	18,047	18,476	18,929	19,780
57 Federal Home Loan Mortgage Corporation	579,385	646,459	749,081	757,106	768,641	790,891	822,310	833,616
58 One- to four-family	576,846	643,465	744,619	752,607	763,890	786,007	816,602	827,769
59 Multifamily	2,539	2,994	4,462	4,499	4,751	4,884	5,708	5,847
60 Federal National Mortgage Association	709,582	834,517	960,883	975,815	995,815	1,020,828	1,057,750	1,099,049
61 One- to four-family	687,981	804,204	924,941	932,178	957,584	981,206	1,016,398	1,055,412
62 Multifamily	21,601	30,313	35,942	43,637	38,231	39,622	41,352	43,637
63 Farmers Home Administration[4]	2	1	0	0	0	0	0	0
64 One- to four-family	0	0	0	0	0	0	0	0
65 Multifamily	0	0	0	0	0	0	0	0
66 Nonfarm, nonresidential	0	0	0	0	0	0	0	0
67 Farm	2	1	0	0	0	0	0	0
68 Private mortgage conduits	407,000	563,546	655,533	661,252	679,527	700,792	739,506	771,106
69 One- to four-family[6]	310,659	405,153	455,021	455,623	464,593	477,899	499,834	523,300
70 Multifamily	20,907	33,754	42,226	43,069	44,290	45,991	49,322	50,639
71 Nonfarm, nonresidential	75,434	124,639	158,287	162,560	170,644	176,901	190,350	197,167
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[7]	595,195	626,949	660,258	662,039	674,794	686,254	693,729	697,763
74 One- to four-family	382,315	416,335	441,205	442,006	454,314	470,762	478,118	481,485
75 Multifamily	72,088	74,462	76,740	77,466	78,179	79,587	79,566	80,268
76 Nonfarm, nonresidential	122,013	116,178	121,095	121,174	120,415	113,725	113,697	113,424
77 Farm	18,779	19,974	21,217	21,393	21,886	22,179	22,348	22,586

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	1998	1999	2000	2001 Jan.	Feb.	Mar.	Apr.	May	June
	Seasonally adjusted								
1 **Total**	**1,301,023**	**1,393,657**	**1,531,469**	**1,548,486**	**1,562,937**	**1,571,588**	**1,584,383**	**1,591,239**	**1,589,663**
2 Revolving	560,504	595,610	663,830	669,780	681,384	689,462	697,636	701,101	703,368
3 Nonrevolving[2]	740,519	798,047	867,639	878,706	881,553	882,126	886,746	890,137	886,295
	Not seasonally adjusted								
4 **Total**	**1,331,742**	**1,426,151**	**1,566,457**	**1,560,357**	**1,558,086**	**1,559,178**	**1,570,232**	**1,576,531**	**1,581,516**
By major holder									
5 Commercial banks	508,932	499,758	541,470	539,796	535,137	534,545	540,686	543,162	540,613
6 Finance companies	168,491	181,573	193,189	187,029	187,493	185,862	191,028	191,539	190,908
7 Credit unions	155,406	167,921	184,434	184,120	183,548	182,918	184,280	185,971	186,788
8 Savings institutions	51,611	61,527	64,557	64,667	64,777	64,887	64,950	65,014	65,077
9 Nonfinancial business	74,877	80,311	82,662	77,685	73,020	71,757	71,511	70,010	68,107
10 Pools of securitized assets[3]	372,425	435,061	500,145	507,060	514,111	519,209	517,777	520,835	530,023
By major type of credit[4]									
11 Revolving	586,528	623,245	693,645	681,812	682,143	682,422	690,420	693,679	697,347
12 Commercial banks	210,346	189,352	218,063	211,006	208,192	208,924	215,207	217,438	215,090
13 Finance companies	32,309	33,814	38,251	37,098	36,938	35,626	36,044	37,509	37,350
14 Credit unions	19,930	20,641	22,226	21,714	21,415	20,902	21,068	21,226	21,296
15 Savings institutions	12,450	15,838	16,560	16,701	16,842	16,983	16,975	16,968	16,961
16 Nonfinancial business	39,166	42,783	42,430	38,934	35,290	34,150	33,815	32,690	31,379
17 Pools of securitized assets[3]	272,327	320,817	356,114	356,359	363,466	365,837	367,310	367,849	375,271
18 Nonrevolving	745,214	802,906	872,812	878,545	875,943	876,756	879,812	882,851	884,169
19 Commercial banks	298,586	310,406	323,407	328,790	326,945	325,621	325,478	325,724	325,523
20 Finance companies	136,182	147,759	154,938	149,931	150,555	150,236	154,985	154,030	153,558
21 Credit unions	135,476	147,280	162,208	162,406	162,133	162,016	163,212	164,745	165,492
22 Savings institutions	39,161	45,689	47,997	47,966	47,935	47,904	47,975	48,046	48,117
23 Nonfinancial business	35,711	37,528	40,232	38,750	37,729	37,607	37,695	37,321	36,727
24 Pools of securitized assets[3]	100,098	114,244	144,031	150,701	150,645	153,372	150,468	152,986	154,752

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals, excluding loans secured by real estate. 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 motor vehicle loans, mobile home loans, and all other loans that are not included in revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.

3. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

4. 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	1998	1999	2000	2000 Dec.	2001 Jan.	Feb.	Mar.	Apr	May	June
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	8.72	8.44	9.34	n.a.	n.a.	9.17	n.a.	n.a.	8.67	n.a.
2 24-month personal	13.74	13.39	13.90	n.a.	n.a.	13.71	n.a.	n.a.	13.28	n.a.
Credit card plan										
3 All accounts	15.71	15.21	15.71	n.a.	n.a.	15.66	n.a.	n.a.	15.07	n.a.
4 Accounts assessed interest	15.59	14.81	14.91	n.a.	n.a.	14.61	n.a.	n.a.	14.63	n.a.
Auto finance companies										
5 New car	6.30	6.66	6.61	7.45	7.29	7.19	6.80	6.80	6.56	6.15
6 Used car	12.64	12.60	13.55	13.58	13.11	13.34	13.19	12.82	12.57	12.05
OTHER TERMS[3]										
Maturity (months)										
7 New car	52.1	52.7	54.9	55.2	54.3	55.5	55.6	56.3	57.0	57.2
8 Used car	53.5	55.9	57.0	56.6	57.8	58.0	58.0	57.9	57.8	57.6
Loan-to-value ratio										
9 New car	92	92	92	91	90	91	91	91	92	91
10 Used car	99	99	99	100	98	99	100	100	100	100
Amount financed (dollars)										
11 New car	19,083	19,880	20,923	21,867	21,315	21,993	22,131	21,914	21,871	22,124
12 Used car	12,691	13,642	14,058	14,591	14,155	14,095	14,214	14,347	14,350	14,586

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	1995	1996	1997	1998	1999	1999 Q4[r]	2000[r] Q1	2000[r] Q2	2000[r] Q3	2000[r] Q4	2001 Q1[r]	2001 Q2
						Nonfinancial sectors						
1 **Total net borrowing by domestic nonfinancial sectors**	**705.9[r]**	**733.1[r]**	**804.4[r]**	**1,023.5[r]**	**1,097.8[r]**	**999.7**	**949.6**	**967.5**	**801.3**	**758.0**	**1,001.1**	**1,034.9**
By sector and instrument												
2 Federal government	144.4	145.0	23.1	−52.6	−71.2	−30.0	−217.2	−408.7	−226.2	−331.3	4.3	−216.0
3 Treasury securities	142.9	146.6	23.2	−54.6	−71.0	−30.1	−215.2	−410.5	−223.8	−330.2	−2.1	−217.1
4 Budget agency securities and mortgages	1.5	−1.6	−.1	2.0	−.2	.0	−2.1	1.8	−2.4	−1.2	−2.2	1.1
5 Nonfederal	561.5[r]	588.1[r]	781.3[r]	1,076.2[r]	1,169.1[r]	1,029.7	1,166.8	1,376.2	1,027.6	1,089.4	1,005.4	1,251.0
By instrument												
6 Commercial paper	18.1	−.9	13.7	24.4	37.4	44.0	29.8	110.4	56.1	−4.0	−207.2	−141.5
7 Municipal securities and loans	−48.2	2.6	71.4	96.8	68.2	44.8	20.0	30.1	31.0	60.1	106.9	113.9
8 Corporate bonds	91.1	116.3	150.5	218.7	229.9	155.2	186.2	153.8	184.4	175.6	403.7	423.7
9 Bank loans n.e.c.	103.7	70.5	106.5	108.2	82.7	84.8	139.5	163.3	50.2	59.4	−6.7	−144.1
10 Other loans and advances	67.2	33.5	69.1	74.3	60.6	23.7	147.1	126.0	18.4	125.2	−12.5	102.8
11 Mortgages	190.6[r]	277.5[r]	317.6[r]	486.1[r]	595.9[r]	567.7	498.8	654.6	565.0	549.5	563.1	823.3
12 Home	179.1[r]	242.9[r]	252.6[r]	384.2[r]	429.5[r]	377.2	356.2	484.6	435.9	392.3	431.5	613.9
13 Multifamily residential	4.5[r]	9.5[r]	7.6[r]	23.8[r]	42.7[r]	53.9	30.9	49.0	29.5	41.7	40.4	56.2
14 Commercial	5.7[r]	22.5[r]	54.3[r]	71.5[r]	117.9[r]	133.9	104.3	110.9	93.1	111.8	86.7	144.2
15 Farm	1.4[r]	2.7[r]	3.1[r]	6.5[r]	5.8[r]	2.7	7.4	10.1	6.5	3.8	4.5	9.1
16 Consumer credit	138.9	88.8	52.5	67.6	94.4	109.5	145.3	137.9	122.5	123.7	158.1	72.8
By borrowing sector												
17 Household	339.3[r]	338.5[r]	322.1[r]	454.2[r]	506.3[r]	437.8	516.6	612.7	544.4	498.4	549.5	660.9
18 Nonfinancial business	273.7[r]	256.4[r]	403.2[r]	541.7[r]	610.4[r]	564.7	637.2	745.2	459.4	537.2	355.8	480.0
19 Corporate	224.9[r]	183.7[r]	301.3[r]	394.8[r]	449.2[r]	389.5	487.7	550.8	322.9	388.5	228.2	348.1
20 Nonfarm noncorporate	46.1[r]	67.8[r]	95.7[r]	138.9[r]	155.7[r]	169.4	135.7	184.7	129.3	134.2	121.3	125.4
21 Farm	2.7[r]	4.9[r]	6.2	8.0[r]	5.5[r]	5.9	13.8	9.7	7.2	14.5	6.3	6.5
22 State and local government	−51.5	−6.8	56.1	80.3	52.3	27.2	12.9	18.2	23.8	53.7	100.1	110.1
23 Foreign net borrowing in United States	78.5	88.4	71.8	43.4[r]	27.9[r]	22.8	117.4	50.6	108.7	107.4	9.3	4.2
24 Commercial paper	13.5	11.3	3.7	7.8	16.3	33.6	57.8	12.0	7.0	50.1	−25.4	5.6
25 Bonds	57.1	67.0	61.4	34.9[r]	16.8[r]	2.3	44.7	31.2	91.5	49.6	33.3	36.0
26 Bank loans n.e.c.	8.5	9.1	8.5	6.7	.5	2.3	15.4	5.7	11.9	12.2	13.0	−26.9
27 Other loans and advances	−.5	1.0	−1.8	−6.0	−5.7	−15.4	−.5	1.7	−1.7	−4.6	−11.6	.7
28 **Total domestic plus foreign**	**784.5[r]**	**821.5[r]**	**876.2[r]**	**1,066.9[r]**	**1,125.8[r]**	**1,022.5**	**1,067.0**	**1,018.1**	**910.0**	**865.4**	**1,010.4**	**1,039.1**
						Financial sectors						
29 **Total net borrowing by financial sectors**	**454.0**	**545.7**	**653.8**	**1,073.8[r]**	**1,077.3[r]**	**961.4**	**601.2**	**884.8**	**777.9**	**976.7**	**882.9**	**763.1**
By instrument												
30 Federal government-related	204.2	231.4	212.9	470.9	592.0	552.4	224.4	381.1	514.8	613.6	432.6	671.2
31 Government-sponsored enterprise securities	105.9	90.4	98.4	278.3	318.2	367.9	104.9	248.9	278.1	304.5	262.3	264.7
32 Mortgage pool securities	98.3	141.0	114.6	192.6	273.8	184.5	119.5	132.2	236.7	309.1	170.3	406.5
33 Loans from U.S. government	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	249.8	314.4	440.9	602.9[r]	485.3	409.0	376.7	503.7	263.1	363.1	450.3	91.8
35 Open market paper	42.7	92.2	166.7	161.0	176.2	404.4	114.6	136.7	106.5	153.2	−134.6	−85.4
36 Corporate bonds	195.9	173.8	210.5	296.9	211.2[r]	−30.1	165.0	227.7	192.1	217.4	456.7	157.7
37 Bank loans n.e.c.	2.5	12.6	13.2	30.1	−14.3	−54.4	3.1	10.2	−9.9	−4.4	27.8	14.5
38 Other loans and advances	3.4	27.9	35.6	90.2	107.1	85.9	87.0	119.2	−31.6	−4.8	107.8	−11.0
39 Mortgages	5.3	7.9	14.9	24.8	5.1	3.2	7.0	10.0	6.0	1.8	−7.5	16.0
By borrowing sector												
40 Commercial banking	22.5	13.0	46.1	72.9	67.2	44.8	78.3	99.3	43.4	18.8	148.3	−15.6
41 Savings institutions	2.6	25.5	19.7	52.2	48.0	−6.8	57.5	69.0	−37.9	20.4	62.5	16.2
42 Credit unions	−.1	.1	.1	.6	2.2	3.3	−2.9	.9	1.1	1.0	−.6	.8
43 Life insurance companies	−.1	1.1	.2	.7	.7	−4.4	−.7	−1.1	−.3	−.7	−2.4	.1
44 Government-sponsored enterprises	105.9	90.4	98.4	278.3	318.2	367.9	104.9	248.9	278.1	304.5	262.3	264.7
45 Federally related mortgage pools	98.3	141.0	114.6	192.6	273.8	184.5	119.5	132.2	236.7	309.1	170.3	406.5
46 Issuers of asset-backed securities (ABSs)	142.4	150.8	202.2	321.4	223.4	105.9	175.0	146.0	156.2	307.9	289.8	171.8
47 Finance companies	50.2	45.9	48.7	43.0	62.4	92.1	53.5	177.7	29.6	37.8	−42.8	35.7
48 Mortgage companies	−2.2	4.1	−4.6	1.6	.2	6.2	−3.0	2.7	−.3	1.0	.7	.6
49 Real estate investment trusts (REITs)	4.5	11.9	39.6	62.7	6.3	11.3	11.5	9.8	−2.4	−8.1	6.1	2.2
50 Brokers and dealers	−5.0	−2.0	8.1	7.2	−17.2	−37.3	44.4	−.7	25.4	−6.6	23.7	35.6
51 Funding corporations	34.9	64.1	80.7	40.7	92.2	193.8	−36.8	−.1	48.2	−8.5	24.6	−155.5

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1995	1996	1997	1998	1999	1999 Q4^r	2000^r Q1	2000^r Q2	2000^r Q3	2000^r Q4	2001 Q1^r	2001 Q2
	All sectors											
52 **Total net borrowing, all sectors**	**1,238.5^r**	**1,367.2^r**	**1,530.0^r**	**2,140.7^r**	**2,203.1^r**	**1,983.8**	**1,668.1**	**1,902.9**	**1,687.9**	**1,842.1**	**1,893.2**	**1,802.2**
53 Open market paper	74.3	102.6	184.1	193.1	229.9	482.0	202.1	259.1	169.7	199.3	−367.2	−232.5
54 U.S. government securities	348.6	376.4	236.0	418.3	520.7	522.4	7.2	−27.6	288.6	282.2	428.3	455.2
55 Municipal securities	−48.2	2.6	71.4	96.8	68.2	44.8	20.0	30.1	31.0	60.1	106.9	113.9
56 Corporate and foreign bonds	344.1	357.0	422.4	550.4	457.9^r	127.4	396.0	412.7	468.0	442.6	893.7	617.4
57 Bank loans n.e.c.	114.7	92.1	128.2	145.0	68.9	32.7	158.0	179.2	52.2	67.1	34.1	−156.5
58 Other loans and advances	70.1	62.5	102.8	158.5	162.0	94.2	233.6	246.9	−15.0	115.8	83.7	92.5
59 Mortgages	196.0^r	285.3^r	332.5^r	510.9^r	601.0^r	570.9	505.9	664.5	571.0	551.3	555.6	839.4
60 Consumer credit	138.9	88.8	52.5	67.6	94.4	109.5	145.3	137.9	122.5	123.7	158.1	72.8
	Funds raised through mutual funds and corporate equities											
61 **Total net issues**	**146.8^r**	**231.8^r**	**181.8^r**	**102.8^r**	**146.3^r**	**168.2**	**387.7**	**163.4**	**211.3**	**−166.0**	**170.0**	**427.6**
62 Corporate equities	−.6^r	−5.8^r	−83.3^r	−171.8^r	−42.1^r	8.0	80.4	−68.7	−68.1	−322.7	73.6	143.8
63 Nonfinancial corporations	−58.3	−69.5	−114.4	−267.0	−143.5	−55.0	61.2	−245.2	−87.7	−394.8	−33.9	−35.2
64 Foreign shares purchased by U.S. residents	65.4^r	82.8	57.6	101.3^r	114.4	71.3	62.6	185.9	61.1	89.4	109.2	208.8
65 Financial corporations	−7.7^r	−19.2	−26.5^r	−6.1^r	−13.0^r	−8.3	−43.4	−9.3	−41.5	−17.4	−1.8	−29.9
66 Mutual fund shares	147.4	237.6	265.1	274.6	188.3	160.2	307.3	232.9	279.4	156.7	96.4	283.8

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	1995	1996	1997	1998	1999	1999	2000[r]				2001	
						Q4[r]	Q1	Q2	Q3	Q4	Q1[r]	Q2
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**1,238.5[r]**	**1,367.2[r]**	**1,530.0[r]**	**2,140.7[r]**	**2,203.1[r]**	**1,983.8**	**1,668.1**	**1,902.9**	**1,687.9**	**1,842.1**	**1,893.2**	**1,802.2**
2 Domestic nonfederal nonfinancial sectors	−79.3[r]	69.7[r]	−29.7[r]	86.3[r]	189.2[r]	−32.2	−227.3	133.4	−231.3	−155.8	−222.5	−63.2
3 Household	16.5[r]	109.4[r]	−20.2[r]	−50.4[r]	141.5[r]	−.2	−283.0	31.2	−160.1	−136.4	−259.9	13.3
4 Nonfinancial corporate business	−8.8	−10.2	−12.7	−16.0	−2.8	−41.1	56.5	61.9	−50.8	−28.7	40.6	−46.5
5 Nonfarm noncorporate business	4.4[r]	4.2[r]	3.0[r]	18.1[r]	7.1[r]	6.9	−2.1	.4	−4.0	−2.7	−4.8	−5.2
6 State and local governments	−91.4	−33.7	.1	134.5	43.4	2.3	1.2	39.9	−16.4	12.1	1.5	−24.8
7 Federal government	−.5	−7.2	5.1	13.5	5.8	−11.8	6.5	7.7	4.5	10.6	4.6	9.4
8 Rest of the world	273.9	414.4	311.3	254.2	208.8[r]	136.0	315.2	197.9	216.2	387.8	410.8	344.0
9 Financial sectors	1,044.4[r]	890.3[r]	1,243.3[r]	1,786.7[r]	1,799.2[r]	1,891.8	1,573.7	1,563.8	1,698.6	1,599.5	1,700.3	1,511.9
10 Monetary authority	12.7	12.3	38.3	21.1	25.7	−49.1	102.0	−5.4	39.1	−.9	53.7	26.4
11 Commercial banking	265.9	187.5	324.3	305.2	308.2	500.4	415.8	497.4	363.2	157.0	152.8	158.4
12 U.S.-chartered banks	186.5	119.6	274.9	312.0	317.6	417.4	448.2	510.9	324.8	75.3	107.9	179.7
13 Foreign banking offices in United States	75.4	63.3	40.2	−11.9	−20.1	34.1	4.5	−22.3	32.8	81.1	41.3	−22.7
14 Bank holding companies	−.3	3.9	5.4	−.9	6.2	42.6	−42.2	3.5	−6.7	−3.2	7.3	−2.8
15 Banks in U.S.-affiliated areas	4.2	.7	3.7	6.0	4.4	6.3	5.4	5.4	12.3	3.8	−3.6	4.2
16 Savings institutions	−7.6	19.9	−4.7	36.1	68.6	23.1	55.6	65.0	62.7	42.5	52.5	56.2
17 Credit unions	16.2	25.5	16.8	19.0	27.5	21.1	35.7	31.6	21.2	33.6	3.9	24.6
18 Bank personal trusts and estates	−8.3	−7.7	−25.0	−12.8	27.8	27.8	18.9	13.8	17.6	18.1	10.7	13.4
19 Life insurance companies	100.0	69.6	104.8	76.9	53.5	27.4	65.0	52.9	74.8	38.8	95.3	101.2
20 Other insurance companies	21.5	22.5	25.2	5.8[r]	−3.0[r]	−8.2	−11.2	−18.1	6.2	−11.7	2.1	2.8
21 Private pension funds	19.9	−4.1	47.6	56.4	45.0	49.8	46.8	24.7	64.9	28.7	26.1	20.2
22 State and local government retirement funds	38.3	35.8	67.1	72.1	46.9	46.2	63.3	31.5	37.6	66.1	13.3	17.7
23 Money market mutual funds	86.5	88.8	87.5	244.0	182.0	355.1	161.5	−118.2	256.1	296.0	303.4	166.2
24 Mutual funds	52.5	48.9	80.9	124.8	47.2	−23.2	−66.9	63.1	50.1	60.8	69.4	130.9
25 Closed-end funds	10.2[r]	4.6[r]	−2.6	5.5	7.4[r]	7.4	−8.4	−8.4	−8.4	−8.4	−8.4	−8.4
26 Government-sponsored enterprises	95.4[r]	97.4[r]	106.6[r]	314.6[r]	291.7[r]	253.7	205.4	250.9	188.6	318.8	347.8	302.4
27 Federally related mortgage pools	98.3	141.0	114.6	192.6	273.8	184.5	119.5	132.2	236.7	309.1	170.3	406.5
28 Asset-backed securities issuers (ABSs)	120.6	120.5	163.8	281.7	205.2	76.1	154.2	111.4	120.9	278.9	269.8	159.4
29 Finance companies	49.9	18.4	21.9	51.9	94.9	96.3	144.0	138.9	91.6	23.1	−3.9	85.5
30 Mortgage companies	−3.4	8.2	−9.1	3.2	.3	12.3	−6.0	5.5	−.5	2.0	1.4	1.1
31 Real estate investment trusts (REITs)	1.4	4.4	20.2	−5.1	−2.6	−7.0	−16.3	−2.5	−3.6	−2.8	4.0	1.1
32 Brokers and dealers	90.1	−15.7	14.9	6.8	−34.7	−42.2	101.9	90.0	152.7	−69.0	311.4	13.8
33 Funding corporations	−15.7	12.6	50.4	−12.9[r]	133.8[r]	340.1	−7.2	207.7	−72.9	19.0	−175.3	−167.5
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 **Net flows through credit markets**	**1,238.5[r]**	**1,367.2[r]**	**1,530.0[r]**	**2,140.7[r]**	**2,203.1[r]**	**1,983.8**	**1,668.1**	**1,902.9**	**1,687.9**	**1,842.1**	**1,893.2**	**1,802.2**
Other financial sources												
35 Official foreign exchange	8.8	−6.3	.7	6.6	−8.7	−7.0	1.5	−8.8	.7	4.9	−1.5	4.7
36 Special drawing rights certificates	2.2	−.5	−.5	.0	−3.0	−4.0	.0	−8.0	−4.0	−4.0	.0	.0
37 Treasury currency	.7	.5	.5	.6	1.0	.0	2.2	3.2	4.2	.0	−1.1	1.1
38 Foreign deposits	35.3	85.9	107.7[r]	6.5[r]	61.0[r]	−35.4	313.3	3.4	−40.8	207.4	235.5	−146.5
39 Net interbank transactions	10.0	−51.6	−19.7	−32.3	17.6	−17.2	−72.9	151.9	−170.6	10.6	−202.4	177.0
40 Checkable deposits and currency	−12.8	15.7	41.2	47.4	151.4	368.9	−206.8	−33.8	5.0	−50.2	90.3	101.0
41 Small time and savings deposits	96.6	97.2	97.1	152.4	44.7	44.5	104.6	123.0	224.5	310.8	288.3	193.1
42 Large time deposits	65.6	114.0	122.5	92.1	130.6	348.3	154.1	101.2	152.9	65.2	130.6	65.9
43 Money market fund shares	141.2	145.4	155.9	287.2	249.1	455.8	239.7	71.5	250.9	371.1	621.4	322.5
44 Security repurchase agreements	110.5	41.4	120.9	91.3	169.7	260.8	275.0	155.2	278.0	−264.6	11.2	155.2
45 Corporate equities	−.6[r]	−5.8[r]	−83.3[r]	−171.8[r]	−42.1[r]	8.0	80.4	−68.7	−68.1	−322.7	73.6	143.8
46 Mutual fund shares	147.4	237.6	265.1	274.6	188.3	160.2	307.3	232.0	279.4	156.7	96.4	283.8
47 Trade payables	133.7[r]	123.3[r]	139.7[r]	109.2[r]	222.3[r]	255.4	193.5	193.9	132.8	105.4	−21.8	−10.1
48 Security credit	26.7	52.4	111.0	103.3	104.3	337.0	485.0	−91.4	94.7	75.6	−64.6	−82.9
49 Life insurance reserves	45.8	44.5	59.3	48.0	50.8	57.6	54.9	45.6	53.0	47.3	52.7	59.7
50 Pension fund reserves	158.8	148.3	201.4	202.1	184.5	166.2	210.8	260.8	227.1	169.0	255.6	196.7
51 Taxes payable	7.8[r]	19.5[r]	22.3[r]	21.3[r]	22.3[r]	31.2	30.9	31.8	−1.6	25.9	.6	2.0
52 Investment in bank personal trusts	6.4	−5.3	−49.9	−41.8[r]	−6.5[r]	−7.6	−28.4	−33.1	−29.2	−28.0	−26.1	−22.7
53 Noncorporate proprietors' equity	−.2[r]	−31.6[r]	−71.8[r]	−74.0[r]	−49.1[r]	−48.2	−48.6	−28.8	−10.7	−34.9	−29.3	−13.0
54 Miscellaneous	496.9[r]	525.0[r]	490.6[r]	1,002.5[r]	738.1[r]	677.5	999.5	1,089.7	1,283.9	595.9	570.9	932.1
55 **Total financial sources**	**2,719.2[r]**	**2,917.0[r]**	**3,240.6[r]**	**4,265.8[r]**	**4,429.2[r]**	**5,035.7**	**4,764.2**	**4,093.4**	**4,350.2**	**3,283.4**	**3,973.5**	**4,165.8**
Liabilities not identified as assets (−)												
56 Treasury currency	−.3	−.4	−.2	−.1	−.7	−2.2	−1.8	−.7	.9	−3.3	−3.6	−.3
57 Foreign deposits	25.1	59.6	106.2[r]	−8.5[r]	45.8[r]	26.2	262.7	−81.9	−99.2	193.3	178.2	−108.3
58 Net interbank liabilities	−3.1	−3.3	−19.9	3.4	3.5	−37.7	25.3	5.4	−12.1	51.1	16.7	12.9
59 Security repurchase agreements	25.7	2.4	63.2	60.6[r]	30.0[r]	−250.9	566.4	52.0	127.4	−302.3	−141.4	121.2
60 Taxes payable	21.1	23.1	28.0	19.7[r]	6.5[r]	3.6	9.4	10.0	−7.5	44.5	1.7	−26.9
61 Miscellaneous	−197.1[r]	−124.5[r]	−126.4[r]	−137.7[r]	−373.6[r]	−200.1	−417.8	−352.7	−275.6	−403.7	−7.4	−291.1
Floats not included in assets (−)												
62 Federal government checkable deposits	−6.0	.5	−2.7	2.6	−7.4	−20.0	18.7	16.3	3.0	−2.1	−29.8	13.8
63 Other checkable deposits	−3.8	−4.0	−3.9	−3.1	−.8	−.2	1.0	1.4	1.9	2.4	3.8	3.9
64 Trade credit	17.4[r]	−25.4[r]	−29.2[r]	−51.3[r]	42.9[r]	185.3	−72.1	−50.0	−49.4	24.1	26.7	−5.0
65 **Total identified to sectors as assets**	**2,840.3[r]**	**2,989.2[r]**	**3,225.4[r]**	**4,380.3[r]**	**4,683.0[r]**	**5,331.7**	**4,372.4**	**4,493.7**	**4,660.7**	**3,679.4**	**3,928.6**	**4,445.6**

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	1996	1997	1998	1999	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4[r]	2001 Q1[r]	2001 Q2
					Nonfinancial sectors						
1 **Total credit market debt owed by domestic nonfinancial sectors**	**14,440.6[r]**	**15,243.5[r]**	**16,267.0[r]**	**17,399.6[r]**	**17,399.6[r]**	**17,629.0[r]**	**17,807.7[r]**	**18,008.0[r]**	**18,287.7**	**18,529.3**	**18,716.5**
By sector and instrument											
2 Federal government	3,781.8	3,804.9	3,752.2	3,681.0	3,681.0	3,653.5	3,464.0	3,410.2	3,385.2	3,408.8	3,261.4
3 Treasury securities	3,755.1	3,778.3	3,723.7	3,652.8	3,652.8	3,625.8	3,435.7	3,382.6	3,357.8	3,382.1	3,234.4
4 Budget agency securities and mortgages	26.6	26.5	28.5	28.3	28.3	27.8	28.2	27.6	27.3	26.8	27.0
5 Nonfederal	10,658.8[r]	11,438.6[r]	12,514.8[r]	13,718.5[r]	13,718.5[r]	13,975.5[r]	14,343.8[r]	14,597.8[r]	14,902.6	15,120.5	15,455.1
By instrument											
6 Commercial paper	156.4	168.6	193.0	230.3	230.3	260.8	296.8	307.0	278.4	253.2	223.3
7 Municipal securities and loans	1,296.0	1,367.5	1,464.3	1,532.5	1,532.5	1,539.2	1,551.6	1,550.3	1,567.8	1,596.6	1,629.3
8 Corporate bonds	1,460.4	1,610.9	1,829.6	2,059.5	2,059.5	2,106.0	2,144.5	2,190.6	2,234.5	2,335.4	2,441.3
9 Bank loans n.e.c.	934.1	1,040.5	1,148.8	1,231.5	1,231.5	1,259.1	1,306.4[r]	1,311.6	1,334.6	1,324.0	1,295.3
10 Other loans and advances	770.4	839.5	913.8	974.6	974.6	1,020.1	1,049.5	1,052.2	1,089.9	1,096.0	1,119.5
11 Mortgages	4,830.0[r]	5,147.6[r]	5,633.7[r]	6,264.0[r]	6,264.0[r]	6,374.3[r]	6,541.0[r]	6,690.9[r]	6,831.0	6,956.7	7,165.3
12 Home	3,717.1[r]	3,969.7[r]	4,353.9[r]	4,783.5[r]	4,783.5[r]	4,858.0[r]	4,982.3[r]	5,100.0[r]	5,200.7	5,293.5	5,449.7
13 Multifamily residential	278.2[r]	285.8[r]	309.7[r]	352.6[r]	352.6[r]	360.3[r]	372.6[r]	379.9[r]	390.3	400.4	414.5
14 Commercial	747.8[r]	802.0[r]	873.5[r]	1,025.6[r]	1,025.6[r]	1,051.7[r]	1,079.4[r]	1,102.7[r]	1,130.6	1,152.3	1,188.3
15 Farm	86.9[r]	90.0[r]	96.6[r]	102.3[r]	102.3[r]	104.2[r]	106.8[r]	108.3[r]	109.3	110.4	112.7
16 Consumer credit	1,211.6	1,264.1	1,331.7	1,426.2	1,426.2	1,416.0	1,454.0	1,495.3	1,566.5	1,558.6	1,581.1
By borrowing sector											
17 Household	5,218.6[r]	5,540.9[r]	5,995.1[r]	6,501.7[r]	6,501.7[r]	6,566.0[r]	6,727.4[r]	6,890.5[r]	7,063.8	7,133.7	7,307.6
18 Nonfinancial business	4,376.8[r]	4,778.2[r]	5,319.9[r]	5,964.7[r]	5,964.7[r]	6,152.2[r]	6,350.7[r]	6,444.3[r]	6,559.4	6,680.2	6,810.2
19 Corporate	3,097.3[r]	3,396.9[r]	3,791.6[r]	4,275.2[r]	4,275.2[r]	4,427.2[r]	4,574.2[r]	4,634.8[r]	4,712.7	4,803.3	4,897.5
20 Nonfarm noncorporate	1,129.8[r]	1,225.5[r]	1,364.4[r]	1,520.1[r]	1,520.1[r]	1,554.3[r]	1,600.3[r]	1,631.5[r]	1,666.1	1,696.7	1,727.9
21 Farm	149.7[r]	155.9[r]	163.9[r]	169.4[r]	169.4[r]	170.7[r]	176.2[r]	177.9[r]	180.7	180.2	184.8
22 State and local government	1,063.4	1,119.5	1,199.8	1,252.1	1,252.1	1,257.3	1,265.7	1,263.1	1,279.3	1,306.5	1,337.3
23 **Foreign credit market debt held in United States**	**542.2**	**608.0**	**651.5[r]**	**679.6[r]**	**679.6[r]**	**707.1[r]**	**716.4[r]**	**749.9[r]**	**775.8**	**776.5**	**776.3**
24 Commercial paper	67.5	65.1	72.9	89.2	89.2	101.6	101.2	109.8	120.9	112.8	110.1
25 Bonds	366.3	427.7	462.6[r]	479.4[r]	479.4[r]	490.6[r]	498.4[r]	521.3[r]	533.7	542.0	551.0
26 Bank loans n.e.c.	43.7	52.1	58.9	59.4	59.4	63.3	64.7	67.7	70.7	73.9	67.2
27 Other loans and advances	64.7	63.0	57.2	51.7	51.7	51.7	52.1	51.2	50.5	47.7	47.9
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**14,982.7[r]**	**15,851.5[r]**	**16,918.5[r]**	**18,079.2[r]**	**18,079.2[r]**	**18,336.1[r]**	**18,524.2[r]**	**18,757.9[r]**	**19,063.5**	**19,305.8**	**19,492.8**
					Financial sectors						
29 **Total credit market debt owed by financial sectors**	**4,824.5**	**5,445.2**	**6,519.1**	**7,596.3**	**7,596.3**	**7,734.2[r]**	**7,955.4[r]**	**8,148.7[r]**	**8,418.4**	**8,626.0**	**8,816.7**
By instrument											
30 Federal government-related	2,608.2	2,821.1	3,292.0	3,884.0	3,884.0	3,940.1	4,035.3	4,164.0	4,317.4	4,425.6	4,593.4
31 Government-sponsored enterprise securities	896.9	995.3	1,273.6	1,591.7	1,591.7	1,618.0	1,680.2	1,749.7	1,825.8	1,891.4	1,957.6
32 Mortgage pool securities	1,711.3	1,825.8	2,018.4	2,292.2	2,292.2	2,322.1	2,355.2	2,414.3	2,491.6	2,534.2	2,635.8
33 Loans from U.S. government	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	2,216.3	2,624.1	3,227.0[r]	3,712.4	3,712.4	3,794.2[r]	3,920.1[r]	3,984.6[r]	4,101.0	4,200.4	4,223.3
35 Open market paper	579.1	745.7	906.7	1,082.9	1,082.9	1,115.7	1,135.2	1,151.6	1,210.7	1,180.8	1,144.5
36 Corporate bonds	1,378.4	1,555.9	1,852.8	2,064.0	2,064.0	2,104.2[r]	2,173.5[r]	2,228.0[r]	2,276.5	2,390.5	2,442.7
37 Bank loans n.e.c.	64.0	77.2	107.2	92.9	92.9	91.4	93.6[r]	92.5	92.6	97.1	100.3
38 Other loans and advances	162.9	198.5	288.7	395.8	395.8	404.4	436.9	430.2	438.3	450.9	450.7
39 Mortgages	31.9	46.8	71.6	76.7	76.7	78.5	81.0	82.5	82.9	81.1	85.1
By borrowing sector											
40 Commercial banks	113.6	140.6	188.6	230.0	230.0	242.2	265.4	265.2	266.7	273.8	274.7
41 Bank holding companies	150.0	168.6	193.5	219.3	219.3	221.4	229.3	236.9	242.5	266.5	269.1
42 Savings institutions	140.5	160.3	212.4	260.4	260.4	266.9	280.7	276.0	287.7	295.1	294.5
43 Credit unions	.4	.6	1.1	3.4	3.4	2.6	2.9	3.1	3.4	3.2	3.5
44 Life insurance companies	1.6	1.8	2.5	3.2	3.2	3.0	2.7	2.7	2.5	1.9	1.9
45 Government-sponsored enterprises	896.9	995.3	1,273.6	1,591.7	1,591.7	1,618.0	1,680.2	1,749.7	1,825.8	1,891.4	1,957.6
46 Federally related mortgage pools	1,711.3	1,825.8	2,018.4	2,292.2	2,292.2	2,322.1	2,355.2	2,414.3	2,491.6	2,534.2	2,635.8
47 Issuers of asset-backed securities (ABSs)	863.3	1,076.6	1,398.0	1,621.4	1,621.4	1,655.8[r]	1,697.0[r]	1,742.3[r]	1,829.6	1,892.2	1,940.8
48 Brokers and dealers	27.3	35.3	42.5	25.3	25.3	36.4	36.2	42.6	40.9	35.0	43.9
49 Finance companies	529.8	554.5	597.5	659.9	659.9	670.7	712.7[r]	716.5	734.6	721.4	727.1
50 Mortgage companies	20.6	16.0	17.7	17.8	17.8	17.1	17.8	17.7	17.9	18.1	18.2
51 Real estate investment trusts (REITs)	56.5	96.1	158.8	165.1	165.1	167.9	170.4	169.8	167.8	166.2	166.8
52 Funding corporations	312.7	373.7	414.4	506.6	506.6	510.1	505.1[r]	511.9	507.3	526.9	482.9
					All sectors						
53 **Total credit market debt, domestic and foreign**	**19,807.2[r]**	**21,296.7[r]**	**23,437.6[r]**	**25,675.5[r]**	**25,675.5[r]**	**26,070.3[r]**	**26,479.6[r]**	**26,906.6[r]**	**27,481.9**	**27,931.7**	**28,309.5**
54 Open market paper	803.0	979.4	1,172.6	1,402.4	1,402.4	1,478.1	1,533.3	1,568.3	1,610.0	1,546.8	1,477.9
55 U.S. government securities	6,389.9	6,626.0	7,044.3	7,565.0	7,565.0	7,593.6	7,499.3	7,574.2	7,702.6	7,834.4	7,854.8
56 Municipal securities	1,296.0	1,367.5	1,464.3	1,532.5	1,532.5	1,539.2	1,551.6	1,550.3	1,567.8	1,596.6	1,629.3
57 Corporate and foreign bonds	3,205.1	3,594.5	4,144.9	4,602.8[r]	4,602.8[r]	4,700.8[r]	4,816.3[r]	4,939.8[r]	5,044.6	5,267.9	5,435.1
58 Bank loans n.e.c.	1,041.7	1,169.8	1,314.9	1,383.8	1,383.8	1,413.7	1,464.6	1,471.7	1,497.9	1,495.1	1,462.9
59 Other loans and advances	998.0	1,101.0	1,259.6	1,422.1	1,422.1	1,476.2	1,538.5	1,533.6	1,578.6	1,594.6	1,618.1
60 Mortgages	4,861.9[r]	5,194.4[r]	5,705.3[r]	6,340.7[r]	6,340.7[r]	6,452.7[r]	6,622.0[r]	6,773.4[r]	6,913.9	7,037.8	7,250.4
61 Consumer credit	1,211.6	1,264.1	1,331.7	1,426.2	1,426.2	1,416.0	1,454.0	1,495.3	1,566.5	1,558.6	1,581.1

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	1996	1997	1998	1999	1999 Q4	2000 Q1	2000 Q2	2000 Q3r	2000 Q4r	2001 Q1r	2001 Q2
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**19,807.2r**	**21,296.7r**	**23,437.6r**	**25,675.5r**	**25,675.5r**	**26,070.3r**	**26,479.6r**	**26,906.6**	**27,481.9**	**27,931.7**	**28,309.5**
2 Domestic nonfederal nonfinancial sectors	3,007.3r	2,933.8r	2,991.8r	3,251.2r	3,251.2r	3,170.5r	3,184.6r	3,125.5	3,093.8	3,009.6	2,975.0
3 Household	2,082.5r	2,018.6r	1,941.8r	2,151.6r	2,151.6r	2,079.2r	2,065.0r	2,021.3	1,977.3	1,907.4	1,887.4
4 Nonfinancial corporate business	270.2	257.5	241.5	238.7	238.7	230.8r	246.2r	238.9	248.5	235.1	225.1
5 Nonfarm noncorporate business	49.7r	52.7r	69.1r	78.0r	78.0r	77.5r	77.6r	76.6	75.9	74.7	73.4
6 State and local governments	604.8	605.0	739.4	782.8	782.8	782.9	795.8	788.7	792.0	792.4	789.1
7 Federal government	200.2	205.4	219.1	258.0	258.0	259.6	261.6	262.7	265.4	266.6	268.9
8 Rest of the world	1,926.6	2,257.3	2,539.8	2,676.2r	2,676.2r	2,760.7r	2,809.9r	2,861.7	3,004.6	3,112.9	3,198.9
9 Financial sectors	14,673.2r	15,900.1r	17,686.8r	19,490.2r	19,490.2r	19,879.5r	20,223.5r	20,656.7	21,118.1	21,542.6	21,866.6
10 Monetary authority	393.1	431.4	452.5	478.1	478.1	501.9	505.1	511.5	511.8	523.9	535.1
11 Commercial banking	3,707.7	4,031.9	4,335.7	4,643.9	4,643.9	4,725.0	4,847.4	4,931.0	5,002.3	5,015.7	5,050.6
12 U.S.-chartered banks	3,175.8	3,450.7	3,761.2	4,078.9	4,078.9	4,171.3	4,295.4	4,368.2	4,418.7	4,424.4	4,463.2
13 Foreign banking offices in United States	475.8	516.1	504.2	484.1	484.1	482.0	478.1	487.5	508.1	515.0	510.7
14 Bank holding companies	22.0	27.4	26.5	32.7	32.7	22.1	23.0	21.3	20.5	22.3	21.6
15 Banks in U.S.-affiliated areas	34.1	37.8	43.8	48.3	48.3	49.6	51.0	54.0	55.0	54.1	55.1
16 Savings institutions	933.2	928.5	964.6	1,033.2	1,033.2	1,045.8	1,062.5	1,082.2	1,089.7	1,101.6	1,116.1
17 Credit unions	288.5	305.3	324.2	351.7	351.7	359.0	370.1r	376.0	382.2	381.7	391.2
18 Bank personal trusts and estates	232.0	207.0	194.1	222.0	222.0	226.7	230.2	234.6	239.1	241.8	245.1
19 Life insurance companies	1,657.0	1,751.1	1,828.0	1,886.0	1,886.0	1,902.2r	1,914.1r	1,935.1	1,943.9	1,967.2	1,991.0
20 Other insurance companies	491.2	515.3	521.1r	518.2r	518.2r	515.4r	510.8r	512.4	509.4	510.0	510.7
21 Private pension funds	627.0	674.6	731.0	775.9	775.9	787.6	793.8	810.0	817.2	823.7	828.8
22 State and local government retirement funds	565.4	632.5	704.6	751.4	751.4	767.2	775.1	784.5	801.0	804.3	808.8
23 Money market mutual funds	634.3	721.9	965.9	1,147.8	1,147.8	1,217.1	1,159.4	1,212.5	1,296.7	1,403.8	1,414.6
24 Mutual funds	820.2	901.1	1,025.9	1,073.1	1,073.1	1,053.7	1,073.9	1,088.5	1,099.9	1,113.8	1,151.5
25 Closed-end funds	100.8r	98.3r	103.7r	111.1r	111.1r	109.0r	106.9r	104.8	102.7	100.6	98.5
26 Government-sponsored enterprises	832.8r	939.4r	1,253.9r	1,545.6r	1,545.6r	1,584.0r	1,649.2r	1,704.3	1,793.7	1,866.5	1,944.5
27 Federally related mortgage pools	1,711.3	1,825.8	2,018.4	2,292.2	2,292.2	2,322.1	2,355.2	2,414.3	2,491.6	2,534.2	2,635.8
28 Asset-backed securities issuers (ABSs)	773.9	937.7	1,219.4	1,424.6	1,424.6	1,453.8r	1,486.3r	1,522.9	1,602.9	1,660.5	1,706.0
29 Finance companies	544.5	566.4	618.4	713.3	713.3	747.0	780.6	795.5	812.6	809.4	829.6
30 Mortgage companies	41.2	32.1	35.3	35.6	35.6	34.1	35.5	35.4	35.9	36.2	36.5
31 Real estate investment trusts (REITs)	30.4	50.6	45.5	42.9	42.9	38.8	38.2	37.3	36.6	37.6	37.9
32 Brokers and dealers	167.7	182.6	189.4	154.7	154.7	194.6	187.9	243.3	223.6	317.7	288.4
33 Funding corporations	121.0	166.7	155.3r	288.8r	288.8r	294.5r	341.3r	320.7	325.4	292.3	246.0
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
34 **Total credit market debt**	**19,807.2r**	**21,296.7r**	**23,437.6r**	**25,675.5r**	**25,675.5r**	**26,070.3r**	**26,479.6r**	**26,906.6**	**27,481.9**	**27,931.7**	**28,309.5**
Other liabilities											
35 Official foreign exchange	53.7	48.9	60.1	50.1	50.1	49.4	46.5	44.9	46.0	43.3	41.7
36 Special drawing rights certificates	9.7	9.2	9.2	6.2	6.2	6.2	4.2	3.2	2.2	2.2	2.2
37 Treasury currency	18.9	19.3	19.9	20.9	20.9	21.4	22.1	23.2	23.2	22.9	23.2
38 Foreign deposits	521.7	618.5r	642.3r	703.6r	703.6r	781.9r	782.8r	772.6	824.5	883.4	846.8
39 Net interbank liabilities	240.8	219.4	189.0	204.5	204.5	169.7	210.6	173.2	188.0	116.0	163.4
40 Checkable deposits and currency	1,244.8	1,286.1	1,333.4	1,484.8	1,484.8	1,392.9	1,409.7	1,385.7	1,413.3	1,385.2	1,416.8
41 Small time and savings deposits	2,377.0	2,474.1	2,626.5	2,671.2	2,671.2	2,728.0	2,738.8	2,790.9	2,861.9	2,965.3	2,992.0
42 Large time deposits	590.9	713.4	805.5	936.1	936.1	966.5	987.4	1,025.9	1,054.5	1,078.0	1,090.6
43 Money market fund shares	886.7	1,042.5	1,329.7	1,578.8	1,578.8	1,666.0	1,627.1	1,697.8	1,812.1	1,994.7	2,014.8
44 Security repurchase agreements	701.5	822.4	913.7	1,083.4	1,083.4	1,149.2	1,185.0	1,238.7	1,194.3	1,206.0	1,241.1
45 Mutual fund shares	2,342.4	2,989.4	3,610.5	4,553.4	4,553.4	4,863.3	4,759.6	4,814.4	4,457.2	3,999.8	4,269.9
46 Security credit	358.1	469.1	572.3	676.6	676.6	795.4	775.5	800.4	817.6	799.4	781.8
47 Life insurance reserves	610.6	665.0	718.3	783.9	783.9	801.0	806.5	818.7	819.1	823.0	844.6
48 Pension fund reserves	6,325.1	7,323.4	8,193.7	9,041.7	9,041.7	9,237.9	9,166.7	9,307.9	9,054.8	8,603.5	8,885.5
49 Trade payables	1,827.6r	1,967.3r	2,076.5r	2,298.8r	2,298.8r	2,321.7r	2,366.9r	2,412.0	2,455.2	2,425.2	2,418.3
50 Taxes payable	128.8r	151.1r	172.4r	194.7r	194.7r	210.1r	212.7r	214.8	216.4	224.2	219.8
51 Investment in bank personal trusts	871.3	942.5	1,001.0	1,130.4	1,130.4	1,158.0r	1,114.4r	1,106.7	1,019.4	929.1	964.4
52 Miscellaneous	6,386.0r	6,727.4r	7,475.3r	8,040.5r	8,040.5r	8,258.1r	8,539.8r	8,998.1	8,845.1	9,253.4	9,506.9
53 **Total liabilities**	**45,302.7r**	**49,785.5r**	**55,186.9r**	**61,135.1r**	**61,135.1r**	**62,646.9r**	**63,236.0r**	**64,535.7**	**64,586.8**	**64,686.3**	**66,033.3**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	21.4	21.1	21.6	21.4	21.4	21.4	21.5	21.4	21.5	21.5	21.6
55 Corporate equities	10,255.8	13,202.0r	15,492.5	19,494.5	19,494.5	20,147.0r	19,180.8r	18,991.5	17,068.8	14,920.9	15,863.6
56 Household equity in noncorporate business	3,787.8r	4,053.2r	4,398.7r	4,649.9r	4,649.9r	4,675.4r	4,772.2r	4,815.5	4,884.7	4,929.1	4,941.8
Liabilities not identified as assets (−)											
57 Treasury currency	−6.1	−6.3	−6.4	−7.1	−7.1	−7.6	−7.9	−7.6	−8.5	−9.4	−9.4
58 Foreign deposits	437.0	537.1r	544.9r	591.1r	591.1r	656.7r	636.3r	611.5	659.9	704.4	677.4
59 Net interbank transactions	−10.6	−32.2	−27.0	−25.5	−25.5	−13.9	−11.6	−17.6	−4.3	1.7	5.3
60 Security repurchase agreements	109.8	172.9	233.5r	263.6r	263.6r	410.3r	422.8r	446.0	374.4	357.6	387.5
61 Taxes payable	81.9r	104.2r	122.9r	122.7r	122.7r	118.6r	135.8r	124.4	128.5	112.7	129.0
62 Miscellaneous	−1,241.1r	−1,562.1r	−2,307.3r	−2,792.5r	−2,792.5r	−2,948.5r	−3,009.7r	−2,818.5	−3,371.8	−3,314.7	−3,222.6
Floats not included in assets (−)											
63 Federal government checkable deposits	−1.6	−8.1	−3.9	−9.9	−9.9	−6.5	−5.2	−7.8	−2.6	−21.9	−40.6
64 Other checkable deposits	30.1	26.2	23.1	22.3	22.3	18.7	22.5	15.5	24.0	21.1	25.5
65 Trade credit	165.7r	126.8r	76.6r	120.9r	120.9r	50.1r	12.8r	2.5	88.7	42.1	16.0
66 **Total identified to sectors as assets**	**59,802.7r**	**67,703.2r**	**76,443.0r**	**87,015.2r**	**87,015.2r**	**89,212.6r**	**89,014.9r**	**90,015.7**	**88,673.3**	**86,664.0**	**88,892.3**

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	1998	1999	2000	2000		2001						
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 **Industrial production**[1]	**134.0**	**139.6**	**147.5**	**148.2**	**147.3**	**146.0**	**145.4**	**145.0**	**144.6**[r]	**144.2**[r]	**143.0**	**142.8**
Market groups												
2 Products, total	127.2	131.2	136.2	136.3	136.0	135.0	134.6	134.5	133.8[r]	133.6[r]	132.7	132.8
3 Final, total	129.3	133.3	138.8	138.8	139.0	137.8	137.7	137.9	137.2[r]	137.1[r]	136.1	136.3
4 Consumer goods	118.4	120.8	123.0	122.4	123.1	121.8	122.3	122.4	122.1[r]	122.6[r]	122.2	122.8
5 Equipment	147.1	153.8	166.1	169.9	168.9	168.0	166.2	166.8	165.3[r]	163.7[r]	161.2	160.8
6 Intermediate	121.0	125.1	128.7	128.5	126.8	126.7	125.5	124.4	123.7[r]	123.1[r]	122.7	122.3
7 Materials	145.7	154.5	167.8	169.9	167.8	165.9	165.0	163.9	164.1[r]	163.4[r]	161.5	160.9
Industry groups												
8 Manufacturing	138.2	144.8	153.6	154.1	152.6	151.3	150.7	150.0	149.6[r]	149.2[r]	147.7	147.7
9 Capacity utilization, manufacturing (percent)[2]	81.3	80.5	81.3	80.5	79.3	78.4	77.9	77.3	76.9[r]	76.6[r]	75.7	75.6
10 Construction contracts[3]	122.7	135.3[r]	142.0[r]	144.0	140.0	151.0[r]	152.0[r]	141.0[r]	142.0[r]	141.0	149.0	142.0
11 Nonagricultural employment, total[4]	115.9	118.6	121.0	121.8	121.9	122.0	122.1	122.2	122.0	122.0	122.0	122.0
12 Goods-producing, total	109.4	109.7	110.5	110.7	110.6	110.3	110.3	110.2	109.4	109.0	108.4	108.1
13 Manufacturing, total	*103.9*	*102.4*	*101.8*	*101.5*	*101.3*	*100.8*	*100.5*	*100.1*	*99.5*	*98.7*	*98.1*	*97.7*
14 Manufacturing, production workers	105.4	103.7	102.9	101.8	101.4	100.9	100.3	99.7	99.0	98.2	97.3	96.8
15 Service-producing	117.7	121.0	123.9	124.8	125.0	125.1	125.3	125.4	125.4	125.6	125.6	125.7
16 Personal income, total	137.8	144.3	154.3	157.9	158.9	159.6	160.3	161.0	161.4	161.7	162.2	163.0
17 Wages and salary disbursements	140.6	149.9	162.2	166.8	167.6	168.4	169.4	170.1	170.7	170.7	171.5	172.2
18 Manufacturing	129.7	134.0	142.3	146.3	146.2	146.1	146.3	146.3	146.8	145.4	144.9	145.6
19 Disposable personal income[5]	133.7	139.2	147.9	151.1	152.0	152.8	153.4	154.1	154.6	154.9	155.4	158.0
20 Retail sales[5]	142.8	155.1	167.0	167.8	167.4	169.6	169.2	168.6	170.0	n.a.	n.a.	n.a.
Prices[6]												
21 Consumer (1982–84=100)	163.0	166.6	172.2	174.1	174.0	175.1	175.8	176.2	176.9	177.7	178.0	177.5
22 Producer finished goods (1982=100)	130.7	133.0	138.0	140.0	139.7	141.2	141.4	140.9	141.7	142.5	142.1	140.7

1. Data in this table appear in the Board's G.17 (419) monthly statistical release. The data are also available on the Board's web site, http://www.federalreserve.gov/releases/g17. The latest historical revision of the industrial production index and the capacity utilization rates was released in December 2000. The recent annual revision is described in an article in the March 2001 issue of the *Bulletin*. For a description of the methods of estimating 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, and the references cited therein. 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, 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 the 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*.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1998	1999	2000	2000	2001						
				Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June	July
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	137,673	139,368	140,863	141,489	141,955	141,751	141,868	141,757	141,272	141,354	141,774
Employment											
2 Nonagricultural industries[3]	128,085	130,207	131,903	132,562	132,819	132,680	132,618	132,162	131,910	131,937	132,334
3 Agriculture	3,378	3,281	3,305	3,274	3,179	3,135	3,161	3,192	3,193	2,995	3,045
Unemployment											
4 Number	6,210	5,880	5,655	5,653	5,956	5,936	6,088	6,402	6,169	6,422	6,395
5 Rate (percent of civilian labor force)	4.5	4.2	4.0	4.0	4.2	4.2	4.3	4.5	4.4	4.5	4.5
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**125,865**	**128,786**	**131,417**	**132,367**	**132,428**	**132,595**	**132,654**	**132,489**	**132,530**	**132,437**	**132,395**
7 Manufacturing	18,805	18,543	18,437	18,349	18,257	18,192	18,116	18,009	17,879	17,766	17,717
8 Mining	590	535	538	548	550	555	557	560	564	565	566
9 Contract construction	6,020	6,404	6,687	6,791	6,826	6,880	6,929	6,852	6,881	6,867	6,868
10 Transportation and public utilities	6,611	6,826	6,993	7,108	7,106	7,123	7,127	7,119	7,130	7,114	7,110
11 Trade	29,095	29,712	30,191	30,474	30,482	30,536	30,523	30,583	30,584	30,592	30,598
12 Finance	7,389	7,569	7,618	7,582	7,594	7,609	7,618	7,626	7,644	7,631	7,626
13 Service	37,533	39,027	40,384	40,901	40,984	41,020	41,073	40,993	41,078	41,087	41,064
14 Government	19,823	20,170	20,570	20,614	20,629	20,680	20,711	20,747	20,770	20,815	20,846

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) 2000 Q3	2000 Q4	2001 Q1	2001 Q2[r]	Capacity (percent of 1992 output) 2000 Q3	2000 Q4	2001 Q1	2001 Q2	Capacity utilization rate (percent)[2] 2000 Q3	2000 Q4	2001 Q1	2001 Q2[r]
1 **Total industry**	**148.4**	**148.1**	**145.5**	**143.9**	**180.1**	**182.1**	**183.7**	**184.9**	**82.4**	**81.3**	**79.2**	**77.9**
2 Manufacturing	154.4	153.8	150.7	148.8	189.2	191.5	193.5	194.8	81.7	80.3	77.9	76.4
3 Primary processing[3]	180.3	178.7	172.6	170.2	211.2	216.0	220.0	222.4	85.4	82.7	78.4	76.5
4 Advanced processing[4]	140.3	140.2	138.5	137.0	175.2	176.2	177.2	178.0	80.1	79.5	78.2	77.0
5 Durable goods	196.7	196.5	191.6	189.1	238.3	243.6	248.1	251.2	82.5	80.7	77.2	75.3
6 Lumber and products	117.0	113.2	109.6	112.4	147.9	148.4	148.7	149.0	79.1	76.3	73.7	75.5
7 Primary metals	133.4	127.5	121.1	121.8	153.4	153.5	153.5	153.5	87.0	83.1	78.8	79.4
8 Iron and steel	130.5	121.5	114.9	120.8	153.4	153.6	153.6	153.2	85.1	79.1	74.8	78.9
9 Nonferrous	137.0	134.7	128.3	123.3	153.4	153.4	153.5	153.8	89.3	87.8	83.6	80.2
10 Industrial machinery and equipment	257.3	261.9	256.3	246.7	311.1	317.3	322.5	326.5	82.7	82.5	79.5	75.5
11 Electrical machinery	581.1	604.0	593.0	562.6	639.1	694.1	741.7	773.0	90.9	87.1	80.0	72.8
12 Motor vehicles and parts	170.8	159.7	147.5	159.5	209.2	210.1	210.9	211.7	81.7	76.0	69.9	75.3
13 Aerospace and miscellaneous transportation equipment	93.5	94.8	94.1	93.3	130.4	130.2	130.0	130.1	71.7	72.8	72.3	71.7
14 Nondurable goods	116.2	115.3	113.6	112.3	144.4	144.6	144.7	144.6	80.5	79.7	78.5	77.7
15 Textile mill products	99.8	94.7	92.7	88.4	123.3	122.8	122.0	120.9	80.9	77.1	76.0	73.1
16 Paper and products	114.0	114.9	110.8	111.1	137.5	137.9	138.3	138.6	82.9	83.3	80.1	80.2
17 Chemicals and products	125.4	124.5	121.9	120.3	164.1	164.8	165.0	165.0	76.4	75.5	73.8	72.9
18 *Plastics materials*	*137.6*	*131.0*	*130.9*	*128.0*	*151.9*	*152.3*	*152.7*	*153.2*	*90.5*	*86.0*	*85.7*	*83.5*
19 Petroleum products	117.3	116.0	115.5	116.7	123.2	123.1	123.1	123.3	95.3	94.3	93.8	94.7
20 Mining	100.6	100.3	101.7	103.5	116.3	115.8	115.3	114.9	86.6	86.6	88.2	90.0
21 Utilities	121.0	123.7	122.6	120.0	133.4	134.5	135.7	137.0	90.7	92.0	90.4	87.6
22 Electric	123.9	127.5	125.4	125.0	132.3	133.8	135.3	136.8	93.7	95.3	92.7	91.4

Series	1973 High	1975 Low	Previous cycle[5] High	Previous cycle[5] Low	Latest cycle[6] High	Latest cycle[6] Low	2000 July	2001 Feb.	2001 Mar.	2001 Apr.[r]	2001 May[r]	2001 June	2001 July[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.1**	**85.4**	**78.1**	**82.3**	**79.2**	**78.7**	**78.4**	**78.0**	**77.2**	**77.0**
2 Manufacturing	88.5	70.5	86.9	69.0	85.7	76.6	81.6	77.9	77.3	76.9	76.6	75.7	75.6
3 Primary processing[3]	91.2	68.2	88.1	66.2	88.9	77.7	85.6	78.6	77.4	77.2	76.7	75.6	75.3
4 Advanced processing[4]	87.2	71.8	86.7	70.4	84.2	76.1	79.8	78.1	77.9	77.4	77.1	76.4	76.4
5 Durable goods	89.2	68.9	87.7	63.9	84.6	73.1	82.3	77.0	76.8	76.0	75.6	74.3	74.2
6 Lumber and products	88.7	61.2	87.9	60.8	93.6	75.5	80.3	73.3	74.8	74.5	76.5	75.5	75.3
7 Primary metals	100.2	65.9	94.2	45.1	92.7	73.7	87.3	79.0	76.8	79.7	80.0	78.4	78.4
8 Iron and steel	105.8	66.6	95.8	37.0	95.2	71.8	84.8	75.2	73.8	77.2	79.6	79.8	79.8
9 Nonferrous	90.8	59.8	91.1	60.1	89.3	74.2	90.5	83.6	80.3	82.8	80.6	77.1	77.1
10 Industrial machinery and equipment	96.0	74.3	93.2	64.0	85.4	72.3	82.1	79.1	78.9	77.2	75.6	73.9	73.5
11 Electrical machinery	89.2	64.7	89.4	71.6	84.0	75.0	91.8	80.0	77.0	74.5	72.8	71.0	68.6
12 Motor vehicles and parts	93.4	51.3	95.0	45.5	89.1	55.9	78.1	69.9	74.1	73.5	76.8	75.7	79.2
13 Aerospace and miscellaneous transportation equipment	78.4	67.6	81.9	66.6	87.3	79.2	72.7	71.9	72.5	72.3	71.6	71.1	70.6
14 Nondurable goods	87.8	71.7	87.5	76.4	87.3	80.7	80.6	78.8	77.9	78.0	77.7	77.3	77.2
15 Textile mill products	91.4	60.0	91.2	72.3	90.4	77.7	82.1	76.0	76.0	74.8	72.3	72.3	72.4
16 Paper and products	97.1	69.2	96.1	80.6	93.5	85.0	83.6	81.6	77.8	82.1	80.0	78.4	78.1
17 Chemicals and products	87.6	69.7	84.6	69.9	86.2	79.3	76.2	74.3	73.4	72.8	73.3	72.6	72.7
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	92.8	88.2	85.0	82.7	84.2	83.8	83.9
19 Petroleum products	96.7	81.1	90.0	66.8	88.5	85.1	95.0	94.6	93.4	94.7	94.3	95.0	93.6
20 Mining	94.3	88.2	96.0	80.3	88.0	87.0	86.3	87.9	89.2	90.0	90.3	89.8	89.3
21 Utilities	96.2	82.9	89.1	75.9	92.6	83.4	89.5	89.8	89.6	88.5	86.8	87.4	86.6
22 Electric	99.0	82.7	88.2	78.9	95.0	87.1	91.8	91.6	92.4	93.4	90.3	90.6	89.5

1. Data in this table appear in the Board's G.17 (419) monthly statistical release. The data are also available on the Board's web site, http://www.federalreserve.gov/releases/g17. The latest historical revision of the industrial production index and the capacity utilization rates was released in December 2000. The recent annual revision is described in an article in the March 2001 issue of the *Bulletin*. For a description of the methods of estimating 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, and the references cited therein. 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	2000 avg.	2000						2001						
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May[r]	June	July[p]
				Index (1992=100)												
	MAJOR MARKETS															
1	**Total index**	**100.0**	**147.5**	**147.6**	**148.6**	**149.0**	**148.7**	**148.2**	**147.3**	**146.0**	**145.4**	**145.0**	**144.6**	**144.2**	**143.0**	**142.8**
2	Products	60.5	136.2	135.8	136.6	136.7	136.3	136.3	136.0	135.0	134.6	134.5	133.8	133.6	132.7	132.8
3	Final products	46.3	138.8	138.1	139.2	139.3	138.8	138.8	139.0	137.8	137.7	137.9	137.2	137.1	136.1	136.3
4	Consumer goods, total	29.1	123.0	122.9	123.8	123.8	122.7	122.4	123.1	121.8	122.3	122.4	122.1	122.6	122.2	122.8
5	Durable consumer goods	6.1	166.1	166.3[r]	167.9[r]	168.3[r]	169.1[r]	169.9[r]	168.9[r]	168.0[r]	166.2[r]	166.8[r]	165.3	163.7	161.2	160.8
6	Automotive products	2.6	128.7	128.7[r]	128.8[r]	128.6[r]	128.7[r]	128.5[r]	126.8[r]	126.7[r]	125.5[r]	124.4[r]	123.7	123.1	122.7	122.3
7	Autos and trucks	1.7	167.8	169.0[r]	170.5[r]	171.3[r]	171.1[r]	169.9[r]	167.8[r]	165.9[r]	165.0[r]	163.9[r]	164.1	163.4	161.5	160.9
8	Autos, consumer	.9	153.6	153.7[r]	154.6[r]	155.1[r]	154.9[r]	154.1[r]	152.6[r]	151.3[r]	150.7[r]	150.0[r]	149.6	149.2	147.7	147.7
9	Trucks, consumer	.7	81.3	81.6[r]	81.7[r]	81.7[r]	81.2[r]	80.5[r]	79.3[r]	78.4[r]	77.9[r]	77.3[r]	76.9	76.6	75.7	75.6
10	Auto parts and allied goods	.9	142.0	141.0[r]	139.0[r]	143.0[r]	151.0[r]	144.0[r]	140.0[r]	151.0[r]	152.0[r]	141.0[r]	142.0	141.0	149.0	142.0
11	Other	3.5	121.0	121.5[r]	121.4[r]	121.6[r]	121.7[r]	121.8[r]	121.9[r]	122.0[r]	122.1[r]	122.2[r]	122.0	122.0	122.0	121.9
12	Appliances, televisions, and air conditioners	1.0	110.5	110.9[r]	110.7[r]	110.6[r]	110.7[r]	110.7[r]	110.6[r]	110.3[r]	110.3[r]	110.2[r]	109.4	109.0	108.5	108.3
13	Carpeting and furniture	.8	101.8	102.5[r]	102.1[r]	101.7[r]	101.6[r]	101.5[r]	101.3[r]	100.8[r]	100.5[r]	100.1[r]	99.5	98.7	98.1	97.9
14	Miscellaneous home goods	1.6	102.9	103.3[r]	102.8[r]	102.2[r]	102.1[r]	101.8[r]	101.4[r]	100.9[r]	100.3[r]	99.7[r]	99.0	98.2	97.4	97.0
15	Nondurable consumer goods	23.0	123.9	124.3[r]	124.3[r]	124.6[r]	124.7[r]	124.8[r]	125.0[r]	125.1[r]	125.3[r]	125.4[r]	125.4	125.6	125.6	125.6
16	Foods and tobacco	10.3	154.3	154.8[r]	155.4[r]	156.3[r]	157.3[r]	157.9[r]	158.9[r]	159.6[r]	160.3[r]	161.0[r]	161.4	161.7	162.2	...
17	Clothing	2.4	162.2	162.9[r]	163.2[r]	164.4[r]	165.8[r]	166.8[r]	167.6[r]	168.4[r]	169.4[r]	170.1[r]	170.7	170.7	171.4	...
18	Chemical products	4.5	142.3	143.5[r]	143.4[r]	144.0[r]	145.6[r]	146.3[r]	146.2[r]	146.1[r]	146.3[r]	146.3[r]	146.8	145.5	145.1	...
19	Paper products	2.9	147.9	148.4[r]	148.8[r]	149.6[r]	150.5[r]	151.1[r]	152.0[r]	152.8[r]	153.4[r]	154.1[r]	154.6	155.0	155.4	...
20	Energy	2.9	167.0	167.7[r]	167.4[r]	169.0[r]	168.7[r]	167.8[r]	167.8[r]	170.1[r]	170.4[r]	169.6[r]	172.2	172.4	172.2	172.1
21	Fuels	.8	172.2	172.8[r]	172.8[r]	173.7[r]	174.0[r]	174.1[r]	174.0[r]	175.1[r]	175.8[r]	176.2[r]	176.9	177.7	178.0	177.5
22	Residential utilities	2.1	138.0	138.6[r]	138.2[r]	139.4[r]	140.1[r]	140.0[r]	139.7[r]	141.2[r]	141.4[r]	140.9[r]	141.7	142.5	142.1	140.7
23	Equipment	17.2	166.1	166.3	167.9	168.3	169.1	169.9	168.9	168.0	166.2	166.8	165.3	163.7	161.2	160.8
24	Business equipment	13.2	194.2	195.0	197.8	199.5	200.0	200.6	199.2	197.4	195.3	195.6	193.3	191.5	188.2	187.7
25	Information processing and related	5.4	312.2	313.9	322.1	327.2	332.3	336.7	335.9	337.4	330.6	327.7	326.7	323.3	318.5	313.9
26	Computer and office equipment	1.1	1,157.6	1,182.8	1,229.0	1,264.1	1,286.4	1,305.0	1,318.3	1,310.6	1,307.0	1,304.4	1,295.9	1,286.4	1,280.3	1,270.4
27	Industrial	4.0	144.6	144.4	147.7	146.5	146.9	147.4	145.8	145.7	141.4	142.3	139.7	138.0	133.3	132.1
28	Transit	2.5	127.7	127.6	126.8	127.7	121.6	121.8	117.4	111.7	114.4	117.8	116.3	117.1	116.3	118.6
29	Autos and trucks	1.2	145.6	141.5	142.8	144.2	131.4	130.4	122.0	115.6	120.9	129.0	126.6	130.1	129.2	136.0
30	Other	1.3	145.7	148.1	144.8	149.3	154.2	148.6	153.5	149.3	153.9	151.2	147.6	144.5	144.7	147.7
31	Defense and space equipment	3.3	76.2	77.9	76.1	73.7	75.3	77.0	77.5	78.5	76.7	77.7	78.0	76.4	76.4	76.6
32	Oil and gas well drilling	.6	131.8	136.2	137.1	132.8	136.5	138.9	139.1	146.7	147.9	150.7	151.2	152.2	150.4	147.7
33	Manufactured homes	.2	116.2	116.8	115.5	109.3	98.8	90.9	83.5	73.5	81.9	83.2	85.2	89.3	87.0	88.0
34	Intermediate products, total	14.2	128.7	128.7	128.8	128.6	128.7	128.5	126.8	126.7	125.5	124.4	123.7	123.1	122.7	122.3
35	Construction supplies	5.3	143.2	143.8	142.7	143.1	142.3	141.6	140.6	140.7	139.9	140.5	139.6	139.4	138.8	138.6
36	Business supplies	8.9	120.1	119.8	120.6	120.0	120.7	120.7	118.5	118.4	117.0	114.9	114.3	113.5	113.2	112.7
37	Materials	39.5	167.8	169.0	170.5	171.3	171.1	169.9	167.8	165.9	165.0	163.9	164.1	163.4	161.5	160.9
38	Durable goods materials	20.8	227.6	230.5	233.8	235.7	235.0	232.9	230.3	226.6	225.2	223.6	223.0	223.2	220.3	219.8
39	Durable consumer parts	4.0	165.3	158.3	168.3	169.0	168.5	161.8	157.6	146.1	149.9	153.1	153.6	158.0	156.5	157.3
40	Equipment parts	7.6	478.3	499.9	505.7	512.1	515.9	521.4	522.3	517.5	514.9	508.2	498.3	492.8	483.9	478.3
41	Other	9.2	134.6	135.3	134.7	135.5	133.7	131.8	129.6	130.1	127.2	125.5	126.9	126.7	125.4	125.8
42	Basic metal materials	3.1	128.7	128.5	127.5	129.2	125.9	124.4	123.6	121.2	118.3	114.5	118.2	118.0	115.8	115.7
43	Nondurable goods materials	8.9	113.8	113.9	112.8	112.7	113.4	110.7	108.6	107.5	107.2	104.6	105.2	103.9	102.3	102.0
44	Textile materials	1.1	97.9	97.9	99.3	95.9	94.0	89.5	90.3	91.0	87.7	87.4	86.3	83.7	82.4	81.6
45	Paper materials	1.8	115.8	114.9	112.8	113.8	117.2	113.4	109.4	110.3	112.4	105.9	111.3	108.5	104.8	104.6
46	Chemical materials	3.9	117.0	117.0	116.8	116.3	115.9	113.7	109.8	108.5	108.2	105.9	104.1	103.7	102.8	102.5
47	Other	2.1	113.0	113.7	110.2	112.0	114.0	111.9	113.9	111.0	110.2	109.1	112.2	110.3	108.8	108.5
48	Energy materials	9.7	103.4	102.9	104.2	104.3	103.9	105.4	104.5	104.4	103.9	104.9	105.8	104.9	104.3	103.6
49	Primary energy	6.3	98.1	98.7	98.9	98.5	97.8	99.3	98.6	100.3	99.3	100.4	101.2	100.8	100.3	99.7
50	Converted fuel materials	3.3	114.3	110.8	115.1	116.6	117.2	118.7	117.3	111.8	113.1	113.7	114.7	112.3	111.4	110.5
	SPECIAL AGGREGATES															
51	Total excluding autos and trucks	97.1	147.2	147.5	148.4	148.7	148.8	148.4	147.8	146.6	145.9	145.1	144.7	144.2	143.0	142.5
52	Total excluding motor vehicles and parts	95.1	146.3	146.9	147.4	147.7	147.8	147.7	147.2	146.5	145.4	144.5	144.1	143.4	142.2	141.6
53	Total excluding computer and office equipment	98.2	140.4	140.5	141.4	141.6	141.2	140.8	139.9	138.6	138.1	137.7	137.3	137.0	135.8	135.7
54	Consumer goods excluding autos and trucks	27.4	120.6	120.9	121.3	121.2	120.7	120.6	121.9	120.8	121.1	120.6	120.3	120.4	120.2	120.0
55	Consumer goods excluding energy	26.2	123.9	123.9	124.5	124.4	123.6	122.9	122.5	122.0	122.6	122.8	122.6	123.1	122.5	123.2
56	Business equipment excluding autos and trucks	12.0	200.1	201.5	204.5	206.3	208.5	209.4	208.9	207.7	204.6	203.8	201.6	199.1	195.5	193.9
57	Business equipment excluding computer and office equipment	12.1	158.4	158.6	160.3	161.2	161.2	161.5	159.9	158.4	156.5	156.8	154.9	153.4	150.5	150.2
58	Materials excluding energy	29.8	188.5	190.3	191.8	193.0	192.8	190.4	187.8	185.1	184.1	182.0	181.9	181.4	178.9	178.5

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Monthly data seasonally adjusted

Group	SIC[2] code	1992 proportion	2000 avg.	2000 July	2000 Aug.	2000 Sept.	2000 Oct.	2000 Nov.	2000 Dec.	2001 Jan.	2001 Feb.	2001 Mar.	2001 Apr.[r]	2001 May[r]	2001 June	2001 July[p]
				Index (1992=100)												
MAJOR INDUSTRIES																
59 **Total index**	.	**100.0**	**147.5**	**147.6**	**148.6**	**149.0**	**148.7**	**148.2**	**147.3**	**146.0**	**145.4**	**145.0**	**144.6**	**144.2**	**143.0**	**142.8**
60 Manufacturing	.	85.4	153.6	153.7	154.6	155.1	154.9	154.1	152.6	151.3	150.7	150.0	149.6	149.2	147.7	147.7
61 Primary processing	.	26.5	178.0	179.4	180.3	181.2	181.1	178.8	176.1	173.5	173.1	171.1	171.3	170.7	168.7	168.2
62 Advanced processing	.	58.9	139.3	139.5	140.5	140.8	140.5	140.5	139.6	139.0	138.4	138.3	137.5	137.3	136.1	136.3
63 Durable goods	.	45.0	193.4	194.7	196.9	198.4	197.6	196.7	195.1	192.3	191.1	191.3	190.1	189.8	187.3	187.5
64 Lumber and products	24	2.0	118.3	118.6	115.5	116.8	114.8	113.2	111.5	108.3	109.1	111.4	110.9	113.9	112.5	112.3
65 Furniture and fixtures	25	1.4	142.9	142.6	143.8	146.6	147.2	145.0	145.3	144.1	143.8	143.2	142.5	143.5	141.8	140.6
66 Stone, clay, and glass products	32	2.1	134.7	136.3	136.1	136.5	137.3	134.6	132.4	135.2	134.3	134.3	133.3	133.1	131.9	132.2
67 Primary metals	33	3.1	133.7	133.9	132.4	133.9	129.0	127.3	126.3	124.0	121.3	117.8	122.4	122.7	120.3	120.3
68 Iron and steel	331,2	1.7	131.1	129.9	129.7	131.9	123.7	122.0	118.7	116.0	115.5	113.3	118.4	121.9	122.1	121.9
69 Raw steel	331PT	.1	120.9	126.4	123.9	117.7	115.6	106.3	104.6	108.3	109.1	109.2	101.3	109.0	111.8	112.4
70 Nonferrous	333–6,9	1.4	136.8	138.8	135.7	136.5	135.3	133.6	135.2	133.4	128.2	123.3	127.2	124.0	118.6	118.8
71 Fabricated metal products	34	5.0	135.6	136.1	136.3	136.0	136.0	134.7	132.9	133.5	130.3	129.8	129.3	128.8	127.5	127.9
72 Industrial machinery and equipment	35	8.0	252.8	253.9	257.9	260.0	261.5	261.9	262.3	258.4	255.0	255.7	251.0	246.8	242.2	241.7
73 Computer and office equipment	357	1.8	1,343.6	1,370.4	1,421.6	1,464.2	1,487.4	1,502.8	1,508.3	1,497.4	1,484.2	1,477.5	1,464.4	1,451.9	1,442.9	1,431.1
74 Electrical machinery	36	7.3	549.7	571.2	580.0	592.2	597.4	604.4	610.2	604.3	593.7	581.0	569.9	563.5	554.4	539.7
75 Transportation equipment	37	9.5	131.0	128.0	132.4	132.4	129.2	126.8	122.8	116.0	119.8	124.5	123.9	126.8	125.5	128.7
76 Motor vehicles and parts	371	4.9	170.5	163.1	173.9	175.5	167.2	160.1	151.8	138.6	147.4	156.5	155.4	162.5	160.5	168.0
77 Autos and light trucks	371PT	2.6	153.0	147.8	156.4	158.8	145.8	140.1	131.5	125.9	131.9	141.8	141.6	147.9	145.0	157.9
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.6	93.8	94.9	93.5	92.1	93.6	95.4	95.3	94.3	93.5	94.3	94.1	93.2	92.5	91.9
79 Instruments	38	5.4	122.2	122.6	123.3	123.7	123.5	124.6	123.1	125.0	123.3	122.6	123.1	121.5	120.1	120.9
80 Miscellaneous	39	1.3	130.8	132.1	130.8	130.9	131.1	130.2	129.4	130.4	127.6	127.6	128.4	126.3	127.6	128.1
81 Nondurable goods	..	40.4	116.9	116.3	116.3	116.0	116.3	115.5	114.1	114.0	114.0	112.7	112.8	112.4	111.7	111.6
82 Foods	20	9.4	114.7	115.0	115.1	114.6	114.8	115.0	114.2	114.1	115.0	114.6	114.2	114.6	114.0	113.8
83 Tobacco products	21	1.6	95.3	95.8	96.6	94.5	93.7	93.1	94.2	95.2	93.7	92.2	93.8	92.1	93.1	94.3
84 Textile mill products	22	1.8	100.1	101.4	99.4	98.4	96.7	92.8	94.5	93.0	92.7	92.4	90.7	87.4	87.1	87.0
85 Apparel products	23	2.2	91.7	92.0	90.7	89.5	89.2	89.2	88.2	88.9	88.7	88.4	88.2	87.8	85.6	86.5
86 Paper and products	26	3.6	116.1	114.9	113.3	113.7	117.1	114.7	112.7	111.8	112.8	107.7	113.7	110.9	108.8	108.4
87 Printing and publishing	27	6.7	109.9	110.0	110.4	110.9	111.6	111.2	109.2	109.6	107.7	106.2	105.6	105.2	104.8	103.9
88 Chemicals and products	28	9.9	128.3	124.8	125.9	125.4	125.8	124.8	122.9	121.8	122.6	121.2	120.1	121.0	119.7	119.9
89 Petroleum products	29	1.4	117.1	117.0	117.6	117.4	116.5	116.9	114.7	115.1	116.5	115.0	116.7	116.2	117.1	115.5
90 Rubber and plastic products	30	3.5	142.3	144.4	142.1	141.9	141.3	139.1	137.3	138.5	137.3	136.5	136.0	134.6	134.7	135.5
91 Leather and products	31	.3	69.8	70.0	68.8	69.8	68.6	68.9	66.9	67.1	69.3	67.7	65.7	63.9	62.3	61.6
92 Mining	.	6.9	100.0	100.5	101.0	100.4	100.1	101.1	99.6	101.0	101.4	102.7	103.5	103.8	103.1	102.5
93 Metal	10	.5	97.4	92.9	95.8	99.3	96.3	93.7	99.5	94.6	91.7	85.4	90.4	89.8	87.8	85.9
94 Coal	12	1.0	108.9	110.3	109.3	107.0	110.2	108.6	106.1	115.2	110.7	116.6	116.8	116.5	115.2	111.5
95 Oil and gas extraction	13	4.8	95.0	95.7	96.3	95.7	95.1	96.6	95.2	96.1	96.7	97.7	98.5	98.9	98.3	97.9
96 Stone and earth minerals	14	.6	126.4	124.4	125.0	123.7	124.6	123.2	119.3	121.7	126.4	129.6	129.1	128.2	128.3	128.5
97 Utilities	..	7.7	120.4	119.1	122.1	121.7	120.0	121.9	129.1	124.0	121.8	122.0	120.9	119.0	120.1	119.6
98 Electric	491,3PT	6.2	123.9	121.1	126.1	124.7	124.2	127.3	131.2	126.7	123.9	125.5	127.2	123.5	124.4	123.3
99 Gas	491.2PT	1.6	109.3	111.0	108.4	110.5	105.8	104.5	120.2	113.7	112.9	109.7	101.2	104.2	105.7	106.6
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	.	80.5	152.6	153.2	153.5	153.9	154.3	153.8	152.7	152.2	151.1	149.8	149.3	148.5	147.1	146.6
101 Manufacturing excluding computer and office equipment	.	83.6	145.4	145.4	146.2	146.5	146.2	145.4	143.9	142.7	142.2	141.5	141.1	140.8	139.4	139.4
102 Computers, communications equipment, and semiconductors	.	5.9	1,195.2	1,248.0	1,281.6	1,310.3	1,334.8	1,358.1	1,368.9	1,351.7	1,334.1	1,312.2	1,283.1	1,261.7	1,241.0	1,210.6
103 Manufacturing excluding computers and semiconductors	.	81.1	128.3	127.7	128.2	128.4	128.0	127.1	125.6	124.7	124.3	123.8	123.7	123.5	122.4	122.5
104 Manufacturing excluding computers, communications equipment, and semiconductors	.	79.5	125.1	124.5	124.9	125.0	124.6	123.6	122.1	121.1	120.8	120.4	120.3	120.2	119.1	119.3
		Gross value (billions of 1992 dollars, annual rates)														
MAJOR MARKETS																
105 **Products, total**	.	**2,001.9**	**2,860.5**	**2,865.7**	**2,882.9**	**2,889.1**	**2,867.4**	**2,863.2**	**2,850.2**	**2,818.1**	**2,819.8**	**2,826.9**	**2,812.9**	**2,815.9**	**2,801.8**	**2,809.9**
106 Final	.	1,552.1	2,203.4	2,202.8	2,220.5	2,228.1	2,205.4	2,203.7	2,198.2	2,167.1	2,174.5	2,186.0	2,174.7	2,180.8	2,168.4	2,178.9
107 Consumer goods	.	1,049.6	1,340.0	1,338.7	1,348.7	1,353.7	1,334.7	1,331.2	1,332.8	1,312.2	1,322.8	1,328.2	1,325.5	1,335.4	1,333.9	1,342.4
108 Equipment	.	502.5	865.7	872.8	880.8	883.3	880.9	883.3	874.9	864.8	859.8	866.4	856.5	850.7	837.9	839.2
109 Intermediate	.	449.9	656.7	661.8	661.5	660.2	661.0	658.6	651.2	649.9	644.5	640.4	637.7	634.8	633.0	630.7

1. Data in this table appear in the Board's G.17 (419) monthly statistical release. The data are also available on the Board's web site, http://www.federalreserve.gov/releases/g17. The latest historical revision of the industrial production index and the capacity utilization rates was released in December 2000. The recent annual revision is described in an article in the March 2001 issue of the *Bulletin*. For a description of the methods of estimating 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, and the references cited therein. 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	1998	1999	2000	2000 Sept.	2000 Oct.	2000 Nov.	2000 Dec.	2001 Jan.	2001 Feb.	2001 Mar.	2001 Apr.	2001 May	2001 June
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,612	1,664	1,592	1,549	1,562	1,614	1,553	1,724	1,663	1,627	1,587	1,621	1,587
2 One-family	1,188	1,247	1,198	1,173	1,212	1,203	1,187	1,283	1,228	1,209	1,218	1,205	1,225
3 Two-family or more	425	417	394	376	350	411	366	441	435	418	369	416	362
4 Started	1,617	1,641	1,569	1,508	1,527	1,559	1,532	1,666	1,623	1,592	1,626	1,610	1,627
5 One-family	1,271	1,302	1,231	1,196	1,218	1,209	1,236	1,336	1,288	1,208	1,295	1,285[r]	1,285
6 Two-family or more	346	339	338	312	309	350	296	330	335	384	331	325[r]	342
7 Under construction at end of period[1]	971	953	934	971	971	969	965	985	989	1,002	1,006	1,016[r]	1,005
8 One-family	659	648	623	658	659	655	652	669	675	676	682	688[r]	684
9 Two-family or more	312	305	310	313	312	314	313	316	314	326	324	328[r]	321
10 Completed	1,474	1,605	1,574	1,526	1,509	1,548	1,527	1,424	1,531	1,478	1,569	1,499[r]	1,626
11 One-family	1,160	1,270	1,242	1,181	1,172	1,236	1,228	1,090	1,201	1,207	1,232	1,225[r]	1,259
12 Two-family or more	315	335	332	345	337	312	299	334	330	271	337	274[r]	367
13 Mobile homes shipped	374	348	250	231	213	196	176	164	177	179	183	188	201
Merchant builder activity in one-family units													
14 Number sold	886	880	877	902	922	882	1,001	938	959	953	899[r]	881[r]	906
15 Number for sale at end of period[1]	300	315	301	301	301	304	297	295	295	289	293[r]	294[r]	298
Price of units sold (thousands of dollars)[2]													
16 Median	152.5	161.0	169.0	171.5	176.3	174.7	162.0	171.3	169.1	166.3	175.2[r]	174.2[r]	172.4
17 Average	181.9	195.6	207.0	208.3	215.1	210.7	208.1	209.0	211.0	210.2	205.5[r]	209.8[r]	208.6
EXISTING UNITS (one-family)													
18 Number sold	4,970	5,205	5,113	5,160	5,070	5,300	4,940	5,200	5,190	5,430	5,220	5,360	5,330
Price of units sold (thousands of dollars)[2]													
19 Median	128.4	133.3	139.0	141.6	138.6	139.5	139.7	137.1	138.6	143.4	143.1	145.0	152.6
20 Average	159.1	168.3	176.2	178.6	176.9	176.5	178.5	175.8	174.6	179.5	179.9	183.6	190.2
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 Total put in place	**703,533**	**763,914**	**817,130**	**815,410**	**820,805**	**826,746**	**838,731**	**859,815**	**869,334**	**869,140**	**868,703**	**867,303**	**861,567**
22 Private	550,754	595,667	641,269	638,851	644,836	651,066	660,849	673,715	681,826	681,176	674,856	663,072	658,571
23 Residential	314,514	349,560	375,268	364,372	370,256	374,281	379,593	386,088	398,863	395,080	392,919	393,706	390,878
24 Nonresidential	236,240	246,107	266,001	274,479	274,580	276,785	281,256	287,627	282,963	286,096	281,937	269,366	267,693
25 Industrial buildings	40,547	32,794	31,984	31,384	32,125	33,265	31,398	35,878	33,386	34,823	34,698	31,338	32,992
26 Commercial buildings	95,760	104,531	116,988	121,349	121,760	120,587	125,234	125,402	124,568	128,792	125,438	114,419	114,612
27 Other buildings	39,609	40,906	44,505	45,020	45,645	45,628	45,707	46,567	46,264	47,117	46,039	46,539	44,932
28 Public utilities and other	60,324	67,876	72,523	76,726	75,050	77,305	78,917	79,780	78,745	75,364	75,762	77,070	75,157
29 Public	152,779	168,247	175,861	176,559	175,969	175,680	177,883	186,100	187,508	187,964	193,847	204,231	202,997
30 Military	2,539	2,142	2,334	2,509	1,883	2,629	2,107	2,270	2,342	2,131	2,534	2,280	2,485
31 Highway	45,251	52,024	52,851	53,923	48,764	48,858	50,189	55,368	56,204	57,443	58,188	60,486	61,171
32 Conservation and development	5,415	5,995	6,043	6,425	6,815	5,789	6,339	7,381	7,838	7,573	6,343	6,994	6,672
33 Other	99,575	108,086	114,634	113,702	118,507	118,404	119,248	121,081	121,124	120,817	126,782	134,471	132,669

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 2001[1]
	2000 July	2001 July	2000		2001[1]		2001					
			Sept.	Dec.	Mar.	June	Mar.	Apr.	May	June	July	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**3.7**	**2.7**	**3.3**	**2.3**	**4.0**	**3.7**	**.1**	**.3**	**.4**	**.2**	**−.3**	**177.5**
2 Food	2.6	3 2	4.1	2.1	4.1	3.3	2	.1	.3	4	3	173.5
3 Energy items	19.3	2.1	7 9	3.8	6.0	16.8	−2.1	1.8	3.1	- 9	−5.6	132.4
4 All items less food and energy	2.5	2.7	2.9	2.0	3.5	2.6	.2	.2	.1	3	.2	186.2
5 Commodities	.4	4	1.7	.0	1.4	−1.6	−.1	.0	−.4	0	.1	144.4
6 Services	3.4	3.7	3.2	3.2	4.2	4.5	3	.3	.3	.5	2	210.1
PRODUCER PRICES (1982=100)												
7 Finished goods	4.3	1.5	2.0	2.9	4.7	3	−.1[r]	.4[r]	.1	−.4	− 9	140.7
8 Consumer foods	2.2	2.7	−1.2	2.7	10.5	9	.9[r]	.5[r]	−.4	.1	−.6	141.2
9 Consumer energy	20.6	−.3	6.4	12.0	9.5	−6.1	−2.4[r]	.8[r]	.2	−2.5	−5.8	97.0
10 Other consumer goods	1.7	2.1	2.4	1.0	2.3	2.3	.2[r]	.1[r]	.4	.0	.1	156.8
11 Capital equipment	1.2	.9	1.7	.3	.0	1.2	.1	.3	−.1	.1	.2	139.8
Intermediate materials												
12 Excluding foods and feeds	5.2	−.2	3.1	1.2	1.5	−1.2	−.3[r]	−.2[r]	.2	−.2	−1 1	131.0
13 Excluding energy	2.8	−.5	.3	−.3	1.5	9	.1	−.1	.1	−.3	− 4	136.5
Crude materials												
14 Foods	3.2	10.4	−8.2	36.5	15.6	−7.1	3.4[r]	−.6[r]	−1.1	− 1	6	109.6
15 Energy	58.7	−14 6	20.0	102.6	−42.4	−43.7	−14.0[r]	2.2[r]	−3.7	−11.9	−11.5	109.0
16 Other	7.5	−10.3	−8.8	−9.2	−10.8	−13.7	−1.0[r]	−3.3[r]	−.2	− 2	−.9	129 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	1998	1999	2000	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2
GROSS DOMESTIC PRODUCT								
1 **Total**	**8,781.5**	**9,268.6**	**9,872.9**	**9,857.6**	**9,937.5**	**10,027.9**	**10,141.7**	**10,217.6**
By source								
2 Personal consumption expenditures	5,856.0	6,250.2	6,728.4	6,674.9	6,785.5	6,871.4	6,977.6	7,044.9
3 Durable goods	693.2	760.9	819.6	813.8	825.4	818.7	838.1	842.7
4 Nondurable goods	1,708.5	1,831.3	1,989.6	1,978.3	2,012.4	2,025.1	2,047.1	2,063.1
5 Services	3,454.3	3,658.0	3,919.2	3,882.8	3,947.7	4,027.5	4,092.4	4,139.1
6 Gross private domestic investment	1,538.7	1,636.7	1,767.5	1,792.4	1,788.4	1,780.3	1,722.8	1,684.4
7 Fixed investment	1,465.6	1,578.2	1,718.1	1,717.0	1,735.9	1,741.6	1,748.3	1,710.3
8 Nonresidential	1,101.2	1,174.6	1,293.1	1,288.3	1,314.9	1,318.2	1,311.2	1,263.1
9 Structures	282.4	283.5	313.6	306.4	321.1	330.9	345.8	339.1
10 Producers' durable equipment	818.9	891.1	979.5	981.8	993.8	987.3	965.4	923.9
11 Residential structures	364.4	403.5	425.1	428.7	421.0	423.4	437.0	447.2
12 Change in business inventories	73.1	58.6	49.4	75.4	52.5	38.7	−25.5	−25.9
13 Nonfarm	72.3[r]	60.1	51.1	74.0	55.3	37.8	−26.2	−25.1
14 Net exports of goods and services	−151.7	−250.9	−364.0	−350.8	−380.6	−390.6	−363.8	−349.1
15 Exports	964.9	989.8	1,102.9	1,099.7	1,131.1	1,121.0	1,117.4	1,087.2
16 Imports	1,116.7	1,240.6	1,466.9	1,450.4	1,511.8	1,511.6	1,481.2	1,436.3
17 Government consumption expenditures and gross investment	1,538.5	1,632.5	1,741.0	1,741.1	1,744.2	1,766.8	1,805.2	1,837.4
18 Federal	539.2	564.0	590.2	601.0	587.0	594.2	605.3	609.8
19 State and local	999.3	1,068.5	1,150.8	1,140.1	1,157.2	1,172.6	1,199.8	1,227.6
By major type of product								
20 Final sales, total	8,708.4	9,210.0	9,823.6	9,782.2	9,884.9	9,989.2	10,167.2	10,243.5
21 Goods	3,232.3	3,418.6	3,644.8	3,636.0	3,677.2	3,670.6	3,718.8	3,714.4
22 Durable	1,524.4	1,618.8	1,735.2	1,735.2	1,753.8	1,740.7	1,755.8	1,736.0
23 Nondurable	1,707.9	1,799.8	1,909.7	1,900.8	1,923.5	1,929.9	1,963.1	1,978.4
24 Services	4,678.6	4,939.1	5,268.5	5,243.1	5,296.1	5,393.0	5,482.8	5,545.9
25 Structures	797.5	852.4	910.3	903.1	911.6	925.6	965.6	983.2
26 Change in business inventories	73.1	58.6	49.4	75.4	52.5	38.7	−25.5	−25.9
27 Durable goods	44.7	35.3	34.7	51.0	33.0	31.5	−31.0	−28.5
28 Nondurable goods	28.5	23.3	14.7	24.4	19.5	7.2	5.5	2.6
MEMO								
29 **Total GDP in chained 1996 dollars**	**8,508.9**	**8,856.5**	**9,224.0**	**9,229.4**	**9,260.1**	**9,303.9**	**9,334.5**	**9,351.6**
NATIONAL INCOME								
30 **Total**	**7,041.4**	**7,462.1**	**7,980.9**	**7,956.1**	**8,047.2**	**8,124.0**	**8,169.7**	n.a.
31 Compensation of employees	4,989.6	5,310.7	5,715.2	5,669.9	5,759.3	5,868.9	5,955.7	6,010.2
32 Wages and salaries	4,192.1	4,477.4	4,837.2	4,798.0	4,875.8	4,973.2	5,049.4	5,099.3
33 Government and government enterprises	692.7	724.3	768.4	768.3	772.6	776.6	788.8	798.9
34 Other	3,499.4	3,753.1	4,068.8	4,029.7	4,103.2	4,196.6	4,260.6	4,300.4
35 Supplement to wages and salaries	797.5	833.4	878.0	872.0	883.5	895.7	906.3	910.9
36 Employer contributions for social insurance	306.9	323.6	343.8	341.8	345.6	350.8	357.1	358.9
37 Other labor income	490.6	509.7	534.2	530.1	537.9	544.9	549.3	552.1
38 Proprietors' income[1]	623.8	672.0	715.0	717.9	719.3	725.2	735.2	747.2
39 Business and professional[1]	598.2	645.4	684.4	685.4	687.6	693.5	705.4	717.9
40 Farm[1]	25.6	26.6	30.6	32.5	31.6	31.7	29.8	29.3
41 Rental income of persons[2]	138.6	147.7	141.6	141.4	138.3	141.7	139.6	140.9
42 Corporate profits[1]	777.4	825.2	876.4	892.8	895.0	847.6	789.8	n.a.
43 Profits before tax[3]	721.1	776.3	845.4	862.0	858.3	816.5	755.7	n.a.
44 Inventory valuation adjustment	18.3	−2.9	−12.4	−14.8	−3.6	−7.3	−1.9	n.a.
45 Capital consumption adjustment	38.0	51.7	43.4	45.5	40.4	38.4	36.0	31.8
46 Net interest	511.9	506.5	532.7	534.1	535.3	540.6	549.4	n.a.

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	1998	1999	2000	2000			2001	
				Q2	Q3	Q4	Q1	Q2
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**7,426.0**	**7,777.3**	**8,319.2**	**8,271.0**	**8,381.5**	**8,519.6**	**8,640.2**	**8,721.3**
2 Wage and salary disbursements	4,192.8	4,472.2	4,837.2	4,798.0	4,875.8	4,973.2	5,049.4	5,099.3
3 Commodity-producing industries	1,038.5	1,088.7	1,163.7	1,151.8	1,173.2	1,195.5	1,206.3	1,205.2
4 Manufacturing	756.6	782.0	830.1	822.0	838.0	852.2	853.3	850.6
5 Distributive industries	948.9	1,021.0	1,095.6	1,086.1	1,102.4	1,125.9	1,140.3	1,148.0
6 Service industries	1,512.7	1,638.2	1,809.5	1,791.7	1,827.6	1,875.2	1,914.0	1,947.2
7 Government and government enterprises	692.7	724.3	768.4	768.3	772.6	776.6	788.8	798.9
8 Other labor income	490.6	509.7	534.2	530.1	537.9	544.9	549.3	552.1
9 Proprietors' income[1]	623.8	672.0	715.0	717.9	719.3	725.2	735.2	747.2
10 Business and professional[1]	598.2	645.4	684.4	685.4	687.6	693.5	705.4	717.9
11 Farm[1]	25.6	26.6	30.6	32.5	31.6	31.7	29.8	29.3
12 Rental income of persons[2]	138.6	147.7	141.6	141.4	138.3	141.7	139.6	140.9
13 Dividends	348.3	343.1	379.2	373.3	385.8	396.6	404.8	411.9
14 Personal interest income	964.4	950.0	1,000.6	999.9	1,009.2	1,013.1	1,010.9	1,005.7
15 Transfer payments	983.7	1,019.6	1,069.1	1,066.3	1,074.6	1,089.0	1,123.1	1,138.3
16 Old–age survivors, disability, and health insurance benefits	578.1	588.0	617.3	618.6	620.9	626.5	651.4	660.2
17 LESS: Personal contributions for social insurance	316.3	337.1	357.7	355.8	359.4	364.1	372.1	373.9
18 EQUALS: Personal income	7,426.0	7,777.3	8,319.2	8,271.0	8,381.5	8,519.6	8,640.2	8,721.3
19 LESS: Personal tax and nontax payments	1,070.4	1,159.2	1,288.2	1,277.3	1,300.2	1,329.8	1,345.2	1,350.4
20 EQUALS: Disposable personal income	6,355.6	6,618.0	7,031.0	6,993.7	7,081.3	7,189.8	7,295.0	7,371.0
21 LESS Personal outlays	6,054.1	6,457.2	6,963.3	6,905.6	7,026.9	7,115.1	7,216.2	7,283.4
22 EQUALS: Personal saving	301.5	160.9	67.7	88.1	54.5	74.7	78.8	87.5
MEMO								
Per capita (chained 1996 dollars)								
23 Gross domestic product	31,449.2	32,441.9	33,490.3	33,549.2	33,587.6	33,661.1	33,698.5	33,675.1
24 Personal consumption expenditures	21,007.2	21,862.6	22,720.7	22,632.8	22,822.4	22,941.7	23,063.1	23,127.6
25 Disposable personal income	22,800.0	23,150.0	23,742.0	23,717.0	23,814.0	24,006.0	24,111.0	24,202.0
26 Saving rate (percent)	4.7	2.4	1.0	1.3	.8	1.0	1.1	1.2
GROSS SAVING								
27 **Gross saving**	**1,647.2**	**1,707.4**	**1,785.7**	**1,799.4**	**1,807.4**	**1,799.7**	**1,754.0**	n.a.
28 Gross private saving	1,375.0	1,348.0	1,323.0	1,345.8	1,329.6	1,332.7	1,307.9	n.a.
29 Personal saving	301.5	160.9	67.7	88.1	54.5	74.7	78.8	87.5
30 Undistributed corporate profits[1]	189.9	228.7	225.3	238.6	233.9	197.0	147.8	n.a.
31 Corporate inventory valuation adjustment	18.3	−2.9	−12.4	−14.8	−3.6	−7.3	−1.9	n.a.
Capital consumption allowances								
32 Corporate	620.2	669.2	727.1	719.1	736.0	749.7	763.8	782.6
33 Noncorporate	264.2	284.1	302.8	299.9	305.2	311.3	317.5	332.1
34 Gross government saving	272.2	359.4	462.8	453.7	477.8	467.1	446.1	n.a
35 Federal	132.0	210.9	315.0	305.0	326.9	320.5	303.7	n.a.
36 Consumption of fixed capital	88.2	91.7	96.4	95.9	97.0	97.9	98.4	99.4
37 Current surplus or deficit (−), national accounts	43.8	119.2	218.6	209.1	229.9	222.5	205.3	n.a.
38 State and local	140.2	148.5	147.8	148.7	150.9	146.6	142.5	n.a.
39 Consumption of fixed capital	99.5	106.4	114.9	114.0	116.1	118.0	120.2	121.9
40 Current surplus or deficit (−), national accounts	40.7	42.1	32.8	34.7	34.8	28.6	22.3	n.a.
41 **Gross investment**	**1,616.2**	**1,634.7**	**1,655.3**	**1,690.0**	**1,651.1**	**1,649.7**	**1,633.5**	n.a.
42 Gross private domestic investment	1,538.7	1,636.7	1,767.5	1,792.4	1,788.4	1,780.3	1,722.8	1,684.4
43 Gross government investment	277.1	304.6	318.3	315.0	314.0	322.8	330.9	345.7
44 Net foreign investment	−199.7	−306.6	−430.5	−417.4	−451.3	−453.4	−420.2	n.a.
45 **Statistical discrepancy**	**−31.0**	**−72.7**	**−130.4**	**−109.5**	**−156.3**	**−150.0**	**−120.5**	n.a.

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	1998	1999	2000	2000				2001
				Q1	Q2	Q3	Q4	Q1
1 Balance on current account	−217,457	−324,364	−444,667	−104,903	−108,134	−115,305	−116,324	−109,562
2 Balance on goods and services	−166,828	−261,838	−375,739	−87,322	−90,784	−97,340	−100,293	−95,015
3 Exports	932,694	957,353	1,065,702	257,256	265,822	272,497	270,131	269,297
4 Imports	−1,099,522	−1,219,191	−1,441,441	−344,578	−356,606	−369,837	−370,424	−364,312
5 Income, net	−6,202	−13,613	−14,792	−5,657	−4,889	−4,885	642	−3,090
6 Investment, net	−1,211	−8,511	−9,621	−4,380	−3,589	−3,620	1,971	−1,730
7 Direct	66,253	67,044	81,231	16,365	18,117	21,049	25,703	23,263
8 Portfolio	−67,464	−75,555	−90,852	−20,745	−21,706	−24,669	−23,732	−24,993
9 Compensation of employees	−4,991	−5,102	−5,171	−1,277	−1,300	−1,265	−1,329	−1,360
10 Unilateral current transfers, net	−44,427	−48,913	−54,136	−11,924	−12,461	−13,080	−16,673	−11,457
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	−422	2,751	−944	−127	−572	114	−359	68
12 Change in U.S. official reserve assets (increase, −)	−6,783	8,747	−290	−554	2,020	−346	−1,410	190
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−147	10	−722	−180	−180	−182	−180	−189
15 Reserve position in International Monetary Fund	−5,119	5,484	2,308	−237	2,328	1,300	−1,083	574
16 Foreign currencies	−1,517	3,253	−1,876	−137	−128	−1,464	−147	−195
17 Change in U.S. private assets abroad (increase, −)	−352,427	−448,565	−579,718	−197,424	−95,021	−107,495	−179,779	−157,195
18 Bank-reported claims[2]	−35,572	−76,263	−138,500	−56,234	7,455	−18,147	−71,574	−90,027
19 Nonbank-reported claims	−38,204	−85,700	−163,846	−75,256	−29,491	−14,585	−44,514	−5,618
20 U.S. purchases of foreign securities, net	−136,135	−131,217	−124,935	−27,546	−39,639	−33,129	−24,621	−28,535
21 U.S. direct investments abroad, net	−142,516	−155,385	−152,437	−38,388	−33,346	−41,634	−39,070	−33,015
22 Change in foreign official assets in United States (increase, +)	−19,948	43,551	37,619	22,498	6,447	12,247	−3,573	4,091
23 U.S. Treasury securities	−9,921	12,177	−10,233	16,204	−4,000	−9,001	−13,436	−1,027
24 Other U.S. government obligations	6,332	20,350	40,909	8,107	10,334	14,272	8,196	3,574
25 Other U.S. government liabilities[2]	−3,371	−2,855	−1,987	−474	−1,000	−220	−293	−1,244
26 Other U.S. liabilities reported by U.S. banks[2]	−9,501	12,964	5,803	−2,270	209	6,884	980	1,785
27 Other foreign official assets[3]	−3,487	915	3,127	931	904	312	980	1,003
28 Change in foreign private assets in United States (increase, +)	524,412	770,193	986,599	234,284	243,560	209,861	298,894	233,412
29 U.S. bank-reported liabilities[4]	39,769	54,232	87,953	−7,425	53,923	−1,910	43,365	−476
30 U.S. nonbank-reported liabilities	23,140	69,075	177,010	85,188	24,400	19,078	48,344	42,269
31 Foreign private purchases of U.S. Treasury securities, net	48,581	−20,490	−52,792	−9,348	−20,546	−12,503	−10,395	538
32 U.S. currency flows	16,622	22,407	1,129	−6,847	989	757	6,230	2,311
33 Foreign purchases of other U.S. securities, net	218,091	343,963	485,644	136,208	94,400	128,393	126,643	147,132
34 Foreign direct investments in United States, net	178,209	301,006	287,655	36,508	90,394	76,046	84,707	41,638
35 Capital account transactions, net[5]	678	−3,491	705	173	173	175	184	174
36 Discrepancy	71,947	−48,822	696	46,053	−48,473	749	2,367	28,822
37 Due to seasonal adjustment	.	. .	.	8,501	−2,380	−9,977	3,856	8,945
38 Before seasonal adjustment	71,947	−48,822	696	37,552	−46,093	10,726	−1,489	19,877
MEMO								
Changes in official assets								
39 U.S. official reserve assets (increase, −)	−6,783	8,747	−290	−554	2,020	−346	−1,410	190
40 Foreign official assets in United States, excluding line 25 (increase, +)	−16,577	46,406	39,606	22,972	7,447	12,467	−3,280	5,335
41 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	−11,531	1,621	11,582	6,143	1,639	3,636	164	−170

1. Seasonal factors are not calculated for lines 11–16, 18–20, 22–35, and 38–41.
2. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
3. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.
4. Reporting banks included all types of depository institutions as well as some brokers and dealers.
5. Consists of capital transfers (such as those of accompanying migrants entering or leaving the country and debt forgiveness) and the acquisition and disposal of nonproduced nonfinancial assets.

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	1998	1999	2000	2000	2001					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 Goods and services, balance	−166,686	−261,838	−375,739	−33,291	−33,332	−28,610	−33,076	−31,993	−28,469	−29,409
2 Merchandise	−246,855	−345,434	−452,207	−39,361	−39,127	−34,614	−38,781	−37,656	−34,449	−35,696
3 Services	79,868	83,596	76,468	6,070	5,795	6,004	5,705	5,663	5,980	6,287
4 Goods and services, exports	933,053	957,353	1,065,702	89,241	90,104	90,475	88,716	86,929	87,701	85,954
5 Merchandise	670,324	684,553	772,210	64,574	65,309	65,748	63,884	62,170	62,846	60,822
6 Services	262,729	272,800	293,492	24,667	24,795	24,727	24,832	24,759	24,855	25,132
7 Goods and services, imports	−1,099,739	−1,219,191	−1,441,441	−122,532	−123,436	−119,085	−121,792	−118,922	−116,170	−115,363
8 Merchandise	−917,179	−1,029,987	−1,224,417	−103,935	−104,436	−100,362	−102,665	−99,826	−97,295	−96,518
9 Services	−182,560	−189,204	−217,024	−18,597	−19,000	−18,723	−19,127	−19,096	−18,875	−18,845

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	1997	1998	1999	2001							
				Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.[p]
1 **Total**	**69,954**	**81,761**	**71,516**	**67,542**	**66,486**	**64,222**	**64,731**	**65,254**[r]	**64,847**	**65,736**	**67,852**
2 Gold stock[1]	11,047	11,046	11,048	11,046	11,046	11,046	11,046	11,044[r]	11,044	11,044	11,044
3 Special drawing rights[2,3]	10,027	10,603	10,336	10,497	10,641	10,379	10,420	10,481	10,409	10,518	10,913
4 Reserve position in International Monetary Fund[2]	18,071	24,111	17,950	15,079	14,107	13,777	13,816	14,283	14,619	14,965	15,297
5 Foreign currencies[4]	30,809	36,001	32,182	30,920	30,692	29,020	29,449	29,446	28,775	29,209	30,598

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	1997	1998	1999	2001							
				Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.[p]
1 **Deposits**	**457**	**167**	**71**	**199**	**196**	**70**	**101**	**86**	**102**	**84**	**80**
Held in custody											
2 U.S. Treasury securities[2]	620,885	607,574	632,482	594,694	603,906	609,440	585,710	583,655	586,607	578,573	590,820
3 Earmarked gold[3]	10,763	10,343	9,933	9,397	9,343	9,289	9,235	9,154	9,100	9,100	9,100

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	1998	1999	2000	2001					
			Dec.	Jan.	Feb.	Mar.	Apr.[r]	May[r]	June[p]
1 **Total**[1]	**759,928**	**806,318**	**845,934**	**866,883**	**864,593**	**865,466**	**855,152**	**837,296**	**834,175**
By type									
2 Liabilities reported by banks in the United States[2]	125,883	138,847	144,658	155,293	155,163	154,641	158,441	143,950	143,170
3 U.S. Treasury bills and certificates[3]	134,177	156,177	153,010	158,967	155,667	155,204	144,158	137,933	139,197
U.S. Treasury bonds and notes									
4 Marketable	432,127	422,266	415,964	418,190	418,857	419,106	410,066	410,979	407,736
5 Nonmarketable[4]	6,074	6,111	5,348	4,923	4,953	4,984	5,017	5,049	5,081
6 U.S. securities other than U.S. Treasury securities[5]	61,667	82,917	126,954	129,510	129,953	131,531	137,470	139,385	138,991
By area									
7 Europe[1]	256,026	244,805	253,592	259,829	256,180	250,420	247,128	251,505	251,052
8 Canada	10,552	12,503	12,394	11,220	10,794	10,396	10,474	10,967	11,573
9 Latin America and Caribbean	79,503	73,518	76,818	80,115	80,389	79,185	79,457	76,157	79,121
10 Asia	400,631	463,703	488,170	499,925	501,486	511,023	501,092	482,997	478,293
11 Africa	10,059	7,523	9,165	8,965	9,586	9,102	9,341	9,272	9,058
12 Other countries	3,157	4,266	5,795	6,829	6,158	5,340	7,660	6,398	5,078

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 1994 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	1997	1998	1999	2000			2001
				June	Sept.	Dec.	Mar.
1 Banks' liabilities	117,524	101,125	88,537	85,842	78,852	77,935	88,653
2 Banks' claims	83,038	78,162	67,365	67,862	60,355	57,005	71,075
3 Deposits	28,661	45,985	34,426	31,724	26,306	23,407	27,004
4 Other claims	54,377	32,177	32,939	36,138	34,049	33,598	44,071
5 Claims of banks' domestic customers[2]	8,191	20,718	20,826	18,802	19,123	24,411	20,682

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	1998	1999	2000	2000	2001					
					Dec.	Jan.	Feb.	Mar.	Apr.[r]	May	June[p]
	BY HOLDER AND TYPE OF LIABILITY										
1	**Total, all foreigners**	**1,347,837**	**1,408,740**	**1,515,077**	**1,515,077**	**1,606,592[r]**	**1,568,239[r]**	**1,537,728[r]**	**1,531,265**	**1,534,073**	**1,523,809**
2	Banks' own liabilities	884,939	971,536	1,045,236	1,045,236	1,123,852[r]	1,084,406[r]	1,076,707[r]	1,094,709	1,116,638	1,099,761
3	Demand deposits	29,558	42,884	33,365	33,365	30,820	35,765	33,893[r]	30,162	29,114	32,895
4	Time deposits[2]	151,761	163,620	188,154	188,154	187,365	189,531	182,529	190,804	182,982	181,880
5	Other[3]	140,752	155,853	173,263	173,263	203,269	198,788	200,477	202,423	207,350	215,081
6	Own foreign offices[4]	562,868	609,179	650,454	650,454	702,398[r]	660,322[r]	659,808[r]	671,320	697,192	669,905
7	Banks' custodial liabilities[5]	462,898	437,204	469,841	469,841	482,740	483,833	461,021	436,556	417,435	424,048
8	U.S. Treasury bills and certificates[6]	183,494	185,676	177,846	177,846	182,276	179,277	171,755	160,628	155,924	156,864
9	Short-term agency securities[7]	n.a.	n.a.	n.a.	n.a.	66,600	74,281	71,454	69,543	62,425	60,081
10	Other negotiable and readily transferable instruments[8]	141,699	132,617	145,840	145,840	77,464	73,258	64,517	77,595	80,260	79,211
11	Other	137,705	118,911	146,155	146,155	156,400	157,017	153,295	128,790	118,826	127,892
12	Nonmonetary international and regional organizations[9]	11,883	15,276	12,542	12,542	10,938	11,578	12,290	12,833	14,668	13,818
13	Banks' own liabilities	10,850	14,357	12,140	12,140	10,595	11,202	11,746	12,344	14,342	13,479
14	Demand deposits	172	98	41	41	27	19	23	14	15	28
15	Time deposits[2]	5,793	10,349	6,246	6,246	5,641	4,966	5,302	5,301	3,532	4,228
16	Other[3]	4,885	3,910	5,853	5,853	4,927	6,217	6,421	7,029	10,795	9,223
17	Banks' custodial liabilities[5]	1,033	919	402	402	343	376	544	489	326	339
18	U.S. Treasury bills and certificates[6]	636	680	252	252	294	248	229	170	105	68
19	Short-term agency securities[7]	n.a.	n.a.	n.a.	n.a.	26	108	137	144	132	134
20	Other negotiable and readily transferable instruments[8]	397	233	149	149	23	15	177	175	87	137
21	Other	0	6	1	1	0	5	1	0	2	0
22	Official institutions[10]	260,060	295,024	297,668	297,668	314,260	310,830	309,845	302,599	281,883	282,367
23	Banks' own liabilities	80,256	97,615	97,054	97,054	103,445	99,602	97,068	103,508	96,725	99,332
24	Demand deposits	3,003	3,341	3,952	3,952	3,199	4,444	3,509	2,552	2,522	2,473
25	Time deposits[2]	29,506	28,942	35,638	35,638	33,026	29,957	28,001	32,032	26,647	33,092
26	Other[3]	47,747	65,332	57,464	57,464	67,220	65,201	65,558	68,924	67,556	63,767
27	Banks' custodial liabilities[5]	179,804	197,409	200,614	200,614	210,815	211,228	212,777	199,091	185,158	183,035
28	U.S. Treasury bills and certificates[6]	134,177	156,177	153,010	153,010	158,967	155,667	155,204	144,158	137,933	139,197
29	Short-term agency securities[7]	n.a.	n.a.	n.a.	n.a	45,384	49,594	53,295	51,107	43,193	40,301
30	Other negotiable and readily transferable instruments[8]	44,953	41,182	47,366	47,366	5,337	5,325	4,064	3,325	3,509	3,067
31	Other	674	50	238	238	1,127	642	214	501	523	470
32	Banks[11]	885,336	900,379	976,164	976,164	1,046,398[r]	1,011,364[r]	992,003[r]	965,851	988,549	969,654
33	Banks' own liabilities	676,057	728,492	788,471	788,471	848,029[r]	814,668[r]	812,764[r]	816,718	845,735	818,821
34	Unaffiliated foreign banks	113,189	119,313	138,017	138,017	145,631	154,346	152,956	145,398	148,543	148,916
35	Demand deposits	14,071	17,583	15,522	15,522	14,297	12,600	16,433	13,029	12,143	15,212
36	Time deposits[2]	45,904	48,140	66,936	66,936	70,896	77,477	73,017	72,656	70,828	64,351
37	Other[3]	53,214	53,590	55,559	55,559	60,438	64,269	63,506	59,713	65,572	69,353
38	Own foreign offices[4]	562,868	609,179	650,454	650,454	702,398[r]	660,322[r]	659,808[r]	671,320	697,192	669,905
39	Banks' custodial liabilities[5]	209,279	171,887	187,693	187,693	198,369	196,696	179,239	149,133	142,814	150,833
40	U.S. Treasury bills and certificates[6]	35,359	16,796	16,023	16,023	14,484	13,909	7,922	7,233	8,535	8,455
41	Short-term agency securities[7]	n.a.	n.a.	n.a.	n.a.	7,569	8,007	2,324	2,824	3,772	3,169
42	Other negotiable and readily transferable instruments[8]	45,332	45,695	36,036	36,036	31,393	29,868	27,364	25,271	26,580	25,792
43	Other	128,588	109,396	135,634	135,634	144,923	144,912	141,629	113,805	103,927	113,417
44	Other foreigners	190,558	198,061	228,703	228,703	234,996	234,467	223,590[r]	249,982	248,973	257,970
45	Banks' own liabilities	117,776	131,072	147,571	147,571	161,783	158,934	155,129[r]	162,139	159,836	168,129
46	Demand deposits	12,312	21,862	13,850	13,850	13,297	18,702	13,928[r]	14,567	14,434	15,182
47	Time deposits[2]	70,558	76,189	79,334	79,334	77,802	77,131	76,209	80,815	81,975	80,209
48	Other[3]	34,906	33,021	54,387	54,387	70,684	63,101	64,992	66,757	63,427	72,738
49	Banks' custodial liabilities[5]	72,782	66,989	81,132	81,132	73,213	75,533	68,461	87,843	89,137	89,841
50	U.S. Treasury bills and certificates[6]	13,322	12,023	8,561	8,561	8,531	9,453	8,400	9,067	9,351	9,144
51	Short-term agency securities[7]	n.a.	n.a.	n.a.	n.a.	13,621	16,572	15,698	15,468	15,328	16,477
52	Other negotiable and readily transferable instruments[8]	51,017	45,507	62,289	62,289	40,711	38,050	32,912	48,824	50,084	50,215
53	Other	8,443	9,459	10,282	10,282	10,350	11,458	11,451	14,484	14,374	14,005
	MEMO										
54	Negotiable time certificates of deposit in custody for foreigners	27,026	30,345	34,217	34,217	31,389	30,277	24,518	26,238	25,912	24,884
55	Repurchase agreements[7]	n.a	n.a.	n.a	n.a.	125,225	120,444	129,671	119,577	119,900	126,510

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. Data available beginning January 2001.

8. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.

9. 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.

10. Foreign central banks, foreign central governments, and the Bank for International Settlements.

11. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued
Payable in U.S. dollars

Millions of dollars, end of period

Item	1998	1999	2000	2000	2001					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
AREA										
56 **Total, all foreigners**	**1,347,837**	**1,408,740**	**1,515,077**	**1,515,077**	**1,606,592r**	**1,568,239r**	**1,537,728r**	**1,531,265r**	**1,534,073r**	**1,523,809**
57 **Foreign countries**	**1,335,954**	**1,393,464**	**1,502,534**	**1,502,534**	**1,595,653r**	**1,556,660r**	**1,525,437r**	**1,518,431r**	**1,519,404r**	**1,509,990**
58 Europe	427,375	441,810	448,712	448,712	477,165r	447,619r	429,911r	431,641r	465,006r	461,034
59 Austria	3,178	2,789	2,692	2,692	2,366	2,094	2,178	2,771r	2,593	2,026
60 Belgium[12]	42,818	44,692	33,399	33,399	7,357	5,709	5,432	5,309	5,895	6,270
61 Denmark	1,437	2,196	3,000	3,000	3,391	4,182	2,919	3,412r	2,910	3,063
62 Finland	1,862	1,658	1,411	1,411	1,155	1,667	1,286	1,769	1,144	2,395
63 France	44,616	49,790	37,833	37,833	49,045	45,435	42,758	39,125	40,209	40,077
64 Germany	21,357	24,753	35,519	35,519	30,250	30,382	30,862	29,591r	30,339r	32,357
65 Greece	2,066	3,748	2,011	2,011	1,888	1,963	,496	1,336	1,525	1,653
66 Italy	7,103	6,775	5,072	5,072	4,997	5,071	5,850	5,269	5,530	6,766
67 Luxembourg[12]	n.a.	n.a.	n.a.	n.a.	27,095	24,234	12,585	14,505r	15,046r	16,853
68 Netherlands	10,793	8,143	7,244	7,244	8,504	8,328	7,265	10,337r	10,969r	9,817
69 Norway	710	1,327	2,305	2,305	4,762	6,331	8,361	4,806	2,572	4,583
70 Portugal	3,236	2,228	2,403	2,403	2,571	2,625	,731	1,949	2,041	2,287
71 Russia	2,439	5,475	19,018	19,018	17,233	19,029	18,625	19,917	21,357r	22,839
72 Spain	15,781	10,426	7,787	7,787	8,130	8,241	9,500	7,747r	7,883	7,410
73 Sweden	3,027	4,652	6,497	6,497	5,648	5,959	6,738	6,025r	5,284	5,507
74 Switzerland	50,654	63,485	74,635	74,635	83,098	64,428	54,028	65,998r	93,198r	73,088
75 Turkey	4,286	7,842	7,548	7,548	7,783	5,382	5,635	4,549	7,169	5,485
76 United Kingdom	181,554	172,687	169,484	169,484	143,474	134,444	147,300	138,134r	139,683	146,038
77 Channel Islands & Isle of Man[13]	n.a.	n.a.	n.a.	n.a.	36,376	43,087	36,040	36,013	34,742	34,994
78 Yugoslavia[14]	233	286	276	276	287	292r	292r	303r	301r	297
79 Other Europe and other former U.S.S.R.[15]	30,225	28,858	30,578	30,578	31,755r	28,736	29,030	32,776r	34,616	37,229
80 Canada	30,212	34,214	30,987	30,987	23,927	23,945	24,278r	27,972r	25,993r	25,984
81 Latin America	121,327	117,495	120,154	120,154	118,829	120,331r	114,513r	117,448r	113,542r	117,524
82 Argentina	19,014	18,633	19,487	19,487	18,944	18,011	12,878	14,610	12,584	16,417
83 Brazil	15,815	12,865	10,852	10,852	10,527	11,409	10,571	10,851	11,257	12,584
84 Chile	5,015	7,008	5,892	5,892	5,645	5,925	5,175	5,449	5,713	5,536
85 Colombia	4,624	5,669	4,542	4,542	4,536	4,440	4,344	4,618	4,723	4,632
86 Ecuador	1,572	1,956	2,111	2,111	2,144	2,254	2,179	2,164	2,115	1,957
87 Guatemala	1,336	1,626	1,604	1,604	1,579	1,535	,509	1,557	1,585	1,507
88 Mexico	37,157	30,717	32,169	32,169	33,719	34,948	34,084	34,271	33,177r	33,339
89 Panama	3,864	4,415	4,241	4,241	3,610	3,861	4,014	3,476	3,639	3,371
90 Peru	840	1,142	1,427	1,427	1,355	1,459	,788	1,767	1,532	1,607
91 Uruguay	2,486	2,386	3,003	3,003	2,765	2,844	3,365	3,410	3,332	3,026
92 Venezuela	19,894	20,192	24,733	24,733	26,995	26,525	27,415	27,847	26,875r	26,921
93 Other Latin America[16]	9,710	10,886	10,093	10,093	7,010	7,120r	7,191r	7,428r	7,010r	6,627
94 Caribbean	433,539	461,200	574,980	574,980	639,437r	626,260r	615,346r	606,751r	601,127r	600,496
95 Bahamas	118,085	135,811	189,332	189,332	186,179	185,369	174,174	177,530r	190,166	187,502
96 Bermuda	6,846	7,874	9,641	9,641	9,488	8,064	8,401	8,316r	7,019r	9,039
97 British West Indies[17]	302,486	312,278	368,769	368,769	0	0	n.a.	n.a.	n.a.	n.a.
98 Caymen Islands[17]	n.a.	n.a.	n.a.	n.a.	422,055r	412,349r	413,247r	402,537r	386,101r	385,155
99 Cuba	62	75	90	90	130	84	85	83	84	85
100 Jamaica	577	520	815	815	792	945	,238	899	1,133	995
101 Netherlands Antilles	5,010	4,047	5,428	5,428	6,558	5,484	4,504	4,515r	3,395	3,885
102 Trinidad and Tobago	473	595	905	905	797	886	,048	1,114	1,237	1,272
103 Other Caribbean[16]	n.a.	n.a.	n.a.	n.a.	13,438r	13,079	12,649	11,757r	11,992r	12,563
104 Asia	307,960	319,489	305,533	305,533	315,129	316,529	320,174	311,164r	291,302r	283,238
China										
105 Mainland	13,441	12,325	16,533	16,533	27,451	31,174	39,928	34,694r	23,160r	15,395
106 Taiwan	12,708	13,603	17,352	17,352	19,828	18,192	17,891	19,962	18,119	19,862
107 Hong Kong	20,900	27,701	26,462	26,462	27,014	27,662	29,088	26,581r	27,348	29,180
108 India	5,250	7,367	4,530	4,530	4,197	4,058	4,547	4,113	4,281	4,043
109 Indonesia	8,282	6,567	8,514	8,514	8,536	9,027	8,605	10,733	10,605	10,571
110 Israel	7,749	7,488	8,053	8,053	7,666	7,262	8,803	7,095	8,282	8,696
111 Japan	168,563	159,075	150,415	150,415	148,730	150,801	146,441	144,857r	141,248	137,048
112 Korea (South)	12,524	12,988	7,961	7,961	7,155	6,273	6,096	5,370	5,380	5,968
113 Philippines	3,324	3,268	2,316	2,316	1,769	1,422	,428	1,645	1,660	1,451
114 Thailand	7,359	6,050	3,117	3,117	3,157	3,455	3,252	2,935	3,295	3,310
115 Middle Eastern oil-exporting countries[18]	15,609	21,314	23,733	23,733	22,425	21,594	2[illegible],634	20,515r	19,642	20,519
116 Other	32,251	41,743	36,547	36,547	37,201	35,609	32,461	32,664	28,282	27,195
117 Africa	8,905	9,468	10,824	10,824	10,552	10,983	10,564	10,821	10,918	10,514
118 Egypt	1,339	2,022	2,621	2,621	2,552	2,336	2,282	2,375	2,517	2,227
119 Morocco	97	179	139	139	157	139	133	139	116	102
120 South Africa	1,522	1,495	1,010	1,010	843	914	651	791	706	657
121 Congo (formerly Zaire)	5	14	4	4	10	10	8	5	2	13
122 Oil-exporting countries[19]	3,088	2,914	4,052	4,052	4,317	4,750	4,593	4,753	4,741	4,644
123 Other	2,854	2,844	2,998	2,998	2,673	2,834	2,897	2,758	2,836	2,871
124 Other Countries	6,636	9,788	11,344	11,344	10,614	10,993	10,651	12,634r	11,516r	11,200
125 Australia	5,495	8,377	10,070	10,070	8,854	9,519	9,448	11,382r	10,406r	9,836
126 New Zealand[20]	n.a.	n.a.	n.a.	n.a.	1,035r	328	427r	501r	437r	638
127 All other	1,141	1,411	1,274	1,274	725r	1,146	776r	751	673r	726
128 Nonmonetary international and regional organizations	11,883	15,276	12,543	12,543	10,939	11,579	12,291	12,834	14,669	13,819
129 International[21]	10,221	12,876	11,270	11,270	9,024	10,793	1[illegible],379	11,335	12,965	12,836
130 Latin American regional[22]	594	1,150	740	740	1,493	223	272	327	886	418
131 Other regional[23]	1,068	1,250	533	533	422	534	640	620	518	523

12. Before January 2001, combined data reported for Belgium-Luxembourg.
13. Before January 2001, data included in United Kingdom.
14. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
15. Includes the Bank for International Settlements and European Central Bank. Since December 1992, has included all parts of the former U.S.S.R. (except Russia) and Bosnia, Croatia, and Slovenia.
16. Before January 2001, "Other Latin America" and "Other Caribbean" were reported as combined "Other Latin America and Caribbean."
17. Beginning January 2001, Cayman Islands replaced British West Indies in the data series.
18. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
19. Comprises Algeria, Gabon, Libya, and Nigeria.
20. Before January 2001, included in "All other."
21. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.
22. Principally the Inter-American Development Bank.
23. 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	1998	1999	2000	2000 Dec.	2001 Jan.	2001 Feb.	2001 Mar.	2001 Apr.	2001 May	2001 June[p]
1 **Total, all foreigners**	**734,995**	**793,139**	**908,242**	**908,242**	**961,017**	**912,886**	**984,855**	**989,617**	**996,256[r]**	**991,190**
2 **Foreign countries**	**731,378**	**788,576**	**903,556**	**903,556**	**957,790**	**909,569**	**982,079**	**986,862**	**992,346[r]**	**986,492**
3 Europe	233,321	311,686	381,471	381,471	422,114	404,511	443,510	442,431	460,448[r]	452,249
4 Austria	1,043	2,643	2,926	2,926	3,664	2,927	3,101	3,728	3,364	2,970
5 Belgium[2]	7,187	10,193	5,399	5,399	4,635	5,300	4,852	4,375	5,627	4,154
6 Denmark	2,383	1,669	3,272	3,272	3,402	3,499	3,242	2,954	2,505	2,268
7 Finland	1,070	2,020	7,382	7,382	6,772	7,102	7,185	8,901	8,800	8,460
8 France	15,251	29,142	40,035	40,035	43,290	44,038	45,555	46,378	42,190	48,835
9 Germany	15,923	29,205	36,834	36,834	39,744	39,233	45,763	49,061	55,097	51,241
10 Greece	575	806	646	646	526	454	278	265	285	313
11 Italy	7,284	8,496	7,629	7,629	6,310	6,315	6,976	7,274	6,868	8,116
12 Luxembourg[2]	n.a	n.a.	n.a.	n.a.	2,825	2,659	2,569	2,012	1,876[r]	1,280
13 Netherlands	5,697	11,810	17,044	17,044	18,865	21,517	22,630	22,699	16,495	16,993
14 Norway	827	1,000	5,012	5,012	2,971	5,339	8,228	5,296	2,915	6,502
15 Portugal	669	1,571	1,382	1,382	1,109	1,312	1,426	1,535	1,173	1,304
16 Russia	789	713	517	517	518	561	1,008	813	715	911
17 Spain	5,735	3,796	2,604	2,604	3,808	3,959	4,722	3,445	4,275	3,594
18 Sweden	4,223	3,264	9,226	9,226	10,353	10,131	10,286	11,934	10,986	11,049
19 Switzerland	46,874	79,158	82,085	82,085	102,547	97,003	96,489	104,816	137,273	111,492
20 Turkey	1,982	2,617	3,059	3,059	3,301	2,989	2,698	2,770	2,596	2,612
21 United Kingdom	106,349	115,971	148,292	148,292	154,339	139,721	166,667	155,535	148,444[r]	161,729
22 Channel Islands & Isle of Man[3]	n.a	n.a.	n.a	n.a.	3,067	3,069	3,091	3,151	3,838[r]	3,275
23 Yugoslavia[4]	53	50	50	50	50	49	49	49	59	49
24 Other Europe and other former U.S.S.R.[5]	9,407	7,562	8,077	8,077	10,018	7,334	6,695	5,440	5,067	5,102
25 Canada	47,037	37,206	39,860	39,860	41,654	42,377	43,839	45,091	44,584	50,150
26 Latin America	79,976	74,040	76,614	76,614	74,462	74,222	73,798	73,841	73,852	73,778
27 Argentina	9,552	10,894	11,546	11,546	11,319	11,614	11,243	11,541	11,732	11,904
28 Brazil	16,184	16,987	20,567	20,567	20,372	20,008	20,275	20,286	20,718	21,531
29 Chile	8,250	6,607	5,816	5,816	6,223	5,961	5,823	5,628	5,444	5,449
30 Colombia	6,507	4,524	4,370	4,370	3,816	3,941	4,022	3,720	3,740	3,641
31 Ecuador	1,400	760	635	635	563	584	534	526	482	522
32 Guatemala	1,127	1,135	1,246	1,246	1,364	1,176	1,176	1,171	1,227	1,192
33 Mexico	21,212	17,899	17,430	17,430	17,598	17,918	17,762	18,013	17,977	17,384
34 Panama	3,584	3,387	2,935	2,935	2,775	2,908	3,008	3,158	2,873	3,082
35 Peru	3,275	2,529	2,808	2,808	2,689	2,673	2,809	2,771	2,534	2,565
36 Uruguay	1,126	801	675	675	641	455	366	367	368	398
37 Venezuela	3,089	3,494	3,520	3,520	3,306	3,264	3,239	3,154	3,111	2,984
38 Other Latin America[6]	4,670	5,023	5,066	5,066	3,796	3,720	3,541	3,506	3,646	3,126
39 Caribbean	262,678	281,128	319,512	319,512	320,547	299,190	325,134	333,197	324,792	322,664
40 Bahamas	96,455	99,066	114,090	114,090	109,284	101,284	105,064	112,424	112,802[r]	105,772
41 Bermuda	5,011	8,007	9,343	9,343	8,673	7,133	8,186	6,838	5,570	8,453
42 British West Indies[7]	153,749	167,189	189,315	189,315	0	0	n.a.	n.a	n.a.	n.a
43 Caymen Islands[7]	n.a	n.a.	n.a	n.a.	187,790	177,338	199,345	200,045[r]	195,813[r]	197,674
44 Cuba	0	0	0	0	117	0	.	1[r]	.	.
45 Jamaica	239	295	355	355	357	331	348	336[r]	396	301
46 Netherlands Antilles	6,779	5,982	5,801	5,801	9,077	7,156	6,921	9,384	5,738	5,749
47 Trinidad and Tobago	445	589	608	608	658	663	710	783	804	946
48 Other Caribbean[6]	n.a.	n.a.	n.a.	n.a.	4,591	5,285	4,560	3,386[r]	3,669[r]	3,769
49 Asia	98,607	75,143	77,887	77,887	90,332	81,487	87,626	83,562	81,242	80,971
China										
50 Mainland	1,261	2,110	1,606	1,606	1,562	1,530	1,338	3,171	2,252	4,387
51 Taiwan	1,041	1,390	2,247	2,247	1,037	1,365	1,846	2,253	1,980	2,519
52 Hong Kong	9,080	5,903	6,669	6,669	7,458	8,506	11,068	10,461	9,126	9,247
53 India	1,440	1,738	2,178	2,178	1,886	1,700	1,827	1,675	1,648	1,634
54 Indonesia	1,942	1,776	1,914	1,914	2,075	1,987	2,001	2,033	2,015	1,932
55 Israel	1,166	1,875	2,729	2,729	2,343	3,249	2,339	2,526	2,717	2,417
56 Japan	46,713	28,641	35,032	35,032	38,901	34,778	39,311	32,969	34,510	32,432
57 Korea (South)	8,289	9,426	7,776	7,776	18,736	14,147	12,186	13,937	11,639	11,204
58 Philippines	1,465	1,410	1,784	1,784	1,217	1,172	1,195	1,835	1,788	1,831
59 Thailand	1,807	1,515	1,381	1,381	1,170	1,244	1,258	1,062	1,380	1,541
60 Middle Eastern oil-exporting countries[8]	16,130	14,267	9,346	9,346	10,549	8,341	9,120	7,936	9,926	8,641
61 Other	8,273	5,092	5,225	5,225	3,398	3,468	4,137	3,704	2,261	3,186
62 Africa	3,122	2,268	2,094	2,094	2,176	1,899	2,111	2,035	1,905	2,134
63 Egypt	257	258	201	201	170	271	343	308	466	529
64 Morocco	372	352	204	204	182	185	189	185	185	177
65 South Africa	643	622	309	309	492	544	586	444	289	528
66 Congo (formerly Zaire)	0	24	0	0	19	0	0	0	0	0
67 Oil-exporting countries[9]	936	276	471	471	582	153	217	267	197	143
68 Other	914	736	909	909	731	746	776	831	768	757
69 Other countries	6,637	7,105	6,118	6,118	6,505	5,883	6,061	6,705	5,523	4,546
70 Australia	6,173	6,824	5,869	5,869	6,080	5,587	5,769	6,257	5,211	4,116
71 New Zealand[10]	n.a	n.a.	n.a	n.a.	283	165	166	269	136	279
72 All other	464	281	249	249	142	131	126	179	176	151
73 Nonmonetary international and regional organizations[11]	3,617	4,563	4,686	4,686	3,363	3,317	2,776	2,755	4,535[r]	4,698

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Before January 2001, combined data reported for Belgium-Luxembourg.
3. Before January 2001, data included in United Kingdom.
4. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
5. Includes the Bank for International Settlements and European Central Bank. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
6. Before January 2001, "Other Latin America" and "Other Caribbean" were reported as combined "Other Latin America and Caribbean."
7. Beginning 2001, Cayman Islands replaced British West Indies in the data series.
8. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
9. Comprises Algeria, Gabon, Libya, and Nigeria.
10. Before January 2001, included in "All other."
11. 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	1998	1999	2000	2000	2001					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **Total**	**875,891**	**944,937**	**1,099,439**	**1,099,439**	.	.	**1,195,602**	.	.	.
2 Banks' claims	734,995	793,139	908,242	908,242	961,017	912,886	984,855	989,617	996,256[r]	991,190
3 Foreign public borrowers	23,542	35,090	37,907	37,907	52,990	54,220	49,123	52,357	49,533	51,892
4 Own foreign offices[2]	484,535	529,682	630,137	630,137	647,273	610,256	670,909	682,430	708,451[r]	682,910
5 Unaffiliated foreign banks	106,206	97,186	98,667	98,667	101,605	95,647	105,85[illegible]	95,318	80,002	92,547
6 Deposits	27,230	34,538	23,886	23,886	23,083	22,848	19,948	21,533	19,717	22,606
7 Other	78,976	62,648	74,781	74,781	78,522	72,799	85,905	73,785	60,285	69,941
8 All other foreigners	120,712	131,181	141,531	141,531	159,149	152,763	158,970	159,512	158,270[r]	163,841
9 Claims of banks' domestic customers[3]	140,896	151,798	191,197	191,197	.	.	210,747	.	.	.
10 Deposits	79,363	88,006	100,327	100,327	..		105,554	.	..	.
11 Negotiable and readily transferable instruments[4]	47,914	51,161	78,147	78,147	.	.	91,827		.	.
12 Outstanding collections and other claims	13,619	12,631	12,723	12,723	.	.	13,360	.	.	
MEMO										
13 Customer liability on acceptances	4,520	4,553	4,258	4,258	..	...	2,995	..	...	.
14 Banks' loans under resale agreements[5]	n.a.	n.a.	n.a.	n.a.	122,720	118,705	134,083	126,871	116,938	129,639
15 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[6]	39,978	31,125	53,153	53,153	59,893	70,964	67,204	60,796	58,137	66,155

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. Data available beginning January 2001.

6. 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]	1997	1998	1999	2000			2001
				June	Sept	Dec	Mar
1 **Total**	**276,550**	**250,418**	**267,082**	**268,905**	**263,383**	**281,526**	**318,275**
By borrower							
2 Maturity of one year or less	205,781	186,526	187,894	181,815	174,650	188,731	201,518
3 Foreign public borrowers	12,081	13,671	22,811	24,849	23,646	21,399	23,742
4 All other foreigners	193,700	172,855	165,083	156,966	151,004	167,332	177,776
5 Maturity of more than one year	70,769	63,892	79,188	87,090	88,733	92,795	116,757
6 Foreign public borrowers	8,499	9,839	12,013	15,900	16,238	16,258	24,949
7 All other foreigners	62,270	54,053	67,175	71,190	72,495	76,537	91,808
By area							
Maturity of one year or less							
8 Europe	58,294	68,679	80,842	71,492	69,447	73,253	89,639
9 Canada	9,917	10,968	7,859	7,344	8,225	8,395	7,069
10 Latin America and Caribbean	97,207	81,766	69,498	66,096	65,881	77,304	109,590
11 Asia	33,964	18,007	21,802	29,092	23,791	22,751	20,737
12 Africa	2,211	1,835	1,122	1,520	1,594	1,168	970
13 All other[3]	4,188	5,271	6,771	6,271	5,712	5,860	10,680
Maturity of more than one year							
14 Europe	13,240	14,923	22,951	25,417	27,589	33,483	42,341
15 Canada	2,525	3,140	3,192	3,323	3,261	3,312	3,249
16 Latin America and Caribbean	42,049	33,442	39,051	42,291	41,168	41,870	50,222
17 Asia	10,235	10,018	11,257	12,550	13,132	10,154	17,176
18 Africa	1,236	1,232	1,065	924	395	891	763
19 All other[3]	1,484	1,137	1,672	2,585	2,588	3,085	3,006

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	1997	1998	1999 Mar.	1999 June	1999 Sept	1999 Dec.	2000 Mar.	2000 June	2000 Sept.	2000 Dec.	2001 Mar.
1 **Total**	**721.8**	**1051.6**	**993.4**	**941.2**	**941.6**	**945.5**	**955.7**	**991.7**	**955.5**	**1030.9**	**1145.4**
2 G-10 countries and Switzerland	242.8	217.7	220.4	234.7	219.4	243.4	272.7	313.8	280.9	304.1	337.0[r]
3 Belgium and Luxembourg	11.0	10.7	15.6	16.2	15.7	14.3	14.2	13.9	13.0	14.2	15.3
4 France	15.4	18.4	21.6	20.7	20.0	29.0	27.3	32.6	29.1	29.6	30.0
5 Germany	28.6	30.9	34.7	32.1	37.4	38.7	37.3	31.5	37.7	45.1	45.2
6 Italy	15.5	11.5	17.8	16.4	15.0	18.1	20.0	20.5	18.6	21.3	20.4[r]
7 Netherlands	6.2	7.8	10.7	13.3	11.7	12.3	17.1	16.1	17.6	18.4	18.8
8 Sweden	3.3	2.3	4.0	2.6	3.6	3.0	3.9	3.5	4.3	3.6	4.7
9 Switzerland	7.2	8.5	7.8	8.3	8.8	10.3	10.1	13.8	10.9	13.2	13.9
10 United Kingdom	113.4	85.4	67.7	85.5	63.5	79.3	101.9	138.2	112.9	118.9	145.3
11 Canada	13.7	16.8	15.9	17.1	17.9	16.3	17.5	18.3	18.7	16.7	15.4
12 Japan	28.6	25.4	24.6	22.6	25.7	22.1	23.5	25.4	18.1	23.0	28.0
13 Other industrialized countries	65.5	69.0	80.1	79.7	71.7	68.4	62.8	75.2	73.8	74.5	75.7[r]
14 Austria	1.5	1.4	2.8	2.8	3.0	3.5	2.6	2.8	3.5	4.1	3.8
15 Denmark	2.4	2.2	3.4	2.9	2.1	2.6	1.5	1.2	1.8	1.9	3.1
16 Finland	1.3	1.4	1.5	.9	.9	.9	.8	1.2	2.8	1.5	1.4
17 Greece	5.1	5.9	6.5	5.9	6.6	6.0	5.7	6.8	6.4	8.3	4.1
18 Norway	3.6	3.2	3.1	3.0	3.8	3.3	3.0	4.6	8.5	8.3	10.2
19 Portugal	.9	1.4	1.4	1.2	1.2	1.0	1.0	2.0	1.5	2.0	1.9
20 Spain	12.6	13.7	15.7	16.6	15.1	12.1	11.3	12.2	10.5	10.3	12.6
21 Turkey	4.5	4.8	5.2	4.9	4.7	4.8	5.1	5.6	5.6	5.9	5.2
22 Other Western Europe	8.3	10.4	10.2	10.3	9.2	6.8	8.4	8.0	8.4	6.5	7.3[r]
23 South Africa	2.2	4.4	4.8	4.7	4.0	3.8	4.9	4.6	4.2	3.6	4.1
24 Australia	23.1	20.3	25.4	26.6	21.1	23.5	18.6	26.3	20.5	22.1	21.9
25 OPEC[2]	26.0	27.1	26.2	26.2	30.1	31.4	28.9	32.3	31.8	28.9	28.2
26 Ecuador	1.3	1.3	1.2	1.1	.9	.8	.7	.7	.6	.6	.6
27 Venezuela	2.5	3.2	3.5	3.2	3.0	2.8	3.0	2.9	2.9	2.5	2.7
28 Indonesia	6.7	4.7	4.5	5.0	4.4	4.2	3.9	4.1	4.4	4.6	4.4
29 Middle East countries	14.4	17.0	16.7	16.5	21.4	23.1	21.1	24.0	22.7	20.3	20.1
30 African countries	1.2	1.0	.4	.5	.5	.5	.2	.7	1.2	.8	.5
31 Non-OPEC developing countries	139.2	143.4	146.4	148.6	144.6	149.4	154.9	158.3	149.6	145.7	144.5
Latin America											
32 Argentina	18.4	23.1	24.4	22.8	22.8	23.2	22.4	21.6	21.4	21.4	20.8
33 Brazil	28.6	24.7	24.2	25.2	23.5	27.7	28.1	28.3	28.6	28.8	29.4
34 Chile	8.7	8.3	8.6	8.2	7.7	7.4	8.2	8.1	7.3	7.6	7.3
35 Colombia	3.4	3.2	3.3	3.1	2.7	2.5	2.5	2.4	2.4	2.4	2.4
36 Mexico	17.4	18.9	19.7	18.5	19.4	18.7	18.3	20.4	17.5	15.7	16.7
37 Peru	2.0	2.2	2.2	2.1	1.8	1.7	1.9	2.1	2.1	2.0	2.0
38 Other	4.1	5.4	5.3	5.5	5.5	5.9	6.6	6.9	6.4	6.5	8.7
Asia											
China											
39 Mainland	3.2	3.0	5.0	5.3	3.3	3.6	4.6	3.8	3.4	2.9	3.4
40 Taiwan	9.5	13.3	11.8	12.6	12.3	12.0	12.6	12.6	12.8	10.8	11.1
41 India	4.9	5.5	5.5	6.7	7.0	7.7	7.9	8.2	5.8	9.1	6.5
42 Israel	.7	1.1	1.1	2.0	1.0	1.8	3.3	1.5	1.1	2.7	2.2
43 Korea (South)	15.6	13.7	13.7	15.3	16.0	15.2	17.3	21.1	20.8	15.0	19.3
44 Malaysia	5.1	5.6	5.9	6.0	6.1	6.1	6.5	6.8	6.9	7.1	6.5
45 Philippines	5.7	5.1	5.4	5.7	5.8	6.2	5.3	5.3	4.7	5.1	5.2
46 Thailand	5.4	4.7	4.5	4.2	4.0	4.1	4.3	4.0	3.9	4.0	4.2
47 Other Asia	4.3	2.9	3.0	2.8	2.9	2.9	2.6	2.5	2.3	2.4	2.2
Africa											
48 Egypt	.9	1.3	1.4	1.4	1.3	1.4	1.4	1.3	1.1	1.1	1.2
49 Morocco	.6	.5	.5	.5	.5	.4	.3	.3	.4	.3	.3
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	.8	1.0	.9	1.0	1.0	1.0	.9	.9	.8	.7	.7
52 Eastern Europe	9.1	5.5	6.8	5.7	5.4	5.2	6.3	9.4	9.0	10.1	9.5
53 Russia[4]	5.1	2.2	2.0	2.1	2.0	1.6	1.7	1.5	1.4	1.0	1.5
54 Other	4.0	3.3	4.8	3.7	3.4	3.6	4.7	7.9	7.6	9.1	8.0
55 Offshore banking centers	155.1	134.4	114.4	107.5	122.5	114.5	53.9	55.5	53.4	61.8	57.9
56 Bahamas	24.2	35.4	22.0	10.4	18.2	13.7	14.4	8.8	9.3	13.5	7.0
57 Bermuda	9.8	4.6	3.9	5.7	8.2	8.0	7.3	6.3	6.3	9.0	7.9
58 Cayman Islands and other British West Indies	43.4	12.8	13.9	7.2	6.3	1.3	.0	5.1	5.9	14.6	14.3
59 Netherlands Antilles	14.6	2.6	2.7	1.3	9.1	1.7	2.5	2.6	1.9	1.9	2.9
60 Panama[5]	3.1	3.9	3.9	3.9	3.9	3.9	3.4	3.3	2.5	3.2	3.8
61 Lebanon	.1	.1	.1	.1	.2	.1	.1	.1	.1	.1	.1
62 Hong Kong, China	32.2	23.3	22.8	22.0	22.4	21.0	22.2	20.7	20.6	18.7	21.7
63 Singapore	12.7	11.1	13.5	15.2	10.6	10.1	4.1	13.6	12.6	15.2	14.5
64 Other[6]	.1	.2	.2	.1	.2	.1	.1	.1	.1	.2	.1
65 Miscellaneous and unallocated[7]	99.1	495.1	430.4	380.2	391.2	387.9	376.1	342.1	351.1	391.2	472.7

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	1997	1998	1999	1999	2000				2001
					Dec.	Mar.	June	Sept.	Dec.	Mar.
1	**Total**	**57,382**	**46,570**	**53,044**	**53,044**	**53,489**	**70,534**	**76,644**	**73,904**	**74,484**
2	Payable in dollars	41,543	36,668	37,605	37,605	35,614	47,864	51,451	48,931	46,870
3	Payable in foreign currencies	15,839	9,902	15,415	15,415	17,875	22,670	25,193	24,973	27,614
	By type									
4	Financial liabilities	26,877	19,255	27,980	27,980	29,180	44,068	49,895	47,419	48,461
5	Payable in dollars	12,630	10,371	13,883	13,883	12,858	22,803	26,159	25,246	23,369
6	Payable in foreign currencies	14,247	8,884	14,097	14,097	16,322	21,265	23,736	22,173	25,092
7	Commercial liabilities	30,505	27,315	25,064	25,064	24,309	26,466	26,749	26,485	26,023
8	Trade payables	10,904	10,978	12,857	12,857	12,401	13,764	13,918	14,293	12,657
9	Advance receipts and other liabilities	19,601	16,337	12,207	12,207	11,908	12,702	12,831	12,192	13,366
10	Payable in dollars	28,913	26,297	23,722	23,722	22,756	25,061	25,292	23,685	23,501
11	Payable in foreign currencies	1,592	1,018	1,318	1,318	1,553	1,405	1,457	2,800	2,522
	By area or country									
	Financial liabilities									
12	Europe	18,027	12,589	23,241	23,241	24,050	30,332	36,175	34,172	37,990
13	Belgium and Luxembourg	186	79	31	31	4	163	169	147	112
14	France	1,425	1,097	1,659	1,659	1,849	1,702	1,299	1,480	1,557
15	Germany	1,958	2,063	1,974	1,974	1,880	1,671	2,132	2,168	2,745
16	Netherlands	494	1,406	1,996	1,996	1,970	2,035	2,040	2,016	2,169
17	Switzerland	561	155	147	147	97	137	178	104	116
18	United Kingdom	11,667	5,980	16,521	16,521	16,579	21,463	28,601	26,362	29,241
19	Canada	2,374	693	284	284	313	714	249	411	719
20	Latin America and Caribbean	1,386	1,495	892	892	846	2,874	3,447	4,125	3,651
21	Bahamas	141	7	1	1	1	78	105	6	18
22	Bermuda	229	101	5	5	1	1,016	1,182	1,739	1,837
23	Brazil	143	152	126	126	128	146	132	148	26
24	British West Indies	604	957	492	492	489	463	501	406	410
25	Mexico	26	59	25	25	22	26	35	26	32
26	Venezuela	1	2	0	0	0	0	0	2	1
27	Asia	4,387	3,785	3,437	3,437	3,275	9,453	9,320	7,965	5,389
28	Japan	4,102	3,612	3,142	3,142	2,985	6,024	4,782	6,216	4,779
29	Middle Eastern oil-exporting countries[1]	27	0	4	4	4	5	7	11	15
30	Africa	60	28	28	28	28	33	48	52	38
31	Oil-exporting countries[2]	0	0	0	0	0	0	0	0	0
32	All other[3]	643	665	98	98	668	662	656	694	674
	Commercial liabilities									
33	Europe	10,228	10,030	9,262	9,262	8,646	9,293	9,411	9,629	8,950
34	Belgium and Luxembourg	666	278	140	140	78	178	201	293	251
35	France	764	920	672	672	539	711	716	979	689
36	Germany	1,274	1,392	1,131	1,131	914	948	1,023	1,047	982
37	Netherlands	439	429	507	507	648	562	424	300	373
38	Switzerland	375	499	626	626	536	565	647	502	656
39	United Kingdom	4,086	3,697	3,071	3,071	2,661	2,982	2,951	2,847	2,619
40	Canada	1,175	1,390	1,775	1,775	2,024	2,053	1,889	1,933	1,627
41	Latin America and Caribbean	2,176	1,618	2,310	2,310	2,286	2,607	2,443	2,381	2,166
42	Bahamas	16	14	22	22	9	10	15	31	5
43	Bermuda	203	198	152	152	287	300	377	281	280
44	Brazil	220	152	145	145	115	119	167	114	239
45	British West Indies	12	10	48	48	23	22	19	76	64
46	Mexico	565	347	887	887	805	1,073	1,079	841	792
47	Venezuela	261	202	305	305	193	239	124	284	243
48	Asia	14,966	12,342	9,886	9,886	9,681	10,965	11,133	10,983	11,558
49	Japan	4,500	3,827	2,609	2,609	2,274	2,200	1,998	2,757	2,432
50	Middle Eastern oil-exporting countries[1]	3,111	2,852	2,551	2,551	2,308	3,489	3,706	2,832	3,359
51	Africa	874	794	950	950	943	950	1,220	948	1,072
52	Oil-exporting countries[2]	408	393	499	499	536	575	663	483	566
53	Other[3]	1,086	1,141	881	881	729	598	653	614	650

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	1997	1998	1999	1999	2000				2001
				Dec.	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**68,128**	**77,462**	**76,669**	**76,669**	**84,266**	**80,731**	**94,803**	**90,157**	**109,443**
2 Payable in dollars	62,173	72,171	69,170	69,170	74,331	72,300	82,872	79,558	96,230
3 Payable in foreign currencies	5,955	5,291	7,472	7,472	9,935	8,431	11,931	10,599	13,213
By type									
4 Financial claims	36,959	46,260	40,231	40,231	47,798	44,303	58,303	53,031	74,458
5 Deposits	22,909	30,199	18,566	18,566	23,316	17,462	30,928	23,374	29,119
6 Payable in dollars	21,060	28,549	16,373	16,373	21,442	15,361	27,974	21,015	26,944
7 Payable in foreign currencies	1,849	1,650	2,193	2,193	1,874	2,101	2,954	2,359	2,175
8 Other financial claims	14,050	16,061	21,665	21,665	24,482	26,841	27,375	29,657	45,339
9 Payable in dollars	11,806	14,049	18,593	18,593	19,659	22,384	20,541	25,142	37,480
10 Payable in foreign currencies	2,244	2,012	3,072	3,072	4,823	4,457	6,834	4,515	7,859
11 Commercial claims	31,169	31,202	36,438	36,438	36,468	36,428	36,500	37,126	34,985
12 Trade receivables	27,536	27,202	32,629	32,629	31,443	31,283	31,530	33,104	30,493
13 Advance payments and other claims	3,633	4,000	3,809	3,809	5,025	5,145	4,970	4,022	4,492
14 Payable in dollars	29,307	29,573	34,204	34,204	33,230	34,555	34,357	33,401	31,806
15 Payable in foreign currencies	1,862	1,629	2,207	2,207	3,238	1,873	2,143	3,725	3,179
By area or country									
Financial claims									
16 Europe	14,999	12,294	13,023	13,023	16,789	18,254	23,706	23,136	31,946
17 Belgium and Luxembourg	406	661	529	529	540	317	304	296	430
18 France	1,015	864	967	967	1,835	1,292	1,477	1,206	3,149
19 Germany	427	304	504	504	669	576	696	848	1,405
20 Netherlands	677	875	1,229	1,229	1,981	1,984	2,486	1,396	2,313
21 Switzerland	434	414	643	643	612	624	626	699	605
22 United Kingdom	10,337	7,766	7,561	7,561	9,044	11,668	16,191	15,900	21,070
23 Canada	3,313	2,503	2,553	2,553	3,175	5,799	7,517	4,576	4,854
24 Latin America and Caribbean	15,543	27,714	18,206	18,206	21,945	14,874	21,691	19,317	28,674
25 Bahamas	2,308	403	1,593	1,593	1,299	655	1,358	1,353	561
26 Bermuda	108	39	11	11	11	34	22	19	1,729
27 Brazil	1,313	835	1,476	1,476	1,646	1,666	1,568	1,827	1,564
28 British West Indies	10,462	24,388	12,099	12,099	15,814	7,751	15,722	12,596	16,366
29 Mexico	537	1,245	1,798	1,798	1,979	2,048	2,280	2,448	2,459
30 Venezuela	36	55	48	48	65	78	101	87	31
31 Asia	2,133	3,027	5,457	5,457	4,430	3,923	4,002	4,697	7,444
32 Japan	823	1,194	3,262	3,262	2,021	1,410	1,726	1,631	4,065
33 Middle Eastern oil-exporting countries[1]	11	9	23	23	29	42	85	80	70
34 Africa	319	159	286	286	232	320	284	411	423
35 Oil-exporting countries[2]	15	16	15	15	15	39	3	57	42
36 All other[3]	652	563	706	706	1,227	1,133	1,103	894	1,117
Commercial claims									
37 Europe	12,120	13,246	16,389	16,389	16,118	15,935	16,486	15,938	14,534
38 Belgium and Luxembourg	328	238	316	316	271	425	393	452	395
39 France	1,796	2,171	2,236	2,236	2,520	2,693	2,921	3,095	3,480
40 Germany	1,614	1,822	1,960	1,960	2,034	1,905	2,159	1,982	1,763
41 Netherlands	597	467	1,429	1,429	1,337	1,242	1,310	1,729	757
42 Switzerland	554	483	610	610	611	562	684	763	666
43 United Kingdom	3,660	4,769	5,827	5,827	5,354	4,937	5,193	4,502	4,031
44 Canada	2,660	2,617	2,757	2,757	3,088	3,250	2,953	3,502	3,393
45 Latin America and Caribbean	5,750	6,296	5,959	5,959	5,899	5,792	5,788	5,851	5,306
46 Bahamas	27	24	20	20	15	48	75	37	20
47 Bermuda	244	536	390	390	404	381	387	376	418
48 Brazil	1,162	1,024	905	905	849	894	981	957	1,057
49 British West Indies	109	104	181	181	95	51	55	137	131
50 Mexico	1,392	1,545	1,678	1,678	1,529	1,565	1,612	1,507	1,418
51 Venezuela	576	401	439	439	435	466	379	328	292
52 Asia	8,713	7,192	9,165	9,165	9,101	9,172	8,986	9,630	9,544
53 Japan	1,976	1,681	2,074	2,074	2,082	1,881	2,074	2,796	2,575
54 Middle Eastern oil-exporting countries[1]	1,107	1,135	1,625	1,625	1,533	1,241	1,199	1,024	966
55 Africa	680	711	631	631	716	766	895	672	773
56 Oil-exporting countries[2]	119	165	171	171	82	160	392	180	165
57 Other[3]	1,246	1,140	1,537	1,537	1,546	1,513	1,392	1,572	1,435

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	1999	2000	2001 Jan.–June	2000 Dec.	2001 Jan.	Feb.	Mar.	Apr.	May	June[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	2,340,659	3,605,196	1,632,579	286,161	301,650	259,101	285,528	249,747	276,934	259,619
2 Foreign sales	2,233,137	3,430,306	1,556,524	275,034	277,706	249,423	277,473	243,122	259,604	249,196
3 Net purchases, or sales (−)	**107,522**	**174,890**	**76,055**	**11,127**	**23,944**	**9,678**	**8,055**	**6,625**	**17,330**	**10,423**
4 Foreign countries	**107,578**	**174,903**	**75,906**	**11,145**	**23,906**	**9,707**	**7,929**	**6,647**	**17,315**	**10,402**
5 Europe	98,060	164,656	56,820	10,779	12,329	13,713	7,983	3,694	9,805	9,296
6 France	3,813	5,727	6,639	40	243	1,869	1,041	105	338	3,043
7 Germany	13,410	31,752	5,124	777	2,380	1,217	174	199	1,025	129
8 Netherlands	8,083	4,915	6,394	1,691	2,206	1,379	790	1,112	573	334
9 Switzerland	5,650	11,960	2,966	−684	70	775	1,237	139	448	297
10 United Kingdom	42,902	58,736	20,567	7,773	3,064	5,120	3,280	598	4,501	4,004
11 Channel Islands & Isle of Man[1]	0	0	−408	0	−13	−32	−110	−144	59	−168
12 Canada	−335	5,956	6,744	1,468	1,490	468	2,464	1,567	628	127
13 Latin America and Caribbean	5,187	−17,812	−1,769	−2,759	5,445	−4,927	−3,516	−1,168	3,436	−1,039
14 Middle East[2]	−1,066	9,189	157	277	−554	264	442	−56	−173	234
15 Other Asia	4,445	12,494	14,825	1,451	5,565	355	684	2,966	3,532	1,723
16 Japan	5,723	2,070	4,978	1,615	1,002	−672	512	2,048	1,088	1,000
17 Africa	372	415	−334	−45	−362	52	93	−44	9	−82
18 Other countries	915	5	−537	−26	−7	−218	−221	−312	78	143
19 Nonmonetary international and regional organizations	**−56**	**−11**	**149**	**−18**	**38**	**−29**	**126**	**−22**	**15**	**21**
BONDS[3]										
20 Foreign purchases	854,692	1,208,386	930,137	119,125	138,294	147,852	170,098	148,930	167,363	157,600
21 Foreign sales	602,100	871,416	708,981	90,143	111,327	108,792	124,000	111,505	129,146	124,211
22 Net purchases, or sales (−)	**252,592**	**336,970**	**221,156**	**28,982**	**26,967**	**39,060**	**46,098**	**37,425**	**38,217**	**33,389**
23 Foreign countries	**252,994**	**337,074**	**220,938**	**28,980**	**27,065**	**39,019**	**45,880**	**37,399**	**38,205**	**33,370**
24 Europe	140,674	180,917	123,230	17,631	17,397	22,064	26,420	18,169	23,951	15,229
25 France	1,870	2,216	4,281	138	405	660	1,262	519	817	618
26 Germany	7,723	4,067	7,966	−78	2,450	1,352	911	1,639	1,500	114
27 Netherlands	2,446	1,130	2,296	275	664	496	92	−41	509	576
28 Switzerland	4,553	3,973	4,069	−89	321	782	1,564	709	399	294
29 United Kingdom	106,344	141,223	94,356	13,896	11,251	17,893	20,347	12,477	19,324	13,064
30 Channel Islands and Isle of Man[1]	0	0	756	0	107	118	101	318	−218	330
31 Canada	6,043	13,287	3,936	414	376	1,031	309	1,158	240	822
32 Latin America and Caribbean	58,783	59,444	44,155	4,126	4,969	8,009	6,564	7,546	9,167	7,900
33 Middle East[1]	1,979	2,076	1,503	1,077	726	443	624	129	−395	−24
34 Other Asia	42,817	78,794	47,669	5,685	3,514	7,162	11,683	10,329	5,412	9,569
35 Japan	17,541	39,356	12,368	3,082	910	914	5,570	344	−480	5,110
36 Africa	1,411	938	254	76	29	46	38	−33	14	160
37 Other countries	1,287	1,618	191	−29	54	264	242	101	−184	−286
38 Nonmonetary international and regional organizations	**−402**	**−70**	**219**	**2**	**−97**	**41**	**218**	**26**	**12**	**19**
	Foreign securities									
39 Stocks, net purchases, or sales (−)	15,640	−13,088	−37,029	−4,008	−3,664	−3,130	−14,940	−4,103[r]	−8,098	−3,094
40 Foreign purchases	1,177,303	1,802,185	793,350	135,417	148,111	130,974	134,166	120,099	136,046	123,954
41 Foreign sales	1,161,663	1,815,273	830,379	139,425	151,775	134,104	149,106	124,202[r]	144,144	127,048
42 Bonds, net purchases, or sales (−)	−5,676	−4,054	7,898	−1,191	−1,448	1,994	−1,450	5,487	2,267	1,048
43 Foreign purchases	798,267	958,932	639,464	83,713	120,622	104,237	117,444	93,828	101,383	101,950
44 Foreign sales	803,943	962,986	631,566	84,904	122,070	102,243	118,894	88,341	99,116	100,902
45 Net purchases, or sales (−), of stocks and bonds	**9,964**	**−17,142**	**−29,131**	**−5,199**	**−5,112**	**−1,136**	**−16,390**	**1,384[r]**	**−5,831**	**−2,046**
46 Foreign countries	**9,679**	**−17,278**	**−28,705**	**−4,780**	**−4,822**	**−1,175**	**−16,085**	**1,396[r]**	**−5,976**	**−2,043**
47 Europe	59,247	−25,386	−18,582	−4,891	−5,421	−1,737	−13,650	3,637	−4,803	3,392
48 Canada	−999	−3,888	3,128	−1,363	766	1,588	844	−1,406	931	405
49 Latin America and Caribbean	−4,726	−15,688	1,471	−241	775	808	17	1,288[r]	3,047	−4,464
50 Asia	−42,961	24,488	−12,408	1,529	−1,184	−1,439	−3,384	−1,537	−4,379	−485
51 Japan	−43,637	20,970	−13,083	1,628	57	−2,206	−4,026	−3,194	−3,670	−44
52 Africa	710	943	−144	−5	−70	−15	24	96	−132	−47
53 Other countries	−1,592	2,253	−2,170	191	312	−380	64	−682	−640	−844
54 Nonmonetary international and regional organizations	**285**	**150**	**−425**	**−419**	**−289**	**39**	**−305**	**−12**	**145**	**−3**

1. Before January 2001, these data were included in United Kingdom.
2. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. 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	1999	2000	2001	2000	2001					
				Jan.– June	Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1	**Total estimated**	**−9,953**	**−54,032**	**−11,159**	**−9,789**	**−9,064**	**7,011**	**4,975**	**−13,711**	**3,076**	**−3,446**
2	Foreign countries	−10,518	−53,571	−10,506	−9,904	−8,531	6,972	4,977	−13,517	2,831	−3,238
3	Europe	−38,228	−50,704	−8,594	−6,850	−5,000	−337	5,363	−5,599	−498	−2,523
4	Belgium[2]	−81	73	−518	−96	164	−529	−152	240	−216	−25
5	Germany	2,285	−7,304	−1,389	−1,065	−873	−3,180	1,236	1,769	1,176	−1,517
6	Luxembourg[2]	n.a.	n.a	460	n.a.	411	9	−401	204	92	145
7	Netherlands	2,122	2,140	−4,790	−1,622	−793	2,808	−3,704	−2,488	−1,730	1,117
8	Sweden	1,699	1,082	−2,668	328	218	−1,039	−993	195	−386	−663
9	Switzerland	−1,761	−10,326	−3	64	755	161	−120	116	−912	−3
10	United Kingdom	−20,232	−33,669	1,283	−4,199	−2,695	937	9,838	−4,736	1,120	−3,181
11	Channel Islands and Isle of Man[3]	n.a.	n.a.	38	n.a.	−98	−68	222	−31	−9	22
12	Other Europe and former U.S.S.R.	−22,260	−2,700	−1,007	−260	−2,089	564	−563	−868	367	1,582
13	Canada	7,348	−550	−636	−1,492	−2,067	−554	−169	1,248	745	161
14	Latin America and Caribbean	−7,523	−4,914	−3,913	−245	2,407	3,620	827	−7,095	140	−3,812
15	Venezuela	362	1,288	154	300	227	292	−142	−148	51	−126
16	Other Latin America and Caribbean	1,661	−11,581	8,363	−1,746	3,261	4,279	3,009	−3,228	1,587	−545
17	Netherlands Antilles	−9,546	5,379	−12,430	1,201	−1,081	−951	−2,040	−3,719	−1,498	−3,141
18	Asia	29,359	1,639	2,945	−458	−4,641	4,387	−41	−2,928	2,704	3,464
19	Japan	20,102	10,580	−382	−3,855	−4,261	1,468	−1,426	3,099	4,658	−3,920
20	Africa	−3,021	−414	−106	−44	−91	36	−60	27	−6	−12
21	Other	1,547	1,372	−202	−815	861	−180	−943	830	−254	−516
22	Nonmonetary international and regional organizations	565	−461	−653	115	−533	39	−2	−194	245	−208
23	International	190	−483	−352	24	−275	−194	−11	−213	393	−52
24	Latin American Caribbean regional	666	76	26	6	1	−4	10	25	−4	−2
	MEMO										
25	Foreign countries	−10,518	−53,571	−10,506	−9,904	−8,531	6,972	4,977	−13,517	2,831	−3,238
26	Official institutions	−9,861	−6,302	−8,228	1,068	2,226	667	249	−9,040	913	−3,243
27	Other foreign	−657	−47,269	−2,278	−10,972	−10,757	6,305	4,728	−4,477	1,918	5
	Oil-exporting countries										
28	Middle East[4]	2,207	3,483	−2,322	48	−176	−719	−1,240	−383	−120	316
29	Africa[5]	0	0	0	0	−6	0	2	0	1	3

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. Before January 2001, combined data reported for Belgium and Luxembourg.
3. Before January 2001, these data were included in United Kingdom.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.

3.28 FOREIGN EXCHANGE RATES AND INDEXES OF THE FOREIGN EXCHANGE VALUE OF THE U.S. DOLLAR[1]

Currency units per U.S dollar except as noted

Item	1998	1999	2000	2001 Mar.	2001 Apr.	2001 May	2001 June	2001 July	2001 Aug.
	Exchange rates								
COUNTRY/CURRENCY UNIT									
1 Australia/dollar[2]	62.91	64.54	58.15	50.31	50.16	51 99	51.80	50.89	52.46
2 Austria/schilling	12.379	n.a	n.a.	n.a.	n.a	n.a.	n.a.	n.a.	n.a.
3 Belgium/franc	36.31	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
4 Brazil/real	1.1605	1.8207	1.8301	2.0955	2.1934	2.2926	2.3788	2.4731	2.5122
5 Canada/dollar	1.4836	1.4858	1.4855	1.5587	1.5578	1.5411	1.5245	1.5308	1.5399
6 China, P.R./yuan	8.3008	8.2783	8.2784	8.2775	8.2771	8.2770	8.2770	8.2769	8.2770
7 Denmark/krone	6.7030	6.9900	8.0953	8.2229	8.3657	8.5256	8.7397	8.6442	8.2632
8 European Monetary Union/euro[3]	n.a.	1.0653	0.9232	0.9083	0.8925	0.8753	0.8530	0.8615	0.9014
9 Finland/markka	5.3473	n.a.	n.a.	n.a.	n.a	n.a.	n.a	n.a.	n.a.
10 France/franc	5.8995	n.a.	n.a	n.a.	n.a	n.a.	n.a	n.a.	n.a
11 Germany/deutsche mark	1.7597	n.a.	n.a	n.a.	n.a.	n.a.	n.a	n.a.	n.a
12 Greece/drachma	295.70	306.30	365.92	n.a	n.a.	n.a.	n.a	n.a.	n.a
13 Hong Kong/dollar	7.7467	7 7594	7.7924	7.7999	7 7993	7.7999	7.7997	7.7999	7 7997
14 India/rupee	41.36	43.13	45.00	46.65	46.79	46.95	47.04	47.18	47.17
15 Ireland/pound[2]	142.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a.	n.a.
16 Italy/lira	1,736.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a.	n.a.
17 Japan/yen	130.99	113.73	107.80	121.51	123.77	121.77	122.35	124.50	121.37
18 Malaysia/ringgit	3.9254	3.8000	3.8000	3.8000	3.8000	3.8000	3.8000	3.8000	3.8000
19 Mexico/peso	9.152	9.553	9.459	9.599	9.328	9.148	9.088	9.168	9.133
20 Netherlands/guilder	1.9837	n.a.	n.a.	n.a.	n.a	n.a.	n.a	n.a.	n.a
21 New Zealand/dollar[2]	53.61	52.94	45.68	41.82	40.69	42.18	41.41	40.81	43.14
22 Norway/krone	7.5521	7.8071	8.8131	8.9859	9.0920	9.1380	9.3014	9.2566	8.9427
23 Portugal/escudo	180.25	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 Singapore/dollar	1.6722	1.6951	1.7250	1.7732	1.8118	1.8141	1.8170	1.8233	1 7613
25 South Africa/rand	5.5417	6.1191	6.9468	7.8980	8.0783	7.9789	8.0595	8.2094	8.3115
26 South Korea/won	1,400.40	1,189.84	1,130.90	1,291.41	1,327.76	1,298.90	1 295.05	1,305.24	1,285.65
27 Spain/peseta	149.41	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 Sri Lanka/rupee	65.006	70.868	76.964	85.730	88.205	90.848	90.371	90.314	89.994
29 Sweden/krona	7.9522	8.2740	9.1735	10.0516	10.2035	10.3513	10.7930	10.7603	10.3329
30 Switzerland/franc	1.4506	1.5045	1.6904	1.6908	1.7131	1.7528	1 7856	1.7570	1.6808
31 Taiwan/dollar	33.547	32.322	31.260	32.622	32.941	33.203	34.328	34.821	34.639
32 Thailand/baht	41.262	37.887	40.210	43.988	45 494	45.525	45.263	45.641	44.907
33 United Kingdom/pound[2]	165.73	161.72	151.56	144.45	143.48	142.65	140.20	141.48	143.72
34 Venezuela/bolivar	548.39	606.82	680.52	706.06	710.39	714.86	717.27	722.72	731.97
	Indexes[4]								
NOMINAL									
35 Broad (January 1997=100)[5]	116.48	116.87	119.93	125.91	126.97	126.77	127.58	128.07	125.97
36 Major currencies (March 1973=100)[6]	95.79	94.07	98.34	103 98	105.09	105.03	105.91	106.07	103.77
37 Other important trading partners (January 1997=100)[7]	126.03	129.94	130.26	135.56	136.30	135.92	136 43	137.37	136.03
REAL									
38 Broad (March 1973=100)[5]	99.43[r]	98.75[r]	102.42[r]	108.06[r]	108.94[r]	108.92[r]	109.82[r]	110.06[r]	108.01
39 Major currencies (March 1973=100)[6]	97.24	96.67	102.86	109.93	111.01	110.82	111.99[r]	112.14[r]	109.56
40 Other important trading partners (March 1973=100)[7]	108.92[r]	108.04[r]	108.49[r]	112.60[r]	113.29[r]	113.46[r]	114.08[r]	114.44[r]	112.97

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. U.S. cents per currency unit.

3. The euro is reported in place of the individual euro area currencies. By convention, the rate is reported in U.S. dollars per euro. The bilateral currency rates can be derived from the euro rate by using the fixed conversion rates (in currencies per euro) as shown below:

Euro equals

13.7603	Austrian schillings	1936.27	Italian lire
40.3399	Belgian francs	40.3399	Luxembourg francs
5 94573	Finnish markkas	2.20371	Netherlands guilders
6.55957	French francs	200.482	Portuguese escudos
1 95583	German marks	166.386	Spanish pesetas
.787564	Irish pounds	340.750	Greek drachmas

4 Starting with the February 2001 *Bulletin*, revised index values resulting from the annual revision of data that underlie the calculated trade weights are reported. For more information on the indexes of foreign exchange value of the dollar, see *Federal Reserve Bulletin*, vol. 84 (October 1998), pp. 811–818.

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.

Guide to Statistical Releases and Special Tables

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin *Reference*

SPECIAL TABLES—Data Published Irregularly, with Latest Bulletin *Reference*

4.31 PRO FORMA FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

A. Pro forma balance sheet

Millions of dollars

Item	June 30, 2001		June 30, 2000	
Short-term assets (Note 1)				
Imputed reserve requirement on clearing balances	694.7		610.7	
Investment in marketable securities	6,252.3		5,496.2	
Receivables	76.9		76.4	
Materials and supplies	3.1		3.3	
Prepaid expenses	33.0		28.5	
Items in process of collection	3,356.1		3,234.3	
Total short-term assets		10,416.0		9,449.4
Long-term assets (Note 2)				
Premises	472.2		450.6	
Furniture and equipment	169.0		165.0	
Leases and leasehold improvements	75.9		48.9	
Prepaid pension costs	710.2		600.5	
Total long-term assets		1,427.3		1,265.0
Total assets		**11,843.3**		**10,714.4**
Short-term liabilities				
Clearing balances and balances arising from early credit of uncollected items	6,567.5		5,893.3	
Deferred-availability items	3,735.6		3,448.0	
Short-term debt and payables	112.9		108.2	
Total short-term liabilities		10,416.0		9,449.4
Long-term liabilities				
Long-term debt	492.8		405.4	
Postretirement/postemployment benefits obligation	251.3		236.0	
Total long-term liabilities		744.1		641.4
Total liabilities		**11,160.1**		**10,090.8**
Equity		683.3		623.6
Total liabilities and equity (Note 3)		**11,843.3**		**10,714.4**

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 non-priced 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 $50.4 million in the second quarter of 2001, $25.2 million in the first quarter of 2001, $57.7 million in the second quarter of 2000, $28.9 million in the first quarter of 2000, 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 and payables. 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—Continued

B. Pro forma income statement

Millions of dollars

Item	Quarter ending June 30, 2001		Quarter ending June 30, 2000	
Revenue from services provided to depository institutions (Note 4)		232.6		221.9
Operating expenses (Note 5)		200.8		173.6
Income from operations		31.8		48.3
Imputed costs (Note 6)				
Interest on float	(3.7)		.4	
Interest on debt	8.0		7.9	
Sales taxes	2.5		1.9	
FDIC insurance	0.0	6.8	0.0	10.2
Income from operations after imputed costs		25.0		38.1
Other income and expenses (Note 7)				
Investment income on clearing balances	64.2		98.9	
Earnings credits	(65.2)	(1.0)	93.4	5.5
Income before income taxes		24.0		43.6
Imputed income taxes (Note 8)		7.6		13.7
Net income		**16.3**		**29.9**
MEMO				
Targeted return on equity (Note 9)		27.3		24.6
	Six months ending June 30, 2001		Six months ending June 30, 2000	
Revenue from services provided to depository institutions (Note 4)		463.4		433.4
Operating expenses (Note 5)		398.7		346.4
Income from operations		64.7		87.0
Imputed costs (Note 6)				
Interest on float	(0.5)		3.2	
Interest on debt	16.0		15.8	
Sales taxes	5.3		4.2	
FDIC insurance	0.0	20.8	0.0	23.2
Income from operations after imputed costs		43.9		63.8
Other income and expenses (Note 7)				
Investment income on clearing balances	145.1		203.7	
Earnings credits	(144.0)	1.1	(181.8)	22.0
Income before income taxes		45.1		85.7
Imputed income taxes (Note 8)		14.2		27.0
Net income		**30.9**		**58.7**
MEMO				
Targeted return on equity (Note 9)		54.6		49.2

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 \$2.5 million in the first and second quarters of 2001 and \$2.1 million in the first and second quarters of 2000. 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).

Float costs are based on the actual float incurred for each priced service, multiplied by the appropriate federal funds rate. Other imputed costs are allocated among priced services according to the ratio of operating expenses less shipping expenses for each service to the total expenses for all services less the total shipping expenses for all services.

The following list shows the daily average recovery of float (before converting to float costs) by the Reserve Banks for the second quarter of 2001 and 2000 in millions of dollars:

	2001	2000
Total float	257.2	466.4
Unrecovered float	152.7	8.0
Float subject to recovery	104.5	458.4
Sources of float recovery:		
Income on clearing balances	10.7	46.4
As-of adjustments	438.4	438.8
Direct charges	353.5	279.9
Per-item fees	(698.1)	(306.8)

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 are memorandum adjustments to an institution's reserve or clearing position to recover float incurred by the institution Direct charges are billed to the institution for float incurred when an institution chooses to close on a normal business day and for float incurred on interterritory check transportation. Float recovered through direct charges is valued at cost using the federal funds rate and charged directly to an institution's account. 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 2001 and 2000.

(7) OTHER INCOME AND EXPENSES

Consists of imputed investment income on clearing balances and the actual 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).

Index to Statistical Tables

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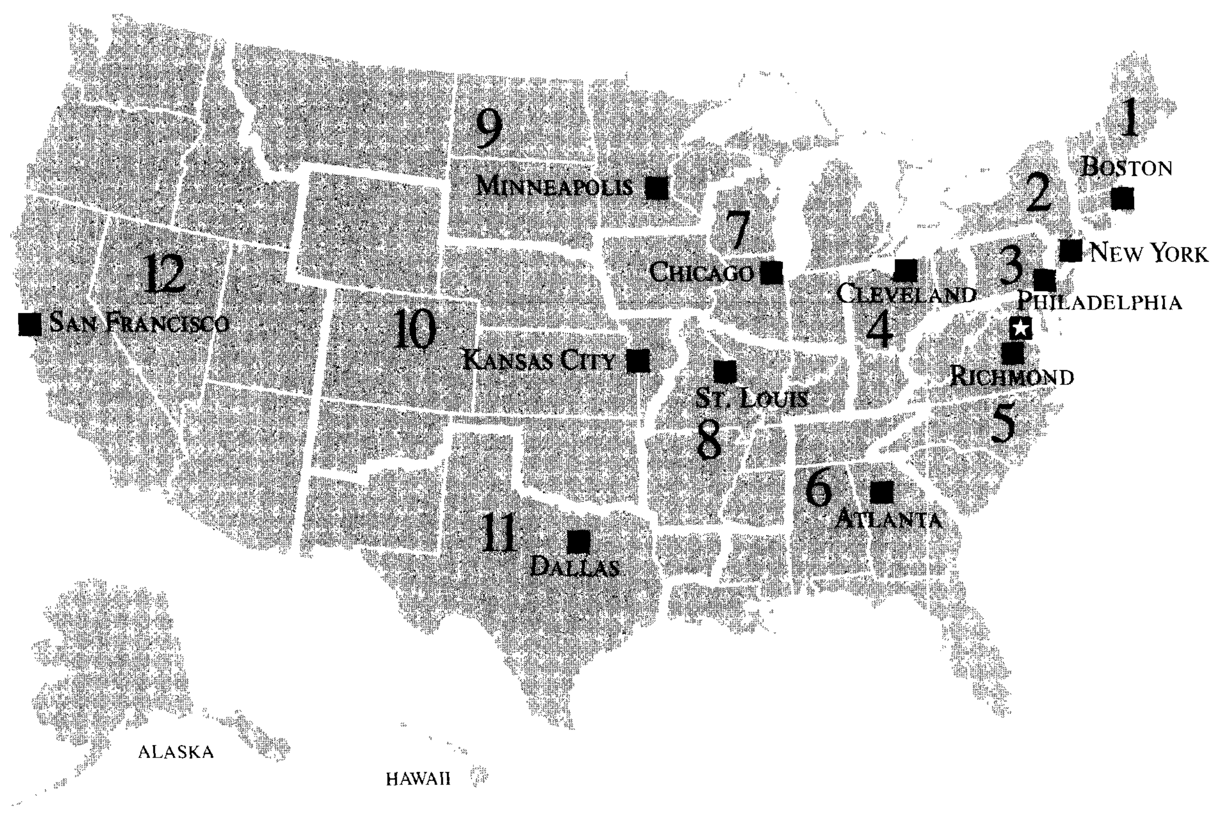
Maps of the Federal Reserve System



LEGEND

Both pages

■ Federal Reserve Bank city

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

Facing page

• Federal Reserve Branch city

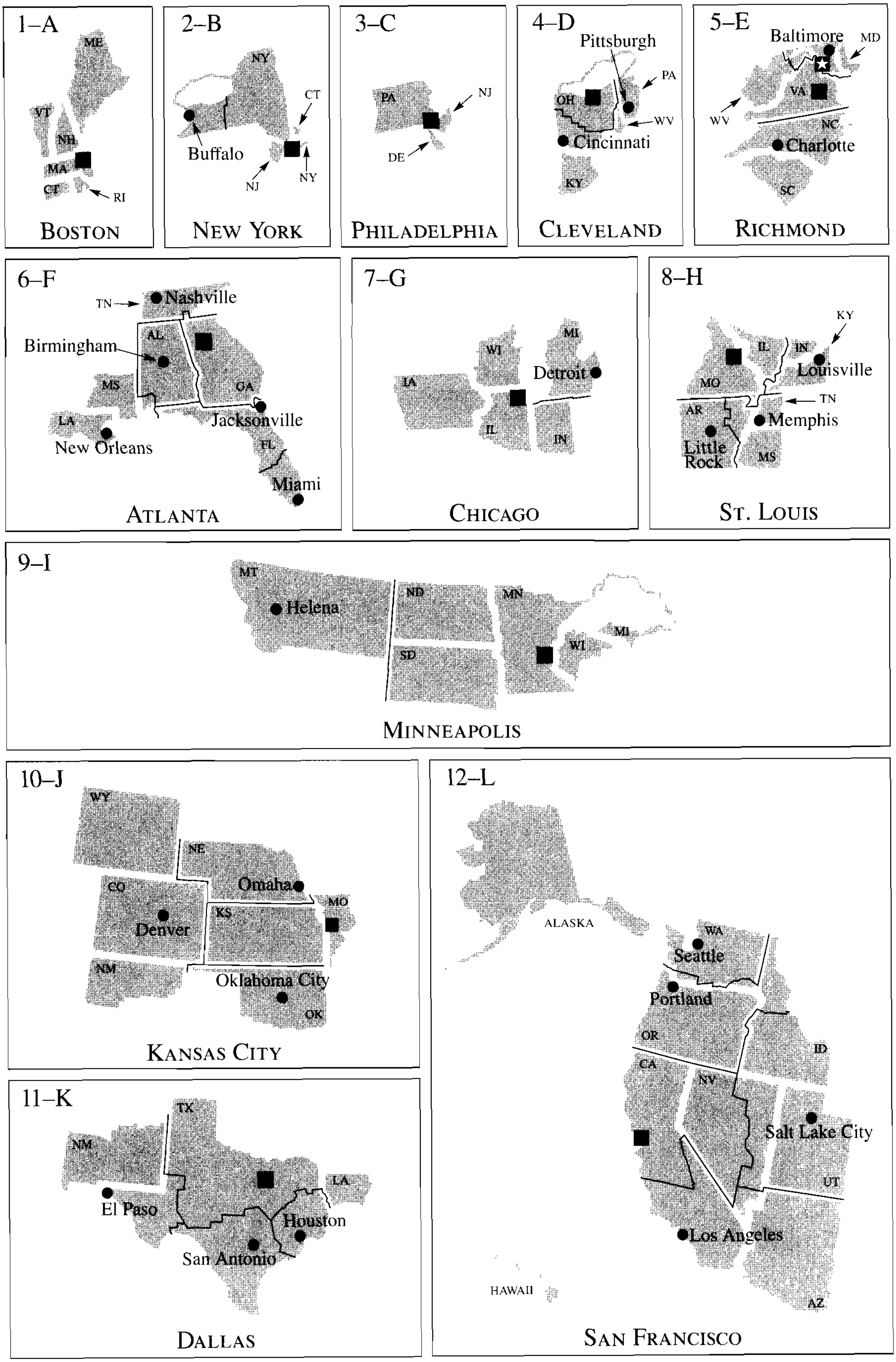
— Branch boundary

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
Birmingham
AL
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
TN
AR
Memphis
Little Rock
MS
ST. LOUIS
9–I
MT
Helena
ND
MN
SD
WI
MI
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	Cathy E. Minehan	
		William O. Taylor	Paul M. Connolly	
NEW YORK*	10045	Peter G. Peterson	William J. McDonough	
		Charles A. Heimbold, Jr.	Jamie B. Stewart, Jr.	
Buffalo	14240	Bal Dixit		Barbara L. Walter[1]
PHILADELPHIA	19105	Charisse R. Lillie	Anthony M. Santomero	
		Glenn A. Schaeffer	William H. Stone, Jr.	
CLEVELAND*	44101	David H. Hoag	Jerry L. Jordan	
		Robert W. Mahoney	Sandra Pianalto	
Cincinnati	45201	George C. Juilfs		Barbara B. Henshaw
Pittsburgh	15230	Charles E. Bunch		Robert B. Schaub
RICHMOND*	23219	Jeremiah J. Sheehan	J. Alfred Broaddus, Jr.	
		Wesley S. Williams, Jr.	Walter A. Varvel	
Baltimore	21203	George L. Russell, Jr.		William J. Tignanelli[1]
Charlotte	28230	James F. Goodmon		Dan M. Bechter[1]
ATLANTA	30303	John F. Wieland	Jack Guynn	
		Paula Lovell	Patrick K. Barron	James M. McKee[1]
Birmingham	35283	Catherine Sloss Crenshaw		Andre T. Anderson
Jacksonville	32231	Julie K. Hilton		Robert J. Slack[1]
Miami	33152	Mark T. Sodders		James T. Curry III
Nashville	37203	Whitney Johns Martin		Melvyn K. Purcell[1]
New Orleans	70161	Ben Tom Roberts		Robert J. Musso[1]
CHICAGO*	60690	Arthur C. Martinez	Michael H. Moskow	
		Robert J. Darnall	Gordon R. G. Werkema	
Detroit	48231	Timothy D. Leuliette		David R. Allardice[1]
ST. LOUIS	63166	Charles W. Mueller	William Poole	
		Walter L. Metcalfe, Jr.	W. LeGrande Rives	
Little Rock	72203	Vick M. Crawley		Robert A. Hopkins
Louisville	40232	Roger Reynolds		Thomas A. Boone
Memphis	38101	Gregory M. Duckett		Martha Perine Beard
MINNEAPOLIS	55480	James J. Howard	Gary H. Stern	
		Ronald N. Zwieg	James M. Lyon	
Helena	59601	Thomas O. Markle		Samuel H. Gane
KANSAS CITY	64198	Terrence P. Dunn	Thomas M. Hoenig	
		Jo Marie Dancik	Richard K. Rasdall	
Denver	80217	Kathryn A. Paul		Maryann Hunter[1]
Oklahoma City	73125	Patricia B. Fennell		Dwayne E. Boggs
Omaha	68102	Gladys Styles Johnston		Steven D. Evans
DALLAS	75201	H. B. Zachry, Jr.	Robert D. McTeer, Jr.	
		Patricia M. Patterson	Helen E. Holcomb	
El Paso	79999	Beauregard Brite White		Sammie C. Clay
Houston	77252	Edward O. Gaylord		Robert Smith III[1]
San Antonio	78295	Patty P. Mueller		James L. Stull[1]
SAN FRANCISCO	94120	Nelson C. Rising	Robert T. Parry	
		George M. Scalise	John F. Moore	
Los Angeles	90051	William D. Jones		Mark L. Mullinix[2]
Portland	97208	Nancy Wilgenbusch		Raymond H. Laurence[1]
Salt Lake City	84125	H. Roger Boyer		Andrea P. Wolcott
Seattle	98124	Richard R. Sonstelie		David K. Webb[1]

*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