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fourth quarter of 1979 to the fourth quarter of 1980 that it had established at its meeting in February and gave preliminary consideration to objectives for monetary growth that might be appropriate for 1981. In doing so, the Committee continued to face unusual uncertainties concerning the forces affecting monetary growth. Expansion of both M-1A and M-1B from the fourth quarter of 1979 to the second quarter of 1980 fell considerably below the growth paths consistent with the Committee's ranges for the year. However, growth of M-2 and M-3 was considerably stronger: over the two quarters both of these aggregates grew at rates just above the lower bounds of their ranges. By midyear, growth of M-2 was near the midpoint of its range, and it appeared to be moving higher.

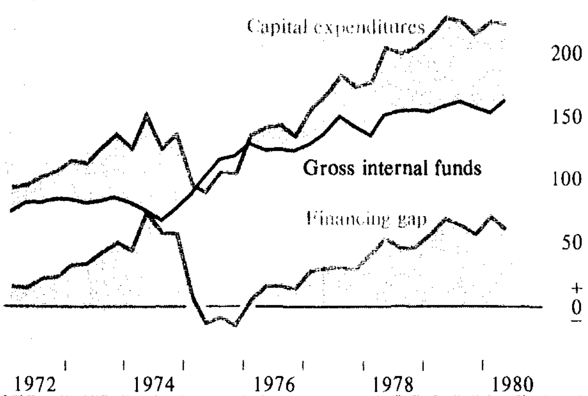
The Committee decided to retain the ranges for 1980 that it had established in February: for the period from the fourth quarter of 1979 to the fourth quarter of 1980, 3½ to 6 percent for M-1A, 4 to 6½ percent for M-1B, 6 to 9 percent for M-2, and 6½ to 9½ percent for M-3. The associated range for commercial bank credit remained 6 to 9 percent. As in the past, it was understood that the longer-run ranges, as well as the particular aggregates for which ranges were specified, would be reconsidered at any time that conditions might warrant, and that short-run factors might cause considerable variation in annual rates of growth from one month to the next and from one quarter to the next.

Recent Corporate Financing Patterns

This article was prepared by Norman E. Mains of the Board's Capital Markets Section, Division of Research and Statistics.

Nonfinancial corporations borrowed heavily in financial markets in 1979 and early 1980, as the economy moved through the late stages of the expansion. Capital expenditures, buoyed in part by the continued strong advance in prices, increased more rapidly than the flow of internal funds, and the financing gap was the widest since 1974 (chart 1). To meet financing needs, nonfinancial firms borrowed substantial amounts from short- and intermediate-term sources of funds. Short-term borrowing was especially heavy early in 1980 when many firms borrowed apparently in anticipation of rumored credit controls and used the proceeds to acquire liquid assets. Note and bond financing remained relatively light by historical standards in 1979 and into 1980, as many nonfinancial corporations avoided issuing longer-term obligations at the relatively high level of interest rates that prevailed throughout the period. Meanwhile, the volume of commercial mortgage financing continued to be sizable, reflecting the quickened pace of construction in previous quarters. Nevertheless, the increased dependence on shorter-term sources of funds reinforced the rise in the ratio of short- to long-term debt raised in markets and pushed it to a historic high in the first quarter of 1980.

1. Financing gap of nonfinancial corporations



Financing gap is capital expenditures less gross internal funds. Flow of funds quarterly data, seasonally adjusted at annual rates.

In the second quarter of 1980, aggregate credit flows contracted in association with the fall in economic activity and the credit restraint program and other measures taken in mid-March to stem inflation (table 1). Short-term interest rates declined by an unprecedented amount, and most long-term interest rates retraced the increases recorded earlier in the year. Although the financing gap narrowed only moderately, borrowing by nonfinancial corporations was reduced because many firms used liquid assets accumulated earlier in the year to help meet their requirements. Taking advantage of the decline in longer-term yields, manufacturing and other industrial corporations issued an enormous amount of long-term debt and used some of the proceeds to reduce their reliance on loans from commercial banks. This restructuring of balance sheets decreased the ratio of short- to long-term debt somewhat, but the drawdown in liquid assets together with the record increase in nonfinancial commercial paper outstanding further depressed corporate liquidity, as measured by the ratio of liquid assets to current liabilities, to its lowest level since 1974.

CAPITAL EXPENDITURES

Capital expenditures by nonfinancial corporations, which had trended higher since the business cycle trough in 1975, apparently reached a peak in mid-1979 (chart 2). Inventory accumulation was reduced in the second half of the year, and near the end of the year growth of fixed investment decelerated. Expenditures for fixed investment were held down last year by declining purchases of motor vehicles, as businesses reacted to the temporary shortage of gasoline in the

1. Flow of funds for nonfinancial corporations

Billions of dollars; quarterly data are seasonally adjusted annual rates.

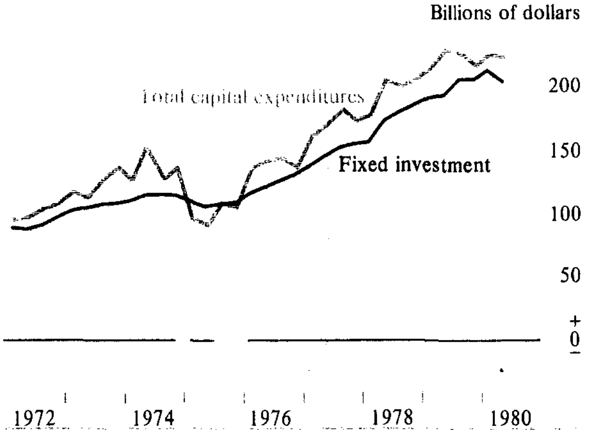
Category	1976	1977	1978	1979	1980 Q1	1980 Q2
Sources of funds	**209.8**	**242.3**	**295.7**	**341.3**	**323.9**	**256.8**
Internal funds	125.3	139.9	148.8	158.3	153.7	162.2
Retained earnings[1]	20.0	25.6	23.7	19.5	3.7	8.2
Capital consumption allowances	105.3	114.3	125.1	138.8	150.0	154.0
External financing	60.7	79.9	94.7	114.3	119.4	70.7
Trade debt	13.6	21.7	44.8	60.7	36.4	27.7
Other sources[2]	10.2	0.8	7.4	8.0	14.4	−3.8
Uses of funds	**183.4**	**216.8**	**274.3**	**319.4**	**305.4**	**233.5**
Capital expenditures	139.0	169.9	195.9	221.3	224.5	222.2
Fixed investment[3]	124.2	148.2	174.2	199.4	212.0	204.0
Inventories	10.8	19.2	19.7	17.1	7.1	16.6
Other[4]	4.0	2.5	2.0	4.7	5.4	1.6
Increases in liquid assets	13.9	1.9	10.3	18.8	39.2	−19.4
Trade credit	19.5	31.6	54.9	66.1	35.2	28.8
Other uses[5]	10.9	13.4	13.1	13.3	6.5	1.9
Discrepancy[6]	26.4	25.5	21.4	21.9	18.5	23.3

1. Includes foreign branch profits and inventory valuation and capital consumption adjustments.
2. Includes changes in profit taxes payable and foreign direct investment in the United States.
3. Includes plant and equipment expenditures and investment in residential structures.
4. Purchases of mineral rights from U.S. government.
5. Includes changes in miscellaneous financial assets and in consumer credit.
6. Total sources of funds less total uses of funds.

SOURCE. Federal Reserve flow of funds accounts.

spring and higher prices of fuel. The expansion of investment outlays for capital goods other than autos, which includes machinery, other equipment, and plant and other structures, slowed substantially around the turn of the year and declined in the second quarter of 1980.

2. Capital expenditures of nonfinancial corporations



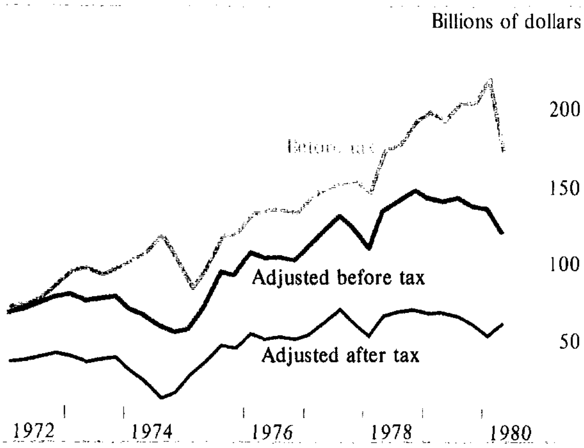
Fixed investment includes plant and equipment expenditures and investment in residential construction. Total capital expenditures include fixed investment, change in inventories, and purchases of mineral rights from the U.S. government. Flow of funds quarterly data, seasonally adjusted at annual rates.

Total inventory investment increased somewhat in the first half of 1979, in part because of the emergence of excess inventories of less-fuel-efficient automobiles and trucks at dealers and manufacturers. After midyear, however, motor vehicle manufacturers cut production and undertook policies to stimulate sales in efforts to achieve more comfortable stock-sales positions. Outside the motor vehicle sector, ratios of inventories to sales remained generally within their normal ranges through most of last year, except at retail department stores where lackluster sales kept the ratio at a high level. Although inventory investment remained moderate in early 1980, sales dropped off in the second quarter and aggregate inventory-sales ratios climbed sharply. As the quarter progressed, companies ran down inventory stocks, valued in constant dollars.

CORPORATE PROFITS AND INTERNAL SOURCES OF FUNDS

Although total capital expenditures of nonfinancial corporations moderated over the past year, corporate financing needs remained quite

3. Profits of nonfinancial corporations



Profits before tax include foreign branch profits. Adjusted profits are profits plus the inventory valuation adjustment and the capital consumption adjustment. Flow of funds quarterly data, seasonally adjusted at annual rates.

sizable owing to a falloff in profits. Book or reported profits of U.S. nonfinancial corporations rose strongly through the first quarter of 1980, but all of the increase reflected inflation-related gains associated with the understatement of the costs of materials and of fixed capital used in production. Before-tax profits adjusted to exclude such inflation gains (current operating profits) reached a peak in the final quarter of 1978 and declined in subsequent quarters (chart 3). The weakness in operating profits occurred despite the continued rapid expansion of nominal sales through early 1980. Profit margins narrowed as declines in productivity contributed to accelerating unit labor costs and as net interest payments increased in association with higher interest rates and enlarged borrowing. The ratio of adjusted profits before tax to gross domestic product of nonfinancial corporations, an approximate measure of the aggregate profit margin for such firms, fell from its peak of near 11 percent in the final quarter of 1978 to below 7¾ percent in the second quarter of 1980. Historically, the profit share has peaked 4 to 14 quarters before the peak in economic activity, when higher resource utilization causes productivity gains to slow and unit costs to accelerate.

During periods of accelerating inflation, the effective tax rate on current operating profits rises because taxes are levied on book profits that are bloated by inflation-related gains. Reflecting this, after-tax operating profits increased much less than before-tax earnings during the past expansion and contracted more sharply in 1979 and the first quarter of 1980 (table 2). Despite the weakness in after-tax operating profits, dividend payments of nonfinancial firms continued upward. As a result, adjusted retained earnings declined more than 17 percent from their previous year's level to near \$20 billion in 1979 and to less than \$6 billion in the first half of 1980.

Comparisons of profit movements among industries reveal diverse trends in 1979 and the first quarter of 1980 (table 3). Within the nondurable manufacturing sector, before-tax profits from domestic operations with inventory valuation adjustment (but without capital consumption adjustment, which is not available by industry) climbed more than 35 percent between the first quarter of 1979 and the first quarter of 1980, influenced by exceptionally large gains reported

2. Internal funds of nonfinancial corporations

Billions of dollars; quarterly data are seasonally adjusted annual rates.

Item	1976	1977	1978	1979	1980	
					Q1	Q2
Reported profits before tax[1]	133.8	148.5	171.1	198.0	220.0	171.7
Plus inventory valuation adjustment	−14.6	−15.2	−25.2	−41.8	−63.2	−28.2
Plus capital consumption adjustment	−13.9	−11.3	−12.0	−15.0	−20.0	−22.2
Adjusted profits before tax	105.3	122.0	133.9	141.2	136.8	121.3
Less profit tax accruals	52.4	59.4	68.6	74.8	82.7	60.3
Adjusted profits after tax	52.9	62.6	65.3	66.4	54.1	61.0
Less net dividends paid	32.9	37.0	41.6	46.8	50.4	52.8
Adjusted retained earnings	20.0	25.6	23.7	19.5	3.7	8.2
Plus depreciation allowances	105.3	114.3	125.1	138.8	150.0	154.0
Gross internal funds	125.3	139.9	148.8	158.3	153.7	162.2

1. Includes foreign branch profits.

SOURCE. Federal Reserve flow of funds accounts.

3. Before-tax domestic profits of nonfinancial corporations with inventory valuation adjustment and without capital consumption adjustment[1]

Billions of dollars; quarterly data are seasonally adjusted annual rates.

Industry	1976	1977	1978	1979	1980	
					Q1	Q2
Total	**115.3**	**128.3**	**140.9**	**148.5**	**146.5**	**132.6**
Manufacturing	65.7	73.5	81.7	88.8	93.0	73.4
Nondurable	37.5	39.3	41.4	51.5	65.5	58.1
Food	7.3	6.2	5.7	6.9	8.3	8.1
Chemicals	8.0	7.6	7.9	7.7	8.9	7.0
Petroleum	11.7	12.2	13.0	21.5	32.6	30.4
Other	10.6	13.4	14.7	15.5	15.7	12.6
Durable	28.2	34.2	40.3	37.2	27.4	15.3
Metals	5.9	5.6	7.1	8.5	9.7	5.4
Nonelectrical machinery	5.6	7.1	8.3	7.7	5.7	6.4
Electrical equipment	2.7	4.2	5.2	5.1	4.6	4.3
Motor vehicles	7.4	9.1	8.9	4.5	−2.8	−8.8
Other	6.7	8.2	10.8	11.5	10.2	8.1
Wholesale and retail trade	23.3	24.1	23.0	23.7	16.5	21.7
Public utilities, communication, and transportation	13.8	16.8	20.3	18.9	18.0	18.2
Services and other	12.4	13.9	16.0	17.1	19.0	19.3

1. The capital consumption adjustment is not calculated on an industry basis.

SOURCE. Department of Commerce.

by petroleum companies. The rapid increase in world petroleum prices, the initiation of the staged deregulation of natural gas in the United States, and the sizable increase in prices for heating fuel and gasoline contributed to a substantial increase in the profit margins of these firms. During the same period, profits of primary and fabricated metals producers gained from the acceleration in basic metals prices, but the operating profits of other durable goods manufacturers declined sharply. Firms associated with the motor vehicle industry registered the most pronounced falloff in profits, as gasoline shortages in the spring encouraged consumers to shift away from larger vehicles to lighter units with greater fuel efficiency; such models were less readily available from domestic producers than from foreign manufacturers. Outside the manufacturing sector, surging fuel costs contributed to weaker profits for utilities and transportation firms, which had difficulty in passing through increased costs to their customers. Within the trade sector, retail trade profits declined when sales and profit margins were depressed by severe weather and the shortage of gasoline.

The sharp contraction in aggregate economic activity in the spring of 1980 caused the decline in operating profits to worsen. As is usual in periods of rapidly falling demand, productivity declined and rising costs further eroded profit margins. In the manufacturing sector, operating profits fell to their lowest level since 1977; the earnings of almost all industry groups declined from the previous quarter, and the motor vehicle industry posted a record loss.

External Financing

Growing needs for external financing in 1979 and early 1980 were met largely with short- and intermediate-term borrowing (table 4). This pattern was especially pronounced in the first three quarters of 1979 when growth in commercial and industrial loans at all commercial banks soared to more than 20 percent at a seasonally adjusted annual rate, one of the fastest increases on record. In addition, nonfinancial corporations increased their net issuance of commercial paper by a large amount during this period. Business loans at finance companies also grew sharply in the first half of last year, with the major share of this growth representing extensions by captive subsidiaries of motor vehicle manufacturing companies to finance rising levels of inventories at dealers. As these inventories began to be reduced in the third quarter, finance company lending slowed considerably.

4. Net funds raised in markets by nonfinancial corporations

Billions of dollars; quarterly data are seasonally adjusted annual rates.

Type of obligation	1976	1977	1978	1979	1979				1980	
					Q1	Q2	Q3	Q4	Q1	Q2
Total	**60.7**	**79.9**	**94.7**	**114.3**	**113.4**	**123.9**	**126.7**	**93.0**	**119.4**	**70.7**
Commercial paper	1.4	1.6	2.7	8.8	7.0	9.9	12.1	6.0	25.8	20.2
Acceptances	1.3	0.6	1.2	1.0	3.7	−0.2	2.1	−1.4	5.4	1.5
Finance company loans	5.2	10.3	8.3	7.0	10.6	11.7	3.7	2.0	−1.4	−4.7
Bank loans[1]	4.0	21.3	33.3	45.1	43.3	47.2	52.6	37.3	33.8	−2.8
Notes and bonds[2]	25.3	24.5	23.3	24.8	24.3	27.1	24.6	22.6	23.4	46.7
Mortgages	12.9	18.9	23.3	24.2	21.8	25.3	28.3	21.5	24.1	5.9
Equity	10.5	2.7	2.6	3.5	2.9	2.8	3.2	5.0	8.2	3.9

1. Includes a small amount of U.S. government loans.
2. Includes tax-exempt revenue bonds to finance outlays for industrial pollution control.

SOURCE. Federal Reserve flow of funds accounts.

In longer-term markets, mortgage borrowing continued to climb through the first three quarters of 1979 to finance a growing volume of commercial construction. Publicly offered note and bond issues, however, remained close to the moderate pace of the previous several years. Traditionally, publicly offered bonds protect the investor from call or refunding for five years in the case of public utility issues and ten years for issues of industrial corporations; these periods of call protection encourage managements to postpone issuing such obligations if they think yields may decline in the near future. Through the first three quarters of 1979 yields on corporate bonds climbed steadily, approaching the record levels of 1974 and 1975, and corporations generally sought to avoid incurring long-term obligations at such rate levels (chart 4). To some extent, businesses turned to intermediate-term borrowing in order to avoid even greater reliance on short-term debt; early in the year, term loans—that is, loans with maturities of more than one year—at banks accounted for an increased share of business borrowing from this source. In addition, several multinational corporations raised cash for U.S. operations in the Eurobond market in the first half of 1979, attracted by the relatively short period of call protection (three years) as well as by a drop in intermediate-term Eurodollar rates in the spring.

Private placements of corporate bonds, as well as public offerings, failed to fill the growing need for external financing in 1979. The volume of private placement takedowns actually declined last year, reflecting not only a reluctance by corporations to borrow in long-term markets but also some constraints on the availability of funds at life insurance companies, the principal suppliers of funds for private placements. Insurance companies were using an increased proportion of their investable funds to meet the high level of their outstanding commercial mortgage commitments, associated in part with the rapid pace of construction of industrial plant and other structures in previous quarters.

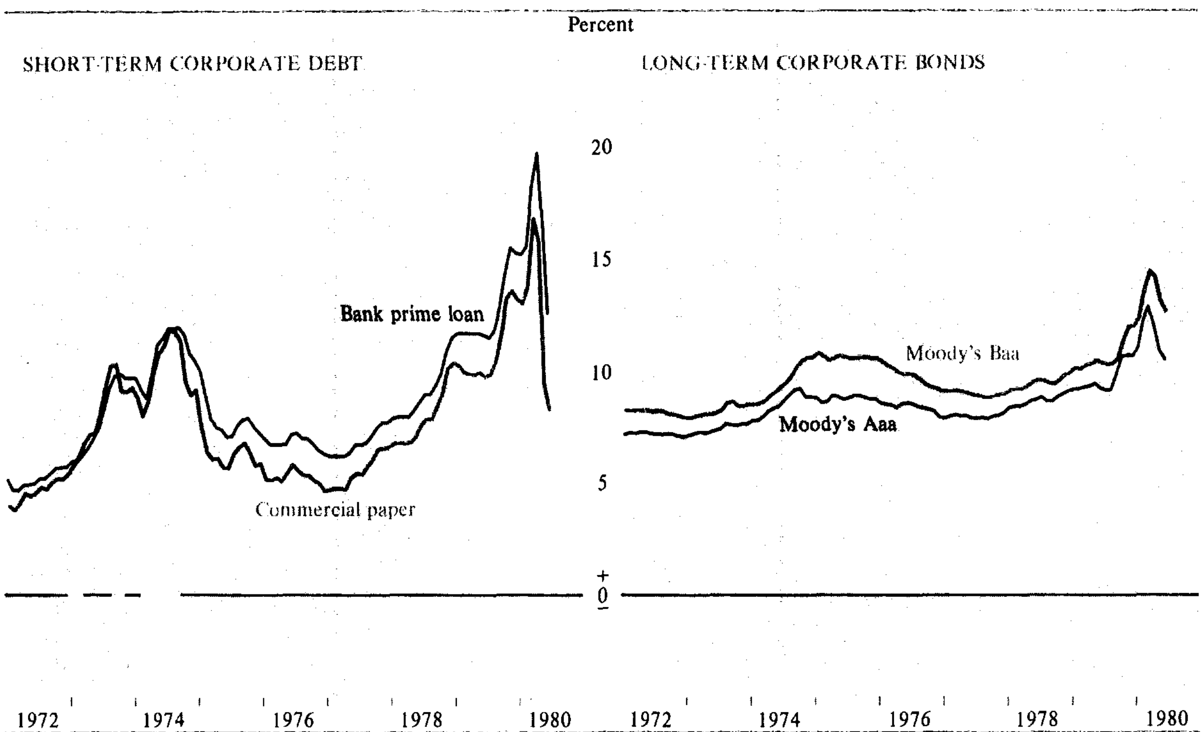
Nonfinancial corporations greatly reduced their net borrowing in financial markets in the final three months of 1979, largely in response to developments early in the quarter. On October 6, 1979, the Federal Reserve announced a series of policy actions designed to achieve a slowing in the growth of money and bank credit and thereby to help reduce inflationary pressures. Interest rates rose sharply and financial markets became unusually unsettled following the announcement, although some of the interest rate increases were partially retraced late in the year. As the cost to banks of obtaining lendable funds climbed and uncertainty about fund availability also increased, the prime rate was raised 2 percentage points in October and November, reaching a high of $15^3/_4$ percent. In addition, nonprice lending terms and standards of creditworthiness were tightened, with banks becoming more reluctant to lend to new customers and more strict about compensating-balance requirements. As a result, business loan growth at banks slowed markedly in the fourth quarter. Intermediate- and longer-term interest rates rose between 1 and $1^1/_2$ percentage points in October and November before edging lower toward year-end, and longer-term financing fell to its lowest level in almost two years.

Further increases in intermediate- and long-term interest rates in the first few months of 1980 discouraged businesses from raising bond offerings much above their depressed fourth-quarter pace. Moreover, issuing corporations structured their publicly offered note and bond issues so that the proportion of intermediate-term obligations rose to its highest level since 1974. Private placements of notes and bonds rose somewhat in early 1980, although this increase largely reflected takedowns of previous commitments. Life insurance companies cut back their new commitment activity in the face of large net extensions of policy loans, shortfalls in expected contributions to pension and other retirement plans, and the continuing heavy takedowns of previously committed mortgage financings. Despite the rise in interest rates, stock prices continued to climb early in the year and broadly based stock price indexes reached record highs in midquarter (chart 5). New equity financing surged, with most of the increase attributable to industrial concerns, especially firms associated with the petroleum and natural gas business.

Money market interest rates also began rising sharply in midquarter. Despite the high levels of short-term interest rates and a somewhat narrower gap between capital expenditures and gross internal sources of funds, nonfinancial corporations boosted their short- and intermediate-term borrowing in the early months of 1980, apparently in anticipation of rumored credit controls, and used the proceeds to expand their holdings of liquid assets. Nonfinancial commercial paper outstanding increased especially sharply, acceptance financing rose, and loan growth at banks accelerated early in the quarter.

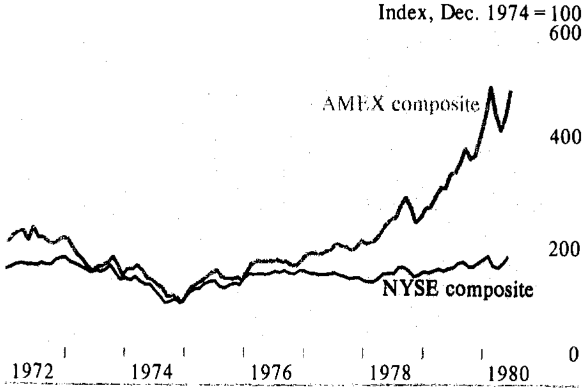
Spurred in part by the rapid escalation of interest rates, which seemed to indicate that investors were becoming increasingly pessimistic about the outlook for restraining price increases, President Carter, on March 14, 1980, announced a broad program of fiscal, energy, credit, and other measures designed to help curb inflationary forces. The President also provided the Federal Reserve with authority, under the terms of the Credit Control Act of 1969, to exercise particular

4. Interest rates



Short term: Monthly averages of business days. Dealer offering rate on 91- to 119-day, highest quality commercial paper. Prime rate on business loans charged by majority of commercial banks. Spread is bank prime less commercial paper. Long-term: Moody's Investors Service, monthly average bond yields for seasoned Baa and Aaa corporate issues. Rate spread is Moody's Baa minus Aaa issues.

5. Corporate stock price movements



AMEX = American Stock Exchange; NASDAQ = National Association of Securities Dealers Quotations; NYSE = New York Stock Exchange. The stock price composite indexes are monthly averages normalized to equal 100 in December 1974.

restraint on certain types of credit. Banks and other lenders cut back sharply on credit extensions following the announcement, and interest rates continued to move higher. Beginning in April, however, rates began to fall rapidly, with short-term interest rates dropping 7 to 10 percentage points by June to their lowest levels in two years, and long-term bond and mortgage yields generally retracing the increases recorded in the first quarter of 1980.

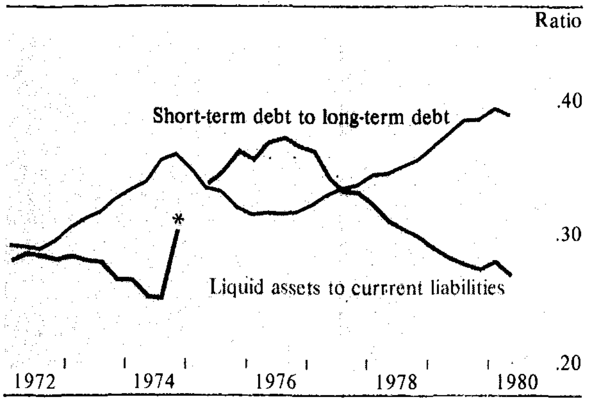
The growth of aggregate measures of money and credit declined abruptly in response to the credit restraint actions and to a sharp contraction in economic activity. Nonfinancial corporations reduced their borrowing in credit markets to the lowest level in three years, as many firms were able to meet financing requirements by drawing down their holdings of liquid assets. The composition of external financing also shifted markedly. Manufacturing and other industrial corporations issued an unprecedented amount of notes and bonds as yields declined, with a much smaller proportion in intermediate-term maturities. Proceeds from many of these financings were used to reduce reliance on shorter-term sources of funds—especially loans from commercial banks, which registered a net decline for the quarter. The weakness in bank business lending in part reflected the lagging adjustment of the prime rate to declines in other interest rates. A record spread between the prime and commercial paper rates opened up during the quarter, and borrowing in the commercial paper market moderated only a little from the unusually high first-quarter total. Mortgage lenders became especially cautious in the wake of the steeply downward sloping yield curve that developed in March and the uncertain outlook that followed the mid-March announcement; commercial mortgage financing fell to its lowest level since late 1976. Stock prices retraced most of their March decline in response to the large drop in interest rates, and by the end of June, equity values were close to their historic highs. The rapid improvement in stock prices again elicited common and preferred stock financings, with the result that new equity financings in the first half of 1980 were a record for a six-month period.

CORPORATE LIQUIDITY AND CAPITALIZATION

The recent financing patterns of nonfinancial corporations are summarized by movements in measures of balance sheet liquidity and capitalization. Immediately after the 1973–75 recession, nonfinancial corporations rebuilt their depleted liquid asset positions and aggressively reduced their reliance on shorter-term sources of funds. These firms continued to add to their liquid asset positions through the second half of the 1970s, but the increasing reliance on short- and intermediate-term borrowings in the late 1970s caused the ratio of liquid assets to total current liabilities—a measure of corporate liquidity positions—to drop steadily; by the middle of 1980 it had fallen to levels near those of the previous recession (chart 6).

The increased reliance of firms on short- and intermediate-term financing also has produced a steady rise in the ratio of short- to long-term debt raised in markets (chart 6). Relatively heavy emphasis by nonfinancial firms on investment in shorter-lived motor vehicles and inventories may have prompted this rise in 1976 and 1977, but the ratio continued to climb sharply even after the composition of capital outlays shifted toward longer-lived industrial plants and other structures in 1978 and 1979. Many nonfinancial corporations were reluctant to issue notes and bonds during this period at the unprecedented high level of interest rates, in part because expectations of a recession were widespread. Indeed, publicly

6. Liquidity measures for nonfinancial corporations



* ⊭ break in series

Liquid assets include currency, demand and time deposits, foreign deposits, U.S. government securities, state and local obligations, open market paper, and security repurchase agreements. Short-term debt consists of short-term bank loans, commercial paper, bankers acceptances, finance company loans, and U.S. government loans. Total current liabilities include short-term debt plus trade debt and profit taxes payable. Flow of funds quarterly data seasonally adjusted.

offered and privately placed note and bond financing was well below the 1975 total in each of the subsequent four years, although it is likely to reach a new high in 1980 given the exceptional amount of public offerings in the second quarter.

Net stock issuance by nonfinancial firms remained relatively light in 1979—this form of financing was unattractive to many firms that faced historically low price-earnings ratios—and total equity as a percent of total capitalization edged down slightly from its average of the past three years. By the end of 1979, the share of equity was less than 58 percent, when tangible assets (that is, reproducible assets such as structures and equipment plus land) are valued at replacement cost. Equity accounted for nearly two-thirds of total capitalization in the 1950s, but then declined steadily to only 53 percent in 1973, from which level it rebounded only a modest amount in the most recent expansion. The reduced level of equity in the balance sheets of nonfinancial corporations in recent years reflects both the general weakness in retained earnings and more importantly the reliance on financing externally with debt rather than equity capital. Escalating inflation, the tax deductibility of interest payments, and the generally low level of both stock prices and price-earnings multiples over most of the period encouraged the heavy reliance on debt financing.

Traditionally, a deterioration in these financial ratios, such as experienced in recent years, has been interpreted as indicating an increased vulnerability on the part of some corporations to adverse developments. For example, greater reliance on short-term debt implies a faster response of interest costs to rising rates; moreover, firms must refinance at more frequent intervals, even when credit availability has been severely curtailed. And, a relatively low share of equity in total capitalization means that a relatively high level of contractual interest payments persists through downturns in sales and income. The relevance of these traditional measures for assessment of corporate financial soundness may not be as clear today as it once was, since innovations in financial markets have allowed both corporations and their creditors to adopt new techniques for managing assets and liabilities. Nonetheless, corporate concern about balance sheet positions is evident from the large volume of bond and stock issues elicited this year by downward movements in the costs of these funds. □

Profitability of Insured Commercial Banks, 1979

Barbara Negri Opper of the Board's Division of Research and Statistics prepared this article.[1]

In 1979 the profitability of insured commercial banks increased for the third consecutive year following the reductions resulting from the 1973-75 recession. The rate of return on assets rose from 0.76 to 0.80 and the rate of return on equity increased from 12.9 to 13.9 percent—both highs for the decade. Dollar profits, at $12.8 billion, set a record.[2]

The gain in the pre-tax return on assets during 1979 was less than half that achieved a year earlier. The 1978 gain reflected mainly an expansion of net interest margins, but in 1979 the pronounced increase in market interest rates and a greater reliance on liabilities that carry costs tied to market rates resulted in an increase in interest costs that nearly equaled the gain in interest revenue. Moreover, a combination of greater liquidity pressures and rising interest rates produced enlarged losses from the sale of securities in 1979, especially in the fourth quarter. Loan-loss provisions were reduced by the same amount as in 1978. Table 1 summarizes the major components of industry returns on average assets.

Because of the sharp increases in interest rates and because of the potential costs for large banks associated with the Federal Reserve's October 6 marginal reserves program, positioning of assets and liabilities was an important determinant of profitability during 1979. Commercial banks with expanded net interest margins tended to hold more assets than liabilities that carried interest rates highly responsive to changes in market yields. Conversely, the balance sheets of otherwise similar banks with reduced margins were typified by fixed-rate longer-term assets funded by short-term liabilities sensitive to market rates. As in 1978, year-to-year changes in net interest margins also varied by type of bank. Those with less than $1 billion in assets, which as a class had the highest proportion of liabilities covered by fixed-rate ceilings on deposits, experienced an improvement of 2 to 3 percent in net interest margins. Margins at large non-money-center banks were about unchanged. Money center banks experienced a contraction of about 3 percent in their consolidated net interest margins, owing to a narrowing of margins at their important and rapidly growing overseas offices.

All U.S. insured commercial banks with foreign offices showed increased profitability during 1979. Their domestic net interest margins expanded, partially offsetting the reduction in foreign-office margins. Gains in noninterest income

1. Income and expense as percent of average assets, all insured commercial banks, 1977-79[1]

Item	1977	1978	1979
Gross interest earned	6.47	7.24	8.62
Gross interest expense	3.54	4.17	5.50
Net interest margin	2.93	3.07	3.12
Noninterest income	.70	.74	.78
Loan-loss provision	.26	.25	.24
Other noninterest expense	2.45	2.50	2.54
Income before tax	.92	1.06	1.12
Taxes[2]	.23	.29	.28
Other[3]	.01	−.02	−.04
Net income	.71	.76	.80
Cash dividends declared	.26	.26	.28
Net retained earnings	.45	.50	.52
MEMO			
Taxable equivalent net interest margin[4]	3.33	3.48	3.48
Average assets (billions of dollars)[1]	1,257	1,419	1,594

1. Average assets are fully consolidated and net of loan-loss reserves; averages are based on amounts outstanding at the beginning and end of each year.

2. Includes all taxes estimated to be due on income, on extraordinary gains, and on securities gains.

3. Includes securities and extraordinary gains or losses (−) before taxes.

4. For each bank with profits before tax greater than zero, income from state and local obligations was increased by $[1/(1 - t) - 1]$ times the lesser of profits before tax or interest earned on state and local obligations (t is the federal income tax rate, which changed in 1979). This adjustment approximates the equivalent pre-tax return on state and local obligations.

1. The data base was developed by Nancy Pittman, and research assistance was provided by Mary McLaughlin.

2. Appendix tables A.1 and A.2 present historical income and expense information for all insured commercial banks and for member banks.

and reductions in loan-loss provisions contributed to growth in profits at those banks.

INTEREST INCOME

Gross interest income as a percent of average assets rose 138 basis points during 1979, about double the increase a year earlier when market yields had risen far more slowly. The rise in return on assets was associated primarily with the pattern of market yields, but also reflected a shift from securities to higher-yielding loans; another 5 basis points of the gain can be traced to a shift out of tax-exempt securities into taxable instruments. Commercial banks with the largest proportional holdings of short-term and floating-rate assets experienced gains substantially above the average for all banks, whereas those with a smaller proportion of rate-sensitive assets exhibited below-average improvement.

The average return on loan portfolios rose 169 basis points in 1979 (table 2). Almost 90 percent of loans at money center banks carried maturities shorter than one year or had floating rates tied to money market yields, and returns on loan portfolios at these banks increased 270 basis points. By contrast, yields at small banks increased only 60 basis points; these banks generally have larger percentages of their portfolios in small business, consumer, and real estate loans, which are characterized by relatively slow turnover and relatively stable yields, and in many cases by the constraints of usury ceilings. Appendix table A.3 presents 1979 summary statistics on balance sheet composition, effective interest returns and costs, and income and expenses scaled to average assets for major groups of banks.

Yields on investment securities portfolios increased more slowly than those on loans. The average current yield on U.S. government holdings increased 88 basis points, and taxable equivalent yields on total investment securities portfolios are estimated to have increased only 42 basis points. With an average portfolio maturity of almost five years, only a small proportion of holdings matured to provide opportunities for reinvestment; some banks realized the capital losses associated in 1979 with sales of longer maturities to reinvest in issues offering higher current returns. Although banks added nearly $15 billion, net, to their holdings of securities during 1979, securities as a proportion of assets fell during the year because of strong growth in loans (table 3).

Effective in 1979, changes in the structure of federal taxes applicable to commercial bank income introduced a larger number of incremental tax brackets; this change had the overall effect of lowering tax rates somewhat, particularly for banks with taxable income between $25,000 and $100,000. As a result, the value of the tax preference from state and local obligations tended to be reduced. Thus, despite an increase in the nominal yield on bank portfolios of state and local government securities, the taxable equivalent yield is estimated to have declined during 1979.

Interest income, when scaled to average assets and adjusted for approximate tax equivalence, increased 133 basis points in 1979 for insured banks as a group, and gains were experienced by every class of bank (chart 1). Money center banks had the sharpest increase: their gross interest income per dollar of average assets expanded 24 percent. By comparison, these banks recorded a gain of 28 percent in 1974 when the annual average of short-term market yields increased much less than it did from 1978 to 1979. Other large banks apparently have increased the rate sensitivity of their asset returns, with interest income growing faster in 1979 than in 1974, a cyclically comparable year.[3] By contrast, gross interest income at small banks grew about the

2. Rates of return on fully consolidated portfolios, all insured commercial banks, 1977-79[1]

Percent

Item	1977	1978	1979
Securities, total	6.22	6.47	7.05
U.S. government	6.98	7.37	8.25
State and local government	5.08	5.24	5.58
Other	8.92	8.80	9.24
Loans, gross	9.15	10.32	12.01
Net of loan-loss provision	8.63	9.82	11.55
Taxable equivalent[2]			
Total securities	8.43	8.89	9.31
State and local	10.18	10.62	10.44
Total securities and gross loans	9.96	9.95	11.37

1. Calculated as described in the "Technical note," BULLETIN, vol. 65 (September 1979), p. 704.
2. See note 4 to table 1.

3. Comparisons of 1974 and 1979 for large banks are marred because only domestic-office operations were included in earlier years; beginning in 1976, all income and expense data were fully consolidated.

3. Portfolio composition as percent of total assets including loan-loss reserves, all insured commercial banks, 1976-79[1]

Average during year

Item	Domestic				Fully consolidated			
	1976	1977	1978	1979	1976	1977	1978	1979
Interest-earning assets	80.9	80.3	79.2	80.4	83.4	83.3	82.4	83.0
Loans	52.0	52.1	53.3	56.0	53.1	53.4	54.6	56.3
Securities	23.9	23.2	21.3	20.0	20.8	20.0	18.4	17.2
U.S. Treasury	9.2	9.2	7.7	6.6	7.9	7.8	6.5	5.5
U.S. government agencies	3.5	3.3	3.2	3.4	3.0	2.8	2.7	2.8
State and local governments	10.6	10.2	9.8	9.5	9.1	8.7	8.3	8.0
Other bonds and stock	.6	.5	.6	.5	.8	.8	.9	.8
Gross federal funds sold and reverse RPs	4.0	4.2	4.0	4.0	3.4	3.6	3.3	3.4
Interest-bearing deposits[2]	1.0	.8	.6	.4	6.1	6.3	6.1	6.2
MEMO: Average gross assets (billions of dollars)	958	1,056	1,198	1,329	1,116	1,244	1,406	1,593

1. Percentages are based on aggregate data and thus reflect the heavier weighting of large banks. Data are based on averages for call dates in December of the preceding year and March, June, September, and December of the current year.

2. Interest-bearing deposits held by domestic offices first were reported in 1976. Reporting of those balances on a fully consolidated basis began in December 1978, and the number shown for 1978 is an average based on the reported December amount and estimates for earlier call report dates. Fully consolidated interest-bearing deposits are estimated for 1976 and 1977.

same from 1978 to 1979 as in 1974, implying some decline in the sensitivity of their asset returns to open market yields.

INTEREST EXPENSE

With the rapid escalation of market yields during 1979 and the pronounced shift toward greater use of rate-sensitive funding sources, interest expenses per dollar of average assets increased one-third over 1978. All classes of banks experienced runoffs from their demand and savings accounts and from small time deposits carrying fixed interest-rate ceilings. Consequently they had to expand their issuance of liabilities carrying short maturities and offering returns competitive with money market yields. For all banks taken together, however, the increase in interest costs is attributable not so much to the shift in sources of funds as to the rapid increase in interest costs on claims that are not subject to deposit rate ceilings. Those costs increased more than 300 basis points on average during 1979 (table 4) and were nearly twice the level of 1977.

With two exceptions, all categories of interest-bearing liabilities cost an average of at least 200 basis points more than in 1978. One exception is subordinated notes and debentures, on which average interest costs tended to be stabilized by relatively long maturities and fixed interest rates. The other exception is savings and fixed-ceiling small-denomination time deposits, which dominate "other deposits" in the table. Most of the 84-basis-point cost increase is attributable to the growth of six-month money market certificates (MMCs). MMCs grew from 5 percent to 22 percent of "other deposits" as defined in the table, and the average interest rate on MMCs issued during 1979 increased 200 basis points. The only changes in fixed-deposit-rate ceilings during 1979 were $^1/_4$-percentage-point increases for passbook and 90-day time accounts, so only a minor part of the interest cost increase in "other deposits" is related to such regulatory actions.

Even though funds from MMCs more than replenished withdrawals from bank savings and fixed-ceiling small-denomination time accounts, the share of commercial bank assets funded by savings and all small time balances diminished

4. Rates paid for fully consolidated liabilities, all insured commercial banks, 1977-79[1]

Percent

Item	1977	1978	1979
Time and savings accounts	5.72	6.76	8.69
Negotiable CDs[2]	5.58	7.85	10.52
Deposits in foreign offices	5.94	8.04	11.38
Other deposits	5.67	5.81	6.65
Subordinated notes and debentures	7.38	7.77	8.41
Gross federal funds purchased and RPs	6.10	8.68	12.95
Other liabilities for borrowed money	7.56	7.00	9.17
Total	5.79	6.81	9.13
MEMO: Not covered by regulatory ceilings[2]	5.92	8.02	11.20

1. Calculated as described in the "Technical note," BULLETIN (September 1979) p. 704.

2. Does not include nonnegotiable time deposits of $100,000 or more.

during 1979 ("other domestic" in table 5). Demand deposits similarly grew less rapidly than total assets, as high yields on close alternatives continued to induce depositors to economize on their non-interest-bearing balances. For all banks together, consequently, growth in assets during 1979 was financed by managed liabilities, which increased from 35.3 to 37.6 percent of banks' consolidated assets. The pace at which large banks issued managed liabilities slowed, as did bank credit growth, after the Federal Reserve's October 6 policy actions.

Small banks, which generally do not issue managed liabilities in volume, depended instead on MMCs for their growth. Nevertheless, with savings and small-denomination fixed-ceiling time deposits continuing to dominate funding sources, interest costs at small banks increased far more slowly than the average for all banks (chart 1 and appendix table A.3). Interest costs at money center banks escalated; liabilities of these banks were refunded numerous times on average during the year at rapidly rising interest costs.

In 1979, interest expenses per dollar of average assets at money center banks increased 38 percent, but as with asset returns, the increase during 1974 had been faster. On the other hand, interest expenses of other large banks increased much faster in 1979 than in 1974, matching the sensitivity of returns on their assets. Because of the reliance of small banks on MMCs during 1979 and the more pronounced cost impact of MMCs compared with that of the four-year certificates, which grew rapidly after their introduction in mid-1973, interest cost per dollar of assets at small banks grew almost half again as fast in 1979 as in 1974.

Net Interest Margins

Two factors were important in determining the level and the pattern of change in net interest margins during 1979. One, the type of business that dominates a bank's activity, influenced the patterns shown in chart 1, since size correlates with business mix. Second, with the rapid increase in open market yields during 1979, net interest margins depended on whether assets and liabilities of banks were positioned to produce faster growth in interest revenue than in costs.

Revenue gains were little larger than cost increases for all banks together, and so the average net interest margin adjusted for the shift out of tax-exempt securities and scaled to average assets is estimated to have been unchanged from 1978. However, the aggregate asset and liability balance implied by the stable net interest margin masks some substantial differences in experience

5. Composition of financial liabilities as percent of total assets including loan-loss reserves, all insured commercial banks, 1976–79[1]

Average during year

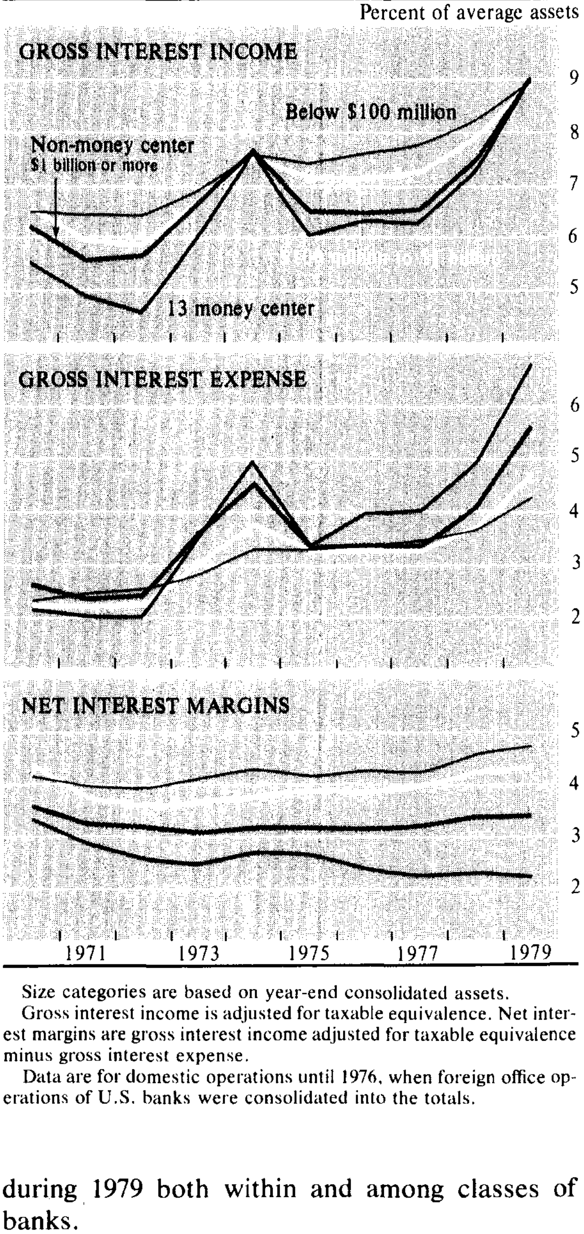
Item	Domestic				Fully consolidated			
	1976	1977	1978	1979	1976	1977	1978	1979
Financial claims	89.1	89.4	89.1	88.0	90.1	90.4	90.2	89.7
Demand deposits	32.6	32.1	31.9	30.3	28.0	27.2	26.9	25.3
Interest-bearing claims	56.5	57.3	57.2	57.7	62.1	63.2	63.3	64.4
Time and savings accounts	49.2	49.0	48.3	47.3	55.5	55.6	55.2	55.0
Large time[2]	14.8	13.3	15.0	15.2	13.8	11.4	12.7	12.7
In foreign offices	.....	.....	.....	.....	13.2	14.1	14.5	15.6
Other domestic	34.4	35.7	33.3	32.1	28.5	30.1	28.1	26.7
Subordinated notes and debentures	.5	.5	.5	.4	.4	.4	.4	.4
Other borrowings	.5	.6	1.1	2.0	.8	.9	1.5	2.4
Gross federal funds purchased and RPs	6.3	7.2	7.3	7.9	5.4	6.2	6.2	6.6
MEMO								
Managed liabilities[3]	22.1	21.6	23.9	25.6	33.6	33.1	35.3	37.6
Average gross assets (billions of dollars)	958	1,056	1,198	1,329	1,116	1,244	1,406	1,593

1. Percentages are based on aggregate data and thus reflect the heavier weighting of large banks. Data are based on averages of call dates for December of the preceding year and March, June, September, and December of the current year.

2. Deposits of $100,000 and over issued by domestic offices.

3. Large time deposits issued by domestic offices plus gross deposits at foreign offices, subordinated notes and debentures, RPs, gross federal funds purchased, and other borrowings.

1. Components of interest margins



Size categories are based on year-end consolidated assets.
Gross interest income is adjusted for taxable equivalence. Net interest margins are gross interest income adjusted for taxable equivalence minus gross interest expense.
Data are for domestic operations until 1976, when foreign office operations of U.S. banks were consolidated into the totals.

during 1979 both within and among classes of banks.

Margins of money center banks contracted, reflecting large declines at foreign offices that were only partially offset by gains at domestic offices. Margins were unchanged at other large banks, at which corporate and foreign-office business carries less weight than at money center banks. Margins at smaller banks increased slightly; the cost advantages of the large volume of deposits with fixed ceilings outweighed the incremental narrowing effects of the high-cost MMCs issued to fund rate-insensitive assets as the year progressed.

Even within class of bank, rapid changes in market interest rates affect profitability in relation to the degree of balance of interest-rate-sensitive assets and liabilities. At one extreme, for instance, the margin of a bank that does nothing but finance three-month fixed-rate loans with three-month time deposits will show little response to fluctuations in market interest rates; the upper bound of the bank's profit—ignoring noninterest factors and assuming borrowers repay on time—equals the weighted average of the differences between each loan return and its deposit-funding costs. Sharp changes in market yields after takedown but before maturity of the transactions are unlikely to bring additional gain or loss to the bank. At the other extreme would be a bank that does not match the rate sensitivities of its assets and liabilities, such as one that finances longer-term fixed-rate loans with funds purchased short-term. To the extent that the market expectations embodied in the term structure of interest rates proved to be accurate forecasts of the actual course of interest rates, the bank would be able to forecast its ultimate gain from the transaction and would be no better off or worse off in the end than it expected to be at the outset. To the extent that market expectations are not fulfilled, however, the bank's actual final return will differ from that expected. Moreover, such mismatching creates the possibility of wide fluctuations in interim returns.

One important indicator of a bank's exposure to such interest rate risk is the difference between the percentage of assets invested in rate-sensitive instruments and the percentage of assets funded by rate-sensitive liabilities. That difference—the proportion of the bank's total assets represented by transactions for which interest rates on only one side of the balance sheet, not both sides, are linked to short-term market yields—is indicative of the extent to which gains or losses might arise from unexpected changes in market interest rates.

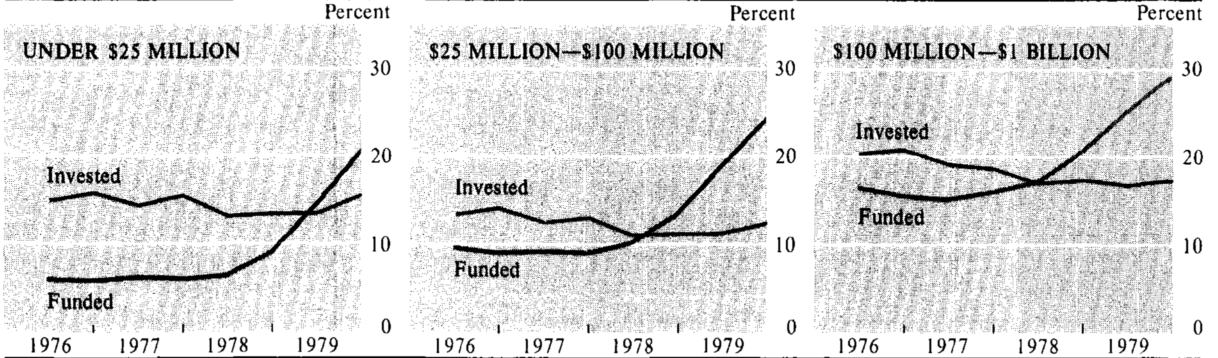
Chart 2 shows measures of the relationship of rate-sensitive assets and liabilities to total assets for five groups of banks. The measures, defined in the notes to the chart, could have been refined if maturity detail within one year had been available, if it had been possible to include short-term and uncapped floating-rate loans of small banks and floating-rate notes and debentures issued by all banks, and if off-balance-sheet transactions representing hedging activities had been available. Across classes of banks, moreover, the changes in net interest margins depended upon the interaction of this rate-sensitive balance with the rate sensitivity of other assets and liabilities and the relative weight of usury ceilings or deposit ceilings. But within each class, banks holding more rate-sensitive assets than liabilities were able to benefit, on average, from the increases in market yields during 1979. Thus, except for the money center institutions, banks with increased interest margins from 1978 were better positioned than their counterparts (table 6).[4] In addition, the differences among groups in the levels of rate-sensitive assets and liabilities, as shown in chart 2, roughly correspond with the differences among them in the rates of change in gross interest returns on assets and costs of liabilities (chart 1).

The sharp rise in the sensitivity of liabilities of small banks to interest rates during 1979, suggested by chart 2, reflects increased dependence upon MMCs, the only rate-sensitive funding source not normally thought of as a managed liability. In earlier periods of rising market yields, only large banks tended to shift toward rate-sensitive liabilities, as they funded increases in loans by issuing money market instruments; small banks had few alternative sources of funds that might compensate for any shortfalls in growth of their core deposits. The importance of the change in the portfolio behavior of small banks in 1979 was that the greater dependence on MMCs was not accompanied by a commensurate shift toward rate-sensitive assets. As 1979 progressed, therefore, small banks as a group became increasingly exposed to interest rate risk.

A cross-sectional analysis of the effect of MMCs on small banks is presented in table 7. Two groups of small banks are compared—those in the highest and in the lowest quartiles of MMCs as a percentage of total financial claims. In the second half of 1978, small banks relying most heavily on MMCs had average taxable equivalent interest margins 17 basis points lower than those in the lowest quartile. In 1979, the difference between the two quartiles rose to 54 basis points. Of that, only 10 basis points flowed through to profits before tax, however, largely because the noninterest expenses of banks in the highest quartile during 1979 were not only lower than those in the lowest quartile but also lower than for that size group as a whole. Some of the unusually low operating costs for banks in the high quartile may be a result of dividing fixed as well as variable costs by average assets because those banks experienced exceptionally rapid growth in assets during 1979.

4. Regressions using the difference—rate-sensitive assets minus rate-sensitive liabilities all as a percent of assets—as an explanation of the percent change in 1979 in net interest margins yielded R^2s of 8 to 12 percent for the three groups of banks with less than $1 billion in assets, and 22 percent for the two classes of larger banks. The coefficients for the difference variable were 0.45, 0.40 and 0.25 respectively for banks with assets below $25 million, of $25 million to $100 million, and of $100 million to $1 billion; they were 0.64 and 0.62 for money center and other large banks respectively. The size classes tend to be good proxies for type of business and thus tend to hold constant differences in net interest margin behavior associated with types of borrowers, standard loan terms, predominant funding sources, and so forth.

2. Percentage of assets funded and invested in rate-sensitive instruments, by year-end assets



6. Impact of asset and liability positioning on the 1978-79 change in net interest margins, all insured commercial banks[1]

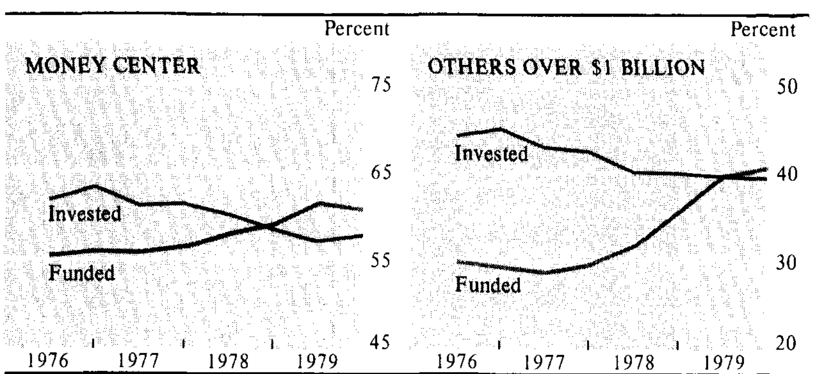
Assets, year-end 1979	Number	Rate-sensitive			Average interest margin[4]		
		Assets[2]	Liabilities[2]	Difference[3]	1979	1978	Percent change
Less than $25 million							
Increased margins	5,220	14.4	12.9	1.5	5.02	4.45	12.8
Others	2,101	11.9	18.0	−6.0	4.48	4.83	−7.2
$25 million to $100 million							
Increased margins	3,058	12.4	17.2	−4.8	4.92	4.55	8.1
Others	2,030	10.7	21.3	−10.6	4.37	4.65	−6.1
$100 million to $1 billion							
Increased margins	700	17.7	23.3	−5.6	4.71	4.38	7.5
Others	635	15.5	27.0	−11.5	4.09	4.34	−5.8
13 money center							
Increased margins	3	60.3†	59.2†	1.1	2.48*	2.41	3.0
Others	10	57.1	61.6	−4.5	2.05	2.20	−6.7
Others $1 billion or more							
Increased margins	74	40.0	36.1	3.9	3.99	3.74	6.7
Others	81	39.8	42.3	−2.4	3.32	3.56	−6.8

1. Differences between means are statistically significant at the .01 level except when noted by an asterisk (*), which are significant at the .05 level, and a dagger (†), which are not statistically significant.
2. Average, as a percent of total assets, on the following call dates: December 1978 and March, June, September, and December 1979.
3. Rate-sensitive assets minus rate-sensitive liabilities, as defined above and in the note to chart 2.
4. Taxable equivalent, as a percent of average assets.

Loan Losses and Other Noninterest Income and Expense

Loan-loss provisions declined again relative to average assets, continuing in 1979 the reversal of the buildup associated with the 1973-75 recession. Cash losses net of recoveries fell in relation to average loans at all four classes of banks (table 8). Relative to average assets, loan losses also fell at all except the large non-money-center banks (chart 3). Money center banks, for which loan losses had increased quite rapidly in 1975 and 1976, experienced particular improvement; in 1979, net loan losses as a percent of their assets almost matched the previous low for the decade. Despite an increase in loan portfolios, the major improvement for money center banks came in the form of reduced chargeoffs during 1979.

Increases in noninterest revenue and in noninterest expenses other than loan-loss provisions outpaced growth in assets and, as in 1978, the revenue gains were about offset by the increased costs. Service charges on deposits and revenue from commissions and fees expanded relative to assets. An expansion in service charges probably was related to the growth of interest-bearing transactions balances, which have been associated with a move toward explicit pricing of bank services; growth in commissions and fees is



Rate-sensitive assets: interest-bearing deposits, federal funds sold, reverse RPs, loans and government debt maturing in one year or less, and other loans with floating rates. Small banks do not report the loan detail, so their holdings of loans to financial institutions, construction loans, and purpose loans are included. Rate-sensitive liabilities: large time deposits and foreign office deposits due in one year or less, federal funds, RPs, MMCs, and other short-term borrowings.

probably a result of the rapid buildup of loans and in particular the increased loan-to-asset ratio. Salaries and related employee compensation expenses caused the increase in noninterest operating costs relative to average assets.

7. Comparison of operating results in 1979, small insured commercial banks with greatest and least reliance on MMCs[1]

Means in percent

Item	Quartile	
	Highest	Lowest
Growth		
Total domestic assets	17.9	10.0
Domestic liabilities	21.7	10.4
Income and expense scaled to average consolidated assets		
Interest income	8.52	8.35
Interest expense	4.37	3.61
Net interest margin	4.15	4.73
Taxable equivalent	4.58	5.12
Noninterest income	.50	.67
Loan-loss provision	.25	.27
Other noninterest expense	2.88	3.51
Profit before tax	1.52	1.62
Net income	1.17	1.22
Dividends	.25	.28
MMCs as percent of total financial claims		
Top of quartile	52.5	10.3
Bottom of quartile	18.4	0

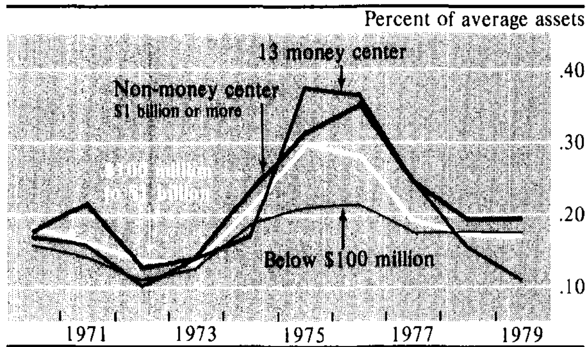
1. Top and bottom quartiles, as determined by MMCs as a percent of total financial claims at the end of 1979, of all banks with year-end assets below $100 million.

The differences between means of the two groups are all statistically significant at the 1 percent level.

Profitability and Dividends

Returns on assets for all insured banks improved 5 percent during 1979, and reflecting a minor addition to leverage, returns on equity increased somewhat faster. Those gains, after the larger increases during 1978, raised earnings rates in 1979 for all insured banks as a group to record highs for this decade. Returns on equity were narrowly

3. Net loan losses charged[1]



1. As a percent of average consolidated assets net of loan-loss reserves, all insured commercial banks.

8. Loan portfolio losses and recoveries, all insured commercial banks, 1977-79

Millions of dollars, except as noted

Year, and size of bank[1]	Losses charged	Recoveries	Net losses: Dollar amount	Net losses: Percent of loans[2]	Loan-loss provision
1977					
All banks	3,549	809	2,740	.41	3,244
Less than $100 million	720	210	510	.33	632
$100 million to $1 billion	674	177	497	.37	609
$1 billion or more					
Money center	1,147	218	929	.45	1,025
Others	1,009	204	804	.46	978
1978					
All banks	3,537	1,073	2,464	.32	3,499
Less than $100 million	782	240	542	.32	748
$100 million to $1 billion	689	194	495	.32	667
$1 billion or more					
Money center	995	335	660	.28	972
Others	1,068	303	765	.36	1,112
1979					
All banks	3,731	1,197	2,534	.28	3,764
Less than $100 million	823	256	567	.30	783
$100 million to $1 billion	758	218	540	.30	745
$1 billion or more					
Money center	860	329	531	.20	895
Others	1,290	394	897	.34	1,341

1. Size categories are based on year-end fully consolidated assets.

2. Average of beginning- and end-of-year loan balances.

dispersed among size classes of banks in 1979, ranging from 13.5 percent for the large non-money-center banks to 14.1 percent for small banks (table 9). In contrast, from 1974 through 1976, returns on equity at money center banks averaged one-fifth higher than at other large commercial banks.

Cash dividends declared during 1979 increased faster than average assets for the first time since 1975. Unlike 1978, when all of the increased earnings on assets were retained, banks in their second year of substantial profit growth divided the gain about equally between increases in cash dividends declared and additions to retained earnings. Large banks, nearly all of which are affiliated with holding companies, maintained about the same dividend payout ratio—40 percent—as in 1978. Equity capital increased nearly $10 billion during 1979, not quite enough to keep pace with asset growth. As in the year earlier, retained earnings contributed more than four-fifths of the gain in equity (table 10).

INSURED U.S. COMMERCIAL BANKS WITH FOREIGN OFFICES

At the end of 1979, 164 U.S. insured commercial banks had foreign offices or Edge Act or Agreement corporation subsidiaries. Those 164 banks held $979 billion in consolidated assets at year-end or almost three-fifths of industry assets. During 1979, funding patterns shifted so that foreign offices became a net source of funds to domestic offices. With that shift and with a change in lending patterns from loans toward lower-yielding in-

9. Profit rates, all insured commercial banks, 1973-79

Percent

Type of return, and size of bank[1]	1973	1974	1975	1976	1977	1978	1979
Return on assets[2]							
All banks	.76	.72	.69	.70	.71	.76	.80
Less than $100 million	1.00	.97	.89	.94	.98	1.04	1.15
$100 million to $1 billion	.84	.79	.75	.78	.82	.90	.96
$1 billion or more							
Money center	.60	.56	.56	.54	.50	.53	.56
Others	.62	.58	.59	.60	.62	.68	.72
Return on equity[3]							
All banks	12.9	12.6	11.8	11.5	11.8	12.9	13.9
Less than $100 million	13.5	12.7	11.5	11.8	12.4	13.2	14.1
$100 million to $1 billion	12.6	11.9	11.1	11.1	12.0	13.2	13.9
$1 billion or more							
Money center	13.2	14.1	13.8	12.3	11.4	12.8	14.0
Others	12.0	11.7	11.2	10.6	11.2	12.5	13.5

1. Size categories are based on year-end fully consolidated assets.
2. Net income as a percent of the average of beginning- and end-of-year fully consolidated assets net of loan-loss reserves.
3. Net income as a percent of the average of beginning- and end-of-year equity capital.

10. Sources of increase in total equity capital, all insured commercial banks, 1973-79[1]

Millions of dollars, except as noted

Year	Net retained income[2]		Net increase in equity capital		Increase in equity capital from retained income (percent)	
	Total	Large banks[3]	Total	Large banks[3]	Column 1/ column 3	Column 2/ column 4
	(1)	(2)	(3)	(4)	(5)	(6)
1973	4,131	1,491	5,455	1,849	76	81
1974	4,307	1,666	5,631	1,977	76	84
1975	4,224	1,690	5,526	2,396	76	71
1976	4,834	1,909	7,254	3,371	67	57
1977	5,599	2,157	7,094	2,939	79	73
1978	7,019	2,947	7,961	3,304	88	89
1979	8,350	3,616	9,952	4,291	84	84

1. In 1976, equity capital was affected by one-time accounting changes in the treatment of loan-loss and valuation reserves. Data for 1976 have been adjusted to correct for that definitional change.
2. Net income less cash dividends declared on preferred and common stock.
3. Banks with fully consolidated assets of $1 billion or more.

terbank placements, foreign-office net interest earnings narrowed. Despite unprecedented volatility in interest rates and some additional costs of managed liabilities associated with the October 6 marginal reserve program instituted by the Federal Reserve, domestic-office net interest income for these banks expanded during 1979. Consolidated net interest margins narrowed slightly, but the overall net income of banks with foreign offices was increased by growth in noninterest income and by reductions in provisions for loan losses. All of the improvement in consolidated net earnings was attributed to domestic business; the net return on consolidated assets attributed to international business was unchanged from 1978.

During 1979, commercial banks with foreign offices were able to take advantage of a change in the traditional cost differentials between certificates of deposit (CDs) issued domestically and those issued in the Eurodollar market. That shift meant that, adjusted for required reserves, the interest cost to fund domestic-office operations with Eurodollar CDs was lower than with domestic CDs. For several years before that change, those reserve-adjusted interest costs had tended to be about equal. The intraoffice shifting of funds amounted to almost $15 billion, net, during the year; funds advanced by foreign offices to their domestic affiliates increased nearly $6 billion, and outstanding balances of domestic-office advances to their foreign affiliates fell nearly $9

11. Assets and liabilities, all U.S. insured commercial banks with foreign offices, December 31, 1979

Item	Domestic offices		Foreign offices	
	Billions of dollars	*Percent of total*	*Billions of dollars*	*Percent of total*
Total assets	**688**	**100**	**313**	**100**
Cash and due from banks	115	17	115	37
Federal funds sold and reverse RPs	25	4	*	*
Securities	96	14	9	3
Loans	371	54	160	51
Other[1]	81	12	29	9
Total liabilities	**644**	**100**	**313**	**100**
Deposits	475	74	272	87
Noninterest-bearing[2]	221	34	17	5
Interest-bearing	254	39	255	81
Savings and small time	129	20	n.a.	n.a.
Time over $100,000	125	19	n.a.	n.a.
Nondeposit financial claims	113	18	12	4
Federal funds purchased and RPs	87	14	*	*
Subordinated notes and debentures	3	*	*	*
Other liabilities for borrowed money	22	3	12	4
Other[1]	56	9	29	9
MEMO: Remaining maturities				
Total assets	**688**	**100**	**313**	**100**
Selected assets[3]	451	66	270	86
One year or less	262	38	192	61
One to five years	108	16	55	18
Over five years	81	12	23	7
Total liabilities	**644**	**100**	**313**	**100**
Selected liabilities[4]	553	86	255	81
Subject to call	229	36	26	8
Other three months or less	243	38	169	54
Over three months	81	13	61	19

1. Of this amount, $12 billion represents net funds advanced by domestic offices to their own foreign offices and $9 billion represents net funds advanced to domestic offices by their own foreign offices.

2. Demand deposits in domestic offices, non-interest-bearing deposits in foreign offices.

3. For foreign offices, maturity detail is provided for all loans and interest-bearing balances due from banks; included also are $7 billion in cash items in process of collection (CIPC), demand deposits issued by other banks, and currency. Maturity detail is not reported for domestic-office holdings of consumer loans and single-family home mortgages, which amounted to $66 billion and $53 billion respectively and which tend to have relatively long original maturities. Maturities represent all other loans and all securities at domestic offices; included in the shortest category also are federal funds sold and reverse RPs as well as $91 billion in domestic offices in CIPC, demand deposits issued by other banks, and currency.

4. For foreign offices, maturity detail is provided for all interest-bearing deposits. For domestic offices, liabilities subject to call are demand deposits and TT and L balances. Other domestic-office liabilities maturing within three months include all large negotiable CDs with that remaining maturity, savings, RPs and federal funds purchased, half of MMCs, and 4 percent of other small time deposits. Over three months includes subordinated notes and debentures, half of MMCs, all other large negotiable CDs, and 96 percent of small time deposits.

* Less than $500,000 or 0.5 percent.

n.a. Not available.

billion. Most of this shift occurred during the first half. Based upon average yields during 1979, an estimated 25 to 40 basis points in interest costs were saved by financing domestic-office business with CDs issued by affiliates in the Eurodollar market instead of CDs issued directly by domestic offices. With that shift in funding and with the incentives to restrict growth stemming from the marginal reserve program, managed liabilities issued to nonaffiliates by domestic offices remained unchanged in proportion to assets. The predominant funding sources for domestic offices carried maturities of three months or less (table 11). During 1979 foreign offices increased their reliance on liabilities maturing beyond three months, but claims maturing within three months continued to predominate.

Consistent with their role as a source of funds for domestic affiliates, foreign offices increased their deposits substantially more than their loans; their loans dropped from 56 percent to 51 percent of total assets during the year. Accompanying this shift in intrabank relationships, loans at domestic offices grew in relation to assets during 1979, and deposits financed a smaller proportion of assets than at the end of 1978. Domestic offices continued to lend far more to customers located in the United States than elsewhere, and foreign offices overwhelmingly held loans of non-U.S. borrowers (table 12).

12. Customers, U.S. insured commercial banks with foreign offices, December 31, 1979

Billions of dollars

Item	Domestic offices	Foreign offices
Total loans, gross	**383**	**162**
Real estate	94	5
To financial institutions	38	28
In the United States	19	1
Outside the United States	8	20
Not specified	11	7
Commercial and industrial	157	94
To U.S. addressees	149	5
To non-U.S. addressees	8	89
To individuals	66	6
To foreign governments	2	24
Other	26	5
MEMO		
To U.S. addressees	168	6
To non-U.S. addressees	16	133
Not specified	199	23
Total deposits	**475**	**272**
Individuals, partnerships, and corporations	376	88
U.S. federal, state, and local governments	28	1
Foreign governments and official institutions	7	36
Commercial banks in the United States	45	18
Banks in foreign countries	10	126
Certified and officers' checks	9	3

Effective interest costs and returns at both domestic and foreign offices of these banks increased rapidly, along with market yields, reflecting the predominance of short-term liabilities and assets carrying short maturities or floating rates (table 13). Loan portfolio yields increased 237 basis points at domestic offices and 262 basis points at foreign offices. The average effective interest cost for interest-bearing liabilities increased far more rapidly at foreign offices than at domestic offices; the relative stability at the latter reflects the small change in average interest costs of savings and small-denomination time deposits, which accounted for 20 percent of total domestic-office liabilities of these banks.

Gross interest income as a percent of average assets increased at domestic offices during 1979, largely because of the rise in market yields but partly because "noninterest-bearing" amounts due from foreign affiliates, which had been included in assets at the end of 1978, were reduced and invested in interest-bearing transactions with nonaffiliates during 1979 (table 14). The increase in gross interest income at foreign offices was held down by the growth in similarly "noninterest-bearing" balances advanced to domestic affiliates. Such advances added to foreign-office assets, but no interest income was recorded by foreign offices. The increase in gross interest expense per dollar of assets at domestic offices was held down by this same accounting treatment of

13. Rates of return and rates paid for funds, U.S. insured commercial banks with foreign offices, 1978 and 1979[1]

Percent

Item	Domestic offices		Foreign offices	
	1978	1979	1978	1979
Loans	9.93	12.30	10.59	13.21
Interest-earning assets[2]	9.67	11.92	9.38	12.35
Interest-bearing deposits	6.54	8.36	7.95	11.38
Interest-bearing liabilities	6.97	9.31	8.01	11.32

1. Calculated as described in the "Technical note," BULLETIN (September 1979), p. 704.

2. Approximated for domestic offices according to the method described in table 1, note 4.

14. Interest income and expense as percent of average assets, U.S. insured commercial banks with foreign offices, 1978 and 1979

Item	Domestic offices		Foreign offices	
	1978	1979	1978	1979
Gross interest income	6.50	7.38	8.34	9.46
Gross interest expense	3.78	4.57	6.33	8.19
Net interest margin	2.72	2.82	2.00	1.26
Taxable equivalent[1]	3.10	3.13	2.00	1.26

1. Approximated for domestic offices according to the method described in table 1, note 4.

intraoffice transactions. Thus, some of the increase in interest margins at domestic offices and the decrease in those at foreign offices reflects distortions related to intracompany transfers.

Viewed as consolidated entities, U.S.-insured commercial banks with foreign offices experienced a small attrition in net interest margins during 1979 (table 15). Interest income increased rapidly, but not quite so fast as interest expenses. Gains in noninterest income and further shrinkage of loan-loss provisions during 1979 more than offset the expansion in noninterest expenses and the reduction in net interest earnings; income before taxes on a consolidated basis consequently increased during 1979. After taxes, the consolidated rate of return on assets of banks with foreign offices increased 7 percent, and after full allocation of costs and revenues, all of the improvement was attributed to domestic business (table 15). International business provided net earnings of 0.16 percent of average consolidated assets in 1979 as in 1978. □

15. Consolidated income and expenses, U.S. insured commercial banks with foreign offices, 1978-79

Percent of average assets

Item	1978	1979
Gross interest income	7.09	8.75
Gross interest expense	4.58	6.25
Net interest margin	2.51	2.50
Taxable equivalent[1]	2.77	2.74
Noninterest income	.82	.84
Loan-loss provisions	.25	.22
Other noninterest expense	2.14	2.17
Income before tax	.93	.95
Foreign offices[2]	.25	.22
Domestic offices[2]	.68	.73
Net income	.59	.63
International business[2]	.16	.16
Domestic business[2]	.43	.47

1. Approximated for domestic offices according to the method described in table 1, note 4.
2. See table A.4. Reflects amounts attributed, giving full allocation of income and expense.

A.1 Report of income, all insured commercial banks

Amounts shown in millions of dollars

Item	1971	1972	1973	1974	1975	1976	1977	1978	1979
Operating income—Total	**36,204**	**40,065**	**52,794**	**67,872**	**66,285**	**80,388**	**90,069**	**113,170**	**149,795**
Interest									
Loans	22,954	25,498	35,213	46,942	43,197	51,471	58,881	75,948	101,942
Balances with banks	n.a.	n.a.	n.a.	n.a.	n.a.	4,459	4,860	6,662	10,561
Federal funds sold and securities purchased under resale agreement	870	1,023	2,474	3,695	2,283	1,979	2,471	3,664	6,106
Securities (excluding trading accounts)									
Total interest income	7,660	8,329	9,138	10,344	12,201	14,333	15,140	16,432	18,755
U.S. Treasury securities	3,384	3,376	3,436	3,414	4,415	5,952	6,369	9,335	10,630
U.S. government agencies and corporations	914	1,144	1,469	2,014	2,343	2,410	2,466		
States and political subdivisions	3,124	3,490	3,861	4,449	4,911	5,116	5,338	6,003	6,928
Other bonds, notes, and debentures	238	319	372	467	532	750	858	1,094	1,197
Dividends on stock	(1)	(1)	(1)	(1)	(1)	105	109		
Trust department	1,258	1,366	1,460	1,506	1,600	1,795	1,980	2,138	2,375
Direct lease financing	n.a.	n.a.	n.a.	n.a.	n.a.	534	699	862	1,073
Service charges on deposits	1,226	1,256	1,320	1,450	1,547	1,629	1,797	2,039	2,517
Other charges, fees, etc.	981	1,079	1,247	1,405	1,647	2,175	2,404	2,930	3,635
Other operating income	1,256	1,512	1,942	2,530	3,811	2,011	1,903	2,495	2,831
On trading account (net)	344	257	341	430	508	717	420	n.a.[2]	n.a.[2]
Other	912	1,255	1,601	2,100	3,303	1,205	1,350	n.a.[2]	n.a.[2]
Equity in return of unconsolidated subsidiaries	n.a.	n.a.	n.a.	n.a.	n.a.	89	133	n.a.[2]	n.a.[2]
Operating expenses—Total	**29,511**	**32,836**	**44,113**	**58,645**	**57,313**	**70,466**	**78,484**	**98,104**	**131,950**
Interest									
Time and savings deposits	12,168	13,781	19,747	27,777	26,147	34,894	38,701	50,054	71,693
Time CD's of $100,000 or more issued by domestic offices	n.a.	n.a.	n.a.	n.a.	n.a.	7,083	6,732	11,693	18,105
Deposits in foreign offices	n.a.	n.a.	n.a.	n.a.	n.a.	8,745	10,216	14,559	24,523
Other deposits	n.a.	n.a.	n.a.	n.a.	n.a.	19,066	21,753	23,802	29,065
Federal funds purchased and securities sold under repurchase agreements	1,093	1,425	3,883	5,970	3,313	3,305	4,536	7,247	12,218
Other borrowed money[3]	139	115	499	912	374	665	816	1,452	3,162
Capital notes and debentures	142	212	253	280	292	343	391	445	497
Salaries, wages, and employee benefits	8,355	9,040	10,076	11,526	12,624	14,686	16,276	18,654	21,465
Occupancy expense	1,721	1,915	2,141	2,424	2,739	3,247	3,587		
Less rental income	318	340	367	383	427	494	551		
Net	1,403	1,575	1,774	2,041	2,312	2,752	3,036	5,559	6,255
Furniture and equipment	1,014	1,083	1,196	1,355	1,525	1,712	1,923		
Provision for loan losses	860	964	1,253	2,271	3,578	3,650	3,244	3,499	3,764
Other operating expenses	4,337	4,640	5,432	6,514	7,149	8,456	9,561	11,194	12,796
Minority interest in consolidated subsidiaries		1	1			29	24	n.a.[2]	n.a.[2]
Other	4,337	4,639	5,431	6,514	7,149	8,427	9,537	n.a.[2]	n.a.[2]
Income before taxes and securities gains or losses	6,693	7,229	8,681	9,227	8,973	9,922	11,585	15,067	17,843
Applicable income taxes	1,688	1,708	2,120	2,084	1,790	2,287	2,829	4,155	4,736
Income before securities gains or losses	5,005	5,522	6,560	7,143	7,182	7,635	8,756	10,911	13,109
Net securities gains or losses (−) after taxes	210	90	−27	−87	35	190	95	−225	−350
Extraordinary charges (−) or credits after taxes	−1	18	22	12	32	24	47	45	39
Net income	5,213	5,630	6,555	7,068	7,249	7,849	8,898	10,731	12,797
Cash dividends declared	2,227	2,191	2,423	2,760	3,025	3,029	3,299	3,714	4,449
MEMO									
Number of banks	13,602	13,721	13,964	14,216	14,372	14,397	14,397	14,380	14,352
Average fully consolidated assets (billions of dollars)	646	738	857	987	1,052	1,123	1,257	1,418	1,593

1. Included in income from other bonds, notes, and debentures.

2. Because of an abbreviation in the income report filed by small banks, these items are not available on an aggregated basis after 1977. Bracketed items similarly indicate combinations made for small bank reporting.

3. Includes interest paid on U.S. Treasury tax and loan account balances, which were begun in November 1978.

n.a. not available.

NOTE. For "Notes on comparability of commercial bank income data before 1976," see BULLETIN, vol. 64 (June 1978), p. 446.

A.2 Report of income, member commercial banks

Amounts shown in millions of dollars

Item	1971	1972	1973	1974	1975	1976	1977	1978	1979
Operating income—Total	**28,665**	**31,344**	**41,616**	**53,837**	**51,368**	**63,639**	**70,514**	**89,130**	**118,994**
Interest									
Loans	18,315	20,053	28,266	38,063	33,749	40,901	46,060	59,925	81,303
Balances with banks	n.a.	n.a.	n.a.	n.a.	n.a.	4,263	4,671	6,387	10,077
Federal funds sold and securities purchased under resale agreement	676	794	1,847	2,724	1,716	1,511	1,918	2,808	4,551
Securities (excluding trading accounts)									
Total interest income	5,661	6,087	6,532	7,237	8,559	10,111	10,584	11,328	12,850
U.S. Treasury securities	2,434	2,412	2,393	2,343	3,166	4,248	4,478	6,179	6,944
U.S. Government agencies and corporations	578	731	943	1,268	1,463	1,475	1,509		
States and political subdivisions	2,467	2,710	2,928	3,300	3,576	3,686	3,794	4,255	4,903
Other bonds, notes, and debentures	182	234	268	326	354	612	712	894	1,003
Dividends on stock	(1)	(1)	(1)	(1)	(1)	90	91		
Trust department	1,180	1,269	1,344	1,379	1,457	1,625	1,776	1,912	2,109
Direct lease financing	n.a.	n.a.	n.a.	n.a.	n.a.	508	664	806	986
Service charges on deposits	895	905	940	1,023	1,086	1,122	1,206	1,334	1,609
Other charges, fees, etc.	796	864	998	1,152	1,359	1,808	1,967	2,400	3,011
Other operating income	1,130	1,372	1,789	2,261	3,442	1,789	1,662	2,230	2,498
On trading account (net)	340	254	338	425	497	696	407	n.a.[2]	n.a.[2]
Other	800	1,118	1,451	1,836	2,945	1,009	1,124	n.a.[2]	n.a.[2]
Equity in return of unconsolidated subsidiaries	n.a.	n.a.	n.a.	n.a.	n.a.	86	131	n.a.[2]	n.a.[2]
Operating expenses—Total	**23,342**	**25,648**	**35,037**	**46,815**	**44,410**	**55,924**	**61,706**	**77,783**	**105,890**
Interest									
Time and savings deposits	9,426	10,518	15,382	21,812	19,800	27,745	30,363	39,808	57,792
Time CD's of $100,000 or more issued by domestic offices	n.a.	n.a.	n.a.	n.a.	n.a.	5,895	5,461	9,586	14,333
Deposits in foreign offices	n.a.	n.a.	n.a.	n.a.	n.a.	8,672	10,124	14,401	24,254
Other deposits	n.a.	n.a.	n.a.	n.a.	n.a.	13,178	14,778	15,821	19,205
Federal funds purchased and securities sold under repurchase agreements	1,073	1,387	3,765	5,714	3,151	3,150	4,322	6,803	11,551
Other borrowed money[3]	127	103	473	871	336	638	790	1,403	2,928
Capital notes and debentures	123	184	204	217	228	273	303	334	366
Salaries, wages, and employee benefits	6,638	7,096	7,808	8,834	9,624	11,301	12,395	14,116	16,131
Occupancy expense	1,408	1,556	1,724	1,929	2,155	2,564	2,804	4,224	4,711
Less rental income	278	296	316	325	363	418	459		
Net	1,130	1,260	1,408	1,603	1,792	2,146	2,345		
Furniture and equipment	797	848	924	1,037	1,154	1,305	1,456		
Provisions for loan losses	682	768	994	1,858	3,050	3,042	2,633	2,771	2,932
Other operating expenses	3,346	3,484	4,079	4,870	5,275	6,323	7,100	8,324	9,429
Minority interest in consolidated subsidiaries						28	22	n.a.[2]	n.a.[2]
Other						6,295	7,078	n.a.[2]	n.a.[2]
Income before taxes and securities gains or losses	5,322	5,696	6,679	7,022	6,958	7,715	8,807	11,347	13,104
Applicable income taxes	1,348	1,356	1,653	1,591	1,453	1,929	2,311	3,327	3,644
Income before securities gains or losses	3,974	4,340	5,025	5,431	5,505	5,786	6,496	8,020	9,460
Net securities gains or losses (−) after taxes	144	47	−30	−69	17	111	40	−185	−251
Extraordinary charges (−) or credits after taxes	−3	14	15	3	23	17	38	27	25
Net income	4,116	4,401	5,011	5,365	5,546	5,914	6,576	7,863	9,234
Cash dividends declared	1,907	1,804	2,019	2,271	2,476	2,451	2,640	2,928	3,480
MEMO									
Number of banks	5,727	5,704	5,735	5,780	5,787	5,758	5,668	5,565	5,427
Average fully consolidated assets (billions of dollars)	530	606	705	788	857	907	1,003	1,128	1,267

1. Included in income from other bonds, notes, and debentures.
2. Because of an abbreviation in the income report filed by small banks, these items are not available on an aggregated basis after 1977. Bracketed items similarly indicate combinations made for small bank reporting.
3. Includes interest paid on U.S. Treasury tax and loan account balances, which began in November 1978.

n.a. not available.

NOTE. For "Notes on comparability of commercial bank income data before 1976," see BULLETIN (June 1978), p. 446.

A.3 Earnings, portfolio composition, and interest rates, all insured commercial banks, 1979[1]

Item	All	Assets: Less than $100 million	Assets: $100 million to $1 billion	Assets: $1 billion or more: Money center	Assets: $1 billion or more: Others
	Balance sheet (as percent of average consolidated assets)				
Interest-earning assets	83.0	89.8	87.2	77.8	81.1
Loans	56.3	58.5	56.8	54.8	56.1
Securities	17.2	27.1	25.0	7.4	15.2
U.S. Treasury	5.5	9.1	8.0	2.1	4.9
U.S. government agencies	2.8	5.5	4.0	.8	2.3
State and local governments	8.0	12.0	12.3	3.0	7.5
Other bonds and stock	.8	.5	.7	1.4	.5
Gross federal funds sold and reverse RPs	3.4	4.0	4.3	2.0	3.8
Interest-bearing deposits	6.2	.1	1.0	13.7	6.0
Financial claims	89.7	90.2	91.0	88.4	89.7
Demand deposits	25.3	28.9	30.1	17.9	27.3
Interest-bearing claims	64.4	61.3	60.8	70.5	62.4
Time and savings deposits	55.0	59.6	54.2	57.9	49.3
Large time	12.7	9.1	14.1	11.2	15.8
In foreign offices	15.6	0.0	.5	40.1	10.8
Other domestic	26.7	50.6	39.5	6.6	22.7
MMCs	3.9	7.8	5.7	.8	3.2
Subordinated notes and debentures	.4	.2	.5	.3	.6
Other borrowings	2.4	.4	1.2	4.2	2.6
Gross RPs and federal funds purchased	6.6	1.0	5.0	8.1	10.0
MEMO: Managed liabilities	37.6	10.8	21.3	63.9	39.7
	Effective interest rates (percent)				
On securities	7.05	7.02	6.82	7.67	7.04
State and local governments	5.58	5.42	5.40	6.35	5.65
On loans, gross	12.01	10.88	11.56	12.76	12.38
Net of loan-loss provision	11.55	10.42	11.09	12.39	11.80
Taxable equivalent					
Securities	9.31	9.09	9.12	9.94	9.48
Securities and gross loans	11.37	10.31	10.80	12.42	11.75
For time and savings deposits					
Negotiable CDs	10.52	9.79	10.82	9.90	11.10
In foreign offices	11.38	...	11.64	11.27	11.78
Other deposits	6.65	6.71	6.53	7.40	6.40
For managed liabilities	11.20	10.00	11.02	11.13	11.58
	Earnings and expenses (as percent of average assets)				
Gross interest income	8.62	8.44	8.44	8.85	8.63
Gross interest expense	5.50	4.27	4.66	6.78	5.59
Net interest margin	3.12	4.18	3.78	2.07	3.04
Noninterest income	.78	.60	.75	.79	.92
Loan-loss provision	.24	.24	.23	.18	.29
Other noninterest expense	2.54	3.02	3.07	1.77	2.67
Profits before tax	1.12	1.52	1.23	.91	1.00
Taxes	.28	.33	.23	.33	.22
Other	−.04	−.04	−.03	−.02	−.06
Net income	.80	1.15	.96	.56	.72
Dividends	.28	.29	.34	.22	.29
Retained income	.52	.86	.62	.34	.42
MEMO: Taxable equivalent net interest margin	3.48	4.70	4.31	2.23	3.38

1. See notes to tables in the text.

A.4 Income attributable to international business of U.S. commercial banks with foreign offices, 1979
Millions of dollars

Item	Amount
Pre-tax income attributable to foreign offices[1]	2,057
Plus: Pre-tax income attributable to international business conducted in domestic offices	903
Less: adjustment amount[2]	171
Pre-tax income attributable to international business	2,789
Less: All income taxes attributable to international business	1,285
Net income attributable to international business	1,504
MEMO	
Provision for possible loan losses attributable to international business	351
Noninterest income attributable to foreign offices[1]	1,245
Noninterest income attributable to international business	1,517
Noninterest expense attributable to foreign offices[1]	2,998
Noninterest expense attributable to international business	3,681
Intracompany interest income attributable to international business	3,172
Intracompany interest expense attributable to international business	4,154
Interest income of domestic offices from foreign-domiciled customers	2,321
Fully consolidated	
Pre-tax income	8,751
Total applicable taxes	2,803
Net income[3]	5,788
Average total assets	919,953

1. Including Edge and Agreement subsidiaries.
2. Reflects the amount necessary to reconcile the preceding two amounts with pre-tax income attributable to international business. This may reflect, as an example, net income in foreign offices derived from business with U.S.-domiciled customers.
3. After gains and losses from securities transactions and extraordinary items.

Treasury and Federal Reserve Foreign Exchange Operations

This 37th joint report reflects the Treasury-Federal Reserve policy of making available additional information on foreign exchange operations from time to time. The Federal Reserve Bank of New York acts as agent for both the Treasury and the Federal Open Market Committee of the Federal Reserve System in the conduct of foreign exchange operations.

This report was prepared by Scott E. Pardee, Manager of Foreign Operations of the System Open Market Account and Senior Vice President in the Foreign Function of the Federal Reserve Bank of New York. It covers the period February through July 1980. Previous reports have been published in the March and September BULLETINS of each year beginning with September 1962.

Dollar exchange rates fluctuated widely over the six-month period under review. Numerous political and economic crosscurrents tended to impart volatility to the exchange markets. These included the profusion of uncertainties surrounding political developments in Iran and Afghanistan and the shifting prospects for major industrial economies in dealing with the ill effects on their inflation rates and current-account positions caused by the further rise in prices for oil. Market participants were also concerned about the possibilities of unsettling capital flows as the Organization of Petroleum Exporting Countries (OPEC) sought to invest the excess funds generated by their massive current-account surpluses.

Nevertheless, the broad movements in exchange rates during the period resulted largely from the relative pressures of the demand for money and credit in the United States, compared with other industrial countries and as reflected in sharp swings in interest differentials between investments in dollars and other major currencies. On balance, the dollar advanced sharply through early April during the time in which there was an intense scramble for funds and soaring interest rates in the United States. Once that scramble subsided and U.S. interest rates fell back through mid-June, the dollar also declined. Thereafter, the dollar remained vulnerable to bouts of selling pressure each time domestic interest rates tended to soften. But the selling pressures did not cumulate. By late July, with money demand in the United States picking up once again, interest rates here turned firmer and dollar rates in the exchange market also firmed. By this time also, the dollar was bolstered by the underlying improvement in the U.S. trade and current-account positions and by indications of some reduction of our inflation rate.

For its part, throughout the period the Federal Reserve continued to adhere to the approach adopted last October 6, emphasizing bank re-

1. Federal Reserve reciprocal currency arrangements

Millions of dollars

Institution	Amount of facility	
	Jan. 1, 1980	July 31, 1980
Austrian National Bank	250	250
National Bank of Belgium	1,000	1,000
Bank of Canada	2,000	2,000
National Bank of Denmark	250	250
Bank of England	3,000	3,000
Bank of France	2,000	2,000
German Federal Bank	6,000	6,000
Bank of Italy	3,000	3,000
Bank of Japan	5,000	5,000
Bank of Mexico	700	700
Netherlands Bank	500	500
Bank of Norway	250	250
Bank of Sweden	300	500[1]
Swiss National Bank	4,000	4,000
Bank for International Settlements		
Swiss francs/dollars	600	600
Other authorized European currencies/dollars	1,250	1,250
Total	**30,100**	**30,300**

1. Increased by $200 million effective May 23, 1980.

2. Foreign exchange operations under reciprocal currency arrangements, January 1-July 31, 1980

Millions of dollars equivalent; drawings, or repayments (−)

Federal Reserve System activity[1]					
Transactions with	Commitments, Jan. 1, 1980	1980			Commitments, July 31, 1980
		Q1	Q2	July	
Bank of France	0	0	100.2	60.6	166.3[2]
German Federal Bank	3,150.4	316.0 −3,489.2	996.1 − 132.4	265.7 −263.4	879.7[3]
Swiss National Bank	0	22.7 −22.7	0 0	11.2 −11.2	0
Total	3,150.4	338.7 −3,511.9	1,096.2 − 132.4	337.5 −274.7	1,046.0

Activity by the BIS[4]					
Bank drawing on System	Outstanding, Jan. 1, 1980	1980			Outstanding, July 31, 1980
		Q1	Q2	July	
Bank for International Settlements (against German marks)[5]	0	192.0 −97.0	50.0 −145.0	0	0

1. Because of rounding, details may not add to totals. Data are on a value-date basis except for the last two columns, which include transactions executed in late July for value after the reporting period.

2. Includes revaluation adjustments from swap renewals, which totaled $5.5 million for drawings on the Bank of France renewed during July.

3. Includes revaluation adjustments from swap renewals, which totaled $36.6 million for drawings on the German Federal Bank renewed during the first quarter and July.

4. Data are on a value-date basis.

5. BIS drawings and repayments of dollars against European currencies other than Swiss francs to meet temporary cash requirements.

serves rather than the federal funds rate as the primary operating variable in seeking to limit the growth of the monetary aggregates. When the demand for money and credit became extremely heavy in February and March, largely on the buildup of inflationary expectations at the time, the Federal Reserve's approach meant that not all of the demand was met by increases in bank reserves. This effort was reinforced by the broader anti-inflation program announced by President Carter on March 14, which featured a tightening of fiscal policy but also included a program of special credit restraint by the Federal Reserve.

Subsequently, when the demand for money and credit fell slack, and indeed the economy began to contract sharply, interest rates declined. Consistent with its approach, the Federal Reserve provided bank reserves at about the same pace as before. In late May and early July the special credit restraints were eliminated in two steps. Many market participants expressed concern that, by allowing interest rates to decrease so sharply and by eliminating the special credit restraints, the Federal Reserve was giving up on its anti-inflation efforts. This was hardly the case as reiterated by Chairman Volcker in testimony to the Senate Banking Committee in late July. Moreover, as the demand for money and credit regained strength in the United States toward the end of the period, the Federal Reserve's approach again meant that these demands were not fully accommodated.

In the context of unsettled exchange market conditions and volatility of exchange rates, the U.S. authorities intervened frequently during the six-month period operating on both sides of the market. In the phase through early April when the dollar was in demand, the U.S. authorities

3. U.S. Treasury securities, foreign currency denominated[1]

Millions of dollars equivalent; issues, or redemptions (−)

Issues	Commitments, Jan. 1, 1980	1980			Commitments, July 31, 1980
		Q1	Q2	July	
Public series					
Germany	4,065.7	1,168.0	0	0	5,233.6
Switzerland	1,203.0	0	0	0	1,203.0
Total	**5,268.6**	**1,168.0**	**0**	**0**	**6,436.6**

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

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

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

Period	Federal Reserve	U.S. Treasury	
		Exchange Stabilization Fund	General Account
1980—Q1	14.1	0	64.9
Q2	7.7	42.0	0
1980—July	−7.3	3.8	6.3
Valuation profits and losses on outstanding assets and liabilities as of July 31, 1980	19.2	−325.8	−163.0

1. Data are on a value-date basis.

were able to acquire sufficient currencies in the market and from correspondents to repay earlier debt and to build up balances, buying German marks, Swiss francs, and Japanese yen. By late March to early April, the Federal Reserve intervened on several occasions openly as a buyer of currencies to counter disorderly conditions in the market. Subsequently, when the dollar came under bursts of heavy selling pressure, the U.S. authorities intervened in size, selling German marks, Swiss francs, and French francs. By the end of July, the U.S. authorities were again accumulating currencies to repay swap debt and rebuild balances.

For the period as a whole, total intervention sales of currencies amounted to $3,982.7 million equivalent, of which $3,530.6 million was in German marks, $291.4 million in Swiss francs, and $160.7 million in French francs. Total acquisition of currencies amounted to $6,266.9 million, of which $1,476.2 million was in the market and $4,790.7 million was from correspondents; by currency, the acquisitions were $5,691.1 million of German marks, $357.8 million of Swiss francs, $216.8 million of Japanese yen, and $1.2 million of French francs. As indicated in table 2, as of July 31, the Federal Reserve's swap debt to the German Federal Bank was $879.7 million equivalent and to the Bank of France was $166.3 million equivalent. Also during the period, as shown in table 1, the Federal Reserve's reciprocal swap arrangement with the Bank of Sweden was increased $200 million, to $500 million.

Through the first seven months of the year, the Federal Reserve and the Treasury both realized profits on foreign exchange operations. Table 4 shows that the System realized $14.5 million, the Exchange Stabilization Fund realized $45.8 million, and the Treasury's General Account realized $71.2 million in profits. On a valuation basis, as of July 31 the System showed $19.2 million in gains on outstanding foreign exchange assets and liabilities. However, the Exchange Stabilization Fund and the Treasury's General Account showed $325.8 million and $163.0 million in losses respectively on outstanding foreign exchange holdings and on commitments.

German Mark

During the winter of 1979-80, as the exchange markets focused on the uncertainties surrounding the U.S. strategic and financial position in the Middle East and on the dollar's role as a reserve asset, the German mark had been bid up in the exchanges to a record high against the dollar. But before long the prospects for the continued appreciation of the mark became clouded. The massive increase in world oil prices and the expansion of the German economy had generated a far more rapid increase in import expenditures than in export revenues, leading to a dramatic turnaround in Germany's current-account position. The current account had already swung from surplus into a DM 10 billion deficit in 1979, and an even larger deficit of as much as DM 20 billion was expected this year.

Inflation also accelerated rapidly under the pressures of an economy running close to productive capacity and the persistent buildup of energy costs. Moreover, events in the international arena added to the market's sense of caution. Although political tensions in the Middle East still raised the possibility that holders of dollars from that region might switch into marks, the deterioration in great power relations following the Soviet invasion of Afghanistan also raised concern about Germany's exposure in Western Europe. As a result, capital began to flow out of the mark in search of other havens.

In these circumstances the mark had already slipped back from its highs early in the year to DM 1.7414 by the end of January, and subsequent bouts of buying pressure did not readily cumulate. Thus, on two occasions in early February when concern about the dollar brought the mark into bursts of demand, the U.S. authorities quickly restored balance to the market with sales of $240.8 million equivalent of marks. These sales were financed out of balances of the Treasury and the Federal Reserve and by drawings of the Federal Reserve in the amount of $115.4 million under the swap line with the German Federal Bank. These operations raised the System's total mark swap debt with the Federal Bank to a peak of $2,746.3 million equivalent for the six-month review period and steadied the mark around DM 1.7375.

In view of the deterioration in Germany's inflation and balance of payments performance, German economic policy moved toward greater restraint. The authorities feared that rising energy prices would unleash a cycle of wage-price increases. Already there was some evidence of accelerating purchases by consumers and a buildup of business inventories, partly on the expectation of more inflation to come. Also, the uncertain outlook for capital inflows raised concerns about the prospects for financing the large current-account deficit. Accordingly, the pace of government expenditures had already been reduced. On February 28 the Federal Bank raised the discount rate 1 percentage point to 7 percent and the Lombard rate 1½ percentage points to 8½ percent. But, to prevent liquidity from tightening too far in the face of a seasonal increase in money demand, the Federal Bank also increased commercial banks' rediscount quotas by DM 4 billion and removed borrowing limits under the Lombard facility. These actions brought official rates in line with German money market rates, which were rising as the authorities, in the face of mounting credit demands, kept the growth of central bank money within the annual growth range of 5 to 8 percent.

Meanwhile, short-term dollar interest rates were rising even more sharply as the Federal Reserve, adhering to the monetary policy adopted last October 6, restrained the growth of bank reserves in the face of a sudden resurgence in the demand for money and credit in the United States. As reports began to circulate that the U.S. authorities might impose credit controls to help stem the rise in inflationary expectations, a surge of precautionary borrowing ensued, which pushed U.S. domestic and Eurodollar rates to new highs. With interest differentials adverse to the mark widening progressively to reach 8½ percentage points in the early weeks of March, capital flowed heavily out of Germany and the mark declined rapidly in the exchanges. These outflows took the form of adverse commercial leads and lags, portfolio shifts by foreign investors, and a buildup of dollar balances by German residents. In addition, some professional and corporate borrowers around the world began meeting their financing needs in other currencies by borrowing marks and converting the proceeds in the exchanges.

The German authorities were concerned that the sharp depreciation of the mark would further aggravate domestic inflationary pressures through higher prices for oil and other imports. The Federal Bank intervened heavily to blunt the mark's decline, entering the Frankfurt market, where the pressures tended to concentrate, almost daily as a heavy seller of dollars both spot and forward. The authorities also took measures to induce sufficient capital inflows to help finance the current-account deficit and to help offset the outflows of capital. In part, these entailed the relaxation of restrictions on capital inflows by permitting foreigners to purchase government securities, domestic bonds, and other mark-denominated promissory notes with maturities of more than two years (as opposed to four years previously). In addition, the government negotiated directly with foreign official institutions, notably those from OPEC, to obtain investments in mark assets.

Meanwhile, through mid-March the U.S. authorities acquired $2,751.7 million equivalent of marks from correspondents, mainly from the Federal Bank. Also, the Trading Desk intervened in New York, purchasing $115 million equivalent of marks in the market. These marks were used to liquidate in full the Federal Reserve's outstanding swap debt with the Federal Bank and to make interest payments on the Treasury's securities issued in the German capital market. On balance, by mid-March the mark had declined 5 percent from levels in early February to DM 1.8265.

On March 14, President Carter announced a broad anti-inflation program that included actions aimed at balancing the fiscal 1981 budget, a surcharge on imported oil, and authorization for the Federal Reserve under the terms of the Credit Control Act of 1969 to impose special restraints on credit expansion. Accordingly, the Federal Reserve asked the commercial banks to hold their growth of lending to U.S. residents to 6 to 9 percent during 1980, required special deposits from nonmember banks and other lending institutions, and raised the marginal reserve requirement on managed liabilities from 8 to 10 percent for large member banks and U.S. agencies and branches of foreign banks. In addition, the Federal Reserve imposed a 3-percentage-point surcharge on discount window borrowings by large member banks. The exchange market reacted positively to the package of special credit restraints as a sign of the U.S. authorities' determination to curb persistent and accelerating inflationary pressures.

Following these measures, the interest disincentive against the mark widened to some 10 percentage points as short-term dollar interest rates climbed further in late March and into early April, reaching peaks of 20 percent. As a result, interest-sensitive capital flowed even more heavily from Germany at a time when the continued deterioration of the current-account deficit left the mark spot rate particularly vulnerable to downward pressure. Vigorous intervention to support the mark in these circumstances threatened a drain on Germany's foreign exchange reserves, which the authorities feared would undermine confidence in the mark all the more. Therefore, the Federal Bank intervened somewhat less forcefully than in previous weeks and also supported the mark through sales of mark-denominated bonds to foreign official holders.

By April 8 the mark declined another 8½ percent, reaching a low of DM 1.9810 in Far Eastern trading while also dropping to the bottom of the European Monetary System (EMS). As the sale of marks against dollars gathered momentum between mid-March and early April, the U.S. authorities intervened forcefully to counter disorderly trading conditions, operating frequently in the New York market and, on one occasion, overnight in the Far East. The authorities purchased an additional $741.5 million equivalent of marks in the market and another $654.7 million equivalent from correspondents, which were added to System and Treasury balances. Meanwhile, the Federal Bank's heavy dollar sales were reflected in a $5.1 billion decline in Germany's foreign exchange reserves from the end of January to $41.2 billion by the end of March.

By this time, however, the German money market had tightened considerably and, even though the Federal Bank had begun to offset the drain on liquidity of its dollar sales by entering into foreign exchange swaps, market participants expected a further rise in German official interest rates. By contrast, with the scramble for funds in the United States tapering off and with economic indicators suggesting a sharp slowing in the U.S. economy, market participants sensed that dollar interest rates would soon turn down.

Under these circumstances, the mark came into immediate and heavy demand once interest rates in the United States showed unmistakable signs of declining in early April. Moreover, diminished prospects for a resolution of the hostage situation in Iran renewed concerns that official dollar holders in the Middle East would switch more of their surplus funds into European currencies—the mark in particular—as an alternative to dollar assets. On April 8–10 as dollar exchange rates declined across the board, the mark soared 5½ percent to DM 1.8730 in extremely disorderly conditions. In response, the Trading Desk intervened as a seller of marks and Swiss francs and, to avoid aggravating the weakness of the mark relative to the French franc within the EMS, also intervened as a seller of French francs. The Federal Bank also sold French francs to support the mark within the EMS.

In the weeks that followed, U.S. interest rates continued to drop precipitously, at times falling by as much as 1 or 2 percentage points a day. Traders generally recognized that the Federal Reserve's policy of restraint on money supply growth was consistent with some easing in financial market conditions, as demands for money and credit weakened and as evidence of recession mounted. But the abruptness of the change in market conditions generated uncertainty about the policies of the U.S. authorities. At the same time, German interest rates remained firm, so that interest differentials adverse to the mark were rapidly narrowing. As commercial and professional participants continued to unwind their short mark positions, the mark advanced another $4^1/_4$ percent to as high as DM 1.7940 by late April. However, the U.S. and German authorities were quick to enter the market to moderate the mark's rise, and their coordinated intervention helped bring the market into better balance around the month-end.

Meanwhile, in Germany, inflationary pressures remained strong by recent standards and the continued growth of credit demands was boosting borrowings from the central bank. On April 30, the Federal Bank hiked its discount rate $^1/_2$ percentage point to $7^1/_2$ percent and the Lombard rate 1 percentage point to $9^1/_2$ percent. At the same time the Federal Bank moved to curtail excessive reliance on the Lombard facility by reducing reserve requirements 8 percent and raising commercial banks' quotas under the rediscount facility, thereby providing about DM 8 billion in domestic liquidity. The effect of these actions was to leave the restrictive stance of monetary policy unchanged while keeping short-term liquidity tight. But market participants initially found it hard to assess the impact of these measures and focused instead on broader economic developments in the United States. Monthly data showed that the U.S. trade position was improving, while some evidence suggested that price increases were slowing from the rapid pace early in the year. As a result, the mark fluctuated only narrowly higher as the dollar gained some resiliency in the exchanges, to trade around DM 1.78–DM 1.79 through mid-May.

On those occasions when upward pressures on the mark threatened to cumulate, the U.S. and German authorities intervened to restore balance to the market. Total intervention sales by the U.S. authorities between early April and mid-May amounted to $1,370.2 million equivalent of marks, including $732.4 million equivalent for the System, financed out of balances and by drawings on the swap line with the Federal Bank, and $637.8 million equivalent for the Treasury financed from balances. At times when the mark eased back, the Federal Reserve took the opportunity to acquire $60.4 million equivalent of marks in the market and $169.6 million equivalent from correspondents in order to finance intervention and to repay part of the newly acquired swap debt with the Federal Bank. On balance, by mid-May the System's swap indebtedness with the Federal Bank stood at $331.4 million equivalent of marks. For its part the Treasury bought $29.8 million equivalent of marks on a spot basis and received delivery of $400 million equivalent of marks on a forward basis from correspondents.

Nevertheless, market participants remained extremely sensitive to monetary policy developments in Germany and in other industrial countries. Coming into the summer, Federal Bank officials were stressing the need to rein in further central bank money growth to the lower end of the 5 to 8 percent target range. In the United States, meanwhile, interest rates continued to decline. Participants questioned whether the sharp drop in rates was more a response to the falloff in credit demand or to the provision of bank reserves by the U.S. authorities. Traders closely scrutinized the actions of the domestic Trading Desk, and the mark frequently came into demand when declines in the federal funds rate were interpreted as a sign of monetary ease. Moreover, in view of the exceptional weakness of the U.S. economy and increasing public discussion about the need for stimulus, the exchange market was alert to any evidence of a weakening in the priority of the U.S. fight against inflation. Consequently, bidding for the mark gathered force in late May and again in early July, when the U.S. authorities first relaxed and then phased out completely the special credit restraint program adopted early in the spring.

Demand for the mark propelled the spot rate to as high as DM 1.7335 by early July. But against the major European currencies the mark remained weak. Germany's current-account deficit, already larger than that of any of its trading partners, continued to widen, and a number of private and official organizations were predicting a deterioration of up to as much as DM 25 billion to DM 30 billion for the year as a whole. Although capital continued to flow back into Germany, a number of other EMS countries with higher interest rates than those prevailing in the German money and capital markets were also attracting substantial inflows of funds. In these circumstances, the Trading Desk again countered the outbreak of disorder in the market by supplementing its mark intervention with sales of French francs so as to avoid aggravating the strains on the mark within the EMS.

By mid-July the mark began to lose some of its buoyancy as traders grew more cautious in the face of changing economic conditions in Germany. Evidence mounted that domestic economic growth was tapering off, as industrial production and construction activity posted declines. Inflation on the wholesale and consumer levels also abated somewhat, reflecting some relief in the food and energy sectors, the slowing in demand pressures, and moderate wage settlements negotiated over the spring. Moreover, several EMS countries had begun to allow monetary conditions to ease. Accordingly, domestic pressures built up for a relaxation of policy in Germany. The authorities were nevertheless concerned that a reduction of official interest rates would undercut the progress under way in bringing inflation under control and in financing the current-account deficit. Instead, the Federal Bank announced that it would provide a new repurchase facility in the amount of DM 5.4 billion. Federal Bank President Poehl described this action as a cautious easing in monetary policy.

At the same time the outlook for the dollar was improving. The dollar was benefiting from new data on production and employment that suggested that the U.S. economy was no longer contracting as rapidly as before. As the demand for credit picked up and the monetary aggregates recorded large increases, short-term U.S. interest rates rebounded. In this light, Chairman Volcker's congressional testimony, reaffirming the Federal Reserve's commitment to a policy of monetary restraint, was particularly well received. As a result, the mark dropped lower to close the period at DM 1.7860, for a net decline of 2½ percent over the period under review.

After mid-May, the U.S. authorities intervened to sell $1,919.4 million equivalent of marks including $1,096.0 million equivalent for the System and $823.4 million equivalent for the Treasury. The System's sales were financed from balances and by drawings on the swap line with the Federal Bank. However, the authorities were also able to purchase $160.0 million equivalent of marks in the market and $608.2 million equivalent from correspondents. As a result, the System was able to reduce its outstanding indebtedness to the Federal Bank from as high as $1,080.9 million equivalent to $879.7 million equivalent by the end of July (including revaluation adjustments to swap renewals), while the Treasury was able to begin replenishing its mark balances. Meanwhile, Germany's foreign exchange reserves rose $4.5 billion in the four months through the end of July, largely reflecting revaluation gains of its gold and foreign currency holdings with the European Monetary Fund. The Federal Bank's purchases of dollars also contributed to the rise in foreign exchange reserves, which stood at $45.7 billion at the end of July, little changed on balance.[1]

SWISS FRANC

By early 1980, the upsurge in prices of oil and other international raw materials was being quickly transmitted to the Swiss economy. Indeed, inflation in Switzerland, at 5 percent per year, remained low by comparison with that in other countries but was accelerating at a worrisome pace. At the same time, the sharp rise in imports of oil and other goods cut deeply into Switzerland's traditional current-account surplus. The Swiss authorities, like those in most other industrial countries, were pursuing a policy of monetary restraint in an effort to combat inflationary pressures, and Swiss interest rates moved higher. But economic activity in Switzerland was expanding more slowly than in other countries. Consequently, the demand for funds was not so intense, and Swiss interest rates—while rising sharply by historical standards—did not begin to keep pace with those abroad.

The shrinking current-account surplus, accelerating inflation, and adverse interest differentials exerted a drag on the Swiss franc during February and March. At times when the

1. Foreign exchange reserves for Germany and other members of the EMS, including the United Kingdom, incorporate adjustments for gold and foreign exchange swaps against European currency units (ECUs) done with the European Monetary Fund. Foreign exchange reserve numbers used in the report are drawn from International Monetary Fund data published in *International Financial Statistics*.

dollar came on offer in early February the Swiss franc was bid up. On such occasions, the Swiss National Bank intervened to counter a disorderly rise in the franc. At one point, the Federal Reserve joined in the intervention by selling $22.5 million equivalent of Swiss francs out of balances. But otherwise the Swiss franc tended to ease. By late February, investors began liquidating assets denominated in Swiss francs, switching into higher-yielding mark and sterling assets and, when U.S. interest rates began their upward climb, moving into dollar-denominated investments as well. In fact, the franc fell more sharply than the mark against the dollar, declining to SF 1.7111 in late February, some 4¾ percent below the opening level of SF 1.6325.

In response to these pressures on the franc, the Swiss authorities acted in late February and early March to liberalize restrictions on capital inflows by lifting the ban on interest payments on nonresident savings deposits and on foreign central bank deposits with maturities of six months or more. The authorities also eased restrictions on foreigners' purchases of forward Swiss francs. On February 28, the Swiss National Bank raised the discount and Lombard rates 1 percentage point each, to 3 and 4 percent respectively. But these measures were not sufficient either to satisfy market expectations of more comprehensive action to dismantle barriers to inflows or to bring official rates in line with interest rates prevailing in the domestic or Eurofranc money markets.

Meanwhile, domestic economic activity was picking up after two years of sluggish growth. With the economy now operating close to full employment, consumers and businesses accelerated their purchases of imported goods at a time when import prices were still rising rapidly. As a result, the trade deficit deteriorated further. During March selling pressures intensified. Commercial leads and lags swung against the franc, and investors kept shifting funds out of Switzerland. Moreover, higher interest rates abroad prompted professional and commercial borrowers to turn to Switzerland's money and capital markets where interest rates remained comparatively low.

In response, the Swiss National Bank began intervening more openly and heavily as a seller of dollars, thereby absorbing Swiss francs. The authorities also lifted completely restrictions on forward franc sales to foreigners and removed the interest payment ban on nonresident bank deposits of three months or longer. As a further stimulus to capital inflows, foreign central banks were allowed to subscribe to a second bond denominated in Swiss francs issued by the World Bank and to short-term certificates of the Swiss government. Even so, with interest differentials remaining highly adverse to franc-denominated assets, the franc spot rate continued to weaken, dropping through the psychologically important SF 0.95 level against the mark.

On March 27, Swiss National Bank General Manager Languetin stated that the Swiss central bank would intervene as forcefully as required to prevent a further weakening of the franc. At the same time the authorities were alert to the domestic liquidity situation. The heavy volume of capital outflows and official dollar sales had led to a decline in the monetary base below desired levels, and a further contraction threatened to dampen economic activity. To support the franc without generating further liquidity strains, the Swiss National Bank supplemented its spot intervention with forward dollar sales and provided commercial banks with a substantial amount of franc liquidity through short-dated foreign exchange swaps. The Federal Reserve also took advantage of the opportunity to buy Swiss francs in New York to add to balances, buying $185.1 million equivalent of Swiss francs, including $140.4 million equivalent in the market between February and early April. Whereas the franc soon steadied against the mark, the spot rate continued to decline against the dollar, bottoming out at nearly SF 1.88 on April 8 in the Far East.

The abrupt decline of dollar exchange rates beginning early in April had its counterpart in a surge of heavy bidding for the Swiss franc. Professional and commercial interests rushed to cover short franc positions in response to the decline in U.S. interest rates that happened to coincide with reports that the Swiss National Bank might raise its interest rates in line with an expected hike of official interest rates in Germany. On April 8-10 the franc soared 7¾ percent to SF 1.7330, outpacing the rise in the mark. To counter the disorderly market conditions, the Federal Reserve sold $35 million equivalent of francs, while operating in other currencies as well. Although the Swiss authorities left official rates unchanged, the franc frequently led the rise in the European currencies against the dollar in the weeks that followed. Many participants bid for the franc on the view that the Swiss authorities welcomed a rise in the franc. Investors, having ready access to franc investments as a result of the virtual elimination of exchange controls, reacted to the reduction of adverse interest differentials by purchasing a broad range of franc-denominated assets. Moreover, commercial and professional interests increasingly covered Swiss franc liabilities incurred over the winter months.

As the demand for Swiss securities increased, long-term yields in Switzerland declined. But the Swiss National Bank signaled its resistance to the rapid fall in interest rates by selling securities. Also, Swiss National Bank President Leutwiler reaffirmed the authorities' commitment to a restrictive monetary policy course. Traders were also heartened by new statistics, suggesting that Switzerland's inflation rate was leveling off.

By contrast, the market remained concerned over the sharp decline in U.S. interest rates. Many traders questioned the priority of the anti-inflation fight in the United States, particularly when in late May and again in early July the Federal Reserve successively dismantled the special credit restraint program. On both those occasions, the Swiss franc came into demand, rising to a high of SF 1.5840 by early July. To avoid an exaggerated movement in the spot rate, the Swiss National Bank intervened as a buyer of dollars in Zurich and through the agency of the Federal Reserve in the New York market. For their part, the U.S. authorities sold $233.9 million equivalent of Swiss francs in the 11 weeks from mid-April, with the bulk financed from balances and $11.2 million equivalent drawn on the System's swap line with the Swiss National Bank.

In the final weeks of July when market sentiment toward the dollar improved, the franc lost its upward momentum. Signs that the U.S. economy was no longer contracting as rapidly as before, and that interest rates were backing up, contrasted with evidence of some slowing of economic growth and easing in financial conditions in Western Europe. With market participants sensitive to the possibility that Swiss interest rates might also ease, the Swiss franc fell back in the exchanges to SF 1.6570 by the end of July. In fact, however, Swiss interest rates held firm. When the franc came on offer after mid-July, the U.S. authorities took the opportunity to purchase $42.0 million equivalent of francs in the market and $130.5 million equivalent from correspondents. These francs were used to liquidate the System's outstanding swap debt with the Swiss National Bank and to rebuild System and Treasury balances.

For the period as a whole, the Swiss franc declined 1½ percent from levels at the end of January, while rising 1¼ percent against the German mark. Meanwhile, Switzerland's foreign currency reserves fluctuated from month to month in response not only to the central bank's intervention, but also to foreign exchange swap operations undertaken for domestic monetary purposes. On balance, Switzerland's foreign exchange reserves declined $850 million over the six months under review to stand at $12.3 billion as of July 31.

Japanese Yen

Last year, the Japanese economy had made good progress in adjusting to earlier imbalances. Efforts to boost domestic demand had generated solid growth while also helping reduce Japan's previously excessive current-account surplus. Export and import volumes had responded to the previous appreciation of the yen, with the effect of reducing the current-account surplus. The yen rate had moved back up to around ¥220 to the dollar. But the sharp new rise in international oil prices in 1979 and early 1980, coupled with the risk of major disruptions to oil supplies, was a serious blow to Japan, which depends on imported oil for three-fourths of its energy needs.

Consequently, the authorities found that they had to reverse gears and adjust to a new set of problems, as inflationary pressures at the wholesale level built up drastically, as the current account was pushed into deep deficit under the weight of a sharply higher import bill, and as the yen came heavily on offer and depreciated sharply in the exchange market. In response, the Japanese authorities progressively tightened monetary and fiscal policies, primarily to contain inflationary pressures. The authorities also sought to correct the current-account deficit gradually by adjustment of the real economy and, in the meantime, to finance the deficit by capital inflows. The government's budget for the 1980-81 fiscal year called for a cutback in spending for public works that would permit a reduction of deficit financing. The Bank of Japan raised interest rates including a 1 percentage point increase of 7¼ percent in its discount rate on February 19. It also raised reserve requirements and kept tight reins on bank credit expansion.

Nevertheless, by February, short-term interest rates abroad, especially on dollar instruments, were rising even more sharply than the advance of Japanese money market rates. Consequently, the yen continued on offer. With the exchange rate declining, market sentiment toward the yen turned increasingly bearish so that commercial leads and lags as well as speculative outflows of funds added to the downward pressure on the yen vis-à-vis the dollar and other major currencies. By the month-end the yen had plummeted to ¥251.75, a decline of 5½ percent from levels in late January and fully 43 percent from the high recorded in October 1978. As before, the Bank of Japan intervened to moderate the decline of the yen, supplementing its intervention in Tokyo with operations in New York through the Federal Reserve Bank of New York.

The sharp decline of the yen complicated the authorities' efforts to contain inflation. The rising cost of imports had already helped push wholesale prices up over 20 percent on a year-over-year basis. This sharp increase was feeding into the consumer price index, which by then was rising at a rate of about 8 percent. The key spring wage negotiations were about to start. In these circumstances, a further weakening of the yen threatened to reinforce inflationary expectations.

The Japanese authorities therefore undertook several initiatives to support the yen in the exchanges. Following intensive discussions, on March 2 the Bank of Japan announced that the Federal Reserve, the German Federal Bank, and the Swiss National Bank would cooperate to avoid an excessive decline of the yen. The Federal Reserve, for its part, indicated its willingness to purchase yen in the New York market for its own account and to provide resources to the Bank of Japan if needed under the existing $5 billion swap arrangement. The German and Swiss central banks also pledged their support and subsequently concluded swap agreements with the Bank of Japan. Also, on March 2 the Japanese authorities adopted a number of measures to encourage inflows so as to help finance the current-account deficit. Banks were allowed to bring in Euroyen deposits from their foreign offices, and Japanese banks were permitted to make medium- and long-term foreign currency loans (so-called impact loans) to domestic customers. Controls on private placements abroad of yen-denominated bonds by Japanese residents were relaxed. And free-yen deposits held by foreign official institutions were exempted from interest rate ceilings. Later during the month, the Bank of Japan abolished its 1970 arrangement with commercial banks providing for yen-dollar swap facilities to finance imports, thereby rescinding the last of the major import promotion schemes. The authorization of increased ceilings for the issuance of yen-denominated certificates of deposit (CDs) by banks operating in Japan also provided more scope for short-term capital inflows from abroad.

These measures were reinforced by a broad anti-inflation program, introduced on March 19, that was keyed to the domestic economy. The Bank of Japan raised its discount rate another 1¾ percentage points to 9 percent and subsequently increased both reserve requirements and "window guidance" limits on bank lending. Public works expenditures, already trimmed back, were postponed. In addition, the government announced that henceforth it would monitor price developments more closely, would sell commodities out of stockpiles if needed to prevent shortages from developing, and would accelerate energy conservation efforts. The authorities reaffirmed their commitment to a disciplined monetary policy and to the priority of the fight on inflation.

These measures helped relieve some of the immediate selling pressures, and the yen strengthened against most of the major European currencies over the course of March. But reflows back into yen were slow to materialize, particularly since the pull of U.S. interest rates was so strong in late March and early April. Along with other major foreign currencies, the yen continued to decline against the dollar through early April. By April 8, the yen had fallen a further 5 percent to as low as ¥264 against the dollar in Far Eastern trading. The Bank of Japan continued to intervene forcefully to moderate the decline of the yen rate, and its dollar sales were reflected in the $2.2 billion decline of foreign exchange reserves during February and March. Meanwhile, as part of the March 2 agreement, the Federal Reserve bought $216.8 million equivalent of yen in the New York market in coordinated operations with the Bank of Japan. These purchases were added to System balances.

By mid-April, with interest rates turning down, the yen began to recover along with other major currencies. At first the yen's recovery was tentative. Wholesale prices were still rising sharply in Japan, and concerns about oil supplies resurfaced amid discussions of economic sanctions against Iran. Nevertheless, the spring wage negotiations resulted in moderate wage increases, while evidence continued to point to substantial gains in labor productivity. The market increasingly came to the view that declining unit labor costs would mitigate domestic inflationary pressures and would provide the basis for Japanese exporters to take advantage of the now substantial depreciation of the yen to increase sales abroad. A sharp improvement in exports was already showing through in Japan's trade figures, and the overall trade and current-account deficits were beginning to level off.

In response, market sentiment toward the yen improved, and the spot rate began to rise more rapidly at the end of April. Speculative short positions were covered, while commercial leads and lags shifted back in favor of the yen. With U.S. interest rates continuing to decline and interest rates in Japan holding steady, the differential in rates swung back to favor the yen in early May and the pace of capital inflows quickened. By that time, funds were moving into yen-denominated assets of all maturities amid reports of large placements by OPEC central banks and other foreign authorities in the Japanese market. As the flow of funds gathered force, the yen began to outpace the rise in the European currencies against the dollar, soaring by mid-June to as high as ¥214.95, some 18½ percent above its lows in early April. As the rate rose, the Bank of Japan intervened in size to counter disorderly conditions, on balance buying back about half of the dollars it had sold earlier during the six-month period.

By that time, the reflux of funds had about run its course. Moreover, traders had become cautious in light of the upcoming parliamentary election on June 22, especially since the sudden death of Prime Minister Ohira had inserted an added element of uncertainty into the campaign. The outcome—a victory by the ruling Liberal-Democratic Party with sufficient margin to provide for continuity in Japan's leadership—reassured the market. The yen rate settled in a trading range of ¥215–¥219 through early July.

Coming into summer, however, the debate over economic policy heated up, as the pace of economic expansion began to slow and industrial production registered a decline. With slower economic growth abroad, the authorities in several other industrial countries were beginning to allow monetary conditions to ease somewhat. Meanwhile, large inflows of interest-sensitive funds had generated an easing in the Tokyo money market. As a result, the authorities were urged to ease up on monetary policy, particularly by allowing interest rates to decline. In response to this pressure, some commercial and professional selling of yen emerged and the yen declined in mid-July.

The Japanese authorities nevertheless remained concerned about the need for further adjustment of the economy. Governor Mayekawa of the Bank of Japan stressed that an easing of monetary policy was premature in light of the continuing inflationary pressures. Moreover, the new government under Prime Minister Suzuki quickly affirmed its support for a firm anti-inflationary effort. Consequently, the yen rate soon steadied and closed the period at ¥227.80 for a net advance of 4¾ percent over the six-month period under review. Meanwhile, the Bank of Japan's dollar gains after March were partially reflected in an increase in Japan's foreign exchange reserves of $4.2 billion. At the end of July, reserves stood at $18.8 billion, up $2.0 billion on balance.

STERLING

Last year the government under Prime Minister Margaret Thatcher came into office, pledging to reduce the role of the public sector in the British economy and to restore private incentives. To achieve this objective, the government committed itself to alleviate the burden of taxation by reducing government spending over the long term while in the meantime shifting the tax structure away from direct toward indirect taxation. Meanwhile, the United Kingdom's inflationary spiral was being given another twist by an upsurge in wage demands after the abandonment of formal wage restraints a year earlier, rising energy prices, and an increase of 4 percent in the value-added tax to finance reductions of income tax. To contain these pressures the British authorities had imposed an increasingly restrictive monetary policy, raising domestic interest rates to record highs to bring the expansion of sterling M-3, the targeted monetary aggregate, back within the annual growth range of 7 to 11 percent.

By late 1979 the economy was slipping into recession. The combined impact of rising labor costs and high interest rates was imposing increasingly severe financial strains on British industry. Companies were cutting back on their inventories and scaling down their investment plans. Even so, monetary expansion was proving difficult to control, since companies were borrowing heavily from banks to meet their financing needs while waiting for interest rates to come down. Moreover, despite the government's best efforts, public spending was proving difficult to contain, and the public-sector borrowing requirement for fiscal 1979-80 was running nearly £1½ billion above target at just under £10 billion per year.

In the exchange market, sterling had strengthened. British interest rates were high relative to those in most other countries. Moreover, the United Kingdom's approaching self-sufficiency in oil was seen as leaving the current account well protected against possible cutoffs in oil supplies and further increases in energy prices. The breadth and depth of British capital markets also provided attractive investment opportunities for international investors, especially OPEC members that were seeking outlets for their burgeoning surpluses. As a result, foreign capital flowed heavily into sterling-denominated assets, enabling the United Kingdom to finance in 1979 a current-account deficit of $5 billion, official debt repayments of $2 billion, and outflows of more than $4 billion stemming from the abolition of exchange controls. Even after these outflows, sterling traded around 2.27 by the end of January 1980 and around 71.7 on a trade-weighted basis as a percentage of the Smithsonian parities. Meanwhile, Britain's foreign exchange reserves, after increasing more than $2 billion in 1979, stood at $18.8 billion on January 31 of this year.

In the late winter and early spring, evidence cumulated of declining industrial output and employment. Monetary growth was also showing signs of declining. Public-sector borrowing needs were temporarily reduced by the tax-gathering season. The authorities were able to sell a large amount of government debt in the wake of the earlier measures, and external factors continued to have a contractionary influence on the money supply. At the same time, however, private-sector loan demand continued to grow strongly, with the result that the banking system was faced with a reduced supply of public-sector debt and hence of reserve assets. The authorities were thus obliged to provide temporary assistance to the money market so as to counter the upward pressures on short-term interest rates created by this drain on banking liquidity. These initiatives helped stabilize British short-term interest rates at around 17 percent per year.

Meanwhile, however, dollar interest rates were rising sharply in response to rising credit demand in the United States, with the result that in late March interest differentials moved against sterling and in favor of the dollar. As multinational corporations and international portfolio managers switched funds out of sterling into dollar-denominated assets, the pound came on offer against the dollar and the spot rate fell to as low as $2.1285 on April 7. But, since British interest rates remained substantially above those on the European continent, sterling fell less against the dollar than the other European currencies. The turnaround in the dollar on April 8 brought sterling into renewed demand. As U.S. interest rates fell sharply, interest differentials moved back into sterling's favor. Therefore, the pound bounced back to \$2.2275 by mid-April.

Meanwhile, with the domestic economy clearly headed into a recession, pressures were building up within British industry for relaxation of fiscal and monetary policy. But, in a consultative paper on monetary control issued jointly by the British Treasury and the Bank of England, the authorities reaffirmed sterling M-3 as the appropriate target variable for monetary policy, emphasized that lowering the government deficit played a major role in reducing that aggregate's growth rate, and asserted that quantitative controls were not an alternative to high interest rates as a means of reducing monetary expansion. In the annual budget message, Chancellor Howe followed up by announcing that the government still intended to reduce the public-sector borrowing requirement to £8.5 billion and the growth of sterling M-3 to an annual target range of 7 to 11 percent. Thereafter, both the Prime Minister and the Chancellor repeatedly affirmed the government's commitment to reduce inflation by containing monetary growth. In this context, British interest rates remained high even after the end of the tax-payment season, while U.S. interest rates continued to fall. Moreover, the recession was leading to a rapid elimination of the current-account deficit. As a result, sterling led the advance of other European currencies against the dollar, soaring to as high as \$2.3770 in late May.

By early June, after prolonged negotiations, agreement had been reached to reduce by £750 million Britain's contribution to the European Community (EC). These developments generated expectations in the exchange markets of near-term reductions of British interest rates. Fearing heavy outflows of interest-sensitive funds, traders reacted initially by selling sterling. As a result, the pound came on offer during June, falling as much as $3^1/_2$ percent below its highs in late May.

For their part, however, the authorities remained reluctant to cut interest rates until firmer evidence of a sustained reduction of monetary growth. Unfortunately, interpreting the data was being made increasingly difficult at this time by the imminent removal of the supplementary special deposit scheme—the "corset." Inevitably, the mid-June termination of this scheme was followed by a statistical explosion in sterling M-3, as banks restored direct lending to all their customers, which had been temporarily replaced by bankers acceptances arranged to avoid hitting the limits on the expansion of interest-bearing eligible liabilities imposed earlier by the corset. Nevertheless, credit demand was still thought to be relatively strong. Moreover, despite rising unemployment, wages were still increasing at just under 20 percent per year as the trade unions sought full compensation for price increases due to rising energy costs and higher indirect taxation. Therefore, the authorities felt unable to cut interest rates during June and, in fact, allowed a repurchase facility—introduced earlier in the year to provide liquidity—to run off. As a result, sterling moved back up to fluctuate around \$2.34 in late June.

In early July the authorities provided some interest rate relief by cutting the minimum lending rate 1 percentage point below its all-time high to 16 percent. The pound came on immediate offer but then steadied. During the rest of the month, some professionals in the market continued to look for further reductions of British interest rates. But the authorities remained cautious in light of continued strong inflationary pressures, and no further action was taken. As a result, sterling continued to be buoyed by capital inflows coming from OPEC and other international investors seeking to diversify their portfolios and to lock in high yields on British government securities. Expectations of a near-term cut in British interest rates receded, and the pound was propelled to a five-year high of \$2.3992 against the dollar on July 24. Subsequently, the rebound in U.S. interest rates produced a steep decline to \$2.3305 at the month-end, for a net increase of $2^1/_2$ percent over the six-month period. However, the pound continued to trade firmly against the other major currencies, so that it closed at 74.4 on a trade-weighted effective basis on July 31.

During the six-month period, the Bank of England intervened to smooth fluctuations in the sterling rate. These operations had a negligible impact on Britain's foreign exchange reserves. Instead, the \$1.6 billion increase over the period to $20.4 billion mostly reflected further revaluation gains from periodic renewals of gold and dollar swaps against ECUs done with the European Monetary Fund.

FRENCH FRANC

The French economy was embarked on a sustained recovery late in 1979 when the sharp hike in imported oil costs threatened to aggravate domestic inflationary pressures, lower real incomes, and impose a sharp reversal in France's current-account position. The authorities faced the prospect that the significant improvements achieved in curbing inflation, restoring the balance of payments to a surplus position, and improving the competitiveness of French industry, after years of stabilization policies, would now be seriously undercut. By early 1980, consumer prices were rising at an annual rate of more than 13 percent. Last year's current-account surplus of $1.2 billion had just about disappeared. And the huge increase in France's oil import bill was expected to lead to a deficit of $4 billion to $5 billion in the current account this year. Meanwhile, a shakeout of noncompetitive French industries, together with a bulge in young entrants to the work force, had generated a rise in unemployment even as the economic recovery continued.

In response, the government had provided some fiscal stimulus on a selective basis (expanding programs to create jobs, providing additional low-cost financing to industry, and increasing low-income subsidies to offset increases in public-sector energy prices) while keeping the government's borrowing requirement at a relatively low 1.3 percent of GDP (gross domestic product). Meanwhile, France's already restrictive monetary policy was reinforced in order not to accommodate the accelerating rate of domestic inflation. The 11 percent target for monetary expansion set for 1979 was carried forward into 1980, and the system of credit ceilings was tightened. Inasmuch as a strong demand for credit was fueling a growth of the money supply well above the target rate, the Bank of France's efforts to curb this expansion generated a progressive rise in both short- and long-term interest rates.

In the exchange markets, the French franc benefited from this rise in interest rates. Moreover, France's current-account deficit, though a source of concern, was expected to be substantially smaller than the current payments imbalance of Germany, its principal trading partner. Also, in the context of the Iranian crisis, the traditionally good relations between France and the Middle East were expected to favor the franc in two respects. Part of the anticipated increase in OPEC's surplus would gravitate into the franc. Also, the impact of any further oil supply disruptions would be less severe for France than for most other major countries. In this atmosphere, commercial leads and lags remained favorable to the franc, and international investors steadily moved some of their funds into domestic and Euro-French franc assets.

These inflows enabled the French franc to stay at the top of the EMS band throughout the early spring. Indeed, the Bank of France regularly had to intervene in European currencies to keep the franc within the obligatory EMS margins, and often it purchased dollars as well. These operations were, for the most part, reflected in the increase of $1.5 billion in France's foreign exchange reserves over the months January through March.

When the scramble for dollars developed between late February and early April, the franc fell along with the other European currencies. But the franc declined less than the mark against the dollar. Even so, it dropped some 12 percent from its opening level of FF 4.0725 to as low as FF 4.5550 on April 7. When the dollar turned around after the Easter holiday, the franc came back into heavy demand. Amid reports of large Middle Eastern demand for French francs, the rate was bid up sharply, prompting the Bank of France to intervene vigorously both in EMS currencies and in dollars. With the franc remaining at the top of an almost fully stretched EMS and the mark at the bottom, the Federal Reserve supplemented its intervention operations in New York by selling on three occasions between April 9 and 16 $73.9 million equivalent of French francs. These sales were financed by drawings on the swap line with the Bank of France.

During the late spring the French economy showed signs of turning down. Domestic demand weakened, industrial output declined, and the continuing rise in unemployment was generating some pressures for more stimulative measures. Nevertheless, the money supply was still expanding slightly above the targeted rate, the current-account deficit was widening, and inflation continued at a troubling double-digit pace. In late June, the French government announced it would provide some additional funds for investment by the nationalized industries in the housing sector. But the authorities were unwilling to ease their restrictive monetary stance. Instead, restrictions on the expansion of bank lending were maintained and the limits were tightened for the second half of the year. As a result, French interest rates stayed relatively high during May and June.

Thus the franc continued to benefit from various types of capital inflows. It also was bolstered by unusually large repatriations of investment income and favorable tourism receipts. The franc therefore joined in the continued, albeit more gradual, rise of the European currencies against the dollar, moving up some 11½ percent from the low in early April to FF 4.0235 by July 8. The Bank of France continued buying modest amounts of dollars and EMS currencies. The Federal Reserve again included the French franc in its intervention operations, selling $86.8 million equivalent on four occasions between mid-June and the end of July. This intervention was financed by further drawings on the swap line with the Bank of France, raising the System's swap indebtedness with the French central bank to $166.3 million equivalent including revaluation adjustments from renewals of earlier drawings.

During July, French interest rates eased somewhat. Nonetheless, the franc fell less than the mark when the dollar rose in late July. At this time the Federal Reserve was able to buy $1.2 million equivalent of French francs from a correspondent to begin covering its outstanding swap debt. On July 31 the franc was trading at FF 4.1350, for a net decline of 1½ percent over the six-month period.

Meanwhile, France's foreign currency reserves continued to increase during April through July. The large rise in April and July resulted in part from the revaluation gains stemming from quarterly renewals of its swaps with the European Monetary Fund. But, in addition, the continuing purchases of dollars and EMS currencies also contributed to a rise in foreign currency reserves, which stood at $25.3 billion at the end of July.

ITALIAN LIRA

Throughout 1979 the Italian lira had been bolstered in the exchange markets by a substantial current-account surplus, together with relatively high interest rates and restrictions on domestic credit expansion that had drawn in large movements of capital from abroad. As a result, the lira had risen during the second half of the year to trade at LIT 807.50 against the dollar by the end of January 1980, while also remaining in the upper half of its 6 percent band within the EMS.

Meanwhile, the favorable balance of payments position and valuation adjustments stemming from quarterly renewals of Italy's swaps with the European Monetary Fund had generated an increase in Italy's foreign exchange reserves to $18.5 billion even after repayment of some official debt. By February, however, Italy's substantial current-account surplus was rapidly disappearing. The impact of sharply higher oil prices, estimated to add $8 billion to the overall import bill, was already beginning to weaken Italy's trade position. And the prospect that Italy could avoid a return to current-account deficit with a further upsurge in its exports looked dubious, in view of the deteriorating economic outlook for Italy's principal trading partners. Moreover, the domestic economy was expanding at a brisk pace, several sectors were encountering capacity constraints, and inflationary pressures were again building up.

In response, over the course of the winter months, the Italian authorities had begun to turn to a more restrictive posture. The government raised fuel prices in line with worldwide increases in the price of oil, thereby absorbing purchasing power. But, with the 1980 fiscal budget still moderately expansive and expected to generate a LIT 40 trillion public-sector deficit, much of the burden of containing inflationary pressures continued to fall on monetary policy. Accordingly, the Bank of Italy had raised interest rates, drained domestic liquidity, and tightened the enforcement of domestic credit ceilings by requiring that banks lending above those limits maintain non-interest-bearing deposits at the central bank. With these actions producing steadily rising money market rates, Italian companies continued to satisfy their financing needs by borrowing abroad. Thus, the Italian lira held within the top half of the EMS joint float throughout the early spring.

Against the dollar, however, the lira weakened along with other currencies after mid-February. The sharp rise in U.S. interest rates soon eliminated the interest differentials that had previously favored the lira. To the extent that Italian companies repaid their Eurodollar borrowings with domestic funds, they came into the market to sell lira, thereby contributing to the drop in the rate, which fell as much as 13 percent to LIT 912.10 by early April. But, with Italian interest rates significantly higher than those prevailing in other EMS countries, the lira maintained its generally favorable position within the EMS. Consequently, the Bank of Italy provided little support for the lira through intervention. Indeed, Italy's foreign exchange reserves rose through the end of April to $21.5 billion, reflecting valuation adjustments in its EMS holdings.

Around mid-April the lira began to recover against the dollar as U.S. interest rates retreated. The lira's rise, however, lagged behind that of other EMS currencies so that, while just below the center of its 6 percent EMS band, the lira emerged as the weakest currency within that arrangement by May. Italy's current account had now fallen into clear deficit, exerting a drag on the currency's performance in the exchange market. Italy's prices and wages had continued to rise at more than 20 percent per year without a corresponding adjustment in the exchange rate, so the competitiveness of Italian goods was being eroded. Also, poor weather had cut into tourist revenues. Moreover, a government crisis late in March had generated some questions as to whether the authorities' anti-inflation efforts would be sustained. A new center-left coalition cabinet was soon put in place, committed to defend the lira's position in the EMS and to check inflation. But during the spring, as the cabinet sought to reach an understanding with the trade unions on ways to limit the rise in labor costs and to get the agreement of other political groups on an industrial policy that might help maintain employment, the exchange market for the lira remained nervous.

Against this background, pressures began to mount for a devaluation of the lira within the EMS to restore the competitiveness of Italian industry in world markets so as to bolster exporters' profit margins and to sustain economic growth in the face of a spreading slowdown abroad. Although government officials in their public statements stressed the argument that devaluation was not a viable alternative in a highly indexed economy, the lira came on offer as market participants continued to anticipate that a new economic package from the government might include a devaluation. In this environment, short-term capital outflows quickly materialized. As the outflows persisted during June, the Bank of Italy entered the market in force, selling large amounts of dollars to prevent the lira from weakening further within the EMS.

In early July, the government announced new measures to bring both the economy and the exchange market into better balance. The measures included higher indirect taxes to finance a reduction of employer social security contributions, more export credits, and a reduction of the public-sector deficit. Also, the government proposed a $\frac{1}{2}$ percent withholding scheme for wages and salaries, in which the proceeds would be invested in bonds redeemable in five years to finance economic development. In addition, the Bank of Italy announced a further restriction of domestic credit expansion to 13 percent per annum.

The exchange market reacted favorably to the package. With devaluation fears dissipating, funds flowed back into the lira during the balance of July, as commercial and professional participants covered short positions. The lira, therefore, traded more comfortably at the bottom of the joint float through the month-end. On July 31, the lira traded at LIT 838.80 for a net decline of $3\frac{3}{4}$ percent over the six-month period. In addition, the flows of funds back into the lira, together with further valuation adjustments of EMS gold holdings, produced a $500 million increase in foreign exchange holdings, to $22.0 billion, for a net rise of $3.5 billion over the six-month period.

EUROPEAN MONETARY SYSTEM

By the period under review the countries whose currencies were members of the European Monetary System's joint float were faced with the problem of having to adjust their economies to large increases in the price of oil. Most of the economies were already expanding fairly briskly, generating upward pressure on prices and wages. Consequently, for the authorities in each country the greatest concern was to prevent higher energy prices from setting off an inflationary spiral. Each country thus adopted restrictive policies both to restore external and internal balance to their economies and to fund their current-account deficits. Monetary policy was the major instrument for achieving restrictiveness, and interest rates remained high in the EMS countries.

Within the joint float the configuration of currencies remained relatively stable, even as the entire EMS fluctuated widely against the dollar. For the most part the French franc stayed at the top of the band, while the German mark remained near the bottom. The Netherlands guilder traded firmly near the top of the band. By contrast, the Belgian franc came under persistent selling pressure between February and early April, reflecting the market's concerns over Belgium's fiscal and current-account deficits and the political difficulties facing the coalition government. The National Bank of Belgium intervened forcefully to keep the franc within its $2^1/_4$ percent band. Domestic interest rates were also raised. These actions stemmed the outflows, and during the last three months of the period the franc traded comfortably within the limits of the band.

The Danish krone also came under selling pressure early in the period and required some official support through intervention. However, the krone gradually came into better balance in the early spring. Thereafter, it traded steadily in the lower half of the EMS through the end of July.

The remaining two currencies fluctuated more widely. The Italian lira fell from the top to the bottom of the joint float and required substantial official support in June before stabilizing in July. By contrast, after trading near the bottom through mid-March, the Irish punt rose into the upper half of the EMS band during the spring and remained there through the end of July.

CANADIAN DOLLAR

The sharp jump in international oil prices during 1979 had somewhat different consequences for Canada than for most other industrialized countries. Its untapped reserves of oil, natural gas, and other energy resources gave Canada considerable potential for increasing energy production in the future, both for use at home and for export. In the meantime, the oil price hike had little direct effect on Canada's trade account, since the country is self-sufficient in oil and gas. It did have implications, however, for the distribution of income between the oil-producing provinces of the west and the oil-consuming provinces of the east. Moreover, if oil prices in Canada were allowed to adjust more rapidly to international price levels, the escalation of energy prices would add to inflationary pressures. A proposal to that effect in the budget, which had brought about the government's defeat in December, was still under debate pending a general election in mid-February.

Canada's current account had begun to show signs of improvement. As a net exporter of raw materials, Canada benefited in 1979 from the favorable shift in terms of trade that reflected pressures in world commodity markets generally. In addition, the sharp depreciation in the Canadian dollar of previous years and the sustained efforts to curb cost and price pressures at home had substantially enhanced the international competitiveness of domestic industry. But, with much of the manufacturing sector up against capacity constraints, Canada was all the more vulnerable to the demand and price pressures in the United States, Canada's principal trading partner. In these circumstances, economic policies continued to focus on the need to counter inflationary tendencies. Fiscal policy had been tightened in an effort to reduce the sizable budget deficit. Monetary policy was aimed at restraining the growth of the money supply while seeking an interest rate relationship between Canada and the United States that did not contribute to an acceleration of inflation through a further substantial decline in the Canadian dollar. As U.S. interest rates rose, interest rates in Canada moved up and the Bank of Canada raised its discount rate in several steps to 14 percent.

By early February, Canada's rich energy resources and its improving current-account performance had contributed to a generally positive sentiment toward the Canadian dollar. Also, its relatively high interest rates and North American location made Canada an attractive investment opportunity, especially at a time of growing political uncertainty and security concerns. The Canadian dollar had strengthened considerably over the preceding $2^1/_2$ months to trade at Can. $1.1574 by the beginning of the month. Then, when it was clear that the general election had provided for a majority government, the Canadian dollar came into stronger demand. Capital inflows intensified as repeated reports of new oil discoveries off the Newfoundland coast attracted foreign funds into a rising Canadian stock market. The Canadian dollar was thus propelled to Can.$1.1419 on March 3, its highest level in nearly a year. Meanwhile, the Bank of Canada, operating to moderate the fluctuations in its currency, had purchased dollars in the exchange market. These acquisitions were reflected in the $433 million increase in official foreign currency reserves during the month from its level at the end of January of $1.9 billion.

Nevertheless, the Canadian dollar remained vulnerable to actual or anticipated shifts in capital flows. When the intense demand for credit in the United States pushed up interest rates so sharply as to raise doubts in the market whether Canadian interest rates would keep pace, the spot rate began to ease early in March. Already interest rates in the United States had risen above comparable levels in Canada, and market participants were unsure how long this unusual pattern would continue without siphoning off the inflows needed to offset Canada's current-account deficit. Monetary growth in Canada had slowed considerably. Indeed, the monetary aggregates were now just within the lower end of the Bank of Canada's 5 percent to 9 percent target range. But inflation was still running at 9.5 percent per annum, and the authorities were concerned to avoid a substantial depreciation that might set off more cost-price pressures at home. Therefore, to provide itself with more flexibility to react to rapidly changing external conditions and to avoid increases in short-term interest rates beyond those necessary to contain inflation, the Bank of Canada announced on March 10 it would set its official discount rate each week at $^1/_4$ percentage point above the average rate on the weekly tender of three-month Treasury bills.

Following this announcement, Canadian money market rates continued moving up, while longer rates remained close to their peaks during March. At the same time, congestion had developed in the U.S. bond market, leading to the postponement of several Canadian borrowings while Canadian companies were repaying dollar-denominated loans as U.S. interest rates continued to rise. The Canadian dollar thus came on offer. Against the U.S. dollar, it declined nearly 5 percent from its earlier high to Can.$1.1983 on April 1. The Bank of Canada intervened heavily at times to cushion the decline; foreign currency reserves decreased $728 million during March. Even so, the decline in the Canadian dollar from levels in early February was modest relative to the much larger drops of other major currencies.

After early April, interest differentials moved back into Canada's favor as Canadian interest rates eased more slowly than those in the United States. Although Canadian entities still did little borrowing in the United States, this traditional source of finance for Canada's current-account deficit was being replaced by investment funds flowing into Canadian dollar and Euro-Canadian dollar assets. Moreover, the Canadian trade account remained in larger surplus than had been anticipated earlier in the year.

The Canadian dollar, therefore, traded more steadily during the early spring. For a time, uncertainty over the outcome of a May 20 referendum in Quebec, in which the governing Separatist Party sought authorization to negotiate with the federal government on the sovereignty issue, gave pause to the market and tempered the currency's previous buoyancy. But, once the market sensed that the referendum would be defeated, the Canadian dollar began to rise again. News of further increases in the price of oil, fears of more price increases to come out of the OPEC meeting in Algiers, and reports of new energy discoveries in Canada added to the upward momentum of the rate. Also, announcements by some Canadian provinces of plans to float new issues in the New York bond market generated some professional bidding. Consequently, the Canadian dollar was bid up in steps to Can. $1.1407 by July 7. The Bank of Canada again bought dollars to moderate the rise, thereby recouping much of the reserves it had lost during March.

During the rest of July, the Canadian dollar lost its upward momentum in the face of political tensions over the question of pricing Alberta oil and natural gas, growing uncertainties over the outlook for U.S. interest rates, and concern in the market that Canadian interest rates would ease further. As interest rates in the United States backed up and a heavy supply of new issues in the U.S. bond market led some of the planned Canadian issues to be postponed, the Canadian dollar dropped off along with most other currencies late in the month.

At the end of July, therefore, the Canadian dollar, at Can.$1.1594, was down a net ¼ percent over the six-month period. During the period under review, the Bank of Canada intervened, heavily at times, on both sides of the market. In addition, the government sold small quantities of its gold holdings at market prices well above book value. Over the six-month period, total official foreign currency reserves were unchanged at $1.9 billion. □

Selection and Disclosure of Reasons for Adverse Action in Credit-Granting Systems

Robert A. Eisenbeis of the Board's Division of Research and Statistics prepared this article.

The Board of Governors of the Federal Reserve System has recently requested public comment on the applicability of Regulation B to several practices of creditors using credit-scoring systems. These practices relate to methods for considering number of jobs and of income sources; to the discounting of income from part-time employment, pensions, or alimony; and to the selection and disclosure of the reasons for adverse action. The purpose of this article is to highlight the analysis behind the Board's proposed rules on the selection and disclosure of reasons for adverse action in order to stimulate and focus public comment on the issues. A discussion of specific questions and interpretations, however, calls first for some general observations about the nature of statistical credit-scoring systems, their relation to judgmental systems, and the objectives for requiring disclosures of reasons for adverse action.

STATISTICAL AND JUDGMENTAL CREDIT-EVALUATION SYSTEMS

It is often argued that judgmental credit evaluation is preferable to statistical, or numerical, credit scoring because in a judgmental system each loan application is personally reviewed by a loan officer. This individual treatment is contrasted to the apparently impersonal, mechanistic, and complex nature of numerical systems. More important, numerical systems are also viewed as being inherently more discriminatory because they seem to saddle an applicant with the attributes of similar prior applicants rather than considering each on his or her own merits.

Both of these characterizations, however, are inappropriate representations of how judgmental and numerical systems operate. In actuality, the two types of systems function in similar fashions. Moreover, many of the criticisms of numerical systems apply equally to judgmental systems, while some of the supposed desirable features of judgmental systems are illusory.

All credit analysis, whether performed subjectively by loan officers or statistically by credit-scoring systems, is rooted in the principle that past credit experience can be used as a guide in predicting future credit performance. That is, past and future creditworthy borrowers will share certain attributes and will tend to resemble each other more closely than noncreditworthy applicants, and these attributes can be reliable indicators of creditworthiness. Of course, if such similarities did not exist, there would be no systematic differences between those who are creditworthy and those who are not. It would be impossible to distinguish between the two groups either statistically or judgmentally, and credit would have to be granted randomly rather than on the basis of risk.

Judgmental systems rely upon the experience of individual credit officers to delineate the characteristics that have proven to be reliable indicators of creditworthiness and to identify the relevant tradeoffs among them. These determinations provide the reference points against which the information in each application is evaluated and weighed simultaneously in deciding whether to grant a loan. Because each loan officer's experience is both different and relatively limited, nothing assures that loan officers, even those working for the same lender, will emphasize the same factors, give them the same weight, or apply the same tradeoffs among factors.[1]

1. One way around this problem has been the evolution of certain "rules of thumb." Such rules merely represent attempts to formalize in a summary and simplified way the experience of successful loan officers so that it can be employed by others.

Statistical credit-scoring systems operate in much the same fashion as judgmental systems. However, they rely upon statistical methods, as opposed to the experience and judgment of credit officers, in evaluating and comparing borrowers. The statistical procedures used in devising the system consider many attributes simultaneously, identify the relevant tradeoffs among them, and assign the statistically derived weights used in evaluating individual applications.[2] As distinct from most judgmental systems, which may involve selective appraisal of all the material in an applicant's file before a decision is made, numerical systems usually rely on those few attributes that previous statistical analysis suggests are predictive of creditworthiness.

Statistical credit-evaluation systems are still in their infancy. Many systems, for example, are not rooted in formal behavioral models of credit risk.[3] Rather, they often rely on numerical search techniques that select variables solely on the basis of the statistical correlations between borrower characteristics and creditworthiness without regard for the causal links between the factors selected and the credit risk. Interestingly, some of the information included in these numerical systems is deemed offensive when scored explicitly because there may not be an intuitive or obvious causal connection between the factors and creditworthiness. Yet this is often the very same information that has been used, and tolerated, for years in judgmental systems.

There are other obvious differences between judgmental and properly constructed numerical systems. First, since credit officers may recall past experiences imperfectly, or may weigh information improperly, judgmental systems probably tend to be less accurate than numerical systems. Second, numerical systems tend to ensure more even treatment than do judgmental systems, in which decisions on the same application may vary from credit officer to credit officer and from day to day. Third, judgmental systems offer more opportunity for personal prejudices to influence credit decisions. Finally, from the perspective of enforcing the Equal Credit Opportunity Act, numerical systems permit examination of the characteristics scored and the way the analysis considered them. In contrast, in a judgmental system each credit officer balances the available information against his or her experience in a way that a person affected by an adverse action or a regulatory agency cannot replicate. As a result, the evaluation of judgmental systems is much more difficult, and review must be limited to the consequences of the loan-granting process.

Several aspects of the problem of assessing credit risk have important implications for the structure of disclosure policies for credit-evaluation systems. The first is that credit risk is a continuum. Potential borrowers do not fall into one of two classes—those who are creditworthy and those who are not; rather, they have different probabilities of defaulting, of becoming a slow pay, or of otherwise providing a less profitable transaction, which range all the way from 0 to 100 percent. Thus applicants are arranged along a spectrum of risk and differ from each other in degree rather than falling into two discrete classes. The goal of credit analysis is to determine where an individual applicant lies on that continuum relative to the critical threshold established by a lender to separate acceptable and unacceptable credit risks. This threshold of acceptability is not absolute, but may vary, both over the business cycle and from creditor to creditor, depending upon the creditor's objectives, risk preferences, and costs.

The second aspect of risk assessment is that it is a multidimensional concern, and more than one type of risk may be relevant to a lender's decision. For example, one type of risk is the likelihood that a borrower will default, while another is related to the probability that a borrower will become a slow pay or will miss payments. An applicant may never miss a payment until default actually occurs, or a loan that is eventually paid in full may involve many late payments and extra collection efforts along the way. Each type of risk implies different expected returns, costs, and collection efforts. All of these factors affect the ultimate value of the loan to the creditor. Of course, some loans may involve a combination of late payments and default. As a

2. It should be noted that no one statistical method is "best."

3. See, for example, the review of these systems by Robert A. Eisenbeis, *Problems in Applying Discriminant Analysis in Credit Scoring Models*, Staff Economic Studies 94 (Board of Governors of the Federal Reserve Systems, 1978); reprinted in *Journal of Banking and Finance*, vol. 2 (October 1978), pp. 205-19.

consequence, the creditor may face many equally acceptable tradeoffs on the margin among these different kinds of risks, and many borrowers with different combinations of risk (and presumably different characteristics) and expected returns may all lie on the same threshold that a creditor has established between acceptable and unacceptable risks.

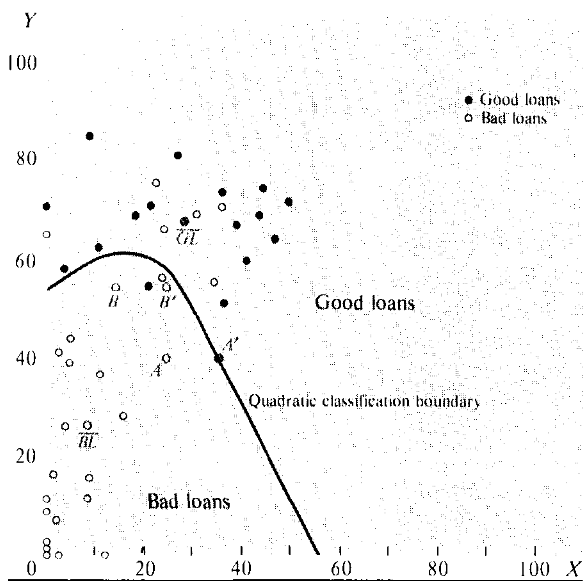
The third aspect of risk assessment is that the attributes used to capture or serve as proxies for the various dimensions of credit risk tend to be correlated with each other and tend to move together. This association can result because the underlying aspects of risk may not be independent of each other (such as the case involving both missed payments and default) and because two or more measures may be used to assess the same dimension of risk.

Both the nature of the credit-granting process and the way in which an applicant's characteristics are considered simultaneously help to explain the extreme difficulty, in a judgmental or a numerical system, of isolating the "specific" reasons for an adverse action on an application.

First, as indicated above, theory as well as experience indicates that the various aspects of risk, and most of the factors used to describe and serve as proxies for these risks, tend to be correlated. For example, a young person is more likely to have less time on the job, a lower income, less discretionary income, and less wealth than an older person. All of these factors could be used in the credit-evaluation process. But because they tend to move together, an improvement or change in one is usually accompanied by changes in others. For example, a somewhat older person usually has more time on the job, a somewhat higher income, more discretionary income, and somewhat more wealth than a younger one. In such instances it may be difficult, even with sophisticated statistical procedures, to isolate the independent contributions of these factors to the overall level of risk. Thus, when factors are correlated and are considered simultaneously, it often becomes impossible to assert either that one factor or even a set of factors is more important than others, or that, because of a certain factor, an otherwise approvable application fell below a creditor's critical threshold and caused an adverse action.

Second, assessment of the role of individual variables is complicated by compensating tradeoffs. For example, a higher level of income can offset a lower level of wealth. Thus a large number of potential applicants may be equally acceptable to the lender because their various combinations of characteristics place them all on the lender's approval-denial threshold. This situation is illustrated in diagram 1, which depicts a scatter of good and bad loans described by two factors, *X* and *Y*. The heavy line represents a creditor's approval-denial threshold. The creditor will be indifferent among all applicants whose combination of characteristics places them on that line; all such applicants will be marginally approvable.[4]

Diagram 1



Finally, the tradeoffs among factors may often be such that a change in one factor, considered in conjunction with the values of the others in the profile, may reverse an adverse action. Yet that same change, in combination with a different set of values on the others, would still lead to rejection. For example, in diagram 1, for an applicant at *A* to move to *A'* on the approval-denial thresh-

4. The threshold line in this example is nonlinear and was derived as a quadratic discriminant function. It is assumed in this example that the creditor has previously divided the continuum of risky loans into only two classes, defined as "good" and "bad." This is not to imply that all credit-scoring models would look like diagram 1; rather, the diagram is used as a heuristic example of one common type of system.

old, requires a 10-point increase in X, if there is no change in Y. The same increase in X for an applicant at B, however, will not change the creditor's judgment that the application was too risky to warrant approval. Thus the role of a given factor or set of factors in the decision is usually conditioned both on the values of other factors considered in the credit-granting process and on the way the applicant's combined profile compares to the critical threshold.

The problems of isolating the role of individual factors, or sets of factors, in the approval-denial process apply equally to judgmental and numerical systems. If these problems appear to be less troublesome in judgmental systems it is because loan officers, in selecting the reasons for an adverse action, may simply choose to ignore the complications introduced by the correlations among factors in a borrower's profile.[5] The loan officer still must decide whether an adverse action was taken because a particular attribute was weak (such as X for an applicant at A in diagram 1) or whether there simply were not enough offsetting attributes (because Y was not high enough).

Because judgmental and numerical credit systems function in parallel fashions, it seems reasonable to apply essentially the same standards and rules under Regulation B uniformly to the two types of systems. This principle is especially relevant with respect to disclosure of reasons for adverse action. In addition, the fact that judgmental systems tend to mask the credit-granting process, and make it hard to describe, should not provide a rationale for making the disclosure standards under Regulation B less stringent for judgmental systems than for numerical systems. Any such difference in regulatory restrictions might have the unintended effect of encouraging the use of what might be less profitable and less socially desirable procedures. Both of these considerations have been explicitly incorporated into the Board's proposed rules.

Given the practical difficulties of isolating the reasons for adverse action, the problem for the Board was to devise a reasonable set of guidelines for creditors to follow in giving the more likely reasons for adverse action. These rules depend to some extent on the purposes of disclosure. The legislative history of disclosure is discussed in the next section, and principles for disclosure procedures are then set out.

Purposes and Principles of Disclosure

The legislative history of the 1976 Amendments to the Equal Credit Opportunity Act reveals several objectives for the requirement that a creditor disclose the reasons for adverse action on a credit application. These provide guidance in establishing the scope of the rules for specific disclosures.

Generally, it was argued that disclosure of the reasons for adverse action would deter discrimination while improving the efficiency and competitiveness of consumer loan markets. Specifically, it was felt that a creditor who knew that the reasons for an adverse action had to be explained would be less likely to make decisions on a discriminatory basis. Furthermore, documentation would serve as a useful enforcement device for the regulators, who would be able to analyze adverse actions to detect patterns of illegal discrimination. Disclosure was also thought to be especially important in cases of an adverse action for incorrect or incomplete applications. It would permit the applicant to correct or supplement the application so as to ensure the granting of a profitable loan that otherwise might never have been made. For rejected applicants, adequate disclosure might serve an important educational function, showing them how to improve their financial position to become more creditworthy.

With respect to the specificity of the required disclosures, the Senate report indicated that long, detailed personal letters were not contemplated; rather a "concise indication of the applicant's deficiencies, and a short check list statement," would be sufficient so long as it "reasonably" indicated the reasons for the action. Some examples of such letters were provided.[6] The bill was subsequently modified in conference and the requirement in the Senate bill

5. Cynical observers might suggest that an applicant is told a reason that the creditor believes that applicant will find acceptable.

6. *Equal Credit Opportunity Act Amendments of 1976*, S. Rept. 94-589, 94 Cong. 2 Sess. (Government Printing Office, 1976), p. 8.

that a "statement of reasons" be given was changed to a requirement that "the specific reasons" be given for the action taken. Although the Conference Report gave no indication of the rationale for the change, the Congress presumably wanted the consumer to receive more than a perfunctory explanation of the adverse action.[7] The consumer was entitled to know with some specificity the reasons for the action taken.

POLICIES FOR DISCLOSURE

The objectives that appear in the legislative history have important implications for disclosure policies. These relate to the delineation of the pool of factors subject to disclosure and to the procedures used to select the reasons for adverse action.

The Pool of Factors Subject to Disclosure

In disclosures about adverse actions on applications, it seems logical that the reasons should be directly related to the factors actually considered in the decision to grant the loan. In the case of a numerical credit-scoring system, under which an application has been acted on adversely because it did not meet the minimum standards in the system, the disclosed reasons should be based only on factors actually scored or weighted in the system. It might be argued that, because of the correlations among variables and because most of the attributes used in models serve as proxies for risk and other factors, a creditor should be permitted to review judgmentally an applicant's entire record and to indicate the weaknesses whether or not they relate directly to the specific items scored.[8] The problem with such flexibility is that it removes any incentive for creditors either to model credit risk more precisely or to understand better the methods they use.

7. *Equal Credit Opportunity Act* (Conference Report), H. Rept. 94-873, 94 Cong. 2 Sess. (GPO, 1976), p. 8.

8. If the factors in the model were proxies for other basic characteristics contained in the application or applicant file, presumably a better specification of the scoring system would include the omitted variables or factors.

Defining the pool of factors subject to potential disclosure for judgmental systems is more difficult because the information the loan officer considers in making a decision is not always apparent. Absent procedures or formal policies that delineate the items considered from the application and supplemental information, it seems reasonable to presume that, as a minimum, the pool of factors subject to potential disclosure would consist of all the information that is in an applicant's file or that is available to the loan officer when the decision is made.

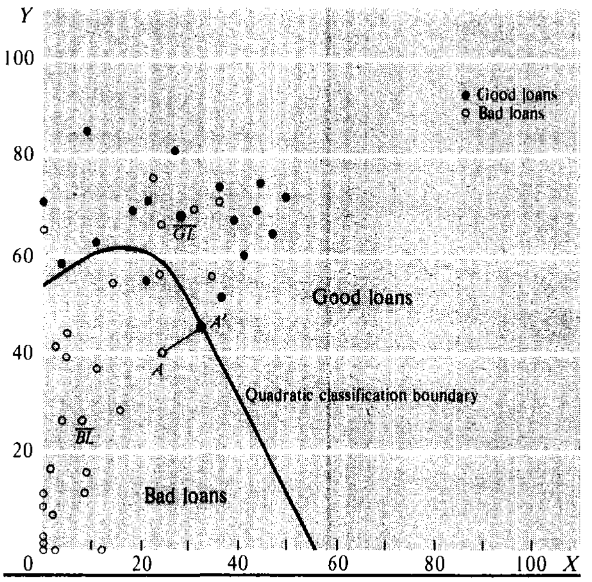
Principles for Selecting Reasons for Adverse Action

The problem of specifying standards for selecting the reasons for adverse action on a credit application has two aspects. The first is straightforward; it involves situations in which credit is automatically denied (or some other adverse action is taken) because of a single negative factor. The second is substantially more complicated because it deals with cases in which the applicant's combined profile is judged to be more risky than is acceptable. These aspects are discussed in turn.

Many credit-granting systems, both numerical and judgmental, call for automatic rejection or other adverse action on an application because a single factor is so unsatisfactory that, in the creditor's judgment, it cannot be offset by other factors. Typical examples of such "black ball" criteria are presented by applicants (1) who have gone through personal bankruptcy, (2) who are below the age of consent, or (3) who have not lived in an area for the length of time required by the creditor. Explanation of the adverse action on such an application is simple and straightforward. Furthermore, if a creditor's policies contain either one or several possible absolute criteria for adverse action, it would even be feasible to construct a check list of these factors to facilitate disclosures to applicants.

As the discussion in previous sections indicates, substantial problems may arise in both judgmental and numerical systems in selecting and disclosing the reasons when an adverse action is taken because a borrower's profile looks too risky or does not yield the minimally accept-

Diagram 2



able score. In such a circumstance an adverse action usually results from the combination of factors in an applicant's profile rather than from any single factor. An improvement in any one factor might lead to a marginal approval. Because it is the *combination* of factors, considered *simultaneously*, that leads to the adverse action, it is often difficult, and perhaps impossible, to infer that any one factor, or set of factors, "caused" the action. In this sense, the statute establishes the difficult, if not impossible, requirement that creditors identify the "specific reason or reasons" for taking an adverse action and disclose these reasons to the consumer.

When credit decisions are based on simultaneous consideration of a combination of factors, the theoretically optimum disclosure for either a judgmental or a numerical system that is most consistent with the statutory objectives would indicate to customers the minimum adjustments necessary to make their profiles marginally approvable or to reverse the adverse action. Such a disclosure would rest on full consideration of all possible tradeoffs and interactions among factors that might follow from any change in a borrower's characteristics. For example, in the case of the numerical system shown in diagram 2, the minimum adjustments that an applicant at A would have to make would be increases in the contribution of X by 8 points and of Y by 5 points, thus moving to the creditor's threshold at A'.[9] This standard appears to be the appropriate target for creditors in structuring disclosure policies. Unfortunately, many systems cannot easily generate such information at reasonable cost; this is especially the case with judgmental systems.[10]

Short of ensuring theoretically optimum disclosures, the problem is to define the range of acceptable disclosures. Perhaps the next-best alternative most consistent with the objectives of disclosure would be to require that creditors make a series of conditional statements to the applicant as follows: if a particular factor changes in a prescribed way, and if the remainder of the profile does not change, credit will be granted or the adverse action will be reversed. Most systems, even judgmental ones, would permit a creditor to indicate at least the direction (and sometimes the degree) of change needed in a particular factor to reverse an adverse action.

In the context of the system shown in diagram 3, the disclosure to an applicant at A would run as follows: if the profile changes in no other way (that is, Y is held constant), the contribution of X must rise by 10 points (moving the applicant to point A'') to ensure approval.[11] The benefit of such a conditional disclosure is that the consumer would know unambiguously at least one change in the profile that would make the application marginally acceptable.[12, 13]

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9. The point A is on the line perpendicular to the line tangent to the creditor's indifference threshold at point A'. Also the line A-A' is the shortest line (minimum Euclidean distance) that can be drawn from point A to the creditor's marginal approval threshold.

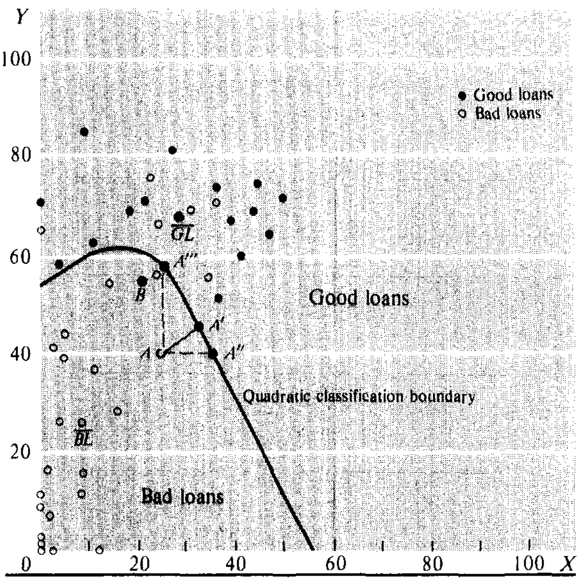
Note, too, that this is a concept substantially different from disclosure of the distance an applicant is from the mean or median of the approval group. In diagram 2, such a disclosure would indicate the position of point GL defined by the mean of X and the mean of Y.

10. The example in diagram 2 also assumes that X and Y are continuous, which clearly defines the point A'. When an applicant's attributes are not continuous, the location of point A' may not be clear.

11. For some applicants, more than one optimum point may correspond to A'. This is clearly the case for an applicant at B. It is also interesting that for an applicant at B, a conditional disclosure would indicate that approval would be warranted if X were increased to generate 6 points or decreased to generate 16 points. This would correspond to systems that give more points to applicants who live in their houses for a short or long period of time than are given to applicants who are at their present addresses for an intermediate period.

12. In multistage systems in which an applicant failed an initial screen, the customer would be told what was necessary

Diagram 3



The problem remains to prescribe general procedures to determine how many conditional disclosure statements should be made, and in what order. For those systems that permit conversion of changes in factors into contributions to an overall point score, disclosures should be made in ascending order of the size of the change necessary for favorable action on an application. In diagram 3, for example, the change in X (given Y) requires only 10 points to move A' to A'', whereas the change in Y (given X) requires 18 points to move the applicant to A'''. Therefore, the change in X should be disclosed before the change in Y. A remaining problem is that the units of X and Y may not always be comparable. For example, X might measure months of residence, while Y defines thousands of dollars of income. The change in the number of months of residence necessary to generate 10 points may be more difficult for the customer to accomplish than the change in income necessary to generate 18 points.[14] Nevertheless, if creditors are encouraged to make as many conditional disclosures as possible, or otherwise to exploit the disclosure potential of their systems, the objective of the statute will be achieved. Furthermore, this concept of conditional disclosures is equally applicable to judgmental systems.

It is not possible to specify criteria for the number of conditional disclosures. Currently, Regulation B permits creditors using judgmental systems to select subjectively the "principal reason or reasons" for an adverse action. There are no restrictions on the number of items to be disclosed; only one need be given. Moreover, the disclosures may be made in general terms by using a model form of the types suggested in Regulation B. These procedures seem to have been generally acceptable to the public—applicants and creditors alike—and no modifications have been suggested to them. Therefore, in the absence of the ability to specify more objective standards and because of the fundamental similarities between judgmental and numerical credit systems, it seems reasonable to permit flexibility in the number of reasons for adverse action disclosed, regardless of the type of system employed.[15]

The key reorientation of this aspect of the Regulation B disclosure policy involves setting a positive minimum standard that requires at least one conditional disclosure to be made. This disclosure would indicate the general step or steps one might take to modify a risk profile to make the application marginally approvable (or to

to reverse an adverse action or to pass on to the next phase of analysis, and not what was required to become marginally acceptable.

13. This proposal is different from those contained in previous Federal Trade Commission consent agreements. Each case has tailored the required disclosures to the system of the particular creditor. What has evolved, however, is a mechanical rule that requires the creditor to disclose at least four reasons. The creditor discloses those factors that deviate the most from the mean values of the factors of those applicants who were marginal approvals. These mean values cannot be precisely placed on the diagrams for easy reference. In general, however, the underlying concept focuses on the maximum deviations, rather than minimum deviations, from marginal-approval applicants. In this sense, the procedures do not provide the consumer with as useful information as the proposed conditional disclosures would. The reason for this is that the implicit assumption underlying the staff proposal is that it is easier for an applicant to modify slightly a characteristic that is already close to a marginally acceptable level than to modify substantially a factor that deviates a lot from a marginally acceptable level.

14. An alternative is to require that the creditor disclose only mutable factors. The problem is that, given a sufficient length of time, nearly all factors are mutable. Moreover, mutability is a subjective concept that may vary even among applicants with identical profiles.

15. For numerical systems, the pool of potential factors to be disclosed would be limited to those actually scored.

move to the next phase of the evaluation process). In terms of diagram 3, conditional disclosure of a single factor would involve, at the minimum, a qualitative indication of how one might modify X to move from A to A''. Disclosure of combinations of factors would indicate what the applicant might do to move to a point between A''' and A'', such as A'. Furthermore, the reoriented policy implicitly places the additional burden on the creditor to reverse a negative decision or to demonstrate how credit policies or economic conditions had changed if the applicant still did not qualify for credit after he or she had taken the steps indicated by the creditor in the original disclosure.

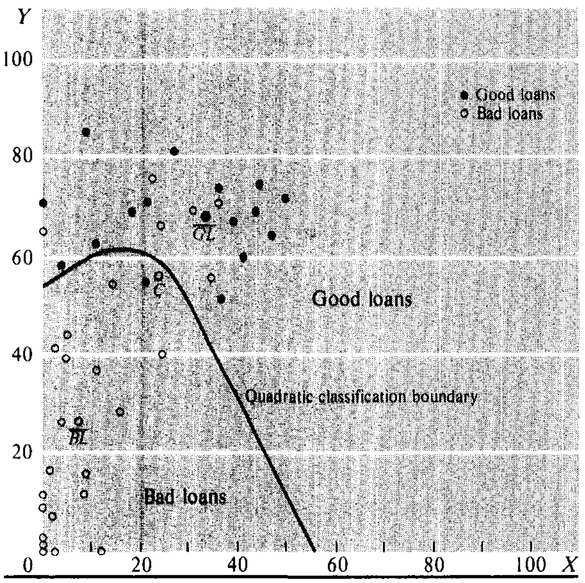
CONCLUSIONS

Reorientation of disclosure policy away from negative aspects—the reasons for an adverse action—toward positive aspects—the things an applicant might do to become marginally approvable—offers several advantages to consumers and creditors alike. First, telling an applicant what must be done to secure favorable action is most consistent with the educational objective cited in the legislative history. It also provides a more meaningful statement and reference point than, for example, disclosing how similar an applicant is to the average "good" applicant. In terms of diagram 4, an applicant at C would certainly find it more useful to know that only a slight increase in either X or Y (to generate 3 points) would be sufficient to result in approval than to know the distance he or she was from the mean of X or Y (represented by the point GL). *The applicant might interpret this latter disclosure as indicating a substantial hurdle to be overcome, when in fact he or she was close to approval.*

Second, creditors argue that they want to grant loans rather than turn applicants away. Positive disclosures would create less ill will on the part of applicants subject to adverse action—indeed, would help them become acceptable risks. Furthermore, the long-run effect would be an improvement in the quality of applicant pools.

Third, the implicit burden on creditors to act favorably if the applicant makes the indicated improvement provides incentives to offer meaningful disclosures and to exploit fully the disclosure potential of their systems. For example, the more innovative a creditor was in approaching the "optimum" disclosures, or the more explicit the disclosures are, the more the creditor should be able to protect itself from claims by the applicant that the necessary improvements had been made when in fact they had not. Thus the creditor could protect itself against being forced to make loans that are too risky by its standards. At the same time, the more explicit the disclosures are, the less uncertainty the applicant faces about whether he or she has made the required improvements. Clearly, users of numerical systems potentially have the capability to make *more explicit conditional or other disclosures* than do judgmental creditors. Equally important, they can demonstrate more easily (and thus will be less vulnerable to challenge) the way changes in economic conditions or credit standards may alter the improvements that a particular applicant must make. All of these incentives promise to benefit both applicants and creditors.

Diagram 4



Fourth, the creditor who is permitted some flexibility (given the impossibility of specifying more precise and objective general standards) in setting the number of disclosures can balance the business necessity of protecting the integrity of a credit system against the risk of being forced to grant undesirably risky loans or of being challenged in the courts.

Fifth, requiring disclosure of the steps an applicant must take to gain favorable action should induce creditors to explore the underlying behavioral and causal links between the factors cited and creditworthiness. To disclose factors that do not seem obviously or intuitively related to creditworthiness would tend only to invite further applicant questions and court challenges of a credit-scoring system, all of which would raise creditor costs and incur adverse publicity.

Last, specifying the order in which conditional disclosures should be made prevents the creditor from arbitrarily eliminating controversial items from the potential list of disclosed factors because the order in which factors are to be disclosed potentially varies for each applicant. This feature is especially important in its implication for achieving the enforcement objectives contained in the statute. □

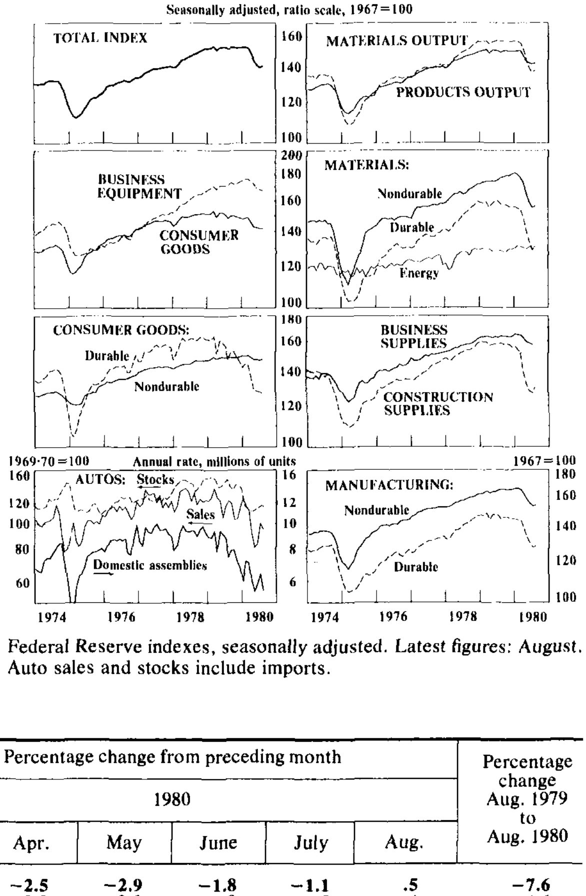
Industrial Production

Released for publication September 16

Industrial production increased an estimated 0.5 percent in August after six months of decline that totaled about 8.5 percent. The increase in August reflected a large rise in the output of construction supplies and consumer home goods. More moderate increases occurred in nondurable consumer goods and in most durable and nondurable materials industries. The index for July now shows a revised decline of 1.1 percent from June compared with the decrease of 1.6 percent estimated previously. At 140.5 percent of the 1967 average, the index in August was 7.6 percent lower than that of a year earlier.

Output of consumer goods edged up 0.1 percent in August. Auto assemblies, at an annual rate of 5.6 million units, were down more than 12 percent from their July level, reflecting to some extent shortages of parts for certain models. The large decline in the output of automotive products almost offset the large rise in the production of home goods and the moderate gain in nondurables—such as food and clothing. Output of construction supplies rose more than 2 percent in August after a six-month reduction that totaled almost 19 percent. The production of business equipment declined further in August.

Output of materials increased 1.0 percent, reflecting gains in both durable and nondurable materials industries. The production of basic metals and parts for consumer durable goods increased sharply, but the output of parts for equipment edged down slightly. Production of energy materials was about unchanged.



Federal Reserve indexes, seasonally adjusted. Latest figures: August. Auto sales and stocks include imports.

Grouping	1967 = 100		Percentage change from preceding month						Percentage change Aug. 1979 to Aug. 1980
	1980		1980						
	July[p]	Aug.[e]	Mar.	Apr.	May	June	July	Aug.	
Total industrial production	**139.8**	**140.5**	**−.3**	**−2.5**	**−2.9**	**−1.8**	**−1.1**	**.5**	**−7.6**
Products, total	141.8	142.3	−.1	−2.3	−2.0	−.8	−.5	.4	−4.6
Final products	141.7	141.7	.0	−1.6	−1.6	−.7	−.3	.0	−2.8
Consumer goods	141.6	141.7	.1	−2.2	−2.0	−.1	−.4	.1	−4.7
Durable	127.8	126.6	−.3	−5.4	−5.5	−.5	−.3	−.9	−14.5
Nondurable	147.1	147.8	.2	−1.0	−.7	.0	−.4	.5	−.8
Business equipment	168.1	167.3	.1	−1.1	−1.3	−1.7	−.5	−.5	−2.5
Intermediate products	142.4	144.4	−.6	−4.7	−3.1	−1.8	−.8	1.4	−10.5
Construction supplies	127.2	130.3	−1.0	−8.5	−4.6	−3.4	−1.0	2.4	−17.9
Materials	136.5	137.8	−.8	−2.8	−4.4	−3.1	−2.4	1.0	−12.0

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

Statement to Congress

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. House of Representatives, September 10, 1980.

I am pleased to respond to your invitation to participate in this hearing to help clarify, as best I can, the issues before you and the Congress in setting budgetary priorities during a period of economic uncertainty.

As you are well aware, the current recession developed much later than the great majority of economic forecasts had suggested and then broke with more force than had been generally anticipated. Indeed, the abrupt fall in output this past spring about matched the record postwar decline that occurred in the first quarter of 1975 and was about as large—in percentage terms—as we have typically had over the course of an entire recession. More recently, the rate of decline in economic activity has moderated. Some indicators can even be interpreted as suggesting the recession could be relatively short-lived.

However, the recent record of economic forecasting is warning enough of the uncertainties inherent in judging with precision fluctuations in economic activity. We do know that, despite whatever encouragement we can draw from some of the most recent data on the near-term outlook, the fundamental forces accounting for some of the persistent problems of the economy remain—poor productivity and low savings, adjustments to sharply higher costs of energy, and most importantly, the uncertainties and distortions associated with strong underlying price pressures. It is the strength of those forces that seems to me to dictate the main outlines of economic policy.

I understand and share the immediate concern about recession. But I am even more concerned that we shape policies that also look toward the medium- and longer-term needs of the economy, lest we inadvertently extend and repeat the pattern of low productivity, rising inflation, and economic instability.

In that connection, I am convinced that the stability and vigor of our economy will not be restored over time unless the ominous cycle of rising levels of inflation in successive periods of expansion can be brought to a halt. We would neglect that prime objective of economic policy at our peril. For that reason, the Federal Reserve has been, and will continue to be, guided by the need to maintain financial discipline—a discipline reflected in reduced growth over time of the monetary and credit aggregates.

As recently as July the Federal Reserve reaffirmed its ranges for the monetary aggregates that call for a deceleration of money growth in 1980 from the pace during the preceding year. The tentative monetary ranges established for next year specify slightly lower growth. I am glad to say that this approach was supported by the relevant congressional committees.

In general terms, the targets for growth of the monetary aggregates are designed to encourage progress toward price stability. At the same time we would, of course, like to see resumption of sustainable economic growth. In the short run, monetary policy alone cannot guarantee that happy combination of events. Technically, the supply of money tends to be related to nominal gross national product, and our targets are consistent with a number of possible combinations of real growth and inflation. If inflation tends to decline, the prospects for satisfactory growth consistent with the targets will be greatly improved. Conversely, to the extent other policies and behavior—public or private—are tending to reinforce inflationary pressures and credit demands, more of the available money supply will be absorbed in financing price increases rather than in real activity. Inflationary expectations will tend to keep interest rates higher than otherwise.

We cannot escape that problem by simply increasing the money supply to accommodate a higher rate of inflation. The result could only be to prolong and intensify the inflationary process, in turn undermining the recovery and setting the stage for intensification, rather than resolution, of our economic problems. That is why I believe it so important that all our policies take account of the need to break the insidious pattern of rising rates of inflation in successive cycles—a pattern that, I would remind you, has been accompanied by higher levels of unemployment rather than lower.

During the spring and early summer we began to see some slowing of price increases from the exceptional pace earlier this year, and a zero inflation rate was reported for July in the consumer price index. The concerns over a virtual explosion of inflation that were rife last winter have rightly receded, an important factor in the sharp declines in interest rates in the spring. Nevertheless, we have to recognize that the improvement so far has been related largely to transitory or short-term factors—a softening in markets for energy and some industrial commodities, favorable supply conditions for food in the spring, and the easing of mortgage interest rates. As you know, food prices have more recently turned up again, and the producer price indexes as last reported make less happy reading.

More important than these short-term fluctuations, which are part of the normal dynamics of our complicated economy and reflect in part weather and external developments, the "underlying" or "core" rate of inflation—which is roughly determined by trends in compensation and productivity—has tended to rise in recent years. With no productivity gains to offset wage increases, that core rate appears to be in a range of 9 percent to 10 percent; if anything, the growth rate of labor costs appears to have drifted higher in the first half of this year. There is no doubt that concern about this inflationary performance, and fears of the future, are a powerful force holding interest rates up at present.

One important means of dealing with these wage and cost pressures is to improve productivity. Gains in productivity can directly offset cost pressures; over time, moreover, productivity gains are the only lasting source of increases in real income per worker, and rising real income should in turn reduce the pressure for "catch up" wage gains or anticipatory pricing. In that connection, a strong case can be made for tax reduction as a means of increasing investment and productivity. Federal taxes already account for a historically large proportion of income, and in 1981 this ratio could be pushed sharply higher as a result of sizable increases in taxes for social security, the windfall oil profits tax, and the inflation-induced bracket creep in the individual income tax. In my view, the size and the composition of the tax burden do have adverse implications for business investment, for costs, and possibly for incentives to work and save.

For those reasons I welcome the emphasis in recent tax proposals to deal as a matter of priority with taxes on investment. But at the same time, tax reduction—whether to assist productivity or to support purchasing power—has effects on revenues and the budgetary position that we cannot ignore. If we try to do so, the adverse effects may more than offset the good. For that reason, I believe tax reduction must be conditional on progress in restraining expenditure growth.

As you know, I fully supported the strong effort by the Budget Committees in the House and Senate to restrain expenditures last winter and to aim for a balanced budget. With the economy slumping, a budgetary balance is obviously beyond reach today. But government spending will probably be smaller as a result of the congressional and administration effort, and the central point is that restraint must be maintained if we are to have a credible opportunity to achieve budget balance in a more fully employed economy.

I am frankly concerned about the size of the expenditure increases projected in the latest official estimates. I recognize a sizable part of those increases represents a normal, and potentially reversible, response to cyclical developments in the economy. Nonetheless, the trend of our spending, taking account of national security and other needs, plainly limits the amount of tax reduction that would be prudent. To the extent that budgetary discipline is suspended in the face of economic slack, the room for tax reduction could shrink, even to the vanishing point. Indeed, programs and policies interpreted as exacerbating and prolonging the inflationary process can be counterproductive even in terms of economic stimulus, in part through the expectational effects on financial and other markets.

Consequently, I cannot emphasize too strongly, if we are to plan on tax reduction, the need to exercise strong restraint over spending and to contain the stresses and strains that a huge deficit could place on the economy—especially on financial markets. These markets—both domestic and international— have become so sensitized to inflation and so wary of deficits that the anticipation of excessive spending and more inflation can be as damaging as the reality in driving interest rates higher at home and the dollar lower abroad.

The desirability of tax cuts—particularly those without clear rationale in terms of investment and productivity—also is contingent on the general performance of the economy. Our inability to predict the economic future accurately has been demonstrated often enough. Experience indicates that numerous well-intentioned programs of economic stimulus have been ill-timed and excessive. Currently, we are arguably near a turning point. One of the questions in that respect is whether the pressures of government financing—or the inflationary outlook generally—may dampen the recovery of significant sectors of the economy, such as housing or automobiles. It would be ironic, indeed, if overexuberant planning for tax reduction—designed for stimulus—had adverse effects in terms of inflationary expectations and financial markets, interfering with the natural recuperative powers of the economy.

I have made the point in earlier testimony that I would want to defer any decision about the appropriate scope of the tax reduction at least until after the election, when, among other things, we can have a clearer view of the spending priorities of an administration and a congress for a period of time ahead, a matter that inevitably can only be clarified after November. I realize you do not have the luxury of foregoing a budgetary resolution. What seems to me important is that the resolution sustain spending restraint. Conceivably, sufficient restraint could be achieved to make it prudent to provide room for limited tax measures aimed at the priority need to stimulate business investment, reduce costs, and enhance productivity growth. However, I am doubtful at best that such restraint could be carried to the point of justifying general tax reduction programs at this time, pending reassessment of the budgetary and business situation around the turn of the year.

As crucial as monetary and fiscal policies are, many other elements of public and private policy are directly relevant to the prospects for moving toward lower levels of inflation as the economy recovers. With productivity actually declining recently and with higher energy prices, the hard fact is that the real income of the average worker will decline. The fact cannot be changed by pushing up nominal wages and prices; the result is more inflation—not more real income. The gains and losses may be reshuffled, but the real performance of the economy will probably be adversely affected in the process. In the context of any given set of monetary and fiscal policies, the end result will be fewer jobs, not more.

Of course, it is much easier to analyze the problem than to find practical means of slowing the wage-price treadmill rapidly and effectively when fears of inflation are so deeply embedded. I believe it is clear from what I have already said that the answer cannot simply lie in passively accepting whatever increase in the money supply would be necessary to accommodate the inflationary process. To the contrary, I hope and expect that firm financial discipline—monetary and fiscal—can be one factor encouraging moderation in business and labor behavior. The possibility of relating tax reduction to wage restraint has occasionally been raised, but it seems to me to have received less attention than the question may deserve. I have not been convinced that a formal, detailed program for linking income restraint to tax reduction, as some have proposed, is practical. Nevertheless, before sizable reductions in personal taxes are considered by the Senate and the House, I believe an opportunity presents itself to explore carefully, with business and labor, the need for a commitment to restraint in wages and pricing during this crucial period in the interests both of the economy as a whole and of business and labor's own economic wellbeing.

I have spoken many times of the need to develop concerted policies in other areas to help us to achieve and reconcile our economic goals. We need to reduce our dependence on foreign oil—a matter not unrelated to tax policy. We need to attack those elements in the burgeoning regulatory structure that impede competition or add unnecessarily to costs. And, I believe, it would be a serious mistake to seek relief from our problems by a retreat to protectionism, which would risk weakening the forces of competition, would reduce the pressures on American industry to innovate, and would undermine the attack on inflation.

We are now at the critical point in our efforts to reduce inflation while returning the economy to a path of healthy and sustainable growth in the 1980s. We must not sacrifice that opportunity by neglecting the need to place our immediate actions in the context of a coherent longer-run program. One essential part of that program requires firm discipline over the growth of money and credit. Control over spending and the federal deficit is another. Any tax reduction that can be fitted into that context should be responsive to the fundamental needs of our economy to improve productivity and investment, to contain costs, and to improve incentives. □

Announcements

REGULATION D

Revision

The Federal Reserve Board has revised its Regulation D (Reserve Requirements of Depository Institutions) to carry out provisions of the Monetary Control Act of 1980.

The first period for reporting deposits under the new regulation begins October 30, 1980, for all institutions whose requirements have not been deferred. The amount of initial reserves required beginning November 13 under the act's new reserve ratios will be calculated from these reports.

The Board amended Regulation D to conform to the act after consideration of comment on proposed new reserve requirement rules published in June.

The Monetary Control Act, which became law March 31, is designed to improve the effectiveness of monetary policy by applying new uniform reserve requirements, set by the Federal Reserve, to member and nonmember commercial banks, savings banks, savings and loan associations, and credit unions that offer transaction accounts or nonpersonal time deposits.

By the terms of the act, the reserve requirement on the first $25 million of an institution's transaction accounts will be 3 percent. The initial requirement on remaining transaction accounts will be 12 percent. The reserve requirement on nonpersonal time deposits with original maturities of less than four years will be 3 percent. Nonpersonal time deposits with original maturities of four years or more will be 0 percent. Eurocurrency liabilities will have reserve requirements of 3 percent. The new requirements are, by law, to be phased in gradually in order to provide an orderly transition. The new regulation includes phase-in schedules, with requirements varying according to the status of the institution and other factors.

Reporting requirements, and further details, are set forth in the Board's official notice of these actions, which is available upon request from the Federal Reserve Board and from the Federal Reserve Banks. The Reserve Banks will send the notice to all affected depository institutions.

For major provisions of the new regulation, see "Legal Developments."

Amendment

The Federal Reserve Board has announced rules for nonmember depository institutions to follow if they pass required reserve balances through another institution to the Federal Reserve, and rules for these intermediaries to follow in handling the reserve balances of others. The new rules, which are effective November 13, 1980, amend the Board's Regulation D (Reserve Requirements of Depository Institutions).

Under the Monetary Control Act of 1980, depository institutions are required to satisfy reserve requirements fixed by the Federal Reserve on their transaction accounts and nonpersonal time deposits. These reserves may be held in vault cash, or if vault cash is not large enough to satisfy reserve requirements, balances must be held with Federal Reserve Banks.

Depository institutions that are members of the Federal Reserve System will continue to hold their reserves directly with the Federal Reserve Bank in their Federal Reserve District. Nonmembers may hold their reserves directly with the Federal Reserve, or indirectly by passing the reserves through another institution (passthrough correspondent).

Some highlights of the Board's passthrough rules are as follows:

1. Correspondent institutions that may receive and pass through the reserve balances of nonmember depositories are the Federal Home Loan Bank, the Central Liquidity Facility of the National Credit Union Administration, or a depository institution (member or nonmember) that

holds a required reserve balance directly at a Reserve Bank. The Board reserves the right to permit other institutions, on a case-by-case basis, to be passthrough correspondents. U.S. branches and agencies of foreign banks and Edge and Agreement corporations may pass their required reserves through other institutions or may themselves act as passthrough correspondents.

2. A respondent will be able to choose one passthrough correspondent, and that correspondent must pass the reserve balances through directly to the Federal Reserve. Such arrangements may be initiated, terminated, or changed upon notification satisfactory to the Reserve Bank involved.

3. In passthrough arrangements, the correspondent has the responsibility to assure the maintenance of the correct level of its respondent's reserve balances. The passthrough rules approved by the Board clarify the precise responsibilities of the parties to a passthrough arrangement. Reserve Banks will compare only the aggregate required reserve balance with the total actual balance held in each reserve account maintained by the correspondent for determination of reserve deficiencies, penalty liability, and other reserve maintenance purposes.

4. The correspondent institution passing balances through will maintain the reserve balances it receives, dollar for dollar, with the Federal Reserve Bank in whose territory (the service area of a Federal Reserve office) the main office of the respondent is located.

5. Under the rules adopted by the Board, a correspondent may choose one of the two following options with respect to handling its own required reserves and those of its respondents in the same Federal Reserve territory:

The correspondent may maintain its own required reserve balances, as well as those of its respondents whose head office is located in the same territory as the correspondent's head office, in a single, commingled reserve account at the Federal Reserve Bank or Branch serving the territory; or the correspondent may maintain its own reserve balance in the Federal Reserve Bank or Branch serving its territory and, in addition, maintain a separate commingled reserve account for its respondents located in the same Federal Reserve territory.

6. A depository institution maintaining a reserve balance on a passthrough basis is eligible for Federal Reserve System services provided separately from its local Federal Reserve office (but when reserve balances of nonmember institutions are zero or small, it may be necessary for the institution also to maintain an adequate clearing balance).

Regulation A: Revision

The Federal Reserve Board has announced adoption of major revisions of its rules governing the use of its discount window for extensions of credit by the Federal Reserve to depository institutions, effective September 1, 1980.

The revision of the Board's Regulation A (Extensions of Credit by Federal Reserve Banks) was made to carry out the provisions of the Monetary Control Act of 1980. The Board acted after consideration of comment received on revision of the regulation proposed in June.

The Monetary Control Act provides that any depository institution offering transaction accounts or nonpersonal time deposits that are subject to reserve requirements shall have access to the Federal Reserve's discount and borrowing facilities on the same basis as member banks.

Regulation A, as revised to implement the act, provides that Federal Reserve credit will be offered under two major programs: adjustment credit and extended credit. Adjustment credit accounts for most Federal Reserve lending. It is made on a very short-term basis to help depository institutions adjust to sudden changes in their need for funds. Extended credit is designed to help institutions cope with such needs over somewhat longer periods. It includes seasonal credit to accommodate the needs of smaller institutions and other extended credit for institutions facing particular problems. Problems of the latter type may arise from the particular circumstances of a given institution or from general difficulties affecting a broader range of institutions.

In adopting revised Regulation A, the Board modified its June proposal slightly with respect to nonmember institutions that have access to special industry lenders such as the Federal Home Loan Banks, credit union centrals, and the Central Liquidity Facility of the National Credit Union Administration.

The amendment as adopted provides for temporary adjustment credit to such institutions when they are unable to gain timely access to their special lender and for consultation and coordination with the special industry lender, as follows:

> Nonmember depository institutions . . . like member banks generally are expected to rely on other reasonably available sources of funds before turning to the discount window for assistance. . . . In instances where depository institutions require funds on short notice to cover immediate cash or reserve needs and are unable to gain timely access to their special industry lenders, the Federal Reserve is prepared to advance funds through its discount window. On these occasions the Federal Reserve will consult and coordinate with the special industry lender as soon as possible. Any such advances . . . will be expected to be repaid when access to the usual sources of funds is secured, usually the next business day.

The Board also set forth the conditions under which the Federal Reserve will assist nonmember institutions needing help over longer periods—including periods of deposit disintermediation. In these instances the Federal Reserve will consult with the institution's supervisor to determine, among other things, why funds are not available from sources other than the Federal Reserve.

The Board, as it had proposed, made the possible use of a discount rate surcharge a permanent addition to the System's discount lending rules that are applicable, according to circumstances, to both adjustment and extended credit.

Revision of Discount Lending Rules

The Federal Reserve Board on August 22, 1980, revised its rules for the use of "ineligible paper" as collateral at the discount window, in accordance with the Monetary Control Act of 1980.

Ineligible paper is collateral not included among collateral eligible for purposes of a discount loan under Section 13 of the Federal Reserve Act.

Section 10(b) of the Federal Reserve Act authorizes the Reserve Banks to make loans on the basis of such collateral, but has required that the interest rate charged be $^1/_2$ of a percentage point higher than the basic discount rate.

The Monetary Control Act authorized the Federal Reserve to eliminate this penalty rate on such loans, and the Board, which has requested this authority for many years, revised its discount lending rules accordingly. Pursuant to the act, adjustment and seasonal credit loans so collateralized will be made, effective September 2, at the basic discount rate, currently 10 percent.

Regulation Z: Deferral of Effective Date for APRs

The Federal Reserve Board has deferred the date on which new methods of calculating and disclosing the annual percentage rate on consumer loans under Regulation Z (Truth in Lending) become mandatory.

The Board acted to avoid an increased regulatory burden that would otherwise be brought about by differing mandatory effective dates for amendments to Regulation Z adopted by the Board in January, and regulatory revisions resulting from the Truth in Lending Simplification and Reform Act enacted since then.

The annual percentage rate (APR) amendments to Regulation Z adopted by the Board in January provide greater flexibility and protection to creditors in calculating and disclosing the APR. These would have become mandatory October 1, 1980.

The Truth in Lending Simplification and Reform Act, and the new Regulation Z proposed by the Board to conform to the act, contain APR calculation and disclosure rules very similar to those adopted by the Board in January. These will become effective April 1, 1981, and will become mandatory April 1, 1982.

To avoid requiring creditors to conform their practices to two sets of regulations in a short time, the Board deferred the mandatory date of the January revisions of APR calculation and disclosure to April 1, 1982.

The deferral has the effect of preserving the status quo. It is expected that the action will have no adverse impact on consumers. Creditors may begin to comply with the APR changes when the new act and the new regulation under the act take effect April 1, 1981, or earlier, but creditors are not required to do so until a year later. This provides time for retraining personnel and for other changes that creditors must make to conform to the new requirement. The Board's action does not affect creditors that have already made APR changes in conformity to the amendments adopted by the Board in January.

PROPOSED ACTIONS

The Federal Reserve Board has proposed for comment two interpretations of its Regulation B (Equal Credit Opportunity) concerning consideration of income and disclosure of reasons for adverse action. The Board asked for comment by October 20, 1980.

The Federal Reserve Board on August 28, 1980, made public a proposed schedule of fees for its services to financial institutions, and the principles underlying the proposed system of charges. The Board also proposed (1) procedures for a depository institution to follow if it maintains low or zero required reserve balances with the Federal Reserve and it wishes to obtain services directly from the Federal Reserve; and (2) a series of steps designed to reduce Federal Reserve float and a preliminary plan to price remaining float beginning in mid-1982. The Board asked for comment by October 31, 1980.

"EFT AT YOUR SERVICE"

The Federal Reserve Board has announced the release of "EFT at your Service," an educational film produced by the Federal Reserve Bank of Philadelphia. The film shows how electronic fund transfers (EFTs) are changing the way many Americans conduct their financial affairs. EFT offers an alternative to cash and checks for many financial transactions.

As directed by the Congress, the Federal Reserve has issued regulations to carry out provisions of the Electronic Fund Transfer Act of 1978 protecting consumers in the use of EFT services.

The regulations establish procedures for correcting errors and specify limits of liabilities for lost or stolen EFT cards.

The 14-minute, 16mm color film is available on a free-loan basis from Association Films, 866 Third Avenue, New York, N.Y. 10022. It also may be obtained from the Board of Governors or the 12 District Federal Reserve Banks.

TOURS OF BOARD BUILDING

The Federal Reserve Board has announced expanded hours for its tour program. The Board Building is now open daily from 9:30 a.m. to 3:30 p.m. Visitors may explore the public areas of the building, including its rotating art exhibit, and see a slide show on the work of the central bank.

ANNUAL REVISION OF DATA SERIES

Index of industrial production

With the publication of the August 1980 production index in mid-September, the results of the 1979 data revision were also released. This annual revision incorporates 1979 data that became available after the four-month period in which monthly estimates are currently adjusted as well as data revised by the source for 1979. The seasonal factors were also reviewed and changed, but only slight adjustments were necessary.

Capacity utilization rates

The capacity utilization rates have been revised beginning with January 1979 as a result of the annual revision of the production index. Minor adjustments were also made to some capacity indexes.

Both the industrial production and capacity utilization releases may be obtained from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SYSTEM MEMBERSHIP: ADMISSION OF STATE BANKS

The following banks were admitted to membership in the Federal Reserve System during the period August 11 through September 10, 1980:

Oregon
Cave Junction ....Home Valley Bank
Virginia
Chesterfield .....Peoples Bank of Chesterfield

Record of Policy Actions of the Federal Open Market Committee

Meeting Held on July 9, 1980

1. Domestic Policy Directive

The information reviewed at this meeting indicated that real output of goods and services had declined markedly in the second quarter after having expanded at an annual rate of 1.2 percent in the first quarter. Average prices, as measured by the fixed-weight price index for gross domestic business product, continued to rise at a rapid pace, but not so rapidly as in the first quarter.

The dollar value of total retail sales declined substantially in May for the fourth consecutive month; in real terms such sales had fallen 10 percent below their peak in January, the sharpest four-month drop on record. Unit sales of new automobiles slowed considerably further in May and remained weak in June.

The index of industrial production fell 2.1 percent in May, following a similar reduction in April. The decline was broadly based, reflecting reductions in output for all major product groupings. The rate of capacity utilization in manufacturing fell 2 percentage points further to 79 percent, 8 percentage points below its recent high in March 1979.

Nonfarm payroll employment declined in May and fell sharply further in June. Employment decreases were concentrated in manufacturing and construction in both months, and in June the service-producing sector registered its first decline since the previous recession. The unemployment rate, however, edged down from 7.8 to 7.7 percent in June, following large increases in the preceding two months.

The Department of Commerce survey of business spending plans taken in late April and May indicated that expenditures for plant and equipment would be about 10 percent higher in 1980 than in 1979. The survey also suggested, however, little real growth in such expenditures over the year after allowance for expected increases in prices.

Private housing starts fell considerably further in May to an annual rate of 920,000 units, one of the lowest monthly rates in the postwar period, while residential building permits edged up. There were some indications of improvement in new-home sales in May.

The rise in producer prices of finished goods and of materials moderated substantially in the second quarter following exceptionally rapid advances in other recent quarters. The rate of increase in consumer prices slowed appreciably in April and May from the accelerated pace in the first quarter. The recent moderation in both producer and consumer prices was due largely to a lessening of the rapid rise in prices of energy-related items. The index of average hourly earnings of private nonfarm production workers rose at an annual rate of about 9½ percent over the first half of 1980, compared with an increase of 8½ percent during 1979.

In foreign exchange markets the downward pressure on the dollar that had developed in early April abated in mid-June but reemerged in early July. The renewed pressure apparently reflected concern about the possibility of further declines in U.S. interest rates. The trade-weighted value of the dollar against major foreign currencies, which had fallen about 3 1/2 percent since the Committee's meeting on May 20 and about 11 percent since early April, was close to its level in early 1980.

The U.S. foreign trade deficit for April and May was well below the average for the first quarter, reflecting a reduction in both oil and non-oil imports. Nonagricultural exports increased slightly after exhibiting considerable strength in 1979 and in the first quarter of 1980.

At its meeting on May 20, the Committee had agreed that open market operations in the period until this meeting should be directed toward expansion of reserve aggregates consistent with growth of M-1A, M-1B, and M-2 at rates high enough to promote achievement of the Committee's objectives for growth over the year, provided that in the intermeeting period the weekly average federal funds rate remained within a range of 8 1/2 to 14 percent. Specifically, the Committee had agreed that operations should be directed toward encouraging growth of M-1A, M-1B, and M-2 over May and June at annual rates of 7 to 7 1/2 percent, 7 1/2 to 8 percent, and about 8 percent respectively. The Committee also had agreed that, in light of the earlier shortfall, moderately faster growth would be acceptable if that developed in response to a strengthening of the demand for money.

In pursuit of the Committee's objective of encouraging growth in the monetary aggregates, System open market operations were directed during the intermeeting period at fostering an ample availability of nonborrowed reserves, and conditions in the money market eased further. The federal funds rate declined from an average of about 10 7/8 percent in the statement week ending May 14 to around 9 3/8 percent in the statement week ending July 2. In recognition of the easier conditions in money markets, reductions in Federal Reserve discount rates from 13 percent to 11 percent in two equal steps were announced on May 28 and June 12.

Growth in M-1A and M-1B accelerated in June to annual rates of 13 3/4 percent and 16 3/4 percent respectively, following little change in May and sharp contraction in April. Growth in M-2 also accelerated in June to an annual rate of about 17 1/4 percent, up from a rate of 8 3/4 percent in May and a small decline in April; the faster growth in M-2 partly reflected rapid expansion in money market mutual funds. From the fourth quarter of 1979 to the second quarter of 1980, M-1A and M-1B grew at annual rates of about 1/2 and 1 3/4 percent respectively, considerably below the growth paths consistent with the Committee's ranges for the year ending in the fourth quarter of 1980; M-2 and M-3 grew at rates just above the lower bounds of their ranges.

Following rapid expansion in the first quarter, total credit outstanding at U.S. commercial banks contracted in June for the third consecutive month. The June decline reflected continuing weakness in loans, including business loans. However, short-term business borrowing was sustained by rapid growth in net issuance of commercial paper by nonfinancial corporations following a surge of such issuance to a record rate in May. Over the first half of 1980, total commercial bank credit grew at an annual rate of about 4 1/2 percent, somewhat below the lower bound of the Committee's range for the year.

Market interest rates declined considerably further in late May and the first half of June but since then most rates have retraced part of the decline. On balance, private short-term rates declined 100 to 125 basis points over the intermeeting period while most long-term rates fell 10 to 50 basis points; municipal bond yields, however, rose somewhat. Over the interval, commercial banks reduced their loan rate to prime business borrowers from 16 1/2 percent to 11 1/2 percent. In primary markets for home mortgages, average rates on new commitments at savings and loan associations declined to about $12^1/_8$ percent.

On May 22 the Board of Governors announced a partial phaseout of the special measures of credit restraint that had been put in place, or reinforced, on March 14. Subsequently, on July 3, the Board announced plans to complete the phaseout of the special credit restraint program. The Board noted that recent banking and other data clearly indicated that credit expansion was running at a moderate pace, and accordingly the special conditions necessitating the extraordinary credit restraint measures were no longer present.

According to staff estimates presented at this meeting, the decline in real GNP during the second quarter was larger than had been anticipated at the time of the meeting in May. The staff's projections suggested that real GNP would continue to decline in the remaining quarters of 1980, although at a progressively less rapid pace, and that the unemployment rate would increase substantially further. A modest recovery in real GNP appeared likely to begin around the turn of the year. The rise in prices, as measured by the fixed-weight index for gross domestic business product, was expected to remain rapid, but somewhat less rapid during 1981 than 1980.

Although members of the Committee differed somewhat in their appraisals of the depth of the overall decline and of the pace of the recovery, they generally agreed that the contraction in real GNP would continue well into the second half of 1980 and that a recovery in 1981 was likely to be modest compared with most earlier periods of recovery. All members believed that the rise in prices would remain rapid in 1981, although a few anticipated a somewhat more significant slowing than the staff projected; one or two members expected little if any improvement. However, it was suggested that uncertainty about the forecasts was especially great, partly because of the difficulty of evaluating the impact that persistent inflation might have on expectations and thus on various categories of expenditures.

At its meeting on February 4-5, 1980, the Committee had agreed that from the fourth quarter of 1979 to the fourth quarter of 1980 average rates of growth in the monetary aggregates within the following ranges appeared to be consistent with broad economic aims: M-1A, $3^1/_2$ to 6 percent; M-1B, 4 to $6^1/_2$ percent; M-2, 6 to 9 percent; and M-3, $6^1/_2$ to $9^1/_2$ percent. The associated range for the rate of growth in commercial bank credit was 6 to 9 percent. In establishing the ranges then, the Committee had agreed that monetary growth should slow further in 1980, following some deceleration in 1979, in line with the continuing objective of curbing inflation and providing the basis for restoration of economic stability and sustainable growth in output.

At this meeting, in accordance with the Full Employment and Balanced Growth Act of 1978 (the Humphrey-Hawkins Act), the Committee reviewed the ranges for growth of the monetary and credit aggregates for the period from the fourth quarter of 1979 to the fourth quarter of 1980 that it had established at its meeting in February and gave preliminary consideration to objectives for monetary growth that might be appropriate for 1981.[1] In doing so, the Committee continued to face unusual uncertainties concerning the forces affecting monetary growth. As noted earlier, expansion of both M-1A and M-1B from the fourth quarter of 1979 to the second quarter of 1980 fell considerably below the growth paths consistent with the Committee's ranges for the year. However, growth of M-2 and M-3 was considerably stronger: over the

[1] The Board's midyear report under the act was transmitted to the Congress on July 21, 1980.

two quarters both of these aggregates grew at rates just above the lower bounds of their ranges. By midyear, growth of M-2 was near the midpoint of its range, and it appeared to be moving higher.

The weakness in the narrower measures of money that developed in the second quarter was unusual. It raised the question of whether the demand for money in relation to income and interest rates had shifted downward once again, perhaps as a response to the unusually high level of interest rates of the preceding quarter. It was also possible that part of the second-quarter decline in money balances was a temporary phenomenon associated with the substantial repayments of short-term debt that followed the special measures of credit restraint announced on March 14. In the latter case, the public would probably make some effort to rebuild balances in the second half of the year, which would strengthen the demand for both M-1A and M-1B. In any event, in view of recent evidence of a preference for interest-bearing transactions accounts over demand deposits that was greater than anticipated, it appeared likely that M-1B would grow somewhat faster relative to M-1A than had been projected earlier in the year.

The stronger performance of the broader aggregates over the first half of the year in relation to their ranges for the year reflected rapid growth in instruments yielding market rates of interest, including shares in money market mutual funds. As short-term market interest rates declined sharply toward the end of the period, contraction in savings deposits in banks and other depository institutions slowed and then gave way to a rise. For part of the period, growth of M-3 was also promoted by issuance of large-denomination time deposits by commercial banks and thrift institutions, but the outstanding volume of such deposits began to contract in late spring as credit demands weakened.

For 1981, the prospective relationships among the various monetary aggregates were subject to even greater uncertainty because of, among other things, certain institutional changes expected to result from the Monetary Control Act of 1980. In particular, relationships among the aggregates will be affected by introduction of NOW accounts on a nationwide basis as of December 31, 1980, as authorized by that act. During 1981, shifts of funds from demand deposits to NOW accounts are likely to be substantial, and will retard the growth of M-1A. At the same time, transfers from savings deposits and other interest-bearing assets to NOW accounts will enhance the growth of M-1B. To the extent that funds are shifted into NOW accounts from other deposit components of M-2 and M-3, growth of these aggregates will be unaffected. The behavior of these aggregates, however, will also be influenced by the further development of money market mutual funds, which are included in M-2. The possibility that the apparent downward shift in the demand for narrow money will persist into next year was an additional element of uncertainty.

In the Committee's discussion, all but one member favored retention of the ranges for 1980 that had been adopted at the meeting in February. The likely shift in relative growth of M-1A and M-1B was not considered large enough to justify "fine-tuning" the growth ranges at the expense of causing public confusion about the meaning of the adjustments. One member advocated a reduction in the ranges for both M-1A and M-1B.

In reaffirming the existing ranges for 1980, Committee members in general recognized that growth of the narrow aggregates over the year as a whole might reasonably fall below the midpoints of their ranges and possibly near the lower bounds. On the other hand, the recent behavior of the interest-bearing nontransactions components of M-2 and M-3, along with a possible pickup in demands for transactions balances, suggested that growth of the broader aggregates over the year as a whole might rise to about the midpoint's of their ranges or, in the case of M-2, well into the upper part of the range. Committee members also recognized that the sharp contraction in commercial bank credit during the second quarter raised the possibility that growth over the year would fall short of its range, even if the anticipated resumption of expansion in bank credit occurred. It was noted, however, that a substantial portion of business credit needs was being met through other sources of funds, particularly the issuance of commercial paper and the flotation of corporate bonds.

Thus the Committee decided to retain the ranges for 1980 that it had established in February: for the period from the fourth quarter of 1979 to the fourth quarter of 1980, $3^1/_2$ to 6 percent for M-1A, 4 to $6^1/_2$ percent for M-1B, 6 to 9 percent for M-2, and $6^1/_2$ to $9^1/_2$ percent for M-3. The associated range for commercial bank credit remained 6 to 9 percent. As in the past, it was understood that the longer-run ranges, as well as the particular aggregates for which ranges were specified, would be reconsidered at any time that conditions might warrant, and that short-run factors might cause considerable variation in annual rates of growth from one month to the next and from one quarter to the next.

With respect to objectives for monetary growth in 1981, most Committee members expressed strong reservations about attempting to be numerically precise at this time, owing to the unusual uncertainties about the relationships among the monetary aggregates and about their relationship to economic activity; they felt that a more general statement, consistent with the letter and intent of the law as they understood it, would be more meaningful and less confusing. The members generally wished to reaffirm the Committee's long-standing objective of moving gradually toward rates of monetary expansion consistent with general price stability. Some members emphasized a possible inconsistency between reduced monetary growth and satisfactory recovery in activity should strong price pressures persist, as assumed in the administration's forecast. A few were unwilling to assume, pending further appraisal of price and other developments in coming months, that progress could be made in 1981 toward the longer-term goal of reduced monetary growth. However, most members believed that the Committee should indicate firmly its intent to make more progress in 1981 toward its objective of reduction in monetary growth over time. One view was that the reduction in monetary growth should be stated only with respect to the narrowly defined monetary aggregates, even if it were not feasible to do so in specific quantitative terms. Another was that the objective should be stated only in terms of a small reduction in the ranges for the broader aggregates, in light of the distorted behavior of M-1A and M-1B anticipated because of the prospective growth of NOW accounts on a nationwide basis.

At the conclusion of the discussion, there was rather general agreement among members of the Committee that it would be appropriate to plan for some further progress in 1981 toward reduction in the targeted ranges, but that it would be premature at this time to set forth precise ranges for each monetary aggregate for next year, especially given the uncertainty generated by the institutional changes affecting the relationships among the aggregates. Moreover, the appropriate monetary growth in 1981 relative to 1980 would depend to some extent on actual growth this year—that is, on exactly where in the present ranges the various aggregates fall at year-end.

The Committee adopted the following ranges for rates of growth in monetary aggregates for the period from the fourth quarter of 1979 to the fourth quarter of

1980: M-1A, $3^1/_2$ to 6 percent; M-1B, 4 to $6^1/_2$ percent; M-2, 6 to 9 percent; and M-3, $6^1/_2$ to $9^1/_2$ percent. The associated range for bank credit is 6 to 9 percent.

Votes for this action: Messrs. Volcker, Gramley, Morris, Partee, Rice, Roos, Schultz, Solomon, Mrs. Teeters, Messrs. Winn, and Balles. Vote against this action: Mr. Wallich. (Mr. Balles voted as alternate for Mr. Guffey.)

Mr. Wallich dissented from this action because he believed that the ranges for growth of M-1A and M-1B over the year ending in the fourth quarter of 1980 should be reduced by $^1/_2$ percentage point. In his opinion, efforts to bring these aggregates up into the ranges adopted in February implied excessively rapid monetary growth over the months ahead.

In the Committee's discussion of policy for the short run, the members agreed that operations in the period before the next meeting should be directed toward expansion of monetary aggregates over the third quarter at rates that would promote achievement of its monetary objectives for the year. In doing so, the members recognized that a number of months might be required in the process and that, in any case, growth of the narrower aggregates over the year as a whole might well fall near the lower bounds of their ranges.

Specifically, the Committee agreed that open market operations in the period until the next meeting should be directed toward expansion of reserve aggregates consistent with growth of M-1A, M-1B, and M-2 over the third quarter of 1980 at annual rates of about 7 percent, 8 percent, and 8 percent respectively, provided that in the period before the next regular meeting the weekly average federal funds rate remained within a range of $8^1/_2$ to 14 percent. The Committee also agreed that in light of the shortfall in monetary growth over the first half of the year, moderately faster growth would be acceptable if it developed in response to a strengthening in the public's demand for money balances as narrowly defined. In assessing the behavior of M-1A and M-1B, it was also understood that the rate of growth in M-2 would be taken into account. If it appeared during the period before the next regular meeting that the constraint on the federal funds rate was inconsistent with the objective for the expansion of reserves, the Manager for Domestic Operations was promptly to notify the Chairman who would then decide whether the situation called for supplementary instructions from the Committee.

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

The information reviewed at this meeting indicates a marked contraction in real GNP in the second quarter. In May total retail sales declined substantially for the fourth consecutive month, and housing starts, industrial production, and nonfarm payroll employment continued to decline. Employment fell sharply further in June; however, the unemployment rate edged down from 7.8 to 7.7 percent, following large increases in April and May. The overall rise in prices of goods and services has moderated in recent months, in large part owing to a lessening of the rapid rise in energy items. Over the first six months of the year, the rise in the index of average hourly earnings was moderately faster than the pace recorded in 1979.

The downward pressure on the dollar in exchange markets that emerged in early April abated in mid-June, and then was resumed in early July. The average U.S. foreign trade deficit for April and May was well below the average for the first quarter, reflecting reduced oil and non-oil imports.

Monetary expansion was rapid in June, following weakness earlier in the spring. Over the first half of the year growth of M-1A and M-1B fell short of the rates consistent with the Committee's ranges for the year from the fourth quarter of 1979 to the fourth quarter of 1980; the rate of growth for M-2 was just above the lower bound of its range. Outstanding bank loans to business declined substantially during the second quarter following a large increase in the first quarter. Market interest rates declined considerably further in late May and the first half of June, but since then most rates have retraced part of the decline. Reductions in Federal Reserve discount rates from 13 to 11 percent in equal steps were announced on May 28 and June 12.

Taking account of past and prospective economic developments, the Federal Open Market Committee seeks to foster monetary and financial conditions that will resist inflationary pressures while encouraging moderate economic expansion and contributing to a sustainable pattern of international transactions. The Committee agrees that these objectives would be furthered by growth of M-1A, M-1B, M-2, and M-3 from the fourth quarter of 1979 to the fourth quarter of 1980 within ranges of $3^1/_2$ to 6 percent, 4 to $6^1/_2$ percent, 6 to 9 percent, and $6^1/_2$ to $9^1/_2$ percent respectively. The associated range for bank credit is 6 to 9 percent.

In the short run, the Committee seeks expansion of reserve aggregates consistent with growth of M-1A, M-1B, and M-2 over the third quarter of 1980 at annual rates of about 7 percent, 8 percent, and 8 percent respectively, provided that in the period before the next regular meeting the weekly average federal funds rate remains within a range of $8^1/_2$ to 14 percent.

If it appears during the period before the next meeting that the constraint on the federal funds rate is inconsistent with the objective for the expansion of reserves, the Manager for Domestic Operations is promptly to notify the Chairman who will then decide whether the situation calls for supplementary instructions from the Committee.

Votes for this action: Messrs. Volcker, Gramley, Morris, Partee, Rice, Roos, Schultz, Solomon, Mrs. Teeters, Messrs. Wallich, Winn, and Balles. Votes against this action: None. (Mr. Balles voted as alternate for Mr. Guffey.)

Subsequent to the meeting, Chairman Volcker advised the Committee that its attempt to cut through the institutional uncertainty affecting the behavior of and relationships among the various monetary aggregates and to describe the broad substance of its intent with respect to monetary growth ranges for 1981 apparently had led to some misunderstanding at the monetary oversight hearings before the Senate and House banking committees on July 22–23. In an attempt to clear up that misunderstanding, the Chairman recommended that the Committee indicate its general intent of looking toward a reduction in ranges of growth for M-1A, M-1B, and M-2 for 1981 on the order of $^1/_2$ percentage point, abstracting from the institutional influences affecting the behavior of the aggregates. The Committee voted to approve the Chairman's recommendation. It was understood that all of the ranges would be reassessed in February 1981, or before, in accordance with usual procedures.

On July 29, 1980, the Committee agreed that for the period from the fourth quarter of 1980 to the fourth quarter of 1981, it looked toward a reduction in the ranges for growth of M-1A, M-1B, and M-2 on the order of $^1/_2$ percentage point from the ranges adopted for 1980, abstracting from institutional influences affecting the behavior of the aggregates.

Votes for this action: Messrs. Volcker, Gramley, Guffey, Partee, Rice, Roos, Schultz, Solomon, Wallich, Winn, and Eastburn. Vote against this action: Mrs. Teeters. (Mr. Eastburn voted as alternate for Mr. Morris.)

Mrs. Teeters dissented from this action because she believed that it was undesirable to specify precise numerical ranges for monetary growth in 1981 so far in advance while economic activity was still contracting. In her opinion, monetary goals for 1981 specified at this time could prove to be inconsistent with other, as yet undetermined, economic policies and with the objective of reducing inflation while encouraging a sustainable recovery in economic activity. She was especially concerned about a possible inconsistency in view of the unusually great uncertainties generated by the introduction of NOW accounts nationally and by shifts in the relationship among money, interest rates, and nominal GNP.

2. Authorization for Domestic Open Market Operations

At this meeting the Committee voted to increase from \$3 billion to \$4 billion the limit on changes between

Committee meetings in System Account holdings of U.S. government and federal agency securities specified in paragraph 1(a) of the authorization for domestic open market operations, effective immediately, for the period ending with the close of business on August 12, 1980.

Votes for this action: Messrs. Volcker, Gramley, Morris, Partee, Rice, Roos, Schultz, Solomon, Mrs. Teeters, Messrs. Wallich, Winn, and Balles. Votes against this action: None. (Mr. Balles voted as alternate for Mr. Guffey).

This action was taken in light of projections indicating a need for substantial reserve-absorbing operations over the coming intermeeting interval to counter the effects of significant reductions in required reserves associated with the phaseout of the special credit restraint program.

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Records of policy actions taken by the Federal Open Market Committee at each meeting, in the form in which they will appear in the Board's *Annual Report*, are made available a few days after the next regularly scheduled meeting and are later published in the BULLETIN.

Legal Developments

REVISION OF REGULATION A

The Board of Governors has revised its rules relating to the provision of Federal Reserve credit presently contained in Regulation A—Extensions of Credit by Federal Reserve Banks. The revisions implement a provision of The Monetary Control Act of 1980 which provides that a depository institution that maintains transaction accounts or nonpersonal time deposits is entitled to the same discount and borrowing privileges as banks that are members of the Federal Reserve System.

Effective September 1, 1980, Regulation A is revised as follows:

Part 201—Extensions of Credit by Federal Reserve Banks

Section 201.1—Authority, Scope and Purpose

(a) *Authority and Scope.* This Part is issued under the authority of sections 10(a), 10(b), 13, 13a, and 19 of the Federal Reserve Act (12 U.S.C. §§ 347a, 347b, 343 et seq., 347c, 348 et seq., 374, 374a and 461), other provisions of the Federal Reserve Act, and section 7(b) of the International Banking Act of 1978 (12 U.S.C. § 347d) and relates to extensions of credit by Reserve Banks to depository institutions and others. Except as may be otherwise provided, this Part shall be applicable to United States branches and agencies of foreign banks subject to reserve requirements under Regulation D (12 CFR Part 204) in the same manner and to the same extent as member banks.

(b) *Purpose.* This Part establishes rules under which Federal Reserve Banks may extend credit to depository institutions and others. Extending credit to depository institutions to accommodate commerce, industry, and agriculture is a principal function of Reserve Banks. While open market operations are the primary means of affecting the overall supply of reserves, the lending function of the Reserve Banks is an effective method of supplying reserves to meet the particular credit needs of individual depository institutions.

The lending functions of the Federal Reserve System are conducted with due regard to the basic objectives of monetary policy and the maintenance of a sound and orderly financial system. These basic objectives are promoted by influencing the overall volume and cost of credit through actions that affect the volume and cost of reserves to depository institutions. Borrowing by individual depository institutions, at a rate of interest that is adjusted from time to time in accordance with prevailing economic and money market conditions, has a direct impact on the reserve positions of the borrowing institutions and thus on their ability to meet the credit needs of their customers. However, the effects of such borrowing do not remain localized but have an important bearing on overall monetary and credit conditions.

Section 201.2—Definitions

For purposes of this Part, the following definitions shall apply:

(a)(1) "*Depository institution*" means an institution that maintains reservable transaction accounts or nonpersonal time deposits and is:

(A) an insured bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. § 1813(h)) or a bank that is eligible to apply to become an insured bank under section 5 of such Act (12 U.S.C. § 1815);

(B) a savings bank or mutual savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. § 1813(f), (g));

(C) an insured credit union as defined in section 101 of the Federal Credit Union Act (12 U.S.C. § 1752(7)) or a credit union that is eligible to apply to become an insured credit union under section 201 of such Act (12 U.S.C. § 1781);

(D) a member as defined in section 2 of the Federal Home Loan Bank Act (12 U.S.C. § 1422(4)); or

(E) an insured institution as defined in section 401 of the National Housing Act (12 U.S.C. § 1724(a)) or an institution that is eligible to apply to become an insured institution under section 403 of such Act (12 U.S.C. § 1726).

(2) A financial institution that is not required to maintain reserves under Part 204 of this Title (Regulation D) because it is organized solely to do business with other financial institutions, is owned primarily by the financial institutions with which it does business, and does not do business with the general public is not a depository institution.

(b) *"Transaction account and nonpersonal time deposits"* have the meanings specified in Part 204 of this Title (Regulation D).

Section 201.3—Availability and Terms

(a) *Short-term adjustment credit.* Federal Reserve credit is available on a short-term basis to a depository institution under such rules as may be prescribed to assist the institution, to the extent appropriate, in meeting temporary requirements for funds, or to cushion more persistent outflows of funds pending an orderly adjustment of the institution's assets and liabilities. Such credit generally is available only after reasonable alternative sources of funds, including credit from special industry lenders, such as Federal Home Loan Banks, the National Credit Union Administration's Central Liquidity Facility, and corporate central credit unions have been fully used. Under certain circumstances, a surcharge may be imposed above the basic rate of interest normally charged by Reserve Banks.

(b) *Extended credit.*

(1) *Seasonal credit.* Federal Reserve credit is available for periods longer than those permitted under adjustment credit to assist smaller depository institutions in meeting regular needs for funds arising from a combination of expected patterns of movement in their deposits and loans. Seasonal credit is available only if similar assistance is not available from other special industry lenders. Seasonal credit will ordinarily be limited to the amount by which the depository institution's seasonal needs exceed certain percentages, established by the Board of Governors, of the institution's average total deposits in the preceding calendar year. Such credit will be available if the Reserve Bank is satisfied that the institution's qualifying need for funds is seasonal and will persist for at least four weeks. Need for credit at depository institutions will also be given consideration when institutions are experiencing unusual seasonal demands for credit in a period of liquidity strain. To the extent practicable, a depository institution should arrange in advance for seasonal credit for the full period during which such credit is expected to be required. Under certain circumstances, a surcharge may be imposed above the basic rate of interest normally charged by Reserve Banks.

(2) *Other extended credit.* Federal Reserve credit is available to depository institutions under extended credit arrangements where similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided where there are exceptional circumstances or practices involving only a particular depository institution. Exceptional circumstances would include situations where an individual depository institution is experiencing financial strains arising from particular circumstances or practices affecting that institution—including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance. Extended credit may also be provided to accommodate the needs of depository institutions, including those with longer term asset portfolios, that may be experiencing difficulties adjusting to changing money market conditions over a longer period, particularly at times of deposit disintermediation. A special rate or rates above the basic discount rate established by the Reserve Banks, subject to review and determination by the Board of Governors, may be applied to other extended credit.

(c) *Emergency credit for others.* In unusual and exigent circumstances, a Reserve Bank may, after consultation with the Board, advance credit to individuals, partnerships, and corporations that are not depository institutions if, in the judgment of the Reserve Bank, credit is not available from other sources and failure to obtain such credit would adversely affect the economy. The rate applicable to such credit will be above the highest rate for advances in effect for depository institutions. Where the collateral used to secure such credit consists of assets other than obligations of, or fully guaranteed as to principal and interest by, the United States or an agency thereof, an affirmative vote of five or more Board members is required before credit may be extended.

Section 201.4—Advances and Discounts

(a) Reserve Banks may lend to depository institutions either through advances secured by acceptable collateral or through the discount of certain types of paper. Credit extended by the Federal Reserve generally

takes the form of an advance.
(b) Reserve Banks may make advances to any depository institution if secured to the satisfaction of the Reserve Bank. Satisfactory collateral generally includes United States government and Federal agency securities, and, if of acceptable quality, mortgage notes covering 1-4 family residences, State and local government securities, and business, consumer and other customer notes.
(c) If a Reserve Bank concludes that a depository institution will be better accommodated by the discount of paper than by an advance, it may discount any paper endorsed by the depository institution that meets the requirements specified in the Federal Reserve Act.

Section 201.5—General Requirements

(a) *Credit for capital purposes.* Federal Reserve credit is not a substitute for capital.

(b) *Compliance with law and regulation.* All credit extended under this Part shall comply with applicable requirements of law and of this Part. Each Reserve Bank (1) shall keep itself informed of the general character and amount of the loans and investments of depository institutions with a view to ascertaining whether undue use is being made of credit for the speculative carrying of or trading in securities, real estate, or commodities, or for any other purpose inconsistent with the maintenance of sound credit conditions, and (2) shall consider such information in determining whether to extend credit.

(c) *Information.* A Reserve Bank shall require such information as it believes appropriate or desirable to insure that paper tendered as collateral for advances or for discount is acceptable and that the credit provided is used in a manner consistent with this Part.

(d) *Indirect credit for others.* Except with the permission of the Board of Governors, no depository institution shall act as the medium or agent of another depository institution in receiving Federal Reserve credit.

Section 201.6—Federal Intermediate Credit Banks

A Reserve Bank may discount for any Federal Intermediate Credit bank (1) agricultural paper, or (2) notes payable to and bearing the endorsement of the Federal Intermediate Credit Bank that cover loans or advances made under subsections (a) and (b) of § 2.3 of the Farm Credit Act of 1971 (12 U.S.C. § 2074) and that are secured by paper eligible for discount by Reserve Banks. Any paper so discounted shall have a period remaining to maturity at the time of discount of not more than nine months.

Amendments to Regulation D

The Board of Governors has revised its Regulation D, Reserves of Member Banks, to establish a reserve requirement ratio of 12 per cent on savings accounts subject to negotiable order of withdrawal (NOW accounts) maintained by member banks located outside of New England, New York, and New Jersey. This is a technical revision to Regulation D to implement the Board's revised Regulation D announced on August 15, 1980.

Effective August 28, 1980, section 204.5 of Regulation D is amended as follows:

1. Section 204.5(a)(1)(ii) is revised to read as follows:

Section 204.5—Reserve Requirements

(a) Reserve percentages.***

(ii) 1 per cent of its time deposits outstanding on or issued after October 16, 1975, that have an initial maturity of four years or more; 2 1/2 per cent of its time deposits outstanding on or issued after December 25, 1975, that have an initial maturity of 180 days or more but less than four years; 3 per cent of its time deposits up to $5 million, outstanding on or issued after October 16, 1975, that have an initial maturity of less than 180 days, plus 6 per cent of such deposits in excess of $5 million; for a member bank located outside of the States of Massachusetts, New Hampshire, Connecticut, Maine, New Jersey, New York, Rhode Island, and Vermont, 12 per cent of its savings accounts subject to negotiable orders of withdrawal: *Provided, however,* that in no event shall the reserves required on its aggregate amount of time and savings deposits be less than 3 per cent or more than 10 per cent.

2. Section 204.5(a)(2)(ii) is revised to read as follows:

Section 204.5—Reserve Requirements

(a) Reserve percentages.***

(ii) 1 per cent of its time deposits outstanding on or issued after October 16, 1975, that have an initial maturity of four years or more; 2 1/2 per cent of its time deposits outstanding on or issued after

December 25, 1975, that have an initial maturity of 180 days or more but less than four years; 3 per cent of its time deposits up to $5 million, outstanding on or issued after October 16, 1975, that have an initial maturity of less than 180 days, plus 6 per cent of such deposits in excess of $5 million; for a member bank located outside of the States of Massachusetts, New Hampshire, Connecticut, Maine, New Jersey, New York, Rhode Island, and Vermont, 12 per cent of its savings accounts subject to negotiable orders of withdrawal: *Provided, however,* that in no event shall the reserves required on its aggregate amount of time and savings deposits be less than 3 per cent or more than 10 per cent.

REVISION OF REGULATION D

The Board of Governors has adopted a revised Regulation D—Reserve Requirements of Depository Institutions—to implement the reserve requirement provisions of the Monetary Control Act of 1980. The revised reserve requirement regulation will also apply to Edge Act and Agreement Corporations and United States branches and agencies of foreign banks.

Effective November 13, 1980, Regulation D is revised to read as follows:

Part 204—Reserve Requirements of Depository Institutions

Section 204.1 Authority, Purpose and Scope
204.2 Definitions
204.3 Computation and Maintenance
204.4 Transitional Adjustments
204.5 Emergency Reserve Requirement
204.6 Supplemental Reserve Requirement
204.7 Penalties
204.8 Reserve Ratios

Section 204.1—Authority, Purpose and Scope

(a) *Authority.* This Part is issued under the authority of section 19 (12 U.S.C. §§ 461 et seq.) and other provisions of the Federal Reserve Act and of section 7 of the International Banking Act of 1978 (12 U.S.C. §3105).

(b) *Purpose.* This Part relates to reserves that depository institutions are required to maintain for the purpose of facilitating the implementation of monetary policy by the Federal Reserve System.

(c) *Scope.*

(1) The following depository institutions are required to maintain reserves in accordance with this Part:

(i) Any insured bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. § 1813(h)) or any bank that is eligible to apply to become an insured bank under section 5 of such Act (12 U.S.C. § 1815);

(ii) Any savings bank or mutual savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. § 1813(f), (g));

(iii) Any insured credit union as defined in section 101 of the Federal Credit Union Act (12 U.S.C. § 1752(7)) or any credit union that is eligible to apply to become an insured credit union under section 201 of such Act (12 U.S.C. § 1781);

(iv) Any member as defined in section 2 of the Federal Home Loan Bank Act (12 U.S.C. § 1422(4)); and

(v) Any insured institution as defined in section 401 of the National Housing Act (12 U.S.C. § 1724(a)) or any institution which is eligible to apply to become an insured institution under section 403 of such Act (12 U.S.C. § 1726).

(2) Except as may be otherwise provided by the Board, a foreign bank's branch or agency located in the United States is required to comply with the provisions of this Part in the same manner and to the same extent as if the branch or agency were a member bank, if its parent foreign bank (i) has total worldwide consolidated bank assets in excess of $1 billion; or (ii) is controlled by a foreign company or by a group of foreign companies that own or control foreign banks that in the aggregate have total worldwide consolidated bank assets in excess of $1 billion. In addition, any other foreign bank's branch located in the United States that is eligible to apply to become an insured bank under section 5 of the Federal Deposit Insurance Act (12 U.S.C. § 1815) is required to maintain reserves in accordance with this Part as a nonmember depository institution.

(3) Except as may be otherwise provided by the Board, an Edge Corporation (12 U.S.C. § 611 et seq.) or an Agreement Corporation (12 U.S.C. § 601 et seq.) is required to comply with the provisions of this Part in the same manner and to the same extent as a member bank.

(4) This Part does not apply to any financial institution that (i) is organized solely to do business with other financial institutions; (ii) is owned primarily by the financial institutions with which it does business; and (iii) does not do business with the general public.

(5) The provisions of this Part do not apply to any

deposit that is payable only at an office located outside the United States.

Section 204.2—Definitions

For purposes of this Part, the following definitions apply unless otherwise specified:

(a)(1) "*Deposit*" means:

(i) the unpaid balance of money or its equivalent received or held by a depository institution in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to an account, including interest credited, or which is evidenced by an instrument on which the depository institution is primarily liable;

(ii) money received or held by a depository institution, or the credit given for money or its equivalent received or held by the depository institution in the usual course of business for a special or specific purpose, regardless of the legal relationships established thereby, including escrow funds, funds held as security for securities loaned by the depository institution, funds deposited as advance payment on subscriptions to United States government securities, and funds held to meet its acceptances;

(iii) an outstanding draft, cashier's check, money order, or officer's check drawn on the depository institution and issued in the usual course of business for any purpose, including payment for services, dividends, or purchases;

(iv) any due bill or other liability or undertaking on the part of a depository institution to sell or deliver securities to, or purchase securities for the account of, any customer (including another depository institution), involving either the receipt of funds by the depository institution, regardless of the use of the proceeds, or a debit to an account of the customer before the securities are delivered. A deposit arises thereafter, if after three business days from the date of issuance of the obligation, the depository institution does not deliver the securities purchased or does not fully collateralize its obligation with securities similar to the securities purchased. A security is similar if it is of the same type and if it is of comparable maturity to that purchased by the customer;

(v) any liability of a depository institution's affiliate that is not a depository institution, on any promissory note, acknowledgment of advance, due bill, or similar obligation (written or oral), with a maturity of less than four years, to the extent that the proceeds are used to supply or to maintain the availability of funds (other than capital) to the depository institution, except any such obligation that, had it been issued directly by the depository institution, would not constitute a deposit. If an obligation of an affiliate of a depository institution is regarded as a deposit and is used to purchase assets from the depository institution, the maturity of the deposit is determined by the shorter of the maturity of the obligation issued or the remaining maturity of the assets purchased. If the proceeds from an affiliate's obligation are placed in the depository institution in the form of a reservable deposit, no reserves need be maintained against the obligation of the affiliate since reserves are required to be maintained against the deposit issued by the depository institution. However, the maturity of the deposit issued to the affiliate shall be the shorter of the maturity of the affiliate's obligation or the maturity of the deposit;

(vi) credit balances;

(vii) any liability of a depository institution on any promissory note, acknowledgment of advance, bankers' acceptance, or similar obligation (written or oral), including mortgage-backed bonds, that is issued or undertaken by a depository institution as a means of obtaining funds, except any such obligation that:

(A) is issued or undertaken and held for the account of:

(1) an office located in the United States of another depository institution, foreign bank, Edge or Agreement Corporation, or New York Investment (Article XII) Company;

(2) the United States government or an agency thereof; or

(3) the Export-Import Bank of the United States, Minbanc Capital Corporation, the Government Development Bank for Puerto Rico, a Federal Reserve Bank, a Federal Home Loan Bank, or the National Credit Union Administration Central Liquidity Facility:

(B) arises from a transfer of direct obligations of, or obligations that are fully guaranteed as to principal and interest by, the United States government or any agency thereof that the depository institution is obligated to repurchase;

(C) is not insured by a Federal agency, is subordinated to the claims of depositors, has a weighted average maturity of seven years or more, is not subject to Federal interest rate limitations, and is issued by a depository institution with the approval of, or under the rules and regulations of, its primary Federal supervisor;

(D) arises from a borrowing by a depository in-

stitution from a dealer in securities, for one business day, of proceeds of a transfer of deposit credit in a Federal Reserve Bank or other immediately available funds, (commonly referred to as "Federal funds"), received by such dealer on the date of the loan in connection with clearance of securities transactions; or
(E) arises from the creation, discount and subsequent sale by a depository institution of its bankers' acceptance of the type described in paragraph 7 of section 13 of the Federal Reserve Act (12 U.S.C. § 372).

(2) "Deposit" does not include:
(i) trust funds received or held by the depository institution that it keeps properly segregated as trust funds and apart from its general assets or which it deposits in another institution to the credit of itself as trustee or other fiduciary. If trust funds are deposited with the commercial department of the depository institution or otherwise mingled with its general assets, a deposit liability of the institution is created;
(ii) an obligation that represents a conditional, contingent or endorser's liability;
(ii) obligations, the proceeds of which are not used by the depository institution for purposes of making loans, investments, or maintaining liquid assets such as cash or "due from" depository institutions or other similar purposes. An obligation issued for the purpose of raising funds to purchase business premises, equipment, supplies, or similar assets is not a deposit;
(iv) accounts payable;
(v) hypothecated "deposits" created by payments on an installment loan where (A) the amounts received are not used immediately to reduce the unpaid balance due on the loan until the sum of the payments equals the entire amount of loan principal and interest; (B) and where such amounts are irrevocably assigned to the depository institution and cannot be reached by the borrower or creditors of the borrower;
(vi) dealer reserve and differential accounts that arise from the financing of dealer installment accounts receivable, and which provide that the dealer may not have access to the funds in the account until the installment loans are repaid, as long as the depository institution is not actually (as distinguished from contingently) obligated to make credit or funds available to the dealer;
(vii) a dividend declared by a depository institution for the period intervening between the date of the declaration of the dividend and the date on which it is paid;
(viii) an obligation representing a "pass through account," as defined in this section;
(ix) an obligation arising from the retention by the depository institution of no more than a 10 per cent interest in a pool of conventional 1-4 family mortgages that are sold to third parties;
(x) an obligation issued to a State or municipal housing authority under a loan-to-lender program involving the issuance of tax exempt bonds and the subsequent lending of the proceeds to the depository institution for housing finance purposes;
(xi) shares of a credit union held by the National Credit Union Administration or the National Credit Union Administration Central Liquidity Facility under a statutorily authorized assitance program;
(xii) any liability of a United States branch or agency of a foreign bank to another United States branch or agency of the same foreign bank, or the liability of the United States office of an Edge Corporation to another United States office of the same Edge Corporation.

(b)(1) *"Demand deposit"* means a deposit that is payable on demand, or a deposit issued with an original maturity or required notice period of less than 14 days, or a deposit representing funds for which the depository institution does not reserve the right to require at least 14 days' written notice of an intended withdrawal. The term includes all deposits other than time and savings deposits. Demand deposits may be in the form of (i) checking accounts; (ii) certified, cashier's and officer's checks (including checks issued by the depository institution in payment of dividends); (iii) traveler's checks and money orders that are primary obligations of the issuing institution; (iv) checks or drafts drawn by, or on behalf of, a non-United States office of a depository institution on an account maintained at any of the institution's United States offices; (v) letters of credit sold for cash or its equivalent; (vi) withheld taxes, withheld insurance and other withheld funds; (vii) time deposits that have matured or time deposits upon which the required notice of withdrawal period has expired and have not been renewed (either by action of the depositor or automatically under the terms of the deposit agreement); and (viii) an obligation to pay on demand or within 14 days a check (or other instrument, device, or arrangement for the transfer of funds) drawn on the depository institution, where the account of the institution's customer already has been debited. The term does not include an obligation that is a time deposit under section 204.2(c)(1)(ii).
(2) A "demand deposit" does not include checks or

drafts drawn by the depository institution on the Federal Reserve or on another depository institution.

(c)(1) *"Time deposit"* means (i) a deposit that the depositor does not have a right to withdraw for a period of 14 days or more after the date of deposit. "Time deposit" includes funds:

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

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

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

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

(E) that constitute a "savings deposit" which is not regarded as a "transaction account."

(ii) borrowings, regardless of maturity, represented by a promissory note, an acknowledgement of advance, or similar obligation described in section 204.2(a)(1)(vii) that is issued to any office located outside the United States of another depository institution or Edge or Agreement Corporation organized under the laws of the United States, to any office located outside the United States of a foreign bank, or to institutions whose time deposits are exempt from interest rate limitations under section 217.3(g) of Regulation Q (12 CFR Part 217.3(g)).

(2) A time deposit may be represented by a transferable or nontransferable, or a negotiable or nonnegotiable, certificate, instrument, passbook, statement, or otherwise. A "time deposit" includes share certificates and certificates of indebtedness issued by credit unions, and certificate accounts and notice accounts issued by savings and loan associations.

(d)(1) *"Savings deposit"* means a deposit or account with respect to which the depositor is not required by the deposit contract but may at any time be required by the depository institution to give written notice of an intended withdrawal not less than 14 days before withdrawal is made, and that is not payable on a specified date or at the expiration of a specified time after the date of deposit. A deposit may continue to be classified as a savings deposit even if the depository institution exercises its right to require notice of withdrawal. A "savings deposit" includes a regular share account at a credit union and a regular account at a savings and loan association.

(2) For depository institutions subject to 12 CFR Part 217 or 12 CFR Part 329, funds deposited to the credit of, or in which any beneficial interest is held by, a corporation, association, partnership or other organization operated for profit may be classified as a savings deposit if such funds do not exceed $150,000 per depositor at the depository institution.

(3) "Savings deposit" does not include funds deposited to the credit of the depository institution's own trust department where the funds involved are utilized to cover checks or drafts. Such funds are "transaction accounts."

(e) *"Transaction account"* means a deposit or account on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone transfers, or other similar device for the purpose of making payments or transfers to third persons or others. "Transaction account" includes:

(1) demand deposits;

(2) deposits or accounts subject to check, draft, negotiable order of withdrawal, share draft, or other similar item;

(3) savings deposits or accounts in which withdrawals may be made automatically through payment to the depository institution itself or through transfer of credit to a demand deposit or other account in order to cover checks or drafts drawn upon the institution or to maintain a specified balance in, or to make periodic transfers to, such accounts (automatic transfer accounts);

(4) deposits or accounts in which payments may be made to third parties by means of an automated teller machine, remote service unit or other electronic device; and

(5) deposits or accounts in which payments may be made to third parties by means of a debit card;

(6) deposits or accounts under the terms of which, or which by practice of the depository institution, the depositor is permitted or authorized to make more than three withdrawals per month for purposes of transferring funds to another account or for making a payment to a third party by means of preauthorized or telephone agreement, order or instruction. An account that permits or authorizes more than three such withdrawals in a calendar month is a "transaction account" whether or not more than

three such withdrawals actually are made in a calendar month. A "preauthorized transfer" includes any arrangement by the depository institution to pay a third party from the account of a depositor upon written or oral instruction (including an order received through an automated clearing house (ACH)), or any arrangement by a depository institution to pay a third party from the account of the depositor at a predetermined time or on a fixed schedule. An account is not a "transaction account" by virtue of an arrangement that permits withdrawals for the purpose of repaying loans and associated expenses at the same depository institution (as originator or servicer).

(f)(1) "*Nonpersonal time deposit*" means:

(i) a time deposit, including a savings deposit, that is not a transaction account, representing funds in which any beneficial interest is held by a depositor which is not a natural person;

(ii) a time deposit, including a savings deposit that is not a transaction account, that represents funds deposited to the credit of a depositor that is not a natural person, other than a deposit to the credit of a trustee or other fiduciary if the entire beneficial interest in the deposit is held by one or more natural persons;

(iii) a time deposit that is transferable, except a time deposit originally issued before October 1, 1980, to and held by one or more natural persons, including a deposit to the credit of a trustee or other fiduciary if the entire beneficial interest in the deposit is held by one or more natural persons;

(iv) a time deposit that is transferable, issued on or after October 1, 1980, to and held by one or more natural persons, including a deposit to the credit of a trustee or other fiduciary if the entire beneficial interest is held by one or more natural persons. A time deposit is transferable unless it contains a specific statement on the certificate, instrument, passbook, statement or other form representing the account that is not transferable. A time deposit that contains a specific statement that it is not transferable is not regarded as transferable even if the following transactions can be effected: a pledge as collateral for a loan; a transaction that occurs due to circumstances arising from death, incompetency, marriage, divorce, attachment or otherwise by operation of law or a transfer on the books or records of the institution; and

(v) a time deposit represented by a promissory note, an acknowledgment of advance, or a similar obligation described in section 204.2(a)(1)(vii) that is issued to any office located outside the United States of another depository institution or Edge or Agreement Corporation organized under the laws of the United States, to any office located outside the United States of a foreign bank, or to institutions whose time deposits are exempt from interest rate limitations under section 217.3(g) of Regulation Q (12 CFR 217.3(g)).

(2) "Nonpersonal time deposit" does not include nontransferable time deposits to the credit of or in which the entire beneficial interest is held by an individual pursuant to an Individual Retirement Account or Keogh (H. R. 10) Plan under 26 U.S.C. (I.R.C. 1954) §§ 408, 401.

(g) "*Natural person*" means an individual or a sole proprietorship. The term does not mean a corporation owned by an individual, a partnership or other association.

(h) "*Eurocurrency liabilities*" means the sum of the following:

(1) *Transactions with related offices outside the United States.*

(i) In the case of a depository institution or an Edge or Agreement Corporation organized under the laws of the United States,

(A) positive net balances due to its non-United States offices from its United States offices, and

(B) assets (including participations) held by its non-United States offices or by non-United States offices of an affiliated Edge or Agreement Corporation that were acquired from its United States offices.

(ii) In the case of a United States branch and agency of a foreign bank,

(A) positive net balances due to its foreign bank (including offices thereof located outside the United States) after deducting an amount equal to 8 per cent of the following: the United States branch's or agency's total assets less the sum of United States coin and currency, cash items in the process of collection and unposted debits, balances due from domestic banks and other foreign banks, balances due from foreign central banks, and net balances due from its foreign bank and the foreign bank's United States and non-United States offices; however, the amount that may be deducted may not exceed net balances due to the foreign bank (including offices thereof located outside the United States), and

(B) assets (including participations) held by its foreign bank (including offices thereof located outside the United States) or by its parent holding company that were acquired from the United States branch or agency (other than assets required to be sold by Federal or State supervisory authorities) or from an affiliated Edge or Agreement Corporation.

(2) *Foreign branch credit extended to United States residents.* Credit outstanding from the non-United States office of a depository institution organized under United States law to United States residents (other than assets acquired and net balances due from its United States offices), except credit extended (i) in the aggregate amount of $100,000 or less to any United States resident, (ii) by a non-United States office that at no time during the computation period had credit outstanding to United States residents exceeding $1 million, or (iii) to an institution that will be maintaining reserves on such credit pursuant to this Part. Credit extended to a foreign branch, office, subsidiary, affiliate or other foreign establishment ("foreign affiliate") controlled by one or more domestic corporations is regarded as credit extended to a United States resident unless the proceeds will be used in its foreign business or that of other foreign affiliates of the controlling domestic corporation(s). This subparagraph does not apply to United States branches and agencies of foreign banks.

(i)(1) "*Cash item in process of collection*" means:

(i) checks in the process of collection, drawn on a bank or other depository institution that are payable immediately upon presentation in the United States, including checks forwarded to a Federal Reserve Bank in process of collection and checks on hand that will be presented for payment or forwarded for collection on the following business day;

(ii) government checks drawn on the Treasury of the United States that are in the process of collection; and

(iii) such other items in the process of collection, that are payable immediately upon presentation in the United States and that are customarily cleared or collected by depository institutions as cash items, including:

(A) drafts payable through another depository institution;

(B) redeemed bonds and coupons;

(C) food coupons and certificates;

(D) postal and other money orders, and traveler's checks;

(E) amounts credited to deposit accounts in connection with automated payment arrangements where such credits are made one business day prior to the scheduled payment date to insure that funds are available on the payment date;

(F) commodity or bill of lading drafts payable immediately upon presentation in the United States;

(G) returned items and unposted debits; and

(H) broker security drafts.

(2) "Cash item in process of collection" does not include items handled as noncash collections and credit card sales slips and drafts.

(j) "*Net transaction accounts*" means the total amount of a depository institution's transaction accounts less the deductions allowed under the provisions of § 204.3.

(k)(1) "*Vault cash*" means United States currency and coin owned and held by a depository institution that may, at any time, be used to satisfy depositors' claims.

(2) "Vault cash" includes United States currency and coin in transit to a Federal Reserve Bank or a correspondent depository institution for which the reporting depository institution has not yet received credit, and United States currency and coin in transit from a Federal Reserve Bank or a correspondent depository institution when the reporting depository institution's account at the Federal Reserve or correspondent bank has been charged for such shipment.

(3) Silver and gold coin and other currency and coin whose numismatic or bullion value is substantially in excess of face value is not vault cash for purposes of this Part.

(l) "*Pass through account*" means a balance maintained by a depository institution that is not a member bank, by a U.S. branch or agency of a foreign bank, or by an Edge or Agreement Corporation,

(1) in an institution that maintains required reserve balances at a Federal Reserve Bank,

(2) in a Federal Home Loan Bank,

(3) in the National Credit Union Administration Central Liquidity Facility, or

(4) in an institution that has been authorized by the Board to pass through required reserve balances if the institution, Federal Home Loan Bank, or National Credit Union Administration Central Liquidity Facility maintains the funds in the form of a balance in a Federal Reserve Bank of which it is a member or at which it maintains an account in accordance with rules and regulations of the Board.

(m)(1) "*Depository institution*" means:

(i) any insured bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C.

§ 1813(h)) or any bank that is eligible to apply to become an insured bank under section 5 of such Act (12 U.S.C. § 1815);
(ii) any savings bank or mutual savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. § 1813(f), (g));
(iii) any insured credit union as defined in section 101 of the Federal Credit Union Act (12 U.S.C. § 1752(7)) or any credit union that is eligible to apply to become an insured credit union under section 201 of such Act (12 U.S.C. § 1781);
(iv) any member as defined in section 2 of the Federal Home Loan Bank Act (12 U.S.C. § 1422(4)); and
(v) any insured institution as defined in section 401 of the National Housing Act (12 U.S.C. § 1724(a)) or any institution which is eligible to apply to become an insured institution under section 403 of such Act (12 U.S.C. § 1726).

(2) "Depository institution" does not include international organizations such as the World Bank, the Inter-American Development Bank, and the Asian Development bank.

(n) "*Member bank*" means a depository institution that is a member of the Federal Reserve System.

(o) "*Foreign bank*" means any bank or other similar institution organized under the laws of any country other than the United States or organized under the laws of Puerto Rico, Guam, American Samoa, the Virgin Islands, or other territory or possession of the United States.

(p) "*De novo depository institution*" means a depository institution that was not engaged in business on July 1, 1979, and is not the successor by merger or consolidation to a depository institution that was engaged in business prior to the date of merger or consolidation.

(q) "*Affiliate*" includes any corporation, association, or other organization:
(1) Of which a depository institution, directly or indirectly, owns or controls either a majority of the voting shares or more than 50 per cent of the numbers of shares voted for the election of its directors, trustees, or other persons exercising similar functions at the preceding election, or controls in any manner the election of a majority of its directors, trustees, or other persons exercising similar functions;
(2) Of which control is held, directly or indirectly, through stock ownership or in any other manner, by the shareholders of a depository institution who own or control either a majority of the shares of such depository institution or more than 50 per cent of the number of shares voted for the election of directors of such depository institution at the preceding election, or by trustees for the benefit of the shareholders of any such depository institution;
(3) Of which a majority of its directors, trustees, or other persons exercising similar functions are directors of any one depository institution; or
(4) Which owns or controls, directly or indirectly, either a majority of the shares of capital stock of a depository institution or more than 50 per cent of the number of shares voted for the election of directors, trustees or other persons exercising similar functions of a depository institution at the preceding election, or controls in any manner the election of a majority of the directors, trustees, or other persons exercising similar functions of a depository institution, or for the benefit of whose shareholders or members all or substantially all the capital stock of a depository institution is held by trustees.

(r) "*United States*" means the States of the United States and the District of Columbia.

(s) "*United States resident*" means
(1) any individual residing (at the time of the transaction) in the United States;
(2) any corporation, partnership, association or other entity organized in the United States ("domestic corporation"); and
(3) any branch or office located in the United States of any entity that is not organized in the United States.

not ital

Section 204.3—Computation and Maintenance

(a) *Maintenance of required reserves*. A depository institution, a U. S. branch or agency of a foreign bank, and an Edge or Agreement Corporation shall maintain reserves against its deposits and Eurocurrency liabilities in accordance with the procedures prescribed in this section and section 204.4 and the ratios prescribed in section 204.8. Penalties shall be assessed for deficiencies in required reserves in accordance with the provisions of section 204.7. Every institution holding transaction accounts or nonpersonal time deposits shall file a report of deposits each week with the Federal Reserve Band of its District (see section 204.3(d) for the special rule for depository institutions with total deposits of less than $5 million) and any other reports that the Board may require by rule, regulation or order. For purposes of this Part, the obligations of a majority owned (50% or more) U. S. subsidiary (except an Edge or Agreement Corporation) of a depository institution shall be regarded as obligations of the parent depository institution.

(1) *United States branches and agencies for foreign banks.*

(i) A foreign bank's United States branches and agencies operating within the same State and within the same Federal Reserve District shall prepare and file a report of deposits on an aggregated basis.

(ii) United States branches and agencies of the same foreign bank shall, if possible, assign the low reserve tranche on transaction accounts (§ 204.8(a)) to only one office or to a group of offices filing a single aggregated report of deposits. If the low reserve tranche cannot be fully utilized by a single office or by a group of offices filing a single report of deposits, the unused portion of the tranche may be assigned to other offices of the same foreign bank until the amount the tranche or net transaction accounts is exhausted. The foreign bank shall determine this assignment subject to the restriction that if a portion of the tranche is assigned to an office in a particular State, any unused portion must first be assigned to other offices located within the same State and within the same Federal Reserve District, that is, the other offices included on the same aggregated report of deposits. The designation of office(s) to which the low reserve tranche is assigned may be changed at the beginning of a calendar year.

(2) *Edge and Agreement Corporations.*

(i) An Edge or Agreement corporation's offices operating within the same State and within the same Federal Reserve District shall prepare and file a report of deposits on an aggregated basis.

(ii) An Edge or Agreement Corporation shall, if possible, assign the low reserve tranche on transaction accounts (§ 204.8(a)) to only one office or to a group of offices filing a single aggregated report of deposits. If the low reserve tranche cannot be fully utilized by a single office or by a group of offices filing a single report of deposits, the unused portion of the tranche may be assigned to other offices of the same institution until the amount of the tranche or net transaction amounts is exhausted. An Edge or Agreement Corporation shall determine this assignment subject to the restriction that if a portion of the tranche is assigned to an office in a particular State, any unused portion must first be assigned to other offices located within the same State and within the same Federal Reserve District, that is, to other offices included on the same aggregated report of deposits. The designation of office(s) to which the low reserve tranche is assigned may be changed at the beginning of a calendar year.

(b) *Form of reserves.* Reserves shall be held in the form of

(i) vault cash,

(ii) a balance maintained directly with the Federal Reserve Bank in the District in which it is located, or

(iii) a pass through account. Reserves held in the form of a pass through account shall be considered to be a balance maintained with the Federal Reserve.

(c) *Computation of required reserves.* Required reserves are computed on the basis of the daily average deposit balances during a seven-day period ending each Wednesday (the "computation period"). Reserve requirements are computed by applying the ratios prescribed in section 204.8 to the classes of deposits and Eurocurrency liabilities of the institution. In determining the reserve balance that is required to be maintained with the Federal Reserve, the average daily vault cash held during the computation period is deducted from the amount of the institution's required reserves. The reserve balance that is required to be maintained with the Federal Reserve shall be maintained during a corresponding seven-day period (the "maintenance period") which begins on the second Thursday following the end of a given computation period.

(d) *Special rule for depository institutions that have total deposits of less than $5 million.*

(1) A depository institution with total deposits of less than $5 million shall file a report of deposits once each calendar quarter for a seven-day computation period that begins on the third Thursday of a given month during the calendar quarter. Each Reserve Bank shall divide the depository institutions in its District that qualify under this paragraph into three substantially equal groups and assign each group a different month to report during each calendar quarter.

(2) Required reserves are computed on the basis of the depository institution's daily average deposit balances during the seven-day computation period. In determining the reserve balance that a depository institution is required to maintain with the Federal Reserve, the average daily vault cash held during the computation period is deducted from the amount of the institution's required reserves. The reserve balance that is required to be maintained with the Federal Reserve shall be maintained during a corre-

sponding period that begins on the second Thursday following the end of the institution's computation period and ends on the first Wednesday after the close of the institution's next computation period.

(3) A depository institution that has less than $5 million in total deposits as of December 31, 1979, shall qualify under this paragraph until it reports total deposits of $5 million or more for two consecutive calendar quarters.

(4) A depository institution that qualifies under this paragraph may elect at the beginning of a calendar year to report deposits and maintain reserves on a weekly basis.

(5) This paragraph shall not apply to an Edge or Agreement Corporation or a United States branch or agency of a foreign bank.

(e) *Computation of transaction accounts.* Overdrafts in demand deposit or other transaction accounts are not to be treated as negative demand deposits or negative transaction accounts and shall not be netted since overdrafts are properly reflected on an institution's books as assets. However, where a customer maintains multiple transaction accounts with a depository institution, overdrafts in one account pursuant to a bona fide cash management arrangement are permitted to be netted against balances in other related transaction accounts for reserve requirement purposes.

(f) *Deductions allowed in computing reserves.*

(1) In determining the reserve balance required under this Part, the amount of cash items in process of collection and balances subject to immediate withdrawal due from other depository institutions located in the United States (including such amounts due from United States branches and agencies of foreign banks and Edge and Agreement Corporations) may be deducted from the amount of gross transaction accounts. The amount that may be deducted may not exceed the amount of gross transaction accounts. However, if a depository institution maintains any transaction accounts that are first authorized under Federal law after April 1, 1980, it may deduct from those balances cash items in process of collection and balances subject to immediate withdrawal due from other depository institutions located in the United States only to the extent of the proportion that such newly authorized transaction accounts are of the institution's total transaction accounts. The remaining cash items in process of collection and balances subject to immediate withdrawal due from other depository institutions located in the United States shall be deducted from the institution's remaining transaction accounts.

(2) United States branches and agencies of a foreign bank may not deduct balances due from another United States branch or agency of the same foreign bank, and United States branch or agency of an Edge or Agreement Corporation may not deduct balances due from another United States office of the same Edge Corporation.

(3) Balances "due from other depository institutions" do not include balances due from Federal Reserve Banks, pass through accounts, or balances (payable in dollars or otherwise) due from banking offices located outside the United States. An institution exercising fiduciary powers may not include in "balances due from other depository institutions" amounts of trust funds deposited with other banks and due to it as a trustee or other fiduciary.

(g) *Availability of cash items as reserves.* Cash items forwarded to a Federal Reserve Bank for collection and credit shall not be counted as part of the reserve balance to be carried with the Federal Reserve until the expiration of the time specified in the appropriate time schedule established under Regulation J, "Collection of Checks and Other Items and Transfers of Funds" (12 CFR Part 210). If a depository institution draws against items before that time, the charge will be made to its reserve account if the balance is sufficient to pay it; any resulting impairment of reserve balances will be subject to penalties provided by law and by this Part. However, the Federal Reserve Bank may, at its discretion, refuse to permit the withdrawal or other use of credit given in a reserve account for any time for which the Federal Reserve bank has not received payment in actually and finally collected funds.

(h) *Carryover of deficiencies.* Any excess or deficiency in a required reserve balance for any maintenance period that does not exceed 2 per cent of institution's required reserves shall be carried forward to the next maintenance period. Any carryover not offset during the next period may not be carried forward to additional periods.

(i) *Pass-through rules.*

(1) *Procedure*

(i) A nonmember depository institution required to maintain reserve balances ("respondent") may select only one institution to pass through its required reserves. Eligible institutions through which respondent required reserve balances may be passed ("correspondents") are Federal Home Loan Banks, the National Credit Union Administration Central Liquidity Facility, and depository institutions that maintain required reserve balances at a Federal Reserve office. In addition, the

Board reserves the right to permit other institutions, on a case-by-case basis, to serve as pass-through correspondents. The correspondent chosen must subsequently pass through the required reserve balances of its respondents directly to the appropriate Federal Reserve office. The correspondent placing funds with the Federal Reserve on behalf of respondents will be responsible for reserve account maintenance as described in subparagraphs (3) and (4) below.

(ii) Respondent depository institutions or pass-through correspondents may institute, terminate, or change pass-through arrangements for the maintenance of required reserve balances by providing all documentation required for the establishment of the new arrangement and/or termination of the existing arrangement to the Federal Reserve Bank in whose territory the respondent is located. The time period required for such a change to be effected shall be specified by each Reserve Bank in its operating circular.

(iii) U.S. branches and agencies of foreign banks and Edge and Agreement Corporations may (a) act as pass-through correspondents for any nonmember institution required to maintain reserves or (b) pass their own required reserve balances through correspondents. In accordance with the provision set forth in subparagraph (3) below, the U.S. branches and agencies of a foreign bank or offices of an Edge and Agreement Corporation filing a single aggregated report of deposits may designate any one of the other U.S. offices of the same institution to serve as a pass-through correspondent for all the offices filing such a single aggregated report of deposits.

(2) *Reports*

(i) Every depository institution that maintains transaction accounts or nonpersonal time deposits is required to file its report of deposits (or any other required form or statement) directly with the Federal Reserve Bank of its District, regardless of the manner in which it chooses to maintain required reserve balances.

(ii) The Federal Reserve Bank receiving such reports shall notify the reporting depository institution of its reserve requirements. Where a pass-through arrangement exists, the Reserve Bank will also notify the correspondent passing respondent reserve balances through to the Federal Reserve of its respondent's required reserve balances.

(iii) The Federal Reserve will not hold a correspondent responsible for guaranteeing the accuracy of the reports of deposits submitted by its respondents to their local Federal Reserve Banks.

(3) *Account Maintenance*

(i) A correspondent that passes through required reserve balances of respondents whose main offices are located in the same Federal Reserve territory in which the main office of the correspondent is located shall have the option of maintaining such required reserve balances in one of two ways: (a) A correspondent may maintain such balances, along with the correspondent's own required reserve balances, in a single commingled account at the Federal Reserve Bank office in whose territory the correspondent's main office is located, or (b) A correspondent may maintain its own required reserve balance in an account with the Federal Reserve Bank office in whose territory its main office is located. The correspondent, in addition, would maintain in a separate commingled account the required reserve balances passed through for respondents whose main offices are located in the same Federal Reserve territory as that of the main office of the correspondent.

(ii) A correspondent that passes through required reserve balances of respondents whose main offices are located outside the Federal Reserve territory in which the main office of the correspondent is located shall maintain such required reserve balances in a separate commingled account at each Federal Reserve office in whose territory the main offices of such respondents are located.

(iii) A Reserve Bank may, at its discretion, require a pass-through correspondent to consolidate in a single account the reserve balances of all of its respondents whose main offices are located in any territory of that Federal Reserve District.

(4) *Responsibilities of Parties*

(i) Each individual depository institution is responsible for maintaining its required reserve balance with the Federal Reserve Bank either directly or through a pass-through correspondent.

(ii) A pass-through correspondent shall be responsible for assuring the maintenance of the appropriate aggregate level of its respondents' required reserve balances. A Reserve Bank will compare the total reserve balance required to be maintained in each reserve account with the total actual reserve balance held in such reserve account for purposes of determining required reserve deficiencies, imposing or waiving penalties for deficiencies in required reserves, and for other reserve maintenance purposes. A penalty for a deficiency in the aggregate level of the required reserve balance will be imposed by the Reserve

Bank on the correspondent maintaining the account.

(iii) Each correspondent is required to maintain detailed records for each of its respondents in a manner that permits Reserve Banks to determine whether the respondent has provided a sufficient required reserve balance to the correspondent. A correspondent passing through a respondent's reserve balance shall maintain records and make such reports as the Federal Reserve System requires in order to insure the correspondent's compliance with its responsibilities for the maintenance of a respondent's reserve balance. Such records shall be available to the Federal Reserve Banks as required.

(iv) The Federal Reserve Bank may terminate any pass-through relationship in which the correspondent is deficient in its recordkeeping or other responsibilities.

(v) Interest paid on supplemental reserves (if such reserves are required under section 204.6 of this Part) held by respondent(s) will be credited to the commingled reserve account(s) maintained by the correspondent.

(5) *Services*

(i) A depository institution maintaining its reserve balances on a pass-through basis may obtain available Federal Reserve System services directly from its local Federal Reserve office. For this purpose, the pass-through account in which a respondent's required reserve balance is maintained may be used by the respondent for the posting of entries arising from transactions involving the use of such Federal Reserve services, if the posting of these types of transactions has been authorized by the correspondent and the Federal Reserve. For example, access to the wire transfer, securities transfer, and settlement services that involve charges to the commingled reserve account at the Reserve Bank will require authorization from the correspondent and the Reserve Bank for the type of transaction that is occurring.

(ii) In addition, in obtaining Federal Reserve services, respondents maintaining their required reserves on a pass-through basis may choose to have entries arising from the use of Federal Reserve services posted to: (a) with the prior authorization of all parties concerned, the reserve account maintained by any institution at a Federal Reserve Bank, or (b) an account maintained for clearing purposes at a Federal Reserve Bank by the respondent.

(iii) Accounts at Federal Reserve Banks consisting only of respondents' reserve balances that are passed through by a correspondent to a Federal Reserve Bank may be used only for transactions of respondents. A correspondent will not be permitted to use such pass-through accounts for purposes other than serving its respondents' needs.

(iv) A correspondent may not apply for Federal Reserve credit on behalf of a respondent. Rather, a respondent should apply directly to its Federal Reserve Bank for credit. Any Federal Reserve credit obtained by a respondent may be credited, at the respondent's option and with the approval of the parties concerned, to the reserve account in which its required reserves are maintained by a correspondent, to a clearing account maintained by the respondent, or to any account to which the respondent is authorized to post entries arising from the use of Federal Reserve services.

Section 204.4—Transitional Adjustments

The following transitional adjustments for computing Federal reserve requirements shall apply to all member and nonmember depository institutions, except for reserves imposed under sections 204.5 and 204.6.

(a) *Nonmembers.* Except as provided below, the required reserves of a depository institution that was engaged in business on July 1, 1979, but was not a member of the the Federal Reserve System on or after that date shall be determined by reducing the amount of required reserves computed under section 204.3 in accordance with the following schedule:

Reserve maintenance periods occurring between	Percentage that computed reserves will be reduced
November 13, 1980 to September 2, 1981	87.5
September 3, 1981 to September 1, 1982	75
September 2, 1982 to August 31, 1983	62.5
September 1, 1983 to September 5, 1984	50
September 6, 1984 to September 4, 1985	37.5
September 5, 1985 to September 3, 1986	25
September 4, 1986 to September 2, 1987	12.5
September 3, 1987 forward	0

However, an institution shall not reduce the amount of required reserves on any category of deposits or accounts that are first authorized under Federal law in any State after April 1, 1980.

(b) *Members and former members.* The required reserves of any depository institution that is a member bank on September 1, 1980, or was a member bank on or after July 1, 1979 and withdrew from membership before March 31, 1980, or withdraws from membership on or after March 31, 1980, shall be determined as follows:

(1) A depository institution whose required reserves are higher using the reserve ratios in effect during a given computation period (§ 204.8(a)) than its required reserves using the reserve ratios in effect on August 31, 1980 (§ 204.8(b)) (without regard to required reserves on any category of deposits or accounts that are first authorized under Federal law in any State after April 1, 1980):

(i) shall maintain the full amount of required reserves on any category of deposits or accounts that are first authorized under Federal law in any State after April 1, 1980; and

(ii) shall reduce the amount of its required reserves on all other deposits computed under section 204.3 by an amount determined by multiplying the amount by which required reserves computed under section 204.3 exceeds the amount of required reserves computed using the reserve ratios that were in effect on August 31, 1980 (§ 204.8(b)), times the appropriate percentage specified below in accordance with the following schedule:

Reserve maintenance periods occurring between	Percentage applied to difference to compute amount to be subtracted
November 13, 1980 to September 2, 1981	75
September 3, 1981 to September 1, 1982	50
September 2, 1982 to August 31, 1983	25
September 1, 1983 forward	0

(2) A depository institution whose required reserves are lower using the reserve ratios in effect during a given computation period (§ 204.8(a)) than its required reserves computed using the reserve ratios in effect on August 31, 1980 (§ 204.8(b)) (without regard to required reserves on any category of deposits or accounts that are first authorized under Federal law in any State after April 1, 1980):

(i) shall maintain the full amount of required reserves on any cateogry of deposits or accounts that are first authorized under Federal law in any State after April 1, 1980; and

(ii) shall increase the amount of its required reserves on all other deposits computed under section 204.3 by an amount determined by multiplying the amount by which required reserves computed using the reserve ratios that were in effect on August 31, 1980 (§ 204.8(b)), exceeds the amount of required reserves computed under section 204.3, times the appropriate percentage specified below in accordance with the following schedule:

Reserve maintenance periods occurring between	Percentage applied to difference to compute amount to be added
November 13, 1980-September 2, 1981	75
September 3, 1981-March 3, 1982	62.5
March 4-September 1, 1982	50
September 2, 1982-March 2, 1983	37.5
March 3-August 31, 1983	25
September 1, 1983-February 29, 1984	12.5
March 1, 1984 forward	0

(c) *Certain nonmembers and branches and agencies of foreign banks.* The required reserves of a nonmember depository institution that was not engaged in business on or before July 1, 1979, but commenced business between July 2, 1979, and September 1, 1980, and any United States branch or agency of a foreign bank with total worldwide consolidated bank assets in excess of $1 billion shall be determined by reducing the amount of its required reserves computed under section 204.3 in accordance with the following schedules:

Reserve maintenance periods occurring between	Percentage that computed reserves will be reduced
November 13, 1980-February 11, 1981	87.5
February 12-May 13, 1981	75.0
May 14-August 12, 1981	62.5
August 13-November 11, 1981	50.0
November 12, 1981-February 10, 1982	37.5
February 11-May 12, 1982	25.0
May 13-August 11, 1982	12.5
August 12, 1982 forward	0

However, an institution shall not reduce the amount of required reserves on any category of deposits or accounts that are first authorized under Federal law in any State after April 1, 1980. An additional United States branch or agency of a foreign bank operating a branch or agency in the United States as of September 1, 1980, shall be entitled only to the remaining phase-in available to the existing U.S. branch or agency.

(d) *New members.* The required reserves of nonmember depository instituion that was engaged in business but was not a member bank during the period between July 1, 1979 and September 1, 1980, inclusive, and which becomes a member of the Federal Reserve System after September 1, 1980, shall be determined under paragraph (a) or (c), as applicable, as if it had remained a nonmember and adding to this amount an amount determined by multiplying the difference between its required reserves computed using the ratios specified in § 204.8(a) and its required reserves computed as if it had remained a nonmember times the percentage specified below in accordance wit the following schedule:

Maintenance periods occurring During successive quarters after becoming a member bank	Percentage applied to difference to compute amount to be added
1	12.5
2	25.0
3	37.5
4	50.0
5	62.5
6	75.0
7	87.5
8 and succeeding	100.0

(e) *De novo institutions.* The required reserves of any depository institution that was not engaged in business on September 1, 1980, shall be computed under section 204.3 in accordance with the following schedule:

Maintenance periods occurring during successive quarters after entering into business	Percentage of reserve requirement to be maintained
1	40
2	45
3	50
4	55
5	65
6	75
7	85
8 and succeeding	100

This paragraph shall also apply to a United States branch or agency of a foreign bank if such branch or agency is the foreign bank's first office in the United States. Additional branches or agencies of such a foreign bank shall be entitled only to the remaining phase-in available to the initial office.

(f) *Certain nonmembers chartered under laws of Hawaii.* Any State-chartered depository institution that was engaged in business on August 1, 1978, which was not a member of the Federal Reserve System on that date, and whose principal office was located in Hawaii on and after that date shall not maintain reserves against its deposits imposed under this Part until January 2, 1986. On or after January 2, 1986, the required reserves of such a depository institution shall be determined by reducing the amount of required reserves computed under section 204.3 in accordance with the following schedule:

Maintenance periods ~~occurring between~~	Percentage that computed reserves will be reduced
January 2 to December 31, 1986	87.5
January 1, 1987 to January 6, 1988	75
January 7, 1988 to January 4, 1989	62.5
January 5, 1989 to January 3, 1990	50
January 4, 1990 to January 2, 1991	37.5
January 3, 1991 to January 1, 1992	25
January 2, 1992 to January 6, 1993	12.5
January 7, 1993 forward	0

(g) *Mergers and consolidations.*
The following rules concerning transitional adjustments apply to mergers and consolidations of depository institutions:

(1) *Nonmembers.* Where the surviving institution of a merger or consolidation between nonmember depository institutions that were engaged in business on July 1, 1979, and were not members of the Federal Reserve System on or after that date is a nonmember institution, it shall compute its transitional adjustment of required reserves under paragraph (a), except that the amount of required reserves shall be reduced by an amount determined by multiplying the amount by which the required reserves during the computation period immediately preceding the date of the merger (computed as if the institutions had merged) exceeds the sum of the actual required reserves of each bank during the same computation period times the appropriate percentage as specified in the following schedule:

Reserve maintenance periods occurring during quarterly periods following merger	Percentage applied to difference to compute amount to be subtracted
1	87.5
2	75.0
3	62.5
4	50.0
5	37.5
6	25.0
7	12.5
8 and succeeding	0

(2) *Member with surviving nonmember.* Where the surviving institution of a merger or consolidation between a nonmember bank and a bank that was a member bank on or after July 1, 1979, is a nonmember bank, it shall apply the transitional rules for member banks in paragraphs (b) or (d), as applicable, on the proportion of its deposits attributable to the absorbed member bank. This proportion will be the ratio that daily average deposits of the absorbed member bank were to the daily average deposits of the combined banks during the reserve computation period immediately preceding the date of the merger. The bank will compute and maintain reserves against the remaining proportion of deposits applying the transitional rules applicable to nonmember depository institutions in paragraphs (a), (c) or (e), as applicable. A ratio of vault cash also will be computed and applied.

(3) *De novo with surviving nonmember.* Where the surviving institution of a merger or consolidation between a depository institution that was engaged in

business on July 1, 1979, and was not a member of the Federal Reserve System on or after that date, and a de novo depository institution is a nonmember depository institution, it shall compute and maintain reserves applying the transitional rules for de novo depository institutions in paragraphs (c) or (e), as applicable, on a proportion of its deposits attributable to the absorbed de novo bank. This proportion will be the ratio that daily average deposits of the absorbed de novo institution were to the daily average deposits of the combined institutions during the reserve computation period immediately preceding the date of the merger. The institution will compute and maintain reserves against the remaining proportion of its deposits by applying the transitional rules applicable to nonmember depository institutions in paragraph (a). A ratio of vault cash also will be computed and applied.

(4) *Nonmember with surviving member.* Where the surviving institution of a merger or consolidation between a member bank and a nonmember bank is a member bank, it shall apply the transitional rules under paragraphs (a), (c) or (e), as applicable, only on the amount of deposits of the nonmember bank outstanding on a daily average basis during the computation period immediately preceding the date of the merger. Reserves will be computed and maintained against the balance of the deposits of the surviving member bank under paragraphs (b), (d) or (e), as applicable.

(5) *Members.* Where a merger or consolidation involves member banks, required reserves shall be computed and maintained applying the transitional rules in paragraph (b), except that the amount of reserves which shall be maintained shall be reduced by an amount determined by multiplying the amount by which the required reserves during the computation period immediately preceding the date of the merger (computed as if the banks had merged) exceeds the sum of the actual required reserves of each bank during the same computation period times the appropriate percentage as specified in the following schedule:

Reserve maintenance periods occurring during quarterly periods following merger	Percentage applied to difference to compute amount to be subtracted
1	87.5
2	75.0
3	62.5
4	50.0
5	37.5
6	25.0
7	12.5
8 and succeeding	0

(6) *De novo with surviving member.* Where the surviving institution of a merger or consolidation between a bank that was a member bank at any time between July 1, 1979, and September 1, 1980, or that was engaged in business on July 1, 1979 and became a member after September 1, 1980, and a de novo depository institution is a member bank, it shall compute and maintain reserves by applying paragraph (e) only to the amount of deposits of the de novo institution outstanding on a daily average basis during the computation period immediately preceding the date of the merger. Reserves will be computed and maintained against the remaining deposits of the surviving member bank under paragraphs (b) or (d), as applicable.

(7) *De novos.* Where a merger involves de novo depository institutions, required reserves shall be computed and maintained in accordance with section 204.3, except that the amount of reserves which shall be maintained shall be reduced by an amount determined by multiplying the amount by which the required reserves during the computation period immediately preceding the date of the merger (computed as if the depository institutions had merged) exceeds the sum of the actual required reserves of each depository institution during the same computation period, times the appropriate percentage as specified in the following schedule:

Maintenance periods occurring during quarterly periods following merger	Percentage applied compute amount to be subtracted
1	87.5
2	75.0
3	62.5
4	50.0
5	37.5
6	25.0
7	12.5
8 and succeeding	0

Section 204.5—Emergency Reserve Requirement

(a) *Finding by Board.* The Board may impose, after consulting with the appropriate committees of Congress, additional reserve requirements on depository institutions at any ratio on any liability upon a finding by at least five members of the Board that extraordinary circumstances require such action.

(b) *Term.* Any action taken under this section shall be valid for a period not exceeding 180 days, and may be extended for further periods of up to 180 days each by affirmative action of at least five members of the Board for each extension.

(c) *Reports to Congress.* The Board shall transmit promptly to Congress a report of any exercise of its authority under this paragraph and the reasons for the exercise of authority.

(d) *Reserve requirements.* At present, there are no emergency reserve requirements imposed under this section.

Section 204.6—Supplemental Reserve Requirement

(a) *Finding by Board.* Upon the affirmative vote of at least five members of the Board and after consultation with the Board of Directors of the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the National Credit Union Administration Board, the Board may impose a supplemental reserve requirement on every depository institution of not more than 4 per cent of its total transaction accounts. A supplemental reserve requirement may be imposed if:

(1) the sole purpose of the requirement is to increase the amount of reserves maintained to a level essential for the conduct of monetary policy;
(2) the requirement is not imposed for the purpose of reducing the cost burdens resulting from the imposition of basic reserve requirements;
(3) such requirement is not imposed for the purpose of increasing the amount of balances needed for clearing purposes; and
(4) on the date on which supplemental reserve requirements are imposed, the total amount of basic reserve requirements is not less than the amount of reserves that would be required on transaction accounts and nonpersonal time deposits under the initial reserve ratios established by the Monetary Control Act of 1980 (Pub. L. 96-221) in effect on September 1, 1980.

(b) *Term.*

(1) If a supplemental reserve requirement has been imposed on for a period of one year or more, the Board shall review and determine the need for continued maintenance of supplemental reserves and shall transmit annual reports to the Congress regarding the need for continuing such requirement.
(2) Any supplemental reserve requirement shall terminate at the close of the first 90-day period after the requirement is imposed during which the average amount of supplemental reserves required are less than the amount of reserves which would be required if the ratios in effect on September 1, 1980, were applied.

(c) *Earnings Participation Account.* A depository institution's supplemental reserve requirement shall be maintained by the Federal Reserve Banks in an Earnings Participation Account. Such balances shall receive earnings to be paid by the Federal Reserve Banks during each calendar quarter at a rate not to exceed the rate earned on the securities portfolio of the Federal Reserve System during the previous calendar quarter. Additional rules and regulations may be prescribed by the Board concerning the payment of earnings on Earnings Participation Accounts by Federal Reserve Banks.

(d) *Report to Congress.* The Board shall transmit promptly to the Congress a report stating the basis for exercising its authority to require a supplemental reserve under this section.

(e) *Reserve requirements.* At present, there are no supplemental reserve requirements imposed under this section.

Section 204.7—Penalties

(a) *Penalties for Deficiencies.*

(1) *Assessment of Penalties.* Deficiencies in a depository institution's required reserve balance, after application of the 2 per cent carryover provided in section 204.3(f) are subject to penalties. Federal Reserve Banks are authorized to assess penalties for deficiencies in required reserves at a rate of 2 per cent per year above the lowest rate in effect for borrowings from the Federal Reserve Bank on the first day of the calendar month in which the deficiencies occurred. Penalties shall be assessed on the basis of daily average deficiencies during each computation period. Reserve Banks may, as an alternative to levying monetary penalties, after consideration of the circumstances involved, permit a depository institution to eliminate deficiencies in its required reserve balance by maintaining additional reserves during subsequent reserve maintenance periods.

(2) *Waivers.*
(i) Reserve Banks may waive the penalty for reserve deficiencies except when the deficiency arises out of a depository institution's gross negligence or conduct that is inconsistent with the principles and purposes of reserve requirements.

Each Reserve Bank has adopted guidelines that provide for waivers of small penalties. The guidelines also provide for waiving the penalty once during a two-year period for any deficiency that does not exceed a certain percentage of the depository institution's required reserves. Decisions by Reserve Banks to waive penalties in other situations are based on an evaluation of the circumstances in each individual case and the depository institution's reserve maintenance record. If a depository institution has demonstrated a lack of due regard for the proper maintenance of required reserves, the Reserve Bank may decline to exercise the waiver privilege and assess all penalties regardless of amount or reason for the deficiency.

(ii) In individual cases, where a Federal supervisory authority waives a liquidity requirement, or waives the penalty for failing to satisfy a liquidity requirement, the Reserve Bank in the District where the involved depository institution is located shall waive the reserve requirement imposed under this Part for such depository institution when requested by the Federal supervisory authority involved.

(b) *Penalties for Violations.* Violations of this Part may be subject to assessment of civil money penalties by the Board under authority of section 19(1) of the Federal Reserve Act (12 U.S.C. § 505) as implemented in 12 CFR Part 263. In addition, the Board and any other Federal financial institution supervisory authority may enforce this Part with respect to depository institutions subject to their jurisdiction under authority conferred by law to undertake cease and desist proceedings.

Section 204.8—Reserve Requirement Ratios

(a) *Reserve percentages.* The following reserve ratios are prescribed for all depository institutions, Edge and Agreement Corporations and United States branches and agencies of foreign banks:

Category	Reserve requirement
Net transaction accounts	
$0-$25 million	3% of amount
Over $25 million	$750,000 plus 12% of amount over $25 million
Nonpersonal time deposits	
By original maturity (or notice period)	
less than 4 years	3%
4 years or more	0%
Eurocurrency liabilities	3%

(b) *Reserve ratios in effect during last computation period prior to September 1, 1980.*

Category	Reserve requirement
NET DEMAND DEPOSITS	
Deposit tranche:	
$0-$2 million	7%
Over $2 million-$10 million	$140,000 + 9½% of amount over $2 million
Over $10 million-$100 million	$900,000 + 11¾% of amount over $10 million
Over $100 million-$400 million	$11,475,000 + 12¾% of amount over $100 million
Over $400 million	$49,725,000 + 16¼% of amount over $400 million
SAVINGS DEPOSITS	
Time deposits (subject to 3% minimum specified by law)	3%
By initial maturity:	
Less than 180 days	
$0-5 million	3%
Over $5 million	6%
180 days to 4 years	2½%
4 years or more	1%
Accounts authorized pursuant to Section 303 of Public Law 96-221 offered by member banks located in States outside Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Vermont	12%
Club accounts	3%

For purposes of computing the reserves under this Part, that would have been required using the reserve ratios that were in effect on August 31, 1980, the reserve ratio on time deposits of a member bank shall be the average time deposit ratio of the member bank during the 14-day period ending August 6, 1980, except that the reserve ratio on time deposits of a nonmember bank that was a member bank on or after July 1, 1979, but which became a nonmember bank before March 31, 1980, may be the average time deposit ratio of the nonmember during the 14-day period ending August 27, 1980.

AMENDMENTS TO REGULATION T

The Board of Governors has amended its Regulation T, Credit by Brokers and Dealers. This amendment will permit brokers and dealers to extend credit on fully paid for mutual fund shares deposited in a general account. The present rule permits broker-dealers to extend and maintain credit only on securities registered on a national securities exchange, or included on the Board's List of OTC Margin Stock and on certain non-convertible debt securities which are traded in the over-the-counter market.

Effective November 3, 1980, section 220.2(f) of Regulation T is revised as follows:

Section 220.2—Definitions

* * * * *

(f) The term "margin security" means any registered security, OTC margin stock, OTC margin bond, or any security issued by an open-end investment company or unit investment trust registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).

Amendments to Rules Regarding Delegation of Authority

The Board of Governors has amended its Rules Regarding Delegation of Authority, to delegate to the Director of the Division of Consumer and Community Affairs the authority to determine whether provisions of the Electronic Fund Transfer Act and Regulation E preempt provisions of state laws that are inconsistent with federal law and are not more protective of the consumer. In addition, the rule delegates to the Director the authority to grant, but not to deny or revoke, exemptions to states if their statutes contain provisions substantially similar to the federal statute and there is adequate provision for enforcement. Because of the complex and time-consuming nature of these decisions, the Board finds that this delegation of authority is appropriate.

Effective August 8, 1980, section 265.2 is amended to read as follows:

Section 265.2—Specific Functions Delegated to Board Employees and to Federal Reserve Banks.

* * * * *

(h) The Director of the Division of Consumer and Community Affairs (or, in the Director's absence, the Acting Director) is authorized:

* * * * *

(4)(i) Pursuant to Section 919 of the Electronic Fund Transfer Act (15 U.S.C. 1693, et seq.) and the Board's Regulation E, 12 CFR Part 205.12, to determine whether the act and regulation preempt state laws that are inconsistent with the act and regulation.

(ii) Pursuant to Section 920 of the Electronic Fund Transfer Act and Regulation E, to grant, but not deny or revoke, exemptions to states from the requirements of the act or regulation, where state law imposes substantially similar requirements and there is adequate provision for enforcement.

Interpretation of Regulation Y

The Board of Governors has issued an interpretation of its Regulation Y, Bank Holding Companies and Change in Bank Control. This interpretation provides that a bank holding company may form a subidiary to perform services for its subsidiaries that the bank holding company could perform directly through a division or department.

Effective August 11, 1980, Regulation Y is amended by adding a new section 225.141 to read as follows:

Section 225.141—Operations Subsidiaries of a Bank Holding Company

In orders approving the retention by a bank holding company of a 4(c)(8) subsidiary, the Board has stated that it would permit, without any specific regulatory approval, the formation of a wholly-owned subsidiary of an approved 4(c)(8) company to engage in activities that such a company could itself engage in directly through a division or department. (*Northwestern Financial Corporation*, 65 Federal Reserve Bulletin 566 (1979).) Section 4(a)(2) of the Act provides generally that a bank holding company may engage directly in the business of managing and controlling banks and permissible nonbank activities, and in furnishing services directly to its subsidiaries. Even though section 4 of the Act generally prohobits the acquisition of shares of nonbanking organizations, the Board does not believe that such prohibition should apply to the formation by a holding company of a wholly-owned subsidiary to engage in activities that it could engage in directly. Accordingly, as a general matter, the Board will permit without any regulatory approval a bank holding company to form a wholly-owned subsidiary to perform servicing activities for subsidiaries that the holding company itself could perform directly or through a department or a division under section 4(a)(2) of the Act. The Board believes that permitting this type of subsidiary is not inconsistent with the nonbanking prohibitions of section 4 of the Act, and is consistent with the authority in section 4(c)(1)(C) of the Act, which permits a bank holding company, without regulatory approval, to form a subsidiary to perform services for its *banking* subsidiaries. The Board notes, however, that a servicing subsidiary established by a bank holding company in reliance on this interpretation will be an affiliate of the subsidiary bank of the holding company for the purposes of the lending restrictions of section 23A of the Federal Reserve Act. (12 U.S.C. 371c)

The Board has issued this interpretation pursuant to its statutory authority under sections 4(a)(2) and 5(b) of the Bank Holding Company Act, 12 U.S.C. §§ 1843(a)(2) and 1844(b).

Bank Holding Company and Bank Merger Orders Issued by the Board of Governors

Orders Under Section 3 of Bank Holding Company Act

Capital Bancshares, Inc., Dallas, Texas

Order Denying Formation of a Bank Holding Company

Capital Bancshares, Inc., Dallas, Texas, has applied for the Board's approval under section 3(a) (1) of the Bank Holding Company Act (12 U.S.C. § 1842(a) (1)) of formation of a bank holding company by acquiring 100 percent (less directors' qualifying shares) of the voting shares of the Capital Bank "Bank"), Dallas, Texas.

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

Applicant, a nonoperating corporation with no subsidiaries, was organized for the purpose of becoming a bank holding company by acquiring Bank, which holds deposits of $36.6 million.[1] Upon acquisition of Bank, Applicant would control the 238th largest bank in Texas and would hold approximately 0.05 percent of the total deposits of commercial banks in the state.

Bank is the 38th largest of 93 banking organizations in the relevant market and holds 0.27 percent of the total deposits in commercial banks in the market.[2] Two principals of Bank and Applicant are principals of a bank holding company, its subsidiary bank, and a savings and loan association. However, these organizations are located in Brownfield, Odessa and Midland, Texas, respectively, and operate in separate banking markets from Bank. It appears from the facts of record that consummation of the proposal would not result in any adverse effects upon competition or increase the concentration of banking resources in any relevant area. Accordingly, the Board concludes that competitive considerations are consistent with approval of the application.

The Board has indicated on previous occasions that a holding company should serve as a source of financial and managerial strength to its subsidiary banks, and that the Board would closely examine the condition of an applicant in each case with this consideration in mind. In this case, the Board concludes that the record presents adverse considerations that warrant denial of the proposal to form a bank holding company.

With regard to financial considerations, the Board notes that Applicant would incur a sizeable debt in connection with this proposal. Applicant proposes to service this debt over a 12-year period through dividends to be declared by Bank and tax savings to be derived from filing consolidated tax returns. Applicant has also proposed a capital injection for Bank as a part of its acquisition of Bank. Applicant anticipates that this capital injection and projected improvements in Bank's assets and earnings will allow Applicant to service its acquisition debt while maintaining an adequate capital level in Bank. However, in light of Bank's historical performance, Bank's earnings and growth projections appear optimistic. It is the Board's view that Bank is unlikely to have sufficient actual earnings to enable Applicant to service its debt while maintaining adequate capital in Bank as well as affording Applicant the flexibility to meet any unforeseen problems that might arise at Bank. Accordingly, the Board is of the opinion that the considerations relating to financial and managerial resources and future prospects lend weight toward denial of the application.

No significant changes in the services offered by Bank are expected to follow from consummation of the proposed transaction. Consequently, convenience and needs factors, including the Community Reinvestment Act considerations, are consistent with but lend no weight towards approval of this application.

On the basis of the circumstances concerning this application, the Board concludes that the banking considerations involved in this proposal present adverse factors bearing upon the financial and managerial resources and future prospects of Applicant and Bank. Such adverse factors are not outweighed by any procompetitive effects or by benefits that would result in

1. All banking data are as of June 30, 1979 and reflect bank holding company formations and acquisitions approved as of April 30, 1980.

2. The relevant banking market for this analysis is the Dallas banking market, which is approximated by the Dallas Rand McNally Metropolitan Area.

better serving the convenience and needs of the community. Accordingly, it is the Board's judgment that approval of the application would not be in the public interest and the application should be denied.

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

By order of the Board of Governors, effective August 5, 1980.

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

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

Chemical Bank, New York, New York

Order Approving Establishment of Branch

Chemical Bank, New York, New York, a state member bank of the Federal Reserve System, has applied for the Board's approval under section 9 of the Federal Reserve Act, 12 U.S.C. § 321, to establish a branch at Rockefeller Center, New York, New York. Notice of this application has been given, as the Board's Rules of Procedure require, 12 C.F.R. § 262.3(b), and the time for the submission of comments has expired. The Board has considered the application and all comments received in light of section 9 of the Federal Reserve Act and the Community Reinvestment Act of 1977 ("CRA"), 12 U.S.C. §§ 2901-2905.

Applicant, a subsidiary of Chemical New York Corporation, has total assets of $23.9 billion and operates 276 domestic branches.[1] Establishment of the proposed office would not adversely affect competition. Applicant's financial and managerial resources and its future prospects are considered generally satisfactory as are the future prospects of the proposed branch. The new office would provide a convenient source of banking services to Applicant's trust customers. These considerations are consistent with approval of this application.

The CRA also requires the Board, in connection with its examination of Applicant, to assess Applicant's record of meeting the credit needs of its entire community, including low and moderate income neighborhoods, consistent with safe and sound operation, and to take that record into account in its evaluation of this application. Applicant's record has been challenged by the Greenpoint-Williamsburg Committee Against Redlining ("GWCAR"), a group organized to monitor local bank investment in Community Planning District Number 1 in Brooklyn and to develop strategies for improving economic conditions there.[2] Specifically, GWCAR believes that Applicant has not adequately tried to ascertain community credit needs, that it has not aggressively marketed loans, and that it has failed to meet mortgage loan demand and has reinvested in one- to four-family mortgages only a very small part of the deposits of its three branches located within the planning district. GWCAR also complains of Applicant's failure to extend mortgage credit on mixed-use property and multi-family residential property. GWCAR has submitted the results of the group's well-documented research regarding the distribution of mortgage credit within the planning district.

Applicant's record was also reviewed by the Federal Reserve System in a recent consumer compliance examination. Based on that examination, Applicant's CRA record is viewed as lending weight toward approval of this application, and the Board believes the information submitted by GWCAR does not warrant a change in that conclusion. GWCAR has not contested a finding that Applicant is in technical compliance with all procedural requirements of the Board's Regulation BB, 12 C.F.R. Part 228, and that it has reasonably delineated its local communities.[3] There is no evidence of discrimination or other illegal credit practices by Applicant.

Overall, Applicant has a large retail presence in its local communities. In 1978, Applicant was a leading originator of one- to four-family mortgage loans in low, moderate, and high income areas in New York City. Consumer loans and residential credits account for over 20 percent of its loan portfolio, and its proportional holdings of multi-family residential credit is relatively high. In important respects Applicant has assumed a rule of leadership in affirmatively pursuing the objectives toward which the CRA is directed, and in the process it has achieved a distinctly positive record.

GWCAR has criticized Applicant for failing to ascertain community credit needs and to market its credit services aggressively, but the Board cannot conclude Applicant's record is deficient in either of those

1. Financial data are as of September 30, 1979, unless otherwise noted.

2. On July 11, 1980, GWCAR requested that the Board order a formal hearing on this application. Section 262.3(d) of the Board's Rules of Procedure, 12 C.F.R. § 262.3(d), precludes Board consideration of this request. Moreover, it does not appear that there is a controversy between Applicant and GWCAR over material facts; only the conclusions to be drawn from available facts are in dispute. The Board accordingly has declined to order a formal hearing.

3. Applicant's delineation encompasses the five boroughs of New York City, four suburban counties, and several upstate counties.

respects. For several years Applicant has maintained contact with a large number of community and civic organizations and has provided support and advice for nonprofit organizations in its community. It has promoted its credit services through conferences, of a variety of market factors. The evidence shows that Applicant has been relatively active in conventional one- to four-family mortgage loans in low and moderate income as well as higher income areas, and it has provided other types of credit, such as installment loans, revolving credit plans, and home improvement loans. Applicant does offer credit on mixed-use property, but its policy, uniformly applied throughout its community, has been to treat such credit as commercial loans if the owner will not reside on the property. It does not appear that this policy arises from unreasonable or discriminatory considerations, but Applicant, responsive to concerns expressed by community groups and local public officials, has joined other New York banks in studying whether alterations in such policies are feasible.

No state-chartered commercial bank in New York extended multi-family mortgages in low and moderate income neighborhoods in New York City in 1978. Usury and rent control laws appear to have operated significantly to discourage activity in this area.[5] Applicant does offer small business credit on multi-family units, however, and it has been active in supporting multi-family housing in low income neighborhoods through its participation in various housing and neighborhood rehabilitation programs.

On balance, it is the Board's judgment that the information presented by GWCAR does not materially detract from a conclusion that Applicant's record of meeting the credit needs of its entire community lends weight toward approval of this application, and the Board views considerations relating to the convenience and needs of the community to be served as consistent with approval.

On the basis of the record, the Board has determined that approval of this application would be in the public interest, and it approves the application for the reasons summarized above. The proposed branch should be established not later than three months after the effective date of this Order unless that period is extended for good cause by the Board or the Federal Reserve Bank of New York, under authority hereby delegated.

By order of the Board of Governors, effective August 19, 1980.

5. Restrictive usury ceilings were in place during the periods studied.

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

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

First National Bancshares in Newton, Inc., Newton, Illinois

Order Approving Formation of Bank Holding Company

First National Bancshares in Newton, Inc., Newton, Illinois, has applied for the Board's approval under section 3(a) (1) of the Bank Holding Company Act (12 U.S.C. § 1842(a) (1)) of formation of a bank holding company by acquiring 80 percent or more of the voting shares of First National Bank in Newton ("Bank"), Newton, Illinois.

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

Applicant, a nonoperating corporation with no subsidiaries, was organized for the purpose of becoming a bank holding company through the acquisition of Bank, which holds deposits of $33.6 million.[1] Bank is the second largest of three banks in the relevant banking market [2] and controls 39 percent of commercial bank deposits in that market. The proposed transaction represents a reorganization whereby ownership of Bank will be transferred from individuals to a corporation owned by the same individuals, and it appears that consummation of this proposal would have no adverse effect upon existing or potential competition, nor would it increase the concentration of banking resources in any relevant market. Accordingly, the Board concludes that competitive considerations associated with this proposal are consistent with approval of the application.

The financial and managerial resources and future prospects of Applicant and Bank are satisfactory. Although Applicant will assume some debt in connection

1. All banking data are as of June 30, 1978.
2. The relevant banking market is approximated by Jasper County, Illinois.

with its acquisition of Bank's shares, it appears that Applicant's proposal will provide it sufficient financial flexibility to meet its debt-servicing requirements without adversely affecting the financial condition of Bank. Moreover, Bank's principals, who are also Applicant's principals, gained control of Bank in September 1978. Since acquiring control, Applicant's principals have made adjustments in Bank's management, lending policies, and internal controls that have significantly improved Bank's condition. Accordingly, the Board concludes that banking factors are consistent with approval of the application.

In reaching this conclusion, the Board has considered comments concerning this application from a shareholder and director of Bank, Mr. James Laugel, who has also requested a hearing before members of the Board. Mr. Laugel has voiced various objections to this proposal. Setting to one side those objections that are not relevant to the determinations the Board must make under section 3(c) of the Act (such as grievances against former management actions, unconnected with Applicant), those that are not material, and those challenging conclusions (such as forecasts of Bank's future prospects) the underlying facts of which the Board has taken into account, there remains one serious allegation against Applicant. Mr. Laugel believes that Applicant's principal, by arrangement with Bank's former acting president, coerced minority shareholders to sell their shares or deliver proxies, through refusals to grant credit and other unspecified but allegedly unethical means.[3]

Such charges, if true, would constitute a serious adverse managerial consideration that could warrant or demand denial of this application.[4] However, in the face of specific denials by those persons alleged to have participated in this conduct, Mr. Laugel, who claims to have no personal knowledge of these matters, has done nothing to substantiate his claims. This is not a case where evidence is exclusively in the hands of, or even more conveniently accessible to, an adverse party. Mr. Laugel claims to have evidence; he claims to have witnesses to the conduct he suggests took place. But he has refused to provide that evidence to the Board. As a consequence, although this proceeding has been protracted, there is still before the Board no factual foundation for Mr. Laugel's allegations, and no indication whatever that a hearing might prove them to be accurate.

The Comptroller of the Currency has not recommended denial of this application, and in those circumstances section 3 of the Act contemplates that objections to a proposed transaction will in the normal case be explored, at least preliminarily, through written submissions and informal discussions.[5] Mr. Laugel has refused to provide any written factual basis for his objections, however, and he has declined the offer of informal discussions or an informal hearing, not on the ground of inconvenience but because he is only willing to confront Applicant with his evidence in the presence of Board members. The Protestant has not satisfied even a minimal burden of showing that a hearing might be worthwhile, and his request for one is denied. On the basis of the record, the Board concludes that his charges are without merit.[6]

While no immediate changes in Bank's operations or in the service offered to its customers are anticipated to follow consummation of the proposed acquisition, convenience and needs considerations are consistent with approval of this application. Based upon the foregoing and other considerations reflected in the record, the Board concludes that consummation of the proposal would be consistent with the public interest and that the application should be approved.

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

By order of the Board of Governors, effective August 12, 1980.

Voting for this action: Chairman Volcker and Governors Schultz, Wallich, Partee, Teeters, Rice, and Gramley.

(Signed) CATHY L. PETRYSHYN,
[SEAL] *Assistant Secretary of the Board.*

3. Mr. Laugel has also entered a variety of procedural objections to this proceeding, which the Board believes to be without merit. In any event, no showing has been made that he has been prejudiced by any of the procedures objected to, or that his opportunity to present views and evidence has been impaired in any way. The Board has considered Mr. Laugel's comments as if he had timely complied with section 262.3(d) of the Board's Rules of Procedure. 12 C.F.R. § 262.3(d).

4. *Benson Bancshares, Inc.*, 63 FEDERAL RESERVE BULLETIN 1009 (1977).

5. *Farmers and Merchants Bank of Las Cruces, New Mexico* v. *Board of Governors*, 567 F.2d 1082 (D.C. Cir., 1977). Even in proceedings under a statute requiring opportunity for hearing, a person requesting a hearing must first make some showing in support of his allegations. *Connecticut Bankers Association* v. *Board of Governors*, ( ) F.2nd( ) (D.C. Cir. 1980).

6. Similarly, no reasonable construction of information Mr. Laugel has submitted supports any charge that persons associated with Applicant have dealt dishonestly with the Board or the Reserve Bank. The Board also notes that the Protestant has not clearly demonstrated a substantial protected financial or economic interest that is distinct from that of Bank and that would be directly and adversely affected by the transaction for which approval is sought.

Flagship Banks, Inc.
Miami, Florida

Order Approving Acquisition of Bank Holding Company and Merger of Bank Holding Companies

Flagship Banks, Inc. ("Flagship"), Miami, Florida, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 3(a) (3) of the Act (12 U.S.C. § 1842(a)(3)), to acquire 100 per cent of the voting shares of Florida Bankshares, Inc. ("Florida Bankshares"), Hollywood, Florida, also a bank holding company, thereby indirectly acquiring voting shares of First National Bank of Hollywood ("Hollywood Bank"), Hollywood, Florida; First National Bank of West Delray ("West Delray Bank"), Delray Beach, Florida; First National Bank of Moore Haven ("Moore Haven Bank"), Moore Haven, Florida; and First National Bank of Sebring ("Sebring Bank"), Sebring, Florida. Flagship has also applied for the Board's approval under section 3(a)(5) of the Act (12 U.S.C. § 1842(a)(5)) to merge with Florida Bankshares under the name and charter of Flagship.

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

Flagship, the fifth largest banking organization in Florida, controls 23 banks with aggregate deposits of approximately $1.53 billion, representing 4.7 percent of the total deposits in commercial banks in the state.[1] Florida Bankshares, the 27th largest banking organization in the state, controls three banks with aggregate deposits of approximately $200 million, representing 0.6 percent of the total deposits in commercial banks in the state. Upon consummation of the proposed acquisition, Flagship would become the fourth largest banking organization in the state with 5.3 percent of total commercial bank deposits in Florida. On the basis of all the facts of record, including the overall structure of banking in Florida, the Board does not view the proposal as having any significantly adverse effects on the concentration of banking resources in Florida.

Banking subsidiaries of Flagship currently compete against banking subsidiaries of Florida Bankshares in the Miami-Fort Lauderdale and the Eastern Palm Beach banking markets.[2] Florida Bankshares also competes in the Sebring banking market and the Moore Haven banking market.[3] In view of Flagship's financial and managerial resources and its previous geographic expansion, Flagship is viewed as a potential entrant into these two markets. Therefore, the Board regards these two markets as also relevant for analysis of the competitive effects of the proposal. While Flagship competes in banking markets not currently served by Florida Bankshares, the Board does not regard Florida Bankshares as a likely potential entrant into such markets in light of the financial and managerial resources and previous history of expansion of Florida Bankshares. Accordingly, the Miami-Fort Lauderdale, Eastern Palm Beach, Sebring, and Moore Haven banking markets are considered to be the relevant geographic markets for considering the competitive effects of this proposal.

Flagship, through its subsidiaries, Flagship First National Bank of Boynton Beach, Boynton Beach, Florida, and Flagship Bank of West Palm Beach, West Palm Beach, Florida, ranks as the 12th largest of 24 banking organizations competing in the Eastern Palm Beach banking market, with total market deposits of $94,7 million, representing 4.3 percent of total market deposits. Florida Bankshares, through its smallest banking subsidiary, West Delray Bank, ranks as the smallest banking organization in this market, with total market deposits of $3.4 million, representing 0.2 percent of total deposits in the market. Flagship's closest subsidiary bank is located ten miles from West Delray Bank, and while there is some existing competition between Flagship and Florida Bankshares in the Eastern Palm Beach market, the amount of such competition that would be eliminated upon consummation does not appear to be significant, and the market is relatively unconcentrated, with the four largest banking organizations controlling 43.5 percent of market deposits.

Flagship, through its largest banking subsidiary, Flagship National Bank of Miami, Miami, Florida, ranks as the third largest of 72 banking organizations competing in the Miami-Fort Lauderdale banking market, with total market deposits of $512 million, repre-

1. Banking data are as of June 30, 1979.

2. The Miami-Fort Lauderdale banking market is approximated by Broward and Dade Counties, Florida. Until recently, this market encompassed two separate banking markets, but these two markets have now merged as a result of both commercial and residential development in the area that formerly separated them. The Eastern Palm Beach banking market is approximated by the entire eastern coastal portion of Palm Beach County, Florida, which includes all of the developed portions of Palm Beach County with the exception of the Belle Glade area in the western portion of the county.

3. The Sebring banking market is approximated by all of Highlands County plus the City of Frostproof in Polk County, Florida. The Moore Haven banking market is approximated by all of Glades County plus the Clewiston area of Henry County, Florida.

senting 4.9 per cent of commercial bank deposits in the market. Florida Bankshares, through its lead bank, Hollywood Bank, ranks as the 23rd largest banking organization in this market, with total deposits of $148 million, representing 1.4 percent of market deposits. Consummation of the acquisition would increase Flagship's share of deposits in the Miami-Fort Lauderdale banking market to 6.3 percent, causing it to become the second largest banking organization in the market. In light of these and other facts of record, the Board finds that consummation of the proposal will result in an elimination of existing competition between Flagship National Bank and Hollywood Bank, will remove an independent competitor from the market, and will increase the concentration of banking resources in the market. Proposals involving the acquisition of an independent banking organization by an organization already represented in the market must be analyzed carefully, giving attention to all the facts presented in each case, such as the structural characteristics of the market as well as the quantitative factors associated with the proposal.

The Board recently denied a proposed acquisition of a bank holding company where the combined market share that would have resulted from consummation was not significantly different than the market share that would result in the Miami-Fort Lauderdale banking market from consummation of the proposal.[4] The Board finds that there are several significant factors that distinguish the competitive effects of this proposal from that which the Board previously found warranted denial. The Miami-Fort Lauderdale market is somewhat less concentrated than the banking market in *County National*[5] and Hollywood Bank is somewhat smaller than the bank to be acquired in *County National*. Furthermore, Hollywood Bank is located some 16 miles from Flagship's subsidiary in an area into which Flagship's subsidiary is prohibited from branching under state law.

On the basis of the facts of record, including the levels of concentration of banking resources in the Miami-Fort Lauderdale and Eastern Palm Beach banking markets and the number of potential market entrants and vehicles for entry remaining in these markets after consummation of this proposal, the Board does not regard the effect of the proposal on competition in these markets as significant.

Florida Bankshares' second largest banking subsidiary, Sebring Bank, competes in the Sebring banking market; its third largest banking subsidiary, Moore Haven Bank, competes in the Moore Haven banking market. None of Flagship's banking subsidiaries is located in either of these banking markets, and the Board concludes that consummation of the proposal would not eliminate any existing competition in these markets. With respect to the effects on potential competition in these markets, Sebring Bank and Moore Haven Bank hold deposits of approximately $43 million and $5 million, representing 19.0 and 16.5 percent of total commercial bank deposits in their respective banking markets. Applicant appears to be but one of many potential entrants for these markets. In view of all the facts of record, including the relative and absolute size of Sebring Bank and Moore Haven Bank and the structure of their banking markets, the Board concludes that consummation of the proposal would have no significant adverse effects upon potential competition in these markets.

The financial and managerial resources of Flagship, Florida Bankshares, and their subsidiaries are regarded as consistent with approval and the future prospects of Flagship and its subsidiaries appear favorable. Following consummation of the proposal, Flagship intends to expand the services offered by Hollywood Bank by installing automated teller machines, introducing new deposit instruments, including money market certificates of deposit and NOW accounts, offering international banking services, and by more aggressively promoting the lending activities of this bank. Flagship also intends to establish additional branches of other banking subsidiaries of Florida Bankshares. Although these proposals are modest and may be accomplished through means other than this proposal, the Board regards them as sufficient to outweigh the slightly adverse effects on competition associated with this proposal.

Based on the foregoing and other considerations reflected in the record, it is the Board's judgement that the proposed acquisition is in the public interest and that the application should be approved.

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

By order of the Board of Governors, effective August 25, 1980.

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

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

4. *County National Bancorporation*, 65 FEDERAL RESERVE BULLETIN 763 (1979) (hereinafter referred to as "*County National*").

5. In the Miami-Fort Lauderdale market the four largest banking organizations hold 35.8 percent of market deposits, whereas the four-firm concentration ratio in *County National* was 41.9.

Key Banks, Inc., Albany, New York

Order Approving Acquisition of Bank

Key Banks, Inc., Albany, New York, a bank holding company within the meaning of the Bank Holding Company Act, has applied for Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 100 percent of the voting shares (less directors' qualifying shares) of The National Bank of Northern New York, Watertown, New York ("Bank").

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

Applicant is the fifteenth largest commercial banking organization in the state of New York, controlling five subsidiary banks with aggregate deposits of $1.7 billion, representing 1.1 percent of total commercial bank deposits in the state.[1] Acquisition of Bank, which holds deposits of $200.6 million, would increase Applicant's share of statewide commercial bank deposits by approximately 0.1 percent and would not alter Applicant's ranking among other commercial banking organizations in the state. Accordingly, consummation of this proposal would not significantly increase the concentration of commercial banking resources in New York.

Bank operates 17 offices in four separate banking markets in central New York state—the Syracuse market,[2] the Lewis market,[3] the St. Lawrence County market,[4] and the Watertown market.[5] Applicant currently competes with Bank only in the Syracuse banking market. Bank is the 10th largest of 17 commercial banking organizations located in the Syracuse market with $14.6 million in deposits, representing 0.9 percent of total market deposits.[6] Applicant is the largest banking organization in the market with $424.3 million in deposits, representing 26.1 percent of market deposits. Acquisition of Bank would increase Applicant's share of market deposits to 27.0 percent. In evaluating the competitive effects of the acquisition, the Board notes that also competing in the market are seven of the nation's largest 25 banks including several large New York City banks (Chase Manhattan, Chemical, Citicorp and Manufacturers Hanover). As the Board has indicated previously, the competitive influence of such firms is not measurable solely by their market shares, especially with respect to their ability to serve commercial customers. In addition, the Board notes that there are several large thrift institutions in the market and, although the Board remains of the view that thrift institutions do not yet compete with commercial banks over a sufficiently broad range of products and services to include them in the same line of commerce, the Board has on occasion noted that it may be appropriate in particular cases to take into consideration the competition afforded by thrifts in evaluating the competitive impact of horizontal acquisitions.[7] In view of all the facts of record in this case, including the absolute and relative size of Bank, the number and size of banking organizations in the market, the sizeable thrift presence in the market, and the fact that there will remain a number of organizations that could serve as entry vehicles for organizations not now represented in the market, the Board is of the opinion that consummation of the proposal would have only slightly adverse effects on existing competition in the Syracuse market.

With respect to potential competition, the Board notes that Bank operates in three markets in which Applicant is not currently represented. Each of these banking markets, Lewis, Watertown and St. Lawrence County, is concentrated and Applicant, given its size and managerial resources, may be regarded as a potential entrant into each market. However, in view of all the facts of record, the Board is of the view that any elimination of potential competition that would result upon consummation of the proposal is not so serious as to warrant denial of the application.

Bank is the largest of five banking organizations in the Lewis Banking market, and holds deposits of $36.9 million, representing 46.2 percent of total commercial bank deposits in the market. The two largest banking organizations in the market together hold 81.1 percent of market deposits. The banking structure of the Lewis market reflects its rural nature, its low population, and its low per capita income. The record indicates the

1. All banking data are as of December 31, 1979, and reflect bank holding company formations and acquisitions approved through July 31, 1980.
2. The Syracuse banking market is approximated by Oswego, Onondaga, and part of Madison County in central New York State.
3. The Lewis banking market is approximated by Lewis County, New York.
4. The St. Lawrence County banking market is approximated by St. Lawrence County, New York.
5. The Watertown banking market is approximated by Jefferson County, New York.
6. As part of this proposal, Applicant has committed to divest one office of Bank in the Syracuse market as a going concern. Following divestiture, Bank will rank as the 12th largest banking organization in the market controlling 0.7 percent of market deposits.

7. *First Bancorp of New Hampshire, Inc.* (Londonderry Bank & Trust Co), 64 FEDERAL RESERVE BULLETIN 967 (1978); *United Bank Corporation of New York* (Schenectady Trust Company), 66 FEDERAL RESERVE BULLETIN 61 (1980); *Fidelity Union Bancorporation* (Garden State National Bank) 66 FEDERAL RESERVE BULLETIN 576 (1980). *Bank of New York*, 66 FEDERAL RESERVE BULLETIN (August 12, 1980.

market is not attractive to de novo entry. With respect to the Watertown banking market, there are seven commercial banking organizations operating in the market with 29 banking offices. Bank is the largest of these organizations with deposits of $103.9 million, representing 40.0 percent of total market deposits. The two largest banking organizations control about 80.0 percent of market deposits. As with respect to the Lewis banking market, the Watertown market is not attractive to de novo entry. Moreover, thrift institutions have a substantial presence in the Watertown market, and compete to a significant degree with commercial banks in the area of consumer services. In light of all the facts of record, the Board finds that consummation of the proposal would have only slightly adverse effects on potential competition in the Lewis and Watertown banking markets.

The fourth market in which Bank operates is the St. Lawrence County banking market. Bank is the third largest of 11 commercial banking organizations, with $45.6 million in deposits, representing 15.0 percent of total market deposits. Bank's share of market deposits has declined from 20.6 percent in 1976 to its present level of 15.0 percent. Also present in the market are banking subsidiaries of Marine Midland, Bankers Trust and Chase Manhattan. In view of the number of potential entrants, the relative unattractiveness of the market to de novo entry, and other facts of record, it appears that potential competition in the St. Lawrence County market would not be seriously affected by consummation of the proposal. Accordingly, the Board finds that the effects on competition in any relevant area are at most only slightly adverse.

The financial and managerial resources of Applicant and its subsidiary banks are considered generally satisfactory and their future prospects favorable. The financial and managerial resources and future prospects of Bank are considered satisfactory. Thus, banking factors are consistent with approval of the application.

Consummation of the proposal will expand the range and sophistication of services available at Bank's offices. Bank's effective lending limit will increase to reflect the aggregate lending limitation on Applicant's subsidiary banks, thereby allowing Bank to compete more effectively in extending loans to large corporate customers. Applicant has indicated it will extend its electronic point-of-sale terminal system to Bank's service area and will make available to Bank its computer, trust and investment services, enabling Bank to make available to its customers more extensive services. In light of the above, considerations relating to the convenience and needs of the community to be served lend weight toward approval and needs of the community to be served lend weight toward approval as to outweigh any adverse effects on competition that may result from consummation of the proposal. Accordingly, it is the Board's judgment that the subject proposal is in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York under delegated authority.

By order of the Board of Governors, effective August 25, 1980.

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

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

North Platte Corporation, Torrington, Wyoming

Order Denying Acquisition of Additional Shares of Bank Holding Company

North Platte Corporation, Torrington, Wyoming, a bank holding company within the meaning of the Bank Holding Company Act (the "Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire an additional 221,600 voting shares (approximately 8.6 percent of the outstanding voting shares) or Wyoming Bancorporation ("Wybanco"), Cheyenne, Wyoming, also a bank holding company within the meaning of the Act. Applicant currently owns 4.6 percent of Wybanco. Upon consummation of the proposed acquisition, Applicant would own about 13.2 percent of Wybanco and would be the largest single shareholder of Wybanco.[1]

Notice of the application, affording opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received, including the objections of Wybanco's

1. On July 11, 1980, Wybanco entered into a memorandum of understanding to sell to a group of investors $8 million of its subordinated debentures. The debentures are convertible into 500,000 Wybanco shares, which would represent upon conversion about 16 percent of Wybanco's then outstanding shares. Upon conversion of the debentures, Applicant would own approximately 11 percent of Wybanco.

management ("Protestant"), in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Protestant has challenged the proposal on financial, competitive, conflict of interest, and Community Reinvestment Act considerations, and a number of other grounds. In addition to submitting numerous written objections to this proposal, Protestant has requested the Board to hold a formal hearing to resolve any disputes as to material questions of fact unresolved by written submissions.[2] The Board's disposition of the application in this matter makes it unnecessary for the Board to consider Protestant's hearing request.

Section 3 of the Act requires a bank holding company to apply for the Board's prior approval to acquire direct or indirect control of any voting shares of a bank, if after such acquisition the company will directly or indirectly control more than 5 percent of the bank's voting shares. 12 U.S.C. § 1842(c)(1). In assessing a bank holding company application under section 3 of the Act, the Board is required "in every case" to consider the competitive effects of the proposal, as well as financial, managerial, future prospects and convenience and needs factors. 12 U.S.C. § 1842(c).[3] Together, these sections demonstrate that Congress contemplated that a bank holding company acquisition resulting in direct or indirect control of more than 5 percent of the shares of a bank might have anticompetitive aspects or be adverse to the convenience and needs of the community and that the Board's decision to approve or deny an application should take into consideration the reasonable likelihood of anticompetitive aspects notwithstanding the fact that the holding company would not acquire control of 25 percent of the bank's shares.[4]

A company need not acquire control of another company in order to substantially lessen competition or restrain trade.[5] The antitrust laws and section 3(c) of the Act are directed not only against the immediate anticompetitive effects of a proposed acquisition, but also are designed "to arrest in its incipiency . . . the substantial lessening of competition from the acquisition by one corporation of the whole or any part of the stock of a competing corporation.[6]

In applying the competitive standards of the Bank Holding Company Act where, as here, the principal of an applicant controls another banking organization, the Board considers the effects of the proposal on all controlled organizations.[7]

It is in the context of the above described legal framework that the Board has considered the subject application.

Applicant, the 18th largest banking organization in Wyoming, controls one bank, the Citizens National Bank and Trust Company ("Citizens Bank"), Torrington, Wyoming, with deposits of $40.0 million, representing 1.7 per cent of the commercial bank deposits in the state.[8] Mr. Roy Dinsdale, Applicant's chairman and president, serves in similar capacities with another Wyoming bank holding company, Green River Company, Green River, Wyoming, whose sole subsidiary is the First National Bank of Green River ("Green River Bank"), holding deposits of $12.8 million representing 0.6 percent of deposits in the state.[9] Mr. Dinsdale and members of his family own in excess of 80 percent of the stock of each of these companies.[10] In addition, Mr. Dinsdale has acquired control of ten banks in Nebraska, and one bank each in Kansas and Colorado.

Wybanco, with eighteen subsidiary banks, is the largest banking organization in Wyoming, holding aggregate deposits of $388.3 million, representing 16.6 percent of total deposits in commercial banks in the

2. Applicant has not requested a hearing on the application and has opposed Protestant's request for a hearing.

3. In addition to the general standard in section 3 of the Act, section 3(c)(2) of the Act (12 U.S.C. § 1842(c)(2)) generally precludes Board approval of a proposal that may substantially lessen competition or restrain trade (the anticompetitive effects condemned by the antitrust laws) unless the anticompetitive effects are clearly outweighed by the convenience and needs of the community.

4. Under section 3 the Board might lawfully deny a bank holding company's application to acquire less than 25 percent of another bank holding company, if after the acquisition the acquiring company would have probably or apparent influence over the acquiree and competitive considerations involved in the relationship are significantly adverse. *Cf. First City Bancorporation of Texas*, 59 FEDERAL RESERVE BULLETIN 105 (1973), where the Board approved a bank holding company's acquisition of banks on the condition that it divest itself of any direct or indirect control in excess of 5 percent of the voting shares of two banks in the acquiree banks' markets. Although the applicant there directly owned only 8.9 percent and 0.5 percent respectively of the two banks to be divested, the Board concluded that retention of applicant's influence over those two banks presented competitive considerations adverse to approval of the application.

5. *Denver & Rio Grande Western Railroad* v. *United States*, 387 U.S. 485, 501 (1967).

6. See *United States* v. *E. I. du Pont de Nemours & Co.*, 353 U.S. 586, 589 (1957).

7. In *Mahaska Investment Company*, 63 FEDERAL RESERVE BULLETIN 579 (1977), the Board stated that , where a proposed acquisition involves the use of a holding company by an individual or a group of individuals to acquire control of a bank that is a competitor of another bank under the control of essentially the same individuals, the Board will apply the section 3(c) competitive standards. In *Mid-Nebraska Bancshares* v. *Board of Governors*, No. 78-1658 (D.C. Cir. Feburary 15, 1980), the Court of Appeals upheld the Board's authority to consider the competitive effects of bank holding company proposals in such circumstances.

8. All banking data are as of March 31, 1979, unless otherwise indicated.

9. Applicant has a substantial investment in Green River Company through non-voting common stock and subordinated debentures. Applicant's investment accounts for a substantial portion of Green River's equity capital.

10. Mr. Dinsdale has supplied the Board with an affidavit stating that he exercises effective control over each of the corporations owned by the Dinsdale family.

state. Wybanco has an application pending with the Board to acquire a newly-chartered bank in Worland, Wyoming, and an application pending with the Comptroller of the Currency to charter a national bank in Torrington, Wyoming.

The subject application represents the second attempt by Mr. Dinsdale and his controlled companies to acquire a substantial portion of Wybanco's shares. In 1978, Mr. Dinsdale, acting as agent for five of his Nebraska bank holding companies and Applicant, made a tender offer for up to 24 percent of Wybanco's outstanding stock. As proposed, each of the holding companies was to acquire up to 4.9 percent of Wybanco's shares. The tender offer was withdrawn after the Board advised that the acquisition was precluded by section 3(d) of the Act.[11]

After considering all the evidence of record in this matter, the Board has concluded that the effect of consummation of Applicant's proposal may be to seriously lessen present and potential competition in the relevant geographic markets. Preliminary to making a finding that such anticompetitive effects may result, the Board has considered whether, upon consummation of the proposal, Applicant and Mr. Dinsdale may reasonably be expected to have a controlling influence over the management or policies of Wybanco. The Act provides that a company has control over a bank or company if "the Board determines, after notice and opportunity for hearing, that the company directly or indirectly exercises a controlling influence over the management or policies of the bank or company."[12] The Board has previously recognized that a determination with respect to the existence of a controlling influence is necessarily a question of fact that requires a careful appraisal of the past and prospective relationships and circumstances present in a particular case.[13] The Board has indicated that a controlling influence embraces pressures and influences, at times subtle, by which a company may be capable of influencing or controlling the affairs of another company.[14]

Pursuant to the Congressional direction in the 1970 Amendments that the Board consider a controlling influence to be control, the Board delineated a number of factual situations that, in the Board's judgment, raise a reasonable probability that a controlling influence might exist.[15] One of those situations is relevant to the application here. Under section 225.2(b)(1) of Regulation Y, a company is presumed to control a bank or other company if each of three conditions is met: (1) the company owns or controls more than 5 percent of the outstanding voting shares of the bank or other company, (2) one or more of the company's directors or officers serves in a similar capacity with the bank or other company, and (3) no other person owns or controls more than 5 percent of the outstanding voting securities of the bank or company.

In this case, the record shows that the proposed acquisition would give Applicant 13.2 percent of Wybanco's outstanding shares and Applicant would be the single largest shareholder of Wybanco with nearly three times the shares held by any other person. No other person owns more than 5 percent of Wybanco's shares. Applicant would have the power to elect at least one and perhaps two of Wybanco's twelve directors.[16] The application states that Applicant will cast its shares to elect Mr. Dinsdale as a Wybanco director. The record also shows that the current management of Wybanco, including its board of directors, as a group holds about 15.4 percent of Wybanco's voting shares and is vigorously opposing the purchase of Wybanco shares by Mr. Dinsdale or companies he controls.[17]

After considering all the facts of record, including Mr. Dinsdale's banking experience, a majority of the Board finds that it is reasonably likely that, upon consummation of the proposal, Applicant and its principal shareholder may be capable of exercising such a significant influence over the management or policies of

11. Wybanco filed a lawsuit against Mr. Dinsdale in Federal district court to block the tender offer. Wybanco alleged, among other things, that consummation of the tender offer would violate the Bank Holding Company Act. In response to an Order from the United States District Court for the District of Wyoming, the Board advised the court that the six companies, acting together as a single enterprise to achieve a common purpose, constituted a bank holding company under the Act with its principal place of business in Nebraska and that section 3(d) of the Act (the prohibition against out-of-state bank acquisitions) precluded approval of the proposed acquisition in Wyoming.

Protestant contends that consummation of the transaction proposed in the present application would likewise also violate section 3(d). However, since this application is by a Wyoming bank holding company to acquire shares in another Wyoming bank holding company, the interstate prohibition of section 3(d) of the Act is inapplicable. Contrary to Protestant's assertions, there is no evidence of record that any of Mr. Dinsdale's out-of-state holding companies are involved in this application, and Applicant has specifically denied that they are providing financial support for the proposed acquisition.

12. The controlling influence test of control was added to the Act in 1970 in order to cover situations where a company has control of a bank but does not own 25 percent of the bank's shares or control the election of a majority of its directors. S. Rep. No. 91-1084, 91st Cong., 2d Sess., 6 (1970). Congress recognized that "under modern conditions, it is entirely possible to control the affairs of a company without owning 25 percent or more of its outstanding voting shares." *Id.*

13. *Patagonia Corporation*, 63 FEDERAL RESERVE BULLETIN 288 (1977).

14. *Id.* at 291.

15. 36 *Federal Register* 18945 (1971); 12 C.F.R. 225.2(b) (1980).

16. Based upon the number of shares historically voted in Wybanco elections (about 60 percent), and the fact that Wybanco has cumulative voting, Applicant (with a 13.2 percent interest in Wybanco) would be able to elect two of the twelve directors of Wybanco. Under the most adverse conditions, with full shareholder turnout, Applicant would be able to elect at least one of Wybanco's directors.

17. At its recent shareholder meeting, Wybanco management was able to secure over 50 percent of Wybanco's outstanding shares in favor of a proposal to prohibit any individual who owned 5 percent or more of a Wyoming bank from serving as a director of Wybanco. The proposal failed because it did not secure the necessary approval of two-thirds of the outstanding voting shares.

Wybanco as to constitute a controlling influence, within the meaning of that concept in the Act.[18] On this basis, the Board views the proposed acquisition as one that may seriously lessen competition between Wybanco subsidiary banks and the subsidiary banks of Applicant and the other Wyoming company controlled by Mr. Dinsdale.

However, apart from any probable controlling influence by Applicant or Mr. Dinsdale over Wybanco, the Board is concerned that consummation of the proposal may nonetheless result in serious anticompetitive effects. With a 13.2 percent interest in Wybanco and at least one seat on Wybanco's board of directors, Applicant would have access to and be in a position (and indeed have a responsibility) to influence and participate in the formulation of the policies and strategies of Wybanco, which competes, or is expected to compete, with banks under Mr. Dinsdale's control. The Board finds that this situation raises potential conflicts of interest in the operation of the competing or potentially competing banks controlled by Mr. Dinsdale and Wybanco and is likely to seriously reduce competition.[19]

In view of the likelihood that Applicant may gain a controlling influence over Wybanco and Applicant's proposed substantial stock ownership of Wybanco and representation on its board of directors, the Board believes that consummation of the proposed acquisition may have seriously adverse effects on existing competition in the Sweetwater County banking market.[20] Green River Bank, which is controlled by Mr. Dinsdale, is the fifth largest of six banks in the market with 8.1 percent of market deposits. Wybanco also has a subsidiary bank in the Sweetwater County banking market, the First Wyoming Bank of Rock Springs, N.A., Rock Springs, Wyoming (total deposits of $10.8 million). This Wybanco subsidiary bank controls 6.8 percent of market deposits and is in direct competition with Green River Bank.[21]

With respect to potential competition, the Board finds that consummation of the proposal may eliminate or reduce probable future competition in the Goshen County banking market.[22] Applicant's subsidiary, Citizens Bank, Torrington, Wyoming, is the largest of three banks in the Goshen County market with total deposits of $40 million, representing 63.1 percent of market deposits. Wybanco has an application to charter a de novo bank in Torrington, Wyoming, pending before the Comptroller of the Currency. In the Board's judgment, approval of the subject proposal may substantially reduce the expected procompetitive effects associated with Wybanco's projected entry into the Goshen County market and eliminate the prospects for deconcentration of that market. Accordingly, the Board concludes that the effect of the proposal may be to seriously lessen potential competition in the Goshen County market.

The Board recognizes that the state of Wyoming has experienced rapid financial and population growth in recent years. With Wyoming's potential for development from its energy resources, this growth is expected to continue causing the state's major banking markets to be attractive for entry by new banking organizations.[23] In light of Mr. Dinsdale's financial resources, banking experience, his expressed interest in banking expansion in Wyoming, his recent bank acquisitions in Wyoming (and neighboring Nebraska), the Board believes it reasonably probable that Applicant will, absent Board approval of the instant proposal, expand into one or more of the major Wyoming banking markets, in the most attractive of which Wybanco operates subsidiary banks. Approval of this appli-

18. During the processing of the application, the Board advised Applicant that consummation of the proposal was likely to result in coverage of Applicant by the rebuttable presumption in section 225.2(b)(1) of Regulation Y and that a serious question was raised as to the competitive effect of the proposal. The Board requested Applicant to supply any facts or argument relevant to the control and competitive questions and the appropriateness of a hearing on these issues.

In response Mr. Dinsdale advised the Board that no hearing was necessary or appropriate. In July 1980, he advised the Board that he would not, without the Board's prior approval, exercise a controlling influence over Wybanco. However, this assurance is unpersuasive in light of Applicant's proposed substantial stock ownership in Wybanco and representation on Wybanco's board of directors.

19. Congress' concern about the potential for significant anticompetitive effects in this type of situation was one of the reasons underlying enactment of the Depository Institution Management Interlocks Act (12 U.S.C. §§ 3201 et seq.). Despite the fact that Green River Bank and one of Wybanco's subsidiary banks are located in the same market, the distance between these banks makes it possible for Mr. Dinsdale to serve on the boards of directors of the Green River Bank and Wybanco. However, since the adverse consequences sought to be prevented by the ban on interlocking management in competing financial institutions appear to be associated with the proposed acquisition, the Board finds added weight supporting its conclusion that the proposed acquisition would have a serious anticompetitive impact.

20. The Sweetwater County market is approximated by Sweetwater County, Wyoming.

21. Protestant also alleges that the proposed acquisition should eliminate existing competition between Applicant's subsidiary bank in Goshen County, Wyoming, and two Wybanco banks located in counties adjacent to Goshen County. In making this allegation, Protestant asserts that all three counties constitute a single banking market. The Board believes that the relevant banking market should consist of the localized area where the banks involved offer their services and where local customers can practicably turn for alternatives. In the Board's view, this three-county area is not sufficiently economically integrated to constitute a single banking market centered around the town of Torrington, and each of the counties should be considered as a separate banking market. Therefore, consummation of the proposal would not eliminate any significant existing competition in any of these three counties.

22. The Goshen county market is approximated by Goshen County, Wyoming.

23. During 1979, commercial bank deposits in Wyoming increased by 14 percent, the greatest yearly gain in the State's history. In addition, six new commercial banks opened in 1979, and seven additional charters were issued for new banks that had not opened by the end of 1979.

cation would eliminate or reduce the likelihood of the procompetitive effects that may be expected to result from such entry and would have adverse effects on banking structure in Wyoming.[24] On this basis, approval of the application would not serve the convenience and needs of the public and would not be in the public interest.

Accordingly, the Board finds, on the basis of the foregoing and other facts of record, that the seriously adverse effects on existing and potential competition, concentration of resources in the relevant geographic markets, and the state banking structure, that are likely to result from consummation of this proposal are so substantial as to warrant denial of this application.

The financial and managerial resources of Applicant and Wybanco and their subsidiary banks, as well as the other banks controlled by Mr. Dinsdale, are considered generally satisfactory and their future prospects appear favorable.[25] Thus, considerations relating to banking factors are consistent with approval.

With regard to convenience and needs considerations, Applicant makes no explicit commitments to increase services to the communities served by Wybanco. Applicant does state that it will use whatever influence it has to encourage Wybanco to strengthen its capital position and the earnings of its subsidiary banks. In the Board's view, Applicant has failed to demonstrate that any benefits to the convenience and needs of the communities that may result from the proposed acquisition are adequate to outweigh the substantially adverse competitive effects that may reasonably be expected to result from Applicant's acquisition of Wybanco's shares.

On the basis of all the relevant facts of record, it is the Board's judgment that consummation of the proposal would not be in the public interest and that the application should be denied. Accordingly, the application is denied for the reasons summarized above.

By order of the Board of Governors, effective August 13, 1980.

(Signed) THEODORE E. ALLISON,
Secretary of the Board.

[SEAL]

24. As previously noted, Wybanco has 18 banking subsidiaries, two applications pending for additional banks, and controls 16.6 percent of the state's total deposits. The second largest banking organization in Wyoming, Western Bancorporation, Los Angeles, California, has three subsidiary banks in the state, but is precluded by section 3(d) of the Act from expanding its holdings through the acquisition of new or existing banks, and by state law from branching from its three existing banks. Therefore, only the third and fourth largest banking organizations, the only other multibank holding companies in the state, are in a position to challenge Wybanco in markets throughout the state. They each have three subsidiary banks and control 9.5 and 4.2 percent of deposits in Wyoming.

25. Protestant has challenged this acquisition on a number of financial grounds. The Board's decision to deny the acquisition on competitive grounds obviates the necessity of treating the challenge of Protestant to the acquisition on financial grounds.

Concurring Statement of Chairman Volcker and Governor Gramley

In our judgment, the facts of this case do not warrant the conclusion that Applicant will have control of Wybanco upon completion of the proposed acquisition. Nevertheless, we believe that Applicant's acquisition of over 13 percent of Wybanco's outstanding shares and the proposed interlocking director relationship are likely to result in a serious lessening of present and potential competition between Wybanco's subsidiary banks and those controlled by Applicant and its principal shareholder, and to have a seriously adverse effect on the banking structure of the state of Wyoming.

The acquisition by an organization of a substantial ownership interest in a competitor or potential competitor, coupled with the establishment of an interlocking officer or director relationship between the two organizations, raises a substantial likelihood that the amount and effectiveness of present and potential competition between the organizations will be lessened. This type of association weakens, and may eliminate, the independence of action between organizations previously acting competitively with one another and increases the likelihood of cooperative operations between them, even if one organization does not control the other within the concept of the Bank Holding Company Act. Such anticompetitive effects have been recognized by Congress in enacting the Depository Institutions Management Interlocks Act and by the Board in its administration of the Bank Holding Company Act.

In this case, we find the present and prospective lessening of competition that is presented by the proposed association of two strong and aggressive competitors to be so serious and so adverse to the public convenience and needs as to warrant denial of the application. Accordingly, we concur in the majority's decision to deny approval to the proposed acquisition.

August 13, 1980

Dissenting Statement of Governor Wallich

In my opinion, this proposal will result in anticompetitive effects serious enough to warrant denial only if there is a preliminary finding that Applicant and its principal shareholder, Mr. Dinsdale, would be able to control Wybanco upon consummation of the proposed acquisition. I am unable to find sufficient evidence in the record to support such a finding.

In my opinion, the majority's conclusion that consummation of the proposed acquisiton would give Applicant and Mr. Dinsdale a controlling influence over the management and policies of Wybanco or otherwise result in serious anticompetitive effects rests on conjecture and remote possibility. The United States Supreme Court has repeatedly emphasized that competitive issues under section 7 of the Clayton Antitrust Act must be resolved on the basis of "probabilities," not "ephemeral possibilities."*

I am concerned over the serious anticompetitive effects that might attend consummation of the proposal if Applicant were to acquire control of Wybanco. However, I would approve the application because of the absence of persuasive evidence that Applicant and its principal shareholder would be capable of exercising control or a controlling influence over the management or policies of Wybanco or that any conflicts of interest or other anticompetitive effects may reasonably be expected to result from consummation of the proposal.

In this case, a majority of the Board has determined that with a 13.2 percent ownership interest in Wybanco and the ability to elect at least one member to Wybanco's board of directors, Applicant would likely acquire a significant or controlling influence over Wybanco that is expected to result in anticompetitive effects. This determination has been made notwithstanding the fact that Wybanco's current management, which has an aggregate stock ownership in Wybanco of 15 percent, has vigorously opposed this application and has frustrated any attempt by Mr. Dinsdale or his controlled companies to acquire more than five percent of Wybanco's outstanding shares. In my opinion, the Board's conclusions are based upon conjecture regarding possible future occurrences, and, as such, do not constitute a sufficient basis upon which to deny the application.

Notwithstanding the fact that Mr. Dinsdale has provided the Board with an assurance that he would not exercise or attempt to exercise a controlling influence over Wybanco, it is possible that Applicant and Mr. Dinsdale might in the future succeed in gaining a controlling influence over Wybanco, which might enable them to reduce competition by cooperatively operating Wybanco and the Wyoming banks controlled by Applicant and Mr. Dinsdale. If the Board were to approve the application based upon the absence of control and it later appeared to the Board that Applicant and Mr. Dinsdale had, through ownership of Wybanco's shares and representation on Wybanco's board of directors, obtained or exercised control or a controlling influence over Wybanco's management or policies, the Board could under its regulations issue a preliminary determination of control. 12 C.F.R. § 225.2(c). If, after comment and an opportunity for hearing, the Board finds that control or a controlling influence exists, Applicant would be required to terminate the control relationship or promptly seek Board approval to retain the control relationship. I believe this procedure to be fully adequate to resolve the control question raised in this case.

Accordingly, on the basis of the record before the Board and under current law, I would approve the proposed acquisition.

August 13, 1980

*Brown Shoe Co. v. United States, 370 U.S. 294, 323 (1962); United States v. Falstaff Brewing Corp., 410 U.S. 526, 555 (1973) (separate opinion of Justice Marshall) ("Remote possibilities are not sufficient to satisfy the test set forth in § 7.")

Republic of Texas Corporation, Dallas, Texas

Order Denying Acquisition of Bank

Republic of Texas Corporation, Dallas, Texas, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 100 percent, less directors' qualifying shares, of the voting shares of Citizens National Bank of Waco ("Bank"), Waco, Texas.

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

Applicant, the fourth largest banking organization in Texas, controls 23 banks with aggregate deposits of approximately $5.01 billion,[1] representing 7.2 percent of the total deposits in commercial banks in the state. Bank, the 29th largest banking organization in Texas, controls total deposits of $203.2 million, representing 0.3 percent of the total deposits in commercial banks in Texas. Upon consummation of this proposal, Applicant's share of the total deposits in commercial banks in Texas would increase to 7.5 percent, and Applicant would continue to rank as the fourth largest banking organization in the state.

Bank is the largest of 15 banking organizations in the Waco banking market[2] and controls 30.8 percent of the total deposits in the market. None of Applicant's subsidiary banks has an office in the relevant market and

1. All banking data are as of June 30, 1979, and reflect bank holding company formations and acquisitions approved as of April 30, 1980.
2. The Waco banking market is approximated by the Waco SMSA which is represented by McClennan County, Texas.

Applicant's nearest subsidiary is located 87 miles from Waco in Fort Worth. Thus, no existing competition would be eliminated by this proposal. With regard to probably future competition, however, the Board has previously expressed its concern about the adverse competitive effects resulting from the entry into smaller metropolitan areas by one of the larger banking organizations in a state through acquisition of one of the larger independent organizations in those areas. Such adverse effects are exacerbated particularly in a situation where the banking organization to be acquired is located in a concentrated market.[3]

The Waco banking market is a concentrated market, with the four largest banking organizations controlling 72.4 percent of the total deposits in commercial banks in the market. Several smaller foothold entry points are available in the market and in view of Applicant's overall size, financial and managerial resources and history of, and plans for, expansion, Applicant appears to be a likely entrant into the market in the reasonably foreseeable future. Acquisition of Bank by Applicant would eliminate the probability that these two organizations would come into direct competition in the future and the Board would view this competition as desirable because of the present structure of the market. Thus, it is the Board's view that potential competition would be eliminated by permitting one of the state's largest banking organizations to enter a concentrated market through the acquisition of the market's largest bank. Consummation of the proposal would also eliminate the present procompetitive effect Applicant exerts as a result of its position as a perceived potential entrant into the market. Although this proposed acquisition would ultimately result in the separation of Bank from a group of smaller Waco banks under the control of the same family, in the Board's view the possibility of separation does not mitigate the effects of the proposal on competition in the Waco market.

In evaluating the competitive effects of this proposal, the Board has considered the impact of thrift institutions on competition within the Waco market. Although thrift institutions hold substantial deposits in the Waco banking market, the Board in this instance is unable to conclude from the evidence in the record that these institutions compete actively with commercial banks over a sufficient range of financial services to mitigate significantly the anticompetitive effects of the proposal.

The competitive consequences associated with this proposal must also be considered in light of their effects upon the structure of banking in Texas. The Board has consistently expressed its concern regarding acquisitions that have a significant impact on statewide structure and the concentration of resources within a state, and has indicated that there are limits as to what it regards as approvable under the standards of the Bank Holding Company Act.[4] The Board continues to monitor statewide banking structures in general and, more particularly, the size disparity among the large banking organizations. The Board is concerned with the possibility that continued approval of acquisition or merger proposals involving large statewide holding companies and relatively sizable banking organizations, such as is presented by this proposal, may perpetuate this size disparity and increase concentration ratios. In reviewing the overall impact of consummation of this proposal, the Board believes the acquisition by Applicant of the largest bank in an already concentrated market in Texas is not warranted.

In view of the facts of record, including the market share held by Bank in the Waco banking market, the level of concentration in the market and the presence of a number of alternative means of entry, the Board concludes that the effect of consummation of this proposal may be to substantially lessen potential competition in the relevant banking market and on this basis requires denial of the proposal unless such anticompetitive effects are clearly outweighed by considerations relating to the convenience and needs of the community to be served. Even if the anticompetitive effects of this proposal were viewed as less than "substantial," the Board considers these effects to be so seriously adverse as to warrant denial under the general mandate of section 3 of the Act.

The financial and managerial resources and future prospects of Applicant, its subsidiaries, and Bank are regarded as satisfactory. While Applicant has indicated that it would cause Bank to place greater emphasis on real estate and business lending and government sponsored lending programs, there is no evidence in the record indicating that these banking needs are not now being met in the community and Bank appears to have the resources to develop these services independent of affiliation with Applicant. Furthermore, Applicant could furnish these services through foothold entry into the Waco market and thereby provide the banking customers with a new alternative source of banking services. On the basis of the record, it is the Board's opinion that the convenience and needs of the the community to be served are not sufficient to out-

3. *Mercantile Texas Corporation*, 66 FEDERAL RESERVE BULLETIN 423 (1980); *First City Bancorporation of Texas, Inc.*, 65 FEDERAL RESERVE BULLETIN 862 (1979).

4. *See Mercantile Texas Corporation*, 66 FEDERAL RESERVE BULLETIN 423 (1980) in which the Board denied an application by the 5th largest banking organization in Texas to acquire the 2nd largest bank in the Waco market.

weigh the anticompetitive effects associated with this proposal. Accordingly, it is the Board's judgment that consummation of the proposed transaction would not be in the public interest and that the application should be denied. Based on the foregoing and other facts of record, the application is hereby denied.

By order of the Board of Governors, effective August 20, 1980.

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

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Welch Bancshares, Inc., Welch, Oklahoma

Order Denying Formation of Bank Holding Company

Welch Bancshares, Inc., Welch, Oklahoma, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) of formation of a bank holding company by acquiring 100 percent, less directors' qualifying shares, of the voting shares of Welch State Bank of Welch ("Bank"), Welch, Oklahoma.

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

Applicant is a nonoperating company organized for the purpose of becoming a bank holding company by acquiring Bank ($9 million in deposits).[1] Upon acquisition of Bank, Applicant would control the 333rd largest of 489 commercial banking organizations in Oklahoma and approximately 0.05 percent of total deposits in commercial banks in the state. Bank is the third largest of ten commercial banks located in the Miami, Oklahoma, banking market, which is approximated by northern Craig County and Ottawa County, and holds approximately 5.0 percent of the market's total deposits in commercial banks.

This proposal involves a restructuring of Bank's ownership from individuals to a corporation owned by those same individuals. The facts of record indicate that seven of Applicant's principals, through common stock ownership and director interlocks, control the operating policies of the largest bank in the market, Security Bank & Trust Company, Miami, Oklahoma ("Security Bank"), which holds total deposits of $76.4 million reprewenting 42.4 percent of market deposits. Collectively, Applicant's principals control 47.4 percent of the market's total deposits.

Applicant disputes the definition of the relevant banking market in this case and contends that Bank does not compete in the banking market where Security Bank is located. The market definition suggested by Applicant is all of Craig County, and southern Labette County, Kansas, including the town of Chetopa. Alternatively, Applicant asserts Bank is the only bank in a market consisting of northern Craig County, or that it is in the Vinita banking market, which includes the towns of Vinita and Ketchum in Craig County, and Langley in Mayes County to the south of Craig County.

In support of its contentions, Applicant has submitted data concerning the respective service areas for loans and deposits of the banks involved.[2] Applicant also makes allegations concerning the extent of commercial interaction in the area surrounding Welch. While the respective service areas of banks involved in a proposed transaction are among the factors that the Board considers in determining the relevant banking market in which to analyze the competitive effects of a proposal, the Board does not consider such service areas to be dispositive.[3] Based on facts of record discussed below, it appears that Bank and Security Bank should in fact be regarded as reasonable alternatives to one another.

Bank is the only financial institution in northern Craig County. Due to Bank's relatively small size and the low population density of northeastern Oklahoma, the Board does not believe that Bank is in an independent market. Based on the results of a field survey of the area that included interviews with local bankers and business representatives and an analysis of market information concerning economic activity and employment data in northeastern Oklahoma, the Board concludes that northern Craig County and Ottawa County comprise the appropriate relevant banking market.

1. Deposit data are as of December 31, 1979.

2. In particular, Applicant cites the lack of substantial overlap of the service areas of Bank and Security Bank. However, the Board notes that in this case the lack of service area overlap may merely reflect the lack of competition between the two banks as a result of their common ownership and control by Applicant's principals since 1956. For the same reason, the Board finds unpersuasive Applicant's observation that Bank does not advertise in the Ottawa County newspaper and Security Bank does not advertise in the Craig County newspaper.

3. *See Ellis Banking Corporation*, 64 FEDERAL RESERVE BULLETIN 884 (1978).

Miami, Oklahoma, located some 14 miles east of Welch in Ottawa County, is substantially larger than any other city within 20 miles of Welch. Its 1976 population approximates 14,000, as opposed to 5,000 for Vinita, which is 17 miles to the south, and 2,000 for Chetopa, Kansas, located 13 miles to the north. Despite Applicant's assertions to the contrary, the road connecting Welch to Miami is not more difficult to traverse than the road from Welch to Vinita. Welch, with a population of 772, provides little in the way of employment opportunities or basic services to its residents. Miami, on the other hand, is a regional trade center, with significantly more shopping and employment opportunities than Welch, Vinita, or Chetopa. Miami also has a two year junior college with an enrollment of about 2,000. Moreover, Vinita's population has declined by 14.5 percent since 1970, and four businesses in its downtown area recently ceased operation. In contrast, Miami has experienced modest population growth of 2.3 percent since 1970. Newspaper circulation figures and loan recording data supplied by Applicant suggest that there is some interaction between Welch and Vinita. The loan recording data are limited both with regard to the type of loan and the period over which the data were gathered, however, and on balance, the significant differences between Miami and Vinita persuade the Board that residents of Welch look to Miami as the principal economic center in the surrounding area. It therefore appears that Bank and Security Bank are both located in the Miami banking market.[4]

Under section 3(c) of the Bank Holding Company Act, the Board is precluded from approving any proposed acquisition of a bank that in any part of the country (1) would result in a monopoly, or would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking; or (2) may substantially lessen competition or tend to create a monopoly or be in restraint of trade in any banking market, unless the Board finds that such anticompetitive effects are clearly outweighed by the convenience and needs of the community to be served.

As part of its analysis of the competitive effects of a proposal involving the restructuring of a bank's ownership into corporate form, the Board takes into consideration the competitive effects of the transaction whereby common share ownership and/or interlocking director/officer relationships were established between the subject bank and one or more of the other banks in the same market.[5]

In this case, the Board has considered the competitive effects of the original transaction by which Bank and Security Bank came under common ownership. In 1956, when Bank came under common control with Security Bank, Bank was the fifth largest of nine banks in the market and controlled 4.23 percent of market deposits. Security Bank ranked second with 28 percent of market deposits, and the four-bank concentration ratio in the market was 85.7 percent. The combination of Bank and Security Bank created the second largest organization in the market with a market share of 32.3 percent, and raised the four-bank concentration ratio to 90 percent. The Board finds that the effect of the acquisition of Bank by Applicant's principals was to eliminate significant competition that existed at that time between Bank and Security Bank, increase the concentration of banking resources within the relevant market, and eliminate an independent banking competitor in the market. Although this relationship is long standing in nature, approval of this application would further solidify this anticompetitive relationship, a relationship that now involves control of more than 47 percent of market deposits. On the basis of the foregoing and the facts of record, the Board concludes that approval of the application would have substantial adverse competitive effects. Accordingly, under the standards set forth in section 3(c)(2) of the Bank Holding Company Act, the proposal may not be approved unless the adverse competitive factors are clearly outweighed by other public interest considerations reflected in the record. In this case, the Board finds that the adverse competitive aspects are not clearly outweighed.

When principals of an applicant are engaged in operating a chain of banking organizations, the Board, in addition to analyzing the one-bank holding company proposal before it, also considers the total chain and analyzes the financial and managerial resources and future prospects of the chain within the context of the Board's multibank holding company standards. Based upon such analysis in this case, the financial and man-

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4. Applicant also has submitted affidavits from the presidents of each of the banks in Craig and Ottawa Counties to the effect that those countries are in separate banking markets. Although these affidavits lend some support to applicant's position, the Supreme Court has stated that a market is not only the area in which the seller operates, but "to which the purchaser can practicably turn for supplies." *United States* v. *Philadelphia National Bank*, 314 U.S. 321, 359 (1963). On the basis of the above discussion and all the facts of record, the Board believes that residents of Welch must regard Miami as a practicable alternative for banking services.

In any event, in view of the discussion above, the only other plausible market would be one encompassing both Miami and Vinita, and the combination of Bank and Security Bank in such a market would also involve the elimination of a substantial amount of existing competition since the combined market share of those two banks would approximate 32.5 percent.

5. *Mid-Nebraska Bancshares, Inc.* v. *Board of Governors*, No. 78-1658 (D.C. Cir. February 15, 1980); *Mahaska Investment Co.*, 63 FEDERAL RESERVE BULLETIN 579 (1977).

agerial resources and future prospects of Applicant and Bank appear to be generally satisfactory. Therefore, considerations relating to banking factors are consistent with, but lend no weight toward approval of the application. No significant changes in the services offered by Bank are expected to result from consummation of the proposed acquisition. Thus, public interest factors lend no weight toward approval of the proposal and therefore cannot clearly outweigh the substantially adverse competitive effects associated with it. In view of the substantially adverse competitive effects associated with this proposal and the absence of any outweighing factors, the Board also concludes that, under the last sentence of section 3(c) of the Act, the proposal would have a negative effect on the convenience and needs of the community to be served and that, on balance, the application should be denied.

On the basis of the facts of record, and in light of the factors set forth in section 3(c) of the Act, it is the Board's judgment that consummation of the proposal to form a bank holding company would not be in the public interest and that the application should be and hereby is denied for the reasons summarized herein.

By order of the Board of Governors, effective August 19, 1980.

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

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Dissenting Statement of Chairman Volcker and Governor Gramley

We would approve this application in view of the longstanding relationship between Bank and Security Bank & Trust Company, a relationship that spans nearly a quarter of a century. We do not believe that denial of this application at this time will increase the probability that common control of the two banks will be terminated. The combined market share of the two banks is certainly substantial, and we would join the majority of the Board if there were some reasonable possibility that denial might result in severance of this relationship. The duration of this relationship is significantly longer than in any application previously denied by the Board solely on competitive grounds, however, and it thus appears unlikely that denial would have any meaningful effect.

August 19, 1980

Wyoming Bancorporation, Cheyenne, Wyoming

Order Approving Acquisition of a Bank

Wyoming Bancorporation, Cheyenne, Wyoming, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842 (a)(3)) to acquire 100 per cent, less directors' qualifying shares, of the voting shares of First Wyoming Bank-Worland ("Bank"), Worland, Wyoming, a proposed de novo bank.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with section 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received, including those submitted on behalf of First National Bank and Stockgrowers State Bank, both of Worland, Wyoming (collectively referred to as "Protestants"), in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant, the largest banking organization in Wyoming, controls 18 banks with aggregate deposits of $405.6 million, representing 19.3 percent of the total commercial bank deposits in the state.[1] Since this application involves the acquisition of a proposed de novo bank, consummation of the proposal would neither eliminate any existing competition nor immediately increase Applicant's share of commercial bank deposits in Wyoming.

Applicant is seeking to make its initial entry into the Washakie County banking market (the relevant market).[2] There are only two commercial banks presently in the Washakie market, both of which are protesting the subject application. Applicant's nearest subsidiary bank to Bank is located more than 50 miles from Bank in a separate banking market. Since Applicant has no other banking interests in the relevant market, it does not appear that consummation of the proposal would have any adverse competitive impact in the Washakie County banking market. Moreover, since Bank is being formed de novo, approval of the application would permit the establishment of an additional competitor in the Washakie County banking market. Accordingly, competitive considerations lend weight toward approval of the application.

The financial and managerial resources and future prospects of Applicant and its subsidiaries are re-

1. All banking data are as of September 30, 1979, and do not include Applicant's subsidiary, First Wyoming Bank-Douglas, Douglas, Wyoming, which opened for business on February 15, 1980.

2. The Washakie County banking market is approximated by Washakie County, Wyoming.

garded as generally satisfactory. Bank, as a proposed de novo bank, has no financial or operating history; however, its financial and managerial resources and prospects as a subsidiary of Applicant appear favorable. Thus, considerations relating to banking factors are consistent with approval. As a new institution in the Washakie County banking market, which is currently being served by only two commercial banks, Bank would serve as an additional source of a full range of banking services in the market. Accordingly, considerations relating to the convenience and needs of the community to be served lend weight toward approval of the application.

In its review of the subject application, the Board has given careful consideration to the comments submitted on behalf of Protestants. Protestants' principal contention is that the banking needs of the community are being adequately met at the present time and there is no need for the proposed new bank in the market, particularly since Bank is to be located within one block of the two existing commercial banks in Worland.[3] Protestants participated in state proceedings before the Financial Institutions Board of the state of Wyoming ("state Board") concerning applications to charter Bank and raised essentially the same objections in those proceedings as they have raised in protesting the instant application.

In summary, on August 24, 1978, Applicant filed an application with the state Board for Bank's charter. The state Board denied the application on November 17, 1978, whereupon Applicant submitted a new application for Bank's charter. A public hearing was held in connection with the new application on April 18, 1979, in which both Applicant and Protestants participated. After considering all the evidence of record, including feasibility studies submitted by each side that arrived at opposite conclusions, the state Board concluded in its Order of July 25, 1979, that the public needs and convenience of Worland and Washakie County would be promoted by the establishment of Bank and that there was reasonable promise of successful operation of Bank. Accordingly, the state Board ordered that the state Examiner issue Bank's charter. Protestants subsequently filed an appeal of the state Board's decision to the Supreme Court of Wyoming. The state Examiner reaffirmed its charter approval action upon notification of the subject application by the Reserve Bank, stating that such approval was granted based upon testimony that Bank would be affiliated with Applicant.

In general, the Board views a bank holding company's de novo entry into a market where it is not yet represented as a positive convenience and needs consideration in view of the fact that it will provide an added source of services, will add another competitor to the market, and will serve to deconcentrate the relevant market. Protestants contend that the public benefits generally associated with de novo entry into a market are not applicable in this case. This contention is based upon the following factors: (1) that population and deposit growth rates, as well as the median family income, in the Washakie banking market were significantly below state averages, thus evidencing economic weakness in the area and the inability of the area to support a new financial institution; (2) that market data and a survey of residents and businesses in the market indicate that existing banks are satisfying market loan demands and providing satisfactory services for their customers; and (3) that Bank would not serve the public convenience and needs because of Bank's close proximity to the other two commercial banks in the market and the fact that it proposes to provide the same services as the two commercial bank competitors in the market.

Contrary to Protestants' assertions, the economic data indicate that the Washakie banking market is attractive for de novo entry and could support the formation of a new bank. Population growth data indicate that between 1970 and 1979 Washakie County's population increased approximately 28.2 percent, and Worland's population increased 36.5 percent. During that same period census estimates indicate that Wyoming's population increased approximately 34.8 percent.[4] Although there have been no commercial bank entrants in the market during the 1970–1979 period, two new Worland savings and loan associations opened in 1976 in response to the population increases and attendant increases in economic activity. These two depository institutions had accumulated $8.8 million in combined deposits by March 1979.[5] This evidence of successful market penetration facts of record, including the record of the state Board proceeding, that the Washakie

3. In connection with this contention, Protestants have also alleged that Applicant does not have sufficient financial resources to support the establishment and maintain the capital requirements of Bank under such circumstances. The Board has considered Applicant's resources and finds, as earlier stated in this Order, that Applicant's financial resources are generally satisfactory and Bank's prospects as a subsidiary of Applicant are favorable. An additional objection by Protestants to this application is that Applicant acted in excess of the law in taking action to obtain charter approval for Bank without the Board's prior approval. The Board does not require that an applicant receive Board approval before chartering a de novo bank, and, in fact, has expressly instructed applicants in the FR Y-2 Application Form (December 1979) that "if a proposed new operating bank is involved, Applicant should have received at least preliminary approval of the charter before filing [the FR Y-2] application." Therefore, Applicant's actions to charter Bank did not require prior Board approval and were not in violation of law.

4. Population growth data relative to Worland and Washakie County were obtained from the Big Horn Regional Planning Office. State figures were obtained from the Bureau of Economic Analysis, Department of Commerce, Regional Economic Information System, April 1980.

5. Source: Federal Home Loan Bank of Seattle, Seattle, Washington.

banking market is capable of supporting an additional market entrant.

Protestants' random market survey indicating public satisfaction with existing banking services is not conclusive with respect to the need or feasibility of Bank. The proposed location of Bank, despite its close proximity to the two other commercial bank competitors, appears to be quite convenient to the public since it is a central location near most other retail and service facilities in the area. In fact, the Board finds that the proposed de novo bank would not only serve public convenience as an additional full-service banking facility in the market, but would also benefit the public by enhancing competition and deconcentrating a market where there are only two commercial banking alternatives.

In view of the foregoing discussion and having considered all the facts of record and all the comments of Protestants in light of the statutory factors the Board must consider under section 3(c) of the Act, it is the Board's judgment that consummation of the subject proposal would be in the public interest and that the application to acquire Bank should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made (a) before the thirtieth calendar day following the effective date of this Order, or (b) later than three months after that date, and (c) First Wyoming Bank, Worland, Wyoming, shall be opened for business not later than six months after the effective date of this Order. Each of the periods described in (b) and (c) may be extended for good cause by the Board, or by the Federal Reserve Bank of Kansas City pursuant to delegated authority.

By order of the Board of Governors, effective August 19, 1980.

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

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Orders Under Section 4 of Bank Holding Company Act

The Bank of New York Company, New York, New York

Order Approving Acquisition of Nonbanking Companies

The Bank of New York Company ("BNY Co."), New York, New York, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval, under § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)), and 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to acquire voting shares of ARCS Mortgage Corporation, North Miami Beach, Florida ("ARCS-Florida") and ARCS Mortgage Corporation, Encino, California ("ARCS-California") ("Companies"), both of which are engaged in mortgage lending activities and currently are subsidiaries of Empire National Bank ("Empire"), Middletown, New York.

Companies are engaged in the business of originating and servicing first mortgage loans on one-to-four family residential homes, selling these mortgages, and servicing the loans for permanent investors. These activities have been determined by the Board to be closely related to banking (12 C.F.R. §§ 225.4(a)(1) and (3)).

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

Applicant, the ninth largest banking organization in New York, controls one bank and a nonbank subsidiary engaged in reinsurance activities, with consolidated assets approximately $8.9 billion.[1] Applicant proposes to acquire companies in connection with consummation of the merger of its lead bank, Bank of New York ("BNY"), New York, New York with Empire National Bank, Middletown, New York.[2] ARCS-California engages in mortgage banking activities from offices in Cerritos, Covina, Encino, Clovis, Oxnard, Paso Robles, Sacramento, San Diego, San Jose, Stockton, Van Nuys, Hayward, and Pleasant Hill, California, serving the counties of Fresno, Ventura, San Luis Obispo, Sacramento, San Diego, Santa Clara, San Joaquin, Alameda, and Contra Costa, California, and East San Fernando Valley, Eagle Rock, Highland Park, Simi Valley, and Los Angeles and the surrounding area. ARCS-Florida engages in mortgage banking activities from offices in West Palm Beach, Lighthouse Point, and North Miami Beach, serving the geographic areas of Dade, Broward, and Palm Beach Counties, Florida.

In order to approve this application, the Board must find that Applicant's performance of the proposed activities through Companies "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such

1. Data are as of December 31, 1979.
2. *See* the Board's Order of this date approving the merger.

as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices." The proposed acquisition of Companies does not raise any significant competitive issues. Companies (total combined assets of $14.7 million and a servicing portfolio of $518 million) are among the smaller participants in their respective mortgage lending markets, ranking as the 112th and 130th largest mortgage companies in the United States.[3] Unlike their larger competitors, Companies do not originate mortgages on a nationwide basis. No direct competition between Companies and BNY Co. would be eliminated by the proposed acquisition. BNY Co. does not engage in the business of mortgage banking and BNY at present does not extend mortgage credit in any of the Florida and California markets where Companies originate all of their mortgage loans. It is unlikely that BNY would expand its mortgage lending activity to Companies' markets given the wide geographic dispersion of Companies' offices. Similarly, Companies are of insufficient size to be considered potential competitors in BNY's markets. Affiliation with Applicant will facilitate expansion of Companies' capital base and their mortgage activities due to Applicant's access to the commercial paper market which can be used to fund Companies and due to the ability of Applicant to borrow funds for Companies in excess of Empire's lending limitations. Applicant also will provide the managerial expertise necessary to insure continuous, profitable operation of Companies.

There is no evidence in the record that consummation of the proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board concludes that the balance of public interest factors it must consider under section 4(c)(8) of the Act favors approval of the applications filed under that section, and that the application should be approved.

This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y and to the Board's authority to make examinations of bank holding companies and their subsidiaries, and to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's Orders and regulations issued thereunder, or to prevent evasion thereof. The transaction shall be made not later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York pursuant to delegated authority.

3. Data are as of June 30, 1979.

By order of the Board of Governors, effective August 12, 1980.

Voting for this action: Chairman Volcker and Governors Schultz, Wallich, Partee, Teeters, Rice, and Gramly.

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

First City Bancorporation of Texas, Houston, Texas

Order Approving Acquisition of First City Insurance Agency

First City Bancorporation of Texas, Houston, Texas, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to acquire a dormant Texas corporation in order to acquire its license to act as a managing general agent as that term is defined by the Insurance Code of Texas. The company's name would be changed from Central Texas Insurance Agency, Inc., to First City Insurance Agency, Houston, Texas ("Agency"), and Applicant would thereafter engage de novo in the activity of acting as managing general agent with respect to (i) insurance for Applicant's banking subsidiaries, and (ii) credit-related life, health, property and casualty insurance. Such activities have been determined by the Board to be closely related to banking (12 C.F.R. § 225.4(a)(9)(i) and (ii)).

Notice of the application, affording opportunity for interested persons to submit comments on the public interest factors, has been published (44 *Federal Register* 55654 (1979)).[1] The time for filing comments has expired, and the Board has considered the application and all comments received, including the request for a hearing submitted jointly by the Independent Insurance Agents of America and the Independent Insurance Agents of Texas (collectively, "IIAA" or "Protestant"), in light of the public interest factors set forth in section 4(c)(8) of the Act.

Applicant is the largest banking organization in the state of Texas with 44 domestic bank subsidiaries and total assets of approximately $9.5 billion.[2] Applicant

1. This application was initially processed under the procedures set forth in section 225.4(b)(1) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(1)) as a proposal to engage de novo in activities determined by the Board to be closely related to banking. Because of the nature of the protests filed and request for hearing, it was determined that the application should be processed at the Board.

2. All data are as of December 31, 1979.

controls six nonbanking subsidiaries representing a minimal portion of Applicant's overall operations.

Agency is a dormant corporation not currently engaged in any business. Agency's only assets are $1,000 in capital and a license to act as a "managing general agent" under the laws of Texas.[3] Upon consummation of the proposal, Applicant through Agency would enter into an agreement with one or more independent insurance agents, known under Texas law as "local recording agents,"[4] to perform the managerial and administrative functions associated with the selling of insurance by these agents for Applicant's banking subsidiaries and in connection with extensions of credit made by the Applicant's subsidiary banks. Applicant would not act as "local recording agent."

Section 4(c)(8) of the Act provides that the Board may approve a bank holding company's application to engage in a nonbanking activity only after the Board has determined that the proposed activity is so closely related to banking as to be a proper incident thereto. The Board has determined by regulation that acting as agent with respect to the sale of credit-related insurance and insurance for the banking subsidiaries of a bank holding company are permissible nonbank activities. This determination was affirmed in *Alabama Association of Insurance Agents* v. *Board of Governors*.[5]

To approve an application under section 4(c)(8) of the Act the Board must also determine that the performance of the proposed activities by a nonbank subsidiary of a bank holding company can reasonably be expected to produce benefits to the public such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Section 4(c)(8) of the Act also provides that the Board may approve a bank holding company's application to engage in, or to acquire, voting shares of a company engaged in nonbanking activities only after notice of the proposal and an opportunity for a hearing on the matter.

Both Applicant and Protestant have made numerous written submissions to support their respective positions regarding this application. In reaching the conclusions set forth below, the Board has considered the application, Applicant's supplementary comments and submissions, and all of the comments and submissions made by Protestant.

Protestant's assertions may be summarized as follows: the proposed activity is not "closely related" to banking within the meaning of section 4(c)(8) of the Act; Applicant's proposal lacks specificity, would not result in any benefits to the public and would result in adverse effects in the form of decreased competition; and a formal hearing is needed to resolve all of the issues raised above.

In response, Applicant contends that the conclusions reached by Protestant are incorrect. The Board will address these issues in turn.

Whether the Proposed Activity is "Closely Related" to Banking

Texas law separately authorizes two insurance agency activities: acting as managing general agent and acting as local recording agent.[6] Generally, managing general agents perform the administrative and supervisory functions related to the sale of insurance contracts, while local recording agents perform the solicitation and negotiation functions related to the sale of such contracts.

Applicant has applied pursuant to the Board's insurance agency regulation (i.e., 12 C.F.R. § 225.4(a)(9)) to engage in the former of these two insurance agency activities. The Protestant asserts that the proposed activity is not included in the Board's insurance regulation, which it claims authorizes only sales functions relating to certain types of insurance contracts. Accordingly, Protestant contends that the proposed activity is not "closely related" to banking within the meaning of section 4(c)(8) of the Act.

The Board's insurance agency regulation authorizes bank holding companies to act as "agent or broker" with respect to the sale of certain types of insurance (12 C.F.R. § 225.4(a)(9)). The Board's regulation does not define the term "agent or broker." However, Texas law specifically defines the term agent and authorizes the activities proposed by this application. Furthermore, Applicant has committed to engage in no insurance underwriting activities in connection with this application and has committed to conduct its proposed activities in accordance with Texas law and the Board's regulations. The Board understands that in some states other than Texas, the activities of a managing general agent and a local recording agent may be performed by the same insurance agent.[7] In fact, the Board in the past has approved applications by bank holding companies to engage in the proposed activity in Texas. Accordingly, in light of all these facts, the Board believes there is no reason in this instance to restrict the meaning of the term insurance agent as defined by Texas statute and finds that the proposed ac-

3. Insurance Code of Texas, Article 21.07-3, section 2.
4. *Ibid.*, Article 21.14, section 2.
5. 533 F.2d 224 (5th Cir. 1976), modified on rehearing, 558 F.2d 729 (1977), cert. denied, 435 U.S. 904 (1978).

6. *See* footnotes 3 and 4, supra.
7. For example, in *Florida Association of Insurance Agents* v. *Board of Governors*, 591 F.2d 334 (5th Cir. 1979), it was noted that insurance agency activities included the "solicitation, negotiation, *effectuating* or *servicing* any policy or contract of insurance" (emphasis supplied).

tivity is "closely related" to banking within the meaning of the Act.

Public Benefits/Adverse Effects

Applicant has enumerated several public benefits that it claims would result from approval of this application. It asserts that Agency would have a better bargaining position vis-a-vis the insurance underwriters than the independent local recording agents hold. Such a better position may mean that Applicant's customers could obtain insurance at a lower cost than they would through independent agents. In fact, Applicant has committed to obtain insurance for its customers at the lowest practicable cost. Additionally, Applicant asserts that approval of this application would result in increased public convenience, because Applicant's customers will be able to purchase credit-related insurance at the same time credit is obtained; duplicative forms and other information will be eliminated, and customers will have the advantages of combined billing. Further, Applicant would be able to achieve increased efficiency by using its existing facilities (thereby realizing a savings in overhead expenses); and by consolidating administrative handling of claims, premiums and applications, achieving some economies of scale. Finally, Applicant contends that consummation of the proposal would result in increased competition among the local recording agents and among the insurance underwriters.

IIAA states that the proposal does not satisfy the public benefits requirements of section 4(c)(8) of the Act and challenges many of the alleged public benefits. Protestant contends that Agency's role as a managing general agent adds another level of distribution between insurance underwriters and the local recording agents, thereby reducing rather than increasing efficiency in the sale of insurance. Finally, IIAA contends that consummation of the proposal would have the adverse effect of reducing competition among local recording agents for insurance business related to extensions of credit by Appplicant's subsidiaries.

The Board has considered the assertions of Applicant and Protestant and concludes that on balance Applicant's proposal is not likely to result in significant gains in convenience or efficiency. Some gains in convenience and efficiency might be associated with Applicant's proposal, but Applicant has not provided sufficient information for the Board to conclude that such gains may reasonably be expected to occur. Thus, the Board has accorded Applicant's claims no weight in acting on this application. Also, the Board has considered Applicant's claim that consummation of this proposal will increase competition among the local recording agents to be appointed by Applicant and between insurance underwriters competing for the large volume of business Applicant would offer. IIAA makes claims to the contrary. The Board is not persuaded by the Protestant's claims that independent recording agents would not compete for Applicant's insurance business as a result of the proposal. This conclusion ignores the fact that such agents can freely compete to sell insurance to Applicant's customers, may compete for appointment as local recording agents by Applicant, and that section 106 of the Act specifically prohibits Applicant from tying its insurance business to its credit-granting activities.[8] On the other hand, the Board is not convinced that increased competition in the form described by Applicant is likely to result from Applicant's proposal. Accordingly, the Board attributes no weight to Applicant's contentions that the proposal is likely to result in public benefits.

It is clear to the Board, however, that consummation of the proposal will add an additional competitor because Applicant essentially seeks to expand its activities de novo. Thus a new alternative will be offered to those members of the public wishing to purchase their credit-related insurance from a system that offers the services of a managing general agent *and* a local recording agent. The Board considers this new combination to be an alternative to, rather than a replacement for, independent local recording agents and believes that insurance customers should be allowed to choose between such alternatives. Thus the de novo nature of this proposal represents a clear public benefit.[9] Moreover, Applicant has committed to secure insurance for its customers at the lowest practicable cost. The Board regards this commitment as a material representation relative to the public benefits to be expected from this proposal. Accordingly, the Board concludes that lower costs to the public likely to result from this proposal also constitute a public benefit.

Hearing Request[10]

IIAA asserts, however, that further examination of Applicant's proposal is necessary for the Board to conclude that the benefits associated with the application outweigh adverse effects, and that such examination can only be accomplished through a formal hearing. Indeed, Protestant states that such a hearing is necessary simply to ascertain that Applicant will not engage in insurance activities (such as underwriting and acting as agent for noncredit related insurance)

8. Protestant has made speculative allegations as to the possibility of tying but has offered no evidence of such a practice.

9. *See* Virginia National Corporation, Order dated July 24, 1980, pp. 12-13.

10. The Board has considered IIAA's objections and request for a hearing, although in this instance it has not concluded that IIAA would be a "party in interest" with respect to this application.

that the Board has not determined to be permissible for bank holding companies.

In order to be entitled to a hearing under section 4(c)(8) of the Act, a protestant must present issues of fact that are material to the Board's decision and disputed by the relevant parties.[11] Moreover, although a hearing request may not lightly be denied, ". . . an agency is not required to conduct an evidentiary hearing when it can serve absolutely no purpose."[12] Applicant has committed to engage only in insurance activities permitted by the Board's regulations, and Protestant does not offer evidence that Applicant in fact intends to underwrite or act as agent with respect to any other insurance. Applicant's proposal is sufficiently specific to put competitors and the public on notice regarding its intentions, and the Board's continuing supervisory authority over bank holding companies enables it to prevent the commencement of impermissible insurance activities. Moreover, there is no evidence that Applicant has engaged in any unauthorized insurance activities in the past. Thus, the Board concludes that material facts are not in issue regarding the scope of Applicant's proposal and that no purpose would be served by ordering a hearing on this point.

Protestant asserts that there are a number of other material issues in dispute that require a hearing. However, much of IIAA's request for a hearing relates to its claim that additional facts are needed, rather than to explore differences in the facts presented. A hearing is not required in such instances. The remainder of IIAA's request for a hearing relates to IIAA's disagreement with Applicant that consummation of this proposal would result in greater convenience, increased efficiency and certain types of increased competition. The Board has resolved these issues in IIAA's favor and, as indicated above, has accorded no weight to Applicant's claims. Consequently a hearing on these points would serve no purpose. It bears repeating, however, that IIAA has not controverted the public benefits associated with the proposal in the form of the creation of an additional insurance alternative for the consumer nor has IIAA offered any evidence that Applicant would not keep its commitment to secure insurance at the lowest practicable cost to its customers. Therefore, the Board concludes that a hearing on this application can serve no useful purpose.

The Board finds that consummation of this proposal cannot reasonable be expected to produce any undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices or other adverse effects. Public benefits can reasonably be expected to result from this proposal, and they are easily sufficient to outweigh any possible adverse effects which the Board has, in any event, found to be unlikely to occur. Additionally, Protestant's claims regarding whether the activity is closely related to banking and the propriety of bank holding company involvement in the activity are, in the Board's judgment, without merit.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of the public interest factors that the Board is required to consider under section 4(c)(8) is favorable. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

By order of the Board of Governors, effective August 22, 1980.

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

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Liberty National Corporation, Oklahoma City, Oklahoma

Order Approving Retention of 50 percent Interest in Liberty-Heller Factors, Inc.

Liberty National Corporation, Oklahoma City, Oklahoma, a bank holding company within the meaning of the Bank Holding Company Act (the "Act") has applied for the approval of the Board under section 4(c)(8) of the Act, 12 U.S.C. § 1843(c)(8), and section 225.4(b)(2) of Regulation Y, 12 C.F.R. § 225.4(b)(2), to retain 50 percent of the voting shares of Liberty-Heller Factors, Inc., Oklahoma City, Oklahoma ("Company"). The remaining 50 percent of Company's voting shares are held by Heller Interstate, Inc., Chicago, Illi-

11. *Connecticut Bankers Assn.*, supra at 12. The court stated that "a protestant does not become entitled to an evidentiary hearing merely on request, or on a bald or conclusory allegation that such a dispute exists." *Id.*

12. *Independent Bankers Assn.* v. *Board of Governors*, 516 F.2d 1206, 1220 (D.C. Cir. 1975).

nois, a wholly-owned subsidiary of Walter E. Heller International Corporation, Chicago, Illinois ("Heller"), which is also a bank holding company within the meaning of the Act. The Company engages in accounts receivable and inventory financing activities. The Board has previously determined that such activities are closely related to banking. 12 C.F.R. § 225.4(a)(1).

Notice of the application, affording opportunity for interested persons to submit comments and views, has been duly published. The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the Act.

Applicant has one banking subsidiary, Liberty National Bank and Trust Company of Oklahoma City, holding deposits of $1.4 billion (as of December 1979), and eight direct or indirect non-banking subsidiaries in addition to Company. Applicant and Heller formed Company as a joint venture in 1969 to engage in factoring activities for oil and gas drilling companies in Oklahoma. Due to a lack of demand for this kind of service, the Company gradually began providing accounts receivable and inventory financing, terminating its factoring activities completely by 1974. Because Applicant became a bank holding company pursuant to the 1970 amendments to the Act, Applicant must divest or secure the Board's approval to retain its ownership of Company by December 31, 1980.[1]

The Board regards the standards of section 4(c)(8) for the retention of shares in a non-banking company to be the same as the standards for a proposed acquisition. In addition, the Board has previously expressed concern about the competitive effects of joint activities by bank holding companies.[2]

The extent to which this joint venture eliminated competition is determined by the facts that existed at the time the co-venturers entered into the activity.[3] It appears that at the time Company was formed, neither Applicant nor Heller was engaged in factoring activities for oil and gas drilling companies in the relevant geographic market.[4] Therefore, the Board finds that no existing competition was eliminated by the establishment of Company.

The Board must also consider whether, at its inception, the formation of the joint venture eliminated any potential competition, i.e., whether, absent this joint venture, either Applicant or Heller, on its own, would have entered the market. With respect to Company's original factoring activities for oil and gas drilling companies, it appears that the likelihood of separate entry into these activities by either of the co-venturers was remote because the success of such operations depended on the combination of expertise not possessed by either bank holding company alone: Applicant was familiar with the area to be served and its businesses, but had no experience in factoring activities; on the other hand, Heller had significant expertise in factoring but little knowledge of the market area to be served. With respect to Company's more recent accounts receivable and inventory lending operations, the need for this mutually exclusive expertise is less apparent. However, because numerous commercial banks and commercial finance companies provide commercial financing services in the relevant geographic market similar to those provided by Company, the Board finds that the loss of either of the co-venturers as a potential competitor as a result of the formation of this joint venture was not significant. Accordingly, in the Board's view, retention of a 50 percent interest in Company by Applicant will not have any significantly adverse competitive effects. On the other hand, continuation of the joint venture will result in the continued existence of a viable competitor in the market. Therefore, retention of Company will result in public benefits.

There is no evidence in the record that would indicate that Applicant's continued retention of its interest in Company would result in undue concentration of resources, unfair competition, conflicts of interest, unsound banking practices, or other adverse effects.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of the public interest factors the Board is required to consider under section 4(c)(8) is favorable. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective August 4, 1980.

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

(Signed) THEODORE E. ALLISON,
Secretary of the Board.

[SEAL]

1. Heller's participation in the joint venture was approved by the Board's Order approving Heller's application to become a bank holding company. *Walter E. Heller International Corp.*, 59 FEDERAL RESERVE BULLETIN 463 (1973).

2. *E.g.*, *Fort Worth National Corporation, Shawmut Association, Inc.*, 60 FEDERAL RESERVE BULLETIN 382, 384 (1974).

3. *See United States v. Penn-Olin Chemical Co.*, 378 U.S. 158 (1964).

4. The geographic market for both factoring and commercial financing services is regional or national in scope.

Mercantile Bancorporation, Inc., St. Louis, Missouri

Order Approving Insurance Agency Activities

Mercantile Bancorporation, Inc. ("Applicant"), St. Louis, Missouri, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied pursuant to section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(1) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(1)), for permission to engage de novo, through its subsidiary, MBI Insurance Agency, Inc., St. Louis, Missouri ("Agency"), in the sale of property and casualty insurance directly related to extensions of credit or other financial services by Applicant's banking subsidiaries in Missouri. Such nonbank activities have been determined by the Board to be closely related to banking and therefore permissible for bank holding companies (12 C.F.R. § 225.4(a)(9)).

Notice of the application, affording opportunity for interested persons to submit comments on the public interest factors has been duly published.[1] The time for filing comments has expired, and the Board has considered the application and all comments received, including those received from the Independent Insurance Agents of America, Inc., and the Independent Insurance Agents of Missouri (collectively, "Protestant"), in light of the considerations specified in section 4(c)(8) of the Act.

Applicant controls the largest banking organization in Missouri, with aggregate deposits of approximately $2.2 billion.[2] Applicant proposes to sell property and casualty insurance at the location of each of its banking subsidiaries. It is anticipated that the area to be served for such insurance sales will be the area surrounding each such office.

Section 4(c)(8) of the Act provides that the Board may approve a bank holding company's application to engage in a nonbanking activity only after the Board has determined that the proposed activity is so closely related to banking as to be a proper incident thereto. The Board has determined by regulation that the sale as agent of credit-related insurance and the sale of insurance related to the provision of other financial services, such as mortgage servicing, are permissible nonbanking activities. This determination was affirmed in *Alabama Association of Insurance Agents v. Board of Governors*.[3]

To approve an application under section 4(c)(8) of the Act the Board must also determine that the performance of the proposed activities by a nonbank subsidiary of a bank holding company can reasonably be expected to produce benefits to the public such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Section 4(c)(8) of the Act also provides that the Board may approve a bank holding company's application to engage in, or to acquire voting shares of a company engaged in, nonbanking activities only after notice of the proposal and an opportunity for a hearing on the matter.

Both Applicant and Protestant have made numerous written submissions to support their respective positions regarding this application. In reaching the conclusions set forth below, the Board has considered the application, Applicant's supplementary comments and submissions, and all of the comments and submissions made by Protestant.

Protestant's assertions may be summarized as follows: (1) It is unclear whether the proposed activity falls within the category of insurance activities approved by the Board as "closely related to banking" since the application does not state with "absolute clarity" what insurance coverages are contemplated by its application. (2) The application raises the potential for coercive or voluntary tying of insurance sales to extensions of credit and this potential is enhanced by the fact that Applicant's insurance agents will have other duties and thus may have a conflict of interest. (3) The application fails to demonstrate how Applicant will compete with nonaffiliated insurance agents on the basis of lower price and also fails to present facts regarding the rates at which Applicant intends to sell insurance. In this connection, the financing of premiums to be offered by Applicant may increase costs for consumers since most underwriters provide premium deferral plans that effectively finance premiums at more favorable rates than normal bank lending rates. (4) Because Applicant's insurance agents will be engaged in a combination of activities, Applicant's customers will not have available to them a full-time insurance professional.

The Board will address each of these issues in turn.

(1) *Whether the proposed activity is "closely related to banking."* Protestant initially asserted that Applicant is required to state with "absolute clarity"

1. This application initially was processed under the procedures set forth in section 225.4(b)(1) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(1)) as a proposal to engage de novo in activities determined by the Board to be closely related to banking. Because of the nature of the protest filed and request for hearing, it was determined that the application should be processed at the Board.

2. Banking data are as of June 30, 1978.

3. 533 F.2d 224 (5th Cir. 1976), modified on rehearing, 558 F.2d 729 (1977), cert. denied, 435 U.S. 904 (1978).

what insurance coverages are contemplated by its application so that the Board may determine that Applicant does not propose to sell any types of insurance that the Board has determined are not permissible for bank holding companies. Applicant has committed not to sell any of the types of insurance that the Board has determined are not permissible and Protestant does not assert that Applicant in fact intends to sell any such insurance. Applicant's proposal is sufficiently specific to put competitors and the public on notice regarding its intentions, and the Board's continuing supervisory authority over bank holding companies enables it to prevent the commencement of impermissible insurance activities. Moreover, there is no evidence that Applicant has engaged in any unauthorized insurance activities in the past.

Applicant has stated both in its application and in correspondence to the Board that it will offer property insurance on motor vehicles, recreational vehicles, boats, mobile homes, and improved real estate. It has stated that the insurance coverages it will offer include dual and single interest physical damage insurance for motor and recreational vehicles, physical damage insurance for boats, fire and/or mobile home owner insurance for mobile homes, and fire and/or home owners insurance for improved real property. In addition, Applicant has stated that it may offer flood insurance for mobile homes and improved real estate. The Board has interpreted the insurance provisions of its Regulation Y to authorize the sale of these types of insurance. (12 C.F.R. § 225.128)

Protestant's letter of July 3, 1980, to the Board acknowledges that Applicant now has sufficiently stated the lines of insurance covered by its application, with the exception of flood insurance on mobile homes and improved real estate, which was not originally proposed in the application as a type of insurance Applicant would offer. It is the Board's opinion that such insurance coverage falls generally within the category of property and casualty insurance permissible for bank holding companies and that no additional notice of this particular coverage is required.

(2) *Coercive or voluntary tying*. Section 106 of the Bank Holding Company Act prohibits a bank from requiring its customers to purchase insurance from it in order to receive credit. Although section 106 applies directly only to banks, the Board has expanded the prohibition of that section to encompass bank holding companies through section 225.4(c) of its Regulation Y (12 C.F.R. § 225.4(c)). Thus, any action taken by Applicant to require the purchase of insurance from it is unlawful. There is no evidence that Applicant has engaged in any coercive tying in the past with regard to any of its activities.

Protestant asserts, however, that credit customers may nevertheless believe that the likelihood that credit will be granted may be enhanced by agreeing to purchase insurance from Applicant, and that an effective or voluntary tie will result. For the reasons explained below, the Board finds this contention to be without merit.

The possibility of voluntary tying is significantly reduced by the number of credit alternatives in the relevant markets. The Board notes that there are five or more banking organizations in all but three of the 22 markets in which Applicant competes, as well as a number of other financial intermediaries, such as savings and loan associations and credit unions. Moreover, Applicant does not hold more than 15 percent of total commercial bank deposits in any of Missouri's five major urban areas, and Applicant does not appear to be the dominant organization in any of these markets.

At the time the Board added the activity of selling credit related insurance to the list of permissible activities for bank holding companies, it determined that absent unusual circumstances associated with a particular application, there are, as a general matter, no significant adverse effects, such as voluntary tying, inherent in the performance of the activity by a bank holding company on a de novo basis. The Board continues to believe that this is the case with regard to insurance agency activities, particularly in view of the court's decision in *Alabama Association of Insurance Agents*, supra. Protestant's general objection to this application on the basis that voluntary tying might occur is in substance an attack on the relevant regulation, a regulation that was upheld in *Alabama Association*.

With regard to this particular application, it is the Board's judgment that the commitments provided by Applicant sufficiently assure against any possibility of voluntary tying as an adverse effect. Specifically, Applicant has expressly committed that the provision of other financial services by its banking and nonbanking subsidiaries, including extensions of credit, shall not be conditioned expressly or impliedly on the purchase of insurance through its insurance agency subsidiary and that Applicant's employees involved in insurance activities will be continuously instructed in this policy. In addition, Applicant has committed that in all instances where property or casualty insurance will be offered to customers of its subsidiary banks, the loan documentation will include a statement that the customer may obtain insurance through other persons. Applicant has further indicated that it will not promote its property and casualty insurance services to the public through advertising or similar means. The Board regards these commitments as significant, and has relied on them in acting on this application.[4]

(3) *Price competition.* Protestant argues that Applicant should be required to demonstrate how it will compete with nonaffiliated insurance agents on the basis of lower price and to present facts regarding the rates at which it intends to sell insurance, the interest rates it would charge for premium financing, and other pricing variables. The Board does not find it necessary for Applicant to commit to specific prices and interest rates in view of the procompetitive nature of this application and the commitment Applicant has made regarding pricing, as discussed below.[5] Consummation of this proposal will add an additional competitor since Applicant seeks to expand its insurance activities de novo. Because de novo expansion provides an additional source of competition, the Board views such expansion as being precompetitive in the absence of evidence to the contrary.[6] With regard to applications filed under section 4(c)(8) of the Act, Congress authorized the Board to differentiate between activities commenced de novo and activities commenced through the acquisition of a going concern because Congress viewed de novo entry as having beneficial effects on competition.[7] The Board concludes that the de novo nature of this proposal represents a clear public benefit. This conclusion is based on economic theory, Congressional instruction, and the Board's experience in administering the Act.

Moreover, Applicant has committed to offer insurance at the lowest reasonable cost to the customer. The Board regards this as a commitment to offer insurance at the lowest practicable total cost, including the costs of billing. The possibility that the premium financing to be offered by Applicant could result in higher costs when compared to premium deferral plans neither detracts from Applicant's commitment regarding cost nor represents an adverse effect because such premium financing is optional.

(4) *Presence of full-time insurance professionals to serve customers.* Protestant asserts that, because Mercantile's insurance agents will be engaged in a combination of activities, Mercantile's customers will not have available to them a full-time insurance professional. Protestant further asserts that customers will be inconvenienced since Applicant cannot renew insurance coverage once the underlying extension of credit is repaid. While it is correct that Applicant may not offer renewal insurance and in some respects will not offer the services of a full service insurance agency, the Board does not consider this to be an adverse effect. The fact that a holding company either chooses not to offer certain services, or is prevented by the Board's regulations from doing so, does not represent an adverse effect within the meaning of section 4(c)(8).[8] Some important gains in convenience and efficiency might result from Applicant's proposal. Applicant has stated that it will have a qualified licensed insurance agent at the location of each of its banking subsidiaries and has committed to provide an ongoing training program for its insurance employees. On balance, however, the proposal may not result in significant overall gains in convenience or efficiency, and the Board thus has not relied on Applicant's contentions in this regard in approving the application.

On the basis of the preceding discussion, the Board concludes that the precompetitive nature of Applicant's proposal can reasonably be expected to produce benefits to the public. These clear public benefits easily outweigh the speculative adverse effects alleged by Protestant with regard to unfair competition, which adverse effects the Board has concluded are not likely to occur.[9] Indeed, the de novo nature of this proposal alone is sufficient to outweigh such speculative adverse effects. There is no evidence that any other adverse effects may be associated with this proposal, such as undue concentration of resources or unsound banking practices.

Need for Hearing

Protestant asserts that examination of Applicant's proposal in a formal hearing is necessary for the Board to

4. Applicant's insurance agents will be compensated only through their salaries. This fact, when coupled with the commitments described above, eliminates any concern regarding a conflict of interest on the part of the insurance agents.

5. The Board has required specific rate reductions with regard to the underwriting of credit life, accident and health insurance, because the manner in which the insurance underwriting industry is regulated is more conducive to such a policy.

6. *Virginia National Bankshares, Inc.*, 00 FEDERAL RESERVE BULLETIN 000 (July 24, 1980), *BankAmerica Corporation* (Decimus Corporation, 66 FEDERAL RESERVE BULLETIN 511 (1980); *Citicorp* (Person to Person), 65 FEDERAL RESERVE BULLETIN 507 (1979); *U.N. Bancshares*, Inc., 59 FEDERAL RESERVE BULLETIN 204 (1973). The United States Court of Appeals for the District of Columbia Circuit affirmed the Board's conclusions regarding the procompetitive nature of de novo entry in *Connecticut Bankers Association* v. *Board of Governors*, No. 79-1554 (D.C. Cir. Feb. 7, 1980).

7. S. Rep. No. 91-1084, 91st Cong., 2nd Sess. 15, 16 (1970).

8. *Virginia National Bankshares, Inc.*, supra.

9. Id.

conclude that the benefits associated with the application outweigh adverse effects. In order to be entitled to a hearing under section 4(c)(8) of the Act, a protestant must present issues of fact that are material to the Board's decision and disputed by the relevant parties.[10] Moreover, although a hearing request may not lightly be denied, ". . . an agency is not required to conduct an evidentiary hearing when it can serve absolutely no purpose.[11] For the reasons stated in this Order and on previous occasions when it has denied a hearing requested by the same protestants raising similar objections,[12] the Board has determined that a hearing in this case would serve no useful purpose.

Balance of Public Benefits and Adverse Effects

The Board finds that consummation of this proposal as approved herein cannot reasonably be expected to produce any undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices or other adverse effects. Public benefits can reasonably be expected to result from this proposal, and they are easily sufficient to outweigh any possible adverse effects which the Board has, in any event, found to be unlikely to occur.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of the public interest factors that the Board is required to consider under section 4(c)(8) is favorable. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder or to prevent evasion thereof The Board has also relied on the commitments made by Applicant with regard to this proposal and is prepared to ensure compliance with those commitments.

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

By order of the Board of Governors, effective August 22, 1980.

10. *Connecticut Bankers Assn.*, supra at 12. The court stated that "a protestant does not become entitled to an evidentiary hearing merely on request, or on a bald or conclusory allegation that such a dispute exists." Id.

11. *Independent Bankers Association* v. *Board of Governors*, 516 F.2d 1206, 1220 (D.C. Cir. 1975).

12. *Virginia National Bankshares, Inc.*, supra.

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

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Order Under Section 2 of Bank Holding Company Act

Kelwood Farms, Inc., Eureka, Kansas

Order Granting Determination Under the Bank Holding Company Act

Kelwood Farms, Inc. ("Kelwood"), Eureka, Kansas, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended, (12 U.S.C. § 1841 et seq.) (the "Act"), has requested a determination under section 2(g)(3) of the Act (12 U.S.C. § 1841(g)(3)) that Kelwood is not in fact capable of controlling Mr. Elwood Marshall, although he is indebted to Kelwood as a result of his purchase of certain parcels of land from Kelwood.

Under the provisions of section 2(g)(3) of the Act, shares[1] transferred after January 1, 1966, by any bank holding company to a transferee that is indebted to the transferor are deemed to be indirectly owned or controlled by the transferor unless the Board, after opportunity for hearing, determines that the transferor is not in fact capable of controlling the transferee. No request for a hearing was made by Kelwood. Instead, Kelwood has submitted evidence to the Board to support its contention that it is not in fact capable of controlling Mr. Marshall, either directly or indirectly, and the Board has received no contradictory evidence.

On the basis of the facts of record, it is hereby determined that Kelwood is not in fact capable of controlling Mr. Marshall or the subject parcels of land. Kelwood is a small closely-held corporation of which Mr. Marshall and members of his immediate family control 81.23 percent of the voting shares and Mr. Marshall is its president. Kelwood divested certain parcels of land, representing substantially all of its real estate business, by selling them to Mr. Marshall for a purchase price that included indebtedness from Mr. Marshall to Kelwood. The transfer of real estate by Kelwood to Mr. Marshall does not appear to be a means of perpetuating Kelwood's control over the

1. The Board deems the transfer of all or substantially all the assets of a company to involve a transfer of shares of the company.

property, since Mr. Marshall is the dominant shareholder of Kelwood. Furthermore, there is no indication that the financial resources of Mr. Marshall are not sufficient to repay the debt to Kelwood. Finally, Kelwood has undertaken that it will not attempt to exercise control over Mr. Marshall and Mr. Marshall has committed not to allow Kelwood to exercise control over him or the parcels of land. On the basis of the above and other factors of record, it is concluded that Kelwood is not capable of controlling the real estate or Mr. Marshall in his capacity as transferee of the real estate.

Accordingly, it is ordered that the request by Kelwood for a determination pursuant to section 2(g)(3) is granted. This determination is based on representations made to the Board by Kelwood and Mr. Marshall. In the event that the Board should hereafter determine that facts material to this determination are otherwise than as represented, or that Kelwood, or Mr. Marshall have failed to disclose to the Board other material facts and circumstances relied upon by the Board in making this determination could result in the Board reconsidering the determination made herein.

By order of the Board of Governors, acting through its General Counsel, pursuant to delegated authority (12 C.F.R. § 265.2(b)(1)) effective August 11, 1980.

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

Certifications Pursuant to the Bank Holding Company Tax Act of 1976

American Financial Corporation, Cincinnati, Ohio

Prior Certification Pursuant to the Bank Holding Company Tax Act of 1976

American Financial Corporation ("AFC"), Cincinnati, Ohio, has requested a prior certification pursuant to section 1101(b) and 1101(c)(3) of the Internal Revenue Code ("Code") as amended by section 2(a) of the Bank Holding Company Tax Act of 1976 ("Tax Act"), that its proposed divestiture of all the 5,107 shares of The Provident Bank ("Bank"), Cincinnati, Ohio, presently held by AFC, through the pro rata distribution to AFC's common stockholders of the stock of Provident Holding Company ("PHC"), a corporation created and availed of solely for the purpose of receiving Bank's shares, is necessary or appropriate to effectuate the policies of the Bank Holding Company Act (12 U.S.C. § 1841 et seq ("BHC Act"). AFC proposes to exchange the 5,107 shares (approximating in excess of 99 percent of Bank's outstanding shares) of Bank that it presently owns for all the shares of PHC, and immediately thereafter to distribute all of PHC's shares pro rata to the holders of common stock of AFC.[1]

In connection with this request, the following information is deemed relevant, for purposes of issuing the requested certification:[2]

1. AFC is a corporation organized under the laws of Ohio on November 15, 1955. AFC acquired ownership and control of substantially all the shares of Bank in a series of transactions, such that on June 30, 1968, AFC had acquired ownership and control of 255,164 shares (5,103.28 shares as adjusted for the one for fifty reverse stock split of May 1, 1972), representing approximately 99 percent of the out-

1. The Board has received numerous submissions from an individual ("Protestant") challenging the effectiveness of the proposed divestiture and the continuation of Bank's current management. The Tax Act contains no provision for participation in a tax certification proceeding by a third party. Moreover, Protestant's only alleged interest in this divestiture is that of a concerned member of the general public. It thus appears that Protestant has no standing to participate in this matter. Protestant's allegations have been considered in order to ensure that AFC's proposal will result in an adequate divestiture of Bank, but this consideration in no way represents a waiver of the conclusion that Protestant has no standing.

Protestant's primary concern is that the proposed spin-off will not result in a true divestiture because the same stockholders that currently control AFC will control PHC and Bank after the spin-off. The fact that, after a spin-off, shareholders of a divesting company and the bank divested are identical and that such persons, acting as individuals, may exercise influence over such bank, is a logical result of a divestiture method clearly sanctioned by Congress. Section 1101(b)(2) of the Code authorizes spin-offs to a bank holding company's shareholders without the surrender by such shareholders of stock in the divesting company. Furthermore, under section 1101(a)(3) of the Code, such spin-offs generally must be on a pro rata basis. On the basis of all the information of record, including the allegations and submissions of Protestent, and AFC's affidavits disclaiming any ability or intent to control Bank and its commitments to terminate management interlocks, it appears that there is insufficient evidence to support a finding that AFC will continue to control Bank at this time. Since a spin-off is a permissible divestiture method, the proposed divestiture appears to be adequate. See note 4 below for a further discussion of the adequacy of the proposed divestiture.

Protestant has also submitted information relative to Securities and Exchange Commission ("SEC") investigations of Bank and AFC's principals, which involved alleged violations of securities laws. These investigations concluded with the issuance of consent decrees on August 30, 1976, and July 2, 1979, signed by AFC and certain of its principals, without those parties admitting or denying the allegations in the SEC's complaint. The purpose of AFC's proposal is to eliminate its ability to control Bank, and none of the AFC principals that signed these consent decrees will be an officer or director of bank or PHC. Moreover, it appears that to the extent any violations of the securities laws may have occurred, such violations have been remedied, and there is no evidence of subsequent violations.

2. This information derives from AFC's communications with the Board concerning its request for this certification, AFC's Registration Statement filed with the Board pursuant to the BHC Act, and other records of the Board.

standing voting shares, of Bank. On July 7, 1970, AFC held 255,214 shares (or 5,104 shares as adjusted above) of the outstanding shares of Bank. AFC presently owns 5,107 shares of Bank's 5,116 outstanding shares, reflecting the acquisition, between July 7, 1970, and the present, of two director's qualifying shares and one additional share.[3]

2. AFC became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the BHC Act, by virtue of its ownership and control at that time of more than 25 percent of the outstanding voting shares of Bank and registered as such with the Board on October 15, 1971. AFC would have been a bank holding company on July 7, 1970, if the BHC Act Amendments of 1970 had been in effect on that date by virtue of its ownership and control on that date of more than 25 percent of the outstanding voting shares of Bank.

3. AFC has filed with the Board an irrevocable declaration, pursuant to section 4(c)(12) of the BHC Act and section 225.4(d) of the Board's Regulation Y, that it will cease to be a bank holding company by January 1, 1981.

4. AFC holds property acquired by it prior to July 7, 1970, the disposition of which would be required by section 4 of the BHC Act, if AFC were to continue to be a bank holding company beyond December 31, 1980, and which property is "prohibited property" within the meaning of section 1103(c) of the Code.

5. AFC has committed to the Board that by December 31, 1980, no person holding an office or position (including an advisory or honorary position) with AFC or any of its subsidiaries as an officer, director, policy-making employee or management consultant, or who performs (directly or through an agent, representative or nominee) functions comparable to those normally associated with such office or position, will hold any such office or perform any such function with PHC, Bank, or any of their subsidiaries.[4]

On the basis of the foregoing information, it is hereby certified that:

(A) AFC is a qualified bank holding corporation within the meaning of subsection (b) of section 1103 of the Code, and satisfies the requirements of that subsection;

(B) the shares of Bank that AFC proposes to exchange for shares of PHC are all or part of the property by reason of which AFC controls (within the meaning of section 2(a) of the BHC Act) a bank or bank holding company; and

(C) the exchange of the shares of Bank for the shares of PHC and the distribution to the shareholders of AFC of the shares of PHC are necessary or appropriate to effectuate the policies of the BHC Act.

This certification is based upon the representations and commitments made to the Board by AFC and upon the facts set forth above. In the event the Board should hereafter determine that facts material to this certification are otherwise than as represented by AFC, or that AFC has failed to disclose to the Board other material facts or to fulfill any commitments made to the Board in connection herewith, it may revoke this certification.

By order of the Board of Governors, acting through its General Counsel, pursuant to delegated authority (12 C.F.R. § 265.2(b)(3)) effective August 29, 1980.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Atlantic Corporation, Boston, Massachusetts

Prior Certification Pursuant to the Bank Holding Company Tax Act of 1976

Atlantic Corporation, Boston, Massachusetts, ("Atlantic"), has requested a prior certification pursuant to section 6158(a) of the Internal Revenue Code

3. Under subsection (c) of section 1101 of the Code, property acquired after July 7, 1970, generally does not qualify for the tax benefits of section 1101(b) when distributed by an otherwise qualified bank holding company. The Board has, however, permitted directors' qualifying shares to be repurchased by a company after July 7, 1970, pursuant to a repurchase agreement, without losing their qualified status under the Code. Therefore, the two repurchased shares do qualify for tax benefits. The remaining single share of Bank's stock was purchased after July 7, 1970, does not qualify for any of the exceptions under section 1101(c) of the Code, and was not acquired pursuant to a repurchase agreement. That single share of the 5,107 shares of Bank stock owned by AFC does not qualify for tax benefits.

4. AFC has owned approximately 99 percent of Bank's outstanding shares and has controlled Bank's operations for more than 10 years. Six members of AFC's management serve in similar positions with Bank. Although one family, including all relations by blood and marriage, owns approximately 50 percent of the shares of AFC, approximately the same number of shares are owned by unrelated individuals and AFC is a publicly held corporation. Furthermore, the largest number of shares that could be attributed to one person on the basis of the "immediate family" rule of Regulation Y (section 225.2(b)(2)) is approximately 25.6 percent. On the basis of these and other facts of record, it does not appear that AFC is the alter ego of this person and his immediate family. Since management interlocks between AFC and Bank are one of the principal means by which AFC's control might be maintained over Bank, termination of the interlocking relationships appears necessary to insure a complete divestiture of AFC's longstanding control over Bank.

("Code"), as amended by section 3(a) of the Bank Holding Company Tax Act of 1976 ("Tax Act"), that its proposed sale of 204,538 shares of common stock of City Bank and Trust Company, Boston, Massachusetts, ("Bank") to an unaffiliated bank is necessary or appropriate to effectuate the policies of the Bank Holding Company Act (12 U.S.C. § 1841 et seq.) ("BHC Act").

In connection with this request the following information is deemed relevant for the purposes of issuing the certification:[1]

1. Atlantic is a corporation organized on November 26, 1937, under the laws of the State of Massachusetts. On January 28, 1957, Atlantic acquired ownership and control of 3,950 shares, representing 39.5 percent of the outstanding voting shares of Bank. On April 15, 1971, Atlantic received 9,910 shares of common stock of Bank as a stock dividend.[2]

2. Atlantic became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the BHC Act by virtue of its ownership and control that time of more than 25 percent of the outstanding voting shares of Bank, and it registered as such with the Board on January 12, 1972. Atlantic would have been a bank holding company on July 7, 1970, if the BHC Act Amendments of 1970 had been in effect on such date by virtue of its ownership and control on that date of more than 25 percent of the outstanding voting shares of Bank.

3. More than 85 percentum of the voting stock of Atlantic was collectively owned on June 30, 1968, and has been so owned continuously thereafter, directly or indirectly, by members of the same family, or their spouses, who are lineal descendants of common ancestors. Accordingly, Atlantic has been exempt from the prohibitions of § 4 of the BHC Act by virtue of clause (ii) of § 4 of the BHC Act.

4. Atlantic holds property acquired by it on or before July 7, 1970, the disposition of which would, but for the proviso of § 4(a)(2) and clause (ii) of § 4(c) of the BHC Act, be necessary or appropriate to effectuate § 4 of the BHC Act if Atlantic were to remain a bank holding company beyond and December 31, 1980, and which property would, but for such proviso and such clause, be "prohibited property" within the meaning of § 1103(c) of the Code. Sections 1103(g) and 1103(h) of the Code provide that any bank holding company may elect, for the purposes of Part VIII of subchapter 0 of chapter 1 of the Code, to have the determination whether property is "prohibited property" or is property eligible to be distributed without recognition of gain under § 1101(b)(1) of the Code, made under the BHC Act as if such Act did not contain, respectively, the proviso of § 4(a)(2) thereof and clause (ii) of § 4(c) thereof. Atlantic has represented that it will make such an election.[3]

5. Atlantic has committed to the Board that no person holding an office or position (including and advisory or honorary position) with Atlantic or any of its subsidiaries as an officer director, policymaking employee, who performs (directly, through an agent representative or nominee) functions comparable to those normally associated with such office or position, will hold any such office or position or perform any such function with Bank or the acquiring bank, or any of its subsidiaries. Atlantic has further committed that all such interlocking relationships presently existing between Atlantic and Bank and their respective subsidiaries will be terminated.

On the basis of the foregoing information, it is hereby certified that:

(A) Atlantic is a qualified bank holding corporation, within the meaning of section 1103(b) of the Code, and satisfies the requirements of that subsection;

(B) The 204,538 shares of Bank that Atlantic proposes to sell to an unaffiliated bank are all or part of the property by reason of which Atlantic controls (within the meaning of § 2(a) of the BHC Act a bank or a bank holding company; and

(C) The sale of such shares of Bank to an unaffiliated bank is necessary or appropriate to effectuate the policies of the BHC Act.

This certification is based upon the facts set forth above. In the event the Board should hereafter determine that facts material to this certification are otherwise than as represented by Atlantic or that Atlantic has failed to disclose to the Board other material facts, it may revoke this certification.

1. This information derives from Atlantic's correspondence with the Board concerning its request for this certification, Atlantic's Registration Statement filed with the Board pursuant to the BHC Act, and other records of the Board.

2. Under section 1101(c) of the Code, property acquired after July 7, 1970, generally, does not qualify for the tax benefits of section 6158(a) of the Code when acquired by an otherwise qualified bank holding company. However, where such property was acquired by a qualified bank holding company in a transaction in which gain was not recognized under § 305(a) of the Code, then § 1101(b) is applicable. Atlantic has indicated that it received 9,910 shares of Bank in a stock dividend on April 15, 1971. Accordingly, even though 9,910 shares of Bank's common stock were acquired by Atlantic after July 7, 1970, those shares would nevertheless qualify property eligible for the tax benefits provided in § 1101(b) of the Code, by virtue of § 1101(c), if the Bank shares were in fact received in a transaction described in § 305(a) of the Code in which no gain was recognized.

3. Sections 1103(g) and (h) require that an election thereunder be made "at such time and in such manner as the Secretary [of the Treasury] or his delegate may by regulations prescribe." As of this date no final regulations have been promulgated. However, Atlantic has complied with the temporary regulations issued by the Secretary of the Treasury, 26 C.F.R. 7570.

By order of the Board of Governors, acting through its General Counsel, pursuant to delegated authority (12 C.F.R. § 265.2(b)(3)), effective August 29, 1980.

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

Kupka's Inc., Traer, Iowa

Prior Certification Pursuant to the Bank Holding Company Tax Act of 1976

[Docket No. TCR 76-193]

Kupka's, Inc., Traer, Iowa ("Kupka's") has requested a prior certification pursuant to section 1101(a) of the Internal Revenue Code ("Code"), as amended by the Bank Holding Company Tax Act of 1976 ("Tax Act"), that its proposed divestiture of 160 acres of farmland, by means of a pro rata distribution to its two shareholders, is necessary or appropriate to effectuate section 4 of the Bank Holding Company Act (12 U.S.C. § 1843) ("BHC Act").

In connection with this request, the following information is deemed relevant for purposes of issuing the requested certification:[1]

1. Kupka's is a corporation organized and existing under the laws of the State of Iowa. All of its outstanding shares are owned and controlled by Melvin M. Kupka and his wife, Betty L. Kupka.
2. On August 29, 1969, Kupka's acquired ownership and control of 250 shares, representing 50 percent of the outstanding voting shares, of Clutier State Bank, Clutier, Iowa ("Bank").
3. Kupka's became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the BHC Act, by virtue of its ownership and control at that time of more than 25 percent of the outstanding voting shares of Bank, and it registered as such with the Board on October 28, 1971. Kupka's would have been a bank holding company on July 7, 1970, if the BHC Act Amendments of 1970 had been in effect on such date, by virtue of ownership and control on that date of more than 25 percent of the outstanding voting shares of Bank. Kupka's currently owns and controls 1,244 shares, representing 62.2 percent of the outstanding voting shares, of Bank.
4. Kupka's holds property acquired by it on or before July 7, 1970, the disposition of which would be required under section 4 of the BHC Act if Kupka's is to remain a bank holding company beyond December 31, 1980, and which property is "prohibited property" within the meaning of section 1103(c) of the Code.

On the basis of the foregoing, it is hereby certified that:

(A) Kupka's is a qualified bank holding corporation within the meaning of section 1103(b) of the Code and satisfies the requirements of that section;
(B) the farmland that Kupka's proposes to distribute to its shareholders is "prohibited property" within the meaning of section 1103(c) of the Code;
(C) the distribution of such farmland is necessary or appropriate to effectuate section 4 of the BHC Act.

This certification is based upon the representations made to the Board by Kupka's and upon the facts set forth above. In the event that the Board should hereafter determine that the facts material to this certification are otherwise than as represented by Kupka's or that Kupka's has failed to disclose to the Board other material facts, the Board may revoke this certification.

By order of the Board of Governors, acting through its General Counsel pursuant to delegated authority (12 C.F.R. § 265.2(b)(3)), effective August 8, 1980.

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

Lee Wilson & Co., Wilson, Arkansas

Prior Certification Pursuant to the Bank Holding Company Tax Act of 1976

Lee Wilson & Co., Wilson, Arkansas ("Company"), has requested a prior certification pursuant to section 1101(b)(3) of the Internal Revenue Code ("Code"), as amended by section 2(a) of the Bank Holding Company Tax Act of 1976, that its proposed divestiture of all of the 3,452 shares (86.3 percent) or Bank of Wilson, Wilson, Arkansas ("Bank"), currently held by Company, through the pro rata distribution of the stock of Bank to Company's stockholders, is necessary or appropriate to effectuate the policies of the Bank Holding Company Act (12 U.S.C. § 1841 et seq.) ("BHC Act").

1. This information derives from Kupka's communications with the Board concerning its request for this certification, Kupka's Registration Statement filed with the Board pursuant to the BHC Act, and other records of the Board.

In connection with this request, the following information is deemed relevant, for purposes of issuing the requested certification:[1]

1. Company is a corporation organized on January 24, 1958, under the laws of Delaware as a successor to a business trust with its principle place of business in Wilson, Arkansas. By virtue of the merger, on that date Company acquired ownership and control of 3,452 shares, representing 86.3 percent of the outstanding voting shares, of Bank, and held these shares on July 7, 1970.

2. Company became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the BHC Act, by virtue of its ownership and control at that time of more than 25 percent of the outstanding voting shares of Bank, and it registered as such with the Board on August 5, 1971. Company would have been a bank holding company on July 7, 1970, if the BHC Act Amendments of 1970 had been in effect on that date by virtue of its ownership and control on that date of more than 25 percent of the outstanding voting shares of Bank. Company currently owns and controls 3,452 shares, representing 86.3 percent of the outstanding voting shares, of Bank.

3. Company holds property acquired by it on or before July 7, 1970, the disposition of which but for section 4(c)(ii) and the proviso of section 4(a)(2) of the BHC Act would be necessary or appropriate to effectuate section 4 of the BHC Act if Company were to continue to be a bank holding company beyond December 31, 1980, and which property, but for such proviso, would be "prohibited property" within the meaning of section 1103(c) of the Code. Section 1103(g) of the Code provides that any bank holding company may elect, for the purposes of Part VIII of subchapter O of Chapter 1 of the Code, to have the determination of whether property is "prohibited property" or is property eligible to be distributed without recognition of gain under section 1101(b)(1) of the Code, made under the BHC Act as if the Act did not contain the proviso of section 4(a)(2). Company has represented that it will waive its permanent exemption under section 4(c)(ii) from the prohibitions of section 4 and make an election under the section 1103(g) of the Code prior to the consummation of the proposed divestiture.

On the basis of the foregoing information, it is hereby certified that:

(A) Company is a qualified bank holding corporation within the meaning of subsection (b) of section 1103 of the Code, and satisfies the requirements of that subsection;

(B) the shares of Bank that Company proposes to distribute are all or part of the property by reason of which Company controls (within the meaning of section 2(a) of the BHC Act) a bank or bank holding company, and

(C) distribution to the shareholders of Company of the shares of Bank are necessary or appropriate to effectuate the policies of the BHC Act.

This certification is based upon the representations made to the Board by Company and upon the facts set forth above. In the event the Board should hereafter determine that facts material to this certification are otherwise than as represented by Company, or that Company has failed to disclose to the Board other material facts, it may revoke this certification.

By order of the Board of Governors acting through the General Counsel, pursuant to delegated authority (12 C.F.R. § 265.2(b)(3)) effective August 7, 1980.

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

1. This information derives from Company's correspondence with the Board concerning its request for this certification, Company's Registration Statement filed with the Board pursuant to the BHC Act, and other records of the Board.

Order Approved Under Bank Merger Act

The Bank of New York, New York, New York

Order Approving Merger of Banks

The Bank of New York ("BNY"), New York, New York, a subsidiary of The Bank of New York Company, Inc., ("BNY Co."), New York, New York, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under the Bank Merger Act (12 U.S.C. § 1828(c)), to merge with Empire National Bank ("Empire"), Middletown, New York, under the charter and title of BNY.[1]

As required by the Bank Merger Act, notice of the proposed transaction has been published and reports on competitive factors have been requested from the Attorney General, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. The time for filing views and comments has expired and the application and all comments received have been con-

1. *See also* the Board's Order of this date approving BNY Co.'s application to acquire voting shares of Empire's mortgage lending subsidiaries.

sidered in light of the factors set forth in the Act.

BNY, with deposits of $4.7 billion, is the ninth largest commercial banking organization in New York, holding 3.1 percent of the total deposits in commercial banks in the State.[2] Empire, with deposits of $465.6 million, ranks 24th among commercial banks in New York, with 0.3 percent of the total deposits in commercial banks in the state. Upon consummation of the proposed merger, BNY would remain the ninth largest banking organization in the state.

Empire operates 41 offices in three separate market areas—the Metropolitan New York market,[3] the Mid-Hudson market,[4] and the Middletown market.[5] The effect of the proposal on existing competition in the Metropolitan New York market would be de minimus in view of the unconcentrated nature of the market the relatively small market share that BNY would hold following consummation of the proposal, and BNY's commitment to divest four offices in that market. BNY's rank in that market among commercial banking organizations, currently eighth largest, would remain unchanged. The effect of the proposal on existing competition in the Mid-Hudson market would not be significant and would be mitigated by the divestiture of BNY's two offices in that market.

The only market where competition is an issue in this application is the Middletown market, where both BNY and Empire currently compete. Empire, with total deposits of $164.7 in the Middletown market, ranks first in the market with a 25.3 percent share of commercial bank deposits. BNY operates five offices in the Middletown market and ranks fourth in the market with deposits of $56.6 million. The Board normally considers the elimination of existing competition through such a combination of size and market shares as having a substantially adverse competitive effect. The competitive effects of this application, however, are mitigated by a number of factors.

Although Empire is the leading competitor in the Middletown market, its competitive influence has been declining in recent years due to its financial and managerial condition. Its market share has declined from approximately 32 percent in 1973 to 25.3 percent in 1979. Moreover, in connection with this proposal, BNY has agreed to divest two of its offices in the Middletown market with deposits of $15.1 million, reducing its rank in the market from fourth to sixth largest. The Middletown market is not highly concentrated and has become even less so due to the relatively recent entry of six of the nation's largest 14 banks, including five large New York City banks, (Bankers Trust, Chase Manhattan, Citicorp, Chemical, and Manufacturers Hanover). As the Board has noted on previous occasions, the competitive influence of firms such as these cannot always be measured by their market shares alone, especially with respect to their ability to serve commercial customers.

The Board has also considered the presence of savings and loan associations and mutual savings banks in the market. While the Board continues to view commercial banking as the relevant line of commerce in determining the competitive effects of a proposal,[6] the Board has stated that it may be appropriate in particular cases to take into consideration direct competition from thrifts in specific areas in evaluating various competitive influences.[7] In view of the absolute size and significant deposit-taking role of thrifts in the Middletown market, as well as their increasing powers, the Board believes that the influence of thrift institutions further diminishes the adverse competitive effects of the proposed merger. Accordingly, the Board concludes that the competitive effects of the proposal are seriously adverse, but that denial of the proposal is not warranted in light of the outweighing considerations discussed below.

Empire has experienced financial and managerial problems in recent years that have reduced its effectiveness as a competitor in the market. The financial and managerial resources and future prospects of the resulting organization in the Middletown market as a result of the proposed merger would have a positive impact on the operations of Empire without diminishing the prospects of BNY. The financial and managerial resources and future prospects of BNY are satisfactory and, as a result of this proposal, Empire's customers will be served by a stronger banking organization. In terms of convenience and needs, BNY proposes to expand and improve the services offered at Empire's banking offices by increasing the effective interest rate paid on passbook savings and offering addi-

2. All deposit data are as of June 30, 1979, or December 31, 1979.

3. The Metropolitan New York market includes the five boroughs of New York City; Nassau, Westchester, Putnam and Rockland Counties and western Suffolk County in New York State; the northern two-thirds of Bergen County and eastern Hudson County in New Jersey; and southwestern Fairfield County in Connecticut.

4. The Mid-Hudson market includes all of Dutchess and Ulster Counties and the northeastern portion of Orange County, New York.

5. The Middletown market includes Sullivan and Orange Counties, except for the Orange County municipalities of the town of Newburgh, Newburgh City, Montgomery, New Windsor, Cornwall, and Highlands.

6. In view of the uncertainty with respect to the extent to which thrifts will exercise the new powers conferred upon them by the Depository Institutions Deregulation and Monetary Control Act (P.L. 96-221), the Board believes that it would be premature to consider thrift institutions as full competitors of banks until the effects of their new powers can be meaningfully ascertained.

7. *Fidelity Union Bancorporation*, 66 FEDERAL RESERVE BULLETIN 576 (June 26, 1980); *United Bank Corporation of New York* (Schenectady Trust Company), 66 FEDERAL RESERVE BULLETIN 61, 63 (January 1979).

tional services, including commercial and corporate trust services, cash management, cash disbursement and economic forecasting services. BNY also proposes to offer lease financing, FHA construction credit, and individual FHA and VA loans. In light of the above, considerations relating to the convenience and needs of the community to be served lend such weight toward approval of the application as to outweigh the serious adverse competitive effects associated with this proposal. Based on the foregoing and other considerations reflected in the record of this application, it is the Board's judgment that the subject proposal is in the public interest and that the application should be approved.

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

By order of the Board of Governors, effective August 12, 1980.

Voting for this action: Chairman Volcker and Governors Schultz, Wallich, Partee, Teeters, Rice, and Gramley.

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

Legal Developments continued on next page.

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

By the Board of Governors

During August 1980 the Board of Governors approved the applications listed below. Copies are available upon request to Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant	Bank(s)	Board action (effective date)
American National Holding Company, Kalamazoo, Michigan	Ludington Bank and Trust Company, Ludington, Michigan	August 13, 1980
Centran Corporation, Cleveland, Ohio	The Franklin Bank, Columbus, Ohio	August 29, 1980
Community Bancshares of Tulsa, Inc., Tulsa, Oklahoma	Community Bank and Trust Company, Tulsa, Oklahoma	August 13, 1980
Drexel Holding Company, Chicago, Illinois	Drexel National Bank, Chicago, Illinois	August 25, 1980

By Federal Reserve Banks

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

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
Alabama Bancorporation, Birmingham, Alabama	Citizens Bank & Trust Co., Alabaster, Alabama	Atlanta	August 1, 1980
Amador Bancshares, Inc., Las Cruces, New Mexico	Citizens Bank of Las Cruces, Las Cruces, New Mexico	Dallas	August 19, 1980
The American Bancorporation of Merritt Island, Merritt Island, Florida	The American Bank of Merritt Island, Merritt Island, Florida	Atlanta	August 14, 1980
American Independent Bancshares, Inc., Alta Loma, Texas	Bank of Santa Fe, Alta Loma, Texas	Dallas	August 15, 1980
Americana State Agency, Inc., Edina, Minnesota	The Americana State Bank of Edina, Edina, Minnesota	Minneapolis	August 13, 1980
Bandera Bancshares Inc., Bandera, Texas	First State Bank, Bandera, Texas	Dallas	August 8, 1980
Browns Valley Bancshares, Inc., Browns Valley, Minnesota	Union State Bank of Browns Valley, Browns Valley, Minnesota	Minneapolis	August 21, 1980
CBTcorp, Carteret, New Jersey	Carteret Bank & Trust Company, Carteret, New Jersey	New York	August 21, 1980

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Citizens Banco, Inc., Westminster, Colorado	Citizens Bank, Westminster, Colorado	Kansas City	August 18, 1980
Citizens, Incorporated, Enderlin, North Dakota	Citizens State Bank, Enderlin, North Dakota	Minneapolis	August 26, 1980
Citizen's National Corp., El Reno, Oklahoma	The Citizens National Bank and Trust Company, El Reno, Oklahoma	Kansas City	August 28, 1980
Continental Bancshares, Inc., Dallas, Texas	Bank of Texas, Dallas, Texas	Dallas	August 18, 1980
Darwin Bancshares, Inc., Darwin, Minnesota	Farmers State Bank of Darwin, Darwin, Minnesota	Minneapolis	August 26, 1980
Durant Bancorp, Inc., Durant, Oklahoma	The Durant Bank & Trust Company, Durant, Oklahoma	Dallas	August 22, 1980
Ellis Banking Corporation, Bradenton, Florida	American Bank of Lakeland, Lakeland, Florida	Atlanta	August 8, 1980
Equitable Bankshares of Colorado, Inc., Denver, Colorado	The Women's Bank, N.A., Denver, Colorado	Kansas City	August 7, 1980
FNB Bancorp., Chicago Heights, Illinois	First National Bank in Chicago Heights, Chicago Heights, Illinois	Chicago	August 11, 1980
First Alabama Bancshares, Inc., Montgomery, Alabama	The Talladega National Bank, Talladega, Alabama	Atlanta	August 25, 1980
First Alabama Bancshares, Inc., Montgomery, Alabama	McMillan & Company, Bankers, Inc., Livingston, Alabama	Atlanta	August 8, 1980
First Collinsville Corp., Collinsville, Illinois	The First National Bank of Collinsville, Collinsville, Illinois	St. Louis	August 25, 1980
The First Mineola Corporation, Mineola, Texas	The First National Bank of Mineola, Mineola, Texas	Dallas	July 30, 1980
First Mustang Corporation, Mustang, Oklahoma	The First Mustang State Bank, Mustang, Oklahoma	Kansas City	July 10, 1980
First National Bancorp, Inc., Shreveport, Louisiana	The First National Bank of Shreveport, Shreveport, Louisiana	Dallas	August 19, 1980
The First National Company, Storm Lake, Iowa	The National Bank of Rockwell City, Rockwell City, Iowa	Iowa	August 19, 1980
First Schiller Bancorp, Inc., Schiller Park, Illinois	First National Bank of Schiller Park, Schiller Park, Illinois	Chicago	August 25, 1980
Florida Bancorporation, Inc., Clearwater, Florida	Florida Bank of Commerce, Clearwater, Florida	Atlanta	August 4, 1980
Florida Park Banks, Inc., St. Petersburg, Florida	Park Bank of Florida, St. Petersburg, Florida	Atlanta	August 14, 1980

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Hollis Bancshares, Inc., Hollis, Oklahoma	First State Bank and Trust Co., Hollis, Oklahoma	Kansas City	August 11, 1980
Jasper Bancshares, Inc., Jasper, Missouri	Bank of Jasper, Jasper, Missouri	Kansas City	August 18, 1980
Jenks America, Inc., Jenks, Oklahoma	Bank of Commerce, Jenks, Oklahoma	Kansas City	August 15, 1980
Kandiyohi Bancshares, Inc., Kandiyohi, Minnesota	Home State Bank of Kandiyohi, Kandiyohi, Minnesota	Minneapolis	August 22, 1980
KNB Bancshares, Inc., Prairie Village, Kansas	Kansas National Bank and Trust Co., Prairie Village, Kansas	Kansas City	August 1, 1980
La Grange Park Banc Corporation, Chicago, Illinois	Bank of La Grange Park, La Grange Park, Illinois	Chicago	July 31, 1980
Las Vegas Bancorporation, Albuquerque, New Mexico	The Bank of Las Vegas, Las Vegas, New Mexico	Kansas City	July 31, 1980
MSB Holding Company, Mission, Kansas	The Mission State Bank and Trust Company Mission, Kansas	Kansas City	July 28, 1980
Mark Twain Bancshares, Inc., St. Louis, Missouri	Progress Bank, Fenton, Missouri	St. Louis	August 21, 1980
Mt. Pleasant Company, Mount Pleasant, Iowa	Mount Pleasant Bank and Trust, Mount Pleasant, Iowa	Chicago	August 6, 1980
Mt. Sterling Bancshares Inc., Mt. Sterling, Illinois	Farmers State Bank & Trust Co., Mt. Sterling, Illinois	St. Louis	August 25, 1980
Mountain Banks, Ltd., Denver, Colorado	Louisville Mountain Bank, N.A., Louisville, Colorado	Kansas City	August 8, 1980
Mountain Holding Inc., Aurora, Colorado	Jefferson Bank East, Aurora, Colorado	Kansas City	August 8, 1980
NBA Bankshares, Salina, Kansas	The National Bank of America, Salina, Kansas	Kansas City	July 28, 1980
National Bancshares, Inc., Melrose Park, Illinois	Melrose Park National Bank, Melrose Park, Illinois	Chicago	August 15, 1980
National Western Bancorporation, Loveland, Colorado	Commerce Bank, Fort Collins, Colorado	Kansas City	July 11, 1980
Newton Bancshares, Inc., Newton, Kansas	The Kansas State Bank, Newton, Kansas	Kansas City	August 1, 1980
Northern Kentucky Bancshares, Inc., Milford, Ohio	The Falmouth Deposit Bank, Falmouth, Kentucky	Cleveland	August 1, 1980
Persons Banking Co., Inc., Forsyth, Georgia	The Peoples Bank, Lithonia, Georgia	Atlanta	August 12, 1980
Security State Bank Shares, Polson, Montana	Security State Bank, Polson, Montana	Minneapolis	August 11, 1980
South Holland Bancorp., Inc., South Holland, Illinois	South Holland Trust & Savings Bank, South Holland, Illinois	Chicago	July 29, 1980
South Ridge Bancshares, Inc., Lincoln, Nebraska	South Ridge Bank, Inc., Lincoln, Nebraska	Kansas City	July 18, 1980

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Sterling Bankshares, Inc., Tecumseh, Nebraska	Bank of Sterling, Sterling, Nebraska	Kansas City	August 15, 1980
Tecumseh Bankshares, Inc., Tecumseh, Nebraska	Johnson County Bank, Tecumseh, Nebraska	Kansas City	August 21, 1980
Toledo Trustcorp, Toledo, Ohio	The Farmers and Merchants State and Savings Bank, Montpelier, Ohio	Chicago	August 11, 1980
United Kansas Bancshares, Inc., Atchison, Kansas	The City National Bank, Atchison, Kansas	Kansas City	July 25, 1980
United Whitley Corporation, Williamsburg, Kentucky	Bank of Williamsburg, Williamsburg, Kentucky	Cleveland	July 31, 1980
Vidor Bancshares, Inc., Vidor, Texas	Vidor State Bank, Vidor, Texas	Dallas	August 25, 1980
The Wilshire Bancorporation, Los Angeles, California	The Wilshire Bank, N.A., Los Angeles, California	San Francisco	August 21, 1980
Wishek Bancorporation, Inc., Wishek, North Dakota	Security State Bank, Wishek, North Dakota	Minneapolis	August 4, 1980

Sections 3 and 4

Applicant	Bank(s)	Nonbanking company (or activity)	Reserve Bank	Effective date
Escrow Corporation of America, Inc., Pennock, Minnesota	Pennock Agency, Pennock, Minnesota	general insurance activities	Minneapolis	August 21, 1980

Section 4

Applicant	Nonbanking company (or activity)	Reserve Bank	Effective date
Brainard Agency Company, Brainard, Nebraska	to continue to engage in general insurance agency activities	Kansas City	July 30, 1980
Circle Management Company, Kearney, Nebraska	Guaranty Trust Company, Kearney, Nebraska	Kansas City	July 25, 1980
Citicorp, New York, New York	NAC Charge Plan New York	New York	August 1, 1980
Crawfordsville Insurance Agency, Inc., Crawfordsville, Iowa	to continue to engage in the sale of general insurance	Chicago	August 19, 1980

Section 4—Continued

Applicant	Nonbanking company (or activity)	Reserve Bank	Effective date
Cross Financial Corporation, Oberlin, Kansas	to continue to engage in general insurance agency activities	Kansas City	July 18, 1980
Ellingson Corporation, Kenyon, Minnesota	to continue to sell insurance as a general insurance agent	Minneapolis	August 22, 1980
First National Agency, Inc., Cimarron, Kansas	to continue to engage in general insurance agency activities	Kansas City	July 25, 1980
First Railroad & Banking Company of Georgia, Augusta, Georgia	CMC Group, Inc., Charlotte, North Carolina	Atlanta	July 17, 1980
GEM Agency, Inc., Amboy, Minnesota	to continue to sell insurance as a general insurance agent	Minneapolis	August 4, 1980
Hawkeye Bancorporation, Des Moines, Iowa	Central Hawkeye Life Insurance Company, Des Moines, Iowa	Chicago	August 7, 1980
Hector Securities and Investment Company, Minneapolis, Minnesota	Fidelity State Bank of Hector, Hector, Minnesota	Minneapolis	August 8, 1980
Madison Agency, Inc., Madison, Minnesota	to continue to sell insurance as a general insurance agent	Minneapolis	August 18, 1980
The Marine Corporation, Milwaukee, Wisconsin	The Marine Trust Company, N.A., Madison, Wisconsin	Chicago	August 20, 1980
MidAmerica Bancshares, Inc., Lebanon, Illinois	The Lincoln Trail Insurance Agency Inc., Lebanon, Illinois	St. Louis	August 18, 1980
Monroe Agency, Inc., Monroe, Nebraska	to continue to engage in general insurance agency activities	Kansas City	July 25, 1980
North Central Banco, Inc., Hutchinson, Minnesota	Citizens Bank and Trust Company, Hutchinson, Minnesota	Minneapolis	August 5, 1980
First Mississippi National Corporation, Hattiesburg, Mississippi	Continental Leasing Corporation, Hattiesburg, Mississippi	Atlanta	August 11, 1980
Old Stone Corporation, Providence, Rhode Island	to engage in underwriting through reinsurance of credit life insurance and credit accident and health insurance in Ohio	Boston	July 30, 1980
Spring Grove Investments, Inc., Spring Grove, Minnesota	to continue to sell insurance as a general insurance agent	Minneapolis	August 7, 1980
Streeter Insurance Agency, Inc., Streeter, North Dakota	to continue to sell insurance as a general insurance agent	Minneapolis	August 14, 1980
The Verdigre Agency, Inc., Verdigre, Nebraska	to continue to engage in general insurance agency activities	Kansas City	July 10, 1980
Long Island Trust Company, Garden City, New York	Long Island Bank, Hicksville, New York	New York	August 1, 1980

Orders Approved Under Bank Merger Act

Applicant	Bank(s)	Reserve Bank	Effective date
Manufacturers Hanover Trust Company, New York, New York	Eight Branches of Bankers Trust Company, New York, New York	New York	August 5, 1980

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.

Consumers Union of the United States, Inc., v. *Board of Governors et al.,* filed August 1980, for the District of Columbia.

A. G. Becker Inc., v. *Board of Governors, et al.,* filed August 1980, U.S.D.C. for the District of Columbia.

Otero Savings and Loan Association v. *Board of Governors,* filed August 1980, U.S.D.C. for the District of Columbia.

J. L. Lewis v. *the United States of America,* filed July 1980, U.S.D.C. for the Central District of California.

Martin-Trigona v. *Board of Governors,* filed July 1980, U.S.C.A. for the District of Columbia.

U.S. League of Savings Associations v. *Depository Institutions Deregulation Committee, et al.,* filed June 1980, U.S.D.C. for the District of Columbia.

Edwin F. Gordon v. *Board of Governors,* et al., filed June 1980, U.S. Supreme Court.

Mercantile Texas Corporation v. *Board of Governors,* filed May 1980, U.S.C.A. for the Fifth Circuit.

Corbin, Trustee v. *United States,* filed May 1980, United States Court of Claims.

Louis J. Roussel v. *Board of Governors,* filed April 1980, U.S.D.C. for the District of Columbia.

Ulyssess S. Crockett v. *United States, et al.,* filed April 1980, U.S.D.C. for the Eastern District of North Carolina.

Angela Belk v. *Government of Iran, et al.,* filed April 1980 , U.S.D.C. for the District for South Carolina, Columbia Division.

Independent Bank Corporation v. *Board of Governors,* filed October 1979, U.S.C.A. for the Sixth Circuit.

County National Bancorporation and TGB Co. v. *Board of Governors,* filed September 1979, U.S.C.A. for the Eighth Circuit.

Edwin F. Gordon v. *Board of Governors, et al.,* filed August 1979, U.S.D.C. for the Northern District of Georgia.

Gregory v. *Board of Governors,* filed July 1979, U.S.D.C. for the District of Columbia.

Donald W. Riegel, Jr. v. *Federal Open Market Committee,* filed July 1979, U.S.D.C. for the District of Columbia.

Connecticut Bankers Association, et al., v. *Board of Governors,* filed May 1979, U.S.C.A. for the District of Columbia.

Independent Insurance Agents of America, et al., v. *Board of Governors,* filed May 1979, U.S.C.A. for the District of Columbia.

Independent Insurance Agents of America, et al., v. *Board of Governors,* filed April 1979, U.S.C.A. for the District of Columbia.

Independent Insurance Agents of America, et al., v. *Board of Governors,* filed March 1979, U.S.C.A. for the District of Columbia.

Credit and Commerce American Investment, et al., v. *Board of Governors,* filed March 1979 U.S.C.A. for the District of Columbia.

Independent Bankers Association of Texas v. *First National Bank in Dallas, et al.,* filed July 1978, U.S.D.C. for the Northern District of Texas.

Security Bancorp and Security National Bank v. *Board of Governors,* filed March 1978, U.S.C.A. for the Ninth Circuit.

Vickars-Henry Corp. v. *Board of Governors,* filed December 1977, U.S.C.A. for the Ninth Circuit.

Investment Company Institute v. *Board of Governors,* filed September 1977, U.S.D.C. for the District of Columbia.

Roberts Farms, Inc. v. *Comptroller of the Currency, et al.,* filed November 1975, U.S.D.C. for the Southern District of California.

David Merrill, et al. v. *Federal Open Market Committee,* filed May 1975, U.S.D.C. for the District of Columbia.

Financial and Business Statistics

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FEDERAL FINANCE

1.10 MONETARY AGGREGATES AND INTEREST RATES

Item	1979		1980		1980				
	Q3	Q4	Q1	Q2	Mar.	Apr.	May r	June	July
	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
Member bank reserves									
1 Total	5.3r	12.3r	4.3r	1.0r	3.8r	1.4r	−.1	−.8r	2.7
2 Required	5.0r	11.2r	5.3r	1.2r	4.1r	1.4r	0.3	−1.8	1.0
3 Nonborrowed	7.3r	6.2r	3.4r	7.6r	−32.6r	13.4r	45.7	18.7r	2.3
4 Monetary base[2]	9.5r	9.5r	7.6	5.2r	6.8r	.9r	8.2	6.6r	8.4
Concepts of money and liquid assets[3]									
5 M-1A	7.8	4.5	4.8	−3.9	−1.9	−17.7	.7	11.4	7.8
6 M-1B	9.6	5.0	5.9	−2.4	−.3	−14.1	−1.2	14.6r	11.1
7 M-2	10.7	7.1	7.2	5.5r	5.0	−2.5r	9.4	18.1r	17.7
8 M-3	10.8	9.1	7.8	5.7	4.4	0.0	8.7	13.4r	13.4
9 L	12.2	8.5	8.3r	7.7	7.8r	5.8r	8.6	7.5r	n.a.
Time and savings deposits									
Commercial banks									
10 Total	9.1	12.4	8.4	9.8	8.5	15.0	6.6	−1.6	2.3
11 Savings[4]	.4	−16.5	−19.3	−22.6	−35.6	−43.3	−7.5	32.9	38.6
12 Small-denomination time[5]	22.5	32.1	29.1	33.9	42.5	54.4	14.1	−3.1	−3.1
13 Large-denomination time[6]	4.5	19.7	11.3	10.1	7.6	16.2	8.5	−24.8	−19.7
14 Thrift institutions[7]	7.4	6.7	2.7	5.0r	4.0	3.0	7.3	10.8r	9.0
15 Total loans and securities at commercial banks[8]	13.4	8.6r	9.5r	−.5	2.6	−4.3	−6.2r	−2.8r	7.6

Item	1979		1980		1980				
	Q3	Q4	Q1	Q2	Apr.	May	June	July	Aug.
	Interest rates (levels, percent per annum)								
Short-term rates									
16 Federal funds[9]	10.94	13.58	15.07	12.67	17.61	10.98	9.47	9.03	9.61
17 Federal Reserve discount[10]	10.21	11.92	12.51	12.45	13.00	12.94	11.40	10.87	10.00
18 Treasury bills (3-month market yield)[11]	9.67	11.84	13.35	9.62	13.20	8.58	7.07	8.06	9.13
19 Commercial paper (3-month)[11,12]	10.64	13.35	14.54	11.18	15.78	9.49	8.27	8.41	9.57
Long-term rates									
Bonds									
20 U.S. government[13]	9.03	10.18	11.78	10.58	11.42	10.44	9.89	10.32	11.07
21 State and local government[14]	6.28	7.20	8.23	7.95	8.63	7.59	7.63	8.13	8.67
22 Aaa utility (new issue)[15]	9.64	11.21	13.22	11.78	12.90	11.53	10.97r	11.60	12.32
23 Conventional mortgages[16]	11.13	12.38	14.32	12.70	15.55	13.20	12.45	12.45	13.25

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding in preceding month or quarter. Growth rates for member bank reserves are adjusted for discontinuities in series that result from changes in Regulations D and M.
2. Includes total reserves (member bank reserve balances in the current week plus vault cash held two weeks earlier); currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of commercial banks; and vault cash of nonmember banks.
3. M-1A: Averages of daily figures for (1) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (2) currency outside the Treasury, Federal Reserve banks, and the vaults of commercial banks.
M-1B: M-1A plus negotiable order of withdrawal and automated transfer service accounts at banks and thrift institutions, credit union share draft accounts, and demand deposits at mutual savings banks.
M-2: M-1B plus savings and small-denomination time deposits at all depository institutions, overnight repurchase agreements at commercial banks, overnight Eurodollars held by U.S. residents other than banks at Caribbean branches of member banks, and money market mutual fund shares.
M-3: M-2 plus large-denomination time deposits at all depository institutions and term RPs at commercial banks and savings and loan associations.
L: M-3 plus other liquid assets such as term Eurodollars held by U.S. residents other than banks, bankers acceptances, commercial paper, Treasury bills and other liquid Treasury securities, and U.S. savings bonds.
4. Savings deposits exclude NOW and ATS accounts at commercial banks.
5. Small-denomination time deposits are those issued in amounts of less than $100,000.
6. Large-denomination time deposits are those issued in amounts of $100,000 or more.
7. Savings and loan associations, mutual savings banks, and credit unions.
8. Changes calculated from figures shown in table 1.23.
9. Averages of daily effective rates (average of the rates on a given date weighted by the volume of transactions at those rates).
10. Rate for the Federal Reserve Bank of New York.
11. Quoted on a bank-discount basis.
12. Beginning Nov. 1977, unweighted average of offering rates quoted by at least five dealers. Previously, most representative rate quoted by these dealers. Before Nov. 1979, data shown are for 90- to 119-day maturity.
13. Market yields adjusted to a 20-year maturity by the U.S. Treasury.
14. *Bond Buyer* series for 20 issues of mixed quality.
15. Weighted averages of new publicly offered bonds rated Aaa, Aa, and A by Moody's Investors Service and adjusted to an Aaa basis. Federal Reserve compilations.
16. Average rates on new commitments for conventional first mortgages on new homes in primary markets, unweighted and rounded to nearest 5 basis points, from Dept. of Housing and Urban Development.

1.11 FACTORS AFFECTING MEMBER BANK RESERVES

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week-ending						
	1980			1980						
	June	July	Aug.	July 16	July 23	July 30	Aug. 6	Aug. 13	Aug. 20	Aug. 27
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit outstanding**	**141,246**	**141,814**	**139,277**	**143,315**	**142,916**	**138,456**	**138,047**	**138,084**	**140,962**	**139,721**
2 U.S. government securities[1]	122,336	122,060	119,092	123,227	123,114	119,884	117,939	117,604	120,654	119,744
3 Bought outright	121,623	121,662	118,823	122,766	122,670	119,654	116,951	117,604	120,654	119,744
4 Held under repurchase agreements	713	398	269	461	444	230	988	....	....	....
5 Federal agency securities	9,020	8,937	8,978	8,925	8,952	8,920	9,206	8,873	8,873	8,873
6 Bought outright	8,875	8,874	8,873	8,873	8,873	8,873	8,873	8,873	8,873	8,873
7 Held under repurchase agreements	145	63	105	52	79	47	333	....	....	....
8 Acceptances	171	74	71	117	68	49	242	....	....	....
9 Loans	365	390	687	332	354	629	828	390	344	700
10 Float	3,997	4,777	5,098	5,339	4,879	3,309	4,069	5,387	6,096	5,469
11 Other Federal Reserve assets	5,357	5,576	5,351	5,375	5,548	5,667	5,762	5,831	4,995	4,934
12 Gold stock	11,172	11,172	11,172	11,172	11,172	11,172	11,172	11,172	11,172	11,171
13 Special drawing rights certificate account	2,986	3,053	3,215	3,018	3,061	3,118	3,118	3,161	3,268	3,268
14 Treasury currency outstanding	13,288	13,305	13,310	13,294	13,296	13,301	13,343	13,309	13,311	13,313
ABSORBING RESERVE FUNDS										
15 Currency in circulation	126,334	128,182	128,969	128,655	128,125	127,660	128,354	129,186	129,103	128,928
16 Treasury cash holdings	543	512	480	520	508	498	490	488	479	471
Deposits, other than member bank reserves, with Federal Reserve Banks										
17 Treasury	2,923	3,119	3,297	3,315	2,723	3,206	2,652	3,339	3,630	3,840
18 Foreign	354	324	301	302	282	324	312	300	315	289
19 Other[2]	1,378	1,051	475	1,067	1,148	793	586	538	425	408
20 Other Federal Reserve liabilities and capital	4,971	4,702	4,488	4,693	4,629	4,552	4,567	4,404	4,484	4,472
21 Reserve accounts[3]	32,189	31,454	28,965	32,247	33,030	29,014	28,718	27,471	30,277	29,066

	End-of-month figures			Wednesday figures						
	1980			1980						
	June	July	Aug.	July 16	July 23	July 30	Aug. 6	Aug. 13	Aug. 20	Aug. 27
SUPPLYING RESERVE FUNDS										
22 **Reserve bank credit outstanding**	**143,741**	**138,316**	**139,791**	**146,439**	**144,892**	**141,019**	**131,148**	**136,300**	**142,696**	**140,020**
23 U.S. government securities[1]	124,515	119,563	119,848	123,519	124,386	119,577	109,332	114,815	120,700	118,690
24 Bought outright	124,058	118,497	119,014	122,797	121,275	119,577	109,332	114,815	120,700	118,690
25 Held under repurchase agreements	457	1,066	834	722	3,111	....	....	....	....	....
26 Federal agency securities	8,912	9,404	9,355	8,977	9,426	8,873	8,873	8,873	8,873	8,873
27 Bought outright	8,875	8,873	8,873	8,873	8,873	8,873	8,873	8,873	8,873	8,873
28 Held under repurchase agreements	37	531	482	104	553	....	....	....	....	....
29 Acceptances	373	310	277	173	478	....	....	....	....	....
30 Loans	215	562	1,515	559	548	2,620	464	921	821	2,572
31 Float	4,167	2,808	3,468	7,690	4,417	4,025	6,563	5,783	7,417	4,720
32 Other Federal Reserve assets	5,559	5,669	5,328	5,521	5,637	5,924	5,916	5,908	4,885	5,165
33 Gold stock	11,172	11,172	11,172	11,172	11,172	11,172	11,172	11,172	11,171	11,171
34 Special drawing rights certificate account	3,018	3,118	3,268	3,018	3,118	3,118	3,118	3,268	3,268	3,268
35 Treasury currency outstanding	13,523	13,570	13,313	13,295	13,300	13,304	13,309	13,309	13,313	13,313
ABSORBING RESERVE FUNDS										
36 Currency in circulation	127,097	128,337	129,364	128,761	128,122	128,238	129,169	129,618	129,151	129,313
37 Treasury cash holdings	520	489	469	513	504	492	488	484	474	473
Deposits, other than member bank reserves, with Federal Reserve Banks										
38 Treasury	3,199	3,954	2,742	2,956	2,855	3,073	2,762	3,473	2,491	3,749
39 Foreign	691	436	336	294	246	301	285	237	225	199
40 Other[2]	1,332	500	383	1,103	1,178	415	588	398	377	382
41 Other Federal Reserve liabilities and capital	5,003	4,540	4,570	4,563	4,570	4,448	4,260	4,255	4,623	4,367
42 Reserve accounts[3]	33,612	27,920	29,680	35,734	35,007	31,646	21,195	25,584	33,107	29,290

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

2. Includes special deposits under the credit restraint program held by money market mutual funds and other financial intermediaries, held by nonmember banks against managed liabilities, and held by any institution in conjunction with the consumer credit restraint program.

3. Includes reserves of member banks, Edge Act corporations, and U.S. agencies and branches of foreign banks.

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

1.12 RESERVES AND BORROWINGS Member Banks

Millions of dollars

Reserve classification	Monthly averages of daily figures									
	1978	1979	1980							
	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June p	July p	Aug. p
All member banks										
Reserves										
1 At Federal Reserve Banks	31,158	32,473	32,712	31,878	32,400	33,663	32,726	32,189	31,454	28,965
2 Currency and coin	10,330	11,344	12,283	11,063	10,729	10,895	10,998	11,137	11,285	11,262
3 Total held[1]	41,572	43,972	45,170	43,156	43,352	44,769	43,933	43,531	42,927	40,408
4 Required	41,447	43,578	44,928	42,966	42,907	44,678	43,793	43,280	42,509	40,077
5 Excess[1]	125	394	242	190	445	91	140	251	418	331
Borrowings at Reserve Banks[2]										
6 Total	874	1,473	1,241	1,655	2,828	2,443	1,028	365	390	687
7 Seasonal	134	82	75	96	152	156	64	12	5	9
Large banks in New York City										
8 Reserves held	7,120	7,401	7,758	7,168	7,276	7,603	7,596	7,482	7,272	6,462
9 Required	7,243	7,326	7,760	7,205	7,194	7,655	7,662	7,600	7,278	6,507
10 Excess	-123	75	-2	-37	82	-52	-66	-118	-6	-45
11 Borrowings[2]	99	66	26	125	60	81	31	18	54	99
Large banks in Chicago										
12 Reserves held	1,907	2,036	2,051	1,968	1,886	2,150	1,922	1,868	1,785	1,528
13 Required	1,900	2,005	2,063	1,941	1,961	2,173	1,906	1,868	1,866	1,591
14 Excess	7	31	-12	27	-75	-23	16	0	-81	-63
15 Borrowings[2]	10	90	60	97	137	60	28	1	20	26
Other large banks										
16 Reserves held	16,446	17,426	18,078	17,246	17,029	17,644	17,379	17,049	16,642	15,756
17 Required	16,342	17,390	18,065	17,265	17,135	17,991	17,545	17,199	16,815	15,739
18 Excess	104	36	13	-19	-106	-347	-166	-150	-173	17
19 Borrowings[2]	276	707	647	729	1,479	1,287	808	319	296	479
All other banks										
20 Reserves held	16,099	16,734	16,904	16,403	16,261	16,314	16,271	16,248	16,285	16,031
21 Required	15,962	16,536	16,692	16,229	16,233	16,367	16,234	16,186	16,137	15,925
22 Excess	137	198	212	174	28	-53	37	62	148	106
23 Borrowings[2]	489	610	508	704	1,152	1,015	161	27	20	83
Edge corporations										
24 Reserves held	n.a.	336	339	328	317	339	335	374	379	339
25 Required	n.a.	303	323	303	300	299	295	332	354	315
26 Excess	n.a.	33	16	25	17	40	40	42	25	24
U.S. agencies and branches[3]										
27 Reserves held	n.a.	39	40	43	90	198	162	106	64	......
28 Required	n.a.	18	25	23	84	193	151	97	59	......
29 Excess	n.a.	21	15	20	6	5	11	9	5	......

Reserve classification	Weekly averages of daily figures for week (in 1980) ending									
	June 25	July 2	July 9	July 16	July 23	July 30p	Aug. 6p	Aug. 13p	Aug. 20p	Aug. 27p
All member banks										
Reserves										
30 At Federal Reserve Banks	32,383	32,633	31,339	32,247	33,030	29,014	28,718	27,471	30,277	29,066
31 Currency and coin	10,692	11,238	11,559	11,502	10,504	11,552	11,542	11,748	11,474	11,135
32 Total held[1]	43,284	44,065	43,089	43,936	43,726	40,748	40,442	39,400	40,932	40,382
33 Required	43,082	43,794	42,583	43,596	43,742	40,509	39,754	39,311	40,597	40,293
34 Excess[1]	-202	271	506	340	-16	239	688	89	335	89
Borrowings at Reserve Banks[2]										
35 Total	318	348	215	332	354	629	828	390	344	700
36 Seasonal	8	7	5	5	5	7	7	6	6	10
Large banks in New York City										
37 Reserves held	7,362	7,525	7,510	7,605	7,081	6,734	6,599	6,127	6,818	6,427
38 Required	7,352	7,680	7,328	7,706	7,334	6,732	6,554	6,332	6,747	6,376
39 Excess	10	-155	182	-101	-253	2	45	-205	71	51
40 Borrowings[2]	0	0	0	0	0	241	214	63	0	161
Large banks in Chicago										
41 Reserves held	1,591	1,927	1,972	1,849	1,958	1,604	1,606	1,514	1,580	1,382
42 Required	1,825	1,891	1,858	2,009	2,005	1,629	1,554	1,570	1,611	1,597
43 Excess	-234	36	114	-160	-47	-25	52	-56	-31	-215
44 Borrowings[2]	0	21	0	64	0	5	21	0	7	80
Other large banks										
45 Reserves held	17,211	17,381	16,868	17,061	16,874	15,539	15,937	15,111	15,827	15,578
46 Required	17,202	17,432	16,896	17,237	17,386	15,751	15,523	15,468	15,908	15,883
47 Excess	9	-51	-28	-176	-512	-212	414	-357	-81	-305
48 Borrowings[2]	297	299	204	258	342	357	519	311	315	340
All other banks										
49 Reserves held	16,367	16,501	16,267	16,293	16,516	16,079	16,107	15,679	16,001	16,096
50 Required	16,351	16,435	16,097	16,168	16,560	16,051	15,819	15,640	15,991	16,113
51 Excess	-16	66	170	125	-44	28	288	39	10	-17
52 Borrowings[2]	21	28	11	10	12	26	74	16	22	119
Edge corporations										
53 Reserves held	346	344	364	389	421	361	324	319	355	360
54 Required	305	322	331	371	384	346	304	301	340	324
55 Excess	41	22	33	18	37	15	20	18	15	36
U.S. agencies and branches[3]										
56 Reserves held	57	39	79	114	81	......	......	......	......	......
57 Required	47	34	73	105	73	......	......	......	......	......
58 Excess	10	5	6	9	8	......	......	......	......	......

1. Adjusted to include waivers of penalties for reserve deficiencies in accordance with Board policy, effective Nov. 19, 1975, of permitting transitional relief on a graduated basis over a 24-month period when a nonmember bank merged into an existing member bank, or when a nonmember bank joins the Federal Reserve System. For weeks for which figures are preliminary, figures by class of bank do not add to total because adjusted data by class are not available.
2. Based on closing figures.
3. Data not reported after July 23, 1980.

1.13 FEDERAL FUNDS AND REPURCHASE AGREEMENTS Large Member Banks[1]

Averages of daily figures, in millions of dollars

By maturity and source	1980, week ending Wednesday								
	July 2	July 9	July 16	July 23	July 30	Aug 6	Aug. 13	Aug. 20	Aug. 27
One day and continuing contract									
1 Commercial banks in United States	47,657r	54,210r	52,249r	48,501r	47,297	52,838	53,697	52,070	49,725
2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	17,036r	16,159r	17,717r	17,789r	17,198	16,867	16,808	17,404	15,687
3 Nonbank securities dealers	1,242	1,585	2,128	2,332	2,369	3,097	2,369	2,456	2,705
4 All other	15,568	14,992	16,030	16,640	16,119	16,090	15,440	16,253	16,612
All other maturities									
5 Commercial banks in United States	3,962	3,670	3,829	3,755	3,746r	3,951	3,659	3,386	3,634
6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	6,102	5,950	5,996	5,948	5,843r	5,712	5,825	5,796	5,553
7 Nonbank securities dealers	2,956	2,856	2,956	3,036	3,319	3,486	3,669	3,588	3,606
8 All other	9,164	9,444	10,067	9,637	10,921	10,936	11,395	10,164	10,760
MEMO: Federal funds and resale agreement loans in maturities of one day or continuing contract									
9 Commercial banks in United States	15,642r	16,440r	16,022r	13,073	13,278	15,556	14,374	14,010	11,460
10 Nonbank securities dealers	2,117	2,444	2,457	2,317	2,507	2,559	2,576	2,852	2,418

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

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per annum

Current and previous levels

Federal Reserve Bank	Short-term adjustment credit			Extended credit						Emergency credit to all others under section 13[2]		
				Seasonal credit			Special circumstances[1]					
	Rate on 8/31/80	Effective date	Previous rate	Rate on 8/31/80	Effective date	Previous rate	Rate on 8/31/80	Effective date	Previous rate	Rate on 8/31/80	Effective date	Previous rate
Boston	10	7/29/80	11	10	7/29/80	11	11	7/29/80	12	13	7/29/80	14
New York	10	7/28/80	11	10	7/28/80	11	11	7/28/80	12	13	7/28/80	14
Philadelphia	10	7/29/80	11	10	7/29/80	11	11	7/29/80	12	13	7/29/80	14
Cleveland	10	7/28/80	11	10	7/28/80	11	11	7/28/80	12	13	7/28/80	14
Richmond	10	7/28/80	11	10	7/28/80	11	11	7/28/80	12	13	7/28/80	14
Atlanta	10	7/28/80	11	10	7/28/80	11	11	7/28/80	12	13	7/28/80	14
Chicago	10	7/28/80	11	10	7/28/80	11	11	7/28/80	12	13	7/28/80	14
St. Louis	10	7/28/80	11	10	7/28/80	11	11	7/28/80	12	13	7/28/80	14
Minneapolis	10	7/28/80	11	10	7/28/80	11	11	7/28/80	12	13	7/28/80	14
Kansas City	10	7/28/80	11	10	7/28/80	11	11	7/28/80	12	13	7/28/80	14
Dallas	10	7/28/80	11	10	7/28/80	11	11	7/28/80	12	13	7/28/80	14
San Francisco	10	7/28/80	11	10	7/28/80	11	11	7/28/80	12	13	7/28/80	14

Range of rates in recent years[3]

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1970	5½	5½
1971— Jan. 8	5¼–5½	
15	5¼	5¼
19	5–5¼	5¼
22	5–5¼	5¼
29	5	5
Feb. 13	4¾–5	5
19	4¾	5
July 16	4¾–5	4¾
23	5	5
Nov. 11	4¾–5	5
19	4¾	5
Dec. 13	4½–4¾	4¾
17	4½–4¾	4¾
24	4½	4½
1973—		4½
Jan. 15	5	
Feb. 26	5–5½	5
Mar. 2	5½	5½
Apr. 23	5½–5¾	5½
May 4	5¾	5½
11	5¾–6	5¾
18	6	6
June 11	6–6½	6
15	6½	6½
		6½
July 2	7	
Aug. 14	7–7½	7
23	7½	7½
		7½

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

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1978— Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7–7¼	7¼
10	7¼–7¾	7¼
Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
1979— July 20	10	10
Aug. 17	10–10½	10½
20	10½	10½
Sept. 19	10½–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980— Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
June 16	11	11
July 28	10–11	10
July 29	10	10
In effect August 31, 1980	10	10

1. Applicable to advances when exceptional circumstances or practices involve only a particular depository institution as described in section 201.3(b) (2) of Regulation A.

2. Applicable to emergency advances to individuals, partnerships, and corporations as described in section 201.3(c) of Regulation A.

3. Rates for short-term adjustment credit (as described above). For description and earlier data see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941* and *1941–1970; Annual Statistical Digest, 1971–1975, 1972–1976, 1973–1977,* and *1974–1978.*

1.15 MEMBER BANK RESERVE REQUIREMENTS[1]

Percent of deposits

Type of deposit, and deposit interval in millions of dollars	Requirements in effect August 31, 1980		Previous requirements	
	Percent	Effective date	Percent	Effective date
Net demand[2]				
0–2	7	12/30/76	7½	2/13/75
2–10	9½	12/30/76	10	2/13/75
10–100	11¾	12/30/76	12	2/13/75
100–400	12¾	12/30/76	13	2/13/75
Over 400	16¼	12/30/76	16½	2/13/75
Time and savings[2,3,4]				
Savings	3	3/16/67	3½	3/2/67
Time[5]				
0–5, by maturity				
30–179 days	3	3/16/67	3½	3/2/67
180 days to 4 years	2½	1/8/76	3	3/16/67
4 years or more	1	10/30/75	3	3/16/67
Over 5, by maturity				
30–179 days	6	12/12/74	5	10/1/70
180 days to 4 years	2½	1/8/76	3	12/12/74
4 years or more	1	10/30/75	3	12/12/74

	Legal limits	
	Minimum	Maximum
Net demand		
Reserve city banks	10	22
Other banks	7	14
Time	3	10
Borrowings from foreign banks	0	22

1. For changes in reserve requirements beginning 1963, see Board's *Annual Statistical Digest, 1971–1975* and for prior changes, see Board's *Annual Report* for 1976, table 13.

2. (a) Requirement schedules are graduated, and each deposit interval applies to that part of the deposits of each bank. Demand deposits subject to reserve requirements are gross demand deposits minus cash items in process of collection and demand balances due from domestic banks.

(b) The Federal Reserve Act specifies different ranges of requirements for reserve city banks and for other banks. Reserve cities are designated under a criterion adopted effective Nov. 9, 1972, by which a bank having net demand deposits of more than $400 million is considered to have the character of business of a reserve city bank. The presence of the head office of such a bank constitutes designation of that place as a reserve city. Cities in which there are Federal Reserve Banks or branches are also reserve cities. Any banks having net demand deposits of $400 million or less are considered to have the character of business of banks outside of reserve cities and are permitted to maintain reserves at ratios set for banks not in reserve cities. For details, see the Board's Regulation D.

(c) Effective Aug. 24, 1978, the Regulation M reserve requirements on net balances due from domestic banks to their foreign branches and on deposits that foreign branches lend to U.S residents were reduced to zero from 4 percent and 1 percent, respectively. The Regulation D reserve requirement on borrowings from unrelated banks abroad was also reduced to zero from 4 percent.

(d) Effective with the reserve computation period beginning Nov. 16, 1978, domestic deposits of Edge corporations are subject to the same reserve requirements as deposits of member banks.

3. Negotiable order of withdrawal (NOW) accounts and time deposits such as Christmas and vacation club accounts are subject to the same requirements as savings deposits.

4. The average reserve requirement on savings and other time deposits must be at least 3 percent, the minimum specified by law.

5. Effective Nov. 2, 1978, a supplementary reserve requirement of 2 percent was imposed on large time deposits of $100,000 or more, obligations of affiliates, and ineligible acceptances. This supplementary requirement was eliminated with the maintenance period beginning July 24, 1980.

Effective with the reserve maintenance period beginning Oct. 25, 1979, a marginal reserve requirement of 8 percent was added to managed liabilities in excess of a base amount. This marginal requirement was increased to 10 percent beginning April 3, 1980, was decreased to 5 percent beginning June 12, 1980, and was reduced to zero beginning July 24, 1980. Managed liabilities are defined as large time deposits, Eurodollar borrowings, repurchase agreements against U.S. government and federal agency securities, federal funds borrowings from nonmember institutions, and certain other obligations. In general, the base for the marginal reserve requirement was originally the greater of (a) $100 million or (b) the average amount of the managed liabilities held by a member bank, Edge corporation, or family of U.S. branches and agencies of a foreign bank for the two statement weeks ending Sept. 26, 1979. For the computation period beginning Mar. 20, 1980, the base was lowered by (a) 7 percent or (b) the decrease in an institution's U.S. office gross loans to foreigners and gross balances due from foreign offices of other institutions between the base period (Sept. 13–26, 1979) and the week ending Mar. 12, 1980, whichever was greater. For the computation period beginning May 29,1980, the base was increased by 7½ percent above the base used to calculate the marginal reserve in the statement week of May 14–21, 1980. In addition, beginning Mar. 19, 1980, the base was reduced to the extent that foreign loans and balances declined.

NOTE. Required reserves must be held in the form of deposits with Federal Reserve banks or vault cash.

1.16 MAXIMUM INTEREST RATES PAYABLE on Time and Savings Deposits at Federally Insured Institutions

Percent per annum

Type and maturity of deposit	Commercial banks				Savings and loan associations and mutual savings banks			
	In effect Aug. 31, 1980		Previous maximum		In effect Aug. 31, 1980		Previous maximum	
	Percent	Effective date	Percent	Effective date	Percent	Effective date	Percent	Effective date
1 Savings	5¼	7/1/79	5	7/1/73	5½	7/1/79	5¼	(1)
2 Negotiable order of withdrawal accounts [2]	5	1/1/74	(3)	....	5	1/1/74	(3)	....
Time accounts [4]								
Fixed ceiling rates by maturity								
3 30–89 days	5¼	8/1/79	5	7/1/73	(3)	....	(3)	....
4 90 days to 1 year	5¾	1/1/80	5½	7/1/73	6	1/1/80	5¾	(1)
5 1 to 2 years [5]	6	7/1/73	5½	1/21/70	6½	(1)	5¾	1/21/70
6 2 to 2½ years [5]			5¾	1/21/70			6	1/21/70
7 2½ to 4 years [5]	6½	7/1/73	5¾	1/21/70	6¾	(1)	6	1/21/70
8 4 to 6 years [6]	7¼	11/1/73	(7)	....	7½	11/1/73	(7)	....
9 6 to 8 years [6]	7½	12/23/74	7¼	11/1/73	7¾	12/23/74	7½	11/1/73
10 8 years or more [6]	7¾	6/1/78	(3)	....	8	6/1/78	(3)	....
11 Issued to governmental units (all maturities)[8]	8	6/1/78	7¾	12/23/74	8	6/1/78	7¾	12/23/74
12 Individual retirement accounts and Keogh (H.R. 10) plans (3 years or more)[8,9]	8	6/1/78	7¾	7/6/77	8	6/1/78	7¾	7/6/77
Special variable ceiling rates by maturity								
13 6-month money market time deposits[10]	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)
14 2½ years or more	(12)	(12)	(13)	(13)	(12)	(12)	(13)	(13)

1. July 1, 1973, for mutual savings banks; July 6, 1973, for savings and loan associations.

2. For authorized states only, federally insured commercial banks, savings and loan associations, cooperative banks, and mutual savings banks in Massachusetts and New Hampshire were first permitted to offer negotiable order of withdrawal (NOW) accounts on Jan. 1, 1974. Authorization to issue NOW accounts was extended to similar institutions throughout New England on Feb. 27, 1976, and in New York State on Nov. 10, 1978, and in New Jersey on Dec. 28, 1979.

3. No separate account category.

4. For exceptions with respect to certain foreign time deposits see the FEDERAL RESERVE BULLETIN for October 1962 (p. 1279), August 1965 (p. 1084), and February 1968 (p. 167).

5. No minimum denomination. Until July 1, 1979, a minimum of $1,000 was required for savings and loan associations, except in areas where mutual savings banks permitted lower minimum denominations. This restriction was removed for deposits maturing in less than 1 year, effective Nov. 1, 1973.

6. No minimum denomination. *Until July 1, 1979, minimum denomination was* $1,000 except for deposits representing funds contributed to an Individual Retirement Account (IRA) or a Keogh (H.R. 10) plan established pursuant to the Internal Revenue Code. The $1,000 minimum requirement was removed for such accounts in December 1975 and November 1976 respectively.

7. Between July 1, 1973, and Oct. 31, 1973, there was no ceiling for certificates *maturing in 4 years or more with minimum denominations of* $1,000; *however,* the amount of such certificates that an institution could issue was limited to 5 percent of its total time and savings deposits. Sales in excess of that amount, as well as certificates of less than $1,000, were limited to the 6½ percent ceiling on time deposits maturing in 2½ years or more.

Effective Nov. 1, 1973, ceilings were reimposed on certificates maturing in 4 *years or more with minimum denomination of* $1,000. There is no limitation on the amount of these certificates that banks can issue.

8. Accounts subject to fixed rate ceilings. See footnote 6 for minimum denomination requirements.

9. Effective January 1, 1980, commercial banks are permitted to pay the same rate as thrifts on IRA and Keogh accounts and accounts of governmental units when such deposits are placed in the new *2½-year or more variable ceiling certificates* or in 26-week money market certificates regardless of the level of the Treasury bill rate.

10. Must have a maturity of exactly 26 weeks and a minimum denomination of $10,000, and must be nonnegotiable.

11. Commercial banks, savings and loan associations, and mutual savings banks were authorized to offer money market time deposits effective June 1, 1978. The ceiling rate for commercial banks on money market time deposits entered into before June 5, 1980, is the discount rate (auction average) on most recently issued six-month U.S. Treasury bills. Until Mar. 15, 1979, the ceiling rate for savings and loan associations and mutual savings banks was ¼ percentage point higher than the rate for commercial banks. Beginning March 15, 1979, the ¼-percentage-point interest differential is removed when the six-month Treasury bill rate is 9 percent or more. The full differential is in effect when the six-month bill rate is 8¾ percent or less. Thrift institutions may pay a maximum 9 percent when the six-month bill rate is between 8¾ and 9 percent. Also effective March 15, 1979, interest compounding was prohibited on six-month money market time deposits at all offering institutions. The maximum allowable rates in August for commercial banks were as follows: Aug. 7, 9.117; Aug. 14, 9.141; Aug. 21, 10.015; Aug. 28, 10.50. The maximum allowable rates in August for thrift institutions were as follows: Aug. 7, 9.117; Aug. 14, 9.141; Aug. 21, 10.015; Aug. 28, 10.50 Effective for all six-month money market certificates issued beginning June 5, 1980, the interest rate ceilings will be determined by the discount rate (auction average) of most recently issued six-month U.S. Treasury bills as follows:

Bill rate	*Commercial bank ceiling*	*Thrift ceiling*
8.75 and above	bill rate + ¼ percent	bill rate + ¼ percent
8.50 to 8.75	bill rate + ¼ percent	9.00
7.50 to 8.50	bill rate + ¼ percent	bill rate + ½ percent
7.25 to 7.50	7.75	bill rate + ½ percent
Below 7.25	7.75	7.75

The prohibition against compounding interest in these certificates continues. In addition, during the period May 29, 1980, through Nov. 1, 1980, commercial banks may renew maturing six-month money market time deposits for the same depositor at the thrift institution ceiling interest rate.

12. Effective Jan. 1, 1980, commercial banks, savings and loan associations, and mutual savings banks were authorized to offer variable-ceiling nonnegotiable time *deposits with no required minimum denomination* and with maturities of 2½ years or more. The maximum rate for commercial banks is ¾ percentage point below the yield on 2½-year U.S. Treasury securities; the ceiling rate for thrift institutions is ¼ percentage point higher than that for commercial banks. Effective Mar. 1, 1980, a temporary ceiling of 11¾ percent was placed on these accounts at commercial banks; the temporary ceiling is 12 percent at savings and loan associations and mutual savings banks. Effective for all variable ceiling nonnegotiable time deposits with maturities of 2½ years or more issued beginning June 2, 1980, the ceiling rates of interest will be determined as follows:

Treasury yield	*Commercial bank ceiling*	*Thrift ceiling*
12.00 and above	11.75	12.00
9.50 to 12.00	Treasury yield – ¼ percent	Treasury yield
Below 9.50	9.25	9.50

Interest may be compounded on these time deposits. The ceiling rates of interest at which these accounts may be offered vary biweekly. The maximum allowable rates in August for commercial banks were as follows: Aug. 7, 9.450; Aug. 20, 10.00. The maximum allowable rates in August for thrift institutions were as follows: Aug. 7, 9.70; Aug. 20, 10.250.

13. Between July 1, 1979, and Dec. 31, 1979, commercial banks, savings and loan associations, and mutual savings banks were authorized to offer variable ceiling accounts with no required minimum denomination and with maturities of 4 years or more. The maximum rate for commercial banks was 1¼ percentage points below the yield on 4-year U.S. Treasury securities; the ceiling rate for thrift institutions was ¼ percentage point higher than that for commercial banks.

NOTE. Before Mar. 31, 1980, the maximum rates that could be paid by federally insured commercial banks, mutual savings banks, and savings and loan associations were established by the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board under the provisions of 12 CFR 217, 329, and 526, respectively. Title II of the Depository Institutions Deregulation and Monetary Control Act of 1980 (P.L. 96–221) transferred the authority of the agencies to establish maximum rates of interest payable on deposits to the Depository Institutions Deregulation Committee. The maximum rates on time deposits in denominations of $100,000 or more with maturities of 30–89 days were suspended in June 1970; such deposits maturing in 90 days or more were suspended in May 1973. For information regarding previous interest rate ceilings on all types of accounts, see earlier issues of the FEDERAL RESERVE BULLETIN, the Federal Home Loan Bank Board *Journal*, and the *Annual Report* of the Federal Deposit Insurance Corporation.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

Type of transaction	1977	1978	1979	1980 Jan.	Feb.	Mar.	Apr.	May	June	July
U.S. GOVERNMENT SECURITIES										
Outright transactions (excluding matched sale-purchase transactions)										
Treasury bills										
1 Gross purchases	13,738	16,628	16,623	0	187	1,370	2,428	838	322	0
2 Gross sales	7,241	13,725	7,480	1,722	1,590	0	108	232	0	2,264
3 Exchange	0	0	0	0	0	0	0	0	274	0
4 Redemptions	2,136	2,033	2,900	790	400	0	0	0	0	950
Others within 1 year[1]										
5 Gross purchases	3,017	1,184	3,203	0	0	292	109	155	121	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shift	4,499	−5,170	17,339	383	1,822	921	179	1,670	412	311
8 Exchange	2,500	0	−11,308	−403	−2,177	−809	−459	−5,276	−1,479	−788
9 Redemptions			2,600	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	2,833	4,188	2,148	0	0	355	373	405	465	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shift	−6,649	−178	−12,693	−383	−374	−921	−179	−1,302	−412	−311
13 Exchange			7,508	403	1,377	809	459	3,000	1,479	788
5 to 10 years										
14 Gross purchases	758	1,526	523	0	0	107	62	133	164	0
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shift	584	2,803	−4,646	0	−1,364	0	0	−25	0	0
17 Exchange			2,181	0	450	0	0	1,300	0	0
Over 10 years										
18 Gross purchases	553	1,063	454	0	0	81	64	216	129	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	1,565	2,545	0	0	−84	0	0	−342	0	0
21 Exchange			1,619	0	350	0	0	976	0	0
All maturities[1]										
22 Gross purchases	20,898	24,591	22,950	0	187	2,206	3,036	1,747	1,200	0
23 Gross sales	7,241	13,725	7,480	1,722	1,590	0	108	232	0	2,264
24 Redemptions	4,636	2,033	5,500	790	400	0	0	0	0	950
Matched sale-purchase transactions										
25 Gross sales	425,214	511,126	626,403	53,025	54,541	55,658	57,316	49,934	50,590	48,370
26 Gross purchases	423,841	510,854	623,245	55,557	54,584	54,636	57,479	50,965	52,076	46,023
Repurchase agreements										
27 Gross purchases	178,683	151,618	107,374	5,704	5,407	6,682	3,029	7,717	12,810	10,719
28 Gross sales	180,535	152,436	107,291	6,872	4,787	6,379	3,952	4,811	15,258	10,110
29 Net change in U.S. government securities	5,798	7,743	6,896	−1,148	−1,140	1,486	2,168	5,452	238	−4,952
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	1,433	301	853	0	0	0	668	0	0	0
31 Gross sales	0	173	399	0	0	0	0	0	0	0
32 Redemptions	223	235	134	0	*	5	2	0	2	2
Repurchase agreements										
33 Gross purchases	13,811	40,567	37,321	3,049	2,403	1,883	483	1,611	3,035	1,737
34 Gross sales	13,638	40,885	36,960	3,543	2,372	1,834	563	1,258	3,351	1,242
35 Net change in federal agency obligations	1,383	−426	681	−494	31	45	586	353	−318	492
BANKERS ACCEPTANCES										
36 Outright transactions, net	−196	0	0	0	0	0	0	0	0	0
37 Repurchase agreements, net	159	−366	116	−704	205	−34	−171	366	7	−64
38 Net change in bankers acceptances	−37	−366	116	−704	205	−34	−171	366	7	−64
39 **Total net change in System Open Market Account**	**7,143**	**6,951**	**7,693**	**−2,345**	**−903**	**1,497**	**2,582**	**6,171**	**−73**	**−4,523**

1. Both gross purchases and redemptions include special certificates created when the Treasury borrows directly from the Federal Reserve, as follows (millions of dollars): September 1977, 2,500; March 1979, 2,600.

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

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements

Millions of dollars

Account	Wednesday					End of month		
	1980					1980		
	July 30	Aug. 6	Aug. 13	Aug. 20	Aug. 27	June	July	Aug.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,171	11,172	11,172	11,171	11,171	11,172	11,172	11,172
2 Special drawing rights certificate account	3,118	3,118	3,268	3,268	3,268	3,018	3,118	3,268
3 Coin	391	400	412	407	402	408	399	405
Loans								
4 Member bank borrowings	2,620	464	921	821	2,572	215	562	1,515
5 Other	0	0	0	0	0	0	0	0
Acceptances								
6 Bought outright	0	0	0	0	0	0	0	0
7 Held under repurchase agreements	0	0	0	0	0	373	310	277
Federal agency obligations								
8 Bought outright	8,873	8,873	8,873	8,873	8,873	8,875	8,873	8,873
9 Held under repurchase agreements	0	0	0	0	0	37	531	482
U.S. government securities								
Bought outright								
10 Bills	45,300	35,055	40,538	45,189	43,179	49,781	44,220	43,503
11 Certificates—Special	0	0	0	0	0	0	0	0
12 Notes	58,174	58,174	58,174	58,703	58,703	58,174	58,174	58,703
13 Bonds	16,103	16,103	16,103	16,808	16,808	16,103	16,103	16,808
14 Total[1]	119,577	109,332	114,815	120,700	118,690	124,058	118,497	119,014
15 Held under repurchase agreements	0	0	0	0	0	457	1,066	834
16 Total U.S. government securities	119,577	109,332	114,815	120,700	118,690	124,515	119,563	119,848
17 Total loans and securities	**131,070**	**118,669**	**124,609**	**130,394**	**130,135**	**134,015**	**129,839**	**130,995**
18 Cash items in process of collection	9,923	13,013	11,992	13,598	10,629	9,375	8,312	9,721
19 Bank premises	445	447	446	446	449	441	445	449
Other assets								
20 Denominated in foreign currencies[2]	2,215	2,236	2,134	2,135	2,140	2,339	2,201	2,119
21 All other	3,264	3,233	3,328	2,304	2,576	2,779	3,022	2,761
22 Total assets	**161,597**	**152,288**	**157,361**	**163,723**	**160,770**	**163,547**	**158,508**	**162,890**
LIABILITIES								
23 Federal Reserve notes	115,816	116,748	117,205	116,719	116,874	114,502	115,654	116,925
Deposits								
Reserve accounts								
24 Member banks	31,183	20,882	25,232	32,740	28,782	33,187	27,548	29,338
25 Edge Act corporations	463	313	352	367	508	397	372	342
26 U.S. agencies and branches of foreign banks	0	0	0	0	0	28	0	0
27 Total	31,646	21,195	25,584	33,107	29,290	33,612	27,920	29,680
28 Special Deposits—Credit Restraint Program	0	0	0	0	0	578	0	0
29 U.S. Treasury—General account	3,073	2,762	3,473	2,491	3,749	3,199	3,954	2,742
30 Foreign—Official accounts	301	285	237	225	199	691	436	336
31 Other	415	588	398	377	382	754	500	383
32 Total deposits	**35,435**	**24,830**	**29,692**	**36,200**	**33,620**	**38,834**	**32,810**	**33,141**
33 Deferred availability cash items	5,898	6,450	6,209	6,181	5,909	5,208	5,504	6,254
34 Other liabilities and accrued dividends[3]	1,880	1,682	1,695	2,059	1,803	2,250	1,957	1,879
35 Total liabilities	**159,029**	**149,710**	**154,801**	**161,159**	**158,206**	**160,794**	**155,925**	**158,199**
CAPITAL ACCOUNTS								
36 Capital paid in	1,175	1,176	1,176	1,177	1,180	1,169	1,175	1,180
37 Surplus	1,145	1,145	1,145	1,145	1,145	1,145	1,145	1,145
38 Other capital accounts	248	257	239	242	239	439	263	366
39 Total liabilities and capital accounts	**161,597**	**152,288**	**157,361**	**163,723**	**160,770**	**163,547**	**158,508**	**160,890**
40 MEMO: Marketable U.S. government securities held in custody for foreign and international account	82,246	84,350	84,949	82,510	84,408	82,226	82,862	84,331
	Federal Reserve note statement							
41 Federal Reserve notes outstanding (issued to Bank)	134,469	129,121	132,977	134,415	134,749	132,861	134,545	134,781
Collateral held against notes outstanding								
42 Gold certificate account	11,171	11,172	11,172	11,171	11,171	11,172	11,172	11,172
43 Special drawing rights certificate account	3,118	3,118	3,268	3,268	3,268	3,018	3,118	3,268
44 Eligible paper	1,056	28	249	152	879	29	86	553
45 U.S. government and agency securities	119,124	114,803	118,288	119,824	119,431	118,642	120,169	119,788
46 Total collateral	**134,469**	**129,121**	**132,977**	**134,415**	**134,749**	**132,861**	**134,545**	**134,871**

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

2. Beginning Dec. 29, 1978, such assets are revalued monthly at market exchange rates.

3. Includes exchange-translation account reflecting, beginning Dec. 29, 1978, the monthly revaluation at market exchange rates of foreign-exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday 1980					End of month 1980		
	July 30	Aug. 6	Aug. 13	Aug. 20	Aug. 27	June 30	July 31	Aug. 30
1 Loans—Total	2,620	464	921	821	2,572	215	562	1,515
2 Within 15 days	2,618	461	918	820	2,571	211	560	1,510
3 16 days to 90 days	2	3	3	1	1	4	2	5
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	373	310	277
6 Within 15 days	0	0	0	0	0	373	310	277
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. government securities—Total	119,577	109,332	114,815	120,700	118,690	124,515	119,563	119,848
10 Within 15 days[1]	3,312	5,700	6,097	2,746	2,365	3,633	4,693	3,394
11 16 days to 90 days	25,461	12,619	19,022	22,647	21,876	28,039	21,908	20,302
12 91 days to 1 year	29,647	29,379	28,062	31,293	30,435	31,686	31,328	32,139
13 Over 1 year to 5 years	33,418	33,895	33,895	36,037	36,037	33,418	33,895	36,037
14 Over 5 years to 10 years	13,601	13,601	13,601	13,135	13,135	13,601	13,601	13,134
15 Over 10 years	14,138	14,138	14,138	14,842	14,842	14,138	14,138	14,842
16 Federal agency obligations—Total	8,873	8,873	8,873	8,873	8,873	8,912	9,404	9,355
17 Within 15 days[1]	83	0	111	207	287	223	615	769
18 16 days to 90 days	761	825	714	617	606	518	761	607
19 91 days to 1 year	1,310	1,330	1,330	1,330	1,250	1,499	1,310	1,249
20 Over 1 year to 5 years	4,724	4,770	4,770	4,770	4,802	4,663	4,770	4,802
21 Over 5 years to 10 years	1,251	1,204	1,204	1,205	1,184	1,265	1,204	1,184
22 Over 10 years	744	744	744	744	744	744	744	744

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

1.20 BANK DEBITS AND DEPOSIT TURNOVER

Debits are shown in billions of dollars, turnover as ratio of debits to deposit. Monthly data are at annual rates.

Bank group, or type of customer	1977[r]	1978[r]	1979[r]	1980[r]				
				Mar.	Apr.	May	June	July
	Debits to demand deposits[1] (seasonally adjusted)							
1 All commercial banks	34,322.8	40,297.8	49,750.7	59,257.1	57,876.9	61,354.5	61,574.7	63,088.5
2 Major New York City banks	13,860.6	15,008.7	18,512.2	22,936.8	23,792.6	25,508.0	24,788.9	25,538.8
3 Other banks	20,462.2	25,289.1	31,238.5	36,320.3	34,084.2	35,846.4	36,785.7	37,549.8
	Debits to savings deposits[2] (not seasonally adjusted)							
4 ATS/NOW[3]	5.5	17.1	83.3	125.4	167.7	137.8	158.7	161.6
5 Business[4]	21.7	56.7	77.4	84.8	86.8	79.0	80.2	85.1
6 Others[5]	152.3	359.7	557.6	679.0	720.7	604.8	587.5	633.7
7 All accounts	179.5	432.9	718.2	889.2	975.2	821.6	826.4	880.4
	Demand deposit turnover[1] (seasonally adjusted)							
8 All commercial banks	129.2	139.4	163.4	190.4	196.2	202.9	201.5	203.7
9 Major New York City banks	503.0	541.9	646.2	738.0	805.9	871.8	817.1	844.5
10 Other banks	85.9	96.8	113.2	129.6	128.4	131.2	133.7	134.4
	Savings deposit turnover[2] (not seasonally adjusted)							
11 ATS/NOW[3]	6.5	7.0	7.8	9.1	12.1	9.9	10.2	9.7
12 Business[4]	4.1	5.1	7.2	9.4	10.2	8.9	8.6	8.5
13 Others[5]	1.5	1.7	2.9	3.9	4.2	3.6	3.4	3.6
14 All accounts	1.7	1.9	3.3	4.5	5.1	4.3	4.2	4.3

1. Represents accounts of individuals, partnerships, and corporations, and of states and political subdivisions.
2. Excludes special club accounts, such as Christmas and vacation clubs.
3. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data availability starts with December 1978.
4. Represents corporations and other profit-seeking organizations (excluding commercial banks but including savings and loan associations, mutual savings banks, credit unions, the Export-Import Bank, and federally sponsored lending agencies).
5. Savings accounts other than NOW; business; and, from December 1978, ATS.

NOTE: Historical data for the period 1970 through June 1977 have been estimated; these estimates are based in part on the debits series for 233 SMSA'S, which were available through June 1977. Back data are available from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Debits and turnover data for savings deposits are not available before July 1977.

1.21 MONEY STOCK MEASURES AND COMPONENTS

Billions of dollars, averages of daily figures

Item	1976 Dec.	1977 Dec.	1978 Dec.	1979 Dec.	1980 Feb.	1980 Mar.	1980 Apr.	1980 May	1980 June	1980 July
	Seasonally adjusted									
MEASURES[1]										
1 M-1A	305.0	328.4	351.6	369.7	373.7	373.1	367.6	367.8	371.3	373.7
2 M-1B	307.7	332.5	359.9	386.4	391.3	391.2	386.6	386.2r	390.9	394.5
3 M-2	1,166.7	1,294.1	1,401.5	1,525.5	1,546.7	1,553.1	1,549.9r	1,562.2r	1,585.9r	1,609.2
4 M-3	1,299.7	1,460.3	1,623.6	1,775.5	1,804.5	1,811.1	1,811.1	1,824.4r	1,844.7r	1,865.0
5 L[2]	1,523.5	1,715.5	1,927.7	2,141.1	2,175.9	2,190.1r	2,200.7	2,216.5r	2,230.1r	n.a.
COMPONENTS										
6 Currency	80.7	88.7	97.6	106.3	108.1	108.9	109.0	110.1	111.0	112.0
7 Demand deposits	224.4	239.7	253.9	263.4	265.6	264.2	258.6	257.7r	260.3	261.6
8 Savings deposits	447.7	486.5	476.1	416.7	403.1	391.9	377.3	372.7	381.4	393.6
9 Small-denomination time deposits[3]	396.6	454.9	533.8	656.5	671.4	687.6	708.3	718.0r	719.6	717.3
10 Large-denomination time deposits[4]	118.0	145.2	194.7	219.4	228.6	230.7	234.2	235.0	230.7	226.6
	Not seasonally adjusted									
MEASURES[1]										
11 M-1A	313.5	337.2	360.9	379.2	365.5	366.3	370.9	362.2	370.1	375.6
12 M-1B	316.1	341.3	369.3	396.0	383.1	384.4	389.9	380.7r	389.9r	396.7
13 M-2	1,169.1	1,295.9	1,403.7	1,527.3	1,538.6	1,550.0	1,558.1	1,559.3r	1,587.7r	1,614.7
14 M-3	1,303.8	1,464.5	1,629.2	1,780.8	1,796.6	1,808.8	1,817.3r	1,820.3r	1,844.1r	1,868.0
15 L[2]	1,527.1	1,718.5	1,931.1	2,143.6	2,173.3	2,190.8	2,208.7r	2,210.3r	2,228.4	n.a.
COMPONENTS										
16 Currency	82.1	90.3	99.4	108.2	106.8	107.9	108.7	109.9	111.1	112.7
17 Demand deposits	231.3	247.0	261.5	271.0	258.7	258.4	262.2	252.2	259.0	263.0
18 Other checkable deposits[5]	2.7	4.1	8.3	16.7	17.6	18.0	19.0	18.6r	19.8r	21.0
19 Overnight RPs and Eurodollars[6]	13.6	18.6	23.9	25.3	27.1	24.5	20.3	21.3	22.5	26.0
20 Money market mutual funds	3.4	3.8	10.3	43.6	56.7	60.9	60.4	66.8	74.2	80.6
21 Savings deposits	444.9	483.2	472.9	413.8	400.0	392.2	379.7	374.4	383.6	396.5
22 Small-denomination time deposits[3]	393.5	451.3	529.8	651.5	674.6	690.9	710.9	719.1r	720.4	717.9
23 Large-denomination time deposits[4]	119.7	147.7	198.2	223.0	228.8	231.6	232.1	233.8	228.3	224.2

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

M-1A: Averages of daily figures for (1) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (2) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks.

M-1B: M-1A plus negotiable order of withdrawal and automatic transfer service accounts at banks and thrift institutions, credit union share draft accounts, and demand deposits at mutual savings banks.

M-2: M-1B plus savings and small-denomination time deposits at all depositary institutions, overnight repurchase agreements at commercial banks, overnight Eurodollars held by U.S. residents other than banks at Caribbean branches of member banks, and money market mutual fund shares.

M-3: M-2 plus large-denomination time deposits at all depositary institutions and term RPs at commercial banks and savings and loan associations.

2. L: M-3 plus other liquid assets such as term Eurodollars held by U.S. residents other than banks, bankers acceptances, commercial paper, Treasury bills and other liquid Treasury securities, and U.S. savings bonds.

3. Small-denomination time deposits are those issued in amounts of less than $100,000.

4. Large-denomination time deposits are those issued in amounts of $100,000 or more and are net of the holdings of domestic banks, thrift institutions, the U.S. government, money market mutual funds, and foreign banks and official institutions.

5. Includes ATS and NOW balances at all institutions, credit union share draft balances, and demand deposits at mutual savings banks.

6. Overnight (and continuing contract) RPs are those issued by commercial banks to the nonbank public, and overnight Eurodollars are those issued by Caribbean branches of member banks to U.S. nonbank customers.

NOTE. Latest monthly and weekly figures are available from the Board's H.6(508) release. Back data are available from the Banking Section, Division of Research and Statistics.

1.22 AGGREGATE RESERVES AND DEPOSITS Member Banks

Billions of dollars, averages of daily figures

Item	1977 Dec.	1978 Dec.	1979 Dec.	1980 Jan.	Feb.	Mar.	Apr.	May	June^r	July
	Seasonally adjusted									
1 **Reserves**[1]	**36.00**	**41.16**	**43.57**	**43.44**	**43.35**	**43.69^r**	**44.85^r**	**44.46**	**43.98**	**42.80**
2 Nonborrowed	35.43	40.29	42.10	42.20	41.70	40.86^r	42.40^r	43.44	43.60	42.40
3 Required	35.81	40.93	43.13	43.19	43.14	43.48^r	44.65^r	44.27^r	43.76	42.51
4 Monetary base[2]	127.6	142.2	153.8	154.7	155.6	156.7^r	157.9	158.5	158.9	158.8
5 **Deposits subject to reserve requirements**[3]	**567.6**	**616.1**	**644.4**	**643.7**	**647.2**	**649.1**	**655.4**	**656.8**	**658.0**	**658.5**
6 Time and savings	385.6	428.8	451.1	451.9	454.4	457.9	464.2	467.7	467.9	467.0
Demand										
7 Private	178.5	185.1	191.5	189.5	190.9	189.4	188.7	187.3	188.4	189.1
8 U.S. government	3.5	2.2	1.8	2.3	1.9	1.8	2.4	1.8	1.7	2.5
	Not seasonally adjusted									
9 Monetary base[2]	129.8	144.6	156.3	155.9	154.0	154.9	157.5^r	157.8	158.6	159.6
10 **Deposits subject to reserve requirements**[3]	**575.3**	**624.0**	**652.6**	**652.1**	**643.9**	**648.0**	**657.7**	**651.5**	**656.9**	**658.2**
11 Time and savings	386.4	429.6	452.0	454.6	455.8	460.6	464.7	467.7	467.4	466.0
Demand										
12 Private	185.1	191.9	198.6	195.4	186.2	185.5	190.4	182.1	187.2	190.0
13 U.S. government	3.8	2.5	2.0	2.1	1.8	1.9	2.6	1.7	2.3	2.2

1. Member bank reserve series reflect actual reserve requirement percentages with no adjustment to eliminate the effect of changes in Regulations D and M. Effective Nov. 2, 1978, a supplementary reserve requirement of 2 percentage points was imposed on time deposits of $100,000 or more. This action increased required reserves approximately $3.0 billion in the week beginning Nov. 16, 1978. Effective Oct. 11, 1979, an 8 percentage point marginal reserve requirement was imposed on "managed liabilities" (liabilities that have been actively used to finance rapid expansion in bank credit). On Oct. 25, 1979, reserves of Edge Act corporations were included in member bank reserves. This action raised required reserves $318 million. Effective Mar. 12, 1980, the marginal reserve requirement of 8 percentage points was raised to 10 percentage points. In addition the base upon which the marginal reserve requirement is calculated was reduced. This action increased required reserves about $1,693 million in the week ending April 2, 1980.

2. Includes total reserves (member bank reserve balances in the current week plus vault cash held two weeks earlier); currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of commercial banks; and vault cash of nonmember banks.

3. Includes total time and savings deposits and net demand deposits as defined by Regulation D. Private demand deposits include all demand deposits except those due to the U.S. government, less cash items in process of collection and demand balances due from domestic commercial banks.

NOTE. Latest monthly and weekly figures are available from the Board's H.3(502) statistical release. Back data and estimates of the impact on required reserves and changes in reserve requirements are available from the Banking Section, Division of Research and Statistics.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1977 Dec.	1978 Dec.	1979 Dec.	1980 June[r]	1980 July	1977 Dec.	1978 Dec.	1979 Dec.	1980 June[r]	1980 July
	Seasonally adjusted					Not seasonally adjusted				
1 **Total loans and securities[2]**	**891.1**	**1,014.3[3]**	**1,132.5[4]**	**1,152.1**	**1,159.4**	**899.1**	**1,023.8[3]**	**1,143.0[4]**	**1,155.7**	**1,160.9**
2 U.S. Treasury securities	99.5	93.4	93.8	97.0	100.8	100.7	94.6	95.0	97.4	99.0
3 Other securities	159.6	173.1[3]	191.5	201.5	204.2	160.2	173.9[3]	192.3	202.1	204.0
4 Total loans and leases[2]	632.1	747.8[3]	847.2[4]	853.6	854.4	638.3	755.4[3]	855.7[4]	856.4	858.0
5 Commercial and industrial loans	211.2[5]	246.5[6]	290.5[4]	295.5	296.0	212.6[5]	248.2[6]	292.4[4]	297.1	297.5
6 Real estate loans	175.2[5]	210.5	242.4[4]	250.2	251.3	175.5[5]	210.9	242.9[4]	250.0	251.6
7 Loans to individuals	138.2	164.9	182.7	174.5	172.4	139.0	165.9	183.8	174.0	172.8
8 Security loans	20.6	19.4	18.3	15.8	15.0	22.0	20.7	19.6	15.9	14.5
9 Loans to nonbank financial institutions	25.8[5]	27.1[7]	30.3[4]	27.9	28.0	26.3[5]	27.6[7]	30.8[4]	28.1	28.4
10 Agricultural loans	25.8	28.2	31.0	32.4	32.6	25.7	28.1	30.8	32.6	33.1
11 Lease financing receivables	5.8	7.4	9.5	10.5	10.6	5.8	7.4	9.5	10.5	10.6
12 All other loans	29.5	43.6[3]	42.6	46.7	48.5	31.5	46.6[3]	45.9	48.1	49.4
MEMO:										
13 **Total loans and securities plus loans sold[2,9]**	**895.9**	**1,018.1[3]**	**1,135.3[4,8]**	**1,154.9**	**1,162.2**	**903.9**	**1,027.6[3]**	**1,145.7[4,8]**	**1,158.5**	**1,163.7**
14 Total loans plus loans sold[2,9]	636.9	751.6[3]	850.00[4,8]	856.4	857.2	643.0	759.2[3]	858.4[4,8]	859.0	860.7
15 Total loans sold to affiliates[9]	4.8	3.8	2.8[8]	2.8	2.8	4.8	3.8	2.8[8]	2.8	2.8
16 Commercial and industrial loans plus loans sold[9]	213.9[5]	248.5[6,10]	292.3[4,8]	297.4	297.9	215.3[5]	250.1[6,10]	294.2[4,8]	299.0	299.3
17 Commercial and industrial loans sold[9]	2.7	1.9[10]	1.8[8]	1.9	1.9	2.7	1.9[10]	1.8[8]	1.9	1.9
18 Acceptances held	7.5	6.8	8.5	9.0	9.3	8.6	7.5	9.4	8.9	9.0
19 Other commercial and industrial loans	203.7[5]	239.7	282.0	286.5	286.6	203.9[5]	240.9	283.1	288.2	288.4
20 To U.S. addressees[11]	193.8[5]	226.6	263.2	266.9	267.5	193.7[5]	226.5	263.2	268.6	269.0
21 To non-U.S. addressees	9.9[5]	13.1	18.8	19.6	19.4	10.3[5]	14.4	19.8	19.6	19.4
22 Loans to foreign banks	13.5	21.2	18.7	19.6	20.1	14.6	23.0	20.1	20.2	20.9
23 Loans to commercial banks in the United States	54.1	57.3	77.8	93.7	96.3	56.9	60.3	81.9	92.5	91.8

1. Includes domestic chartered banks; U.S. branches, agencies, and New York investment company subsidiaries of foreign banks; and Edge Act corporations.
2. Excludes loans to commercial banks in the United States.
3. As of Dec. 31, 1978, total loans and securities were reduced by $0.1 billion. "Other securities" were increased by $1.5 billion and total loans were reduced by $1.6 billion largely as the result of reclassifications of certain tax-exempt obligations. Most of the loan reduction was in "all other loans."
4. As of Jan. 3, 1979, as the result of reclassifications, total loans and securities and total loans were increased by $0.6 billion. Business loans were increased by $0.4 billion and real estate loans by $0.5 billion. Nonbank financial loans were reduced by $0.3 billion.
5. As of Dec. 31, 1977, as the result of loan reclassifications, business loans were reduced $0.2 billion and nonbank financial loans $0.1 billion; real estate loans were increased $0.3 billion.
6. As of Dec. 31, 1978, commercial and industrial loans were reduced $0.1 billion as a result of reclassifications.
7. As of Dec. 1, 1978, nonbank financial loans were reduced $0.1 billion as the result of reclassification.
8. As of Dec. 1, 1979, loans sold to affiliates were reduced $800 million and commercial and industrial loans sold were reduced $700 million due to corrections of two banks in New York City.
9. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.
10. As of Dec. 31, 1978, commercial and industrial loans sold outright were increased $0.7 billion as the result of reclassifications, but $0.1 billion of this amount was offset by a balance sheet reduction of $0.1 billion as noted above.
11. United States includes the 50 states and the District of Columbia.

NOTE. Data are prorated averages of Wednesday data for domestic chartered banks, and averages of current and previous month-end data for foreign-related institutions.

1.24 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series

Billions of dollars except for number of banks

Account	1979			1980							
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
DOMESTICALLY CHARTERED COMMERCIAL BANKS[1]											
1 Loans and investments	1,118.4	1,118.0	1,143.3	1,133.4	1,143.6	1,142.8	1,151.9	1,150.5	1,153.2	1,158.3	1,172.5
2 Loans, gross	839.0	836.7	860.1	849.7	857.0	854.6	861.2	857.1	857.0	857.4	866.9
3 Interbank	54.0	52.6	62.9	57.2	58.0	55.6	62.4	67.4	66.6	66.8	67.8
4 Commercial and industrial	249.8	248.0	253.4	252.6	256.2	258.3	259.2	256.0	256.8	256.4	258.7
5 Other	535.3	536.1	543.7	540.0	542.9	540.7	539.6	533.7	533.6	534.1	540.3
6 U.S. Treasury securities	91.5	92.1	92.5	92.4	93.6	94.2	93.5	93.9	95.2	97.6	100.3
7 Other securities	187.8	189.3	190.7	191.2	192.9	193.9	197.2	199.5	201.0	203.3	205.3
8 Cash assets, total	160.7	158.1	146.4	148.4	149.9	153.8	168.2	172.4	150.4	154.1	148.7
9 Currency and coin	16.6	18.2	17.9	17.3	17.1	16.8	16.8	17.8	17.4	17.7	18.4
10 Reserves with Federal Reserve Banks	34.1	34.7	28.4	28.3	30.7	34.2	33.2	37.9	29.5	32.1	28.9
11 Balances with depository institutions	45.5	43.7	37.7	43.7	43.4	43.1	49.7	47.9	45.4	44.7	45.6
12 Cash items in process of collection	64.6	61.5	62.4	59.0	58.7	59.8	68.6	68.9	58.0	59.6	55.8
13 Other assets	57.8	59.3	61.2	63.1	65.0	66.1	73.3	72.7	77.4	77.0	82.6
14 Total assets/total liabilities and capital	**1,336.9**	**1,335.4**	**1,351.0**	**1,344.9**	**1,358.4**	**1,362.7**	**1,393.5**	**1,395.7**	**1,381.0**	**1,389.4**	**1,403.8**
15 Deposits	1,023.6	1,017.6	1,030.6	1,022.5	1,028.9	1,032.1	1,060.0	1,057.3	1,044.7	1,050.1	1,059.5
16 Demand	376.6	365.1	377.6	362.4	358.7	354.5	377.4	370.2	358.0	363.6	363.4
17 Savings	207.6	205.0	203.4	200.6	199.9	196.5	189.3	192.3	197.8	205.7	208.7
18 Time	439.4	447.4	449.7	459.6	470.3	481.1	493.4	494.8	488.9	480.8	487.4
19 Borrowings	137.4	135.6	140.5	143.1	145.1	142.1	147.0	154.1	152.5	158.6	160.1
20 Other liabilities	74.0	78.5	74.1	77.5	81.6	84.2	81.2	78.5	76.6	74.8	76.2
21 Residual (assets less liabilities)	101.9	103.7	105.8	101.8	102.9	104.2	105.2	105.7	107.1	106.0	108.0
MEMO:											
22 U.S. Treasury note balances included in borrowing	8.4	5.0	12.8	15.0	8.1	9.4	14.3	5.1	13.1	7.6	8.7
23 Number of banks	14,605	14,608	14,610	14,594	14,609	14,626	14,629	14,639	14,646	14,658	14,666
ALL COMMERCIAL BANKING INSTITUTIONS[2]											
24 Loans and investments	1,200.3	1,200.9	1,229.8	1,217.7	1,230.8	1,231.8	1,240.9	1,239.2	1,241.9		
25 Loans, gross	917.6	916.2	943.1	930.7	941.0	940.2	946.8	942.4	942.2		
26 Interbank	71.6	71.8	80.5	75.4	78.3	75.2	82.1	88.0	84.8		
27 Commercial and industrial	288.3	287.9	295.0	295.1	298.5	301.7	302.0	298.1	297.8		
28 Other	557.7	556.6	567.6	560.1	564.2	563.4	562.7	556.2	559.6		
29 U.S. Treasury securities	93.1	93.7	94.5	94.3	95.5	96.2	95.5	95.9	97.2		
30 Other securities	189.5	190.9	192.2	192.7	194.4	195.4	198.6	201.0	202.4		
31 Cash assets, total	179.9	176.7	169.5	166.5	168.8	174.0	187.3	190.7	172.0		
32 Currency and coin	16.6	18.2	17.9	17.3	17.1	16.8	16.8	17.8	17.4		
33 Reserves with Federal Reserve Banks	34.9	35.6	29.0	28.9	31.3	35.0	33.9	38.7	30.3		
34 Balances with depository institutions	62.5	60.0	59.0	59.8	60.5	61.1	66.6	63.8	64.6		
35 Cash items in process of collection	65.9	62.9	63.7	60.4	60.0	61.2	69.9	70.4	59.7		
36 Other assets	76.5	78.5	81.0	83.7	86.8	91.6	99.0	98.1	105.5		
37 Total assets/total liabilities and capital	**1,456.7**	**1,456.1**	**1,480.3**	**1,468.0**	**1,486.5**	**1,497.5**	**1,527.2**	**1,528.0**	**1,519.4**	**n.a.**	**n.a.**
38 Deposits	1,062.6	1,058.5	1,076.3	1,063.1	1,070.0	1,073.5	1,101.1	1,097.1	1,088.7		
39 Demand	394.2	384.9	400.5	380.5	376.8	373.6	396.6	387.7	379.1		
40 Savings	208.3	205.9	204.3	201.3	200.3	196.7	189.5	192.6	198.2		
41 Time	460.1	467.7	471.5	481.3	492.9	503.2	515.0	516.9	511.4		
42 Borrowings	171.6	169.5	180.5	179.5	182.9	186.5	190.8	196.3	197.9		
43 Other liabilities	118.5	122.2	115.4	121.1	128.4	130.9	127.8	126.6	124.1		
44 Residual (assets less liabilities)	104.0	105.8	108.1	104.2	105.2	106.5	107.4	108.1	108.7		
MEMO:											
45 U.S. Treasury note balances included in borrowing	8.4	5.0	12.8	15.0	8.1	9.4	14.3	5.1	13.1		
46 Number of banks	14,963	14,969	14,975	14,962	14,978	14,995	15,004	15,016	15,043		

1. Domestically chartered commercial banks include all commercial banks in the United States except branches of foreign banks; included are member and nonmember banks, stock savings banks, and nondeposit trust companies.
2. Commercial banking institutions include domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York state foreign investment corporations.

NOTE. Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Data for domestically chartered commercial banks are for the last Wednesday of the month; data for other banking institutions are for last Wednesday except at end of quarter, when they are for the last day of the month.

1.25 COMMERCIAL BANK ASSETS AND LIABILITIES Call-Date Series

Millions of dollars, except for number of banks

Account	Total insured 1976 Dec. 31	Total insured 1977 June 30	Total insured 1977 Dec. 31	Total insured 1978 June 30	National (all insured) 1976 Dec. 31	National (all insured) 1977 June 30	National (all insured) 1977 Dec. 31	National (all insured) 1978 June 30
1 Loans and investments, gross	827,696	854,733	914,779	956,431	476,610	488,240	523,000	542,218
Loans								
2 Gross	578,734	601,122	657,509	695,443	340,691	351,311	384,722	403,812
3 Net	560,077	581,143	636,318	672,207	329,971	339,955	372,702	390,630
Investments								
4 U.S. Treasury securities	101,461	100,568	99,333	97,001	55,727	53,345	52,244	50,519
5 Other	147,500	153,042	157,936	163,986	80,191	80,583	86,033	87,886
6 Cash assets	129,562	130,726	159,264	157,393	76,072	74,641	92,050	90,728
7 Total assets/total liabilities[1]	**1,003,970**	**1,040,945**	**1,129,712**	**1,172,772**	**583,304**	**599,743**	**651,360**	**671,166**
8 Deposits	825,003	847,372	922,657	945,874	469,377	476,381	520,167	526,932
Demand								
9 U.S. government	3,022	2,817	7,310	7,956	1,676	1,632	4,172	4,483
10 Interbank	44,064	44,965	49,843	47,203	23,149	22,876	25,646	22,416
11 Other	285,200	284,544	319,873	312,707	163,346	161,358	181,821	176,025
Time and savings								
12 Interbank	8,248	7,721	8,731	8,987	4,907	4,599	5,730	5,791
13 Other	484,467	507,324	536,899	569,020	276,296	285,915	302,795	318,215
14 Borrowings	75,291	81,137	89,339	98,351	54,421	57,283	63,218	68,948
15 Total capital accounts	75,061	75,502	79,082	83,074	41,319	43,142	44,994	47,019
16 MEMO: Number of banks	14,397	14,425	14,397	14,381	4,735	4,701	4,654	4,616

Account	State member (all insured) 1976 Dec. 31	State member (all insured) 1977 June 30	State member (all insured) 1977 Dec. 31	State member (all insured) 1978 June 30	Insured nonmember 1976 Dec. 31	Insured nonmember 1977 June 30	Insured nonmember 1977 Dec. 31	Insured nonmember 1978 June 30
17 Loans and investment, gross	144,000	144,597	152,514	157,464	207,085	221,896	239,265	256,749
Loans								
18 Gross	102,277	102,117	110,243	115,736	135,766	147,694	162,543	175,894
19 Net	99,474	99,173	107,205	112,470	130,630	142,015	156,411	169,106
Investments								
20 U.S. Treasury securities	18,849	19,296	18,179	16,886	26,884	27,926	28,909	29,595
21 Other	22,874	23,183	24,091	24,841	44,434	46,275	47,812	51,259
22 Cash assets	32,859	35,918	42,305	43,057	20,631	20,166	24,908	23,606
23 Total assets/total liabilities[1]	**189,579**	**195,452**	**210,442**	**217,384**	**231,086**	**245,748**	**267,910**	**284,221**
24 Deposits	149,491	152,472	163,436	167,403	206,134	218,519	239,053	251,539
Demand								
25 U.S. government	429	371	1,241	1,158	917	813	1,896	2,315
26 Interbank	19,295	20,568	22,346	23,117	1,619	1,520	1,849	1,669
27 Other	52,204	52,570	57,605	55,550	69,648	70,615	80,445	81,131
Time and savings								
28 Interbank	2,384	2,134	2,026	2,275	956	988	973	920
29 Other	75,178	76,827	80,216	85,301	132,993	144,581	153,887	165,502
30 Borrowings	17,310	19,697	21,736	23,167	3,559	4,155	4,384	6,235
31 Total capital accounts	13,199	13,441	14,182	14,670	17,542	18,919	19,905	21,384
32 MEMO: Number of banks	1,023	1,019	1,014	1,005	8,639	8,705	8,729	8,760

Account	Noninsured nonmember 1976 Dec. 31	Noninsured nonmember 1977 June 30	Noninsured nonmember 1977 Dec. 31	Noninsured nonmember 1978 June 30	Total nonmember 1976 Dec. 31	Total nonmember 1977 June 30	Total nonmember 1977 Dec. 31	Total nonmember 1978 June 30
33 Loans and investments, gross	18,819	22,940	24,415	28,699	225,904	244,837	263,681	285,448
Loans								
34 Gross	16,336	20,865	22,686	26,747	152,103	168,559	185,230	202,641
35 Net	16,209	20,679	22,484	26,548	146,840	162,694	178,896	195,655
Investments								
36 U.S. Treasury securities	1,054	993	879	869	27,938	28,919	29,788	30,465
37 Other	1,428	1,081	849	1,082	45,863	47,357	48,662	52,341
38 Cash assets	6,496	8,330	9,458	9,360	27,127	28,497	34,367	32,967
39 Total assets/total liabilities[1]	**26,790**	**33,390**	**36,433**	**42,279**	**257,877**	**279,139**	**304,343**	**326,501**
40 Deposits	13,325	14,658	16,844	19,924	219,460	233,177	255,898	271,463
Demand								
41 U.S. government	4	8	10	8	921	822	1,907	2,323
42 Interbank	1,277	1,504	1,868	2,067	2,896	3,025	3,718	3,736
43 Other	3,236	3,588	4,073	4,814	72,884	74,203	84,518	85,946
Time and savings								
44 Interbank	1,041	1,164	1,089	1,203	1,997	2,152	2,063	2,123
45 Other	7,766	8,392	9,802	11,831	140,760	152,974	163,690	177,334
46 Borrowings	4,842	7,056	6,908	8,413	8,401	11,212	11,293	14,649
47 Total capital accounts	818	893	917	962	18,360	19,812	20,823	22,346
48 MEMO: Number of banks	275	293	310	317	8,914	8,998	9,039	9,077

1. Includes items not shown separately.

For Note see table 1.24.

1.26 COMMERCIAL BANK ASSETS AND LIABILITIES Detailed Balance Sheet, September 30, 1978

Millions of dollars, except for number of banks

Asset account	Insured commercial banks	Member banks[1] Total	Large banks: New York City	Large banks: City of Chicago	Large banks: Other large	All other	Non-member banks[1]
1 Cash bank balances, items in process	158,380	134,955	43,758	5,298	47,914	37,986	23,482
2 Currency and coin	12,135	8,866	867	180	2,918	4,901	3,268
3 Reserves with Federal Reserve Banks	28,043	28,041	3,621	1,152	12,200	11,067	3
4 Demand balances with banks in United States	41,104	25,982	12,821	543	3,672	8,945	15,177
5 Other balances with banks in United States	4,648	2,582	601	15	648	1,319	2,066
6 Balances with banks in foreign countries	3,295	2,832	331	288	1,507	705	463
7 Cash items in process of collection	69,156	66,652	25,516	3,119	26,969	11,049	2,504
8 Total securities held—Book value	262,199	179,877	20,808	7,918	58,271	92,881	82,336
9 U.S. Treasury	95,068	65,764	9,524	2,690	22,051	31,499	29,315
10 Other U.S. government agencies	40,078	25,457	1,828	1,284	7,730	14,616	14,622
11 States and political subdivisions	121,260	85,125	9,166	3,705	27,423	44,831	36,136
12 All other securities	5,698	3,465	291	240	1,048	1,887	2,234
13 Unclassified total	94	66	....	....	19	47	28
14 Trading-account securities	6,833	6,681	3,238	708	2,446	290	151
15 U.S. Treasury	4,125	4,103	2,407	408	1,210	78	23
16 Other U.S. government agencies	825	816	401	82	278	55	9
17 States and political subdivisions	1,395	1,381	363	117	794	107	14
18 All other trading account securities	394	316	67	101	145	3	78
19 Unclassified	94	66	....	....	19	47	28
20 Bank investment portfolios	255,366	173,196	17,570	7,210	55,825	92,591	82,185
21 U.S. Treasury	90,943	61,661	7,117	2,282	20,840	31,422	29,293
22 Other U.S. government agencies	39,253	24,641	1,426	1,201	7,452	14,561	14,613
23 States and political subdivisions	119,865	83,745	8,803	3,588	26,629	44,724	36,123
24 All other portfolio securities	5,305	3,149	224	138	903	1,884	2,156
25 Federal Reserve stock and corporate stock	1,656	1,403	311	111	507	475	253
26 Federal funds sold and securities resale agreement	41,258	31,999	3,290	1,784	16,498	10,427	9,365
27 Commercial banks	34,256	25,272	1,987	1,294	12,274	9,717	9,090
28 Brokers and dealers	4,259	4,119	821	396	2,361	541	140
29 Others	• 2,743	2,608	482	94	1,863	169	135
30 Other loans, gross	675,915	500,802	79,996	26,172	190,565	204,069	175,113
31 LESS: Unearned income on loans	17,019	11,355	675	107	3,765	6,809	5,664
32 Reserves for loan loss	7,431	5,894	1,347	341	2,256	1,949	1,537
33 Other loans, net	651,465	483,553	77,974	25,724	184,544	195,311	167,912
Other loans, gross, by category							
34 Real estate loans	203,386	138,730	10,241	2,938	52,687	72,863	64,656
35 Construction and land development	25,621	19,100	2,598	685	9,236	6,581	6,521
36 Secured by farmland	8,418	3,655	23	34	453	3,146	4,763
37 Secured by residential properties	117,176	81,370	5,362	1,559	31,212	43,236	35,806
38 1- to 4-family residences	111,674	77,422	4,617	1,460	29,774	41,570	34,252
39 FHA-insured or VA-guaranteed	7,503	6,500	508	44	3,446	2,502	1,003
40 Conventional	104,171	70,922	4,109	1,417	26,328	39,068	33,249
41 Multifamily residences	5,502	3,948	746	99	1,438	1,665	1,554
42 FHA-insured	399	340	132	27	88	92	59
43 Conventional	5,103	3,609	613	72	1,350	1,573	1,495
44 Secured by other properties	52,171	34,605	2,258	660	11,786	19,901	17,566
45 Loans to financial institutions	37,072	34,843	12,434	4,342	15,137	2,930	2,228
46 REITs and mortgage companies	8,574	8,162	2,066	801	4,616	680	412
47 Domestic commercial banks	3,362	2,618	966	165	1,206	281	744
48 Banks in foreign countries	7,359	7,187	3,464	268	2,820	635	171
49 Other depository institutions	1,579	1,411	290	76	785	261	167
50 Other financial institutions	16,198	15,465	5,649	3,033	5,710	1,073	733
51 Loans to security brokers and dealers	11,042	10,834	6,465	1,324	2,846	199	207
52 Other loans to purchase or carry securities	4,280	3,532	410	276	1,860	985	747
53 Loans to farmers except real estate	28,054	15,296	168	150	3,781	11,196	12,758
54 Commercial and industrial loans	213, 123	171,815	39,633	13,290	67,833	51,059	41,309
55 Loans to individuals	161,599	110,974	7,100	2,562	40,320	60,993	50,624
56 Installment loans	131,571	90,568	5,405	1,711	33,640	49,811	41,003
57 Passenger automobiles	58,908	37,494	1,077	209	11,626	24,582	21,414
58 Residential repair and modernization	8,526	5,543	331	60	2,088	3,064	2,983
59 Credit cards and related plans	21,938	19,333	2,268	1,267	9,736	6,062	2,605
60 Charge-account credit cards	17,900	16,037	1,573	1,219	8,192	5,053	1,863
61 Check and revolving credit plans	4,038	3,296	695	47	1,545	1,009	742
62 Other retail consumer goods	19,689	13,296	427	57	5,242	7,570	6,393
63 Mobile homes	9,642	6,667	179	19	2,563	3,905	2,976
64 Other	10,047	6,629	249	38	2,678	3,664	3,417
65 Other installment loans	22,510	14,902	1,302	119	4,948	8,533	7,608
66 Single-payment loans to individuals	30,027	20,406	1,694	851	6,680	11,182	9,621
67 All other loans	17,360	14,778	3,545	1,290	6,100	3,844	2,582
68 **Total loans and securities, net**	**956,579**	**696,833**	**102,383**	**35,536**	**259,820**	**299,094**	**259,867**
69 Direct lease financing	6,717	6,212	1,145	96	3,931	1,041	505
70 Fixed assets—Buildings, furniture, real estate	22,448	16,529	2,332	795	6,268	7,133	5,926
71 Investment in unconsolidated subsidiaries	3,255	3,209	1,642	188	1,282	96	46
72 Customer acceptances outstanding	16,557	16,036	8,315	1,258	6,054	409	521
73 Other assets	34,559	30,408	11,323	1,000	12,810	5,275	4,249
74 **Total assets**	**1,198,495**	**904,182**	**170,899**	**44,170**	**338,079**	**351,034**	**294,595**

For notes see opposite page.

1.26 Continued

Liability or capital account	Insured commercial banks	Member banks[1]					Nonmember banks[1]
		Total	Large banks			All other	
			New York City	City of Chicago	Other large		
75 Demand deposits	369,030	282,450	66,035	10,690	100,737	104,988	86,591
76 Mutual savings banks	1,282	1,089	527	1	256	305	194
77 Other individuals, partnerships, and corporations	279,651	205,591	31,422	7,864	79,429	86,876	74,061
78 U.S. government	7,942	5,720	569	188	1,987	2,977	2,222
79 States and political subdivisions	17,122	11,577	764	252	3,446	7,116	5,545
80 Foreign governments, central banks, etc	1,805	1,728	1,436	19	211	62	77
81 Commercial banks in United States	39,596	38,213	21,414	1,807	10,803	4,189	1,393
82 Banks in foreign countries	7,379	7,217	5,461	207	1,251	298	162
83 Certified and officers' checks, etc	14,253	11,315	4,443	352	3,354	3,166	2,937
84 Time deposits	368,562	266,496	38,086	15,954	98,525	113,931	102,066
85 Accumulated for personal loan payments	79	66	0	0	1	65	13
86 Mutual savings banks	399	392	177	40	148	27	7
87 Other individuals, partnerships, and corporations	292,120	210,439	29,209	12,074	76,333	92,824	81,680
88 U.S. government	864	689	61	40	356	232	175
89 States and political subdivisions	59,087	40,010	1,952	1,554	16,483	20,020	19,077
90 Foreign governments, central banks, etc	6,672	6,450	3,780	1,145	1,401	124	222
91 Commercial banks in United States	7,961	7,289	2,077	999	3,585	629	672
92 Banks in foreign countries	1,381	1,161	829	103	219	9	220
93 Savings deposits	223,326	152,249	10,632	2,604	54,825	84,188	71,077
94 Individuals and nonprofit organizations	207,701	141,803	9,878	2,448	51,161	78,316	65,897
95 Corporations and other profit organizations	11,216	7,672	519	148	3,195	3,809	3,544
96 U.S. government	82	65	2	3	24	35	17
97 States and political subdivisions	4,298	2,682	215	4	437	2,025	1,616
98 All other	30	27	18	*	8	2	3
99 **Total deposits**	**960,918**	**701,195**	**114,753**	**29,248**	**254,087**	**303,107**	**259,733**
100 Federal funds purchased and securities sold under agreements to repurchase	91,981	85,582	21,149	8,777	41,799	13,857	6,398
101 Commercial banks	42,174	39,607	6,991	5,235	21,609	5,773	2,566
102 Brokers and dealers	12,787	11,849	2,130	1,616	6,381	1,722	939
103 Others	37,020	34,126	12,028	1,926	13,809	6,362	2,894
104 Other liabilities for borrowed money	8,738	8,352	3,631	306	3,191	1,225	386
105 Mortgage indebtedness	1,767	1,455	234	27	701	491	316
106 Bank acceptances outstanding	16,661	16,140	8,398	1,260	6,070	412	521
107 Other liabilities	27,124	23,883	8,600	1,525	9,020	4,477	3,494
108 **Total liabilities**	**1,107,188**	**836,607**	**157,026**	**41,144**	**314,868**	**323,569**	**270,849**
109 Subordinated notes and debentures	5,767	4,401	1,001	79	2,033	1,287	1,366
110 Equity capital	85,540	63,174	12,871	2,947	21,177	26,178	22,380
111 Preferred stock	88	36	0	0	5	31	52
112 Common stock	17,875	12,816	2,645	570	4,007	5,594	5,064
113 Surplus	32,341	23,127	4,541	1,404	8,148	9,034	9,217
114 Undivided profits	33,517	26,013	5,554	921	8,680	10,858	7,509
115 Other capital reserves	1,719	1,182	132	52	337	661	538
116 **Total liabilities and equity capital**	**1,198,495**	**904,182**	**170,899**	**44,170**	**338,079**	**351,034**	**294,595**
MEMO:							
117 Demand deposits adjusted[2]	252,337	171,864	18,537	5,576	60,978	86,774	80,472
Average for last 15 or 30 days							
118 Cash and due from bank	146,283	124,916	36,862	6,030	45,731	36,293	21,379
119 Federal funds sold and securities purchased under agreements to resell	43,873	33,682	4,272	1,887	16,007	11,517	10,307
120 Total loans	651,874	483,316	76,750	25,722	184,790	196,054	168,558
121 Time deposits of $100,000 or more	183,614	150,160	32,196	13,216	65,776	38,972	33,454
122 Total deposits	944,593	687,543	107,028	28,922	250,804	300,789	257,062
123 Federal funds purchased and securities sold under agreements to repurchase	92,685	86,635	22,896	9,473		13,725	6,053
124 Other liabilities for borrowed money	8,716	8,326	3,679	370	3,211	1,067	390
125 Standby letters of credit outstanding	18,820	17,658	10,063	1,477	4,820	1,297	1,162
126 Time deposits of $100,000 or more	186,837	152,553	32,654	13,486	66,684	39,728	34,284
127 Certificates of deposit	160,227	129,667	27,950	11,590	56,383	33,743	30,560
128 Other time deposits	26,610	22,886	4,704	1,896	10,301	5,985	3,724
129 Number of banks	14,390	5,593	12	9	153	5,419	8,810

1. Member banks exclude and nonmember banks include 13 noninsured trust companies that are members of the Federal Reserve System.
2. Demand deposits adjusted are demand deposits other than domestic commercial interbank and U.S. government, less cash items reported as in process of collection.

NOTE. Data include consolidated reports, including figures for all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Securities are reported on a gross basis before deductions of valuation reserves. Back data in lesser detail were shown in previous issues of the BULLETIN.

1.27 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $750 Million or More on December 31, 1977, Assets and Liabilities

Millions of Dollars, Wednesday figures

Account	1980								
	July 2	July 9	July 16	July 23	July 30p	Aug. 6p	Aug. 13p	Aug. 20p	Aug. 27p
1 Cash items in process of collection	57,210	521,437	58,997	48,650	49,101	47,917	46,672	51,012	45,703
2 Demand deposits due from banks in the United States	18,728	19,389	18,093	17,497	17,813	17,363	15,993	18,605	17,242
3 All other cash and due from depository institutions	33,843	33,266	37,000	35,298	33,422	23,816	28,250	35,034	31,393
4 **Total loans and securities**	**522,621**	**518,630**	**516,300**	**512,736**	**514,468**	**527,183**	**524,138**	**522,216**	**521,504**
Securities									
5 U.S. Treasury securities	36,958	37,483	37,434	37,863	38,141	39,843	39,000	40,422	39,375
6 Trading account	4,098	4,466	4,592	4,749	4,909	6,445	5,628	6,363	5,252
7 Investment account, by maturity	32,861	33,016	32,842	33,113	33,232	33,397	33,372	34,059	34,123
8 One year or less	6,190	6,226	6,308	6,554	6,698	7,036	7,047	7,436	7,559
9 Over one through five years	21,752	21,882	21,694	21,745	21,719	21,635	21,552	22,580	22,566
10 Over five years	4,918	4,908	4,840	4,814	4,815	4,725	4,773	4,043	3,998
11 Other securities	75,590	75,786	75,471	75,411	75,533	76,506	75,688	75,649	75,956
12 Trading account	3,934	3,957	3,495	3,092	3,051	4,040	2,994	2,904	3,237
13 Investment account	71,656	71,829	71,977	72,318	72,481	72,466	72,693	72,745	72,719
14 U.S. government agencies	16,501	16,443	16,416	16,400	16,397	16,311	16,207	16,086	16,018
15 States and political subdivision, by maturity	52,526	52,734	52,944	53,290	53,445	53,484	53,795	53,968	54,028
16 One year or less	6,382	6,437	6,534	6,612	6,601	6,691	6,805	6,878	6,915
17 Over one year	46,145	46,297	46,409	46,678	46,843	46,794	46,989	47,090	47,113
18 Other bonds, corporate stocks and securities	2,628	2,652	2,616	2,629	2,640	2,671	2,692	2,691	2,673
Loans									
19 Federal funds sold[1]	26,923	25,556	23,854	21,526	21,781	28,300	26,908	22,792	22,393
20 To commercial banks	22,585	20,508	19,498	16,911	17,431	20,590	19,866	17,468	16,700
21 To nonbank brokers and dealers in securities	3,298	3,945	3,438	3,494	3,333	5,349	4,514	4,030	4,258
22 To others	1,040	1,103	918	1,120	1,017	2,361	2,528	1,294	1,435
23 Other loans, gross	395,836	392,530	392,308	390,750	391,791	395,331	395,374	396,196	396,648
24 Commercial and industrial	159,557	158,880	158,310	158,213	158,130	159,449	159,800	159,803	160,316
25 Bankers acceptances and commercial paper	5,337	5,068	4,980	4,988	5,254	5,191	5,232	4,684	5,011
26 All other	154,220	153,813	153,330	153,225	152,876	154,257	154,568	155,118	155,305
27 U.S. addressees	148,585	148,233	147,742	147,598	147,234	148,343	148,663	149,151	149,266
28 Non-U.S. addressees	5,635	5,580	5,588	5,627	5,642	5,914	5,905	5,968	6,039
29 Real estate	105,217	105,276	105,575	105,790	105,932	105,998	106,426	106,747	107,077
30 To individuals for personal expenditures	70,794	70,528	70,444	70,435	70,500	70,471	70,545	70,624	70,684
To financial institutions									
31 Commercial banks in the United States	3,971	3,552	3,455	3,342	3,559	3,699	3,891	3,446	3,324
32 Banks in foreign countries	7,546	7,232	7,035	6,695	6,767	6,968	6,712	7,014	7,338
33 Sales finance, personal finance companies, etc	8,552	8,384	8,668	8,352	8,510	8,197	8,256	8,458	8,273
34 Other financial institutions	14,409	14,474	14,627	14,487	14,633	14,900	15,088	15,136	15,031
35 To nonbank brokers and dealers in securities	5,794	4,903	4,797	4,431	4,395	5,641	5,065	5,335	5,047
36 To others for purchasing and carrying securities[2]	2,071	2,036	2,027	2,056	2,055	2,047	2,066	2,059	2,055
37 To finance agricultural production	5,188	5,188	5,234	5,336	5,389	5,418	5,432	5,426	5,379
38 All other	12,736	12,077	12,137	11,613	11,920	12,543	12,092	12,148	12,124
39 LESS: Unearned income	7,168	7,198	7,222	7,255	7,229	7,175	7,197	7,198	7,225
40 Loan loss reserve	5,518	5,528	5,546	5,559	5,549	5,621	5,635	5,644	5,643
41 Other loans, net	383,149	379,805	379,540	377,937	379,013	382,534	382,542	383,353	383,780
42 Lease financing receivables	8,692	8,718	8,737	8,745	8,756	8,784	8,781	8,806	8,810
43 All other assets	80,267	77,578	75,174	77,064	74,777	78,988	79,270	78,534	80,148
44 **Total assets**	**721,362**	**709,018**	**714,301**	**699,989**	**698,338**	**704,049**	**703,105**	**714,208**	**704,801**
Deposits									
45 Demand deposits	208,631	196,456	203,881	187,481	187,725	190,256	186,196	94,081	184,864
46 Mutual savings banks	769	819	657	601	681	675	644	633	635
47 Individuals, partnerships, and corporations	141,960	134,957	139,172	130,454	131,371	133,616	132,867	132,971	129,169
48 States and political subdivisions	5,008	4,535	4,923	4,316	4,962	4,595	4,468	4,545	4,606
49 U.S. government	1,061	1,243	873	707	817	1,143	858	3,262	1,829
50 Commercial banks in the United States	39,637	36,204	38,591	33,364	30,413	32,473	31,135	33,630	31,547
51 Banks in foreign countries	8,232	8,818	8,381	7,873	8,218	7,501	7,242	7,628	8,146
52 Foreign governments and official institutions	1,959	1,506	1,655	1,236	2,042	1,319	1,591	1,644	1,615
53 Certified and officers' checks	10,005	8,375	9,629	8,929	9,219	8,933	7,391	9,769	7,317
54 Time and savings deposits	276,789	275,381	275,157	275,503	273,708	275,665	278,112	279,380	279,771
55 Savings	73,377	74,167	74,324	74,491	74,574	75,474	75,350	75,528	75,400
56 Individuals and nonprofit organizations	68,835	69,560	69,759	69,826	69,863	70,748	70,675	70,845	70,641
57 Partnerships and corporations operated for profit	3,762	3,862	3,847	3,958	4,030	4,062	4,040	4,053	4,120
58 Domestic governmental units	764	727	704	690	666	641	622	614	624
59 All other	16	19	14	17	15	24	14	15	15
60 Time	203,412	201,213	200,832	201,012	199,135	200,191	202,761	203,852	204,372
61 Individuals, partnerships, and corporations	172,887	170,946	170,674	170,573	168,630	169,561	171,728	172,710	173,043
62 States and political subdivisions	18,764	18,739	18,733	18,977	19,055	19,078	19,484	19,447	19,495
63 U.S. government	269	243	255	242	275	280	284	335	351
64 Commercial banks in the United States	5,519	5,324	5,236	5,199	5,153	5,198	5,225	5,421	5,535
65 Foreign governments, official institutions, and banks	5,973	5,961	5,934	6,021	6,022	6,073	6,040	5,939	5,948
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	397	270	556	546	2,556	437	881	774	2,468
67 Treasury tax-and-loan notes	4,678	1,415	3,245	3,839	4,370	2,886	2,288	4,667	5,513
68 All other liabilities for borrowed money[3]	120,889	126,824	123,887	124,244	122,495	127,071	128,444	126,714	123,051
69 Other liabilities and subordinated note and debentures	62,179	60,749	59,758	60,506	59,674	59,236	58,802	60,350	60,841
70 **Total liabilities**	**673,564**	**661,094**	**666,484**	**652,120**	**650,528**	**655,551**	**654,723**	**665,965**	**656,508**
71 Residual (total assets minus total liabilities)[4]	47,797	47,924	47,817	47,869	47,810	48,498	48,382	48,243	48,293

1. Includes securities purchased under agreements to resell.
2. Other than financial institutions and brokers and dealers.
3. Includes federal funds purchased and securities sold under agreements to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1.13.
4. This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.28 LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $1 Billion or More on December 31, 1977 Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1980								
	July 2	July 9	July 16	July 23	July 30p	Aug. 6p	Aug. 13p	Aug. 20p	Aug. 27p
1 Cash items in process of collection	54,496	49,020	56,429	46,341	46,879	45,454	44,282	48,485	43,376
2 Demand deposits due from banks in the United States	18,065	18,668	17,376	16,993	17,192	16,792	15,480	18,022	16,681
3 All other cash and due from depository institutions	32,056	31,568	34,806	33,056	31,181	22,249	26,410	32,731	29,223
4 **Total loans and securities**	**487,697**	**483,549**	**481,499**	**478,185**	**479,728**	**491,534**	**488,444**	**487,164**	**486,163**
Securities									
5 U.S. Treasury securities	34,424	34,935	34,882	35,299	35,575	37,260	36,420	37,820	36,765
6 Trading account	4,045	4,416	4,548	4,700	4,868	6,391	5,578	6,320	5,216
7 Investment account, by maturity	30,379	30,520	30,335	30,599	30,707	30,869	30,842	31,500	31,549
8 One year or less	5,796	5,817	5,886	6,112	6,251	6,582	6,590	6,978	7,098
9 Over one through five years	20,074	20,204	20,023	20,088	20,035	19,956	19,873	20,865	20,840
10 Over five years	4,509	4,498	4,426	4,399	4,420	4,331	4,378	3,656	3,611
11 Other securities	69,610	69,787	69,419	69,374	69,426	70,346	69,535	69,448	69,736
12 Trading account	3,805	3,858	3,375	2,996	2,933	3,917	2,886	2,789	3,114
13 Investment account	65,805	65,929	66,044	66,378	66,493	66,429	66,649	66,659	66,622
14 U.S.government agencies	15,379	15,305	15,271	15,249	15,240	15,145	15,046	14,925	14,856
15 States and political subdivision, by maturity	47,967	48,140	48,324	48,666	48,781	48,784	49,084	49,216	49,265
16 One year or less	5,746	5,789	5,884	5,964	5,943	6,024	6,138	6,183	6,217
17 Over one year	42,221	42,351	42,440	42,702	42,838	42,759	42,946	43,032	43,049
18 Other bonds, corporate stocks and securities	2,459	2,483	2,449	2,462	2,472	2,500	2,519	2,518	2,501
Loans									
19 Federal funds sold[1]	24,104	22,461	21,135	19,035	19,218	24,949	23,575	20,184	19,538
20 To commercial banks	20,017	17,828	17,114	14,799	15,280	17,857	16,978	15,252	14,231
21 To nonbank brokers and dealers in securities	3,060	3,543	3,162	3,129	2,942	4,804	4,097	3,669	3,904
22 To others	1,028	1,090	860	1,106	996	2,287	2,500	1,263	1,404
23 Other loans, gross	371,303	368,145	367,880	366,327	367,336	370,829	370,794	371,602	372,041
24 Commercial and industrial	151,407	150,769	150,207	150,133	150,050	151,316	151,630	151,613	152,129
25 Bankers' acceptances and commercial paper	5,232	4,961	4,882	4,893	5,155	5,045	5,083	4,544	4,868
26 All other	146,174	145,808	145,325	145,239	144,895	146,270	146,547	147,069	147,260
27 U.S. addressees	140,598	140,288	139,798	139,677	139,324	140,427	140,701	141,162	141,283
28 Non-U.S. addressees	5,576	5,520	5,527	5,562	5,570	5,843	5,846	5,907	5,978
29 Real estate	98,957	99,043	99,322	99,539	99,679	99,735	100,143	100,469	100,812
30 To individuals for personal expenditures	62,489	62,251	62,167	62,148	62,208	62,174	62,239	62,310	62,359
To financial institutions									
31 Commercial banks in the United States	3,888	3,468	3,368	3,237	3,455	3,598	3,794	3,354	3,235
32 Banks in foreign countries	7,457	7,140	6,933	6,580	6,641	6,872	6,614	6,902	7,243
33 Sales finance, personal finance companies, etc	8,384	8,210	8,506	8,187	8,347	8,030	8,093	8,290	8,087
34 Other financial institutions	14,058	14,113	14,263	14,113	14,239	14,514	14,690	14,742	14,626
35 To nonbank brokers and dealers in securities	5,740	4,832	4,726	4,372	4,342	5,589	5,009	5,281	4,989
36 To others for purchasing and carrying securities[2]	1,840	1,818	1,819	1,837	1,836	1,829	1,845	1,838	1,836
37 To finance agricultural production	5,026	5,026	5,070	5,171	5,219	5,249	5,263	5,257	5,211
38 All other	12,056	11,474	11,499	11,010	11,321	11,924	11,472	11,548	11,512
39 LESS: Unearned income	6,552	6,578	6,598	6,616	6,606	6,557	6,575	6,574	6,602
40 Loan loss reserve	5,193	5,201	5,219	5,234	5,222	5,292	5,306	5,316	5,315
41 Other loans, net	359,558	356,366	356,063	354,477	355,508	358,980	358,913	359,711	360,123
42 Lease financing receivables	8,448	8,475	8,494	8,501	8,512	8,536	8,534	8,558	8,561
43 All other assets	78,249	75,532	73,157	75,040	72,718	76,895	77,116	76,352	77,912
44 **Total assets**	**679,012**	**666,813**	**671,762**	**658,116**	**656,210**	**661,460**	**660,265**	**671,312**	**661,916**
Deposits									
45 Demand deposits	196,383	184,404	191,808	175,065	176,215	178,445	174,420	182,183	173,125
46 Mutual savings banks	735	788	628	575	655	643	618	606	610
47 Individuals, partnerships, and corporations	132,300	125,386	129,506	121,306	122,205	124,226	123,392	123,622	119,945
48 States and political subdivisions	4,404	4,007	4,348	3,745	4,357	4,072	3,936	3,995	3,986
49 U.S. government	951	1,085	782	620	746	1,004	758	2,959	1,689
50 Commercial banks in the United States	38,220	34,804	37,247	32,112	29,141	31,106	29,848	32,314	30,199
51 Banks in foreign countries	8,137	8,757	8,311	7,805	8,152	7,435	7,181	7,558	8,056
52 Foreign governments and official institutions	1,954	1,503	1,652	1,233	2,033	1,318	1,585	1,643	1,599
53 Certified and officer's checks	9,683	8,074	9,334	8,669	8,926	8,640	7,103	9,486	7,043
54 Time and savings deposits	257,412	256,020	255,857	256,224	254,546	256,384	258,682	259,802	260,189
55 Savings	67,840	68,589	68,716	68,867	68,938	69,790	69,656	69,810	69,696
56 Individuals and nonprofit organizations	63,658	64,320	64,510	64,571	64,603	65,414	65,347	65,499	65,319
57 Partnerships and corporations operated for profit	3,486	3,580	3,563	3,671	3,736	3,764	3,738	3,751	3,808
58 Domestic governmental units	680	671	628	608	584	587	557	545	554
59 All other	16	18	14	17	15	24	14	15	15
60 Time	189,571	187,431	187,141	187,357	185,608	186,594	189,026	189,992	190,494
61 Individuals, partnerships, and corporations	161,088	159,196	158,995	158,982	157,165	158,042	160,103	161,004	161,296
62 States and political subdivisions	16,994	16,977	16,988	17,172	17,245	17,238	17,609	17,530	17,584
63 U.S. government	254	228	240	227	260	265	269	319	336
64 Commercial banks in the United States	5,262	5,068	4,985	4,954	4,915	4,976	5,005	5,200	5,330
65 Foreign governments, official institutions, and banks	5,973	5,961	5,934	6,021	6,022	6,073	6,040	5,939	5,948
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	397	270	552	542	2,552	437	881	743	2,402
67 Treasury tax-and-loan notes	4,352	1,298	2,983	3,538	4,047	2,667	2,096	4,335	5,113
68 All other liabilities for borrowed money[3]	115,046	120,666	117,521	117,883	115,913	120,302	121,538	120,177	116,541
69 Other liabilities and subordinated note and debentures	60,776	59,387	58,365	59,157	58,316	57,884	57,440	58,993	59,420
70 **Total liabilities**	**634,366**	**622,046**	**627,087**	**613,409**	**611,589**	**616,119**	**615,057**	**626,233**	**616,790**
71 Residual (total assets minus total liabilities)[4]	44,646	44,766	44,676	44,707	44,621	45,341	45,209	45,078	45,126

1. Includes securities purchased under agreements to resell.
2. Other than financial institutions and brokers and dealers.
3. Includes federal funds purchased and securities sold under agreement to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1.13.
4. This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.29 LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1980								
	July 2	July 9	July 16	July 23	July 30p	Aug. 6p	Aug. 13p	Aug. 20p	Aug. 27p
1 Cash items in process of collection	22,429	19,963	25,206	18,766	19,062	17,158	15,597	19,643	15,809
2 Demand deposits due from banks in the United States	13,702	14,185	12,507	12,806	12,903	12,572	11,359	13,152	12,349
3 All other cash and due from depository institutions	9,606	9,689	10,868	8,465	8,794	4,961	7,541	9,389	6,848
4 Total loans and securities[1]	**115,351**	**112,765**	**112,570**	**111,391**	**111,634**	**115,538**	**114,611**	**114,820**	**115,914**
Securities									
5 U.S. Treasury securities[2]	....	....	....	....	....	....	....	....	....
6 Trading account[2]	....	....	....	....	....	....	....	....	....
7 Investment account, by maturity	7,648	7,670	7,657	7,823	7,952	8,285	8,155	8,662	8,656
8 One year or less	440	436	540	735	793	1,051	1,046	1,059	1,053
9 Over one through five years	6,273	6,282	6,219	6,194	6,239	6,323	6,178	7,006	7,005
10 Over five years	936	951	898	894	920	911	931	596	598
11 Other securities[2]	....	....	....	....	....	....	....	....	....
12 Trading account[2]	....	....	....	....	....	....	....	....	....
13 Investment account	13,302	13,321	13,324	13,407	13,445	13,415	13,520	13,522	13,503
14 U.S. government agencies	2,626	2,587	2,608	2,584	2,584	2,579	2,554	2,495	2,466
15 States and political subdivision, by maturity	10,074	10,120	10,100	10,216	10,248	10,230	10,361	10,436	10,476
16 One year or less	1,624	1,645	1,616	1,638	1,649	1,634	1,679	1,750	1,758
17 Over one year	8,450	8,475	8,485	8,578	8,599	8,596	8,683	8,685	8,718
18 Other bonds, corporate stocks and securities	603	613	615	607	613	605	604	592	562
Loans									
19 Federal funds sold[3]	7,038	6,035	6,146	5,606	4,879	6,994	7,144	6,132	6,851
20 To commercial banks	5,265	3,862	4,228	3,681	3,083	4,324	4,234	3,497	3,988
21 To nonbank brokers and dealers in securities	1,464	1,643	1,559	1,444	1,359	1,678	1,715	2,000	2,155
22 To others	310	530	359	481	436	992	1,195	635	708
23 Other loans, gross	90,092	88,490	88,200	87,352	88,158	89,662	88,631	89,347	89,755
24 Commercial and industrial	47,429	47,447	46,889	46,898	47,208	47,634	47,413	47,386	47,748
25 Bankers' acceptances and commercial paper	2,265	2,065	1,931	1,986	2,079	2,089	1,833	1,630	1,660
26 All other	45,164	45,382	44,958	44,912	45,129	45,545	45,580	45,756	46,088
27 U.S. addressees	43,263	43,545	43,137	43,107	43,308	43,627	43,666	43,832	44,091
28 Non-U.S. addressees	1,901	1,837	1,822	1,804	1,821	1,918	1,914	1,924	1,996
29 Real estate	13,291	13,283	13,338	13,378	13,470	13,481	13,576	13,695	13,760
30 To individuals for personal expenditures	8,826	8,818	8,806	8,800	8,817	8,855	8,870	8,890	8,914
To financial institutions									
31 Commercial banks in the United States	1,426	1,182	1,088	1,059	1,129	1,244	1,286	1,200	981
32 Banks in foreign countries	3,599	3,216	3,125	2,954	2,968	3,099	2,839	2,873	3,259
33 Sales finance, personal finance companies, etc.	3,457	3,390	3,508	3,455	3,539	3,178	3,329	3,502	3,367
34 Other financial institutions	4,462	4,508	4,563	4,411	4,462	4,450	4,490	4,492	4,460
35 To nonbank brokers and dealers in securities	3,207	2,651	2,753	2,584	2,565	3,129	2,924	3,296	3,177
36 To others for purchasing and carrying securities[4]	352	333	329	345	350	350	349	351	363
37 To finance agricultural production	246	257	273	377	396	395	406	409	391
38 All other	3,797	3,405	3,528	3,092	3,253	3,847	3,149	3,253	3,334
39 LESS: Unearned income	1,040	1,055	1,057	1,084	1,092	1,082	1,085	1,088	1,098
40 Loan loss reserve	1,690	1,696	1,701	1,714	1,709	1,735	1,754	1,755	1,753
41 Other loans, net	87,362	85,740	85,442	84,555	85,358	86,844	85,792	86,504	86,904
42 Lease financing receivables	1,660	1,686	1,690	1,691	1,673	1,682	1,681	1,684	1,686
43 All other assets[5]	35,518	33,339	30,202	31,778	29,721	34,552	34,050	32,855	33,014
44 Total assets	**198,265**	**191,627**	**193,043**	**184,897**	**183,786**	**186,463**	**184,840**	**191,542**	**185,620**
Deposits									
45 Demand deposits	75,241	66,588	70,880	63,066	61,387	60,909	57,834	64,812	59,792
46 Mutual savings banks	396	462	288	279	309	302	301	317	283
47 Individuals, partnerships, and corporations	35,823	31,627	33,050	30,142	30,318	30,778	29,052	30,361	29,068
48 States and political subdivisions	556	474	722	399	505	454	531	542	436
49 U.S. government	136	306	124	119	123	174	142	767	381
50 Commercial banks in the United States	25,096	21,572	23,922	20,479	17,259	17,793	17,733	20,578	18,684
51 Banks in foreign countries	6,378	7,092	6,480	5,997	6,282	5,642	5,338	5,725	6,255
52 Foreign governments and official institutions	1,624	1,099	1,331	926	1,645	988	1,169	1,326	1,305
53 Certified and officers' checks	5,231	3,955	4,963	4,724	4,946	4,778	3,567	5,194	3,380
54 Time and savings deposits	48,492	47,875	48,117	47,590	46,765	47,121	47,856	48,282	48,608
55 Savings	9,641	9,752	9,788	9,750	9,752	9,848	9,839	9,835	9,803
56 Individuals and nonprofit organizations	9,150	9,271	9,313	9,272	9,282	9,382	9,384	9,374	9,344
57 Partnerships and corporations operated for profit	327	333	329	338	341	347	347	351	353
58 Domestic governmental units	159	143	140	133	125	113	105	106	102
59 All other	5	5	5	7	5	6	4	4	4
60 Time	38,851	38,123	38,329	37,839	37,012	37,272	38,017	38,447	38,805
61 Individuals, partnerships, and corporations	33,193	32,400	32,515	31,976	31,143	31,254	31,936	32,346	32,555
62 States and political subdivisions	1,191	1,249	1,318	1,361	1,386	1,391	1,486	1,511	1,580
63 U.S. government	45	47	48	41	41	46	38	32	30
64 Commercial banks in the United States	1,552	1,571	1,606	1,580	1,565	1,681	1,676	1,749	1,849
65 Foreign governments, official institutions, and banks	2,870	2,856	2,843	2,882	2,876	2,901	2,881	2,809	2,791
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	....	....	....	....	1,685	....	410	....	1,124
67 Treasury tax-and-loan notes	1,201	268	772	918	1,063	700	501	986	1,322
68 All other liabilities for borrowed money[6]	36,449	39,788	36,069	36,215	36,345	39,904	41,378	39,118	36,846
69 Other liabilities and subordinated note and debentures	22,215	22,358	22,476	22,394	21,930	22,734	21,912	23,447	23,047
70 Total liabilities	**183,598**	**176,878**	**178,314**	**170,183**	**169,175**	**171,368**	**169,891**	**176,645**	**170,740**
71 Residual (total assets minus total liabilities)[7]	14,667	14,748	14,729	14,714	14,611	15,095	14,949	14,898	14,880

1. Excludes trading account securities.
2. Not available due to confidentiality.
3. Includes securities purchased under agreements to resell.
4. Other than financial institutions and brokers and dealers.
5. Includes trading account securities.
6. Includes federal funds purchased and securities sold under agreements to repurchase.
7. This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.30 LARGE WEEKLY REPORTING COMMERCIAL BANKS Balance Sheet Memoranda

Millions of dollars, Wednesday figures

Account	1980								
	July 2	July 9	July 16	July 23	July 30p	Aug. 6p	Aug. 13p	Aug. 20p	Aug. 27p
Banks with Assets of $750 Million or More									
1 Total loans (gross) and securities adjusted[1]	508,750	507,295	506,115	505,296	506,255	515,691	513,212	514,145	514,348
2 Total loans (gross) adjusted[1]	396,202	394,026	393,209	392,023	392,582	399,342	398,525	398,074	399,017
3 Demand deposits adjusted[2]	110,723	107,572	105,420	104,760	107,393	108,723	107,531	106,176	105,785
4 Time deposits in accounts of $100,000 or more	128,468	126,638	126,328	126,714	125,220	126,232	128,744	129,827	130,360
5 Negotiable CDs	91,794	90,196	90,044	90,263	88,977	89,781	91,931	93,118	93,469
6 Other time deposits	36,674	36,442	36,284	36,451	36,243	36,451	36,813	36,709	36,891
7 Loans sold outright to affiliates[3]	2,788	2,817	2,831	2,736	2,809	2,890	2,897	2,902	2,933
8 Commercial and industrial	1,843	1,899	1,836	1,826	1,894	1,927	1,901	1,891	1,944
9 Other	945	919	995	911	915	962	996	1,010	989
Banks with Assets of $1 Billion or More									
10 Total loans (gross) and securities adjusted[1]	475,537	474,033	472,834	471,999	472,820	481,929	479,553	480,448	480,615
11 Total loans (gross) adjusted[1]	371,503	369,311	368,533	367,326	367,819	374,323	373,597	373,180	374,113
12 Demand deposits adjusted[2]	102,715	99,494	97,349	96,993	99,449	100,881	99,532	98,426	97,860
13 Time deposits in accounts of $100,000 or more	120,540	118,770	118,537	118,954	117,567	118,527	120,915	121,891	122,388
14 Negotiable CDs	86,086	84,523	84,403	84,681	83,510	84,283	86,369	87,466	87,802
15 Other time deposits	34,454	34,246	34,134	34,273	34,057	34,244	34,546	34,425	34,586
16 Loans sold outright to affiliates[3]	2,755	2,781	2,794	2,698	2,771	2,843	2,852	2,857	2,890
17 Commercial and industrial	1,822	1,875	1,812	1,800	1,868	1,900	1,875	1,868	1,923
18 Other	933	906	982	898	903	943	977	990	967
Banks in New York City									
19 Total loans (gross) and securities adjusted[1,4]	111,390	110,471	110,012	109,448	110,221	112,787	111,930	112,967	113,796
20 Total loans (gross) adjusted[1]	90,440	89,481	89,031	88,218	88,824	91,087	90,256	90,782	91,637
21 Demand deposits adjusted[2]	27,580	24,746	21,628	23,702	24,943	25,784	24,362	23,823	24,918
22 Time deposits in accounts of $100,000 or more	29,547	28,888	29,143	28,862	28,119	28,426	29,201	29,670	30,068
23 Negotiable CDs	21,844	21,180	21,370	21,034	20,319	20,504	21,184	21,610	22,000
24 Other time deposits	7,702	7,709	7,773	7,829	7,800	7,921	8,016	8,060	8,068

1. Exclusive of loans and federal funds transactions with domestic commercial banks.
2. All demand deposits except U.S. government and domestic banks less cash items in process of collection.
3. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.
4. Excludes trading account securities.

1.31 LARGE WEEKLY REPORTING COMMERCIAL BANKS Domestic Classified Commercial and Industrial Loans

Millions of dollars

Industry classification	Outstanding					Net change during					Adjustment bank
	1980					1980					
	Apr. 30	May 28	June 25	July 30	Aug. 27	Q1	Q2	June	July	Aug.	
1 Durable goods manufacturing	24,081	22,939	22,729	22,477	22,966	1,422	-2,332	-210	-252	488	46
2 Nondurable goods manufacturing	18,683	18,075	18,338r	18,552	18,821	580	-1,486r	262r	214	268	39
3 Food, liquor, and tobacco	4,176	3,859	3,701	3,899	3,912	-302	-1,222	-158	198	13	6
4 Textiles, apparel, and leather	4,614	4,668	4,934	5,066	5,231	132	454	267	131	165	6
5 Petroleum refining	2,611	2,490	2,715	2,616	2,694	461	-424	225	-98	77	1
6 Chemicals and rubber	3,903	3,761	3,704r	3,723	3,707	61	-208r	-57r	20	-16	14
7 Other nondurable goods	3,379	3,299	3,284	3,248	3,277	229	-86	-15	-36	29	12
8 Mining (including crude petroleum and natural gas)	13,272	13,588	13,758	13,650	13,562	585	1,162	170	-108	-88	14
9 Trade	25,406	24,833	24,600r	24,330	24,796	450	-857r	-234r	-269	466	121
10 Commodity dealers	1,784	1,639	1,531	1,670	1,858	-323	-285	-108	139	187	6
11 Other wholesale	12,050	11,645	11,679r	11,573	11,626	71	-418r	34r	-106	52	34
12 Retail	11,572	11,549	11,389	11,087	11,313	702	-154	-160	-302	226	82
13 Transportation, communication, and other public utilities	18,832	18,507	18,745	18,996	19,215	448	453	238	251	219	14
14 Transportation	7,692	7,543	7,600	7,753	7,646	376	83	57	154	-108	7
15 Communication	2,846	2,800	2,839	2,883	2,918	224	92	39	44	35	1
16 Other public utilities	8,293	8,164	8,306	8,359	8,651	-152	278	142	53	292	5
17 Construction	5,902	5,832	5,970	5,790	5,888	73	96	138	-180	98	23
18 Services	20,444	19,977	20,299	20,616	20,827	715	89	323	317	211	96
19 All other[1]	15,640	15,125	14,999	14,912	15,208	550	-656	-126	-87	296	288
20 **Total domestic loans**	**142,260**	**138,876**	**139,438**	**139,324**	**141,283**	**4,823**	**-3,531**	**561**	**-113**	**1,958**	**641**
21 MEMO: Term loans (original maturity more than 1 year) included in domestic loans	76,192	74,862	74,295	74,783	74,978	3,514	-1,702	-567	488	194	33

1. Includes commercial and industrial loans at a few banks with assets of $1 billion or more that do not classify their loans.

NOTE. New series. The 134 large weekly reporting commercial banks with domestic assets of $1 billion or more as of December 31, 1977, are included in this series. The revised series is on a last-Wednesday-of-the-month basis.

1.311 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	December outstanding			Outstanding in 1979 and 1980							
	1976	1977	1978	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
Total nondeposit funds											
1 Seasonally adjusted[2]	54.7	61.8	85.4	118.8	122.5	129.2	133.4	124.2	120.0r	113.9	113.7
2 Not seasonally adjusted	53.3	60.4	84.4	117.4	121.2	125.9	130.4	121.1r	123.2	114.1	117.7
Federal funds, RPs, and other borrowings from nonbanks											
3 Seasonally adjusted[3]	47.1	58.4	74.8	88.0	92.0	97.2	97.9	94.7r	94.2	96.1	100.1
4 Not seasonally adjusted	45.8	57.0	73.8	86.5	90.6	93.9	94.8	91.7	97.4	96.2	104.2
5 Net Eurodollar borrowings, not seasonally adjusted	3.7	-1.3	6.8	28.1	27.9	29.4	32.9	26.8r	23.2	15.1	10.7
6 Loans sold to affiliates, not seasonally adjusted[4,5]	3.8	4.8	3.8	2.8	2.7	2.6	2.6	2.6	2.6	2.8	2.8
MEMO											
7 Domestic chartered banks net positions with own foreign branches, not seasonally adjusted[6]	-6.0	-12.5	-10.2	6.4	5.9	6.6	9.3	6.0	2.7	-5.2	-8.1
8 Gross due from balances	12.8	21.1	24.9	22.9	23.0	23.4	23.6	24.4	27.3	29.7	32.3
9 Gross due to balances	6.8	8.6	14.7	29.3	28.9	29.8	32.9	30.4	30.0	24.7	24.2
10 Foreign-related institutions net positions with directly related institutions, not seasonally adjusted[7]	9.7	11.1	17.0	21.7	22.0	22.8	23.6	20.9	20.5	19.9	18.8
11 Gross due from balances	8.3	10.3	14.2	28.9	29.6	30.4	31.9	28.5	28.4r	28.5	30.6
12 Gross due to balances	18.1	21.4	31.2	50.5	51.6	53.2	55.6	49.4	48.8r	48.4r	49.4
13 Security RP borrowings, seasonally adjusted[8]	27.9	36.3	44.8	49.2	51.0	49.5	45.0	41.5	40.1	45.0	50.4
14 Not seasonally adjusted	27.0	35.1	43.6	47.9	48.3	48.2	44.1	40.6	42.1	44.7	50.1
15 U.S. Treasury demand balances, seasonally adjusted[9]	3.9	4.4	8.7	8.1	12.7	11.3	7.5	8.6	9.4	8.6	10.7
16 Not seasonally adjusted	4.4	5.1	10.3	9.6	12.7	11.7	7.8	9.0	8.4	10.0	9.2
17 Time deposits, $100,000 or more, seasonally adjusted[10]	137.7	162.0	213.0	227.7	229.1	235.6	237.1	240.3	242.0	237.0	233.1
18 Not seasonally adjusted	140.0	165.4	217.9	233.0	233.0	236.8	239.2	238.4	240.1	234.9	229.2

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus U.S. branches, agencies, and New York investment company subsidiaries of foreign banks and Edge Act corporations.
2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars and loans to affiliates. Includes averages of Wednesday data for domestic chartered banks and averages of current and previous month-end data for foreign-related institutions.
3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans. Includes averages of daily figures for member banks and averages of current and previous month-end data for foreign-related institutions.
4. Loans initially booked by the bank and later sold to affiliates that are still held by affiliates. Averages of Wednesday data.
5. As of Dec. 1, 1979, loans sold to affiliates were reduced $800 million due to corrections of two New York City banks.
6. Includes averages of daily figures for member banks and quarterly call report figures for nonmember banks.
7. Includes averages of current and previous month-end data until August 1979; beginning September 1979 averages of daily data.
8. Based on daily average data reported by 122 large banks beginning February 1980 and 46 banks before February 1980.
9. Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.
10. Averages of Wednesday figures.

1.32 GROSS DEMAND DEPOSITS of Individuals, Partnerships, and Corporations[1]

Billions of dollars, estimated daily-average balances

Type of holder	Commercial banks									
	1975 Dec.	1976 Dec.	1977 Dec.	1978	1979[2]				1980	
				Dec.	Mar.	June	Sept.	Dec.	Mar.	June
1 **All holders—Individuals, partnerships, and corporations**	**236.9**	**250.1**	**274.4**	**294.6**	**270.4**	**285.6**	**292.4**	**302.2**	**288.4**	**288.6**
2 Financial business	20.1	22.3	25.0	27.8	24.4	25.4	26.7	27.1	28.4	27.7
3 Nonfinancial business	125.1	130.2	142.9	152.7	135.9	145.1	148.8	157.7	144.9	145.3
4 Consumer	78.0	82.6	91.0	97.4	93.9	98.6	99.2	99.2	97.6	97.9
5 Foreign	2.4	2.7	2.5	2.7	2.7	2.8	2.8	3.1	3.1	3.3
6 Other	11.3	12.4	12.9	14.1	13.5	13.7	14.9	15.1	14.4	14.4
	Weekly reporting banks									
	1975 Dec.	1976 Dec.	1977 Dec.	1978	1979[3]				1980	
				Dec.	Mar.	June	Sept.	Dec.	Mar.	June
7 **All holders—Individuals, partnerships, and corporations**	**124.4**	**128.5**	**139.1**	**147.0**	**121.9**	**128.8**	**132.7**	**139.3**	**133.6**	**133.9**
8 Financial business	15.6	17.5	18.5	19.8	16.9	18.4	19.7	20.1	20.1	20.2
9 Nonfinancial business	69.9	69.7	76.3	79.0	64.6	68.1	69.1	74.1	69.1	69.2
10 Consumer	29.9	31.7	34.6	38.2	31.1	33.0	33.7	34.3	34.2	33.9
11 Foreign	2.3	2.6	2.4	2.5	2.6	2.7	2.8	3.0	3.0	3.1
12 Other	6.6	7.1	7.4	7.5	6.7	6.6	7.4	7.8	7.2	7.5

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466.

2. Beginning with the March 1979 survey, the demand deposit ownership survey sample was reduced to 232 banks from 349 banks, and the estimation procedure was modified slightly. To aid in comparing estimates based on the old and new reporting sample, the following estimates in billions of dollars for December 1978 have been constructed using the new smaller sample; financial business, 27.0; nonfinancial business, 146.9; consumer, 98.3; foreign, 2.8; and other, 15.1

3. After the end of 1978 the large weekly reporting bank panel was changed to 170 large commercial banks, each of which had total assets in domestic offices exceeding $750 million as of Dec. 31, 1977. See "Announcements," p. 408 in the May 1978 BULLETIN. Beginning in March 1979, demand deposit ownership estimates for these large banks are constructed quarterly on the basis of 97 sample banks and are not comparable with earlier data. The following estimates in billions of dollars for December 1978 have been constructed for the new large-bank panel; financial business, 18.2; nonfinancial business, 67.2; consumer, 32.8; foreign, 2.5; other, 6.8.

1.33 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1976 Dec.	1977 Dec.	1978 Dec.	1979[1] Dec.	1980					
					Feb.	Mar.	Apr.	May	June	July
	Commercial paper (seasonally adjusted)									
1 **All issuers**	**53,010**	**65,036**	**83,420**	**112,803**	**116,465r**	**119,915r**	**120,887r**	**121,032r**	**123,937**	**122,259**
Financial companies[2]										
Dealer-placed paper[3]										
2 Total	7,263	8,888	12,300	17,579	17,308	18,254	18,881	18,526	19,100	18,207
3 Bank-related	1,900	2,132	3,521	2,784	3,010	3,142	3,467	3,591	3,188	3,198
Directly placed paper[4]										
4 Total	32,622	40,612	51,755	64,931	65,387r	64,462r	66,110r	63,813r	62,623	63,777
5 Bank-related	5,959	7,102	12,314	17,598	19,941r	19,360r	19,166r	18,845r	19,436	19,239
6 Nonfinancial companies[5]	13,125	15,536	19,365	30,293	33,770	37,199	35,896	38,693	42,214	40,275
	Bankers dollar acceptances (not seasonally adjusted)									
7 **Total**	**22,523**	**25,450**	**33,700**	**45,321**	**50,269**	**49,317**	**50,177**	**52,636**	**54,356**	**54,334**
Holder										
8 Accepting banks	10,442	10,434	8,579	9,865	9,343	8,159	8,159	9,262	10,051	9,764
9 Own bills	8,769	8,915	7,653	8,327	8,565	7,560	7,488	8,768	9,113	8,603
10 Bills bought	1,673	1,519	927	1,538	778	598	670	493	939	1,161
Federal Reserve Banks										
11 Own account	991	954	1	704	205	171	0	366	373	310
12 Foreign correspondents	375	362	664	1,382	1,417	1,373	1,555	1,718	1,784	1,899
13 Others	10,715	13,700	24,456	33,370r	39,303r	39,614	40,463	41,290	42,147r	42,361
Basis										
14 Imports into United States	4,992	6,378	8,574	10,270	11,393	10,926	10,946	11,651	11,536	12,109
15 Exports from United States	4,818	5,863	7,586	9,640	11,102	11,001	11,221	11,347	11,339	12,401
16 All other	12,713	13,209	17,540	25,411	27,774	27,389	28,010	29,637	31,480	29,824

1. A change in reporting instructions results in offsetting shifts in the dealer-placed and directly placed financial company paper in October 1979.

2. Institutions engaged primarily in activities such as, but not limited to, commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.

3. Includes all financial company paper sold by dealers in the open market.

4. As reported by financial companies that place their paper directly with investors.

5. Includes public utilities and firms engaged primarily in such activities, as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and reserves.

1.34 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans

Percent per annum

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1980—Apr. 2	20	June 6	13	1979—Jan.	11.75	1979—Nov.	15.55
18	19½	13	12-12½	Feb.	11.75	Dec.	15.30
May 1	18½-19	20	12	Mar.	11.75	1980—Jan.	15.25
2	18½	July 7	11.50	Apr.	11.75	Feb.	15.63
7	17½	25	11.00	May	11.75	Mar.	18.31
16	16½	Aug 22	11.25	June	11.65	Apr.	19.77
23	14½	27	11.50	July	11.54	May	16.57
30	14			Aug.	11.91	June	12.63
				Sept.	12.90	July	11.48
				Oct.	14.39	Aug.	11.12

1.35 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 5–10, 1980

Item	All sizes	Size of loan (in thousands of dollars)					
		1–24	25–49	50–99	100–499	500–999	1,000 and over
SHORT-TERM COMMERCIAL AND INDUSTRIAL LOANS							
1 Amount of loans (thousands of dollars)	11,316,521	885,614	518,102	697,310	2,159,297	720,502	6,335,696
2 Number of loans	164,331	123,866	15,129	10,596	11,950	1,134	1,656
3 Weighted-average maturity (months)	2.8	3.2	4.0	3.4	2.7	3.0	2.6
4 Weighted-average interest rate (percent per annum)	17.75	17.90	18.78	18.95	18.49	19.13	17.10
5 Interquartile range[1]	15.62–19.82	15.12–20.23	17.72–20.28	17.50–20.99	17.50–19.82	18.50–20.39	14.09–19.59
Percentage of amount of loans							
6 With floating rate	43.8	23.0	33.2	44.2	33.4	64.5	48.8
7 Made under commitment	50.3	26.0	34.7	48.5	47.9	60.6	54.9
8 With no stated maturity	19.0	13.9	10.7	32.2	14.1	34.5	18.8
LONG-TERM COMMERCIAL AND INDUSTRIAL LOANS							
9 Amount of loans (thousands of dollars)	1,339,749		171,216		181,145	105,761	881,627
10 Number of loans	15,243		13,992		845	152	254
11 Weighted-average maturity (months)	42.8		33.9		44.6	42.4	44.2
12 Weighted-average interest rate (percent per annum)	18.37		18.26		18.64	18.62	18.30
13 Interquartile range[1]	17.50–20.00		15.00–21.34		17.75–20.50	18.00–20.06	17.51–19.75
Percentage of amount of loans							
14 With floating rate	74.0		30.1		76.7	69.4	82.5
15 Made under commitment	71.1		29.4		68.6	71.8	79.7
CONSTRUCTION AND LAND DEVELOPMENT LOANS							
16 Amount of loans (thousands of dollars)	1,110,511	91,724	114,305	199,312	494,589	210,581	
17 Number of loans	16,924	8,317	3,208	2,904	2,292	203	
18 Weighted-average maturity (months)	7.4	3.7	4.3	7.3	8.0	9.5	
19 Weighted-average interest rate (percent per annum)	18.32	17.14	15.68	18.69	19.56	16.99	
20 Interquartile range[1]	17.50–20.40	14.75–19.56	13.10–18.00	18.00–20.48	20.00–20.32	13.00–19.66	
Percentage of amount of loans							
21 With floating rate	71.0	23.2	35.8	48.3	92.4	82.3	
22 Secured by real estate	94.4	82.0	96.9	97.9	97.5	87.7	
23 Made under commitment	45.1	74.3	64.4	39.7	25.9	72.2	
24 With no stated maturity	11.9	11.0	10.0	7.2	7.8	27.1	
Type of construction							
25 1- to 4-family	35.5	77.0	86.0	70.9	8.7	19.5	
26 Multifamily	5.5	1.9	3.3	4.4	5.5	9.5	
27 Nonresidential	58.9	21.1	10.7	24.7	85.8	70.9	

LOANS TO FARMERS	All sizes	1–9	10–24	25–49	50–99	100–249	250 and over
28 Amount of loans (thousands of dollars)	1,211,479	163,850	168,002	168,990	133,979	241,236	335,423
29 Number of loans	64,652	44,177	11,340	5,257	1,931	1,600	347
30 Weighted-average maturity (months)	6.6	6.4	6.1	7.0	5.7	5.2	8.7
31 Weighted-average interest rate (percent per annum)	17.38	16.46	16.98	17.10	17.38	17.40	18.14
32 Interquartile range[1]	16.64–18.50	14.84–17.81	15.79–18.67	15.56–18.40	16.54–18.68	16.60–18.27	17.24–18.64
By purpose of loan							
33 Feeder livestock	17.67	16.35	17.01	17.63	17.74	17.56	17.98
34 Other livestock	16.64	16.54	14.89	16.62	17.37	(2)	(2)
35 Other current operating expenses	17.49	16.54	17.20	17.45	18.48	17.27	18.61
36 Farm machinery and equipment	16.44	16.23	16.41	16.64	(2)	(2)	(2)
37 Other	17.15	16.36	17.28	15.31	15.35	17.36	18.02

1. Interest rate range that covers the middle 50 percent of the total dollar amount of loans made.
2. Fewer than 10 sample loans.

NOTE. For more detail, see the Board's E.2(416) statistical release.

1.36 INTEREST RATES Money and Capital Markets

Averages, percent per annum

Instrument	1977	1978	1979	1980				1980, week ending				
				May	June	July	Aug.	Aug. 1	Aug. 8	Aug. 15	Aug. 22	Aug. 29
	Money market rates											
1 Federal funds[1]	5.54	7.94	11.20	10.98	9.47	9.03	9.61	8.98	9.60	8.85	9.35	10.03
Commercial paper[2,3]												
2 1-month	5.42	7.76	10.86	9.60	8.56	8.53	9.48	8.75	8.93	9.02	9.73	10.24
3 3-month	5.54	7.94	10.97	9.49	8.27	8.41	9.57	8.68	8.92	9.14	9.87	10.40
4 6-month	5.60	7.99	10.91	9.29	8.03	8.29	9.61	8.61	8.84	9.20	9.94	10.52
Finance paper, directly placed[2,3]												
5 1-month	5.38	7.73	10.78	9.30	8.01	8.37	9.30	8.55	8.69	8.89	9.58	10.12
6 3-month	5.49	7.80	10.47	9.09	7.59	8.03	9.08	8.25	8.58	8.77	9.19	9.93
7 6-month	5.50	7.78	10.25	9.01	7.42	8.03	9.08	8.25	8.60	8.77	9.21	9.89
8 Prime bankers acceptances, 90-day[3,4]	5.59	8.11	11.04	9.60	8.31	8.58	9.85	8.97	9.14	9.39	10.14	10.77
Certificates of deposit, secondary market[5]												
9 1-month	5.48	7.88	11.03	9.77	8.53	8.59	9.62	8.82r	9.16	9.21	9.82	10.31
10 3-month	5.64	8.22	11.22	9.79	8.49	8.65	9.91	8.93	9.29	9.46	10.13	10.80
11 6-month	5.92	8.61	11.44	9.78	8.33	8.73	10.29	9.11	9.43	9.85	10.62	11.34
12 Eurodollar deposits, 3-month[6]	6.05	8.74	11.96	11.20	9.41	9.33	10.82	9.30	10.09	10.33	10.64	11.54
U.S. Treasury bills[3,7]												
Secondary market												
13 3-month	5.27	7.19	10.07	8.58	7.07	8.06	9.13	8.44	8.58	8.60	9.41	10.01
14 6-month	5.53	7.58	10.06	8.65	7.30	8.06	9.41	8.49	8.69	8.91	9.83	10.36
15 1-year	5.71	7.74	9.75	8.66	7.54	8.00	9.39	8.43	8.61	8.94	9.85	10.28
Auction average[8]												
16 3-month	5.265	7.221	10.041	9.150	6.995	8.126	9.259	8.221	8.877	8.723	9.411	10.025
17 6-month	5.510	7.572	10.017	9.149	7.218	8.101	9.443	8.276	8.867	8.891	9.765	10.250
	Capital market rates											
U.S. TREASURY NOTES AND BONDS												
Constant maturities[9]												
18 1-year	6.09	8.34	10.67	9.39	8.16	8.65	10.24	9.13	9.35	9.71	10.79	11.28
19 2-year	6.45	8.34	10.12	9.45	8.73	9.03	10.53	9.47	9.70	10.06	11.03	11.47
20 2½-year[10]	.....	.....	.....	9.05	.....	.....	.....	9.70	....	10.25	......	11.50
21 3-year	6.69	8.29	9.71	9.44	8.91	9.27	10.63	9.72	9.90	10.18	11.06	11.52
22 5-year	6.99	8.32	9.52	9.95	9.21	9.53	10.84	9.92	10.12	10.47	11.21	11.69
23 7-year	7.23	8.36	9.48	10.09	9.45	9.84	10.95	10.20	10.39	10.66	11.20	11.65
24 10-year	7.42	8.41	9.44	10.18	9.78	10.25	11.10	10.59	10.75	10.93	11.20	11.59
25 20-year	7.67	8.48	9.33	10.44	9.89	10.32	11.07	10.64	10.78	10.97	11.15	11.41
26 30-year	.....	8.49	9.29	10.36	9.81	10.24	11.00	10.58	10.74	10.94	11.09	11.28
Composite[11]												
27 3 to 5 years[12]	6.85	8.30	9.58	.....	.....	.....	......	.....	....	......	......	......
28 Over 10 years (long-term)	7.06	7.89	8.74	9.82	9.40	9.83	10.53	10.13	10.27	10.46	10.61	10.84
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
29 Aaa	5.20	5.52	5.92	6.80	7.11	7.35r	8.03	8.15	8.00	8.00	8.00	8.00
30 Baa	6.12	6.27	6.73	8.02	7.98	8.46r	9.25	9.30	9.25	9.25	9.25	9.20
31 *Bond Buyer* series[14]	5.68	6.03	6.52	7.59	7.63	8.13	8.67	8.59	8.61	8.53	8.68	8.85
CORPORATE BONDS												
32 Seasoned issues, all industries[15]	8.43	9.07	10.12	12.11	11.64	11.77	12.33	11.94	12.14	12.26	12.43	12.56
By rating group												
33 Aaa	8.02	8.73	9.63	10.99	10.58	11.07	11.64	11.33	11.44	11.57	11.70	11.88
34 Aa	8.24	8.92	9.94	11.91	11.39	11.43	12.09	11.61	11.91	12.03	12.15	12.36
35 A	8.49	9.12	10.20	12.35	11.89	11.95	12.44	12.09	12.25	12.37	12.56	12.65
36 Baa	8.97	9.45	10.69	13.17	12.71	12.67	13.15	12.70	12.97	13.07	13.28	13.37
Aaa utility bonds[16]												
37 New issue	8.19	8.96	10.03	11.53	10.96	11.60	12.32	11.92	12.03	12.36	12.48	12.62
38 Recently offered issues	8.19	8.97	10.02	11.64	11.00	11.41	12.31	12.00	12.10	12.27	12.36	12.86
MEMO: Dividend/price ratio[17]												
39 Preferred stocks	7.60	8.25	9.07	10.20	9.78	9.81	10.04	9.70	10.03	10.16	9.94	10.01
40 Common stocks	4.56	5.28	5.46	5.77	5.39	5.20	5.06	5.09r	5.12	5.05	5.03	5.04

1. Weekly figures are seven-day averages of daily effective rates for the week ending Wednesday; the daily effective rate is an average of the rates on a given day weighted by the volume of transactions at these rates.
2. Beginning November 1977, unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Previously, most representative rate quoted by those dealers and finance companies. Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
3. Yields are quoted on a bank-discount basis.
4. Average of the midpoint of the range of daily dealer closing rates offered for domestic issues.
5. Five-day average of rates quoted by five dealers (three-month series was previously a seven-day average).
6. Averages of daily quotations for the week ending Wednesday.
7. Except for auction averages, yields are computed from daily closing bid prices.
8. Rates are recorded in the week in which bills are issued.
9. Yield on the more actively traded issues adjusted to constant maturities by the U.S. Treasury, based on daily closing bid prices.
10. Each monthly figure is an average of only five business days near the end of the month. The rate for each month was used to determine the maximum interest rate payable in the following month on small saver certificates, until June 2, 1980. Each weekly figure shown is calculated on a biweekly basis and is the average of five business days ending on the Monday following the calendar week. Beginning June 2, the biweekly rate is used to determine the maximum interest rate payable in the following two-week period on small saver certificates. (See table 1.16.)
11. Unweighted averages for all outstanding notes and bonds in maturity ranges shown, based on daily closing bid prices. "Long-term" includes all bonds neither due nor callable in less than 10 years, including several very low yielding "flower" bonds.
12. The three- to five-year series has been discontinued.
13. General obligations only, based on figures for Thursday, from Moody's Investors Service.
14. Twenty issues of mixed quality.
15. Averages of daily figures from Moody's Investors Service.
16. Compilation of the Board of Governors of the Federal Reserve System. Issues included are long-term (20 years or more). New-issue yields are based on quotations on date of offering; those on recently offered issues (included only for first 4 weeks after termination of underwriter price restrictions), on Friday close-of-business quotations.
17. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

1.37 STOCK MARKET Selected Statistics

Indicator	1977	1978	1979r	1980 Feb.	Mar.	Apr.	May.	June	July	August
	Prices and trading (averages of daily figures)									
Common stock prices										
1 New York Stock Exchange (Dec. 31, 1965 = 50)	53.67	53.76	55.67	66.05	59.52	58.47	61.38	65.43	68.56	70.87
2 Industrial	57.84	58.30	61.82	76.42	68.71	66.31	69.39	74.47	78.67	82.15
3 Transportation	41.07	43.25	45.20	57.92	51.77	48.62	51.07	54.04	59.14	62.48
4 Utility	40.91	39.23	36.46	36.22	33.38	35.29	37.31	38.50	38.77	38.18
5 Finance	55.23	56.74	58.65	61.84	54.71	57.32	61.47	65.16	66.76	67.22
6 Standard & Poor's Corporation (1941–43 = 10)[1]	98.18	96.11	98.34	115.34	104.69	102.97	107.69	114.55	119.83	123.50
7 American Stock Exchange (Aug. 31, 1973 = 100)	116.18	144.56	186.56	288.99	259.79	242.60	258.45	286.21	310.29	321.87
Volume of trading (thousands of shares)										
8 New York Stock Exchange	20,936	28,591	32,233	47,827	41,736	32,102	36,425	39,518	46,444	45,984
9 American Stock Exchange	2,514	3,622	4,182	6,903	5,947	3,428	3,799	5,240	6,195	6,452
	Customer financing (end-of-period balances, in millions of dollars)									
10 **Regulated margin credit at brokers/dealers**[2]	**9,993**	**11,035**	**11,619r**	**12,638**	**11,914**	**11,309**	**11,441**	**11,370**	**11,522**	n.a.
11 Margin stock[3]	9,740	10,830	11,450r	12,460	11,740	11,140	11,270	11,200	11,320	n.a.
12 Convertible bonds	250	205	167r	175	171	167	167	166	198	n.a.
13 Subscription issues	3	1	2r	3	3	2	4	4	4	n.a.
Free credit balances at brokers[4]										
14 Margin-account	640	835	1,105r	1,320	1,365	1,290	1,270	1,345	1,664	n.a.
15 Cash-account	2,060	2,510	4,060r	4,755	5,000	4,790	4,750	4,790	4,907	n.a.
	Margin-account debt at brokers (percentage distribution, end of period)									
16 **Total**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	n.a.
By equity class (in percent)[5]										
17 Under 40	18.0	33.0	16.0	16.0	45.0	28.0	19.0	17.0	12.0	n.a.
18 40–49	36.0	28.0	29.0r	29.0	22.0	31.0	32.0	31.0	27.0	n.a.
19 50–59	23.0	18.0	27.0r	25.0	13.0	18.0	22.0	23.0	28.0	n.a.
20 60–69	11.0	10.0	14.0	14.0	9.0	10.0	12.0	13.0	16.0	n.a.
21 70–79	6.0	6.0	8.0	9.0	6.0	7.0	7.0	8.0	9.0	n.a.
22 80 or more	5.0	5.0	7.0	7.0	5.0	6.0	7.0	7.0	8.0	n.a.
	Special miscellaneous-account balances at brokers (end of period)									
23 **Total balances (millions of dollars)**[6]	**9,910**	**13,092**	**16,150**	**16,498**	**16,687**	**16,339**	**16,543**	**16,920**	**17,886**	n.a.
Distribution by equity status (percent)										
24 Net credit status	43.4	41.3	44.2	44.1	45.7	44.3	45.8	47.6	48.7	n.a.
Debt status, equity of										
25 60 percent or more	44.9	45.1	47.0	47.4	41.9	44.0	43.6	43.4	43.8	n.a.
26 Less than 60 percent	11.7	13.6	8.8	8.4	12.4	11.7	10.6	9.0	8.0	n.a.

Margin requirements (percent of market value and effective date)[7]	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
27 Margin stocks	70	80	65	55	65	50
28 Convertible bonds	50	60	50	50	50	50
29 Short sales	70	80	65	55	65	50

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. Margin credit includes all credit extended to purchase or carry stocks or related equity instruments and secured at least in part by stock. Credit extended is end-of-month data for member firms of the New York Stock Exchange.
In addition to assigning a current loan value to margin stock generally, Regulations T and U permit special loan values for convertible bonds and stock acquired through exercise of subscription rights.
3. A distribution of this total by equity class is shown on lines 17–22.
4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.
6. Balances that may be used by customers as the margin deposit required for additional purchases. Balances may arise as transfers based on loan values of other collateral in the customer's margin account or deposits of cash (usually sales proceeds) occur.
7. Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 percent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

1.38 SAVINGS INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1977	1978	1979			1980						
			Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July*p*
	Savings and loan associations											
1 **Assets**	**459,241**	**523,542**	**576,251**	**578,922**	**579,307**	**582,252**	**585,685**	**589,498**	**591,108**	**593,321**	**594,792**	**596,992**
2 Mortgages	381,163	432,808	472,198	474,678	475,797	476,448	477,303	479,078	480,165	480,092	481,184	482,985
3 Cash and investment securities[1]	39,150	44,884	49,220	48,180	46,541	48,473	50,168	50,899	50,576	52,670	52,613	52,352
4 Other	38,928	45,850	54,833	56,064	56,969	57,331	58,214	59,521	60,367	60,559	60,995	61,655
5 **Liabilities and net worth**	**459,241**	**523,542**	**576,251**	**578,922**	**579,307**	**582,252**	**585,685**	**589,498**	**591,108**	**593,321**	**594,792**	**596,992**
6 Savings capital	386,800	430,953	464,489	465,646	470,171	472,236	473,862	478,265	478,591	481,613	486,900	489,133
7 Borrowed money	27,840	42,907	54,268	54,433	55,375	55,233	55,276	57,346	57,407	55,353	54,950	53,600
8 FHLBB	19,945	31,990	39,223	39,638	40,441	40,364	40,337	42,413	42,724	41,529	40,613	39,884
9 Other	7,895	10,917	15,045	14,795	14,934	14,869	14,939	14,933	14,683	13,824	14,337	13,716
10 Loans in process	9,911	10,721	10,766	10,159	9,511	8,735	8,269	8,079	7,660	7,126	6,974	7,060
11 Other	9,506	9,904	14,673	16,324	11,684	13,315	15,385	12,683	14,260	16,246	13,056	14,423
12 Net worth[2]	25,184	29,057	32,055	32,360	32,566	32,733	32,893	33,125	33,190	32,983	32,912	32,776
13 MEMO: Mortgage loan commitments outstanding[3]	19,875	18,911	20,930	18,029	16,007	15,559	16,744	15,844	14,193	13,929	15,368	18,039
	Mutual savings banks[4]											
14 **Assets**	**14,287**	**158,174**	**163,133**	**163,205**	**163,405**	**163,252**	**164,270**	**165,107**	**165,366**	**166,340**	**167,002**	
Loans												
15 Mortgage	88,195	95,157	98,304	98,610	98,908	98,940	99,220	99,151	99,045	99,163	99,150	
16 Other	6,210	7,195	9,510	9,449	9,253	9,804	10,044	10,131	10,187	10,543	11,115	
Securities												
17 U.S. government[5]	5,895	4,959	7,750	7,754	7,658	7,387	7,436	7,629	7,548	7,527	7,530	
18 State and local government	2,828	3,333	3,100	3,003	2,930	2,887	2,853	2,824	2,791	2,727	2,701	
19 Corporate and other[6]	37,918	39,732	37,210	37,036	37,086	37,114	37,223	37,493	37,801	38,246	38,325	n.a.
20 Cash	2,401	3,665	2,909	3,010	3,156	2,703	3,012	3,361	3,405	3,588	3,575	
21 Other assets	3,839	4,131	4,351	4,343	4,412	4,417	4,481	4,518	4,588	4,547	4,606	
22 **Liabilities**	**147,287**	**158,174**	**163,133**	**163,205**	**163,405**	**163,252**	**164,270**	**165,107**	**165,366**	**166,340**	**167,002**	
23 Deposits	134,017	142,701	145,096	144,828	146,006	145,044	145,171	146,328	145,821	146,637	148,563	
24 Regular[7]	132,744	141,170	143,263	143,064	144,070	143,143	143,284	144,214	143,765	144,646	146,394	
25 Ordinary savings	78,005	71,816	62,672	61,156	61,123	59,252	58,234	56,948	54,247	54,669	56,329	
26 Time and other	54,739	69,354	80,591	81,908	82,947	83,891	85,050	87,266	89,517	89,977	90,065	
27 Other	1,272	1,531	1,834	1,764	1,936	1,901	1,887	2,115	2,056	1,990	2,169	
28 Other liabilities	3,292	4,565	6,600	6,872	5,873	6,665	7,485	7,135	7,916	8,161	6,975	
29 General reserve accounts	9,978	10,907	11,437	11,504	11,525	11,544	11,615	11,643	11,629	11,542	11,465	
30 MEMO: Mortgage loan commitments outstanding[8]	4,066	4,400	3,749	3,619	3,182	2,919	2,618	2,397	2,097	1,883	1,849	
	Life insurance companies											
31 **Assets**	**351,722**	**389,924**	**423,760**	**427,496**	**431,453**	**436,226**	**438,638**	**439,733**	**442,932**	**447,020**	**450,858**	
Securities												
32 Government	19,553	20,009	20,429	20,486	20,294	20,378	20,438	20,545	20,470	20,529	20,395	
33 United States[9]	5,315	4,822	5,075	5,122	4,984	4,878	4,898	5,004	5,059	5,107	4,990	
34 State and local	6,051	6,402	6,339	6,354	6,392	6,433	6,488	6,454	6,351	6,352	6,349	
35 Foreign[10]	8,187	8,785	9,015	9,010	8,918	9,067	9,052	9,087	9,060	9,070	9,056	
36 Business	175,654	198,105	216,183	217,856	218,284	222,332	223,423	221,214	222,175	223,556	224,874	n.a.
37 Bonds	141,891	162,587	178,633	179,158	178,828	181,820	182,521	182,536	182,750	183,356	184,329	
38 Stocks	33,763	35,518	37,550	38,698	39,456	40,512	40,902	38,678	39,425	40,200	40,545	
39 Mortgages	96,848	106,167	115,991	117,253	118,784	119,885	120,926	122,314	123,587	124,563	125,455	
40 Real estate	11,060	11,764	12,816	12,906	13,047	13,083	13,201	13,512	13,696	13,981	14,085	
41 Policy loans	27,556	30,146	33,574	34,220	34,761	35,302	35,839	36,901	38,166	38,890	39,354	
42 Other assets	21,051	23,733	24,767	24,775	26,283	25,246	24,811	25,247	24,838	25,501	26,695	
	Credit unions											
43 **Total assets/liabilities and capital**	**53,755**	**62,348**	**65,063**	**65,419**	**65,854**	**64,506**	**64,857**	**65,678**	**65,190**	**66,103**	**68,102**	**68,429**
44 Federal	29,564	34,760	35,537	35,670	35,934	35,228	35,425	36,091	35,834	36,341	37,555	37,573
45 State	24,191	27,588	29,526	29,749	29,920	29,278	29,432	29,587	29,356	29,762	30,547	30,856
46 Loans outstanding	41,845	50,269	53,533	56,267	53,125	52,089	51,626	51,337	50,344	49,469	48,172	47,829
47 Federal	22,634	27,687	29,020	30,613	28,698	28,053	27,783	27,685	27,119	26,550	25,773	25,435
48 State	19,211	22,582	24,513	25,654	24,426	24,036	23,843	23,652	23,225	22,919	22,399	22,394
49 Savings	46,516	53,517	55,739	55,797	56,232	55,447	55,790	56,743	56,338	57,197	59,310	60,574
50 Federal (shares)	25,576	29,802	30,366	30,399	35,530	30,040	32,256	30,948	30,851	31,403	32,764	33,472
51 State (shares and deposits)	20,940	23,715	25,373	25,398	25,702	25,407	25,534	25,795	25,487	25,794	26,546	27,102

For notes see bottom of page A30.

1.39 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1977	Fiscal year 1978	Fiscal year 1979	Calendar year 1979 H1	1979 H2	1980 H1	1980 May	1980 June	1980 July
U.S. budget									
1 Receipts[1]	357,762	401,997	465,940	246,574	233,952	270,864	36,071	59,055	37,348
2 Outlays[1]	402,725	450,836	493,673	245,616	263,044	289,899	50,198	46,702	52,409
3 Surplus, or deficit(−)	−44,963	−48,839	−27,733	958	−29,093	−19,035	−14,127	12,353	−15,062
4 *Trust funds*	9,497	12,693	18,335	4,041	9,679	4,383	6,463	1,361	−8,224
5 Federal funds[2]	−54,460	−61,532	−46,069	−3,083	−38,773	−23,418	−20,590	10,992	−6,838
Off-budget entities (surplus, or deficit (−))									
6 Federal Financing Bank outlays	−8,415	−10,661	−13,261	−7,712	−5,909	−7,735	−1,827	−511	−1,214
7 Other[3]	−269	334	832	−447	805	−528	−364	121	−107
U.S. budget plus off-budget, including Federal Financing Bank									
8 Surplus, or deficit (−)	−53,647	−59,166	−40,162	−7,201	−34,197	−27,298	−16,318	11,963	−16,383
Source or financing									
9 Borrowing from the public	53,516	59,106	33,641	6,039	31,320	24,435	5,350	−4,615	9,737
10 Cash and monetary assets (decrease, or increase (−))[4]	−2,247	−3,023	−408	−8,878	3,059	−3,482	9,841	−7,135	3,346
11 Other[5]	2,378	3,083	6,929	10,040	−182	6,345	−1,127	−213	3,300
MEMO:									
12 Treasury operating balance (level, end of period)	19,104	22,444	24,176	17,485	15,924	14,092	10,662	14,092	10,432
13 Federal Reserve Banks	15,740	16,647	6,489	3,290	4,075	3,199	4,523	3,199	3,954
14 Tax and loan accounts	3,364	5,797	17,687	14,195	11,849	10,893	6,139	10,893	6,478

1. Effective June 1978, earned income credit payments in excess of an individual's tax liability, formerly treated as income tax refunds, are classified as outlays retroactive to January 1976.
2. Half-year figures are calculated as a residual (total surplus/deficit less trust fund surplus/deficit).
3. Includes Pension Benefit Guaranty Corporation; Postal Service Fund; Rural Electrification and Telephone Revolving Fund; and Rural Telephone Bank.
4. Includes U.S. Treasury operating cash accounts; special drawing rights; gold tranche drawing rights; loans to International Monetary Fund; and other cash and monetary assets.
5. Includes accrued interest payable to the public; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seignorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," *Treasury Bulletin*, and the *Budget of the United States Government, Fiscal Year 1981*.

NOTES TO TABLE 1.38

1. Holdings of stock of the Federal Home Loan Banks are included in "other assets."
2. Includes net undistributed income, which is accrued by most, but not all, associations.
3. Excludes figures for loans in process, which are shown as a liability.
4. The NAMSB reports that, effective April 1979, balance sheet data are not strictly comparable with previous months. Beginning April 1979, data are reported on a net-of-valuation-reserves basis. Prior to that date, data were reported on a gross-of-valuation-reserves basis.
5. Beginning April 1979, includes obligations of U.S. government agencies. Before that date, this item was included in "Corporate and other."
6. Includes securities of foreign governments and international organizations and, prior to April 1979, nonguaranteed issues of U.S. government agencies.
7. Excludes checking, club, and school accounts.
8. Commitments outstanding (including loans in process) of banks in New York State as reported to the Savings Banks Association of the state of New York.
9. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
10. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE. *Savings and loan associations:* Estimates by the FHLBB for all associations in the United States. Data are based on monthly reports of federally insured associations and annual reports of other associations. Even when revised, data for current and preceding year are subject to further revision.

Mutual savings banks: Estimates of National Association of Mutual Savings Banks for all savings banks in the United States.

Life insurance companies: Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

Credit unions: Estimates by the National Credit Union Administration for a group of federal and state-chartered credit unions that account for about 30 percent of credit union assets. Figures are preliminary and revised annually to incorporate recent benchmark data.

1.40 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1977	Fiscal year 1978	Fiscal year 1979	Calendar year					
				1979		1980	1980		
				H1	H2	H1	May	June	July
RECEIPTS									
1 **All sources**[1]	**357,762**	**401,997**	**465,940**	**246,574**	**233,952**	**270,864**	**36,071**	**59,055**	**37,348**
2 Individual income taxes, net	157,626	180,988	217,841	111,603	115,488	119,988	9,275	27,791	19,773
3 Withheld	144,820	165,215	195,295	98,683	105,764	110,394	18,104	19,791	19,513
4 Presidential Election Campaign Fund	37	39	36	32	3	34	7	4	4
5 Nonwithheld	42,062	47,804	56,215	44,116	12,355	49,707	2,101	9,380	1,580
6 Refunds[1]	29,293	32,070	33,705	31,228	2,634	40,147	10,937	1,385	1,324
Corporation income taxes									
7 Gross receipts	60,057	65,380	71,448	42,427	29,169	43,434	1,866	16,251	2,673
8 Refunds	5,164	5,428	5,771	2,889	3,306	4,064	635	447	537
9 Social insurance taxes and contributions, net	108,683	123,410	141,591	75,609	71,031	86,597	20,787	10,793	10,253
10 Payroll employment taxes and contributions[2]	88,196	99,626	115,041	59,298	60,562	69,077	15,376	9,702	8,697
11 Self-employment taxes and contributions[3]	4,014	4,267	5,034	4,616	417	5,535	376	395	−231
12 Unemployment insurance	11,312	13,850	15,387	8,623	6,899	8,690	4,495	177	1,229
13 Other net receipts[4]	5,162	5,668	6,130	3,072	3,149	3,294	540	519	558
14 Excise taxes	17,548	18,376	18,745	8,984	9,675	11,383	2,502	2,497	2,662
15 Customs deposits	5,150	6,573	7,439	3,682	3,741	3,443	557	611	663
16 Estate and gift taxes	7,327	5,285	5,411	2,657	2,900	3,091	623	502	623
17 Miscellaneous receipts[5]	6,536	7,413	9,237	4,501	5,254	6,993	1,098	1,057	1,240
OUTLAYS									
18 **All types**[1]	**402,725**	**450,836**	**493,673**	**245,616**	**263,044**	**289,899**	**50,198**	**46,702**	**52,409**
19 National defense	97,501	105,186	117,681	57,643	62,002	69,132	11,543	11,885	11,666
20 International affairs	4,813	5,922	6,091	3,538	4,617	4,602	648	325	1,445
21 General science, space, and technology	4,677	4,,742	5,041	2,461	3,299	3,150	516	527	503
22 Energy	4,172	5,861	6,856	4,417	3,281	3,126	624	657	619
23 Natural resources and environment	10,000	10,925	12,091	5,672	7,350	6,668	1,130	1,159	1,316
24 Agriculture	5,532	7,731	6,238	3,020	1,709	3,193	478	623	−247
25 Commerce and housing credit	−44	3,324	2,565	60	3,002	3,878	1,133	924	781
26 Transportation	14,636	15,445	17,459	7,688	10,298	9,582	1,419	1,846	1,948
27 Community and regional development	6,348	11,039	9,482	4,499	4,855	5,302	836	966	593
28 Education, training, employment, social services	20,985	26,463	29,685	14,467	14,579	16,686	2,521	2,560	2,435
29 Health	38,785	43,676	49,614	24,860	26,492	29,299	4,970	4,948	5,043
30 Income security[1]	137,915	146,212	160,198	81,173	86,007	94,600	16,115	15,150	17,941
31 Veterans benefits and services	18,038	18,974	19,928	10,127	10,113	9,758	2,795	632	1,715
32 Administration of justice	3,600	3,802	4,153	2,096	2,174	2,291	397	363	400
33 General government	3,312	3,737	4,153	2,291	2,103	2,422	382	426	413
34 General-purpose fiscal assistance	9,499	9,601	8,372	3,890	4,286	3,940	238	53	1,830
35 Interest[6]	38,009	43,966	52,556	26,934	29,045	32,658	5,299	9,565	4,602
36 Undistributed offsetting receipts[6,7]	−15,053	−15,772	−18,489	−8,999	−12,164	−10,387	−845r	−5,905	−594

1. Effective June 1978, earned income credit payments in excess of an individual's tax liability, formerly treated as income tax refunds, are classified as outlays retroactive to January 1976.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Old-age, disability, and hospital insurance.
4. Supplementary medical insurance premiums, federal employee retirement contributions, and Civil Service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Effective September 1976, "Interest" and "Undistributed offsetting receipts" reflect the accounting conversion for the interest on special issues for U.S. government accounts from an accrual basis to a cash basis.
7. Consists of interest received by trust funds, rents and royalties on the Outer Continental Shelf, and U.S. government contributions for employee retirement.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" and the *Budget of the U.S. Government, Fiscal Year 1981*.

1.41 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1977	1978			1979				1980
	Dec. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31.	Mar. 31
1 **Federal debt outstanding**	**729.2**	**758.8**	**780.4**	**797.7**	**804.6**	**812.2**	**833.8**	**852.2**	**870.4**
2 Public debt securities	718.9	749.0	771.5	789.2	796.8	804.9	826.5	845.1	863.5
3 Held by public	564.1	587.9	603.6	619.2	630.5	626.4	638.8	658.0	677.1
4 Held by agencies	154.8	161.1	168.0	170.0	166.3	178.5	187.7	187.1	186.3
5 Agency securities	10.2	9.8	8.9	8.5	7.8	7.3	7.2	7.1	7.0
6 Held by public	8.4	8.0	7.4	7.0	6.3	5.9	5.8	5.6	5.5
7 Held by agencies	1.8	1.8	1.5	1.5	1.5	1.5	1.5	1.5	1.5
8 **Debt subject to statutory limit**	**720.1**	**750.2**	**772.7**	**790.3**	**797.9**	**806.0**	**827.6**	**846.2**	**864.5**
9 Public debt securities	718.3	748.4	770.9	788.6	796.2	804.3	825.9	844.5	862.8
10 Other debt[1]	1.7	1.8	1.8	1.7	1.7	1.7	1.7	1.7	1.7
11 MEMO. Statutory debt limit	752.0	752.0	798.0	798.0	798.0	830.0	830.0	879.0	879.0

1. Includes guaranteed debt of government agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

NOTE. Data from *Treasury Bulletin* (U.S. Treasury Department).

1.42 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1976	1977	1978	1979	1980				
					Apr.	May	June	July	Aug.
1 **Total gross public debt**	**653.5**	**718.9**	**789.2**	**845.1**	**870.0**	**877.9**	**877.6**	**881.7**	**893.4**
By type									
2 Interest-bearing debt	652.5	715.2	782.4	844.0	868.9	873.5	876.3	880.4	888.7
3 Marketable	363.2	459.9	487.5	530.7	564.9	567.6	566.7	576.1	583.4
4 Bills	164.0	161.1	161.7	172.6	195.3	195.4	184.7	191.5	199.3
5 Notes	216.7	251.8	265.8	283.4	291.8	291.5	301.5	302.6	300.3
6 Bonds	40.6	47.0	60.0	74.7	77.7	80.6	80.6	82.0	83.9
7 Nonmarketable[1]	231.2	255.3	294.8	313.2	304.0	306.0	309.5	304.3	305.3
8 Convertible bonds[2]	2.3	2.2	2.2	2.2	—	—	—	—	—
9 State and local government series	4.5	13.9	24.3	24.6	23.7	23.6	23.6	23.5	23.6
10 Foreign issues[3]	22.3	22.2	29.6	28.8	26.3	25.9	25.5	25.8	25.8
11 Government	22.3	22.2	28.0	23.6	19.8	19.5	19.0	19.3	19.4
12 Public	0	0	1.6	5.3	6.4	6.4	6.4	6.4	6.4
13 Savings bonds and notes	72.3	77.0	80.9	79.9	74.2	73.6	73.4	73.3	73.2
14 Government account series[4]	129.7	139.8	157.5	177.5	179.7	182.6	186.8	181.5	182.4
15 Non-interest-bearing debt	1.1	3.7	6.8	1.2	1.1	4.4	1.3	1.3	4.7
By holder[5]									
16 U.S. government agencies and trust funds	147.1	154.8	170.0	187.1	188.2	190.7			
17 Federal Reserve Banks	97.0	102.5	109.6	117.5	118.8	124.0			
18 Private investors	409.5	461.3	508.6	540.5	563.0	562.9			
19 Commercial banks	103.8	101.4	94.7	97.0	99.2	100.0			
20 Mutual savings banks	5.9	5.9	5.0	4.2	4.1	4.1			
21 Insurance companies	12.7	15.5	14.9	14.4	14.2	13.7			
22 Other companies	27.7	22.7	20.5	23.9	25.7	25.0	n.a.	n.a.	n.a.
23 State and local governments	41.6	54.8	70.1	68.2	73.9	74.8			
Individuals									
24 Savings bonds	72.0	76.7	80.7	79.9	74.2	73.4			
25 Other securities	28.8	28.6	30.1	34.2	43.8	43.0			
26 Foreign and international[6]	78.1	109.6	137.8	123.8	116.4	117.2			
27 Other miscellaneous investors[7]	38.9	46.0	54.9	94.8	111.5	111.7			

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
2. These nonmarketable bonds, also known as Investment Series B Bonds, may be exchanged (or converted) at the owner's option for 1½ percent, 5-year marketable Treasury notes. Convertible bonds that have been so exchanged are removed from this category and recorded in the notes category (line 5).
3. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.
4. Held almost entirely by U.S. government agencies and trust funds.
5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
6. Consists of the investments of foreign balances and international accounts in the United States. Beginning with July 1974, the figures exclude non-interest-bearing notes issued to the International Monetary Fund.
7. Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, certain government deposit accounts, and government sponsored agencies.

NOTE. Gross public debt excludes guaranteed agency securities and, beginning in July 1974, includes Federal Financing Bank security issues.

Data by type of security from *Monthly Statement of the Public Debt of the United States* (U.S. Treasury Department); data by holder from *Treasury Bulletin*.

1.43 U.S. GOVERNMENT MARKETABLE SECURITIES Ownership, by maturity

Par value; millions of dollars, end of period

Type of holder	1978	1979	1980 May	1980 June	1978	1979	1980 May	1980 June
	All maturities				1 to 5 years			
1 **All holders**	**487,546**	**530,731**	**567,560**	**566,735**	**162,886**	**164,198**	**176,354**	**184,000**
2 U.S. government agencies and trust funds	12,695	11,047	10,382	10,327	3,310	2,555	2,558	2,541
3 Federal Reserve Banks	109,616	117,458	124,003	124,515	31,283	28,469	32,962	33,703
4 Private investors	365,235	402,226	433,175	431,893	128,293	133,173	140,835	147,756
5 Commercial banks	68,890	69,076	68,366	69,535	38,390	38,346	38,490	42,026
6 Mutual savings banks	3,499	3,204	3,083	3,023	1,918	1,668	1,523	1,474
7 Insurance companies	11,635	11,496	11,029	11,075	4,664	4,518	4,217	4,137
8 Nonfinancial corporations	8,272	8,433	7,972	6,948	3,635	2,844	2,795	2,565
9 Savings and loan associations	3,835	3,209	3,198	3,088	2,255	1,763	1,859	1,812
10 State and local governments	18,815	15,735	18,088	17,997	3,997	3,487	4,186	4,189
11 All others	250,288	291,072	321,438	320,226	73,433	80,546	87,765	91,553
	Total, within 1 year				5 to 10 years			
12 **All holders**	**228,516**	**255,252**	**274,175**	**262,450**	**50,400**	**50,440**	**51,460**	**54,736**
13 U.S. government agencies and trust funds	1,488	1,629	1,086	1,047	1,989	871	1,398	1,398
14 Federal Reserve Banks	52,801	63,219	63,190	63,038	14,809	12,977	13,745	13,623
15 Private investors	174,227	190,403	209,899	198,365	33,601	36,592	36,317	39,715
16 Commercial banks	20,608	20,171	20,636	17,584	7,490	8,086	6,745	7,354
17 Mutual savings banks	817	836	868	833	496	459	458	478
18 Insurance companies	1,838	2,016	1,714	1,659	2,899	2,815	2,956	3,006
19 Nonfinancial corporations	4,048	4,933	4,032	3,205	369	308	348	345
20 Savings and loan associations	1,414	1,301	1,204	1,123	89	69	68	96
21 State and local governments	8,194	5,607	6,640	6,412	1,588	1,540	1,749	1,874
22 All others	137,309	155,539	174,806	167,550	20,671	23,314	23,993	26,561
	Bills, within 1 year				10 to 20 years			
23 **All holders**	**161,747**	**172,644**	**195,387**	**184,684**	**19,800**	**27,588**	**29,454**	**29,432**
24 U.S. government agencies and trust funds	2	0	1	1	3,876	4,520	3,608	3,608
25 Federal Reserve Banks	42,397	45,337	49,195	49,905	2,088	3,272	3,577	3,596
26 Private investors	119,348	127,306	146,191	134,778	13,836	19,796	22,270	22,229
27 Commercial banks	5,707	5,938	7,057	4,739	956	993	1,049	1,054
28 Mutual savings banks	150	262	176	144	143	127	161	158
29 Insurance companies	753	473	386	373	1,460	1,305	1,228	1,352
30 Nonfinancial corporations	12	2,793	1,906	988	86	218	306	332
31 Savings and loan associations	262	219	273	203	60	58	53	45
32 State and local governments	5,524	3,100	4,378	3,906	1,420	1,762	2,259	2,302
33 All others	105,161	114,522	132,016	124,426	9,711	15,332	17,215	16,988
	Other, within 1 year				Over 20 years			
34 **All holders**	**66,769**	**82,608**	**78,788**	**77,766**	**25,944**	**33,254**	**36,117**	**36,117**
35 U.S. government agencies and trust funds	1,487	1,629	1,085	1,046	2,031	1,472	1,734	1,734
36 Federal Reserve Banks	10,404	17,882	13,996	13,133	8,635	9,520	10,529	10,556
37 Private investors	54,879	63,097	63,707	63,587	15,278	22,262	23,855	23,828
38 Commercial banks	14,901	14,233	13,579	12,844	1,446	1,470	1,445	1,518
39 Mutual savings banks	667	574	692	690	126	113	73	80
40 Insurance companies	1,084	1,543	1,328	1,285	774	842	914	921
41 Nonfinancial corporations	2,256	2,140	2,126	2,217	135	130	492	500
42 Savings and loan associations	1,152	1,081	931	920	17	19	15	14
43 State and local governments	2,670	2,508	2,262	2,506	3,616	3,339	3,254	3,220
44 All others	32,149	41,017	42,790	291,765	9,164	16,340	17,660	17,574

NOTE. Direct public issues only. Based on Treasury Survey of Ownership from *Treasury Bulletin* (U.S. Treasury Department).

Data complete for U.S. government agencies and trust funds and Federal Reserve Banks, but data for other groups include only holdings of those institutions that report. The following figures show, for each category, the number and proportion reporting as of June 30, 1980: (1) 5,362 commercial banks, 460 mutual savings banks, and 724 insurance companies, each about 80 percent; (2) 415 nonfinancial corporations and 481 savings and loan associations, each about 50 percent; and (3) 492 state and local governments, about 40 percent.

"All others," a residual, includes holdings of all those not reporting in the Treasury Survey, including investor groups not listed separately.

1.44 U.S. GOVERNMENT SECURITIES DEALERS Transactions

Par value; averages of daily figures, in millions of dollars

Item	1977	1978	1979	1980			1980, week ending Wednesday					
				Apr.	May[r]	June	Apr. 30	May 7	May 14	May 21	May 28	June 4
1 **U.S. government securities**	**10,838**	**10,285**	**13,183[r]**	**19,725**	**19,370**	**17,742**	**19,620**	**22,669**	**21,019**	**17,283**	**18,262**	**17,931**
By maturity												
2 Bills	6,746	6,173	7,915	12,885	11,664	9,996	12,995	13,487	11,524	10,183	12,370	11,221
3 Other within 1 year	237	392	454	372	500	560	429	557	558	428	464	520
4 1–5 years	2,320	1,889	2,417	3,610	3,967	3,718	3,846	5,563	4,499	3,551	2,748	3,546
5 5–10 years	1,148	965	1,121	1,138	1,394	1,770	847	1,174	2,054	1,391	1,105	1,325
6 Over 10 years	388	867	1,276	1,720	1,846	1,697	1,503	1,887	2,384	1,730	1,576	1,319
By type of customer												
7 U.S. government securities dealers	1,268	1,135	1,448	1,607	1,438	1,382	1,562	1,647	1,862	1,137	1,228	1,690
8 U.S. government securities brokers	3,709	3,838	5,170	8,128	8,243	7,184	8,221	10,004	8,758	7,672	7,409	6,946
9 Commercial banks	2,294	1,804	1,904	2,875	2,825	2,312	3,044	3,763	2,904	2,249	2,532	2,390
10 All others[1]	3,567	3,508	4,660	7,115	6,863	6,864	6,793	7,255	7,495	6,225	7,093	6,904
11 **Federal agency securities**	**1,729**	**1,894**	**2,723**	**4,497**	**4,352**	**3,689**	**4,334**	**6,360**	**4,235**	**3,515**	**3,037**	**3,966**

1. Includes, among others, all other dealers and brokers in commodities and securities, foreign banking agencies, and the Federal Reserve System.

NOTE. Averages for transactions are based on number of trading days in the period.

Transactions are market purchases and sales of U.S. government securities dealers reporting to the Federal Reserve Bank of New York. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, or purchases or sales of securities under repurchase, reverse repurchase (resale), or similar contracts.

1.45 U.S. GOVERNMENT SECURITIES DEALERS Positions and Sources of Financing

Par value; averages of daily figures, in millions of dollars

Item	1977	1978	1979	1980			1980 week ending Wednesday					
				Apr.	May	June	Apr. 9	Apr. 16	Apr. 23	Apr. 30	May 7	May 14
	Positions[1]											
1 **U.S. government securities**	**5,172**	**2,656**	**3,223**	**8,036**	**5,398[r]**	**5,156**	**8,002**	**8,765**	**7,575**	**8,504**	**5,891**	**5,890**
2 Bills	4,772	2,452	3,813	7,870	4,025[r]	3,720	7,769	8,864	7,487	7,950	4,754	3,948
3 Other within 1 year	99	260	−325	−1,082	−843	−731	−1,028	−1,051	−1,136	−1,114	−876	−817
4 1–5 years	60	−92	−455	683	726	916	614	318	623	1,098	1,140	747
5 5–10 years	92	40	160	61	361	504	31	87	21	143	65	638
6 Over 10 years	149	−4	30	505	1,128	747	616	546	580	427	808	1,374
7 **Federal agency securities**	**693**	**606**	**1,471**	**1,207**	**1,254**	**1,411**	**907**	**1,067**	**1,506**	**1,561**	**1,406**	**1,314**
	Financing[2]											
8 **All sources**	**9,877**	**10,204**	**16,003**	**19,829**	**19,358**	**2,676**	**17,801**	**21,376**	**21,149**	**20,835**	**18,748**	**18,452**
Commercial banks												
9 New York City	1,313	599	1,396	574	851	105	588	1,021	515	447	686	1,204
10 Outside New York City	1,987	2,174	2,868	4,215	3,266	496	3,622	4,417	4,672	4,368	3,793	3,017
11 Corporations[3]	2,358	2,379	3,373	4,387	4,651	628	3,793	5,112	4,272	4,755	4,635	4,517
12 All others	4,158	5,052	4,104	10,653	10,590	1,447	9,798	10,827	11,690	11,266	9,634	9,714

1. Net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase. The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Securities owned, and hence dealer positions, do not include securities purchased under agreement to resell.

2. Total amounts outstanding of funds borrowed by nonbank dealer firms and dealer departments of commercial banks against U.S. government and federal agency securities (through both collateral loans and sales under agreements to repurchase), plus internal funds used by bank dealer departments to finance positions in such securities. Borrowings against securities held under agreeement to resell are excluded when the borrowing contract and the agreement to resell are equal in amount and maturity, that is, a matched agreement.

3. All business corporations except commercial banks and insurance companies.

NOTE. Averages for positions are based on number of trading days in the period; those for financing, on the number of calendar days in the period.

1.46 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt outstanding

Millions of dollars, end of period

Agency	1976	1977	1978	1979 Nov.	1979 Dec.	1980 Jan.	1980 Feb.	1980 Mar.	1980 Apr.
1 **Federal and federally sponsored agencies[1]**	**103,848**	**112,472**	**137,063**	**161,653**	**163,290**	**165,819**	**167,813**	**173,216**	**176,880**
2 Federal agencies	22,419	22,760	23,488	24,224	24,715	24,883	25,013	25,583	25,776
3 Defense Department[2]	1,113	983	968	748	738	729	719	709	688
4 Export-Import Bank[3,4]	8,574	8,671	8,711	8,812	9,191	9,176	9,144	9,627	9,615
5 Federal Housing Administration[5]	575	581	588	545	537	539	546	550	537
6 Government National Mortgage Association participation certificates[6]	4,120	3,743	3,141	3,004	2,979	2,979	2,979	2,979	2,937
7 Postal Service[7]	2,998	2,431	2,364	1,837	1,837	1,837	1,837	1,837	1,837
8 Tennessee Valley Authority	4,935	6,015	7,460	8,825	8,997	9,182	9,347	9,440	9,695
9 United States Railway Association[7]	104	336	356	453	436	441	441	441	467
10 Federally sponsored agencies[1]	81,429	89,712	113,575	137,429	138,575	140,936	142,800	147,633	151,104
11 Federal Home Loan Banks	16,811	18,345	27,563	33,296	33,330	33,122	33,102	35,309	36,352
12 Federal Home Loan Mortgage Corporation	1,690	1,686	2,262	2,621	2,771	2,769	2,764	2,644	2,643
13 Federal National Mortgage Association	30,565	31,890	41,080	47,278	48,486	49,031	50,139	51,614	52,456
14 Federal Land Banks	17,127	19,118	20,360	16,006	16,006	15,106	15,106	15,106	13,940
15 Federal Intermediate Credit Banks	10,494	11,174	11,469	2,676	2,676	2,144	2,144	2,144	2,144
16 Banks for Cooperatives	4,330	4,434	4,843	584	584	584	584	584	584
17 Farm Credit Banks[1]	....	2,548	5,081	33,547	33,216	36,584	37,240	38,446	41,039
18 *Student Loan Marketing Association[8]*	410	515	915	1,420	1,505	1,595	1,720	1,785	1,945
19 Other	2	2	2	1	1	1	1	1	1
MEMO:									
20 **Federal Financing Bank debt[7,9]**	**28,711**	**38,580**	**51,298**	**66,281**	**67,383**	**68,294**	**69,268**	**71,885**	**74,009**
Lending to federal and federally sponsored agencies									
21 Export-Import Bank[4]	5,208	5,834	6,898	7,953	8,353	8,353	8,353	8,849	8,849
22 Postal Service[7]	2,748	2,181	2,114	1,587	1,587	1,587	1,587	1,587	1,587
23 Student Loan Marketing Association[8]	410	515	915	1,420	1,505	1,595	1,720	1,785	1,945
24 Tennessee Valley Authority	3,110	4,190	5,635	7,100	7,272	7,457	7,622	7,715	7,970
25 United States Railway Association[7]	104	336	356	453	436	441	441	441	467
Other Lending[10]									
26 Farmers Home Administration	10,750	16,095	23,825	31,950	32,050	32,145	32,565	33,410	34,755
27 Rural Electrification Administration	1,415	2,647	4,604	6,272	6,484	6,701	6,874	7,039	7,155
28 Other	4,966	6,782	6,951	9,546	9,696	10,015	10,106	11,059	11,281

1. In September 1977 the Farm Credit Banks issued their first consolidated bonds, and in January 1979 they began issuing these bonds on a regular basis to replace the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks, and the Banks for Cooperatives. Line 17 represents those consolidated bonds outstanding, as well as any discount notes that have been issued. Lines 1 and 10 reflect the addition of this item.

2. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.

3. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.

4. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.

5. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.

6. Certificates of participation issued prior to fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.

7. Off-budget.

8. Unlike other federally sponsored agencies, the Student Loan Marketing Association may borrow from the Federal Financing Bank (FFB) since its obligations are guaranteed by the Department of Health, Education, and Welfare.

9. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.

10. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

1.47 NEW SECURITY ISSUES of State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1977	1978	1979	1980					
				Jan.	Feb.	Mar.	Apr.	May	June^p
1 **All issues, new and refunding**[1]	**46,769**	**48,607**	**43,490**	**3,049**	**2,390**	**2,385**	**4,833**	**4,570**	**5,960**
Type of issue									
2 General obligation	18,042	17,854	12,109	1,166	935	731	1,662	1,534	1,886
3 Revenue	28,655	30,658	31,256	1,875	1,445	1,648	3,170	3,032	4,071
4 Housing Assistance Administration[2]	....	....	....	....	....	....	....	....	....
5 U.S. government loans	72	95	125	8	10	6	1	4	3
Type of issuer									
6 State	6,354	6,632	4,314	699	327	393	466	749	897
7 Special district and statutory authority	21,717	24,156	23,434	1,392	1,224	1,200	2,175	2,276	3,414
8 Municipalities, counties, townships, school districts	18,623	17,718	15,617	951	830	786	2,192	1,539	1,647
9 **Issues for new capital, total**	**36,189**	**37,629**	**41,505**	**3,022**	**2,357**	**2,379**	**4,704**	**4,501**	**5,886**
Use of proceeds									
10 Education	5,076	5,003	5,130	231	356	191	488	297	783
11 Transportation	2,951	3,460	2,441	172	178	156	299	193	329
12 Utilities and conservation	8,119	9,026	8,594	552	360	440	607	688	563
13 Social welfare	8,274	10,494	15,968	1,290	1,021	1,133	2,062	1,801	2,986
14 Industrial aid	4,676	3,526	3,836	63	103	211	315	484	332
15 Other purposes	7,093	6,120	5,536	714	339	248	933	1,038	893

1. Par amounts of long-term issues based on date of sale.
2. Only bonds sold pursuant to the 1949 Housing Act, which are secured by contract requiring the Housing Assistance Administration to make annual contributions to the local authority.

SOURCE. Public Securities Association.

1.48 NEW SECURITY ISSUES of Corporations

Millions of dollars

Type of issue or issuer, or use	1977	1978	1979	1979		1980				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
1 **All issues**[1]	**53,792**	**47,230**	**51,464**	**3,831**	**3,801**	**6,210**	**4,452**	**4,353**	**5,646**	**8,966**
2 **Bonds**	**42,015**	**36,872**	**40,139**	**2,612**	**2,475**	**4,834**	**2,856**	**2,771**	**4,744**	**7,234**
Type of offering										
3 Public	24,072	19,815	25,814	1,583	1,500	2,450	1,426	1,985	3,828	6,810
4 Private placement	17,943	17,057	14,325	1,029	975	2,384	1,430	786	916	424
Industry group										
5 Manufacturing	12,204	9,572	9,667	319	308	943	960	693	1,718	2,373
6 Commercial and miscellaneous	6,234	5,246	3,941	207	375	634	262	215	429	554
7 Transportation	1,996	2,007	3,102	289	194	431	227	94	158	338
8 Public utility	8,262	7,092	8,118	658	763	1,338	635	1,423	596	702
9 Communication	3,063	3,373	4,219	854	74	483	533	196	590	1,155
10 Real estate and financial	10,258	9,586	11,095	287	762	1,006	238	152	1,252	2,113
11 **Stocks**	**11,777**	**10,358**	**11,325**	**1,219**	**1,326**	**1,376**	**1,596**	**1,582**	**902**	**1,732**
Type										
12 Preferred	3,916	2,832	3,574	443	282	287	88	525	223	202
13 Common	7,861	7,526	7,751	776	1,044	1,089	1,508	1,057	679	530
Industry group										
14 Manufacturing	1,189	1,241	1,679	158	224	333	380	598	81	215
15 Commercial and miscellaneous	1,834	1,816	2,623	286	430	313	426	404	374	512
16 Transportation	456	263	255	2	....	59	58	36	9	27
17 Public utility	5,865	5,140	5,171	607	365	535	627	408	319	615
18 Communication	1,379	264	303	2	1	....	39	27	53	25
19 Real estate and financial	1,049	1,631	1,293	165	306	135	65	109	67	338

1. Figures, which represent gross proceeds of issues maturing in more than one year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.

SOURCE. Securities and Exchange Commission.

1.49 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1978	1979	1979 Dec.	1980 Jan.	Feb.	Mar.	Apr.	May	June	July
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	6,645	7,495	748	957	773	723	1,010	1,175	1,772	1,496
2 Redemptions of own shares[3]	7,231	8,393	743	776	882	892	762	647	775	863
3 Net sales	-586	-898	5	181	-109	-169	248	528	997	633
4 Assets[4]	44,980	49,493	49,277	51,278	49,512	44,581	47,270	50,539	52,946	54,269
5 Cash position[5]	4,507	4,983	4,983	5,702	5,895	5,644	5,862	6,209	6,495	5,523
6 Other	40,473	44,510	44,294	45,576	43,617	38,937	41,708	44,330	46,451	48,746

1. Excluding money market funds.
2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short-term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.50 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1977	1978	1979	1978 Q4	1979 Q1	1979 Q2	1979 Q3	1979 Q4	1980 Q1	1980 Q2p
1 **Profits before tax**	**177.1**	**206.0**	**236.6**	**227.4**	**233.3**	**227.9**	**242.3**	**243.0**	**260.4**	**208.8**
2 Profits tax liability	72.6	84.5	92.5	95.1	91.3	88.7	94.0	96.1	102.4	79.5
3 Profits after tax	104.5	121.5	144.1	132.3	142.0	139.3	148.3	146.9	158.0	129.3
4 Dividends	42.1	47.2	52.7	49.7	51.5	52.3	52.8	54.4	56.7	58.6
5 Undistributed profits	62.4	74.4	91.4	82.6	90.5	86.9	95.5	92.5	101.3	70.7
6 Capital consumption allowances	109.3	119.8	131.0	123.0	125.4	130.4	132.8	135.2	137.4	139.3
7 Net cash flow	171.7	194.1	222.3	205.6	215.9	217.3	228.3	227.7	238.7	210.0

SOURCE. *Survey of Current Business* (U.S. Department of Commerce).

1.51 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, except for ratio

Account	1975	1976	1977	1978		1979				1980
				Q3	Q4	Q1	Q2	Q3	Q4	Q1
1 **Current assets**	**759.0**	**826.3**	**900.9**	**992.6**	**1,028.0**	**1,079.1**	**1,106.7**	**1,165.3**	**1,197.7**	**1,233.2**
2 Cash	82.1	87.3	94.3	91.7	103.7	102.1	99.7	103.3	115.8	110.5
3 U.S. government securities	19.0	23.6	18.7	16.1	17.8	19.1	20.7	17.7	17.6	17.2
4 Notes and accounts receivable	272.1	293.3	325.0	376.4	381.9	405.6	418.1	447.8	451.8	465.9
5 Inventories	315.9	342.9	375.6	415.5	428.3	453.0	466.9	490.3	503.0	521.2
6 Other	69.9	79.2	87.3	92.9	96.3	99.3	101.3	106.1	109.5	118.4
7 **Current liabilities**	**451.6**	**492.7**	**546.8**	**626.0**	**661.9**	**701.3**	**720.4**	**770.0**	**801.7**	**831.4**
8 Notes and accounts payable	264.2	282.0	313.7	356.2	375.1	393.4	409.2	441.6	460.5	473.3
9 Other	187.4	210.6	233.1	269.7	286.8	307.9	311.2	328.3	341.2	358.1
10 **Net working capital**	**307.4**	**333.6**	**354.1**	**366.6**	**366.1**	**377.8**	**386.3**	**395.3**	**396.0**	**401.8**
11 MEMO: Current ratio [1]	1.681	1.677	1.648	1.586	1.553	1.539	1.536	1.513	1.494	1.483

1. Ratio of total current assets to total current liabilities.

NOTE: For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533–37.

All data in this table reflect the most current benchmarks. Complete data are available upon request from the Flow of Funds Section, Division of Research and Statistics.

SOURCE: Federal Trade Commission.

1.52 BUSINESS EXPENDITURES on New Plant and Equipment

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry	1978	1979	1979				1980			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3[2]	Q4[2]
1 **All industries**	**153.82**	**177.09**	**165.94**	**173.48**	**179.33**	**186.95**	**191.36**	**193.89**	**191.24**	**193.17**
Manufacturing										
2 Durable goods industries	31.66	38.23	34.00	36.86	39.72	41.30	42.30	42.80	40.35	41.55
3 Nondurable goods industries	35.96	40.69	37.56	39.56	40.50	43.88	45.01	45.98	46.90	47.33
Nonmanufacturing										
4 Mining	4.78	5.56	5.46	5.31	5.42	6.06	6.02	6.56	6.40	6.75
Transportation										
5 Railroad	3.32	3.93	4.02	3.66	4.03	4.20	4.40	3.97	3.90	4.75
6 Air	2.30	3.24	3.35	3.26	3.10	3.39	2.98	4.11	3.73	3.75
7 Other	2.43	2.95	2.71	2.79	3.16	3.15	2.94	2.73	2.93	2.72
Public utilities										
8 Electric	29.48	32.56	27.70	28.06	28.32	26.02	28.78	27.86	26.84	25.95
9 Gas and other	4.70	5.07	4.66	5.18	5.01	5.50	5.57	5.43	5.32	5.78
10 Communication	18.16	20.56	18.75	20.29	20.41	22.71	22.48	22.65	54.87	54.60
11 Commercial and other[1]	25.71	29.35	27.73	28.51	29.66	30.72	30.86	31.80		

1. Includes trade, service, construction, finance, and insurance.
2. Anticipated by business.

NOTE: Estimates for corporate and noncorporate business, excluding agriculture; real estate operators; medical, legal, educational, and cultural service; and nonprofit organizations.

SOURCE: *Survey of Current Business* (U.S. Dept. of Commerce).

1.53 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1974	1975	1976	1977	1978	1979			1980	
						Q2	Q3	Q4	Q1	Q2
ASSETS										
Accounts receivable, gross										
1 Consumer	36.1	36.0	38.6	44.0	52.6	58.7	62.3	65.7	67.7	70.2
2 Business	37.2	39.3	44.7	55.2	63.3	70.1	68.1	70.3	70.6	70.3
3 Total	73.3	75.3	83.4	99.2	116.0	128.8	130.4	136.0	138.4	140.4
4 LESS: Reserves for unearned income and losses	9.0	9.4	10.5	12.7	15.6	17.7	18.7	20.0	20.4	21.4
5 Accounts receivable, net	64.2	65.9	72.9	86.5	100.4	111.1	111.7	116.0	118.0	119.0
6 Cash and bank deposits	3.0	2.9	2.6	2.6	3.5					
7 Securities	.4	1.0	1.1	.9	1.3	24.6[1]	25.8	24.9	23.7	26.1
8 All other	12.0	11.8	12.6	14.3	17.3					
9 **Total assets**	**79.6**	**81.6**	**89.2**	**104.3**	**122.4**	**135.8**	**137.4**	**140.9**	**141.7**	**145.1**
LIABILITIES										
10 Bank loans	9.7	8.0	6.3	5.9	6.5	7.3	7.8	8.5	9.7	10.1
11 Commercial paper	20.7	22.2	23.7	29.6	34.5	41.0	39.2	43.3	40.8	40.7
Debt										
12 Short-term, n.e.c.	4.9	4.5	5.4	6.2	8.1	8.8	9.1	8.2	7.4	7.9
13 Long-term n.e.c.	26.5	27.6	32.3	36.0	43.6	46.0	47.5	46.7	48.9	50.5
14 Other	5.5	6.8	8.1	11.5	12.6	14.4	15.4	14.2	15.7	16.0
15 Capital, surplus, and undivided profits	12.4	12.5	13.4	15.1	17.2	18.2	18.4	19.9	19.2	19.9
16 **Total liabilities and capital**	**79.6**	**81.6**	**89.2**	**104.3**	**122.4**	**135.8**	**137.4**	**140.9**	**141.7**	**145.1**

1. Beginning Q1 1979, asset items on lines 6, 7, and 8 are combined.

NOTE. *Components may not add to totals due to rounding.*

1.54 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding June 30, 1980[1]	Changes in accounts receivable			Extensions			Repayments		
		1980			1980			1980		
		Apr.	May	June	Apr.	May	June	Apr.	May	June
1 **Total**	**70,255**	**277**	**-507**	**-336**	**14,754**	**14,422**	**14,376**	**14,477**	**14,929**	**14,712**
2 Retail automotive (commercial vehicles)	13,831	-364	-491	-389	844	699	782	1,208	1,190	1,171
3 Wholesale automotive	12,398	39	-136	-10	4,502	3,846	4,316	4,463	3,982	4,326
4 Retail paper on business, industrial and farm equipment	20,079	403	-13	-105	1,304	1,267	1,201	901	1,280	1,306
5 Loans on commercial accounts receivable and factored commercial accounts receivable	7,292	-233	88	-235	6,269	6,814	6,083	6,502	6,766	6,318
6 All other business credit	16,655	432	45	403	1,835	1,796	1,994	1,403	1,751	1,591

1. Not seasonally adjusted.

1.55 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1976	1977	1978	1980					
				Feb.	Mar.	Apr.	May	June	July
	Terms and yields in primary and secondary markets								
PRIMARY MARKETS									
Conventional mortgages on new homes									
Terms[1]									
1 Purchase price (thousands of dollars)	48.4	54.3	62.6	79.8	77.7	83.1	88.0	81.3	89.0
2 Amount of loan (thousands of dollars)	35.9	40.5	45.9	56.6	55.1	59.4	61.3	58.0	63.7
3 Loan/price ratio (percent)	74.2	76.3	75.3	72.5	72.0	73.6	72.4	74.1	73.5
4 Maturity (years)	27.2	27.9	28.0	28.8	27.4	28.3	28.8	28.4	28.9
5 Fees and charges (percent of loan amount)[2]	1.44	1.33	1.39	1.79	1.98	2.04	2.17	2.21	2.13
6 Contract rate (percent per annum)	8.76	8.80	9.30	11.60	12.25	12.64	13.26	12.24	12.11
Yield (percent per annum)									
7 FHLBB series[3]	8.99	9.01	9.54	11.93	12.62	13.03	13.68	12.66	12.51
8 HUD series[4]	8.99	8.95	9.68	14.10	16.05	15.55	13.20	12.45	12.45
SECONDARY MARKETS									
Yield (percent per annum)									
9 FHA mortgages (HUD series)[5]	8.82	8.68	9.70	n.a.	14.63	13.45	11.99	11.85	12.39
10 GNMA securities[6]	8.17	8.04	8.98	13.16	13.79	12.55	11.30	11.04	11.53
FNMA auctions[7]									
11 Government-underwritten loans	8.99	8.73	9.77	14.48	15.64	14.61	12.87	12.35	12.65
12 Conventional loans	9.11	8.98	10.01	14.12	16.62	16.29	13.54	12.93	12.80
	Activity in secondary markets								
FEDERAL NATIONAL MORTGAGE ASSOCIATION									
Mortgage holdings (end of period)									
13 Total	32,904	34,370	43,311	53,063	53,990	54,843	55,328	55,419	55,362
14 FHA-insured	18,916	18,457	21,243	25,146	n.a.	n.a.	n.a.	n.a.	n.a.
15 VA-guaranteed	9,212	9,315	10,544	10,885	n.a.	n.a.	n.a.	n.a.	n.a.
16 Conventional	4,776	6,597	11,524	16,853	17,079	17,453	17,858	18,001	18,034
Mortgage transactions (during period)									
17 Purchases	3,606	4,780	12,303	1,087r	1,063	1,021	589	206	100
18 Sales	86	67	5	0	0	0	0	0	0
Mortgage commitments[8]									
19 Contracted (during period)	6,247	9,729	18,960	999	825	507	391	441	734
20 Outstanding (end of period)	3,398	4,698	9,201	5,504	5,078	4,371	4,064	4,215	4,230
Auction of 4-month commitments to buy									
Government-underwritten loans									
21 Offered[9]	4,929.8	7,974.1	12,978	1,169.4	1,267.3	493.7	608.7	602.5	1,055.6
22 Accepted	2,787.2	4,846.2	6,747.2	563.7	426.1	199.4	214.1	266.5	430.3
Conventional loans									
23 Offered[9]	2,595.7	5,675.2	9,933.0	412.1	918.6	135.2	279.7	169.7	228.7
24 Accepted	1,879.2	3,917.8	5,110.9	147.8	239.9	65.8	109.1	76.0	140.9
FEDERAL HOME LOAN MORTGAGE CORPORATION									
Mortgage holdings (end of period)[10]									
25 Total	4,269	3,276	3,064	4,145	4,235	4,255	4,031	4,014	4,151
26 FHA/VA	1,618	1,395	1,243	1,092	1,086	1,080	1,076	1,072	1,066
27 Conventional	2,651	1,881	1,822	3,052	3,149	3,175	2,955	2,942	3,085
Mortgage transactions (during period)									
28 Purchases	1,175	3,900	6,524	248	193	231	176	225	440
29 Sales	1,396	4,131	6,211	207	106	199	391	232	288
Mortgage commitments[11]									
30 Contracted (during period)	1,477	5,546	7,451	197	186	189	491	577	708
31 Outstanding (end of period)	333	1,063	1,410	726	700	643	932	1,246	1,386

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups. Compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) in order to obtain a loan.
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages, rounded to the nearest 5 basis points; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are unweighted averages of Monday quotations for the month.
7. Average gross yields (before deduction of 38 basis points for mortgage servicing) on accepted bids in Federal National Mortgage Association's auctions of 4-month commitments to purchase home mortgages, assuming prepayment in 12 years for 30-year mortgages. No adjustments are made for FNMA commitment fees or stock related requirements. Monthly figures are unweighted averages for auctions conducted within the month.
8. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
9. Mortgage amounts offered by bidders are total bids received.
10. Includes participation as well as whole loans.
11. Includes conventional and government-underwritten loans.

1.56 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

Type of holder, and type of property	1977	1978	1979	1979			1980	
				Q2	Q3	Q4	Q1	Q2[p]
1 **All holders**	**1,023,505**	**1,172,754**	**1,333,550[r]**	**1,252,426**	**1,295,935**	**1,333,550**	**1,363,787[r]**	**1,386,249**
2 1- to 4-family	656,566	761,843	872,068[r]	816,940	846,287	872,068	890,121[r]	903,116
3 Multifamily	111,841	121,972	130,713[r]	125,916	128,270	130,713	132,795	134,377
4 Commercial	189,274	212,746	238,412[r]	224,499	232,208	238,412	243,839	247,225
5 Farm	65,824	76,193	92,357[r]	85,071	89,170	92,357	97,032[r]	101,377
6 Major financial institutions	745,011	848,095	939,487[r]	894,385	920,231	939,487	951,898	958,803
7 Commercial banks[1]	178,979	213,963	245,998[r]	229,564	239,627	245,998	251,198	253,098
8 1- to 4-family	105,115	126,966	145,975[r]	136,223	142,195	145,975	149,061	150,188
9 Multifamily	9,215	10,912	12,546[r]	11,708	12,221	12,546	12,811	12,908
10 Commercial	56,898	67,056	77,096[r]	71,945	75,099	77,096	78,725	79,321
11 Farm	7,751	9,029	10,381[r]	9,688	10,112	10,381	10,601	10,681
12 Mutual savings banks	88,104	95,157	98,908[r]	97,155	97,929	98,908	99,151	99,101
13 1- to 4-family	57,637	62,252	64,706[r]	63,559	64,065	64,706	64,865	64,832
14 Multifamily	15,304	16,529	17,180[r]	16,876	17,010	17,180	17,223	17,214
15 Commercial	15,110	16,319	16,963[r]	16,662	16,795	16,963	17,004	16,996
16 Farm	53	57	59	58	59	59	59	59
17 Savings and loan associations	381,163	432,808	475,797	456,543	468,307	475,797	479,078	481,149
18 1- to 4-family	310,686	356,114	394,436	377,516	387,992	394,436	397,156	398,872
19 Multifamily	32,513	36,053	37,588	37,071	37,277	37,588	37,847	38,011
20 Commercial	37,964	40,641	43,773	41,956	43,038	43,773	44,075	44,266
21 Life insurance companies	96,765	106,167	118,784	111,123	114,368	118,784	122,471	125,455
22 1- to 4-family	14,727	14,436	16,193	14,489	14,884	16,193	16,850	17,796
23 Multifamily	18,807	19,000	19,274	19,102	19,107	19,274	19,590	19,284
24 Commercial	54,388	62,232	71,137	66,055	68,513	71,137	73,618	75,693
25 Farm	8,843	10,499	12,180	11,477	11,864	12,180	12,413	12,682
26 Federal and related agencies	70,006	81,853	97,293	90,095	93,143	97,293	104,133[r]	108,742
27 Government National Mortgage Association	3,660	3,509	3,852	3,425	3,382	3,852	3,919	4,466
28 1- to 4-family	1,548	877	763	800	780	763	749	736
29 Multifamily	2,112	2,632	3,089	2,625	2,602	3,089	3,170	3,730
30 Farmers Home Administration	1,353	926	1,274	1,200	1,383	1,274	2,845[r]	3,375
31 1- to 4-family	626	288	417	363	163	417	1,139	1,383
32 Multifamily	275	320	71	75	299	71	408	636
33 Commercial	149	101	174	278	262	174	409	402
34 Farm	303	217	612	484	659	612	889[r]	954
35 Federal Housing and Veterans Administration	5,212	5,419	5,764	5,597	5,672	5,764	5,833	5,894
36 1- to 4-family	1,627	1,641	1,863	1,744	1,795	1,863	1,908	1,953
37 Multifamily	3,585	3,778	3,901	3,853	3,877	3,901	3,925	3,941
38 Federal National Mortgage Association	34,369	43,311	51,091	48,206	49,173	51,091	53,990	55,419
39 1- to 4-family	28,504	37,579	45,488	42,543	43,534	45,488	48,394	49,837
40 Multifamily	5,865	5,732	5,603	5,663	5,639	5,603	5,596	5,582
41 Federal Land Banks	22,136	25,624	31,277	28,459	29,804	31,277	33,311	35,574
42 1- to 4-family	670	927	1,552	1,198	1,374	1,552	1,708	1,893
43 Farm	21,466	24,697	29,725	27,261	28,430	29,725	31,603	33,681
44 Federal Home Loan Mortgage Corporation	3,276	3,064	4,035	3,208	3,729	4,035	4,235	4,014
45 1- to 4-family	2,738	2,407	3,059	2,489	2,850	3,059	3,210	3,037
46 Multifamily	538	657	976	719	879	976	1,025	977
47 Mortgage pools or trusts[2]	70,289	88,633	119,278	102,259	110,648	119,278	124,632[r]	129,647
48 Government National Mortgage Association	44,896	54,347	76,401	63,000	69,357	76,401	80,843[r]	84,282
49 1- to 4-family	43,555	52,732	74,546	61,246	67,535	74,546	78,872[r]	82,208
50 Multifamily	1,341	1,615	1,855	1,754	1,822	1,855	1,971	2,074
51 Federal Home Loan Mortgage Corporation	6,610	11,892	15,180	13,708	14,421	15,180	15,454	16,120
52 1- to 4-family	5,621	9,657	12,149	11,096	11,568	12,149	12,359	12,886
53 Multifamily	989	2,235	3,031	2,612	2,853	3,031	3,095	3,234
54 Farmers Home Administration	18,783	22,394	27,697	25,551	26,870	27,697	28,335[r]	29,245
55 1- to 4-family	11,397	13,400	14,884	14,329	14,972	14,884	14,926	15,224
56 Multifamily	759	1,116	2,163	1,764	1,763	2,163	2,159	2,159
57 Commercial	2,945	3,560	4,328	3,833	4,054	4,328	4,495	4,763
58 Farm	3,682	4,318	6,322	5,625	6,081	6,322	6,755[r]	7,099
59 Individual and others[3]	138,199	154,173	177,492[r]	165,687	171,913	177,492	183,124[r]	189,057
60 1- to 4-family	72,115	82,567	96,037[r]	89,345	92,580	96,037	98,924[r]	102,271
61 Multifamily	20,538	21,393	23,436[r]	22,094	22,921	23,436	23,975	24,627
62 Commercial	21,820	22,837	24,941[r]	23,770	24,447	24,941	25,513	25,938
63 Farm	23,726	27,376	33,078[r]	30,478	31,965	33,078	34,712[r]	36,221

1. Includes loans held by nondeposit trust companies but not bank trust departments.
2. Outstanding principal balances of mortgages backing securities insured or guaranteed by the agency indicated.
3. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and U.S. agencies for which amounts are small or separate data are not readily available.

NOTE. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Department of Commerce. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations when required, are estimated mainly by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

1.57 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change

Millions of dollars

Holder, and type of credit	1977	1978	1979	1980 Jan.	1980 Feb.	1980 Mar.	1980 Apr.	1980 May	1980 June	1980 July
	Amounts outstanding (end of period)									
1 **Total**	**230,829**	**275,629**	**311,122**	**308,984**	**308,190**	**307,621**	**306,131**	**303,759**	**301,378**	**301,754**
By major holder										
2 Commercial banks	112,373	136,189	149,604	148,868	148,249	147,315	145,405	143,174	140,922	140,489
3 Finance companies	44,868	54,298	68,318	68,724	69,545	70,421	71,545	72,101	73,118	73,909
4 Credit unions	37,605	45,939	48,186	47,270	46,707	46,521	45,731	44,907	43,740	43,390
5 Retailers[2]	23,490	24,876	27,916	26,985	26,309	25,841	25,746	25,792	25,724	25,707
6 Savings and loans	7,354	8,394	10,361	10,320	10,543	10,755	10,887	10,930	10,995	11,204
7 Gasoline companies	2,963	3,240	4,316	4,433	4,467	4,421	4,503	4,581	4,664	4,888
8 Mutual savings banks	2,176	2,693	2,421	2,384	2,370	2,347	2,314	2,274	2,215	2,167
By major type of credit										
9 Automobile	82,911	102,468	115,022	114,761	115,007	115,281	115,014	114,318	113,174	113,604
10 Commercial banks	49,577	60,564	65,229	64,824	64,544	64,047	62,978	61,928	60,584	60,466
11 Indirect paper	27,379	33,850	37,209	37,020	36,949	36,821	36,325	35,791	34,929	34,704
12 Direct loans	22,198	26,714	28,020	27,804	27,595	27,226	26,653	26,137	25,655	25,762
13 Credit unions	18,099	21,967	23,042	22,604	22,335	22,246	21,868	21,474	20,916	20,749
14 Finance companies	15,235	19,937	26,751	27,333	28,128	28,988	30,168	30,916	31,674	32,389
15 Revolving	39,274	47,051	55,330	54,420	53,522	52,662	52,217	51,823	51,246	51,330
16 Commercial banks	18,374	24,434	28,954	28,841	28,575	28,241	27,889	27,456	26,926	26,841
17 Retailers	17,937	19,377	22,060	21,146	20,480	20,000	19,825	19,786	19,656	19,601
18 Gasoline companies	2,963	3,240	4,316	4,433	4,467	4,421	4,503	4,581	4,664	4,888
19 Mobile home	15,141	16,042	17,409	17,387	17,476	17,596	17,668	17,642	17,779	17,809
20 Commercial banks	9,124	9,553	9,991	9,968	9,974	9,978	9,965	9,927	10,039	10,000
21 Finance companies	3,077	3,152	3,390	3,415	3,428	3,475	3,523	3,529	3,544	3,546
22 Savings and loans	2,538	2,848	3,516	3,502	3,578	3,650	3,694	3,709	3,731	3,802
23 Credit unions	402	489	512	502	496	494	486	477	465	461
24 Other	93,503	110,068	123,361	122,416	122,185	122,082	121,232	119,976	119,179	119,011
25 Commercial banks	35,298	41,638	45,430	45,235	45,156	45,049	44,573	43,863	43,373	43,182
26 Finance companies	26,556	31,209	38,177	37,976	37,989	37,958	37,854	37,656	37,900	37,974
27 Credit unions	19,104	23,483	24,632	24,164	23,876	23,781	23,377	22,956	22,359	22,180
28 Retailers	5,553	5,499	5,856	5,839	5,829	5,841	5,921	6,006	6,068	6,106
29 Savings and loans	4,816	5,546	6,845	6,818	6,965	7,106	7,193	7,221	7,264	7,402
30 Mutual savings banks	2,176	2,693	2,421	2,384	2,370	2,347	2,314	2,274	2,215	2,167
	Net change (during period)[3]									
31 **Total**	**35,278**	**44,810**	**35,491**	**1,372**	**2,295**	**1,437**	**−1,985**	**−3,434**	**−3,463**	**−609**
By major holder										
32 Commercial banks	18,645	23,813	13,414	433	783	17	−2,237	−2,495	−2,659	−972
33 Finance companies	5,948	9,430	14,020	1,096	1,376	1,174	984	105	625	418
34 Credit unions	6,436	8,334	2,247	−324	−373	−215	−743	−977	−1,362	−381
35 Retailers[2]	2,654	1,386	3,040	120	53	243	−65	−58	−108	140
36 Savings and loans	1,111	1,041	1,967	7	306	204	83	75	89	196
37 Gasoline companies	132	276	1,076	50	166	48	14	−42	8	36
38 Mutual savings banks	352	530	−273	−10	−16	−34	−21	−42	−56	−46
By major type of credit										
39 Automobile	15,204	19,557	12,554	972	881	395	−645	−1,343	−1,738	−93
40 Commercial banks	9,956	10,987	4,665	83	22	−412	−1,335	−1,246	−1,519	−413
41 Indirect paper	5,307	6,471	3,359	72	48	−86	−698	−626	−945	−365
42 Direct loans	4,649	4,516	1,306	11	−26	−326	−637	−620	−574	−48
43 Credit unions	2,861	3,868	1,075	−134	−177	−82	−373	−482	−660	−175
44 Finance companies	2,387	4,702	6,814	1,023	1,036	889	1,063	385	441	495
45 Revolving	6,248	7,776	8,279	289	575	611	−388	−488	−748	14
46 Commercial banks	4,015	6,060	4,520	109	383	395	−260	−308	−562	−131
47 Retailers	2,101	1,440	2,683	130	26	168	−142	−138	−194	109
48 Gasoline companies	132	276	1,076	50	166	48	14	−42	8	36
49 Mobile home	565	897	1,366	120	198	128	36	−33	97	26
50 Commercial banks	387	426	437	68	57	17	−30	−54	74	−43
51 Finance companies	−189	74	238	48	32	57	41	5	13	−6
52 Savings and loans	297	310	668	10	115	57	33	23	23	78
53 Credit unions	70	87	23	−6	−6	−3	−8	−7	−13	−3
54 Other	13,261	16,580	13,292	−9	641	303	−988	−1,570	−1,074	−556
55 Commercial banks	4,287	6,340	3,792	173	321	17	−612	−887	−652	−385
56 Finance companies	3,750	4,654	6,968	25	308	228	−120	−285	171	−71
57 Credit unions	3,505	4,379	1,149	−184	−190	−130	−362	−488	−689	−203
58 Retailers	553	−54	357	−10	27	75	77	80	86	31
59 Savings and loans	814	731	1,299	−3	191	147	50	52	66	118
60 Mutual savings banks	352	530	−273	−10	−16	−34	−21	−42	−56	−46

1. The Board's series cover most short- and intermediate-term credit extended to individuals through regular business channels, usually to finance the purchase of consumer goods and services or to refinance debts incurred for such purposes, and scheduled to be repaid (or with the option of repayment) in two or more installments.
2. Includes auto dealers and excludes 30-day charge credit held by travel and entertainment companies.
3. Net change equals extensions minus liquidations (repayments, charge-offs, and other credit); figures for all months are seasonally adjusted.

NOTE. Total consumer noninstallment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to $70.9 billion at the end of 1979, $64.7 billion at the end of 1978, $58.6 billion at the end of 1977, and $55.4 billion at the end of 1976.

1.58 CONSUMER INSTALLMENT CREDIT Extensions and Liquidations

Millions of dollars; monthly data are seasonally adjusted.

Holder, and type of credit	1977	1978	1979	1980 Jan.	Feb.	Mar.	Apr.	May	June	July
	Extensions									
1 **Total**	**254,071**	**298,351**	**322,558**	**26,702**	**27,076**	**26,620**	**22,548**	**21,239**	**20,698**	**24,497**
By major holder										
2 Commercial banks	117,896	142,720	149,599	12,126	12,004	11,315	9,338	8,812	8,574	10,548
3 Finance companies	41,989	50,505	61,518	5,540	5,639	5,700	4,841	4,304	4,324	4,888
4 Credit unions	34,028	40,023	36,778	2,527	2,495	2,501	1,865	1,615	1,302	2,267
5 Retailers[1]	39,133	41,619	46,092	4,010	4,042	4,358	3,870	3,880	3,881	4,032
6 Savings and loans	4,485	5,050	7,333	485	775	665	555	536	576	711
7 Gasoline companies	14,617	16,125	19,607	1,889	2,004	1,987	1,978	2,011	1,971	1,971
8 Mutual savings banks	1,923	2,309	1,631	125	117	94	101	81	70	80
By major type of credit										
9 Automobile	75,641	88,987	91,847	7,780	7,659	7,240	5,725	5,192	4,770	6,609
10 Commercial banks	46,363	53,028	50,596	4,026	3,936	3,394	2,398	2,354	2,160	3,239
11 Indirect paper	25,149	29,336	28,183	2,154	2,096	1,978	1,433	1,353	1,092	1,645
12 Direct loans	21,214	23,692	22,413	1,872	1,840	1,416	965	1,001	1,068	1,594
13 Credit unions	16,616	19,486	18,301	1,348	1,338	1,306	962	838	708	1,178
14 Finance companies	12,662	16,473	22,950	2,406	2,385	2,540	2,365	2,000	1,902	2,192
15 Revolving	86,756	104,587	120,728	10,475	10,458	11,038	10,293	10,089	9,635	10,522
16 Commercial banks	38,256	51,531	60,406	5,030	4,920	5,200	4,929	4,745	4,342	4,974
17 Retailers	33,883	36,931	40,715	3,556	3,534	3,851	3,386	3,333	3,322	3,577
18 Gasoline companies	14,617	16,125	19,607	1,889	2,004	1,987	1,978	2,011	1,971	1,971
19 Mobile home	5,425	6,067	6,395	558	597	506	436	324	464	421
20 Commercial banks	3,466	3,704	3,720	351	304	263	220	166	302	195
21 Finance companies	643	886	797	87	80	90	84	52	53	49
22 Savings and loans	1,120	1,239	1,687	112	207	143	128	103	110	169
23 Credit unions	196	238	191	8	6	10	4	3	-1	8
24 Other	86,249	98,710	103,588	7,889	8,362	7,836	6,094	5,634	5,829	6,945
25 Commercial banks	29,811	34,457	34,877	2,719	2,844	2,458	1,791	1,547	1,770	2,140
26 Finance companies	28,684	33,146	37,771	3,047	3,174	3,070	2,392	2,252	2,369	2,647
27 Credit unions	17,216	20,299	18,286	1,171	1,151	1,185	899	774	595	1,081
28 Retailers	5,250	4,688	5,377	454	508	507	484	547	559	455
29 Savings and loans	3,365	3,811	5,646	373	568	522	427	433	466	542
30 Mutual savings banks	1,923	2,309	1,631	125	117	94	101	81	70	80
	Liquidations									
31 **Total**	**218,793**	**253,541**	**287,067**	**25,330**	**24,781**	**25,183**	**24,533**	**24,673**	**24,161**	**25,106**
By major holder										
32 Commercial banks	99,251	118,907	136,185	11,693	11,221	11,298	11,575	11,307	11,233	11,520
33 Finance companies	36,041	41,075	47,498	4,444	4,263	4,526	3,857	4,199	3,699	4,470
34 Credit unions	27,592	31,689	34,531	2,851	2,868	2,716	2,608	2,592	2,664	2,648
35 Retailers[1]	36,479	40,233	43,052	3,890	3,989	4,115	3,935	3,938	3,989	3,892
36 Savings and loans	3,374	4,009	5,366	478	469	461	472	461	487	515
37 Gasoline companies	14,485	15,849	18,531	1,839	1,838	1,939	1,964	2,053	1,963	1,935
38 Mutual savings banks	1,571	1,779	1,904	135	133	128	122	123	126	126
By major type of credit										
39 Automobile	60,437	69,430	79,293	6,808	6,778	6,845	6,370	6,535	6,508	6,702
40 Commercial banks	36,407	42,041	45,931	3,943	3,914	3,806	3,733	3,600	3,679	3,652
41 Indirect paper	19,842	22,865	24,824	2,082	2,048	2,064	2,131	1,979	2,037	2,010
42 Direct loans	16,565	19,176	21,107	1,861	1,866	1,742	1,602	1,621	1,642	1,642
43 Credit unions	13,755	15,618	17,226	1,482	1,515	1,388	1,335	1,320	1,368	1,353
44 Finance companies	10,275	11,771	16,136	1,383	1,349	1,651	1,302	1,615	1,461	1,697
45 Revolving	80,508	96,811	112,449	10,186	9,883	10,427	10,681	10,577	10,383	10,508
46 Commercial banks	34,241	45,471	55,886	4,921	4,537	4,805	5,189	5,053	4,904	5,105
47 Retailers	31,782	35,491	38,032	3,426	3,508	3,683	3,528	3,471	3,516	3,468
48 Gasoline companies	14,485	15,849	18,531	1,839	1,838	1,939	1,964	2,053	1,963	1,935
49 Mobile home	4,860	5,170	5,029	438	399	378	400	357	367	395
50 Commercial banks	3,079	3,278	3,283	283	247	246	250	220	228	238
51 Finance companies	832	812	559	39	48	33	43	47	40	55
52 Savings and loans	823	929	1,019	102	92	86	95	80	87	91
53 Credit unions	126	151	168	14	12	13	12	10	12	11
54 Other	72,988	82,130	90,296	7,898	7,721	7,533	7,082	7,204	6,903	7,501
55 Commercial banks	25,524	28,117	31,085	2,546	2,523	2,441	2,403	2,434	2,422	2,525
56 Finance companies	24,934	28,492	30,803	3,022	2,866	2,842	2,512	2,537	2,198	2,718
57 Credit unions	13,711	15,920	17,137	1,355	1,341	1,315	1,261	1,262	1,284	1,284
58 Retailers	4,697	4,742	5,020	464	481	432	407	467	473	424
59 Savings and loans	2,551	3,080	4,347	376	377	375	377	381	400	424
60 Mutual savings banks	1,571	1,779	1,904	135	133	128	122	123	126	126

1. Includes auto dealers and excludes 30-day charge credit held by travel and entertainment companies.

1.59 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Transaction category, sector	1974	1975	1976	1977	1978	1979	1977 H2	1978 H1	1978 H2	1979 H1	1979 H2	1980 H1
	Nonfinancial sectors											
1 **Total funds raised**	**191.3**	**210.8**	**271.9**	**338.5**	**400.3**	**394.9**	**378.9**	**384.5**	**416.1**	**380.5**	**408.2**	**311.8**
2 Excluding equities	187.4	200.7	261.1	335.4	398.2	390.6	373.8	387.1	409.3	377.7	402.3	303.6
By sector and instrument												
3 U.S. government	11.8	85.4	69.0	56.8	53.7	37.4	67.4	61.4	46.0	28.6	46.1	63.2
4 Treasury securities	12.0	85.8	69.1	57.6	55.1	38.8	68.6	62.3	47.9	30.9	46.6	63.8
5 Agency issues and mortgages	-.2	-.4	-.1	-.9	-1.4	-1.4	-1.2	-.9	-1.9	-2.3	-.5	-.6
6 All other nonfinancial sectors	179.5	125.4	202.9	281.8	346.6	357.6	311.5	323.1	370.2	351.9	362.1	248.6
7 Corporate equities	3.8	10.1	10.8	3.1	2.1	4.3	5.1	-2.6	6.8	2.8	5.9	8.2
8 Debt instruments	175.6	115.3	192.0	278.6	344.5	353.2	306.4	325.7	363.4	349.1	356.2	240.4
9 Private domestic nonfinancial sectors	164.1	112.1	182.0	267.9	314.4	336.4	294.2	302.5	326.3	338.6	333.0	223.9
10 Corporate equities	4.1	9.9	10.5	2.7	2.6	3.5	4.9	-1.8	7.0	2.8	4.1	6.1
11 Debt instruments	160.0	102.1	171.5	265.1	311.8	333.0	289.3	304.3	319.2	335.8	328.9	217.9
12 Debt capital instruments	98.0	98.4	123.5	175.6	196.6	199.9	192.5	188.0	205.1	198.8	201.1	167.0
13 State and local obligations	16.5	16.1	15.7	23.7	28.3	18.9	25.0	27.8	28.7	16.0	21.8	19.0
14 Corporate bonds	19.7	27.2	22.8	21.0	20.1	21.2	25.4	20.6	19.6	22.4	19.9	32.9
Mortgages												
15 Home	34.8	39.5	63.7	96.4	104.5	109.1	103.1	99.8	109.2	109.8	108.5	72.7
16 Multifamily residential	6.9	*	1.8	7.4	10.2	8.9	8.4	9.3	11.2	8.1	9.7	7.9
17 Commercial	15.1	11.0	13.4	18.4	23.3	25.7	21.9	21.2	25.4	26.0	25.4	20.5
18 Farm	5.0	4.6	6.1	8.8	10.2	16.2	8.7	9.3	11.1	16.6	15.9	14.1
19 Other debt instruments	62.0	3.8	48.0	89.5	115.2	133.0	96.7	116.3	114.1	137.0	127.8	50.9
20 Consumer credit	9.9	9.7	25.6	40.6	50.6	44.2	44.5	50.1	51.0	48.3	39.0	-9.2
21 Bank loans n.e.c.	31.7	-12.3	4.0	27.0	37.3	50.6	26.7	43.1	31.4	48.2	52.9	9.8
22 Open market paper	6.6	-2.6	4.0	2.9	5.2	10.9	2.4	5.3	5.1	12.0	9.7	30.0
23 Other	13.7	9.0	14.4	19.0	22.2	27.3	23.2	17.8	26.5	28.4	26.2	20.2
24 By borrowing sector	164.1	112.1	182.0	267.9	314.4	336.4	294.2	302.5	326.3	338.6	333.0	223.9
25 State and local governments	15.5	13.7	15.2	20.4	23.6	15.5	25.0	21.0	26.1	13.0	18.0	16.6
26 Households	51.2	49.5	90.7	139.9	162.6	165.0	150.4	156.1	169.1	168.1	161.0	78.9
27 Farm	8.0	8.8	10.9	14.7	18.1	25.8	13.8	15.3	20.8	23.5	28.1	21.6
28 Nonfarm noncorporate	7.7	2.0	5.4	12.5	15.4	15.8	12.5	16.3	14.5	15.3	16.0	11.8
29 Corporate	81.7	38.1	59.8	80.3	94.7	114.3	92.4	93.7	95.8	118.7	109.8	95.0
30 Foreign	15.4	13.3	20.8	13.9	32.3	21.1	17.3	20.6	43.9	13.3	29.1	24.7
31 Corporate equities	-.2	.2	.3	.4	-.5	.9	.2	-.8	-.2	*	1.7	2.2
32 Debt instruments	15.7	13.2	20.5	13.5	32.8	20.3	17.1	21.4	44.1	13.3	27.3	22.5
33 Bonds	2.1	6.2	8.6	5.1	4.0	3.9	5.7	5.0	3.0	3.0	4.7	2.2
34 Bank loans n.e.c.	4.7	3.9	6.8	3.1	18.3	2.3	6.5	9.3	27.3	1.0	3.5	-1.6
35 Open market paper	7.3	.3	1.9	2.4	6.6	11.2	2.2	3.6	9.6	6.1	16.3	16.2
36 U.S. government loans	1.6	2.8	3.3	3.0	3.9	3.0	2.9	3.6	4.2	3.1	2.8	5.7
	Financial sectors											
37 **Total funds raised**	**39.2**	**12.7**	**24.1**	**54.0**	**81.4**	**87.4**	**60.3**	**80.7**	**82.1**	**87.0**	**87.8**	**47.7**
By instrument												
38 U.S. government related	23.1	13.5	18.6	26.3	41.4	52.4	29.9	38.5	44.3	45.8	59.0	41.0
39 Sponsored credit agency securities	16.6	2.3	3.3	7.0	23.1	24.3	6.8	21.9	24.3	21.5	27.0	25.2
40 Mortgage pool securities	5.8	10.3	15.7	20.5	18.3	28.1	23.1	16.6	20.1	24.2	32.0	15.7
41 Loans from U.S. government	.7	.9	-.4	-1.2	0	0	0	0	0	0	0	0
42 Private financial sectors	16.2	-.8	5.5	27.7	40.0	35.0	30.4	42.2	37.8	41.2	28.8	6.7
43 Corporate equities	.3	.6	1.0	.9	1.7	1.2	.8	2.2	1.1	2.8	-.4	2.6
44 Debt instruments	15.9	-1.4	4.4	26.9	38.3	33.8	29.6	40.0	36.7	38.4	29.2	4.1
45 Corporate bonds	2.1	2.9	5.8	10.1	7.5	7.8	10.1	8.5	6.4	8.7	7.0	10.3
46 Mortgages	-1.3	2.3	2.1	3.1	.9	-1.2	3.0	2.1	-.3	-.5	-1.9	-6.7
47 Bank loans n.e.c.	4.6	-3.7	-3.7	-.3	2.8	-.4	1.2	2.5	3.1	-.7	-.2	*
48 Open market paper and repurchase agreements	3.8	1.1	2.2	9.6	14.6	18.4	9.5	13.5	15.7	23.0	13.8	-3.5
49 Loans from Federal Home Loan Banks	6.7	-4.0	-2.0	4.3	12.5	9.2	5.8	13.2	11.8	7.8	10.5	4.1
By sector												
50 Sponsored credit agencies	17.3	3.2	2.6	5.8	23.1	24.3	6.8	21.9	24.3	21.5	27.0	25.2
51 Mortgage pools	5.8	10.3	15.7	20.5	18.3	28.1	23.1	16.6	20.1	24.2	32.0	15.7
52 Private financial sectors	16.2	-.8	5.5	27.7	40.0	35.0	30.4	42.2	37.8	41.2	28.8	6.7
53 Commercial banks	1.2	1.2	2.3	1.1	1.3	1.6	1.5	1.5	1.1	1.3	1.8	1.9
54 Bank affiliates	3.5	.3	-.8	1.3	6.7	4.5	1.2	5.8	7.6	6.2	2.9	4.5
55 Savings and loan associations	4.8	-2.3	.1	9.9	14.3	11.4	11.5	16.4	12.2	9.9	12.9	-2.9
56 Other insurance companies	.9	1.0	.9	.9	1.1	1.0	1.0	1.0	1.1	1.0	.9	.8
57 Finance companies	6.0	.5	6.4	17.6	18.6	18.9	18.5	18.9	18.2	23.5	14.3	3.3
58 REITs	.6	-1.4	-2.4	-2.2	-1.0	-.4	-2.0	-1.0	-1.0	-.6	-.1	-.5
59 Open-end investment companies	-.7	-.1	-1.0	-.9	-1.0	-2.1	-1.3	-.5	-1.5	-.3	-3.9	-.3
	All sectors											
60 **Total funds raised, by instrument**	**230.5**	**223.5**	**296.0**	**392.5**	**481.7**	**482.3**	**439.2**	**465.2**	**498.3**	**467.4**	**496.0**	**359.5**
61 Investment company shares	-.7	-.1	-1.0	-.9	-1.0	-2.1	-1.3	-.5	-1.5	-.3	-3.9	-.3
62 Other corporate equities	4.8	10.8	12.9	4.9	4.7	7.6	7.2	.1	9.4	5.8	9.3	11.1
63 Debt instruments	226.4	212.8	284.1	388.5	478.0	476.8	433.3	465.5	490.4	461.9	490.5	348.7
64 U.S. government securities	34.3	98.2	88.1	84.3	95.2	89.9	97.4	100.0	90.4	74.5	105.2	104.3
65 State and local obligations	16.5	16.1	15.7	23.7	28.3	18.9	25.0	27.8	28.7	16.0	21.8	19.0
66 Corporate and foreign bonds	23.9	36.4	37.2	36.1	31.6	32.9	41.1	34.2	29.1	34.1	31.5	45.4
67 Mortgages	60.5	57.2	87.1	134.0	149.0	158.6	145.1	141.6	156.4	159.8	157.4	108.3
68 Consumer credit	9.9	9.7	25.6	40.6	50.6	44.2	44.5	50.1	51.0	48.3	39.0	-9.2
69 Bank loans n.e.c.	41.0	-12.2	7.0	29.8	58.4	52.5	34.4	54.9	61.8	48.6	56.2	8.3
70 Open market paper and RPs	17.7	-1.2	8.1	15.0	26.4	40.5	14.0	22.4	30.4	41.1	39.8	42.6
71 Other loans	22.7	8.7	15.3	25.2	38.6	39.5	31.8	34.6	42.5	39.4	39.5	30.0

1.60 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; quarterly data are at seasonally adjusted annual rates

Transaction category, or sector	1974	1975	1976	1977	1978	1979	1977 H2	1978 H1	1978 H2	1979 H1	1979 H2	1980 H1
1 **Total funds advanced in credit markets to nonfinancial sectors**	**187.4**	**200.7**	**261.1**	**355.4**	**398.2**	**390.6**	**373.8**	**387.1**	**409.3**	**377.7**	**402.3**	**303.6**
By public agencies and foreign												
2 Total net advances	53.7	44.6	54.3	85.1	109.7	80.1	104.2	102.8	116.6	47.6	112.5	105.1
3 U.S. government securities	11.9	22.5	26.8	40.2	43.9	2.0	53.3	43.7	44.0	−22.1	26.2	27.4
4 Residential mortgages	14.7	16.2	12.8	20.4	26.5	36.1	22.0	22.2	30.7	32.6	39.6	34.0
5 FHLB advances to savings and loans	6.7	−4.0	−2.0	4.3	12.5	9.2	5.8	13.2	11.8	7.8	10.5	4.1
6 Other loans and securities	20.5	9.8	16.6	20.2	26.9	32.8	23.1	23.7	30.1	29.2	36.3	39.7
Total advanced, by sector												
7 U.S. government	9.8	15.1	8.9	11.8	20.4	22.5	17.8	19.4	21.4	23.8	21.3	34.5
8 Sponsored credit agencies	26.5	14.8	20.3	26.8	44.6	57.5	32.0	39.4	49.8	49.9	65.2	40.5
9 Monetary authorities	6.2	8.5	9.8	7.1	7.0	7.7	4.0	13.4	.5	.9	14.5	13.6
10 Foreign	11.2	6.1	15.2	39.4	37.7	−7.7	50.4	30.6	44.9	−27.0	11.7	16.6
11 Agency borrowing not included in line 1	23.1	13.5	18.6	26.3	41.4	52.4	29.9	38.5	44.3	45.8	59.0	41.0
Private domestic funds advanced												
12 Total net advances	156.8	169.7	225.4	276.5	330.0	362.9	299.6	322.8	337.1	375.9	348.8	239.4
13 U.S. government securities	22.4	75.7	61.3	44.1	51.3	87.9	44.1	56.3	46.4	96.6	79.1	76.9
14 State and local obligations	16.5	16.1	15.7	23.7	28.3	18.9	25.0	27.8	28.7	16.0	21.8	19.0
15 Corporate and foreign bonds	20.9	32.8	30.5	22.5	22.5	25.6	27.0	24.1	20.9	26.9	24.3	30.9
16 Residential mortgages	26.9	23.2	52.7	83.3	88.2	81.8	89.4	86.7	89.6	85.1	78.5	46.4
17 Other mortgages and loans	76.8	17.9	63.3	107.3	152.2	157.9	119.7	141.1	163.3	159.1	155.6	70.3
18 LESS: Federal Home Loan Bank advances	6.7	−4.0	−2.0	4.3	12.5	9.2	5.8	13.2	11.8	7.8	10.5	4.1
Private financial intermediation												
19 Credit market funds advanced by private financial institutions	125.5	122.5	190.3	255.9	296.9	291.4	265.0	301.7	292.0	308.2	274.5	213.3
20 Commercial banking	66.6	29.4	59.6	87.6	128.7	121.1	90.7	132.5	125.0	124.6	117.6	44.5
21 Savings institutions	24.2	53.5	70.8	82.0	75.9	56.3	82.6	75.8	75.9	57.7	54.9	32.7
22 Insurance and pension funds	29.8	40.6	49.9	67.9	73.5	70.4	70.6	76.9	70.2	75.4	65.5	78.9
23 Other finance	4.8	−1.0	10.0	18.4	18.7	43.6	21.2	16.6	20.8	50.6	36.6	57.2
24 Sources of funds	125.5	122.5	190.3	255.9	296.9	291.4	265.0	301.7	292.0	308.2	274.5	213.3
25 Private domestic deposits	67.5	92.0	124.6	141.2	142.5	136.7	143.8	138.3	146.7	121.7	151.6	132.6
26 Credit market borrowing	15.9	−1.4	4.4	26.9	38.3	33.8	29.6	40.0	36.7	38.4	29.2	4.1
27 Other sources	42.1	32.0	61.3	87.8	116.0	120.9	91.7	123.5	108.6	148.1	93.7	76.6
28 Foreign funds	10.3	−8.7	−4.6	1.2	6.3	26.3	.8	5.7	6.9	49.4	3.2	−10.7
29 Treasury balances	−5.1	−1.7	−.1	4.3	6.8	.4	8.5	1.9	11.6	5.1	−4.3	−1.9
30 Insurance and pension reserves	26.2	29.7	34.5	49.4	62.7	49.0	53.4	66.2	59.2	53.9	44.0	53.2
31 Other, net	10.6	12.7	31.4	32.9	40.3	45.2	29.0	49.6	31.0	39.6	50.8	36.0
Private domestic nonfinancial investors												
32 Direct lending in credit markets	47.2	45.8	39.5	47.5	71.4	105.4	64.1	61.1	81.7	106.1	103.5	30.3
33 U.S. government securities	18.9	24.1	16.1	23.0	33.2	57.8	34.2	32.1	34.4	64.1	51.5	12.3
34 State and local obligations	9.3	8.4	3.8	2.6	4.5	−2.5	5.7	7.0	2.0	−2.3	−2.7	−3.0
35 Corporate and foreign bonds	5.1	8.4	5.8	−3.3	−1.4	12.2	−6.5	−3.7	1.0	7.1	17.2	7.9
36 Commercial paper	5.8	−1.3	1.9	9.5	16.3	10.7	10.8	8.2	24.4	12.5	9.0	−8.6
37 Other	8.0	6.2	11.8	15.7	18.7	27.1	19.9	17.5	20.0	24.7	28.5	21.7
38 Deposits and currency	73.8	98.1	131.9	149.5	151.8	144.7	154.5	148.7	154.8	131.1	158.1	141.3
39 Security RPs	−2.2	.2	2.3	2.2	7.5	6.6	.2	9.8	5.1	18.5	−5.3	−8.3
40 Money market fund shares	2.4	1.3	*	.2	6.9	34.4	.9	6.1	7.7	30.2	38.6	61.9
41 Time and savings accounts	65.4	84.0	113.5	121.0	115.2	84.7	126.7	110.7	119.8	71.4	97.9	89.7
42 Large at commercial banks	32.4	−15.8	−13.2	23.0	45.9	.4	49.6	33.9	57.9	−25.3	26.0	−5.1
43 Other at commercial banks	11.3	40.3	57.6	29.0	8.2	39.3	11.4	18.4	−1.9	41.3	37.3	52.9
44 At savings institutions	21.8	59.4	69.1	69.0	61.1	45.1	65.7	58.5	63.8	55.4	34.7	41.8
45 Money	8.2	12.6	16.1	26.1	22.2	18.9	26.8	22.1	22.3	10.9	26.8	2.1
46 Demand deposits	1.9	6.4	8.8	17.8	12.9	11.0	16.1	11.6	14.2	1.6	20.3	−10.8
47 Currency	6.3	6.2	7.3	8.3	9.3	7.9	10.8	10.5	8.1	9.3	6.5	8.7
48 **Total of credit market instruments, deposits and currency**	**121.0**	**143.9**	**171.4**	**197.0**	**223.2**	**250.0**	**218.6**	**209.8**	**236.6**	**237.1**	**261.6**	**171.5**
49 Public support rate (in percent)	28.7	22.2	20.8	25.4	27.5	20.5	27.9	26.5	28.5	12.6	28.0	34.6
50 Private financial intermediation (in percent)	80.0	72.2	84.4	92.5	90.0	80.3	88.5	93.5	86.6	82.0	78.7	89.1
51 Total foreign funds	21.5	−2.6	10.6	40.5	44.0	18.6	51.2	36.3	51.8	22.4	14.9	5.9
MEMO: Corporate equities not included above												
52 **Total net issues**	**4.1**	**10.7**	**11.9**	**4.0**	**3.7**	**5.5**	**5.9**	**−.4**	**7.9**	**5.5**	**5.4**	**10.8**
53 Mutual fund shares	−.7	−.1	−1.0	−.9	−1.0	−2.1	−1.3	−.5	−1.5	−.3	−3.9	−.3
54 Other equities	4.8	10.8	12.9	4.9	4.7	7.6	7.2	.1	9.4	5.8	9.3	11.1
55 Acquisitions by financial institutions	5.8	9.6	12.3	7.4	7.6	15.7	8.1	.4	14.7	12.5	18.9	18.4
56 Other net purchases	−1.7	1.1	−.4	−3.4	−3.8	−10.2	−2.2	−.8	−6.8	−7.0	−13.5	−7.6

NOTES BY LINE NUMBER.
1. Line 2 of p. A-44.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities. Included below in lines 3, 13, 33.
12. Line 1 less line 2 plus line 11. Also line 19 less line 26 plus line 32. Also sum of lines 27, 32, 39, 40, 41, and 46.
17. Includes farm and commercial mortgages.
25. Sum of lines 39, 40, 41, and 46.
26. Excludes equity issues and investment company shares. Includes line 18.
28. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
29. Demand deposits at commercial banks.
30. Excludes net investment of these reserves in corporate equities.
31. Mainly retained earnings and net miscellaneous liabilities.
32. Line 12 less line 19 plus line 26.
33–37. Lines 13–17 less amounts acquired by private finance. Line 37 includes mortgages.
47. Mainly an offset to line 9.
48. Lines 32 plus 38, or line 12 less line 27 plus 45.
49. Line 2/line 1.
50. Line 19/line 12.
51. Sum of lines 10 and 28.
52, 54. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types quarterly, and annually for flows and for amounts outstanding, may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

1967 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1977	1978	1979	1980							
				Jan.	Feb.	Mar.[r]	Apr.	May	June	July	Aug.[e]
1 **Industrial production**[1]	**138.2**	**146.1**	**152.5[r]**	**152.7[r]**	**152.6[r]**	**152.1**	**148.3[r]**	**144.0[r]**	**141.4**	**139.8**	**140.5**
Market groupings											
2 Products, total	137.9	144.8	150.0[r]	149.9[r]	150.1[r]	150.0	146.6[r]	143.7[r]	142.5	141.8	142.3
3 Final, total	135.9	142.2	147.2[r]	147.0	147.7[r]	147.7	145.4[r]	143.1	142.1	141.7	141.7
4 Consumer goods	145.3	149.1	150.8[r]	147.9[r]	148.4[r]	148.6	145.3[r]	142.4	142.2	141.6	141.7
5 Equipment	123.0	132.8	142.2[r]	145.8[r]	146.6[r]	146.6	145.6[r]	144.0[r]	142.1	141.8	141.6
6 Intermediate	145.1	154.1	160.5[r]	160.8	159.2[r]	158.3	150.8[r]	146.2[r]	143.6	142.4	144.4
7 Materials	138.6	148.3	156.4[r]	157.0[r]	156.5[r]	155.3	151.0[r]	144.3[r]	139.8	136.5	137.8
Industry groupings											
8 Manufacturing	138.4	146.8	153.6[r]	153.4	153.0[r]	152.1	147.9	143.4[r]	140.3	138.2	138.9
Capacity utilization (percent)[1,2]											
9 Manufacturing	81.9	84.4	85.7	83.9[r]	83.5[r]	82.8	80.3[r]	77.6[r]	75.7	74.4	74.5
10 Industrial materials industries	82.7	85.6	87.4[r]	86.1[r]	85.6[r]	84.7	82.1[r]	78.3[r]	75.7	73.7	74.2
11 Construction contracts (1972 = 100)[3]	155.0	123.0[c]	125.0	160.5	174.3	183.0	190.0	171.0	145.0	148.0	n.a.
12 Nonagricultural employment, total[4]	125.3	131.4	136.0	138.3	138.6	138.5	138.2	137.5	136.8[r]	136.6[r]	136.9
13 Goods-producing, total	104.5	109.8	114.0	114.6[r]	114.2[r]	113.6[r]	112.1	110.5	109.1[r]	107.9[r]	108.4
14 Manufacturing, total	101.2	105.3	107.9	107.8	107.8	107.7	106.1	104.3	102.9[r]	101.9[r]	102.3
15 Manufacturing, production-worker	98.8	102.8	104.9	104.2	103.9	103.8	101.7	99.1	97.4[r]	96.1[r]	96.8
16 Service-producing	136.7	143.2	148.1	151.3	151.9	152.2[r]	152.6	152.3	152.1[r]	152.3[r]	152.5
17 Personal income, total[5]	244.4	274.1	307.1	326.6	328.1	330.4	330.6	331.6	331.6	333.4	338.0
18 Wages and salary disbursements	230.2	258.1	287.2	302.5	305.1	307.4	306.2	306.2	306.4	307.0	306.6
19 Manufacturing	198.3	222.4	246.8	256.7	259.2	260.8	257.8	254.4	254.4	252.8	251.5
20 Disposable personal income	194.8	217.7	242.5	.....	259.4	.....	.....	262.0[r]	.....	.....	n.a.
21 Retail sales[6]	229.8	253.8	281.6[r]	303.6[r]	298.0	292.4	286.6	285.0	290.4	299.5	303.9
Prices[7]											
22 Consumer	181.5	195.4	217.4	233.2	236.4	239.8	242.5	244.9	247.6	247.8	n.a.
23 Producer finished goods	180.6	194.6	216.1	232.4	235.7	238.5[r]	240.5[r]	241.0	242.6	246.6	249.0

1. The industrial production and capacity utilization series have been revised back to January 1979.
2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, and Department of Commerce.
3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.
4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
Monthly data for lines 12 through 16 reflect March 1979 benchmarks; only seasonally adjusted data are presently available.
5. Based on data in *Survey of Current Business* (U.S. Department of Commerce). Series for disposable income is quarterly.
6. Based on Bureau of Census data published in *Survey of Current Business.*
7. Data without seasonal adjustment, as published in *Monthly Labor Review.* Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE: Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business.*
Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1979[r]		1980[r]		1979[r]		1980[r]		1979[r]		1980[r]	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Output (167 = 100)				Capacity (percent of 1967 output)				Utilization rate (percent)			
1 **Manufacturing**	**153.7**	**153.4**	**152.8**	**143.9**	**180.1**	**181.7**	**183.3**	**184.8**	**85.3**	**84.4**	**83.4**	**77.9**
2 Primary processing	163.9	162.5	160.5	145.0	185.6	187.1	188.5	190.0	88.3	86.9	85.1	76.3
3 Advanced processing	148.3	148.5	148.8	143.3	177.3	178.9	180.5	182.0	83.7	83.0	82.5	78.7
4 **Materials**	**156.9**	**156.5**	**156.3**	**145.0**	**179.8**	**181.2**	**182.8**	**184.3**	**87.2**	**86.3**	**85.5**	**78.7**
5 Durable goods	158.6	156.3	155.0	140.6	184.3	185.7	187.2	188.6	86.0	84.1	82.8	74.5
6 Metal materials	126.3	119.6	117.1	100.6	140.3	140.6	140.7	140.8	90.0	85.1	83.2	71.4
7 Nondurable goods	176.8	179.2	179.3	165.8	195.6	197.6	199.8	202.0	90.4	90.6	89.7	82.1
8 Textile, paper, and chemical	185.0	187.9	187.5	171.8	203.7	205.8	208.3	211.0	90.8	91.2	90.0	81.4
9 Textile	122.7	123.8	120.6	116.4	137.9	138.4	138.8	139.2	89.0	89.4	86.9	83.7
10 Paper	146.8	148.9	146.1	141.8	151.9	153.3	154.7	156.0	96.7	97.1	94.5	90.8
11 Chemical	227.7	231.8	233.6	208.3	253.6	256.8	260.4	264.6	89.8	90.2	89.7	78.7
12 Energy	128.2	129.0	130.8	130.2	149.2	150.3	151.1	151.8	85.9	85.9	86.6	85.7

1. The capacity utilization series has been revised back to January 1979.

2.12 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1977	1978	1979	1980						
				Feb.	Mar.	Apr.	May	June	July[r]	Aug.
HOUSEHOLD SURVEY DATA										
1 **Noninstitutional population[1]**	**158,559**	**161,058**	**163,620**	**165,298**	**165,506**	**165,693**	**165,886**	**166,105**	**166,391**	**166,578**
2 Labor force (including Armed Forces)[1]	99,534	102,537	104,996	106,346	106,184	106,511	107,230	106,634	107,302	107,139
3 Civilian labor force	97,401	100,420	102,908	104,260	104,094	104,419	105,142	104,542	105,203	105,025
Employment										
4 Nonagricultural industries[2]	87,302	91,031	93,648	94,626	94,298	93,912	93,609	93,346	93,739	93,826
5 Agriculture	3,244	3,342	3,297	3,326	3,358	3,242	3,379	3,191	3,257	3,180
Unemployment										
6 Number	6,855	6,047	5,963	6,307	6,438	7,265	8,154	8,006	8,207	8,019
7 Rate (percent of civilian labor force)	7.0	6.0	5.8	6.0	6.2	7.0	7.8	7.7	7.8	7.6
8 Not in labor force	59,025	58,521	58,623	58,951	59,322	59,182	58,657	59,471	59,091	59,439
ESTABLISHMENT SURVEY DATA										
9 **Nonagricultural payroll employment[3]**	**82,423**	**86,446**	**89,497**	**91,186**	**91,144**	**90,951**	**90,468**	**90,047[r]**	**89,865**	**90,066**
10 Manufacturing	19,682	20,476	20,979	20,957	20,938	20,642	20,286	20,014[r]	19,812	19,903
11 Mining	813	851	958	1,007	1,009	1,012	1,023	1,029[r]	1,011	1,017
12 Contract construction	3,851	4,271	4,642	4,659	4,529	4,467	4,436	4,379[r]	4,319	4,355
13 Transportation and public utilities	4,713	4,927	5,154	5,198	5,202	5,178	5,167	5,134	5,110	5,121
14 Trade	18,516	19,499	20,140	20,637	20,610	20,531	20,487	20,459[r]	20,487	20,555
15 Finance	4,467	4,727	4,964	5,101	5,115	5,119	5,137	5,150	5,166	5,171
16 Service	15,303	16,220	17,047	17,540	17,580	17,618	17,659	17,652[r]	17,748	17,773
17 Government	15,079	15,476	15,613	16,087	16,161	16,384	16,273	16,230[r]	16,212	16,171

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2. Includes self-employed, unpaid family, and domestic service workers.

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1979 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data are seasonally adjusted.

Grouping	1967 proportion	1979 average	1979 Aug.	1979 Oct.	1979 Nov.	1979 Dec.	1980 Jan.	1980 Feb.	1980 Mar.	1980 Apr.	1980 May	1980 June	1980 July^p	1980 Aug.^r
			Index (1967 = 100)											
MAJOR MARKET														
1 **Total index**	**100.00**	**152.5**	**152.1**	**152.7**	**152.3**	**152.5**	**152.7**	**152.6**	**152.1**	**148.3**	**144.0**	**141.4**	**139.8**	**140.5**
2 Products	60.71	150.0	149.1	150.1	149.8	149.8	149.1	150.1	150.0	146.6	143.7	142.5	141.8	142.3
3 Final products	47.82	147.2	145.8	147.3	147.1	147.2	147.0	147.7	147.7	145.4	143.1	142.1	141.7	141.7
4 Consumer goods	27.68	150.8	148.7	150.0	149.1	148.6	147.9	148.4	148.6	145.3	142.4	142.2	141.6	141.7
5 Equipment	20.14	142.2	141.9	143.6	144.2	145.2	145.8	146.6	146.6	145.6	144.0	142.1	141.8	141.6
6 Intermediate products	12.89	160.5	161.3	160.6	160.2	159.6	160.8	159.2	158.3	150.8	146.2	143.6	142.4	144.4
7 Materials	39.29	156.4	156.6	156.6	156.2	156.6	157.0	156.5	155.3	151.0	144.3	139.8	136.5	137.8
Consumer goods														
8 Durable consumer goods	7.89	155.8	148.0	153.1	149.6	146.7	142.3	144.5	144.1	136.3	128.8	128.2	127.8	126.6
9 Automotive products	2.83	167.7	147.0	159.2	150.6	141.8	131.3	142.1	141.0	126.3	118.5	121.6	128.2	118.1
10 Autos and utility vehicles	2.03	154.3	125.1	142.4	131.0	121.4	108.7	124.6	122.0	102.3	92.6	97.1	106.1	92.0
11 Autos	1.90	136.7	118.5	129.0	118.3	110.2	98.0	116.8	114.9	97.1	88.4	95.7	105.0	90.1
12 Auto parts and allied goods	80	201.5	202.7	202.1	200.3	193.6	188.5	186.7	189.1	187.2	184.0	183.7	184.2	184.4
13 Home goods	5.06	149.2	148.6	149.7	149.0	149.4	148.5	145.8	145.8	142.0	134.6	132.0	127.6	131.3
14 Appliances, A/C, and TV	1.40	127.4	123.3	128.0	129.8	133.1	128.9	122.3	122.1	114.8	102.8	105.6	103.1	117.1
15 Appliances and TV	1.33	129.3	126.1	130.2	132.4	135.5	130.0	124.4	125.0	117.5	106.0	108.5	104.3	....
16 Carpeting and furniture	1.07	173.0	173.4	173.1	171.6	170.8	170.9	168.2	169.1	165.8	154.2	146.7	136.1	....
17 Miscellaneous home goods	2.59	151.1	152.1	151.7	150.0	149.4	149.8	149.4	149.0	146.8	143.8	140.2	137.3	137.9
18 Nondurable consumer goods	19.79	148.8	149.0	148.8	149.0	149.3	150.1	150.0	150.3	148.8	147.7	147.7	147.1	147.8
19 Clothing	4.29	131.9	130.8	130.4	132.3	131.3	130.2	130.7	131.8	128.7	127.9	127.7	....	....
20 Consumer staples	15.50	153.5	154.0	153.9	153.6	154.3	155.6	155.4	155.5	154.5	153.2	153.3	153.2	153.8
21 Consumer foods and tobacco	8.33	145.0	145.4	145.9	144.8	145.8	146.9	146.5	147.3	146.2	146.1	146.0	145.5	....
22 Nonfood staples	7.17	163.4	164.0	163.1	163.8	164.3	165.8	165.6	165.0	164.0	161.5	161.7	162.1	162.7
23 Consumer chemical products	2.63	205.5	208.8	206.4	207.9	207.8	210.5	211.8	208.9	206.9	203.0	201.6	201.4	....
24 Consumer paper products	1.92	120.8	121.2	121.7	119.3	121.0	124.1	122.5	121.6	120.4	120.2	120.1	120.2	....
25 Consumer energy products	2.62	152.2	150.6	150.1	152.2	152.4	151.5	150.9	152.7	152.8	150.1	152.1	153.5	....
26 Residential utilities	1.45	163.8	161.8	162.2	166.5	165.0	161.9	162.5	169.6	172.5	169.8	....	....	....
Equipment														
27 Business	12.63	171.3	171.6	172.3	172.6	174.1	174.9	176.0	176.1	174.2	171.9	169.0	168.1	167.3
28 Industrial	6.77	152.2	151.7	151.8	153.5	153.2	157.2	159.2	159.3	159.3	157.8	154.6	153.6	153.4
29 Building and mining	1.44	206.3	210.6	203.2	205.1	205.0	222.1	231.6	235.6	239.5	242.2	240.5	242.7	243.5
30 Manufacturing	3.85	130.3	131.1	130.8	132.5	132.1	132.6	133.1	133.1	131.9	129.5	125.6	123.9	124.1
31 Power	1.47	156.3	147.7	156.3	157.6	157.8	157.9	156.4	153.2	152.3	149.1	146.1	143.9	141.5
32 Commercial transit, farm	5.86	193.4	194.6	196.0	194.7	198.1	195.2	195.5	195.5	191.5	188.2	185.6	184.8	183.5
33 Commercial	3.26	228.1	231.4	234.5	232.5	237.2	238.2	238.7	240.4	235.6	232.0	226.8	225.0	224.0
34 Transit	1.93	151.6	148.5	154.6	150.1	151.9	142.8	145.4	142.5	143.0	136.3	138.2	139.0	137.2
35 Farm	67	144.9	148.3	128.0	139.5	141.0	137.1	129.9	129.7	116.4	124.6	121.6	121.0	....
36 Defense and space	7.51	93.4	91.9	95.4	96.4	96.7	97.0	97.2	97.1	97.6	97.2	96.9	97.8	98.4
Intermediate products														
37 Construction supplies	6.42	158.0	158.7	157.9	157.4	155.7	156.4	153.8	152.3	139.4	133.0	128.5	127.2	130.3
38 Business supplies	6.47	163.1	163.9	163.3	163.0	163.5	165.1	164.5	164.3	162.0	159.4	158.6	157.5	....
39 Commercial energy products	1.14	172.0	170.9	172.4	172.7	173.8	172.4	171.7	174.1	174.8	172.0	169.9	....	....
Materials														
40 Durable goods materials	20.35	157.8	157.7	157.2	155.8	155.8	156.0	154.8	154.2	148.2	139.8	133.8	129.0	131.1
41 Durable consumer parts	4.58	137.1	129.7	131.5	126.1	125.1	120.8	119.9	120.3	110.6	100.1	96.0	94.1	99.7
42 Equipment parts	5.44	189.9	191.5	193.2	195.1	196.7	199.8	198.9	199.2	195.8	190.8	182.5	179.2	179.0
43 Durable materials n.e.c.	10.34	150.1	152.3	149.5	148.3	147.8	148.5	147.0	145.5	139.8	130.5	124.9	118.1	119.8
44 Basic metal materials	5.57	124.1	127.1	121.3	119.9	118.1	118.8	116.4	116.6	109.3	100.0	95.9	84.9	....
45 Nondurable goods materials	10.47	175.9	177.1	178.8	178.5	180.2	181.0	179.9	177.0	173.2	165.2	159.0	155.6	156.4
46 Textile, paper, and chemical materials	7.62	183.7	185.4	187.6	187.0	189.2	189.3	188.1	185.2	180.7	171.5	163.2	158.7	159.8
47 Textile materials	1.85	121.0	121.6	124.4	123.2	123.8	120.1	121.1	120.7	117.7	117.6	114.0	110.5	....
48 Paper materials	1.62	143.5	146.2	148.1	148.5	150.1	148.2	146.0	144.2	141.2	141.7	142.4	137.5	....
49 Chemical materials	4.15	227.4	229.2	231.2	230.5	233.6	236.3	234.5	230.1	224.3	207.3	193.3	188.6	....
50 Containers, nondurable	1.70	167.4	166.4	169.1	168.1	168.2	172.7	170.6	167.1	166.8	155.8	155.0	155.4	....
51 Nondurable materials n.e.c.	1.14	136.8	137.5	134.6	137.6	138.8	137.5	138.7	137.4	133.0	136.4	136.9	133.5	....
52 Energy materials	8.48	128.9	128.7	128.1	129.4	129.4	130.0	131.5	130.9	130.1	129.6	130.8	131.0	130.9
53 Primary energy	4.65	113.5	114.6	113.6	114.0	113.7	114.4	113.7	115.6	116.4	116.2	117.7	117.1	....
54 Converted fuel materials	3.82	147.7	145.9	145.7	148.2	148.5	149.0	153.1	149.6	146.9	145.8	146.6	147.9	....
Supplementary groups														
55 Home goods and clothing	9.35	141.3	140.4	140.8	141.3	141.1	140.1	138.9	139.4	135.9	131.5	130.0	126.4	128.9
56 Energy, total	12.23	137.9	137.3	136.9	138.3	138.4	138.6	139.4	139.6	139.1	137.9	139.0	139.6	139.1
57 Products	3.76	158.2	156.7	156.8	158.4	158.9	157.8	157.2	159.1	159.5	156.7	157.5	158.9	....
58 Materials	8.48	128.9	128.7	128.1	129.4	129.4	130.0	131.5	130.9	130.1	129.6	130.8	131.0	130.9

For notes see opposite page.

2.13 Continued

Grouping	SIC code	1967 proportion	1979 Avg.	1979 Aug.	1979 Oct.	1979 Nov.	1979 Dec.	1980 Jan.	1980 Feb.	1980 Mar.	1980 Apr.	1980 May	1980 June	1980 July^p	1980 Aug.^e
				Index (1967 = 100)											
MAJOR INDUSTRY															
1 Mining and utilities	.....	12.05	144.7	144.7	145.7	147.5	148.2	148.2	149.0	151.4	150.1	149.6	150.6	150.7	151.2
2 Mining	.....	6.36	125.5	126.8	127.8	129.9	131.4	133.5	132.9	133.0	133.1	133.4	133.2	131.3	131.7
3 Utilities	.....	5.69	166.0	164.6	165.7	167.2	166.9	164.8	167.1	172.0	169.1	167.7	170.0	172.4	173.0
4 Electric	.....	3.88	185.8	183.3	184.5	186.6	186.0	183.4	185.7	192.4	187.9	186.0	....	....	....
5 Manufacturing	.....	87.95	153.6	152.9	153.7	153.3	153.2	153.4	153.0	152.1	147.9	143.4	140.3	138.2	138.9
6 Nondurable	.....	35.97	164.0	165.2	164.8	165.0	165.3	166.0	165.9	164.7	161.6	158.0	155.3	153.4	154.0
7 Durable	.....	51.98	146.4	144.4	146.0	145.2	144.8	144.7	144.1	143.4	138.4	133.3	129.9	127.6	128.4
Mining															
8 Metal	10	.51	127.0	127.1	124.2	132.2	136.9	137.6	136.6	132.7	123.5	120.8	119.8	90.5	....
9 Coal	11,12	.69	135.6	144.1	146.0	143.3	143.4	141.0	136.0	137.2	143.4	145.0	150.0	149.8	150.7
10 Oil and gas extraction	13	4.40	121.7	122.2	123.6	125.7	127.2	129.9	130.4	131.8	132.5	133.9	133.8	134.8	135.3
11 Stone and earth minerals	14	.75	137.6	138.3	138.2	140.5	141.4	144.6	142.3	136.0	133.1	128.1	123.9	121.7	....
Nondurable manufactures															
12 Foods	20	8.75	147.5	147.5	147.7	147.9	148.4	148.5	149.0	149.3	147.8	149.5	149.0	147.5	....
13 Tobacco products	21	.67	117.8	114.8	115.6	113.0	116.6	118.7	120.0	122.2	121.9	116.2	113.9	....	....
14 Textile mill products	22	2.68	145.0	145.7	147.7	148.5	148.0	143.4	144.0	142.0	139.9	137.1	133.6	131.8	....
15 Apparel products	23	3.31	134.4	132.5	131.5	133.5	131.1	131.5	133.8	136.1	131.3	128.6	128.1	....	....
16 Paper and products	26	3.21	151.0	154.0	154.2	154.3	155.7	157.4	153.6	152.7	148.2	145.7	146.2	142.5	....
17 Printing and publishing	27	4.72	136.9	137.7	137.2	136.2	137.8	138.9	139.9	139.2	136.5	135.5	134.9	134.5	134.9
18 Chemicals and products	28	7.74	211.8	214.8	212.9	215.3	216.8	218.0	217.4	213.6	209.1	199.2	191.1	189.9	....
19 Petroleum products	29	1.79	143.9	143.1	142.6	142.1	145.4	147.5	144.6	140.7	137.4	133.0	132.0	131.1	127.5
20 Rubber and plastic products	30	2.24	272.2	278.5	278.0	271.3	263.8	265.5	266.8	264.4	261.8	248.1	242.2	238.6	....
21 Leather and products	31	.86	71.7	69.7	70.1	70.4	71.2	74.2	73.3	72.8	69.9	70.1	68.5	66.0	....
Durable manufactures															
22 Ordnance, private and government	19,91	3.64	75.2	73.9	77.1	78.0	77.5	77.1	77.2	76.9	77.5	77.9	77.5	77.6	78.0
23 Lumber and products	24	1.64	136.9	138.5	138.7	135.9	132.4	131.6	130.2	125.3	105.2	104.5	108.7	108.9	....
24 Furniture and fixtures	25	1.37	161.5	161.7	163.3	162.9	161.0	160.8	159.2	159.5	157.1	149.5	143.1	138.3	....
25 Clay, glass, stone products	32	2.74	163.9	162.5	163.6	164.1	163.8	165.0	162.4	156.4	148.8	140.8	134.5	133.3	....
26 Primary metals	33	6.57	121.3	121.1	118.4	117.1	115.3	116.4	111.9	113.7	106.4	96.1	90.4	80.8	83.9
27 Iron and steel	331.2	4.21	113.2	112.0	108.8	108.1	106.6	107.2	103.4	105.9	97.4	84.4	75.4	68.9	....
28 Fabricated metal products	34	5.93	148.5	147.6	147.5	146.9	146.2	145.0	145.7	145.5	141.4	133.2	125.8	122.7	125.7
29 Nonelectrical machinery	35	9.15	163.7	166.3	162.9	162.9	163.0	167.1	167.0	166.5	163.2	162.1	158.4	156.8	156.9
30 Electrical machinery	36	8.05	175.0	172.1	177.3	179.5	181.6	181.7	179.2	179.2	177.0	171.4	166.8	165.5	167.2
31 Transportation equipment	37	9.27	135.4	125.2	133.3	128.3	127.3	122.1	125.7	123.8	115.1	109.8	110.2	110.6	107.3
32 Motor vehicles and parts	371	4.50	159.9	138.5	150.1	139.3	137.1	126.2	133.9	130.1	114.7	105.9	106.8	107.9	100.8
33 Aerospace and miscellaneous transportation equipment	372–9	4.77	112.2	112.6	117.4	117.9	118.1	118.3	118.1	117.8	115.5	113.5	113.3	113.1	113.5
34 Instruments	38	2.11	174.9	173.9	175.0	173.4	175.0	175.9	174.8	173.5	173.8	171.0	169.2	166.5	169.0
35 Miscellaneous manufactures	39	1.51	153.7	155.7	154.5	155.3	153.7	153.8	151.6	152.8	151.2	147.3	143.7	142.0	141.6
		Gross value (billions of 1972 dollars, annual rates)													
MAJOR MARKET															
36 Products, total	.....	**507.4**	**625.3**	**615.0**	**623.7**	**618.8**	**619.7**	**615.8**	**619.8**	**619.0**	**599.5**	**588.6**	**584.5**	**579.9**	**578.3**
37 Final	.....	390.9[2]	480.8	469.9	479.3	475.1	476.1	471.2	476.4	475.9	464.5	457.3	455.5	452.0	448.6
38 Consumer goods	.....	277.5[2]	327.1	320.0	325.3	322.5	322.1	317.6	320.0	321.3	312.5	306.3	306.0	304.3	302.3
39 Equipment	.....	113.4[2]	153.6	149.9	154.0	152.6	154.0	153.6	156.3	154.6	152.0	151.0	149.4	147.7	146.3
40 Intermediate	.....	116.6[2]	144.6	145.1	144.4	143.7	143.6	144.6	143.4	143.1	135.0	131.3	129.0	128.0	129.7

1. The industrial production series has been revised back to January 1979.
2. 1972 dollars.

NOTE. Published groupings include some series and subtotals not shown separately. For description and historical data, see *Industrial Production—1976 Revision* (Board of Governors of the Federal Reserve System: Washington, D.C.), December 1977.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1977	1978	1979	1979 Dec.	1980 Jan.	1980 Feb.	1980 Mar.	1980 Apr.	1980 May	1980 June^r	1980 July
	Private residential real estate activity (thousands of units)										
NEW UNITS											
1 Permits authorized	1,677	1,801	1,552	1,247	1,271	1,168	968	789	825	1,078	1,240
2 1-family	1,125	1,183	981	776	780	708	556	473	495	628	792
3 2-or-more-family	551	618	570	471	491	460	412	316	330	450	448
4 Started	1,987	2,020	1,745	1,548	1,419	1,330	1,041	1,030	906^r	1,208	1,266
5 1-family	1,451	1,433	1,194	1,055	1,002	786	617	628	628	760	865
6 2-or-more-family	536	587	551	493	417	544	424	402	278^r	448	401
7 Under construction, end of period[1]	1,208	1,310	1,140	1,160	1,163	1,095	1,062	978^r	914^r	877	n.a.
8 1-family	730	765	639	662	669	622	589	535^r	496^r	477	n.a.
9 2-or-more-family	478	546	501	498	494	473	473	443^r	418^r	400	n.a.
10 Completed	1,656	1,868	1,855	1,880	1,787	1,832	1,669	1,897^r	1,529^r	1,481	n.a.
11 1-family	1,258	1,369	1,286	1,328	1,276	1,230	1,093	1,135^r	996^r	886	n.a.
12 2-or-more-family	399	499	570	552	511	602	576	762^r	563^r	595	n.a.
13 Mobile homes shipped	277	276	277	241	276	270	226	201	162	163	n.a.
Merchant builder activity in 1-family units											
14 Number sold	820	818	709	571	584	548	458	345^r	462^r	536	659
15 Number for sale, end of period[1]	408	419	402	398	396	384	377	364^r	350^r	342	334
Price (thousand of dollars)[2]											
Median											
16 Units sold	49.0	55.8	62.7	61.5	63.2	64.8	62.3	62.8^r	63.6^r	66.9	64.3
Average											
17 Units sold	54.4	62.7	71.9	72.6	72.5	76.6	71.1	74.1^r	73.5^r	77.9	76.8
EXISTING UNITS (1-family)											
18 Number sold	3,572	3,905	3,742	3,350	3,210	2,990	2,750	2,420	2,310	2,480	2,920
Price of units sold (thous. of dollars)[2]											
19 Median	42.8	48.7	55.5	56.5	57.9	59.0	59.5	60.4	61.2	63.4	64.1
20 Average	47.1	55.1	64.0	65.2	68.2	69.4	69.4	70.6	71.2	75.7	75.7
	Value of new construction[3] (millions of dollars)										
CONSTRUCTION											
21 Total put in place	**173,976^r**	**205,457**	**228,948**	**244,045**	**259,580**	**248,756**	**237,132**	**226,529**	**220,088^r**	**216,318**	**214,268**
22 Private	135,799	159,555	179,948	191,191	198,097	191,732	180,616	172,362	166,129^r	163,036	160,568
23 Residential	80,957	93,423	99,029	102,127	105,814	101,519	93,991	84,495	78,448^r	75,207	75,838
24 Nonresidential, total	54,842	66,132	80,919	89,064	92,283	90,213	86,625	87,867	87,681	87,829	84,730
Buildings											
25 Industrial	7,713	10,993	14,953	15,879	15,810	15,690	13,916	13,611	14,197	15,022	13,052
26 Commercial	14,789	18,568	24,924	29,422	31,614	30,727	29,911	30,878	30,149	29,609	28,564
27 Other	6,200	6,739	7,427	8,274	9,207	8,508	8,515	8,220	8,571	8,256	8,019
28 Public utilities and other	26,140	29,832	33,615	35,489	35,652	35,288	34,283	35,158	34,764	34,942	35,095
29 Public	38,172	45,901	49,001	52,855	61,483	57,023	56,516	54,167	53,959	53,282	53,700
30 Military	1,428	1,501	1,641	1,743	1,773	1,530	1,895	1,931	1,551	1,600	1,680
31 Highway	9,380	10,713	11,915	12,858	16,892	15,693	13,606	14,393	12,470	n.a.	n.a.
32 Conservation and development	3,862	4,457	4,586	5,121	5,141	5,325	5,686	5,000	6,147	n.a.	n.a.
33 Other[4]	23,502	29,230	30,859	33,133	37,677	34,475	35,329	32,843	33,791	n.a.	n.a.

1. Not at annual rates.
2. Not seasonally adjusted.
3. Value of new construction data in recent periods may not be strictly comparable with data in prior periods due to changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.
4. Beginning January 1977 "Highway" imputations are included in "Other".

NOTE. Census Bureau estimates for all series except (a) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (b) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from originating agency. Permit authorizations are those reported to the Census Bureau from 14,000 jurisdictions through 1977, and 16,000 jurisdictions beginning with 1978.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	12 months to		3 months (at annual rate) to				1 month to					Index level July 1980 (1967 = 100)[1]
	1979 July	1980 July	1979 Sept.	1979 Dec.	1980 Mar.	1980 June	1980 Mar.	1980 Apr.	1980 May	1980 June	1980 July	
CONSUMER PRICES[2]												
1 **All items**	**11.3**	**13.2**	**13.8**	**13.7**	**18.1**	**11.6**	**1.4**	**.9**	**.9**	**1.0**	**0.0**	**247.8**
2 Commodities	11.6	11.2	13.3	12.5	16.1	5.0	1.2	.5	.3	.3	.6	234.1
3 Food	10.2	7.6	6.5	12.1	3.8	5.6	1.0	.5	.3	.5	1.0	254.8
4 Commodities less food	12.3	12.8	16.4	12.7	22.1	4.7	1.3	.5	.4	.3	.5	222.2
5 Durable	9.9	8.9	9.1	13.2	7.6	6.8	.2	.5	.6	.5	.5	209.8
6 Nondurable	15.5	17.7	25.2	12.8	39.8	3.5	2.4	.6	.2	.1	.3	236.6
7 Services	10.9	16.1	14.3	15.8	20.9	21.6	1.9	1.5	1.6	1.8	−.8	272.4
8 Rent	7.1	9.2	10.2	9.0	8.3	10.0	.5	.2	1.0	1.2	.5	192.1
9 Services less rent	11.4	17.1	14.9	16.9	22.8	23.3	2.0	1.7	1.7	1.9	−.9	287.6
Other groupings												
10 All items less food	11.6	14.4	15.4	14.2	21.7	13.0	1.5	1.1	1.0	1.1	−.2	245.1
11 All items less food and energy	9.5	12.4	10.9	13.9	15.7	13.5	1.2	1.1	1.0	1.1	−.2	233.1
12 Homeownership	15.2	19.9	19.5	25.6	24.1	26.6	2.1	1.9	1.8	2.3	−1.8	315.4
PRODUCER PRICES												
13 Finished goods	10.3	14.1	16.1	13.3	19.3r	6.0	1.4r	.6r	0.0r	.8	1.7	246.6
14 Consumer	10.8	15.5	20.7	14.6	21.6r	4.0	1.6r	.1r	.2r	.7	1.8	249.1
15 Foods	6.9	6.5	15.3	8.6	−1.2r	7.8	1.0	−2.8	.1	.7	3.8	239.5
16 Excluding foods	13.0	20.3	23.4	17.9	34.8r	10.1	1.8r	1.5r	.2r	.7	.9	251.4
17 Capital equipment	9.0	10.6	5.9	10.0	13.4r	10.9	.9r	1.8r	−.1r	.9	1.3	240.2
18 Intermediate materials[3]	13.2	15.0	19.4	17.0	24.0r	4.4	.7r	.3	−.1r	.8	.7	282.3
Crude Materials												
19 Nonfood	20.7	19.3	25.1	27.8	21.9r	−3.9	−1.4r	−.5	0.0r	−.5	3.2	416.8
20 Food	14.5	3.6	16.4	5.7	−16.7r	−10.5	−2.7	−6.1	2.4	1.1	9.0	263.3

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers.
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

Account	1977	1978	1979	1979				1980	
				Q1	Q2	Q3	Q4	Q1	Q2p
GROSS NATIONAL PRODUCT									
1 **Total**	**1,899.5**	**2,127.6**	**2,368.8**	**2,292.1**	**2,329.8**	**2,396.5**	**2,456.9**	**2,524.6**	**2,524.6**
By source									
2 Personal consumption expenditures	1,210.0	1,350.8	1,509.8	1,454.2	1,475.9	1,528.6	1,580.4	1,629.5	1,628.6
3 Durable goods	178.8	200.3	213.0	213.8	208.7	213.4	216.2	220.2	195.7
4 Nondurable goods	481.3	530.6	596.9	571.1	581.2	604.7	630.7	652.0	654.8
5 Services	549.8	619.8	699.8	669.3	686.0	710.6	733.5	757.3	778.0
6 Gross private domestic investment	303.3	351.5	387.2	373.8	395.4	392.3	387.2	387.7	370.3
7 Fixed investment	281.3	329.1	369.0	354.6	361.9	377.8	381.7	383.0	356.7
8 Nonresidential	189.4	221.1	254.9	243.4	249.1	261.8	265.2	272.6	267.7
9 Structures	62.6	76.5	92.6	84.9	90.5	95.0	100.2	103.3	103.8
10 Producers' durable equipment	126.8	144.6	162.2	158.5	158.6	166.7	165.1	169.4	163.9
11 Residential structures	91.9	108.0	114.1	111.2	112.9	116.0	116.4	110.4	89.0
12 Nonfarm	88.8	104.4	110.2	107.8	109.1	112.0	112.1	105.9	85.3
13 Change in business inventories	21.9	22.3	18.2	19.1	33.4	14.5	5.6	4.7	13.6
14 Nonfarm	20.7	21.3	16.5	18.8	32.6	12.6	2.1	4.4	14.2
15 Net exports of goods and services	-9.9	-10.3	-4.6	4.0	-8.1	-2.3	-11.9	-13.6	-2.5
16 Exports	175.9	207.2	257.5	238.5	243.7	267.3	280.4	308.1	307.1
17 Imports	185.8	217.5	262.1	234.4	251.9	269.5	292.4	321.7	309.7
18 Government purchases of goods and services	396.2	435.6	476.4	460.1	466.6	477.8	501.2	517.2	528.3
19 Federal	144.4	152.6	166.6	163.6	161.7	162.9	178.4	186.2	193.3
20 State and local	251.8	283.0	309.8	296.5	304.9	314.9	322.8	331.0	335.0
By major type of product									
21 Final sales, total	1,877.6	2,105.2	2,350.6	2,272.9	2,296.4	2,381.9	2,451.4	2,516.1	2,511.0
22 Goods	842.2	930.0	1,030.5	1,011.8	1,018.1	1,036.0	1,056.3	1,086.2	1,082.1
23 Durable	345.9	380.4	423.1	425.5	422.4	424.4	420.2	421.5	419.2
24 Nondurable	496.3	549.6	607.4	586.2	595.7	611.6	636.1	664.8	662.9
25 Services	866.4	969.3	1,085.1	1,041.4	1,064.2	1,100.6	1,134.0	1,169.5	1,200.5
26 Structures	190.9	228.2	253.2	238.9	247.5	259.8	266.6	265.1	241.9
27 Change in business inventories	21.9	22.3	18.2	19.1	33.4	14.5	5.6	4.7	13.6
28 Durable goods	11.9	13.9	13.0	18.4	24.3	7.3	1.8	-9.3	10.3
29 Nondurable goods	10.0	8.4	5.2	.7	9.1	7.2	3.8	14.0	3.3
30 MEMO: **Total GNP in 1972 dollars**	**1,340.5**	**1,399.2**	**1,431.6**	**1,430.6**	**1,422.3**	**1,433.3**	**1,440.3**	**1,444.7**	**1,410.9**
NATIONAL INCOME									
31 **Total**	**1,525.8**	**1,724.3**	**1,924.8**	**1,869.0**	**1,897.9**	**1,941.9**	**1,990.4**	**2,035.4**	**2,026.9**
32 Compensation of employees	1,156.9	1,304.5	1,459.2	1,411.2	1,439.7	1,472.9	1,513.2	1,555.2	1,567.2
33 Wages and salaries	984.0	1,103.5	1,227.4	1,189.4	1,211.5	1,238.0	1,270.7	1,303.6	1,310.4
34 Government and government enterprises	201.3	218.0	233.5	228.1	231.2	234.4	240.2	243.5	247.5
35 Other	782.7	885.5	993.9	961.3	980.3	1,003.6	1,030.5	1,060.1	1,062.8
36 Supplement to wages and salaries	172.9	201.0	231.8	221.8	228.2	234.8	242.5	251.6	256.8
37 Employer contributions for social insurance	81.2	94.6	109.1	105.8	107.9	109.9	113.0	117.2	118.1
38 Other labor income	91.8	106.5	122.7	116.0	120.3	124.9	129.6	134.4	138.7
39 Proprietors' income[1]	100.2	116.8	130.8	129.0	129.3	130.3	134.5	130.0	119.5
40 Business and professional[1]	80.5	89.1	98.0	94.8	95.5	99.4	102.1	102.3	97.3
41 Farm[1]	19.6	27.7	32.8	34.2	33.7	30.9	32.5	27.7	22.2
42 Rental income of persons[2]	24.7	25.9	26.9	27.3	26.8	26.6	27.0	27.0	27.3
43 Corporate profits[1]	150.0	167.7	178.2	178.9	176.6	180.8	176.4	175.0	156.0
44 Profits before tax[3]	177.1	206.0	236.6	233.3	227.9	242.3	243.0	260.4	208.8
45 Inventory valuation adjustment	-15.2	-25.2	-41.8	-39.9	-36.6	-44.0	-46.5	-63.2	-28.2
46 Capital consumption adjustment	-12.0	-13.1	-16.7	-14.5	-14.7	-17.6	-20.1	-22.2	-24.6
47 Net interest	94.0	109.5	129.7	122.6	125.6	131.5	139.2	148.1	157.0

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustments.
3. For after-tax profits, dividends, and the like, see table 1.50.

SOURCE. *Survey of Current Business* (Department of Commerce).

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1977	1978	1979	1979 Q1	1979 Q2	1979 Q3	1979 Q4	1980 Q1	1980 Q2
PERSONAL INCOME AND SAVING									
1 **Total personal income**	**1,531.6**	**1,717.4**	**1,924.2**	**1,852.6**	**1,892.5**	**1,946.6**	**2,005.0**	**2,057.4**	**2,079.5**
2 Wage and salary disbursements	984.0	1,103.3	1,227.6	1,189.3	1,212.4	1,238.1	1,270.5	1,303.7	1,310.4
3 Commodity-producing industries	343.1	387.4	435.2	423.0	431.7	438.3	447.8	460.0	454.4
4 Manufacturing	266.0	298.3	330.9	324.8	328.5	331.9	338.3	347.2	342.0
5 Distributive industries	239.1	269.4	300.8	291.1	295.8	304.0	312.4	320.1	321.0
6 Service industries	200.5	228.7	257.9	247.2	252.8	261.3	270.2	280.0	287.5
7 Government and government enterprises	201.3	217.8	233.7	228.0	232.1	234.5	240.1	243.6	247.5
8 Other labor income	91.8	106.5	122.7	116.0	120.3	124.9	129.6	134.4	138.7
9 Proprietors' income[1]	100.2	116.8	130.8	129.0	129.3	130.3	134.5	130.0	119.5
10 Business and professional[1]	80.5	89.1	98.0	94.8	95.5	99.4	102.1	102.3	97.3
11 Farm[1]	19.6	27.7	32.8	34.2	33.7	30.9	32.5	27.7	22.2
12 Rental income of persons[2]	24.7	25.9	26.9	27.3	26.8	26.6	27.0	27.0	27.3
13 Dividends	42.1	47.2	52.7	51.5	52.3	52.8	54.4	56.7	58.6
14 Personal interest income	141.7	163.3	192.1	181.0	187.6	194.4	205.5	217.2	228.9
15 Transfer payments	208.4	224.1	252.0	237.3	243.6	260.8	266.5	274.9	282.4
16 Old-age survivors, disability, and health insurance benefits	105.0	116.3	132.4	123.8	127.1	138.7	140.0	142.0	143.6
17 LESS: Personal contributions for social insurance	61.3	69.6	80.7	78.7	79.8	81.2	82.9	86.6	86.3
18 EQUALS: Personal income	1,531.6	1,717.4	1,924.2	1,852.6	1,892.5	1,946.6	2,005.0	2,057.4	2,079.5
19 LESS: Personal tax and nontax payments	226.4	259.0	299.9	280.4	290.7	306.6	321.9	320.0	324.6
20 EQUALS: Disposable personal income	1,305.1	1,458.4	1,624.3	1,572.2	1,601.7	1,640.0	1,683.1	1,737.4	1,755.0
21 LESS: Personal outlays	1,240.2	1,386.4	1,550.5	1,493.0	1,515.8	1,569.7	1,623.4	1,672.9	1,671.4
22 EQUALS: Personal saving	65.0	72.0	73.8	79.2	85.9	70.3	59.7	64.4	83.6
MEMO: Per capita (1972 dollars)									
23 Gross national product	6,181	6,402	6,494	6,514	6,459	6,494	6,509	6,514	6,348
24 Personal consumption expenditures	3,974	4,121	4,194	4,197	4,155	4,195	4,227	4,222	4,106
25 Disposable personal income	4,285	4,449	4,512	4,536	4,510	4,501	4,502	4,502	4,425
26 Saving rate (percent)	5.0	4.9	4.5	5.0	5.4	4.3	3.5	3.7	4.8
GROSS SAVING									
27 **Gross saving**	**276.1**	**324.6**	**363.9**	**362.2**	**374.3**	**367.3**	**351.9**	**346.6**	**345.8**
28 Gross private saving	295.6	324.9	349.6	345.2	360.5	352.1	340.7	343.7	372.5
29 Personal saving	65.0	72.0	73.8	79.2	85.9	70.3	59.7	64.4	83.6
30 Undistributed corporate profits[1]	35.2	36.0	32.9	36.1	35.6	34.0	25.9	15.9	17.9
31 Corporate inventory valuation adjustment	-15.2	-25.2	-41.8	-39.9	-36.6	-44.0	-46.5	-63.2	-28.2
Capital consumption allowances									
32 Corporate	121.3	132.9	147.7	139.9	145.1	150.4	155.3	159.6	163.9
33 Noncorporate	74.1	84.0	95.3	89.9	93.9	97.5	99.8	103.7	107.1
34 Wage accruals less disbursements	....	....	....	....	....	....	....	....	....
35 Government surplus, or deficit (-), national income and product accounts	-19.5	-.3	13.2	15.8	12.7	14.0	10.0	1.7	-27.8
36 Federal	-46.3	-27.7	-11.4	-11.7	-7.0	-11.3	-15.7	-22.9	-48.0
37 State and local	26.8	27.4	24.6	27.6	19.7	25.3	25.8	24.6	20.2
38 Capital grants received by the United States, net	....	....	1.1	1.1	1.1	1.1	1.1	1.2	1.2
39 **Gross investment**	**283.6**	**327.9**	**367.6**	**362.8**	**373.1**	**375.6**	**359.1**	**357.5**	**351.9**
40 Gross private domestic	303.3	351.5	387.2	373.8	395.4	392.3	387.2	387.7	370.3
41 Net foreign	-19.6	-23.5	-19.5	-11.0	-22.3	-16.7	-28.1	-30.2	-18.3
42 **Statistical discrepancy**	**7.5**	**3.3**	**2.9**	**.6**	**-1.3**	**8.3**	**7.2**	**11.0**	**6.1**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. *Survey of Current Business* (Department of Commerce).

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.[1]

Item credits or debits	1977	1978	1979	1979				1980
				Q1	Q2	Q3	Q4	Q1
1 Balance on current account	-14,068	-14,259	-788	1,408	-1,493	1,099	-1,802	-2,567
2 Not seasonally adjusted	....	....	....	1,697	-61	-2,909	486	-2,405
3 Merchandise trade balance[2]	-30,873	-33,759	-29,469	-5,114	-8,070	-7,060	-9,225	-10,875
4 Merchandise exports	120,816	142,054	182,055	41,805	42,815	47,198	50,237	54,708
5 Merchandise imports	-151,689	-175,813	-211,524	-46,919	-50,885	-54,258	-59,462	-65,583
6 Military transactions, net	1,628	886	-1,274	-29	-102	-443	-700	-700
7 Investment income, net[3]	17,988	20,899	32,509	7,038	7,271	9,319	8,883	10,123
8 *Other service transactions, net*	1,794	2,769	3,112	837	791	690	792	761
9 MEMO: Balance on goods and services[3,4]	-9,464	-9,204	4,878	2,732	-110	2,506	-250	-691
10 Remittances, pensions, and other transfers	-1,830	-1,884	-2,142	-464	-484	-529	-665	-564
11 U.S. government grants (excluding military)	-2,775	-3,171	-3,524	-860	-899	-878	-887	-1,312
12 Change in U.S. government assets, other than official reserve assets, net (increase, -)	-3,693	-4,644	-3,783	-1,102	-991	-766	-925	-1,461
13 Change in U.S. official reserve assets (increase, -)	-375	732	-1,106	-3,585	343	2,779	-644	-3,246
14 Gold	-118	-65	-65	0	0	0	-65	0
15 *Special drawing rights (SDRs)*	-121	1,249	-1,136	-1,142	6	0	0	-1,152
16 Reserve position in International Monetary Fund	-294	4,231	-189	-86	-78	-52	27	-34
17 Foreign currencies	158	-4,683	283	-2,357	415	2,831	-606	-2,060
18 Change in U.S. private assets abroad (increase, -)[3]	-31,725	-57,279	-56,858	-3,081	-14,631	-27,228	-11,918	-7,110
19 Bank-reported claims	-11,427	-33,631	-25,868	6,181	-7,839	-16,997	-7,213	-978
20 Nonbank-reported claims	-1,940	-3,853	-2,029	-2,442	935	-932	410	n.a.
21 U.S. purchase of foreign securities, net	-5,460	-3,450	-4,643	-1,001	-513	-2,143	-986	-787
22 U.S. direct investments abroad, net[3]	-12,898	-16,345	-24,318	-5,819	-7,214	-7,156	-4,129	-5,345
23 Change in foreign official assets in the United States (increase, +)	36,574	33,292	-14,270	-8,744	-10,095	5,789	-1,221	-7,765
24 U.S. Treasury securities	30,230	23,523	-22,356	-8,752	-12,859	5,024	-5,769	-5,503
25 Other U.S. government obligations	2,308	666	465	-5	94	335	41	801
26 Other U.S. government liabilities[5]	1,159	2,220	-714	-128	122	216	-924	-43
27 Other U.S. liabilities reported by U.S. banks	773	5,488	7,219	-72	2,354	56	4,881	-3,365
28 Other foreign official assets[6]	2,105	1,395	1,116	213	195	158	550	345
29 Change in foreign private assets in the United States (increase, +)[3]	14,167	30,804	51,845	10,945	16,502	19,152	5,246	12,781
30 U.S. bank-reported liabilities	6,719	16,259	32,668	7,001	12,082	13,185	400	5,902
31 U.S. nonbank-reported liabilities	473	1,640	1,692	-543	579	606	1,050	n.a.
32 Foreign private purchases of U.S. Treasury securities, net	534	2,197	4,830	2,564	-120	1,466	920	3,279
33 Foreign purchases of other U.S. securities, net	2,713	2,811	2,942	803	1,149	677	313	2,477
34 Foreign direct investments in the United States, net[3]	3,728	7,896	9,713	1,120	2,812	3,217	2,564	1,123
35 Allocation of SDRs	0	0	1,139	1,139	0	0	0	1,152
36 Discrepancy	-880	11,354	23,822	3,020	10,364	-825	11,264	8,215
37 Owing to seasonal adjustments	....	....	....	74	1,167	-3,641	2,400	-115
38 Statistical discrepancy in recorded data before seasonal adjustment	-880	11,354	23,822	2,946	9,197	2,816	8,864	8,330
MEMO:								
Changes in official assets								
39 U.S. official reserve assets (increase, -)	-375	732	-1,106	-3,585	343	2,779	-644	-3,246
40 Foreign official assets in the United States (increase, +)	35,416	31,072	-13,556	-8,616	-10,216	5,573	-297	-7,722
41 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 23 above)	6,351	-1,137	5,508	-1,361	238	1,676	4,955	2,721
42 Transfers under military grant programs (excluded from lines 4, 6, and 11 above)	204	236	305	29	49	88	139	91

1. Seasonal factors are no longer calculated for lines 13 through 42.
2. Data are on an international accounts (IA) basis. Differs from the census basis primarily because the IA basis includes imports into the U.S. Virgin Islands, and it excludes military exports, which are part of line 6.
3. Includes reinvested earnings of incorporated affiliates.
4. Differs from the definition of "net exports of goods and services" in the national income and product (GNP) account. The GNP definition makes various adjustments to merchandise trade and service transactions.
5. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
6. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (U.S. Department of Commerce).

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

Item	1977	1978	1979	1979	1980					
				Dec.	Feb.	Mar.	Apr.	May	June	July
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	121,150	143,578	181,637	16,742	17,233	18,534	18,468	17,678	18,642	18,075
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	147,685	171,978	206,326	19,665	21,640	20,607	19,308	20,528	19,893	18,995
3 **Trade balance**	**-26,535**	**-28,400**	**-24,690**	**-2,923**	**-4,407**	**-2,073**	**-840**	**-2,850**	**-1,251**	**-920**

NOTE. Bureau of Census data reported on a free-alongside-ship (f.a.s.) value basis. Effective January 1978, major changes were made in coverage, reporting, and compiling procedures. The international-accounts-basis data adjust the Census basis data for reasons of coverage and timing. On the *export side*, the largest adjustments are: (a) the addition of exports to Canada not covered in Census statistics, and (b) the exclusion of military exports (which are combined with other military transactions and are reported separately in the "service account"). On the *import side*, the largest single adjustment is the addition of imports into the Virgin Islands (largely oil for a refinery on St. Croix), which are not included in Census statistics.

SOURCE. FT 900 "Summary of U.S. Export and Import Merchandise Trade" (U.S. Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1977	1978	1979	1980						
				Feb.	Mar.	Apr.	May	June	July	Aug.p
1 **Total**[1]	**19,312**	**18,650**	**18,928**	**20,840**	**21,448**	**21,521**	**21,794**	**21,921**	**21,828**	**22,581**
2 Gold stock, including Exchange Stabilization Fund[1]	11,719	11,671	11,172	11,172	11,172	11,172	11,172	11,172	11,172	11,172
3 Special drawing rights[2,3]	2,629	1,558	2,724	3,836	3,681	3,697	3,744	3,782	3,842	4,009
4 Reserve position in International Monetary Fund[2]	4,946	1,047	1,253	1,287	1,222	1,094	1,157	1,385	1,410	1,564
5 Foreign currencies[4]	18	4,374	3,779	4,545	5,373	5,558	5,721	5,582	5,404	5,836

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 3.22.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of 16 member countries. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; and $1,152 million Jan. 1, 1980; plus net transactions in SDRs.
4. Beginning November 1978, valued at current market exchange rates.

3.13 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data

Millions of dollars, end of period

Asset account	1976	1977	1978[1]	1979	1980					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
					All foreign countries					
1 **Total, all currencies**	**219,420**	**258,897**	**306,795**	**364,166**	**360,373**	**372,099**	**371,483**	**375,885**[r]	**378,605**	**376,630**
2 Claims on United States	7,889	11,623	17,340	32,302	31,603	39,736	35,681[r]	34,180[r]	35,598	28,996
3 Parent bank	4,323	7,806	12,811	25,929	24,788	32,192	28,249[r]	26,290[r]	26,139	18,613
4 Other	3,566	3,817	4,529	6,373	6,815	7,544	7,432	7,890	9,459	10,383
5 Claims on foreigners	204,486	238,848	278,135	317,109	313,816	316,993	319,748	325,367	326,109	330,166
6 Other branches of parent bank	45,955	55,772	70,338	79,661	75,419	78,185	80,574	79,541	76,322	76,084
7 Banks	83,765	91,883	103,111	123,344	125,070	124,417	125,983	130,067	130,208	132,701
8 Public borrowers[2]	10,613	14,634	23,737	26,060	25,797	26,045	25,473	25,202	25,412	25,556
9 Nonbank foreigners	64,153	76,560	80,949	88,044	87,530	88,346	87,718	90,557	94,167	95,825
10 Other assets	7,045	8,425	11,320	14,755	14,954	15,370	16,054[r]	16,338	16,898	17,468
11 **Total payable in U.S. dollars**	**167,695**	**193,764**	**224,940**	**267,645**	**265,157**	**276,017**	**276,711**	**277,637**[r]	**277,438**	**275,262**
12 Claims on United States	7,595	11,049	16,382	31,171	30,518	38,519	34,501[r]	32,896[r]	34,353	27,805
13 Parent bank	4,264	7,692	12,625	25,632	24,516	31,812	27,897[r]	25,920[r]	25,819	18,302
14 Other	3,332	3,357	3,757	5,539	6,002	6,707	6,604	6,976	8,534	9,503
15 Claims on foreigners	156,896	178,896	203,498	229,053	226,781	229,013	233,717	235,804	234,028	238,294
16 Other branches of parent bank	37,909	44,256	55,408	61,525	58,084	60,217	63,434	61,787	58,898	58,468
17 Banks	66,331	70,786	78,686	96,192	97,905	97,188	99,318	103,148	102,631	105,057
18 Public borrowers[2]	9,022	12,632	19,567	21,618	21,536	21,790	21,369	20,985	21,208	21,345
19 Nonbank foreigners	43,634	51,222	49,837	49,718	49,256	49,818	49,596	49,884	51,291	53,424
20 Other assets	3,204	3,820	5,060	7,421	7,858	8,485	8,493[r]	8,937	9,057	9,163
					United Kingdom					
21 **Total, all currencies**	**81,466**	**90,933**	**106,593**	**130,873**	**128,41**	**133,793**	**136,654**	**138,915**	**138,930**	**139,066**
22 Claims on United States	3,354	4,341	5,370	11,117	10,147	10,697	11,990	11,533	11,399	9,157
23 Parent bank	2,376	3,518	4,448	9,338	8,207	8,584	9,838	9,300	9,140	6,870
24 Other	978	823	922	1,779	1,940	2,113	2,152	2,233	2,259	2,287
25 Claims on foreigners	75,859	84,016	98,137	115,123	113,617	118,212	119,290	122,105	121,851	124,059
26 Other branches of parent bank	19,753	22,017	27,830	34,291	31,995	35,187	35,536	36,015	34,305	34,824
27 Banks	38,089	39,899	45,013	51,343	52,177	53,127	52,509	54,020	54,076	54,855
28 Public borrowers[2]	1,274	2,206	4,522	4,919	4,559	4,499	5,860	5,578	5,591	5,897
29 Nonbank foreigners	16,743	19,895	20,772	24,570	24,886	25,399	25,385	26,492	27,879	28,483
30 Other assets	2,253	2,576	3,086	4,633	4,653	4,884	5,374	5,277	5,680	5,850
31 **Total payable in U.S. dollars**	**61,587**	**66,635**	**75,860**	**94,287**	**91,760**	**96,228**	**99,711**	**100,628**	**98,809**	**98,013**
32 Claims on United States	3,275	4,100	5,113	10,746	9,820	10,285	11,620	11,071	10,988	8,790
33 Parent bank	2,374	3,431	4,386	9,297	8,161	8,467	9,778	9,179	9,059	6,810
34 Other	902	669	727	1,449	1,659	1,818	1,842	1,892	1,929	1,980
35 Claims on foreigners	57,488	61,408	69,416	81,294	79,740	83,603	85,452	86,818	85,013	86,404
36 Other branches of parent bank	17,249	18,947	22,838	28,928	26,842	29,907	30,204	29,980	28,466	28,692
37 Banks	28,983	28,530	31,482	36,760	37,487	38,185	37,768	39,159	38,594	39,050
38 Public borrowers[2]	846	1,669	3,317	3,319	3,274	3,253	4,589	4,277	4,277	4,396
39 Nonbank foreigners	10,410	12,263	11,779	12,287	12,137	12,258	12,891	13,402	13,676	14,266
40 Other assets	824	1,126	1,331	2,247	2,200	2,340	2,639	2,739	2,808	2,819
					Bahamas and Caymans					
41 **Total, all currencies**	**66,774**	**79,052**	**91,735**	**108,910**	**110,946**	**117,839**	**114,748**	**115,742**	**116,461**	**115,347**
42 Claims on United States	3,508	5,782	9,635	19,124	19,680	27,154	21,831[r]	20,057	21,404	17,622
43 Parent bank	1,141	3,051	6,429	15,196	15,366	22,414	17,323[r]	15,269	15,334	10,705
44 Other	2,367	2,731	3,206	3,928	4,314	4,740	4,508	4,788	6,070	6,917
45 Claims on foreigners	62,048	71,671	79,774	86,652	87,838	86,829	89,279	91,590	90,921	93,565
46 Other branches of parent bank	8,144	11,120	12,904	9,689	10,242	10,265	13,659	13,438	12,454	12,977
47 Banks	25,354	27,939	33,677	43,120	44,062	42,435	44,450	47,131	46,720	48,183
48 Public borrowers[2]	7,105	9,109	11,514	12,893	12,908	13,121	11,324	11,345	11,626	11,519
49 Nonbank foreigners	21,445	23,503	21,679	20,950	20,626	21,008	19,846	19,676	20,121	20,886
50 Other assets	1,217	1,599	2,326	3,134	3,428	3,856	3,638[r]	4,095	4,136	4,160
51 **Total payable in U.S. dollars**	**62,705**	**73,987**	**85,417**	**102,302**	**105,013**	**111,504**	**108,550**	**109,631**	**110,837**	**109,799**

For notes see opposite page.

3.13 Continued

Liability account	1976	1977	1978[1]	1979	1980					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June p
	All foreign countries									
52 **Total, all currencies**	**219,420**	**258,897**	**306,795**	**364,166**	**360,373**	**372,099**	**371,483**	**375,885r**	**378,605**	**376,630**
53 To United States	32,719	44,154	57,948	66,573	70,341	71,118	67,624	69,487r	73,204	76,417
54 Parent bank	19,773	24,542	28,464	24,275	24,763	22,866	22,383	24,265r	26,545	31,110
55 Other banks in United States	12,946	19,613	12,338	14,110r	12,051r	13,821r	12,351	12,832	13,091	12,451
56 Nonbanks			17,146	28,188r	33,527r	34,431r	32,890	32,390	33,568	32,856
57 To foreigners	179,954	206,579	238,912	283,324	276,189	286,262	289,466	290,944	289,591	284,307
58 Other branches of parent bank	44,370	53,244	67,496	77,601	72,846	73,602	76,695r	75,041	72,490	71,932
59 Banks	83,880	94,140	97,711	122,829	122,044	130,252	129,320r	130,701	130,804	127,806
60 Official institutions	25,829	28,110	31,936	35,664	33,073	34,221	34,806	35,007	34,838	33,934
61 Nonbank foreigners	25,877	31,085	41,769	47,230	48,226	48,187	48,645	50,195	51,459	50,635
62 Other liabilities	6,747	8,163	9,935	14,269	13,843	14,719	14,393	15,454	15,810	15,906
63 **Total payable in U.S. dollars**	**173,071**	**198,572**	**230,810**	**273,752**	**270,597**	**282,200**	**282,666**	**283,690r**	**284,830**	**282,517**
64 To United States	31,932	42,881	55,811	64,485	67,957	68,599	65,363	67,133r	70,718	73,774
65 Parent bank	19,559r	24,213	27,393	23,216	23,624	21,636	21,195	23,020r	25,222	29,740
66 Other banks in United States	12,373	18,669	12,084	13,913r	11,721r	13,414r	12,004	12,583	12,777	12,131
67 Nonbanks			16,334	27,356r	32,612r	33,549r	32,164	31,530	32,719	31,903
68 To foreigners	137,612	151,363	169,927	201,456	195,229	205,511	209,157	207,742	205,083	199,745
69 Other branches of parent bank	37,098	43,268	53,396	60,513	56,779	57,714	61,240r	59,375	56,532	56,129
70 Banks	60,619	64,872	63,000	80,671	80,988	89,238	88,064r	87,622	86,939	84,340
71 Official institutions	22,878	23,972	26,404	29,048	26,691	27,727	28,321	28,612	28,316	26,927
72 Nonbank foreigners	17,017	19,251	27,127	31,224	30,771	30,832	31,532	32,133	33,296	32,349
73 Other liabilities	3,527	4,328	5,072	7,811	7,411	8,090	8,146	8,815r	9,029	8,998
	United Kingdom									
74 **Total, all currencies**	**81,466**	**90,933**	**106,593**	**130,873**	**128,417**	**133,793**	**136,654**	**138,915**	**138,930**	**139,066**
75 To United States	5,997	7,753	9,730	20,986	20,378	20,808	19,921	20,838	19,877	20,194
76 Parent bank	1,198	1,451	1,887	3,104	3,014	2,758	2,140	2,301	2,118	2,509
77 Other banks in United States	4,798	6,302	4,232	7,693r	6,507r	6,559r	6,502	6,382	6,265	6,213
78 Nonbanks			3,611	10,189r	10,857r	11,491r	11,279	12,155	11,494	11,472
79 To foreigners	73,228	80,736	93,202	104,032	102,117	106,524	110,473	111,375	111,769	111,873
80 Other branches of parent bank	7,092	9,376	12,786	12,567	11,458	11,099	14,799	14,268	13,824	13,668
81 Banks	36,259	37,893	39,917	47,620	48,872	53,031	53,204	53,955	54,309	54,844
82 Official institutions	17,273	18,318	20,963	24,202	21,822	22,890	23,303	23,453	23,628	22,577
83 Nonbank foreigners	12,605	15,149	19,536	19,643	19,965	19,504	19,167	19,699	20,008	20,784
84 Other liabilities	2,241	2,445	3,661	5,855	5,922	6,461	6,260	6,702	7,284	6,999
85 **Total payable in U.S. dollars**	**63,174**	**67,573**	**77,030**	**95,449**	**92,771**	**97,391**	**101,293**	**101,679r**	**101,170**	**100,117**
86 To United States	5,849	7,480	9,328	20,552	19,827	20,206	19,381	20,337	19,284	19,503
87 Parent bank	1,182	1,416	1,836	3,054	2,968	2,724	2,089	2,252	2,060	2,414
88 Other banks in United States	4,667	6,064	4,144	7,651r	6,445r	6,399r	6,351	6,318	6,210	6,140
89 Nonbanks			3,348	9,847r	10,414r	11,083r	10,941	11,767	11,014	10,949
90 To foreigners	56,372	58,977	66,216	72,397	70,597	74,705	79,251	78,296	78,278	77,140
91 Other branches of parent bank	5,874	7,505	9,635	8,446	7,793	7,322	10,894	10,468	10,021	9,659
92 Banks	25,527	25,608	25,287	29,424	30,988	34,694	35,300	34,485	34,488	35,311
93 Official institutions	15,423	15,482	17,091	20,192	17,995r	18,923	19,255	19,554	19,558	18,300
94 Nonbank foreigners	9,547	10,382	14,203	14,335	13,821	13,766	13,802	13,789	14,211	13,870
95 Other liabilities	953	1,116	1,486	2,500	2,347	2,480	2,661	3,046r	3,608	3,474
	Bahamas and Caymans									
96 **Total, all currencies**	**66,774**	**79,052**	**91,735**	**108,910**	**110,946**	**117,839**	**114,748**	**115,742**	**116,461**	**115,347**
97 To United States	22,721	32,176	39,431	37,674	43,092	43,580	40,896	41,841	45,561	48,523
98 Parent bank	16,161	20,956	20,356	15,080	16,801	15,099	15,341	16,989	19,114	22,840
99 Other banks in United States	6,560	11,220	6,199	5,346	4,609	6,351	4,778	5,417	5,720	5,312
100 Nonbanks			12,876	17,248	21,682	22,130	20,777	19,435	20,727	20,371
101 To foreigners	42,899	45,292	50,447	68,578	65,229	71,132	70,804	70,583	67,953	63,917
102 Other branches of parent bank	13,801	12,816	16,094	20,875	20,559	22,150	22,387r	22,470	20,009	20,137
103 Banks	21,760	24,717	23,104	33,611	30,504	34,701	33,774r	33,028	32,156	28,864
104 Official institutions	3,573	3,000	4,208	4,866	5,020	5,016	4,958	5,435	5,461	5,096
105 Nonbank foreigners	3,765	4,759	7,041	9,226	9,146	9,265	9,685	9,650	10,327	9,820
106 Other liabilities	1,154	1,584	1,857	2,658	2,625	3,127	3,048	3,318	2,947	2,907
107 **Total payable in U.S. dollars**	**63,417**	**74,463**	**87,014**	**103,393**	**105,997**	**112,929**	**110,074**	**111,389**	**112,383**	**111,520**

1. In May 1978 the exemption level for branches required to report was increased, which reduced the number of reporting branches.
2. In May 1978 a broader category of claims on foreign public borrowers, including corporations that are majority owned by foreign governments, replaced the previous, more narrowly defined claims on foreign official institutions.

3.14 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1977	1978	1979	1980						
				Jan.	Feb.	Mar.	Apr.	May	June^p	July^p
1 **Total**[1]	**131,097**	**162,589**	**149,466**	**145,999**	**145,037**	**142,069**	**140,500**	**143,460**	**148,852**	**152,244**
By type										
2 Liabilities reported by banks in the United States[2]	18,003	23,290	30,411	24,739	24,491	27,226	27,923	28,486	28,786	28,749
3 U.S. Treasury bills and certificates[3]	47,820	67,671	47,666	48,864	48,234	42,797	40,527	42,731	45,907	47,785
U.S. Treasury bonds and notes										
4 Marketable	32,164	35,894	37,669	38,152	37,888	37,785	37,718	38,104	39,821	40,583
5 Nonmarketable[4]	20,443	20,970	17,387	17,434	17,384	16,784	16,384	16,184	15,954	15,954
6 U.S. securities other than U.S. Treasury securities[5]	12,667	14,764	16,333	16,810	17,040	17,477	17,948	17,955	18,384	19,173
By area										
7 Western Europe[1]	70,748	93,089	85,602	82,628	79,852	77,119	74,154	74,159	75,191	77,898
8 Canada	2,334	2,486	1,898	1,922	2,347	1,644	1,903	2,134	2,157	1,907
9 Latin America and Caribbean	4,649	5,046	6,371	4,780	4,916	6,099	5,979	6,035	6,023	6,329
10 Asia	50,693	58,817	52,697	53,456	54,602	53,997	54,403	57,317	61,921	62,470
11 Africa	1,742	2,408	2,412	2,480	2,392	2,419	3,316	2,889	2,694	2,930
12 Other countries[6]	931	743	486	733	928	791	745	926	866	710

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE: Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.15 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies

Millions of dollars, end of period

Item	1977	1978	1979			1980	
			June	Sept.	Dec.	Mar.	June^p
1 Banks' own liabilities	925	2,347	1,978	2,393	1,870	2,237	2,562
2 Banks' own claims[1]	2,356	3,663	2,559	2,700	2,438	2,812	2,994
3 Deposits	941	1,798	1,371	1,356	1,032	1,212	1,048
4 Other claims	1,415	1,864	1,189	1,344	1,406	1,600	1,946
5 Claims of banks' domestic customers[2]	....	367	573	616	592	1,056	797

1. Includes claims of banks' domestic customers through March 1978.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of their domestic customers.

NOTE: Data on claims exclude foreign currencies held by U.S. monetary authorities.

3.16 LIABILITIES TO FOREIGNERS Reported by Banks in the United States
Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1977	1978	1979	1980						
				Jan.	Feb.	Mar.	Apr.	May	June	July p
1 **All foreigners**	**126,168**	**166,796**	**187,339**	**184,844**	**193,998**	**185,977**	**180,552**	**182,847**	**186,661**	**187,319**
2 Banks' own liabilities	....	78,699	117,146	113,543	122,689	119,118	115,586	116,323	116,460	115,598
3 Demand deposits	18,996	19,211	23,308	20,791	22,520	22,678	22,319	22,511r	25,967	22,207
4 Time deposits[1]	11,521	12,441	13,671	12,504	12,741	12,877	12,627	12,668	12,748	12,753
5 Other[2]	....	9,693	16,277	12,692	12,471	14,611	15,020	15,944r	16,630	18,512
6 Own foreign offices[3]	....	37,353	63,890	67,556	74,957	68,951	65,620	65,200	61,116	62,125
7 Banks' custody liabilities[4]	....	88,098	70,193	71,301	71,309	66,859	64,966	66,524	70,201	71,722
8 U.S. Treasury bills and certificates[5]	48,906	68,202	48,573	49,860	49,360	44,408	42,232	44,088	48,193	49,677
9 Other negotiable and readily transferable instruments[6]	....	17,396	19,270	18,931	19,407	19,701	19,944	19,643	19,433	19,291
10 Other	....	2,499	2,350	2,509	2,542	2,750	2,790	2,793	2,575	2,753
11 **Nonmonetary international and regional organizations[7]**	**3,274**	**2,607**	**2,351**	**1,227**	**1,712**	**1,758**	**1,968**	**1,775r**	**3,499**	**2,888**
12 Banks' own liabilities	....	906	709	444	393	383	648	377r	842	597
13 Demand deposits	231	330	260	164	153	160	241	144	99	214
14 Time deposits[1]	139	84	151	89	78	79	93	88	92	93
15 Other[2]	....	492	298	191	162	144	314	145r	652	289
16 Banks' custody liabilities[4]	....	1,701	1,643	783	1,319	1,376	1,320	1,398	2,657	2,291
17 U.S. Treasury bills and certificates	706	201	102	102	114	157	87	82	1,106	604
18 Other negotiable and readily transferable instruments[6]	....	1,499	1,538	681	1,206	1,218	1,233	1,317	1,551	1,687
19 Other	....	1	2	0	0	0	0	0	0	0
20 **Official institutions[8]**	**65,822**	**90,706**	**78,077**	**73,603**	**72,725**	**70,023**	**68,450**	**71,218r**	**74,693**	**76,534**
21 Banks' own liabilities	....	12,129	18,163	12,347	12,151	14,527	14,547	15,363r	16,246	16,733
22 Demand deposits	3,528	3,390	4,704	3,725	3,680	3,928	4,734	4,484	5,043	4,298
23 Time deposits[1]	1,797	2,550	3,041	2,309	2,367	2,397	2,392	2,581	2,640	2,639
24 Other[2]	....	6,189	10,418	6,313	6,104	8,202	7,421	8,297r	8,563	9,797
25 Banks' custody liabilities[4]	....	78,577	59,914	61,256	60,575	55,497	53,903	55,854	58,447	59,801
26 U.S. Treasury bills and certificates[5]	47,820	67,415	47,666	48,864	48,234	42,797	40,527	42,731	45,907	47,785
27 Other negotiable and readily transferable instruments[6]	....	10,992	12,196	12,357	12,303	12,668	13,341	13,084	12,494	11,965
28 Other	....	170	52	35	37	32	35	40	45	51
29 **Banks[9]**	**42,335**	**57,464**	**88,384**	**91,389**	**100,450**	**95,162**	**92,013**	**92,106**	**89,471**	**89,714**
30 Banks' own liabilities	....	52,674	83,383	86,007	94,974	89,381	86,198	86,279	84,019	84,162
31 Unaffiliated foreign banks	....	15,320	19,493	18,451	20,017	20,430	20,578	21,079	22,904	22,037
32 Demand deposits	10,933	11,249	13,257	11,820	13,345	13,371	12,681	13,003r	14,986	12,946
33 Time deposits[1]	2,040	1,453	1,724	1,278	1,304	1,574	1,498	1,423	1,479	1,476
34 Other[2]	....	2,618	4,512	5,353	5,369	5,485	6,399	6,653r	6,438	7,615
35 Own foreign offices[3]	....	37,353	63,890	67,556	74,957	68,951	65,620	65,200	61,116	62,125
36 Banks' custody liabilities[4]	....	4,790	5,000	5,382	5,475	5,781	5,815	5,828	5,452	5,552
37 U.S. Treasury and certificates	141	300	422	533	566	675	771	764	594	607
38 Other negotiable and readily transferable instruments[6]	....	2,425	2,405	2,573	2,559	2,559	2,462	2,491	2,582	2,406
39 Other	....	2,065	2,173	2,276	2,350	2,547	2,582	2,574	2,277	2,539
40 **Other foreigners**	**14,736**	**16,020**	**18,526**	**18,625**	**19,110**	**19,033**	**18,121**	**17,748**	**18,999**	**18,183**
41 Banks' own liabilities	....	12,990	14,890	14,746	15,171	14,828	14,193	14,305	15,353	14,105
42 Demand deposits	4,304	4,242	5,087	5,082	5,343	5,219	4,663	4,880	5,839	4,749
43 Time deposits	7,546	8,353	8,755	8,828	8,992	8,827	8,645	8,576	8,537	8,545
44 Other[2]	....	394	1,048	835,	836	781	886	849	977	812
45 Banks' custody liabilities[4]	....	3,030	3,636	3,880	3,939	4,205	3,928	3,443	3,646	4,078
46 U.S. Treasury bills and certificates	240	285	382	361	446	777	847	511	586	682
47 Other negotiable and readily transferable instruments[6]	....	2,481	3,131	3,320	3,339	3,256	2,908	2,752	2,806	3,233
48 Other	....	264	123	199	154	172	173	180	254	164
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	....	11,007	10,974	10,906	11,395	11,236	11,670	11,685	11,773	10,500

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments." Data for time deposits before April 1978 represent short-term only.
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

3.16 LIABILITIES TO FOREIGNERS Continued

Area and country	1977	1978	1979	1980						
				Jan.	Feb.	Mar.	Apr.	May	June	July^p
1 **Total**	**126,168**	**166,796**	**187,339**	**184,844**	**193,998**	**185,977**	**180,552**	**182,847r**	**186,661**	**187,319**
2 **Foreign countries**	**122,893**	**164,190**	**184,987**	**183,617**	**192,285**	**184,218**	**178,584**	**181,072r**	**183,163**	**184,431**
3 Europe	60,295	85,159	90,904	86,731	85,753	85,278	82,806	82,726r	82,937	83,550
4 Austria	318	513	413	378	379	335	444	352	383	442
5 Belgium-Luxembourg	2,531	2,552	2,375	2,109	2,407	2,365	2,369	2,795	4,097	3,827
6 Denmark	770	1,946	1,092	955	587	613	615	588	553	534
7 Finland	323	346	398	455	5444	484	522	435	438	433
8 France	5,269	9,208	10,401	10,534	11,247	11,004	11,303	10,839	11,199	12,171
9 Germany	7,239	17,286	12,935	10,345	8,960	8,618	5,320	5,427	6,951	7,620
10 Greece	603	826	635	832	627	618	617	610	626	566
11 Italy	6,857	7,739	7,782	7,825	7,394	7,399	7,429	6,942	5,778	7,137
12 Netherlands	2,869	2,402	2,327	2,529	2,485	2,377	2,022	2,128	2,676	2,828
13 Norway	944	1,271	1,267	1,229	1,156	1,500	1,391	1,221	1,282	1,140
14 Portugal	273	330	557	550	438	314	537	339	391	398
15 Spain	619	870	1,259	1,192	1,146	1,242	1,418	1,386	1,366	1,370
16 Sweden	2,712	3,121	2,005	1,845	1,978	1,692	1,847	1,632	1,999	1,795
17 Switzerland	12,343	18,225	17,954	16,745	16,950	15,625	14,859	14,517	14,736	14,468
18 Turkey	130	157	120	232	118	138	136	136	153	164
19 United Kingdom	14,125	14,265	24,694	25,083	25,300	26,810	27,187	27,247	24,192	22,347
20 Yugoslavia	232	254	266	157	149	115	122	144	254	190
21 Other Western Europe[1]	1,804	3,440	4,070	3,474	3,455	3,693	4,301	5,591r	5,453	5,811
22 U.S.S.R.	98	82	52	46	41	37	33	40	49	36
23 Other Eastern Europe[2]	236	325	302	217	390	300	334	354	357	272
24 Canada	4,607	6,969	7,379	9,541	9,556	8,507	8,048	8,201	8,902	8,792
25 Latin America and Caribbean	23,670	31,606	49,633	50,843	57,933	51,583	48,874	48,953	46,938	49,113
26 Argentina	1,416	1,484	1,582	1,635	1,632	1,582	1,679	1,903	1,705	1,840
27 Bahamas	3,596	6,752	15,354	16,629	22,288	16,352	14,454	16,535	12,887	12,988
28 Bermuda	321	428	430	447	560	534	479	512	576	464
29 Brazil	1,396	1,125	1,005	1,405	1,156	1,367	1,645	1,527	1,454	1,473
30 British West Indies	3,998	5,991	11,074	11,908	12,958	11,812	11,585	9,571	10,332	12,068
31 Chile	360	399	469	396	471	445	444	416	450	456
32 Colombia	1,221	1,756	2,617	2,882	2,840	2,825	2,905	2,780	2,854	2,931
33 Cuba	6	13	13	10	5	6	23	7	6	6
34 Ecuador	330	322	425	386	412	459	357	337	455	346
35 Guatemala[3]	....	416	414	394	391	426	403	350	360	379
36 Jamaica[3]	....	52	76	96	90	97	132	138	91	137
37 Mexico	2,876	3,417	4,096	3,980	3,973	4,001	4,302	4,111	3,918	4,198
38 Netherlands Antilles	196	308	499	344	524	419	411	335	250	332
39 Panama	2,331	2,968	4,483	4,770	4,663	4,418	4,505	4,082	4,176	4,688
40 Peru	287	363	383	376	388	363	392	412	346	350
41 Uruguay	243	231	202	216	210	240	216	208	232	232
42 Venezuela	2,929	3,821	4,192	3,083	3,518	4,075	3,104	3,953	4,707	4,350
43 Other Latin America and Carribbean	2,167	1760	2,318	1,886	1,856	2,161	1,837	1,775	2,139	1,875
44 Asia	30,488	36,492	32,928	32,056	34,510	34,222	33,519	35,984	39,388	37,937
China										
45 Mainland	53	67	49	46	32	34	35	30	44	38
46 Taiwan	1,013	502	1,393	1,386	1,567	1,888	1,076	1,396r	1,534	1,440
47 Hong Kong	1,094	1,256	1,672	1,694	1,776	1,897	1,857	1,944r	2,260	2,186
48 India	961	790	527	544	579	558	576	740	633	494
49 Indonesia	410	449	504	743	693	658	935	670	807	849
50 Israel	559	688	707	517	507	759	560	570	584	472
51 Japan	14,616	21,927	8,907	9,434	10,663	9,651	9,383	10,792	12,430	12,544
52 Korea	602	795	993	959	1,019	1,069	1,008	988	1,087	1,493
53 Philippines	687	644	800	729	772	669	789	885	883	940
54 Thailand	264	427	277	408	284	414	407	472	405	405
55 Middle-East oil-exporting countries[4]	8,979	7,534	15,217	14,089	14,992	15,686	15,189	15,724	16,712	15,283
56 Other Asia	1,250	1,414	1,881	1,506	1,625	1,638	1,704	1,771	2,010	1,794
57 Africa	2,535	2,886	3,239	3,332	3,170	3,325	4,203	3,810	3,708	3,800
58 Egypt	404	404	475	449	332	318	438	376	346	447
59 Morocco	66	32	33	50	33	31	41	31	35	33
60 South Africa	174	168	184	270	195	313	294	316	325	360
61 Zaire	39	43	110	128	93	102	84	86	107	78
62 Oil-exporting countries[5]	1,155	1,525	1,635	1,503	1,665	1,660	2,462	2,231	2,100	2,100
63 Other Africa	698	715	804	932	852	901	885	768	796	781
64 Other countries	1,297	1076	904	1,114	1,363	1,304	1,133	1,397	1,290	1,239
65 Australia	1,140	838	684	853	1,054	992	881	1,150	1,019	958
66 All other	158	239	220	261	309	312	252	247	271	281
67 Nonmonetary international and regional organizations	3,274	2,607	2,351	1,227	1,712	1,758	1,968	1,775r	3,499	2,888
68 International	2,752	1,485	1,238	829	618	652	863	696r	2,394	1,804
69 Latin American regional	278	808	806	84	780	746	813	790	802	775
70 Other regional[6]	245	314	308	314	315	361	292	289	302	309

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.17 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1977	1978	1979	1980 Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 **Total**	**90,206**	**115,479**	**133,762**	**127,614**	**131,088**	**130,775**	**133,331**	**139,730[r]**	**149,020**	**151,181**
2 **Foreign countries**	**90,163**	**115,423**	**133,730**	**127,579**	**131,055**	**130,739**	**133,298**	**139,696[r]**	**148,987**	**151,150**
3 Europe	18,114	24,232	28,389	24,906	25,592	25,810	24,525	26,206[r]	29,843	28,758
4 Austria	65	140	284	258	315	331	337	292[r]	305	321
5 Belgium-Luxembourg	561	1,200	1,339	1,416	1,524	1,631	1,590	1,471	1,997	1,610
6 Denmark	173	254	147	126	156	207	203	168	167	149
7 Finland	172	305	202	262	237	188	223	273	306	230
8 France	2,082	3,735	3,302	3,086	3,197	2,984	2,811	2,740	2,685	2,576
9 Germany	644	845	1,159	921	1,209	1,308	1,153	1,104	1,131	998
10 Greece	206	164	154	136	141	191	244	329	346	279
11 Italy	1,334	1,523	1,631	1,390	1,407	1,488	1,462	1,748	1,937	2,293
12 Netherlands	338	677	514	472	610	535	480	457	589	491
13 Norway	162	299	276	177	175	254	170	172	218	270
14 Portugal	175	171	330	288	213	227	247	246	300	349
15 Spain	722	1,120	1,051	948	1,015	914	1,020	1,106	1,195	1,016
16 Sweden	218	537	542	747	702	593	618	661	682	571
17 Switzerland	564	1,283	1,166	939	1,363	1,356	826	916	1,236	1,319
18 Turkey	360	300	149	128	131	123	132	151	143	143
19 United Kingdom	8,964	10,172	13,789	11,370	10,886	10,950	10,462	11,851[r]	14,024	13,460
20 Yugoslavia	311	363	611	569	565	598	593	614	658	648
21 Other Western Europe[1]	86	122	175	203	227	225	330	266	208	170
22 U.S.S.R.	413	366	290	263	265	253	257	247	289	529
23 Other Eastern Europe[2]	566	657	1,277	1,205	1,254	1,453	1,366	1,394	1,426	1,335
24 Canada	3,355	5,152	4,143	4,023	4,142	4,186	3,923	4,283	5,024	4,199
25 Latin America and Caribbean	45,850	57,443	67,925	65,600	66,251	65,152	68,257	71,653[r]	73,886	78,922
26 Argentina	1,478	2,281	4,417	4,683	4,899	4,969	4,992	5,117	5,190	5,232
27 Bahamas	19,858	21,428	18,828	20,743	19,214	19,262	21,045	23,297[r]	25,098	28,763
28 Bermuda	232	184	496	434	314	313	321	296	181	194
29 Brazil	4,629	6,251	7,731	7,555	7,618	8,010	8,112	8,064	8,318	8,980
30 British West Indies	6,481	9,692	9,762	7,819	10,136	7,364	8,584	9,042[r]	8,648	8,917
31 Chile	675	972	1,442	1,376	1,430	1,367	1,334	1,355	1,323	1,359
32 Colombia	671	1,012	1,614	1,655	1,698	1,526	1,539	1,408	1,426	1,448
33 Cuba	10	0	4	4	4	4	5	4	4	4
34 Ecuador	517	705	1,025	1,001	1,025	1,023	1,011	1,007	1,053	1,052
35 Guatemala[3]	....	94	134	114	105	109	108	107	120	151
36 Jamaica[3]	....	40	47	51	44	42	43	43	36	31
37 Mexico	4,909	5,479	9,095	8,957	9,021	9,231	9,191	9,726[r]	10,185	10,664
38 Netherlands Antilles	224	273	248	325	397	513	663	693[r]	728	760
39 Panama	1,410	3,098	6,031	4,432	3,919	4,652	4,643	4,538	4,951	4,461
40 Peru	962	918	652	585	634	701	654	628	696	647
41 Uruguay	80	52	105	100	82	90	84	154	101	91
42 Venezuela	2,318	3,474	4,695	4,246	4,196	4,457	4,231	4,528	4,276	4,467
43 Other Latin America and Caribbean	1,394	1,490	1,598	1,518	1,515	1,520	1,696	1,646	1,553	1,700
44 Asia	19,236	25,386	30,625	30,173	32,337	32,827	33,912	34,902	37,163	36,156
China										
45 Mainland	10	4	35	28	51	49	48	40	75	77
46 Taiwan	1,719	1,499	1,821	1,700	1,691	1,524	1,626	1,889	2,104	2,218
47 Hong Kong	543	1,479	1,804	1,804	2,127	1,888	2,001	2,362	2,280	2,162
48 India	53	54	92	136	90	120	87	61	83	97
49 Indonesia	232	143	131	117	128	132	166	128	154	205
50 Israel	584	888	990	812	787	734	829	828	1,023	949
51 Japan	9,839	12,671	16,921	17,027	18,899	19,433	20,311	20,395[r]	21,595	20,552
52 Korea	2,336	2,282	3,796	4,080	4,356	4,726	4,853	5,057	5,337	5,477
53 Philippines	594	680	737	649	645	696	693	717	780	869
54 Thailand	633	758	935	971	993	877	857	918	921	938
55 Middle East oil-exporting countries[4]	1,746	3,125	1,548	1,400	1,211	1,437	1,178	978	1,255	1,107
56 Other Asia	947	1,804	1,813	1,448	1,359	1,211	1,263	1,530	1,558	1,506
57 Africa	2,518	2,221	1,795	1,899	1,775	1,729	1,800	1,770	2,015	2,164
58 Egypt	119	107	112	130	154	128	135	134	93	112
59 Morocco	43	82	103	106	109	118	128	107	121	134
60 South Africa	1,066	860	445	412	342	337	362	465	617	689
61 Zaire	98	164	144	146	144	143	143	108	107	107
62 Oil-exporting countries[5]	510	452	391	507	451	353	443	325	364	365
63 Other	682	556	600	599	574	649	588	632	714	757
64 Other countries	1,090	988	855	978	958	1,035	880	883	1,056	950
65 Australia	905	877	673	803	789	803	713	695	860	743
66 All other	186	111	182	175	170	232	167	187	196	207
67 Nonmonetary international and regional organizations[6]	43	56	32	35	33	36	33	34	33	31

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

NOTE. Data for period prior to April 1978 include claims of banks' domestic customers on foreigners.

3.18 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1977	1978	1979	1980						
				Jan.	Feb.	Mar.	Apr.	May	June	July^p
1 **Total**	**90,206**	**126,698**	**153,710**	....	....	**153,147**	....	....	**174,136**	....
2 Banks' own claims on foreigners	....	115,479	133,762	127,614	131,088	130,775	133,331	139,730^r	149,020	151,181
3 Foreign public borrowers	....	10,263	15,434	14,932	15,052	15,428	15,151	15,105^r	15,692	16,232
4 Own foreign offices[1]	....	41,502	47,305	46,414	47,003	45,248	46,163	50,108^r	56,040	58,668
5 Unaffiliated foreign banks	....	40,538	41,016	36,281	39,018	39,692	40,990	42,896^r	43,773	41,847
6 Deposits	....	5,480	6,253	4,933	5,153	5,479	6,093	6,504^r	6,555	6,088
7 Other	....	35,058	34,762	31,349	33,864	34,213	34,897	36,392^r	37,218	35,759
8 All other foreigners	....	23,176	30,007	29,986	30,015	30,407	31,027	31,621^r	33,514	34,435
9 Claims of banks' domestic customers[2]	....	11,219	19,948	....	....	22,372	....	....	25,116	....
10 Deposits	....	480	955	....	....	1,208	....	....	910	....
11 Negotiable and readily transferable instruments[3]	....	5,385	12,974	....	....	14,559	....	....	17,410	....
12 Outstanding collections and other claims[4]	6,176	5,353	6,019	....	....	6,605	....	....	6,796	....
13 MEMO: Customer liability on acceptances	....	14,969	18,044	....	....	20,095	....	....	22,134	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	....	12,924	21,259	23,874^r	25,483^r	24,873^r	24,100^r	24,669^r	22,883	n.a.

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bak, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
3. Principally negotiable time certificates of deposit and bankers acceptances.
4. Data for March 1978 and for period prior to that are outstanding collections only.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

NOTE: Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

3.19 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1978	1979				1980	
	Dec.	Mar.	June	Sept.	Dec.	Mar.	June^p
1 **Total**	**73,773**	**71,638**	**77,738**	**87,571**	**86,209**	**85,265**	**92,145**
By borrower							
2 Maturity of 1 year or less[1]	58,481	55,459	60,069	68,390	65,195	63,901	70,772
3 Foreign public borrowers	4,583	4,627	4,604	6,062	7,033	6,843	6,913
4 All other foreigners	53,898	50,832	55,465	62,329	58,162	57,058	63,859
5 Maturity of over 1 year[1]	15,291	16,179	17,669	19,181	21,014	21,364	21,373
6 Foreign public borrowers	5,361	5,948	6,433	7,652	8,103	8,419	8,536
7 All other foreigners	9,930	10,231	11,236	11,529	12,911	12,945	12,838
By area							
Maturity of 1 year or less[1]							
8 Europe	15,176	12,396	14,028	16,794	15,209	13,850	17,121
9 Canada	2,670	2,514	2,703	2,471	1,777	1,818	2,099
10 Latin America and Caribbean	20,990	21,724	23,144	25,687	24,964	23,177	24,241
11 Asia	17,579	16,992	18,191	21,515	21,673	23,386	25,299
12 Africa	1,496	1,290	1,438	1,399	1,078	1,043	1,307
13 All other[2]	569	541	565	524	493	627	705
Maturity of over 1 year[1]							
14 Europe	3,142	3,103	3,488	3,658	4,145	4,253	4,058
15 Canada	1,426	1,456	1,221	1,364	1,317	1,214	1,194
16 Latin America and Caribbean	8,466	9,325	10,279	11,771	12,821	13,397	13,846
17 Asia	1,407	1,486	1,884	1,578	1,911	1,728^r	1,562
18 Africa	637	629	614	623	652	620	567
19 All other[2]	214	180	183	188	169	152	146

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations.

3.20 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

Area or country	1976	1977	1978			1979				1980	
			June[2]	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June[p]
1 **Total**	**206.8**	**240.0**	**247.1**	**247.6**	**266.3[r]**	**264.0[r]**	**275.6[r]**	**294.0[r]**	**303.8[r]**	**307.5[r]**	**326.8**
2 G-10 countries and Switzerland	100.3	116.4	112.6	113.5	124.8	119.1[r]	125.3	135.8	138.4[r]	140.4[r]	153.7
3 Belgium-Luxembourg	6.1	8.4	8.3	8.4	9.0	9.4	9.7	10.7	11.1	10.8	13.2
4 France	10.0	11.0	11.4	11.7	12.2	11.7	12.7	12.0	11.6	12.0	14.1
5 Germany	8.7	9.6	9.1	9.7	11.3	10.5	10.8	12.8	12.2	11.4	12.7
6 Italy	5.8	6.5	6.4	6.1	6.7	5.7	6.1	6.1	6.4[r]	6.2	6.9
7 Netherlands	2.8	3.5	3.4	3.5	4.4	3.9	4.0	4.7	4.8	4.3	4.5
8 Sweden	1.2	1.9	2.1	2.2	2.1	2.0	2.0	2.3	2.4	2.4	2.7
9 Switzerland	3.0	3.6	4.1	4.3	5.4	4.5	4.8	5.0	4.8	4.4	3.4
10 United Kingdom	41.7	46.5	44.9	44.2	47.3	46.4	50.3	53.7	56.4[r]	57.5[r]	64.6
11 Canada	5.1	6.4	5.1	4.9	6.0	5.9	5.5	6.0	6.3[r]	6.8	6.9
12 Japan	15.9	18.8	17.9	18.5	20.6	19.0	19.5[r]	22.3[r]	22.4	24.7[r]	24.8
13 Other developed countries	15.0	18.6	19.4	18.7[r]	19.4	18.2	18.2	19.7	19.8[r]	18.8	20.3
14 Austria	1.2	1.3	1.5	1.5	1.7	1.7	1.8	2.0	2.0	1.7	1.8
15 Denmark	1.0	1.6	1.7	1.9	2.0	2.0	1.9	2.0	2.2	2.1[r]	2.2
16 Finland	1.1	1.2	1.1	1.0	1.2	1.2	1.1	1.2	1.2	1.1	1.3
17 Greece	1.7	2.2	2.3	2.2	2.3	2.3	2.2	2.3	2.4	2.4	2.5
18 Norway	1.5	1.9	2.1	2.1	2.1	2.1	2.1	2.3	2.3	2.4	2.4
19 Portugal	.4	.6	.6	.5	.6	.6	.5	.7	.7	.6	.6
20 Spain	2.8	3.6	3.6	3.5	3.5[r]	3.0	3.0	3.3	3.5	3.5	3.9
21 Turkey	1.3	1.5	1.4	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4
22 Other Western Europe	.7	.9	1.2	.9	1.3	1.1	1.0[r]	1.5[r]	1.4	1.4	1.6
23 South Africa	2.2	2.4	2.4	2.2	2.0	1.7	1.8	1.7	1.3	1.1	1.5
24 Australia	1.2	1.4	1.4	1.3	1.4	1.3	1.4	1.3	1.3	1.2[r]	1.2
25 Oil-exporting countries[3]	12.6	17.6	19.2	20.4	22.7	22.6	22.7	23.4	22.9[r]	21.9	20.9
26 Ecuador	.7	1.1	1.4	1.6	1.6	1.5	1.6	1.6	1.7	1.8	1.8
27 Venezuela	4.1	5.5	5.6	6.2	7.2	7.2	7.6	7.9	8.7	7.9	7.9
28 Indonesia	2.2	2.2	1.9	1.9	2.0	1.9	1.9	1.9	1.9	1.9	1.9
29 Middle East countries	4.2	6.9	8.4	8.7	9.5	9.4	9.0	9.2	8.0	7.8	6.9
30 African countries	1.4	1.9	1.9	2.0	2.5	2.6	2.6	2.8	2.6	2.5	2.5
31 Non-oil developing countries	44.2	48.7	49.1	49.6	52.6[r]	53.9[r]	55.9[r]	58.8[r]	62.8[r]	63.8[r]	67.1
Latin America											
32 Argentina	1.9	2.9	3.0	2.9	3.0	3.1	3.5	4.1	5.1	5.6	5.5
33 Brazil	11.1	12.7	13.3	14.0	14.9	14.9	15.1	15.1	15.2[r]	15.0[r]	15.4
34 Chile	.8	.9	1.3	1.3	1.6	1.7	1.8	2.2	2.5	2.5	2.6
35 Colombia	1.3	1.3	1.3	1.3	1.4	1.5	1.5	1.7	2.2	2.1[r]	2.2
36 Mexico	11.7	11.9	11.0	10.7	10.8[r]	10.9	10.7	11.4[r]	12.0[r]	12.2	13.4
37 Peru	1.8	1.9	1.8	1.8	1.7	1.6	1.4	1.4	1.5	1.3[r]	1.4
38 Other Latin America	2.8	2.6	3.3	3.4	3.6	3.5	3.3	3.6	3.7	3.6[r]	3.6
Asia											
China											
39 Mainland	.0	.0	.0	.0	.0	.1	.1	.1	.1	.1	.1
40 Taiwan	2.4	3.1	2.5	2.4	2.9	3.1	3.3	3.5	3.4	3.6	3.8
41 India	.2	.3	.2	.3	.2	.2	.2	.2	.2	.2	.2
42 Israel	1.0	.9	.7	.7	1.0	1.0	.9	1.0	1.3	.9	1.2
43 Korea (South)	3.1	3.9	3.6	3.5	3.9	4.2	5.0	5.3	5.5	6.5[r]	7.0
44 Malaysia[4]	.5	.7	.6	.6	.6	.6	.7	.7	.9	.8	.9
45 Philippines	2.2	2.5	2.7	2.8	2.8	3.2	3.7	3.7	4.2	4.4	4.6
46 Thailand	.7	1.1	1.1	1.1	1.2	1.2	1.4	1.6	1.6	1.4	1.5
47 Other Asia	.5	.4	.3	.3	.2	.3	.4	.3	.4	.4	.5
Africa											
48 Egypt	.4	.3	.3	.4	.4	.5	.7	.6	.6	.7	.7
49 Morocco	.3	.5	.5	.5	.6	.6	.5	.5	.6	.5	.5
50 Zaire	.2	.3	.2	.2	.2	.2	.2	.2	.2	.2	.2
51 Other Africa[5]	1.2	.7	1.2	1.3	1.4	1.4	1.5	1.6	1.7	1.8	1.9
52 Eastern Europe	5.2	6.3	6.4	6.6	6.9	6.7	6.7	7.2	7.3[r]	7.3	7.2
53 U.S.S.R.	1.5	1.6	1.4	1.4	1.3	1.1	.9	.9	.7[r]	.6	.5
54 Yugoslavia	.8	1.1	1.3	1.3	1.5	1.6	1.7	1.8	1.8	1.9	2.1
55 Other	2.9	3.7	3.7	3.9	4.1	4.0	4.1	4.6	4.8	4.9	4.6
56 Offshore banking centers	24.7	26.1	32.4	30.2	30.9[r]	33.7	37.0[r]	38.6[r]	40.4	42.4[r]	43.4
57 Bahamas	10.1	9.8	12.1	11.6	10.3	12.1	14.3	12.9	13.7[r]	13.7[r]	13.0
58 Bermuda	.5	.6	.7	.7	.7	.6	.7	.7	.8	.6	.6
59 Cayman Islands and other British West Indies	3.8	3.8	7.2	6.8	7.4	7.2	7.5	9.5	9.4[r]	11.3[r]	9.7
60 Netherlands Antilles	.6	.7	.6	.6	.8	.8	1.0	1.1	1.2	.9	1.2
61 Panama[6]	3.0	3.1	3.3	3.1	3.0	3.4	3.8	3.4	4.3	4.9	5.6
62 Lebanon	.1	.2	.1	.1	.1	.1	.1	.2	.2	.2	.2
63 Hong Kong	2.2	3.7	4.1	4.0	4.2[r]	4.8	4.9	5.5	6.0	5.7	6.9
64 Singapore	4.4	3.7	3.8	2.9	3.9	4.2	4.2	4.9	4.5	4.7	5.9
65 Others[7]	.0	.5	.5	.5	.5	.4	.4	.4	.4	.4	.4
66 Miscellaneous and unallocated[8]	5.0	5.3	8.1	8.6	9.1	9.5	9.9	10.6	11.7	13.1	14.4

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.13 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.17 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches). However, see also footnote 2.

2. For June 1978 and subsequent dates, the claims of the U.S. offices in this table include only banks' own claims payable in dollars. For earlier dates the claims of the U.S. offices also include customer claims and foreign currency claims (amounting in June 1978 to $10 billion).

3. Includes Algeria, Bahrain, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Qatar, Saudi Arabia, and United Arab Emirates in addition to countries shown individually.

4. Foreign branch claims only through December 1976.

5. Excludes Liberia.

6. Includes Canal Zone beginning December 1979.

7. Foreign branch claims only.

8. Includes New Zealand, Liberia, and international and regional organizations.

3.21 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Holdings and Transactions

Millions of dollars

Country or area	1978	1979	1980 Jan.–July[p]	1980 Jan.	Feb.	Mar.	Apr.	May	June	July[p]
	Holdings (end of period)[1]									
1 **Estimated total[2]**	**44,938**	**50,307**	....	**52,831**	**53,202**	**52,997**	**52,091**	**51,371**	**53,131[r]**	**53,819**
2 *Foreign countries[2]*	39,817	44,875	....	46,780	46,557	46,534	46,430	46,907	48,727	49,523
3 Europe[2]	17,072	23,705	....	25,353	24,902	24,611	24,008	24,075	24,377	24,157
4 Belgium-Luxembourg	19	60	....	60	55	27	28	28	28	45
5 Germany[2]	8,705	12,937	....	14,081	13,797	13,489	13,207	13,225	12,976	12,578
6 Netherlands	1,358	1,466	....	1,407	1,414	1,453	1,473	1,412	1,437	1,547
7 Sweden	285	647	....	640	636	633	642	653	647	650
8 Switzerland[2]	977	1,868	....	1,894	1,564	1,534	1,528	1,574	1,731	1,675
9 United Kingdom	5,373	6,236	....	6,757	6,923	6,995	6,603	6,665	7,001	7,091
10 Other Western Europe	354	491	....	514	512	478	527	519	556	571
11 Eastern Europe	....	....	....	....	....	....	....	....	....	....
12 Canada	152	232	....	231	389	394	381	385	423	481
13 Latin America and Caribbean	416	546	....	546	547	552	581	592	696	770
14 Venezuela	144	183	....	183	183	183	183	183	280	328
15 Other Latin American and Caribbean	110	200	....	200	201	206	199	209	215	242
16 Netherlands Antilles	162	163	....	163	164	164	199	200	200	200
17 Asia	21,488	19,804	....	20,061	20,130	20,390	20,872	21,269	22,751	23,534
18 Japan	11,528	11,175	....	10,844	10,420	9,631	9,533	9,543	9,545	9,614
19 Africa	691	591	....	591	591	591	593	593	492	592
20 All other	-3	-3	....	-3	-3	-3	-6	-7	-11	-11
21 Nonmonetary international and regional organizations	5,121	5,432	....	6,051	6,645	6,463	5,661	4,464	4,404	4,296
22 International	5,089	5,388	....	6,016	6,592	6,407	5,606	4,401	4,338	4,234
23 Latin American regional	33	40	....	35	53	53	53	63	63	63
	Transactions (net purchases, or sales (−), during period)									
24 **Total[2]**	**6,297**	**5,368**	**3,516**	**2,527**	**371**	**-207**	**-906**	**-717**	**1,757**	**692**
25 Foreign countries[2]	5,921	5,059	4,648	1,904	-223	-22	-105	478	1,820	795
26 Official institutions	3,729	1,776	2,915	483	-264	-103	-67	386	1,718[r]	762
27 Other foreign[2]	2,193	3,284	1,731	1,421	41	79	-37	92	102[r]	33
28 Nonmonetary international and regional organizations	375	311	-1,131	624	594	-185	-802	-1,195	-63	-104
MEMO: Oil-exporting countries										
29 Middle East[3]	-1,785	-1,015	5,023	550	500	1,014	471	462	1,427	598
30 Africa[4]	329	-100	....	....	....	....	....	....	-100	100

1. Estimated official and private holdings of marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on a benchmark survey of holdings as of Jan. 31, 1971, and monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Beginning December 1978, includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.22 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1977	1978	1979	1980 Feb.	Mar.	Apr.	May	June	July	Aug.[p]
1 Deposits	424	367	429	450	468	618	380	691	436	336
Assets held in custody										
2 U.S. Treasury securities[1]	91,962	117,126	95,075	96,200	89,290	85,717	88,489	93,661	95,525	96,504
3 Earmarked gold[2]	15,988	15,463	15,169	15,109	15,087	15,057	15,037	15,034	15,034	15,025

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.

2. The value of earmarked gold increased because of the changes in par value of the U.S. dollar in May 1972 and in October 1973.

NOTE. Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.23 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1978	1979	1980 Jan.–July^p	1980 Jan.	Feb.	Mar.	Apr.	May	June	July^p
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	20,145	22,643	19,887	3,128	4,477	2,724	1,985	1,940	2,550	3,083
2 Foreign sales	17,723	21,017	17,022	2,439	3,355	2,380	1,719	1,958	2,390	2,781
3 **Net purchases, or sales (−)**	**2,423**	**1,627**	**2,865**	**689**	**1,121**	**344**	**266**	**−17**	**160**	**302**
4 **Foreign countries**	**2,469**	**1,610**	**2,858**	**688**	**1,124**	**342**	**263**	**−19**	**162**	**300**
5 Europe	1,283	217	1,989	506	856	156	129	105	118	118
6 France	47	122	262	71	133	−49	14	23	9	62
7 Germany	620	−221	63	35	52	−25	3	14	−5	−10
8 Netherlands	−22	−71	−161	8	−41	−6	−30	−40	−25	−27
9 Switzerland	−585	−519	300	153	375	−36	−75	−17	−19	−82
10 United Kingdom	1,230	964	1,473	215	333	277	194	106	160	188
11 Canada	74	552	429	42	130	130	66	−42	24	81
12 Latin America and Caribbean	151	−19	82	92	34	−49	6	−4	27	−25
13 Middle East[1]	781	656	335	15	50	97	145	−60	−42	130
14 Other Asia	189	211	17	30	58	8	−81	−21	28	−5
15 Africa	−13	−14	−3	0	−1	2	0	0	−2	−1
16 Other countries	3	7	8	2	−3	−2	−2	3	8	2
17 **Nonmonetary international and regional organizations**	**−46**	**17**	**7**	**1**	**−2**	**2**	**3**	**2**	**−2**	**2**
BONDS[2]										
18 Foreign purchases	7,975	8,826	9,732	1,149	934	1,237	1,654	1,329r	1,734	1,695
19 Foreign sales	5,681	7,575	6,178	548	594	838	1,137	1,011r	1,152	898
20 **Net purchases, or sales (−)**	**2,294**	**1,251**	**3,555**	**601**	**340**	**399**	**518**	**318r**	**582**	**797**
21 **Foreign countries**	**1,885**	**1,351**	**3,264**	**469**	**275**	**407**	**568**	**249r**	**525**	**769**
22 Europe	744	639	1,085	151	42	315	251	92r	105	129
23 France	30	11	99	8	1	15	7	47	12	8
24 Germany	6	72	157	−5	6	11	104	104	−14	−50
25 Netherlands	12	−202	−82	−3	−30	0	−14	−14	6	−26
26 Switzerland	−202	−118	40	6	8	3	79	−29r	−10	−16
27 United Kingdom	930	814	838	195	71	265	36	−34	110	196
28 Canada	102	89	75	25	28	8	2	9	5	−2
29 Latin America and Caribbean	98	109	123	14	10	9	13	25	23	29
30 Middle East[1]	810	424	1,923	280	181	79	295	104	383	600
31 Other Asia	131	88	41	−1	3	−4	7	17	5	13
32 Africa	−1	1	4	0	2	0	0	1	0	0
33 Other countries	1	1	13	0	8	0	0	0	4	1
34 **Nonmonetary international and regional organizations**	**409**	**−101**	**291**	**132**	**65**	**−8**	**−50**	**68r**	**57**	**28**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	527	−786	−1,181	−233	−425	−2	−40	−241	−164	−76
36 Foreign purchases	3,666	4,615	4,093	625	805	665	402	450	491	654
37 Foreign sales	3,139	5,401	5,274	858	1,230	667	442	691	655	731
38 Bonds, net purchases, or sales (−)	−4,054	−3,970	−610	−48	−74	17	−12	−251	−618	376
39 Foreign purchases	11,043	12,375	9,716	1,264	1,379	1,181	1,072	1,479	1,637	1,703
40 Foreign sales	15,096	16,345	10,326	1,313	1,453	1,164	1,084	1,730	2,255	1,327
41 **Net purchases, or sales (−), of stocks and bonds**	**−3,527**	**−4,756**	**−1,791**	**−281**	**−499**	**15**	**−52**	**−491**	**−781**	**299**
42 **Foreign countries**	**−3,340**	**−4,006**	**−2,293**	**−359**	**−500**	**−33**	**−72**	**−498**	**−800**	**−30**
43 Europe	−65	−1,640	−668	176	−126	54	−80	−214	−474	−4
44 Canada	−3,238	−2,609	−1,471	−330	−415	−161	3	−256	−283	−29
45 Latin America and Caribbean	201	348	214	5	101	29	14	45	−25	44
46 Asia	349	−108	−409	−204	−46	49	−12	−82	−65	−49
47 Africa	−441	−23	7	−2	−1	0	3	4	3	0
48 Other countries	−146	25	36	−4	−13	−3	0	5	44	7
49 **Nonmonetary international and regional organizations**	**−187**	**−750**	**502**	**78**	**1**	**48**	**20**	**7**	**19**	**330**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.24 *LIABILITIES TO UNAFFILIATED FOREIGNERS* Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1976	1977	1978	1978	1979				1980
				Sept.	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**10,099**	**11,085**	**14,808**	**12,786**	**14,418**	**15,305**	**15,490**	**16,905**	**17,245**
2 Payable in dollars	9,390	10,284	11,500	11,955	11,497	12,528	12,578	13,911	14,351
3 Payable in foreign currencies[2]	709	801	3,308	831	2,921	2,777	2,912	2,994	2,894
By type									
4 Financial liabilities	....	....	6,253	....	5,995	5,890	5,951	7,281	7,739
5 Payable in dollars	....	....	3,844	....	3,793	3,822	3,790	5,078	5,583
6 Payable in foreign currencies	....	....	2,409	....	2,202	2,068	2,161	2,203	2,156
7 Commercial liabilities	....	....	8,555	....	8,423	9,415	9,539	9,624	9,506
8 Trade payables	....	....	4,062	....	3,569	4,317	4,084	4,369	4,104
9 Advance receipts and other liabilities	....	....	4,493	....	4,854	5,098	5,455	5,255	5,401
10 Payable in dollars	....	....	7,656	....	7,703	8,706	8,788	8,834	8,768
11 Payable in foreign currencies	....	....	899	....	719	709	750	790	738
By area or country									
Financial liabilities									
12 Europe	....	....	3,855	....	3,601	3,429	3,553	4,549	4,764
13 Belgium-Luxembourg	....	....	289	....	266	315	277	345	303
14 France	....	....	167	....	139	134	126	168	188
15 Germany	....	....	366	....	311	283	381	497	520
16 Netherlands	....	....	389	....	422	401	520	834	858
17 Switzerland	....	....	248	....	244	235	190	168	172
18 United Kingdom	....	....	2,063	....	2,007	1,842	1,860	2,342	2,519
19 Canada	....	....	244	....	252	290	300	445	368
20 Latin America and Caribbean	....	....	1,353	....	1,343	1,389	1,330	1,483	1,770
21 Bahamas	....	....	426	....	411	442	345	347	436
22 Bermuda	....	....	56	....	41	37	37	109	106
23 Brazil	....	....	10	....	13	19	14	18	22
24 British West Indies	....	....	190	....	197	185	194	514	693
25 Mexico	....	....	102	....	101	131	122	121	108
26 Venezuela	....	....	49	....	55	68	71	72	70
27 Asia	....	....	791	....	790	772	757	795	816
28 Japan	....	....	714	....	714	706	700	723	732
29 Middle East oil-exporting countries[3]	....	....	32	....	23	25	19	31	26
30 Africa	....	....	5	....	5	6	5	4	12
31 Oil-exporting countries[4]	....	....	2	....	1	2	1	1	1
32 All other[5]	....	....	5	....	5	5	5	4	10
Commercial liabilities									
33 Europe	....	....	3,033	....	3,003	3,306	3,395	3,625	3,683
34 Belgium-Luxembourg	....	....	75	....	70	81	103	137	118
35 France	....	....	321	....	350	353	394	467	503
36 Germany	....	....	529	....	395	471	539	534	532
37 Netherlands	....	....	246	....	224	230	206	227	288
38 Switzerland	....	....	302	....	329	439	348	310	382
39 United Kingdom	....	....	824	....	870	997	1,015	1,078	995
40 Canada	....	....	667	....	614	645	709	852	686
41 Latin America	....	....	997	....	1,168	1,322	1,387	1,323	1,257
42 Bahamas	....	....	25	....	16	65	89	69	4
43 Bermuda	....	....	97	....	42	82	48	32	47
44 Brazil	....	....	74	....	61	165	186	203	228
45 British West Indies	....	....	53	....	89	121	21	21	20
46 Mexico	....	....	106	....	236	203	256	257	235
47 Venezuela	....	....	303	....	356	323	359	301	211
48 Asia	....	....	2,912	....	2,622	3,007	2,985	2,859	2,875
49 Japan	....	....	429	....	401	489	506	481	568
50 Middle East oil-exporting countries[3]	....	....	1,523	....	1,122	1,225	1,070	1,021	878
51 Africa	....	....	743	....	779	891	775	728	742
52 Oil-exporting countries[4]	....	....	312	....	343	410	370	384	382
53 All other[5]	....	....	203	....	237	243	287	237	263

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Before December 1978, foreign currency data include only liabilities denominated in foreign currencies with an original maturity of less than one year.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Includes nonmonetary international and regional organizations.

3.25 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1976	1977	1978	1978	1979				1980
				Sept.	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**19,350**	**21,298**	**27,655**	**23,260**	**30,117**	**29,522**	**30,072**	**30,141**	**31,617**
2 Payable in dollars	18,300	19,880	24,600	21,292	27,307	26,627	27,407	27,098	28,857
3 Payable in foreign currencies[2]	1,050	1,418	2,994	1,968	2,811	2,895	2,665	3,044	2,760
By type									
4 Financial claims	....	....	16,323	....	19,400	18,534	18,296	17,456	18,928
5 Deposits	....	....	10,847	....	13,933	12,905	12,886	11,810	13,257
6 Payable in dollars	....	....	9,785	....	13,013	11,967	11,987	10,927	12,496
7 Payable in foreign currencies	....	....	1,062	....	920	938	899	883	761
8 Other financial claims	....	....	5,476	....	5,467	5,629	5,410	5,646	5,671
9 Payable in dollars	....	....	3,880	....	3,920	4,042	4,013	3,883	4,108
10 Payable in foreign currencies	....	....	1,597	....	1,547	1,587	1,397	1,763	1,563
11 Commercial claims	....	....	11,332	....	10,718	10,988	11,776	12,685	12,689
12 Trade receivables	....	....	10,744	....	10,012	10,330	11,016	11,997	12,000
13 Advance payments and other claims	....	....	588	....	706	658	760	688	689
14 Payable in dollars	....	....	10,995	....	10,374	10,618	11,407	12,287	12,253
15 Payable in foreign currencies	....	....	336	....	344	370	369	398	436
By area or country									
Financial claims									
16 Europe	....	....	5,050	....	5,180	5,475	6,403	6,066	5,827
17 Belgium-Luxembourg	....	....	48	....	63	54	33	32	19
18 France	....	....	178	....	171	183	191	177	290
19 Germany	....	....	510	....	266	361	391	401	296
20 Netherlands	....	....	103	....	85	62	51	53	39
21 Switzerland	....	....	98	....	96	81	85	73	89
22 United Kingdom	....	....	3,856	....	4,261	4,488	5,365	5,009	4,779
23 Canada	....	....	4,521	....	5,196	5,132	4,736	4,777	4,735
24 Latin America and Carribbean	....	....	5,594	....	7,939	6,839	5,993	5,624	7,382
25 Bahamas	....	....	2,902	....	4,148	3,216	2,831	2,294	3,325
26 Bermuda	....	....	80	....	63	57	31	30	34
27 Brazil	....	....	151	....	156	141	133	163	128
28 British West Indies	....	....	1,280	....	2,443	2,281	1,717	1,851	2,591
29 Mexico	....	....	162	....	160	158	155	158	161
30 Venezuela	....	....	150	....	142	151	139	133	132
31 Asia	....	....	922	....	829	800	818	693	675
32 Japan	....	....	307	....	207	216	222	190	205
33 Middle East oil-exporting countries[3]	....	....	18	....	16	17	21	16	18
34 Africa	....	....	181	....	204	227	277	253	265
35 Oil-exporting countries[4]	....	....	10	....	26	23	41	49	40
36 All other[5]	....	....	55	....	52	61	69	44	43
Commercial claims									
37 Europe	....	....	3,979	....	3,805	3,827	4,121	4,891	4,748
38 Belgium-Luxembourg	....	....	144	....	173	170	179	203	209
39 France	....	....	609	....	490	470	518	727	703
40 Germany	....	....	399	....	504	421	448	580	513
41 Netherlands	....	....	267	....	275	307	262	298	345
42 Switzerland	....	....	198	....	230	232	224	269	348
43 United Kingdom	....	....	827	....	676	731	818	905	923
44 Canada	....	....	1,094	....	1,109	1,104	1,171	840	851
45 Latin America and Caribbean	....	....	2,547	....	2,395	2,406	2,598	2,859	2,999
46 Bahamas	....	....	109	....	117	98	16	21	30
47 Bermuda	....	....	215	....	241	118	154	197	135
48 Brazil	....	....	629	....	495	503	568	647	655
49 British West Indies	....	....	9	....	10	25	13	16	11
50 Mexico	....	....	506	....	489	584	650	704	832
51 Venezuela	....	....	292	....	274	296	346	342	349
52 Asia	....	....	3,085	....	2,765	2,970	3,116	3,299	3,346
53 Japan	....	....	979	....	896	1,005	1,128	1,127	1,242
54 Middle East oil-exporting countries[3]	....	....	717	....	682	685	701	700	657
55 Africa	....	....	447	....	443	487	549	556	519
56 Oil-exporting countries[4]	....	....	136	....	131	139	140	133	114
57 All other[5]	....	....	179	....	200	194	220	240	226

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Prior to December 1978, foreign currency data include only liabilities denominated in foreign currencies with an original maturity of less than one year.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Includes nonmonetary international and regional organizations.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on Aug. 31, 1980		Country	Rate on Aug. 31, 1980		Country	Rate on Aug. 31, 1980	
	Per-cent	Month effective		Per-cent	Month effective		Per-cent	Month effective
Austria	6.75	Mar. 1980	Germany, Fed. Rep. of	7.5	May 1980	Switzerland	3.0	Feb. 1980
Belgium	12.0	July 1980	Italy	15.0	Dec. 1979	United Kingdom	16.0	July 1979
Brazil	40.0	June 1980	Japan	8.25	Aug. 1980	Venezuela	12.0	Mar. 1980
Canada	10.74	Aug. 1980	Netherlands	9.0	June 1980			
Denmark	13.0	Feb. 1980	Norway	9.0	Nov. 1979			
France	9.5	Aug. 1977	Sweden	10.0	Jan.1980			

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1977	1978	1979	1980						
				Feb.	Mar.	Apr.	May	June	July	Aug.
1 Eurodollars	6.03	8.74	11.96	15.33	18.72	17.81	11.20	9.41	9.33	10.82
2 United Kingdom	8.07	9.18	13.60	17.72	18.07	17.70	16.97	16.68	15.82	16.45
3 Canada	7.47	8.52	11.91	13.96	14.72	16.31	13.23	11.73	10.91	10.47
4 Germany	4.30	3.67	6.64	8.94	9.51	10.12	10.18	10.00	9.59	8.93
5 Switzerland	2.56	0.74	2.04	5.19	6.57	6.87	5.85	5.64	5.29	5.52
6 Netherlands	4.73	6.53	9.33	11.99	11.48	10.76	11.18	10.72	10.06	9.97
7 France	9.20	8.10	9.44	12.63	13.94	12.84	12.62	12.37	11.87	11.20
8 Italy	14.26	11.40	11.85	17.88	18.12	16.91	17.20	17.25	17.49	17.30
9 Belgium	6.95	7.14	10.48	14.45	16.23	17.10	16.31	14.69	13.30	12.52
10 Japan	6.22	4.75	6.10	9.10	12.37	13.51	13.63	13.51	12.89	12.04

NOTE. Rates are for 3-month interbank loans except for the following: Canada, finance company paper; Belgium, time deposits of 20 million francs and over; and Japan, loans and discounts that can be called after being held over a minimum of two month-ends.

3.28 FOREIGN EXCHANGE RATES

Cents per unit of foreign currency

Country/currency	1977	1978	1979	1980						
				Feb.	Mar.	Apr.	May	June	July	Aug.
1 Australia/dollar	110.82	114.41	111.77	110.41	109.03	109.10	113.02	115.29	115.85	115.77
2 Austria/schilling	6.0494	6.8958	7.4799	7.9815	7.5539	7.4513	7.8112	7.9421	8.0578	7.8840
3 Belgium/franc	2.7911	3.1809	3.4098	3.5221	3.3395	3.3156	3.4759	3.5335	3.5766	3.4883
4 Canada/dollar	94.112	87.729	85.386	86.546	85.255	84.311	85.178	86.836	86.783	86.263
5 Denmark/krone	16.658	18.156	19.010	18.326	17.325	17.104	17.859	18.215	18.487	18.070
6 Finland/markka	24.913	24.337	27.732	26.912	25.998	26.158	27.084	27.448	27.699	27.353
7 France/franc	20.344	22.218	23.504	24.413	23.188	22.985	23.920	24.310	24.657	24.106
8 Germany/deutsche mark	43.079	49.867	54.561	57.203	54.039	53.310	55.828	56.584	57.245	55.867
9 India/rupee	11.406	12.207	12.265	12.529	12.270	12.395	12.727	12.751	12.875	12.849
10 Ireland/pound	174.49	191.84	204.65	211.59	202.25	198.98	207.41	211.16	214.74	210.62
11 Italy/lira	.11328	.11782	.12035	.12346	.11635	.11417	.11860	.11973	.12026	.11801
12 Japan/yen	.37342	.47981	.45834	.40934	.40246	.39980	.43766	.45894	.45232	.44666
13 Malaysia/ringgit	40.620	43.210	45.720	45.896	44.956	43.817	45.691	46.625	46.658	46.484
14 Mexico/peso	4.4239	4.3896	4.3826	4.3789	4.3739	4.3779	4.3763	4.3684	4.3511	4.3389
15 Netherlands/guilder	40.752	46.284	49.843	51.886	49.270	48.570	50.673	51.578	52.337	51.305
16 New Zealand/dollar	96.893	103.64	102.23	97.960	95.451	94.704	97.641	98.729	98.643	97.738
17 Norway/krone	18.789	19.079	19.747	20.483	19.815	19.739	20.377	20.608	20.762	20.555
18 Portugal/escudo	2.6234	2.2782	2.0437	2.0634	2.0116	1.9798	2.0298	2.0422	2.0466	2.0163
19 South Africa/rand	114.99	115.01	118.72	122.90	123.59	123.88	126.43	129.00	130.79	131.55
20 Spain/peseta	1.3287	1.3073	1.4896	1.5006	1.4446	1.3918	1.4104	1.4280	1.4122	1.3810
21 Sri Lanka/rupee	11.964	6.3834	6.4226	6.4350	6.4098	6.1500	6.1900	6.2186	6.3288	6.2980
22 Sweden/krona	22.383	22.139	23.323	23.974	23.008	22.872	23.731	23.995	24.238	23.953
23 Switzerland/franc	41.714	56.283	60.121	60.966	56.710	56.857	60.131	61.207	62.203	60.527
24 United Kingdom/pound	174.49	191.84	212.24	228.91	220.45	220.94	230.20	233.59	237.32	237.04
MEMO:										
25 United States/dollar[1]	103.31	92.39	88.09	86.37	90.26	91.09	86.96	85.29	84.65	86.09

1. Index of weighted average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. March 1973 = 100. Weights are 1972–76 global trade of each of the 10 countries. Series revised as of August 1978. For description and back data, see "Index of the Weighted-Average Exchange Value of the U.S. Dollar: Revision" on page 700 of the August 1978 BULLETIN.

NOTE. Averages of certified noon buying rates in New York for cable transfers.

Guide to Tabular Presentation and Statistical Releases

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected
e	Estimated
p	Preliminary
r	Revised (Notation appears on column heading when more than half of figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
n.a.	Not available
n.e.c.	Not elsewhere classified
IPCs	Individuals, partnerships, and corporations
REITs	Real estate investment trusts
RPs	Repurchase agreements
SMSAs	Standard metropolitan statistical areas
......	Cell not applicable

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

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List Published Semiannually, with Latest Bulletin Reference

	Issue	*Page*
Anticipated schedule of release dates for periodic releases	August 1980	A-80

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Earl Price

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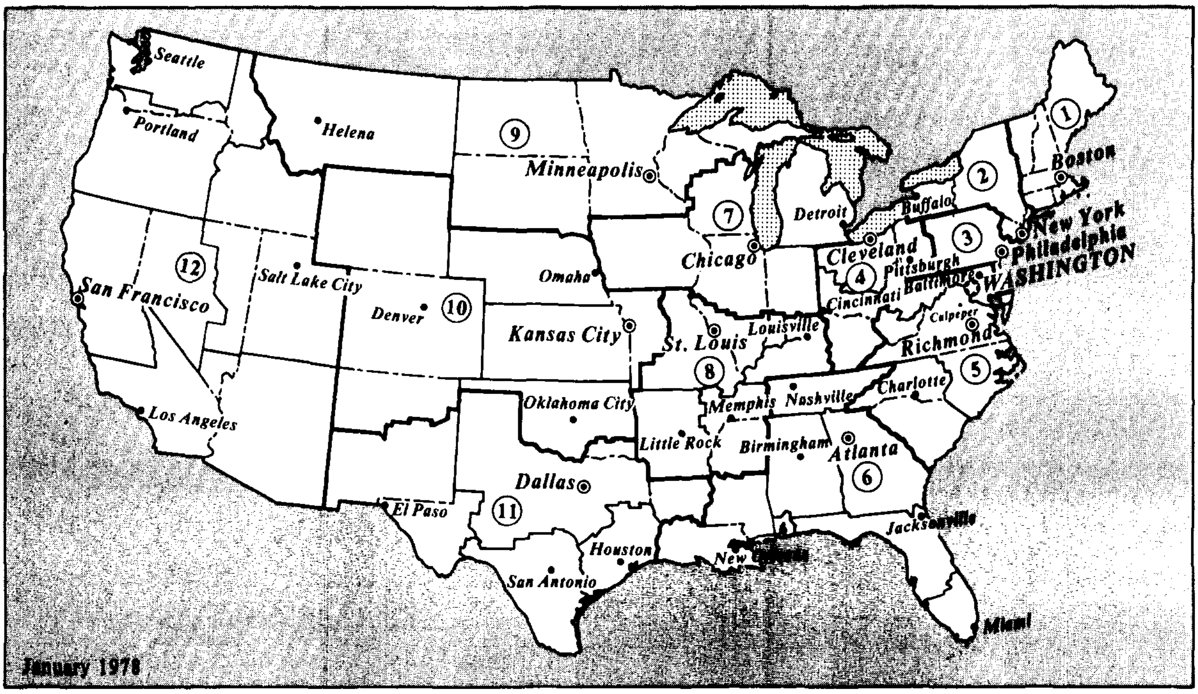
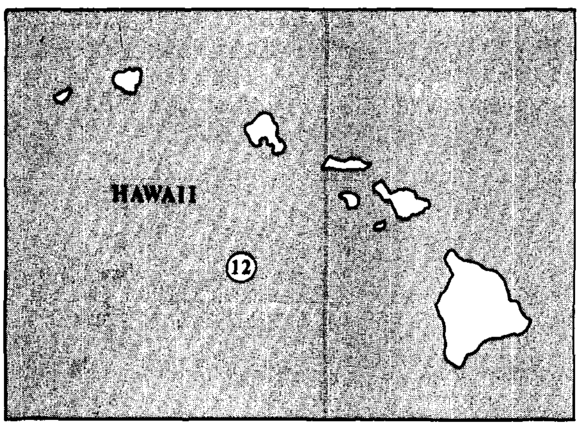
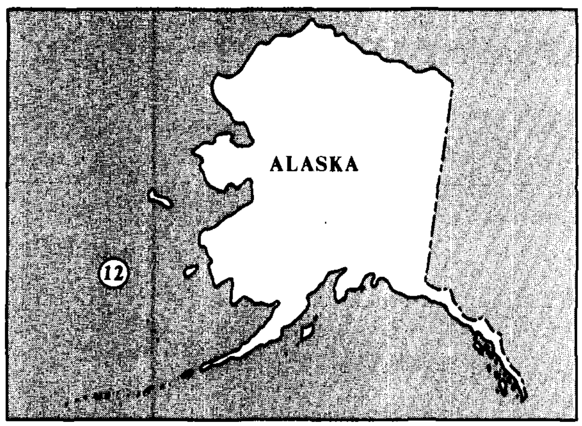
The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territories







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- Federal Reserve Bank Cities
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