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Mutual Recognition: Integration of the Financial Sector in the European Community

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Since the beginning of 1988, momentum toward completion of the internal market in the European Community has increased markedly. The target date for establishing this market, which will allow the free movement of goods, persons, services, and capital within the Community, is December 31, 1992. The European Community has already taken legislative action in many important areas, including the liberalization of capital movements and the establishment of a framework for a Communitywide market for banking services. Currently, EC member states are taking steps to encourage industries to prepare for the more competitive post-1992 environment, and some governments are using the deadline to speed deregulation of their own financial markets. In the private sector, companies are developing strategic plans based on the creation of a unified European market; one result has been a wave of intra-European mergers and acquisitions.

The EC program for the financial sector is being developed and implemented at a time of increasing internationalization of financial services and markets. Technological change and innovation in instruments and services have played a major role in this process of internationalization. At the same time, market forces have both necessitated and facilitated greater international coordination with regard to supervision and regulation. This coordination has resulted in some movement toward harmonization of rules among nations (in particular, the Basle Accord on international bank capital standards) and easing of restrictive rules and practices by individual countries. Although the EC program for financial services and markets can be viewed as a part of this process of international coordination, the program is qualitatively different from what has been achieved beyond the Community. The EC approach to achieving internal financial integration is therefore of interest not only for its effect within the Community but also in relation to issues regarding international trade in financial services that are being addressed in forums such as the current Uruguay Round of the General Agreement on Tariffs and Trade (GATT), the Organisation for Economic Co-operation and Development (OECD), and the Bank for International Settlements.

The first section of this article discusses the development of the internal market program and the Community's use of the concept of mutual recognition. The second section provides an overview of the EC program for creation of a "European Financial Area," a term used by the EC Commission, the Community's executive body, to refer both to the removal of barriers to capital movements and to the establishment of a framework for a Communitywide market for financial services. The third section presents a conceptual analysis of the EC approach of mutual recognition as a means of achieving integration of the Community's financial sector. The concluding section considers the relevance of the principle of mutual recognition in the broader international context of approaches to domestic market access for foreign firms.

NOTE. This article is based on Ms. Key's study "Financial Integration in the European Community," International Finance Discussion Papers 349 (Board of Governors of the Federal Reserve System, Division of International Finance, April 1989).

DEVELOPMENT OF THE INTERNAL MARKET PROGRAM

In the early 1980s, concern was widespread within the European Community that the EC countries were recovering very slowly, compared with the United States and Japan, from the recessions of the late 1970s and were being outstripped by the United States and Japan in new high-technology industries. The conventional wisdom was that, even though tariff barriers among the member states had been dismantled more than a decade earlier, nontariff barriers and market fragmentation within the Community were major impediments to EC economic growth. Partly because of this view, in the first half of the 1980s new initiatives were proposed to reactivate the process of European integration. Perhaps the most far-reaching of these proposals was the draft treaty establishing a European Union that the European Parliament adopted in early 1984. This treaty had no chance of ratification by the member states; but it encouraged the heads of the EC member states, who had previously renewed their commitment in general terms to the goals set forth in the 1957 Treaty of Rome, to take concrete action toward completion of the internal market.[1]

By the mid-1980s, steps toward further integration of the EC market had become easier to take because sustained economic growth had begun in most of the EC countries after the recovery from the 1982 recession. Moreover, the political situation had changed as governments that were more strongly committed to free markets than were their predecessors had come into power in the United Kingdom (in 1979) and in Germany (in 1982).

1. The treaty that established the European Economic Community (EEC), which is one of three European Communities established under three separate treaties, is generally known as the Treaty of Rome. The European Coal and Steel Community was established by a 1951 Paris treaty, and the European Atomic Energy Community was established by another Rome treaty in 1957. The term *European Community* is commonly used to refer to all three European Communities; the EC institutions are common to all three Communities.

The 1985 White Paper

All of these political and economic developments created an environment in which the Commission that took office at the beginning of 1985, with Jacques Delors as its president, could move forward with proposals for economic integration (see the box "Institutions of the European Community"). By mid-1985, the Commission had prepared a white paper, *Completing the Internal Market*, which the European Council subsequently adopted as the basis for the EC internal market program.[2] The white paper identified 300 pieces of legislation (later revised to 279) that the Community would have to enact to remove restrictions or to harmonize laws of member states. It also set forth a timetable for the enactment of each proposal that called for the entire program to be in place by the end of 1992 (see the box "Forms of EC legislation").

The white paper also announced a new strategy regarding the harmonization of national laws and regulations. In place of the previous, unsuccessful attempt to achieve complete harmonization of standards at the Community level, the Commission adopted an approach involving harmonization of only essential laws and regulations (such as those affecting health and safety) for both goods and services. Under the Commission's new approach, the harmonization of essential standards provides the basis for *mutual recognition* by the member states of the equivalence and validity of each other's laws, regulations, and administrative practices that have not been harmonized at the EC level.[3] An essential element of such recognition is agreement not to

2. Commission of the European Communities, *Completing the Internal Market: White Paper from the Commission to the European Council* (Luxembourg: Office for Official Publications of the European Communities, 1985).

3. The term *mutual recognition* was used in the Treaty of Rome only with regard to professional qualifications. Specifically, the treaty called for the Council to issue directives for "the mutual recognition of diplomas, certificates and other evidence of formal qualifications." See Treaty Establishing the European Economic Community as Amended by the Single European Act (hereafter Treaty of Rome), art. 57. *Treaties Establishing the European Communities*, abridged ed. (Luxembourg: Office for Official Publications of the European Communities, 1987).

invoke differences in national rules to restrict the access of goods and services.

Cassis de Dijon

A 1979 decision by the European Court of Justice interpreting the Treaty of Rome provided, at least with regard to products, the legal basis for the Commission's approach of mutual recognition. At issue was an article of the treaty that prohibits in trade between member countries not only quantitative restrictions on imports but also "all measures having equivalent effect." In *Cassis de Dijon*, the Court found that Germany could not prohibit the import of a liqueur that was lawfully produced and sold in France solely because its alcohol content, which was clearly labeled, was too low for it to be deemed a liqueur under German law.[4] The Court said that, even though German national rules would have applied equally to domestic and imported products, a member state may create a barrier to the import of a product only when such a barrier is necessary to satisfy "mandatory requirements" such as the prevention of tax evasion, the protection of public health, the ensuring of fairness in commercial transactions, and the protection of consumers. Moreover, any such rule must be an "essential guarantee" of the interest that is allowed to be protected. Without such a justification, a member state may not apply its own national rules to imported products that are lawfully produced and sold in other member states.

In other words, although the Court did not use the term, member states, by accepting each other's laws regarding the production and sale of a product, are to be governed by the principle of *mutual recognition*. In subsequent judgments overturning British standards for milk, German standards for beer, French standards for milk, and Italian standards for pasta, the Court has continued to apply the test set forth in *Cassis de Dijon*. With these decisions, as well as with rulings in other areas, the Court has

4. *Rewe-Zentral AG v. Bundesmonopolverwaltung für Branntwein (Cassis de Dijon)*, Case 120/78, 1979 Eur. Ct. Rpts. 649, 1979 Common Mkt. L. Rpts. 494.

Institutions of the European Community

The *Commission* is the executive branch of the European Community and has responsibility for proposing legislation and for ensuring implementation of EC law by the member states. Commissioners are appointed by agreement among the governments of the member states for four-year terms.

The *Council of Ministers*, which consists of representatives of the governments of the member states, is the decisionmaking body and enacts legislation proposed by the Commission. The presidency of the Council rotates among member states every six months. Participants at Council meetings change on the basis of the subject being considered. For example, if banking legislation is being considered, the Council participants are the economic and finance ministers. The "European Council" consists of the heads of state or government and meets semiannually.

The *European Parliament*, which is elected directly by the citizens of the member states, has an extremely limited legislative function. It does, however, have the final approval over the EC budget and over applications for membership in the Community and, with regard to other matters, a consultative role in Council decisions.

The *European Court of Justice* consists of thirteen judges appointed by agreement among the governments of the member states for six-year terms. In general, the Court has original jurisdiction in cases in which the Commission or another Community institution is a party. Other actions are brought in national courts but are referred to the European Court of Justice for preliminary rulings on matters of EC law; such rulings are binding on the national courts. (An EC Court of First Instance was created in 1988 to hear actions brought against Community institutions by EC staff or by private parties in certain technical areas; the European Court of Justice has appellate jurisdiction in such cases.)

NOTE. See generally Emile Noël, *Working Together—The Institutions of the European Communities* (Luxembourg: Office for Official Publications of the European Communities, 1988).

Forms of EC legislation

EC legislation can be in the form of regulations or of directives. A *regulation* is binding in its entirety and is directly applicable throughout the Community without any implementing legislation by the member states. By contrast, a *directive* is addressed to the member states, which are obligated to ensure that the result set forth in the directive is achieved but have discretion as to the details of implementation.

Most of the EC internal market legislation is in the form of directives. Each directive specifies a date by which member states must conform their national laws to the provisions of the directive; typically the states have two years to do so. Therefore, to complete the internal market by the end of 1992, directives would need to be enacted by the Community by the end of 1990.

If a member state does not conform its laws in accordance with an EC directive, not only the EC Commission but also in many cases an individual or a company may take legal action against the member state. An individual or a company may invoke rights under EC law in national courts under the principle of "direct effects," which was developed by the European Court of Justice and has become an important mechanism for ensuring implementation of EC legislation.

continued to play an important role in implementing the internal market program.

The Single European Act

Both the white paper's goal of implementing the internal market by the end of 1992 and the principle of mutual recognition were included in provisions of the Single European Act, a 1986 agreement among the EC member states that amended the Treaty of Rome.[5] Although the act, like *Cassis de Dijon*, does not use the term *mutual recognition*, it provides that the Council "may decide that the provisions in force in a Member State must be recognized as being equivalent to those applied by another Member State."[6]

A major purpose of the Single European Act, which became effective in July 1987, was to make EC decisionmaking more efficient and thereby to facilitate the completion of the internal market. To this end, the Single European Act replaced unanimous voting with "qualified majority voting" for the Council's adoption of most harmonization measures necessary to achieve the internal market. Under qualified majority voting, the number of votes that each member state exercises in the Council is weighted roughly according to its population. Fifty-four votes (out of a total of seventy-six) are required to adopt legislation. Fiscal measures, such as the harmonization of taxes, however, still require unanimous approval of the Council.

Other institutional provisions of the Single European Act were designed to strengthen the role of the European Parliament in EC decisionmaking; however, the Parliament's role remains primarily consultative rather than legislative. Under the new "cooperation procedure," which applies to most measures involving harmonization, the Commission and the Council must take into account amendments that the Parliament proposes. However, the Commission retains considerable power because a parliamentary amendment that the Commission does not support requires the Council's unanimous approval. If the Parliament rejects a measure in its entirety, the Council may enact it only by unanimous vote (see the box "The 'cooperation procedure' ").

In other areas, the Single European Act set forth goals that the Treaty of Rome either had stated much more generally or had not included. In the

5. The member states of the European Community are Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom.

6. This authority is granted in the context of a provision requiring the Commission, together with each member state, to draw up during 1992 an inventory of national laws, regulations, and administrative provisions within the scope of the internal market program that have not been harmonized. See Treaty of Rome, art. 100b, added by article 19 of the Single European Act. See generally Jean De Ruyt, *L'Acte Unique Européen: Commentaire* (Brussels: University of Brussels, Institute of European Studies, 1987).

monetary area, the act encouraged further cooperation among the member states to ensure the convergence of economic and monetary policies and made it clear that such cooperation might require institutional changes. The act also committed the member states to encouraging improvements in social policy with regard to the health and safety of workers, to strengthening the "economic and social cohesion" of the Community (that is, reducing regional disparities), to promoting research and technological development, and to preserving the environment.

The Legislative Program for Completing the Internal Market

In its 1985 white paper, the Commission classified into three groups the measures that would be necessary to complete the internal market:

1. *Removal of physical barriers*, such as customs checks at frontiers for goods and for individuals.

2. *Removal of technical barriers*, such as differences in essential national health and safety standards for individual products. Other goals include open access for bidding on public contracts, removal of restrictions on capital movements, removal of restrictions and harmonization of essential standards for the provision of financial services, recognition of educational and professional qualifications, abolishment of cartels in transportation, establishment of a Community policy for mergers and acquisitions and of a Community trademark and patent system, and development of a uniform policy on government subsidies.

3. *Removal of fiscal barriers*, such as differences in value-added tax rates.

The progress toward completion of the internal market has been impressive, particularly because what has already been achieved was only a few years ago generally viewed as unachievable. As of mid-July 1989, the Commission had submitted to the Council more than four-fifths of the 279 pieces of legislation identified in the white paper. The Council had acted on about half of the white paper measures: It had taken final action on 130 pieces of legislation (5 more await enactment), and it had adopted a common position on another 5 proposals. However, some of the remaining proposals—for example, harmonization of indirect taxes and removal of border controls—are particularly complicated or controversial.

Creation of a "European Financial Area"

An important part of the EC program to complete the internal market is the creation of a "European Financial Area," which involves eliminating restrictions on the movement of capital among the member states and establishing a framework for a Communitywide market for financial services.

The "cooperation procedure"

The cooperation procedure, which is used only for measures that may be adopted by a qualified majority of the Council, involves two readings of the legislation by the European Parliament. When the EC Commission submits a proposal to the Council, the proposal is also sent to the Parliament for a first reading. After obtaining Parliament's opinion and receiving any revisions proposed by the Commission, the Council adopts a "common position." The Council must then submit its common position to Parliament for a second reading.

If the Parliament *accepts* the proposal (or fails to act within three months), the Council must adopt the measure in accordance with its common position.

If the Parliament *rejects* the Council's common position, the Council may adopt the proposal only by a unanimous vote.

If the Parliament *proposes amendments*, within one month the Commission must reexamine the proposal and submit to the Council a revised proposal that either incorporates the Parliament's amendments or justifies their omission. The Council may adopt the Commission's revised proposal by a qualified majority. Unanimity is required for the Council to adopt Parliamentary amendments that were not accepted by the Commission or otherwise to amend the Commission's revised proposal. If the Council does not adopt the revised proposal within three months, the proposal is deemed not to have been adopted.

Removal of Restrictions on Capital Movements

Without the free movement of capital, the integration of securities markets and the cross-border provision of financial services would be impossible. At present, four countries—the United Kingdom, Germany, the Netherlands, and Denmark—have fully liberalized capital movements vis-à-vis both other member states and third countries (that is, countries outside the Community). Four other countries—Belgium, Luxembourg, France, and Italy—are already close to doing so.

Under a directive adopted in June 1988, eight EC member states must eliminate any remaining capital controls by July 1, 1990. (Spain and Ireland have extensions until 1992; extensions until 1995 are possible for Portugal and Greece.) This directive was the final step in a lengthy process of liberalization that began in the early 1960s, was set back by restrictions imposed by member states during the economic difficulties of the 1970s, and was reactivated in the early 1980s by a major Commission initiative. With regard to third countries, the 1988 directive states that the EC countries "shall endeavor to attain the same degree of liberalization" of capital movements that applies within the Community to capital movements to and from non-EC countries.

In response to concerns of some member states, the Community included safeguards in the plan for the removal of remaining capital controls. One involves creation of a new medium-term loan facility for member states experiencing difficulties with their balance of payments. Another consists of a clause permitting a member state to reimpose controls in the event of a serious exchange crisis. Under this provision, a member state could reimpose controls, subject to subsequent approval by the Commission, for a maximum of six months. Because the Community is already close to achieving the free movement of capital, the concern about safeguards does not appear to stem from a belief that the lifting of the remaining controls would trigger a crisis. Rather, it appears to stem from a concern that a commitment not to impose restrictions on capital movements could hamper response to a crisis generated by an exogenous shock. So long as capital is free to move in some way in response to market forces, the opening of an additional channel for such movement would, by itself, be unlikely to precipitate a major outflow.

Nevertheless, some countries, particularly France and Italy, are concerned that the removal of their remaining exchange controls will create a serious potential for tax evasion because of existing differences in taxes on interest and dividend payments within the Community. In early 1989, the Commission submitted proposals that would require member states to impose a minimum withholding tax of 15 percent on interest income paid to any EC resident on domestically issued bonds and bank deposits. However, the proposal appears to have been dropped as it became clear that the unanimity required for Council action could not be achieved.

Beyond financial integration, the liberalization of capital movements, together with other aspects of the internal market program, raises the issue of exchange rate relationships among the member states. Within the Community there is considerable debate as to whether the closer coordination of monetary policy and the strengthening of the European Monetary System will ensure sufficient stability of exchange rates or whether establishing an economic and monetary union will be necessary. In the context of the European Community, "economic union" refers not only to the integration of markets but also to some form of coordinated or perhaps centralized decisionmaking regarding macroeconomic policy objectives. A true monetary union would require irrevocably fixed exchange rates, which could take the form of a common currency, and some mechanism for conducting a common monetary policy, perhaps a European central bank.

At their June 1989 summit meeting in Madrid, the heads of the EC member states restated their determination "to progressively achieve Economic and Monetary Union." They agreed to begin, as of July 1990, the first of three stages recommended in the report of the Delors committee, which had been established at the Hanover summit meeting a year earlier, and to carry out preparatory work regarding subsequent stages. However, the details of the plan and the timetable remain unresolved. In any event, though economic and monetary union may be a longer-run consequence of completing the internal market, the achievement of such union is not part of the internal market program.

Financial Services and Markets

The EC plan to complete the internal market includes a comprehensive program for the financial sector. The program is designed to provide sufficient harmonization of essential rules to permit mutual recognition of the equivalence and validity of national rules and practices that have not been harmonized and to permit the acceptance of home-country control. This section offers an overview of the EC program for financial services and markets, including the EC reciprocity proposals.

Banking. The Second Banking Directive, on which the Council adopted a "common position" in July 1989, is viewed as the centerpiece of EC banking legislation because it is a comprehensive proposal dealing with the powers and the geographic expansion of banks within the Community. Under this directive, a credit institution could provide services throughout the Community—either through branches or across borders—under home-country control without obtaining an authorization from the host country.[7] The directive also sets forth a list of permissible activities for a credit institution (defined as an institution that receives deposits or other payable funds from the public *and* grants credits for its own account) that is based on a universal banking model and includes all forms of securities activities but not insurance activities.[8] If a bank's home country permits a listed activity, the bank may conduct that activity anywhere in the Community, regardless of host-country law.

The European Community plans to implement the Second Banking Directive no later than January 1, 1993, simultaneously with measures to harmonize bank capital standards similar to the framework developed by the Basle Committee on Banking Regulations and Supervisory Practices.[9] These measures consist of the "own funds" directive, which defines capital, and the solvency-ratio directive, which specifies risk-adjusted capital ratios. Additional harmonizing measures—including limitations on bank ownership of nonfinancial institutions, initial capital requirements, and provisions relating to the identity, extent of holdings, and suitability of major shareholders—are contained in the Second Banking Directive. Other measures, such as consolidated supervision and common accounting standards, are already in place. Measures relating to deposit insurance and to the reporting of large exposures are in the form of Commission recommendations (which are not binding), with legislation to be proposed in the future.

Investment Services. The EC program for the securities sector encompasses two areas: first, rules applicable to firms offering investment services to their customers; and second, rules applicable to the markets on which securities are traded. In general, the latter area involves more traditional objectives

7. The term *cross-border services* refers to the provision of services by a credit institution located in one member state to consumers of these services in another member state without the establishment of a branch in the host state. Within the European Community, before the recent series of measures to remove remaining exchange controls, such controls were a major barrier to the provision of banking services across borders. At present, some host-country restrictions on products or instruments, as well as national rules prohibiting the solicitation of business by foreign entities, also have the effect of limiting the provision of banking services across borders.

8. The listed activities are as follows: (1) accepting deposits or other payable funds from the public; (2) lending, including consumer credit, mortgage lending, factoring, and financing of commercial transactions; (3) financial leasing; (4) providing money transmission services; (5) issuing and administering means of payment (for example, credit cards, travelers checks, and bankers drafts); (6) issuing guarantees and commitments; (7) trading for own account or for account of customers in (a) money market instruments (checks, bills, certificates of deposit, and so forth), (b) foreign exchange, (c) financial futures and options, (d) exchange and interest rate instruments, and (e) securities; (8) participating in share issues and providing services related to such issues; (9) providing management consulting services and advice with respect to investments, mergers, and acquisitions; (10) money brokering; (11) providing portfolio management and advice; (12) safekeeping and administration of securities; (13) providing credit reference services; and (14) providing safe custody services.

9. The committee comprises the bank supervisory authorities from twelve major industrial countries: Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Sweden, Switzerland, the United Kingdom, and the United States. The Basle guidelines provide for partial implementation of minimum risk-adjusted capital ratios by year-end 1990 and full implementation by year-end 1992.

of investor protection and efficient market functioning whereas the former also involves systemic risks comparable to those in banking.[10]

The area of investment services presents more difficulties for the Community than that of banking because the process of international harmonization in investment services is much less advanced and no equivalent of the Basle Accord on bank capital standards exists for securities firms. Also, the regulatory structures for investment services vary much more among the member countries than do those for banking services, and there is no committee of regulators from different countries comparable to the Basle Committee on Banking Regulations and Supervisory Practices. Moreover, in investment services, even more than in banking, the European Community confronts the problem of trying to harmonize essential elements of national regulatory frameworks while those structures are themselves changing in response to globalization and innovation in the financial sector.[11]

In December 1988, the Commission proposed the Investment Services Directive, which is the counterpart of the Second Banking Directive. Under this directive, investment firms, like credit institutions, would be able to provide services across borders and establish branches throughout the Community without obtaining authorization from the host country. To ensure that investment firms are able to compete effectively in the host country, the directive also provides for the liberalization of rules governing access to stock exchanges and to financial futures and options exchanges.

In contrast to the Second Banking Directive, the proposed Investment Services Directive adopts a functional rather than an institutional approach to defining an investment firm. Whereas a credit institution is defined separately from the activities in which it is allowed to engage, an investment firm is defined as a firm that engages in any of the activities listed in the directive. These activities include brokering, dealing as principal, underwriting, market making, providing portfolio management services and investment advice, and providing safekeeping services (other than in conjunction with management of a clearing system) with respect to any of the instruments specified by the directive. The instruments specified are transferable securities (including unit trusts), money market instruments (including certificates of deposit and Eurocommercial paper), financial futures and options, and exchange rate and interest rate instruments.

Investment firms that engage in these activities include firms that are also credit institutions that would be governed by the Second Banking Directive. The proposed Investment Services Directive takes account of this overlap by specifying that only certain articles of the directive would apply to investment firms that are also credit institutions.

The Commission is still trying to develop a directive on market risk for securities firms that would be the equivalent of the directives on capital adequacy for banking institutions. The Commission hopes that such a directive will come into force simultaneously with the proposed Investment Services Directive. The market risk directive is also likely to set forth requirements for the securities activities of banks that would supplement the capital-adequacy requirements already in place.

Securities Markets. The EC program with regard to securities markets has been under way since the early 1980s, and a number of directives have already been enacted. These directives are designed to break down barriers between national stock exchanges by increasing transparency and ensuring access for issuers to securities markets throughout the Community. One group of measures deals with listed securities and includes a 1987 directive providing for mutual recognition of the "listing particulars" (that is, disclosure documents) of the company's home country. A directive dealing with unlisted securities other than Eurosecurities, enacted in April 1989, provides for mutual recognition of prospectuses among the member states. Both directives provide that the Community may enter into negotiations with third countries to achieve

10. See generally Organisation for Economic Co-operation and Development, "Arrangements for the Regulation and Supervision of Securities Markets in OECD Countries," *Financial Market Trends*, vol. 41 (Paris: OECD, November 1988), pp. 17–38.

11. For a discussion of regulatory approaches to financial services, see Tommaso Padoa-Schioppa, "The Blurring of Financial Frontiers: In Search of an Order" (paper presented at Commission of the European Communities Conference on Financial Conglomerates, Brussels, March 14–15, 1988).

mutual recognition of home-country disclosure requirements that extends beyond the borders of the Community.

The EC program for securities markets includes a directive regarding insider trading, on which the Council of Economic and Finance Ministers adopted a common position in June 1989. The Commission has also issued a recommendation that relates to a European code of conduct for securities transactions. Although the 1985 white paper discussed creating an electronically linked, Communitywide trading system for securities of international interest, no specific proposals have been put forward.

An EC directive on cross-border sales of a particular securities product—open-ended unit trusts or "undertakings for collective investment in transferable securities" (UCITS)—will become effective in October 1989. At that time, UCITS (which are similar but not identical in legal form to mutual funds) that meet the minimum standards set forth in the directive may be sold throughout the Community under home-country control. However, individual member states may continue to impose their own rules with regard to marketing and advertising, provided that such rules are applied on the basis of national treatment and can be justified by the "public interest." To date, no proposals regarding harmonization of tax treatment of unit trusts within the Community have been put forward. As a result, upon implementation of the directive, unit trusts marketed by entities located in Luxembourg, which will continue to benefit from tax treatment more liberal than that in other member states, may be be sold throughout the Community.

Insurance. In contrast to the banking and securities sectors, the insurance industry in the European Community, other than in the United Kingdom, has been relatively protected from outside competition and has not been part of any globalization process. (Reinsurance, which has traditionally been an international business, is the exception.) In general, the member states have imposed a multitude of restrictions on insurance services provided through branches or agencies and on services provided across borders. Because existing barriers to the creation of a Communitywide regulatory framework are much greater for insurance than they are for the rest of the financial sector, in the insurance sector it appears to be politically necessary for the Community to proceed more slowly toward the harmonization that is necessary to permit mutual recognition and home-country control. Accordingly, the directives for insurance that were proposed or adopted in 1988 are much less far-reaching than those for banking and investment services.

In contrast to the banking and investment services directives, both the Second Nonlife Insurance Directive (enacted in 1988) and the proposed Second Life Insurance Directive deal only with the cross-border provision of services and do not provide for Communitywide branching of insurance companies under home-country control. Unlike branches of EC banks and investment firms, branches of EC insurance companies will continue to be authorized and regulated by the host state in accordance with provisions of EC directives, although the home state has responsibility for ensuring that the company meets overall solvency standards.

Moreover, again in contrast to the directives on banking and investment services, the insurance directives adopted or proposed during 1988 distinguish among customers on the basis of the degree of protection that is deemed to be required. The nonlife insurance directive provides liberalization only for wholesale customers; specifically, the cross-border provision of services under home-country control is permitted only for "large risks," defined primarily in terms of sales, assets, and the number of employees. Similarly, the proposed life insurance directive provides liberalization only for individuals who take the initiative in seeking life insurance from a company in another state.

Reciprocity. The Second Banking Directive and the proposed Investment Services Directive contain reciprocity clauses, as does the proposed Second Life Insurance Directive. (The Second Nonlife Insurance Directive, which was enacted earlier, does not contain a reciprocity clause, but the Community reportedly plans to amend the directive to include one.) Under the EC reciprocity provisions, a non-EC financial firm would not be permitted to establish or acquire a subsidiary in any member state unless the firm's home country granted reciprocal treatment to similar financial institutions from all member states. The meaning of the reciprocity clauses and the circumstances under which they might be applied have been the subject of considerable discussion both within the Community and abroad.[12]

The reciprocity clauses apply only to entry to the EC market through the subsidiary form of organization. Direct branches of non-EC financial institutions would not be subject to EC reciprocity requirements. Such branches would not benefit from the provisions of the directives permitting Communitywide expansion and would continue to be authorized and regulated separately by each host state. Existing subsidiaries of non-EC financial institutions would, in general, be grandfathered and would be treated like any other financial institution in the member state in which they were chartered.

The reciprocity provision in the Second Banking Directive is expected to serve as the model for the reciprocity provisions in the other financial services directives. Under this provision, before the effective date of the directive and periodically thereafter, the Commission would make a determination—analogous to the studies on national treatment in the banking and securities sectors conducted by the U.S. government—regarding the treatment of EC banks by third countries. The reciprocity provision distinguishes between two sets of criteria under which the Commission could take action on the basis of such studies or "on the basis of other information:" one that could be used to limit or bar entry to the EC market or to begin negotiations with the threat of such action and another that could be used as a goal in negotiations without any threat of retaliatory action.

The first set of criteria is being widely interpreted as reciprocal national treatment, although the concept of effective market access is also included. The EC Commission has stated that the standard will be "genuine national treatment," that is, de facto as well as de jure national treatment. If it determines that EC credit institutions in a third country "do not receive national treatment offering the same competitive opportunities as are available to domestic credit institutions and that the conditions of effective market access are not fulfilled," the Commission may initiate negotiations with the third country to achieve such treatment. The Commission may also require a host member state to "limit or suspend" decisions on applications by banks from the third country for up to three months. The Commission may take the latter action only in accordance with a complicated "comitology" procedure that provides a role for the Banking Advisory Committee and for the Council, with veto power granted to a simple majority of the Council.[13] An extension of the three-month period would require a qualified majority vote of the Council.

The second set of criteria involves treatment comparable to that offered by the European Community. If the Commission finds that a third country does not grant EC banking institutions "effective market access comparable to that granted by the Community to credit institutions from that third country," it may submit proposals to the Council for an appropriate mandate to negotiate such access. The Council would act on such proposals by a qualified majority. The Commission is not granted any authority to limit entry on the basis of this standard.

The reciprocity provision in the Second Banking Directive is generally viewed as an improvement over earlier versions because it no longer contains an automatic review procedure, it includes a grandfathering provision, and no sanctions appear to be contemplated against countries that provide EC banks with national treatment. U.S. officials have, however, consistently expressed their concern about the unfortunate precedent being set by the introduction of

12. For an analysis of the different concepts of reciprocity and their relation to the approach of mutual recognition being used as the basis for integration within the Community, see Sydney J. Key, "Financial Integration in the European Community," section III.B..

13. Under the comitology procedure used in this situation, the Commission must submit its proposed action to the Banking Advisory Committee, which consists of representatives of the central banks and finance ministries of the member states. If a qualified majority of the committee approves the Commission's proposed action, the Commission may proceed. If such approval is not obtained, the Commission must submit its proposal to the Council, which may either approve the measure by a qualified majority vote or amend the proposal by a unanimous vote. If the Council does not act within three months, the Commission may proceed—but only if a simple majority of the Council does not oppose the measure.

any kind of reciprocity provision—even reciprocal national treatment—for financial services.[14]

The Concept of Mutual Recognition

The goal of the internal market program for the financial sector is to create a single, unified market by removing barriers to the provision of services across borders, to the establishment of branches or subsidiaries of EC financial institutions throughout the Community, and to transactions in securities on Community stock exchanges. In determining the best method of achieving these goals, the Community must decide what principles should be used to establish a regulatory, supervisory, and tax structure that would both facilitate the integration of Community financial markets and satisfy the public policy interests of the member states with regard to safety and soundness, monetary policy, market stability, and consumer and investor protection.

The starting point for the Community was the principle of *nondiscrimination*, a term that in this context refers to the prohibition of discrimination between domestic and foreign residents based on nationality. (By contrast, in the context of trade and capital movements, *nondiscrimination* usually refers to the prohibition of discrimination among foreign residents of different nationalities; the concept is similar to that of a most-favored-nation clause, that is, benefits of any liberalization must be extended to all foreign countries on a nondiscriminatory basis.) Although the right of establishment and the right to provide services in other member states without being subject to any restrictions based on nationality were set forth in the Treaty of Rome, legislative action by the Community and decisions of the European Court of Justice have been necessary to give practical effect to these rights.

Nondiscrimination by an EC member state amounts to offering national treatment to individuals and firms from other member states. Under a policy of national treatment, foreign firms have the same opportunities for establishment and the same powers with respect to their host-country operations that their domestic counterparts have; similarly, foreign firms operating in a host country are subject to the same obligations as their domestic counterparts. The OECD's National Treatment Instrument defines national treatment as treatment under host-country "laws, regulations, and administrative practices . . . no less favorable than that accorded in like situations to domestic enterprises." The expression "no less favorable" appears to allow for the possibility that exact national treatment cannot always be achieved and that any adjustments should be resolved in favor of the foreign firm; the wording is not meant to endorse an overall policy of "better than national treatment." The principal purpose of a policy of national treatment is to promote competitive equality between domestic and foreign banking institutions by allowing them to compete on a "level playing field" within the host country.

If the European Community had adopted national treatment as an approach to financial integration, the result would have been a level playing field for foreign and domestic institutions within each national market. But, even though each country's rules would have been applied on a nondiscriminatory basis, twelve separate markets with different rules in each would still have existed. Moreover, although national treatment removes barriers to the provision of services by ensuring fair treatment for entry and operation within a country, it does not by itself address two important issues: the extent to which multinational cooperation or agreement is necessary to regulate and supervise financial activities conducted internationally and the de facto barriers created by the lack of multinational harmonization of regulatory structures. The Community's program attempts to deal with these issues.

One approach, which, as noted previously, the Community originally used with regard to products, is to require member states to modify their differing national laws and regulations in order to implement comprehensive, uniform standards

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14. See, for example, Manuel Johnson, Vice Chairman, Board of Governors of the Federal Reserve System, "Altering Incentives in an Evolving Depository System: Safe Banking for the 1990s" (remarks before the Conference on Bank Structure and Competition, Federal Reserve Bank of Chicago, Chicago, Illinois, May 4, 1989); and M. Peter McPherson, Deputy Secretary of the Treasury, "Global Competition in Financial Services: A View from Washington" (speech before the Fifth Annual San Francisco Institute of the National Center on Financial Services, University of California, Berkeley, March 2, 1989).

established by the Community. This approach of complete harmonization was abandoned as involving too much detailed legislation at the Community level and as totally impractical to achieve within any reasonable period.

The Community's solution was to adopt the approach of mutual recognition. This approach requires each country to recognize the laws, regulations, and administrative practices of other member states as equivalent to its own and thereby precludes the use of differences in national rules to restrict access. The concept of mutual recognition goes well beyond that of national treatment. Under a policy of mutual recognition, some member states in effect agree to offer treatment that is more favorable than national treatment to firms from other member states.

Mutual recognition cannot simply be decreed among a group of countries with widely divergent legal systems, statutory provisions, and regulatory and supervisory practices. Mutual recognition of rules that differ as to what a country regards as essential elements and characteristics would be politically unacceptable. As a result, a crucial prerequisite for mutual recognition is the harmonization of essential rules. If member states consider certain rules essential but cannot reach agreement on initial harmonization, they may agree explicitly to exclude such rules from mutual recognition and home-country control until agreement can be reached.

In the financial sector, the process of harmonization involves identifying the rules that are essential for ensuring the safety and soundness of financial institutions and the rules that are essential for the protection of depositors, other consumers of financial services, and investors. It also involves determining how detailed the harmonization of these rules must be. For example, one question is whether specifying that the major shareholders of a financial institution must be determined to be "suitable" by home-country authorities is sufficient or whether more specific criteria are needed.

Home-Country Control

A corollary of mutual recognition is home-country control. If national laws, regulations, and supervisory practices that have not been harmonized at the EC level are to be accorded mutual recognition, home-country rules and supervisory practices must be accepted as controlling the operations of branches and the cross-border provision of services by financial institutions. However, the principle of home-country control adopted by the Community is not absolute. In accordance with judgments of the European Court of Justice and with EC directives, the host country retains the right to regulate branches or the cross-border provision of services to the extent that doing so is necessary to protect the public interest.

In practice, the division of responsibility between home- and host-country regulators may be rather complicated. In general, the EC directives that have been proposed or adopted in the area of financial services provide for home-country control for initial authorization and for ongoing prudential supervision. However, various aspects of the day-to-day conduct of business could be subject to host-country control on a national treatment basis under, for example, consumer protection laws that are necessary to protect the public interest but have not been harmonized by the Community. In some directives, such host-country control is strictly limited or is prohibited either because the extent of harmonization of investor protection rules at the EC level is considered sufficient (as in the cases of securities prospectuses and unit trusts) or because the wholesale customers covered by the directive are deemed not to require host-country protection (as in the case of cross-border nonlife insurance services). As a result, under the EC directives on securities markets, a company headquartered in Greece and listed on the Greek stock exchange could, for example, be listed on the London stock exchange under Greek rules that satisfied the EC minimum standards but provided prospective British investors with less information than that required of a U.K. firm.

The European Court of Justice has already played a major role in establishing a public interest test for host-country regulation and in determining whether that criterion has been met, and it will undoubtedly continue to do so. In the case of banking, the public interest of the host state appears to be particularly strong because of the role of banks in the credit, monetary, and payments systems and because banks are within the so-called safety net of deposit insurance and of lending of last resort by the monetary authorities. Rather than relying on the overall public interest exception to home-country control, the Second Banking Directive includes explicit exceptions for rules relating to the conduct of host-country monetary policy. In line with the Revised Basle Concordat, an exception to the principle of home-country control is also provided for the supervision of liquidity. In practice, of course, questions are likely to arise as to whether particular restrictions are truly necessary for purposes of monetary policy and whether particular regulations are addressed toward liquidity or solvency.

Provision of Services through Subsidiaries, through Branches, and across Borders

Analyses of issues relating to international trade in financial services usually draw a distinction between providing services through the establishment of subsidiaries and branches and providing them directly across borders. In general, more attention has been devoted to issues of establishment, whereas the cross-border provision of services has been viewed within the context of removing exchange controls. Recently, however, particularly within the Organisation for Economic Co-operation and Development, where much of the multinational work on trade in financial services has taken place, increased attention has been given to cross-border services that are not within the scope of the liberalization of capital movements—for example, portfolio management and investment advice.

The conceptual grouping of services into those provided through the establishment of subsidiaries and branches and those provided across borders is not of critical importance when both are being discussed in the context of a policy of national treatment. However, within the European Community, where the overall approach to intra-Community trade in services is mutual recognition, the conceptual grouping does matter. In the insurance sector, the EC directives retain the conventional line between services provided through branches and subsidiaries and those provided across borders. In directives concerning banking and investment services, however, the EC Commission has in effect drawn a line between services provided through subsidiaries and those provided through branches or across borders.

Under the EC program for financial integration, subsidiaries of financial firms headquartered in other member states will continue to be governed by the principle of national treatment. (The right of a bank from one member state either to establish or to acquire a bank in another member state is, at least in theory, guaranteed by the Treaty of Rome.) As a result, such subsidiaries are treated in the same manner as other incorporated entities in the host state. For example, a German banking subsidiary of a U.K. bank could branch throughout the Community under German rules with respect to permissible activities.

The EC approach to the provision of services through branches and across borders is quite different. Mutual recognition and home-country control are made possible through the harmonization of essential rules applicable to the parent banking or investment firm. Such harmonization includes, for example, general criteria for home-country authorization and supervision; the establishment of minimum capital requirements for banks and investment firms; and, for banks, agreement on a list of activities considered integral to banking.

Under a regime of mutual recognition and home-country control, the powers of, for example, a Greek branch of a U.K. bank would be determined by U.K. rules in accordance with the list specified by the Community, not by Greek rules. Similarly, Greek branches of banks from other EC countries would be governed by their respective home-country rules. As a result, a branch of a bank from another member state could receive treatment that is better than national treatment from Greece. Alternatively, if the bank's home country had rules with respect to bank powers that were more restrictive than those of Greece, the bank's Greek branch could receive treatment that is worse than national treatment in Greece.

In theory, a Greek bank (or a bank from any EC country) could establish a subsidiary bank in London, and the London subsidiary could branch into Greece under home-country (that is, U.K.) control. The Greek branch of the London subsidiary of a Greek bank might thus have broader powers to conduct activities in Greece than would its parent bank. Some EC officials assert that in practice this situation would not arise because the prior consultation among the supervisory authorities regarding the establishment of subsidiaries that is required by the Second Banking Directive would prevent such byzantine organizational structures. In any event, the potential for such structures could lead to increased pressure for regulatory convergence.

Regulatory Convergence

The EC approach of mutual recognition could result, at least in the short run, in competitive inequalities and fragmentation of markets. With regard to financial services, however, the Community assumes that over the longer run market forces will create pressure on governments that will lead to a convergence of additional national rules and practices that have not been harmonized at the EC level. Pressures for regulatory convergence within the Community would arise both from the absence of restrictions on capital movements and from the regulatory advantages enjoyed by branches of banks and of investment firms from other member states and also by the head offices of such banks and investment firms in providing services across borders.

In the financial sector, the Community is using the principle of mutual recognition as a pragmatic tool that, together with market forces, is expected to result in a more unified, less restrictive regulatory structure. The process is interactive: Mutual recognition requires initial harmonization, and additional harmonization results from mutual recognition. In adopting the approach of mutual recognition in the financial area, the Community is in effect using trade in financial services as a lever to arbitrage the regulatory policies of the member states.

Regulatory convergence is particularly likely to occur with regard to bank powers because the Community has reached a theoretical consensus on what activities are permissible for banks. In effect, the member states have agreed upon a goal for regulatory convergence. Banks permitted by their home country to engage in any of the activities listed in the Second Banking Directive are specifically permitted to engage in such activities anywhere in the Community through a branch or through cross-border provision of services. As a result, although the Community has not required governments to give their banks the powers on the list, it has created a situation in which regulatory convergence toward the EC list of activities as a result of market forces seems almost inevitable.[15] Other areas, particularly if the model for convergence has not been specified in advance, could be more complicated.

An example of the absence of agreement on a goal for regulatory convergence, namely, that credit institutions should be permitted to become members of stock exchanges, may explain a notable exception to the principle of mutual recognition in the EC proposals for the financial sector. Under the Commission's proposals, in accordance with the principle of mutual recognition, a host state must ensure that a branch of an investment firm that is a stock exchange member in its home state is permitted to become a member of the host country's stock exchange. By contrast, a branch of a credit institution, even if the credit institution is a member of a stock exchange in its home country, is governed by a policy of national treatment. As a result, if a host member state does not allow its own credit institutions to be members of its stock exchange, it is not obligated to admit a branch of a credit institution chartered in another member state. Such a credit institution could gain access to the host-country exchange only through a subsidiary investment firm or through a branch of such a firm.

Competitive pressures associated with cross-border provision of services, together with the absence of restrictions on capital movements, might over time also contribute to some convergence of regulations that remain exclusively under host-country control. One likely area of convergence is the elimination of any remaining interest rate ceilings, although the primary factor in removal of such limitations may be the ongo-

15. Some member states may continue to require certain securities activities to be conducted in subsidiaries; but, in contrast to the situation within the United States, such subsidiaries may be held by the bank itself and may be funded by the bank.

ing process of deregulation in this area, including the development of alternative financial instruments. Another possible development is some move toward convergence of the effective tax imposed by reserve requirements, that is, the level of such requirements and the extent, if any, to which interest is paid on reserve balances. However, other factors, such as differences in corporate taxation among the member states, also affect the relative tax treatment of banks.

Besides leading to a regulatory convergence that would liberalize rules such as those relating to bank powers, market pressures could lead to competition in laxity among supervisory authorities. Such competition could occur either with regard to standards that have not been harmonized or that have been harmonized only in general terms or with regard to the enforcement of agreed-upon standards. Moreover, market pressures could prevent governments from imposing or maintaining standards stricter than the minimums set forth in the directives, even though governments are usually permitted to do so. The EC view is that no major problems will arise with regard to competition in laxity because the scope of harmonization is sufficiently broad and because the minimum standards that the Community has adopted are sufficiently high.

Problems would also be less likely to arise the greater the theoretical agreement among the member states as to the line between liberalization and laxity—that is, the distinction between national rules that have primarily the effect of imposing barriers to trade in services and national rules that are necessary for prudential purposes or for consumer protection. For example, a consensus exists within the Community that permitting all forms of securities activities to be conducted in a bank or its subsidiary is a positive, liberalizing measure.

A different possibility is that the market may place a value on national standards that are more stringent than those required by EC directives. Whereas governments are obligated to accord mutual recognition to differing national standards that have not been harmonized, private firms and individuals are under no such obligation. Indeed, in a more competitive marketplace, firms and individuals may have even greater scope to exercise their preferences. For example, customers might consider a strictly regulated bank or securities firm of one member state to be preferable to institutions authorized and supervised by authorities of another member state even though the latter institutions might offer a price advantage.

The financial sector may be particularly suited to the interactive process of mutual recognition and harmonization of regulatory frameworks. One reason is the existence, apart from the EC program, of an ongoing internationalization of financial services and markets. This process has already led to cooperation among the major industrial countries with regard to bank supervision and to agreement on basic harmonization of national standards with regard to bank capital. Thus, market pressures for regulatory convergence in the banking sector exist well beyond the borders of the Community.

Another reason the financial sector may be particularly suited to an interactive process of basic harmonization and mutual recognition is that the rules apply primarily to the providers of financial services; by contrast, in the product sector, standards apply principally to the products themselves. Partly because of the intangible nature of the service being provided, the financial sector can adapt quickly to changes in the regulatory or market environment. Technological developments can be rapidly assimilated, and innovation in instruments or practices can occur with considerable speed. This situation contrasts sharply with that of the product area, in which long periods of research and development may be necessary or even a simple change in standards can require a lengthy period of implementation.

As a result, in the financial sector the approach of harmonizing some basic standards and letting market forces produce additional harmonization appears easier. If market forces do not produce further harmonization and if the member states agree that such harmonization is necessary, it can probably be accomplished at a later stage without major dislocations. However, because of the substantial public policy interests involving macroeconomic policy, safety and soundness, and stability of markets that are inherent in the financial sector, in addition to consumer protection, a greater degree of harmonization than is necessary in the nonfinancial sector may be required to make mutual recognition and home-country control acceptable to the member states. In any event, after the implementation of the EC program for basic harmonization of the framework for financial services, remaining differences in national rules that create significant barriers could be removed not only as a result of market pressures or additional harmonization but also as a result of actions brought before the European Court of Justice.

Judgments of the European Court of Justice

In 1986, the European Court of Justice addressed in four insurance cases some of the issues relating to the use of mutual recognition for financial integration within the Community. In its judgments, the Court provided guidance as to the degree of harmonization of essential elements it considered necessary for mutual recognition and home-country control in the insurance sector and established a test for determining the legality of host-country restrictions on the cross-border provision of services.

The Court dealt with the issue of the extent to which a member state may impose authorization and other requirements on an insurance company that is based in another member state and wishes to offer cross-border services.[16] The Court found that "the insurance sector is a particularly sensitive area from the point of view of the protection of the consumer both as a policy-holder and as an insured person." As a result, the Court said, in the field of insurance "imperative reasons relating to the public interest" exist that may justify restrictions on the freedom to provide services. The Court emphasized that such restrictions must apply equally to foreign and domestic firms (that is, on a national treatment basis) and that the restrictions could not be justified if the public interest were already protected by the rules of the home state or if less restrictive rules could achieve the same result.

In examining the extent to which the public interest justified restrictions on the cross-border provision of insurance services, the Court distinguished among types of customers on the basis of the degree of protection deemed to be needed. For small policyholders, the Court determined that existing Community legislation did not provide sufficient harmonization to justify a claim that the public interest was already protected by the home state. Moreover, the Court found that the requirements the host state imposed were not excessive. However, with regard to authorization and other requirements for the coinsurance of large, commercial risks that were at issue in two of the cases, the Court found that such restrictions could not be justified because such policyholders did not require the same degree of protection as that required by the smaller policyholders.

The insurance decisions confirmed that the principle of mutual recognition and the obligation of member states not to erect barriers that had been established in *Cassis de Dijon* extended to services as well as to goods. The judgments also established the public interest test and a method for applying it to determine the legality of any barriers to the provision of services across borders. In directives on banking and investment services, the EC Commission has in effect extended the Court's public interest test to apply also to host-country restrictions on services provided through branches, and the directives refer specifically to the public interest criterion for host-country rules in both cases. This extension is a logical consequence of the conceptual grouping of these two forms of provision of services discussed above. The Court's decisions have been generally interpreted to mean that a member state may continue to apply its own rules on a national treatment basis only if the rules can be justified by the public interest test and if Com-

16. *Re Insurance Services: EC Commission* v. *Germany*, Case 205/84, 1987 Common Mkt. L. Rpts. 69; *Re Co-insurance Services: EC Commission* v. *France*, Case 220/83, 1987 Common Mkt. L. Rpts. 113; *Re Co-insurance Services: EC Commission* v. *Ireland*, Case 206/84, 1987 Common Mkt. L. Rpts. 150; *Re Insurance Services: EC Commission* v. *Denmark*, Case 252/83, 1987 Common Mkt. L. Rpts. 169. The cases also presented the issue of whether a host country could in effect ban the provision of cross-border services in insurance by requiring a company to have a permanent establishment in the host state. The Court held that "the requirement of a permanent establishment is the very negation of [the freedom to provide services]" and would require justification as an "indispensable requirement," a justification the Court found not to exist in this case. *EC Commission* v. *Germany*, 1987 Common Mkt. L. Rpts. at 107–08. Similarly, in the coinsurance cases, the Court also struck down requirements that the leading insurer have an establishment in the host state.

munity legislation has not already provided harmonization of basic rules in the relevant areas.

Supranational Structure of the Community

In considering mutual recognition as the approach to financial integration within the Community and its relevance in contexts beyond the Community, one must remember that the member states have agreed to use it as a tool to achieve an integrated market in the context of a structure that, though not a federation, is a rather powerful supranational structure to which the member states have already transferred a significant degree of sovereignty. The customs union with its common external commercial policy is the basis of the internal market, but the internal market is much more than a customs union. It involves a supranational legislative process under which supranational rules ensuring the free movement of goods, persons, services, and capital are adopted and the harmonization of basic laws, regulations, and practices at a supranational level can be achieved. Moreover, a member state is obligated to implement or enforce all EC rules, including those it opposed in the Community legislative process. Community law is accepted as prevailing over national law, and both judgments and preliminary rulings of the European Court of Justice based on Community law are binding and enforceable in the member states. (The principle of supremacy of Community law was not explicitly stated in the Treaty of Rome, but it has been confirmed by the European Court of Justice in judgments interpreting provisions of the treaty.)

The European Community is also more than a single, unified market. Other aspects of the Community addressed either by the original Treaty of Rome or by the Single European Act include social policy, economic and social cohesion, research and development, the environment, and economic and monetary union. The Single European Act also refers to the goal of a "European Union," although there is considerable disagreement within the Community as to what such a union would entail.[17]

These institutional and political characteristics of the European Community are extremely important in considering whether the approach the Community is using for internal financial integration is applicable to removing barriers and achieving a more integrated regulatory structure for financial services and markets beyond the Community. A basic question is how much multinational harmonization would be required and the extent to which sovereignty might need to be surrendered to use the principle of mutual recognition more broadly among nations.

The radical difference between what the Community is trying to achieve and other types of economic arrangements between nations is illustrated by a comparison with the U.S.–Canada Free Trade Agreement. Unlike a customs union, the Free Trade Agreement has no common external tariff or commercial policy, and its goals are limited to eliminating bilateral tariffs, reducing many nontariff barriers, liberalizing investment practices, and providing ground rules for trade in services, which in the financial sector are based on the principle of national treatment. The agreement has no commitment to a single, unified market. It entails a limited dispute-settling mechanism (from which financial services are excluded) that does not involve a sacrifice of national sovereignty, and it does not provide for supranational legislative or judicial functions.

CONCLUSION

Although the framework for the entire internal market, or even for the financial sector alone, may not be in place by the end of 1992, a sufficient number of measures will probably have been adopted and implemented such that the internal market may be completed by the mid-1990s. An important development for achieving this goal has already occurred: Market participants are basing their plans and governments are framing their policies on the assumption that the

17. See Jacques Delors, President, European Commission, statement before the European Parliament regarding the Council meeting in Hanover (31 *O.J. Eur. Comm.* [Annex, No. 2–367] 137, July 6, 1988), and "The Main Lines of Commission Policy," statement before the European Parliament (Strasbourg, January 17, 1989). But see also Margaret Thatcher, Prime Minister, United Kingdom, speech at the College of Europe (Bruges, September 20, 1988).

internal market will be completed. The commitment by the more developed EC countries to use EC structural funds to assist poorer countries and regions is likely to be important in determining the willingness of the poorer countries not only to support legislation to establish the internal market but also to implement it during what might be a difficult transitional period of industrial restructuring. A further issue, which has not yet been resolved, is what steps the Community may need to take regarding social legislation.

The goal of free capital movements within the Community is close to realization; by mid-1990, eight countries are expected to permit the unrestricted movement of capital. The integration of the EC financial sector—banking, investment services, securities markets, and insurance—is already well advanced, to some extent because this process is part of a larger trend toward the globalization of financial services and markets and toward increased international cooperation and coordination among regulatory authorities. The financial sector may be particularly suited to the EC approach of mutual recognition and home-country control. The banking sector presents the fewest difficulties because the major industrial countries have already achieved basic harmonization with regard to consolidated supervision and capital standards. Investment services are more difficult because of much greater disparities in national regulatory structures and because of the lack of a multilateral agreement on market risk that is equivalent to the Basle Accord on risk-based capital.

Securities markets involve complex national rules about the disclosure of information, but market pressures have already led some EC and non-EC securities regulators to explore the possibility of recognizing disclosure requirements of other countries. The insurance sector may be the most difficult of the financial sectors to integrate. Except for reinsurance, the insurance industry is currently much less international in character than the banking and securities industries: More barriers protect domestic markets, and less consultation and cooperation take place internationally among regulators.

Within the European Community, application of the principle of mutual recognition in the financial sector is expected to lead to market pressures for additional harmonization of national regulatory structures. A possibility always exists that the initial harmonization of what are considered basic standards and supervisory practices will be insufficient to prevent market pressures leading to competition in laxity among national regulatory authorities; however, the market could also place a value on more stringent regulation and supervision. Although making adjustments to the degree of harmonization in the financial sector may be easier than in other sectors, the financial sector may require greater initial harmonization to make mutual recognition acceptable because of considerations relating to safety and soundness, monetary policy, and market stability.

In considering the applicability of mutual recognition beyond the Community, one must keep in mind that within the Community mutual recognition involves political compromises to achieve a common goal and that it has been accepted and implemented within an established supranational legislative and judicial structure. Even within this framework, many issues are unresolved with regard to the extent to which national sovereignty is transferred to the Community, particularly with reference to the powers of the Commission and to concerns about the democratic foundations of Community institutions.

Both the approach of mutual recognition used within the Community and the reciprocity approach being adopted for third countries are relevant to the question of the interaction and appropriate relationship of different national regulatory structures in response to the internationalization of financial activity. The 1985 white paper did not address the external dimension of the program to complete the internal market, and the approach to treatment of third-country institutions has been developed in the context of individual directives. Although the Council has now adopted a common position on a reciprocity provision for banking services, some ambiguities remain. For purposes of entry and negotiations with the threat of retaliatory action, reciprocity appears, at a minimum, to mean reciprocal national treatment; the criteria also include the concept of effective market access, which, while ambiguous, may refer both to national treatment and to the liberalization of host-country financial structures. For purposes of negotiating goals without the threat of retaliatory action, the reciprocity provision appears to include not only the concept of effective market access but also the concept of treatment comparable to that of the home country. Such a goal could be viewed as the equivalent of an attempt to extend the principle of mutual recognition to countries outside the Community without having established on a more international basis the foundation for mutual recognition that exists within the Community.

If mutual recognition were to be used beyond the Community to achieve financial integration, agreements among nations on basic rules and on goals for regulatory convergence would be necessary. At present, mutual recognition is being explored as a basis for financial integration outside the Community only with regard to disclosure requirements for securities and only among countries in which existing rules may be sufficiently similar so that negotiated harmonization would not be necessary. Moreover, any agreements in this area, in contrast to those in banking and investment services, would involve primarily investor protection rather than safety and soundness. In the areas of banking, investment services, and insurance, national treatment, as embodied in the OECD Codes of Liberalisation and the National Treatment Instrument, is in general the currently accepted approach. Whether national treatment, effective market access, or some other concept may become the accepted approach if any agreement is reached on trade in financial services in connection with the current Uruguay Round of GATT negotiations remains to be seen.

Concerns have been expressed outside the Community that the EC internal market program for the financial sector could, in the worst case, impede both the internationalization of financial services and markets and the movement toward increased regulatory cooperation and convergence. For example, if some non-EC financial firms were to be placed at a competitive disadvantage in EC markets, pressures could be created for retaliatory measures in the firms' home countries. Within the Community, the program for completion of the internal market might be associated with increased political pressures for a more protectionist policy on external trade. Reciprocity provisions and other barriers to international trade in goods or services could be established and strictly interpreted as a political response to what is likely to be a difficult period of industrial restructuring during which efficient producers of goods or services increase their market share and inefficient producers (if not subsidized by their governments) are forced out.

One hopes however, that the internal market program will have beneficial effects externally as well as internally. In the financial sector, because the EC program is based on mutual recognition, which goes well beyond national treatment, completion of the internal market will create a coordinated regulatory framework for financial services and markets and thereby remove existing barriers to Communitywide competition that result from nondiscriminatory differences in national rules. Besides deregulation mandated by EC directives, actual or potential competition could create pressure for liberalization of rules in domestic markets that are currently highly regulated and restricted. Although it is possible that the EC reciprocity provisions could lead to the creation of new barriers for third-country institutions, it is also possible that the liberalizing measures being taken within the Community will serve as a catalyst for further international progress with regard to trade in financial services. To date, the internationalization of financial services and markets has both necessitated and facilitated increased regulatory and supervisory cooperation and coordination. The EC internal market program could be a significant contribution to this process.

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STUDY SUMMARY

THE ADEQUACY AND CONSISTENCY OF MARGIN REQUIREMENTS IN THE MARKETS FOR STOCKS AND DERIVATIVE PRODUCTS

Mark J. Warshawsky with the assistance of Dietrich Earnhart—Staff, Board of Governors

Prepared as a staff study in the winter of 1988 and spring of 1989

Margin requirements play an important role in protecting markets during crises such as the stock market crash of October 1987. Regulated by government or by private organizations, depending on the market involved, margins constitute a performance bond posted by noncash investors in stocks, by investors in financial futures, and by sellers of financial options. The margin, which can take a variety of forms such as cash, Treasury securities, stocks (at a fraction of their current market value), or letters of credit, is tangible evidence of the ability of investors to meet their obligations under nearly the full range of likely price movements.

Deciding how much margin to require involves a difficult issue of balance. On one hand, the amount must be high enough to give customers an incentive to meet their commitment and to protect brokers, clearinghouses, and other lenders against losses if investors default on their obligations; on the other hand, the amount must not be so high as to drive participants from the marketplace. In the interrelated markets for equities and for equity options and futures, the issue of the proper balance is especially delicate. Inconsistent levels of protection in the three markets can create serious distortions in activity.

Some studies have examined required margins in the equities market, others in the markets for financial futures; they have found the size of the required margins generally to be more than minimally adequate to protect participants from loss. This study is the first to assess the adequacy and consistency of margin requirements in all segments of the equities market—cash, futures, and options—and the first to combine a broad institutional description of margin arrangements with a detailed statistical analysis of margins and prices before and after the crash. The study reaches the following conclusions:

1. Differences in clearing arrangements, in the liquidity of the relevant investor groups, and in price volatility allow margins on derivative prod-

ucts to be lower than those on stocks and still provide protection equivalent to that obtained in the stock market.

2. For futures contracts on the Standard & Poor's index of 500 stocks (S&P 500) and on the New York Stock Exchange Composite (NYSE) index, the pre-crash margin requirement on existing positions (maintenance margin) provided clearinghouses a lower level of protection against price moves than that provided in the stock (cash) market. Before the October 1987 crash, the maintenance margin in the cash market was adequate to cover 98 percent of likely price changes based on prices from January 1986 through April 1988. The maintenance margin on the S&P 500 futures contract would have had to have been 22 percent higher, and that on the NYSE contract 80 percent higher, to provide 98 percent coverage. The protection on the contracts before the crash was lower than the protection in the cash market even if the sample period for prices stops in early October 1987, before the market crash.

3. The pre-crash level of protection provided by margins on at-the-money and in-the-money options was adequate and consistent with the level of protection provided by margins in the cash market. But the level of margins on out-of-the-money put options may not have provided adequate protection. This conclusion is buttressed by complaints from individual investors, who dominate the market for stock options, about excessively quick, involuntary liquidations of their option positions when margin calls were made during the stock market crash.

4. During the October 1987 crisis, the frequent intraday margin calls, the increase in the level of margin requirements on derivative instruments, and the absence of cross-margining may have exacerbated liquidity problems and helped raise concerns about the financial health of the clearinghouses. These liquidity problems and concerns about the clearinghouses might, in turn, have contributed to the break in the arbitrage link between the cash and derivative markets that sent markets into free fall on October 19.

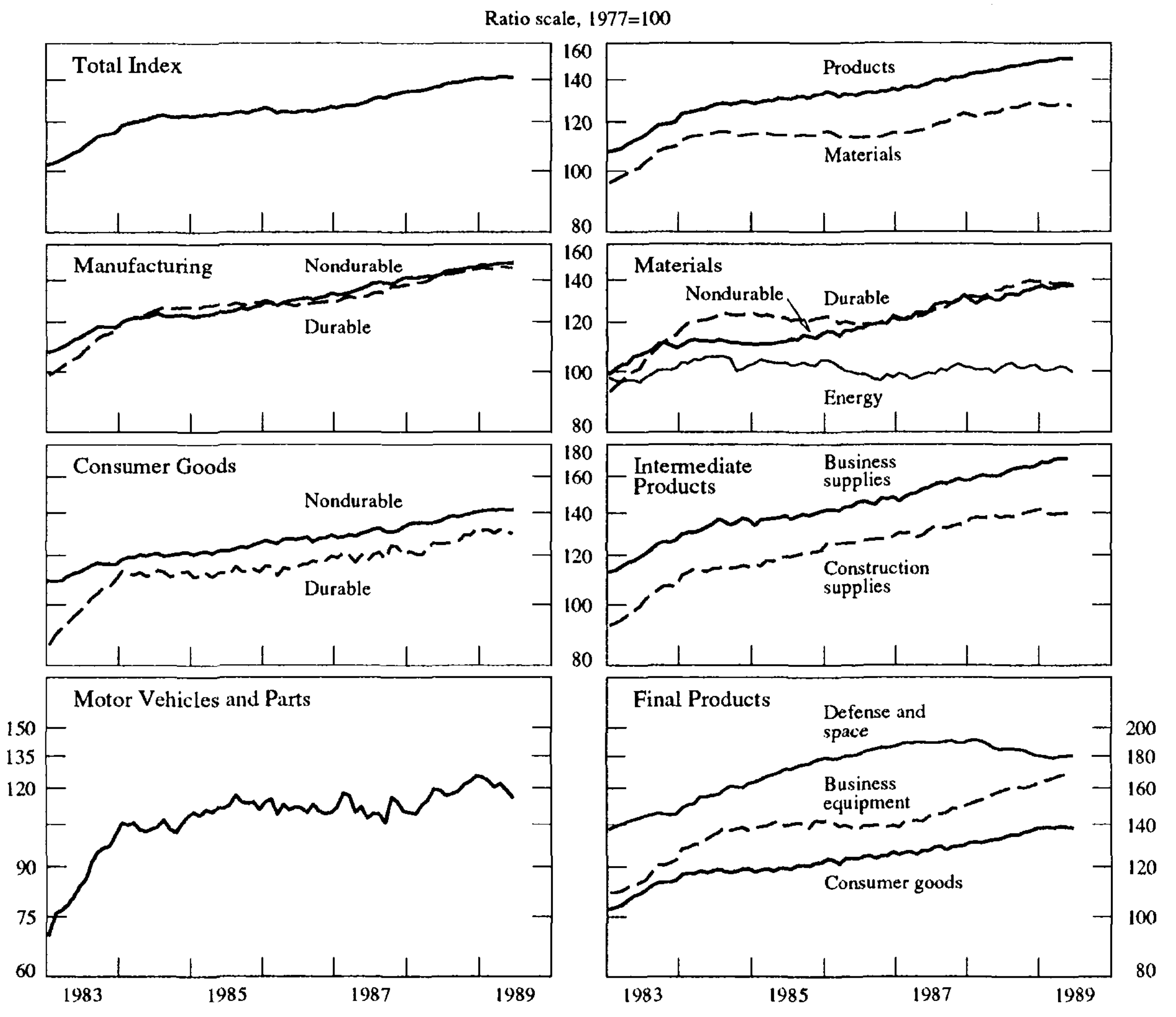
5. The increases in the margin levels for futures and options contracts during and shortly after the October crisis yielded the clearinghouses protection even greater than that provided by margins in the cash market. More recently, however, margin levels have been reduced on futures contracts and in some instances the level of protection provided as of June 1989 is less than in the cash markets.

These findings suggest that proposals for margins of equal percentage across all segments of the market could be harmful to the markets' well-established mechanisms and their overall liquidity. But because the various market segments do indeed net out to one market, weakness in one segment can lead to weakness in others. Hence proposals for margins that produce equal protection from risk in all segments of the market could strengthen market mechanisms and are worthy of consideration.

Industrial Production

Released for publication July 14

Industrial production declined 0.2 percent in June following a revised May decrease of 0.1 percent. In June, the production of both autos and energy materials fell sharply. Output of most other major sectors showed little change. At 141.1 percent of the 1977 average, the total index in June was 3.4 percent higher than it was a year earlier. For the second quarter as a whole, production advanced about 2 percent at an annual rate—the same rate of increase as in the first quarter. Manufacturing output was unchanged in June. Capacity utilization in manufacturing declined 0.3 percentage point further to 83.8 percent. Detailed data for capacity utilization are



All series are seasonally adjusted. Latest series: June.

Group	1977 = 100		Percentage change from preceding month					Percentage change, June 1988 to June 1989
	1989		1989					
	May	June	Feb.	Mar.	Apr.	May	June	
	Major market groups							
Total industrial production	**141.4**	**141.1**	**−.2**	**.1**	**.6**	**−.1**	**−.2**	**3.4**
Products, total	151.4	151.2	.0	.3	.6	.0	−.1	4.1
Final products	149.9	149.7	.3	.2	.7	.0	−.2	4.0
Consumer goods	138.7	138.3	.2	−.3	.6	−.3	−.3	4.0
Durable	130.9	129.8	.1	−1.1	1.3	−.7	−.8	3.7
Nondurable	141.6	141.5	.2	.0	.4	−.2	−.1	4.2
Business equipment	168.4	168.0	.7	.8	.8	.4	−.2	6.2
Defense and space	180.1	180.4	−.4	−.3	.7	.1	.2	−2.3
Intermediate products	156.6	156.6	−.9	.6	.3	.0	.0	4.4
Construction supplies	139.9	139.9	−1.9	−.1	.3	.1	.0	1.7
Materials	127.8	127.3	−.5	−.1	.7	−.2	−.4	2.3
	Major industry groups							
Manufacturing	147.7	147.7	−.2	.1	.6	−.1	.0	4.0
Durable	146.7	146.5	−.2	−.1	.7	−.1	−.1	3.4
Nondurable	149.2	149.3	−.3	.4	.4	.0	.1	4.7
Mining	102.3	101.2	−2.1	.6	1.1	−.3	−1.1	−1.7
Utilities	117.1	115.7	2.2	.9	−.2	−.2	−1.3	2.1

NOTE. Indexes are seasonally adjusted.

shown separately in "Capacity Utilization," Federal Reserve monthly statistical release G.3.

In market groups, production of consumer goods decreased 0.3 percent in June as automobile assemblies fell to an annual rate of 6.8 million units from a rate of 7.1 million units in May; production of light trucks also declined.

Total industrial production—Revisions

Estimates as shown last month and current estimates

Month	Index (1977=100)		Percentage change from previous months	
	Previous	Current	Previous	Current
Mar.	140.6	140.7	.1	.1
Apr.	141.4	141.6	.6	.6
May	141.4	141.4	.0	−.1
June	...	141.1	...	−.2

Output of other consumer goods, on balance, was essentially unchanged. Output of business equipment edged down for the first time since last October, reflecting a substantial drop in transit equipment, particularly autos for business use. Production of construction supplies, which weakened earlier in the year, has changed little, on balance, for several months. The decline in materials production mainly resulted from curtailed output in the energy sector; coal production fell sharply because of strike activity, and electricity generation was reduced.

In industry groups, manufacturing output was unchanged in June as nondurables edged up but durables fell slightly. Outside manufacturing, production of both mines and utilities dropped more than 1 percent.

Statements to Congress

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, August 1, 1989.

I appreciate this opportunity to appear before you in connection with the Federal Reserve's semiannual Monetary Policy Report to the Congress.[1] In my prepared remarks today I will adhere closely to the matter at hand—that is, monetary policy and the state of the nation's economy.

ECONOMIC AND MONETARY DEVELOPMENTS THUS FAR IN 1989

Over the course of this year, the contours of the broad economic setting have changed. As a consequence, the stance of monetary policy also has shifted somewhat, although the fundamental objective of our policy has not. That objective remains to maximize sustainable economic growth, which in turn requires the achievement of price stability over time.

Early in the year, the Federal Reserve continued on the path toward increased restraint upon which it had embarked in the spring of 1988. At the time of our report to the Congress in February of this year, I characterized the economy as strong, with the risks on the side of a further intensifying of price pressures. Labor markets had been tightening noticeably, heightening concerns that inflationary pressures might be building. Moreover, increases in food and crude oil prices were raising the major inflation indexes.

In view of the dimensions of the inflation threat, the Federal Reserve tightened policy further early this year. Additional reserve restraint was applied through open market operations, and the discount rate was raised ½ percentage point. The determination to resist any pickup in inflation also motivated the decision of the Federal Open Market Committee at its February meeting to lower the ranges for money and credit growth for 1989. This marked the third consecutive year in which the target ranges were reduced, and it underscored our commitment to achieving price stability over time.

Reflecting the economy's apparent strength and the tighter stance of policy, interest rates rose during the first quarter. Short-term market rates increased about 1 percentage point over the quarter, leaving them up more than 3 points from a year earlier, but long-term rates held relatively steady. The year-long rise in short-term rates had a marked impact on growth of the monetary aggregates, restraining the demand for money as funds flowed instead into higher-yielding market instruments.

By the beginning of the second quarter, the outlook for spending and prices was becoming more mixed. Scattered indications of an emerging softening in economic activity began to appear, prompting market interest rates to pull back. Rates continued to fall as a variety of factors pointed to some lessening of price pressures in the period ahead. In particular, money growth weakened further, the underlying trend in inflation appeared to be less severe than markets had feared, the dollar continued to climb, and domestic demand slackened. Against this background, the Federal Reserve began to ease reserve conditions in early June. The easing has consisted of several steps, the most recent of which took place last week. By the end of July, most short-term market rates had dropped more than 1½ percentage points from their March peaks, and long-term interest rates were down somewhat less, with bond rates at their lowest levels in more than two years.

Economic activity is estimated to have grown

1. See "Monetary Policy Report to the Congress," *Federal Reserve Bulletin*, vol. 75 (August 1989), pp. 527–39.

in the first half of this year at a rate somewhat below that of potential gross national product. This stands in sharp contrast to the performance of the preceding two years during which growth proceeded at a pace that placed increasing pressures on labor and capital resources. Job creation has remained the hallmark of the current expansion, however. Even with the more moderate pace of economic growth in the first half of this year, nearly 1½ million new jobs were added to payrolls. And this occurred apparently without triggering an acceleration in wages.

Prices did accelerate in the first six months of this year, but most of the increase may be transitory, related to supply conditions in food and petroleum markets. After a gradual pickup over the preceding two years, price inflation outside of food and energy held near its 1988 pace.

Excluding food and energy is one traditional way of estimating the "underlying" rate of inflation. Although there is some logic in abstracting from these prices, which are quite volatile and can be dominated over the short run by supply disturbances, this approach is incomplete. An alternate picture of near-term price-setting behavior can be gleaned by examining the components of prices, that is, the cost pressures facing firms and the behavior of their profits. Such an analysis reveals that, in manufacturing, much of the pickup in inflation thus far in 1989 is accounted for by higher unit energy and labor costs. The runup in world crude oil prices, which reflected a series of production accidents this spring as well as a degree of output restraint on the part of some Organization of Petroleum Exporting Countries oil producers, is the main reason for the increase in energy costs.

In contrast, movements in hourly compensation were quite moderate in the first half of this year, and the acceleration in unit labor costs largely reflected slower growth in productivity. Such a deceleration in productivity is typical as the pace of economic activity slows. But, given the relatively high levels of resource utilization, it also is possible that firms were forced to draw on less skilled workers than was the case earlier in the expansion. A significant moderation in the unit cost of imported materials, likely reflecting the higher value of the dollar on foreign exchange markets, provided a notable offset to these cost pressures. On balance, it appears that firms have continued to experience upward pressures on costs. The intensity of these pressures as related to energy inputs may well diminish in coming months, but it remains to be seen how other elements of the cost structure will evolve.

This approach, while helpful in understanding the interaction of prices and costs, does not tell us how an inflation cycle begins or why it may persist. Short-run inflation impulses can originate from a variety of sources, on both the demand and the supply sides of the economy. But over longer periods of time, inflation cannot persist without at least passive support from the monetary authorities.

The strength of the inflation pressures in 1988 and into 1989 was, of course, the motive for the progressive tightening of policy that the Federal Reserve undertook over that period. And the outlook for some reduction in these pressures owes in part to that policy restraint. The associated rise in market interest rates, beginning early last year, opened up wide "opportunity" costs of holding money assets and resulted in a sharp slowing of money growth. This was especially the case for liquid deposits, whose rates were adjusted upward only very sluggishly, providing depositors with strong incentives to economize on balances.

Besides the effect of interest rates, several special factors played a role in slowing money growth and boosting velocity—that is, the ratio of nominal GNP to money. Probably the most important of these was the unexpectedly large size of personal tax liabilities in April. Many individuals evidently were surprised by the size of their liabilities, and drew down their money balances below normal levels to make the required payments. As the Internal Revenue Service cashed those checks, M2 registered outright declines.

The difficulties of the thrift industry also may have affected M2 growth. Late last year, as public attention increasingly focused on the financial condition of the industry and its insurance fund, institutions insured by the Federal Savings and Loan Insurance Corporation (FSLIC) began to lose deposits at a significant rate. These deposit withdrawals were particularly strong in the first quarter of this year, and while most of the funds apparently were repositioned within M2—at commercial banks or money funds—this factor likely also had some damping effect on that aggregate.

More recently, growth of the broader monetary aggregates has picked up markedly. The restraint imposed by the earlier rise in market interest rates is fading, and households appear to be rebuilding their tax-depleted balances. The level of M2 on average in May was just 1 percent at an annual rate above its fourth-quarter base, but rapid growth in June and July has lifted the year-to-date increase to around the lower end of its 3 to 7 percent annual target cone. M3 also has accelerated in June and July, placing it well into the lower half of its range.

M1, which is the most interest sensitive of the monetary aggregates, declined at a rate of 3½ percent through June, although it too has strengthened most recently. The unusual drop in M1 in the first half of the year stemmed from sizable declines in NOW accounts and demand deposits. NOW accounts were reduced both by the large personal tax payments this spring and by the high level of interest rates, which drew savings-type balances instead toward market instruments or other types of accounts whose offering rates adjusted upward more quickly. The decline in demand deposits was related in part to a reduction in balances that businesses are required to hold to compensate their banks for various services; for a set amount of services, higher market rates translate into lower required balances.

MONETARY POLICY AND THE ECONOMY INTO 1990

Looking ahead at the remainder of 1989 and into 1990, recent developments suggest that the balance of risks may have shifted somewhat away from greater inflation. Even so, inflation remains high—clearly above our objective. Any inflation that persists will hinder the economy's ability to perform at peak efficiency and to create jobs. Consequently, monetary policy will need to continue to focus on laying the groundwork for gradual progress toward price stability. Such an outcome need not imply a marked downturn in the economy, and policy will have to be alert to any emerging indications of a cumulative weakening of activity. However, progress on inflation and optimum growth over time also require that our productive resources not be under such pressures that their prices continue to rise without abating. In light of historical patterns of labor and capital growth and productivity, this progress very likely will be associated with a more moderate, and hence sustainable, expansion in demand than we experienced in 1987 and 1988.

At its meeting earlier this month, the Federal Open Market Committee determined that a combination of continued economic growth and reduced pressures on prices would be promoted by growth of money and debt in 1989 within the annual ranges that were set in February. Moreover, it tentatively decided to maintain these same ranges through 1990.

The specified ranges, both for this year and next, retain the 4-percentage-point width first instituted for the broader aggregates in 1988. Considerable uncertainties about the behavior of money and credit remain, and the greater breadth allows for a range of paths for these aggregates as financial and economic developments may warrant. Uncertainties about the link between the narrow transactions aggregate, M1, and the economy have, if anything, increased, and the Committee once again did not specify a range for this aggregate.

In view of the apparent variability, particularly over the short run, in the relationships between the monetary aggregates and the economy, policy will continue to be carried out with attention to a wide range of economic and financial indicators. The complex nature of the economy and the chance of false signals demand that we cast our net broadly—gathering information on prices, real activity, financial and foreign exchange markets, and related data.

While the monetary aggregates may not be preeminent on this list, they always receive careful consideration in our policy decisions. This is especially true when they exhibit unusual strength or weakness relative to past patterns and relative to our announced ranges. Thus, the very sluggish growth in M2 for the year to date was an important influence in the decision to begin to ease policy. Velocity may vary considerably over a few quarters, but the provision of liquidity, as measured by one or another of the monetary aggregates, is an important factor in the performance of the economy over the shorter run and over the long run broadly determines the rate of price increase.

Over the remainder of the year, M2 should continue to be supported by the decline in interest rates in recent months, which, along with growth of income, is likely to result in an expansion of that aggregate well within its target range. Growth in M2 likely will be augmented by a cessation of the special influences I noted earlier that depressed it in the first half of the year. In particular, households may continue to rebuild their money balances after the tax-related drawdowns in April and May. Also, deposit withdrawals from thrift institutions have subsided, and enactment of legislation that restores full confidence in the industry would bode well for deposit flows into FSLIC-insured institutions.

Further steps in the resolution of the difficulties of the thrift industry also have implications for M3. With deposits flowing in again, thrift institutions will not have to rely so heavily on the Federal Home Loan Banks for their funding as they did earlier this year. Partly as a result, we expect M3 to strengthen from its rate of growth over the first half of the year, moving up into the middle of its target range by year-end.

Our outlook for debt growth foresees little change from the pace of the first two quarters. The broad credit measure that we monitor, the debt of domestic nonfinancial sectors, has grown at about an 8 percent rate this year, near the midpoint of its 6½ to 10½ percent range. We have little reason to expect its growth through the end of the year to be very different, implying some slowing from the pace of 1988. Nevertheless, the expansion of debt is likely to exceed nominal GNP growth again this year.

Growth of money and debt within the 1989 ranges is expected to be consistent with nominal GNP rising this year at a pace not too far from last year's increase, according to the projections of FOMC members and other presidents of Reserve Banks. These projections, however, incorporate somewhat more inflation and less real growth than we experienced in 1988. The central tendency of the projections of 2 to 2½ percent real GNP growth over the four quarters of this year implies continued moderate economic growth throughout the year. For the year as a whole, these projections anticipate that growth is likely to be strongest in the investment and export sectors of the economy, with expansion of consumer expenditures and government purchases rather subdued.

A sectoral pattern of growth such as this would in fact serve the nation's longer-term needs by contributing to a better external balance. Fundamentally, improvement in our international payments position requires productivity-enhancing investment and a higher national saving rate. In this regard the federal government can play a significant, positive role by reducing the budget deficit.

The outlook for inflation this year, as reflected in the central tendency of the projections expressed at the FOMC meeting, is for a 5 to 5½ percent increase in the consumer price index. A figure in this range would represent the highest annual inflation rate in the United States since 1981; this is a source of concern to the Federal Reserve. Yet this rate is below that experienced in the first six months. This implies a considerable slowing over the remainder of the year, reflecting earlier monetary policy restraint and a prospective moderation in food and energy prices.

Federal Reserve policy is focused on laying the groundwork for more definite progress in reducing inflation pressures in 1990, while continuing support for the economic expansion. The ranges provisionally established for growth of money and debt next year are consistent with these intentions. They allow for a noticeable pickup in money growth from that likely to prevail this year, should that be appropriate. If pressures on prices and in financial markets are less intense than in recent years, velocity would not be expected to continue to increase, and faster money growth, perhaps in the top half of the range, would be needed for a time to support economic growth. Conversely, if price pressures prove intractable, the ranges are low enough to permit the needed degree of monetary restraint.

Thus, although the 1990 ranges do not represent another step in the gradual, multiyear lowering of ranges, the Federal Reserve's intent to make further progress against inflation remains intact. Uncertainties about the outlook suggested a pause in the process of reducing the ranges; however, the Committee recognizes that our goal of price stability will require additional downward adjustments in these ranges over time. Of course, as we draw closer to 1990, the economic and financial conditions prevailing will become clearer, allowing us to approach our decisions on the ranges with more confidence. Hence, the current ranges for money and credit growth in 1990 should be viewed as very preliminary.

The economic projections for 1990 made by the governors and Reserve Bank presidents center in a range of 1½ to 2 percent real GNP growth and 4½ to 5 percent inflation for next year. Naturally, as I have already noted, there are considerable uncertainties surrounding forecasts for 1990. In particular, developments in the external sector will depend in part on economic activity abroad, as well as on the efforts of U.S. firms to become more competitive in world markets. Domestically, performance will be affected by a large number of influences, including importantly the budget deficit.

MONETARY POLICY IN PERSPECTIVE

The Federal Reserve is committed to doing its utmost to ensure prosperity and rising standards of living over the long run. Given the powers and responsibilities of the central bank, that means most importantly maintaining confidence in our currency by maintaining its purchasing power. The principal role of monetary policy is to provide a stable backdrop against which economic decisions can be made. A stable, predictable price environment is essential to ensure that resources can be put to their best use and ample investment for the future can be made.

In the long run, the link between money and prices is unassailable. That link is central to the mission of the Federal Reserve, for it reminds us that without the acquiesence of the central bank, inflation cannot take root. Ultimately, the monetary authorities must face the responsibility for lasting price trends. While oil price shocks, droughts, higher taxes, or new government regulations may boost broad price indexes at one time or another, sustained inflation requires at least the forbearance of the central bank. Moreover, as many nations have learned, inflation can be corrosive. As it accelerates, the signals of the market system lose their value, financial assets lose their worth, and economic progress becomes impossible.

Thankfully, this bleak scenario is not one that we in the United States are confronting. We do, however, face a difficult balancing act. The economy has prospered in recent years: The economic expansion has proved exceptionally durable; employment has surpassed all but the most optimistic expectations; and the underlying inflation rate, after coming down quickly in the early 1980s, has accelerated only modestly. But now signs of softness in the economy have shown up.

Accordingly, it is prudent for the Federal Reserve to recognize the risk that such softness conceivably could cumulate and deepen, resulting in a substantial downturn in activity. We also recognize, however, that a degree of slack in labor and product markets will ease the inflationary pressures that have built up. So our policy, under current circumstances, is not oriented toward avoiding a slowdown in demand, for a slowing from the unsustainable rates of 1987 and 1988 is probably unavoidable. Rather what we seek to avoid is an unnecessary and destructive recession.

The balance that we must strike is to support moderate growth of demand in the near term, while concurrently progressing toward our longer-run goal of a stable price level. Admittedly, the balance we are seeking is a delicate one. I wish I could say that the business cycle has been repealed. But some day, some event will end the extraordinary string of economic advances that has prevailed since late 1982. For example, an inadvertent, excess accumulation of inventories or an external supply shock could lead to a significant retrenchment in economic activity.

Moreover, I cannot rule out a policy mistake as the trigger for a downturn. We at the Federal Reserve might fail to restrain a speculative surge in the economy or fail to recognize that we were holding reserves too tight for too long. Given the lags in the effects of policy, forecasts inevitably are involved and thus errors inevitably arise. Our job is to keep such errors to an absolute minimum. An efficient policy is one that doesn't lose its bearings, that homes in on price stability over time, but that copes with and makes allowances for any unforeseen weakness in economic activity. It is such a policy that the Federal Reserve will endeavor to pursue. □

Chairman Greenspan presented similar testimony before the Subcommittee on Domestic Monetary Policy of the House Committee on Banking, Finance and Urban Affairs, July 20, 1989.

Statement by Griffith L. Garwood, Director, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, before the Subcommittee on Consumer and Regulatory Affairs, Committee on Banking, Housing, and Urban Affairs, U.S. Senate, July 31, 1989.

I want to thank the subcommittee for this opportunity to address issues regarding the Community Reinvestment Act (CRA) and its enforcement by the Federal Reserve. I am pleased to be here to discuss the experience of the Board of Governors of the Federal Reserve System, for which I serve as Director of the Division of Consumer and Community Affairs. The division's responsibilities include rulewriting and enforcement authority for federal laws safeguarding consumer rights in financial services, especially credit services, besides CRA. We oversee and provide policy direction for consumer compliance and CRA examinations performed by Federal Reserve examiners. Through our Systemwide Community Affairs Program, we share knowledge about successful approaches to community development lending with bankers. Finally, we analyze and report to the Board on CRA issues that arise in connection with applications.

We have worked hard over the years to develop a multifaceted program that responds faithfully to our mandate under the CRA. That mandate is threefold, and can be simply stated: (1) to encourage banks to help meet the credit needs of their entire communities, including low- and moderate-income areas, (2) to assess their records during examinations, and (3) to take their records of service under the CRA into account when evaluating proposals for expansion.

Carrying out that mandate has been anything but simple. In fact, CRA enforcement poses a very significant supervisory challenge in that it compels us to look beyond what happens within the bank itself, focusing on the role the bank plays in its community. That includes its interaction with individuals, organizations, and local governments to learn about credit needs and its response when such needs are identified. In essence, we must look at a bank's participation in fostering economic growth and revitalization, and making the community a better place to live and to do business. Rendering an informed judgement about that role requires an understanding not only of banking, but of neighborhoods and the often complex social and economic forces at work within them.

Moreover, the statute is framed so broadly that it provides little practical guidance as to appropriate measures of compliance. We have found there is a fine line between *encouraging* institutions to extend CRA credit and *requiring* that they do so in specified amounts or types, or under prescribed terms. The Board strongly believes that the Congress has not given it authority to establish—implicitly or explicitly—lending requirements of any kind under the purview of the CRA. Avoiding such requirements, and still providing both the encouragement that is called for in the act and the guidance asked of us by many bankers is not an easy task. The Board also must determine what weight to assign to CRA in the applications process, given that it is obliged by law to simultaneously consider financial, managerial, legal, and competitive factors. Factoring the

CRA assessment into the mix of these other considerations in itself has proved challenging. For central bankers and other financial regulators, the duties conferred by the CRA require them to wear a "hat" very unlike the traditional one we wear and, quite frankly, this has taken some getting used to.

Nevertheless, in enforcing the CRA we have endeavored to strike a balance between the competing interests and responsibilities of banks and community groups. In so doing, we have been lambasted by both—which perhaps is the best indication that we have steered the right course. For some years, our actions have been the subject of considerable controversy. Bankers have charged the Federal Reserve with exhibiting bias toward the community organizations, pressuring applicant banks into negotiated settlements with groups filing CRA protests, giving unclear signals about what it takes to "pass" CRA examinations, and unfairly delaying decisions on challenged applications. On the other hand, community organizations have criticized the Federal Reserve for what they perceive to be a "pro-banker" approach to CRA and generally lax enforcement, as well as a reluctance to grant protestants more time to research their case against banks in the context of applications.

Even in this highly controversial setting, it is my belief that the CRA process has been quite positive, which often seems overlooked in the rhetoric that the CRA seems to attract. My remarks here will hopefully convey the extent of our examination effort in which every day on an ongoing basis we send specially trained examiners to call on banks and members of their communities to render CRA assessment and advice. This effort is augmented by a substantial educational program that has presented new ideas in community economic development to thousands of participants. Through the commitments made by banking organizations in the applications process, a multitude of initiatives has been undertaken. In scores of other instances, private agreements have been reached in the course of CRA-related dialogue between banks and members of their communities.

The practical result of all this activity has probably been many millions of dollars in credit extended in low- and moderate-income neighborhoods, and much valuable, though less quantifiable, technical collaboration among all the actors in the CRA process. It has achieved such results not in spite of the regulatory agencies, as critics allege, but because we have built a solid regulatory framework to carry out our mandate. In short, I believe the CRA process is working far better than many perceive.

CRA Examinations

The cornerstone of CRA enforcement is the CRA examination program, comprehensive in scope yet flexible enough to take into account each bank's asset size and market niche, as well as its locale. CRA examinations are our best vehicle to encourage better performance and will increasingly be the focal point of our enforcement efforts, as indicated in the CRA Policy Statement issued jointly by the agencies in March.

Each state member bank is examined about every eighteen months, or more often if weaknesses have previously been identified (and less often in the case of top-notch performance). The Federal Reserve has long had a cadre of specialized consumer compliance examiners whose training in CRA-related aspects of bank performance sets them apart from other examiners solely concerned with safety and soundness matters. Examiners bring to their jobs a variety of backgrounds in law, accounting, banking, and finance. They are trained at Board schools here in Washington, and in regional or Reserve Bank-level seminars. Information about time spent in CRA training, as well as other information responding to specific questions posed by Senator Dixon, is presented in the supplements to this testimony.

Following uniform interagency examination procedures, examiners review and analyze bank activities falling under each of the twelve assessment factors spelled out in Regulation BB. The procedures focus the examiner's attention on each factor in a detailed, methodical way. Through a step-by-step process for each of the factors, examiners build a body of information which, taken as a whole, constitutes the bank's CRA record.

For example, for the assessment factor pertaining to bank marketing and special credit programs, the examiner would review working relationships with realtors servicing low- and moderate-income neighborhoods, efforts in providing mortgage counseling, management assistance to small or minority businesses, the extent to which bank personnel seek out potential housing and small business loan demand, advertising practices, and other matters. Direct lending as well as credit-related services provided in low- and moderate-income portions of the community would be studied and compared with lending in more affluent parts of the community. The availability of convenient hours, as well as the accessibility of bank offices to residents of low- and moderate-income areas, would also be considered.

To give breadth and a balanced perspective to the assessment, examiners routinely conduct interviews outside the confines of the bank with business people, government officials, housing and consumer advocates, realtors, trade association representatives, and many others. The comments of these individuals—some 925 of whom were interviewed by Federal Reserve examiners last year—are factored into the examiners' development of the record.

The examiner's objective is, of course, to evaluate current performance—but it is also to put banks on a path of strengthened CRA performance. Having the benefit of insight gained from their close, hard look at bank activities and input from community contacts, examiners communicate the findings of their review to bank management orally at the end of the examination and in written form once they return to the office. They stress areas of weakness and recommend measures for improvement, to which bank management must respond. Continued supervisory attention through correspondence, follow-up visits, and subsequent examinations is given until improvements are realized.

Ratings are assigned in accordance with the uniform interagency CRA rating system, which sets out five performance categories based on the assessment factors. The standards used to measure performance are generally qualitative rather than quantitative in nature because they must apply to all institutions in every economic environment. They describe the kinds of programs and practices in which institutions should be engaged to merit ratings on the scale of one to five within each of the performance categories and on a composite basis. Obviously, assigning ratings involves some judgment on the part of the examiner—yet this inherent element of judgment does not imply that they are arbitrary.

I am well aware of the notion that because the majority of state member banks—93 percent in 1988 and to date in 1989—are rated at least satisfactory, something must be wrong. To the contrary, I would be surprised if nearly all banks were not satisfactory, given that the concept of a community service obligation is a bedrock principle of banking. In fact, it has deep historical roots in U.S. banking law, formally enunciated at least as far back as the Banking Act of 1935, which declared that banks should serve the "convenience and needs" of their community. It was reinforced in the Bank Holding Company Act of 1956, which listed the convenience and needs of the community as one of the factors the Board must consider in handling applications under the act. Numerous state statutes reflect this concept as well.

Particularly with regard to the banks we examine, I would also be surprised if market forces did not work in favor of those banks that are profitable *and* are making a strong contribution to the betterment of their communities. Most of the banks directly supervised by the Federal Reserve have total assets of less than $100 million or are located outside metropolitan areas. Small town banks have traditionally been an integral force in their communities and must be sensitive to local concerns, or they would soon be out of business.

One should also bear in mind that we are dealing with a ratings system that gauges performance on a case-by-case basis; we are not seeking to achieve some statistical distribution of high and low ratings around a median. However, for some time the agencies have been undertaking a self-evaluation of our CRA efforts, resulting most recently in the joint policy statement on CRA providing additional guidance on what we believe are effective CRA programs. This review is ongoing, and as we learn more I would not be surprised to see an indication in the ratings of somewhat more rigorous measurement.

COMMUNITY AFFAIRS OUTREACH

The Community Affairs offices at the Reserve Banks are an important companion to the CRA examination program. It is through these offices that we develop a body of expertise in community development financing and then share it as widely as possible with banks, bank holding companies, and public-sector representatives. We have consistently sought to convey a message of "enlightened self interest," showing how banks can grow and prosper only together with, and not independent of, the communities surrounding them.

The need for this program became apparent in the very early years of the CRA, when examiners found bankers willing to tackle the tougher credit needs in their communities, but lacking the expertise to make such loans and meet the safety and soundness criteria the law acknowledges. In 1980, we brought to the division a person experienced in community development lending to provide examiners with information in this field. We soon expanded the program to each of the twelve Reserve Banks.

Last year, community affairs staff conducted more than 50 educational programs throughout the country on topics ranging from tax credits for low-income housing to the use of loan pools, loan guarantees and the secondary market. By any measure, I think you will find the list of these programs impressive. Another important resource is the gamut of publications prepared by community affairs staff on the tools and techniques of community development lending.[1]

As one outgrowth of these educational efforts, we have witnessed an increasing interest on the part of bank holding companies and national banks in forming subsidiary community development corporations, or CDCs, through which broad investment powers unavailable to banks themselves can be exercised. CDCs can invest in real estate, take equity positions in small businesses, and coventure various projects with city, county, or state government and nonprofit developers to benefit low-income families and poor and blighted communities. In the past eighteen months, ten new CDCs have commenced operation.

Given the complexity of inner city redevelopment and rural economic needs, the emphasis in our community affairs program is on forging ongoing relationships between banking and potential partners for development. Over the years, several partners, besides government, have emerged from such sources as the insurance industry, the philanthropic community, neighborhood-based development corporations, and even new national intermediaries such as the Local Initiatives Support Corporation, Neighborhood Housing Services, and the Neighborhood Reinvestment Corporation, and the development arm of the National Rural Electric Cooperative Association. These technical and financial partners help banks leverage their community investments and make possible deals that formerly were perceived as "unbankable."

We have done our utmost to promote such partnerships, and have seen worthwhile results. In 1988, for example, many California banks formed a consortium to address low-income housing needs. In the Boston District, an affordable housing task force involving lenders, community groups, and government officials recently completed a credit needs assessment project. A similarly composed council in Trenton, New Jersey, worked with the Philadelphia Reserve Bank to put together a lenders' profile on that city, together with recommended financing strategies. In Atlanta earlier this year, the Federal Reserve Bank took steps to encourage the use of the emerging secondary market for community development loans by a coalition of Atlanta mortgage lenders.

The community affairs and CRA examination functions maintain a close working relationship, enabling examiners to keep abreast of new developments in the financial market and to put community affairs staff in touch with bankers in need of technical assistance in CRA matters. I am convinced that our outreach efforts in this area are well placed; judging by the response so far, there is tremendous interest in learning how community development lending can be done to the benefit of banks and their communities.

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

CRA Issues in Bank Expansion Proposals

Let me now turn to applications processing—an aspect of our work in which there have recently been significant policy developments. The Board is required by law to consider CRA performance when reviewing applications for mergers, acquisitions, or branching. While public attention is often drawn to an application in which a CRA protest has been filed, the CRA merits of an application are given careful attention in each case, particularly when any of the banks that are party to the application have been assigned a CRA examination rating that is less than satisfactory.

Although our focus today is on the CRA aspects of an application, the Board is required by statute to evaluate several factors besides convenience and needs. Protests on any of these grounds—financial, management, competitive, or CRA—are viewed seriously, and are handled in exactly the same way. They are thoroughly reviewed by members of the staff and the Board, which sometimes involves seeking out additional information from the applicant, its primary regulator, and the protestant.

Although we endeavor to complete our analysis so that the case can be acted on by the Board within 60 days, we are not always able to meet that target in both CRA and non-CRA cases. Average processing time for the more than 4,000 domestic cases handled by the System in 1987 and 1988 was 39 days. However, the bulk of cases included in that figure—some 86 percent—were decided under delegated authority by the Reserve Banks. Average processing time for the remaining 14 percent of cases requiring Board action, which would include most CRA cases, was 76 days in 1987, and 72 days in 1988. For CRA-protested applications, average processing time was 73 days in 1987 (somewhat less than the average), and 87 days in 1988 (somewhat more).

One area of controversy has been our practice—on rare occasions—of extending the period for receiving comments from protestants. Our policy on extension of the comment period reflects the Board's responsibility to process applications in a timely manner while giving public comments the attention they deserve. Only in a few instances has the Board found extension of the 30-day comment period warranted—when the application has not been promptly made available for inspection by the parties, for example, or in the uncommon event that there has been inadequate public notice of the application. But the Board has made clear time and again that it is not appropriate to extend the comment period simply because the commenter wants more time to pursue negotiations with an applicant under the pressure of a pending application.

The agencies' critics often point to the fact that very few applications have been denied on CRA grounds. The Board's longstanding posture has been to use the opportunity afforded by the applications process to encourage banks to do a better job under the CRA, though not necessarily through denials. When weaknesses have been found in the record of applicant banks—whether or not the particular application has been the subject of a CRA protest—many institutions have made commitments to address them before processing is completed. Those commitments have been taken into account, together with examination reports, comments from the public, and all other information pertinent to an institution's record *in* coming to a disposition of the application. Roughly one-third of the some 150 CRA-protested applications that were approved involved such commitments. Thus, focusing on the number of applications denied is misleading as the only measure of agency toughness.

Because they address problem areas unique to the case at hand, commitments vary widely. Those made most frequently entail measures such as enhanced advertising and outreach, often in ways that will reach a non-English-speaking population; the adoption of a corporate-wide policy for CRA, accompanied by parent company review of subsidiary activities; and special lending efforts in target neighborhoods. Through this process, dozens of our most prominent banking organizations have made CRA commitments for improved performance.

This approach has recognized that an adverse CRA rating or a limited deficiency in performance may not have warranted denial of the application, particularly if financial, competitive, managerial, and legal factors weighed in favor of approval. It also recognized that much could be gained by securing commitments for improved credit services, given that their fulfillment is often monitored through periodic progress reports to Federal Reserve Banks and is taken into account at the time of next application.

I mentioned earlier that the agencies have recently issued a comprehensive CRA Policy Statement. A product of many years of experience with the CRA and the difficult issues it presents, the statement devotes considerable attention to the role of commitments—and suggests something of a different direction for the future. It affirms that institutions contemplating business expansion should have CRA policies and programs in place, and working well, before filing an application. While it indicates that commitments for future improvement are entirely appropriate for addressing specific problems in an otherwise satisfactory record, they cannot compensate for a seriously deficient past record of CRA performance.

This principle was illustrated earlier this year in the Board's denial, in substantial part on CRA grounds, of an application by Continental Illinois Bancorp., Inc., of Chicago, Illinois, to acquire an Arizona bank. The Board acknowledged that Continental had adopted its first formal CRA plan tailored to correct serious CRA shortcomings. Yet in the Board's view Continental's past record, in light of its considerable size and resources, failed to show the basic results on which that plan, which was in the very early stages of implementation, could be evaluated. The denial has been well publicized and, surprisingly, has met sharp criticism from some Chicago community groups—even before this subcommittee—who view the bank's performance from a somewhat different perspective. Nevertheless, the decision stands as a landmark in signaling that institutions should establish a sound CRA performance record before considering expansion.

The joint policy statement provides precisely that type of guidance by describing the elements of an effective CRA program. Its key elements are an assertive community outreach program; a means of incorporating information gathered through outreach into the development and refinement of products and services; marketing and advertising that reaches the entire community; periodic analysis of loan applications to ensure that potential borrowers are treated in a fair, equitable manner; and an active managerial role in CRA planning and oversight. Adopting such a process will help institutions more effectively address their CRA responsibilities as a routine part of doing business.

An important lesson underscored in the course of our enforcement efforts is that communication that begins and ends with a CRA protest rarely brings about long-term benefits. So, as part of routine compliance with CRA, the Policy Statement strongly encourages banking organizations to expand their CRA Statements, expounding on current and future CRA plans and results, to provide a launching point for discussion with the community. At the same time, it encourages neighborhood organizations to react to those expanded CRA statements, making known their concerns at an early stage when they can be dealt with most effectively by bank management. These comments will be reviewed in the course of the institution's CRA examination. Community members will, of course, continue to be able to submit comments on applications, and each protest will be analyzed carefully and thoroughly.

In all of our CRA enforcement activities—examinations, community affairs outreach, and applications processing—we have endeavored to be evenhanded toward both financial institutions and representatives of the communities they serve, as well as faithful to the mandate given us by the Congress. Perhaps we have not always done it perfectly, but neither has the effort been as limited or timid as is sometimes portrayed. We have given significant encouragement to the private sector's participation in community development, and we believe we have made a lasting impression on the way the banking industry views its proper role in the community.

I appreciate this opportunity to speak to the subcommittee and welcome any questions you may have. □

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON MAY 16, 1989

1. Domestic Policy Directive

Information reviewed at this meeting suggested that the rate of economic expansion had slowed in recent months. Job gains had diminished noticeably in March and April, and industrial production was growing more slowly than in 1988. On the demand side, growth in consumer spending appeared to have slackened, and housing activity had weakened considerably. Broad measures of prices had risen somewhat more rapidly in 1989, with a significant contribution from sharp increases in energy prices. Year-over-year increases in labor costs appeared to be continuing on an upward trend but at a more gradual rate.

Gains in total nonfarm payroll employment moderated substantially in March and April from the rate recorded over the previous six months. Much of the March–April increase occurred in the services industry, where employment continued to expand at about the 1988 pace. In April, job growth slackened at wholesale and retail trade establishments, and factory employment remained a bit lower than its January level. Although new claims for unemployment insurance continued low, the civilian unemployment rate rose from 5.0 percent in March to 5.3 percent in April.

Industrial production increased in April after declining on balance over the preceding two months. The April pickup reflected a sizable rise in motor vehicle assemblies after a weak first quarter as well as a retracing of the March decline in output of other consumer goods. Production of business equipment continued to rise in April at about the strong first-quarter pace. Total industrial capacity utilization rose in April but remained below its January level. Operating rates in manufacturing edged up despite a further decline in capacity utilization in primary processing industries.

Growth in consumer spending had slowed considerably this year from the pace in 1988. A reduction in growth of spending for services along with smaller outlays for durable goods, notably motor vehicles, more than offset a pickup in expenditures for nondurable goods. In April, enhanced manufacturer incentives spurred spending on motor vehicles and boosted retail sales after a flat March, but outlays on other durable goods remained weak. After a sizable rise in the second half of 1988, housing starts weakened sharply this year. In April, a substantial drop in starts of multifamily units brought overall housing starts to their lowest level since December 1982.

By contrast, recent indicators of business capital spending showed a rebound in early 1989 after a decline in the fourth quarter. Shipments of nondefense capital goods excluding aircraft picked up sharply in the first quarter; among the major components, computers posted a sizable increase after a sharp fourth-quarter decline, and only business purchases of motor vehicles evidenced weakness. Nonresidential construction activity rebounded sharply in March from a February decline, and petroleum drilling turned up, apparently in response to increases in oil prices. In the first quarter, inventory investment in the manufacturing sector continued at about the average 1988 pace; a substantial part of this accumulation was in stocks of work-in-process in the aircraft industry where new orders and production remained on a distinct uptrend. The overall inventory-to-shipments ratio had changed little from the year-end level. At the retail level, inventory–sales ratios edged up as a result not only of further accumulations in the automotive area but also of some rise in apparel and general merchandise stocks.

After rising sharply in the first two months of the year, producer prices of finished goods advanced at a substantially less rapid pace in March and April. The April increase reflected another large jump in energy prices; prices of consumer foods turned down, partially reversing their sizable first-quarter increase, and prices of other finished goods were little changed. At the intermediate and the crude materials levels, the April price increases were attributable entirely to the surge in energy prices. Both food and energy prices contributed to the rise in consumer prices in March. Nevertheless, excluding these components, consumer prices advanced at a slightly faster rate in the first quarter of 1989 than in the fourth quarter of 1988. The year-over-year increase in this measure of consumer prices had edged up only marginally since the beginning of the year, a pattern also evident in broad measures of labor compensation.

The nominal U.S. merchandise trade deficit widened somewhat in February, but the average deficit for January and February together was smaller than that for the fourth quarter. Exports for the January–February period were well above their fourth-quarter level; much of the increase occurred in agricultural products. Imports advanced considerably less, as declines in automotive products, consumer goods, and foods nearly offset increases in oil, industrial supplies, and capital goods. Available indicators suggested that the pace of economic growth and inflation had increased on balance in the major foreign industrial countries in early 1989.

In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies rose further on balance over the intermeeting period. The dollar declined early in the period as market participants perceived central bank authorities as actively seeking a lower dollar. Despite some continued narrowing of short-term interest rate differentials between dollar-denominated assets and both mark and yen assets, the dollar subsequently rebounded; market concerns about political uncertainties in Germany and Japan apparently were a factor in the rise.

At its meeting on March 28, the Committee adopted a directive that called for no immediate change in the degree of pressure on reserve positions but that provided for giving particular weight to potential developments that might require some firming during the intermeeting period. An unchanged availability of reserves over the period was expected to be consistent with the growth of M2 and M3 over the period from March through June at annual rates of about 3 percent and 5 percent respectively. It was agreed that somewhat greater reserve restraint would, or slightly lesser reserve restraint might, be acceptable depending on indications of inflationary pressures, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets.

Reserve conditions remained essentially stable over the intermeeting interval following the March meeting, except that stronger-than-anticipated federal tax revenues and related reserve flows associated with the April tax date contributed for a time to slightly firmer reserve markets. In the reserve maintenance periods completed since the March meeting, adjustment plus seasonal borrowing averaged \$565 million while federal funds generally traded around 9⅞ percent or a little below.

With incoming information suggesting a more moderate pace of economic expansion, other market interest rates declined over the intermeeting period. Rates on short- and intermediate-term U.S. Treasury issues dropped almost 1 percentage point, and those on private money market instruments fell somewhat less. Yields generally were down 25 to 50 basis points in long-term debt markets, and major indexes of stock prices rose substantially.

M2 and M3 grew more sluggishly in April than had been anticipated, as substantial deposit outflows began after mid-month and continued into early May. Declines in transaction and other liquid balances were associated primarily with outsized personal tax payments and a shortfall in tax refunds. Growth of the broader monetary aggregates also continued to be restrained by the effects of the earlier rise in market interest rates, which had substantially increased the opportunity costs of holding deposits. Through April, expansion of M2 had been at a rate well below the Committee's range for the year, while growth of M3 had been in the lower portion of its range.

Reflecting the persisting weakness in transactions balances in 1989, M1 was below its average level in the fourth quarter of 1988. Growth in total domestic nonfinancial debt slowed somewhat in April, damped by strong tax revenues that reduced the Treasury's financing needs and by a virtual halt in refundings of state and local obligations owing to the earlier climb in interest rates.

The staff projection prepared for this meeting suggested that the expansion of the nonfarm economy over the remainder of 1989 was likely to be at a pace somewhat below that officially reported for the first quarter. The projection continued to assume that the drought had ended and that normal agricultural growing conditions would prevail. The staff anticipated that, with margins of unutilized labor and other production resources remaining relatively low, most measures of prices and labor costs would increase at somewhat faster rates in 1989 than in 1988. A monetary policy to contain inflation would involve slow growth of overall demand and an easing of pressures on labor and capital resources; to the extent that strength in final demands were to persist, such a policy would imply additional pressures in financial markets. The staff projected sluggish consumer outlays for goods and services and further weakness in housing construction over the remainder of 1989. The contribution of foreign trade to growth was likely to be limited, and fiscal policy was expected to be moderately restrictive. Growth in business capital spending, particularly for equipment purchases, was expected to moderate over the rest of the year from its vigorous first-quarter pace.

In the Committee's discussion of the economic situation and outlook, members focused on accumulating indications that the expansion in business activity was slowing to a pace that they generally viewed as more sustainable and more consistent with reducing inflation pressures over time. The apparent slowing in the growth of domestic consumer demand would tend to make more domestic resources available for the production of export goods and the expansion of domestic capital. There was little evidence at this point of the kinds of imbalances that normally signal a downturn in economic activity, but some members expressed concern that a cumulative slowing of the business expansion could not be ruled out, especially since the effects of earlier policy tightening actions had not been felt fully. In this regard, the extended weakness in monetary growth, at a time of slowing economic expansion, was a worrisome development. The latest information on prices and wages was cited as encouraging, possibly indicating that the underlying rate of inflation might be leveling out, although it was still undesirably high.

In the course of the Committee's discussion, members observed that the broad indications of slower but continuing business expansion were supported by reports on regional economic developments. While conditions varied across the country, overall activity appeared to be advancing in most regions, though evidence of slower growth was apparent in some of them. Retail sales had flattened out in a number of areas. The weakness in sales was more widespread and pronounced in the case of motor vehicles, particularly after taking account of incentive programs introduced recently by auto manufacturers. Consumer spending was not likely to increase rapidly over coming quarters but should be sustained at a moderate pace by a high level of employment and further expansion in personal incomes. Housing construction was depressed in many areas, and this sector of the economy was not expected to make much, if any, net contribution to the expansion this year, at least on the assumption of unchanged financial conditions in mortgage markets. Business fixed investment presented a mixed picture by industry but, in the context of high capacity utilization rates and strong pressures to cut costs, further overall growth was viewed as a reasonable prospect following the sharp pickup in the first quarter. Conditions in agriculture were described as favorable in most parts of the nation, though some areas were still affected by drought conditions. Outside the motor vehicles sector, inventories displayed few signs of the imbalances that usually presage a downturn in production; some of the recent build-up involved work-in-process inventories in industries such as commercial aircraft that had firm order backlogs. Gains in net exports had contributed importantly to continued expansion over recent quarters. While further progress in reducing the nation's trade deficit was anticipated, some members emphasized the potentially adverse implications of a strengthening dollar for the nation's trade balance and domestic economic growth. On the whole, the economic expansion appeared to be stabilizing at a reduced but sustainable pace that tended to reflect both capacity constraints in some industries and some slowing in the growth of overall domestic demand.

With regard to the outlook for prices and wages, a number of members emphasized that inflationary pressures were still firmly rooted in the economy and that the rate of inflation might well remain unacceptably high for an extended period. However, the slowdown in economic growth should tend to moderate pressures on costs over time, and the most recent information on prices and wages had been encouraging. In addition, the overall outlook for agricultural production this year had favorable implications for food prices, and the recent strength of the dollar augured well for domestic inflation, albeit at the cost of reduced export opportunities. With respect to wages, some members commented that recent patterns were better than they had expected, given the persistence of tight labor markets in many areas and the low rate of unemployment for the nation as a whole. However, reference also was made to indications of greater militancy on the part of labor in some parts of the country and to a recent labor settlement that could have inflationary implications. On balance, in the context of slowing economic expansion, several members noted that the risks to the economy apparently had become less one-sided, having shifted from a strong potential for greater inflation to more equally weighted risks of higher inflation and a substantial shortfall in economic growth.

Turning to the conduct of monetary policy, nearly all of the members endorsed a proposal to maintain unchanged conditions of reserve availability, at least initially in the intermeeting period. There was considerable uncertainty as to whether monetary conditions were sufficiently restrictive to foster lower rates of inflation or had become so tight as to cause an even greater slowing in the expansion than might be needed to relieve inflation pressures. In the circumstances, most members viewed a steady policy as offering the best promise at this point of being associated with the financial market conditions and monetary growth rates that would support an appropriately restrained rate of economic expansion to accommodate the Committee's anti-inflationary objectives. Given current uncertainties, further developments would need to be evaluated carefully and might well call for some adjustment of policy, in either direction, before the next meeting of the Committee.

In the course of their discussion, the members took account of a staff analysis that indicated that unchanged reserve conditions were likely to be associated with some rebound in the growth of the monetary aggregates during the intermeeting period. Earlier increases in market interest rates in the context of typically sluggish adjustments of offering rates on relatively liquid consumer-type deposits had fostered slow growth in M2 and to a lesser extent in M3, while demand deposits had declined appreciably on balance since year-end. In recent weeks, transaction and other liquid accounts had been depressed further in conjunction with larger-than-expected tax payments and atypically small tax refunds. The staff analysis postulated some replenishment of tax-depleted deposits and a lessening impact from earlier increases in market rates on interest-sensitive deposit accounts, although there was as yet little evidence of a rebound.

In the light of indications of slower growth in business activity and sluggish monetary expansion that had left M2 well below the lower bound of its annual growth cone and M3 near the lower limit of its annual range, members attached considerable importance to the need for an upturn in monetary growth. Indeed, the behavior of the monetary aggregates would need to be monitored with special care over the weeks ahead, and a failure of monetary growth to revive during this period might well signal some further weakening in the business expansion and warrant a special consultation of the Committee. A pickup in M2 would be needed fairly soon to give some assurance that this aggregate was on a track that would bring it within the Committee's range for the year. In one view the monetary aggregates already were sufficiently weak to justify some immediate easing of reserve conditions in order to improve the prospects that adequate monetary growth would occur to sustain the economic expansion. Other members preferred a more cautious approach, in part to avert the potential need for, and resulting market unsettlement that would be associated with, a subsequent reversal of the easing, particularly if special factors depressing recent monetary growth were reversed.

With respect to possible adjustments in monetary policy during the intermeeting period ahead, a majority of the members supported a directive that would make an easing or a tightening of policy equally likely, depending on economic and financial developments and the behavior of the monetary aggregates. However, one member preferred a directive that was tilted toward ease in order to help assure a prompt policy response if monetary growth did not rebound relatively soon. Other members indicated a preference for retaining the previous intermeeting instruction that tilted more toward tightening than toward easing. Persisting inflationary pressures and, in this view, the still tentative indications of a slower business expansion argued for a continuing bias toward restraint. Some members were concerned that, under prevailing circumstances, a move to a symmetrical directive could be misinterpreted, when published, as a lessening of the Committee's commitment to an anti-inflationary policy.

During the Committee's discussion, consideration was given to the technical relationship between the level of adjustment plus seasonal borrowing and that of the federal funds rate. In comparison with experience in earlier years, borrowing had been low for some time in relation to the federal funds rate. However, the shortfall appeared to have diminished in recent weeks—largely because of a surge in seasonal borrowing—and, according to a staff analysis, unchanged reserve conditions over the upcoming intermeeting period might encompass somewhat higher average borrowing. In light of the persisting uncertainties in the relationship between borrowing and the federal funds rate, the members accepted the need for continued flexibility in the conduct of open market operations.

At the conclusion of the Committee's discussion, all but one of the members indicated that they favored or could accept a directive that called initially for no change in the degree of pressure on reserve positions. Some firming or some easing of reserve conditions would be acceptable during the intermeeting period depending on indications of inflationary pressures, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. The reserve conditions contemplated by the Committee were expected to be consistent with growth of M2 and M3 at annual rates of around 1½ and 4 percent respectively over the three-month period from March to June. The members agreed that the intermeeting range for the federal funds rate, which provides one mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, should be left unchanged at 8 to 12 percent.

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

The information reviewed at this meeting suggests that the rate of economic growth has slowed in recent months. Gains in total nonfarm payroll employment moderated substantially in March and April, and employment in manufacturing was about unchanged over the two months. The civilian unemployment rate rose considerably to 5.3 percent in April. Industrial production increased in April after declining on balance in the preceding two months. Growth in consumer spending has slowed considerably in recent months. Housing starts declined further in April. Recent indicators of business capital spending show a rebound after a decline in the fourth quarter. The nominal U.S. merchandise trade deficit was smaller on average in January and February than in the fourth quarter. Broad measures of prices have risen somewhat more rapidly in 1989, with a significant contribution from sharp increases in energy prices.

Interest rates have declined considerably since the Committee meeting in late March. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies rose further on balance over the intermeeting period.

Growth of M2 and M3 was sluggish in April, primarily because of a sizable decline in transactions balances. Through April, expansion of M2 has been at a rate below the Committee's range for the year, while growth of M3 has been in the lower portion of its range.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives, the Committee at its meeting in February established ranges for growth of M2 and M3 of 3 to 7 percent and 3½ to 7½ percent, respectively, measured from the fourth quarter of 1988 to the fourth quarter of 1989. The monitoring range for growth of total domestic nonfinancial debt was set at 6½ to 10½ percent for the year. The behavior of the monetary aggregates will continue to be evaluated in the light of movements in their velocities, developments in the economy and financial markets, and progress toward price level stability.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. Taking account of indications of inflationary pressures, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets, somewhat greater reserve restraint or somewhat lesser reserve restraint would be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with growth of M2 and M3 over the period from March through June at annual rates of about 1½ and 4 percent, respectively. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 8 to 12 percent.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Guffey, Heller, Johnson, Keehn, Kelley, LaWare, Ms. Seger, and Mr. Syron. Vote against this action: Mr. Melzer.

Mr. Melzer dissented because he favored an immediate move to slightly less pressure on reserve positions. While inflation was currently too high and might move even higher in the short run, he felt that the monetary policy restraint of the past two years would eventually reduce inflationary pressures. In addition, he was concerned that the very restrictive monetary policy of recent quarters, evidenced by extremely sluggish growth of reserves, the monetary base, and the monetary aggregates, heightened the risks of a recession unless the policy were to be reversed soon. In the event of a recession, a policy response aimed at a quick recovery could make the longer-term goal of price stability even more difficult to attain.

2. *Foreign Currency Authorization*

At this meeting the Committee approved an increase in the limit on holdings of foreign currencies in the System Open Market Account. Paragraph 1D of the Committee's Authorization for Foreign Currency Operations permitted the Federal Reserve Bank of New York, for the System Open Market Account, to maintain an overall open position in all foreign currencies not exceeding $12.0 billion. System holdings of such currencies had risen rapidly this year and totaled nearly $11 billion, based on historical costs. In light of the potential for further System acquisitions of foreign currencies in coordination with similar transactions by the U.S. Treasury and in cooperation with foreign monetary authorities, the Committee agreed to raise the limit in Paragraph 1D of the Authorization to $15.0 billion, effective immediately.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Guffey, Heller, Johnson, Keehn, Kelley, Melzer, Ms. Seger, and Mr. Syron. Vote against this action: Mr. LaWare.

Mr. LaWare dissented because he wanted to convey his skepticism about the effectiveness of sterilized intervention in foreign exchange markets. He did not object to the specific transactions that had been conducted recently.

Following the meeting the dollar remained under strong upward pressure that was resisted through very large additional System purchases of foreign currencies. Effective June 14, 1989, the Committee approved a further increase to $18.0 billion in the limit on System holdings of foreign currencies under Paragraph 1D of the Authorization for Foreign Currency Operations.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Guffey, Heller, Johnson, Keehn, Kelley, LaWare, Melzer, Ms. Seger, and Mr. Syron. Votes against this action: None.

Announcements

Nominations Sought for Appointees to Consumer Advisory Council

The Federal Reserve Board announced on July 7, 1989, that it is seeking nominations of qualified individuals for seven appointments to its Consumer Advisory Council, to replace members whose terms expire on December 31, 1989. Nominations should be received by August 31, 1989.

The Consumer Advisory Council was established by the Congress in 1976, at the suggestion of the Board, to advise the Board on the exercise of its duties under the Consumer Credit Protection Act and on other consumer-related matters. The thirty-member Council, with staggered three-year terms of office, meets three times a year.

Nominations should include the name, address, and telephone number of the nominee; past and present positions held; and special knowledge, interests, or experience related to consumer credit or other consumer financial services.

Nominations should be submitted in writing to Dolores S. Smith, Assistant Director, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Regulation CC: Amendments

The Federal Reserve Board adopted on July 28, 1989, two amendments to Regulation CC, which implements the Expedited Funds Availability Act, regarding the treatment of bank payable through checks.

The amendments are designed to help ease the operational difficulties and lessen the risks imposed on banks as a result of a 1988 court order. The court order ruled that payable through checks must be treated as local or nonlocal based on the location of the bank on which they are written rather than that of the payable through bank.

The two amendments require the following:

1. Payable through checks of banks are to be conspicuously labeled with the name, location, and first four digits of the nine-digit routing number of the bank on which the check is written and the legend "payable through" followed by the name and location of the payable through bank.

2. A bank issuing payable through checks must bear the risk of loss for the return of such checks from a nonlocal payable through bank, to the extent that the return took longer than would have been required if the check had been returned expeditiously by the bank on which it was written.

These amendments will become effective on February 1, 1991, and on February 1, 1990, respectively.

Proposed Actions

The Federal Reserve Board issued on July 12, 1989, proposed amendments to its Regulation B (Equal Credit Opportunity) that implement provisions of the Women's Business Ownership Act regarding notifications and recordkeeping for business credit applications. Comments are requested by September 15, 1989.

Revised List of OTC Stocks Now Available

The Federal Reserve Board published on July 28, 1989, a revised list of over-the-counter (OTC) stocks that are subject to its margin regulations, effective August 14, 1989.

This revised List of Marginable OTC Stocks supersedes the List of Marginable OTC Stocks that was effective on May 8, 1989. The changes that have been made to the list, which now includes 2,939 OTC stocks, are as follows: 57 stocks have been included for the first time, 46 under National Market System (NMS) designation; 85 stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing; and 54 stocks have been removed for reasons such as listing on a national securities exchange or involvement in an acquisition.

This list is published by the Board for the information of lenders and the general public. It includes all over-the-counter securities designated by the Board pursuant to its established criteria as well as all stocks designated as NMS securities for which transaction reports are required to be made pursuant to an effective transaction reporting plan. Additional OTC securities may be designated as NMS securities in the interim between the Board's quarterly publications and will be immediately marginable. The next publication of the Board's list is scheduled for November 1989.

Besides NMS-designated securities, the Board will continue to monitor the market activity of other OTC stocks to determine which stocks meet the requirements for inclusion and continued inclusion on the list.

Settlement of Enforcement Proceedings

The Federal Reserve Board announced on July 27, 1989, an agreement by a Massachusetts banker to pay a civil money penalty of $1 million in settlement of enforcement proceedings instituted by the Board pursuant to the Bank Holding Company Act.

Edward S. Buchanan, a former officer and director of First Massachusetts Management Corporation and First Massachusetts Financial Corporation, Brockton, without admitting any allegations in the proceeding, agreed to pay a fine of $1 million over a five-year period.

System Membership: Admission of State Banks

The following state banks were admitted to membership in the Federal Reserve System during the period June 1 through July 31, 1989.

Colorado
Aspen .... Alpine Bank
Florida
Pembroke Pines .... Flamingo Bank
Illinois
Sandwich .... Union Bank Sandwich
Stockton .... First Bank of Stockton/Warren
Streator .... Union Bank Streator
Maryland
Annapolis............... Bank of Annapolis
Pennsylvania
Lemoyne.......... Pennsylvania State Bank
Virginia
Gloucester .... Peninsula Trust Bank

Legal Developments

FINAL RULE—AMENDMENT TO REGULATIONS G, T, U AND X

The Board of Governors is amending 12 C.F.R. Parts 207, 220, 221 and 224, its Securities Credit Transactions; List of Marginable OTC Stocks. The List of Marginable OTC Stocks is comprised of stocks traded over-the-counter (OTC) that have been determined by the Board of Governors of the Federal Reserve System to be subject to the margin requirements under certain Federal Reserve regulations. The List is published four times a year by the Board as a guide for lenders subject to the regulations and the general public. This document sets forth additions to or deletions from the previously published List which was effective May 8, 1989, and will serve to give notice to the public about the changed status of certain stocks.

Effective August 14, 1989, accordingly, pursuant to the authority of sections 7 and 23 of the Securities Exchange Act of 1934, as amended (15 U.S.C. §§ 78g and 78w), and in accordance with 12 C.F.R. 207.2(k) and 207.6(c) (Regulation G), 12 C.F.R. 220.2(s) and 220.17(c) (Regulation T), and 12 C.F.R. 221.2(j) and 221.7(c) (Regulation U), there is set forth below a listing of deletions from and additions to the Board's List of Marginable OTC Stocks:

Deletions From List

Stocks Removed For Failing Continued Listing Requirements

American Carriers, Inc.: No par common
American Continental Corporation: $.01 par common, $1.00 par exchangeable preferred
American Insured Mortgage Investors '84: Depository units of limited partnership interest
Animed, Inc.: $.01 par common
Applied Data Communications, Inc.: $.01 par common
Aris Corporation: $.01 par common
Ask Corporation: No par common
Associated Companies, Inc.: No par common
Avant-Garde Computing, Inc.: No par common

BI Incorporated: No par common
Big Bear, Inc.: $.01 par common
Bio-Technology General Corp.: $.01 par common
Biomerica, Inc.: $.04 par common
Bombay Palace Restaurants, Inc.: $.01 par common
BSD Medical Corporation - Delaware: $.01 par common
Butler National Corporation: $.10 par common

Candela Laser Corporation: $.01 par common
Carolin Mines, Ltd.: Class A, no par common
Celina Financial Corporation: Class A, $.50 par common
Chaparral Resources, Inc.: $.10 par common
Charlotte Charles, Inc.: $.10 par common
Charter-Crellin, Inc.: $.01 par common
Chemex Pharmaceuticals, Inc.: Warrants (expire 05-29-89), Class 1, warrants (expire 05-20-90)
Circle Express, Inc.: No par common
CMS Advertising, Inc.: $.01 par common
Colorocs Corporation: Class D, warrants (expire 05-04-89)
Comcast Corporation: 5-½% convertible subordinated debentures
Commonwealth Mortgage Company, Inc.: $.10 par common
Comp-U-Check, Inc.: $.10 par common
Costco Wholesale Corporation: 7-¼% convertible subordinated debentures
Crescott, Inc.: $.001 par common

De Tomaso Industries, Inc.: $2.50 par common
Dest Corporation: $.01 par common
Digitech, Inc.: $.10 par common

Eagle Telephonics, Inc.: $.01 par common
Electro-Catheter Corporation: $.10 par common
EMS Systems, Ltd.: No par common
Energy Conversion Devices, Inc.: $.01 par common
Exovir, Inc.: $.01 par common

Farm House Foods Corporation: $.05 par common

Great Southern Federal Savings Bank (Georgia): $1.00 par common
GTS Corporation: $.01 par common

Haber, Inc.: $.01 par common, Voting, $2.00 par cumulative convertible preferred

Harvard Group, PLC: American Depository Receipts for ordinary shares (par value 2p)
Health Images, Inc.: Series A, $.01 par cumulative convertible preferred

Integrated Resources American Insured Mortgage Investors '85: Depository units of limited partnership interest

Kaypro Corporation: No par common
Kenilworth Systems Corporation: $.01 par common
Kimbark Oil & Gas Company: $.10 par common
Kings Road Entertainment, Inc.: $.01 par common
Kreisler Manufacturing Corporation: $.50 par common

Lund Enterprises, Inc.: Warrants (expire 04-30-91)

Margaux, Inc.: $.01 par common
Maxicare Health Plans, Inc.: No par common, 7% convertible subordinated debentures
Municipal Development Corporation: $.01 par common

National Business Systems, Inc.: No par common
New Visions Entertainment Corporation: $.001 par common, Series A, par cumulative convertible preferred
Nucorp, Inc.: Warrants (expire 10-31-89)

OCG Technology, Inc.: $.10 par common
Olson Industries, Inc.: $3.00 par common

Paper Corporation of America: Series B, $.01 par preferred stock

Ragen Corporation: $.125 par common
Regina Company, Inc., The: $.0001 par common
Reliable Life Insurance Company, Inc.: Class A, $1.00 par common
Ridgewood Properties, Inc.: $.01 par common
Royal Business Group, Inc.: $1.00 par common
RTI, Inc.: $.01 par common

Sahlen & Associates, Inc.: $.001 par common
Scherer, R.P. Corporation: $1.00 par convertible preferred
Scribe Systems, Inc.: $.01 par common
Southland Financial Corporation: $1.00 par common
Staar Surgical Company: $.01 par common
Status Game Corporation: $.01 par common
Sun State Savings and Loan Association (Arizona): $1.00 par common

Total Health Systems, Inc.: $.01 par common
TS Industries, Inc.: $.02 par common

United Building Services Corporation of Delaware: $.01 par common
United States Antimony Corporation: $.01 par common

Vicon Fibert Optics Corporation: $.10 par common
Vipont Pharmaceutical, Inc.: Warrants (expire 06-25-89)

Stocks Removed For Listing On A National Securities Exchange Or Being Involved In An Acquisition

American Income Life Insurance Company: $1.00 par common
Apollo Computer, Inc.: $.02 par common, 7-¼% convertible subordinated debentures

Bank of Redlands: $1.25 par common
Berry Petroleum Company: Class A, $.01 par common
Blockbuster Entertainment Corp.: $.10 par common
Brandywine Savings & Loan Association (Pennsylvania): $1.00 par common
Brinkman Instruments, Inc.: $.01 par common
Brintec Corporation: $.01 par common

Cadnetix Corp.: $.01 par common
Cherokee Group, The: No par common
Colonial American Bankshares Corporation: $5.00 par common
Component Technology Corp.: $.01 par common
Conversion Industries, Inc.: No par common
CPI Corporation: $.40 par common
Criterion Group, Inc.: Class A, $.01 par common

Enseco Incorporated: $.01 par common
Envirodyne Industries, Inc.: $.10 par common
Excelan, Inc.: $.01 par common

Falstaff Brewing Corporation: $1.00 par common

General Ceramics, Inc.: $1.00 par common

Holmes, D.H. Company, Limited: $2.50 par common
HWC Distribution Corp.: $.01 par common

Irwin Magnetic Systems, Inc.: $.001 par common
ISC Systems Corporation: No par common
Itel Corporation: $1.00 par common, Class B, Series, C, $1.00 par convertible preferred

Kemper Corporation: $5.00 par common
Krueger, W.A. Company: $.20 par common

Land of Lincoln Savings and Loan: $1.00 par common

Mayfair Industries, Inc.: $.01 par common
MBS Textbook Exchange, Inc.: $.01 par common

National FSI, Inc.: $.01 par common
Network Equipment Technologies, Inc.: $.01 par common

Pacific Western Bancshares: No par common
Plant Genetics, Inc.: $.01 par common
Poly-Tech, Inc.: No par common
Polymer International Corp.: $.01 par common
Princeville Corp.: $.20 par common
Property Trust of America: $1.00 par shares of beneficial interest

Rowe Furniture Corporation: $1.00 par common

Servico, Inc.: $.10 par common
Sound Warehouse, Inc.: $.01 par common
Stocker & Yale, Inc.: $1.00 par common
Stotler Group Inc.: $1.00 par common
Superior Electric Company, The: $1.00 par common

TCF Financial Corporation: $.01 par common
Thrifty Rent-A-Car System, Inc.: $.05 par common
Timberjack Corporation: $.01 par common
Total System Services, Inc.: $.10 par common

United Artists Communications, Inc.: $.01 par common
Universal Furniture Limited: $.01 par ordinary shares

Vitronics Corporation: $.01 par common

Waxman Industries, Inc.: No par common

Additions To The List

AKZO, N.V.: American Depository Receipts
Alameda Bancorporation: $2.50 par common
American First Financial Fund 1987 - A Limited Partnership Beneficial unit certificates, representing limited partnership interest

Bank Maryland Corp.: $.05 par common
Biogen, Inc.: $.01 par convertible exchangeable preferred
Bytex Corporation: $.10 par common

CCAIR, Inc.: $.01 par common
Cell Technology, Inc.: $.01 par common, Warrants (expire 08–27–92)
Chemdesign Corporation: $.01 par common
Chempower, Inc.: $.10 par common
Cirrus Logic, Inc.: No par common
Columbia Pictures Entertainment, Inc.: Warrants (expire 06–01–92)
Comptronix Corporation: $.01 par common
Conservative Savings Bank (Nebraska): $.01 par common
Consilium, Inc.: No par common
Cooker Restaurant Corporation: No par common
CRH, PLC: American Depository Receipts

Duty Free International, Inc.: $.01 par common
Dyncorp: Class A, 17% redeemable preferred

Eastchester Financial Corporation: $.01 par common

Fidelity Federal Savings Bank (Virginia): $8.00 par common
First Financial Management Corp.: 7% convertible subordinated debentures
First Merchants Corporation: No par common
First Western Bancorp, Inc. (Pennsylvania): $5.00 par common
Fleet Aerospace, Inc.: $.01 par common
Foothill Independent Bancorp: No par common

Goal Systems International, Inc.: No par common

Handex Environmental Recovery, Inc.: $.01 par common

Independent Bankgroup, Inc. (Vermont): $1.00 par common

James Madison Limited: $1.00 par common

Kentucky Medical Insurance Company: Class A, $2.80 par common

Lifeline Healthcare Group, Ltd.: $.10 par common

Miniscribe Corporation: 7-½% convertible subordinated debentures
Mission-Valley Bancorp (California): No par common

Nationwide Cellular Service, Inc.: $.01 par common, Warrants (expire 05–04–92)
New Milford Bank & Trust Company, The (Connecticut): $5.00 par common

Pioneer Federal Savings Bank (Washington): $1.00 par common
Pop Radio Corporation: $.01 par common
Providence and Worchester Railroad Company: $.50 par common

Rexhall Industries, Inc.: No par common
Robert Half International, Inc.: 7-1/4% convertible subordinated debentures

Schultz Sav-o Stores, Inc.: $.05 par common
Sevenson Environmental Services, Inc.: $.10 par common
Staples, Inc.: $.0006 par common
Symantex Corporation: $.01 par common
Synetic, Inc.: $.01 par common

Tele-Communications, Inc.: Rights (expire 01-31-95)
Tocor, Inc.: Units (expire 12-31-94)
Tseng Labs, Inc.: $.005 par common

United Artists Entertainment Company: Class A, $.001 par common, Class B, $.001 par common
Unitog Company: $.01 par common
UNR Industries, Inc.: Warrants (expire 05-31-95)

XSIRIUS Scientific, Inc.: $.01 par common

Yankee Energy System, Inc.: $5.00 par common

Correction to Regulation Z

The Board of Governors is correcting a technical error to footnote 10b of 12 C.F.R. Part 226, its Regulation Z (Truth in Lending). On June 9, 1989, the Board issued a final rule amending Regulation Z to implement the Home Equity Loan Consumer Protection Act of 1988. The final rule contained two references to footnote 10b. The first reference accompanies section 226.5b(d)(5)(ii). The second reference accompanies section 226.16(d)(3). This notice changes the second footnote 10b reference to refer to new footnote 36b.

The following corrections are made to 12 C.F.R. Part 226:

1. Section 226.16(d)(3) is corrected by revising the reference to the footnote at the end of the paragraph and by adding a new footnote 36b to read as follows:

Section 226.16—Advertising

* * * * *

(d) * * *
(3) * * *[36b]

* * * * *

36b. *See* footnote 10b.

Amendment to Regulation CC

The Board of Governors is amending 12 C.F.R. Part 229, its Regulation CC, Availability of Funds and Collection of Checks. The rule changes will alleviate the operational difficulties and additional risks associated with the acceptance for deposit of bank payable through checks.

The effective date for the amendments to section 229.38 of the regulation and commentary is February 1, 1990, the effective date for the amendments to section 229.36 of the regulation and commentary is February 1, 1991. For the reasons set out in the preamble, 12 C.F.R. Part 229 is proposed to be amended as follows:

Part 229—Availability of Funds and Collection of Checks

1. The authority citation for Part 229 continues to read as follows:

Authority: Title VI of Pub. L. 100-86, 101 Stat, 552, 635, 12 U.S.C. 4001 *et seq.*

2. In section 229.36, the heading is revised and a new paragraph (e) is added to read as follows:

Section 229.36—Presentment and issuance of checks

* * * * *

(e) *Issuance of payable through checks*. A bank that arranges for checks payable by it to be payable through another bank shall require that the following information be printed conspicuously on the face of each check:

(1) the name, location, and first four digits of the nine-digit routing number of the bank by which the check is payable; and

(2) the words "payable through" followed by the name and location of the payable through bank.

This provision shall be effective February 1, 1991, and after that date banks that use payable through arrangements must require their customers to use checks that meet the requirements of this provision.

3. In section 229.38, paragraph (d) is redesignated as paragraph (d)(1), a new heading is added to paragraph (d), and a new paragraph (d)(2) is added to read as follows:

Section 229.38—Liability

* * * * *

(d) *Responsibility for certain aspects of checks*

(1) * * *

(2) *Responsibility for payable through checks.* In the case of a check that is payable by a bank and payable through a paying bank located in a different check processing region than the bank by which the check is payable, the bank by which the check is payable is responsible for damages under paragraph (a) of this section, to the extent that the check is not returned to the depositary bank through the payable through bank as quickly as the check would have been required to be returned under section 229.30(a) had the bank by which the check is payable —

(i) received the check as paying bank on the date the payable through bank received the check; and

(ii) returned the check as paying bank in accordance with section 229.30(a)(1).

Responsibility under this paragraph shall be treated as negligence of the bank by which the check is payable for purposes of paragraph (c) of this section.

* * * * *

4. Appendix E—Commentary to Part 229 is amended to read as follows:

a. Section 229.36 is amended by revising the heading and adding a new paragraph (e).

APPENDIX E—COMMENTARY

* * * * *

Section 229.36—Presentment and issuance of checks

* * * * *

(e) *Issuance of payable through checks.*

If a bank arranges for checks payable by it to be payable through another bank, it must require its customers to use checks that contain conspicuously on their face the name, location, and first four digits of the nine-digit routing number of the bank by which the check is payable and the legend "payable through" followed by the name and location of the payable through bank. The first four digits of the nine-digit routing number and the location of the bank by which the check is payable must be associated with the same check processing region. (This section does not affect section 229.36(b).) The required information is deemed conspicuous if it is printed in a type size not smaller than six-point type and if it is contained in the title plate, which is located in the lower left quadrant of the check. The required information may be conspicuous if it is located elsewhere on the check.

If a payable through check does not meet the requirements of this paragraph, the bank by which the check is payable may be liable to the depositary bank or others as provided in section 229.38. For example, a bank by which a payable through check is payable could be liable to a depositary bank that suffers a loss, such as lost interest or liability under Subpart B, that would not have occurred had the check met the requirements of this paragraph. The bank by which the check is payable may be liable for additional damages if it fails to act in good faith.

b. Section 229.38 is amended by redesignating the first three paragraphs of paragraph (d) as paragraph (d)(1); by adding a new heading to paragraph (d); by adding a new paragraph (d)(2) to follow newly redesignated paragraph (d)(1); and by revising the last paragraph of paragraph (d) to read as follows:

Section 229.38—Liability

* * * * *

(d) *Responsibility for certain aspects of checks*

(1) * * *

(2) *Responsibility for payable through checks.* This paragraph provides that the bank by which a payable through check is payable is liable for damages under paragraph (a) of this section to the extent that the check is not returned through the payable through bank as quickly as would have been necessary to meet the requirements of section 229.30(a)(1) (the 2-day/4-day test) had the bank by which it is payable received the check as paying bank on the day the payable through bank received it. The location of the bank by which a check is payable for purposes of the 2-day/4-day test may be determined from the location or the first four digits of the routing number of the bank by which the check is payable. This information should be stated on the check. (See section 229.36(e) and accompanying Commentary.) Responsibility under paragraph (d)(2) does not include responsibility for the time required for the forward collection of a check to the payable through bank.

Generally, liability under paragraph (d)(2) will be limited in amount. Under section 229.33(a), a paying bank that returns a check in the amount of $2,500 or more must provide notice of nonpayment to the depositary bank by 4:00 p.m. on the second business day following the banking day on which the check is presented to the paying bank. Even if a payable through check in the amount of $2,500 or more is not returned through the payable through bank as quickly as would have been required had the check been received by the bank by which it is payable, the depositary bank should not suffer damages unless it has not received timely notice of nonpayment. Thus, ordinarily the bank by which a payable through check is payable would be liable under paragraph (a) only for checks in amounts up to $2,500, and the paying bank would be responsible for notice of nonpayment for checks in the amount of $2,500 or more.

Responsibility under paragraphs (d)(1) and (d)(2) is treated as negligence for comparative negligence purposes, and the contribution to damages under paragraphs (d)(1) and (d)(2) is treated in the same way as the degree of negligence under paragraph (c) of this section.

Orders Issued Under Bank Holding Company Act

Orders Issued Under Section 3 of the Holding Company Act

Capital Holdings, Inc.
Sylvania, Ohio

Order Approving the Formation of a Bank Holding Company

Capital Holdings, Inc., Sylvania, Ohio ("Capital"), has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842(a)(1)), to become a bank holding company by acquiring 100 percent of the outstanding voting shares of Capital Bank, N.A., Sylvania, Ohio ("Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (54 *Federal Register* 3850 (1989)). 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 BHC Act.

Capital is a nonoperating corporation organized for the purpose of becoming a bank holding company by acquiring Bank, a *de novo* bank. Bank will operate in the Toledo, Ohio banking market.[1] The principals of Capital are not affiliated with any other depository institutions in this market. Based on all of the facts of record, the Board believes that consummation of the proposal would not result in any adverse effects upon competition or increase in the concentration of banking resources in any relevant area. Accordingly, the Board concludes that competitive considerations are consistent with approval.

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

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

By order of the Board of Governors, effective July 25, 1989.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Fort Wayne National Corporation
Fort Wayne, Indiana

Order Approving Merger of Bank Holding Companies

Fort Wayne National Corporation, Fort Wayne, Indiana ("Fort Wayne"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3 of the BHC Act to acquire by merger FN Bancorp, Warsaw, Indiana ("Bancorp"), and

1. The Toledo, Ohio banking market includes: Lucas County, Ohio; Wood County, Ohio, minus the town of Fostoria; the eastern half of Swan Creek Township and the southeastern quadrant of Fulton Township in Fulton County, Ohio; the townships of Clay, Allen, Harris and Benton in Ottawa County, Ohio; Woodville Township in Sandusky County, Ohio; and the townships of Whiteford, Bedford and Erie in Monroe County, Michigan.

thereby to acquire its subsidiary bank, First National Bank of Warsaw, Warsaw, Indiana.[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (54 *Federal Register* 7882 (1989)). 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 BHC Act.

Fort Wayne is the eleventh largest commercial banking organization in Indiana, controlling deposits of $1.0 billion, representing approximately 2.7 percent of the total deposits in commercial banking organizations in the state.[2] Bancorp is the twenty-ninth largest commercial banking organization in Indiana, controlling deposits of $218.5 million, representing less than one percent of the total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Fort Wayne would become the seventh largest commercial banking organization in the state, controlling deposits of $1.3 billion, representing approximately 3.2 percent of the total deposits in commercial banks in the state. Consummation of this proposal would not significantly affect the concentration of banking resources in Indiana.

Fort Wayne and Bancorp do not compete directly in any banking market. Accordingly, consummation of the proposal would not eliminate any significant existing competition in any relevant banking market. Consummation also would not have any significant adverse effect on probable future competition in any relevant banking market. In addition, the financial and managerial resources of Fort Wayne, Bancorp, and their subsidiaries are consistent with approval.

In considering the convenience and needs of the community to be served, the Board has taken into account the record of Fort Wayne's banks under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal bank supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution." The Board is required to "take such record into account in its evaluation" of applications under section 3 of the BHC Act.

1. After the merger, Fort Wayne will be the surviving corporation.
2. Deposit data are as of June 30, 1987.

In this regard, the Board has received comments from the Community Reinvestment Alliance, Fort Wayne, Indiana ("Alliance"). Alliance has alleged that the CRA record of Fort Wayne's lead bank, Fort Wayne National Bank, Fort Wayne, Indiana ("Bank"), is deficient, particularly with regard to mortgage lending, home improvement lending, and other types of lending in minority and low- and moderate-income neighborhoods located in the Fort Wayne banking market.[3]

The Board has reviewed the CRA record of Bank in accordance with its practice and procedure. The Board notes that Bank and Fort Wayne's other subsidiary banks have received satisfactory CRA assessments from their primary supervisory agencies. The Board also notes that a review of data submitted pursuant to the Home Mortgage Disclosure Act shows that Bank has been making loans in all areas of its community, including low- and moderate-income areas. In addition, Bank has participated in several government sponsored lending programs, providing home mortgage and home improvement loans in minority census tracts, and recently became enrolled in the Indiana Housing Finance Authority Mortgage Finance Program, which authorizes the bank to originate FHA loans. Bank has made numerous loans to low- and moderate-income individuals under the Housing Acquisition Rehabilitation Transaction program, a tri-party participation program between Bank, the city of Fort Wayne, and the Federal National Mortgage Association. Bank also participates in the Lincoln Life Improved Housing and Indiana Housing Finance Authority Home Loan Programs, both of which assist first time home buyers.[4]

The Board notes that in 1988, Bank has been active in extending credit in an "Enterprise Zone," a governmentally defined disadvantaged area.[5] In addition, Bank participates in the Indiana Department of Com-

3. Alliance also alleges that Bank has not originated any government guaranteed loans for the last five years despite the fact that these loans are listed in Bank's CRA statement.

4. The Board has previously recognized that participation in these types of programs is an effective means for assuring that the services of depository institutions reach low- and moderate-income segments of the communities served by these institutions (*see e.g.*, Bank of Ireland, 75 FEDERAL RESERVE BULLETIN 39, 41 (1989)), and recently affirmed this position in the Community Reinvestment Act Statement released jointly by the federal depository institutions regulatory agencies on March 21, 1989. 54 *Federal Register* 13,742 (1989). As noted in the Statement, federal agencies will continue to consider favorably financial-institution leadership in concerted efforts to improve low- and moderate-income areas in the community and participation by financial institutions in public and private partnerships to promote economic and community development efforts.

5. The Enterprise Zone is an area defined by the city of Fort Wayne, the purpose of which is to revitalize the area comprising the Zone by offering tax incentives and financing to businesses and industries located within the Zone. The Zone is made up primarily of low- and moderate-income and minority tracts.

merce Energy Conservation Program, providing grants for projects such as applying weatherstripping to homes. Bank has made a number of small business loans to minority-owned businesses in recent years, and is seeking to become a certified Small Business Administration lender in 1989. Fort Wayne has committed to increase efforts to ascertain the credit needs of the low- and moderate-income and minority areas of its community, increase advertising of its participation in special credit programs, and improve advertising of its general credit programs and services.[6]

On the basis of the record in this case, including the past CRA performance of Fort Wayne and its subsidiary banks, as well as Fort Wayne's commitments, the Board concludes that considerations relating to the convenience and needs of the communities to be served are consistent with approval.

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

By order of the Board of Governors, effective July 17, 1989.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Ponte Vedra Banking Corporation
Ponte Vedra Beach, Florida

Order Approving Formation of a Bank Holding Company

Ponte Vedra Banking Corporation, Ponte Vedra Beach, Florida ("Ponte Vedra"), has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act ("Act") (12 U.S.C. § 1841 *et seq.*), to become a bank holding company by acquiring all of the outstanding voting shares of Ponte Vedra National Bank, Ponte Vedra Beach, Florida ("Bank").

6. These commitments derive in part from meetings between representatives of Fort Wayne and Alliance. The Reserve Bank arranged these meetings in accordance with 12 C.F.R. 262.25(c), in an effort to narrow the issues in this case, and to provide a forum for the resolution of differences between Alliance and Fort Wayne.

Notice of the application, affording an opportunity for interested persons to submit comments, has been duly published (54 *Federal Register* 10,586 (1989)). 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.

Ponte Vedra is a non-operating company formed for the purpose of acquiring Bank, a *de novo* institution. Bank will operate in the St. John's County, Florida banking market.[1] The principals of Ponte Vedra are not affiliated with any other depository institution in the market. Based on all of the facts of record, the Board believes that consummation of the proposal would not result in any adverse effects upon competition or increase in the concentration of banking resources in any relevant area. Accordingly, the Board concludes that competitive considerations under the Act are consistent with approval.

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

Based on the foregoing and all of the facts of record, and in reliance on commitments made and conditions agreed to by certain investors in Ponte Vedra, the Board has determined that consummation of this transaction would be in the public interest and that the application should be, and hereby is, approved. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of the Order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors, effective July 19, 1989.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Texop Bancshares, Inc.
Dallas, Texas

Order Approving Acquisition of a Bank

Texop Bancshares, Inc., Dallas, Texas ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act (the "BHC Act"), has

1. The St. John's County banking market is approximated by St. John's County, Florida, minus the city of Hastings.

applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire control of Texas American Bridge Bank, N.A., a bridge bank ("Bank") created by the Federal Deposit Insurance Corporation ("FDIC"), to acquire the assets and assume the deposits and liabilities of the 24 bank subsidiaries of Texas American Bancshares, Inc., Fort Worth, Texas ("TAB"). Applicant proposes to immediately enter into a management agreement with the FDIC that provides that Applicant will operate Bank, with general discretion over, and responsibility for, the daily operations of Bank. Applicant also proposes to acquire all of the assets and liabilities of Bank through a purchase and assumption transaction.

On July 20, 1989, the 24 bank subsidiaries of TAB were declared insolvent and the FDIC was appointed receiver.[1] Pursuant to section 11(i) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Competitive Equality Banking Act of 1987 (12 U.S.C. § 1821(i)), the FDIC established Bank to acquire the assets and to assume the liabilities and deposits of the closed banks. The FDIC solicited offers for the acquisition of Bank from qualified bidders pursuant to sections 11(i) and 13(f) of the FDI Act (12 U.S.C. §§ 1821(i) and 1823(f)). On July 20, 1989, the FDIC selected Applicant's bid for Bank. On the same day, the FDIC advised that Applicant had been selected as the winning bidder, and recommended immediate action on this application in order to permit Bank to operate without the need for liquidation. The OCC has also recommended approval of the transaction.

In view of this situation and the need for expeditious action to protect the interest of Bank's depositors, it has been determined, pursuant to section 3(b) of the BHC Act (12 U.S.C. § 1842(b)), section 225.14(h) of the Board's Regulation Y (12 C.F.R. 225.14(h)), and section 262.3(l) of the Board's Rules of Procedure (12 C.F.R. 262.3(l)), to dispense with the notice provisions of the BHC Act.

In evaluating an application under section 3 of the BHC Act, the Board is required to consider the financial and managerial resources and future prospects of the companies involved, the effect of the proposal on competition, and the convenience and needs of the communities to be served. Under the proposal, Applicant would immediately provide Bank with new management officials, with proven management capability, and Bank would continue to provide a full range of services to its customers. The agreement in principle between Applicant and the FDIC will also recapitalize Bank. With respect to the financial factors, the Board has relied upon Applicant's commitment to maintain adequate capital for the resulting organization. As proposed by Applicant, this commitment will be satisfied through the issuance of a significant amount of equity capital and other capital instruments.

Based on these and all of the other facts of record, including the bid proposal made by Applicant and accepted by the FDIC, the financial and managerial resources and future prospects of Applicant, its subsidiaries and Bank are consistent with approval of this application. The benefits to the convenience and needs of the communities in Texas of maintaining Bank as a viable competitor in Texas weigh in favor of approval of this application.

Applicant competes with Bank in the Dallas and Houston markets.[2] Applicant is the seventh largest of 154 commercial banking organizations in the Dallas market, with deposits of $470 million, controlling 1.7 percent of total deposits in the market.[3] Bank is the fifth largest commercial banking organization in the Dallas market, with deposits of $1.079 billion, controlling 3.9 percent of total deposits in commercial banks in the market. Upon consummation, Applicant would be the fifth largest commercial banking organization in the market, controlling $1.549 billion in deposits, or 5.6 percent of market deposits. The Dallas market is considered moderately concentrated, with a Herfindahl–Hirschman Index ("HHI") of 1000, which would increase by 13 points to 1013 upon consummation of the proposal.[4]

Applicant is the sixteenth largest of 147 commercial banking organizations in the Houston market, with deposits of $158 million, controlling 0.7 percent of total deposits in the market. Bank is the sixth largest commercial banking organization in the Houston market, with deposits of $455 million, controlling 1.6

1. *See* Appendix.

2. The Dallas banking market is approximated by Dallas County, the southeast quadrant of Denton County (including Denton and Lewisville), the southwest quadrant of Collin County (including McKinney and Plano), the northern half of Rockwall County, the communities of Forney and Terrell in Kaufman County, Midlothian, Waxahachie, and Ferris in Ellis County, and Grapevine and Arlington in Tarrant County.

The Houston banking market is approximated by the Houston Ranally Metro Area.

3. Market deposit data are as of June 30, 1988.

4. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. In such markets, the Department of Justice is unlikely to challenge a merger or acquisition resulting in an HHI between 1000 and 1800 if the increase in the HHI is less than 100 points. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognizes the competitive effect of limited purpose lenders and other non-depository financial entities.

percent of total deposits in commercial banks in the market. Upon consummation, Applicant would be the sixth largest commercial banking organization in the market, controlling $613 million in deposits, or 2.3 percent of market deposits. The Houston market is considered moderately concentrated, with an HHI of 1100, which would increase by 2 points to 1102 upon consummation of the proposal.

On the basis of the foregoing, the Board concludes that consummation of the proposal would not have a substantial adverse competitive effect in the Dallas or Houston banking markets, or in any other relevant banking market. The Board also concludes that consummation of the proposal would not have a significant adverse effect on probable future competition in any relevant banking market.

Based on the foregoing and all of the facts of record, the General Counsel and the Staff Director of the Division of Banking Supervision and Regulation have determined, acting pursuant to authority specifically delegated by the Board in this case, that the application under section 3 of the BHC Act should be, and hereby is, approved. This action is limited to approval of the transaction according to the terms and conditions of Applicant's bid as presented to the Board, and any significant change in those terms or conditions may require further review by the Board.

The FDIC has informed the Board that immediate action on Applicant's proposal is necessary in order to permit Bank to open and operate as a viable competitor that will continue to serve its communities. In light of these and all the facts of record in this case, the General Counsel and the Staff Director of the Division of Banking Supervision and Regulation, acting pursuant to authority delegated by the Board, have determined, in accordance with section 11(b) of the BHC Act, that Applicant may immediately acquire control of Bank through the management agreement with the FDIC, and that Applicant may consummate its proposed investment in Bank on or after the fifth calendar day following the effective date of this Order. The transaction shall not be consummated later than three months after the effective date of this Order, unless the period for consummation is extended for good cause by the Board or the Federal Reserve Bank of Dallas under delegated authority.

By order, approved pursuant to authority delegated by the Board, effective July 21, 1989.

J. VIRGIL MATTINGLY, JR.
General Counsel

WILLIAM TAYLOR
Staff Director
Division of Banking
Supervision and Regulation

Appendix

The bridge bank has acquired the assets and assumed the liabilities and deposits of the following bank subsidiaries of Texas American Bancshares, Inc.:

Texas American Bank/Amarillo, N.A., Amarillo, Texas; Texas American Bank/Austin, N.A., Austin, Texas; Texas American Bank/Breckenridge, N.A., Breckenridge, Texas; Texas American Bank/Dallas, N.A., Dallas, Texas; Texas American Bank/Denison, N.A., Denison, Texas; Texas American Bank/Duncanville, N.A., Duncanville, Texas; Texas American Bank/Farmers Branch, N.A., Farmers Branch, Texas; Texas American Bank/Fort Worth, N.A., Fort Worth, Texas; Texas American Bank/Forum, N.A., Arlington, Texas; Texas American Bank/Fredericksburg, N.A., Fredericksburg, Texas; Texas American Bank/Galleria, N.A., Houston, Texas; Texas American Bank/Greater Southwest, Grand Prairie, Texas; Texas American Bank/LBJ, N.A., Dallas, Texas; Texas American Bank/Levelland, Levelland, Texas; Texas American Bank/Longview, N.A., Longview, Texas; Texas American Bank/McKinney, N.A., McKinney, Texas; Texas American Bank/Midland, N.A., Midland, Texas; Texas American Bank/Plano, N.A., Plano, Texas; Texas American Bank/Prestonwood, N.A., Dallas, Texas; Texas American Bank/Richardson, N.A., Richardson, Texas; Texas American Bank/Southwest, N.A., Stafford, Texas; Texas American Bank/Temple, N.A., Temple, Texas; Texas American Bank/Tyler, N.A., Tyler, Texas; Texas American Bank/Wichita Falls, N.A., Wichita Falls, Texas.

Orders Issued Under Section 4 of the Bank Holding Company Act

Dresdner Bank AG
Frankfurt, Federal Republic of Germany

Order Approving Acquisition of a Limited Partnership Interest in Investment Adviser

Dresdner Bank AG, Frankfurt, Federal Republic of Germany ("Dresdner"), a foreign bank subject to certain provisions of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), to acquire indirectly through its subsidiary, Dresdner Asset Management (U.S.A.) Corporation, Boston, Massachusetts ("Dresdner U.S.A."), a limited partnership interest of 49 percent in Oechsle International Advisors L.P., Boston, Massachusetts ("Oechsle"), a registered investment adviser.[1] Substantially all of the remaining interest in Oechsle would be held by the Oechsle Group, L.P., Boston, Massachusetts ("Oechsle Group").

Oechsle will engage in the following activities that the Board has determined to be closely related to banking and permissible for bank holding companies in Regulation Y:

(1) providing portfolio investment advice and investment management services to institutions and individuals pursuant to 12 C.F.R. 225.25(b)(4)(iii);[2] and (2) serving as investment adviser to investment companies, including sponsoring, organizing and managing closed-end investment companies pursuant to 12 C.F.R. 225.25(b)(4)(ii).

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (54 *Federal Register* 25,173 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Dresdner, with total assets equivalent to approximately $129 billion, is the 26th largest banking organization in the world and the second largest banking organization in the Federal Republic of Germany[3]. In the United States, Dresdner maintains state-licensed branches in New York and Chicago and a state-licensed agency in Los Angeles.[4] Accordingly, Dresdner is subject to the nonbanking restrictions of section 4 of the BHC Act as if it were a domestic bank holding company.

Dresdner also engages in activities in the United States through subsidiaries, described below, that are permissible under section 8(c) of the International Banking Act ("IBA"). Section 8(c) of the IBA permits a foreign bank such as Dresdner to continue to engage in any nonbanking activities in which it was engaged on July 26, 1978. This authority is subject to review by the Board, which may, after opportunity for a hearing, require termination of any grandfathered activity if necessary to prevent adverse effects.

Dresdner currently engages in investment advisory and management activities in the United States through its U.S. subsidiary, ABD Securities Corporation ("ABD Securities"), and ABD Securities' wholly owned U.S. subsidiary, ABD International Management Corporation ("ABD International"), pursuant to section 8(c) of the IBA.[5] ABD Securities is a registered broker-dealer that directly and through subsidiaries engages in a broad range of securities activities not permitted to U.S. bank holding companies, including acting as a floor broker and specialist on the New York Stock Exchange. ABD International, however, is a registered investment adviser that engages solely in permissible investment advisory and management activities.

Oechsle is a registered investment adviser and provides investment advice and management services to pension plans and tax-exempt institutional investors, principally university endowments. The acquisition of the proposed limited partnership interest in Oechsle would permit Dresdner to expand its investment advisory activities in the United States. Section 8(c) does not authorize the expansion of a grandfathered nonbanking activity through the acquisition of a going concern and, under these circumstances, an application is required. Accordingly, Dresdner has applied for the Board's approval of the proposed acquisition under section 4(c)(8) and Regulation Y.

In applications under section 4(c)(8) of the BHC Act, the Board also evaluates the financial resources of the applicant, including its subsidiaries, and the effects of the proposed transaction on those resources.[6] In accordance with the principles of national treatment and competitive equality, the Board has stated it expects a foreign bank to meet the same general standards of financial strength as domestic bank holding companies and to be able to serve as a source of strength to its United States banking operations.[7] The Board has noted in considering ap-

1. Dresdner U.S.A. will initially acquire a 49 percent limited partnership interest in the profits and capital of Oechsle with an option to acquire an additional limited partnership interest up to 51 percent after the first anniversary of the closing date and all of the outstanding limited partnership interests under certain conditions after the fifth anniversary. Dresdner U.S.A. will also select three members of Oechsle's five-member Advisory Committee.

2. Oechsle intends to provide investment management services for tax-exempt institutional investors with respect to investments in U.S. and non-U.S. fixed income securities, and investment management services to high net-worth individuals.

3. Data are as of December 31, 1988.

4. Dresdner's wholly owned subsidiary, Deutsch-Suedamerikanische Bank AG maintains a state-licensed agency in Miama, Florida.

5. Dresdner and Bayerische Hypotheken-und Wechsel-Bank AG own 75 percent and 25 percent, respectively, of the voting shares of ABD Securities.

6. 12 C.F.R. 225.24; *Bayerische Vereinsbank AG*, 73 FEDERAL RESERVE BULLETIN 155, 156 (1987).

7. *The Fuji Bank Limited*, 75 FEDERAL RESERVE BULLETIN, 94, 96 (1989); *Bayerische Vereinsbank AG*, 73 FEDERAL RESERVE BULLETIN 155, 156 (1987); *Toyo Trust and Banking Co., Ltd.*, 74 FEDERAL RESERVE BULLETIN 623 (1988); *Taiyo Kobe Bank, Ltd.*, 74 FEDERAL RESERVE BULLETIN 621 (1988); *The Long-Term Credit Bank of Japan, Limited*, 74 FEDERAL RESERVE BULLETIN 573 (1988); *The Sanwa Bank Limited*, 74 FEDERAL RESERVE BULLETIN 578 (1988); *Sumitomo Trust & Banking Co., Ltd.*, 73 FEDERAL RESERVE BULLETIN 749 (1987); *Ljubljanska Banka-Associated Bank*, 72 FEDERAL RESERVE BULLETIN 489 (1986); *The Mitsubishi Trust and Banking Corporation*, 72 FEDERAL RESERVE BULLETIN 256 (1986); *The Industrial Bank of Japan, Ltd.*, 72 FEDERAL RESERVE BULLETIN 71 (1986); *The Mitsub-*

plications of foreign banking organizations that foreign banks operate outside the United States in accordance with different regulatory and supervisory requirements, accounting principles, asset-quality standards, and banking practices and traditions, and that these differences make it difficult to compare the capital positions of domestic and foreign banks. In the past, the Board has addressed the complex issues involved in balancing these concerns in the context of individual applications on a case-by-case basis, making adjustments as appropriate to an applicant's capital to reflect differences in accounting treatment and regulatory practices.

The Board recently has adopted a proposal to supplement its consideration of capital adequacy with a risk-based system that is simultaneously being proposed by the member countries of the Basle Committee on Banking Regulations and Supervisory Practices and the other domestic federal banking agencies.[8] The Board considers the Basle Committee proposal an important step toward a more consistent and equitable international norm for assessing capital adequacy. Until that framework becomes effective, however, the Board will continue to evaluate applications involving foreign banking organizations on a case-by-case basis consistent with its prior precedent.

In this case, the primary capital ratio of Dresdner, as publicly reported, is below the 5.5 percent minimum level specified in the Board's Capital Adequacy Guidelines. After making adjustments to reflect German banking and accounting practices, as well as consideration of other information relating to Dresdner's overall financial condition, Dresdner's capital ratio meets U.S. standards. The Board also considered several additional factors that mitigate its concerns in this case. The Board notes that the application involves nonbanking activities that generate fee income and that require a small commitment of capital. The Board also notes that nearly one quarter of Dresdner's consolidated assets are mortgage loans funded by mortgage-backed bonds, and that approximately 50 percent of those loans are either made directly to state and local governments of the Federal Republic of Germany or backed by these public bodies. In light of all the facts of record, the Board has determined that financial factors are consistent with approval of the application.

To approve the application, the Board must find that Dresdner's performance of the activities in question "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices." 12 U.S.C. § 1843(c)(8). In evaluating those factors, the Board considered that Dresdner, through ABD Securities, engages in securities activities in the United States that are not permissible for U.S. bank holding companies. As a result, Dresdner could conceivably gain an unfair competitive advantage over domestic bank holding companies by combining grandfathered securities activities with activities permissible under section 4(c)(8). That would occur if the grandfathered activities were used to support or enhance the section 4(c)(8) activities, thus allowing Dresdner to offer a wide array of services not permissible for domestic bank holding companies.

To address the possible adverse effects of Dresdner's proposed acquisition of an interest in Oechsle, Dresdner has made a series of commitments which are consistent with those made in connection with prior Board decisions in this area.[9] These commitments require a complete separation between the operations of ABD Securities and its affiliates and Oechsle in order to address these concerns. In light of these commitments, as well as applicable legal restrictions under federal securities registration laws, the Board believes that Dresdner would not have an unfair competitive advantage in conducting the activities in question under section 4(c)(8), and that those activities would not give rise to conflicts of interest.

In prior decisions, the Board has expressed concern that joint ventures could potentially lead to a matrix of relationships between co-ventures that could break down the legally mandated separation of banking and commerce, create the possibility of conflicts of interest and other adverse effects that the BHC Act was designed to prevent, or impair or give the appearance of impairing the ability of the banking organization to function effectively as an independent and impartial provider of credit.[10] Further, joint ventures must be carefully analyzed for any possible adverse effects on competition and on the financial condition of the banking organization involved in the proposal.

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ishi Bank Limited, 70 FEDERAL RESERVE BULLETIN 518 (1984). *See also* Policy Statement on Supervision and Regulation of Foreign-Based Bank Holding Companies, Federal Reserve Regulatory Service ¶ 4–835 (1979).

8. 54 *Federal Register* 4186 (1989).

9. *Bayerische Vereinsbank AG, supra; Credit Suisse*, 73 FEDERAL RESERVE BULLETIN 160 (1987).

10. *See, e.g., The Fuji Bank Limited*, 75 FEDERAL RESERVE BULLETIN 577; *The Fuji Bank Limited*, 75 FEDERAL RESERVE BULLETIN 94, 95 (1989); *Independent Bankers Financial Corporation*, 72 FEDERAL RESERVE BULLETIN 664 (1986); and *Amsterdam-Rotterdam Bank, N.V.*, 70 FEDERAL RESERVE BULLETIN 835 (1984).

Oechsle Group has stated that it engages only in activities that are permissible for a bank holding company. Furthermore, Dresdner has committed to notify the Board in the event the Oechsle Group determines to engage in any securities business that is impermissible for a state member bank under the Glass- Steagall Act, and to seek Board approval of Dresdner's retention of its interest in Oechsle should the Oechsle Group's securities activities be inconsistent with the Board's Order approving this application.

The Board has also considered whether other adverse effects on competition may result from the proposal and notes that, although Oechsle engages in activities that are also provided by ABD Securities and ABD International, there are numerous competitors for these services and Dresdner's proposal would have a *de minimis* effect on existing competition. Moreover, Dresdner's proposal can be expected to result in some increase in competition due to the financial support provided by Dresdner, thus enabling Oechsle to become a strong competitor.

In light of the facts of record and the commitments offered by Dresdner to enhance the separation of Oechsle from its grandfathered securities affiliates, the Board finds that the proposal would not result in conflicts of interest or decreased or unfair competition. There is also no evidence in the record that Dresdner's proposal would result in any undue concentration of resources, unsound banking practices or other adverse effects.

Based on the foregoing and other facts of record, including Dresdner's commitments, the Board has determined that the balance of public interest factors that it must consider under section 4(c)(8) of the BHC Act is favorable. Accordingly, the Board has determined that the application should be, and hereby is, approved. This determination is further subject to all of the conditions set forth in the Board's Regulation Y, including sections 225.4(d) and 225.23(b), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

By order of the Board of Governors, effective July 31, 1989.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

First Union Corporation
Charlotte, North Carolina

Order Approving Application to Engage in Underwriting and Dealing in Certain Securities to a Limited Extent and in Other Securities Related Activities

First Union Corporation, Charlotte, North Carolina ("First Union"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) for its subsidiary, First Union Securities, Incorporated, Charlotte, North Carolina ("Company"), to engage to a limited extent in underwriting and dealing in:

(1) municipal revenue bonds, including certain industrial development bonds;
(2) 1–4 family mortgage-related securities;
(3) commercial paper; and
(4) consumer-receivable-related securities ("CRRs") (collectively "ineligible securities").

First Union also proposes to underwrite and deal in securities that state member banks are permitted to underwrite and deal in under section 16 of the Banking Act of 1933 (the "Glass–Steagall Act") (12 U.S.C. §§ 24 (Seventh) and 335) (hereinafter "bank-eligible securities"), as permitted by section 225.25(b)(16) of the Board's Regulation Y (12 C.F.R. 225.25(b)(16)).

In addition, First Union proposes to provide investment advisory and brokerage activities separately and on a combined basis subject to conditions established by the Board.[1]

First Union also has applied to engage in the following activities:

(1) investment advisory and brokerage activities separately and on a combined basis to institutional and retail customers;
(2) foreign exchange advisory activities;
(3) futures commission merchant activities;
(4) the purchase and sale of silver and gold for the account of customers; and
(5) financial advisory services.

1. *See*, 12 C.F.R. 225(b)(4) and (b)(15); *Bank of New England Corporation*, 74 FEDERAL RESERVE BULLETIN 700 (1988); and *PNC Financial Corp*, 75 FEDERAL RESERVE BULLETIN 396 (1989).

The Board has previously determined that these activities are permissible for bank holding companies.[2] Applicant has committed to conduct these activities subject to the particular limits imposed by the Board in previous cases.

First Union, with approximately $29.5 billion in assets, is the third largest commercial banking organization in North Carolina.[3] It operates five subsidiary banks and engages directly and through subsidiaries in a broad range of permissible nonbanking activities in the United States.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (54 *Federal Register* 24,038 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Underwriting and Dealing in Ineligible Securities

The Board has previously determined that the conduct of the proposed ineligible securities underwriting and dealing activity is consistent with section 20 of the Glass–Steagall Act (12 U.S.C. § 377), provided the underwriting subsidiary derives no more than 5 percent of its total gross revenue from underwriting and dealing in the approved securities over any two-year period.[4] The Board further found that, subject to the prudential framework of limitations established in those cases to address the potential for conflicts of interest, unsound banking practices or other adverse effects, the proposed underwriting and dealing activities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act. First Union has committed to conduct its ineligible underwriting and dealing activities subject to the 5 percent revenue test and the prudential limitations established by the Board in its previous Orders.[5]

Full-Service Brokerage Activities

The Board has previously determined that full-service securities brokerage for both institutional and retail customers is closely related to banking, and a proper incident to banking under section 4(c)(8) of the BHC Act, and does not violate the Glass–Steagall Act.[6] Under this proposal, Company would provide full-service brokerage to retail customers with respect to ineligible securities that Company may hold as principal in connection with its authorized underwriting and dealing activities. In connection with this activity, First Union has made commitments regarding disclosure that have been approved by the Board in two previous Orders.[7]

Specifically, First Union has committed to provide full and appropriate disclosure of its interest in any transaction, as required by securities laws and fidu-

2. *See*, 12 C.F.R. 225.25(b)(4) (investment or financial advice), (b)(15) (securities brokerage), (b)(17) (foreign exchange advisory and transactional services), (b)(18) (futures commission merchant), and (b)(19) (investment advice on financial futures and options on futures); *Bank of New England Corporation*, 74 FEDERAL RESERVE BULLETIN 700 (1988) and *PNC Financial Corp*, 75 FEDERAL RESERVE BULLETIN 396 (1989) (full-service brokerage to institutional and retail customers); *United Virginia Bankshares, Inc.*, 73 FEDERAL RESERVE BULLETIN 309 (1987) (purchase and sale of silver and gold for the account of customers); and *Signet Banking Corporation*, 73 FEDERAL RESERVE BULLETIN 59 (1987) and *Canadian Imperial Bank of Commerce*, 74 FEDERAL RESERVE BULLETIN 571 (1988) (financial advisory services).

3. Asset data are as of March 31, 1989. Ranking, based on deposits, is as of December 31, 1988.

4. *Citicorp, J.P. Morgan & Co. Incorporated and Bankers Trust New York Corporation*, 73 FEDERAL RESERVE BULLETIN 473 (1987) ("*Citicorp/Morgan/Bankers Trust*"), *aff'd sub nom.*, *Securities Industry Association v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir. 1988), *cert. denied*, 108 S. Ct. 2830 (1988) ("*SIA v. Board*"); and *Chemical New York Corporation, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp, Manufacturers Hanover Corporation* and *Security Pacific Corporation*, 73 FEDERAL RESERVE BULLETIN 731 (1987) ("*Chemical*").

Company may also provide services that are necessary incidents to these approved activities. Any activity conducted as a necessary incident to the ineligible securities activity must be treated as part of the ineligible securities activity unless Company has received specific approval under section 4(c)(8) of the BHC Act to conduct the activity independently. Until such approval is obtained, any revenues from the incidental activity must be counted as ineligible revenue subject to the 5 percent gross revenue limit set forth in *Citicorp/Morgan/Bankers Trust*.

This 5 percent gross revenue limit should be calculated in accordance with the method stated in *J.P. Morgan & Co. Incorporated, et al.*, 75 FEDERAL RESERVE BULLETIN 192 (1989).

5. First Union has not proposed a market share limitation. Accordingly, and in light of the decision in *SIA v. Board*, the Board has determined not to require First Union to comply with a market share limitation.

The industrial development bonds approved for First Union in this case are only those tax-exempt bonds in which the governmental issuer, or the governmental unit on behalf of which the bonds are issued, is the owner for federal income tax purposes of the financed facility (such as airports, mass commuting facilities, and water pollution control facilities). Without further approval from the Board, Company may underwrite and deal in only these types of industrial development bonds.

The Board's approval of the proposed underwriting and dealing activities extends only to Company. The activities may not be conducted by First Union in any other subsidiary without prior Board review. Pursuant to Regulation Y, no corporate reorganization of Company, such as the establishment of subsidiaries of Company to conduct the activities, may be consummated without prior Board approval.

6. *Bank of New England Corporation*, 74 FEDERAL RESERVE BULLETIN 700 (1988); *Bankers Trust New York Corporation*, 74 FEDERAL RESERVE BULLETIN 695 (1988); and *PNC Financial Corp*, 75 FEDERAL RESERVE BULLETIN 396 (1989).

7. *PNC Financial Corp*, 75 FEDERAL RESERVE BULLETIN at 397–398; *Bankers Trust New York Corporation*, 74 FEDERAL RESERVE BULLETIN at 696–698.

ciary principles. Company will inform each brokerage/advisory customer at the commencement of the customer relationship that, as a general matter, Company might be a principal, or might be engaged in an underwriting, with respect to, or might purchase from an affiliate, those securities for which brokerage/advisory services are being provided. At the time a brokerage order is being taken, the customer will be informed whether Company is acting as agent or as principal with respect to the security. Confirmations sent to customers also will state whether Company is acting as agent or principal.

Moreover, Company will conduct its brokerage and advisory activities within the same framework approved by the Board in *Bank of New England Corporation*. Thus, First Union has committed that, before providing any brokerage or advisory services to retail customers, Company will prominently disclose in writing to each such customer that Company is not a bank and is separate from any affiliated bank, and that the securities sold, offered, or recommended by Company are not deposits, are not insured by the Federal Deposit Insurance Corporation, are not guaranteed by an affiliated bank, and are not otherwise an obligation of an affiliated bank, unless such is in fact the case.[8]

Consummation of the proposal would provide added convenience to First Union's customers. In addition, the Board expects that the *de novo* entry of First Union into the market for these services would increase the level of competition among providers of these services. With regard to each of the proposed activities, First Union has committed to adhere to limitations the Board previously has found adequate to address the possibility of any adverse effects arising from such activities. Accordingly, based upon the facts of record and the commitments made by First Union regarding the conduct of these activities the Board has determined that the performance of the proposed activities by First Union can reasonably be expected to produce public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the foregoing, the Board has determined to, and hereby does, approve the application subject to all the terms and conditions established by the Board in the above mentioned regulations and orders, except the market share limitation.

8. Moreover, First Union proposes to exercise discretionary portfolio management for institutional customers only, subject to the same limitations of the Board's *J.P. Morgan & Co. Inc.* Order, 73 FEDERAL RESERVE BULLETIN 810 (1987). Investment advice would be provided on an integrated basis, *i.e.*, Company would not charge an explicit fee for the investment advice and would receive fees only for transactions executed for customers.

The Board's determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder.

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

By order of the Board of Governors, effective July 31, 1989.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

SouthTrust Corporation
Birmingham, Alabama

Order Approving Application to Underwrite and Deal in Certain Securities, to Offer Full-Service Brokerage Services, and to Engage in Commercial Paper Placement

SouthTrust Corporation, Birmingham, Alabama ("SouthTrust"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), for its subsidiary, SouthTrust Securities, Incorporated, Birmingham, Alabama ("Company"), to engage to a limited extent in underwriting and dealing in:

(1) municipal revenue bonds, including certain industrial development bonds;
(2) 1–4 family mortgage-related securities;
(3) commercial paper; and
(4) consumer-receivable-related securities (collectively referred to as "ineligible securities").

SouthTrust also proposes to underwrite and deal in securities that state member banks are permitted to underwrite and deal in under section 16 of the Banking Act of 1933 (the "Glass-Steagall Act") (12 U.S.C. §§ 24 Seventh and 335) (hereinafter "eligible securities"), as permitted by section 225.25(b)(16) of Regulation Y (12 C.F.R. 225.25(b)(16)).

In addition to underwriting and dealing in eligible and ineligible securities, SouthTrust proposes to offer securities brokerage and investment advice on a combined basis ("full-service brokerage") to institutional and retail customers. SouthTrust also has applied to act as agent and advisor in connection with the placement of commercial paper with institutional investors.

SouthTrust, with approximately $6.8 billion in consolidated assets, is the second largest commercial banking organization in Alabama.[1] It operates 40 subsidiary banks and engages directly and through subsidiaries in a broad range of permissible nonbanking activities in the United States.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (54 *Federal Register* 23,267 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Underwriting and Dealing in Ineligible Securities. The Board has previously determined that the conduct of the proposed ineligible securities underwriting and dealing is consistent with section 20 of the Glass–Steagall Act, provided the underwriting subsidiary derives no more than 5 percent of its total gross revenue from underwriting and dealing in ineligible securities over any two-year period.[2] The Board further found that, subject to the prudential framework of limitations established in those cases to address the potential for conflicts of interest, unsound banking practices or other adverse effects, the proposed underwriting and dealing activities were so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act. SouthTrust has committed to conduct its ineligible securities underwriting and dealing activities subject to the 5 percent revenue test and the prudential limitations established by the Board in its previous Orders.[3]

Full-Service Brokerage Activities. The Board has previously determined that full-service securities brokerage for both institutional and retail customers is closely related and a proper incident to banking under section 4(c)(8) of the BHC Act, and does not violate the Glass–Steagall Act. *Bank of New England Corporation,* 74 FEDERAL RESERVE BULLETIN 700 (1988) ("*Bank of New England*").[4] Under this proposal, Company will provide full-service brokerage to retail customers with respect to ineligible securities that Company may hold as principal in connection with its authorized underwriting and dealing activities. SouthTrust has made commitments regarding disclosure that have been approved by the Board previously with regard to such activity.[5]

Specifically, SouthTrust has committed to provide full and appropriate disclosure of its interest in any transaction, as required by securities laws, the National Association of Securities Dealers and fiduciary principles. Company will inform each brokerage/advisory customer at the commencement of the customer relationship that, as a general matter, Company might be a principal, or might be engaged in an underwriting, with respect to, or might purchase from an affiliate, those securities for which brokerage/advisory services are being provided. At the time a brokerage order is being taken, the customer will be informed whether Company is acting as agent or as principal with respect to the security. Confirmations sent to customers also will state whether Company is acting as agent or principal.

1. Asset data and ranking are as of March 31, 1989.

2. *See Citicorp, J.P. Morgan & Co. Incorporated, and Bankers Trust New York Corporation,* 73 FEDERAL RESERVE BULLETIN 473 (1987) ("*Citicorp/Morgan/Bankers Trust*"), *aff'd sub nom., Securities Industry Association v. Board of Governors of the Federal Reserve System,* 839 F.2d 47 (2d Cir. 1988), *cert. denied,* 108 S. Ct. 2830 (1988) ("*SIA v. Board*"); and *Chemical New York Corporation, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp, Manufacturers Hanover Corporation,* and *Security Pacific Corporation,* 73 FEDERAL RESERVE BULLETIN 731 (1987) ("*Chemical*").

3. SouthTrust has not proposed a market share limitation and, in light of the decision in *SIA v. Board,* the Board has determined not to require SouthTrust to comply with a market share limitation.

Company may also provide services that are necessary incidents to these approved activities. Any activity conducted as a necessary incident to the ineligible securities underwriting and dealing activity must be treated as part of the ineligible securities activity unless Company has received specific approval under section 4(c)(8) of the BHC Act to conduct the activity independently. Until such approval is obtained, any revenues from the incidental activity must be counted as ineligible revenue subject to the 5 percent gross revenue limit set forth in *Citicorp/Morgan/Bankers Trust.*

This 5 percent gross revenue limit should be calculated in accordance with the method stated in *J.P. Morgan & Co. Incorporated, et al.,* 75 FEDERAL RESERVE BULLETIN 192 (1989).

The industrial development bonds approved for SouthTrust in this case are only those tax-exempt bonds in which the governmental issuer, or the governmental unit on behalf of which the bonds are issued, is the owner for federal income tax purposes of the financed facility (such as airports, mass commuting facilities, and water pollution control facilities). Without further approval from the Board, Company may underwrite or deal in only these types of industrial development bonds.

The Board's approval of the proposed underwriting and dealing activities extends only to Company. The activities may not be conducted by SouthTrust in any other subsidiary without prior Board review. Pursuant to Regulation Y, no corporate reorganization of Company, such as the establishment of subsidiaries of Company to conduct the activities, may be consummated without prior Board approval.

4. *See also National Westminster Bank PLC, et al.,* 72 FEDERAL RESERVE BULLETIN 584 (1986), *aff'd sub nom., Securities Industry Ass'n v. Board of Governors of the Federal Reserve System,* 821 F.2d 810 (D.C. Cir. 1987), *cert. denied,* 108 S.Ct. 697 (1988).

5. *PNC Financial Corp,* 75 FEDERAL RESERVE BULLETIN at 396, 397–398 (1986).

Moreover, Company will conduct its brokerage and advisory activities within the same framework approved by the Board in *Bank of New England*. Thus, Company has committed that, before providing any brokerage or advisory services to retail customers, Company will prominently disclose in writing to each such customer that Company is not a bank and is separate from any affiliated bank, and that the securities sold, offered, or recommended by Company are not deposits, are not insured by the Federal Deposit Insurance Corporation, are not guaranteed by an affiliated bank, and are not otherwise an obligation of an affiliated bank, unless such is in fact the case.[6] In addition, no officer, director or employee of Company will serve as an officer, director or employee of any affiliated bank.

Private Placement of Commercial Paper. The Board has previously determined that commercial paper placement is closely related to banking. *See, e.g., The Bank of Montreal*, 74 FEDERAL RESERVE BULLETIN 500 (1988). SouthTrust has proposed to place commercial paper in accordance with all of the terms and conditions of the Board's Order in *The Bank of Montreal*.[7]

Consummation of the proposal would provide added convenience to SouthTrust's customers. In addition, the Board expects that the *de novo* entry of SouthTrust into the market for these services would increase the level of competition among providers of these services. With regard to each of the proposed activities, SouthTrust has committed to adhere to limitations the Board previously has found adequate to address the possibility of any adverse effects arising from such activities. Accordingly, the Board has determined that the performance of the proposed activities by SouthTrust can reasonably be expected to produce public benefits that would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the foregoing, the Board has determined to approve the proposed activities subject to all of the terms and conditions established in the *Citicorp/Morgan/Bankers Trust, Chemical, PNC Financial Corp*, and *The Bank of Montreal* Orders.

The Board's determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder.

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

By order of the Board of Governors, effective July 10, 1989.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

6. As an incident to the proposed brokerage activities, SouthTrust proposes to offer, through Company, custodial services, cash management services, margin lending, maintenance of customer accounts, and sweep arrangements, previously approved by the Board. *BankAmerica Corporation/Schwab*, 69 FEDERAL RESERVE BULLETIN 105, 108–109 (1983).

Moreover, SouthTrust proposes to exercise discretionary portfolio management for institutional customers who desire such services, but only within defined parameters and at the customer's request. SouthTrust does not intend to market this service. Investment advice would be provided on an integrated basis; Company would not charge an explicit fee for the investment advice and would receive fees only for transactions executed for customers. *See J.P. Morgan & Co. Incorporated*, 73 FEDERAL RESERVE BULLETIN 810 (1987).

7. SouthTrust has not proposed any quantitative limitations on its placement activity, in accordance with the Board's determination in *The Bank of Montreal* that quantitative limitations are not necessary to ensure compliance with the Glass–Steagall Act.

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

Security Bancshares, Inc.
Scott City, Kansas

Order Approving Acquisition of a Bank and Nonbanking Subsidiary

Security Bancshares, Inc., Scott City, Kansas ("Bancshares"), has applied for the Board's approval under section 3(a)(3) of the Bank Holding Company Act (the "Act") (12 U.S.C. § 1842(a)(3)) to acquire Farmers State Bank of Oakley, Oakley, Kansas ("Bank"). Bancshares has also applied under section 4(c)(8)(C) of the Act to acquire Medlin Insurance Agency, Inc., Oakley, Kansas ("Medlin Agency"), currently a nonbanking subsidiary of Bank, which is engaged in general insurance agency activities in a community with a population of under 5,000.

Notice of the applications, affording an opportunity for interested persons to submit comments, has been duly published (54 *Federal Register* 14,864 (1989)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3(c) and 4(c)(8) of the Act.

Bancshares controls one subsidiary bank, Security State Bank, Scott City, Kansas ("Security Bank"). Security Bank (deposits of $53.57 million) and Bank (deposits of $23.28 million) are among the smaller banking organizations in Kansas, each controlling substantially less than one percent of statewide commercial bank deposits.[1] Consummation of this proposal would not increase significantly the concentration of banking resources in Kansas.

Bank and Security Bank do not compete in the same banking market. In light of the facts of record, consummation of this proposal would not have a significant adverse effect on competition in any relevant banking market.

Bancshares's proposed capital injection into Bank will serve to improve the condition of Bank and enhance its future prospects. Based on this and other facts of record, the Board concludes that the financial and managerial resources and future prospects of Bancshares, Security Bank, and Bank are consistent with approval. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval.

Bancshares also has applied to acquire 100 percent of the voting shares of Medlin Agency. Medlin Agency conducts general insurance agency activities in Oakley, Kansas (where Bank is located) and in surrounding Logan County, a place with a population not exceeding 5,000. The Board previously has determined that such activities are permissible for bank holding companies under section 225.25(b)(8)(iii) of the Board's Regulation Y (12 C.F.R. 225.25(b)(8)(iii)). Bancshares has committed to abide by the limitations contained in that section with respect to the conduct of such activities.

In light of the facts of record, the Board concludes that Bancshares's acquisition of Medlin Agency would not significantly affect competition in any relevant market. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, unfair competition, conflicts of interest, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved. The banking acquisition shall not be consummated before the thirtieth calendar day following the effective date of this Order, and neither the banking acquisition nor the nonbanking acquisition shall occur later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City, acting pursuant to delegated authority. The determination with respect to Bancshares's acquisition of the Medlin Agency is subject to all of the conditions set forth in Regulation Y, including those in sections 225.4(b) and 225.23(b), and to the Board's authority to require 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 July 31, 1989.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

1. Banking data are as of March 31, 1989.

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT

By the Secretary of the Board

Recent applications have been approved by the Secretary of the Board as listed below. Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 4

Applicant	Nonbanking Activity/ Company	Effective date
National City Corporation, Cleveland, Ohio	Shawmut Mortgage Corporation, Miamisburg, Ohio	July 13, 1989

By Federal Reserve Banks

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

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
BMR Financial Group, Inc., Atlanta, Georgia	Bay Bankshares, Inc., Clearwater, Florida	Atlanta	July 13, 1989
BOC Banshares, Inc., Chouteau, Oklahoma	Bank of Commerce, Chouteau, Oklahoma	Kansas City	July 13, 1989
Bosshard Banco, Ltd., La Crosse, Wisconsin	Bank of Stoddard, Stoddard, Wisconsin Ferryville State Bank, Ferryville, Wisconsin	Minneapolis	June 30, 1989
Campbell Hill Bancshares, Inc., Campbell Hill, Illinois	First State Bank of Campbell Hill, Campbell Hill, Illinois	St. Louis	June 29, 1989
Central of Kansas, Inc., Junction City, Kansas Central of Kansas V, Inc., Junction City, Kansas	The Durham State Bank, Durham, Kansas	Kansas City	July 26, 1989
Commercial Bankstock, Inc., Oklahoma City, Oklahoma	Mercentile Bancorp, Inc., Moore, Oklahoma	Kansas City	July 24, 1989
Community Illinois Corporation, Rock Falls, Illinois	Community State Bank of Rock Falls, Rock Falls, Illinois	Chicago	July 7, 1989
Country Bank Shares, Inc., Milford, Nebraska	Farmers and Merchants Bank, Milford, Nebraska	Kansas City	June 27, 1989
Dahlonega Bancorp, Inc., Dahlonega, Georgia	Georgia First Bank, Gainesville, Georgia	Atlanta	June 28, 1989
Fifth Third Bancorp, Cincinnati, Ohio	C.S. Bancshares, Inc., Connersville, Indiana	Cleveland	July 14, 1989
Firstar Corporation, Milwaukee, Wisconsin	The First National Bank of Wisconsin Rapids, Wisconsin Rapids, Wisconsin	Chicago	June 26, 1989
Firstar Corporation, Milwaukee, Wisconsin F.W.S.F. Corporation, Milwaukee, Wisconsin	Elkhorn Bankshares Corporation, Elkhorn, Wisconsin	Chicago	June 26, 1989
First Busey Corporation, Urbana, Illinois	St. Joseph Bancorp, St. Joseph, Illinois	Chicago	July 19, 1989
First Commercial Holding Corporation, Asheville, North Carolina	First Commercial Bank, Asheville, North Carolina	Richmond	June 26, 1989
First Financial Bancorp, Monroe, Ohio	ILB Financial Corp., North Manchester, Indiana	Cleveland	July 6, 1989
First Financial Bancorp, Monroe, Ohio	Union Trust Company, Union City, Indiana	Cleveland	July 5, 1989

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
First Holmes Corporation, Lexington, Mississippi	Citizens Financial Corporation, Belzoni, Mississippi	St. Louis	July 7, 1989
First National Financial Corporation, Manchester, Kentucky	First National Bank of Manchester, Manchester, Kentucky	Cleveland	July 19, 1989
Franklin Financial Corporation, Franklin, Tennessee	Franklin National Bank, Franklin, Tennessee	Atlanta	July 14, 1989
Guaranty Bancshares Corporation, Shamokin, Pennsylvania	Guaranty Bank of Princeton, Princeton, New Jersey	Philadelphia	July 12, 1989
Heritage Bancshares Corporation, Pennock, Minnesota	Monticello Bancshares, Inc., Monticello, Minnesota	Minneapolis	June 29, 1989
Hutchinson Financial Corporation, Wichita, Kansas	Iuka Bancshares, Inc., Iuka, Kansas	Kansas City	June 27, 1989
Illinois Financial Services, Inc., Chicago, Illinois	PDB Investment Corporation, Norridge, Illinois	Chicago	July 21, 1989
Jefferson Bankshares, Inc., Charlottesville, Virginia	Chesapeake Bank Corporation, Chesapeake, Virginia	Richmond	July 5, 1989
Lordsburg Financial Corporation, Lordsburg, New Mexico	Western Bank, Lordsburg, New Mexico	Dallas	July 20, 1989
Madison Agency, Inc., Sioux Falls, South Dakota	State Bank of Hendricks, Hendricks, Minnesota	Minneapolis	June 23, 1989
Meridian Bancorp, Inc., Reading, Pennsylvania	First Commercial Bank of Philadelphia, Philadelphia, Pennsylvania	Philadelphia	July 7, 1989
Michigan National Corporation, Farmington Hills, Michigan	First State Bank and Trust Company, Port Lavaca, Texas	Chicago	June 29, 1989
Midlantic Corporation, Edison, New Jersey	Central Trust Company, Rochester, New York Endicott Trust Company, Endicott, New York The First National Bank of Moravia, Moravia, New York The Merchants National Bank & Trust Company of Syracuse, Syracuse, New York Union National Bank, Albany, New York	New York	July 14, 1989
Mountain West Banking Corporation, Denver, Colorado	International Bancorp, Denver, Colorado	Kansas City	July 18, 1989
National Westminster Bancorp NJ, Jersey City, New Jersey	Ultra Bancorporation, Bridgewater, New Jersey	New York	July 12, 1989

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
National Westminster Bank PLC, London, England NatWest Holdings Inc., Wilmington, Delaware National Westminster Bancorp Inc., New York, New York	Ultra Bancorporation, Bridgewater, New Jersey	New York	July 12, 1989
NB Corporation, Charlottesville, Virginia	Chesapeake Bank & Trust, Chesapeake, Virginia American Bank, Newport News, Virginia	Richmond	July 5, 1989
New Richland Bancshares, Inc., New Richland, Minnesota	State Bank of New Richland, New Richland, Minnesota	Minneapolis	July 14, 1989
North Georgia National Bancshares, Inc., Woodstock, Georgia	North Georgia National Bank, Woodstock, Georgia	Atlanta	July 13, 1989
Peoples Bancorp of Winchester Inc., Winchester, Kentucky	Peoples Commercial Bank, Winchester, Kentucky	Cleveland	June 23, 1989
Peoples Heritage Financial Group, Inc., Portland, Maine	First Coastal Banks, Inc., Portsmouth, New Hampshire	Boston	June 22, 1989
Peoples First Corporation, Paducah, Kentucky	Salem Bank, Inc., Salem, Kentucky	St. Louis	June 23, 1989
Pine Creek Bancorp, Inc., Oakland, Illinois	The Oakland National Bank, Oakland, Illinois	Chicago	July 7, 1989
Pioneer Acquisition Corp., Ladysmith, Wisconsin	Pioneer National Bank of Ladysmith, Ladysmith, Wisconsin	Minneapolis	July 6, 1989
SBK Bancshares, Inc., Kiel, Wisconsin	State Bank of Kiel, Kiel, Wisconsin	Chicago	June 22, 1989
State Savings Bancorp, Inc., Caro, Michigan	State Savings Bank of Caro, Caro, Michigan	Chicago	July 24, 1989
Wauneta Falls Bancorp, Inc., Wauneta, Nebraska	Wauneta Falls Bank, Wauneta, Nebraska	Kansas City	July 11, 1989

Section 4

Applicant	Nonbanking Activity/ Company	Reserve Bank	Effective date
Algemene Bank Nederland, N.V., Amsterdam, The Netherlands	Lease Plan Holdings N.V., Amsterdam, The Netherlands	Chicago	June 23, 1989
Banc One Corporation, Columbus, Ohio	Banc One Brokerage Corporation, Columbus, Ohio	Cleveland	July 24, 1989

Section 4—Continued

Applicant	Nonbanking Activity/ Company	Reserve Bank	Effective date
First Bank System, Inc., Minneapolis, Minnesota	V. J. Schaefer Agency, Adams, Minnesota	Minneapolis	July 18, 1989
Fleet/Norstar Financial Group, Inc., Providence, Rhode Island	Shatkin Financial Services, Inc., Chicago, Illinois	Boston	July 11, 1989
The Fuji Bank, Limited, Tokyo, Japan	Heller Financial, Inc., Chicago, Illinois	New York	July 12, 1989
Grand Bank Financial Corporation, Grand Rapids, Michigan	Grand Financial Associates, Inc., Grand Rapids, Michigan	Chicago	July 18, 1989
RHNB Corporation, Rock Hill, South Carolina	Sterling Commercial Corporation, Charlotte, North Carolina	Richmond	June 30, 1989
United Saver's Bancorp, Inc., Manchester, New Hampshire	loan servicing activities	Boston	July 11, 1989
U.S. Trust Corporation, New York, New York	Denker & Goodwin Incorporated, Dallas, Texas	New York	June 23, 1989

Applications Approved Under Bank Merger Act

By Federal Reserve Banks

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

Applicant	Bank(s)	Reserve Bank	Effective date
The Bank of New York, New York, New York	Irving Trust Company, New York, New York Bank of Long Island, Babylon, New York Dutchess Bank & Trust Company, Poughkeepsie, New York Nanuet National Bank, Nanuet, New York Scarsdale National Bank and Trust Company, Scarsdale, New York	New York	June 29, 1989

Applicant	Bank(s)	Reserve Bank	Effective date
Crestar Bank, Richmond, Virginia	Mountain National Bank of Clifton Forge, Clifton Forge, Virginia	New York	June 29, 1989
First of America Bank-Northern Michigan, Cheboygan, Michigan	First of America Bank-Grand Traverse, National Association, Traverse City, Michigan	Chicago	June 30, 1989
Norstar Bank, Hempstead, New York	The First National Bank of Downsville, Downsville, New York	New York	July 5, 1989
Texas Commerce Bank-Rio Grande Valley, Brownsville, Texas	Commerce of Brownsville, Brownsville, Texas	Dallas	July 13, 1989

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.

CB&T Bancshares, Inc. v. Board of Governors, No. 89–1394 (D.C. Cir., filed June 21, 1989).

MCorp v. Board of Governors, No. 89–1677 (S.D. Tex. filed May 2, 1989).

Independent Insurance Agents of America, Inc. v. Board of Governors, No. 89–4030 (2d Cir., filed March 9, 1989).

Securities Industry Association v. Board of Governors, No. 89–1127 (D.C. Cir., filed February 16, 1989).

American Land Title Association v. Board of Governors, No. 88–1872 (D.C. Cir., filed December 16, 1988).

MCorp v. Board of Governors, No. CA3–88–2693-F (N.D. Tex., filed October 28, 1988).

White v. Board of Governors, No. CU-S-88–623-RDF (D. Nev., filed July 29, 1988).

VanDyke v. Board of Governors, No. 88–5280 (8th Cir., filed July 13, 1988).

Baugh v. Board of Governors, No. C88–3037 (N.D. Iowa, filed April 8, 1988).

Bonilla v. Board of Governors, No. 88–1464 (7th Cir., filed March 11, 1988).

Cohen v. Board of Governors, No. 88–1061 (D.N.J., filed March 7, 1988).

Stoddard v. Board of Governors, No. 88–1148 (D.C. Cir., filed February 25, 1988).

Teichgraeber v. Board of Governors, No. 87–2505–0 (D. Kan., filed Oct. 16, 1987).

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

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

Membership of the Board of Governors of the Federal Reserve System, 1913–89

APPOINTIVE MEMBERS[1]

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership[2]
Charles S. Hamlin	Boston	Aug. 10, 1914	Reappointed in 1916 and 1926. Served until Feb. 3, 1936.[3]
Paul M. Warburg	New York	do.	Term expired Aug. 9, 1918.
Frederic A. Delano	Chicago	do.	Resigned July 21, 1918.
W.P.G. Harding	Atlanta	do.	Term expired Aug. 9, 1922.
Adolph C. Miller	San Francisco	do.	Reappointed in 1924. Reappointed in 1934 from the Richmond District. Served until Feb. 3, 1936.[3]
Albert Strauss	New York	Oct. 26, 1918	Resigned Mar. 15, 1920.
Henry A. Moehlenpah	Chicago	Nov. 10, 1919	Term expired Aug. 9, 1920.
Edmund Platt	New York	June 8, 1920	Reappointed in 1928. Resigned Sept. 14, 1930.
David C. Wills	Cleveland	Sept. 29, 1920	Term expired Mar. 4, 1921.
John R. Mitchell	Minneapolis	May 12, 1921	Resigned May 12, 1923.
Milo D. Campbell	Chicago	Mar. 14, 1923	Died Mar. 22, 1923.
Daniel R. Crissinger	Cleveland	May 1, 1923	Resigned Sept. 15, 1927.
George R. James	St. Louis	May 14, 1923	Reappointed in 1931. Served until Feb. 3, 1936.[4]
Edward H. Cunningham	Chicago	do.	Died Nov. 28, 1930.
Roy A. Young	Minneapolis	Oct. 4, 1927	Resigned Aug. 31, 1930.
Eugene Meyer	New York	Sept. 16, 1930	Resigned May 10, 1933.
Wayland W. Magee	Kansas City	May 18, 1931	Term expired Jan. 24, 1933.
Eugene R. Black	Atlanta	May 19, 1933	Resigned Aug. 15, 1934.
M.S. Symczak	Chicago	June 14, 1933	Reappointed in 1936 and 1948. Resigned May 31, 1961.
J.J. Thomas	Kansas City	do.	Served until Feb. 10, 1936.[3]
Marriner S. Eccles	San Francisco	Nov. 15, 1934	Reappointed in 1936, 1940, and 1944. Resigned July 14, 1951.
Joseph A. Broderick	New York	Feb. 3, 1936	Resigned Sept. 30, 1937.
John K. McKee	Cleveland	do.	Served until Apr. 4, 1946.[3]
Ronald Ransom	Atlanta	do.	Reappointed in 1942. Died Dec. 2, 1947.
Ralph W. Morrison	Dallas	Feb. 10, 1936	Resigned July 9, 1936.
Chester C. Davis	Richmond	June 25, 1936	Reappointed in 1940. Resigned Apr. 15, 1941.
Ernest G. Draper	New York	Mar. 30, 1938	Served until Sept. 1, 1950.[3]
Rudolph M. Evans	Richmond	Mar. 14, 1942	Served until Aug. 13, 1954.[3]
James K. Vardaman, Jr.	St. Louis	Apr. 4, 1946	Resigned Nov. 30, 1958.
Lawrence Clayton	Boston	Feb. 14, 1947	Died Dec. 4, 1949.
Thomas B. McCabe	Philadelphia	Apr. 15, 1948	Resigned Mar. 31, 1951.
Edward L. Norton	Atlanta	Sept. 1, 1950	Resigned Jan. 31, 1952.
Oliver S. Powell	Minneapolis	do.	Resigned June 30, 1952.
Wm. McC. Martin, Jr.	New York	April 2, 1951	Reappointed in 1956. Term expired Jan. 31, 1970.
A.L. Mills, Jr.	San Francisco	Feb. 18, 1952	Reappointed in 1958. Resigned Feb. 28, 1965.
J.L. Robertson	Kansas City	do.	Reappointed in 1964. Resigned Apr. 30, 1973.
C. Canby Balderston	Philadelphia	Aug. 12, 1954	Served through Feb. 28, 1966.
Paul E. Miller	Minneapolis	Aug. 13, 1954	Died Oct. 21, 1954.
Chas. N. Shepardson	Dallas	Mar. 17, 1955	Retired Apr. 30, 1967.
G.H. King, Jr.	Atlanta	Mar. 25, 1959	Reappointed in 1960. Resigned Sept. 18, 1963.
George W. Mitchell	Chicago	Aug. 31, 1961	Reappointed in 1962. Served until Feb. 13, 1976.[3]

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership[2]
J. Dewey Daane	Richmond	Nov. 29, 1963	Served until Mar. 8, 1974.[3]
Sherman J. Maisel	San Francisco	Apr. 30, 1965	Served through May 31, 1972.
Andrew F. Brimmer	Philadelphia	Mar. 9, 1966	Resigned Aug. 31, 1974.
William W. Sherrill	Dallas	May 1, 1967	Reappointed in 1968. Resigned Nov. 15, 1971.
Arthur F. Burns	New York	Jan. 1, 1970	Term began Feb. 1, 1970. Resigned Mar. 31, 1978.
John E. Sheehan	St. Louis	Jan. 4, 1972	Resigned June 1, 1975.
Jeffrey M. Bucher	San Francisco	June 5, 1972	Resigned Jan. 2, 1976.
Robert C. Holland	Kansas City	June 11, 1973	Resigned May 15, 1976.
Henry C. Wallich	Boston	Mar. 8, 1974	Resigned Dec. 15, 1986
Philip E. Coldwell	Dallas	Oct. 29, 1974	Served through Feb. 29, 1980.
Philip C. Jackson, Jr	Atlanta	July 14, 1975	Resigned Nov. 17, 1978.
J. Charles Partee	Richmond	Jan. 5, 1976	Served until Feb. 7, 1986.[3]
Stephen S. Gardner	Philadelphia	Feb. 13, 1976	Died Nov. 19, 1978.
David M. Lilly	Minneapolis	June 1, 1976	Resigned Feb. 24, 1978.
G. William Miller	San Francisco	Mar. 8, 1978	Resigned Aug. 6, 1979.
Nancy H. Teeters	Chicago	Sept. 18, 1978	Served through June 27, 1984.
Emmett J. Rice	New York	June 20, 1979	Resigned Dec. 31, 1986.
Frederick H. Schultz	Atlanta	July 27, 1979	Served through Feb. 11, 1982.
Paul A. Volcker	Philadelphia	Aug. 6, 1979	Resigned August 11, 1987.
Lyle E. Gramley	Kansas City	May 28, 1980	Resigned Sept. 1, 1985.
Preston Martin	San Francisco	Mar. 31, 1982	Resigned April 30, 1986.
Martha R. Seger	Chicago	July 2, 1984	
Wayne D. Angell	Kansas City	Feb. 7, 1986	
Manuel H. Johnson	Richmond	Feb. 7, 1986	
H. Robert Heller	San Francisco	Aug. 19, 1986	Resigned July 31, 1989.
Edward W. Kelley, Jr.	Dallas	May 26, 1987	
Alan Greenspan	New York	Aug. 11, 1987	
John P. LaWare	Boston	Aug. 15, 1988	

Chairmen[4]

Charles S. Hamlin	Aug. 10, 1914–Aug. 9, 1916
W.P.G. Harding	Aug. 10, 1916–Aug. 9, 1922
Daniel R. Crissinger	May 1, 1923–Sept. 15, 1927
Roy A. Young	Oct. 4, 1927–Aug. 31, 1930
Eugene Meyer	Sept. 16, 1930–May 10, 1933
Eugene R. Black	May 19, 1933–Aug. 15, 1934
Marriner S. Eccles	Nov. 15, 1934—Jan. 31, 1948
Thomas B. McCabe	Apr. 15, 1948–Mar. 31, 1951
Wm. McC. Martin, Jr.	Apr. 2, 1951–Jan. 31, 1970
Arthur F. Burns	Feb. 1, 1970–Jan. 31, 1978
G. William Miller	Mar. 8, 1978–Aug. 6, 1979
Paul A. Volcker	Aug. 6, 1979–Aug. 11, 1987
Alan Greenspan	Aug. 11, 1987–

Vice Chairmen[4]

Frederic A. Delano	Aug. 10, 1914–Aug. 9, 1916
Paul M. Warburg	Aug. 10, 1916–Aug. 9, 1918
Albert Strauss	Oct. 26, 1918–Mar. 15, 1920
Edmund Platt	July 23, 1920–Sept. 14, 1930
J.J. Thomas	Aug. 21, 1934–Feb. 10, 1936
Ronald Ransom	Aug. 6, 1956–Dec. 2, 1947
C. Canby Balderston	Mar. 11, 1955–Feb. 28, 1966
J.L. Robertson	Mar. 1, 1966–Apr. 30, 1973
George W. Mitchell	May 1, 1973–Feb. 13, 1976
Stephen S. Gardner	Feb. 13, 1976–Nov. 19, 1978
Frederick H. Schultz	July 27, 1979–Feb. 11, 1982
Preston Martin	Mar. 31, 1982–Mar. 31, 1986
Manuel H. Johnson	Aug. 22, 1986–

EX-OFFICIO MEMBERS[1]

Secretaries of the Treasury

W.G. McAdoo	Dec. 23, 1913–Dec. 15, 1918
Carter Glass	Dec. 16, 1918–Feb. 1, 1920
David F. Houston	Feb. 2, 1920–Mar. 3, 1921
Andrew W. Mellon	Mar. 4, 1921–Feb. 12, 1932
Ogden L. Mills	Feb. 12, 1932–Mar. 4, 1933
William H. Woodin	Mar. 4, 1933–Dec. 31, 1933
Henry Morgenthau Jr.	Jan. 1, 1934–Feb. 1, 1936

Comptrollers of the Currency

John Skelton Williams	Feb. 2, 1914–Mar. 2, 1921
Daniel R. Crissinger	Mar. 17, 1921–Apr. 30, 1923
Henry M. Dawes	May 1, 1923–Dec. 17, 1924
Joseph W. McIntosh	Dec. 20, 1924–Nov. 20, 1928
J.W. Pole	Nov. 21, 1928–Sept. 20, 1932
J.F.T. O'Connor	May 11, 1933–Feb. 1, 1936

1. Under the provisions of the original Federal Reserve Act, the Federal Reserve Board was composed of seven members, including five appointive members, the Secretary of the Treasury, who was ex-officio chairman of the Board, and the Comptroller of the Currency. The original term of office was ten years, and the five original appointive members had terms of two, four, six, eight, and ten years respectively. In 1922 the number of appointive members was increased to six, and in 1933 the term of office was increased to twelve years. The Banking Act of 1935, approved Aug. 23, 1935, changed the name of the Federal Reserve Board to the Board of Governors of the Federal Reserve System and provided that the Board should be composed of seven appointive members; that the Secretary of the Treasury and the Comptroller of the Currency should continue to serve as members until Feb. 1, 1936, or until their successors were appointed and had qualified; and that thereafter the terms of members should be fourteen years and that the designation of Chairman and Vice Chairman of the Board should be for a term of four years.

2. Date after words "Resigned" and "Retired" denotes final day of service.

3. Successor took office on this date.

4. Chairman and Vice Chairman were designated Governor and Vice Governor before Aug. 23, 1935.

Financial and Business Statistics

NOTE. *The following tables may have some discontinuities in historical data for some series beginning with the March 1989 issue: 1.10, 1.17, 1.20, 1.21, 1.22, 1.23, 1.24, 1.25, 1.26, 1.28, 1.30, 1.31, 1.32, 1.35, 1.36, 1.37, 1.39, 1.40, 1.41, 1.42, 1.43, 1.45, 1.46, 1.47, 1.48, 1.50, 1.53, 1.54, 1.55, 1.56, 2.11, 2.14, 2.15, 2.16, 2.17, 3.14, and 3.21. For a more detailed explanation of the changes, see the announcement on pages 288–89 of the April 1989* BULLETIN.

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

Annual rates of change, seasonally adjusted in percent[1]

Monetary and credit aggregates	1988		1989		1989				
	Q3	Q4	Q1	Q2	Feb.	Mar.	Apr.	May	June
Reserves of depository institutions[2]									
1 Total	3.1	−.8	−4.2	−8.7	−2.2	−8.1	−7.8	−14.6	−8.0
2 Required	2.9	−1.5	−4.4	−7.6	−2.4	−4.3	−4.3	−20.0	−5.5
3 Nonborrowed	1.3	5.3	.0	−10.2	1.3	−14.9	−17.9	−3.2	−3.4
4 Monetary base[3]	6.5	4.8	4.6	1.5	3.3	4.6	.3	−1.5	3.1
Concepts of money, liquid assets, and debt[4]									
5 M1	5.2	2.3	−.4	−5.5	1.8r	−1.7r	−4.7	−14.9	−4.2
6 M2	3.8	3.6	1.9	1.3	1.4	3.7	1.0	−3.3	6.7
7 M3	5.6r	4.8	3.7r	3.1	2.9	6.7	2.4r	−1.1r	6.3
8 L	7.1	5.4	4.8	n.a.	3.2	8.6r	4.1	−.2	n.a.
9 Debt	8.6	9.1	8.2	7.4	8.6	7.5	7.0	7.3	n.a.
Nontransaction components									
10 In M2[5]	3.3	4.1	2.6	3.7	1.2	5.6	3.0	.7	10.3
11 In M3 only[6]	12.2r	9.0r	10.5r	9.3	8.3r	17.3r	7.5r	6.5r	4.9
Time and savings deposits									
Commercial banks									
12 Savings[7]	7.9	4.0	−3.7	−14.1	−3.1	−10.8	−19.0	−20.3	−6.1
13 Small-denomination time[8]	11.6	18.0	22.5	29.2	26.5	28.6	34.6	28.7	12.3
14 Large-denomination time[9,10]	18.2	13.0	18.1	17.8	24.4r	22.9	22.1	9.6	2.7
Thrift institutions									
15 Savings[7]	2.1	−2.5	−7.7	−18.8	−13.6	−10.7r	−25.5r	−26.0	−8.7
16 Small-denomination time	5.4	6.6	4.3	14.3	5.4	3.4	17.5	22.7	17.2
17 Large-denomination time[9]	3.9	7.9	1.2	5.8	−2.1	−.3	12.5	8.1r	1.5
Debt components[4]									
18 Federal	7.1	7.8	7.7	6.6	10.2	12.5	5.1	2.9	n.a.
19 Nonfederal	9.1	9.5	8.4	7.7	8.1	5.9	7.6	8.7	n.a.

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

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

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

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

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

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

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

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

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

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

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

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

7. Excludes MMDAs.

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

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

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

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1989			1989						
	Apr.	May	June	May 17	May 24	May 31	June 7	June 14	June 21	June 28
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**264,245**	**267,629**	**263,991**	**269,689**	**260,224**	**256,587**	**260,844**	**259,907**	**262,225**	**271,098**
2 U.S. government securities[1]	233,003	234,995	227,688	237,103	230,029	225,478	227,361	225,637	224,643	231,898
3 Bought outright	231,215	230,783	227,291	232,688	230,029	225,478	227,361	225,637	224,643	230,621
4 Held under repurchase agreements	1,788	4,212	397	4,415	0	0	0	0	0	1,277
5 Federal agency obligations	7,400	8,387	6,754	8,645	6,654	6,654	6,654	6,654	6,654	6,987
6 Bought outright	6,738	6,654	6,654	6,645	6,654	6,654	6,654	6,654	6,654	6,654
7 Held under repurchase agreements	662	1,733	100	1,991	0	0	0	0	0	333
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	2,326	1,717	1,495	1,734	1,675	1,621	1,995	2,255	939	992
10 Float	800	801	1,425	977	826	655	1,059	1,266	1,611	1,564
11 Other Federal Reserve assets	20,716	21,729	26,630	21,230	21,039	22,179	23,775	24,094	28,378	29,657
12 Gold stock[2]	11,061	11,061	11,061	11,061	11,061	11,060	11,060	11,060	11,061	11,061
13 Special drawing rights certificate account	5,508	6,703	8,518	5,961	7,304	8,447	8,518	8,518	8,518	8,518
14 Treasury currency outstanding	18,989	19,049	19,188	19,045	19,059	19,073	19,171	19,181	19,191	19,201
ABSORBING RESERVE FUNDS										
15 Currency in circulation	243,781	245,574	247,860	245,707	245,363	246,648	247,829	248,280	247,710	247,298
16 Treasury cash holdings[2]	473	486	488	487	485	485	488	490	488	486
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	8,798	14,126	10,072	16,166	8,706	5,154	5,665	5,397	9,274	18,343
18 Foreign	240	227	251	232	215	260	296	253	242	215
19 Service-related balances and adjustments	2,125	1,855	1,617	1,922	1,743	1,934	1,908	1,778	1,929	1,957
20 Other	373	528	303	381	635	902	341	253	298	328
21 Other Federal Reserve liabilities and capital	8,121	8,480	8,101	8,630	8,243	8,070	7,741	8,261	8,170	8,217
22 Reserve balances with Federal Reserve Banks[3]	35,893	33,166	34,066	32,231	32,256	31,714	35,325	33,953	32,885	33,033
	End-of-month figures			Wednesday figures						
	1989			1989						
	Apr.	May	June	May 17	May 24	May 31	June 7	June 14	June 21	June 28
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**279,013**	**256,669**	**269,037**	**263,081**	**256,318**	**256,669**	**258,186**	**262,688**	**268,271**	**271,518**
24 U.S. government securities[1]	244,506	223,535	231,767	233,232	224,600	223,535	224,175	227,654	230,162	231,062
25 Bought outright	234,808	223,535	231,767	233,232	224,600	223,535	224,175	227,654	230,162	231,062
26 Held under repurchase agreements	9,698	0	0	0	0	0	0	0	0	0
27 Federal agency obligations	10,495	6,654	6,654	6,654	6,654	6,654	6,654	6,654	6,654	6,654
28 Bought outright	6,654	6,654	6,654	6,654	6,654	6,654	6,654	6,654	6,654	6,654
29 Held under repurchase agreements	3,841	0	0	0	0	0	0	0	0	0
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	1,952	2,033	841	1,707	1,586	2,033	2,082	2,384	832	1,759
32 Float	545	2,064	−203	1,408	1,680	2,064	1,644	1,701	1,640	1,338
33 Other Federal Reserve assets	21,515	22,383	29,978	20,080	21,798	22,383	23,631	24,295	28,983	30,705
34 Gold stock[2]	11,061	11,060	11,063	11,061	11,060	11,060	11,060	11,060	11,061	11,062
35 Special drawing rights certificate account	5,518	8,518	8,518	6,518	8,018	8,518	8,518	8,518	8,518	8,518
36 Treasury currency outstanding	19,017	19,073	19,211	19,045	19,059	19,073	19,171	19,181	19,191	19,201
ABSORBING RESERVE FUNDS										
37 Currency in circulation	243,411	247,525	249,139	245,743	245,921	247,529	248,280	248,164	247,489	247,936
38 Treasury cash holdings[2]	476	488	474	485	485	485	488	490	487	481
Deposits, other than reserve balances, with Federal Reserve Banks										
39 Treasury	22,952	5,288	12,153	9,986	6,922	5,288	5,207	5,281	19,822	19,244
40 Foreign	352	429	275	227	276	429	229	293	203	287
41 Service-related balances and adjustments	1,667	1,616	1,616	1,659	1,616	1,616	1,616	1,616	1,598	1,598
42 Other	481	524	229	600	483	524	302	242	267	327
43 Other Federal Reserve liabilities and capital	8,969	7,513	8,178	8,058	7,964	7,513	7,784	8,078	7,984	7,962
44 Reserve balances with Federal Reserve Banks[3]	37,968	33,553	35,765	32,947	30,789	31,937	33,027	37,280	29,190	32,463

1. *Includes* securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and *excludes* any securities sold and scheduled to be bought back under matched sale-purchase transactions.
2. Revised for periods between October 1986 and April 1987. At times during this interval, outstanding gold certificates were inadvertently in excess of the gold stock. Revised data not included in this table are available from the Division of Research and Statistics, Banking Section.
3. Excludes required clearing balances and adjustments to compensate for float.

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

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	1986	1987	1988	1988	1989					
	Monthly averages[9]									
	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 Reserve balances with Reserve Banks[2]	37,360	37,673	37,830	37,830	36,475	32,834	34,623	35,841	33,199	33,852
2 Total vault cash[3]	24,077	26,185	27,197	27,197	28,376	29,776	27,059	26,746	27,166	27,151
3 Vault[4]	22,199	24,449	25,909	25,909	26,993	27,859	25,589	25,456	25,712	25,735
4 Surplus[5]	1,878	1,736	1,288	1,288	1,383	1,917	1,470	1,290	1,454	1,416
5 Total reserves[6]	59,560	62,123	63,739	63,739	63,468	60,693	60,212	61,288	58,911	59,587
6 Required reserves	58,191	61,094	62,699	62,699	62,323	59,539	59,255	60,511	57,881	58,682
7 Excess reserve balances at Reserve Banks[7]	1,369	1,029	1,040	1,040	1,145	1,154	957	776	1,031	905
8 Total borrowings at Reserve Banks	827	777	1,716	1,716	1,662	1,487	1,813	2,289	1,720	1,490
9 Seasonal borrowings at Reserve Banks	38	93	130	130	76	97	139	213	345	431
10 Extended credit at Reserve Banks[8]	303	483	1,244	1,244	1,046	1,050	1,334	1,707	1,197	917
	Biweekly averages of daily figures for weeks ending									
	1989									
	Mar. 8	Mar. 22	Apr. 5	Apr. 19	May 3	May 17	May 31	June 14	June 28	July 12
11 Reserve balances with Reserve Banks[2]	34,485	34,702	34,623	36,239	35,863	33,864	31,964	34,608[r]	32,950[r]	34,869
12 Total vault cash[3]	27,581	26,738	27,095	26,339	27,106	26,644	27,701	26,607	27,630	27,607
13 Vault[4]	25,962	25,332	25,659	25,174	25,723	25,352	26,071	25,301	26,104	26,192
14 Surplus[5]	1,620	1,406	1,436	1,166	1,383	1,292	1,631	1,306	1,526	1,415
15 Total reserves[6]	60,446	60,034	60,282	61,413	61,586[r]	59,216	58,034	59,909[r]	59,054[r]	61,061
16 Required reserves	59,490	59,299	58,977	61,190	60,345	58,357	56,877	59,012[r]	58,154[r]	60,069
17 Excess reserve balances at Reserve Banks[7]	957	735	1,305	223	1,241	859	1,158	897[r]	901	992
18 Total borrowings at Reserve Banks	1,800	1,586	2,177	2,582	1,968	1,739	1,649	2,126	965	717
19 Seasonal borrowings at Reserve Banks	116	136	167	190	265	336	373	388	467	483
20 Extended credit at Reserve Banks[8]	1,250	1,164	1,675	1,970	1,387	1,206	1,148	1,657	287	146

1. These data also appear in the Board's H.3 (502) release. For address, see inside front cover.
2. Excludes required clearing balances and adjustments to compensate for float.
3. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end 30 days after the lagged computation periods in which the balances are held.
4. Equal to all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
5. Total vault cash at institutions having no required reserve balances less the amount of vault cash equal to their required reserves during the maintenance period.
6. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
7. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements less required reserves.
8. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.
9. Data are prorated monthly averages of biweekly averages.

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

Averages of daily figures, in millions of dollars

Maturity and source	1988 week ending Monday								
	Aug. 1	Aug. 8	Aug. 15	Aug. 22	Aug. 29	Sept. 5	Sept. 12	Sept. 19	Sept. 26
Federal funds purchased, repurchase agreements, and other selected borrowing in immediately available funds									
From commercial banks in the United States									
1 For one day or under continuing contract	71,992	67,616	69,245	66,871	64,904	69,394	69,451	65,767	62,866
2 For all other maturities	11,289	10,782	11,136	10,102	10,187	10,001	9,714	9,443	9,450
From other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies									
3 For one day or under continuing contract	26,473	28,408	27,188	26,570	26,952	27,114	29,922	26,636	27,000
4 For all other maturities	5,947	6,654	7,463	6,700	6,579	6,629	6,581	6,895	6,273
Repurchase agreements on U.S. government and federal agency securities in immediately available funds									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	15,502	16,127	16,293	16,304	15,212	15,337	15,072	14,596	13,683
6 For all other maturities	15,402	15,083	14,913	12,587	13,177	12,365	11,524	13,136	13,293
All other customers									
7 For one day or under continuing contract	26,956	26,384	26,803	27,452	28,070	27,866	27,761	27,123	27,616
8 For all other maturities	9,970	9,845	10,381	10,559	10,701	10,279	9,691	10,429	10,341
MEMO: Federal funds loans and resale agreements in immediately available funds in maturities of one day or under continuing contract									
9 To commercial banks in the United States	35,329	34,700	35,575	35,147	34,797	39,559	34,356	37,066	37,013
10 To all other specified customers[2]	14,160	15,158	15,511	14,952	14,010	14,263	13,677	14,421	13,079

1. Banks with assets of $1 billion or more as of Dec. 31, 1977.
These data also appear in the Board's H.5 (507) release. For address, see inside front cover.

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

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit and Seasonal credit[1]			Extended credit[2]						
				First 30 days of borrowing			After 30 days of borrowing[3]			
	On 7/28/89	Effective date	Previous rate	On 7/28/89	Effective date	Previous rate	On 7/28/89	Effective date	Previous rate	Effective date
Boston	7	2/24/89	6½	7	2/24/89	6½	9.45	7/27/89	9.70	7/13/89
New York		2/24/89			2/24/89			7/27/89		7/13/89
Philadelphia		2/24/89			2/24/89			7/27/89		7/13/89
Cleveland		2/24/89			2/24/89			7/27/89		7/13/89
Richmond		2/24/89			2/24/89			7/27/89		7/13/89
Atlanta		2/24/89			2/24/89			7/27/89		7/13/89
Chicago		2/24/89			2/24/89			7/27/89		7/13/89
St. Louis		2/24/89			2/24/89			7/27/89		7/13/89
Minneapolis		2/24/89			2/24/89			7/27/89		7/13/89
Kansas City		2/24/89			2/24/89			7/27/89		7/13/89
Dallas		2/27/89			2/27/89			7/27/89		7/13/89
San Francisco	7	2/24/89	6½	7	2/24/89	6½	9.45	7/27/89	9.70	7/13/89

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

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7–7¼	7¼
10	7¼	7¼
Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
1979—July 20	10	10
Aug. 17	10–10½	10½
20	10½	10½
Sept. 19	10½–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1980—July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
1981—May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11½–12	11½
23	11½	11½
Aug. 2	11–11½	11
3	11	11
16	10½	10½
27	10–10½	10
30	10	10
Oct. 12	9½–10	9½
13	9½	9½
Nov. 22	9–9½	9
26	9	9
Dec. 14	8½–9	9
15	8½–9	8½
17	8½	8½

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1984—Apr. 9	8½–9	9
13	9	9
Nov. 21	8½–9	8½
26	8½	8½
Dec. 24	8	8
1985—May 20	7½–8	7½
24	7½	7½
1986—Mar. 7	7–7½	7
10	7	7
Apr. 21	6½–7	6½
July 11	6	6
Aug. 21	5½–6	5½
22	5½	5½
1987—Sept. 4	5½–6	6
11	6	6
1988—Aug. 9	6–6½	6½
11	6½	6½
1989—Feb. 24	6½–7	7
27	7	7
In effect July 28, 1989	7	7

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

Seasonal credit is available to help smaller depository institutions meet regular, seasonal needs for funds that cannot be met through special industry lenders and that arise from a combination of expected patterns of movement in their deposits and loans. A temporary simplified seasonal program was established on Mar. 8, 1985, and the interest rate was a fixed rate ½ percent above the rate on adjustment credit. The program was reestablished for 1986 and 1987 but was not renewed for 1988.

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

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

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

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980 through May 7, 1980. There was no surcharge until Nov. 17, 1980, when a 2 percent surcharge was adopted; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981 the formula for applying the surcharge was changed from a calendar quarter to a moving 13-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

Type of deposit, and deposit interval[2]	Depository institution requirements after implementation of the Monetary Control Act	
	Percent of deposits	Effective date
Net transaction accounts[3,4]		
$0 million–$41.5 million	3	12/20/88
More than $41.5 million	12	12/20/88
Nonpersonal time deposits[5]		
By original maturity		
Less than 1½ years	3	10/6/83
1½ years or more	0	10/6/83
Eurocurrency liabilities		
All types	3	11/13/80

1. Reserve requirements in effect on Dec. 31, 1988. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmembers may maintain reserve balances with a Federal Reserve Bank indirectly on a pass-through basis with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* and of the FEDERAL RESERVE BULLETIN. Under provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge corporations.

2. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) requires that $2 million of reservable liabilities (transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities) of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 20, 1988, the exemption was raised from $3.2 million to $3.4 million. In determining the reserve requirements of depository institutions, the exemption shall apply in the following order: (1) net NOW accounts (NOW accounts less allowable deductions); (2) net other transaction accounts; and (3) nonpersonal time deposits or Eurocurrency liabilities starting with those with the highest reserve ratio. With respect to NOW accounts and other transaction accounts, the exemption applies only to such accounts that would be subject to a 3 percent reserve requirement.

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

4. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage increase in transaction accounts held by all depository institutions, determined as of June 30 each year. Effective Dec. 20, 1988 for institutions reporting quarterly and Dec. 27, 1988 for institutions reporting weekly, the amount was increased from $40.5 million to $41.5 million.

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

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction	1986	1987	1988	1988		1989				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
U.S. TREASURY SECURITIES										
Outright transactions (*excluding matched transactions*)										
Treasury bills										
1 Gross purchases	22,604	18,983	8,223	3,599	1,125	0	0	0	3,077	311
2 Gross sales	2,502	6,051	587	0	0	154	3,688	0	0	321
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	1,000	9,029	2,200	0	0	600	1,600	0	0	1,200
Others within 1 year										
5 Gross purchases	190	3,659	2,176	0	1,084	0	0	0	172	0
6 Gross sales	0	300	0	0	0	0	0	0	0	0
7 Maturity shift	18,674	21,504	23,854	5,264	1,750	620	5,418	2,646	1,657	2,863
8 Exchange	−20,180	−20,388	−24,588	−2,391	−1,703	−2,703	−2,308	−2,322	−110	−3,628
9 Redemptions	0	70	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	893	10,231	5,485	0	1,824	0	0	0	1,436	0
11 Gross sales	0	452	800	0	0	3	225	0	0	75
12 Maturity shift	−17,058	−17,975	−17,720	−3,088	−1,750	−541	−5,319	−2,646	−1,532	−2,036
13 Exchange	16,985	18,938	22,515	2,091	1,703	2,492	2,008	2,322	0	3,328
5 to 10 years										
14 Gross purchases	236	2,441	1,579	0	562	0	0	0	287	0
15 Gross sales	0	0	175	0	0	20	0	0	0	0
16 Maturity shift	−1,620	−3,529	−5,946	−2,145	0	−79	−100	0	−125	258
17 Exchange	2,050	950	1,797	300	0	212	200	0	110	200
Over 10 years										
18 Gross purchases	158	1,858	1,398	0	432	0	0	0	284	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	0	0	−188	−31	0	0	0	0	0	−1,086
21 Exchange	1,150	500	275	0	0	0	100	0	0	100
All maturities										
22 Gross purchases	24,081	37,170	18,863	3,599	5,028	0	0	0	5,255	311
23 Gross sales	2,502	6,803	1,562	0	0	177	3,913	0	0	396
24 Redemptions	1,000	9,099	2,200	0	0	600	1,600	0	0	1,200
Matched transactions										
25 Gross sales	927,999	950,923	1,168,484	98,618	93,650	94,204	110,393	83,677	77,349	123,029
26 Gross purchases	927,247	950,935	1,168,142	100,680	93,584	94,252	112,472	82,821	78,259	113,041
Repurchase agreements[2]										
27 Gross purchases	170,431	314,621	152,613	17,867	15,575	17,208	0	0	22,244	31,419
28 Gross sales	160,268	324,666	151,497	16,463	14,815	21,969	0	0	12,547	41,117
29 Net change in U.S. government securities	29,988	11,234	15,872	7,064	5,721	−5,489	−3,434	−856	15,863	−20,971
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	398	276	587	14	135	148	40	0	125	0
Repurchase agreements[2]										
33 Gross purchases	31,142	80,353	57,259	4,763	7,672	8,980	0	0	7,207	12,732
34 Gross sales	30,521	81,350	56,471	5,132	6,853	11,081	0	0	3,366	16,573
35 Net change in federal agency obligations	222	−1,274	198	−383	683	−2,249	−40	0	3,716	−3,841
36 **Total net change in System Open Market Account**	**30,212**	**9,961**	**16,070**	**6,681**	**6,404**	**−7,738**	**−3,474**	**−856**	**19,579**	**−24,812**

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

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

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

Millions of dollars

Account	Wednesday					End of month		
	1989					1989		
	May 31	June 7	June 14	June 21	June 28	Apr.	May	June
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,060	11,060	11,060	11,061	11,062	11,061	11,060	11,063
2 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	5,518	8,518	8,518
3 Coin	432	424	436	449	449	466	432	445
Loans								
4 To depository institutions	2,033	2,082	2,384	832	1,759	1,952	2,033	840
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	6,654	6,654	6,654	6,654	6,654	6,654	6,654	6,655
8 Held under repurchase agreements	0	0	0	0	0	3,841	0	0
U.S. Treasury securities								
Bought outright								
9 Bills	100,799	101,439	104,918	107,426	108,326	111,997	100,799	109,031
10 Notes	92,322	92,322	92,322	92,322	92,322	92,497	92,322	92,322
11 Bonds	30,414	30,414	30,414	30,414	30,414	30,314	30,414	30,414
12 Total bought outright[1]	223,535	224,175	227,654	230,162	231,062	234,808	223,535	231,767
13 Held under repurchase agreements	0	0	0	0	0	9,698	0	0
14 Total U.S. Treasury securities	223,535	224,175	227,654	230,162	231,062	244,506	223,535	231,767
15 **Total loans and securities**	**232,222**	**232,911**	**236,692**	**237,648**	**239,475**	**256,953**	**232,222**	**239,263**
16 Items in process of collection	10,442	8,137	7,872	7,621	6,740	8,294	10,442	6,550
17 Bank premises	761	765	766	767	767	761	761	767
Other assets								
18 Denominated in foreign currencies[3]	13,656	14,831	15,250	18,322	18,956	10,911	13,656	19,213
19 All other[4]	7,966	8,035	8,279	9,894	10,982	9,843	7,966	10,001
20 **Total assets**	**285,057**	**284,681**	**288,873**	**294,280**	**296,949**	**303,807**	**285,057**	**295,816**
LIABILITIES								
21 Federal Reserve notes	229,372	230,023	229,912	229,235	229,666	225,336	229,372	230,847
Deposits								
22 To depository institutions	33,553	34,643	38,896	30,788	34,061	37,968	33,553	37,381
23 U.S. Treasury—General account	5,288	5,207	5,281	19,822	19,244	22,952	5,288	12,153
24 Foreign—Official accounts	429	229	293	203	287	352	429	275
25 Other	524	302	242	267	327	481	524	228
26 **Total deposits**	**39,794**	**40,381**	**44,712**	**51,080**	**53,919**	**61,753**	**39,794**	**50,040**
27 Deferred credit items	8,378	6,493	6,171	5,981	5,402	7,749	8,378	6,751
28 Other liabilities and accrued dividends[5]	3,212	3,136	3,382	3,305	3,258	3,990	3,212	3,272
29 **Total liabilities**	**280,756**	**280,033**	**284,177**	**289,601**	**292,245**	**298,828**	**280,756**	**290,911**
CAPITAL ACCOUNTS								
30 Capital paid in	2,142	2,143	2,143	2,145	2,145	2,135	2,142	2,146
31 Surplus	2,081	2,107	2,112	2,112	2,112	2,112	2,081	2,117
32 Other capital accounts	78	398	441	422	447	732	78	649
33 **Total liabilities and capital accounts**	**285,057**	**284,681**	**288,873**	**294,280**	**296,949**	**303,807**	**285,057**	**295,816**
34 MEMO: Marketable U.S. Treasury securities held in custody for foreign and international accounts	234,667	234,064	232,171	227,567	233,119	236,761	234,667	362,000
	Federal Reserve note statement							
35 Federal Reserve notes outstanding issued to bank	271,562	271,888	272,540	273,067	273,315	270,007	271,562	272,983
36 LESS: Held by bank	42,190	41,865	42,628	43,832	43,649	44,671	42,190	42,135
37 Federal Reserve notes, net	229,372	230,023	229,912	229,235	229,666	225,336	229,372	230,847
Collateral held against notes net:								
38 Gold certificate account	11,060	11,060	11,060	11,061	11,062	11,061	11,060	11,063
39 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	5,518	8,518	8,518
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	209,794	210,445	210,334	209,656	210,086	208,757	209,794	211,266
42 **Total collateral**	**229,372**	**230,023**	**229,912**	**229,235**	**229,666**	**225,336**	**229,372**	**230,847**

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

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings[1]

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1989					1989		
	May 31	June 7	June 14	June 21	June 28	Apr. 28	May 31	June 30
1 Loans—Total	2,033	1,995	2,256	939	991	2,454	2,033	1,495
2 Within 15 days	1,940	1,774	2,026	835	926	2,402	1,940	1,339
3 16 days to 90 days	93	222	230	104	65	52	93	156
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	0	0	0
6 Within 15 days	0	0	0	0	0	0	0	0
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. Treasury securities—Total	223,535	224,175	227,653	230,162	231,062	228,643	223,535	231,767
10 Within 15 days[2]	4,691	11,241	7,236	11,704	12,757	7,183	4,691	8,812
11 16 days to 90 days	49,365	47,575	52,378	50,669	50,726	53,969	49,365	56,198
12 91 days to 1 year	76,876	72,755	75,435	75,185	74,975	76,037	76,876	74,546
13 Over 1 year to 5 years	52,786	52,786	52,786	52,786	52,786	51,664	52,786	52,393
14 Over 5 years to 10 years	13,511	13,511	13,511	13,511	13,511	12,781	13,511	13,512
15 Over 10 years	26,306	26,306	26,306	26,306	26,306	27,009	26,306	26,306
16 Federal agency obligations—Total	6,654	6,654	6,654	6,654	6,654	6,779	6,654	6,654
17 Within 15 days[2]	347	48	29	151	152	240	347	152
18 16 days to 90 days	473	807	778	656	642	726	473	642
19 91 days to 1 year	1,324	1,295	1,295	1,295	1,289	1,279	1,324	1,289
20 Over 1 year to 5 years	3,352	3,346	3,371	3,371	3,386	3,357	3,352	3,386
21 Over 5 years to 10 years	969	969	992	992	996	988	969	996
22 Over 10 years	189	189	189	189	189	189	189	189

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

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

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May	1989 June
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]	Seasonally adjusted											
1 **Total reserves[3]**	**48.49**	**58.14**	**58.69**	**60.71**	**60.85**	**60.71**	**60.37**	**60.26**	**59.85**	**59.46**	**58.74**	**58.35**
2 Nonborrowed reserves	47.17	57.31	57.92	58.99	57.99	58.99	58.71	58.77	58.04	57.17	57.02	56.86
3 Nonborrowed reserves plus extended credit[4]	47.67	57.62	58.40	60.23	60.31	60.23	59.75	59.82	59.38	58.88	58.22	57.78
4 Required reserves	47.44	56.77	57.66	59.67	59.73	59.67	59.23	59.11	58.90	58.69	57.71	57.44
5 Monetary base[5]	219.51	241.45	257.99	275.50	274.38	275.50	276.78	277.55	278.61	278.67	278.33	279.06
	Not seasonally adjusted											
6 **Total reserves[3]**	**49.59**	**59.46**	**60.06**	**62.21**	**60.96**	**62.21**	**62.07**	**59.37**	**58.94**	**60.01**	**57.72**	**58.41**
7 Nonborrowed reserves	48.27	58.64	59.28	60.50	58.10	60.50	60.40	57.88	57.13	57.72	56.00	56.92
8 Nonborrowed reserves plus extended credit[4]	48.77	58.94	59.76	61.74	60.42	61.74	61.45	58.93	58.46	59.43	57.20	57.84
9 Required reserves	48.53	58.09	59.03	61.17	59.84	61.17	60.92	58.22	57.98	59.23	56.69	57.51
10 Monetary base[5]	222.73	245.25	262.08	279.71	275.32	279.71	277.92	274.36	275.62	278.11	277.49	280.18
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[6]												
11 **Total reserves[3]**	**48.14**	**59.56**	**62.12**	**63.74**	**62.41**	**63.74**	**63.47**	**60.69**	**60.21**	**61.29**	**58.91**	**59.59**
12 Nonborrowed reserves	46.82	58.73	61.35	62.02	59.55	62.02	61.81	59.21	58.40	59.00	57.19	58.10
13 Nonborrowed reserves plus extended credit[4]	47.32	59.04	61.83	63.27	61.87	63.27	62.85	60.26	59.73	60.71	58.39	59.01
14 Required reserves	47.08	58.19	61.09	62.70	61.29	62.70	62.32	59.54	59.25	60.51	57.88	58.68
15 Monetary base[5]	223.53	247.71	266.16	283.18	278.65	283.18	281.31	277.66	278.94	281.52	280.54	283.27

1. Latest monthly and biweekly figures are available from the Board's H.3(502) statistical release. Historical data and estimates of the impact on required reserves of changes in reserve requirements are available from the Monetary and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.
2. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.
3. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
4. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to helpdepository institutions deal with sustained liquidity pressures. Because there isnot the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.
5. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks and the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. Currency and vault cash figures are measured over the weekly computation period ending Monday.
The seasonally adjusted monetary base consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock and the remaining items seasonally adjusted as a whole.
6. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with implementation of the Monetary Control Act or other regulatory changes to reserve requirements.

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item[2]	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.	1989 Mar.	1989 Apr.	1989 May	1989 June
				Seasonally adjusted				
1 M1	620.5	725.9	752.3	790.3	786.3	783.2	773.4	770.7
2 M2	2,567.4	2,811.2	2,909.9	3,069.4	3,078.7	3,081.3	3,072.9[r]	3,090.0
3 M3	3,201.7	3,494.9	3,677.6	3,914.2[r]	3,950.1[r]	3,958.1[r]	3,954.4[r]	3,975.1
4 L	3,830.6	4,137.1	4,340.2	4,674.9[r]	4,724.1[r]	4,740.2[r]	4,739.4	n.a.
5 Debt	6,733.3	7,596.9	8,310.7	9,052.1	9,229.4	9,283.0[r]	9,339.5	n.a.
M1 components								
6 Currency[3]	167.8	180.5	196.4	211.8	215.6	215.9	216.4	217.4
7 Travelers checks[4]	5.9	6.5	7.1	7.6	7.3	7.3	7.3	7.2
8 Demand deposits[5]	267.3	303.2	288.3	288.6	284.3	281.5	278.3[r]	275.1
9 Other checkable deposits[6]	179.5	235.8	260.4	282.3	279.1	278.5	271.5	271.0
Nontransactions components								
10 In M2[7]	1,946.9	2,085.3	2,157.7	2,279.2	2,292.5[r]	2,298.1	2,299.4	2,319.2
11 In M3 only[8]	634.3	683.7	767.6	844.8[r]	871.3[r]	876.8[r]	881.6[r]	885.2
Savings deposits[9]								
12 Commercial Banks	125.0	155.8	178.5	192.5	188.6	185.6	182.5	181.5
13 Thrift institutions	176.6	215.2	237.8	238.8	232.2	227.3	222.4	220.7
Small-denomination time deposits[10]								
14 Commercial Banks	383.3	364.6	385.3	443.1	472.0	485.6	497.2	502.3
15 Thrift institutions	499.2	489.3	528.8	582.2	589.0	597.6	609.0[r]	617.7
Money market mutual funds								
16 General purpose and broker-dealer	176.5	208.0	221.1	239.4	256.0	260.2	259.9	266.2
17 Institution-only	64.5	84.4	89.6	87.6	87.6	87.7	91.6	95.1
Large-denomination time deposits[11]								
18 Commercial Banks[12]	285.1	288.8	325.4	364.9	385.5	392.6	395.7	396.6
19 Thrift institutions	151.5	150.1	162.0	172.9	173.4	175.2	176.3	176.6
Debt components								
20 Federal debt	1,585.3	1,805.8	1,957.5	2,114.0	2,162.6	2,171.8	2,177.0	n.a.
21 Nonfederal debt	5,147.9	5,791.1	6,353.1	6,938.1	7,066.7	7,111.3[r]	7,162.6	n.a.
				Not seasonally adjusted				
22 M1	633.5	740.4	766.4	804.4	775.1	791.4[r]	767.2	774.3
23 M2	2,576.2	2,821.1	2,918.7	3,077.1	3,072.1	3,092.9	3,063.4[r]	3,092.8
24 M3	3,213.3	3,507.4	3,688.5	3,924.0[r]	3,944.8[r]	3,963.6[r]	3,944.3[r]	3,975.7
25 L	3,843.7	4,152.0	4,354.5	4,688.5[r]	4,720.7[r]	4,742.0[r]	4,728.1	n.a.
26 Debt	6,723.5	7,581.1	8,292.8	9,037.5	9,190.2	9,246.6[r]	9,306.2	n.a.
M1 components								
27 Currency[3]	170.2	183.0	199.3	214.9	213.9	215.1	216.6	218.5
28 Travelers checks[4]	5.5	6.0	6.5	6.9	7.0	7.0	7.1	7.5
29 Demand deposits[5]	276.9	314.0	298.6	298.8	275.8	283.3	273.4[r]	276.5
30 Other checkable deposits[6]	180.9	237.4	262.0	283.7	278.3	286.0	270.2	271.7
Nontransactions components								
31 M2[7]	1,942.7	2,080.7	2,152.3	2,272.8	2,297.0	2,301.5	2,296.2[r]	2,318.5
32 M3 only[8]	637.1	686.3	769.8	846.9[r]	872.7[r]	870.7[r]	880.9[r]	883.0
Money market deposit accounts								
33 Commercial Banks	332.8	379.6	358.8	352.5	340.1	336.3	327.1	328.3
34 Thrift institutions	180.7	192.9	167.5	150.3	140.2	135.0	129.9	128.6
Savings deposits[9]								
35 Commercial Banks	123.7	154.2	176.6	190.3	187.8	186.2	183.7	183.3
36 Thrift institutions	174.8	212.7	234.8	235.6	230.7	227.9	223.8	223.5
Small-denomination time deposits[10]								
37 Commercial Banks	384.0	365.3	386.1	444.1	473.0	483.6	493.5	500.0
38 Thrift institutions	499.9	489.8	529.1	582.4	592.0	598.6[r]	605.8	613.8
Money market mutual funds								
39 General purpose and broker-dealer	176.5	208.0	221.1	239.4	256.0	260.2	259.9	266.2
40 Institution-only	64.5	84.4	89.6	87.6	87.6	87.7	91.6	95.1
Large-denomination time deposits[11]								
41 Commercial Banks[12]	285.4	289.1	325.8	365.6	387.0	390.5	394.5[r]	395.1
42 Thrift institutions	151.8	150.7	163.0	174.0	173.2	173.7	175.2	174.7
Debt components								
43 Federal debt	1,583.7	1,803.9	1,955.6	2,111.8	2,149.0	2,155.1	2,159.5	n.a.
44 Nonfederal debt	5,139.8	5,777.2	6,337.2	6,925.7	7,041.2	7,091.5[r]	7,146.7	n.a.

For notes see following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) release. Historical data are available from the Monetary and Reserves Projection section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

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

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

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

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

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

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

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

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

5. Demand deposits at commercial banks and foreign-related institutions other than those due to depository institutions, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float.

6. Consists of NOW and ATS balances at all depository institutions, credit union share draft balances, and demand deposits at thrift institutions.

7. Sum of overnight RPs and overnight Eurodollars, money market fund balances (general purpose and broker-dealer), MMDAs, and savings and small time deposits.

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

9. Savings deposits exclude MMDAs.

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

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

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

1.22 BANK DEBITS AND DEPOSIT TURNOVER[1]

Debits are shown in billions of dollars, turnover as ratio of debits to deposits. Monthly data are at annual rates.

Bank group, or type of customer	1986	1987	1988	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.
Debits to	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	188,346.0	217,116.2	226,888.4	238,497.5	245,617.5	252,226.7	255,774.3	249,088.3	245,230.1
2 Major New York City banks	91,397.3	104,496.3	107,547.3	112,071.8	111,115.5	109,875.9	121,770.1	111,387.4	107,808.9
3 Other banks	96,948.8	112,619.8	119,341.2	126,425.7	134,502.0	142,350.8	134,004.2	137,700.9	137,421.3
4 ATS-NOW accounts[4]	2,182.5	2,402.7	2,757.7	2,897.2	3,020.8	2,976.2	3,054.9	3,264.9	2,986.4
5 Savings deposits[5]	403.5	526.5	583.0	574.9	640.7	647.4	649.2	675.2	585.5
Deposit Turnover									
Demand deposits[3]									
6 All insured banks	556.5	612.1	641.2	676.6	698.5	716.3	734.4	721.0	697.5
7 Major New York City banks	2,498.2	2,670.6	2,903.5	3,034.6	3,140.7	3,113.7	3,618.0	3,393.0	3,092.2
8 Other banks	321.2	357.0	376.8	400.6	425.3	449.3	425.9	440.4	433.9
9 ATS-NOW accounts[4]	15.6	13.8	14.7	15.1	15.8	15.6	16.0	17.1	15.7
10 Savings deposits[5]	3.0	3.1	3.1	3.1	3.4	3.5	3.5	3.6	3.2
Debits to	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	188,506.7	217,125.1	227,010.7	228,743.0	258,119.4	257,649.6	231,347.8	264,581.6	238,265.6
12 Major New York City banks	91,500.1	104,518.8	107,565.0r	108,689.1	117,470.7	112,480.2	110,047.2	120,202.2	105,461.7
13 Other banks	97,006.7	112,606.2	119,445.7	120,053.9	140,648.8	145,169.4	121,300.6	144,379.4	132,803.9
14 ATS-NOW accounts[4]	2,184.6	2,404.8	2,754.7	2,714.1	3,163.8	3,245.1	2,762.1	3,228.6	3,205.2
15 MMDA[6]	1,609.4	1,954.2	2,430.1	2,539.7	2,940.5	3,072.5	2,622.4	2,636.7	2,700.2
16 Savings deposits[5]	404.1	526.8	578.0	523.7	655.6	668.7	573.3	649.6	649.6
Deposit Turnover									
Demand deposits[3]									
17 All insured banks	556.7	612.3	641.7	643.3	699.1	713.7	683.1	782.3	676.6
18 Major New York City banks	2,499.1	2,674.9	2,901.4	2,998.6	3,058.1	2,998.6	3,255.7	3,603.3	3,017.6
19 Other banks	321.2	356.9	377.1	375.9	425.2	448.7	397.8	473.6	418.7
20 ATS-NOW accounts[4]	15.6	13.8	14.7	14.3	16.3	16.7	14.5	16.9	16.3
21 MMDA[6]	4.5	5.3	6.9	7.3	8.4	8.9	7.8	7.8	8.1
22 Savings deposits[5]	3.0	3.1	3.1	2.8	3.5	3.6	3.1	3.5	3.5

1. Historical tables containing revised data for earlier periods may be obtained from the Monetary and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

These data also appear on the Board's G.6 (406) release. For address, see inside front cover.

2. Annual averages of monthly figures.

3. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.

4. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data are available beginning December 1978.

5. Excludes ATS and NOW accounts, MMDA and special club accounts, such as Christmas and vacation clubs.

6. Money market deposit accounts.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1988[r]						1989[r]					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	Seasonally adjusted											
1 **Total loans and securities**[2]	**2,362.7**	**2,377.6**	**2,381.5**	**2,401.4**	**2,410.2**	**2,417.2**	**2,422.8**	**2,451.9**	**2,464.9**	**2,470.9**	**2,486.3**	**2,496.8**
2 U.S. government securities	349.6	350.9	353.1	355.6	358.8	361.4	360.4	361.8	368.8	370.7	373.5	373.8
3 Other securities	196.8	196.5	195.2	196.8	195.9	194.0	189.6	190.4	189.7	187.2	186.4	185.7
4 Total loans and leases[2]	1,816.3	1,830.1	1,833.2	1,848.9	1,855.6	1,861.9	1,872.9	1,899.7	1,906.5	1,913.1	1,926.5	1,937.3
5 Commercial and industrial	595.0	597.4	598.1	601.6	601.8	601.9	606.6	619.0	617.8	620.6	626.3	624.9
6 Bankers acceptances held[3]	4.3	4.3	4.1	4.1	4.3	4.1	4.4	4.2	4.0	4.1	4.2	4.2
7 Other commercial and industrial	590.7	593.2	594.0	597.5	597.4	597.8	602.2	614.8	613.7	616.6	622.1	620.7
8 U.S. addressees[4]	583.7	586.5	587.2	590.9	591.3	591.8	596.5	609.9	608.3	611.7	616.6	615.2
9 Non-U.S. addressees[4]	6.9	6.7	6.9	6.5	6.1	5.9	5.7	4.9	5.4	4.9	5.5	5.5
10 Real estate	635.8	643.0	650.3	659.8	665.3	672.0	678.9	685.6	691.8	699.5	705.5	712.0
11 Individual	345.6	347.7	350.2	351.6	353.0	355.5	357.9	358.9	360.6	362.9	365.4	366.0
12 Security	38.9	39.6	36.5	38.5	38.2	38.5	37.7	44.7	43.6	40.0	38.0	41.1
13 Nonbank financial institutions	31.1	31.1	30.7	30.4	30.2	30.0	30.3	30.6	29.7	29.2	29.0	30.5
14 Agricultural	29.6	29.6	29.6	29.8	30.3	30.7	30.7	30.7	30.7	30.4	30.3	30.4
15 State and political subdivisions	48.8	48.2	48.0	48.5	47.7	46.8	44.4	44.5	44.6	44.6	44.6	44.5
16 Foreign banks	8.1	8.0	7.2	7.6	8.1	7.6	7.8	8.5	8.1	8.3	9.3	9.2
17 Foreign official institutions	5.0	5.1	5.0	4.8	4.9	4.9	4.8	4.8	4.8	4.8	4.8	4.7
18 Lease financing receivables	28.0	28.1	28.5	28.9	29.1	29.2	29.4	29.6	29.6	29.8	30.0	29.9
19 All other loans	50.3	52.2	49.1	47.5	47.1	44.9	44.4	42.8	45.3	43.0	43.2	43.9
	Not seasonally adjusted											
20 **Total loans and securities**[2]	**2,356.7**	**2,370.5**	**2,378.9**	**2,392.6**	**2,409.2**	**2,429.6**	**2,430.7**	**2,453.6**	**2,462.8**	**2,473.9**	**2,487.4**	**2,500.9**
21 U.S. government securities	348.2	351.2	352.9	352.6	357.5	361.6	362.2	366.3	370.2	370.9	372.6	372.6
22 Other securities	196.3	196.8	195.0	195.6	196.0	193.7	191.7	190.1	188.9	187.2	186.8	186.0
23 Total loans and leases[2]	1,812.2	1,822.5	1,831.0	1,844.4	1,855.7	1,874.2	1,876.9	1,897.2	1,903.7	1,915.9	1,928.0	1,942.4
24 Commercial and industrial	594.0	593.1	593.3	597.0	599.3	605.0	605.8	618.3	621.1	625.2	630.0	629.0
25 Bankers acceptances held[3]	4.4	4.3	4.2	4.2	4.3	4.1	4.1	4.1	4.0	4.0	4.3	4.4
26 Other commercial and industrial	589.6	588.8	589.1	592.8	595.0	600.9	601.7	614.2	617.1	621.3	625.8	624.6
27 U.S. addressees[4]	582.7	582.2	582.5	586.6	588.9	594.8	596.4	608.9	611.7	615.9	620.2	619.0
28 Non-U.S. addressees[4]	6.9	6.6	6.6	6.2	6.1	6.1	5.3	5.3	5.3	5.3	5.6	5.6
29 Real estate	636.2	644.2	651.9	660.7	667.2	673.3	678.9	683.6	689.2	697.4	704.1	712.1
30 Individual	344.6	347.8	351.8	352.6	354.1	359.4	360.7	358.2	357.7	360.3	363.2	364.5
31 Security	38.6	38.3	35.1	36.9	37.6	38.9	38.2	43.8	44.1	42.0	38.9	42.7
32 Nonbank financial institutions	31.1	31.0	30.7	30.1	30.3	31.1	30.7	30.0	29.1	29.1	29.1	30.7
33 Agricultural	30.3	30.4	30.5	30.6	30.5	30.5	30.1	29.8	29.6	29.6	30.1	30.8
34 State and political subdivisions	48.2	47.7	47.3	48.0	47.1	46.6	45.8	45.5	45.1	44.8	44.5	44.2
35 Foreign banks	8.3	7.9	7.4	7.6	8.2	7.9	8.0	8.5	8.0	8.0	9.0	9.1
36 Foreign official institutions	5.0	5.1	5.0	4.8	4.9	4.9	4.8	4.8	4.8	4.8	4.8	4.7
37 Lease financing receivables	27.9	28.0	28.4	28.7	28.9	29.4	29.7	29.7	29.7	29.8	30.0	30.0
38 All other loans	48.2	48.9	49.6	47.3	47.6	47.3	44.1	45.0	45.5	44.8	44.3	44.6

1. Data have been revised because of benchmarking beginning January 1984. These data also appear in the Board's G.7 (407) release. For address, see inside front cover.
2. Excludes loans to commercial banks in the United States.
3. Includes nonfinancial commercial paper held.
4. United States includes the 50 states and the District of Columbia.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1988						1989					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Seasonally adjusted												
1 Total nondeposit funds[2]	215.2	219.4	210.0	210.9	217.3	214.6	207.4	210.5	211.2[r]	204.3[r]	207.1	223.0
2 Net balances due to related foreign offices[3]	13.9	19.2	8.2	5.6	9.3	6.7	8.0	10.7	8.1[r]	2.9	−.1[r]	8.0
3 Borrowings from other than commercial banks in United States[4]	201.3	200.3	201.8	205.3	208.0	207.9	199.4	199.9	203.1[r]	201.4[r]	207.2[r]	215.0
4 Domestically chartered banks	166.9	165.8	165.8	167.1	168.7	168.9	162.4	160.7	165.1	162.8	166.5	175.0
5 Foreign-related banks	34.4	34.5	36.0[r]	38.2	39.3	39.0	37.0[r]	39.2	38.0	38.6[r]	40.7[r]	40.0
Not seasonally adjusted												
6 Total nondeposit funds[2]	210.8	218.3	206.6[r]	204.9[r]	214.1	209.0	206.5	215.3	216.8[r]	207.0[r]	214.7	226.0
7 Net balances due to related foreign offices[3]	10.8	18.7	9.2	5.2	10.3	9.2	7.7	10.4	7.0	.8	2.6	8.1
8 Domestically chartered banks	−14.1	−7.3	−15.7	−20.5	−19.2	−20.7	−20.5	−17.9	−19.8	−23.0[r]	−22.1[r]	−18.5
9 Foreign-related banks	24.9	26.0	24.9	25.7	29.5	29.9	28.2	28.3	26.9	23.9	24.6	26.6
10 Borrowings from other than commercial banks in United States[4]	199.9	199.6	197.3	199.7[r]	203.7	199.8	198.9	204.9	209.7	206.2[r]	212.1	217.9
11 Domestically chartered banks	165.0	165.3	162.1	162.9	167.4	162.9	160.8	164.4	170.2	166.7	171.0	176.3
12 Federal funds and security RP borrowings[5]	159.6	160.3	157.6	158.8	162.8	159.3	157.4	161.2	166.7	162.4	167.3	172.9
13 Other[6]	5.4	5.0	4.4	4.1	4.6	3.5	3.4	3.2	3.5	4.3	3.7	3.4
14 Foreign-related banks[6]	34.9	34.2	35.3	36.8	36.3	37.0	38.1	40.5	39.5	39.5[r]	41.1[r]	41.6
MEMO												
Gross large time deposits[7]												
15 Seasonally adjusted	408.4	414.6	419.7	423.2	424.5	429.2	434.9	440.3	446.6	452.7	456.7[r]	458.7
16 Not seasonally adjusted	405.9	415.1	421.7	424.7	425.6	429.8	434.5	440.2	448.2[r]	450.6	455.5	457.2
U.S. Treasury demand balances at commercial banks[8]												
17 Seasonally adjusted	21.3	17.1	23.5	27.2	23.0	24.9	20.3	20.3	20.3	20.9	27.1	27.3
18 Not seasonally adjusted	22.0	11.9	24.6	27.7	16.3	22.9	25.0	25.9	18.1	20.2	34.3	26.2

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

These data also appear in the Board's G.10 (411) release. For address, see inside front cover.

2. Includes federal funds, RPs, and other borrowing from nonbanks and net balances due to related foreign offices.

3. Reflects net positions of U.S. chartered banks, Edge Act corporations, and U.S. branches and agencies of foreign banks with related foreign offices plus net positions with own IBFs.

4. Other borrowings are borrowings through 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, loan RPs, and sales of participations in pooled loans.

5. Based on daily average data reported weekly by approximately 120 large banks and quarterly or annual data reported by other banks.

6. Figures are partly daily averages and partly averages of Wednesday data.

7. Time deposits in denominations of $100,000 or more. Estimated averages of daily data.

8. U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series[1]

Billions of dollars

Account	1988r					1989r					
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
ALL COMMERCIAL BANKING INSTITUTIONS[2]											
1 Loans and securities	2,535.1	2,535.6	2,551.6	2,591.6	2,601.6	2,587.0	2,624.0	2,627.1	2,623.0	2,659.8	2,660.7
2 Investment securities	526.4	526.8	524.8	532.9	533.5	533.5	535.8	539.1	538.3	541.1	541.6
3 U.S. government securities	335.1	336.4	334.1	341.5	345.3	347.3	351.3	355.5	356.6	359.1	362.2
4 Other	191.3	190.4	190.7	191.4	188.2	186.2	184.5	183.6	181.7	182.0	179.4
5 Trading account assets	22.7	21.2	24.9	24.8	19.2	21.5	20.1	21.8	17.8	19.2	18.2
6 Total loans	1,986.0	1,987.5	2,002.0	2,033.9	2,048.9	2,032.1	2,068.0	2,066.2	2,066.8	2,099.5	2,100.9
7 Interbank loans	158.8	154.9	161.3	170.3	165.7	159.9	173.2	154.9	150.7	160.5	155.0
8 Loans excluding interbank	1,827.2	1,832.7	1,840.7	1,863.6	1,883.2	1,872.2	1,894.9	1,911.3	1,916.2	1,939.0	1,945.9
9 Commercial and industrial	591.9	593.3	595.0	601.3	608.8	604.6	617.6	622.9	627.3	631.1	628.3
10 Real estate	648.0	654.7	661.8	669.6	676.3	679.7	684.1	692.6	699.4	706.7	715.1
11 Individual	350.1	352.7	353.3	355.3	361.4	360.8	358.3	358.1	361.8	363.8	366.0
12 All other	237.2	232.0	230.6	237.5	236.6	227.0	234.8	237.7	227.7	237.4	236.6
13 Total cash assets	223.3	216.6	209.9	237.5	246.3	216.1	227.4	211.5	215.8	248.3	214.2
14 Reserves with Federal Reserve Banks	33.1	31.1	31.7	33.8	34.5	31.5	27.7	30.9	33.4	27.8	27.9
15 Cash in vault	26.5	26.2	26.3	28.7	30.3	27.5	26.6	26.8	26.9	27.9	27.6
16 Cash items in process of collection	79.7	76.3	72.9	89.8	92.3	76.4	89.1	75.9	78.8	107.6	78.7
17 Demand balances at U.S. depository institutions	31.9	29.8	29.4	32.4	34.4	28.7	33.3	28.8	28.5	34.9	29.6
18 Other cash assets	52.1	53.2	49.6	52.8	54.8	52.0	50.7	49.0	48.3	50.2	50.5
19 Other assets	189.2	194.5	200.3	200.7	200.0	194.6	191.4	194.1	200.7	206.8	198.7
20 Total assets/total liabilities and capital	**2,947.6**	**2,946.7**	**2,961.8**	**3,029.7**	**3,047.9**	**2,997.8**	**3,042.8**	**3,032.7**	**3,039.5**	**3,114.9**	**3,073.6**
21 Deposits	2,077.4	2,062.8	2,072.2	2,125.8	2,145.7	2,097.1	2,125.2	2,123.7	2,134.2	2,182.6	2,138.2
22 Transaction deposits	609.9	588.3	587.8	628.6	642.7	586.6	602.6	583.2	594.5	628.5	580.5
23 Savings deposits	542.3	536.6	537.8	541.1	535.6	528.8	527.3	523.2	512.0	509.7	507.4
24 Time deposits	925.3	937.9	946.7	956.1	967.5	981.7	995.3	1,017.3	1,027.6	1,044.3	1,050.2
25 Borrowings	451.0	471.8	482.6	479.0	473.1	493.6	502.9	483.6	486.7	510.6	512.7
26 Other liabilities	227.2	220.8	214.5	229.0	233.7	209.1	216.5	223.9	217.4	218.6	218.4
27 Residual (assets less liabilities)	191.9	191.4	192.5	195.9	195.3	198.0	198.2	201.4	201.2	203.2	204.4
MEMO											
28 U.S. government securities (including trading account)	352.0	352.6	354.0	361.0	359.4	364.4	366.2	372.1	369.5	372.3	374.4
29 Other securities (including trading account)	197.1	195.4	195.7	196.7	193.4	190.5	189.7	188.8	186.6	188.0	185.4
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	2,340.9	2,339.8	2,353.9	2,389.8	2,391.9	2,385.1	2,405.9	2,407.8	2,407.8	2,446.0	2,439.9
31 Investment securities	499.9	501.7	499.3	507.1	507.2	507.0	509.0	513.1	513.8	516.1	517.3
32 U.S. government securities	323.3	325.0	322.8	329.9	333.2	334.5	338.1	342.7	344.1	345.9	349.5
33 Other	176.6	176.7	176.5	177.1	174.0	172.6	171.0	170.4	169.7	170.2	167.8
34 Trading account assets	22.7	21.2	24.9	24.8	19.2	21.5	20.1	21.8	17.8	19.2	18.2
35 Total loans	1,818.4	1,816.9	1,829.8	1,858.0	1,865.4	1,856.6	1,876.8	1,872.8	1,876.2	1,910.6	1,904.5
36 Interbank loans	129.9	126.2	131.3	139.7	133.1	131.4	138.9	122.3	120.2	131.5	119.3
37 Loans excluding interbank	1,688.4	1,690.7	1,698.5	1,718.3	1,732.3	1,725.2	1,737.8	1,750.5	1,756.0	1,779.2	1,785.1
38 Commercial and industrial	491.2	490.2	492.7	498.7	500.6	498.9	503.4	506.1	511.3	515.5	511.6
39 Real estate	628.5	634.8	641.3	647.7	654.3	657.7	661.7	669.8	676.0	683.2	691.6
40 Individual	349.8	352.3	353.0	354.9	361.1	360.5	358.0	357.7	361.4	363.5	365.6
41 All other	219.0	213.3	211.6	217.0	216.3	208.1	214.7	216.9	207.3	217.0	216.3
42 Total cash assets	203.6	194.1	190.2	216.6	223.1	193.5	206.4	191.4	195.3	227.0	192.3
43 Reserves with Federal Reserve Banks	31.4	29.0	29.9	32.6	33.1	30.1	26.6	29.5	30.7	26.7	26.6
44 Cash in vault	26.4	26.1	26.2	28.6	30.3	27.4	26.6	26.8	26.8	27.9	27.6
45 Cash items in process of collection	79.4	75.9	72.2	89.0	91.4	75.6	88.1	75.1	77.9	106.6	77.7
46 Demand balances at U.S. depository institutions	30.2	27.7	27.4	30.5	32.4	26.8	31.2	26.6	26.8	32.9	27.5
47 Other cash assets	36.1	35.3	34.4	35.8	35.9	33.6	33.9	33.4	33.1	33.0	32.9
48 Other assets	124.1	127.3	130.4	132.2	135.6	128.1	129.6	130.6	134.6	133.6	131.6
49 Total assets/liabilities and capital	**2,668.6**	**2,661.3**	**2,674.5**	**2,738.6**	**2,750.5**	**2,706.7**	**2,741.8**	**2,729.9**	**2,737.7**	**2,806.6**	**2,763.9**
50 Deposits	2,011.5	1,995.7	2,004.0	2,056.3	2,073.0	2,026.1	2,052.7	2,047.4	2,056.2	2,103.0	2,058.8
51 Transaction deposits	601.2	579.5	578.2	618.7	632.9	577.4	593.5	574.1	584.8	618.7	571.2
52 Savings deposits	539.8	534.1	535.2	538.6	533.1	526.4	524.8	520.7	509.4	507.1	504.8
53 Time deposits	870.5	882.1	890.7	899.0	907.0	922.3	934.4	952.6	961.9	977.2	982.9
54 Borrowings	345.6	359.5	365.2	366.1	363.7	377.1	378.7	362.8	368.2	383.0	387.3
55 Other liabilities	123.0	118.2	116.3	123.8	122.0	109.0	115.8	121.7	115.6	120.9	116.9
56 Residual (assets less liabilities)	188.4	187.8	189.0	192.4	191.8	194.5	194.6	197.9	197.7	199.7	200.8
MEMO											
57 Real estate loans, revolving	36.4	37.5	38.5	39.7	40.1	40.7	41.7	42.5	43.4	44.3	45.3
58 Real estate loans, other	592.1	597.3	602.7	608.0	614.2	617.0	620.0	627.3	632.6	638.9	646.2

1. Data have been revised because of benchmarking beginning January 1984. Back data are available from the Banking and Monetary Statistics section, Board of Governors of the Federal Reserve System, Washington, D.C., 20551. These data also appear in the Board's weekly H.8 (510) release.

Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Loan and securities data for domestically chartered commercial banks are estimates for the last Wednesday of the month based on a sample of weekly reporting banks and quarter-end condition report data. Data for other banking institutions are estimates made for the last Wednesday of the month based on a weekly reporting sample of foreign-related institutions and quarter-end condition reports.

2. Commercial banking institutions include insured domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.

3. Insured domestically chartered commercial banks include all member banks and insured nonmember banks.

1.26 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS[1]

Millions of dollars, Wednesday figures

Account	1989								
	May 3	May 10	May 17	May 24	May 31	June 7	June 14	June 21	June 28
1 Cash and balances due from depository institutions	114,789	101,145	111,852	99,936	126,800	103,762	113,573	103,874	106,464
2 **Total loans, leases, and securities, net**	**1,202,577**	**1,187,776**	**1,201,383**	**1,196,428**	**1,213,512**	**1,201,589**	**1,203,732**	**1,208,875**	**1,208,611**
3 U.S. Treasury and government agency	135,673r	135,409r	138,362r	139,975r	137,220r	137,634	137,626	140,272	140,742
4 Trading account	13,912	13,280	15,571	15,202	13,216	13,548	13,823	14,427	12,168
5 Investment account	121,760r	122,130r	122,790r	124,773r	124,003r	124,086	123,803	125,845	128,575
6 Mortgage-backed securities[3]	51,250r	51,280r	51,563r	53,727r	53,763r	53,922	53,932	55,782	57,653
All other maturing in									
7 One year or less	21,232r	21,208	20,790	20,547	21,031	21,233	20,982	20,990	21,505
8 Over one through five years	41,730r	41,942	42,462	42,391	41,184	41,040	40,922	40,760	40,757
9 Over five years	7,549r	7,699r	7,975r	8,108r	8,026r	7,890	7,967	8,313	8,660
10 Other securities	71,672r	71,774r	71,731r	72,079r	72,670r	72,054	72,010	72,176	71,651
11 Trading account	1,093	1,046	834	923	1,138	842	1,027	1,045	1,113
12 Investment account	70,579r	70,728r	70,897r	71,156r	71,533r	71,211	70,982	71,131	70,538
13 States and political subdivisions, by maturity	44,501	44,440	44,433	44,439	44,473	44,216	44,153	44,069	43,847
14 One year or less	5,031r	4,974	4,956	4,961	5,051	4,981	4,971	4,915	4,775
15 Over one year	39,471r	39,467	39,477	39,478	39,422	39,235	39,181	39,154	39,072
16 Other bonds, corporate stocks, and securities	26,078r	26,288r	26,464r	26,717r	27,060r	26,996	26,830	27,062	26,691
17 Other trading account assets	3,936	3,989	4,090	4,153	4,829	5,232	4,810	4,634	4,870
18 Federal funds sold[4]	78,960r	67,192r	71,778r	66,895r	77,178r	68,424	69,935	70,210	72,860
19 To commercial banks	54,801	45,932	48,988	42,626	51,929	42,728	44,934	45,070	48,091
20 To nonbank brokers and dealers in securities	16,951	15,361	15,901	16,466	18,223	18,593	19,299	18,841	18,409
21 To others	7,208r	5,898r	6,889r	7,802r	7,026r	7,102	5,702	6,299	6,360
22 Other loans and leases, gross	950,569r	947,699r	953,754r	951,670r	960,000r	956,751	957,770	959,987	956,657
23 Other loans, gross	925,968r	923,094r	929,196r	927,056r	935,392r	932,189	933,195	935,342	931,986
24 Commercial and industrial	317,898r	316,794r	316,902r	316,763r	318,081r	317,247	316,469	316,022	314,110
25 Bankers acceptances and commercial paper	1,740	1,806	1,681	1,748	1,978	1,840	1,879	1,803	1,781
26 All other	316,158r	314,988r	315,221r	315,014r	316,103r	315,407	314,590	314,220	312,329
27 U.S. addressees	314,220r	313,088r	313,316r	313,001r	314,144r	313,473	312,724	312,319	310,392
28 Non-U.S. addressees	1,937	1,901	1,905	2,014	1,959	1,933	1,866	1,901	1,937
29 Real estate loans	322,338r	323,332r	324,717r	324,930r	325,578r	326,386	328,061	329,207	330,083
30 Revolving, home equity	23,942	24,113	24,217	24,314	24,423	24,534	24,746	24,873	25,031
31 All other	298,396r	299,219r	300,500r	300,616r	301,155r	301,852	303,315	304,334	305,052
32 To individuals for personal expenditures	169,193	169,142	169,252	169,451	169,681	169,169	169,662	169,256	169,788
33 To depository and financial institutions	44,155	44,375	46,047	45,082	47,523	46,786	45,414	45,689	42,912
34 Commercial banks in the United States	20,230	20,180	21,438	21,005	21,350	20,715	19,924	19,304	17,266
35 Banks in foreign countries	3,641	4,194	3,910	4,122	4,783	4,749	3,921	4,384	3,947
36 Nonbank depository and other financial institutions	20,284	20,001	20,698	19,955	21,390	21,322	21,568	22,001	21,699
37 For purchasing and carrying securities	14,940	13,561	14,243	13,654	15,608	14,259	15,667	16,098	16,998
38 To finance agricultural production	5,581	5,592	5,688	5,672	5,686	5,721	5,716	5,738	5,796
39 To states and political subdivisions	27,375	27,264	27,233	27,158	27,144	27,119	27,037	27,066	26,996
40 To foreign governments and official institutions	1,887	1,929	2,119	1,969	1,840	1,981	1,912	1,869	1,813
41 All other	22,602r	21,103r	22,995r	22,376r	24,250r	23,522	23,257	24,396	23,489
42 Lease financing receivables	24,600	24,604	24,558	24,615	24,608	24,562	24,575	24,645	24,671
43 LESS: Unearned income	4,898	4,938	4,948	4,960	4,920	4,932	4,943	4,961	4,949
44 Loan and lease reserve[5]	33,337	33,348	33,384	33,383	33,465	33,574	33,476	33,442	33,220
45 Other loans and leases, net	912,334r	909,412r	915,422r	913,327r	921,615r	918,245	919,351	921,583	918,488
46 All other assets	132,230r	132,814r	131,254r	129,339	131,337	131,974	130,815	131,739	128,170
47 **Total assets**	**1,449,595r**	**1,421,734r**	**1,444,489r**	**1,425,703**	**1,471,648**	**1,437,324**	**1,448,120**	**1,444,489**	**1,443,245**
48 Demand deposits	229,729	213,972	222,228	209,927	244,114	219,785	226,209	219,160	219,193
49 Individuals, partnerships, and corporations	177,649	172,058	179,074	168,217	189,983	175,662	180,985	174,885	173,820
50 States and political subdivisions	7,860	5,674	5,744	5,454	5,894	5,420	5,890	6,616	6,078
51 U.S. government	6,491	2,886	1,645	3,435	2,678	3,373	4,547	1,888	2,516
52 Depository institutions in the United States	21,154	19,076	20,634	18,504	25,996	19,292	19,817	19,736	20,086
53 Banks in foreign countries	6,134	5,707	5,801	6,048	8,515	7,206	6,020	7,030	6,707
54 Foreign governments and official institutions	672	816	1,039	622	669	954	891	866	1,022
55 Certified and officers' checks	9,769	7,755	8,292	7,646	10,378	7,879	8,059	8,138	8,963
56 Transaction balances other than demand deposits	76,512	73,950	73,531	72,482	74,271	75,696	74,883	72,702	71,824
57 Nontransaction balances	669,138r	670,331r	673,545r	673,368	673,096	677,506	676,549	675,376	674,735
58 Individuals, partnerships, and corporations	627,810r	628,660r	631,356r	631,507	631,788	636,409	635,547	634,933	634,580
59 States and political subdivisions	31,955	32,341	32,842	32,663	32,310	32,079	31,974	31,380	31,066
60 U.S. government	972	937	935	930	922	916	882	882	898
61 Depository institutions in the United States	7,742	7,764	7,750	7,568	7,420	7,391	7,466	7,484	7,494
62 Foreign governments, official institutions, and banks	659	629	661	701	657	711	679	696	696
63 Liabilities for borrowed money	288,844	278,253	292,780	284,177	289,130	277,162	282,707	289,438	291,896
64 Borrowings from Federal Reserve Banks	1,632	1,035	1,060	985	1,349	1,520	1,720	0	960
65 Treasury tax-and-loan notes	25,598	25,696	25,696	24,373	21,700	8,003	7,165	25,165	25,191
66 All other liabilities for borrowed money[6]	261,614	251,522	266,024	258,819	266,081	267,639	273,822	264,273	265,746
67 Other liabilities and subordinated notes and debentures	85,962	85,298	82,244	85,317	90,394	86,457	86,832	87,093	84,807
68 **Total liabilities**	**1,350,184r**	**1,321,805r**	**1,344,328r**	**1,325,271**	**1,371,007**	**1,336,607**	**1,347,181**	**1,343,770**	**1,342,456**
69 Residual (total assets minus total liabilities)[7]	99,411	99,929	100,161	100,432	100,641	100,717	100,940	100,719	100,789
MEMO									
70 Total loans and leases (gross) and investments adjusted[8]	1,165,780	1,159,950	1,169,288	1,171,141	1,178,618	1,176,652	1,177,293	1,182,905	1,181,423
71 Total loans and leases (gross) adjusted[8]	954,498	948,778	955,106	954,933	963,899	961,731	962,847	965,823	964,160
72 Time deposits in amounts of $100,000 or more	214,705	215,464	216,357	216,914	215,385	217,267	217,398	216,782	216,742
73 U.S. Treasury securities maturing in one year or less	19,080r	19,174	19,388	19,552	19,392	19,866	18,862	18,868	18,572
74 Loans sold outright to affiliates—total[9]	1,870	1,839	1,877	1,926	1,775	1,854	1,859	1,863	1,800
75 Commercial and industrial	1,575	1,544	1,555	1,618	1,466	1,542	1,548	1,544	1,479
76 Other	295	295	322	308	309	312	312	319	320
77 Nontransaction savings deposits (including MMDAs)	246,320	245,696	246,665	245,452	246,395	248,402	246,968	246,010	245,348

1. Beginning Jan. 6, 1988, the "Large bank" reporting group was revised somewhat, eliminating some former reporters with less than $2 billion of assets and adding some new reporters with assets greater than $3 billion.
2. *For adjustment bank data see this table in the March 1989 Bulletin.* The adjustment data for 1988 should be added to the reported data for 1988 to establish comparability with data reported for 1989.
3. Includes U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages.
4. Includes securities purchased under agreements to resell.
5. Includes allocated transfer risk reserve.
6. Includes federal funds purchased and securities sold under agreements to repurchase; for information on these liabilities at banks with assets of $1 billionor more on Dec. 31, 1977, see table 1.13.
7. This is not a measure of equity capital for use in capital-adequacy analysis or for other analytic uses.
8. Exclusive of loans and federal funds transactions with domestic commercial banks.
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.

1.28 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY[1]

Millions of dollars, Wednesday figures

Account	1989								
	May 3	May 10	May 17	May 24	May 31	June 7	June 14	June 21	June 28
1 Cash balances due from depository institutions	25,562	20,527	22,828	21,252	28,490	20,524	25,136	21,314	24,700
2 **Total loans, leases and securities, net**[2]	**215,490**	**208,549**	**215,583**	**212,905**	**222,681**	**216,247**	**217,152**	**216,649**	**215,410**
Securities									
3 U.S. Treasury and government agency[3]	0	0	0	0	0	0	0	0	0
4 Trading account[3]	0	0	0	0	0	0	0	0	0
5 Investment account	14,962	15,056	15,530	15,704	15,244	15,042	15,030	15,095	15,461
6 Mortgage-backed securities[4]	7,240	7,242	7,257	7,263	7,237	7,250	7,260	7,288	7,414
All other maturing in									
7 One year or less	2,564	2,758	2,659	2,712	2,804	2,791	2,781	2,855	2,930
8 Over one through five years	3,488	3,371	3,900	4,029	3,500	3,409	3,412	3,295	3,517
9 Over five years	1,670	1,685	1,714	1,700	1,703	1,592	1,576	1,657	1,601
10 Other securities[3]	0	0	0	0	0	0	0	0	0
11 Trading account[3]	0	0	0	0	0	0	0	0	0
12 Investment account	17,436	17,549	17,589	17,710	17,777	17,772	17,927	18,224	17,761
13 States and political subdivisions, by maturity	12,018	12,042	12,001	11,997	11,990	11,964	11,932	11,904	11,707
14 One year or less	1,168	1,170	1,166	1,162	1,161	1,175	1,178	1,181	1,079
15 Over one year	10,850	10,872	10,835	10,835	10,828	10,788	10,755	10,723	10,628
16 Other bonds, corporate stocks, and securities	5,418	5,507	5,588	5,713	5,787	5,808	5,995	6,320	6,054
17 Other trading account assets[3]	0	0	0	0	0	0	0	0	0
Loans and leases									
18 Federal funds sold[5]	25,116	20,683	23,787	22,312	27,529	22,727	24,721	23,950	25,085
19 To commercial banks	13,184	10,006	12,567	9,039	13,687	8,086	10,582	9,875	11,277
20 To nonbank brokers and dealers in securities	7,873	7,440	7,504	8,614	9,708	10,335	10,956	10,384	9,994
21 To others	4,058	3,236	3,716	4,658	4,134	4,307	3,182	3,690	3,814
22 Other loans and leases, gross	172,527	169,905	173,337	171,859	176,814	175,424	174,171	174,092	171,809
23 Other loans, gross	166,693	164,070	167,591	166,120	171,076	169,696	168,469	168,363	166,097
24 Commercial and industrial	59,277	58,600	59,230	59,431	60,169	59,746	59,210	57,929	56,879
25 Bankers acceptances and commercial paper	325	355	303	355	422	384	489	404	394
26 All other	58,952	58,245	58,926	59,076	59,747	59,362	58,722	57,525	56,486
27 U.S. addressees	58,321	57,606	58,309	58,393	59,118	58,733	58,120	56,922	55,782
28 Non-U.S. addressees	631	639	617	683	629	628	602	603	703
29 Real estate loans	51,679	51,750	52,022	52,139	52,240	52,495	52,640	52,796	53,034
30 Revolving, home equity	3,441	3,449	3,461	3,469	3,479	3,481	3,495	3,508	3,524
31 All other	48,238	48,300	48,561	48,669	48,761	49,014	49,145	49,288	49,510
32 To individuals for personal expenditures	19,368	19,368	19,331	19,366	19,347	19,430	19,528	19,498	19,630
33 To depository and financial institutions	17,509	17,402	18,463	17,953	20,126	19,435	18,638	18,998	17,094
34 Commercial banks in the United States	8,212	7,992	8,860	8,444	9,204	8,535	8,104	8,007	6,760
35 Banks in foreign countries	2,195	2,796	2,544	2,798	3,323	3,215	2,537	2,932	2,529
36 Nonbank depository and other financial institutions	7,102	6,614	7,059	6,711	7,598	7,685	7,996	8,059	7,804
37 For purchasing and carrying securities	6,395	5,271	5,660	5,033	6,165	5,606	5,971	6,374	7,146
38 To finance agricultural production	161	174	194	170	158	163	155	148	150
39 To states and political subdivisions	6,034	6,015	6,001	5,975	5,982	5,945	5,898	5,974	5,917
40 To foreign governments and official institutions	520	583	753	605	480	625	504	508	476
41 All other	5,749	4,907	5,936	5,447	6,408	6,249	5,923	6,138	5,772
42 Lease financing receivables	5,834	5,835	5,746	5,739	5,737	5,728	5,701	5,729	5,712
43 LESS: Unearned income	1,610	1,634	1,648	1,656	1,641	1,646	1,655	1,675	1,686
44 Loan and lease reserve	12,940	13,010	13,013	13,024	13,041	13,072	13,041	13,037	13,020
45 Other loans and leases, net[6]	157,977	155,261	158,677	157,179	162,131	160,706	159,474	159,380	157,103
46 All other assets[7]	59,369	59,792	61,784	58,636	57,284	59,032	54,848	59,411	56,451
47 **Total assets**	**300,421**	**288,868**	**300,195**	**292,793**	**308,455**	**295,803**	**297,137**	**297,373**	**296,562**
Deposits									
48 Demand deposits	50,670	47,475	50,746	46,512	58,706	50,054	50,818	52,866	52,046
49 Individuals, partnerships, and corporations	34,056	33,792	36,203	32,714	38,911	35,302	36,199	36,539	35,773
50 States and political subdivisions	1,379	550	487	493	625	571	1,057	938	850
51 U.S. government	1,215	504	227	670	478	577	693	193	493
52 Depository institutions in the United States	5,009	4,696	5,198	4,674	6,745	4,183	4,787	5,642	5,120
53 Banks in foreign countries	4,880	4,487	4,588	4,814	7,040	5,972	4,590	5,710	5,240
54 Foreign governments and official institutions	521	675	868	488	530	785	749	628	863
55 Certified and officers' checks	3,610	2,770	3,174	2,658	4,376	2,663	2,743	3,216	3,706
56 Transaction balances other than demand deposits (ATS, NOW, Super NOW, telephone transfers)	8,544	8,261	8,207	8,113	8,236	8,412	8,446	8,178	8,109
57 Nontransaction balances	112,910	112,666	113,069	113,557	113,778	114,776	113,479	112,939	112,693
58 Individuals, partnerships, and corporations	102,964	102,493	102,610	103,061	103,405	104,455	103,007	102,616	102,309
59 States and political subdivisions	7,673	7,921	8,155	8,178	8,095	8,013	8,186	8,039	8,106
60 U.S. government	24	25	29	28	29	30	30	29	28
61 Depository institutions in the United States	1,996	2,015	2,026	2,005	2,000	1,997	2,004	2,004	1,998
62 Foreign governments, official institutions, and banks	251	212	249	284	249	281	253	250	251
63 Liabilities for borrowed money	70,191	63,324	72,879	67,597	65,776	64,382	66,456	65,433	68,297
64 Borrowings from Federal Reserve Banks	0	0	0	0	0	0	0	0	960
65 Treasury tax-and-loan notes	6,202	6,201	6,082	5,726	5,381	1,772	1,485	6,086	5,969
66 All other liabilities for borrowed money[8]	63,990	57,123	66,798	61,871	60,395	62,610	64,971	59,348	61,368
67 Other liabilities and subordinated notes and debentures	29,935	28,669	26,686	28,482	33,420	29,387	29,100	29,314	26,802
68 **Total liabilities**	**272,249**	**260,395**	**271,587**	**264,261**	**279,916**	**267,011**	**268,299**	**268,730**	**267,947**
69 Residual (total assets minus total liabilities)[9]	28,172	28,472	28,608	28,532	28,539	28,792	28,837	28,643	28,615
MEMO									
70 Total loans and leases (gross) and investments adjusted[2,10]	208,645	205,195	208,817	210,102	214,472	214,345	213,161	213,479	212,079
71 Total loans and leases (gross) adjusted[10]	176,247	172,590	175,698	176,688	181,452	181,530	180,204	180,159	178,857
72 Time deposits in amounts of $100,000 or more	42,681	42,571	43,144	43,199	43,084	43,323	42,891	42,576	42,356
73 U.S. Treasury securities maturing in one year or less	3,253	3,165	3,114	3,239	2,950	2,829	2,956	2,978	2,872

1. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.
2. Excludes trading account securities.
3. Not available due to confidentiality.
4. Includes U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages.
5. Includes securities purchased under agreements to resell.
6. Includes allocated transfer risk reserve.
7. Includes trading account securities.
8. Includes federal funds purchased and securities sold under agreements to repurchase.
9. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
10. Exclusive of loans and federal funds transactions with domestic commercial banks.

1.30 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS[1] Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1989								
	May 3	May 10	May 17	May 24	May 31	June 7	June 14	June 21	June 28
1 Cash and due from depository institutions	13,042	10,534	11,398	11,026	11,420	10,617	11,621	11,396	11,606
2 Total loans and securities	132,100	130,967	132,963	131,596	130,213	131,484	133,135	133,185	134,216
3 U.S. Treasury and government agency securities	9,006	8,591	8,580	8,687	8,863	8,659	8,132	8,596	8,557
4 Other securities	6,190	6,184	6,200	6,042	6,137	6,138	6,014	6,006	5,988
5 Federal funds sold[2]	7,216	6,598	8,223	6,815	5,500	7,267	9,030	7,955	7,286
6 To commercial banks in the United States	6,061	5,448	6,737	5,582	4,489	6,215	8,002	6,915	6,079
7 To others	1,155	1,150	1,486	1,233	1,011	1,052	1,028	1,040	1,207
8 Other loans, gross	109,688	109,594	109,960	110,052	109,713	109,420	109,959	110,628	112,385
9 Commercial and industrial	71,777	71,150	71,410	71,007	71,241	70,716	70,671	71,341	71,337
10 Bankers acceptances and commercial paper	1,773	1,858	1,794	1,761	1,648	1,789	1,888	1,892	1,863
11 All other	70,004	69,292	69,616	69,246	69,593	68,927	68,783	69,449	69,474
12 U.S. addressees	68,366	67,532	67,918	67,543	67,894	67,189	67,048	67,778	67,736
13 Non-U.S. addressees	1,638	1,760	1,698	1,703	1,699	1,738	1,735	1,671	1,738
14 Loans secured by real estate[3]	14,581	14,770	14,814	14,728	14,691	14,736	14,664	15,173	14,912
15 To financial institutions	19,679	19,832	19,776	20,505	19,894	19,880	20,352	20,362	21,972
16 Commercial banks in the United States	14,600	14,876	15,122	15,564	14,492	14,651	15,147	15,512	17,036
17 Banks in foreign countries	1,612	1,555	1,434	1,611	1,944	1,758	1,783	1,438	1,490
18 Nonbank financial institutions	3,467	3,401	3,220	3,330	3,458	3,471	3,422	3,412	3,446
19 To foreign governments and official institutions	709	818	741	746	692	686	649	622	716
20 For purchasing and carrying securities	1,622	1,607	1,581	1,576	1,563	1,484	2,157	1,642	1,757
21 All other[3]	1,320	1,417	1,638	1,490	1,632	1,918	1,466	1,488	1,691
22 Other assets (claims on nonrelated parties)	32,266	32,488	32,368	32,351	32,669	32,146	32,663	32,638	32,508
23 Net due from related institutions	14,494	16,677	15,349	14,506	18,293	15,789	14,450	15,520	14,096
24 Total assets	191,903	190,667	192,078	189,480	192,596	190,038	191,869	192,741	192,426
25 Deposits or credit balances due to other than directly related institutions	48,340	48,262	48,279	48,246	48,523	48,878	47,970	48,594	48,778
26 Transaction accounts and credit balances[4]	3,344	3,198	3,329	3,421	3,609	3,477	3,014	3,450	4,101
27 Individuals, partnerships, and corporations	1,944	2,004	1,940	1,837	2,107	2,080	1,905	1,934	2,423
28 Other	1,400	1,194	1,389	1,584	1,502	1,397	1,109	1,516	1,678
29 Nontransaction accounts[5]	44,996	45,064	44,950	44,825	44,914	45,401	44,956	45,144	44,677
30 Individuals, partnerships, and corporations	38,160	38,104	37,980	37,700	37,852	38,211	37,748	37,756	37,632
31 Other	6,836	6,960	6,970	7,125	7,062	7,190	7,208	7,388	7,045
32 Borrowings from other than directly related institutions	82,064	83,826	83,056	83,517	83,596	82,753	81,403	86,325	81,763
33 Federal funds purchased[6]	35,819	37,062	36,398	38,489	38,550	38,762	37,212	41,660	34,949
34 From commercial banks in the United States	18,977	19,931	20,222	18,740	21,099	20,561	21,260	21,367	17,653
35 From others	16,842	17,131	16,176	19,749	17,451	18,201	15,952	20,293	17,296
36 Other liabilities for borrowed money	46,245	46,764	46,658	45,028	45,046	43,991	44,191	44,665	46,814
37 To commercial banks in the United States	31,132r	31,615r	31,118r	29,753r	29,437r	28,777	28,940	29,058	31,098
38 To others	15,113r	15,149r	15,540r	15,275r	15,609r	15,214	15,251	15,607	15,716
39 Other liabilities to nonrelated parties	33,479	33,773	33,581	33,196	33,782	33,141	33,333	32,472	32,829
40 Net due to related institutions	28,020	24,804	27,160	24,520	26,694	25,266	29,165	25,350	29,056
41 Total liabilities	191,903	190,667	192,078	189,480	192,596	190,038	191,869	192,741	192,426
MEMO									
42 Total loans (gross) and securities adjusted[7]	111,439	110,643	111,104	110,450	111,232	110,618	109,986	110,758	111,101
43 Total loans (gross) adjusted[7]	96,243	95,868	96,324	95,721	96,232	95,821	95,840	96,156	96,556

1. Effective Jan. 4, 1989, the reporting panel includes a new group of large U.S. branches and agencies of foreign banks. Earlier data included 65 U.S. branches and agencies of foreign banks that included those branches and agencies with assets of $750 million or more on June 30, 1980, plus those branches and agencies that had reached the $750 million asset level on Dec. 31, 1984. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.
2. Includes securities purchased under agreements to resell.
3. Effective Jan. 4, 1989, loans secured by real estate are being reported as a separate component of Other loans, gross. Formerly, these loans were included in "All other", line 21.
4. Includes credit balances, demand deposits, and other checkable deposits.
5. Includes savings deposits, money market deposit accounts, and time deposits.
6. Includes securities sold under agreements to repurchase.
7. Exclusive of loans to and federal funds sold to commercial banks in the United States.

1.31 GROSS DEMAND DEPOSITS Individuals, Partnerships, and Corporations[1]

Billions of dollars, estimated daily-average balances, not seasonally adjusted

Type of holder	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1988 Mar.	1988 June	1988 Sept.	1988 Dec.	1989 Mar.	1989 June
	Commercial banks									
1 **All holders—Individuals, partnerships, and corporations**	**302.7**	**321.0**	**363.6**	**343.5**	**328.6**	**346.5**	**337.8**	**354.7**	**330.4**	n.a.
2 Financial business	31.7	32.3	41.4	36.3	33.9	37.2	34.8	38.6	36.3	n.a.
3 Nonfinancial business	166.3	178.5	202.0	191.9	184.1	194.3	190.3	201.2	182.2	n.a.
4 Consumer	81.5	85.5	91.1	90.0	86.9	89.8	87.8	88.3	87.4	n.a.
5 Foreign	3.6	3.5	3.3	3.4	3.5	3.4	3.2	3.7	3.7	n.a.
6 Other	19.7	21.2	25.8	21.9	20.3	21.9	21.7	22.8	20.7	n.a.
	Weekly reporting banks									
7 **All holders—Individuals, partnerships, and corporations**	**157.1**	**168.6**	**195.1**	**183.8**	**181.8**	**191.5**	**185.3**	**198.3**	**181.9**	**182.2**
8 Financial business	25.3	25.9	32.5	28.6	27.0	30.0	27.2	30.5	27.2	25.4
9 Nonfinancial business	87.1	94.5	106.4	100.0	98.2	103.1	101.5	108.7	98.6	99.8
10 Consumer	30.5	33.2	37.5	39.1	41.7	42.3	41.8	42.6	41.1	42.4
11 Foreign	3.4	3.1	3.3	3.3	3.4	3.4	3.1	3.6	3.3	2.9
12 Other	10.9	12.0	15.4	12.7	11.4	12.8	11.7	12.9	11.7	11.7

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466. Figures may not add to totals because of rounding.
2. Beginning in March 1984, these data reflect a change in the panel of weekly reporting banks, and are not comparable to earlier data. Estimates in billions of dollars for December 1983 based on the new weekly reporting panel are: financial business, 24.4; nonfinancial business, 80.9; consumer, 30.1; foreign, 3.1; other 9.5.
3. Beginning March 1985, financial business deposits and, by implication, total gross demand deposits have been redefined to exclude demand deposits due to thrift institutions. Historical data have not been revised. The estimated volume of such deposits for December 1984 is $5.0 billion at all insured commercial banks and $3.0 billion at weekly reporting banks.
4. Historical data back to March 1985 have been revised to account for corrections of bank reporting errors. Historical data before March 1985 have not been revised, and may contain reporting errors. Data for all commercial banks for March 1985 were revised as follows (in billions of dollars): all holders, −.3; financial business, −.8; nonfinancial business, −.4; consumer, .9; foreign, .1; other, −.1. Data for weekly reporting banks for March 1985 were revised as follows (in billions of dollars): all holders, −.1; financial business, −.7; nonfinancial business, −.5; consumer, 1.1; foreign, .1; other, −.2.
5. Beginning March 1988, these data reflect a change in the panel of weekly reporting banks, and are not comparable to earlier data. Estimates in billions of dollars for December 1987 based on the new weekly reporting panel are: financial business, 29.4; nonfinancial business, 105.1; consumer, 41.1; foreign, 3.4; other, 13.1.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.	1988	1989				
						Dec.	Jan.	Feb.	Mar.	Apr.	May
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**237,586**	**298,779**	**329,991**	**357,129**	**455,017**	**455,017**	**471,066**	**487,771**	**492,821**	**494,292**	**497,369**
Financial companies[1]											
Dealer-placed paper[2]											
2 Total	56,485	78,443	101,072	101,958	159,947	159,947	162,884	173,944	172,950	170,549	167,795
3 Bank-related (not seasonally adjusted)[3]	2,035	1,602	2,265	1,428	1,248	1,248	n.a.	n.a.	n.a.	n.a.	n.a.
Directly placed paper[4]											
4 Total	110,543	135,320	151,820	173,939	192,442	192,442	199,828	201,997	205,374	207,231	206,497
5 Bank-related (not seasonally adjusted)[3]	42,105	44,778	40,860	43,173	43,155	43,155	n.a.	n.a.	n.a.	n.a.	n.a.
6 Nonfinancial companies[5]	70,558	85,016	77,099	81,232	102,628	102,628	108,354	111,830	114,497	116,512	123,077
	Bankers dollar acceptances (not seasonally adjusted)[6]										
7 **Total**	**78,364**	**68,413**	**64,974**	**70,565**	**66,631**	**66,631**	**62,212**	**62,812**	**62,458**	**64,357**	**62,396**
Holder											
8 Accepting banks	9,811	11,197	13,423	10,943	9,086	9,086	9,009	9,401	8,336	9,616[r]	8,908
9 Own bills	8,621	9,471	11,707	9,464	8,022	8,022	7,927	8,497	7,642	8,107	8,115
10 Bills bought	1,191	1,726	1,716	1,479	1,064	1,064	1,082	904	693	1,509[r]	794
Federal Reserve Banks											
11 Own account	0	0	0	0	0	0	0	0	0	0	0
12 Foreign correspondents	671	937	1,317	965	1,493	1,493	1,596	1,579	1,544	1,400	1,374
13 Others	67,881	56,279	50,234	58,658	56,052	56,052	51,608	51,832	52,579	53,340[r]	0
Basis											
14 Imports into United States	17,845	15,147	14,670	16,483	14,984	14,984	14,917	15,588	14,755	15,234	14,900
15 Exports from United States	16,305	13,204	12,960	15,227	14,410	14,410	13,813	13,927	13,581	14,371	14,452
16 All other	44,214	40,062	37,344	38,855	37,237	37,237	33,482	33,297	34,122	34,752	33,044

1. 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.
2. Includes all financial company paper sold by dealers in the open market.
3. Beginning January 1989, bank-related series have been discontinued.
4. As reported by financial companies that place their paper directly with investors.
5. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
6. Beginning January 1988, the number of respondents in the bankers acceptance survey were reduced from 155 to 111 institutions—those with $100 million or more in total acceptances. The new reporting group accounts for over 90 percent of total acceptances activity.

1.33 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1986—Mar. 7	9.00			1987—Jan.	7.50	1988—Jan.	8.75
Apr. 21	8.50	1986	8.33	Feb.	7.50	Feb.	8.51
July 11	8.00	1987	8.21	Mar.	7.50	Mar.	8.50
Aug. 26	7.50	1988	9.32	Apr.	7.75	Apr.	8.50
				May	8.14	May	8.84
1987—Apr. 1	7.75	1986—Jan.	9.50	June	8.25	June	9.00
May 1	8.00	Feb.	9.50	July	8.25	July	9.29
15	8.25	Mar.	9.10	Aug.	8.25	Aug.	9.84
Sept. 4	8.75	Apr.	8.83	Sept.	8.70	Sept.	10.00
Oct. 7	9.25	May	8.50	Oct.	9.07	Oct.	10.00
22	9.00	June	8.50	Nov.	8.78	Nov.	10.05
Nov. 5	8.75	July	8.16	Dec.	8.75	Dec.	10.50
		Aug.	7.90				
1988—Feb. 2	8.50	Sept.	7.50			1989—Jan.	10.50
May 11	9.00	Oct.	7.50			Feb.	10.93
July 14	9.50	Nov.	7.50			Mar.	11.50
Aug. 11	10.00	Dec.	7.50			Apr.	11.50
Nov. 28	10.50					May	11.50
						June	11.07
1989—Feb. 10	11.00					July	10.98
24	11.50						
June 5	11.00						
July 31	10.50						

NOTE. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Averages, percent per year; weekly, monthly and annual figures are averages of business day data unless otherwise noted.

Instrument	1986	1987	1988	1989				1989, week ending				
				Mar.	Apr.	May	June	June 2	June 9	June 16	June 23	June 30
MONEY MARKET RATES												
1 Federal funds[1,2]	6.80	6.66	7.57	9.85	9.84	9.81	9.53	9.84	9.68	9.35	9.48	9.58
2 Discount window borrowing[1,2,3]	6.32	5.66	6.20	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Commercial paper[4,5]												
3 1-month	6.61	6.74	7.58	9.88	9.77	9.58	9.34	9.51	9.32	9.28	9.35	9.35
4 3-month	6.49	6.82	7.66	9.95	9.81	9.47	9.11	9.31	9.05	9.04	9.16	9.10
5 6-month	6.39	6.85	7.68	9.97	9.78	9.29	8.80	9.05	8.71	8.74	8.92	8.73
Finance paper, directly placed[4,5]												
6 1-month	6.57	6.61	7.44	9.77	9.70	9.48	9.24	9.39	9.21	9.17	9.28	9.27
7 3-month	6.38	6.54	7.38	9.70	9.70	9.27	8.77	9.04	8.71	8.73	8.77	8.77
8 6-month	6.31	6.37	7.14	9.17	9.29	8.97	8.22	8.69	8.25	8.11	8.19	8.15
Bankers acceptances[5,6]												
9 3-month	6.38	6.75	7.56	9.83	9.68	9.35	8.97	9.16	8.88	8.95	9.05	8.94
10 6-month	6.28	6.78	7.60	9.87	9.63	9.15	8.66	8.88	8.56	8.66	8.81	8.55
Certificates of deposit, secondary market[7]												
11 1-month	6.61	6.75	7.59	9.91	9.81	9.61	9.35	9.52	9.36	9.27	9.36	9.35
12 3-month	6.51	6.87	7.73	10.09	9.94	9.59	9.20	9.39	9.15	9.13	9.29	9.16
13 6-month	6.50	7.01	7.91	10.40	10.13	9.60	9.09	9.33	9.02	9.02	9.24	8.98
14 Eurodollar deposits, 3-month[8]	6.71	7.06	7.85	10.18	10.04	9.66	9.28	9.50	9.35	9.18	9.30	9.31
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	5.97	5.78	6.67	8.82	8.65	8.43	8.15	8.54	8.18	8.14	8.13	8.03
16 6-month	6.02	6.03	6.91	8.85	8.65	8.41	7.93	8.33	7.89	7.87	8.05	7.79
17 1-year	6.07	6.33	7.13	8.82	8.64	8.31	7.84	8.16	7.79	7.84	7.92	7.71
Auction average[10]												
18 3-month	5.98	5.82	6.68	8.83	8.70	8.40	8.22	8.50	8.17	8.13	8.22	8.07
19 6-month	6.03	6.05	6.92	8.87	8.73	8.39	8.00	8.36	7.99	7.79	8.08	7.78
20 1-year	6.18	6.33	7.17	8.68	8.75	8.44	8.18	n.a.	8.18	n.a.	n.a.	n.a.
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	6.45	6.77	7.65	9.57	9.36	8.98	8.44	8.80	8.40	8.45	8.53	8.28
22 2-year	6.86	7.42	8.10	9.68	9.45	9.02	8.41	8.76	8.38	8.41	8.50	8.23
23 3-year	7.06	7.68	8.26	9.61	9.40	8.98	8.37	8.71	8.33	8.38	8.45	8.20
24 5-year	7.30	7.94	8.47	9.51	9.30	8.91	8.29	8.60	8.28	8.30	8.37	8.13
25 7-year	7.54	8.23	8.71	9.43	9.24	8.88	8.31	8.61	8.31	8.30	8.38	8.16
26 10-year	7.67	8.39	8.85	9.36	9.18	8.86	8.28	8.57	8.28	8.26	8.34	8.14
27 20-year	7.84	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 30-year	7.78	8.59	8.96	9.17	9.03	8.83	8.27	8.58	8.33	8.22	8.30	8.10
Composite[13]												
29 Over 10 years (long-term)	8.14	8.64	8.98	9.33	9.18	8.95	8.40	8.70	8.45	8.36	8.44	8.25
State and local notes and bonds												
Moody's series[14]												
30 Aaa	6.95	7.14	7.36	7.40	7.37	7.22	6.79	6.92	6.80	6.65	6.85	6.75
31 Baa	7.76	8.17	7.83	7.78	7.82	7.66	7.27	7.47	7.35	7.20	7.20	7.15
32 *Bond Buyer* series[15]	7.32	7.63	7.68	7.59	7.49	7.25	7.02	7.15	6.95	6.88	7.08	7.02
Corporate bonds												
Seasoned issues[16]												
33 All industries	9.71	9.91	10.18	10.18	10.14	9.97	9.50	9.75	9.54	9.45	9.50	9.42
34 Aaa	9.02	9.38	9.71	9.80	9.79	9.59	9.10	9.37	9.16	9.02	9.09	9.02
35 Aa	9.47	9.68	9.94	9.98	9.94	9.77	9.29	9.56	9.35	9.22	9.26	9.21
36 A	9.95	9.99	10.24	10.26	10.20	10.01	9.59	9.79	9.61	9.57	9.60	9.49
37 Baa	10.39	10.58	10.83	10.67	10.61	10.48	10.03	10.27	10.06	9.98	10.05	9.96
38 A-rated, recently offered utility bonds[17]	9.61	9.95	10.20	10.37	10.33	10.09	9.66	9.80	9.63	9.70	9.59	9.49
MEMO: Dividend/price ratio[18]												
39 Preferred stocks	8.76	8.37	9.23	9.43	9.50	9.32	8.96	9.26	9.04	8.90	8.93	8.96
40 Common stocks	3.48	3.08	3.64	3.68	3.59	3.52	3.44	3.47	3.40	3.43	3.48	3.43

1. Weekly, monthly and annual figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
2. Weekly figures are averages for statement week ending Wednesday.
3. Rate for the Federal Reserve Bank of New York.
4. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
5. Yields are quoted on a bank-discount basis, rather than in an investment yield basis (which would give a higher figure).
6. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
7. Unweighted average of offered rates quoted by at least five dealers early in the day.
8. Calendar week average. For indication purposes only.
9. Unweighted average of closing bid rates quoted by at least five dealers.
10. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.
11. Yields are based on closing bid prices quoted by at least five dealers.
12. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
13. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.
14. General obligations based on Thursday figures; Moody's Investors Service.
15. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.
18. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

NOTE. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1986	1987	1988	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May	1989 June
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	136.03[r]	161.78[r]	149.97[r]	156.36[r]	152.67[r]	155.35[r]	160.35[r]	165.08[r]	164.56[r]	169.38[r]	175.30[r]	180.76
2 Industrial	155.85	195.31	180.83	188.58	182.25	187.75	194.62	200.00	197.58	204.81	211.81	216.75
3 Transportation	119.87	140.39	134.01	141.83	137.51	144.06	153.09	162.66	153.85	164.32	169.05	173.47
4 Utility	71.36	74.29	72.22	74.19	79.28	74.81	75.87	77.84	87.16	79.69	84.21	87.95
5 Finance	147.19	146.48	127.41	136.09	130.05	128.83	132.26	137.19	146.14	143.26	146.82	154.08
6 Standard & Poor's Corporation (1941–43 = 10)[1]	236.40[r]	287.14[r]	265.88	277.40[r]	271.02[r]	276.51[r]	285.41[r]	294.01[r]	292.71[r]	302.25[r]	313.93[r]	323.73
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	264.91[r]	316.78[r]	295.08[r]	302.83[r]	292.11[r]	298.59[r]	316.14[r]	323.97[r]	327.47[r]	336.82[r]	349.50[r]	362.73
Volume of trading (thousands of shares)												
8 New York Stock Exchange	141,020[r]	188,922[r]	161,386[r]	162,627[r]	134,420[r]	135,233[r]	168,204[r]	169,223[r]	159,024[r]	161,863[r]	171,495	180,680
9 American Stock Exchange	11,846	13,832	9,955	9,051	8,497	11,227	10,797	11,780	11,395	11,529	11,699	13,519
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Margin credit at broker-dealers[3]**	**36,840**	**31,990**	**32,740**	**33,410**	**33,640**	**32,740**	**32,530**	**31,480**	**32,130**	**32,610**	**33,140**	**34,730**
Free credit balances at brokers[4]												
11 Margin-account[5]	4,880	4,750	5,660	5,065	4,920	5,660	5,790	5,605	5,345	5,450	5,250	6,900
12 Cash-account	19,000	15,640	16,595	14,880	15,185	16,595	15,705	16,195	16,045	16,125	15,965	19,080
	Margin requirements (percent of market value and effective date)[6]											
	Mar. 11, 1968		June 8, 1968		May 6, 1970		Dec. 6, 1971		Nov. 24, 1972		Jan. 3, 1974	
13 Margin stocks	70		80		65		55		65		50	
14 Convertible bonds	50		60		50		50		50		50	
15 Short sales	70		80		65		55		65		50	

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. Beginning July 5, 1983, the American Stock Exchange rebased its index effectively cutting previous readings in half.
3. Beginning July 1983, under the revised Regulation T, margin credit at broker-dealers includes credit extended against stocks, convertible bonds, stocks acquired through exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. New series beginning June 1984.
6. These regulations, adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market-value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission. Effective Jan. 31, 1986, the SEC approved new maintenance margin rules, permitting margins to be the price of the option plus 15 percent of the market value of the stock underlying the option.

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1986	1987	1988						1989			
			July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
	FSLIC-insured institutions											
1 **Assets**	**1,163,851**	**1,250,855**	**1,299,373**	**1,311,668**	**1,323,840**	**1,332,878r**	**1,332,859r**	**1,350,599r**	**1,337,731r**	**1,339,455r**	**1,341,190r**	**1,345,699**
2 Mortgages	697,451	721,593	743,083	751,421	754,389	760,788r	762,997r	764,560r	767,076r	767,422r	769,451r	773,625
3 Mortgage-backed securities	158,193	201,828	208,509	210,573	211,195	211,675r	212,462r	215,052r	211,295r	212,298r	215,508r	216,543
4 Contra-assets to mortgage assets[1]	41,799	42,344	40,296	39,078	38,500	38,303	37,735r	37,561r	37,798r	36,985r	38,009r	38,327
5 Commercial loans	23,683	23,163	24,964	25,099	24,782	25,413r	25,513r	33,917r	33,291r	33,293r	32,928r	32,611
6 Consumer loans	51,622	57,902	61,571	62,417	61,558	61,053r	61,504r	61,943r	62,108r	62,082r	61,491r	61,630
7 Contra-assets to nonmortgage loans[2]	3,041	3,467	3,389	3,118	3,074	2,932r	2,959r	3,064r	2,931	3,005r	3,126r	2,853
8 Cash and investment securities	164,844	169,717	178,459	175,793	183,178	184,796r	179,830r	186,995r	178,824r	177,940r	175,948r	176,423
9 Other[3]	112,898	122,462	126,472	128,561	130,313	130,388r	131,248r	129,757r	125,208r	126,409r	126,999r	126,047
10 **Liabilities and net worth**	**1,163,851**	**1,250,855**	**1,299,373**	**1,311,668**	**1,323,840**	**1,332,878r**	**1,332,859r**	**1,350,599r**	**1,337,731r**	**1,339,455r**	**1,341,190r**	**1,345,699**
11 Savings capital	890,664	932,616	968,214	968,294	973,742	976,163	971,493	971,680	963,815	957,347	956,657r	954,484
12 Borrowed money	196,929	249,917	262,745	266,787	273,665	278,301r	281,043r	299,291r	299,358r	305,618r	312,959	318,662
13 FHLBB	100,025	116,363	118,213	120,677	123,436	124,368	127,548	134,168r	135,712r	140,089r	145,992r	147,984
14 Other	96,904	133,554	144,532	146,110	150,229	153,933r	153,495r	165,123r	163,646r	165,529r	166,967r	170,678
15 Other	23,975	21,941	27,110	28,903	26,021	27,558r	29,181	24,128r	29,760r	31,778r	29,598r	31,678
16 Net worth	52,282	46,382	41,304	47,684	50,412	50,856r	51,143r	55,499r	59,147r	59,184r	57,855r	56,274
	FSLIC-insured federal savings banks											
17 **Assets**	**210,562**	**284,270**	**333,596**	**357,897**	**367,928**	**369,682**	**374,930r**	**425,983r**	**423,895r**	**432,690r**	**443,196r**	**455,195**
18 Mortgages	113,638	161,926	193,150	204,351	207,952	207,207	210,732r	227,869r	231,664r	235,391r	241,313r	246,716
19 Mortgage-backed securities	29,766	45,826	53,027	55,688	56,399	56,630	57,815	64,957r	62,770r	65,896r	68,053r	69,935
20 Contra-assets to mortgage assets[1]	n.a.	9,100	10,135	10,893	10,982	10,894	10,901r	13,140r	12,266r	12,672r	13,168r	13,027
21 Commercial loans	n.a.	6,504	7,916	8,568	8,694	8,880	9,041r	16,731r	16,171r	16,320r	16,319r	16,508
22 Consumer loans	13,180	17,696	21,449	22,526	22,420	22,421	22,679	24,222r	25,050	25,991r	26,148	26,725
23 Contra-assets to nonmortgage loans[2]	n.a.	678	699	734	785	789	803	889r	812r	856r	935r	828
24 Finance leases plus interest	n.a.	591	735	791	804	804	831	880r	905	946r	965	998
25 Cash and investment	n.a.	35,347	40,837	44,859	48,984	48,818	48,028	61,029r	57,454r	57,989r	59,042r	61,330
26 Other	19,034	24,069	27,316	32,740	34,442	29,178	29,942	35,428r	33,974r	34,646r	36,313r	37,367
27 **Liabilities and net worth**	**210,562**	**284,270**	**333,596**	**357,897**	**367,928**	**369,682**	**374,930r**	**425,983r**	**423,895r**	**432,690r**	**443,196r**	**455,195**
28 Savings capital	157,872	203,196	239,590	256,223	261,862	262,922	263,984	298,197r	298,530	301,778	307,588r	315,725
29 Borrowed money	37,329	60,716	70,015	75,859	80,674	80,779	83,628	99,286r	98,304r	102,902r	107,179r	109,997
30 FHLBB	19,897	29,617	31,941	35,357	37,245	37,510	39,630	46,265r	46,470r	48,951r	51,531	53,513
31 Other	17,432	31,099	38,074	40,502	43,429	43,269	43,998	53,021r	51,834r	53,951r	55,648r	56,484
32 Other	4,263	5,324	7,051	8,052	7,374	7,667	8,319r	8,075r	8,275	8,885r	8,608r	9,311
33 Net worth	11,098	15,034	16,843	17,661	17,886	18,194	18,882	20,235r	21,633r	22,142r	23,218r	23,340
	Savings banks											
34 **Assets**	**236,866**	**259,643**	**252,875**	**253,453**	**255,510**	**257,127**	**258,537**	**261,361**	**254,319**	**254,165**	**255,226**	**255,006**
Loans												
35 Mortgage	118,323	138,494	139,844	141,316	143,626	145,398	146,501	147,597	144,998	145,426	145,174	145,699
36 Other	35,167	33,871	32,941	32,799	32,879	33,234	33,791	31,269	32,450	32,369	33,194	32,329
Securities												
37 U.S. government	14,209	13,510	11,563	11,353	11,182	10,896	10,804	11,457	10,485	10,315	10,318	10,391
38 Mortgage-backed securities	25,836	32,772	30,064	30,006	29,190	29,893	29,372	29,751	29,258	29,085	29,373	29,572
39 State and local government	2,185	2,003	1,840	1,901	1,878	1,872	1,887	1,848	1,835	1,829	1,814	1,798
40 Corporate and other	20,459	18,772	17,527	17,301	17,234	16,886	16,773	17,822	15,964	15,812	15,984	15,588
41 Cash	6,894	5,864	5,186	4,950	5,463	4,825	5,093	7,050	5,532	5,465	5,972	6,068
42 Other assets	13,793	14,357	13,910	13,827	14,058	14,123	14,316	14,567	13,797	13,864	13,397	13,561
43 **Liabilities**	**236,866**	**259,643**	**252,875**	**253,453**	**255,510**	**257,127**	**258,537**	**261,361**	**254,319**	**254,165**	**255,226**	**255,006**
44 Deposits	192,194	201,497	195,537	195,907	197,665	197,925	199,092	202,058	195,452	195,308	199,399	199,538
45 Regular[4]	186,345	196,037	189,993	190,716	192,228	192,663	194,095	196,407	190,378	190,422	194,276	194,059
46 Ordinary savings	37,717	41,959	40,124	39,738	39,618	39,375	39,482	39,750	38,221	38,049	38,070	36,801
47 Time	100,809	112,429	112,272	114,255	116,387	117,712	119,026	121,148	118,612	119,109	123,162	125,378
48 Other	5,849	5,460	5,544	5,191	5,427	5,262	4,997	5,651	5,074	4,886	7,206	5,479
49 Other liabilities	25,274	35,720	34,686	34,776	35,001	35,997	36,012	36,169	33,782	33,642	30,500	30,020
50 General reserve accounts	18,105	20,633	20,069	20,018	20,151	20,324	20,462	20,337	20,138	20,336	20,338	20,254

1.37—Continued

Account	1986	1987	1988						1989			
			July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
	Credit unions[5]											
51 **Total assets/liabilities and capital**	**147,726**		**173,276**	**173,044**	**174,649**	**174,722**	**174,406**	**174,593**	**175,027**	**176,270**	**178,175**	**177,417**
52 Federal	95,483		113,068	112,686	113,383	113,474	113,717	114,566	114,909	115,543	117,555	115,416
53 State	52,243		60,208	60,358	61,266	61,248	61,135	60,027	60,118	60,727	60,620	62,001
54 Loans outstanding	86,137	n.a.	107,065	108,974	110,939	111,624	112,452	113,191	114,012	113,880	114,572	115,249
55 Federal	55,304		69,626	70,944	72,200	72,551	73,100	73,766	74,083	73,917	74,395	75,003
56 State	30,833		37,439	38,030	38,739	39,073	39,352	39,425	39,927	39,963	40,177	40,246
57 Savings	134,327		159,314	158,731	157,944	160,174	159,021	159,010	159,106	161,073	164,322	161,388
58 Federal	87,954		104,256	103,657	103,698	104,184	103,223	104,431	104,629	105,262	107,368	105,208
59 State	46,373		55,058	55,074	54,246	55,990	55,798	54,579	54,477	55,811	56,954	56,180
	Life insurance companies											
60 **Assets**	**937,551**	**1,044,459**	**1,113,547**	**1,121,337**	**1,131,179**	**1,139,490**	**1,144,854**	**1,157,140**	**1,167,184**	**1,173,325**	**1,184,963**	
Securities												
61 Government	84,640	84,426	88,218	88,362	87,588	88,883	89,510	88,167	88,747	88,168	88,941	
62 United States[6]	59,033	57,078	60,244	60,407	59,874	60,621	61,108	60,685	61,042	60,800	61,175	
63 State and local	11,659	10,681	11,102	11,190	11,054	11,069	11,189	11,126	11,036	10,736	10,848	
64 Foreign[7]	13,948	16,667	16,872	16,765	16,660	17,193	17,213	16,356	16,669	16,632	16,918	
65 Business	492,807	569,199	618,742	624,917	630,086	633,390	638,350	644,894	655,149	659,826	665,843	n.a.
66 Bonds	401,943	472,684	514,926	520,796	525,336	527,419	532,197	538,053	545,970	550,630	556,396	
67 Stocks	90,864	96,515	103,816	104,121	104,750	105,971	106,153	106,841	109,179	109,196	109,447	
68 Mortgages	193,842	203,545	221,990	233,438	225,627	227,342	229,234	232,639	233,334	233,827	234,910	
69 Real estate	31,615	34,172	35,737	35,920	35,892	36,892	36,673	37,972	38,112	38,690	38,942	
70 Policy loans	54,055	53,626	53,142	53,194	53,149	53,157	53,148	53,020	53,210	53,265	53,364	
71 Other assets	80,592	89,586	95,718	95,505	98,837	99,826	94,116	95,518	98,632	99,550	102,963	

1. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to mortgage loans, contracts, and pass-through securities include loans in process, unearned discounts and deferred loan fees, valuation allowances for mortgages "held for sale," and specific reserves and other valuation allowances.
2. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to nonmortgage loans include loans in process, unearned discounts and deferred loan fees, and specific reserves and valuation allowances.
3. Holding of stock in Federal Home Loan Bank and Finance leases plus interest are included in "Other" (line 9).
4. Excludes checking, club, and school accounts.
5. Data include all federally insured credit unions, both federal and state chartered, serving natural persons.
6. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
7. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE. *FSLIC-insured institutions:* Estimates by the FHLBB for all institutions insured by the FSLIC and based on the FHLBB thrift Financial Report.

FSLIC-insured federal savings banks: Estimates by the FHLBB for federal savings banks insured by the FSLIC and based on the FHLBB thrift Financial Report.

Savings banks: Estimates by the National Council of Savings Institutions for all savings banks in the United States and for FDIC-insured savings banks that have converted to federal savings banks.

Credit unions: Estimates by the National Credit Union Administration for federally chartered and federally insured state-chartered credit unions serving natural persons.

Life insurance companies: Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1986	Fiscal year 1987	Fiscal year 1988	Calendar year 1989 Jan.	Feb.	Mar.	Apr.	May	June
U.S. budget[1]									
1 Receipts, total	769,091	854,143	908,953	89,369	61,978	68,276	128,952	71,115	108,317
2 On-budget	568,862	640,741	667,462	65,250	38,473	44,677	99,679	49,493	84,110
3 Off-budget	200,228	213,402	241,491	24,119	23,505	23,598	29,273	21,622	24,206
4 Outlays, total	990,258	1,003,830	1,064,044	86,563	89,850	104,055	88,381	96,581	100,528
5 On-budget	806,760	809,998	861,352	68,999	71,324	85,191	71,798	77,851	83,994
6 Off-budget	183,498	193,832	202,691	17,564	18,526	18,864	16,582	18,730	16,534
7 Surplus, or deficit (−), total	−221,167	−149,687	−155,090	2,806	−27,871	−35,779	40,572	−25,466	7,789
8 On-budget	−237,898	−169,257	−193,890	−3,749	−32,851	−40,513	27,881	−28,358	116
9 Off-budget	16,731	19,570	38,800	6,555	4,979	4,735	12,691	2,891	7,673
Source of financing (total)									
10 Borrowing from the public	236,187	150,070	162,062	7,359	17,190	13,405	−1,291	10,214	1,098
11 Operating cash (decrease, or increase (−))	−14,324	−5,052	−7,963	−8,135	17,009	10,154	−38,788	21,396	−11,649
12 Other[2]	−696	4,669	991	−2,030	−6,328	12,221	−493	−6,144	2,762
MEMO									
13 Treasury operating balance (level, end of period)	31,384	36,436	44,398	41,835	24,826	14,672	53,461	32,065	43,713
14 Federal Reserve Banks	7,514	9,120	13,024	11,766	6,298	4,462	22,952	5,289	12,154
15 Tax and loan accounts	23,870	27,316	31,375	30,069	18,528	10,211	30,508	26,776	31,560

1. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. The Federal Financing Bank (FFB) activities are now shown as separate accounts under the agencies that use the FFB to finance their programs. The act has also moved two social security trust funds (Federal old-age survivors insurance and Federal disability insurance trust funds) off-budget.

2. Includes SDRs; reserve position on the U.S. quota in the IMF; loans to international monetary fund; other cash and monetary assets; accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

SOURCE. *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government* and the *Budget of the U.S. Government.*

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year 1987	Fiscal year 1988	Calendar year						
			1987	1988		1989	1989		
			H2	H1	H2	H1	Apr.	May	June
RECEIPTS									
1 **All sources**	**854,143**	**908,954**	**421,712**	**476,115**	**449,821**	**528,007**	**128,952**	**71,115**	**108,317**
2 Individual income taxes, net	392,557	401,181	192,575	207,659	200,299	233,568	68,533	25,336	49,876
3 Withheld	322,463	341,435	170,203	169,300	179,600	174,230	23,649	29,085	33,338
4 Presidential Election Campaign Fund	33	33	4	28	4	28	6	8	4
5 Nonwithheld	142,957	132,199	31,223	101,614	29,880	121,563	61,704	14,842	18,509
6 Refunds	72,896	72,487	8,853	63,283	9,187	62,255	16,826	18,599	1,975
Corporation income taxes									
7 Gross receipts	102,859	109,683	52,821	58,002	56,409	61,585	16,412	2,994	21,418
8 Refunds	18,933	15,487	7,119	8,706	7,384	7,812	1,723	1,068	849
9 Social insurance taxes and contributions, net	303,318	334,335	143,755	181,058	157,603	200,127	39,496	35,349	31,276
10 Employment taxes and contributions[2]	273,028	305,093	130,388	164,412	144,983	184,569	36,775	27,281	30,572
11 Self-employment taxes and contributions[3]	13,987	17,691	1,889	14,839	3,032	16,371	8,900	1,281	2,389
12 Unemployment insurance	25,575	24,584	10,977	14,363	10,359	13,279	2,375	7,661	294
13 Other net receipts[4]	4,715	4,659	2,390	2,284	2,262	2,277	346	407	410
14 Excise taxes	32,457	35,540	17,680	16,440	19,434	17,371	2,616	3,640	2,987
15 Customs deposits	15,085	16,198	7,993	7,913	8,535	8,350	1,263	1,466	1,482
16 Estate and gift taxes	7,493	7,594	3,610	3,863	4,054	4,583	1,146	793	736
17 Miscellaneous receipts[5]	19,307	19,909	10,399	9,950	10,873	10,235	1,209	2,605	1,389
OUTLAYS									
18 **All types**	**1,003,830**	**1,064,055**	**532,839**	**513,210**	**553,217**	**565,958**	**88,381**	**96,581**	**100,528**
19 National defense	281,999	290,361	146,995	143,080	150,496	148,098	21,247	25,012	29,037
20 International affairs	11,649	10,471	4,487	7,150	2,636	6,605	1,366	1,398	867
21 General science, space, and technology	9,216	10,841	5,469	5,361	5,852	6,238	929	1,128	1,171
22 Energy	4,115	2,297	1,468	555	1,966	2,221	280	267	509
23 Natural resources and environment	13,363	14,606	7,590	6,776	8,330	7,022	951	1,396	1,419
24 Agriculture	26,606	17,210	14,640	7,872	7,725	9,619	2,364	1,470	504
25 Commerce and housing credit	6,182	18,808	3,852	5,951	20,274	4,129	1,334	558	973
26 Transportation	26,222	27,272	14,096	12,700	14,922	13,023	1,746	2,668	2,397
27 Community and regional development	5,051	5,294	2,075	2,765	2,690	1,833	241	−25	563
28 Education, training, employment, and social services	29,724	31,938	15,592	15,451	16,152	18,096	2,859	3,039	2,654
29 Health	39,968	44,490	20,750	22,643	23,360	24,078	4,028	4,454	4,270
30 Social security and medicare	282,472	297,828	158,469	135,322	149,508	162,195	25,877	27,067	30,430
31 Income security	123,250	129,332	61,201	65,555	64,978	70,937	11,612	12,106	9,826
32 Veterans benefits and services	26,782	29,428	14,956	13,241	15,797	14,891	1,251	2,809	3,590
33 Administration of justice	7,548	9,223	4,291	4,761	4,778	5,233	949	1,066	851
34 General government	5,948	7,658	3,560	4,337	5,137	3,858	156	872	1,140
35 General-purpose fiscal assistance	1,621	1,816	1,175	448	0	0	0	n.a.	n.a.
36 Net interest[6]	138,570	151,748	71,933	76,098	78,317	86,009	14,076	14,605	13,376
37 Undistributed offsetting receipts[7]	−36,455	−36,967	−17,684	−17,766	−18,771	−18,131	−2,887	−3,309	−3,050

1. Functional details do not add to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for outlays does not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Old-age, disability, and hospital insurance.
4. Federal employee retirement contributions and civil service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Net interest function includes interest received by trust funds.
7. Consists of rents and royalties on the outer continental shelf and U.S. government contributions for employee retirement.

SOURCES. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*, and the U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1990*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1987				1988				1989
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 **Federal debt outstanding**	**2,250.7**	**2,313.1**	**2,354.3**	**2,435.2**	**2,493.2**	**2,555.1**	**2,614.6**	**2,707.3**	**2,763.6**
2 Public debt securities	2,246.7	2,309.3	2,350.3	2,431.7	2,487.6	2,547.7	2,602.2	2,684.4	2,740.9
3 Held by public	1,839.3	1,871.1	1,893.1	1,954.1	1,996.7	2,013.4	2,051.7	2,095.2	2,133.4
4 Held by agencies	407.5	438.1	457.2	477.6	490.8	534.2	550.4	589.2	607.5
5 Agency securities	4.0	3.8	4.0	3.5	5.6	7.4	12.4	22.9	22.7
6 Held by public	2.9	2.8	3.0	2.7	5.1	7.0	12.2	22.6	22.3
7 Held by agencies	1.1	1.0	1.0	.8	.6	.5	.2	.3	.4
8 **Debt subject to statutory limit**	**2,232.4**	**2,295.0**	**2,336.0**	**2,417.4**	**2,472.6**	**2,532.2**	**2,586.9**	**2,669.1**	**2,725.6**
9 Public debt securities	2,231.1	2,293.7	2,334.7	2,416.3	2,472.1	2,532.1	2,586.7	2,668.9	2,725.5
10 Other debt[1]	1.3	1.3	1.3	1.1	.5	.1	.1	.2	.2
11 MEMO: Statutory debt limit	2,300.0	2,320.0	2,800.0	2,800.0	2,800.0	2,800.0	2,800.0	2,800.0	2,800.0

1. Includes guaranteed debt of Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCES. *Treasury Bulletin* and *Monthly Statement of the Public Debt of the United States.*

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1985	1986	1987	1988	1988			1989
					Q2	Q3	Q4	Q1
1 **Total gross public debt**	**1,945.9**	**2,214.8**	**2,431.7**	**2,684.4**	**2,547.7**	**2,602.2**	**2,684.4**	**2,740.9**
By type								
2 Interest-bearing debt	1,943.4	2,212.0	2,428.9	2,663.1	2,545.0	2,599.9	2,663.1	2,738.3
3 Marketable	1,437.7	1,619.0	1,724.7	1,821.3	1,769.9	1,802.9	1,821.3	1,871.7
4 Bills	399.9	426.7	389.5	414.0	382.3	398.5	414.0	417.0
5 Notes	812.5	927.5	1,037.9	1,083.6	1,072.7	1,089.6	1,083.6	1,121.4
6 Bonds	211.1	249.8	282.5	308.9	299.9	299.9	308.9	318.4
7 Nonmarketable[1]	505.7	593.1	704.2	841.8	775.1	797.0	841.8	866.6
8 State and local government series	87.5	110.5	139.3	151.5	146.9	147.6	151.5	154.4
9 Foreign issues[2]	7.5	4.7	4.0	6.6	5.7	6.3	6.6	6.7
10 Government	7.5	4.7	4.0	6.6	5.7	6.3	6.6	6.7
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	78.1	90.6	99.2	107.6	104.5	106.2	107.6	110.4
13 Government account series[3]	332.2	386.9	461.3	575.6	517.5	536.5	575.6	594.7
14 Non-interest-bearing debt	2.5	2.8	2.8	21.3	2.7	2.3	21.3	2.6
By holder[4]								
15 U.S. government agencies and trust funds	348.9	403.1	477.6	589.2	534.2	550.4	589.2	607.5
16 Federal Reserve Banks	181.3	211.3	222.6	238.4	227.6	229.2	238.4	228.6
17 Private investors	1,417.2	1,602.0	1,745.2	1,852.8	1,784.9	1,819.0	1,852.8	1,900.2
18 Commercial banks	198.2	203.5	201.2	195.0	202.5	203.0	195.0	n.a.
19 Money market funds	25.1	28.0	14.3	18.8	13.1	10.8	18.8	n.a.
20 Insurance companies	78.5	105.6	120.6	n.a.	132.2	135.0	n.a.	n.a.
21 Other companies	59.0	68.8	84.6	86.1	86.5	86.0	86.1	n.a.
22 State and local Treasurys	226.7	262.8	282.6	n.a.	286.3	287.0	n.a.	n.a.
Individuals								
23 Savings bonds	79.8	92.3	101.1	109.6	106.2	107.8	109.6	112.2
24 Other securities	75.0	70.5	72.3	77.8	73.9	76.7	77.8	n.a.
25 Foreign and international[5]	212.5	251.6	287.3	349.5[r]	332.8[r]	333.3[r]	349.5[r]	363.1
26 Other miscellaneous investors[6]	462.4	518.9	581.2	n.a.	551.4[r]	579.4[r]	n.a.	n.a.

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration; depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.
3. Held almost entirely by U.S. Treasury agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. Treasury agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign and international accounts. Excludes non-interest-bearing notes issued to the International Monetary Fund.
6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally-sponsored agencies.

SOURCES. Data by type of security, U.S. Treasury Department, *Monthly Statement of the Public Debt of the United States;* data by holder, *Treasury Bulletin.*

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Par value; averages of daily figures, in millions of dollars

	Item	1986	1987	1988	1989			1989					
					Apr.ʳ	Mayʳ	June	May 24	May 31	June 7	June 14	June 21	June 28
	Immediate delivery[2]												
1	**U.S. Treasury securities**	**95,444**	**110,050**	**101,623**	**108,025**	**120,937**	**129,260**	**131,402ʳ**	**113,442ʳ**	**137,737**	**134,464**	**116,830**	**122,744**
	By maturity												
2	Bills	34,247	37,924	29,387	29,330	29,376	30,761	29,494	31,853ʳ	33,215	29,154	28,083	29,920
3	Other within 1 year	2,115	3,271	3,426	3,175	3,594	3,388	3,438	3,172	3,820	2,904	2,719	3,400
4	1–5 years	24,667	27,918	27,777	31,432	38,126	34,861	44,123	32,279ʳ	39,013	32,758	27,850	35,386
5	5–10 years	20,455	24,014	24,939	29,716	30,673	35,666	32,898ʳ	29,672ʳ	37,925	39,466	33,791	31,912
6	Over 10 years	13,961	16,923	16,093	14,373	19,167	24,585	21,449	16,466ʳ	23,765	30,183	24,388	22,125
	By type of customer												
7	U.S. government securities dealers	3,669	2,936	2,761	3,379	2,966	3,200	3,245	3,038	3,268	3,035	3,674	2,986
8	U.S. government securities brokers	49,558	61,539	59,844	64,431	72,410	78,131	79,524	66,109ʳ	82,777	82,067	72,166	73,008
9	All others[3]	42,217	45,575	39,019	40,215	45,560	47,929	48,632ʳ	44,295ʳ	51,692	49,361	40,990	46,750
10	Federal agency securities	16,747	18,084	15,903	17,238	16,303	19,904	13,952ʳ	15,115	19,308	22,505	19,594	17,908
11	Certificates of deposit	4,355	4,112	3,369	2,946	2,650	2,940	2,998	2,575ʳ	3,544	2,831	2,678	2,870
12	Bankers acceptances	3,272	2,965	2,316	2,562	2,113	2,508	2,005	2,177	2,879	2,431	2,306	2,377
13	Commercial paper	16,660	17,135	22,927	30,858	29,109	32,185	27,657	29,387	31,460	29,347	32,839	34,595
	Futures contracts[4]												
14	Treasury bills	3,311	3,233	2,627	2,782	2,501	1,845	2,519ʳ	2,738ʳ	1,724	1,663	1,695	1,794
15	Treasury coupons	7,175	8,963	9,695	8,676	10,280	12,844	12,352ʳ	9,471	12,326	15,145	12,824	11,578
16	Federal agency securities	16	5	1	0	0	3	0	0	0	0	6	6
	Forward transactions[5]												
17	U.S. Treasury securities	1,876	2,029	2,095	2,021	2,752	1,526	2,378ʳ	2,920ʳ	1,337	1,469	1,001	2,489
18	Federal agency securities	7,830	9,290	8,008	7,875	9,976	9,820	10,462	6,885	9,577	13,017	10,454	7,451

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers.

Averages for transactions are based on the number of trading days in the period. The figures exclude allotments of, and exchanges for, new U.S. Treasury securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

2. Data for immediate transactions do not include forward transactions.

3. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.

4. Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.

5. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for Treasury securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Averages of daily figures, in millions of dollars

	Item	1986	1987	1988	1989 Apr.	1989 May^r	1989 June	1989 May 31	1989 June 7	1989 June 14	1989 June 21	1989 June 28
							Positions					
	Net immediate[2]											
1	**U.S. Treasury securities**	12,912	**−6,216**	**−22,765**	**−22,592^r**	**−14,757**	**−6,279**	**−11,019^r**	**−7,686**	**−8,097**	**−6,556**	**−6,088**
2	Bills	12,761	4,317	2,238	1,445	1,162	378	162^r	424	−18	−443	1,236
3	Other within 1 year	3,705	1,557	−2,236	−963	−1,727	−435	−786^r	53	−112	92	−1,035
4	1–5 years	9,146	649	−3,020	−5,651	−2,115	4,651	1,253	2,504	2,099	5,051	5,210
5	5–10 years	−9,505	−6,564	−9,663	−9,143^r	−6,055	−5,050	−5,826^r	−4,360	−3,932	−5,395	−6,187
6	Over 10 years	−3,197	−6,174	−10,084	−8,279	−6,024	−5,822	−5,823	−6,307	−6,134	−5,861	−5,313
7	Federal agency securities	32,984	31,911	28,230	28,602^r	27,121	29,491	25,287	26,385	29,442	33,221	29,217
8	Certificates of deposit	10,485	8,188	7,300	6,170	5,778	6,037	6,301	6,259	5,844	5,580	6,241
9	Bankers acceptances	5,526	3,660	2,486	2,534	1,948	2,357	1,812	2,170	2,511	2,428	2,462
10	Commercial paper	8,089	7,496	6,152	9,158	8,600	8,830	9,328	11,692	9,723	7,484	7,177
	Futures positions											
11	Treasury bills	−18,059	−3,373	−2,210	−5,134	−5,729	−4,769	−5,711	−5,206	−4,970	−4,484	−4,425
12	Treasury coupons	3,473	5,988	6,224	877^r	−290	−2,306	−1,840	−1,444	−1,400	−2,231	−3,144
13	Federal agency securities	−153	−95	0	0	0	14	0	0	0	16	35
	Forward positions											
14	U.S. Treasury securities	−2,144	−1,211	346	−1,328^r	−1,378	−1,885	−982	−2,081	−1,448	−1,699	−2,164
15	Federal agency securities	−11,840	−18,817	−16,348	−15,334	−16,748	−20,200	−17,277	−19,026	−21,370	−22,976	−18,169
							Financing[3]					
	Reverse repurchase agreements[4]											
16	Overnight and continuing	98,913	126,709	136,327	158,142^r	155,365	151,403	162,357	169,004	167,094	169,858	160,216
17	Term	108,607	148,288	177,477	226,401^r	229,265	222,838	214,547	235,580	246,231	247,857	250,821
	Repurchase agreements[5]											
18	Overnight and continuing	141,823	170,763	172,695	207,749^r	202,739	208,376	221,214	226,192	229,709	234,141	226,812
19	Term	102,397	121,270	137,056	172,647^r	185,554	174,045	167,241	175,489	187,647	198,493	204,167

1. Data for dealer positions and sources of financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. Treasury securities dealers on its published list of primary dealers.

Data for positions are averages of daily figures, in terms of par value, based on the number of trading days in the period. Positions are net amounts and are shown on a commitment basis. Data for financing are in terms of actual amounts borrowed or lent and are based on Wednesday figures.

2. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs). The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Immediate positions include reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. Data for immediate positions do not include forward positions.

3. Figures cover financing involving U.S. Treasury and federal agency securities, negotiable CDs, bankers acceptances, and commercial paper.

4. Includes all reverse repurchase agreements, including those that have been arranged to make delivery on short sales and those for which the securities obtained have been used as collateral on borrowings, that is, matched agreements.

5. Includes both repurchase agreements undertaken to finance positions and "matched book" repurchase agreements.

NOTE. Data on positions for the period May 1 to Sept. 30, 1986, are partially estimated.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1985	1986	1987	1988	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May
1 **Federal and federally sponsored agencies**	**293,905**	**307,361**	**341,386**	**381,498**	**385,959**	**390,803**	**397,318**	**402,734**	n.a.
2 Federal agencies	36,390	36,958	37,981	35,668	35,727	35,768	36,348	36,402	36,275
3 Defense Department[1]	71	33	13	8	8	8	8	7	7
4 Export-Import Bank[2,3]	15,678	14,211	11,978	11,033	11,033	11,033	11,007	11,007	11,007
5 Federal Housing Administration[4]	115	138	183	150	143	165	172	182	196
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	1,615	0	0	0	0	0	0
7 Postal Service[6]	1,940	3,104	6,103	6,142	6,142	6,142	6,742	6,742	6,445
8 Tennessee Valley Authority	16,347	17,222	18,089	18,335	18,401	18,420	18,419	18,464	18,620
9 United States Railway Association[6]	74	85	0	0	0	0	0	0	0
10 Federally sponsored agencies[7]	257,515	270,553	303,405	345,830	350,232	355,035	360,970	366,332	n.a.
11 Federal Home Loan Banks	74,447	88,752	115,725	135,834	139,804	144,343	149,950	154,146	156,354
12 Federal Home Loan Mortgage Corporation	11,926	13,589	17,645	22,797	22,874	21,320	23,392	22,676	21,620
13 Federal National Mortgage Association	93,896	93,563	97,057	105,459	104,843	105,201	104,666	104,675	105,404
14 Farm Credit Banks[8]	68,851	62,478	55,275	53,127	52,319	52,441	52,069	51,678	n.a.
15 Student Loan Marketing Association[9]	8,395	12,171	16,503	22,073	23,852	25,190	23,753	25,361	26,469
16 Financing Corporation[10]	n.a.	n.a.	1,200	5,850	5,850	5,850	6,450	6,950	6,950
17 Farm Credit Financial Assistance Corporation[11]	n.a.	n.a.	n.a.	690	690	690	690	846	846
MEMO									
18 **Federal Financing Bank debt**[12]	**153,373**	**157,510**	**152,417**	**142,850**	**142,447**	**142,123**	**141,864**	**141,162**r	**140,220**
Lending to federal and federally sponsored agencies									
19 Export-Import Bank[3]	15,670	14,205	11,972	11,027	11,027	11,027	11,001	11,001	11,001
20 Postal Service[6]	1,690	2,854	5,853	5,892	5,892	5,892	6,492	6,492	6,195
21 Student Loan Marketing Association	5,000	4,970	4,940	4,910	4,910	4,910	4,910	4,910	4,910
22 Tennessee Valley Authority	14,622	15,797	16,709	16,955	17,021	17,040	17,039	17,084	17,240
23 United States Railway Association[6]	74	85	0	0	0	0	0	0	0
Other Lending[13]									
24 Farmers Home Administration	64,234	65,374	59,674	58,496	58,496	58,496	57,841	57,086	56,311
25 Rural Electrification Administration	20,654	21,680	21,191	19,246	19,225	19,245	19,195	19,230	19,236
26 Other	31,429	32,545	32,078	26,324	25,876	25,513	25,386	25,359r	25,327

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, shown in line 17.
9. Before late 1981, the Association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 21.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation (established in January 1988 to provide assistance to the Farm Credit System) undertook its first borrowing in July 1988.
12. The 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.
13. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1986	1987	1988	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May[r]	1989 June
1 **All issues, new and refunding**[1]	**147,011**	**102,407**	**108,078**	**8,551**	**11,268**	**6,640**	**8,054**	**8,626**	**7,464**	**7,435**	**12,923**
Type of issue											
2 General obligation	46,346	30,589	29,662	2,368	2,491	1,784	3,955	2,185	2,301	2,342	4,581
3 Revenue	100,664	71,818	78,417	6,183	8,777	4,856	4,099	6,441	5,163	5,093	8,342
Type of issuer											
4 State	14,474	10,102	9,254	525	1,011	280	1,896	256	1,407	392	1,989
5 Special district and statutory authority[2]	89,997	65,460	69,447	5,550	7,690	4,882	3,832	5,962	4,238	4,979	7,543
6 Municipalities, counties, and townships	42,541	26,845	29,377	2,476	2,567	1,478	2,326	2,408	1,819	2,064	3,392
7 **Issues for new capital, total**	**83,492**	**56,789**	**75,064**	**5,830**	**8,738**	**4,141**	**5,222**	**6,486**	**6,061**	**5,938**	**11,093**
Use of proceeds											
8 Education	12,307	9,524	13,722	827	2,564	827	826	1,055	1,225	1,024	3,204
9 Transportation	7,246	3,677	6,974	237	636	344	382	445	743	748	603
10 Utilities and conservation	14,594	7,912	7,929	1,055	463	1,335	847	901	759	467	1,165
11 Social welfare	11,353	11,106	17,824	1,991	2,072	509	743	1,329	1,048	1,376	1,944
12 Industrial aid	6,190	7,474	6,276	294	1,010	293	250	253	374	361	321
13 Other purposes	31,802	18,020	22,339	1,426	1,993	834	2,174	2,503	1,912	1,962	3,856

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts beginning 1986.

SOURCES. Securities Data/Bond Buyer Municipal Data Base beginning 1986. Public Securities Association for earlier data.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue or issuer, or use	1986	1987	1988	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May
1 **All issues**[1]	**423,726**	**392,156**	**408,790**	**21,818**	**24,531**	**12,389**	**17,374**[r]	**14,651**[r]	**26,434**[r]	**14,384**[r]	**20,851**
2 **Bonds**[2]	**355,293**	**325,648**	**350,988**	**19,031**	**21,096**	**10,338**	**14,213**[r]	**12,116**[r]	**25,512**[r]	**13,396**[r]	**19,200**
Type of offering											
3 Public, domestic	231,936	209,279	200,110	17,519	16,798	10,203	11,353[r]	9,922[r]	22,930[r]	11,471[r]	17,200
4 Private placement, domestic[3]	80,760	92,070	127,700	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5. Sold abroad	42,596	24,299	23,178	1,512	4,298	135	2,860	2,194	2,582	1,925[r]	2,000
Industry group											
6 Manufacturing	91,548	61,666	69,669	3,552	2,890	1,485	1,660	1,319	7,456[r]	1,457[r]	7,528
7 Commercial and miscellaneous	40,124	49,327	61,836	764	3,260	748	2,047	1,118[r]	882[r]	843[r]	2,132
8 Transportation	9,971	11,974	9,975	605	45	0	0	102	0	100	150
9 Public utility	31,426	23,004	19,318	1,346	672	264	635	640	153	1,695[r]	370
10 Communication	16,659	7,340	5,901	100	289	158	0	230	63	453[r]	122
11 Real estate and financial	165,564	172,343	184,286	12,664	13,940	7,683	9,871[r]	8,707[r]	16,959[r]	8,850[r]	8,898
12 **Stocks**[3]	**68,433**	**66,508**	**57,802**	**2,787**	**3,435**	**2,051**	**3,161**	**2,535**	**921**	**988**	**1,651**
Type											
13 Preferred	11,514	10,123	6,544	865	478	495	275	975	310	495	375
14 Common	50,316	43,225	35,911	1,922	2,957	1,556	2,886	1,560	611	493	1,276
15 Private placement[3]	6,603	13,157	15,346	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
16 Manufacturing	15,027	13,880	7,608	288	430	425	33	832	127	135	380
17 Commercial and miscellaneous	10,617	12,888	8,449	222	52	89	32	270	336	280	115
18 Transportation	2,427	2,439	1,535	25	20	0	220	0	53	169	39
19 Public utility	4,020	4,322	1,898	282	70	20	1,960	11	108	0	192
20 Communication	1,825	1,458	515	0	20	59	5	19	0	93	224
21 Real estate and financial	34,517	31,521	37,798	1,970	2,843	1,459	911	1,402	297	310	702

1. Figures which represent gross proceeds of issues maturing in more than one year, are principal amount or number of units multiplied by offering price. Excludes secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data include only public offerings.
3. Data are not available on a monthly basis. Before 1987, annual totals include underwritten issues only.

SOURCES. IDD Information Services, Inc., the Board of Governors of the Federal Reserve System, and before 1989, the U.S. Securities and Exchange Commission.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1987	1988	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May
INVESTMENT COMPANIES[1]										
1 **Sales of own shares[2]**	**381,260**	**271,237**	**20,494**	**20,327**	**25,780**	**29,014**	**22,741**	**23,149**	**25,496**	**24,661**
2 Redemptions of own shares[3]	314,252	267,451	19,362	20,599	25,976	24,494	22,252	24,135	26,183	22,483
3 Net sales	67,008	3,786	1,132	−272	−196	4,520	489	−986	−687	2,178
4 **Assets[4]**	**453,842**	**472,297**	**481,571**	**470,660**	**472,297**	**487,204**	**482,697**	**483,067**	**497,329**	**509,781**
5 Cash position[5]	38,006	45,090	45,976	43,488	45,090	49,661	47,908	46,262	48,788	49,177
6 Other	415,836	427,207	435,595	427,172	427,207	437,543	434,789	436,805	448,541	460,604

1. Data on sales and redemptions exclude money market mutual funds but include limited maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited maturity municipal bond 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.

SOURCE. *Survey of Current Business* (Department of Commerce).

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

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

Account	1986r	1987r	1988r	1987r Q2	1987r Q3	1987r Q4	1988r Q1	1988r Q2	1988r Q3	1988r Q4	1989 Q1r
1 Corporate profits with inventory valuation and capital consumption adjustment	282.1	298.7	328.6	293.7	313.0	308.2	318.1	325.3	330.9	340.2	316.3
2 Profits before tax	221.6	266.7	306.8	263.4	281.0	276.2	288.8	305.3	314.4	318.8	318.0
3 Profits tax liability	106.3	124.7	137.9	124.0	132.7	127.3	129.0	138.4	141.2	143.2	144.4
4 Profits after tax	115.3	142.0	168.9	139.4	148.3	148.9	159.9	166.9	173.2	175.6	173.6
5 Dividends	91.3	98.7	110.4	96.9	100.0	102.8	105.7	108.6	112.2	115.2	118.5
6 Undistributed profits	24.0	43.3	58.5	42.6	48.3	46.1	54.2	58.3	61.1	60.4	55.1
7 Inventory valuation	6.7	−18.9	−25.0	−20.0	−19.4	−20.4	−20.7	−28.8	−30.4	−20.1	−38.3
8 Capital consumption adjustment	53.8	50.9	46.8	50.3	51.5	52.4	49.9	48.9	46.9	41.5	36.6

▲Trade and services are no longer being reported separately. They are included in Commercial and other, line 10.

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

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

Industry	1987	1988	1989[1]	1987 Q4	1988 Q1	1988 Q2	1988 Q3	1988 Q4	1989 Q1	1989 Q2[1]	1989 Q3[1]
1 **Total nonfarm business**	**389.67**	**429.67**	**468.78**	**417.25**	**422.75**	**429.01**	**440.42**	**445.73**	**465.51**	**467.50**	**478.79**
Manufacturing											
2 Durable goods industries	71.01	78.12	82.65	76.40	80.13	79.00	80.59	78.97	83.12	80.21	84.08
3 Nondurable goods industries	74.88	87.58	96.01	86.05	81.00	83.82	85.78	90.00	96.77	96.89	98.61
Nonmanufacturing											
4 Mining	11.39	12.67	11.79	11.74	12.26	12.87	12.74	11.97	11.89	13.08	12.21
Transportation											
5 Railroad	5.92	7.06	25.17	7.08	7.29	6.78	7.07	8.07	8.17	7.10	7.13
6 Air	6.53	7.25	8.04	7.03	7.72	7.44	9.31	6.84	10.15	8.60	10.94
7 Other	6.40	7.04	9.95	6.48	7.48	6.58	7.06	7.20	7.11	7.42	7.78
Public utilities											
8 Electric	31.63	31.90	33.09	33.32	31.59	32.55	33.79	33.54	32.70	35.71	34.39
9 Gas and other	13.25	14.60	16.47	12.84	14.56	13.81	14.26	15.25	16.92	15.71	15.79
10 Commercial and other[2]	168.65	183.44	203.60	176.29	180.72	186.15	189.82	193.87	198.70	202.79	207.86

1. Anticipated by business.
2. "Other" consists of construction; wholesale and retail trade; finance and insurance; personal and business services; and communication.

SOURCE. *Survey of Current Business* (Department of Commerce).

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period

Account	1983	1984	1985	1986 Q2	1986 Q3	1986 Q4	1987 Q1	1987 Q2	1987 Q3	1987 Q4
ASSETS										
Accounts receivable, gross										
1 Consumer	83.3	89.9	111.9	123.4	135.3	134.7	131.1	134.7	141.6	141.1
2 Business	113.4	137.8	157.5	166.8	159.7	173.4	181.4	188.1	188.3	207.6
3 Real estate	20.5	23.8	28.0	29.8	31.0	32.6	34.7	36.5	38.0	39.5
4 Total	217.3	251.5	297.4	320.0	326.0	340.6	347.2	359.3	367.9	388.2
Less:										
5 Reserves for unearned income	30.3	33.8	39.2	40.7	42.4	41.5	40.4	41.2	42.5	45.3
6 Reserves for losses	3.7	4.2	4.9	5.1	5.4	5.8	5.9	6.2	6.5	6.8
7 Accounts receivable, net	183.2	213.5	253.3	274.2	278.2	293.3	300.9	311.9	318.9	336.1
8 All other	34.4	35.7	45.3	49.5	60.0	58.6	59.0	57.7	64.5	58.2
9 **Total assets**	**217.6**	**249.2**	**298.6**	**323.7**	**338.2**	**351.9**	**359.9**	**369.6**	**383.4**	**394.3**
LIABILITIES										
10 Bank loans	18.3	20.0	18.0	16.3	16.8	18.6	17.2	17.3	15.9	16.4
11 Commercial paper	60.5	73.1	99.2	108.4	112.8	117.8	119.1	120.4	124.2	128.4
Debt										
12 Other short-term	11.1	12.9	12.7	15.8	16.4	17.5	21.8	24.8	26.9	28.0
13 Long-term	67.7	77.2	94.4	106.9	111.7	117.5	118.7	121.8	128.2	137.1
14 All other liabilities	31.2	34.5	41.5	40.9	45.0	44.1	46.5	49.1	48.6	52.8
15 Capital, surplus, and undivided profits	28.9	31.5	32.8	35.4	35.6	36.4	36.6	36.3	39.5	31.5
16 **Total liabilities and capital**	**217.6**	**249.2**	**298.6**	**323.7**	**338.2**	**351.9**	**359.9**	**369.6**	**383.4**	**394.3**

1. NOTE. Components may not add to totals because of rounding.

Data after 1987:4 are currently unavailable. It is anticipated that these data will be available later this year.

1.52 DOMESTIC FINANCE COMPANIES Business Credit Outstanding and Net Change[1]

Millions of dollars, seasonally adjusted

Type	1986	1987	1988	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May
1 **Total**	**172,060**	**205,810**	**234,529**	**235,969**	**237,378**	**240,186**	**244,882**	**245,861**
Retail financing of installment sales								
2 Automotive	26,015	35,782	36,548	37,041	37,301	37,696	38,415	38,816
3 Equipment	23,112	25,170	28,298	28,429	28,385	28,207	28,790	27,638
4 Pools of securitized assets[2]	n.a.	n.a.	n.a.	724	682	855	817	846
Wholesale								
5 Automotive	23,010	30,507	33,300	33,664	34,386	33,528	34,383	34,534
6 Equipment	5,348	5,600	5,983	6,183	6,193	6,088	6,153	6,096
7 All other	7,033	8,342	9,341	9,493	9,569	9,682	9,852	9,929
8 Pools of securitized assets[2]	n.a.	n.a.	n.a.	0	0	0	0	0
Leasing								
9 Automotive	19,827	21,952	24,673	24,558	24,847	25,584	25,544	26,011
10 Equipment	38,179	43,335	57,455	58,354	58,045	59,484	60,246	61,022
11 Pools of securitized assets[2]	n.a.	n.a.	n.a.	721	699	756	733	824
12 Loans on commercial accounts receivable and factored commercial accounts receivable	15,978	18,078	17,796	16,688	17,404	17,794	18,677	18,772
13 All other business credit	13,557	17,043	21,134	20,114	19,867	20,512	21,272	21,371
	Net change							
14 **Total**	**15,763**	**33,750**	**28,719**	**−4**	**1,409**	**2,808**	**4,696**	**978**
Retail financing of installment sales								
15 Automotive	5,355	9,767	766	493	260	394	720	401
16 Equipment	629	2,058	3,128	131	−43	−178	583	−1,152
17 Pools of securitized assets[2]	n.a.	n.a.	n.a.	n.a.	−42	173	−38	29
Wholesale								
18 Automotive	−978	7,497	2,793	364	722	−858	856	151
19 Equipment	780	252	383	200	10	−105	65	−56
20 All other	224	1,309	999	152	76	114	170	78
21 Pools of securitized assets[2]	n.a.	n.a.	n.a.	n.a.	0	0	0	0
Leasing								
22 Automotive	3,552	2,125	2,721	−115	289	736	−40	467
23 Equipment	3,411	5,156	14,120	−506	−310	1,439	762	776
24 Pools of securitized assets[2]	n.a.	n.a.	n.a.	n.a.	−22	57	−23	91
25 Loans on commercial accounts receivable and factored commercial accounts receivable	213	2,100	−282	−1,108	716	390	883	95
26 All other business credit	2,576	3,486	4,091	385	−247	645	760	100

1. These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

2. Data on pools of securitized assets are not seasonally adjusted.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1986	1987	1988	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May	1989 June
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	118.1	137.0	150.0	150.0	165.2	153.7	159.7	169.2	151.8[r]	150.5
2 Amount of loan (thousands of dollars)	86.2	100.5	110.5	110.8	121.3	111.8	117.7	124.5	112.3[r]	111.0
3 Loan/price ratio (percent)	75.2	75.2	75.5	75.6	75.2	73.5	74.4	75.0	75.3[r]	75.2
4 Maturity (years)	26.6	27.8	28.0	28.3	28.8	28.3	27.7	28.4	28.3[r]	27.8
5 Fees and charges (percent of loan amount)[2]	2.48	2.26	2.19	2.08	1.90	2.14	2.11	1.70	2.12[r]	1.91
6 Contract rate (percent per year)	9.82	8.94	8.81	9.04	9.20	9.46	9.63	9.88	9.82	10.09
Yield (percent per year)										
7 FHLBB series[3]	10.26	9.31	9.18	9.39	9.52	9.82	9.99	10.17	10.18	10.42
8 HUD series[4]	10.07	10.17	10.30	10.67	10.55	10.75	10.93	10.84	10.43	10.04
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series)[5]	9.91	10.16	10.49	10.81	10.69	10.88	11.16	10.88	10.55	10.08
10 GNMA securities[6]	9.30	9.43	9.83	10.07	10.02	10.07	10.38	10.36	10.11	9.75
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	98,048	95,030	101,329	103,013	102,370	101,922	101,991	102,191	102,564	103,309
12 FHA/VA-insured	29,683	21,660	19,762	19,415	19,354	19,275	19,337	19,607	19,612	19,586
13 Conventional	68,365	73,370	81,567	83,598	83,016	82,647	82,654	82,584	82,952	83,723
Mortgage transactions (during period)										
14 Purchases	30,826	20,531	23,110	1,726	1,037	905	1,469	1,163	1,419	1,862
Mortgage commitments[7]										
15 Contracted (during period)	32,987	25,415	23,435	1,350	1,087	3,557	1,771	1,118	1,626[r]	2,573
16 Outstanding (end of period)	3,386	4,886	2,148	2,148	2,081	4,520	4,807	4,661	4,673[r]	5,236
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	13,517	12,802	15,105	17,425	18,378	18,473	18,714	18,918	19,443	n.a.
18 FHA/VA	746	686	620	590	594	594	593	599	586	n.a.
19 Conventional	12,771	12,116	14,485	16,834	17,785	17,880	16,135	18,320	18,857	n.a.
Mortgage transactions (during period)										
20 Purchases	103,474	76,845	44,077	5,843	3,586	5,088	6,373	5,861	5,141	n.a.
21 Sales	100,236	75,082	39,780	5,510	3,408	4,385	6,037	5,554[r]	4,474[r]	6,331
Mortgage commitments[9]										
22 Contracted (during period)	110,855	71,467	66,026	10,101	5,206	8,411	11,227	4,196	5,186	n.a.

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month. Large monthly movements in average yields may reflect market adjustments to changes in maximum permissable contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
8. Includes participation as well as whole loans.
9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder, and type of property	1986	1987	1988	1987	1988			
				Q4	Q1	Q2	Q3	Q4
1 **All holders**	**2,597,175**	**2,943,222**	**3,200,411**	**2,943,222**	**2,984,027**	**3,058,006**	**3,132,353**	**3,200,411**
2 1- to 4-family	1,698,524	1,925,189	2,115,184	1,925,189	1,951,400	2,012,270	2,067,929	2,115,184
3 Multifamily	247,831	273,899	287,611	273,899	278,144	278,919	281,468	287,611
4 Commercial	555,039	655,266	711,093	655,266	666,461	679,037	695,774	711,093
5 Farm	95,781	88,868	86,523	88,868	88,022	87,780	87,182	86,523
6 Selected financial institutions	1,507,289	1,700,820	1,852,593	1,700,820	1,723,937	1,764,221	1,813,470	1,852,593
7 Commercial banks[2]	502,534	591,151	665,458	591,151	604,468	628,383	649,135	665,458
8 1- to 4-family	235,814	275,761	313,897	275,761	280,757	295,425	306,118	313,897
9 Multifamily	31,173	33,296	34,715	33,296	33,728	34,184	33,855	34,715
10 Commercial	222,799	267,663	301,236	267,663	275,360	283,598	293,772	301,236
11 Farm	12,748	14,431	15,610	14,431	14,623	15,176	15,390	15,610
12 Savings institutions[3]	777,312	856,945	908,355	856,945	863,245	872,450	895,230	908,355
13 1- to 4-family	558,412	598,886	648,275	598,886	603,516	615,795	636,794	648,275
14 Multifamily	97,059	106,359	108,319	106,359	107,722	106,367	106,377	108,319
15 Commercial	121,236	150,943	151,016	150,943	151,251	149,536	151,307	151,016
16 Farm	605	...	...	...	...	...	...	...
17 Life insurance companies	193,842	212,375	233,814	212,375	214,815	220,870	225,627	233,814
18 1- to 4-family	12,827	13,226	15,361	13,226	13,653	14,172	14,917	15,361
19 Multifamily	20,952	22,524	23,681	22,524	22,723	23,021	23,139	23,681
20 Commercial	149,111	166,722	185,592	166,722	168,774	174,086	178,166	185,592
21 Farm	10,952	9,903	9,180	9,903	9,665	9,591	9,405	9,180
22 Finance companies[4]	33,601	40,349	44,966	40,349	41,409	42,518	43,478	44,966
23 Federal and related agencies	203,800	192,721	198,549	192,721	196,909	199,474	198,027	198,549
24 Government National Mortgage Association	889	444	67	444	434	42	64	67
25 1- to 4-family	47	25	53	25	25	24	51	53
26 Multifamily	842	419	14	419	409	18	13	14
27 Farmers Home Administration[5]	48,421	43,051	42,018	43,051	43,076	42,767	41,836	42,018
28 1- to 4-family	21,625	18,169	18,347	18,169	18,185	18,248	18,268	18,347
29 Multifamily	7,608	8,044	8,513	8,044	8,115	8,213	8,349	8,513
30 Commercial	8,446	6,603	5,343	6,603	6,640	6,288	5,300	5,343
31 Farm	10,742	10,235	9,815	10,235	10,136	10,018	9,919	9,815
32 Federal Housing and Veterans Administration	5,047	5,574	5,975	5,574	5,660	5,673	5,666	5,975
33 1- to 4-family	2,386	2,557	2,649	2,557	2,608	2,564	2,432	2,649
34 Multifamily	2,661	3,017	3,326	3,017	3,052	3,109	3,234	3,326
35 Federal National Mortgage Association	97,895	96,649	103,013	96,649	99,787	102,368	102,453	103,013
36 1- to 4-family	90,718	89,666	95,833	89,666	92,828	95,404	95,417	95,833
37 Multifamily	7,177	6,983	7,180	6,983	6,959	6,964	7,036	7,180
38 Federal Land Banks	39,984	34,131	32,115	34,131	33,566	33,048	32,566	32,115
39 1- to 4-family	2,353	2,008	1,890	2,008	1,975	1,945	1,917	1,890
40 Farm	37,631	32,123	30,225	32,123	31,591	31,103	30,649	30,225
41 Federal Home Loan Mortgage Corporation	11,564	12,872	15,361	12,872	14,386	15,576	15,442	15,361
42 1- to 4-family	10,010	11,430	13,058	11,430	12,749	13,631	13,322	13,058
43 Multifamily	1,554	1,442	2,303	1,442	1,637	1,945	2,120	2,303
44 Mortgage pools or trusts[6]	565,428	718,297	809,448	718,297	732,071	754,045	782,802	809,448
45 Government National Mortgage Association	262,697	317,555	340,527	317,555	318,703	322,616	333,177	340,527
46 1- to 4-family	256,920	309,806	331,257	309,806	310,473	314,728	324,573	331,257
47 Multifamily	5,777	7,749	9,270	7,749	8,230	7,888	8,604	9,270
48 Federal Home Loan Mortgage Corporation	171,372	212,634	224,967	212,634	214,724	216,155	220,684	224,967
49 1- to 4-family	166,667	205,977	218,513	205,977	208,138	209,702	214,195	218,513
50 Multifamily	4,705	6,657	6,454	6,657	6,586	6,453	6,489	6,454
51 Federal National Mortgage Association	97,174	139,960	178,250	139,960	145,242	157,438	167,170	178,250
52 1- to 4-family	95,791	137,988	172,331	137,988	142,330	153,253	162,228	172,331
53 Multifamily	1,383	1,972	5,919	1,972	2,912	4,185	4,942	5,919
54 Farmers Home Administration[5]	348	245	104	245	172	106	106	104
55 1- to 4-family	142	121	26	121	65	23	27	26
56 Multifamily	...	...	...	...	...	...	...	...
57 Commercial	132	63	38	63	58	41	38	38
58 Farm	74	61	40	61	49	42	41	40
59 Individuals and others[7]	320,658	331,384	339,821	331,384	331,110	340,266	338,054	339,821
60 1- to 4-family	177,374	171,317	173,128	171,317	169,459	177,108	172,527	173,128
61 Multifamily	66,940	75,437	77,917	75,437	76,071	76,572	77,310	77,917
62 Commercial	53,315	63,272	67,868	63,272	64,378	65,488	67,191	67,868
63 Farm	23,029	21,358	20,908	21,358	21,202	21,098	21,026	20,908

1. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not bank trust departments.
3. Includes savings banks and savings and loan associations. Beginning 1987:1, data reported by FSLIC-insured institutions include loans in process and other contra assets (credit balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels).
4. Assumed to be entirely 1- to 4-family loans.
5. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:4, because of accounting changes by the Farmers Home Administration.
6. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated. Includes private pools which are not shown as a separate line item.
7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and other U.S. agencies.

1.55 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change, seasonally adjusted

Millions of dollars

Holder, and type of credit	1987	1988	1988 Sept.	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May
	Amounts outstanding (end of period)										
1 **Total**	**607,721**	**659,507**	**646,556**	**649,132**	**654,413**	**659,507**	**682,020**	**687,397**	**691,162**	**693,654**	**697,256**
By major holder											
2 Commercial banks	282,910	318,925	310,132	312,588	316,683	318,925	316,797	318,423	318,242	320,458	323,078
3 Finance companies[2]	140,281	145,180	143,019	143,012	143,488	145,180	141,795	143,419	143,070	144,378	145,523
4 Credit unions	80,087	86,118	84,900	85,338	85,740	86,118	87,093	87,813	88,514	89,072	89,735
5 Retailers[3]	40,975	43,498	42,349	42,614	42,910	43,498	40,986	41,052	41,300	41,301	41,323
6 Savings institutions	59,851	62,099	62,502	61,926	61,922	62,099	62,867	63,109	62,735	61,919	61,429
7 Gasoline companies	3,618	3,687	3,655	3,654	3,671	3,687	3,655	3,677	3,682	3,787	3,809
8 Pools of securitized assets[4]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	28,827	29,903	33,487	32,737r	32,359
By major type of credit											
9 Automobile	265,976	281,174	279,243	278,902	279,926	281,174	286,382	288,767	288,850	289,531	290,547
10 Commercial banks	109,201	123,259	120,525	120,939	122,392	123,259	122,160	122,983	123,062	123,878	124,962
11 Credit unions	40,351	41,326	41,250	41,293	41,316	41,326	41,707	41,964	42,211	42,388	42,613
12 Finance companies	98,195	97,204	97,257	96,877	96,657	97,204	87,968	88,789	89,567	90,268	90,976
13 Savings institutions	18,228	19,385	20,211	19,793	19,561	19,385	19,506	19,464	19,231	18,866	18,601
14 Pools of securitized assets[4]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	15,042	15,568	14,779	14,132	13,395
15 Revolving	153,884	174,792	168,273	170,131	173,030	174,792	176,716	178,570	182,831	184,486	186,428
16 Commercial banks	99,119	117,572	112,691	114,180	116,593	117,572	111,133	111,706	112,553	114,130	115,408
17 Retailers	36,389	38,692	37,682	37,919	38,170	38,692	36,176	36,257	36,489	36,497	36,504
18 Gasoline companies	3,618	3,687	3,655	3,654	3,671	3,687	3,655	3,677	3,682	3,787	3,809
19 Savings institutions	10,367	10,151	9,614	9,724	9,923	10,151	10,479	10,722	10,860	10,918	11,029
20 Credit unions	4,391	4,691	4,632	4,653	4,673	4,691	4,785	4,866	4,947	5,020	5,100
21 Pools of securitized assets[4]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10,489	11,342	14,172	14,134	14,578
22 Mobile home	26,387	25,744	26,185	26,033	26,005	25,744	26,036	25,992	24,168	23,993	23,978
23 Commercial banks	9,220	8,974	9,119	9,225	9,224	8,974	8,974	8,974	8,844	8,836	8,886
24 Finance companies	7,762	7,186	7,334	7,194	7,197	7,186	7,376	7,308	5,687	5,659	5,684
25 Savings institutions	9,406	9,583	9,732	9,614	9,584	9,583	9,687	9,710	9,637	9,498	9,408
26 Other	161,475	177,798	172,855	174,066	175,452	177,798	192,886	194,068	195,314	195,643	196,302
27 Commercial banks	65,370	69,120	67,798	68,244	68,474	69,120	74,532	74,760	73,783	73,614	73,822
28 Finance companies	34,324	40,790	38,428	38,941	39,633	40,790	46,451	47,322	47,816	48,451	48,863
29 Credit unions	35,344	40,102	39,018	39,392	39,752	40,102	40,601	40,983	41,357	41,665	42,022
30 Retailers	4,586	4,807	4,667	4,694	4,739	4,807	4,809	4,795	4,811	4,804	4,819
31 Savings institutions	21,850	22,981	22,945	22,794	22,854	22,981	23,196	23,214	23,006	22,638	22,390
32 Pools of securitized assets[4]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3,296	2,993	4,536	4,471r	4,386
	Net change (during period)										
33 **Total**	**35,674**	**51,786**	**1,890**	**2,576**	**5,281**	**5,094**	**22,513**	**5,377**	**3,765**	**2,492**	**3,602**
By major holder											
34 Commercial banks	19,884	36,015	2,777	2,456	4,095	2,242	-2,128	1,626	-181	2,216	2,620
35 Finance companies[2]	6,349	4,899	-973	-7	476	1,692	-3,385	1,624	-349	1,308	1,145
36 Credit unions	3,853	6,031	253	438	402	378	975	720	701	558	663
37 Retailers[3]	1,568	2,523	228	265	296	588	-2,512	66	248	1	22
38 Savings institutions	3,689	2,248	-341	-576	-4	177	768	242	-374	-816	-490
39 Gasoline companies	332	69	-54	-1	17	16	-32	22	5	105	22
40 Pools of securitized assets[4]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,076	3,584	-750r	-378
By major type of credit											
41 Automobile	18,663	15,198	-342	-341	1,024	1,248	5,208	2,385	83	681	1,016
42 Commercial banks	7,919	14,058	1,142	414	1,453	867	-1,099	823	79	816	1,084
43 Credit unions	1,916	975	-46	43	23	10	381	257	247	177	225
44 Finance companies	5,639	-991	-1,448	-380	-220	547	-9,236	821	778	701	708
45 Savings institutions	3,188	1,157	10	-418	-232	-176	121	-42	-233	-365	-265
46 Pools of securitized assets[4]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	526	-789	-647	-737
47 Revolving	16,871	20,908	1,148	1,858	2,899	1,762	1,924	1,854	4,261	1,655	1,942
48 Commercial banks	12,188	18,453	1,175	1,489	2,413	979	-6,439	573	847	1,577	1,278
49 Retailers	1,866	2,303	211	237	251	522	-2,516	81	232	8	7
50 Gasoline companies	332	69	-54	-1	17	16	-32	22	5	105	22
51 Savings institutions	1,771	-216	-195	110	199	228	328	243	138	58	111
52 Credit unions	715	300	11	21	20	18	94	81	81	73	80
53 Pools of securitized assets[4]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	853	2,830	-38	444
54 Mobile home	-968	-643	-92	-152	-28	-261	292	-44	-1,824	-175	-15
55 Commercial banks	192	-246	-21	106	-1	-250	0	0	-130	-8	50
56 Finance companies	-1,052	-576	-35	-140	3	-11	190	-68	-1,621	-28	25
57 Savings institutions	-107	177	-36	-118	-30	-1	104	23	-73	-139	-90
58 Other	1,108	16,323	1,176	1,211	1,386	2,346	15,088	1,182	1,246	329	659
59 Commercial banks	-415	3,750	482	446	230	646	5,412	228	-977	-169	208
60 Finance companies	1,761	6,466	510	513	692	1,157	5,661	871	494	635	412
61 Credit unions	1,221	4,758	288	374	360	350	499	382	374	308	357
62 Retailers	-297	221	17	27	45	68	2	-14	16	-7	15
63 Savings institutions	-1,162	1,131	-120	-151	60	127	215	18	-208	-368	-248
64 Pools of securitized assets[4]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-303	1,543	-65r	-85

1. The Board's series cover most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.

These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

2. More detail for finance companies is available in the G. 20 statistical release.

3. Excludes 30-day charge credit held by travel and entertainment companies.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent unless noted otherwise

	Item	1986	1987	1988	1988		1989				
					Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
	INTEREST RATES										
	Commercial banks[2]										
1	48-month new car[3]	11.33	10.45	10.85	11.22	n.a.	n.a.	11.76	n.a.	n.a.	12.44
2	24-month personal	14.82	14.22	14.68	15.06	n.a.	n.a.	15.22	n.a.	n.a.	15.65
3	120-month mobile home[3]	13.99	13.38	13.54	13.61	n.a.	n.a.	14.00	n.a.	n.a.	14.35
4	Credit card	18.26	17.92	17.78	17.77	n.a.	n.a.	17.83	n.a.	n.a.	18.11
	Auto finance companies										
5	New car	9.44	10.73	12.60	13.20	13.25	13.27	13.07	13.07	12.10	11.80
6	Used car	15.95	14.60	15.11	15.75	15.80	15.57	15.90	16.12	16.39	16.45
	OTHER TERMS[4]										
	Maturity (months)										
7	New car	50.0	53.5	56.2	56.2	56.3	56.2	55.7	55.4	53.4	52.7
8	Used car	42.6	45.2	46.7	46.2	46.0	47.8	47.4	47.1	47.8	46.6
	Loan-to-value ratio										
9	New car	91	93	94	94	94	94	92	92	91	91
10	Used car	97	98	98	98	98	97	98	97	97	97
	Amount financed (dollars)										
11	New car	10,665	11,203	11,663	11,975	12,068	11,956	11,819	11,867	11,886	11,973
12	Used car	6,555	7,420	7,824	7,991	8,022	8,006	8,022	7,958	7,855	7,908

1. These data also appear in the Board's G.19 (421) release. For address, see inside front cover.
2. Data for midmonth of quarter only.
3. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
4. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

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

Transaction category, sector	1984	1985	1986	1987	1988	1987 Q3	1987 Q4	1988 Q1	1988 Q2	1988 Q3	1988 Q4	1989 Q1
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**750.8**	**846.3**	**837.5**	**689.0**	**741.4**	**659.8**	**780.3**	**723.9**	**710.4**	**767.8**	**763.7**	**742.6**
By sector and instrument												
2 U.S. government	198.8	223.6	215.0	144.9	157.5	103.1	168.2	227.7	89.2	188.6	124.4	214.4
3 Treasury securities	199.0	223.7	214.7	143.4	140.0	104.0	163.2	228.2	81.5	167.7	82.8	215.6
4 Agency issues and mortgages	−.2	−.1	.4	1.5	17.4	−.9	5.0	−.5	7.7	20.9	41.6	−1.2
5 Private domestic nonfinancial sectors	552.0	622.7	622.5	544.0	584.0	556.6	612.2	496.2	621.2	579.3	639.3	528.2
6 Debt capital instruments	319.3	452.3	468.4	459.0	426.1	441.2	430.3	358.9	474.8	446.7	423.9	372.2
7 Tax-exempt obligations	50.4	136.4	30.8	34.5	33.1	32.7	33.5	22.8	30.6	41.4	37.5	19.7
8 Corporate bonds	46.1	73.8	121.3	99.9	97.2	100.7	81.6	101.4	117.9	90.3	79.1	82.1
9 Mortgages	222.8	242.2	316.3	324.5	295.8	307.8	315.3	234.6	326.3	315.0	307.3	270.3
10 Home mortgages	136.7	156.8	218.7	234.9	220.0	225.0	222.8	169.6	270.7	231.9	207.8	187.4
11 Multifamily residential	25.2	29.8	33.5	24.4	16.3	23.3	16.1	23.9	4.2	16.0	20.9	26.6
12 Commercial	62.2	62.2	73.6	71.6	61.6	64.3	78.3	47.3	52.7	69.4	77.1	61.5
13 Farm	−1.2	−6.6	−9.5	−6.4	−2.1	−4.7	−1.9	−6.1	−1.4	−2.4	1.5	−5.2
14 Other debt instruments	232.7	170.3	154.1	85.1	157.9	115.4	181.8	137.3	146.4	132.5	215.4	156.1
15 Consumer credit	81.6	82.5	58.0	32.9	51.1	54.0	56.5	38.6	57.5	31.8	76.3	34.9
16 Bank loans n.e.c.	67.1	38.6	65.0	10.8	47.5	21.7	75.2	34.7	72.4	10.7	72.1	38.3
17 Open market paper	21.7	14.6	−9.3	2.3	11.6	1.0	3.9	−3.8	4.0	11.1	35.1	34.4
18 Other	62.2	34.6	40.5	39.1	47.7	38.7	46.2	67.8	12.5	78.9	31.9	48.4
19 By borrowing sector	552.0	622.7	622.5	544.0	584.0	556.6	612.2	496.2	621.2	579.3	639.3	528.2
20 State and local governments	27.4	91.8	44.3	34.0	32.0	34.8	32.9	17.5	27.6	43.5	39.4	26.0
21 Households	231.5	283.6	289.2	267.8	276.5	287.3	277.8	212.6	330.6	282.9	279.8	251.7
22 Nonfinancial business	293.1	247.3	288.9	242.2	275.5	234.5	301.5	266.0	262.9	252.9	320.1	250.5
23 Farm	−.4	−14.5	−16.3	−10.6	−4.0	−9.4	3.3	−15.7	−3.4	−2.6	5.5	−2.7
24 Nonfarm noncorporate	123.2	129.3	103.2	107.9	85.3	97.4	116.0	86.3	72.3	96.0	86.7	78.5
25 Corporate	170.3	132.4	202.0	144.9	194.2	146.6	182.1	195.5	194.0	159.5	227.8	174.6
26 Foreign net borrowing in United States	8.4	1.2	9.6	4.3	5.9	12.3	13.9	−1.0	5.2	4.4	15.0	−7.9
27 Bonds	3.8	3.8	3.0	6.8	6.7	6.7	21.6	16.8	−2.7	6.5	6.3	9.5
28 Bank loans n.e.c.	−6.6	−2.8	−1.0	−3.6	−1.8	−3.7	−6.1	.7	−3.5	2.9	−7.4	1.5
29 Open market paper	6.2	6.2	11.5	2.1	9.6	21.6	−2.5	1.5	6.4	10.7	20.0	11.6
30 U.S. government loans	5.0	−5.9	−3.9	−1.0	−8.6	−12.3	.8	−19.9	5.1	−15.8	−3.9	−30.4
31 **Total domestic plus foreign**	**759.2**	**847.5**	**847.1**	**693.3**	**747.3**	**672.0**	**794.2**	**722.9**	**715.6**	**772.2**	**778.6**	**734.7**
	Financial sectors											
32 **Total net borrowing by financial sectors**	**148.7**	**198.3**	**307.0**	**303.3**	**254.9**	**306.4**	**250.2**	**193.3**	**263.3**	**227.2**	**335.7**	**358.1**
By instrument												
33 U.S. government related	74.9	101.5	187.9	185.8	137.5	185.5	167.5	120.3	101.8	150.6	177.2	205.7
34 Sponsored credit agency securities	30.4	20.6	15.2	30.2	44.9	32.0	71.6	56.8	9.4	42.8	70.5	81.7
35 Mortgage pool securities	44.4	79.9	173.1	156.4	92.6	153.5	95.9	63.4	92.4	107.8	106.7	124.0
36 Loans from U.S. government	.....	1.1	−.4	−.7	.....	.....	.....	.....	.....	.....	.....	.....
37 Private financial sectors	73.8	96.7	119.1	117.5	117.4	120.8	82.7	73.1	161.5	76.6	158.5	152.4
38 Corporate bonds	33.0	47.9	70.9	67.2	50.7	77.7	42.4	70.1	60.5	32.5	39.7	31.0
39 Mortgages	.4	.1	.1	.4	−.1	.2	.8	−.1	*	*	−.2	.1
40 Bank loans n.e.c.	.7	2.6	4.0	−3.3	−6.6	6.3	−10.7	−26.8	8.7	−8.6	.6	−4.6
41 Open market paper	24.1	32.0	24.2	28.8	53.6	14.3	5.4	24.6	82.2	26.1	81.7	61.6
42 Loans from Federal Home Loan Banks	15.7	14.2	19.8	24.4	19.7	22.2	44.9	5.4	10.1	26.6	36.8	64.4
By sector												
43 **Total**	148.7	198.3	307.0	303.3	254.9	306.4	250.2	193.3	263.3	227.2	335.7	358.1
44 Sponsored credit agencies	30.4	21.7	14.9	29.5	44.9	32.0	71.6	56.8	9.4	42.8	70.5	81.7
45 Mortgage pools	44.4	79.9	173.1	156.4	92.6	153.5	95.9	63.4	92.4	107.8	106.7	124.0
46 Private financial sectors	73.8	96.7	119.1	117.5	117.4	120.8	82.7	73.1	161.5	76.6	158.5	152.4
47 Commercial banks	7.3	−4.9	−3.6	7.1	−3.9	−13.1	15.0	−22.4	6.2	−8.3	8.9	1.8
48 Bank affiliates	15.6	14.5	4.6	2.9	1.4	11.3	−22.6	−8.5	11.4	7.6	−4.9	8.8
49 Savings and loan associations	22.7	22.3	29.8	34.9	37.8	43.4	48.7	8.6	17.1	54.4	71.0	72.7
50 Finance companies	18.2	52.7	48.4	32.7	47.8	34.0	33.4	51.4	93.7	1.2	45.1	53.6
51 REITs	.8	.5	1.0	.8	1.7	2.5	2.2	1.0	1.7	−1.4	5.8	.8
52 CMO Issuers	9.3	11.5	39.0	39.1	32.5	42.7	6.0	43.0	31.5	23.1	32.5	14.7

1.57—Continued

Transaction category, sector	1984	1985	1986	1987	1988	1987		1988				1989
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
	All sectors											
53 **Total net borrowing**	**907.9**	**1,045.7**	**1,154.1**	**996.6**	**1,002.2**	**978.4**	**1,044.4**	**916.2**	**978.9**	**999.4**	**1,114.4**	**1,092.8**
54 U.S. government securities	273.8	324.2	403.4	331.5	294.9	288.6	335.7	347.9	191.0	339.2	301.6	420.1
55 State and local obligations	50.4	136.4	30.8	34.5	33.1	32.7	33.5	22.8	30.6	41.4	37.5	19.7
56 Corporate and foreign bonds	83.0	125.4	195.2	174.0	154.6	185.1	145.6	188.2	175.8	129.4	125.1	122.7
57 Mortgages	223.1	242.2	316.4	324.9	295.7	308.0	316.1	234.5	326.3	315.0	307.1	270.4
58 Consumer credit	81.6	82.5	58.0	32.9	51.1	54.0	56.5	38.6	57.5	31.8	76.3	34.9
59 Bank loans n.e.c.	61.1	38.3	67.9	3.8	39.1	24.3	58.4	8.6	77.6	5.0	65.3	35.1
60 Open market paper	52.0	52.8	26.4	33.2	74.9	36.9	6.7	22.3	92.5	48.0	136.8	107.6
61 Other loans	82.9	44.0	56.1	61.8	58.8	48.7	91.9	53.3	27.7	89.7	64.7	82.4
62 MEMO: U.S. government, cash balance	6.3	14.4	*	-7.9	10.4	-19.6	-54.7	60.9	3.3	16.2	-38.8	-4.3
Totals net of changes in U.S. government cash balances												
63 Net borrowing by domestic nonfinancial	744.5	831.9	837.5	696.9	731.1	679.4	835.0	663.0	707.1	751.7	802.5	747.0
64 Net borrowing by U.S. government	192.5	209.3	215.0	152.8	147.1	122.7	222.8	166.8	86.0	172.4	163.2	218.7
	External corporate equity funds raised in United States											
65 **Total net share issues**	**-36.0**	**20.1**	**93.9**	**13.5**	**-115.0**	**-47.1**	**-82.7**	**-75.6**	**-131.1**	**-84.1**	**-169.1**	**-143.1**
66 Mutual funds	29.3	84.4	161.8	72.3	-.4	13.8	-9.1	5.0	-8.0	0.3	1.1	19.1
67 All other	-65.3	-64.3	-68.0	-58.8	-114.5	-60.9	-73.6	-80.5	-123.1	-84.4	-170.2	-162.2
68 Nonfinancial corporations	-74.5	-81.5	-80.7	-76.5	-130.5	-78.0	-88.0	-95.0	-140.0	-92.0	-195.0	-180.0
69 Financial corporations	8.2	13.5	11.5	20.1	15.2	18.4	26.4	15.2	23.4	6.4	15.9	13.7
70 Foreign shares purchased in United States	.9	3.7	1.3	-2.4	.7	-1.3	-12.0	-.7	-6.5	1.2	9.0	4.1

1.58 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	1984	1985	1986	1987	1988	1987		1988				1989
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**750.8**	**846.3**	**837.5**	**689.0**	**741.4**	**659.8**	**780.3**	**723.9**	**710.4**	**767.8**	**763.7**	**742.6**
By public agencies and foreign												
2 Total net advances	157.6	193.1	314.0	256.7	239.1	211.1	265.4	262.5	166.1	222.5	305.1	336.2
3 U.S. government securities	38.9	37.9	69.4	68.2	84.8	35.1	123.3	148.6	42.4	25.8	122.3	87.6
4 Residential mortgages	56.5	94.6	170.1	153.2	104.0	146.0	102.7	83.6	106.7	108.3	117.5	126.2
5 FHLB advances to savings and loans	15.7	14.2	19.8	24.4	19.7	22.2	44.9	5.4	10.1	26.6	36.8	64.4
6 Other loans and securities	46.6	46.3	54.6	10.9	30.5	7.8	−5.5	24.9	6.8	61.9	28.4	58.1
Total advanced, by sector												
7 U.S. government	17.1	16.8	9.7	−11.9	−7.3	−24.1	−2.6	−8.8	−20.3	9.4	−9.5	7.3
8 Sponsored credit agencies	74.3	95.5	187.2	181.4	131.2	187.0	156.6	103.1	103.4	138.9	179.2	216.0
9 Monetary authorities	8.4	18.4	19.4	24.7	10.5	29.0	30.4	−5.5	4.1	17.1	26.5	−4.9
10 Foreign	57.9	62.3	97.8	62.5	104.7	19.1	81.0	173.7	78.9	57.2	108.9	117.8
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	74.9	101.5	187.9	185.8	137.5	185.5	167.5	120.3	101.8	150.6	177.2	205.7
12 Foreign	8.4	1.2	9.6	4.3	5.9	12.3	13.9	−1.0	5.2	4.4	15.0	−7.9
Private domestic funds advanced												
13 Total net advances	676.4	756.0	721.0	622.5	645.7	646.4	696.3	580.6	651.3	700.3	650.8	604.2
14 U.S. government securities	234.9	286.2	333.9	263.3	210.2	253.5	212.4	199.3	148.6	313.4	179.3	332.5
15 State and local obligations	50.4	136.4	30.8	34.5	33.1	32.7	33.5	22.8	30.6	41.4	37.5	19.7
16 Corporate and foreign bonds	35.1	40.8	84.1	86.5	81.0	83.7	102.9	115.7	90.2	65.1	53.0	54.6
17 Residential mortgages	105.3	91.8	82.0	106.1	132.2	102.3	136.2	109.9	168.2	139.7	111.1	87.9
18 Other mortgages and loans	266.3	214.9	210.0	156.5	209.0	196.4	256.3	138.3	223.8	167.3	306.6	173.8
19 LESS: Federal Home Loan Bank advances	15.7	14.2	19.8	24.4	19.7	22.2	44.9	5.4	10.1	26.6	36.8	64.4
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	581.0	569.8	747.0	566.6	587.6	643.7	553.8	658.1	593.3	473.2	626.0	586.9
21 Commercial banking	168.9	186.3	194.8	136.7	156.0	151.4	253.1	56.8	213.8	141.3	212.2	96.8
22 Savings institutions	150.2	83.0	106.2	141.7	121.1	191.5	155.6	85.3	92.9	186.3	119.9	80.6
23 Insurance and pension funds	121.8	148.9	181.9	211.9	222.2	247.5	154.3	279.3	228.9	173.9	206.8	259.1
24 Other finance	140.1	151.6	264.2	76.3	88.3	53.3	−9.2	236.7	57.8	−28.4	87.2	150.3
25 Sources of funds	581.0	569.8	747.0	566.6	587.6	643.7	553.8	658.1	593.3	473.2	626.0	586.9
26 Private domestic deposits and RPs	321.9	210.6	264.7	145.6	198.4	193.9	265.6	283.6	135.1	167.3	207.5	127.3
27 Credit market borrowing	73.8	96.7	119.1	117.5	117.4	120.8	82.7	73.1	161.5	76.6	158.5	152.4
28 Other sources	185.3	262.5	363.2	303.5	271.8	329.0	205.5	301.3	296.7	229.2	260.0	307.2
29 Foreign funds	8.8	19.7	12.9	43.7	9.2	99.5	25.2	−80.1	106.6	−50.4	60.7	−36.3
30 Treasury balances	4.0	10.3	1.7	−5.8	7.3	6.1	−36.1	53.3	−17.5	8.7	−15.2	−8.4
31 Insurance and pension reserves	124.0	131.9	144.3	176.1	219.9	196.1	120.3	265.2	240.0	149.9	224.3	263.6
32 Other, net	48.5	100.7	204.4	89.6	35.4	27.2	96.0	62.9	−32.4	121.0	−9.9	88.3
Private domestic nonfinancial investors												
33 Direct lending in credit markets	169.2	282.9	93.1	173.3	175.5	123.6	225.1	−4.4	219.5	303.7	183.3	169.7
34 U.S. government securities	115.4	175.7	59.9	104.4	146.5	70.3	117.8	114.4	87.3	247.0	137.2	194.6
35 State and local obligations	26.5	39.6	−13.6	46.1	20.0	42.4	56.0	−.5	18.3	27.9	34.4	7.7
36 Corporate and foreign bonds	−.8	2.4	32.6	5.3	−12.7	28.3	42.1	−39.0	36.6	−29.2	−19.4	−.2
37 Open market paper	4.0	45.6	−3.6	4.3	14.9	−29.7	−9.5	−71.5	76.1	54.0	1.0	−2.0
38 Other	24.2	19.6	17.9	13.3	6.8	12.2	18.7	−7.8	1.2	3.9	30.1	−30.3
39 Deposits and currency	325.4	220.9	285.0	161.8	205.9	229.3	316.3	278.6	136.3	194.1	214.4	138.1
40 Currency	8.6	12.4	14.4	19.0	14.7	17.3	36.8	8.2	11.9	28.6	10.2	9.8
41 Checkable deposits	28.0	40.9	93.2	−2.1	12.2	35.4	14.3	4.5	18.5	−23.8	49.6	−59.6
42 Small time and savings accounts	150.7	138.5	120.6	76.0	120.6	80.2	124.1	189.1	152.4	70.5	70.4	50.7
43 Money market fund shares	49.0	8.9	41.5	28.2	23.8	32.7	63.3	59.1	−34.8	3.0	67.9	59.5
44 Large time deposits	84.3	7.7	−11.4	26.7	32.3	−1.0	89.4	11.7	−15.7	122.0	11.2	55.9
45 Security RPs	10.0	14.6	20.8	16.9	9.5	46.6	−25.6	19.3	14.7	−4.4	8.2	20.7
46 Deposits in foreign countries	−5.1	−2.1	5.9	−2.8	−7.3	18.1	13.9	−13.3	−10.7	−1.8	−3.3	1.0
47 **Total of credit market instruments, deposits, and currency**	**494.6**	**503.7**	**378.1**	**335.1**	**381.4**	**352.9**	**541.5**	**274.2**	**355.8**	**497.8**	**397.7**	**307.8**
48 Public holdings as percent of total	20.7	22.7	37.0	37.0	31.9	31.4	33.4	36.3	23.2	28.8	39.1	45.7
49 Private financial intermediation (in percent)	85.8	75.3	103.6	91.0	90.9	99.5	79.5	113.3	91.0	67.5	96.1	97.1
50 Total foreign funds	66.7	82.0	110.7	106.2	113.9	118.7	106.2	93.6	185.5	6.8	169.7	81.5
MEMO: Corporate equities not included above												
51 **Total net issues**	**−36.0**	**20.1**	**93.9**	**13.5**	**−115.0**	**−47.1**	**−82.7**	**−75.6**	**−131.1**	**−84.1**	**−169.1**	**−143.1**
52 Mutual fund shares	29.3	84.4	161.8	72.3	−.4	13.8	−9.1	5.0	−8.0	.3	1.1	19.1
53 Other equities	−65.3	−64.3	−68.0	−58.8	−114.5	−60.9	−73.6	−80.5	−123.1	−84.4	−170.2	−162.2
54 Acquisitions by financial institutions	15.8	45.6	48.5	22.6	4.8	5.2	−16.5	−35.7	−6.8	22.4	39.1	4.1
55 Other net purchases	−51.8	−25.5	45.4	−9.1	−119.7	−52.4	−66.2	−39.9	−124.3	−106.5	−208.2	−147.2

NOTES BY LINE NUMBER.
1. Line 1 of table 1.57.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
30. Demand deposits and note balances at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 13 less line 20 plus line 27.
34–38. Lines 14–18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 38 includes mortgages.
40. Mainly an offset to line 9.
47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.
51, 53. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING

Billions of dollars; period-end levels.

Transaction category, sector	1983	1984	1985	1986	1987		1988				1989
					Q3	Q4	Q1	Q2	Q3	Q4	Q1
					Nonfinancial sectors						
1 **Total credit market debt owed by domestic nonfinancial sectors**	**5,204.3**	**5,953.7**	**6,797.0**	**7,638.4**	**8,099.4**	**8,330.0**	**8,471.0**	**8,658.1**	**8,828.8**	**9,049.7**	**9,209.4**
By sector and instrument											
2 U.S. government	1,177.9	1,376.8	1,600.4	1,815.4	1,897.8	1,960.3	2,003.2	2,022.3	2,063.9	2,117.8	2,155.7
3 Treasury securities	1,174.4	1,373.4	1,597.1	1,811.7	1,893.8	1,955.2	1,998.1	2,015.3	2,051.7	2,095.2	2,133.4
4 Agency issues and mortgages	3.6	3.4	3.3	3.6	3.9	5.2	5.0	7.0	12.2	22.6	22.3
5 Private domestic nonfinancial sectors	4,026.4	4,577.0	5,196.6	5,823.0	6,201.7	6,369.7	6,467.8	6,635.8	6,764.9	6,931.9	7,053.7
6 Debt capital instruments	2,717.8	3,040.0	3,488.4	3,967.6	4,327.4	4,438.5	4,512.2	4,635.3	4,737.8	4,848.3	4,933.0
7 Tax-exempt obligations	471.7	522.1	658.4	689.2	715.5	723.7	727.5	734.8	747.6	756.8	764.9
8 Corporate bonds	423.0	469.2	542.9	664.2	743.7	764.1	789.5	819.0	841.5	861.3	881.8
9 Mortgages	1,823.1	2,048.8	2,287.1	2,614.2	2,868.2	2,950.7	2,995.3	3,081.6	3,148.6	3,230.2	3,286.3
10 Home mortgages	1,200.2	1,336.2	1,490.2	1,720.8	1,884.2	1,943.1	1,972.0	2,043.3	2,105.0	2,160.9	2,195.6
11 Multifamily residential	158.8	183.6	213.0	246.2	265.0	270.0	274.5	276.3	279.5	285.9	291.4
12 Commercial	350.4	416.5	478.1	551.4	629.1	648.7	660.8	674.1	677.1	696.6	713.1
13 Farm	113.7	112.4	105.9	95.8	90.0	88.9	88.0	87.8	87.0	86.8	86.2
14 Other debt instruments	1,308.6	1,536.9	1,708.2	1,855.5	1,874.3	1,931.1	1,955.6	2,000.5	2,027.1	2,083.6	2,120.8
15 Consumer credit	437.7	519.3	601.8	659.8	674.8	692.7	688.9	705.8	721.2	743.7	746.6
16 Bank loans n.e.c.	490.2	552.9	592.6	654.2	637.6	654.4	665.6	685.7	686.5	701.9	713.5
17 Open market paper	36.8	58.5	72.2	62.9	68.1	73.8	73.5	77.8	80.3	85.4	95.5
18 Other	344.0	406.2	441.6	478.6	493.7	510.3	527.5	531.2	539.1	552.7	565.1
19 By borrowing sector	4,026.4	4,577.0	5,196.6	5,823.0	6,201.7	6,369.7	6,467.8	6,635.8	6,764.9	6,931.9	7,053.7
20 State and local governments	357.7	385.1	476.9	520.2	546.2	554.2	556.7	563.2	576.0	585.6	595.2
21 Households	1,811.6	2,038.2	2,314.5	2,614.6	2,787.3	2,864.3	2,892.1	2,982.3	3,058.2	3,137.4	3,183.8
22 Nonfinancial business	1,857.1	2,153.7	2,405.2	2,688.3	2,868.2	2,951.2	3,019.0	3,090.2	3,130.7	3,208.9	3,274.6
23 Farm	188.4	187.9	173.4	156.6	148.5	145.5	141.3	143.9	143.6	141.1	140.1
24 Nonfarm noncorporate	645.8	769.0	898.3	1,001.6	1,076.4	1,109.4	1,131.7	1,148.9	1,167.3	1,193.3	1,213.6
25 Corporate	1,022.9	1,196.8	1,333.5	1,530.1	1,643.3	1,696.3	1,746.0	1,797.4	1,819.9	1,874.5	1,920.9
26 Foreign credit market debt held in United States	227.3	235.1	234.7	236.2	237.0	242.3	243.2	244.4	244.6	248.2	248.4
27 Bonds	64.2	68.0	71.8	74.8	75.9	81.6	85.4	85.2	86.5	88.3	90.3
28 Bank loans n.e.c.	37.4	30.8	27.9	26.9	24.2	23.3	22.8	22.4	22.7	21.5	21.1
29 Open market paper	21.5	27.7	33.9	37.4	40.6	41.2	42.5	44.0	46.3	50.9	55.5
30 U.S. government loans	104.1	108.6	101.1	97.1	96.3	96.1	92.4	92.7	89.1	87.5	81.5
31 **Total domestic plus foreign**	**5,431.6**	**6,188.8**	**7,031.7**	**7,874.7**	**8,336.4**	**8,572.3**	**8,714.1**	**8,902.4**	**9,073.4**	**9,297.9**	**9,457.9**
					Financial sectors						
32 **Total credit market debt owed by financial sectors**	**857.9**	**1,006.2**	**1,206.2**	**1,544.7**	**1,783.8**	**1,862.8**	**1,897.7**	**1,969.7**	**2,027.3**	**2,117.7**	**2,196.8**
By instrument											
33 U.S. government related	456.7	531.2	632.7	844.2	981.6	1,026.5	1,050.6	1,076.9	1,116.3	1,164.0	1,209.0
34 Sponsored credit agency securities	206.8	237.2	257.8	273.0	283.7	303.2	313.5	317.9	328.5	348.1	364.3
35 Mortgage pool securities	244.9	289.0	368.9	565.4	692.9	718.3	732.1	754.0	782.8	810.9	839.7
36 Loans from U.S. government	5.0	5.0	6.1	5.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0
37 Private financial sectors	401.2	475.0	573.4	700.5	802.1	836.3	847.1	892.8	911.1	953.8	987.8
38 Corporate bonds	115.8	148.9	197.5	268.4	324.2	335.6	352.2	367.1	375.6	386.3	393.1
39 Mortgages	2.1	2.5	2.7	2.7	2.9	3.1	3.1	3.1	3.1	3.0	3.1
40 Bank loans n.e.c.	28.9	29.5	32.1	36.1	42.2	40.8	31.7	34.3	32.9	34.2	30.6
41 Open market paper	195.5	219.5	252.4	284.6	312.7	323.8	330.6	353.4	358.0	377.4	397.4
42 Loans from Federal Home Loan Banks	59.0	74.6	88.8	108.6	120.1	133.1	129.5	134.8	141.6	152.8	163.8
43 **Total, by sector**	**857.9**	**1,006.2**	**1,206.2**	**1,544.7**	**1,783.8**	**1,862.8**	**1,897.7**	**1,969.7**	**2,027.3**	**2,117.7**	**2,196.8**
44 Sponsored credit agencies	211.8	242.2	263.9	278.7	288.7	308.2	318.5	322.9	333.5	353.1	369.3
45 Mortgage pools	244.9	289.0	368.9	565.4	692.9	718.3	732.1	754.0	782.8	810.9	839.7
46 Private financial sectors	401.2	475.0	573.4	700.5	802.1	836.3	847.1	892.8	911.1	953.8	987.8
47 Commercial banks	76.8	84.1	79.2	75.6	78.6	82.7	76.4	77.2	76.6	78.8	78.9
48 Bank affiliates	71.0	86.6	101.2	101.3	109.5	104.2	103.5	106.6	106.4	105.6	109.3
49 Savings and loan associations	73.9	93.2	115.5	145.1	165.0	180.0	176.1	186.8	197.8	218.7	230.7
50 Finance companies	171.7	193.2	246.9	308.1	340.7	359.1	369.6	392.5	395.1	406.0	420.4
51 REITs	3.5	4.3	5.6	6.5	6.8	7.3	7.6	8.0	7.6	9.1	9.3
52 CMO issuers	4.2	13.5	25.0	64.0	101.6	103.1	113.9	121.8	127.5	135.7	139.3
					All sectors						
53 **Total credit market debt**	**6,289.5**	**7,195.0**	**8,237.9**	**9,419.4**	**10,120.2**	**10,435.1**	**10,611.8**	**10,872.1**	**11,100.8**	**11,415.6**	**11,654.7**
54 U.S. government securities	1,629.4	1,902.8	2,227.0	2,653.8	2,874.4	2,981.8	3,048.8	3,094.2	3,175.2	3,276.7	3,359.7
55 State and local obligations	471.7	522.1	658.4	689.2	715.5	723.7	727.5	734.8	747.6	756.8	764.9
56 Corporate and foreign bonds	603.0	686.0	812.1	1,007.4	1,143.9	1,181.4	1,227.1	1,271.3	1,303.6	1,336.0	1,365.2
57 Mortgages	1,825.4	2,051.4	2,289.8	2,617.0	2,871.1	2,953.8	2,998.4	3,084.7	3,151.7	3,233.3	3,289.3
58 Consumer credit	437.7	519.3	601.8	659.8	674.8	692.7	688.9	705.8	721.2	743.7	746.6
59 Bank loans n.e.c.	556.5	613.2	652.6	717.2	704.0	718.4	720.1	742.4	742.1	757.5	765.2
60 Open market paper	253.8	305.7	358.5	384.9	421.4	438.8	446.7	475.3	484.6	513.6	548.4
61 Other loans	512.1	594.4	637.6	690.1	715.1	744.5	754.4	763.7	774.7	797.9	815.4

1.60 SUMMARY OF CREDIT MARKET CLAIMS, BY HOLDER

Billions of dollars, except as noted; period-end levels.

Transaction category, or sector	1983	1984	1985	1986	1987		1988				1989
					Q3	Q4	Q1	Q2	Q3	Q4	Q1
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**5,204.3**	**5,953.7**	**6,797.0**	**7,638.4**	**8,099.4**	**8,330.0**	**8,471.0**	**8,658.1**	**8,828.8**	**9,049.7**	**9,209.4**
By public agencies and foreign											
2 Total held	1,101.7	1,259.2	1,457.5	1,791.2	1,965.1	2,036.2	2,092.2	2,138.8	2,188.3	2,269.9	2,343.9
3 U.S. government securities	339.0	377.9	421.8	491.2	525.6	559.4	592.7	607.1	610.3	644.2	662.1
4 Residential mortgages	367.0	423.5	518.2	712.3	834.6	862.0	880.6	906.1	934.9	966.0	995.1
5 FHLB advances to savings and loans	59.0	74.6	88.8	108.6	120.1	133.1	129.5	134.8	141.6	152.8	163.8
6 Other loans and securities	336.8	383.1	428.7	479.0	484.8	481.8	489.4	490.8	501.6	506.9	522.9
7 Total held, by type of lender	1,101.7	1,259.2	1,457.5	1,791.2	1,965.1	2,036.2	2,092.2	2,138.8	2,188.3	2,269.9	2,343.9
8 U.S. government	212.8	229.7	245.7	252.3	235.2	233.0	231.4	227.0	224.3	220.3	222.8
9 Sponsored credit agencies and mortgage pools	482.0	556.3	657.8	867.8	1,003.7	1,044.9	1,064.0	1,091.6	1,128.9	1,176.1	1,223.0
10 Monetary authority	159.2	167.6	186.0	205.5	219.6	230.1	224.9	229.7	230.8	240.6	235.4
11 Foreign	247.7	305.6	367.9	465.7	506.7	528.2	572.0	590.5	604.4	632.9	662.7
Agency and foreign debt not in line 1											
12 Sponsored credit agencies and mortgage pools	456.7	531.2	632.7	844.2	981.6	1,026.5	1,050.6	1,076.9	1,116.3	1,164.0	1,209.0
13 Foreign	227.3	235.1	234.7	236.2	237.0	242.3	243.2	244.4	244.6	248.2	248.4
Private domestic holdings											
14 Total private holdings	4,786.6	5,460.8	6,207.0	6,927.6	7,353.0	7,562.5	7,672.5	7,840.5	8,001.3	8,192.0	8,323.0
15 U.S. government securities	1,290.4	1,524.9	1,805.2	2,162.6	2,348.8	2,422.4	2,456.0	2,487.0	2,564.9	2,632.6	2,697.6
16 State and local obligations	471.7	522.1	658.4	689.2	715.5	723.7	727.5	734.8	747.6	756.8	764.9
17 Corporate and foreign bonds	441.7	476.8	517.6	601.7	663.4	688.1	716.3	740.6	756.9	769.1	782.1
18 Residential mortgages	992.2	1,096.5	1,185.1	1,254.7	1,314.6	1,351.1	1,366.0	1,413.6	1,449.6	1,480.8	1,491.9
19 Other mortgages and loans	1,649.6	1,915.2	2,129.5	2,328.1	2,430.7	2,510.2	2,536.2	2,599.2	2,623.8	2,705.4	2,750.2
20 LESS: Federal Home Loan Bank advances	59.0	74.6	88.8	108.6	120.1	133.1	129.5	134.8	141.6	152.8	163.8
Private financial intermediation											
21 Credit market claims held by private financial institutions	4,111.2	4,691.0	5,264.4	6,010.1	6,434.5	6,594.8	6,728.4	6,895.8	6,999.4	7,169.6	7,294.3
22 Commercial banking	1,622.1	1,791.1	1,978.5	2,173.2	2,249.0	2,309.9	2,322.7	2,378.2	2,417.3	2,465.9	2,490.1
23 Savings institutions	944.0	1,092.8	1,178.4	1,283.6	1,397.3	1,436.2	1,441.7	1,484.6	1,513.0	1,544.4	1,551.9
24 Insurance and pension funds	1,093.5	1,215.3	1,364.2	1,546.0	1,716.0	1,758.0	1,823.3	1,879.5	1,925.0	1,980.5	2,040.1
25 Other finance	451.6	591.7	743.4	1,007.1	1,072.2	1,090.7	1,140.7	1,153.5	1,144.0	1,179.0	1,212.2
26 Sources of funds	4,111.2	4,691.0	5,264.4	6,010.1	6,434.5	6,594.8	6,728.4	6,895.8	6,999.4	7,169.6	7,294.3
27 Private domestic deposits and RPs	2,389.8	2,711.5	2,922.1	3,182.6	3,226.9	3,320.6	3,376.5	3,409.8	3,438.1	3,519.0	3,530.3
28 Credit market debt	401.2	475.0	573.4	700.5	802.1	836.3	847.1	892.8	911.1	953.8	987.8
29 Other sources	1,320.2	1,504.5	1,768.9	2,127.0	2,405.4	2,437.9	2,504.8	2,593.2	2,650.1	2,696.9	2,776.1
30 Foreign funds	−23.0	−14.1	5.6	18.6	52.7	62.2	45.9	62.3	51.9	71.5	69.3
31 Treasury balances	11.5	15.5	25.8	27.5	33.0	21.6	23.5	32.6	34.2	29.0	14.1
32 Insurance and pension reserves	1,036.1	1,160.8	1,289.5	1,427.9	1,556.7	1,597.2	1,662.4	1,718.6	1,758.0	1,804.6	1,862.0
33 Other, net	295.6	342.2	448.0	653.0	763.1	756.8	773.1	779.7	806.0	791.8	830.7
Private domestic nonfinancial investors											
34 Credit market claims	1,076.6	1,244.8	1,516.0	1,618.1	1,720.6	1,804.0	1,791.2	1,837.5	1,913.0	1,976.1	2,016.5
35 U.S. government securities	548.6	663.6	830.7	915.1	971.0	1,012.3	1,022.4	1,036.2	1,102.4	1,155.4	1,183.9
36 Tax-exempt obligations	170.0	196.3	235.9	222.3	255.9	268.3	265.1	271.9	281.2	288.4	292.1
37 Corporate and foreign bonds	45.4	44.5	47.6	80.1	80.6	84.8	82.7	88.9	83.5	72.1	80.5
38 Open market paper	68.4	72.4	118.0	114.3	114.9	136.3	119.1	139.4	143.9	151.2	156.8
39 Other	244.3	268.0	283.8	286.2	298.2	302.3	301.9	301.1	302.0	309.1	303.2
40 Deposits and currency	2,566.4	2,891.7	3,112.5	3,393.4	3,437.0	3,547.6	3,598.3	3,637.6	3,666.3	3,753.4	3,763.4
41 Currency	150.9	159.6	171.9	186.3	192.4	205.4	204.0	209.9	213.4	220.1	219.1
42 Checkable deposits	350.9	378.8	419.7	512.9	487.5	510.4	491.0	506.0	490.7	522.6	486.7
43 Small time and savings accounts	1,542.9	1,693.4	1,831.9	1,948.3	1,983.4	2,017.1	2,070.7	2,105.9	2,117.0	2,137.7	2,154.3
44 Money market fund shares	169.5	218.5	227.3	268.9	286.4	297.1	322.1	310.4	308.6	320.9	347.0
45 Large time deposits	247.7	332.1	339.8	328.4	326.0	355.1	350.0	343.1	376.9	387.4	390.0
46 Security RPs	78.8	88.7	103.3	124.1	143.6	141.0	142.6	144.4	144.9	150.5	152.3
47 Deposits in foreign countries	25.7	20.6	18.5	24.5	17.8	21.6	17.8	17.8	14.7	14.4	14.0
48 **Total of credit market instruments, deposits, and currency**	**3,643.0**	**4,136.5**	**4,628.5**	**5,011.4**	**5,157.6**	**5,351.6**	**5,389.5**	**5,475.0**	**5,579.3**	**5,729.6**	**5,780.0**
49 Public holdings as percent of total	20.2	20.3	20.7	22.7	23.5	23.7	24.0	24.0	24.1	24.4	24.7
50 Private financial intermediation (in percent)	85.8	85.9	84.8	86.7	87.5	87.2	87.6	87.9	87.4	87.5	87.6
51 Total foreign funds	224.7	291.5	373.5	484.2	559.4	590.5	617.8	652.8	656.3	704.3	731.9
MEMO: Corporate equities not included above											
52 **Total market value**	**2,134.0**	**2,158.2**	**2,824.5**	**3,362.0**	**4,316.0**	**3,318.5**	**3,500.2**	**3,619.7**	**3,572.5**	**3,600.9**	**3,732.4**
53 Mutual fund shares	112.1	136.7	240.2	413.5	525.1	460.1	479.2	486.8	478.1	478.3	486.3
54 Other equities	2,021.9	2,021.5	2,584.3	2,948.5	3,790.9	2,858.3	3,021.0	3,133.0	3,094.4	3,122.6	3,246.0
55 Holdings by financial institutions	612.0	615.6	800.0	972.2	1,306.7	1,011.1	1,079.4	1,131.1	1,126.9	1,156.3	1,226.2
56 Other holdings	1,522.0	1,542.6	2,024.5	2,389.8	3,009.3	2,307.4	2,420.8	2,488.7	2,445.6	2,444.6	2,506.2

NOTES BY LINE NUMBER.
1. Line 1 of table 1.59.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
12. Credit market debt of federally sponsored agencies, and net issues of federally related mortgage pool securities.
14. Line 1 less line 2 plus line 12 and 13. Also line 21 less line 28 plus line 34. Also sum of lines 29 and 48 less lines 41 and 47.
19. Includes farm and commercial mortgages.
27. Line 40 less lines 41 and 47.
28. Excludes equity issues and investment company shares. Includes line 20.
30. Foreign deposits at commercial banks plus bank borrowings from foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
31. Demand deposits and note balances at commercial banks.
32. Excludes net investment of these reserves in corporate equities.
33. Mainly retained earnings and net miscellaneous liabilities.
34. Line 14 less line 21 plus line 28.
35–39. Lines 15–19 less amounts acquired by private finance plus amounts borrowed by private finance. Line 39 includes mortgages.
41. Mainly an offset to line 10.
48. Lines 34 plus 40, or line 14 less line 29 plus 41 and 47.
49. Line 2/line 1 and 13.
50. Line 21/line 14.
51. Sum of lines 11 and 30.
52–54. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Stop 95, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures[1]

1977 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1986	1987	1988	1988			1989					
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.[r]	May[r]	June
1 **Industrial production**	**125.1**	**129.8**	**137.2**	**139.4**	**139.9**	**140.4**	**140.8**	**140.5**	**140.7**	**141.6**	**141.4**	**141.1**
Market groupings												
2 Products, total	133.3	81.1	145.9	148.1	148.4	149.4	150.1	150.0	150.5	151.5	151.4	151.2
3 Final, total	132.5	136.8	144.3	146.4	146.8	147.7	148.2	148.6	148.9	150.0	149.9	149.7
4 Consumer goods	124.0	127.7	133.9	136.4	136.8	138.2	138.5	138.7	138.4	139.2	138.7	138.3
5 Equipment	143.6	148.8	158.2	154.0	159.9	160.4	161.1	161.6	162.8	164.3	164.8	164.7
6 Intermediate	136.2	143.5	151.5	154.0	154.2	155.0	156.6	155.1	156.1	156.6	156.6	156.6
7 Materials	113.8	118.2	125.3	127.5	128.3	128.3	128.1	127.4	127.3	128.1	127.8	127.3
Industry groupings												
8 Manufacturing	129.1	134.6	142.8	145.3	145.8	146.3	147.2	146.8	147.0	147.8	147.7	147.7
Capacity utilization (percent)[2]												
9 Manufacturing	79.7	81.1	83.5	84.3	84.4	84.4	84.7	84.3	84.1	84.4	84.1	83.8
10 Industrial materials industries	78.6	80.5	83.7	84.7	85.1	84.9	84.6	84.0	83.7	84.1	83.8	83.3
11 Construction contracts (1982 = 100)[3]	158.0	164.0	161.0	164.0	158.0	163.0	155.0′	148.0	150.0	163.0	159.0	157.0
12 Nonagricultural employment, total[4]	120.7	124.1	128.6	129.1	129.5	129.9	130.3	130.6	130.8	131.1	131.3	131.6
13 Goods-producing, total	100.9	101.8	105.0	104.3	104.6	104.8	105.3	105.3	105.4	105.5	105.5	105.4
14 Manufacturing, total	96.3	96.8	99.2	99.1	99.3	99.5	99.8	99.8	100.0	99.9	99.9	99.8
15 Manufacturing, production-worker	91.1	91.9	94.3	94.2	94.5	94.7	94.9	95.0	95.1	95.0	95.0	94.8
16 Service-producing	129.0	133.4	138.5	139.5	140.0	140.4	140.8	141.2	141.5	141.8	142.2	142.6
17 Personal income, total	219.4	235.0	252.8[r]	260.1[r]	259.3[r]	261.7[r]	265.8	268.7[r]	271.3	272.9	273.4	274.2
18 Wages and salary disbursements	210.8	226.3	244.4[r]	251.2[r]	251.7[r]	253.2[r]	256.1[r]	257.3[r]	259.5	261.7	261.8	263.2
19 Manufacturing	177.4	183.8	196.5[r]	202.7[r]	201.4[r]	201.1[r]	203.0[r]	204.0[r]	207.5	205.7	205.8	206.6
20 Disposable personal income[5]	218.5[r]	232.4[r]	252.1[r]	259.9[r]	259.0[r]	261.4[r]	264.0[r]	268.1[r]	270.3	269.6	271.6	273.2
21 Retail sales[6]	199.3	210.8	225.1[r]	229.6	232.4	231.8	233.2	232.2	232.4	235.5	235.3	234.5
Prices[7]												
22 Consumer (1982–84 = 100)	109.6	113.6	118.3	120.2	120.3	120.5	121.1	121.6	122.3	123.1	123.8	124.1
23 Producer finished goods (1982 = 100)	103.2	105.4	108.0	109.4	109.8	110.0	111.1	111.7	112.2	113.0	114.2	114.1

1. A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.

4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.

5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).

6. Based on Bureau of Census data published in *Survey of Current Business*.

7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1986	1987	1988	1988[r]		1989					
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**182,822**	**185,010**	**186,837**	**187,471**	**187,618**	**187,859**	**187,979**	**188,102**	**188,228**	**188,377**	**188,518**
2 Labor force (including Armed Forces)[1]	120,078	122,122	123,893	124,737	124,779	125,643	125,383	125,469	125,863	125,806	126,291
3 Civilian labor force	117,834	119,865	121,669	122,510	122,563	123,428	123,181	123,264	123,659	123,610	124,102
Employment											
4 Nonagricultural industries[2]	106,434	109,232	111,800	112,709	112,816	113,411	113,630	113,930	114,009	114,102	114,445
5 Agriculture	3,163	3,208	3,169	3,238	3,193	3,300	3,223	3,206	3,104	3,112	3,096
Unemployment											
6 Number	8,237	7,425	6,701	6,563	6,554	6,716	6,328	6,128	6,546	6,395	6,561
7 Rate (percent of civilian labor force)	7.0	6.2	5.5	5.4	5.3	5.4	5.1	5.0	5.3	5.2	5.3
8 Not in labor force	62,744	62,888	62,944	62,734	62,839	62,216	62,596	62,633	62,365	62,571	62,227
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**99,525**	**102,310**	**106,039**	**106,824**	**107,097**	**107,442**	**107,711**	**107,888**	**108,101**[r]	**108,308**	**108,488**
10 Manufacturing	18,965	19,065	19,536	19,557	19,589	19,648	19,648	19,680	19,672[r]	19,661	19,630
11 Mining	777	721	733	712	711	711	711	714	720	722	710
12 Contract construction	4,816	4,998	5,294	5,191	5,213	5,267	5,270	5,252	5,279[r]	5,278	5,270
13 Transportation and public utilities	5,255	5,385	5,584	5,616	5,634	5,654	5,667	5,666	5,682	5,700	5,721
14 Trade	23,683	24,381	25,362	25,386	25,453	25,553	25,631	25,685	25,695[r]	25,746	25,754
15 Finance	6,283	6,549	6,679	6,726	6,744	6,746	6,763	6,774	6,776[r]	6,790	6,801
16 Service	23,053	24,196	25,464	26,111	26,230	26,318	26,434	26,520	26,651[r]	26,728	26,887
17 Government	16,693	17,015	17,387	17,525	17,523	17,545	17,587	17,597	17,626[r]	17,683	17,715

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2. Includes self-employed, unpaid family, and domestic service workers.

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1984 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1988		1989		1988		1989		1988		1989	
	Q3	Q4	Q1ʳ	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Output (1977 = 100)				Capacity (percent of 1977 output)				Utilization rate (percent)			
1 **Total industry**	**138.4**	**139.9**	**140.7**	**141.4**	**165.2**	**166.3**	**167.5**	**168.7**	**83.8**	**84.1**	**84.0**	**83.8**
2 Mining	103.9	104.2	101.8	102.2	126.3	125.7	125.1	124.7	82.3	82.9	81.3ʳ	81.8
3 Utilities	115.1	114.3	116.0	116.7	140.4	140.7	141.0	141.4	81.9	81.3	82.3ʳ	82.6
4 **Manufacturing**	**144.0**	**145.8**	**147.0**	**147.7**	**171.5**	**172.8**	**174.3**	**175.7**	**84.0**	**84.4**	**84.4ʳ**	**84.1**
5 Primary processing	125.9	127.7	127.8	127.3	143.9	145.2	146.5	147.8	87.5	87.9	87.3ʳ	86.1
6 Advanced processing	154.9	156.7	158.6	160.1	188.1	189.5	191.0	192.6	82.4	82.7	83.0	83.2
7 **Materials**	**126.5**	**128.0**	**127.6**	**127.7**	**150.1**	**150.8**	**151.7**	**152.6**	**84.3**	**84.9**	**84.1**	**83.7**
8 Durable goods	137.1	139.2	138.6	138.2	171.3	169.0	170.1	171.3	81.6	82.4	81.5	80.7
9 Metal materials	92.7	94.8	92.3	90.5	109.5	109.8	110.2	110.6	84.8	86.3	83.8	81.8
10 Nondurable goods	132.8	135.4	136.3	137.2	149.8	151.2	152.7	154.2	88.6	89.5	89.3	88.9
11 Textile, paper, and chemical	135.3	138.1	139.2	140.2	150.2	151.8	153.5	155.3	90.0	91.0	90.7	90.3
12 Paper	148.9	148.6	148.4	......	150.7	152.3	154.0	......	98.8	97.6	96.4	......
13 Chemical	139.4	144.1	145.4	......	157.4	159.3	161.4	......	88.6	90.5	90.1	......
14 Energy materials	102.5	102.0	100.7	101.2	119.0	118.7	118.4	118.3	86.0	86.0	85.0ʳ	85.5

Series	Previous cycle[2]		Latest cycle[3]		1988	1988			1989					
	High	Low	High	Low	June	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.ʳ	Apr.ʳ	Mayʳ	June
	Capacity utilization rate (percent)													
15 **Total industry**	**88.6**	**72.1**	**86.9**	**69.5**	**83.0**	**84.0**	**84.1**	**84.3**	**84.3**	**83.9**	**83.8**	**84.1**	**83.8**	**83.5**
16 Mining	92.8	87.8	95.2	76.9	81.2	81.9	83.3	83.6	82.2	80.6	81.2	82.2	82.0	81.2
17 Utilities	95.6	82.9	88.5	78.0	80.8	81.0	80.8	82.0	80.9	82.6	83.3	83.1	82.9	81.8
18 **Manufacturing**	**87.7**	**69.9**	**86.5**	**68.0**	**83.3**	**84.3**	**84.4**	**84.4**	**84.7**	**84.3**	**84.1**	**84.4**	**84.1**	**83.8**
19 Primary processing	91.9	68.3	89.1	65.0	86.6	87.9	88.1	87.9	88.4	87.0	86.4	86.6	86.1	85.7
20 Advanced processing	86.0	71.1	85.1	69.5	81.7	82.6	82.6	82.8	83.1	83.0	83.0	83.4	83.2	82.9
21 **Materials**	**92.0**	**70.5**	**89.1**	**68.5**	**83.2**	**84.7**	**85.1**	**84.9**	**84.6**	**84.0**	**83.8**	**84.2**	**84.2**	**83.3**
22 Durable goods	91.8	64.4	89.8	60.9	80.7	82.4	82.7	82.1	82.1	81.5	80.9	81.1	80.6	80.3
23 Metal materials	99.2	67.1	93.6	45.7	80.8	87.3	86.9	84.6	86.1	83.8	81.5	82.8	80.9	81.7
24 Nondurable goods	91.1	66.7	88.1	70.7	87.4	89.3	89.4	89.8	90.1	89.0	88.8	89.2	88.9	88.7
25 Textile, paper, and chemical	92.8	64.8	89.4	68.8	88.6	90.9	90.9	91.8	91.5	90.3	90.2	90.7	90.2	90.0
26 Paper	98.4	70.6	97.3	79.9	97.1	97.8	96.7	98.4	98.1	95.8	95.3	94.7	93.5	......
27 Chemical	92.5	64.4	87.9	63.5	87.0	90.2	90.5	90.7	90.7	89.8	89.7	90.1	89.5	......
28 Energy materials	94.6	86.9	94.0	82.3	84.9	85.3	86.2	86.5	84.9	84.9	85.4	86.2	85.9	84.6

1. These data also appear in the Board's G.3 (402) release. For address, see inside front cover.
2. Monthly high 1973; monthly low 1975.
3. Monthly highs 1978 through 1980; monthly lows 1982.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data are seasonally adjusted

	Groups	1977 proportion	1988 avg.	1988 June	1988 July	1988 Aug.	1988 Sept.	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.[r]	1989 Apr.	1989 May[p]	1989 June[e]
				Index (1977 = 100)												
	MAJOR MARKET															
1	**Total index**	**100.00**	**137.2**	**136.5**	**138.0**	**138.5**	**138.6**	**139.4**	**139.9**	**140.4**	**140.8**	**140.5**	**140.7**	**141.6**	**141.4**	**141.1**
2	Products	57.72	145.9	145.3	146.5	147.3	147.4	148.1	148.4	149.4	150.1	150.0	150.5	151.5	151.4	151.2
3	Final products	44.77	144.3	144.0	145.0	145.8	145.8	146.4	146.8	147.7	148.2	148.6	148.9	150.0	149.9	149.7
4	Consumer goods	25.52	133.9	133.0	134.2	135.0	134.8	136.4	136.8	138.2	138.5	138.7	138.4	139.2	138.7	138.3
5	Equipment	19.25	158.2	158.5	159.4	160.1	160.4	159.7	159.9	160.4	161.1	161.6	162.8	164.3	164.8	164.7
6	Intermediate products	12.94	151.5	150.0	151.6	152.3	152.9	154.0	154.2	155.0	156.6	155.1	156.1	156.6	156.6	156.6
7	Materials	42.28	125.2	124.5	126.4	126.5	126.5	127.5	128.3	128.3	128.1	127.4	127.3	128.1	127.8	127.3
	Consumer goods															
8	Durable consumer goods	6.89	125.3	125.3	125.3	125.7	126.3	129.3	129.2	131.9	131.5	131.6	130.1	131.8	130.9	129.8
9	Automotive products	2.98	124.9	127.1	124.4	124.2	126.4	128.9	129.5	134.5	132.5	131.6	128.9	131.2	128.1	125.5
10	Autos and trucks	1.79	122.7	125.3	120.8	123.1	124.8	128.3	129.5	138.0	135.6	133.1	128.3	131.7	127.4	123.6
11	Autos, consumer	1.16	93.4	99.0	93.8	93.0	97.7	101.3	101.0	105.1	99.6	96.0	95.0	98.8	96.0	91.4
12	Trucks, consumer	.63	177.0	174.1	170.8	179.0	175.3	178.4	182.4	199.1	202.3	201.9	190.0	192.8	185.5	183.3
13	Auto parts and allied goods	1.19	128.1	129.7	129.9	125.9	128.8	129.8	129.5	129.3	127.9	129.4	129.8	130.5	129.2	128.3
14	Home goods	3.91	125.6	123.9	125.9	126.8	126.2	129.7	128.9	130.0	130.7	131.6	131.1	132.2	133.0	133.2
15	Appliances, A/C and TV	1.24	144.1	138.0	143.3	146.5	144.9	154.4	150.4	151.0	151.0	153.9	151.6	151.7	151.3	152.7
16	Appliances and TV	1.19	143.6	137.1	143.8	146.1	143.7	151.9	148.9	150.0	149.5	153.0	152.3	152.5	151.4	....
17	Carpeting and furniture	.96	136.2	135.9	136.6	137.2	137.1	138.8	139.8	140.5	141.1	141.3	140.7	142.8	144.0	....
18	Miscellaneous home goods	1.71	106.3	107.0	107.4	106.8	106.6	106.7	107.3	108.9	110.1	110.1	110.9	112.3	113.7	....
19	Nondurable consumer goods	18.63	137.1	135.8	137.5	138.5	138.0	139.0	139.7	140.5	141.1	141.4	141.4	141.9	141.6	141.5
20	Consumer staples	15.29	144.9	143.5	145.3	146.6	145.8	147.0	147.9	148.9	149.4	149.7	149.9	150.4	150.1	149.9
21	Consumer foods and tobacco	7.80	140.9	139.3	141.1	141.3	141.1	142.4	143.7	144.5	144.8	144.3	143.3	144.2	144.9	....
22	Nonfood staples	7.49	149.1	147.9	149.6	152.1	150.7	151.8	152.2	153.6	154.2	155.4	156.9	156.9	155.5	155.1
23	Consumer chemical products	2.75	180.0	179.5	181.8	183.8	185.0	186.1	185.7	186.8	187.6	187.8	188.9	187.4	186.5	....
24	Consumer paper products	1.88	163.4	162.8	164.0	165.3	166.3	167.1	167.8	169.0	174.2	177.0	180.4	180.9	179.5	....
25	Consumer energy	2.86	110.0	107.7	109.3	113.0	107.6	108.9	109.8	111.6	109.1	110.1	110.7	112.0	109.9	110.5
26	Consumer fuel	1.44	95.4	93.0	94.6	95.5	92.7	95.3	94.1	96.3	96.7	95.0	95.6	97.3	93.5	....
27	Residential utilities	1.42	124.8	122.6	124.4	130.9	122.8	122.7	125.8	127.1	121.7	125.4	126.1	127.0	....	....
	Equipment															
28	Business and defense equipment	18.01	163.3	163.5	164.6	165.2	165.6	165.1	165.5	166.2	167.1	167.9	168.9	170.2	170.8	170.5
29	Business equipment	14.34	157.6	158.1	159.3	160.2	160.8	160.2	161.2	162.6	163.8	165.0	166.3	167.7	168.4	168.0
30	Construction, mining, and farm	2.08	71.9	72.4	73.6	73.1	74.3	74.2	74.5	74.6	74.3	75.6	76.9	77.1	76.6	76.8
31	Manufacturing	3.27	131.3	130.3	132.4	134.0	135.8	136.2	136.2	137.0	136.3	137.8	138.6	139.7	140.4	140.9
32	Power	1.27	89.4	88.3	89.8	90.9	92.2	91.5	92.1	91.8	92.8	92.7	93.0	93.6	93.1	92.5
33	Commercial	5.22	245.2	247.1	248.2	249.8	248.7	245.4	247.0	248.9	252.4	254.3	257.6	260.1	262.1	262.3
34	Transit	2.49	114.9	115.7	115.9	115.2	116.8	120.3	122.3	124.9	125.7	125.2	123.9	124.8	124.0	120.8
35	Defense and space equipment	3.67	185.9	184.6	184.9	184.9	184.5	184.0	182.2	180.5	180.0	179.3	178.7	179.9	180.1	180.4
	Intermediate products															
36	Construction supplies	5.95	138.6	137.6	138.4	138.1	138.4	140.0	140.7	141.4	142.3	139.5	139.3	139.7	139.9	139.9
37	Business supplies	6.99	162.5	160.6	162.8	164.4	165.2	165.9	165.7	166.7	168.8	168.4	170.4	171.0	170.8	....
38	General business supplies	5.67	168.5	165.9	168.6	170.6	171.8	172.3	172.9	173.8	175.9	175.4	177.4	178.4	178.1	....
39	Commercial energy products	1.31	136.3	137.5	137.6	137.7	136.7	138.2	134.3	135.8	138.2	138.3	140.3	138.8	139.3	....
	Materials															
40	Durable goods materials	20.50	135.4	134.9	136.8	136.6	137.8	138.9	139.8	139.0	139.4	138.6	137.9	138.6	138.2	137.9
41	Durable consumer parts	4.92	108.9	110.3	110.1	109.8	111.0	111.4	113.9	112.5	111.7	112.1	110.7	110.4	110.5	108.7
42	Equipment parts	5.94	171.7	171.6	174.1	173.5	174.0	174.9	175.0	174.1	175.2	175.2	175.3	176.6	176.7	177.2
43	Durable materials n.e.c.	9.64	126.7	124.8	127.5	127.6	129.2	130.8	131.3	130.9	131.5	129.7	128.8	129.5	128.6	128.6
44	Basic metal materials	4.64	95.9	93.7	98.4	97.3	100.3	101.1	101.4	99.8	100.8	98.4	95.9	97.0	95.6	96.1
45	Nondurable goods materials	10.09	132.0	130.1	132.8	133.1	132.6	134.7	135.1	136.3	137.1	135.9	136.0	137.1	137.2	137.3
46	Textile, paper, and chemical materials	7.53	134.4	132.1	135.3	135.7	134.9	137.4	137.9	139.1	139.9	138.6	139.0	140.3	140.1	140.3
47	Textile materials	1.52	109.9	107.5	108.5	110.1	109.2	109.5	110.1	110.0	112.1	110.7	111.8	114.6	115.7	....
48	Pulp and paper materials	1.55	147.3	145.4	150.3	148.3	148.1	148.4	147.2	150.3	150.4	147.5	147.3	146.9	145.7	....
49	Chemical materials	4.46	138.3	135.8	139.2	140.0	139.0	143.1	144.2	145.1	145.7	145.0	145.4	146.8	146.4	....
50	Miscellaneous nondurable materials	2.57	124.9	124.2	125.6	125.6	125.9	126.6	127.0	128.0	129.1	128.0	127.2	127.6	....	....
51	Energy materials	11.69	101.5	101.3	102.7	103.2	101.5	101.3	102.3	102.6	100.5	100.5	101.0	102.0	101.5	100.0
52	Primary energy	7.57	106.3	105.6	106.8	106.2	106.8	106.0	108.6	107.6	105.2	104.4	103.7	104.5	103.2	....
53	Converted fuel materials	4.12	92.8	93.5	95.3	97.7	91.8	92.6	90.7	93.3	92.0	93.3	96.1	97.5	98.5	....

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Groups	SIC code	1977 proportion	1988 avg.	1988 June	1988 July	1988 Aug.	1988 Sept.	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.[r]	1989 Apr.	1989 May[p]	1989 June[e]
				Index (1977 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	.....	15.79	107.5	106.8	108.1	109.0	107.2	107.2	108.1	108.9	107.2	106.8	107.5	108.2	107.9	106.6
2 Mining	.....	9.83	103.4	103.0	104.3	103.8	103.7	103.1	104.7	104.9	103.0	100.9	101.5	102.6	102.3	101.2
3 Utilities	.....	5.96	114.3	113.2	114.4	117.8	113.0	113.9	113.7	115.4	114.0	116.5	117.5	117.4	117.1	115.7
4 Manufacturing	.....	84.21	142.7	142.1	143.6	144.0	144.4	145.3	145.8	146.3	147.2	146.8	147.0	147.8	147.7	147.7
5 Nondurable	.....	35.11	143.9	142.6	144.6	145.1	145.3	146.3	146.7	147.1	148.5	148.1	148.6	149.2	149.2	149.3
6 Durable	.....	49.10	141.9	141.7	142.9	143.2	143.8	144.6	145.2	145.7	146.2	145.9	145.8	146.9	146.7	146.5
Mining																
7 Metal	10	.50	93.2	82.2	94.0	96.6	99.1	101.6	104.6	111.9	106.9	98.6	98.1	95.6	......	......
8 Coal	11.12	1.60	137.9	126.9	141.5	137.2	142.2	138.5	149.7	155.1	144.7	134.7	137.7	145.5	137.1	128.5
9 Oil and gas extraction	13	7.07	92.9	95.8	93.3	93.2	92.0	91.5	90.8	88.9	88.9	89.5	89.6	89.5	90.8	......
10 Stone and earth minerals	14	.66	139.9	137.4	140.2	141.3	139.7	142.8	144.0	149.4	150.8	142.5	143.5	144.5	145.2	......
Nondurable manufactures																
11 Foods	20	7.96	142.7	141.3	143.3	143.3	143.2	144.0	145.7	145.8	146.6	146.3	145.4	146.4	147.4	......
12 Tobacco products	21	.62	105.2	104.5	100.6	105.1	105.0	105.4	102.4	107.0	105.0	104.7	101.5	......	......	......
13 Textile mill products	22	2.29	116.2	114.3	117.1	116.4	116.2	117.0	117.2	117.9	120.2	119.4	119.7	122.3	123.4	......
14 Apparel products	23	2.79	109.1	109.3	109.4	108.9	109.9	109.5	110.1	108.8	110.2	110.2	109.9	110.6	......	......
15 Paper and products	26	3.15	150.3	148.6	152.3	151.0	150.9	151.8	150.7	151.7	153.8	151.7	151.7	150.7	150.3	......
16 Printing and publishing	27	4.54	184.2	182.3	184.9	186.7	188.0	188.1	188.5	188.0	193.0	194.6	198.5	200.0	199.6	200.9
17 Chemicals and products	28	8.05	151.9	150.5	153.4	154.8	155.3	156.7	157.5	158.1	159.0	158.5	159.2	159.3	158.5	......
18 Petroleum products	29	2.40	96.0	94.1	95.0	96.0	93.7	96.3	95.0	98.0	98.0	96.3	97.0	97.3	95.4	97.3
19 Rubber and plastic products	30	2.80	174.4	174.4	175.4	175.3	175.3	176.9	177.5	177.5	175.9	175.0	176.4	176.2	176.9	......
20 Leather and products	31	.53	59.5	58.9	59.1	59.4	59.9	61.0	61.5	60.2	62.9	62.9	61.2	61.4	59.6	......
Durable manufactures																
21 Lumber and products	24	2.30	137.3	136.4	136.6	133.8	133.5	137.5	139.4	143.0	139.9	132.8	133.4	134.8	134.4	......
22 Furniture and fixtures	25	1.27	162.1	161.2	162.9	164.9	164.9	164.5	165.4	165.4	166.3	164.8	165.8	168.0	169.0	......
23 Clay, glass, and stone products	32	2.72	122.6	123.4	122.2	122.6	122.6	123.3	124.7	125.1	126.6	125.4	125.5	124.7	125.3	......
24 Primary metals	33	5.33	89.2	87.5	91.5	90.8	93.1	94.2	92.7	90.0	93.2	91.1	88.4	90.1	87.7	88.2
25 Iron and steel	331.2	3.49	78.1	74.2	80.2	78.9	81.4	83.1	80.8	77.6	82.2	79.1	75.9	77.0	73.5	......
26 Fabricated metal products	34	6.46	120.9	120.4	121.7	122.1	122.5	122.6	124.6	125.1	124.5	124.5	123.8	123.1	123.8	123.4
27 Nonelectrical machinery	35	9.54	170.8	171.2	173.1	174.1	174.8	173.8	175.4	177.8	178.7	180.8	183.0	184.7	185.6	186.1
28 Electrical machinery	36	7.15	180.1	179.5	181.5	182.2	181.8	183.0	182.2	180.9	180.9	181.7	181.6	182.1	181.0	181.5
29 Transportation equipment	37	9.13	132.1	132.8	131.9	131.8	132.7	134.8	135.2	136.8	136.7	136.4	134.8	136.4	135.1	133.4
30 Motor vehicles and parts	371	5.25	117.2	119.1	116.6	117.5	118.5	121.7	122.9	125.5	124.9	123.4	120.4	122.0	119.1	116.1
31 Aerospace and miscellaneous transportation equipment	372–6.9	3.87	152.4	151.4	152.7	151.3	151.9	152.7	151.9	152.2	152.7	154.0	154.4	155.9	156.8	157.0
32 Instruments	38	2.66	154.3	153.0	156.4	156.8	157.8	159.9	160.4	159.1	161.0	161.3	161.8	163.0	164.8	165.0
33 Miscellaneous manufactures	39	1.46	107.1	107.6	107.8	108.3	108.5	107.7	109.0	110.9	112.2	110.0	112.5	115.3	116.3	......
Utilities																
34 Electric	.....	4.17	132.0	132.1	134.6	138.8	132.2	132.8	131.6	132.9	131.0	135.3	137.0	137.4	137.0	......
				Gross value (billions of 1982 dollars, annual rates)												
MAJOR MARKET																
35 Products, total	.....	**517.5**	**1,824.5**	**1,813.9**	**1,822.3**	**1,828.6**	**1,828.9**	**1,853.4**	**1,855.5**	**1,875.3**	**1,885.1**	**1,879.2**	**1,878.0**	**1,892.5**	**1,881.4**	**1874.6**
36 Final	.....	405.7	1,401.2	1,394.3	1,398.9	1,404.2	1,404.3	1,423.5	1,426.3	1,442.1	1,447.5	1,449.6	1,442.8	1,458.6	1,446.2	1441.1
37 Consumer goods	.....	272.7	902.4	893.6	895.6	900.4	897.2	915.0	918.4	934.4	935.6	934.3	928.0	937.8	927.2	924.3
38 Equipment	.....	133.0	498.8	500.7	503.2	503.8	507.1	508.4	507.9	507.7	511.9	515.2	514.8	520.8	519.1	516.8
39 Intermediate	.....	111.9	423.3	419.6	423.4	424.3	424.5	430.0	429.3	433.2	437.7	429.6	435.3	433.9	435.1	433.5

1. These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.

A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1986	1987	1988	1988 Aug.	1988 Sept.	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.r	1989 Apr.r	1989 May
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,750	1,535	1,456	1,466	1,432	1,526	1,508	1,518	1,486	1,403	1,230	1,334	1,347
2 1-family	1,071	1,024	994	1,007	980	1,029	1,027	1,058	1,052	989	870	954	905
3 2-or-more-family	679	511	462	459	452	497	481	460	434	414	360	380	442
4 Started	1,805	1,621	1,488	1,459	1,463	1,532	1,567	1,577	1,678	1,465	1,409	1,343	1,309
5 1-family	1,180	1,146	1,081	1,076	1,039	1,136	1,138	1,141	1,199	1,029	981	1,029	977
6 2-or-more-family	626	474	407	383	424	396	429	436	479	436	428	314	332
7 Under construction, end of period[1]	1,074	987	919	962	955	951	959	956	957	951	942	925	911
8 1-family	583	591	570	601	596	597	603	603	602	594	586	580	572
9 2-or-more-family	490	397	350	361	359	354	356	353	355	357	356	345	339
10 Completed	1,756	1,669	1,530	1,539	1,536	1,516	1,429	1,539	1,537	1,610	1,459	1,553	1,436
11 1-family	1,120	1,123	1,085	1,074	1,092	1,088	1,037	1,108	1,141	1,189	1,050	1,111	1,044
12 2-or-more-family	636	546	445	465	444	428	392	431	396	421	409	442	392
13 Mobile homes shipped	244	233	218	223	224	216	227	225	232	212	207	198	221
Merchant builder activity in 1-family units													
14 Number sold	748	672	675	712	691	718	650	669	700	621	555	609	635
15 Number for sale, end of period[1]	357	365	366	363	361	353	364	366	369	375	377	377	381
Price (thousands of dollars)[2]													
Median													
16 Units sold	92.2	104.7	113.3	110.0	116.6	112.9	110.4	121.0	113.0	118.0	123.0	117.6	120.0
Average													
17 Units sold	112.2	127.9	139.0	140.6	142.7	137.3	137.3	147.7	138.6	145.3	149.0	144.5	146.8
EXISTING UNITS (1-family)													
18 Number sold	3,566	3,530	3,594	3,690	3,650	3,680	3,710	3,920	3,550	3,480	3,400	3,400	3,210
Price of units sold (thousands of dollars)[2]													
19 Median	80.3	85.6	89.2	91.5	88.5	88.9	88.5	88.7	89.7	91.9	92.0	92.9	92.6
20 Average	98.3	106.2	112.5	115.4	112.6	112.3	112.4	112.0	113.0	117.8	116.1	118.0	118.0
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**387,043r**	**397,721r**	**409,663r**	**408,112r**	**411,525r**	**411,074r**	**415,442r**	**425,035r**	**424,791r**	**418,465r**	**419,152**	**415,867**	**421,279**
22 Private	315,313r	320,108r	328,738r	329,231r	329,848r	331,374r	332,798r	336,254r	339,481r	335,037r	340,038	335,106	335,066
23 Residential	187,147	194,656r	198,101r	197,585r	198,322r	200,780r	202,048r	202,480r	204,707r	202,322r	204,456	203,855	200,731
24 Nonresidential, total	128,166r	125,452r	130,637r	131,646r	131,526r	130,594r	130,750r	133,774r	134,774r	132,715r	135,982	131,251	134,335
Buildings													
25 Industrial	13,747	13,707	14,931r	14,953r	14,872r	15,515r	15,413r	15,045r	15,890r	15,098r	15,698	16,209	16,119
26 Commercial	56,762	55,448	58,104r	59,310r	58,805r	57,284r	56,676r	58,659r	59,350r	58,749r	60,653	55,699	57,734
27 Other	13,216	15,464	17,278r	17,299r	17,700r	17,340r	17,328r	17,744r	17,976r	17,484r	17,634	16,801	17,504
28 Public utilities and other	44,441r	40,833r	40,324r	40,084r	40,149r	40,455r	41,333r	42,326r	41,558r	41,384r	41,997	42,542	42,978
29 Public	71,727r	77,612r	80,922r	78,881r	81,677r	79,700r	82,644r	88,781r	85,310r	83,428r	78,714	80,762	86,214
30 Military	3,868	4,327	3,579r	3,535r	4,373r	2,617r	3,420r	3,905r	3,440	3,433	3,740	3,350	3,432
31 Highway	22,971r	25,343r	28,524r	26,225r	26,274r	28,707r	28,992r	33,674r	30,792r	27,936r	26,091	27,883	27,404
32 Conservation and development	4,646	5,162	4,474r	4,761r	4,995r	4,343r	4,134r	4,412r	4,121r	4,742r	4,210	2,995	6,613
33 Other	40,242	42,780r	44,345r	44,360r	46,035r	44,033r	46,098r	46,790r	46,957r	47,317r	44,673	46,534	48,765

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 previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C–30–76–5), issued by the Bureau in July 1976.

NOTE. Census Bureau estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 16,000 jurisdictions beginning with 1978.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (at annual rate)				Change from 1 month earlier					Index level June 1989[1]
	1988 June	1989 June	1988		1989		1989					
			Sept.	Dec.	Mar.	June	Feb.	Mar.	Apr.	May	June	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**4.0**	**5.2**	**4.8**	**4.1**	**6.1**	**5.7**	**.4**	**.5**	**.7**	**.6**	**.2**	**124.1**
2 Food	3.3	6.3	8.8	3.0	8.2	5.6	.4	.8	.5	.6	.2	125.0
3 Energy items	.3	8.8	2.7	−.4	10.2	24.8	.6	1.1	5.1	1.6	−1.0	99.0
4 All items less food and energy	4.5	4.5	4.3	4.9	5.2	3.8	.4	.4	.2	.5	.2	128.5
5 Commodities	3.6	3.4	3.1	4.2	4.1	2.0	.2	.3	.2	.4	−.1	119.3
6 Services	4.9	5.1	4.8	5.4	5.9	4.3	.5	.5	.2	.5	.4	133.9
PRODUCER PRICES (1982=100)												
7 Finished goods	2.1	5.9	5.7	3.0	10.2	5.1	.9	.4	.4	.9	−.1	114.1
8 Consumer foods	1.5	5.4	9.2	2.1	13.5	−2.3	.9[r]	.9[r]	−.6	.8	−.8	118.4
9 Consumer energy	−3.5	16.3	−2.7	1.4	39.2	32.7	2.4[r]	1.1[r]	7.2	3.3	−3.1	70.1
10 Other consumer goods	3.7	5.2	5.9	4.4	6.1	4.6	.6	.4	−.1	.5	.7	124.0
11 Capital equipment	2.2	4.1	6.1	1.7	4.6	4.1	.4[r]	.1[r]	−.1	.4	.7	118.6
12 Intermediate materials[3]	5.5	5.0	4.6	4.5	9.1	2.2	.5	.6	.4	.3	−.2	112.6
13 Excluding energy	6.9	4.9	7.2	6.7	6.2	−.3	.3	.4	.0	.2	−.2	120.5
Crude materials												
14 Foods	8.9	2.6	29.1	−7.9	16.5	−18.4	−1.4	3.0	−2.8	.4	−2.6	111.4
15 Energy	−7.4	10.4	−27.0	12.3	45.9	24.4	1.1	1.7	5.2	2.2	−1.8	77.3
16 Other	15.6	5.0	8.5	12.5	10.9	−10.3	−.5[r]	.6[r]	−1.1	−.4	−1.3	137.7

1. *Not seasonally adjusted.*
2. Figures for consumer prices are those for all urban consumers and reflect a rental equivalence measure of homeownership after 1982.
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

Account	1986[r]	1987[r]	1988[r]	1988			1989	
				Q2[r]	Q3[r]	Q4[r]	Q1[r]	Q2
GROSS NATIONAL PRODUCT								
1 **Total**	**4,231.6**	**4,524.3**	**4,880.6**	**4,838.5**	**4,926.9**	**5,017.3**	**5,113.1**	**5,194.9**
By source								
2 Personal consumption expenditures	2,797.4	3,010.8	3,235.1	3,204.9	3,263.4	3,324.0	3,381.4	3,437.9
3 Durable goods	406.0	421.0	455.2	454.6	452.5	467.4	466.4	470.3
4 Nondurable goods	942.0	998.1	1,052.3	1,042.4	1,066.2	1,078.4	1,098.3	1,116.6
5 Services	1,449.5	1,591.7	1,727.6	1,707.9	1,744.7	1,778.2	1,816.7	1,851.0
6 Gross private domestic investment	659.4	699.9	750.3	748.4	771.1	752.8	769.6	777.9
7 Fixed investment	652.5	670.6	719.6	719.1	726.5	734.1	742.0	745.5
8 Nonresidential	435.2	444.3	487.2	487.1	493.2	495.8	503.1	511.5
9 Structures	139.0	133.8	140.3	139.9	142.0	142.5	144.7	142.6
10 Producers' durable equipment	296.2	310.5	346.8	347.2	351.3	353.3	358.5	368.9
11 Residential structures	217.3	226.4	232.4	232.1	233.2	238.4	238.8	234.0
12 Change in business inventories	6.9	29.3	30.6	29.3	44.6	18.7	27.7	32.4
13 Nonfarm	8.6	30.5	34.2	30.4	41.5	40.8	19.1	25.3
14 Net exports of goods and services	-97.4	-112.6	-73.7	-74.9	-66.2	-70.8	-54.0	-52.4
15 Exports	396.5	448.6	547.7	532.5	556.8	579.7	605.6	625.2
16 Imports	493.8	561.2	621.3	607.5	623.0	650.5	659.6	677.5
17 Government purchases of goods and services	872.2	926.1	968.9	960.1	958.6	1,011.4	1,016.0	1,031.4
18 Federal	366.5	381.6	381.3	377.1	367.5	406.4	399.0	403.9
19 State and local	505.7	544.5	587.6	583.0	591.0	604.9	617.0	627.5
By major type of product								
20 Final sales, total	4,224.8	4,495.0	4,850.0	4,809.2	4,882.3	4,998.7	5,085.4	5,162.4
21 Goods	1,686.7	1,785.2	1,931.9	1,917.4	1,955.8	1,987.4	2,030.9	2,074.3
22 Durable	721.8	774.3	859.1	857.2	884.0	888.5	894.7	909.1
23 Nondurable	964.9	1,010.9	1,072.8	1,060.2	1,071.8	1,098.9	1,136.2	1,165.2
24 Services	2,119.3	2,304.5	2,499.2	2,472.3	2,520.3	2,570.0	2,620.8	2,665.1
25 Structures	425.6	434.6	449.5	448.8	450.8	459.9	461.3	455.4
26 Change in business inventories	6.9	29.3	30.6	29.3	44.6	18.7	27.7	32.4
27 Durable goods	1.2	22.0	25.0	17.0	41.4	32.0	22.0	12.5
28 Nondurable goods	5.6	7.2	5.6	12.3	3.2	-13.3	5.7	20.0
MEMO								
29 **Total GNP in 1982 dollars**	**3,717.9**	**3,853.7**	**4,024.4**	**4,010.7**	**4,042.7**	**4,069.4**	**4,106.8**	**4,123.9**
NATIONAL INCOME								
30 **Total**	**3,412.6**	**3,665.4**	**3,972.6**	**3,933.6**	**4,005.7**	**4,097.4**	**4,185.2**	n.a.
31 Compensation of employees	2,511.4	2,690.0	2,907.6	2,878.9	2,935.1	2,997.2	3,061.7	3,115.7
32 Wages and salaries	2,094.8	2,249.4	2,429.0	2,405.4	2,452.2	2,505.1	2,560.7	2,606.6
33 Government and government enterprises	393.7	419.2	446.5	443.1	449.6	456.3	466.9	473.5
34 Other	1,701.1	1,830.1	1,982.5	1,962.3	2,002.6	2,048.9	2,093.8	2,133.1
35 Supplement to wages and salaries	416.6	440.7	478.6	473.5	482.9	492.0	501.0	509.2
36 Employer contributions for social insurance	217.3	227.8	249.7	247.7	251.8	255.6	259.7	263.2
37 Other labor income	199.3	212.8	228.9	225.9	231.1	236.5	241.3	246.0
38 Proprietors' income[1]	282.0	311.6	327.8	331.8	327.0	328.3	359.3	355.1
39 Business and professional[1]	247.2	270.0	288.0	286.5	289.3	296.3	300.3	302.6
40 Farm[1]	34.7	41.6	39.8	45.4	37.7	32.0	59.0	52.6
41 Rental income of persons[2]	11.6	13.4	15.7	14.6	16.3	16.1	11.8	8.7
42 Corporate profits[1]	282.1	298.7	328.6	325.3	330.9	340.2	316.3	n.a.
43 Profits before tax[3]	221.6	266.7	306.8	305.3	314.4	318.8	318.0	n.a.
44 Inventory valuation adjustment	6.7	-18.9	-25.0	-28.8	-30.4	-20.1	-38.3	-21.0
45 Capital consumption adjustment	53.8	50.9	46.8	48.9	46.9	41.5	36.6	31.7
46 Net interest	331.9	353.6	391.5	383.0	396.4	415.7	436.1	458.0

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. *Survey of Current Business* (Department of Commerce).

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1986r	1987r	1988r	1988r Q2	1988r Q3	1988r Q4	1989 Q1r	1989 Q2
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**3,526.2**	**3,777.6**	**4,064.5**	**4,026.6**	**4,097.6**	**4,185.2**	**4,317.8**	**4,396.2**
2 Wage and salary disbursements	2,094.8	2,249.4	2,429.0	2,405.4	2,452.2	2,505.1	2,560.7	2,606.6
3 Commodity-producing industries	625.6	649.9	696.3	690.8	701.6	714.7	726.6	733.1
4 Manufacturing	473.2	490.3	524.0	519.2	527.2	538.1	546.3	549.5
5 Distributive industries	498.8	531.9	571.9	568.0	578.0	587.5	598.8	610.2
6 Service industries	576.7	648.3	714.4	703.5	723.0	746.7	768.4	789.7
7 Government and government enterprises	393.7	419.2	446.5	443.1	449.6	456.3	466.9	473.5
8 Other labor income	199.3	212.8	228.9	225.9	231.1	236.5	241.3	246.0
9 Proprietors' income[1]	282.0	311.6	327.8	331.8	327.0	328.3	359.3	355.1
10 Business and professional[1]	247.2	270.0	288.0	286.5	289.3	296.3	300.3	302.6
11 Farm[1]	34.7	41.6	39.8	45.4	37.7	32.0	59.0	52.6
12 Rental income of persons[2]	11.6	13.4	15.7	14.6	16.3	16.1	11.8	8.7
13 Dividends	85.8	92.0	102.2	100.4	103.6	106.4	109.4	111.4
14 Personal interest income	493.2	523.2	571.1	560.0	576.3	598.6	629.0	655.1
15 Transfer payments	521.5	548.2	584.7	581.8	587.4	593.8	616.4	626.2
16 Old-age survivors, disability, and health insurance benefits	269.2	282.9	300.5	299.2	301.4	304.0	316.9	322.5
17 LESS: Personal contributions for social insurance	161.9	172.9	194.9	193.4	196.4	199.6	210.0	212.9
18 EQUALS: Personal income	3,526.2	3,777.6	4,064.5	4,026.6	4,097.6	4,185.2	4,317.8	4,396.2
19 LESS: Personal tax and nontax payments	512.9	571.7	586.6	590.7	585.9	597.8	628.3	651.6
20 EQUALS: Disposable personal income	3,013.3	3,205.9	3,477.8	3,435.9	3,511.7	3,587.4	3,689.5	3,744.5
21 LESS: Personal outlays	2,888.5	3,104.1	3,333.1	3,301.9	3,362.1	3,424.0	3,483.8	3,540.9
22 EQUALS: Personal saving	124.9	101.8	144.7	134.0	149.6	163.4	205.7	203.7
MEMO								
Per capita (1982 dollars)								
23 Gross national product	15,385.5	15,800.3	16,346.1	16,316.9	16,400.4	16,468.6	16,579.7	n.a.
24 Personal consumption expenditures	10,123.7	10,306.3	10,554.0	10,524.0	10,580.5	10,634.2	10,662.1	n.a.
25 Disposable personal income	10,905.0	10,970.0	11,337.0	11,273.0	11,377.0	11,466.0	11,625.0	11,609.0
26 Saving rate (percent)	4.1	3.2	4.2	3.9	4.3	4.6	5.6	5.4
GROSS SAVING								
27 **Gross saving**	**525.3**	**553.8**	**642.4**	**633.4**	**669.8**	**647.4**	**693.5**	n.a.
28 Gross private saving	669.5	663.8	738.6	722.5	742.4	769.3	792.1	n.a.
29 Personal saving	124.9	101.8	144.7	134.0	149.6	163.4	205.7	203.7
30 Undistributed corporate profits[1]	84.5	75.3	80.3	78.3	77.6	81.7	53.4	n.a.
31 Corporate inventory valuation adjustment	6.7	−18.9	−25.0	−28.8	−30.4	−20.1	−38.3	−21.0
Capital consumption allowances								
32 Corporate	285.9	303.1	321.7	319.0	323.1	329.7	335.2	340.3
33 Noncorporate	174.2	183.6	191.9	191.2	192.1	194.4	197.8	201.3
34 Government surplus, or deficit (−), national income and product accounts	−144.1	−110.1	−96.1	−89.1	−72.7	−121.9	−98.7	n.a.
35 Federal	−206.9	−161.4	−145.8	−141.5	−122.5	−167.6	−147.5	n.a.
36 State and local	62.8	51.3	49.7	52.4	49.8	45.7	48.8	n.a.
37 **Gross investment**	**523.6**	**549.0**	**632.8**	**633.4**	**661.2**	**630.8**	**669.3**	**677.2**
38 Gross private domestic	659.4	699.9	750.3	748.4	771.1	752.8	769.6	777.9
39 Net foreign	−135.8	−150.9	−117.5	−115.0	−109.9	−122.0	−100.3	−100.7
40 **Statistical discrepancy**	**−1.8**	**−4.7**	**−9.6**	**−0.1**	**−8.6**	**−16.6**	**−24.1**	**−24.1**

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	1986	1987	1988	1988 Q1	1988 Q2	1988 Q3	1988 Q4	1989 Q1[p]
1 Balance on current account	−133,249	−143,700	−126,548	−32,046	−33,485	−32,340	−28,677	−30,685
2 Not seasonally adjusted	....	....	....	−27,556	−33,875	−36,926	−28,191	−26,131
3 Merchandise trade balance[2]	−145,058	−159,500	−127,215	−33,446	−31,411	−30,339	−32,019	−27,634
4 Merchandise exports	223,367	250,266	319,251	76,447	78,471	80,604	83,729	88,496
5 Merchandise imports	−368,425	−409,766	−446,466	−109,893	−109,882	−110,943	−115,748	−116,130
6 Military transactions, net	−4,576	−2,857	−4,606	−964	−1,033	−1,006	−1,604	−1,482
7 Investment income, net	21,647	22,283	2,227	2,795	−2,465	−2,590	4,489	−3,508
8 Other service transactions, net	10,517	10,586	17,702	2,933	4,323	4,971	5,475	5,359
9 Remittances, pensions, and other transfers	−4,049	−4,063	−4,279	−1,131	−971	−1,088	−1,090	−1,192
10 U.S. government grants (excluding military)	−11,730	−10,149	−10,377	−2,233	−1,928	−2,288	−3,928	−2,228
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−2,024	997	2,999	−1,490	−885	1,961	3,413	1,012
12 Change in U.S. official reserve assets (increase, −)	312	9,149	−3,566	1,503	39	−7,380	2,272	−4,000
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−246	−509	474	155	180	−35	173	−188
15 Reserve position in International Monetary Fund	1,501	2,070	1,025	446	69	202	307	316
16 Foreign currencies	−942	7,588	−5,064	901	−210	−7,547	1,791	−4,128
17 Change in U.S. private assets abroad (increase, −)	−97,954	−86,363	−81,543	4,528	−15,273	−32,467	−38,332	−28,828
18 Bank-reported claims[3]	−59,975	−42,119	−54,481	15,266	−12,602	−26,229	−30,916	−22,601
19 Nonbank-reported claims	−7,396	5,201	−1,684	−65	−6,443	255	4,569	....
20 U.S. purchase of foreign securities, net	−4,271	−5,251	−7,846	−4,539	1,333	−1,592	−3,047	−2,554
21 U.S. direct investments abroad, net	−26,312	−44,194	−17,533	−6,134	2,439	−4,901	−8,938	−3,673
22 Change in foreign official assets in United States (increase, +)	35,594	45,193	38,882	24,631	5,895	−2,234	10,589	6,914
23 U.S. Treasury securities	34,364	43,238	41,683	27,702	5,853	−3,769	11,897	4,585
24 Other U.S. government obligations	−1,214	1,564	1,309	−162	202	572	697	716
25 Other U.S. government liabilities[4]	2,141	−2,520	−1,284	−304	−517	−232	−232	−377
26 Other U.S. liabilities reported by U.S. banks[3]	1,187	3,918	−331	−1,772	774	1,703	−1,036	1,538
27 Other foreign official assets[5]	−884	−1,007	−2,495	−833	−417	−508	−737	452
28 Change in foreign private assets in United States (increase, +)	186,011	172,847	180,418	2,396	59,438	48,413	70,170	42,163
29 U.S. bank-reported liabilities[3]	79,783	89,026	68,832	−17,137	30,455	23,291	32,223	10,398
30 U.S. nonbank-reported liabilities	−2,641	2,450	6,558	1,565	−59	2,350	2,702	....
31 Foreign private purchases of U.S. Treasury securities, net	3,809	−7,643	20,144	5,928	5,458	3,422	5,336	8,745
32 Foreign purchases of other U.S. securities, net	70,969	42,120	26,448	2,424	9,699	7,454	6,871	8,591
33 Foreign direct investments in United States, net	34,091	46,894	58,436	9,616	13,885	11,896	23,038	14,429
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	11,308	1,878	−10,641	479	−15,729	24,047	−19,434	13,424
36 Owing to seasonal adjustments	....	....	....	3,843	−3,714	−4,556	4,431	4,264
37 Statistical discrepancy in recorded data before seasonal adjustment	11,308	1,878	−10,641	−3,364	−12,015	28,603	−23,865	9,160
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	312	9,149	−3,566	1,503	39	−7,380	2,272	−4,000
39 Foreign official assets in United States (increase, +) excluding line 25	33,453	47,713	40,166	24,935	6,412	−2,002	10,821	7,291
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22 above)	−9,327	−9,955	−3,109	−1,547	−1,776	−459	672	7,059
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	96	53	92	41	4	7	40	13

1. Seasonal factors are not calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise data and are included in line 6.
3. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data are seasonally adjusted.

Item	1986	1987	1988[r]	1988[r] Nov.	1988[r] Dec.	1989[r] Jan.	1989[r] Feb.	1989[r] Mar.	1989[r] Apr.	1989[r] May[p]
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments, f.a.s. value	227,159	254,122	322,426	27,538	28,864	28,980	28,839	30,065	30,759	30,473
GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses										
2 Customs value	365,438	406,241	440,952	38,087	39,668	37,877	38,220	39,549	39,045	40,710
Trade balance										
3 **Customs value**	**−138,279**	**−152,119**	**−118,526**	**−10,549**	**−10,805**	**−8,897**	**−9,381**	**−9,484**	**−8,286**	**−10,237**

1. The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustment is the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately as indicated above. As of Jan. 1, 1987 census data are released 45 days after the end of the month; the previous month is revised to reflect late documents. Total exports and the trade balance reflect adjustments for undocumented exports to Canada.

SOURCE. FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1985	1986	1987	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May	1989 June[p]
1 **Total**	**43,186**	**48,511**	**45,798**	**47,802**	**48,190**	**49,373**	**49,854**	**50,303**	**54,941**	**60,502**
2 Gold stock, including Exchange Stabilization Fund[1]	11,090	11,064	11,078	11,057	11,056	11,061	11,061	11,061	11,060	11,063
3 Special drawing rights[2,3]	7,293	8,395	10,283	9,637	9,388	9,653	9,443	9,379	9,134	9,034
4 Reserve position in International Monetary Fund[2]	11,947	11,730	11,349	9,745	9,422	9,353	9,052	9,132	8,513	8,888
5 Foreign currencies[4]	12,856	17,322	13,088	17,363	18,324	19,306	20,298	20,731	26,234	31,517

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13. Gold stock is valued at $42.22 per fine troy ounce.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Assets	1985	1986	1987	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May	1989 June[p]
1 Deposits	480	287	244	347	279	325	351	352	428	275
Assets held in custody										
2 U.S. Treasury securities[2]	121,004	155,835	195,126	232,547	228,399	230,860	234,075	235,145	232,004	229,914
3 Earmarked gold[3]	14,245	14,048	13,919	13,636	13,635	13,609	13,602	13,576	13,612	13,545

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
3. Earmarked gold and the gold stock are valued at $42.22 per fine troy ounce. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

Asset account	1985	1986	1987	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May
					All foreign countries					
1 **Total, all currencies**	**458,012**	**456,628**	**518,618**	**516,608[r]**	**506,062[r]**	**496,755[r]**	**501,682[r]**	**519,740[r]**	**517,276[r]**	**521,436**
2 Claims on United States	119,706	114,563	138,034	171,304	169,111	167,143	168,558	177,902[r]	170,045[r]	177,987
3 Parent bank	87,201	83,492	105,845	130,834	129,856	127,403	128,115	134,002[r]	127,476	134,026
4 Other banks in United States	13,057	13,685	16,416	16,366	14,918	14,559	13,506	14,697	13,459[r]	13,040
5 Nonbanks	19,448	17,386	15,773	24,104	24,337	25,181	26,937	29,203	29,110	30,921
6 Claims on foreigners	315,676	312,955	342,520	307,241[r]	299,728[r]	291,892[r]	296,240[r]	303,906[r]	306,493[r]	302,808
7 Other branches of parent bank	91,399	96,281	122,155	106,640[r]	107,179[r]	102,482[r]	103,962[r]	110,434[r]	114,834	116,506
8 Banks	102,960	105,237	108,859	100,820[r]	96,932[r]	93,663[r]	95,696[r]	97,723[r]	96,830[r]	94,042
9 Public borrowers	23,478	23,706	21,832	18,223[r]	17,163[r]	16,931[r]	16,682[r]	17,020[r]	16,101[r]	16,095
10 Nonbank foreigners	97,839	87,731	89,674	81,558[r]	78,454[r]	78,816[r]	79,900[r]	78,729[r]	78,728[r]	76,165
11 Other assets	22,630	29,110	38,064	38,063[r]	37,223[r]	37,720[r]	36,884[r]	37,932[r]	40,738[r]	40,641
12 **Total payable in U.S. dollars**	**336,520**	**317,487**	**350,107**	**355,663[r]**	**358,040[r]**	**345,523[r]**	**346,990[r]**	**366,403[r]**	**359,841[r]**	**366,315**
13 Claims on United States	116,638	110,620	132,023	165,017	163,456	160,520	161,336	170,091[r]	162,954[r]	169,796
14 Parent bank	85,971	82,082	103,251	127,692	126,929	124,496	124,288	129,431[r]	123,258	128,771
15 Other banks in United States	12,454	12,830	14,657	15,062	14,167	12,908	12,025	13,259	12,539[r]	11,909
16 Nonbanks	18,213	15,708	14,115	22,263	22,360	23,116	25,023	27,401	27,157	29,116
17 Claims on foreigners	210,129	195,063	202,428	173,837[r]	177,685[r]	167,288[r]	168,293[r]	178,134[r]	179,308[r]	177,308
18 Other branches of parent bank	72,727	72,197	88,284	77,384	80,736	76,221	76,565[r]	82,797[r]	87,777	86,625
19 Banks	71,868	66,421	63,707	53,632	54,884	49,391[r]	50,013[r]	53,893[r]	50,815[r]	49,793
20 Public borrowers	17,260	16,708	14,730	12,415	12,131	11,749[r]	11,781[r]	11,831[r]	11,467	11,282
21 Nonbank foreigners	48,274	39,737	35,707	30,406[r]	29,934[r]	29,927[r]	29,934[r]	29,613[r]	29,249[r]	29,608
22 Other assets	9,753	11,804	15,656	16,809	16,899	17,715	17,361	18,178	17,579[r]	19,211
					United Kingdom					
23 **Total, all currencies**	**148,599**	**140,917**	**158,695**	**159,556**	**156,835**	**156,529**	**154,879**	**154,856**	**153,146**	**155,532**
24 Claims on United States	33,157	24,599	32,518	39,242	40,089	40,954	40,547	40,715	39,394	39,599
25 Parent bank	26,970	19,085	27,350	33,138	34,243	34,928	34,449	35,315	34,660	35,642
26 Other banks in United States	1,106	1,612	1,259	1,343	1,123	1,128	1,268	1,380	1,227	1,243
27 Nonbanks	5,081	3,902	3,909	4,761	4,723	4,898	4,830	4,020	3,507	2,714
28 Claims on foreigners	110,217	109,508	115,700	110,336	106,388	104,668	103,806	103,443	102,438	104,504
29 Other branches of parent bank	31,576	33,422	39,903	33,243	35,625	35,322	33,650	35,305	32,954	35,537
30 Banks	39,250	39,468	36,735	40,875	36,765	34,907	36,159	35,382	37,079	37,412
31 Public borrowers	5,644	4,990	4,752	4,276	4,019	4,090	3,808	3,757	3,471	3,627
32 Nonbank foreigners	33,747	31,628	34,310	31,942	29,979	30,349	30,189	28,999	28,934	27,928
33 Other assets	5,225	6,810	10,477	9,978	10,358	10,907	10,526	10,698	11,314	11,429
34 **Total payable in U.S. dollars**	**108,626**	**95,028**	**100,574**	**101,341**	**103,503**	**102,873**	**100,863**	**103,211**	**98,463**	**101,612**
35 Claims on United States	32,092	23,193	30,439	36,881	38,012	38,591	37,707	38,265	36,772	36,675
36 Parent bank	26,568	18,526	26,304	32,115	33,252	33,925	33,106	34,320	33,499	34,119
37 Other banks in United States	1,005	1,475	1,044	849	964	678	816	937	872	862
38 Nonbanks	4,519	3,192	3,091	3,917	3,796	3,988	3,785	3,008	2,401	1,694
39 Claims on foreigners	73,475	68,138	64,560	59,405	60,472	58,798	57,567	59,201	56,227	58,395
40 Other branches of parent bank	26,011	26,361	28,635	25,574	28,474	27,939	26,475	28,145	25,389	26,036
41 Banks	26,139	23,251	19,188	19,452	18,494	16,778	17,246	17,715	17,680	18,458
42 Public borrowers	3,999	3,677	3,313	2,898	2,840	2,869	2,774	2,786	2,696	2,737
43 Nonbank foreigners	17,326	14,849	13,424	11,481	10,664	11,212	11,072	10,555	10,462	11,164
44 Other assets	3,059	3,697	5,575	5,055	5,019	5,484	5,589	5,745	5,464	6,542
					Bahamas and Caymans					
45 **Total, all currencies**	**142,055**	**142,592**	**160,321**	**169,034**	**170,639**	**162,352**	**165,862**	**179,185[r]**	**172,324[r]**	**173,137**
46 Claims on United States	74,864	78,048	85,318	106,240	105,320	103,016	103,989	111,951[r]	105,273[r]	111,823
47 Parent bank	50,553	54,575	60,048	73,654	73,409	71,065	71,100	75,234[r]	68,969	73,627
48 Other banks in United States	11,204	11,156	14,277	14,065	13,145	12,742	11,563	12,275	11,563[r]	10,807
49 Nonbanks	13,107	12,317	10,993	18,521	18,766	19,209	21,326	24,442	24,741	27,389
50 Claims on foreigners	63,882	60,005	70,162	56,128	58,393	52,503	54,732	59,615	60,103[r]	53,984
51 Other branches of parent bank	19,042	17,296	21,277	18,534	17,954	15,982	18,454	20,048	26,261	21,962
52 Banks	28,192	27,476	33,751	25,549	28,268	24,755	24,514	27,727	22,641[r]	21,184
53 Public borrowers	6,458	7,051	7,428	5,861	5,830	5,422	5,513	5,480	5,374	5,280
54 Nonbank foreigners	10,190	8,182	7,706	6,184	6,341	6,344	6,251	6,360	5,827[r]	5,558
55 Other assets	3,309	4,539	4,841	6,666	6,926	6,833	7,141	7,619	6,948[r]	7,330
56 **Total payable in U.S. dollars**	**136,794**	**136,813**	**151,434**	**161,238**	**163,518**	**154,981**	**158,011**	**172,148[r]**	**166,389[r]**	**166,869**

1. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.14—Continued

Liability account	1985	1986	1987	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May
					All foreign countries					
57 **Total, all currencies**	**458,012**	**456,628**	**518,618**	**516,608[r]**	**506,062[r]**	**496,755[r]**	**501,682[r]**	**519,740[r]**	**517,276[r]**	**521,436**
58 Negotiable CDs	34,607	31,629	30,929	30,734	28,511	28,538	30,013	30,768	30,278	29,425
59 To United States	156,281	152,465	161,390	174,459[r]	185,577[r]	172,055[r]	174,956[r]	185,831[r]	177,583[r]	178,668
60 Parent bank	84,657	83,394	87,606	106,228[r]	114,720[r]	102,521[r]	105,687[r]	113,779[r]	107,455[r]	110,357
61 Other banks in United States	16,894	15,646	20,559	13,584	14,897	13,539	12,989	14,659	14,307[r]	13,364
62 Nonbanks	54,730	53,425	53,225	54,647[r]	55,960[r]	55,995	56,280	57,393	55,821	54,947
63 To foreigners	245,939	253,775	304,803	287,980[r]	270,923[r]	274,015[r]	274,898[r]	280,859[r]	284,629[r]	288,444
64 Other branches of parent bank	89,529	95,146	124,601	112,315[r]	111,267[r]	109,125[r]	111,582[r]	116,148[r]	117,089[r]	121,357
65 Banks	76,814	77,809	87,274	82,833[r]	72,842[r]	72,185[r]	70,484[r]	71,447[r]	72,155[r]	72,809
66 Official institutions	19,520	17,835	19,564	17,743	15,183	18,867[r]	17,323[r]	17,911[r]	17,933[r]	17,795
67 Nonbank foreigners	60,076	62,985	73,364	75,089[r]	71,631[r]	73,838[r]	75,509[r]	75,353[r]	77,452[r]	76,483
68 Other liabilities	21,185	18,759	21,496	23,435[r]	21,051[r]	22,147[r]	21,815[r]	22,282[r]	24,786[r]	24,899
69 **Total payable in U.S. dollars**	**353,712**	**336,406**	**361,438**	**363,437[r]**	**367,090[r]**	**353,678[r]**	**356,597[r]**	**378,460[r]**	**371,237[r]**	**374,958**
70 Negotiable CDs	31,063	28,466	26,768	26,130	24,045	23,696	25,452	26,287	25,970	25,411
71 To United States	150,905	144,483	148,442	161,081[r]	173,190[r]	159,650	161,449	173,471[r]	164,957[r]	165,981
72 Parent bank	81,631	79,305	81,783	97,898	107,150	94,531	96,714	105,534[r]	99,188[r]	102,421
73 Other banks in United States	16,264	14,609	19,155	12,230	13,628	12,413	11,535	13,355	12,781[r]	11,744
74 Nonbanks	53,010	50,569	47,504	50,953[r]	52,412[r]	52,706	53,200	54,582	52,988	51,816
75 To foreigners	163,583	156,806	177,711	164,828[r]	160,373[r]	160,632[r]	159,542[r]	168,257[r]	169,916[r]	171,865
76 Other branches of parent bank	71,078	71,181	90,469	82,815[r]	84,021	82,149[r]	83,253	88,298[r]	89,425[r]	90,345
77 Banks	37,365	33,850	35,065	31,138[r]	28,493[r]	27,231[r]	27,060[r]	28,949[r]	28,445[r]	29,592
78 Official institutions	14,359	12,371	12,409	9,121	8,224	10,880[r]	8,740[r]	9,953[r]	9,591[r]	9,255
79 Nonbank foreigners	40,781	39,404	39,768	41,754[r]	39,635[r]	40,372[r]	40,489[r]	41,057[r]	42,455[r]	42,673
80 Other liabilities	8,161	6,651	8,517	11,398	9,482	9,700	10,154	10,445	10,394[r]	11,701
					United Kingdom					
81 **Total, all currencies**	**148,599**	**140,917**	**158,695**	**159,556**	**156,835**	**156,529**	**154,879**	**154,856**	**153,146**	**155,532**
82 Negotiable CDs	31,260	27,781	26,988	26,013	24,528	24,253	25,942	26,625	26,157	25,539
83 To United States	29,422	24,657	23,470	32,420	36,784	34,535	35,393	32,757[r]	29,715	30,986
84 Parent bank	19,330	14,469	13,223	23,226	27,849	24,130	25,562	25,098[r]	20,455	20,329
85 Other banks in United States	2,974	2,649	1,740	1,768	2,197	2,568	1,915	1,984	1,551	1,720
86 Nonbanks	7,118	7,539	8,507	7,426	6,738	7,837	7,916	5,675	7,709	8,937
87 To foreigners	78,525	79,498	98,689	90,404	86,026	87,519	83,774	85,863[r]	87,478	88,866
88 Other branches of parent bank	23,389	25,036	33,078	26,268	26,812	26,815	24,553	25,781[r]	25,800	26,867
89 Banks	28,581	30,877	34,290	33,029	30,609	29,329	28,508	29,094	30,714	30,806
90 Official institutions	9,676	6,836	11,015	9,542	7,873	10,010	8,627	9,429	8,637	8,946
91 Nonbank foreigners	16,879	16,749	20,306	21,565	20,732	21,365	22,086	21,559	22,327	22,247
92 Other liabilities	9,392	8,981	9,548	10,719	9,497	10,222	9,770	9,611	9,796	10,141
93 **Total payable in U.S. dollars**	**112,697**	**99,707**	**102,550**	**102,933**	**105,514**	**104,462**	**103,302**	**105,942**	**100,514**	**102,840**
94 Negotiable CDs	29,337	26,169	24,926	23,543	22,063	21,500	23,419	24,302	24,073	23,568
95 To United States	27,756	22,075	17,752	27,123	32,588	30,032	30,442	29,578[r]	25,493	26,673
96 Parent bank	18,956	14,021	12,026	21,003	26,404	22,069	22,998	24,013[r]	18,524	18,545
97 Other banks in United States	2,826	2,325	1,512	1,366	1,912	2,362	1,600	1,719	1,227	1,368
98 Nonbanks	5,974	5,729	4,214	4,754	4,272	5,601	5,844	3,846	5,742	6,760
99 To foreigners	51,980	48,138	55,919	46,843	46,690	48,421	44,934	47,071[r]	46,230	47,371
100 Other branches of parent bank	18,493	17,951	22,334	17,443	18,561	18,936	17,139	18,335[r]	17,755	18,030
101 Banks	14,344	15,203	15,580	14,029	13,407	13,090	13,106	12,907	13,439	13,930
102 Official institutions	7,661	4,934	7,530	4,713	4,348	5,897	4,116	5,467	4,365	4,796
103 Nonbank foreigners	11,482	10,050	10,475	10,658	10,374	10,498	10,573	10,362	10,671	10,615
104 Other liabilities	3,624	3,325	3,953	5,424	4,173	4,509	4,507	4,991	4,718	5,228
					Bahamas and Caymans					
105 **Total, all currencies**	**142,055**	**142,592**	**160,321**	**169,034**	**170,639**	**162,352**	**165,862**	**179,185[r]**	**172,324[r]**	**173,137**
106 Negotiable CDs	610	847	885	1,361	953	1,118	1,138	1,073	1,025	872
107 To United States	104,556	106,081	113,950	116,952	122,332	113,562	114,729	124,736	118,164[r]	120,150
108 Parent bank	45,554	49,481	53,239	59,883	62,894	56,643	57,684	62,689	59,762[r]	64,908
109 Other banks in United States	12,778	11,715	17,224	10,823	11,494	9,890	9,743	11,464	11,346[r]	10,198
110 Nonbanks	46,224	44,885	43,487	46,246	47,944	47,029	47,302	50,583	47,056	45,044
111 To foreigners	35,053	34,400	43,815	48,113	45,161	45,602	47,534	50,855[r]	50,606[r]	49,014
112 Other branches of parent bank	14,075	12,631	19,185	24,508	23,686	24,973	25,988	28,010	27,655[r]	26,478
113 Banks	10,669	8,617	10,769	10,035	8,336	7,179	7,795	8,495[r]	8,203[r]	8,258
114 Official institutions	1,776	2,719	1,504	1,060	1,074	1,337	1,379	1,234	1,722[r]	1,164
115 Nonbank foreigners	8,533	10,433	12,357	12,510	12,065	12,113	12,372	13,116	13,026[r]	13,114
116 Other liabilities	1,836	1,264	1,671	2,608	2,193	2,070	2,461	2,521	2,529[r]	3,101
117 **Total payable in U.S. dollars**	**138,322**	**138,774**	**152,927**	**160,786**	**162,950**	**154,663**	**157,890**	**172,213**	**166,489[r]**	**166,954**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1986	1987	1988		1989				
			Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[p]
1 **Total**[1]	**211,834**	**259,556**	**300,978**[r]	**299,716**[r]	**301,756**[r]	**304,185**[r]	**307,497**[r]	**313,713**[r]	**306,087**
By type									
2 Liabilities reported by banks in the United States[2]	27,920	31,838	35,111[r]	31,443[r]	36,735[r]	34,641[r]	33,417[r]	39,180[r]	37,684
3 U.S. Treasury bills and certificates[3]	75,650	88,829	103,841	103,722	98,457	98,192	95,478	96,109	91,798
U.S. Treasury bonds and notes									
4 Marketable	91,368	122,432	146,813	149,056	151,075[r]	155,374[r]	161,923[r]	161,081[r]	160,013
5 Nonmarketable[4]	1,300	300	520	523	527	531	534	538	542
6 U.S. securities other than U.S. Treasury securities[5]	15,596	16,157	14,693	14,972	14,962	15,447	16,145	16,805[r]	16,050
By area									
7 Western Europe[1]	88,629	124,620	128,630[r]	125,097[r]	126,040[r]	124,806[r]	125,352[r]	129,261[r]	125,914
8 Canada	2,004	4,961	10,066	9,584	9,668	9,856	10,156	9,994	9,938
9 Latin America and Caribbean	8,417	8,328	10,525	10,094	9,943	8,875	7,533	7,216[r]	6,091
10 Asia	105,868	116,098	142,826[r]	145,548[r]	147,316[r]	152,236[r]	156,317[r]	158,585[r]	156,023
11 Africa	1,503	1,402	993	1,369	1,093	1,143	1,119	1,065	1,182
12 Other countries[6]	5,412	4,147	7,418	7,501	7,169	6,738	6,485	7,053[r]	6,397

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies[1]

Millions of dollars, end of period

Item	1985	1986	1987	1988[r]			1989
				June	Sept.	Dec.	Mar.[r]
1 Banks' own liabilities	15,368	29,702	55,438	56,570	65,148	74,776	76,125
2 Banks' own claims	16,294	26,180	51,271	52,914	63,465	68,988	72,662
3 Deposits	8,437	14,129	18,861	18,790	22,594	25,115	25,645
4 Other claims	7,857	12,052	32,410	34,124	40,871	43,874	47,017
5 Claims of banks' domestic customers[2]	580	2,507	551	1,004	335	364	376

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1985	1986	1987	1988[r]		1989[r]				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[p]
1 **All foreigners**	**435,726**	**540,996**	**618,874**	**677,381**	**683,950**	**660,256**	**677,624**	**690,900**	**683,725**	**676,277**
2 Banks' own liabilities	341,070	406,485	470,070	504,144	513,573	493,030	507,557	523,606	517,108	513,358
3 Demand deposits	21,107	23,789	22,383	22,079	21,894	20,602	21,733	22,483	22,333	22,092
4 Time deposits[2]	117,278	130,891	148,374	149,704	152,194	145,481	151,137	157,978	157,056	155,177
5 Other[3]	29,305	42,705	51,677	53,981	51,506	52,322	51,005	54,177	56,613	58,267
6 Own foreign offices[4]	173,381	209,100	247,635	278,380	287,979	274,625	283,682	288,968	281,105	277,823
7 Banks' custody liabilities[5]	94,656	134,511	148,804	173,237	170,377	167,226	170,067	167,295	166,617	162,919
8 U.S. Treasury bills and certificates[6]	69,133	90,398	101,743	116,861	114,976	111,141	110,992	108,048	106,827	102,661
9 Other negotiable and readily transferable instruments[7]	17,964	15,417	16,776	16,658	16,367	16,763	17,071	16,957	17,259	18,527
10 Other	7,558	28,696	30,285	39,718	39,033	39,321	42,004	42,289	42,532	41,732
11 **Nonmonetary international and regional organizations**[8]	**5,821**	**5,807**	**4,464**	**4,978**	**3,224**	**2,704**	**3,252**	**3,764**	**4,115**	**3,424**
12 Banks' own liabilities	2,621	3,958	2,702	3,722	2,527	1,910	2,679	2,956	3,328	2,989
13 Demand deposits	85	199	124	76	71	67	74	88	163	76
14 Time deposits[2]	2,067	2,065	1,538	1,584	1,183	565	1,126	1,385	1,484	1,257
15 Other[3]	469	1,693	1,040	2,062	1,272	1,278	1,479	1,482	1,681	1,531
16 Banks' custody liabilities[5]	3,200	1,849	1,761	1,256	698	795	574	808	786	435
17 U.S. Treasury bills and certificates[6]	1,736	259	265	83	57	69	59	74	77	95
18 Other negotiable and readily transferable instruments[7]	1,464	1,590	1,497	1,163	641	711	463	734	693	305
19 Other	0	0	0	10	0	15	52	0	16	35
20 **Official institutions**[9]	**79,985**	**103,569**	**120,667**	**138,952**	**135,165**	**135,191**	**132,833**	**128,895**	**135,289**	**129,483**
21 Banks' own liabilities	20,835	25,427	28,703	31,129	27,033	32,013	29,321	27,800	33,100	31,451
22 Demand deposits	2,077	2,267	1,757	1,584	1,915	1,627	1,792	1,605	1,783	1,761
23 Time deposits[2]	10,949	10,497	12,843	12,066	9,686	13,428	12,661	11,006	12,558	11,362
24 Other[3]	7,809	12,663	14,103	17,479	15,432	16,959	14,867	15,189	18,759	18,328
25 Banks' custody liabilities[5]	59,150	78,142	91,965	107,823	108,132	103,178	103,512	101,095	102,189	98,032
26 U.S. Treasury bills and certificates[6]	53,252	75,650	88,829	103,841	103,722	98,457	98,192	95,478	96,109	91,798
27 Other negotiable and readily transferable instruments[7]	5,824	2,347	2,990	3,768	4,130	4,598	5,076	5,466	5,875	6,049
28 Other	75	145	146	214	280	124	244	152	205	185
29 **Banks**[10]	**275,589**	**351,745**	**414,280**	**445,725**	**458,248**	**435,464**	**452,338**	**469,562**	**454,368**	**452,484**
30 Banks' own liabilities	252,723	310,166	371,665	395,310	408,576	384,974	399,833	417,332	402,578	400,794
31 Unaffiliated foreign banks	79,341	101,066	124,030	116,930	120,597	110,350	116,152	128,364	121,473	123,096
32 Demand deposits	10,271	10,303	10,898	10,403	9,980	9,459	9,584	11,012	10,559	11,160
33 Time deposits[2]	49,510	64,232	79,717	75,479	80,303	71,838	76,679	84,112	80,806	79,057
34 Other[3]	19,561	26,531	33,415	31,049	30,314	29,053	29,889	33,240	30,108	32,878
35 Own foreign offices[4]	173,381	209,100	247,635	278,380	287,979	274,625	283,682	288,968	281,105	277,698
36 Banks' custody liabilities[5]	22,866	41,579	42,615	50,415	49,671	50,489	52,505	52,231	51,789	51,690
37 U.S. Treasury bills and certificates[6]	9,832	9,984	9,134	8,087	7,602	7,819	7,491	7,310	6,921	7,114
38 Other negotiable and readily transferable instruments[7]	6,040	5,165	5,392	5,696	5,666	5,870	5,894	5,254	5,032	5,476
39 Other	6,994	26,431	28,089	36,632	36,403	36,800	39,120	39,667	39,836	39,100
40 **Other foreigners**	**74,331**	**79,875**	**79,463**	**87,725**	**87,313**	**86,896**	**89,200**	**88,679**	**89,954**	**90,886**
41 Banks' own liabilities	64,892	66,934	67,000	73,982	75,438	74,132	75,724	75,518	78,101	78,124
42 Demand deposits	8,673	11,019	9,604	10,017	9,928	9,450	10,282	9,777	9,828	9,095
43 Time deposits[2]	54,752	54,097	54,277	60,575	61,022	59,651	60,671	61,475	62,208	63,500
44 Other[3]	1,467	1,818	3,119	3,391	4,487	5,032	4,771	4,265	6,066	5,529
45 Banks' custody liabilities[5]	9,439	12,941	12,463	13,743	11,876	12,764	13,476	13,161	11,853	12,762
46 U.S. Treasury bills and certificates[6]	4,314	4,506	3,515	4,849	3,595	4,797	5,250	5,188	3,720	3,652
47 Other negotiable and readily transferable instruments[7]	4,636	6,315	6,898	6,031	5,929	5,584	5,638	5,503	5,658	6,698
48 Other	489	2,120	2,050	2,863	2,351	2,382	2,589	2,471	2,474	2,412
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	9,845	7,496	7,314	6,128	6,366	6,286	6,064	5,809	5,535	5,611

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. 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.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks. Data exclude "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17—Continued

	Area and country	1985	1986	1987	1988[r]		1989				
					Nov.	Dec.	Jan.[r]	Feb.	Mar.	Apr.	May[p]
1	**Total**	**435,726**	**540,996**	**618,874**	**677,381**	**683,950**	**660,256**	**677,624[r]**	**690,900[r]**	**683,725**	**676,277**
2	**Foreign countries**	**429,905**	**535,189**	**614,411**	**672,403**	**680,726**	**657,551**	**674,371[r]**	**687,136[r]**	**679,611**	**672,853**
3	Europe	164,114	180,556	234,641	233,867	235,979	223,869	228,393	231,905[r]	230,616	228,054
4	Austria	693	1,181	920	1,599	1,155	1,129	1,777	1,436	1,608	1,427
5	Belgium–Luxembourg	5,243	6,729	9,347	11,100	10,028	8,991	10,508	9,316[r]	10,114	8,778
6	Denmark	513	482	760	3,089	2,180	1,833	2,082	1,639	1,615	1,642
7	Finland	496	580	377	359	284	375	560	527	397	432
8	France	15,541	22,862	29,835	24,546	24,762	22,264	24,260	26,824[r]	25,734	24,318
9	Germany	4,835	5,762	7,022	7,983	6,777	5,794	5,263	5,514	6,968	7,785
10	Greece	666	700	689	683	672	919	933	760	927	1,172
11	Italy	9,667	10,875	12,073	13,339	14,602	11,312	11,073	13,480	12,964	12,543
12	Netherlands	4,212	5,600	5,014	5,939	5,316	5,248	6,011	5,600	5,601	5,862
13	Norway	948	735	1,362	1,342	1,559	1,502	1,367	1,547	1,783	1,479
14	Portugal	652	699	801	739	903	870	813	831	824	985
15	Spain	2,114	2,407	2,621	5,980	5,494	5,750	5,174	4,902	5,794	5,415
16	Sweden	1,422	884	1,379	1,815	1,274	1,299	1,319	1,416	1,730	1,556
17	Switzerland	29,020	30,534	33,766	31,890	34,183	32,519	31,659	29,815[r]	28,873	28,791
18	Turkey	429	454	703	793	1,012	939	1,246	1,023	1,046	812
19	United Kingdom	76,728	85,334	116,852	111,693	115,926	110,878	113,419[r]	115,325	111,604	112,295
20	Yugoslavia	673	630	710	569	529	489	434	440	465	479
21	Other Western Europe[1]	9,635	3,326	9,798	9,627	8,598	10,906	9,929	10,730	11,521	11,615
22	U.S.S.R.	105	80	32	74	138	155	108	102	90	218
23	Other Eastern Europe[2]	523	702	582	710	589	697	458	677	958	448
24	Canada	17,427	26,345	30,095	26,199	21,040	19,277	20,732	25,694	22,984	18,342
25	Latin America and Caribbean	167,856	210,318	220,372	256,775	266,295	257,809	263,344[r]	264,598[r]	267,284	268,611
26	Argentina	6,032	4,757	5,006	7,360	7,804	7,629	6,836	6,415[r]	6,280	6,493
27	Bahamas	57,657	73,619	74,767	83,728	86,606	82,009	83,455	85,586[r]	86,053	88,882
28	Bermuda	2,765	2,922	2,344	2,752	2,621	2,381	2,545	2,513[r]	2,367	2,427
29	Brazil	5,373	4,325	4,005	5,255	5,304	4,675	4,829	4,925	5,554	5,297
30	British West Indies	42,674	72,263	81,494	103,755	109,335	107,026	110,989[r]	110,809[r]	112,838	111,663
31	Chile	2,049	2,054	2,210	2,677	2,936	2,969	2,975	3,063	2,933	2,988
32	Colombia	3,104	4,285	4,204	4,277	4,374	4,317	4,470[r]	4,166[r]	4,190	4,032
33	Cuba	11	7	12	9	10	10	10	10	10	16
34	Ecuador	1,239	1,236	1,082	1,381	1,379	1,365	1,403[r]	1,422	1,376	1,285
35	Guatemala	1,071	1,123	1,082	1,187	1,195	1,236	1,259	1,271	1,272	1,232
36	Jamaica	122	136	160	177	269	180	170	223	222	188
37	Mexico	14,060	13,745	14,480	15,470	15,106	15,273	14,867	14,625	14,273	13,979
38	Netherlands Antilles	4,875	4,970	4,975	5,933	6,420	5,763	5,641	5,666	5,767	6,075
39	Panama	7,514	6,886	7,414	4,152	4,353	4,284	4,497[r]	4,388	4,348	4,435
40	Peru	1,167	1,163	1,275	1,694	1,671	1,716	1,728	1,707	1,763	1,716
41	Uruguay	1,552	1,537	1,582	1,909	1,898	2,011	2,142	2,243	2,258	2,328
42	Venezuela	11,922	10,171	9,048	9,353	9,146	9,159	9,532	9,489[r]	9,553	9,404
43	Other	4,668	5,119	5,234	5,706	5,868	5,806	5,997[r]	6,076[r]	6,227	6,173
44	Asia	72,280	108,831	121,288	145,620	147,246	146,594	151,237[r]	154,900[r]	148,795	147,475
	China										
45	Mainland	1,607	1,476	1,162	1,401	1,892	1,566	1,602	1,588[r]	1,809	1,642
46	Taiwan	7,786	18,902	21,503	24,747	26,058	26,178	26,001	26,143[r]	28,265	26,923
47	Hong Kong	8,067	9,393	10,180	12,437	11,727	10,891	11,387	10,761	11,422	12,207
48	India	712	674	582	770	696	689	838	900	1,787	1,009
49	Indonesia	1,466	1,547	1,404	995	1,189	1,189	1,198	1,611	1,168	1,319
50	Israel	1,601	1,892	1,292	1,063	1,471	1,217	1,366	1,156	973	1,113
51	Japan	23,077	47,410	54,322	73,000	73,989	75,337	77,407	83,020[r]	72,715	70,450
52	Korea	1,665	1,141	1,637	2,654	2,541	2,454	2,502	2,827	3,023	3,194
53	Philippines	1,140	1,866	1,085	1,139	1,163	976	1,014	977	981	992
54	Thailand	1,358	1,119	1,345	1,205	1,236	1,373	1,615	1,151	1,165	1,162
55	Middle-East oil-exporting countries[3]	14,523	12,352	13,988	12,876	12,060	12,426	12,372[r]	12,029	12,098	13,486
56	Other	9,276	11,058	12,788	13,334	13,225	12,298	13,935[r]	12,737[r]	13,389	13,980
57	Africa	4,883	4,021	3,945	3,545	3,991	3,690	3,793[r]	3,717[r]	3,665	3,806
58	Egypt	1,363	706	1,151	758	913	771	819	756	721	702
59	Morocco	163	92	194	64	68	90	69	60	82	68
60	South Africa	388	270	202	267	437	250	212	226	256	320
61	Zaire	163	74	67	80	85	74	75	77	73	92
62	Oil-exporting countries[4]	1,494	1,519	1,014	952	1,017	1,024	1,121	1,062	1,017	882
63	Other	1,312	1,360	1,316	1,425	1,472	1,480	1,496[r]	1,536[r]	1,516	1,742
64	Other countries	3,347	5,118	4,070	6,397	6,175	6,312	6,872	6,322	6,267	6,565
65	Australia	2,779	4,196	3,327	5,426	5,303	5,485	6,037	5,490	5,471	5,702
66	All other	568	922	744	971	872	827	836	832	796	863
67	Nonmonetary international and regional organizations	5,821	5,807	4,464	4,978	3,224	2,704	3,252	3,764[r]	4,115	3,424
68	International[5]	4,806	4,620	2,830	3,491	2,503	1,725	2,106	2,546[r]	2,682	2,466
69	Latin American regional	894	1,033	1,272	1,276	589	747	732	995	963	564
70	Other regional[6]	121	154	362	211	133	232	414	223	469	394

1. Includes the Bank for International Settlements and Eastern European countries that are not listed in line 23.
2. Comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Excludes "holdings of dollars" of the International Monetary Fund.
6. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1985	1986	1987	1988		1989				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[p]
1 **Total**	**401,608**	**444,745**	**459,877**	**486,686[r]**	**491,083**	**481,711[r]**	**493,175[r]**	**503,875**	**495,929**	**489,937**
2 **Foreign countries**	**400,577**	**441,724**	**456,472**	**481,877[r]**	**489,012[r]**	**479,132[r]**	**491,270[r]**	**501,836**	**494,094**	**486,652**
3 Europe	106,413	107,823	102,348	108,212[r]	117,053[r]	107,477[r]	113,814[r]	116,279	111,668	112,852
4 Austria	598	728	793	721	485	544	646	809	805	764
5 Belgium–Luxembourg	5,772	7,498	9,397	8,898[r]	8,517[r]	8,301[r]	7,871[r]	7,834	8,102	8,435
6 Denmark	706	688	717	599	480	410	790	548	770	470
7 Finland	823	987	1,010	1,157	1,065	911	1,114	909	1,214	1,280
8 France	9,124	11,356	13,548	12,478	13,243[r]	13,315	14,920	15,729	16,603	16,078
9 Germany	1,267	1,816	2,039	2,307	2,327	2,398	1,695[r]	3,110	4,015	3,959
10 Greece	991	648	462	601	433	448	517	586	561	595
11 Italy	8,848	9,043	7,460	7,100	7,946	5,526	5,581	5,866	4,890	5,627
12 Netherlands	1,258	3,296	2,619	2,763	2,547	2,514	2,475	2,808	2,732	3,183
13 Norway	706	672	934	478	455	472	601	432	551	567
14 Portugal	1,058	739	477	253	374	339	331	367	281	371
15 Spain	1,908	1,492	1,853	2,054	1,823	2,182	2,153	2,133	2,309	1,893
16 Sweden	2,219	1,964	2,254	2,083	1,977	2,619	2,622	2,613	2,164	2,157
17 Switzerland	3,171	3,352	2,718	2,984[r]	3,895	3,510[r]	3,780[r]	3,822	4,853	4,296
18 Turkey	1,200	1,543	1,680	1,265	1,233	1,152	1,108	1,039	1,005	910
19 United Kingdom	62,566	58,335	50,823	58,089[r]	65,702[r]	58,065[r]	62,469[r]	62,877	55,858	57,961
20 Yugoslavia	1,964	1,835	1,700	1,450	1,390	1,371	1,348	1,455	1,369	1,366
21 Other Western Europe[2]	998	539	619	916	1,152	1,275	1,560	1,262	1,465	966
22 U.S.S.R.	130	345	389	1,218	1,255	1,286	1,389	1,298	1,346	1,155
23 Other Eastern Europe[3]	1,107	948	852	799	754[r]	838[r]	845	780	775	820
24 Canada	16,482	21,006	25,368	23,278[r]	18,889[r]	16,733[r]	18,079	19,042	19,154	16,049
25 Latin America and Caribbean	202,674	208,825	214,789	211,855[r]	214,074[r]	210,439[r]	210,538[r]	220,767	220,089	217,696
26 Argentina	11,462	12,091	11,996	12,046[r]	11,826[r]	11,880	11,802[r]	11,616	11,516	11,381
27 Bahamas	58,258	59,342	64,587	67,241[r]	67,006[r]	68,836[r]	69,607[r]	72,804[r]	75,548	70,442
28 Bermuda	499	418	471	511	483	475	535	707	361	449
29 Brazil	25,283	25,716	25,897	26,399	25,735	25,835	25,369[r]	25,615	25,945	25,872
30 British West Indies	38,881	46,284	50,042	51,344[r]	55,640[r]	50,542[r]	50,542	57,570	54,711	57,742
31 Chile	6,603	6,558	6,308	5,319	5,217[r]	5,156	5,141[r]	5,335	5,224	5,266
32 Colombia	3,249	2,821	2,740	2,983[r]	2,944[r]	2,867	2,813[r]	2,746	2,661	2,600
33 Cuba	0	0	1	0	1	1	1	1	2	1
34 Ecuador	2,390	2,439	2,286	2,162	2,075	2,048	2,026	2,032	2,024	1,944
35 Guatemala[4]	194	140	144	167	198	185	188	199	210	207
36 Jamaica[4]	224	198	188	206[r]	212[r]	214	202	251	266	271
37 Mexico	31,799	30,698	29,532	25,386	24,636	24,445	24,387[r]	24,187	24,058	24,007
38 Netherlands Antilles	1,340	1,041	980	1,430[r]	1,312[r]	1,222	1,150	1,005	1,010	1,000
39 Panama	6,645	5,436	4,744	2,378[r]	2,535[r]	2,535	2,535[r]	2,460	2,424	2,475
40 Peru	1,947	1,661	1,329	1,014[r]	1,013[r]	1,011	952	947	947	938
41 Uruguay	960	940	963	888	910	880	856	875	876	832
42 Venezuela	10,871	11,108	10,843	10,737[r]	10,733[r]	10,748	10,957[r]	10,761	10,635	10,600
43 Other Latin America and Caribbean	2,067	1,936	1,738	1,642[r]	1,596[r]	1,560	1,475	1,658	1,668	1,670
44 Asia	66,212	96,126	106,096	130,258[r]	130,867[r]	135,839[r]	140,041[r]	137,055	134,681	131,613
China										
Mainland	639	787	968	777	762	830	881	993	816	959
46 Taiwan	1,535	2,681	4,592	3,845	4,184	3,902	3,960	4,179	3,952	3,715
47 Hong Kong	6,797	8,307	8,218	10,818[r]	10,136[r]	8,727	8,004	7,884	8,333	8,855
48 India	450	321	510	568	560	645	628	563	425	411
49 Indonesia	698	723	580	767	674[r]	669	735	649	726	682
50 Israel	1,991	1,634	1,363	1,231	1,137	1,096[r]	1,043[r]	1,050	1,054	1,041
51 Japan	31,249	59,674	68,658	89,509[r]	90,161[r]	99,056[r]	104,831[r]	101,471	97,877	93,431
52 Korea	9,226	7,182	5,148	5,390	5,219	4,961	4,891	5,183	5,198	5,338
53 Philippines	2,224	2,217	2,071	1,900	1,876	1,847	1,900	1,913	1,839	1,810
54 Thailand	845	578	496	778	850	887	931	986	1,023	975
55 Middle East oil-exporting countries[5]	4,298	4,122	4,858	6,657	6,182[r]	5,371[r]	4,681[r]	5,409	5,130	5,515
56 Other Asia	6,260	7,901	8,635	8,018	9,126[r]	7,847[r]	7,556[r]	6,776	8,309	8,881
57 Africa	5,407	4,650	4,742	5,629	5,718[r]	5,924	6,072	5,973	6,086	6,084
58 Egypt	721	567	521	532	507[r]	495	567	543	541	541
59 Morocco	575	598	542	488	511	524	532	541	532	538
60 South Africa	1,942	1,550	1,507	1,698	1,681	1,688	1,718	1,702	1,742	1,753
61 Zaire	20	28	15	18	17	16	16	17	19	19
62 Oil-exporting countries[6]	630	694	1,003	1,491	1,523	1,534	1,522	1,481	1,474	1,504
63 Other	1,520	1,213	1,153	1,402	1,479	1,666	1,717	1,690	1,778	1,729
64 Other countries	3,390	3,294	3,129	2,645	2,410	2,720	2,726	2,720	2,417	2,359
65 Australia	2,413	1,949	2,100	1,586	1,517	1,711	1,686	1,685	1,505	1,167
66 All other	978	1,345	1,029	1,059	894	1,009	1,040	1,034	912	1,192
67 Nonmonetary international and regional organizations[7]	1,030	3,021	3,404	4,809[r]	2,071[r]	2,579[r]	1,905	2,039	1,835	3,284

1. *Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.*
2. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
3. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
4. *Included in "Other Latin America and Caribbean" through March 1978.*
5. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
6. Comprises Algeria, Gabon, Libya, and Nigeria.
7. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1985	1986	1987	1988[r]		1989				
				Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.[r]	Apr.	May[p]
1 **Total**	**430,489**	**478,650**	**497,635**	....	**538,607**	....	....	**557,054**	....	....
2 Banks' own claims on foreigners	401,608	444,745	459,877	486,686	491,083	481,711	493,175	503,875	495,929	489,937
3 Foreign public borrowers	60,507	64,095	64,605	65,403	62,438	63,974	63,245	62,696	62,801	63,068
4 Own foreign offices[2]	174,261	211,533	224,727	255,632	257,345	256,848	262,810	271,915	260,222	257,234
5 Unaffiliated foreign banks	116,654	122,946	127,609	123,213	129,413	119,040	124,495	130,075	131,523	130,280
6 Deposits	48,372	57,484	60,687	55,777	65,819	58,389	62,616	66,553	69,007	67,569
7 Other	68,282	65,462	66,922	67,436	63,594	60,650	61,879	63,522	62,516	62,711
8 All other foreigners	50,185	46,171	42,936	42,438	41,886	41,850	42,626	39,189	41,382	39,354
9 Claims of banks' domestic customers[3]	28,881	33,905	37,758	....	47,524	....	....	53,178	....	....
10 Deposits	3,335	4,413	3,692	....	8,289	....	....	12,084	....	....
11 Negotiable and readily transferable instruments[4]	19,332	24,044	26,696	....	25,700	....	....	24,960	....	....
12 Outstanding collections and other claims	6,214	5,448	7,370	....	13,535	....	....	16,134	....	....
13 MEMO: Customer liability on acceptances	28,487	25,706	23,107	....	19,556	....	....	17,161	....	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	38,102	43,984	40,587	49,783	43,360	46,294	47,775	45,419	46,399	n.a.

1. 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. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
3. 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.
4. Principally negotiable time certificates of deposit and bankers acceptances.
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.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1985	1986	1987	1988[r]			1989
				June	Sept.	Dec.	Mar.
1 **Total**	**227,903**	**232,295**	**235,130**	**228,219**	**230,401**	**233,152**	**230,888**
By borrower							
2 Maturity of 1 year or less[2]	160,824	160,555	163,997	163,762	167,956	172,571	167,943
3 Foreign public borrowers	26,302	24,842	25,889	27,551	29,389	26,581	23,822
4 All other foreigners	134,522	135,714	138,108	136,211	138,567	145,990	144,121
5 Maturity over 1 year[2]	67,078	71,740	71,133	64,456	62,444	60,581	62,945
6 Foreign public borrowers	34,512	39,103	38,625	35,792	35,156	35,067	37,941
7 All other foreigners	32,567	32,637	32,507	28,664	27,288	25,514	25,004
By area							
Maturity of 1 year or less[2]							
8 Europe	56,585	61,784	59,027	55,971	54,283	56,037	57,624
9 Canada	6,401	5,895	5,680	6,664	6,410	6,283	5,137
10 Latin America and Caribbean	63,328	56,271	56,535	56,219	55,552	57,867	53,198
11 Asia	27,966	29,457	35,919	38,902	42,375	46,160	45,545
12 Africa	3,753	2,882	2,833	2,914	3,120	3,336	3,610
13 All other[3]	2,791	4,267	4,003	3,092	6,216	2,888	2,830
Maturity of over 1 year[2]							
14 Europe	7,634	6,737	6,696	5,315	5,306	4,682	4,461
15 Canada	1,805	1,925	2,661	2,333	2,051	1,922	2,280
16 Latin America and Caribbean	50,674	56,719	53,817	49,755	48,274	47,572	49,746
17 Asia	4,502	4,043	3,830	3,622	3,933	3,603	3,686
18 Africa	1,538	1,539	1,747	2,433	2,257	2,301	2,293
19 All other[3]	926	777	2,381	998	625	501	480

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Remaining time to maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1,2]

Billions of dollars, end of period

Area or country	1985	1986	1987				1988				1989
			Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**385.4**	**385.1**	**395.4**	**384.6**	**387.7**	**381.4**	**370.2[r]**	**350.8[r]**	**354.4[r]**	**349.6[r]**	**351.9[r]**
2 *G-10 countries and Switzerland*	146.0	156.6	162.7	158.1	155.2	160.0	157.0[r]	151.0[r]	149.5	154.4[r]	149.5[r]
3 Belgium-Luxembourg	9.2	8.3	9.1	8.3	8.2	10.1	9.3	9.1[r]	9.5	9.0	8.6
4 France	12.1	13.7	13.3	12.5	13.7	13.8	11.5	10.8	10.0	10.7	11.2
5 Germany	10.5	11.6	12.7	11.2	10.5	12.6	11.8	10.6	8.9	9.9	10.0
6 Italy	9.6	9.0	8.7	7.5	6.6	7.3	7.4	6.1	5.8[r]	6.3[r]	4.9
7 Netherlands	3.7	4.6	4.4	7.3	4.8	4.1	3.3	3.3	3.0	2.8	2.9
8 Sweden	2.7	2.4	3.0	2.4	2.6	2.1	2.1	1.9	2.0	2.0	2.4
9 Switzerland	4.4	5.8	5.8	5.7	5.4	5.6	5.1	5.6	5.2	5.7	5.2
10 United Kingdom	63.0	71.0	73.7	72.0	72.1	69.1	71.7	70.5	68.1	66.7	66.1[r]
11 Canada	6.8	5.3	5.3	4.7	4.7	5.5	4.9	5.4	5.2	5.5	4.6
12 Japan	23.9	24.9	26.9	26.3	26.5	29.8	29.9[r]	27.8[r]	31.7	35.9	33.6
13 Other developed countries	29.9	25.7	25.7	25.2	25.9	26.2	26.1[r]	23.7	22.7	20.9	20.8
14 Austria	1.5	1.7	1.9	1.8	1.9	1.9	1.6	1.6	1.6	1.6	1.4
15 Denmark	2.3	1.7	1.7	1.5	1.6	1.7	1.4	1.0	1.1	.9	1.0
16 Finland	1.6	1.4	1.4	1.4	1.4	1.3	1.0	1.2	1.3	1.2	1.0
17 Greece	2.6	2.3	2.1	2.0	1.9	2.0	2.3	2.2	2.1	1.9	2.2
18 Norway	2.9	2.4	2.2	2.1	2.0	2.3	2.0	2.0	2.0	1.8	1.5
19 Portugal	1.2	.8	.9	.8	.8	.5	.4	.4	.4	.5	.5
20 Spain	5.8	5.8	6.3	6.1	7.4	8.0	9.0	7.2	6.3	6.2	6.3
21 Turkey	1.8	1.8	1.7	1.7	1.5	1.6	1.6	1.5	1.3	1.3	1.0
22 Other Western Europe	2.0	1.4	1.4	1.5	1.6	1.6	1.9	1.6	1.9	1.3	1.4
23 South Africa	3.2	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.4	2.2
24 Australia	5.0	3.5	3.2	3.1	2.9	2.4	2.1	2.2	1.8	1.8	2.4
25 OPEC countries[3]	21.3	19.3	20.0	18.8	19.0	17.1	17.2	16.4	17.6	16.5	16.3
26 Ecuador	2.1	2.2	2.1	2.1	2.1	1.9	1.9	1.8	1.8	1.7	1.7
27 Venezuela	8.9	8.6	8.5	8.4	8.3	8.1	8.0	8.0	7.9	7.9	8.0
28 Indonesia	3.0	2.5	2.4	2.2	2.0	1.9	1.9	1.9	1.9	1.8[r]	1.8
29 Middle East countries	5.3	4.3	5.4	4.4	5.0	3.6	3.6	3.1	4.3	3.3[r]	3.2
30 African countries	2.0	1.7	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.6
31 Non-OPEC developing countries	104.2	99.1	100.7	100.4	97.7	97.6	94.4[r]	91.3	87.0	85.3[r]	85.6[r]
Latin America											
32 Argentina	8.8	9.5	9.5	9.5	9.3	9.4	9.5	9.4	9.2	8.9	8.4
33 Brazil	25.4	25.2	26.2	25.1	25.1	24.7	23.9	23.7	22.4	22.5	22.7[r]
34 Chile	6.9	7.1	7.3	7.2	7.0	6.9	6.6	6.4	6.2	5.5[r]	5.6
35 Colombia	2.6	2.1	2.0	1.9	1.9	2.0	1.9	2.1	2.1	2.0	1.9
36 Mexico	23.9	23.8	24.1	25.3	24.8	23.7	22.5	21.1	20.6	19.0	18.2[r]
37 Peru	1.8	1.4	1.4	1.3	1.2	1.1	1.1	.9	.8	.8	.7
38 Other Latin America	3.4	3.1	3.0	2.9	2.8	2.7	2.8	2.6	2.5	2.6	2.8[r]
Asia											
China											
39 Mainland	.5	.4	.9	.6	.3	.3	.4	.3	.2	.3	.5
40 Taiwan	4.5	4.9	5.5	6.6	6.0	8.2	6.1	4.9	3.2	3.6	4.9
41 India	1.2	1.2	1.8	1.7	1.9	1.9	2.1	2.3	2.0	2.1	2.6
42 Israel	1.6	1.5	1.4	1.3	1.3	1.0	1.0	1.0	1.0	1.2	.9
43 Korea (South)	9.2	6.6	6.2	5.6	4.9	4.9	5.6	5.9	6.0	6.1	6.2[r]
44 Malaysia	2.4	2.1	1.9	1.7	1.6	1.5	1.5	1.5	1.6	1.6	1.7
45 Philippines	5.7	5.4	5.4	5.4	5.4	5.1	5.1	4.9	4.5	4.5	4.3
46 Thailand	1.4	.9	.9	.8	.7	.7	1.0	1.1	1.2	1.1	1.0
47 Other Asia	1.0	.7	.6	.7	.7	.7	.7	.8	.8	.9	.8
Africa											
48 Egypt	1.0	.7	.6	.6	.6	.5	.5	.6	.5	.4	.5
49 Morocco	.9	.9	.9	.9	.8	.9	.9	.9	.8	.9	.9
50 Zaire	.1	.1	.1	.1	.1	.0	.1	.1	.0	.0	.0
51 Other Africa[4]	1.9	1.6	1.4	1.3	1.3	1.3	1.2	1.2	1.2	1.1	1.1
52 Eastern Europe	4.1	3.2	3.0	3.3	3.3	3.0	2.9	3.1	3.0	3.7	3.5
53 U.S.S.R.	.1	.1	.1	.3	.5	.4	.3	.4	.4	.7	.7
54 Yugoslavia	2.2	1.7	1.6	1.7	1.7	1.6	1.7	1.7	1.7	1.8	1.7
55 Other	1.8	1.4	1.3	1.3	1.2	1.0	.9	1.0	1.0	1.2	1.2
56 Offshore banking centers	62.9	61.3	63.1	60.7	64.3	54.3	51.1[r]	43.0[r]	47.2[r]	46.5[r]	50.9[r]
57 Bahamas	21.2	22.0	23.9	19.9	25.5	17.1	15.2[r]	8.6	12.5	11.5	15.6[r]
58 Bermuda	.7	.7	.8	.6	.6	.6	.8	1.0	.9	.8	1.0
59 Cayman Islands and other British West Indies	11.6	12.4	12.2	14.0	12.8	13.3	11.8[r]	10.5[r]	12.3[r]	14.0[r]	14.4[r]
60 Netherlands Antilles	2.2	1.8	1.7	1.3	1.2	1.2	1.3	1.2	1.2	1.0	.9
61 Panama[5]	6.0	4.0	4.3	3.9	3.7	3.7	3.3	3.0	2.7	2.6	2.3
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	11.4	11.1	11.4	12.5	12.3	11.2	11.3	11.7	10.6	10.2	9.9
64 Singapore	9.8	9.2	8.6	8.3	8.1	7.0	7.4	6.8	7.0	6.2	6.7
65 Others[6]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[7]	16.9	19.8	20.1	18.1	22.3	23.2	21.5	22.3	27.0	21.8	24.8[r]

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3. This group comprises the Organization of Petroleum Exporting Countries shown individually, other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates), and Bahrain and Oman (not formally members of OPEC).

4. Excludes Liberia.

5. Includes Canal Zone beginning December 1979.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1984	1985	1986	1987	1988[r]				1989
					Dec.[r]	Mar.	June	Sept.	Dec.	Mar.[p]
1	**Total**	**29,357**	**27,825**	**25,587**	**28,303**	**29,792**	**30,283**	**32,244**	**33,013**	**35,806**
2	Payable in dollars	26,389	24,296	21,749	22,785	24,339	25,131	27,215	27,817	30,401
3	Payable in foreign currencies	2,968	3,529	3,838	5,518	5,453	5,152	5,029	5,196	5,405
	By type									
4	Financial liabilities	14,509	13,600	12,133	12,424	14,139	14,070	14,953	14,753	16,175
5	Payable in dollars	12,553	11,257	9,609	8,643	10,472	10,560	11,558	11,266	12,472
6	Payable in foreign currencies	1,955	2,343	2,524	3,781	3,667	3,510	3,395	3,487	3,703
7	Commercial liabilities	14,849	14,225	13,454	15,878	15,653	16,213	17,291	18,260	19,631
8	Trade payables	7,005	6,685	6,450	7,305	6,454	6,768	6,479	6,247	6,760
9	Advance receipts and other liabilities	7,843	7,540	7,004	8,573	9,200	9,446	10,812	12,014	12,871
10	Payable in dollars	13,836	13,039	12,140	14,142	13,867	14,571	15,657	16,551	17,929
11	Payable in foreign currencies	1,013	1,186	1,314	1,737	1,786	1,642	1,635	1,709	1,702
	By area or country									
	Financial liabilities									
12	Europe	6,728	7,700	7,917	8,320	9,377	9,215	10,353	9,559	11,168
13	Belgium-Luxembourg	471	349	270	213	251	279	336	287	317
14	France	995	857	661	364	390	353	354	249	231
15	Germany	489	376	368	551	553	503	488	548	372
16	Netherlands	590	861	542	884	1,008	880	1,014	897	951
17	Switzerland	569	610	646	558	691	638	734	1,163	889
18	United Kingdom	3,297	4,305	5,140	5,557	6,301	6,390	7,257	6,268	8,213
19	Canada	863	839	399	360	394	403	421	638	603
20	Latin America and Caribbean	5,086	3,184	1,944	1,189	1,452	1,448	1,057	1,239	677
21	Bahamas	1,926	1,123	614	318	289	250	238	184	189
22	Bermuda	13	4	4	0	0	0	0	0	0
23	Brazil	35	29	32	25	0	0	0	0	0
24	British West Indies	2,103	1,843	1,146	778	1,099	1,154	812	645	471
25	Mexico	367	15	22	13	15	26	2	1	15
26	Venezuela	137	3	0	0	2	0	0	0	0
27	Asia	1,777	1,815	1,805	2,452	2,836	2,928	3,116	3,313	3,722
28	Japan	1,209	1,198	1,398	2,042	2,375	2,331	2,462	2,563	2,950
29	Middle East oil-exporting countries[2]	155	82	8	8	11	11	4	3	1
30	Africa	14	12	1	4	5	2	3	1	5
31	Oil-exporting countries[3]	0	0	1	1	3	1	1	0	3
32	All other[4]	41	50	67	100	75	74	3	2	2
	Commercial liabilities									
33	Europe	4,001	4,074	4,446	5,505	5,619	5,722	6,687	7,274	7,693
34	Belgium-Luxembourg	48	62	101	132	154	147	205	169	133
35	France	438	453	352	426	414	408	438	455	569
36	Germany	622	607	715	908	810	791	1,185	1,684	1,345
37	Netherlands	245	364	424	423	457	508	647	590	667
38	Switzerland	257	379	385	559	527	482	486	410	451
39	United Kingdom	1,095	976	1,341	1,588	1,722	1,771	2,105	2,032	2,409
40	Canada	1,975	1,449	1,405	1,301	1,392	1,167	1,109	1,207	1,147
41	Latin America and Caribbean	1,871	1,088	924	864	980	1,035	997	999	1,186
42	Bahamas	7	12	32	18	19	61	19	45	35
43	Bermuda	114	77	156	168	325	272	222	184	376
44	Brazil	124	58	61	46	59	54	58	91	100
45	British West Indies	32	44	49	19	14	28	30	31	29
46	Mexico	586	430	217	189	164	233	177	179	197
47	Venezuela	636	212	216	162	122	140	204	176	179
48	Asia	5,285	6,046	5,080	6,565	5,883	6,279	6,627	6,899	7,430
49	Japan	1,256	1,799	2,042	2,578	2,508	2,659	2,763	3,087	3,046
50	Middle East oil-exporting countries[2,5]	2,372	2,829	1,679	1,964	1,062	1,320	1,298	1,386	1,526
51	Africa	588	587	619	574	575	626	465	564	692
52	Oil-exporting countries[3]	233	238	197	135	139	115	1065	201	271
53	All other[4]	1,128	982	980	1,068	1,204	1,383	1,407	1,317	1,482

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1984	1985	1986	1987	1988r				1989
					Dec.r	Mar.	June	Sept.	Dec.	Mar.p
1	**Total**	**29,901**	**28,876**	**36,265**	**30,942**	**31,067**	**37,633**	**37,415**	**31,882**	**30,049**
2	Payable in dollars	27,304	26,574	33,867	28,469	28,993	35,593	34,984	29,622	27,851
3	Payable in foreign currencies	2,597	2,302	2,399	2,473	2,074	2,040	2,431	2,260	2,198
	By type									
4	Financial claims	19,254	18,891	26,273	20,341	20,304	26,265	26,327	20,233	18,346
5	Deposits	14,621	15,526	19,916	14,953	12,693	19,551	19,127	14,556	13,610
6	Payable in dollars	14,202	14,911	19,331	13,813	12,105	18,822	18,180	13,525	12,759
7	Payable in foreign currencies	420	615	585	1,140	588	730	947	1,031	850
8	Other financial claims	4,633	3,364	6,357	5,388	7,612	6,714	7,200	5,677	4,737
9	Payable in dollars	3,190	2,330	5,005	4,574	6,491	5,819	6,257	4,953	3,896
10	Payable in foreign currencies	1,442	1,035	1,352	814	1,120	895	942	724	841
11	Commercial claims	10,646	9,986	9,992	10,600	10,763	11,367	11,088	11,649	11,703
12	Trade receivables	9,177	8,696	8,783	9,535	9,650	10,332	10,103	10,574	10,447
13	Advance payments and other claims	1,470	1,290	1,209	1,065	1,113	1,036	985	1,075	1,256
14	Payable in dollars	9,912	9,333	9,530	10,081	10,397	10,952	10,546	11,144	11,196
15	Payable in foreign currencies	735	652	462	519	366	415	542	505	507
	By area or country									
	Financial claims									
16	Europe	5,762	6,929	10,744	9,523	9,812	11,514	10,534	9,867	8,888
17	Belgium-Luxembourg	15	10	41	7	15	16	49	10	7
18	France	126	184	138	332	308	181	278	224	230
19	Germany	224	223	116	103	95	169	123	138	168
20	Netherlands	66	161	151	351	335	336	359	345	379
21	Switzerland	66	74	185	65	54	105	84	215	173
22	United Kingdom	4,864	6,007	9,855	8,455	8,790	10,428	9,311	8,578	7,619
23	Canada	3,988	3,260	4,808	2,844	2,669	2,913	3,612	2,338	2,171
24	Latin America and Caribbean	8,216	7,846	9,291	6,994	6,451	10,842	11,130	6,951	6,215
25	Bahamas	3,306	2,698	2,628	1,994	2,329	4,176	4,074	1,781	2,138
26	Bermuda	6	6	6	7	43	87	188	19	25
27	Brazil	100	78	86	63	86	46	44	47	49
28	British West Indies	4,043	4,571	6,078	4,414	3,461	6,030	6,358	4,617	3,582
29	Mexico	215	180	174	172	154	147	133	151	117
30	Venezuela	125	48	21	19	35	28	27	22	26
31	Asia	961	731	1,317	883	1,296	878	930	801	929
32	Japan	353	475	999	605	1,133	646	737	603	685
33	Middle East oil-exporting countries[2]	13	4	7	10	7	6	6	6	8
34	Africa	210	103	85	65	53	60	96	107	91
35	Oil-exporting countries[3]	85	29	28	7	7	10	9	10	9
36	All other[4]	117	21	28	33	24	58	26	169	51
	Commercial claims									
37	Europe	3,801	3,533	3,725	4,180	4,170	4,694	4,286	4,835	4,793
38	Belgium-Luxembourg	165	175	133	178	193	158	171	174	198
39	France	440	426	431	650	552	684	542	665	750
40	Germany	374	346	444	562	637	773	613	590	626
41	Netherlands	335	284	164	133	150	172	145	207	156
42	Switzerland	271	284	217	185	173	262	183	317	242
43	United Kingdom	1,063	898	999	1,073	1,059	1,095	1,172	1,181	1,193
44	Canada	1,021	1,023	934	936	1,166	937	977	970	1,096
45	Latin America and Caribbean	2,052	1,753	1,857	1,930	1,930	2,067	2,104	2,143	2,031
46	Bahamas	8	13	28	19	14	13	12	31	32
47	Bermuda	115	93	193	170	171	174	161	156	175
48	Brazil	214	206	234	226	209	232	234	296	275
49	British West Indies	7	6	39	26	24	25	22	20	21
50	Mexico	583	510	412	368	374	411	463	457	476
51	Venezuela	206	157	237	283	274	304	266	226	210
52	Asia	3,073	2,982	2,755	2,915	2,853	2,994	3,026	2,944	3,110
53	Japan	1,191	1,016	881	1,158	1,107	1,168	962	928	1,060
54	Middle East oil-exporting countries[2]	668	638	563	450	408	446	437	441	421
55	Africa	470	437	500	401	419	425	425	434	386
56	Oil-exporting countries[3]	134	130	139	144	126	136	137	122	94
57	All other[4]	229	257	222	238	225	250	270	324	286

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1987	1988	1989	1988		1989				
			Jan.–May	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	249,122	181,048	78,086	11,973	11,224	11,923	18,384	15,811	14,079	17,890
2 Foreign sales	232,849	183,039	76,789	11,861	12,467	11,789	18,495[r]	15,442	14,235	16,828
3 Net purchases, or sales (−)	**16,272**	**−1,991**	**1,298**	**112**	**−1,243**	**134**	**−111[r]**	**370**	**−157**	**1,062**
4 Foreign countries	**16,321**	**−1,816**	**1,506**	**89**	**−1,198**	**167**	**−81[r]**	**507**	**−150**	**1,064**
5 Europe	1,932	−3,353	−260	−901	−771	−99	−126	71	182	−289
6 France	905	−281	312	−49	−64	38	159	70	168	−123
7 Germany	−70	218	−53	−20	−53	30	59	59	14	−215
8 Netherlands	892	−535	−126	−30	−1	128	−64	4	−125	−69
9 Switzerland	−1,123	−2,242	−1,868	−268	−273	−345	−1,181	91	−141	−293
10 United Kingdom	631	−954	1,549	−579	−424	74	800	−107	288	494
11 Canada	1,048	1,087	−52	576	274	320	−361	130	−66	−75
12 Latin America and Caribbean	1,318	1,249	2,304	98	−21	599	575[r]	636	104	390
13 Middle East[1]	−1,360	−2,473	245	151	−132	−100	265	220	−345	206
14 Other Asia	12,896	1,365	−928	138	−567	−603	−544	−536	−28	784
15 Japan	11,365	1,922	−761	133	−407	−563	−487	−458	−16	763
16 Africa	123	188	47	21	−1	29	4	5	10	−1
17 Other countries	365	121	151	6	19	21	106	−19	−7	50
18 Nonmonetary international and regional organizations	**−48**	**−176**	**−209**	**23**	**−45**	**−33**	**−30**	**−137**	**−6**	**−2**
BONDS[2]										
19 Foreign purchases	105,856	86,362	44,328	7,650	8,423	6,137	9,610	10,423	9,736	8,421
20 Foreign sales	78,312	58,301	30,468	4,795	4,441	4,757[r]	4,736	7,025	5,157	8,793
21 Net purchases, or sales (−)	**27,544**	**28,062**	**13,860**	**2,856**	**3,982**	**1,380[r]**	**4,874**	**3,398**	**4,579**	**−372**
22 Foreign countries	**26,804**	**28,604[r]**	**13,710**	**2,825**	**3,978**	**1,360[r]**	**4,908**	**3,358**	**4,578**	**−494**
23 Europe	21,989	17,338	8,518	1,240	2,560	499[r]	2,055	2,794	3,215	−45
24 France	194	143	251	13	−130	107	41	−16	27	93
25 Germany	33	1,344	172	−122	75	15	38	148	135	−164
26 Netherlands	269	1,514	139	171	17	30	−21	69	51	9
27 Switzerland	1,587	513	241	−13	273	130	131	4	90	−114
28 United Kingdom	19,770	13,088	7,514	1,141	2,468	149[r]	1,751	2,578	2,365	670
29 Canada	1,296	711	696	5	178	180	129	213	115	59
30 Latin America and Caribbean	2,857	1,930	1,539	58	240	229	651	301	219	139
31 Middle East[1]	−1,314	−178[r]	22	143	159	−128	160	87	3	−100
32 Other Asia	2,021	8,900	2,822	1,353	840	552	1,893	−50	990	−563
33 Japan	1,622	7,686	1,549	1,210	746	392	1,567	−285	608	−734
34 Africa	16	−8	24	−1	0	3	2	5	4	10
35 Other countries	−61	−89	88	26	2	24	18	8	33	5
36 Nonmonetary international and regional organizations	**740**	**−542[r]**	**150**	**31**	**3**	**20**	**−34**	**41**	**1**	**122**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	1,081	−1,901[r]	−3,949	−237[r]	−1,102	−891	−629	−147	−956	−1,326
38 Foreign purchases	95,458	75,203[r]	38,917	7,745[r]	7,472	6,856	8,070	9,477	6,721	7,794
39 Foreign sales	94,377	77,104[r]	42,866	7,982[r]	8,573	7,748	8,698	9,624	7,676	9,120
40 Bonds, net purchases, or sales (−)	−7,946	−9,869[r]	−1,915	620[r]	−1,720	−247	−484	−653[r]	−181	−350
41 Foreign purchases	199,089	217,648[r]	90,312	21,258[r]	20,510	14,835	18,711	23,395	15,946	17,425
42 Foreign sales	207,035	227,517[r]	92,227	20,637[r]	22,230	15,083	19,195	24,047[r]	16,127	17,775
43 Net purchases, or sales (−), *of stocks and bonds*	**−6,865**	**−11,770[r]**	**−5,863**	**383[r]**	**−2,822**	**−1,139**	**−1,112**	**−800[r]**	**−1,136**	**−1,676**
44 Foreign countries	**−6,757**	**−12,251[r]**	**−6,463**	**347[r]**	**−2,916**	**−1,115**	**−1,190**	**−992[r]**	**−1,330**	**−1,835**
45 Europe	−12,101	−10,205[r]	−5,629	−476	−1,543	−80	−797	−1,399	−1,734	−1,620
46 Canada	−4,072	−3,799	−1,861	392	−658	−378	−530	−584	191	−561
47 Latin America and Caribbean	828	1,386	407	23	−32	68	79	161	195	−97
48 Asia	9,299	987[r]	686	338[r]	−189	−872	−34	885[r]	71	635
49 Africa	89	−54	−3	18	−33	6	−9	−16	11	4
50 Other countries	−800	−567	−61	52	−461	139	100	−40	−65	−196
51 Nonmonetary international and regional organizations	**−108**	**481[r]**	**599**	**36**	**94**	**−23**	**78**	**192**	**193**	**159**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1987	1988	1989	1988		1989				
			Jan.–May	Nov.	Dec.	Jan.r	Feb.r	Mar.	Apr.	May p
	Transactions, net purchases or sales (–) during period[1]									
1 **Estimated total**[2]	**25,587**	**48,884r**	**28,318**	**8,648r**	**384r**	**2,828**	**8,783**	**8,640**	**29**	**8,039**
2 Foreign countries[2]	30,889	48,187r	27,050	8,304r	2,384	2,040	9,907	8,297	291	6,516
3 Europe[2]	23,716	14,343r	10,716	1,776r	330r	2,141	3,775	2,143	–1,814	4,472
4 Belgium–Luxembourg	653	923	114	133	–90	9	127	–23	–87	88
5 Germany[2]	13,330	–5,268r	–146	–966r	–374r	938	–31	–181	–693	–179
6 Netherlands	–913	–356	–636	135	–114	268	135	242	–643	–638
7 Sweden	210	–323	3	355	118	–115	297	–508	398	–69
8 Switzerland[2]	1,917	–1,074	2,776	–411	–18r	214	438	1,768	440	–83
9 United Kingdom	3,975	9,674	4,941	1,953r	–232r	–348	1,533	1,207	–1,298	3,847
10 Other Western Europe	4,563	10,776	3,674	577	1,054	1,175	1,277	–363	74	1,511
11 Eastern Europe	–19	–10	–10	–2	–15	0	0	0	–5	–5
12 Canada	4,526	3,761	287	–368	788	54	17	–55	114	157
13 Latin America and Caribbean	–2,192	703	222	582	–104	–104	525	113	–132	–179
14 Venezuela	150	–109	–108	0	0	–37	1	–53	–18	0
15 Other Latin America and Caribbean	–1,142	1,120	–92	506	140	–163	247	132	–231	–78
16 Netherlands Antilles	–1,200	–308	422	77	–244	96	276	34	117	–101
17 Asia	4,488	27,606r	16,737	6,869r	1,021r	626	5,955	5,659	1,743	2,756
18 Japan	868	21,752	9,765	4,224	–157	116	2,503	1,855	2,624	2,668
19 Africa	–56	–13	41	–8	–7	–1	15	–2	32	–3
20 All other	407	1,786	–954	–548	358	–676	–379	439	350	–687
21 Nonmonetary international and regional organizations	–5,300	700r	1,270	345r	–2,000r	788	–1,124	344	–262	1,524
22 International	–4,387	1,142	1,216	489	–2,019	777	–1,072	424	–252	1,340
23 Latin America regional	3	–31	31	10	10	0	–10	–8	–21	70
Memo										
24 Foreign countries[2]	30,889	48,187r	27,050	8,303r	2,384r	2,040	9,907	8,297	291	6,516
25 Official institutions	31,064	26,624r	10,957	2,196	2,243r	2,019	4,299	6,549	–842	–1,068
26 Other foreign[2]	–181	21,560r	16,093	6,106r	141r	21	5,609	1,747	1,133	7,583
Oil-exporting countries										
27 Middle East[3]	–3,142	1,963r	5,526	2,119r	1,090r	129	3,560	2,607	–471	–299
28 Africa[4]	16	1	0	0	0	0	0	0	0	0

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. Includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per year

Country	Rate on July 31, 1989		Country	Rate on July 31, 1989		Country	Rate on July 31, 1989	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	6.0	June 1989	France[1]	8.75	June 1989	Norway	8.0	June 1983
Belgium	9.25	June 1989	Germany, Fed. Rep. of	5.0	June 1989	Switzerland	4.5	Apr. 1989
Brazil	49.0	Mar. 1981	Italy	13.5	Mar. 1989	United Kingdom[2]	....	....
Canada	12.32	July 1989	Japan	3.25	May 1989	Venezuela	8.0	Oct. 1985
Denmark	8.0	June 1989	Netherlands	6.0	June 1989			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. Minimum lending rate suspended as of Aug. 20, 1981.

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per year, averages of daily figures

Country, or type	1986	1987	1988	1989						
				Jan.	Feb.	Mar.	Apr.	May	June	July
1 Eurodollars	6.70	7.07	7.86	9.28	9.61	10.18	10.01	9.66	9.28	8.86
2 United Kingdom	10.87	9.65	10.28	13.06	12.97	13.00	13.09	13.08	14.17	13.91
3 Canada	9.18	8.38	9.63	11.34	11.69	12.22	12.58	12.44	12.35	12.24
4 Germany	4.58	3.97	4.28	5.63	6.36	6.57	6.42	6.96	6.93	7.00
5 Switzerland	4.19	3.67	2.94	5.31	5.69	5.75	6.05	7.26	7.09	6.92
6 Netherlands	5.56	5.24	4.72	5.99	6.75	6.88	6.70	7.30	7.11	7.07
7 France	7.68	8.14	7.80	8.55	9.11	9.07	8.61	8.81	8.89	9.05
8 Italy	12.60	11.15	11.04	11.84	12.26	12.88	12.21	12.27	12.35	12.46
9 Belgium	8.04	7.01	6.69	7.59	8.04	8.28	8.17	8.45	8.51	8.46
10 Japan	4.96	3.87	3.96	4.24	4.21	4.21	4.20	4.25	4.46	4.71

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar

Country/currency	1986	1987	1988	1989 Feb.	1989 Mar.	1989 Apr.	1989 May	1989 June	1989 July
1 Australia/dollar[2]	67.093	70.136	78.408	85.64	81.69	80.35	77.36	75.61	75.66
2 Austria/schilling	15.260	12.649	12.357	13.022	13.148	13.161	13.691	13.912	13.308
3 Belgium/franc	44.662	37.357	36.783	38.792	39.136	39.148	40.723	41.414	39.559
4 Canada/dollar	1.3896	1.3259	1.2306	1.1891	1.1954	1.1888	1.1925	1.1986	1.1891
5 China, P.R./yuan	3.4615	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314
6 Denmark/krone	8.0954	6.8477	6.7411	7.2094	7.2912	7.2803	7.5820	7.7087	7.3527
7 Finland/markka	5.0721	4.4036	4.1933	4.3006	4.2994	4.1961	4.3409	4.4302	4.2699
8 France/franc	6.9256	6.0121	5.9594	6.3004	6.3321	6.3223	6.5815	6.7135	6.4105
9 Germany/deutsche mark	2.1704	1.7981	1.7569	1.8505	1.8686	1.8697	1.9461	1.9789	1.8901
10 Greece/drachma	139.93	135.47	142.00	154.72	157.34	159.23	165.41	170.42	163.84
11 Hong Kong/dollar	7.8037	7.7985	7.8071	7.8009	7.7969	7.7828	7.7799	7.7934	7.8040
12 India/rupee	12.597	12.943	13.899	15.240	15.467	15.718	16.102	16.420	16.416
13 Ireland/punt[2]	134.14	148.79	152.49	144.10	142.84	142.67	137.39	134.92	141.26
14 Italy/lira	1491.16	1297.03	1302.39	1355.28	1372.50	1371.80	1415.83	1434.40	1367.39
15 Japan/yen	168.35	144.60	128.17	127.74	130.55	132.04	137.86	143.98	140.42
16 Malaysia/ringgit	2.5830	2.5185	2.6189	2.7307	2.7535	2.7211	2.6967	2.7086	2.6809
17 Netherlands/guilder	2.4484	2.0263	1.9778	2.0895	2.1085	2.1098	2.1938	2.2292	2.1318
18 New Zealand/dollar[2]	52.456	59.327	65.558	61.629	61.547	61.167	60.718	57.376	57.537
19 Norway/krone	7.3984	6.7408	6.5242	6.7254	6.8059	6.7964	7.0337	7.1852	6.9480
20 Portugal/escudo	149.80	141.20	144.26	152.10	154.05	154.54	160.71	164.92	158.31
21 Singapore/dollar	2.1782	2.1059	2.0132	1.9285	1.9407	1.9497	1.9575	1.9572	1.9589
22 South Africa/rand	2.2918	2.0385	2.1900	2.4570	2.5393	2.5480	2.6710	2.7828	2.6909
23 South Korea/won	884.61	825.93	734.51	680.28	675.68	672.10	669.25	669.43	669.83
24 Spain/peseta	140.04	123.54	116.52	115.67	116.40	116.146	121.39	126.55	118.73
25 Sri Lanka/rupee	27.933	29.471	31.847	33.115	33.416	34.021	34.145	33.475	34.764
26 Sweden/krona	7.1272	6.3468	6.1369	6.3238	6.3933	6.3689	6.5756	6.6872	6.4653
27 Switzerland/franc	1.7979	1.4918	1.4642	1.5740	1.6110	1.6469	1.7290	1.7089	1.6281
28 Taiwan/dollar	37.837	31.756	28.636	27.716	27.591	26.998	25.788	26.023	25.816
29 Thailand/baht	26.314	25.774	25.312	25.386	25.542	25.524	25.757	25.909	25.771
30 United Kingdom/pound[2]	146.77	163.98	178.13	175.34	171.34	170.08	163.07	155.30	162.68
MEMO									
31 United States/dollar[3]	112.22	96.94	92.72	95.77	96.99	97.24	100.81	103.09	99.12

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.
2. Value in U.S. cents.
3. Index of weighted-average exchange value of U.S. dollar against the currencies of 10 industrial countries. The weight for each of the 10 countries is the 1972–76 average world trade of that country divided by the average world trade of all 10 countries combined. Series revised as of August 1978 (see FEDERAL RESERVE BULLETIN, vol. 64, August 1978, p. 700).

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected	0	Calculated to be zero
e	Estimated	n.a.	Not available
p	Preliminary	n.e.c.	Not elsewhere classified
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
*	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)	REITs	Real estate investment trusts
		RPs	Repurchase agreements
		SMSAs	Standard metropolitan statistical areas
		. . .	Cell not applicable

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables, details do not add to totals because of rounding.

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin Reference

SPECIAL TABLES—Published Irregularly, with Latest Bulletin Reference

Special tables begin on next page.

4.31 Pro forma balance sheet for priced services of the Federal Reserve System[1]

Millions of dollars

Item	March 31, 1989		March 31, 1988	
Short-term assets[2]				
Imputed reserve requirement on clearing balances	217.9		222.0	
Investment in marketable securities	1,598.1		1,628.0	
Receivables	61.2		58.4	
Materials and supplies	6.3		6.0	
Prepaid expenses	23.4		9.0	
Items in process of collection	3,509.2		2,875.8	
Total short-term assets		5,416.2		4,799.2
Long-term assets[3]				
Premises	275.8		258.7	
Furniture and equipment	123.9		119.4	
Leases and leasehold improvements	6.2		3.0	
Prepaid pension costs	41.1		23.4	
Total long-term assets		447.0		404.5
Total assets		**5,863.2**		**5,203.7**
Short-term liabilities				
Clearing balances and balances arising from early credit of uncollected items	2,219.5		2,091.3	
Deferred available items	3,105.7		2,634.5	
Short-term debt	90.9		73.4	
Total short-term liabilities		5,416.2		4,799.2
Long-term liabilities				
Obligations under capital leases	1.2		1.2	
Long-term debt	128.7		120.8	
Total long-term liabilities		129.9		122.0
Total liabilities		**5,546.1**		**4,921.2**
Equity		317.1		282.5
Total liabilities and equity[4]		**5,863.2**		**5,203.7**

1. Details may not sum to totals because of rounding.
2. The imputed reserve requirement on clearing balances and investment in marketable securities reflect the Federal Reserve's treatment of clearing balances maintained on deposit with Reserve Banks by depository institutions. For presentation of the balance sheet and the income statement, clearing balances are reported in a manner comparable to the way correspondent banks report compensating balances held with them by respondent institutions. That is, respondent balances held with a correspondent are subject to a reserve requirement established by the Federal Reserve. This reserve requirement must be satisfied with either vault cash or with nonearning balances maintained at a Reserve Bank. Following this model, clearing balances maintained with Reserve Banks for priced service purposes are subjected to imputed reserve requirements. Therefore, a portion of the clearing balances held with the Federal Reserve is classified on the asset side of the balance sheet as required reserves and is reflected in a manner similar to vault cash and due from bank balances normally shown on a correspondent bank's balance sheet. The remainder of clearing balances is assumed to be available for investment. For these purposes, the Federal Reserve assumes that all such balances are invested in three-month Treasury bills.

The account "items in the process of collection" (CIPC) represents the gross amount of Federal Reserve CIPC as of the balance sheet date, stated on a basis comparable with a commercial bank. Adjustments have been made for intra-System items that would otherwise be double-counted on a consolidated Federal Reserve balance sheet; items associated with nonpriced items, such as items collected for government agencies; and items associated with providing fixed availability or credit prior to receipt and processing of items. The cost base for providing services that must be recovered under the Monetary Control Act includes the cost of float (the difference between the value of gross CIPC and the value of deferred availability items) incurred by the Federal Reserve during the period, valued at the federal funds rate. The amount of float, or net CIPC, represents the portion of gross CIPC that involves a financing cost.
3. Long-term assets on the balance sheet have been allocated to priced services with the direct determination method, which uses the Federal Reserve's Planning and Control System to ascertain directly the value of assets used solely in priced services operations and to apportion the value of jointly used assets between priced services and nonpriced services. Also, long-term assets include an estimate of the assets of the Board of Governors directly involved in the development of priced services.

Long-term assets include amounts for capital leases and leasehold improvements and for prepaid pension costs associated with priced services. Effective January 1, 1987, the Federal Reserve Banks implemented Financial Accounting Standards Board Statement No. 87, Employer's Accounting for Pensions.
4. A matched-book capital structure has been used for those assets that are not "self-financing" in determining liability and equity amounts. Short-term assets are financed with short-term debt. Long-term assets are financed with long-term debt and equity in a proportion equal to the ratio of long-term debt to equity for the bank holding companies used in the model for the private sector adjustment factor (PSAF).

4.32 Pro forma income statement for priced services of the Federal Reserve System[1]

Millions of dollars

Item	Quarter ending March 31			
	1989		1988	
Income services provided to depository institutions[2]		177.1		163.2
Production expenses[3]		138.2		130.5
Income from operations		38.9		32.7
Imputed costs[4]				
Interest on float	14.3		11.2	
Interest on debt	4.2		4.1	
Sales taxes	1.8		2.1	
FDIC insurance	.4	20.8	.4	17.8
Income from operations after imputed costs		18.1		14.9
Other income and expenses[5]				
Investment income	41.1		29.1	
Earnings credits	34.4	6.7	27.3	1.9
Income before income taxes		24.8		16.8
Imputed income taxes[6]		8.4		5.4
Net income		**16.4**		**11.4**
MEMO				
Targeted return on equity[6]		8.2		8.2

1. The income statement reflects income and expenses for priced services. Included in these amounts are the imputed costs of float, imputed financing costs, and the income related to clearing balances.

Details may not add to totals because of rounding.

2. Income represents charges to depository institutions for priced services. This income is realized through one of two methods: direct charges to an institution's account or charges against accumulated earnings credits. Income includes charges for per-item fees, fixed fees, package fees, explicitly priced float, account maintenance fees, shipping and insurance fees, and surcharges.

3. Production expenses include direct, indirect, and other general administrative expenses of the Federal Reserve Banks for providing priced services. Also included are the expenses of staff members of the Board of Governors working directly on the development of priced services, which amounted to $0.4 million in the first quarter for both 1989 and 1988.

4. Imputed float costs represent the value of float to be recovered, either explicitly or through per-item fees, during the period. Float costs include those for checks, book-entry securities, noncash collection, ACH, and wire transfers.

The following table depicts the daily average recovery of float by the Federal Reserve Banks for the first quarter of 1989. In the table, unrecovered float includes that generated by services to government agencies or by other central bank services.

Float recovered through income on clearing balances represents increased investable clearing balances as a result of reducing imputed reserve requirements through the use of a deduction for float for cash items in process of collection when calculating the reserve requirement. This income then reduces the float required to be recovered through other means.

As-of adjustments and direct charges refer to midweek closing float and interterritory check float, which may be recovered from depositing institutions through adjustments to the institution's reserve or clearing balance or by valuing the float at the federal funds rate and billing the institution directly.

Float recovered through per-item fees is valued at the federal funds rate and has been added to the cost base subject to recovery in the first quarter of 1989

Total float	1,122.6
Unrecovered float	91.2
Float subject to recovery	1,031.4
Sources of float recovery	
Income on clearing balances	122.4
As of adjustments	427.7
Direct charges	159.8
Per-item fees	321.5

Also included in imputed costs is the interest on debt assumed necessary to finance priced-service assets and the sales taxes and FDIC insurance assessment that the Federal Reserve would have paid had it been a private-sector firm.

5. Other income and expenses consist of income on clearing balances and the cost of earnings credits granted to depository institutions on their clearing balances. Income on clearing balances represents the average coupon-equivalent yield on three-month Treasury bills applied to the *total* clearing balance maintained, adjusted for the effect of reserve requirements on clearing balances. Expenses for earnings credits are derived by applying the average federal funds rate to the *required* portion of the clearing balances, adjusted for the net effect of reserve requirements on clearing balances.

6. Imputed income taxes are calculated at the effective tax rate derived from a model consisting of the 25 largest bank holding companies. The targeted return on equity represents the after-tax rate of return on equity that the Federal Reserve would have earned had it been a private business firm, based on the bank holding company model.

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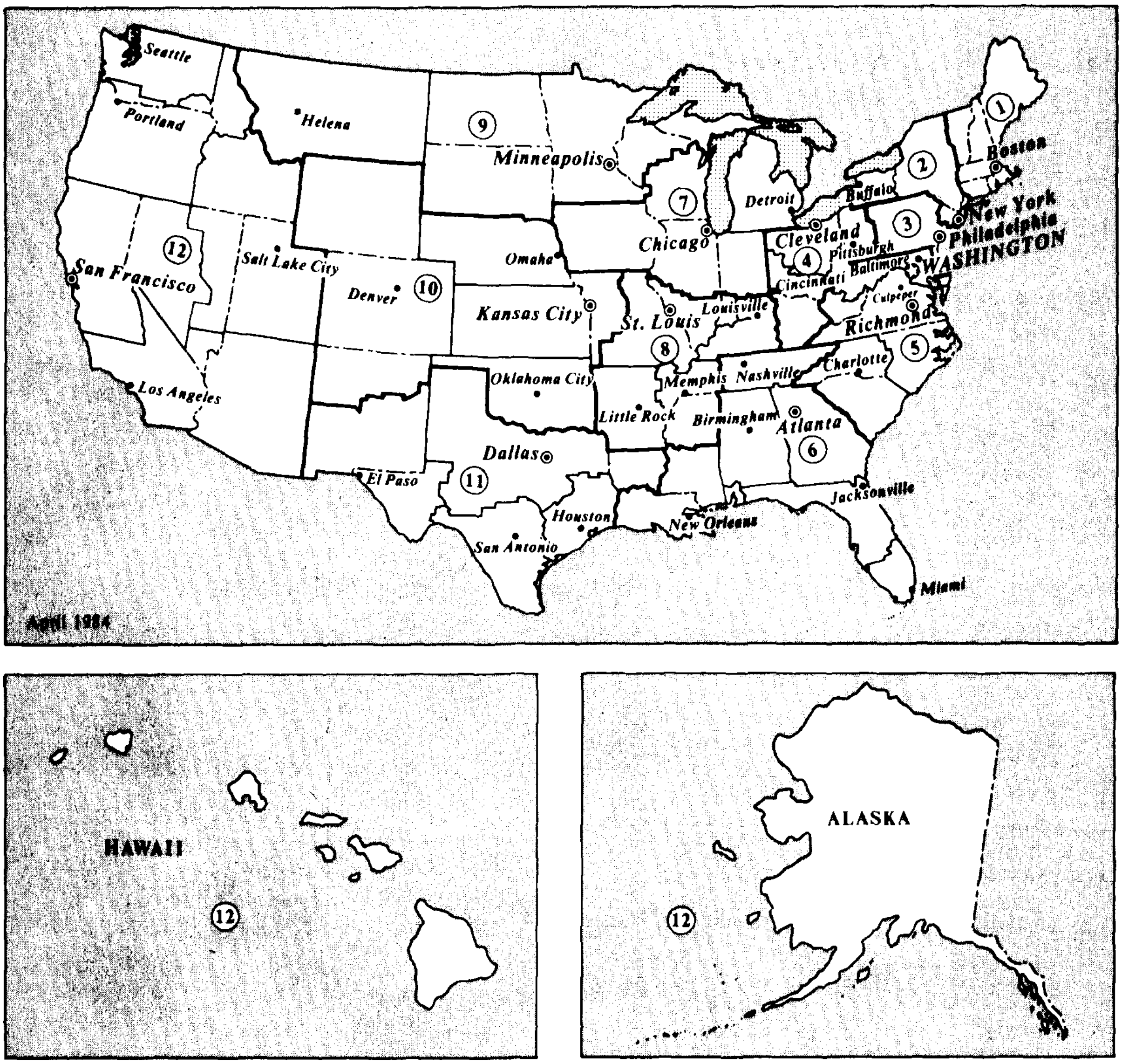

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